

**THE FEASIBILITY OF PRIVATE MARKET  
SINGLE FAMILY DETACHED INFILL HOUSING  
IN THE CITY OF WINNIPEG**

by

Paul Harris McNeil

A Thesis Submitted to the Faculty of Graduate Studies  
in Partial Fulfilment of the Requirement for the Degree of

Master of City Planning

Department of City Planning  
Faculty of Architecture  
University of Manitoba

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## ABSTRACT

The older residential neighbourhoods of the city of Winnipeg had been in decline for several decades. The city of Winnipeg adopted a new development plan, known as "Plan Winnipeg", in the early 1980s in which an "Infill/Revitalization" strategy was developed to deal with the problem. This strategy encouraged the construction of new infill housing by the private development industry.

An examination by the author of literature from other North American cities experiencing similar problems to Winnipeg indicated that although infill housing programs are extensively utilized as a method of older neighbourhood regeneration, assistance in the form of government subsidies was almost always required to make such programs successful. The risks were too high and the profits too low or non-existent to attract private market developers.

The practical problems of building single family detached houses on scattered lots on an infill basis in the older neighbourhoods of Winnipeg were examined in detail. Government policy and its affect on infill building was also examined. The author found that, with the exception of a program of grants to home buyers by the Core Area Initiative, no programs were established to encourage or assist in the development of new infill houses. In addition, through a lack of co-ordination on the part of the city, its various departments were inadvertently erecting barriers to discourage infill housing.

The author concluded that a successful infill housing market cannot develop in Winnipeg without government assistance. He recommended a series of programs to be directed at both home buyers and house builders to encourage the development of infill houses in older neighbourhoods. These programs would be cost-shared by the city of Winnipeg and the provincial government. The average level of assistance would be \$4,000 per house.

## TABLE OF CONTENTS

|   |     |
|---|-----|
| List of Illustrations   | v.  |
| List of Tables  | v.  |
| 1 Introduction  | 1.  |
| 2 Methodology   | 9.  |
| 3 Infill Housing as a Policy for Urban Renewal in North American Cities | 12. |
| 3.1 Canadian Research on Infill Housing                                 | 16. |
| 3.2 The Winnipeg Mark VIII "Infill" Housing Project                     | 22. |
| 3.3 American Research on Infill Housing                                 | 24. |
| 3.4 Infill Housing in Canadian Cities                                   | 28. |
| 3.4.1 Montreal  | 31. |
| 3.4.2 The "Grow Home" - Montreal  | 33. |
| 3.4.3 Toronto   | 34. |
| 3.4.4 Other Canadian Examples   | 36. |
| 3.4.5 Summary of Infill Activity in Canadian Cities                     | 37. |
| 3.5 American Parallels and Experience                                   | 38. |
| 3.5.1 Pittsburgh, Pennsylvania  | 39. |
| 3.5.2 Norfolk, Virginia   | 40. |
| 3.5.3 Rochester, New York   | 42. |
| 3.5.4 Urban Land Institute - Low Income Neighbourhood Panels<br>Program | 43. |
| 3.5.5 Fort Wayne, Indiana   | 44. |
| 3.5.6 Dallas, Texas   | 45. |
| 3.5.7 Atlanta, Georgia  | 47. |

ii.

|       |       |   |     |
|-------|-------|---|-----|
|       | 3.5.8 | Summary of the Urban Land Institute Panels . . . . .                      | 48. |
| 3.6   |       | Gentrification as a Factor in Urban Renewal . . . . .                     | 48. |
| 3.7   |       | Summary . . . . .   | 50. |
| 4     |       | Housing Activity in Winnipeg . . . . .                                    | 53. |
| 4.1   |       | Housing Activity 1981 - 1991 . . . . .                                    | 54. |
| 4.2   |       | Housing Trends - Past and Future . . . . .                                | 57. |
| 4.3   |       | Summary . . . . .   | 64. |
| 5     |       | The House Building Industry in Winnipeg and Infill Housing . . . . .      | 66. |
| 5.1   |       | The Structure of the Industry . . . . .                                   | 66. |
| 5.2   |       | The Land Developers . . . . .   | 69. |
| 5.3   |       | The Builders . . . . .  | 71. |
| 5.4   |       | Summary . . . . .   | 73. |
| 6     |       | Factors Affecting the Viability of a Private Market Builder in Winnipeg . | 75. |
| 6.1   |       | Land Acquisition . . . . .  | 75. |
| 6.2   |       | Overhead Costs and Profitability . . . . .                                | 80. |
| 6.3   |       | Regulatory Controls; Zoning and Building Code Requirements . . .          | 82. |
| 6.4   |       | Site Servicing . . . . .  | 85. |
| 6.5   |       | "Tight Site" Construction Problems . . . . .                              | 88. |
| 6.5.1 |       | Demolition . . . . .  | 88. |
| 6.5.2 |       | The Community . . . . .   | 88. |
| 6.5.3 |       | The Neighbours . . . . .  | 89. |
| 6.5.4 |       | Excavations . . . . .   | 90. |
| 6.5.5 |       | Lot Grades . . . . .  | 91. |
| 6.5.6 |       | Boulevard Damage . . . . .  | 93. |
| 6.5.7 |       | Concrete Pumping . . . . .  | 94. |
| 6.5.8 |       | Summary of Additional Costs for Infill Construction . . . .               | 94. |
| 6.6   |       | Mortgage Financing: Appraisal Difficulties . . . . .                      | 95. |

|       |   |      |
|-------|---|------|
| 6.7   | Sales and Marketing . . . . .   | 98.  |
| 6.7.1 | Housing as an Investment . . . . .                                      | 98.  |
| 6.7.2 | Price Spread Between Used and New House Values . . . . .                | 99.  |
| 6.7.3 | Market Targeting . . . . .  | 100. |
| 6.7.4 | Dispersal of Product . . . . .  | 101. |
| 6.7.5 | Consumer Preference . . . . .   | 104. |
| 6.8   | Competition From New Housing in the Suburbs . . . . .                   | 106. |
| 7.0   | Summary . . . . .   | 107. |
| 7     | Current Public Policy Affecting Private Market Infill Housing . . . . . | 110. |
| 7.1   | The City of Winnipeg . . . . .  | 110. |
| 7.1.1 | The Winnipeg Area Characterization Study . . . . .                      | 112. |
| 7.1.2 | The Residential Rehabilitation Assistance Program . . . . .             | 113. |
| 7.1.3 | Plan Winnipeg . . . . .   | 114. |
| 7.1.4 | The City of Winnipeg Non-profit Housing Corporation . . . . .           | 116. |
| 7.1.5 | The Ad Hoc Committee on Housing . . . . .                               | 117. |
| 7.1.6 | Habitat For Humanity . . . . .  | 119. |
| 7.2   | The Province of Manitoba . . . . .                                      | 120. |
| 7.3   | The Government of Canada . . . . .                                      | 122. |
| 7.4   | The Core Area Initiative . . . . .                                      | 123. |
| 7.5   | Summary . . . . .   | 126. |
| 8     | An Evaluation of Current Public Policy on Infill Housing . . . . .      | 128. |
| 8.1   | The City of Winnipeg . . . . .  | 129. |
| 8.2   | The Province of Manitoba . . . . .                                      | 136. |
| 8.3   | The Core Area Initiative . . . . .                                      | 138. |
| 8.4   | Summary . . . . .   | 139. |
| 9     | Directions for the Future . . . . .                                     | 140. |
| 9.1   | Recommendations . . . . .   | 140. |

|       |   |      |
|-------|---|------|
| 9.2   | Program 1. Information and Support . . . . .                            | 144. |
| 9.2.1 | An Infill Housing Advocate and Administrative Support<br>Unit . . . . . | 144. |
| 9.2.2 | Land and Lot Inventories . . . . .                                      | 144. |
| 9.2.3 | Infill Land Development . . . . .                                       | 145. |
| 9.3   | Program 2. Approval Streamlining . . . . .                              | 145. |
| 9.3.1 | Zoning Consistent with the Neighbourhood . . . . .                      | 145. |
| 9.3.2 | One-stop Permit Applications . . . . .                                  | 146. |
| 9.3.3 | Harmonizing Building Code and Zoning By-law<br>Provisions . . . . .     | 146. |
| 9.3.4 | Development Agreement Parameters . . . . .                              | 147. |
| 9.4   | Program 3. Financial Assistance . . . . .                               | 147. |
| 9.4.1 | Dedication Waivers . . . . .  | 147. |
| 9.4.2 | Lot Service Connection Costs . . . . .                                  | 147. |
| 9.4.3 | Variance Application Fees . . . . .                                     | 148. |
| 9.4.4 | Damage Deposits . . . . .   | 148. |
| 9.4.5 | Grants for House Builders . . . . .                                     | 149. |
| 9.4.6 | Realty Tax Credits to Purchasers . . . . .                              | 151. |
| 9.4.7 | Grants to Home Owner . . . . .  | 152. |
| 9.5   | Cost Sharing . . . . .  | 152. |
| 9.6   | Summary . . . . .   | 157. |
|       | Bibliography . . . . .  | 158. |

## LIST OF ILLUSTRATIONS

|          |  |      |
|----------|--|------|
| Figure 1 | The City of Winnipeg Urban Areas . . . . .                       | 7.   |
| Figure 2 | The Relationship of Government Infill Housing Policies . . . . . | 126. |

## LIST OF TABLES

|         |   |      |
|---------|---|------|
| Table 1 | Factors Affecting Infill Potential . . . . .  | 30.  |
| Table 2 | Summary of Residential Building Permits in the City of Winnipeg<br>Urban Area; January 1982 - December 1991 . . . . . | 56.  |
| Table 3 | Population Projections for the City of Winnipeg . . . . .   | 58.  |
| Table 4 | Household Forecasts for the City of Winnipeg . . . . .  | 61.  |
| Table 5 | Summary of New Home Warranty Program Registrations in the<br>City of Winnipeg . . . . .                               | 72.  |
| Table 6 | Infill Building Costs Over and Above Suburban Building Costs for<br>a Detached Dwelling . . . . .                     | 95.  |
| Table 7 | Recommended Infill Housing Programs for the City of Winnipeg  | 154. |

## CHAPTER 1

### Introduction

The city of Winnipeg is located in the prairie region of south central Manitoba. It was established as a fur trading centre in the mid-eighteen hundreds, and it grew rapidly following the turn of the century as a key distribution centre for the settlement and development of western Canada. As a result of this rapid growth, in a somewhat "boom town" environment, housing in many of the neighbourhoods surrounding the central business, railway and warehouse districts was quickly built, often on small lots. The housing was not high quality when it was constructed, and few major improvements have been made since. Much of this housing is still in use today.

As the city grew, so did a number of surrounding smaller, primarily residential, suburban municipalities. The population of most of the municipalities began to expand rapidly following the Second World War. At the same time, the population of Winnipeg began to decrease due to a lack of vacant land for new residential development, and due to the migration of families from inner city neighbourhoods to suburban municipalities. As a result, the city of Winnipeg was left with a disproportionately large percentage of neighbourhoods with older, poor quality housing and a population base which included a higher than average proportion of elderly and single parent households.<sup>1</sup>

This problem was not unique to Winnipeg. Policy makers and those who studied urban issues identified a shift in the nature of the development of cities in the early 1970s. Larry Bourne of the Centre for Urban and Community Studies in Toronto expressed the

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<sup>1</sup> Stewart Clatworthy, Sybil Frenette and Christine McKee. *Housing: Inner City Type Older Areas* (The Institute of Urban Studies: The University of Winnipeg, 1979).

view that the basic parameters of the urbanization process in Canada had changed from the previous two decades in response to slower growth and economic uncertainty associated with a process of deconcentration. Bourne concluded that urban planning and policy development must concentrate on improving the existing built environment rather than continuing to place an emphasis on suburban growth.<sup>2</sup>

Although Bourne and others made their arguments from an academic perspective, their views were in keeping with the changing policies which the federal government was developing with respect to inner city neighbourhoods. The previously utilized federal Urban Renewal Program, which supported large scale clearing of areas in inner city neighbourhoods for redevelopment, was being discarded in favour of more sensitive forms of redevelopment. The federal government acknowledged that neighbourhoods were far from homogeneous in nature and the large scale redevelopment projects, which had been imposed on neighbourhoods, were not working. The federal government introduced legislation in 1973 to create the Neighbourhood Improvement Program (NIP) and the Residential Rehabilitation Assistance Program (RRAP) which were aimed at improving and strengthening what existed within neighbourhoods by working with community organizations. This change in policy resulted from a recognition that older inner city neighbourhoods often contained a interrelated mixture of land uses in a relatively dense pattern of development. Earlier attempts at massive improvement through urban renewal schemes often did more damage to the existing social and physical infrastructure than they did good. As a result, programs which encouraged rehabilitation and infill were seen as having the potential for greater benefits.<sup>3</sup>

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<sup>2</sup> Larry S. Bourne. *Emergent Realities of Urbanization in Canada: Some Parameters and Implications of Declining Growth* (Centre for Urban and Community Studies, University of Toronto: July 1978).

<sup>3</sup> Reg McLemore, Carl Aass, and Peter Keilhofer. *The Changing Canadian Inner City* (Minister of State for Urban Affairs: Ottawa, 1975).

In Manitoba, the provincial government recognized as early as the 1960s that Winnipeg's large inner city residential neighbourhoods were deteriorating and Winnipeg was experiencing population loss to the surrounding suburban municipalities. Attempts to address these problems by utilizing the Urban Renewal Program, with projects such as Lord Selkirk Park, had created large concentrations of public housing units and did not produce the anticipated result of overall improvements to the neighbourhoods. The regional form of government in place at the time, the Metropolitan Corporation of Greater Winnipeg, did not seem to be capable of dealing with the problem in a comprehensive way, primarily because the suburban municipalities were not willing to commit additional funding to problems which they did not feel affected them. In an effort to provide a permanent solution to this on-going struggle, the province amalgamated Winnipeg and the 11 surrounding towns, cities and municipalities into a single administrative unit in 1972. The new municipality, named The City of Winnipeg, was better equipped to begin to address many of the regional problems.<sup>4</sup>

To assist in the revitalization of the older Winnipeg neighbourhoods, and to utilize the new federal Neighbourhood Improvement and the Residential Rehabilitation Assistance programs, the city created the Neighbourhood Improvement Branch in 1973 (within the Environmental Planning Department). Over the following decade, the city began to implement a number of housing and neighbourhood improvement programs and policies. At an early stage in this process, poor quality housing was identified as one of the most pressing problems in the older neighbourhoods of the inner city. A study, entitled *Housing: Inner City Type Older Areas*, was carried out on behalf of the city by the Institute of Urban Studies as part of the Greater Winnipeg Development Plan review process. Included in the objectives of the study was an examination of past and existing inner city housing trends with respect to demographics, housing stock and quality,

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<sup>4</sup> Artibise, Alan. *Winnipeg: An Illustrated History* (James Lorimer & Company: Toronto, 1977), pp. 184-186.

investment patterns, rehabilitation activity, housing market indicators, and socio-economic variables. The study drew four major conclusions:

1. The inner city was experiencing population, demographic and housing market changes resulting in a severe erosion of the quality of life in some inner city type neighbourhoods, increasing social problems linked to concentrations of disadvantaged households, and increasing locational restrictions on housing opportunities open to middle and upper income households
2. The inner city type areas showed a high percentage of housing in poor condition which had contributed to additional neighbourhood erosion and loss of family households
3. Approximately one in every three inner city households was experiencing affordability problems and this problem had been compounded by a shortage of low cost family units
4. Fragmentation of government responsibility for housing had created a situation where municipal housing objectives were formulated in an ad hoc manner and often conflicted with programs undertaken by the federal and provincial governments<sup>5</sup>

The report went on to examine several options for addressing these problems and within its detailed recommendations, suggested that the recommended approach to improving the housing situation in inner city neighbourhoods would be "encouragement and support of rehabilitation, infill and redevelopment by the private sector."<sup>6</sup> The report also noted that private infill would not be effective without support from neighbourhood planning and stabilization strategies. In addition, it cautioned that the infill strategy may be limited by the lack of available vacant lots. The report made a strong recommendation to the city to provide incentives to encourage private sector development in the inner city.<sup>7</sup> This role for the private sector and infill development emerged as one of the key

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<sup>5</sup> Clatworthy, Frenette and McKee, pp. ii, iii.

<sup>6</sup> *Ibid.*, p. 75.

<sup>7</sup> *Ibid.*, p. 77.

strategies of The Greater Winnipeg Development Plan, known as "Plan Winnipeg", which was approved by the city in 1986.

Plan Winnipeg was the first major planning document adopted by the city since amalgamation. It was intended to serve as a strategic plan to guide both the city administration and politicians in decision making over the following two decades. It was structured around two fundamental goals: stabilizing and revitalizing older, established residential neighbourhoods; and directing new suburban growth to areas served by trunk sewer and water mains.<sup>8</sup>

To achieve these objectives, Plan Winnipeg established two key strategies, "Containment" and "Infill/Revitalization". The containment strategy was intended to limit new growth to areas which were cost-effective to service. The infill/revitalization strategy was based on the development of a number of programs and policies directed at encouraging the rehabilitation of older dwelling units and the replacement of demolished dwelling units with new infill units in the city's older declining neighbourhoods.

The strategy was to include:

- rear lot development and the infill of existing vacant sites
- rehabilitation
- revitalization of declining neighbourhoods by creating micro-environments at selected locations
- creation of viable central city living areas which would function as an alternative to suburban communities by upgrading municipal services and neighbourhood facilities<sup>9</sup>

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<sup>8</sup> The City of Winnipeg By-law 2960/81, *Plan Winnipeg*, p. I-4.

<sup>9</sup> *Ibid.*, I-5.

This strategy established a target of attracting 20 percent of the anticipated new housing to be constructed in Winnipeg, over the twenty year horizon of Plan Winnipeg, into the "Older Neighbourhoods" of the city.<sup>10</sup> This was estimated at 11,000 units in total for the older neighbourhoods, or an average of approximately 550 dwelling units per year. The older neighbourhoods identified in Plan Winnipeg are illustrated in Figure 1.

Plan Winnipeg did not specify the type of infill housing it intended to encourage. However, it did indicate that the housing was to be of a character in keeping with the neighbourhood in which it was to be built. The majority of the older neighbourhoods identified in Plan Winnipeg were characterized by single family detached houses which were a maximum of two and a half storeys in height. Therefore, it is reasonable to assume that Plan Winnipeg intended that most of the anticipated new infill housing would be of a similar character. This could take the form of single family detached, semi-detached, and attached (row) housing.

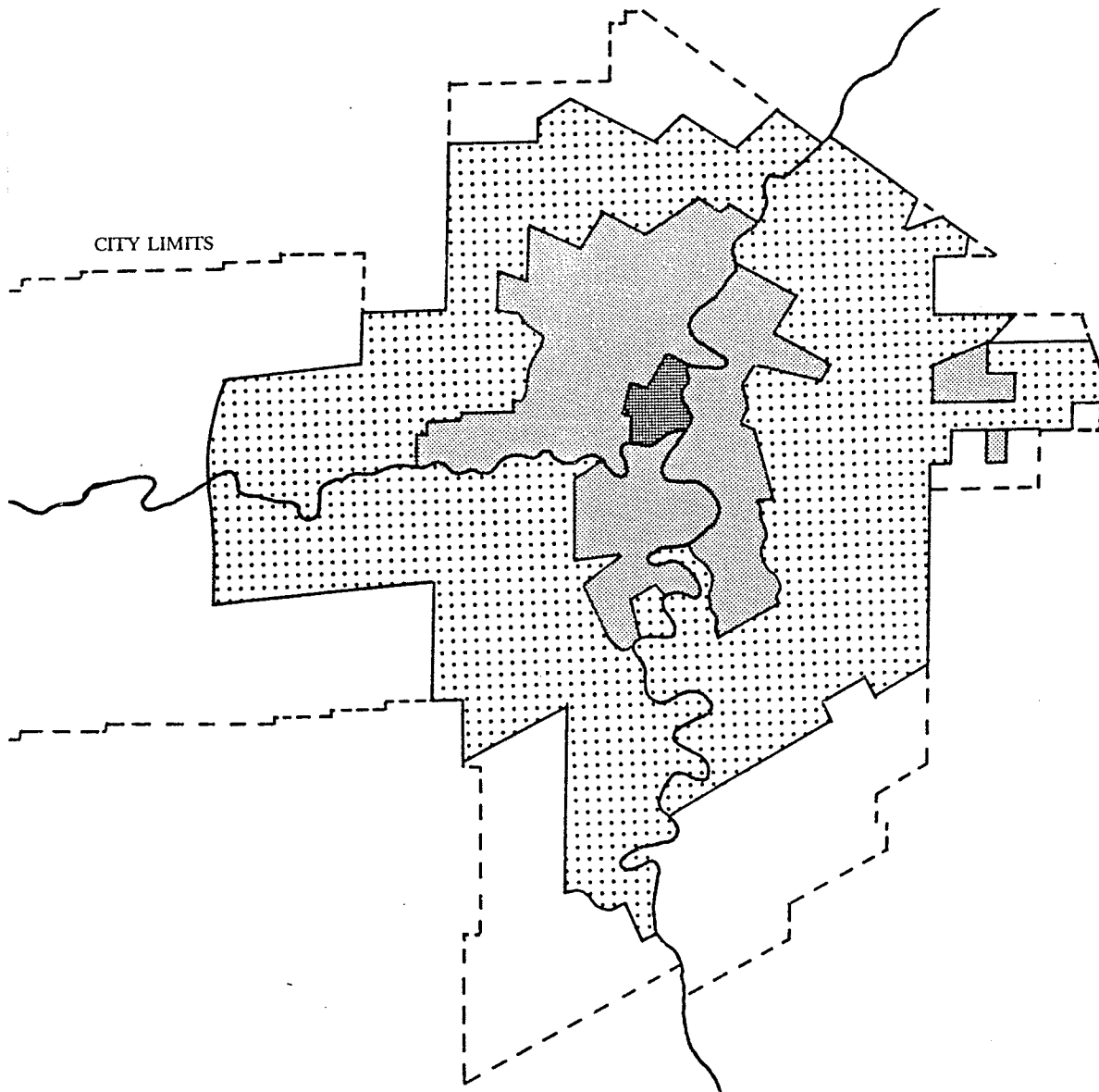
In support of this policy to encourage infill of an appropriate scale and character for the area, the city down-zoned several of the older neighbourhoods from multi-family categories to a newly created zoning category titled "RT-2" Two-family Transitional District. This category permits the construction of single family detached and semi-detached housing and has provision to allow row housing or small apartments by way of a conditional use (which includes a public hearing). Previously, developers could assemble houses (or lots) in areas such as central St. Boniface and Wolesley and build apartments without being subject to a public approval process.

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<sup>10</sup> Although Plan Winnipeg received third and final reading by city council in 1986, it was prepared in the late 1970s and received first reading in 1981. The housing and other projections in the plan were based on the time-frame of 1979-1999.

FIGURE 1

## THE CITY OF WINNIPEG URBAN AREAS



## PLAN WINNIPEG POLICY AREAS



SUBURBAN RESIDENTIAL NEIGHBOURHOODS (INCLUDING ADJACENT INDUSTRIAL AREAS)



OLDER NEIGHBOURHOODS (INCLUDING ADJACENT INDUSTRIAL AREAS)



DOWNTOWN

Plan Winnipeg stated that the infill housing component of the infill/revitalization strategy recognized the need for public sector initiative in selected areas through Neighbourhood and Community Improvement programs, however it relied upon private sector initiative in the majority of the older neighbourhoods.<sup>11</sup> In the absence of statements to the contrary, Plan Winnipeg assumed that the role of the private sector in providing infill housing in older neighbourhoods was not only legitimate, but also viable. However, to be viable for the private builder, it must be profitable. Plan Winnipeg did not address this issue, even though it was fundamental to the success of this component of the plan.

This thesis is a study of the feasibility of private market infill housing in the older neighbourhoods of the city of Winnipeg as defined within Plan Winnipeg.<sup>12</sup> The study is limited to new single family detached houses. Semi-detached houses have been excluded because the market for this type of unit has almost disappeared in Winnipeg due to the availability of competitively priced single family detached houses built on small lots. Although row housing has been built successfully for sale in locales such as the River/Osborne area in Winnipeg, it generally has been associated with multi-family public housing. As a result, there has not been a great deal of market demand for this type of housing unit. Therefore, although the limitation in the thesis to single family detached houses is self-imposed, it is a reflection of past and present consumer preference in Winnipeg. In addition, because there is a recent history of single family detached infill building activity in Winnipeg, it has allowed the author to focus on the practical, rather than theoretical aspects of the feasibility of infill housing.

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<sup>11</sup> Plan Winnipeg did not define the term "private sector." For purposes of this study, the author considered the private sector to be privately owned and operated companies which both initiate and build housing. This does not include private firms which build housing under contract for government and non-profit agencies.

<sup>12</sup> Although Plan Winnipeg is currently under review, all references to Plan Winnipeg in this thesis are to the plan approved by city council in 1986.

## CHAPTER 2

### Methodology

This thesis is an examination of the feasibility of the development of private market single family infill housing in the older residential neighbourhoods of the city of Winnipeg. The study focuses on the elements which would make such a venture economically sustainable from the perspective of the builder, including the availability of building lots, zoning and building code restrictions, construction difficulties, marketing issues, and government assistance. These issues are considered within the context of the local neighbourhood environment, as well as within the broader context of the overall region. The study examines possible linkages between the two, with respect to growth patterns, government policy, and general housing market influences. The key question addressed is whether privately developed single family detached infill housing can be built profitably in Winnipeg.

Fundamental to the question of viability of infill housing is the regulatory environment under which infill housing is developed. Although a factor in the production of all housing, this is critical for infill housing because of the potential overlap of jurisdictions and policies which affect older neighbourhoods. The city's long range development by-law, Plan Winnipeg, established policies which were intended to address these concerns in older neighbourhoods. The encouragement of infill housing was one of these policies. This study examines the relationship between government policy on infill housing and the profitability of infill housing for the developer.

These issues have been considered within the context of the following broader questions:

- What are the factors limiting or discouraging private market housing in "Older Neighbourhoods" as defined in Plan Winnipeg?
- What percentage of new housing built in the past decade has been located within older neighbourhoods?
- What is the breakdown of new housing type built within older neighbourhoods (ie. single family detached, apartments, etc.) and what percentage are these of the totals built within the city?
- Can private market infill housing be profitably produced in Winnipeg without government assistance?
- Has the city of Winnipeg, or any other level of government, implemented policies which would encourage or help (or discourage or hinder) the private sector to build in older neighbourhoods?
- Have Plan Winnipeg's "Containment" and "Infill/Revitalization" strategies encouraged private market house builders to diversify their markets to include older residential neighbourhoods?
- Are Plan Winnipeg's goals with respect to housing, as stated in the infill/revitalization strategy, valid or achievable? If not, can this be addressed?

Prior to the detailed examination of the feasibility of private market infill housing in Winnipeg, similar activity and policies within other Canadian and American cities are reviewed in chapter 3. The private housing market within Winnipeg is discussed in chapter 4 with respect to how the industry is structured and why this influences the infill housing market. To gain an understanding of the degree of success of Plan Winnipeg's infill housing objectives relative to the overall housing market, past and future trends for population and housing are considered in chapter 5.

Chapter 6 is a detailed review of the factors which affect the development of infill houses in Winnipeg. This chapter illustrates, drawing on the author's experience, the

complex nature of infill house building and the difficulties faced in trying to establish a profitable venture in a competitive market.

Public policy on infill housing of the three levels of government is reviewed and analyzed in chapters 7 and 8. The concluding chapter comments on the prospects for a viable infill housing market in Winnipeg and presents recommendations with respect to public policy to foster such a market.

Much of the information about building in the Winnipeg market has not been recorded in written form. Therefore, interviews were conducted with officials from the three levels of government as well as persons involved in the house building industry in Winnipeg.

Other sources of information and data have been The City of Winnipeg Planning Department Research Branch, the Canada Mortgage and Housing Corporation's Housing Information Centre in Ottawa, and library material, primarily in the form of journals and trade magazines. Although trade magazines are not normally considered adequate research material, in the case of the housing industry, and in particular for a study on the practical, rather than theoretical, nature of the business, these magazines represent a useful source of current information on the housing industry.

Finally, it should be noted that the author was the General Manager of City Homes Ltd. from 1986 - 1990. City Homes was a house building company which specialized in the construction of infill houses in Winnipeg. During the period between the fall of 1987 and the spring of 1990, City Homes built 41 houses, without government assistance, on scattered infill lots and was the most active private builder within the older residential neighbourhoods of the city. The author has drawn on his experience during this time for much of the practical, first-hand discussions in chapter 6, "Factors Affecting the Viability of a Private Market Builder in Winnipeg."

## CHAPTER 3

### **Infill Housing as a Policy for Urban Renewal in North American Cities**

Most of what has been written about infill housing falls into three broad categories. The first is infill housing as a policy for utilizing existing municipal services and strengthening older inner-city neighbourhoods. The second is centred around infill housing as a means of providing affordable housing within urban, rather than suburban, neighbourhoods, and as an alternative to high density public housing projects. The third is focused on the design opportunities for architects faced with challenging and unique sites. There are articles in various journals of architecturally unique infill houses and projects from American cities, notably on the west coast, and from Toronto and Vancouver. This area of the literature on infill housing has not been reviewed in the context of this study because of its limited relevance to Winnipeg.

Literature on infill housing as a subject of interest and study first began to appear in the early 1980s, primarily as articles within planning journals and housing trade magazines. However, preceding this, research into a range of urban issues, including housing in older neighbourhoods, was carried out in the mid 1970s. In the two decades prior, growth within cities had focused almost entirely on suburban development. In the 1970s there was a growing awareness of some of the side effects of this period of rapid suburban growth. Concerns were expressed about the energy crisis, a decline in mid-income populations in central city neighbourhoods, the cost of expanding municipal infrastructures, and the loss of agricultural land.

In Canada, federal policy, with respect to older neighbourhoods experiencing high levels of social, economic and housing related problems, had consisted of supporting

large scale clearing of existing housing and its replacement with new, publicly owned housing projects. This approach had been the target of criticism due to the damage that such an approach inflicted on the existing social structure of the communities. In response to this criticism, the Minister of State for Urban Affairs abandoned its Urban Renewal Program and initiated two new programs which were intended to achieve similar ends, but through more sensitive, or "soft", approaches. Writing on behalf of the Minister, McLemore, Aass and Keilhofer described the new programs as an emphasis on preservation and improvement to the existing neighbourhoods to strengthen the social infrastructure and to enhance the propensity to invest in the area.<sup>13</sup>

The federal government, along with their provincial and municipal counterparts, began to develop support for a more effective mix of programs which would promote better quality housing within older neighbourhoods. Improvements to community facilities, public utilities and housing rehabilitation were viewed as fundamental components to this new approach, but it was also recognized that much of the existing housing was of poor quality and had to be replaced. Rather than raze full blocks of housing, as had been done under the Urban Renewal Program, selective infill housing was encouraged as an important part of the mix of programs.<sup>14</sup>

As a result of this new policy direction, in 1978 the Canadian Ministry of State for Urban Affairs (MSUA) initiated independent research into the potential for infill housing development in urban centres. Upon the dissolution of MSUA, direction for the study was transferred to the Canada Mortgage and Housing Corporation (CMHC).

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<sup>13</sup> McLemore, Aass and Keilhofer, p. 1.

<sup>14</sup> *Ibid.* p.2.

American federal urban policy was undergoing a similar evolution and in 1979 the United States Department of Housing and Urban Development (HUD) also initiated research into infill housing. When the two government agencies became aware of the similar studies, a joint meeting was convened in Ottawa in 1979 to exchange research and discuss methodologies. In a summary report of the findings published jointly by HUD and CMHC (Hoben, Griggs and Connolly, 1982), it was noted that the two studies had much in common. Although differences existed between the two countries, the similarities were predominant. Each study considered three urban centres characterized by differing housing market conditions. In Canada, Toronto was examined as an example of a strong market, St. John's as a city experiencing moderate growth, and Winnipeg as a weak market example. In the United States, Miami-Dade County (Florida) was studied as a rapid growth situation; Seattle-King County (Washington State) as a medium growth market; and Rochester-Monroe County (New York State) as a weak market.<sup>15</sup>

The Canadian studies were conducted by Peter Barnard Associates of Toronto and the results were published in three separate reports as case studies. A follow-up report, entitled *Sensitive Infill Housing: Summary Report*, was also prepared by Peter Barnard Associates (Toronto, 1981). A subsequent study entitled *New Housing in Existing Neighbourhoods: Advisory Document* was initiated by CMHC and released in 1982. This report was prepared under the direction of John Archer and was based on research work carried out by the consulting firms of Barton Myers Associates and the Planning Collaborative Incorporated, both of Toronto. The purpose of this study

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<sup>15</sup> James E. Hoben with assistance from Judy Connolly and William Griggs. *Urban Infill, Findings from Canadian and United States Case Studies* (United States Department of Housing and Urban Development and Canada Mortgage and Housing Corporation: 1982), p. 2.

was to develop performance standards and design guidelines for the site planning of infill development.<sup>16</sup>

The American research was carried out under the direction of Deborah Brett of the Real Estate Research Corporation and published jointly by the Urban Land Institute and the American Planning Association in 1982 under the title of *Infill Development Strategies*. This was followed by a companion publication edited by Eric Smart entitled *Making Infill Projects Work*, which was published jointly by the Urban Land Institute and the Lincoln Institute of Land Policy in 1985.<sup>17</sup>

One of the hypotheses common to the Canadian and American research studies was an expectation that there would be a more efficient use of the existing public infrastructure and services, and possibly other potential savings, if an effective urban infill strategy could be developed. Initial analysis indicated that a large amount of vacant land was available in most urban centres, albeit in small parcels, for infill opportunities. The studies concluded, however, that much of the vacant land was not suitable for redevelopment for housing due to physical limitations and conflicting land use constraints. At best, most markets would have the potential to utilize less than 40 percent of the vacant land within the cities (Hoben, Griggs and Connolly, 1982). In addition, the report concluded that the potential economic benefits from infill housing, both from the perspective of the municipality as well as the home owner, were marginal at best for the sites studied and cautioned that claims of major economic benefits should be given careful appraisal.

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<sup>16</sup> John Archer. *New Housing in Existing Neighbourhoods: Advisory Document*. Canada Housing and Mortgage Corporation, (Ottawa 1982).

<sup>17</sup> Real Estate Research Corporation. *Infill Development Strategies* (ULI - the Urban Land Institute and American Planning Association: Washington, D.C., 1982); and Eric Smart (editor). *Making Infill Projects Work* (ULI - the Urban Land Institute: Washington D.C., 1985).

### 3.1 Canadian Research on Infill Housing

The Canadian studies are of particular relevance to this examination of the feasibility of private market infill housing in Winnipeg because Barnard's research and conclusions seem to have been influential in forming the original goals established in Plan Winnipeg (this link is discussed later in this chapter). Peter Barnard Associates took an in-depth look at sensitive infill market potential and activity in the late seventies in three cities which were considered to be representative of the range of housing markets in Canada. For the purposes of the studies, Barnard defined sensitive infill as "low-rise development on small scale sites requiring little or no demolition of residential units and capable of being built by small builders."<sup>18</sup> Barnard stated that there had been a fundamental shift in the late seventies in planning and policy away from an emphasis on the suburban growth priorities of the previous decade. He also noted that the three factors which lead to the study of sensitive infill housing were: slower growth; an emphasis on conservation; and interest in neighbourhood revitalization.<sup>19</sup>

The detailed case studies of the three Canadian cities formed the basis of the summary report. Winnipeg was chosen as being representative of western Canadian cities which exhibited the similar characteristics of physical opportunities, declining growth rates and flat housing markets. Although Calgary and Edmonton were experiencing somewhat higher rates of growth, Winnipeg had a larger percentage of older existing neighbourhoods with infill potential.

Toronto was studied, in part, because a strong real estate market had made infill an accomplished fact. St. John's, on the other hand, did not have an active infill market,

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<sup>18</sup> Peter Barnard Associates. *Sensitive Infill Housing, Summary Report* (Canada Mortgage and Housing Corporation: Toronto, 1981), p. 1.1.

<sup>19</sup> *Ibid.*, p.1.2.

but was seen as having strong potential for infill due to an expected economic boom resulting from off-shore oil developments.

Barnard prefaced his studies with comments on viability. He noted that the viability of infill housing depended upon the perspective from which viability was assessed. He identified four possible viewpoints: the private developer; the public developer; the municipality; and the householder. These distinctions have implications for Winnipeg because it appears that the municipality considered the viability question only from its perspective, and not from the perspective of either the developer/builder or the householder/buyer.

Before looking at the Winnipeg case study, the recommendations and conclusions in the summary report on Toronto warrant comment. Barnard noted that in Toronto, which had an active real estate market and a buoyant economy, infill housing was only initiated by the private sector when the land was moderately priced, when the neighbourhood physical and social infrastructures were at or above standard, and where there was a clear demand for new units in the central area. He also noted that over 60 percent of infill housing was row housing (the balance being multi-family units). He attributed this in part to recent zoning changes initiated by municipalities to reduce permitted densities. He concluded that the lengthy and costly approval process necessary to amend or vary the zoning on inner city land deterred developers from attempting to increase densities. The examination of the Toronto market found that most residents of new infill housing were childless, well established, and often rented in the downtown area prior to purchasing. The purchase of the infill unit, therefore, did not represent a change in lifestyle.<sup>20</sup>

Finally, it is worth noting that Barnard concluded that most infill builders were small companies which tended to be committed to the concept of infill building. However,

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<sup>20</sup> *Ibid.*, pp. 2.20, 2.21.

often they completed only one project before leaving the infill building development business. He did not explain whether this was due to a lack of profitability, frustration with the difficulties encountered compared to suburban building, or some other factor.<sup>21</sup>

Barnard's Winnipeg case study and the accompanying technical appendices were an examination of many of the factors affecting the viability of infill housing. The detailed case study was structured around identifying the physical opportunities for infill. Seven sites were selected to test the viability of prototypical housing models. An architectural firm was retained to prepare alternative designs for each of the test sites. The type (single family detached, row, or apartment) and the tenure (ownership, market rental, or assisted rental) of the proposed housing were selected based on neighbourhood characteristics obtained from the city's planning department.

A financial proforma, which included costs for land, construction, site servicing, legal and survey work, taxes, financing, and developer's profit, was prepared for each site. The proposals were also reviewed by the planning department to test for compliance with zoning by-laws. These cost projections are contained in separate technical appendices to the case study report.

None of the "for-sale" alternatives or the market rental proposals which Barnard analyzed could be produced at or near a break-even point. The shortfall in revenue between the estimated cost and the estimated market value for the eight proposals ranged from \$4,000 - \$37,000 per unit. The average loss per unit, given the sites and prototypes proposed, worked out to approximately \$23,000.<sup>22</sup>

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<sup>21</sup> *Ibid.*, p. 2.23.

<sup>22</sup> Barnard. *Sensitive Infill Housing - Winnipeg Case Study: Technical Appendices* (Canada Mortgage and Housing Corporation: Toronto, 1980), pp. C-1 - C-30.

These potential losses, which were detailed in the technical appendices and referred to in chapter 4 "Findings and Conclusions" of the Winnipeg case study, seem to have been ignored by Barnard in chapter 3 "Understanding the Economics of Infill". In chapter 3, Barnard stated: "Development costs for infill can be competitive with estimated market values for similar units in the neighbourhood. As shown in Exhibit 3.4 townhouses, small detached units and low-rise apartments can all be built and marketed at cost competitive prices. . . . Overall, the costing exercise suggests that residential infill can occur successfully in a variety of generic situations with a wide range of unit types."<sup>23</sup> Nowhere in the case study or in the technical appendices was this substantiated. In fact, the opposite appeared to be true. In chapter 3 "Summary of Findings & Conclusions" of the summary report, Barnard concluded: "Winnipeg's broad range of physical opportunities for infill development are offset by many constraints and marginal economic justification compared to suburban development. Public initiative will be needed to encourage further exploration of this development option. Viewed objectively, however, infill development is not an alternative to suburban development. . . . Market demand is clearly orientated towards suburban development while infill housing is more costly and market demand is limited."<sup>24</sup> Barnard's analysis demonstrated that private market infill housing could not be produced in Winnipeg without substantial losses or subsidies. Furthermore, he did not provide supporting evidence to substantiate his comment that infill could be produced at prices which were competitive with similar housing in the neighbourhood.

The significance of these apparent discrepancies between the conclusions reached in the technical appendices and some of the statements made in the case study, lies in the role which Barnard had in the preparation of Plan Winnipeg. The preparation

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<sup>23</sup> \_\_\_\_\_ *Sensitive Infill Housing: Winnipeg Case Study*, p. 3.13.

<sup>24</sup> \_\_\_\_\_ *Sensitive Infill Housing - Summary Report*, pp. 3.1, 3.3.

of this case study was done concurrently with the research into the preparation of Plan Winnipeg and Barnard worked closely with the Plan Winnipeg review staff. Furthermore, he prepared several background issue identification and research papers for Plan Winnipeg including the following unpublished reports: *Defining Housing Research Needs - Housing Phase 1 Report* (1977); *Housing in Winnipeg - Phase 1 Interim Report* (1978); *City of Winnipeg Housing Study - Phase 1 - Presentation II* (1978); *Housing in Winnipeg - Final Report* (1979); and *Winnipeg Housing Study - Policy Recommendations* (1979).

This series of research papers was intended to identify the housing issues which the city would consider for inclusion in its development plan. They provided the statistical data and trends in population, family formation, development patterns and projected growth needed by the policy makers to prepare Plan Winnipeg. Much of the data assembled for these papers was also used in *Sensitive Infill Housing - Winnipeg Case Study*.

If the authors of Plan Winnipeg based their strategy and targets for infill housing on Barnard's conclusions, and if these were taken out of context or not qualified with respect to his other conclusions reached in his Winnipeg case study, as it appears they were, this raises questions about the validity of some of the assumptions and goals identified in Plan Winnipeg.

Plan Winnipeg stated that the infill/revitalization strategy: "recognizes the need for public sector initiative in selected areas through Neighbourhood and Community Improvement Programs and, secondly, the dependence on private sector initiative in the majority of older neighbourhoods."<sup>25</sup> Given that the plan depended on encouraging the private sector to initiate infill housing in the majority of the neighbourhoods to achieve one of the fundamental goals of the plan, and Barnard's

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<sup>25</sup> *Plan Winnipeg*, p. I-8.

findings indicated that this was unlikely to occur without public support or subsidies, it would not be surprising to find that, in the absence of public subsidies, this goal was not achieved. As discussed in chapters 7 and 8 of this study, following the adoption of Plan Winnipeg, the city did not initiate any programs to assist or provide encouragement to the infill building industry. Nor were the infill housing objectives met.

When Barnard concluded that private market infill housing was viable and could be built competitively, he may have made this statement within the much broader context of the total cost of producing and maintaining housing. This would include not only the costs for the individual sites, but also transportation costs and all of the hard and soft municipal and educational costs associated with growth. In other words, it may have been viable from the perspective of the municipality. He did not qualify his statement in this regard and if this was his rationale in making the statement, without qualification, it was unclear at a minimum, and to some degree, misleading. He had demonstrated that, although infill housing was viable for the municipality, without subsidy it was not viable from the perspective of the builder or the home owner.

Infill housing subsidies can be provided directly by government or they can be provided indirectly by the home owner. For example, Barnard noted in the summary report that a suburban family which owned two cars, could, upon moving to an infill house, sell one car for an annual saving of \$2,400. This saving could be used to carry the increased mortgage cost (\$16,000) necessary to purchase the more expensive infill house.<sup>26</sup> Plan Winnipeg seems to have accepted the concept that private market infill housing could be built without assistance from the city, but as Barnard demonstrated, an indirect subsidy would be provided by the infill purchaser in higher mortgage costs. Barnard concluded, however, and as the Toronto market indicated,

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<sup>26</sup> Barnard. *Sensitive Infill Housing - Summary Report*, p. 2.8.

infill purchasers rarely disposed of their second car, even if they did utilize the public transit system. In the absence of strong market forces to attract people to infill housing, purchasers were not pay a premium for infill housing of up to \$16,000 per unit based solely on the savings they might achieve from lower transportation costs. This was not viable from the perspective of the householder.

### **3.2 The Winnipeg Mark VIII "Infill" Housing Project**

A unique practical experiment with infill housing was conducted in Winnipeg in 1972 and 1973. Sponsored jointly by the Urban Development Association of Canada (HUDAC) and the Winnipeg House Builders Association (WHBA), and carried out in association with the University of Winnipeg's Institute of Urban Studies (IUS), the Mark VIII "Infill" Housing Project involved the construction of a number of infill houses in Winnipeg's inner city. The project was intended to provide a hands-on working model which would allow an evaluation of the objectives of the project. These were:

1. To design and build new family housing units to be sold individually to local, low income residents at a price they could afford
2. To involve residents of the community, in which the units were to be built, in the process of designing and building the units
3. To maximize the utilization of vacant land devoted to residential use
4. To integrate the new units into the existing community so that the social, physical and economic fabric is not disrupted
5. To encourage local families to invest in the community, thereby providing a more stable population base in the area
6. To stimulate local improvement and to improve the image of the neighbourhood in the minds of the residents and the general public

7. To develop a housing system that small private builders could duplicate in this and other inner city areas<sup>27</sup>

To achieve the objectives of the project, it was concluded that part of the experiment would be directed at looking for methods to reduce the cost for producing infill housing by innovation in the housing design and by maximizing the use of small vacant lots which were available in the area. The latter involved the placement of two free standing housing units on each lot; one on the front of the lot, and one to the rear of the lot. The houses were two storeys in height, and to achieve as great a utilization of the building space as possible, the basement levels were also finished, providing approximately 1,200 square feet of liveable space in total. Sale prices for the houses were established, not based on construction costs, but on an acceptable ratio of monthly mortgage payments to the mean family income for the neighbourhood (the mean family income for the area was established through a study carried out by the University of Manitoba in 1972). Purchasers also qualified for the Assisted Home Ownership Program (AHOP), a federal government program which provided financial help with monthly mortgage payments.

Following consultation with a local resident group, two sites were purchased (one on Alexander Avenue and one on William Avenue) and construction started in the fall of 1972. Work on the William Avenue site was halted due to strong local opposition to the "density" of the project. This site was eventually abandoned. Work at the Alexander site carried on and two houses were built on each of the two lots, for a total of four units (the sites were later subdivided into four lots to allow for conveyance of titles).

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<sup>27</sup> Donald Epstein (editor). *Housing Innovation and Neighbourhood Improvement: Change in Winnipeg's Inner City*, p. 95.

An important component of the study was research into public reaction to the project and the houses. Three separate research studies were undertaken: a *Public Reaction Survey*; a *Neighbourhood Reaction Survey*; and a *User Reaction Survey*. Among the conclusions of these surveys was a recommendation that when providing infill housing, innovative building ideas and technologies aimed at reducing costs should be avoided because they tended to "stigmatize" the units in the eyes of the public. In general, the purchasers were satisfied with the houses and welcomed the opportunity to purchase a new house at a price which they could afford. However, there was strong criticism from the neighbourhood that the houses were "too crowded" and that the concept of utilizing the rear yards of single family lots to reduce land costs was not acceptable.

The reaction of the neighbours, in this case in one of the financially poorer areas of the city, to the concept of rear lot development is significant. This study was carried out six years prior to the background research for Plan Winnipeg, and yet the authors of Plan Winnipeg included the utilization of rear lots for development as one of the elements of the infill housing strategy. Despite the inclusion of the rear lot development concept in Plan Winnipeg, it has not been acceptable to the Winnipeg city council.<sup>28</sup>

### 3.3 American Research on Infill Housing

Extensive research into infill housing in the United States was carried out by the Real Estate Research Corporation (RERC). In 1973 the RERC, under a contract from the Council on Environmental Quality, the Environmental Protection Agency, and the U. S. Department of Housing and Urban Development, conducted a study

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<sup>28</sup> See chapter 8, subsection 1 for discussion about rear lot "garden suites" in Winnipeg.

to focus on issues which were a rising concern in the early seventies: central city neglect; the rising costs of land and building construction; and rising oil prices and the Arab oil embargo. The results of this work were published by the RERC in a book entitled *The Cost of Sprawl*. Writing in the Foreword to *Infill Development Strategies*, Frank H. Spink and Frank S. So credit this publication with stimulating interest in encouraging infill development.<sup>29</sup>

In 1979 the U.S. Department of Housing and Urban Development commissioned the RERC to undertake a comprehensive analysis of infill opportunities and constraints. The results of this study were published jointly by the Urban Land Institute and the American Planning Association as *Infill Development Strategies* in 1982.

The RERC study, under the direction of Deborah L. Brett, was organized into three sections: identifying infill potential; policies to encourage infill; and three detailed case studies. The American examination of infill was broader than the Canadian studies, in part, because it was not limited to what the Canadians described as "sensitive infill." The thrust of the RERC work was to study all infill potential as a means of achieving more compact and efficient cities and to utilize the existing urban infrastructures and services. The potential of infill housing as an economic alternative to suburban living was a secondary consideration.

The RERC study reached a number of conclusions which have a bearing on the Winnipeg situation. It identified the following key issues which affected successful infill housing as follows: the high cost of infill land usually required the co-operation of local governments to allow higher densities than was typically permitted in suburban locations or alternatively, down-zoning land to remove artificially high prices; although the infusion of new investment capital in older neighbourhoods had

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<sup>29</sup> Real Estate Research Corporation. *Infill Development Strategies*, p. vi.

many advantages, there was often community resistance to infill projects; the amount of land available for potential infill in middle or upper-income neighbourhoods was limited and most developers or investors were not willing to be pioneers in low-income neighbourhoods characterized by deteriorated housing; most infill builders were small developers lacking the skills, experience and financial resources to successfully deal with community opposition and lengthy rezoning and variance application procedures; and the majority of infill land holdings were small parcels held in private ownership. Surveys conducted in the three case study areas found that even in the weakest market situation (Rochester, New York), at least half of the property owners felt that the market for infill land would improve over the next five years (following the study), making it difficult to negotiate lower prices when assembling land.<sup>30</sup>

Another unexpected conclusion from the RERC's work was that the general trend towards decentralization of employment opportunities off-set the energy savings which were anticipated from centralized infill housing because there was no reduction in auto usage.<sup>31</sup>

The second component of the RERC's research examined effective policies utilized by local governments to encourage infill housing. The RERC considered local governments as the logical leaders in developing policy for infill housing because they stood the most to gain from a better utilization of their services and utilities. Using specific examples from different cities throughout the U.S., they identified a number of programs and policies centred around three broad categories: identifying infill land opportunities through lot inventory lists, land use information services, land capability analysis, and computerized Geographic Information Services (GIS);

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<sup>30</sup> *Ibid.*, pp. 3-12.

<sup>31</sup> *Ibid.*, p. 3.

encouraging infill development through publicity and demonstration projects, improved review and approval procedures, code revisions, and efforts aimed at creating neighbourhood support; and development incentives through land purchase guarantees, advantageous financing, the involvement of local development corporations, improving land availability, and reducing site servicing costs.

The RERC concluded the study with an in-depth look at three specific markets which were considered somewhat representative of typical American cities experiencing rapid, moderate, and slow growth. The cities studied were Miami (Florida) as a rapidly growing market, Seattle (Washington) as a moderate market, and Rochester (New York) as a slow market.

The RERC study also looked at cost comparisons between infill and suburban fringe housing and came to the following conclusions: compared to suburban housing, infill housing was less expensive for governments to serve, but more expensive to the developer to provide site services; residents of infill housing may have been able to save money on transportation costs but these savings were frequently offset by higher realty taxes on infill sites; high land values made unassisted infill housing feasible only in the most affluent neighbourhoods or at higher densities than generally were permitted; infill housing was more expensive to construct than suburban housing on a per unit basis - there were no economies of scale in most infill projects; and the most economical form of infill housing to build and still attract family purchasers was row housing.<sup>32</sup>

The Urban Land Institute, in collaboration with the Lincoln Institute of Land Policy, published a companion book to *Infill Development Strategies* entitled *Making Infill Projects Work*. In this work, the specific problems encountered with developing infill

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<sup>32</sup> *Ibid.*, p. 125.

housing, as identified in *Infill Development Strategies*, were addressed by using examples of projects which had been successfully developed in a variety of cities. The book contains short descriptions of projects ranging from high-rise, multi-family developments to scattered, single lot infill houses. A brief project proforma and the details of any assistance received by the developer, were provide for each example. *Making Infill Projects Work* went beyond theory to actual projects, something that was lacking in the Canadian studies.<sup>33</sup>

### 3.4 Infill Housing in Canadian Cities

Writing in *Habitat* in 1982, John Archer discussed infill housing within the context of urban policy for the benefit of the municipality and the neighbourhood. He described the benefits to the municipality in terms of an increased tax base without the expense of the extension or expansion of municipal and public services. He also attributed "sensitive" infill to helping older neighbourhoods maintain a stable population base and to contributing to the local economy by providing additional support for existing local businesses. He stressed the importance of sensitive infill and defined this as "new residential development which adds to the stock of dwellings in an area without changing its existing character or composition."<sup>34</sup>

Archer identified six generic site conditions where residential infill would likely occur:

1. **"Missing Tooth" Sites.** These were sites comprised of one or more standard city lots which have become vacant through demolition of an existing building or which had been subdivided from adjacent properties

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<sup>33</sup> Eric Smart (editor). *Making Infill Projects Work*.

<sup>34</sup> John Archer. *Planning for Infill Housing*. *Habitat*, v. 25, n. 2 (Spring 1982), p. 16.

2. **"Obsolete" Sites.** These sites were occupied by commercial or industrial uses which are no longer economically viable
3. **"Estate Lot" Sites.** These were large lots often with a single substantial residential building on them
4. **"Long Lot" Sites.** These were long narrow sites with limited street frontage which had resulted from either historic "accidents" due to terrain or abandoned rights-of-way
5. **"Institutional" Sites.** These were often large parcels of land which become available when private or public institutions became obsolete
6. **"Irregular" Sites.** Sites which had odd shapes and sizes and were therefore skipped over during earlier development<sup>35</sup>

He emphasized that when planning to develop infill housing under any of these site conditions, recognition of the sensitivity to the local urban environment in which the sites are situated is critical.

In the book *Infill Development Strategies*, the RERC developed a table of factors to assess the potential of infill development. Although an American publication, the factors identified appear to apply equally to Canadian cities (Hoben, Griggs and Connolly, 1982).<sup>36</sup> The limiting factors of successful, or highest potential, infill markets also limit the cities where one would expect to find infill activity.

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<sup>35</sup> *Ibid.*

<sup>36</sup> Hoben, Connolly and Griggs. p. 1.

TABLE 1 FACTORS AFFECTING INFILL POTENTIAL

| FACTORS                           | HIGHEST POTENTIAL  | LOWEST POTENTIAL   |
|-----------------------------------|--|--|
| Growth                            | Rapidly growing population; extensive demand for new housing   | No population growth; limited new household formations   |
| Employment Centres                | Strong CBD and local employment nodes; long commuting distances from the urban fringe  | Weak CBD; dispersed employment centres; short commutes from the fringes to jobs                      |
| Resident Incomes                  | Infill land located in a variety of neighbourhoods serving many income groups  | Infill land concentrated in low-income neighbourhoods  |
| Land Prices                       | Shallow land price gradient from urban fringe to inner city or significant density differences to balance the steep gradient | Steep land price gradient from urban fringe to inner city and little variation in land use densities |
| Growth Controls                   | Limits on outward spread of development operating region-wide  | No growth guidance or coordination among jurisdictions   |
| Availability and Cost of Services | Developers at the fringe pay costs of service extensions and assist with school and park requirements; limited pre-servicing | Extensive pre-servicing; little in the way of impact fees charged                                    |

Abbreviations: CBD - Central Business District

Source: Real Estate Research Corporation, *Infill Development Strategies* (Washington, D.C.: ULI- the Urban Land Institute and American Planning Association, 1982), p.6.

Applying the *Factors Affecting Infill Potential* (Table 1) developed by the RERC to urban centres in Canada, the cities with good potential for infill housing are limited. Based on such criteria as travel time to the Central Business District (CBD), the list of such cities can be narrowed to the larger metropolitan centres, including Halifax, Montreal, Ottawa, Toronto, Winnipeg, Edmonton, Calgary and Vancouver. The smaller urban centres, such as Regina or Fredericton, are too compact for travel time to be a significant issue.

The cities of Ottawa, Calgary and, to some extent, Edmonton, have experienced more of their growth in recent decades. As a result, the ratio of older neighbourhoods to

new neighbourhoods in these cities is lower than in cities such as Winnipeg, which experienced its rapid growth in the period shortly after the turn of the century. Therefore, it is not surprising to find less written material on infill housing from these cities than from the older centres due to the lack of physical opportunities and fewer older neighbourhoods with housing related problems.

Applying the RERC factor of "current growth", the number of Canadian urban metropolitan areas where one might anticipate active infill markets is further reduced to three centres: Montreal, Toronto and Vancouver. The lack of available published material on the topic of infill development from the other centres seems to bear this out.

The metropolitan areas of Montreal, Toronto and Vancouver share similar characteristics. Each has an older central city surrounded by suburban municipalities which eliminate the possibility of further growth of the central city. Unlike some of the American examples, where the inner core has badly deteriorated, Montreal Toronto and Vancouver all have strong CBDs which are the focal points of economic activity in the metropolitan regions. Therefore, another of the RERC factors is met; the CBDs remain as concentrated centres for employment for a large number of professional level workers who must commute daily to and from work.

#### 3.4.1 Montreal

The city of Montreal experienced a decline in population between 1966 and 1976 of 215,000 residents, largely due to an exodus to the surrounding municipalities of

people in the 20 to 44 year age group.<sup>37</sup> As a result, the population of the city was becoming disproportionately older; there was a loss of residents of home buying age; and facilities built for children, including schools and recreational complexes, were under utilized. At the same time, the surrounding suburban areas were duplicating these same facilities.

Writing in the March 1985 issue of Planning, Bernard Galarneau described an effort to reverse this trend. The City of Montreal developed a four year housing plan called "Operation 10,000 logements" which was put into effect in 1979. The goal of the program was to offer an inner city alternative to suburban living for younger and middle income families by encouraging private infill development on vacant, city-owned property. The success of the program led to its extension in 1982 and a doubling of the original goal. It was renamed "Operation 20,000 logements."

The city first prepared an overall inventory of available property. An information kit for each site was assembled which included a site plan, zoning and subdivision information, a statement of the city's desired housing type and character, a proposal form, and a bid notice. The sites were advertised and proposals from private contractors and individuals (on the smaller sites) were invited. In some cases, with the larger sites, exemptions from certain zoning by-law provisions were created.

A selection committee, made up of representatives from various city departments, evaluated and recommended the proposals to council for approval based on a number of criteria which were developed around a set of standards. These standards

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<sup>37</sup> Bernard Galarneau. *Montreal's Housing Hat Trick: Infill, Rehab, and Co-ops*. Planning, v. 52, n. 3 (March 1985): pp. 18-19.

included issues such as neighbourhood compatibility, parking, pedestrian movement, and so forth.

The lots were sold on an instalment basis with a deposit of ten percent of the purchase payable at the time of purchase, an additional 20 percent upon completion of the project, and the balance to be paid back within two years. In addition, cash subsidies were offered on a site-by-site basis, ranging from \$1,000 per unit on the larger sites to \$2,000 per unit for the small sites. There was also provision for assistance to builders and developers for units which remained unsold after one year.

The program appears to have been successful in meeting its objectives. Galarneau reported that by the end of 1984, 10,200 units were either completed or under construction. Of these, 5,800 (57 percent) had received municipal subsidies. Approximately one third of the new residents in the first two years of the program moved from suburban locations. Of this group, one quarter had previously owned their own homes.

#### 3.4.2 The "Grow Home" - Montreal

Although this study has not reviewed material which deals with infill housing from an architectural perspective, the work of Avi Friedman and Witold Rybczynski, of the School of Architecture of McGill University merits comment. Their work was reported in the September 1990 issue of Chatelaine magazine as well as in several publications available from McGill University.<sup>38</sup> Friedman and Rybczynski set out to study the question of affordable housing in the Montreal region. They concluded

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<sup>38</sup> *The \$72,000 House*. Chatelaine, (September 1990): pp.32, 34.

that at least part of the problem of affordability lay in housing which exceeded the immediate needs for many young couples and families. They designed a narrow house, which they referred to as the "Grow Home", which could be built economically as either a free-standing unit on a narrow lot or as a series of attached row houses.

The concept was to keep the basic design simple to keep construction costs down, and to offer a wide variety of options which could be included either at the time of purchase or when the home owner's personal finances permitted. For example, the basic two storey house had no closets, upstairs partitions, or kitchen cabinets. These could be made available as ready-to-assemble items purchased separately. Friedman and Rybczynski also concentrated on providing a range of attractive facades to ensure the homes would receive community acceptance.

A prototype unit of the Grow Home was built on the McGill campus in Montreal and the concept was readily accepted by both the public and the development industry. It is interesting to note that although the development industry has extensively utilized the Grow Home concept since it was publicised, the homes which have been built have been row houses, and usually in larger scale projects in suburban locations where the benefit has been lower prices and a broader market.

### 3.4.3 Toronto

The housing and development market in Toronto was strong throughout the 1970s and 1980s. As a result, most of the conditions cited as critical to the potential for a strong infill market were being met. The infill housing industry operated in a free market environment which essentially had exhausted the supply of available land for residential infill. When land is available, it is being developed at very high densities due to the cost of the land. The real estate development market has been so strong

that rather than infill housing being seen as a positive factor for older neighbourhoods in proximity to the CBD, Toronto has had problems with redevelopment and gentrification of older residential districts through up-scale renovations and the destruction of good quality housing for new, larger homes or developments.

Recent public support in the form of municipal policies for private infill housing in the Toronto has been almost non-existent. The city of Toronto's recent involvement with infill housing seems to be limited to assisting Cityhome (its non-profit housing corporation), acquire sites for assisted rental housing projects. High land costs have forced Cityhome to build at densities comparable to the private market.

Cityhome has also entered into joint ventures with private developers to achieve its objective to provide non-profit housing. Richard Peddie, of the City of Toronto Housing Department, described two such examples. Both examples involved city-owned lands where the non-profit organization needed a private sector partner's expertise and access to capital to pool with Cityhome's limited capital. The first such project, Chestnut/Elizabeth, was developed at a density of 250 units per acre with a mix of 40 percent deep subsidy units, 40 percent shallow subsidy units and 20 percent market units. The second project cited, the St Lawrence Market Parking Lot, was developed at a density of approximately 200 units per acre with a split of 20 percent non-profit units and 80 percent market units. Although infill projects, in terms of their locations and nature, these do not represent typical examples of the type of residential infill being addressed in this study.<sup>39</sup>

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<sup>39</sup> Robert D. Katz (editor). *Housing in the 90's: Common Issues. (Proceedings of the NAHRO-IoH-CHRA International Conference. University of Illinois at Urbana-Champaign, 1990), pp. 45-52.*

The city of York, which is in the Toronto Metropolitan Area, made a recent effort to add "affordable" housing within York with infill housing. Reporting in the Daily Commercial News and Construction Record in 1988, Janice Walls described an initiative by the city to encourage the development of a city-owned infill site. Proposals were to be sought from private developers to build affordable housing on a site with the city providing the land, rezoning approval (for higher densities) and a "fast track" approval process.<sup>40</sup> The goal was to create a demonstration project for private involvement with affordable infill housing. As with the Cityhome projects, higher densities in the form of multiple or stacked units were being encouraged.

#### 3.4.4 Other Canadian Examples

There has been very little written about infill in other Canadian cities. Most articles which address the issue of infill housing do so within the context of addressing affordability. Rising land and servicing costs have put the goal of owning a home beyond the reach of many residents in several cities. Writing in the March 1988 edition of Canadian Building, Frank O'Brien noted that a zoning change in 1987 killed the opportunity for innovative infill housing in the Vancouver area which up to that time had offered some affordable alternatives to suburban living.<sup>41</sup> Prior to 1987, a number of unique houses were permitted with a larger home (up to 1500 square feet) on the front of the lot and a smaller house (900 square feet) on the rear of the lot. There were also houses being built on lots as narrow as 16½ feet in width. Changes to zoning by-laws, which were brought on by public pressure, eliminated

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<sup>40</sup> Janice Walls. *City of York Welcomes "Affordable" Units* (Daily Commercial News and Construction Record, v. 61, n. 242, December 15, 1988), pp. 1, 3.

<sup>41</sup> Frank O'Brien. *Vancouver Finding "Affordability" Difficult to Achieve* (Canadian Building, v. 38, n. 3, March 1988), p. 22.

these opportunities. He reported that land values within the Vancouver area had risen to the point where affordable housing was not achievable except in suburban locations which involved daily commuting times of over an hour during rush hours.

An unaccredited article in the same issue of Canadian Building (March, 1988), which also addressed affordability, reported that even cities such as St. John's and Halifax were experiencing affordability problems within the central areas of the city. The only non-subsidized affordable alternatives for home buyers were in the suburban areas where bungalows on small lots were available. The article noted that in Halifax, the distance from downtown to "affordable housing" was between 25 - 35 miles. Infill opportunities seem to have been limited to higher density, multi-family projects in these markets as well.<sup>42</sup>

#### 3.4.5 Summary of Infill Activity in Canadian Cities

From the literature available, and using the criteria established by the RERC, it appears that within Canadian cities, the opportunity for infill housing is limited by a number of factors. In the Toronto area, a strong real estate market for the past two decades has ensured that almost all available land for infill has been utilized. The land which is still available is too expensive to develop at anything except high densities.

Vancouver has experienced a recent surge in real estate values. This, combined with stringent zoning by-laws, seems to have put the traditional infill opportunities beyond feasible price ranges. Although the land may be available, it would appear that

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<sup>42</sup> *Jelly Bean Hill Shows New Design Form for Housing* (Canadian Building, v. 38, n. 3, March 1988), p. 23.

policies to protect existing neighbourhoods and high land costs have discouraged an active infill market in the city of Vancouver, except for individually unique houses produced at high cost.

The absence of material from mid-sized cities such as Calgary, Edmonton, Hamilton, and Halifax, suggests that infill housing is not an issue which has attracted the attention of the municipal planners or that a market has not existed on a large scale. From comments arising from the joint Canadian and American study (Hoben, Griggs and Connolly, 1982), it appears that most infill developers are small builders. The lack of literature on infill examples from Canadian cities may reflect a lack of high profile projects or active municipal support programs, but it does not necessarily mean that infill housing is not being built. By its nature, infill housing development in Canadian cities, other than Toronto and Vancouver, is likely to be scattered and low profile.

### **3.5 American Parallels and Experience**

There have been more articles written about infill projects in American cities than articles on similar projects in Canadian cities. This may simply be as result of more American cities. It may also reflect some of the differences in traditional development patterns in Canadian and American cities. The high cost of providing infrastructure in the more severe northern climatic zones has tended to create more compact cities than in moderate climatic zones. As a result, the average American city may be less compact (with parcels of undeveloped land within the urban boundaries) than their Canadian counterparts. In addition, many American cities are older and contain larger neighbourhoods of older housing. This may have resulted in cities with a different balance between older urban and newer suburban

neighbourhoods than many Canadian cities. With larger stocks of older housing in American cities, there may have been more opportunities for infill housing as a result of fire, deterioration and demolition of existing dwellings. The result may be that on average, there are more scattered lots available for infill housing in American cities.

### 3.5.1 Pittsburgh, Pennsylvania

Stefani Ledewitz, in the spring 1984 issue of Urban Design International, described efforts in Pittsburgh to bring new people and a new image to some of the older neighbourhoods of the city. Through the combined efforts of city agencies, community development corporations and contractors, several infill projects have been successfully completed. The infill housing program was intended to provide people with the opportunity of owning new homes in their traditional older neighbourhoods as a means of strengthening the social fabric which had developed over generations.<sup>43</sup>

Since the 1970s, the city had provided subsidies to lower-income families to purchase new houses in older neighbourhoods. Ledewitz described the difficulty in arriving at a balance between the purchasers' desire for a traditional single family detached "suburban" house and the architectural sensitivity needed to maintain the harmony and the traditional character of the community. When the city first became involved, it demolished older homes to create the opportunity for new suburban infill houses in response to consumer preferences. However, they moved away from this approach. Most of the recent developments which Ledewitz described were higher density townhouse projects of two and three storeys which reflected the architectural character of the older existing homes and which appealed to a younger cliental.

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<sup>43</sup> Stefani Ledewitz. *New Houses in Old Neighbourhoods* (Urban Design International, v. 5, n. 1, Spring 1984), pp. 36-39.

Although not necessarily cheaper to build, the townhouse style units were less costly to maintain for the owners.

Ledewitz described a number a successful projects in different Pittsburgh neighbourhoods. A common theme to all of the housing projects was involvement and assistance from the city, as well as a reliance on state programs. These included financial assistance with land assembly and site clearing, tax credits, and the provision of subsidized mortgages at below current rates.

It was noted by Ledewitz that despite the success of the infill programs, the general trend was for a more disbursed population throughout the metropolitan area. Rather than increasing the density of the urban population, the infill programs were intended to help the older communities maintain their vitality as part of a complementary urban mix of living opportunities.

### 3.5.2 Norfolk, Virginia

The city of Norfolk undertook to encourage two distinctly different forms of infill housing: the redevelopment of a large, 65 acre site; and a scattered lot infill program. An article in the March/April 1990 issue of the Journal of Housing described the redevelopment of Ghent Square, a 65 acre residential project near downtown Norfolk. The Norfolk Redevelopment and Housing Authority (NRHA) began the redevelopment of this rundown neighbourhood in 1969 by eliminating the existing poor quality and slum housing. Acting as developers to assemble and clear the land and to replace services and utilities, the NRHA spent 8.4 million dollars on infrastructure improvements prior to selling any lots to builders. This averaged \$18,460 per unit (1973 dollars). The initial funds for acquisition, relocation and demolition were obtained through the Neighbourhood Development Program and Community Block Grant Program. To assist the first builders in the development, the NRHA accepted 20 percent down payments on the lots, with the balance payable

when the home buyers took possession of the houses. Eventually, market demand precluded the need for this assistance.<sup>44</sup>

The first of the eventual 462 new units in Ghent Square were started in 1974. A local community association helped establish architectural standards to ensure the area remained complimentary to the larger Ghent historic area. Ghent Square turned out to be very successful in meeting the objectives of providing housing for middle to upper income families. The single family homes in the final stage of the project were selling in the range of \$325,000 and up.

As reported in the December 1991 issue of Urban Land, Ghent Square was awarded the Urban Land Institute's "Large-scale Residential Development Award" for 1991. The official Statement of Award says of the development: "Ghent Square is the final and crowning jewel in a 30-year neighbourhood revitalization effort. With its diversity of new housing blending graciously with older homes preserved nearby, it fulfils contemporary needs for land efficiency while respecting the historical development patterns and the rich architectural character of the neighbourhood."<sup>45</sup>

The NRHA was also involved with providing housing opportunities for low to moderate income families through its scattered lot infill program.<sup>46</sup> In a joint venture with the Virginia Housing Development Authority (VHDA), the NRHA assembled and made available 37 sites for private development. The NRHA "wrote-down" the land costs and the VHDA provided construction and permanent financing at favourable rates based on family income and size. Qualifying purchasers were also

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<sup>44</sup> Gayle C. Blackstone and Ray V. Ingold. *Focus on Norfolk, Virginia* (Journal of Housing, v. 47, n. 2, March/April 1990), pp. 100-104.

<sup>45</sup> *Ghent Square* (Urban Land, v.50, n.12, December 1991), p. 20.

<sup>46</sup> Blackstone and Ingold, pp. 100-104.

eligible for special loans of up to \$5,000 to cover purchase closing costs. The builders involved agreed to limit profit margins, and sales commissions were set at \$3,000 per unit. The lots were deeded directly to the home buyer, relieving the builder of the cost of acquiring and carrying the lot.

The program was reported to be more successful than anticipated with the most expensive houses selling for under \$70,000. The cost to the NRHA, including the installation of new services to 19 of the sites, was approximately three million dollars. The article did not comment on the expense of this program on a per unit basis, however, it averaged \$81,000 of public funds per infill house, some of which was direct subsidy, and some of which was public expenditure on municipal services. The per unit public investment was over and above the money recovered through sales.

### 3.5.3 Rochester, New York

The city of Rochester, New York, was faced with a problem of an inventory of 3,500 city-owned lots which had been acquired as a result of massive housing abandonment. Brian Coffey and Nancy Kleniewski (Planning, September 1988) described a program created in 1985 by Rochester, with state assistance, which resulted in the construction of new infill houses on many of these lots.

The program, called "Home Expo", combined assistance aimed at both developers and purchasers. Competing developers built a series of display models located near each other on lots selected by the city. A ten day exposition was then held during which all of the model homes were open to the public. Purchasers either made offers on the models or could arrange, with the city's approval, to have a similar home built on another city-owned lot. Developers were offered loans of up to \$45,000 per home, at one percent interest repayable in nine months, to finance construction of the homes. In choosing the builders, the city evaluated both the developer's financial stability as well as the designs submitted. More weight was

placed on the design aspects because the city wanted houses which were architecturally compatible with the surrounding neighbourhood.<sup>47</sup>

Using state funds, direct grants of up to \$15,000 per purchaser were available. The amount of the grant was linked to family size and income. Up to \$2,500 could be utilized for closing costs and the balance was utilized towards the purchase price. The average income of the purchasers was \$25,000 per year and the house prices ranged from \$44,500 to 65,900. The cost to the state for the program in 1987 was \$600,000 for the nine model homes and 31 pre-sold homes (an average of \$15,000 per unit). The cost in 1988 for 30 additional units was \$375,000 plus \$125,000 from the city for public works, security and promotion, for an average of \$16,666 per unit.

The authors noted that all parties involved consider the program a great success. The city gained by decreasing its inventory of non-revenue property and increased its tax base; the developers had a new market opportunity opened; and many moderate income families became home owners without excessive financing costs. The article pointed out that state involvement overcame two of the major hurdles to infill housing in Rochester; obtaining financing for interested purchasers who could not qualify under conventional means, and overcoming lender reluctance for purchasers who did qualify.

#### 3.5.4 Urban Land Institute - Low Income Neighbourhood Panels Program

The Urban Land Institute (ULI) is an independent American, non-profit research and educational organization which was incorporated in 1936. Its mandate is to improve the quality and standards of land use and development. One of the roles

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<sup>47</sup> Brian Coffey and Nancy Kleniewski. *New Houses on Old Lots* (Planning, v. 54, n. 9, September 1988), pp. 20-21.

which the ULI has preformed is to establish and co-ordinate a series of panels which have been utilized to provide an objective view of specific urban problems by a number of persons from outside of the local political sphere. In the early 1990s, the ULI undertook six panel assignments directed at low-income neighbourhoods. These panels were made possible in part by grants from private companies and foundations which are associated with the real estate insurance and lending fields.

To date, three of these panels have been convened to examine problems associated with housing in low-income neighbourhoods in Fort Wayne (Indiana), Dallas (Texas) and Atlanta (Georgia). The panels were made up of seven to ten individuals chosen for their expertise in the various development issues involved in the particular assignment. The panel's full reports were published by the ULI and they were also written up in the ULI's journal, entitled Urban Land.

### 3.5.5 Fort Wayne, Indiana

The first of the ULI's panels on low income neighbourhoods examined Fort Wayne. A summation of the panel's research and recommendations was published in the September 1990 issue of Urban Land in an article written by Diane Suchman, one of the panel members.<sup>48</sup> She reported that Fort Wayne, with a population of 180,000, had a strong local economy based on manufacturing and services. As with many other similar U.S. cities, recent prosperity had gone to the suburbs and the older neighbourhoods in the inner city had deteriorated. The area which the panel studied was a 2,300 acre community comprised of twelve identifiable neighbourhoods located in south central Fort Wayne. Suchman described the community as being a

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<sup>48</sup> Diane R. Suchman. *An Action Plan for Revitalizing South Central Fort Wayne* (Urban Land, v. 49, n. 9, September 1990), pp. 20-25.

rich diversity of housing types and of residents, in terms of race, income and age. However, the area also displayed problems with decline and disinvestment.

The panel concluded that the study area should be examined as three sub-areas, with somewhat different approaches and recommendations for each. Although the findings and recommendations were comprehensive in nature and scope, for purposes of this study, only the issues related to housing have been reviewed.

Common to all three sub-areas was a recommendation to address housing needs and to utilize housing as a primary means with which to stimulate community rehabilitation. The panel identified the need for the city to take the lead in creating the atmosphere in which new development could occur. Towards this goal, it recommended an aggressive city initiated program of land assembly and site clearing of derelict and vacant buildings. Suchman noted that the panel cautioned that the price of new and rehabilitated housing must be consistent with the value of existing homes in the community. Although not stated within the article, the panel indirectly identified the need for large subsidies to address the housing issues. One of the panel's recommendations, to help create an environment which encouraged development, was a five year tax deferment on home improvements and new construction.

### 3.5.6 Dallas, Texas

The second of the ULI's panels on low-income neighbourhoods focused on a community known as West Dallas. The panel's findings and recommendations for this community were reported by Diane Suchman in the January 1991 issue of Urban

Land.<sup>49</sup> Suchman described the west Dallas area, where a total of 3,500 housing units had been built on about a square mile of land, as the largest concentration of low-rise public housing in the United States when the area was built-up in the 1950s. Within this area, one section had been built for African-Americans, one for whites, one for Hispanics. Due to poor maintenance and neglect, the area had badly deteriorated and most of the white and Hispanic populations had moved out of the area. Suchman reported that as of 1990, the time when the panel looked at the area, only 850 housing units in the area remained occupied, almost exclusively by black women and children.

The problems associated with West Dallas were immense and, therefore, the panel's recommendations for dealing with them were comprehensive. As with the Fort Wayne panel's recommendations, only the recommendations relevant to infill housing are discussed here.

The situation in West Dallas had become so bad that a number of area residents were successful in taking the U.S. Department of Housing and Urban Development, the Dallas Housing Authority and the City of Dallas to court for practising racial discrimination through years of segregation and neglect. A federal court found in favour of the residents and issued a court order directing the defendants to end the practice. The order specified that all but 1,000 - 1,200 public housing units were to be demolished and replaced, one-for-one, in areas where the minorities were not concentrated. The remaining units were to be rehabilitated.

One of the panel's recommendations was to strengthen the neighbourhoods which bordered on West Dallas through an extensive program of infill housing. The

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<sup>49</sup> Diane R. Suchman with Marcia I. Lamb. *West Dallas - Poised for Change* (Urban Land, v. 50, n. 1, January 1991), pp. 10-16.

recommended plan included the construction of 1,825 new units, approximately a quarter of which were to be single family infill units. This was over and above the 2,000 new scattered-site public housing units ordered by the court. The panel also recommended that the City Manager appoint one high-level person whose sole responsibility would be to facilitate the revitalization of West Dallas.

### 3.5.7 Atlanta, Georgia

The third, and most recent of the ULI's panel's on low-income neighbourhoods, examined Atlanta's Summerhill neighbourhood. The findings and recommendations of the panel were reported by Diane Suchman in the August 1991 issue of Urban Land.<sup>50</sup>

As with the Fort Wayne and Dallas neighbourhoods, which were also examined by ULI panels, the severe nature of decline in Summerhill resulted in a comprehensive series of recommendations. Suchman wrote that one of the keys to the panel's recommendations to the revitalization for the neighbourhood was to encourage a more diverse mix of incomes and housing types. It recommended that, eventually, the housing mix should include for-sale single family housing aimed at a range of income groups by capitalizing on the close proximity of the neighbourhood to the downtown. Suchman noted that an important factor in attracting a broader income mix in the neighbourhood would be the potential to acquire homes which offered unusually good value for the money. However, prior to reaching that point, the neighbourhood had to be regarded as a good place in which to live and to invest.

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<sup>50</sup> Diane R. Suchman. *Summerhill Goes for the Gold* (Urban Land, v. 50, n. 8, August 1991), pp. 6-10.

To improve the area's image, the panel recommended a number of physical improvements which concentrated on redirecting cross-town traffic, as well as traffic associated with a stadium located on the periphery of the area, away from the heart of the neighbourhood, and cleaning up the area. In addition, it recommended enhanced public services such as police protection, health care, daycare, education, and job training.

### 3.5.8 Summary of the Urban Land Institute Panels

The general theme which ran through the recommendations of the three ULI panels was the need for leadership and investment by the local governments. The panels concluded that the neighbourhoods which were examined could not possibly begin to improve based on a reliance on private market initiatives. The problems and the costs were prohibitive. To avoid repeating the mistakes made in these neighbourhoods in the 1950s and 1960s, the panels recommended a more diverse mixture of housing type and tenure. To achieve this, the panels acknowledged that a strong commitment on the part of the local government, both in terms of policies and funding, would be required. Without it, the neighbourhoods would not achieve the necessary changes in character required to sustain them as healthy communities.

## 3.6 Gentrification as a Factor in Urban Renewal

The issue of urban infill touches upon another related topic, gentrification. Although not a subject of review in this study, this urban issue merits a brief examination. Gentrification is a change in the social and economic characteristics of a neighbourhood which occurs when a generally more affluent population moves into a stable neighbourhood. The new population invests money in improvements to the existing housing which results in a general increase in property values throughout the

neighbourhood. The higher values often bring higher assessments and realty taxes. Higher property values and higher taxes place pressure on the original occupants to relocate to a neighbourhood more suited to their economic circumstances.

Archer (Habitat, 1982) stressed the need for sensitive infill to avoid housing which contributes to the gentrification of an older neighbourhood. He noted that cities which had experienced a trend of "white painting", or gentrification, had seen large increases in house prices and rents in the affected neighbourhoods.<sup>51</sup> This often forced many of the existing residents to relocate due to higher realty taxes and insurance costs associated with rising property values or higher rents. Archer saw this as being in conflict with the goal of the infill housing policy.

Writing in The Canadian Geographer, (1991), Caroline A. Mills noted that gentrifiers tend to be young (25-34 age-cohort) with few children.<sup>52</sup> Singles and divorcees are over represented from the average population and the elderly were under represented. Therefore, rather than reinforcing the social fabric of the community, as Archer encouraged, inappropriate development, such as gentrification, may disrupt the neighbourhood and lead to resistance to change. An over-reaction by the community to new infill housing may lead to no development, and a further decline of the neighbourhood in the future.

There are several factors which need to be present to create an opportunity for gentrification to take place. New infill housing is not necessarily the primary factor. Mills described an economic model necessary to allow gentrification to become established. She wrote of a "rent-gap" which opens between the rent earned by a

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<sup>51</sup> Archer. *Planning for Infill Housing*, p. 15.

<sup>52</sup> Caroline A. Mills. *Fairview Slopes, Vancouver: Gentrification in the Inner City* (The Canadian Geographer/Le Géographe canadien, v. 35, n. 3, 1991), pp. 306-310.

property in its present use, and the property's potential rent if it fully developed or redeveloped.<sup>53</sup> In this context, the term "rent" refers to the potential profit earning ability of the property. In addition, she stated that for inner city neighbourhood gentrification to be successful, from a market perspective, it must meet the social and cultural needs of the potential purchasers. From this perspective, the environment for successful gentrification is similar to the environment for successful infill housing. A favourable market must exist; it cannot be artificially created<sup>54</sup>. Although infill housing may be a component of a gentrification process, if other factors are not present, on its own it does not necessarily cause gentrification to occur. In most cities where the municipality has positive policies and programs to encourage infill housing, the risk of neighbourhood gentrification is not high because the other factors necessary to encourage it are often missing.

### 3.7 Summary

A growing awareness in the late 1960s and early 1970s concerning the potential problems associated with fuel shortages, limited municipal resources, loss of agricultural land, and a concern about past approaches to inner city renewal, lead to the initiation of studies on a more sensitive form of urban revitalization - infill housing. Governments in both the United States and Canada initiated basic research on infill housing in the late seventies and early eighties. These studies concluded that infill housing could not be expected to be a substitute for suburban growth, but when handled properly, could provide viable options for urban revitalization. Following this research, a number of American and Canadian cities implemented policies and programs aimed at encouraging infill housing projects as part of urban

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<sup>53</sup> *Ibid.*, p. 307.

<sup>54</sup> Hoben, Griggs and Connolly.

revitalization strategies. These ranged from new houses on scattered single lots, such as in Rochester and Pittsburgh, to massive redevelopment projects such as in Norfolk and Dallas. American cities seem to have been more aggressive and specific in their infill programs and policies than their Canadian counterparts.

Infill housing initiated by the private market without government assistance has been successful only in larger cities with strong Central Business Districts, buoyant real estate markets, and often at higher densities than the surrounding residential areas. However, these circumstances are rare. Most cities experiencing inner city stagnation and decay could not rely on normal market forces to lead the recovery; it had to be initiated and assisted by government. Infill housing in these markets was not profitable for private market builders and it was not viable without financial assistance from public sector sources. As a policy for urban revitalization, infill housing worked best as one component of a multi-program approach.

It is clear from the literature that to be successful, in terms of attracting buyers, infill housing had to offer the prospective purchaser either a location with benefits not available in the suburban market, or it had to be financially accessible to income groups which could not afford suburban housing. In addition, the price of new infill housing must be consistent with the value of existing housing in the neighbourhood. The implications of these findings for Winnipeg are significant because, as demonstrated in the following chapters, even though there may be financial benefits to the municipality, infill housing is more costly to produce than suburban housing and it has not been able to offer benefits to the home owner not already available in suburban locations. Therefore, to create a viable infill housing strategy in Winnipeg, public policy makers must consider the implementation of programs similar to those successfully tried in other North American cities. For a scattered lot infill strategy, as is identified in Plan Winnipeg, these include municipal assistance with upgrading services (Norfolk and Rochester), assistance to builders with land

acquisition and construction financing (Montreal, Pittsburgh, Norfolk, and Rochester), promotion and marketing (Montreal and Rochester), and direct grants or subsidies to builders and purchasers (Montreal and Pittsburgh, Norfolk and Rochester).

Winnipeg's policies with respect to neighbourhood revitalization arose out of identifiable needs. The prime beneficiary of a successful infill housing component is the city and its older neighbourhoods. Therefore, the city should take note of the practical experience gained by other cities with similar problems to Winnipeg. As noted by the Urban Land Institute's panels on low income neighbourhoods, the success of such programs lies in the municipality taking the initiative, not the private sector. The costs are too high and the benefits too marginal for the private builders to take the risk through their own initiative.

## CHAPTER 4

### Housing Activity in Winnipeg

Plan Winnipeg's infill/revitalization strategy was based on the assumption that there would be a combined effort involving both the public and private sectors to achieve the goals of the plan with respect to housing. The city was to have a direct role in community revitalization, to be accomplished primarily through support of social, economic and physical neighbourhood programming. Wherever possible, the city was to encourage appropriate private sector development in older residential neighbourhoods. Prior to considering the viability of the infill/revitalization strategy and prior to evaluating the success or failure of Plan Winnipeg in meeting its objectives with respect this strategy, an analysis of building activity over the span of the plan is essential. Public policy on housing cannot exist in a vacuum; it must relate to the realities and trends in the market. This includes projections for housing demand and population trends which have a direct influence on the financial viability of an infill builder and which should have an influence in determining housing policy.

Plan Winnipeg made a number of projections and assumptions with respect to population growth and anticipated housing activity for the twenty year horizon of the plan. The purpose of this chapter, in part, is to review Plan Winnipeg's housing projections to assist in the evaluation of the relative effectiveness of the plan's housing policies. An isolated review of the housing activity in the older residential neighbourhoods does not provide the opportunity for an analysis of the success of the policies. It must be put in the context of the overall market area activity. This study of infill housing in Winnipeg is not intended to provide an evaluation and appraisal of all aspects of Plan Winnipeg's housing policies and assumptions, but rather to provide a general overview of the housing market and its relation to Plan Winnipeg. Therefore, it is relevant, within the context of understanding the industry, to examine these projections in light of actual growth over this period.

A secondary purpose of the review of housing activity is to assist in understanding consumer preference in terms of housing. Although the information examined does not provide an analysis of the underlying factors which influence the selection of location and type of housing, the figures do provide some indication of trends. Plan Winnipeg did not address the issue of consumer preference in the context of the infill/revitalization strategy. However, this is critical in understanding the market place for of private market infill housing and the potential for success of infill and revitalization policies. The issue of consumer preference is also discussed in chapter 6, subsection 7.5.

#### **4.1 Housing Activity 1981 - 1991**

Although Plan Winnipeg received third reading by city council in 1986, most of the research for the plan was prepared in the late 1970s and the by-law received first reading in 1981. The population and housing projections contained within Plan Winnipeg's span the twenty year time frame from 1979 to 1999. It was estimated that approximately 55,000 new housing units of all types would be built in Winnipeg between 1979 and 1999.<sup>55</sup> The infill/revitalization strategy outlined in Plan Winnipeg established a target of attracting 20 percent of the anticipated new housing construction into established older neighbourhoods. Over the 20 year horizon of the plan, this would be approximately 11,000 dwelling units, or an average of 550 units per year.

The City of Winnipeg Planning Department has been tracking building permits by neighbourhood since 1982. The neighbourhoods used for this tracking are those identified in the *Winnipeg Area Characterization* study undertaken by the city in 1978. The neighbourhood definitions and boundaries from this study were used to define

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<sup>55</sup> Although Plan Winnipeg's projections were done for the period between 1979 and 1999, the city later adjusted their projections to the period between 1991 and 2001 to coincide with Canada census data. Barnard's projections have also been adjusted accordingly by the author.

the "Older Neighbourhoods" and the "Suburban Residential" neighbourhoods used in the "Plan Winnipeg Policy Areas" as illustrated in Figure 1. Therefore, the planning department's method of tracking building permits provides the opportunity to identify building activity within the city based on the Plan Winnipeg Policy Areas.

Table 2 provides a summary of the building permit activity within the city of Winnipeg from 1982 - 1991. During this ten year period, permits for the construction of 36,879 dwelling units were issued. Permits for 245 houses in the "Rural Areas", "Large Lot Development Areas" and the "Hamlet Areas" are excluded from these totals. Of the permits issued in the built-up urban area, 2,592 were in the "Downtown", 5,540 were in "Older Neighbourhoods", and 28,651 were in "Suburban Residential" neighbourhoods.

The older neighbourhoods were able to attract approximately 15 percent of the total permits issued during this period. Of this total, single family detached, semi-detached and row housing, which constitute the form of housing consistent with the definition of infill housing in this report, accounted for 1,654 of the permits, or 4.5 percent of the total permits in the city. However, the rate of demolitions within older neighbourhoods was much higher than the suburban neighbourhoods. A total of 1,373 single family detached, semi-detached and row houses were demolished in the older neighbourhoods over the same period. The net increase of infill housing, other than apartments, was 281 dwelling units, or less than one percent of the total net increase for the city.

The vast majority of newly constructed single family detached dwellings are owner-occupied units. If location of housing is an indication of consumer preference, more than 95 percent of the purchasers of new homes chose suburban locations over older neighbourhoods. While there may be many factors which influenced this trend, it would appear to be an important message to policy makers.

**TABLE 2 SUMMARY OF RESIDENTIAL BUILDING PERMITS  
IN THE CITY OF WINNIPEG URBAN AREA  
JANUARY 1982 - DECEMBER 1991**

| NEIGHBOURHOOD<br>DESCRIPTION | NEW CONSTRUCTION |      |       |        |        | DEMOLITIONS |      |     |      |       |
|------------------------------|------------------|------|-------|--------|--------|-------------|------|-----|------|-------|
|                              | SFD              | Semi | Row   | Apts   | Total  | SFD         | Semi | Row | Apts | Total |
| Older Neighbourhoods         | 1005             | 178  | 471   | 3,886  | 5,540  | 1,126       | 153  | 94  | 504  | 1,877 |
| Downtown                     | 0                | 0    | 0     | 2,592  | 2,592  | 27          | 8    | 3   | 396  | 434   |
| Suburban Residential         | 20,977           | 302  | 1,030 | 6,342  | 28,651 | 362         | 2    | 9   | 28   | 401   |
| Industrial                   | 2                | 0    | 0     | 94     | 96     | 30          | 2    | 0   | 7    | 39    |
| City Urban Area Total        | 21,984           | 480  | 1,501 | 12,914 | 36,879 | 1,545       | 165  | 106 | 935  | 2,751 |

Source: The City of Winnipeg Planning Department.  
Compiled by: Paul McNeil

Abbreviations: SFD - Single Family Detached Housing Units  
Semi - Semi-detached or Duplex Housing Units

Row - Row House or Townhouse Units  
Apts - Apartment Units

Notes: 1. The terms used under the heading NEIGHBOURHOOD DESCRIPTION correspond to the Plan Winnipeg Policy Area descriptions.

2. Building permits in the *Rural Areas*, the *Large Lot Residential Development Areas*, and the *Hamlet Areas*, as identified within Plan Winnipeg, have been excluded from the totals. These areas accounted for 245 SFD permits and 24 SFD demolitions.

3. Building permits in the *Logan-CPR Industrial Neighbourhood*, as identified within Plan Winnipeg, have been included in the **Older Neighbourhoods** figures due to a city of Winnipeg policy change with respect to redevelopment of part of this neighbourhood. This includes permits for 8 SFD, 2 Semi and 82 Apts, as well as the demolition of 80 SFD, 14 Semi and 22 Apts.

4. The **Industrial** figures include a recently constructed 94 unit elderly persons apartment in the *Wilkes Industrial Neighbourhood*, which is located in the suburban area of Fort Garry.

5. The neighbourhood of *Transcona South* includes a small area which is identified in Plan Winnipeg as an *Older Neighbourhood* area. The balance of the lands in the neighbourhood are categorized as a *Large Lot Residential Development Area*. The 29 permits issued for SFD and the 4 SFD demolitions in this neighbourhood have not been included in the above figures for activity within the urban area.

6. These figures are for permits issued and do not account for permits which were cancelled or which expired.

## 4.2 Housing Trends - Past and Future

Peter Barnard Associates, in the report *Housing in Winnipeg*, looked at several of the population and housing trends in the Winnipeg market. The three trends which have direct implications on the infill housing market are population projections; the distribution of housing unit types; and the rate of household formation (which is used to estimate housing starts). This work was prepared by Barnard on behalf of the Winnipeg Development Plan Review in 1978.

Barnard presented a forecast for a decline in the rate of population growth rate in Winnipeg over the twenty year Plan Winnipeg time-frame (Table 3). Although the rate for the period between 1971 and 1976 (the last census available to Barnard) had been 5.5 percent, Barnard forecast a rate of 3.1 percent for the first five years of the plan, with a gradual reduction to 0.8 percent for the last five year period leading up to the year 2001. His forecasts were based on the demographic affect of the aging of the "baby boom" generation and lower net migration and immigration into Manitoba.<sup>56</sup> The recently released figures for the 1991 census indicate that the actual rate of growth over the past five years of 3.7 percent was higher than either Barnard's or the planning department's estimates of 2.7 percent and 2.6 percent respectively. For the following two periods, the planning department is projecting growth rates of 2 percent and 1.3 percent, which are higher than Barnard's projections of 1.8 percent and 0.8 percent. The planning department's February 1992 estimate for the city's population in the year 2001 was 630,500 persons compared to Barnard's estimate of 629,800. However, if the planning department's estimates for the next two periods contain the same margin of error as the period ending in 1991, the population for the city will be approximately 637,200 by the year 2001.

TABLE 3                      POPULATION PROJECTIONS FOR

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<sup>56</sup> Peter Barnard Associates. *Housing in Winnipeg*, pp. 1, 2.

## THE CITY OF WINNIPEG

|      | ACTUAL               |                       | BARNARD'S PROJECTIONS 1978 |                       | PLANNING DEPARTMENT REVISED FEB/88 |                       | PLANNING DEPARTMENT REVISED FEB/92 |                       |
|------|----------------------|-----------------------|----------------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Year | Population<br>(,000) | 5 Year<br>Growth Rate | Population<br>(,000)       | 5 Year<br>Growth Rate | Population<br>(,000)               | 5 Year<br>Growth Rate | Population<br>(,000)               | 5 Year<br>Growth Rate |
| 1956 | 409.1                | 15.4%                 |                            |                       |                                    |                       |                                    |                       |
| 1961 | 472.0                | 6.8%                  |                            |                       |                                    |                       |                                    |                       |
| 1966 | 504.2                | 6.1%                  |                            |                       |                                    |                       |                                    |                       |
| 1971 | 535.1                | 4.8%                  |                            |                       |                                    |                       |                                    |                       |
| 1976 | 560.9                | 0.6%                  |                            | 3.2%                  |                                    |                       |                                    |                       |
| 1981 | 564.5                | 5.3%                  | 579.1                      | 3.1%                  |                                    |                       |                                    |                       |
| 1986 | 594.6                | 3.7%                  | 597.1                      | 2.7%                  |                                    | 3.3%                  |                                    | 2.6%                  |
| 1991 | 616.8                |                       | 613.3                      | 1.8%                  | 614.2                              | 2.3%                  | 610.3                              | 2.0%                  |
| 1996 |                      |                       | 624.6                      | 0.8%                  | 628.2                              | 1.4%                  | 622.7                              | 1.3%                  |
| 2001 |                      |                       | 629.8                      |                       | 636.9                              |                       | 630.5                              |                       |

Source: Statistics Canada Census; Peter Barnard Associates *Housing in Winnipeg* (Exhibit 1.1); and The City of Winnipeg Planning Department.  
 Compiled by: Paul McNeil

Population growth in itself is not entirely responsible for housing demand. In fact, the rate of housing demand has outpaced the rate of population growth in Winnipeg for several decades. Housing demand forecasts include factors such as family undoubling, impacts of unusual demographic effects such as the "baby boom", marital breakdown, and the propensity for the young and the old to live independently in smaller household arrangements.<sup>57</sup> Barnard forecast that the influences of all of these factors would lead to a decrease in the rate of household formation over the

<sup>57</sup> Barnard noted that in 1956 more than ten percent of all households in Winnipeg shared accommodation. By 1976, this figure had dropped to less than three percent (*Housing in Winnipeg*, p. 22).

following two decades. This would result in a dramatic decrease in the demand for housing by the late 1990s.

Barnard's forecast of 249,200 households by 1991 was somewhat higher than the actual of 244,000 (see Table 4). However, the planning department's forecast for the next decade projects a recovery exceeding Barnard's forecast, resulting in a total of 260,500 households by the year 2001. The planning department is forecasting a total of 16,000 dwelling unit starts over the next ten years, for an average of 1,600 units per year. Barnard forecast a total of 9,500 starts, or 950 per year, over this same time period. Neither forecast appears to have considered the possible withdrawal by private developers from the construction of new market-rent housing. In 1990, permits were issued for the construction of 139 new multi-family units; in 1991 the figure was 468. Most of these units were publicly initiated or assisted units. CMHC is now beginning to consider the possibility that, in the absence of government programs to stimulate multi-family construction, in the near future there will be almost no privately initiated rental apartment units constructed.<sup>58</sup> The likelihood of government programs to stimulate this market is not considered high.

The number of new apartments constructed throughout the city in the past ten years exceeded demand over that same period. As a result, vacancy rates in private market apartments rose to a high of 6.6 percent city-wide by October 1991. For the older central city areas, it rose to 8.6 percent (compared to long term averages of approximately 3 percent and lows of 2 percent in 1987). Even with the lack of new

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<sup>58</sup> Richard Goatcher, Senior Housing Analyst with CMHC, in a speech on February 14, 1992 to the Manitoba Association of the Canadian Institute of Planners, noted that the spread between market rents and profitable economic rents for new apartments in Winnipeg is approximately 15-20 percent. The inability to achieve a break-even or profit has resulted in almost no construction of new, privately initiated apartments in Winnipeg in the past two years; a trend that CMHC sees continuing until vacancy rates become so low that rents rise dramatically.

construction, it is anticipated that it may take several years for this excess supply of apartments to be utilized. CMHC attributed this continued rise in vacancy rates, in part, to a larger than expected movement of renters from apartments to home ownership (due to falling mortgage interest rates) and an increase in "doubling-up" in response to a poor economy and higher unemployment rates.<sup>59</sup>

In the absence of new apartment construction, it is not anticipated that additional single family units will be built to take up any slack in the market. Therefore, the ratio of new rental housing to new single family housing will be established by the number of government assisted units which are started. Given the financial constraints facing the federal and provincial governments, the chances of an increase above the past two-year average of 300 units of social housing for Winnipeg is unlikely. The Planning Department is forecasting 5,500 new apartment units over the next ten years. If this market is limited to social housing, averaging 300 units per year, there will likely be only 3,000 units built. This could make Barnard's somewhat pessimistic forecast for total households perhaps more realistic than the planning department's forecast.

The lower forecasts have significant implications for the older neighbourhoods of the city. The fact that these neighbourhoods were able to capture 15 percent of the total building activity within the city in the first ten years of Plan Winnipeg was more a result of apartment construction than due to single family infill. Much of the apartment construction activity was stimulated by government sponsored subsidies and income tax deferral incentives. If there is a withdrawal by private developers from the apartment construction field, the only new housing which will be attracted to the older neighbourhoods will be social housing and scattered single family infill. Privately initiated single family infill housing in older neighbourhoods accounted for less than three percent of all starts in the city over the past ten years. Approximately

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<sup>59</sup> CMHC. *Manitoba Rental Market Survey*, October 1991.

one third of the purchasers of these houses received some form of government assistance from programs which no longer exist.<sup>60</sup>

**TABLE 4**                      **HOUSEHOLD FORECASTS FOR**  
**THE CITY OF WINNIPEG**

|      | ACTUAL               |             | BARNARD'S FORECAST   |             | PLANNING DEPT.<br>FORECAST |             |
|------|----------------------|-------------|----------------------|-------------|----------------------------|-------------|
| Year | Households<br>(,000) | 5 Yr./1 Yr. | Households<br>(,000) | 5 Yr./1 Yr. | Households<br>(,000)       | 5 Yr./1 Yr. |
| 1976 | 192.6                |             |                      |             |                            |             |
| 1981 | 216.5                | 23.9/4.8    | 214.5                | 21.9/4.4    |                            |             |
| 1986 | 227.0                | 10.5/2.1    | 233.8                | 19.3/3.9    |                            |             |
| 1991 | 244.0                | 17.0/3.4    | 249.2                | 15.4/3.1    | 244.5                      | 17.5/3.5    |
| 1996 |                      |             | 255.7                | 6.5/1.3     | 253.5                      | 9.0/1.8     |
| 2001 |                      |             | 258.7                | 3.0/0.6     | 260.5                      | 7.0/1.4     |

Sources: Peter Barnard Associates *Housing in Winnipeg*; and The City of Winnipeg Planning Department.  
Compiled by: Paul McNeil

If Barnard's more conservative forecast for housing demand is the accurate one, there will be a gradual reduction in the number of single family dwellings constructed over the next ten years, working out to an average of approximately 700 per year. In the absence of government assistance programs aimed at infill housing, and if past trends are maintained, the older neighbourhoods will attract no more than 2-3 percent of all new single family starts, or an average of 20 houses per year over the next decade.

If these more conservative estimates for overall building activity are correct, the total number of new residential units which will be built in the older neighbourhoods over

<sup>60</sup> See chapter 7, subsection 7.4.

the twenty year span of Plan Winnipeg will fall well short of the objective of 11,000 units. In the past ten years, a total of 5,540 new dwellings have been constructed in the older neighbourhoods. In the next ten years, the number of new starts in older neighbourhoods is likely to drop to a total of 2,500 dwelling units (assuming 20-30 units per year of scattered single family infill; few new market-rent apartments; and that 75 percent of the social housing units will be built in older neighbourhoods). Therefore, the total new starts in older neighbourhoods over the twenty year Plan Winnipeg time-frame will be approximately 8,000 dwelling units. This represents 15 percent of the overall projected starts for the city between 1981 and 2001.

However, this probably represents a "best case" scenario for the older neighbourhoods in terms of housing starts. Although it is unlikely that social housing unit allocations to the province from the federal government will increase, there is the real possibility that allocations to Winnipeg will decrease as a result of tight budgets and greater demand based on lower vacancy rates elsewhere in the country. That being the case, both the overall number of starts, as well as the percentage-share of the market for construction in the older neighbourhoods, will decline.

It is possible that both Barnard's and the planning department's projections for single family housing starts are too low. A reduction to levels as low as projected, averaging about 1,100 starts between 1992 and 1996, and falling to 500 starts per year between 1997 and 2001, would be a dramatic change from the past decade. In the period between 1987 and 1991, there was an average of 2,100 single family housing starts per year, which included only 1,500 starts in 1990 and 900 starts in 1991. A drop in the number of starts to the levels projected by Barnard would put residential construction activity at its lowest level since the late 1940s.

Housing forecasts are also produced by CMHC. These forecasts were not included in Table 3 because CMHC utilizes the Winnipeg metropolitan area in its estimates, making direct comparisons difficult. CMHC is somewhat more optimistic in their

forecasting of both population growth and household formations. They are forecasting a higher rate of net migration into the city and as a result, their projections on household formations are higher. Using two different scenarios, CMHC is forecasting household formations in the 1991 to 1996 period of between 3,400 and 3,600 households, and in the period between 1996 and 2001, of between 2,400 and 3,000 households.

The CMHC potential housing demand resulting from household formations is split between owners and renters in a ratio of approximately 80 to 20. Although there are some differences, this ratio is close to both Barnard's and the city's estimated splits. CMHC is forecasting single family starts of between 2,400 and 2,700, on average, between 1991 and 1996, and between 1,900 and 2,400, on average, in the period between 1996 and 2001. These figures are dramatically higher than either Barnard's or the city's for the same periods, even when the differences in the geographic areas being forecast are considered. In addition, as CMHC noted with respect to apartment vacancy rates, significantly lower interest rates for residential mortgages may increase demand for home ownership.

The differences in forecasts suggest that the city's and Barnard's figures present the best case scenario for the older neighbourhoods with respect to share of the market. If the CMHC projections prove to be more accurate and past trends in consumer preference in housing are maintained, the increases will be felt in the suburban neighbourhoods rather than the older neighbourhoods because of the unit type splits.<sup>61</sup> CMHC's forecasts anticipate private development of rental apartments in this period. However, as they are now cautioning, there may be little or no such activity in the near future. Therefore, in the absence of a change in government housing policy, the vast majority of new starts will be single family detached houses

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<sup>61</sup> The relationship between government policy and consumer preference in housing location is discussed in chapter 6, subsection 7.5.

located in new suburban areas. The share of the market that Plan Winnipeg hoped to draw into the older residential neighbourhoods will slip well below the 20 percent target, to approximately 10-12 percent.

Of equal significance as the lower numbers of new housing starts in older neighbourhoods over the next decade will be the nature of the housing. Although social housing programs have a significant role to play in fulfilling housing needs and in neighbourhood revitalization, they should be part of an overall strategy, not the sole element. For the most part, the social housing which has been built in the past ten years has been medium to large scale elderly persons housing projects. The infill/revitalization strategy in Plan Winnipeg intended that an important component of the strategy was the infill of existing vacant sites and the replacement of demolished units. The social housing projects, especially seniors' housing, have a limited capability to achieve this objective due to the economies of scale which need to be maintained for effective property management. Placing the full dependence on social housing to achieve the objectives of Plan Winnipeg with respect to new housing in older neighbourhoods will not provide the mix of housing considered desirable to create and maintain a stable community.

### **4.3 Summary**

Housing starts over the past decade for the older neighbourhoods have been reasonably close (15 percent of the total in the city) to Plan Winnipeg's goal of 20 percent of the total of all starts within the city. However, almost three quarters of these starts have been multi-family units, many of which were built as a result of government initiated incentives which are no longer available. A forecast for a major reduction in housing demand, coupled with the possible temporary withdrawal by private developers from the construction of new market-rent apartments, is likely to result in a disproportionately large reduction in residential building activity in the

older neighbourhoods in Winnipeg over the next decade. Without programs to stimulate either market-rent apartment construction or lower density infill housing activity, both the actual numbers and the percentage-share of the market of new residential construction in older neighbourhoods will likely decrease substantially.

In the absence of strong public programs to promote infill housing in older neighbourhoods, consumer preference indicates an overwhelming choice of suburban locations. This preference must be accounted for in public policy on housing. As was demonstrated in the review of similar policies from other North American cities in chapter 3, infill housing in older neighbourhoods must be able to offer the consumer benefits over those offered in suburban locations. Housing starts are driven by demand and it would appear clear from the limited activity in Winnipeg's older neighbourhoods that demand has been lacking.

Should the forecasts for decreased overall housing demand be correct, and should the trend for consumer preference of suburban locations remain similar to the past decade, the mix of private sector and public sector housing which has occurred in older neighbourhoods over the past ten years will shift significantly. As a result, with the exception of some scattered single family infill, the majority of new housing built in older neighbourhoods in the next ten years may be multi-family social housing units. The feasibility of sustaining a profitable infill housing business will be marginal and the role of the private sector in contributing to the goals and objectives of Plan Winnipeg will largely disappear.

## **CHAPTER 5**

### **The House Building Industry in Winnipeg and Infill Housing**

Plan Winnipeg's infill housing strategy relied heavily upon privately initiated development. To be effective, this strategy required an understanding of the house building industry. It required knowledge of how the market place functions and of who the participants were likely to be. Although not specifically stated in Plan Winnipeg, the infill/revitalization strategy anticipated that either builders would also become land developers, or that an urban development industry would emerge to parallel the role of the suburban land developers to supply lots to infill builders. Alternatively, it may have assumed that the vacant and scattered infill lots were in a state ready for construction and that builders could simply take out a permit and build, as they do in suburban locations. This ignored the problems and costs associated with site clearing, services, zoning approvals and financing (as discussed in chapter 6).

This chapter provides an overview of the house building industry and its relationship to the land development industry in Winnipeg. An evaluation of Plan Winnipeg's infill housing strategy is not possible without understanding the industry which the plan relied so heavily upon. A test of the validity of this strategy, and ultimately of the feasibility of private market infill housing, can only be carried out with this understanding.

#### **5.1 The Structure of the Industry**

The residential construction industry is composed of two distinct components: house

builders and multi-family developers. Some of the larger builder/developers, such as Qualico Developments, cross over these lines, and others, such as Greentree Homes, have contracting divisions which are involved in apartment and commercial building construction. But for the most part, the two components of the industry operate independently.

Multi-family developers can generally be categorized as development companies with the skills and financial resources to build the larger multi-family projects. These projects are capital intensive and there are a limited number of successful firms in the business. Many got their start during the MURB building boom of the late seventies and early eighties<sup>62</sup>.

The house building industry, by contrast, has been characterized by small independent contractors. Many got their start in the business as tradesmen and sales people who worked for a builder, and who eventually were able to start building their own houses. The nature of the industry has permitted and encouraged this through a system of easy credit, strong consumer demand, a competitive building lot market, and a real estate marketing system geared to independent builders.

There are no professional qualifications behind the name "house builder." With no formal or even informal training, anyone can undertake the construction of a house. The National Building Code sets out the minimum design standards and the plans are usually prepared by a drafting service which has knowledge of the code. It has not been uncommon to find other occupational groups such as teachers and firemen

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<sup>62</sup> MURB is an acronym for Multi-Unit Residential Building, a federally sponsored incentive program to build and invest in apartment ownership through a series of income tax right-offs and deferrals.

building houses in their spare-time. This is becoming less common as the industry tightens the financial controls to discourage "week-end builders."

Concern about consumer protection lead to the creation of the New Home Warranty Program of Manitoba Inc. in 1976, a non-profit agency which warranties some aspects of the house construction and protects purchasers' deposits. Recent apprehension about the high rate of business failures amongst builders has lead to changes to tighten-up approvals for qualification in the program. Most conventional lenders will not provide mortgage financing on a home which is not insured under the program. A recent requirement by the New Home Warranty Program for the submission of builders' financial statements and letters of credit has resulted in fewer part-time builders.

Private lending institutions, at least until recently, have been quite willing to lend money, through secured mortgage loans, to small builders. Since the loans are usually limited to 90 percent of the appraised value of the house and lot, and disbursed to a maximum of 75 percent of the loan, the risk to the lender has been minimal. In addition, many of the suppliers of building materials provided easy credit to builders.

Because the industry is structured around a "subtrade" system, very few house builders have any skilled trades people as employees. The construction of a house is broken down into many small components with specialists for each component. These specialists, or subtrades, handle only one element in the construction of a house following which they move on to the next house, often that of another builder. Therefore, the trades people who construct the houses may be the same for several competitive builders. This system of specialization has allowed for the rapid and

efficient construction of houses. It has also removed the need for the builder to have a permanent staff.

## **5.2 The Land Developers**

The most important factor in facilitating the growth of small builders has been the land development industry. It is crucial in an evaluation of the feasibility of an infill house builder to understand the role of the land developer in the house building industry. The transformation of land from a "raw" state, usually in agricultural use, to a "finished" state, with serviced lots available for building, is a lengthy and costly process. Occasionally, smaller land parcels are developed by "one-time" developers, but for the most part, the land development industry in Winnipeg is limited to a few firms which have been in the business for many years. In most cases, to be profitable, the raw land must be assembled so far in advance of development that it is not feasible for speculators to buy and hold such lands. Much of the land held by the major developers takes between 20-40 years to develop.

Winnipeg has four major land development companies which operate throughout the city, as well as one which is limited to a single subdivision. Genstar Development Company, Ladco Company Ltd., Novamet Development Corporation, and Qualico Developments Ltd. have been active in the development industry in Winnipeg since the mid 1950s and early 1960s. Cairns Developments Ltd., which entered the Winnipeg market in the late 1970s, is developing a single subdivision in Fort Garry. In addition to developing land, Ladco, Qualico and Novamet either own house building divisions, or are in partnership with house building companies. Cairns and Genstar are strictly land developers.

It would not be possible for the average independent builder to supply his own building lots. The time and costs required for acquisition, rezoning, subdivision, and servicing are beyond the capability of most house builders. In addition, the process of land development requires skills and knowledge which the average builder does not have and which he cannot afford to hire.

The land development industry in Winnipeg has made it possible for small independent builders to get started and to sustain their operations through a lot sales program which caters to their needs. Most builders have very little working capital and limited assets to use as loan collateral. Therefore, the land development industry sells serviced lots to the builders on credit. Builders are normally required to make a deposit of 15 - 25 percent of the price of the lot at the time of purchase. The balance is paid out to the land developer, not in monthly instalments, but as a "balloon" payment from the proceeds of the first mortgage draw from the builder's house mortgage.

Most banks, trust companies, and some credit unions, will provide "builders' mortgages" for the construction of new homes. These mortgages allow for "draws" during specific stages of the construction of the house up to 67.5 percent of the appraised value of the house and lot. The first draw includes the value of the land and permits the builder to pay the developer the balance of the purchase price of the lot with funds from the mortgage. The builder does not normally make payments on the builder's mortgage until three months after the house is completed. Therefore, if the house is presold or sold shortly after construction, the builder contributes little cash out-of-pocket to the financing of the house. Since most small builders can operate with minimal overheads, it has been possible to become a house builder with limited capital.

### 5.3 The Builders

Although there are indications that this is changing, the lack of fixed overheads (in terms of plant investment), the accessibility of credit, the availability of building lots when needed, and available sub-trades have provided the opportunity for people to enter or exit the house building industry with relative ease. Therefore, the number of builders registered with the New Home Warranty Program has fluctuated in response to the economy, interest rates and consumer demand.

Table 5 provides a breakdown of the various builders in Winnipeg and the number of houses each has built over the past five years. Several of the individual building companies are owned by a single parent company. This allows each company to specialize in one segment of the marketplace without compromising the parent company's efforts in another, possibly more prestigious segment of the market. The largest group of building companies is owned by Qualico Developments Limited. In 1991, the Qualico group accounted for almost one third of the single family new home warranty registrations in the city.

The majority of builders are small firms constructing fewer than ten dwelling units per year. As the market for new houses worsened from 1988 on, the house builders who were backed by land development companies have captured an increasing percentage of the market. Many of the independent builders did not have the financial resources to weather the downturn in the market.

The land development companies have an obvious business interest in promoting house building within their subdivisions. It is not likely that the building companies associated with land development companies will be providing much initiative with respect to infill housing in older neighbourhoods. As the economy of Winnipeg has worsened and overall building activity has fallen, the number of smaller independent builders active in the Winnipeg market has diminished. At the same time, the market share for the builders which are backed by the land development industry has risen.

**TABLE 5 SUMMARY OF NEW HOME WARRANTY PROGRAM  
REGISTRATIONS IN THE CITY OF WINNIPEG**

| HOUSE BUILDERS (as of December 31/91)  | 1987         | 1988         | 1989         | 1990         | 1991         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>QUALICO DEVELOPMENTS GROUP:</b>   |              |              |              |              |              |
| 1. Qualico Homes   | 337          | 164          | 123          | 129          | 92           |
| 2. Sterling Homes  | 75           | 70           | 68           | 62           | 35           |
| 3. Broadview Homes   | 144          | 166          | 162          | 159          | 85           |
| 4. Foxridge Homes  | -            | 5            | 23           | 21           | 22           |
| 5. Distinctive Homes   | -            | -            | -            | -            | 1            |
| <b>TOTAL QUALICO GROUP</b>   | <b>556</b>   | <b>405</b>   | <b>376</b>   | <b>371</b>   | <b>235</b>   |
| <b>NOVAMET DEVELOPMENT GROUP:</b>  |              |              |              |              |              |
| 1. Kensington Homes  | 63           | 57           | 31           | 28           | 28           |
| 2. Randall Homes   | 98           | 64           | 64           | 64           | 38           |
| 3. Heritage Homes  | -            | -            | -            | 19           | 3            |
| <b>TOTAL NOVAMET GROUP</b>   | <b>161</b>   | <b>121</b>   | <b>95</b>    | <b>111</b>   | <b>69</b>    |
| <b>LADCO COMPANY:</b><br>Ladco Homes   | 48           | 38           | 50           | 10           | 10           |
| <b>TOTAL OF BUILDERS ASSOCIATED WITH<br/>LAND DEVELOPMENT COMPANIES</b>      | <b>765</b>   | <b>564</b>   | <b>521</b>   | <b>492</b>   | <b>314</b>   |
| <b>PERCENTAGE OF TOTAL REGISTRATIONS</b>                                     | <b>34.7%</b> | <b>31.3%</b> | <b>29.7%</b> | <b>33.8%</b> | <b>41.9%</b> |
| <b>OTHER BUILDERS CONSTRUCTING MORE<br/>THAN 10 HOUSES ANNUALLY:</b>         |              |              |              |              |              |
| 1. Belleville Homes*   | 57           | 47           | 77           | 54           | 20           |
| 2. Wellington Homes*   | -            | 8            | 18           | 21           | 1            |
| 3. Manor Homes*  | 59           | 69           | 58           | 58           | 6            |
| 4. Castlewood Homes*   | 25           | 32           | 30           | 23           | 10           |
| 5. Hilton Family Homes   | 60           | 121          | 122          | 75           | 47           |
| 6. Greentree Homes   | 88           | 47           | 77           | 54           | 20           |
| 7. A. & S. Homes   | 62           | 18           | 42           | 41           | 24           |
| 8. Waltron Homes   | 45           | 40           | 21           | 30           | 15           |
| 9. Maric Homes   | 28           | 24           | 23           | 23           | 19           |
| 10. Lifestyle Homes  | 62           | 31           | 33           | 23           | 11           |
| 11. Harval Homes   | -            | -            | 3            | 19           | 18           |
| 12. Ventura Homes  | -            | -            | -            | 16           | 16           |
| 13. Prestige Homes   | -            | -            | -            | -            | 15           |
| <b>TOTAL REGISTRATIONS</b>   |              |              |              |              | <b>222</b>   |
| <b>PERCENTAGE OF TOTAL REGISTRATIONS</b>                                     |              |              |              |              | <b>29.6%</b> |
| <b>TOTAL OF BUILDERS (45) CONSTRUCTING<br/>FEWER THAN 10 HOUSES ANNUALLY</b> |              |              |              |              | <b>214</b>   |
| <b>PERCENTAGE OF TOTAL REGISTRATIONS</b>                                     |              |              |              |              | <b>28.5%</b> |
| <b>TOTAL REGISTRATIONS IN THE NEW HOME<br/>WARRANTY PROGRAM</b>              | <b>2,204</b> | <b>1,801</b> | <b>1,755</b> | <b>1,457</b> | <b>750</b>   |

Source: The New Home Warranty Program of Manitoba Inc.

Compiled by: Paul McNeil

Notes: 1. The companies marked with an asterisk are associated with the Belleville group.

2. The number of building permits issued by the city of Winnipeg may differ from the total number of homes registered with the New Home Warranty Program due to delays between the issuance of the permit and the actual start of the dwelling unit, or permits which expire with no house being built. In addition, not all houses are registered with the program.

3. A total of 25 builders either withdrew from or had their registrations revoked by the New Home Warranty Program in 1991.

Studies of infill housing in the U.S. and Canada concluded that most infill builders were small, independent firms.<sup>63</sup> Plan Winnipeg's infill housing strategy was based upon providing encouragement to the private building industry to initiate and develop this critical component of the housing strategy for the revitalization of the city's older neighbourhoods. However, the small independent builders generally do not have the capital, skills or market incentive to carry out the ambitious infill housing strategy described in Plan Winnipeg. In addition, many of the smaller building firms construct custom homes for the more expensive end of the market. The relatively low average value of housing in the older neighbourhoods in Winnipeg makes it very unlikely that custom builders would have any interest in becoming involved with infill building in these neighbourhoods.

The city should have recognized the nature of the industry and provided the support and programs necessary to create the conditions which would allow the builders to participate in an infill housing program. Instead, as discussed in chapter 8, there were no programs, there was no support, and there was no encouragement for the house builders. If anything, through a series of unrelated actions by various city departments, an effective strategy to discourage the construction of infill housing was allowed to develop primarily through a lack of understanding of the nature of the small independent building industry.

#### 5.4 Summary

Approximately 42 percent of all new single family housing built in Winnipeg in 1991 was produced by builders who were either owned by or associated with suburban land development companies. Approximately 30 percent was produced by larger,

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<sup>63</sup> Barnard. *Sensitive Infill Housing - Summary Report*, p.2.23; and Smart. *Making Infill Projects Work*, p.2.

independent builders who depend upon a minimum volume of around twenty homes per year to cover their overhead costs (offices, staff and display homes). The smaller builders, which represent 67 percent of the total firms registered with the New Home Warranty Program in the city, built fewer than ten houses apiece on average and accounted for only 28 percent of the total market. Limited capital resources and a lack of development skills makes it almost impossible for the average small builder to develop land to generate building lots. They are dependent upon the land development industry or private owners to provide serviced building lots.

The changing economic and demographic conditions in the Winnipeg housing market have lead to a restructuring of the house building industry. The smaller independent builders are struggling to compete in a poor market with the financially stronger builders which are backed by land development companies. Plan Winnipeg's infill housing strategy depended, to a large degree, upon the initiative of the building industry to attract a significant share of the market for new housing into older residential neighbourhoods. In the absence of strong market incentives and public assistance, the housing industry in Winnipeg lacks the ability and the financial motivation to initiate and carry out the infill housing component of Plan Winnipeg's infill/revitalization strategy. Plan Winnipeg does not seem to have been written with an understood of either the difficulty of infill building (as discussed in the following chapter) or the nature of the house building and land development industries.

## **CHAPTER 6**

### **Factors Affecting the Viability of a Private Market Builder in Winnipeg**

The policies contained within Plan Winnipeg state that the city shall, wherever possible, encourage private sector investment in appropriate development in the older residential neighbourhoods. Appropriate development for new construction is linked to the replacement of demolished housing units and the infill of units on existing vacant sites. The city's role is limited to encouraging this activity. However to do so, the many factors which contribute to the viability of the infill housing concept must be understood. This chapter is an analysis of the factors which influence the economic viability of private market infill house building in Winnipeg.

The experience of City Homes Ltd. is used to illustrate many of the issues discussed in this chapter. City Homes was a house building company which was actively constructing infill housing in the period between 1986 and 1990. It went out of business in 1990, along with its parent company, Flair Homes (Manitoba) Ltd. Between 1987 and 1990, City Homes built 41 single family detached houses on scattered lots located in older residential neighbourhoods in Winnipeg. City Homes may not be considered "typical" for an infill builder because of its size (including an office with permanent staff) and the number of houses it had under construction at any given time (up to ten). Most infill builders tend to be small contractors operating out of their homes and constructing two or three houses per year. However, many of the examples cited for City Homes have equal application regardless of the size of the operation.

#### **6.1 Land Acquisition**

The urban infill builder is faced with a number of challenges not routinely faced by a suburban builder. The first of these differences is in the acquisition of building lots. It

may be helpful to illustrate this by comparing the differences in acquiring a site on which to build.

A builder who plans to construct a house in a suburban location normally would approach one of the land development companies. As indicated earlier, there are five major established land development companies in Winnipeg, and perhaps an equal number of smaller developers which enter the market to develop single sites. The development company sells the builder a lot which is serviced with all required city utilities and improvements and which is zoned to allow for residential construction. The sales agreement is a standard agreement (no legal costs to the builder to draw one up) and usually there are no real estate commissions involved. The lot prices are often published and each builder is aware of the other builders' land costs. For this reason, house builders identify land costs separately from the price of the house. Lots are rarely marked-up in price by the builder.

The developer normally sells a building lot to an established builder with a deposit, or down payment, of between 15 - 25 percent of the purchase price. The balance of the purchase price is secured by way of a mortgage back to the developer at rates which are equal to or lower than current bank mortgage rates. Repayment to the developer of the outstanding principal and accumulated interest is made only after the new house is under construction and the builder has a new mortgage in place, usually with one of the chartered banks or trust companies. The developer's mortgage and accrued interest are paid out of the first mortgage draw on the builder's house mortgage, which takes place at "roof-tight" stage.<sup>64</sup>

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<sup>64</sup> Mortgages referred to as "builders' mortgages" are available for the construction of new houses. These allow for staged draws on the mortgage funds and delayed interest payments. There are usually three mortgage draws, "roof-tight", "drywall" and "finished", plus a seasonal hold-back when applicable. "Roof-tight" is the stage where all of the exterior structural components of the house are in place; the roof is shingled; the house has been surveyed by a

The advantage of this system is to relieve the builder of some of the difficulties in providing the capital necessary to get started. Most lending institutions will not lend money or advance mortgage funds on vacant land. Since the bulk of the land cost is carried by the developer until the mortgage company advances funds, the builder's difficulty in front-ending the cost of the land is eased. The average current purchase price for a lot with a frontage of 42 feet is approximately \$32,000. A 15 percent deposit of the purchase price, at roughly \$5,000, relieves the builder of the need to raise or tie-up an additional \$27,000 per lot. Since most builders have several houses under construction at one time, the advantage to this system becomes abundantly clear. The development industry incorporates the cost of providing builders with temporary or bridge financing into the purchase price of their lots.

The developer has also been through the full approval process with the city and other regulatory agencies prior to selling the lot to the builder. The complicated and time consuming process of rezoning and subdividing land, which can take between 9-18 months, is carried out by the developer. The builder does not need to face the often onerous task of the public approval process in front of the city councillors and anyone objecting to the development. It is this regular, and often long process, which provides a public forum for criticism of the development industry. The development industry acknowledges that this is a normal part of the business and it has either developed the skills to meet this requirement, or hires consultants who have the skills. These are not skills which most builders possess or have the need develop. The builder's obligation is usually limited to the relatively simple task of obtaining a building permit.

In contrast to the suburban builder, the role of the infill builder is greatly expanded. There is no established development industry providing or attempting to provide the

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Manitoba Land Surveyor to produce a Building Location Certificate; and the city has issued a Zoning Memorandum which states the new house conforms to the requirements of the zoning by-law.

urban infill builder with lots.<sup>65</sup> The responsibility of acquisition, and where necessary, rezoning or subdividing the land, falls upon the builder.

Building lots in older neighbourhoods generally are available only from private owners.<sup>66</sup> The potential sources or opportunities which arise to obtain lots are:

- vacant land listed on the Multiple Listing Service (MLS) of the Winnipeg Real Estate Board
- properties listed on MLS which are double lots with an existing house located to one side, and from which one lot can be conveyed or subdivided
- lots with derelict houses
- land available from obsolete or redundant land uses such as industrial or commercial sites

It falls upon the builder to seek out these opportunities, usually on a lot-by-lot basis. Having found a lot in a suitable location (from a marketing perspective) the builder must determine what the current zoning will allow; where the sewer and water mains are situated; the status of the title; the attitude of the city's district planner (if a variance or rezoning is required); whether a plan of subdivision is required and if a cash payment

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<sup>65</sup> Two exceptions are the Domaine Marius-Benoist subdivision in north St. Boniface, which is on the site of a former concrete plant, and the Omand Heights subdivision located near Omand's Creek in the West End and which was vacant industrial land acquired from a railway. A private company redeveloped the Domain site in 1986, into 80 single family building lots. The Omand Heights subdivision has recently been approved by city council for development into 56 single family building lots by a private company.

<sup>66</sup> Occasionally the city has acquired individual lots, usually through tax sales, and has offered these for sale. They are sold either through a public tender process, if there appears to be reasonable demand and if several lots can be offered at a time, or through the Multiple Listing Service of the Winnipeg Real Estate Board. Most often, due to the location of the lots, they have been sold to Manitoba Housing for its infill housing program.

in lieu of parkland dedication is required; if building code restrictions with respect to building separation spaces apply; and if the vendor will accept an offer to purchase subject to a number of conditions, including delays of up to two months if a variance or rezoning is required. This work should be done prior to making an offer on the property. If the builder's attempt to purchase the lot is unsuccessful, expenses such as variance fees are not recovered by the builder. In contrast, an established suburban builder can usually secure a building lot from a land developer with a single phone call.

Should the infill builder decide to proceed to purchase the lot, it is rare to find a vendor willing to provide a mortgage on the land. Therefore, the full purchase price must be paid on possession. The infill builder must either tie-up his working capital or arrange bank financing. As previously noted, banks are reluctant to provide mortgage financing on vacant land. It is considered too high a risk. The cost of the preparation and registration of the mortgage documents combined with the relatively low overall value of the land purchase (averaging about \$20,000 for an infill lot), as well as the time involved with foreclosing on a mortgage in default, contribute to the risk and undesirability of such mortgages. Therefore, if financing is arranged on vacant lots, it is usually a conventional loan. Conventional loans are normally at higher interest rates and have less favourable terms than mortgages.

The necessity to tie-up working capital or incur additional debt for the purchase of building lots restricts the builder to limit himself to no more than one or two lot purchases at a time, or forces him to increase his business exposure by increasing debt. This presents the builder with a dilemma because his ability to acquire lots to suit his timing, in terms of market opportunities, is extremely limited. There is no inventory of serviced lots available. When a suitable lot or building site does become available on the market, the builder must either let it pass, or take the risk that he will be able to pre-sell the lot and house within a short time. There may be periods when several lots are available, followed by periods when nothing becomes available. If the builder does not buy lots to have in inventory, he runs the risk that once he is in a position to build his

next house, he will not be able to obtain a lot. Therefore, the lack of continuity of a reliable source of building sites is a severely limiting factor for the infill builder.

## **6.2 Overhead Costs and Profitability**

One of the key variables to the success of any business enterprise is profitability. Without a profit margin, no private enterprise is viable. In the house building industry, the gross income, or gross profit margin, is determined once all direct costs associated with the sale of a house are deducted. The direct costs include such items as the cost of land acquisition, construction materials and labour, site servicing, utilities, legal and mortgage costs, permits and fees, mortgage financing, point of sale advertising, sales commissions, realty taxes, and insurance. These direct costs can all be identified on a unit-by-unit basis. They are variable in the sense that they are costs which are incurred only if a building site is acquired and a house is built.

The other costs associated with running a house building business, which are not site specific, are fixed costs. These are generally referred to as overhead costs. Typical overhead costs for a house builder include the salaries and payroll benefits of office staff, office rent and utilities, office supplies and furnishings, telecommunications, media advertising, transportation, general insurance, legal and audit fees, business taxes, and other incidental expenses such as costs incurred with unsuccessful attempts to purchase lots. These costs usually remain fixed in the sense that these are expenses incurred regardless of the number of homes the builder constructs. They vary based on the size of the operation, but adjustments to overhead costs are not easily changed on short notice.

The house building industry in Winnipeg is considered to be very competitive, particularly in what is referred to as the "lower end" or "starter" home market.<sup>67</sup> This market has been dominated by larger builders who construct in excess of fifty units per year. The reason for this concentration of a few large builders in the lower end of the market is, in part, a function of overheads. Gross profit margins on modest houses are small, therefore, large numbers of houses must be built to cover fixed overhead costs. The alternative is for the builder to remain very small and limit overheads by such methods as not employing office staff and by working out of a private residence. It is difficult to operate as a builder of 10 - 15 modestly sized houses per year because this number of units is too large to handle without an office and support staff, but not large enough to adequately cover the fixed expenses of running a permanent office.

To date, the infill market which has existed in Winnipeg has been building almost exclusively for the "low end." This has been a function of the availability of building sites. The older the neighbourhood, the more likely lots will be available as a result of either demolitions or land use changes. These neighbourhoods are generally characterised by lower priced houses and lower land values. The newer areas, which have higher average real estate values, have few building sites available.

By the nature of the market, the infill builder is almost forced to restrict his activities to houses at the low end of the market. Small houses built for modest markets generate small profit margins. This places the builder in the awkward position of either limiting the size of the operation to a few houses a year to keep overhead costs down, or attempting to increase revenues to cover higher overheads by building a larger number of houses. This may increase gross revenues, but not necessarily net profits. The risk to the infill home builder increases because the fixed overhead costs rise, but profits may not. A variable and unreliable supply of building lots places the builder at higher risk

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<sup>67</sup> Houses which are approximately 700 to 1,100 square feet in size, excluding the basement.

with respect to fixed overheads than a similar builder who purchases lots from a reliable source - the suburban land developer.

### **6.3 Regulatory Controls; Zoning and Building Code Requirements**

All builders must have a general understanding the various zoning by-law and building code requirements which affect the house building industry. However, the infill builder must also become familiar with a number of special nuances of the regulations. Because there is no development industry producing infill building sites, the responsibility to obtain approvals for the building site falls upon the builder. Most of the residential areas of the city, which were developed prior to 1950, were subdivided into either 25 foot or 33 foot wide lots. During the fifties, The city of Winnipeg and most of the surrounding municipalities, passed planning schemes and zoning by-laws which established zoning categories defining minimum lot sizes. The single family detached category, commonly referred to as the "R1" zone, set the minimum frontage width for any lot at 50 feet in most of the by-laws. This was done despite the fact that the majority of the houses which existed at that time were built on lots of less than 50 feet in width. Although existing uses were granted non-conforming rights as long as the use existed, once the use was changed or removed, most of the new zoning standards were to prevail.

When the province amalgamated the municipalities into the new city of Winnipeg in 1972, the various planning schemes and zoning by-laws continued in force. Although there have been many calls to establish a single standardized zoning by-law for Winnipeg, 20 years after unicity there are still eight separate zoning by-laws in effect. There have, of course, been many amendments and changes adopted in some of these by-laws and others have been amalgamated and rewritten. For example, through the efforts of the city's planning department and the Manitoba Home Builders Association, a number of new, single family residential categories were introduced to most of the existing zoning by-laws to permit residential lots with narrower frontages.

The planning department has also been reviewing some of the older residential neighbourhoods of the city and initiating zoning changes which correspond to the established lot sizes. Parts of the Elmwood area of East Kildonan, for example, recently have been rezoned to R1-2.5 and R1-3 (25 foot and 30 foot minimum frontages) to correspond to the general land ownership patterns. This process of rezoning older neighbourhoods is far from complete. This has resulted in an inconsistency across the city for such neighbourhoods. What is permitted in one neighbourhood, requires a zoning variance in another, even though, on the surface, there is nothing which would indicate differences between the two areas. Part of the delay in establishing zoning categories which correspond to the existing land ownership patterns is political; and part of the delay is the time involved with preparing amendments or rewriting the by-laws.

To construct a house in a neighbourhood in which the zoning has not been amended to reflect established lot widths, such as in east St. James, a zoning variance may be required; the lot may need to be subdivided by a plan of subdivision; a cash payment in lieu of parkland dedication may be payable; and building code restrictions may apply. To add confusion to the process, the procedures and requirements may be different from neighbourhood to neighbourhood, and may vary even on single block within a neighbourhood.

One of the most common circumstances for an infill builder to obtain a building lot, in an area such as the older part of east St. James, is the purchase of one half of a double lot holding. This area of the city was originally subdivided into 25 foot wide lots, and most homes were built on a single lot. However, some of the original home owners acquired two 25 foot lots, built on one of the lots, and utilized the other lot for a garden plot. The infill builder, or real estate agents working on behalf of the builder, watch for listings such as these appearing on the MLS, and will approach the vendor about selling the vacant portion of the lot separately from the lot with the dwelling on it. In these circumstances, two zoning variances will be required: one to establish the vacant lot as a building site; and a second to permit the existing dwelling to remain on a

substandard lot. Anyone who has an objection to the variances may appear in opposition to the application. If the objection is considered valid, or in some cases, simply by the number of objectors present, the variance applications may be denied. The builder does not recover his application fee (\$275 in this example). The irony of this process is that if objections are filed, they usually come from neighbours who live in houses located on narrow lots who object to the loss of open space next to them.

There are, however, some blocks of land interspersed throughout St. James where the lots were originally subdivided into 50 foot wide lots. Although the general land ownership pattern may be 25 foot wide holdings, the builder who attempts to obtain one half of one of these lots from an owner with a 50 foot holding is faced not only with the two variances, but also with the necessity of registering a plan of subdivision in the Winnipeg Land Titles Office to subdivide the land. The builder also must submit a subdivision application to the city. Once that process is required, the city is in a legal position either to request land to be dedicated for parks purposes, which in these cases would not be practical, or to assess a "cash in lieu of dedication" fee equal to ten percent of the market value of the additional building lot created. These additional costs for hiring a surveyor, the land titles registration fees, the city application fees and the dedication assessments, add up to approximately \$2,000 and are all at the builder's expense.

The city of Winnipeg has the responsibility for enforcing the Manitoba Building Code which is modeled after the National Building Code of Canada. One of the constraints imposed upon the infill builder is compliance with the code as it applies to side yards. Any new residential building which is located within four feet of a property line must have a one hour fire rating.<sup>68</sup> In residential areas where the zoning by-laws permit

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<sup>68</sup> This is normally achieved in residential construction in Manitoba by providing no openings in the wall (windows or doors); through the use of a non-combustible material, such as stucco, on the exterior of the wall; and the application of Underwriters Laboratory (UL) "fire guard"

narrow lots, such as the R1-2.5 category in Elmwood, the new dwelling must meet the standard, but any existing houses adjacent to the new house are exempt. However, in areas such as St. James, the city will require that an existing dwelling which is involved in a variance application to establish a new building lot must also comply to the code, in part, by closing or fire-rating any existing openings in the adjacent walls if the walls are located within four feet of the proposed property line. This apparent inconsistency in the application of the code can be very frustrating to the builder because building code enforcement should be consistent across the city. However, it does not appear to be.

#### **6.4 Site Servicing**

As with land acquisition, for the purpose of understanding the difficulties faced by the infill builder, it is useful to contrast the site servicing responsibilities faced by the suburban house builder and by the infill builder. A lot purchased from a land development company is fully serviced with all the required city services including sewer and water line connections from the mains to the front property line of the lot. It is the builder's responsibility to connect the lot services from the front property line to the new house. This distance is normally anywhere from 20 - 30 feet and a builder can usually obtain a fixed price per lineal foot for these services in advance from a sewer and water subcontractor.

The infill builder is responsible to complete the sewer and water line connections from the house to the mains. In most older neighbourhoods of the city, the water main is located to one side of the street right-of-way and the sewer main is usually located in the centre of the right-of way (there are also places in the older neighbourhoods where the water main is located under the public lane at the rear of the lot). To make the connection to the sewer main, the contractor must first obtain a "cut permit" from the

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drywall on the interior of the wall.

city and remove a section of the street pavement large enough to allow a machine to excavate to the main. A hole is then augured from the excavation, to another excavation opened in the boulevard, and from there to the house in an open-cut trench.

If the water main is located on the "short-side" (in the boulevard closest to the house), the house connection can be made in the same trench as the sewer line. If the main is located on the "long-side", the house connection is pulled from the house under the street to the main using an hydraulic jack.

If all goes well, and the mains are located where they are indicated to be and at reasonable depths, the cost for the installation of the sewer and water connections is approximately \$3,800. If the sewer main is a trunk sewer, it may be at a much greater depth than a normal main.<sup>69</sup> The cost to excavate to such a sewer main rises dramatically because specialized auguring equipment must be utilized. The nature of the street on the surface gives no clue to the type or depth of the sewer main. It is not uncommon to find larger, deeper sewer trunks located under local residential streets.

It is also not uncommon to encounter sub-surface deposits of rocks and boulders in some areas of Winnipeg, particularly in St. James. If rock is encountered, auguring and hydraulic pushes are impossible and the lines must be installed in trenches which are open-cut. On long-side water connections, this may require the removal of a full section of the street pavement from curb to curb.

Based on past experience with difficult connections, sewer and water contractors will not provide fixed quotes for such work. Builders must pay the contractor by the hour. If

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<sup>69</sup> Sanitary sewers operate on gravity and the local system of sewer mains (laterals) empty into larger and deeper regional mains referred to as trunk sewers. Water mains are pressurized and do not depend upon gravity. The depth of water mains generally do not vary much from street to street.

difficult excavation conditions are encountered, the cost for the sewer and water connections can rise to as much as \$7,000 for a single house. This contrasts with the suburban builder's cost (over and above the lot purchase price) of approximately \$500 - 600. This one item, which is a variable cost beyond the builder's control, can eliminate the builder's entire projected net profit margin on the house.

The city's Operations Department has not made the situation any easier for the infill builder. In the three year period between 1988 and 1990, it increased standards and costs for street cuts and sewer and water connections in several ways. The first was to require that the street cuts be made to the full depth of the concrete pavement. Prior to this, most sewer and water contractors could make their own cuts using portable concrete saws. The new standard forced the contractors to hire a subcontractor with the specialized equipment necessary to make full depth cuts. This added approximately \$150 to the cost of the sewer and water connection.

The city also changed the standards with respect to the backfill material used in the excavations beneath the street pavement. Prior to 1990, contractors were required to remove the excavated material and fill the hole with compacted granular material. In 1990 the standard was changed to "cement stabilized fill", which is a weak concrete mix. There is no conclusive proof that this change has improved the durability or lifetime of the patched sections of residential streets, yet the change added approximately \$400 to the cost of an normal excavation. An infill builder is penalized twice by this standard when he runs into areas where the services are split, with the sewer main located beneath the street and the water main beneath the lane pavement.<sup>70</sup>

After lot acquisition, site servicing is the biggest cost obstacle and risk to the infill builder. Even a straightforward or "normal" connection is the single most expensive component of the construction of the house. The uncertainty and difficulty in accurately

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<sup>70</sup> Out of a total of 41 infill houses built by City Homes, two had split services with the sewer main located beneath the street pavement and the water main located beneath the rear lane pavement.

estimating this cost component, with possible variances equalling the total projected profit margin for the house, make sewer and water house connections a major impediment to the private market infill housing industry.

## **6.5 "Tight Site" Construction Problems**

The builder constructing a new home on a narrow lot in an older neighbourhood is faced with a set of circumstances which are quite different than a builder constructing in a new subdivision. A number of the problems and difficulties faced are of a physical nature and some are people or neighbourhood issues.

### **6.5.1 Demolition**

One of the first challenges the infill builder may encounter is clearing the site in preparation to build. If there is an existing structure on the lot, the builder must first demolish it and level the site. Although a fairly straightforward procedure, usually carried out by a demolition contractor, this extra step means more administrative time, more permits, additional time and holding expenses, potential damage to adjacent homes, and more cost. When City Homes began operations in 1987, the cost for demolishing a single storey house with a partial foundation was averaging around \$1,500. By 1990, this cost had risen by a \$1,000 to an average of \$2,500 for a small house, and could reach \$3,500 for a more substantial house with a full basement. One of the contributing factors to this dramatic rise in cost was a large increase in the "tipping" fees charged at the city's landfill sites. This had a direct impact on the cost of house demolitions because a large component of the cost is the disposal fee.

### **6.5.2 The Community**

Residents in new subdivisions appear to be more tolerant of construction near and around their homes than do home owners who live in older built-up areas. In new subdivisions, it is an accepted fact that there will construction activity almost continuously until the

subdivision is substantially built-up. At best, the type of construction activity associated with constructing new houses is a nuisance, but in older neighbourhoods, it can go beyond being a nuisance for many residents and become a problem for the builder.

The frequent use of residential streets by delivery and construction vehicles, mud on the streets, lanes and public sidewalks, construction noise of hammers and machinery from early morning to evening hours, the interruption of traffic during sewer and water connections, construction litter, and increased traffic in general, all contribute to a feeling of invasion for some residents in older neighbourhoods experiencing new construction. Although these feelings are not shared by all residents, they do cause the builder to consider these factors during construction. The need to be more sensitive to the surrounding neighbourhood does not add significantly to the cost of the new home, but it is an extra factor to consider and attend to during the construction of an infill house. Garbage needs to be cleaned up more frequently; the sidewalks cleaned by hand; and the working hours and habits of the trades must be monitored.

### 6.5.3 The Neighbours

Constructing a house on a lot as narrow as 25 feet in width presents a number of unique construction challenges and difficulties for the infill builder. A land surveyor retained by the builder lays out the lot for construction. It is not uncommon in older neighbourhoods, with dwellings which were built prior to 1930, to find confusion about property line locations and frequent encroachments from adjacent properties including sidewalks, fences, gardens, underground sewer and water lines, gas lines, overhead wiring, eaves, awnings, and outbuildings such as garages and utility sheds.

When building a foundation which is 18 - 20 feet in width, to provide enough room for the cribbing crew to work on the foundation, it is necessary to dig an excavation up to 24 feet wide, which in some cases is almost the width of the lot. Should either of the neighbours have fence or sidewalk encroachments, these encroachments will either have

to be removed or destroyed to enable the builder to excavate. Depending upon the attitude of the adjacent home owner, this may become a major problem for the builder. There seems to be a common misconception among home owners that if a fence or sidewalk has been encroaching for some time, that they have somehow established a "right" to the land and the encroachment. Therefore, when faced with intransigent neighbours who, when requested to remove an encroachment, insist that they have the "right" to maintain the encroachment, the builder has a problem.

Even without encroachments, it is almost impossible for the builder not to inflict some damage on the neighbouring properties. City Homes found the best method of dealing with the inevitable was to meet with the neighbours prior to construction and examine the site with them. The immediate neighbours would normally be provided with a letter advising them of encroachments, if any, and assuring them that any damage to their properties would be rectified following completion of the house. Some neighbours were understanding, but others resented what they felt was an invasion of their property and privacy. Occasionally, some would try to take advantage of the situation and blame the builder for damage or conditions which were pre-existing.

Overall, the impact has both financial and administrative implications on the builder. These discussions with neighbours are time consuming and add to the management time allocated to each house. In addition to the time involved in dealing with the community and the immediate neighbours, City Homes found that repairs and restoration to adjacent properties added an average of approximately \$400 to each infill house which they constructed.

#### 6.5.4 Excavations

All excavations in which people are working below grade level are subject to standards and regulations set by the Workplace, Safety and Health Act which is enforced by the Manitoba Department of Labour. These standards set maximum depths of unprotected

or un-shored cuts for excavations. In the case of basement type excavations, a cut six feet and deeper is to be sloped back away from the open excavation at the rate of one foot horizontally for each foot of vertical depth. The purpose behind these regulations is to protect workers in the event of a collapse of the side wall of the excavations.

Most new homes built in Winnipeg are constructed with eight foot high concrete basement walls set on top of a concrete spread footing which is 10 - 12 inches thick. Due to frost penetration and the risk of heaving, the minimum depth to the bottom of the footings is 4 feet 6 inches. To reduce the number of exterior steps necessary to reach the entry door, the main floor elevation is set about two feet above grade. As a result, the footings need to be placed at a depth of approximately seven feet. It is not possible to construct a basement of this design on a narrow infill lot and meet the Workplace, Safety and Health regulations with respect to excavation slopes. Such excavations can be shored, but the costs of shoring for such a small construction project are prohibitive and cannot be recovered in the selling price of the house.

#### 6.5.5 Lot Grades

The grades (elevations) of vacant lots in new subdivisions are left lower than the required final grades to allow the soil removed in the basement excavations to be spread around the lot. Vacant Lots in older neighbourhoods are normally already at a "finished grade".<sup>71</sup> The infill builder must deal with the soil removed from the excavation either

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<sup>71</sup> The city of Winnipeg controls the grading elevations with respect to residential lots. Because Winnipeg topography is so flat, most natural drainage patterns are eliminated and new grades are set to drain private lands to public streets. Lots which are serviced with both a front street and rear lane normally have split drainage with the mid-point of the house being the high point in the lot. Lots which are serviced only with a front street normally drain from back-to-front. Most infill lots have split drainage. "Finished grades" are those which conform to the grades established by the city.

on-site or haul it away. Due to limited space on the lot, and the lack of available adjacent open land, the excess soil, or "fill", must be hauled away and either temporarily stored, or disposed of. Once the basement foundation has been stripped of its forms and is ready for back-fill, soil must be hauled back to the site. If the builder is lucky, other contractors in the area may be looking to dispose of fill. However, usually the builder must pay to have it hauled in. The cost of loading and trucking fill to and from infill building sites averages \$800 per house and can range up to \$1,200.

The placement of back-fill around newly poured concrete foundations is normally carried out by the same bulldozer equipment used in the excavation. Not only is such machinery quick and efficient, its weight compacts the back-fill which reduces later settlement. The restricted width and manoeuvring space on narrow infill lots limits the use of such equipment. The infill builder must use smaller equipment, such as backhoe tractors and "bobcats" to back-fill around the foundation.<sup>72</sup> In many cases the side yards must be back-filled by hand utilizing wheel barrows. Not only does this add to the cost for labour involved, but the fill is not well compacted. This results in excessive settlement following heavy rains or after the frost has come out of the ground in the spring. As a result, the builder must haul additional fill to the site at a later date, often after occupancy, and re-grade the lot. This may also involve removing and relaying the concrete block sidewalk. These additional grading difficulties faced by the infill builder add approximately \$250 - 300 to the cost of the house over-and-above the costs for a similar house constructed in a new subdivision.

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<sup>72</sup> "Bobcat" is a registered product name which has gained general acceptance as the description for a small, highly manoeuvrable, four wheel drive tractor with rubber tires and a hydraulically operated front bucket .

Although the city sets and controls building and lot grades for new homes, older properties frequently do not meet current city standards. As a result, there is often a problem in matching the side yard grades of the new house with the existing yards on both sides. This may lead to problems for the infill builder. It may fall upon the builder to construct a retaining wall along the side property line to enable the builder to properly grade the lot and protect the adjacent yards. In cases where the infill lot was previously lower than the adjacent lot or lots, the new grades may impede drainage. Although the adjacent lots may not meet proper drainage standards, and the builder does not control the grades for the new house, the responsibility to deal with the neighbours falls upon the builder. There rarely are satisfactory solutions to these problems, in part, because of the owners of the existing homes feel that the new home is imposing upon the existing situation. Since there was not a problem until the new building was constructed, the perception is that the builder created the problem.

#### 6.5.6 Boulevard Damage

Most built-up neighbourhoods within the city have public concrete sidewalks located just off the property line. The boulevard between the sidewalk and the street is usually a grass surface. The combination of servicing the lot with the underground lines for water, sewer and natural gas, as well as the movement of equipment and delivery vehicles, most of which must cross the boulevard, generally results in considerable damage to the boulevard and public sidewalk. City Homes found that it had to allow \$500 per house for boulevard and sidewalk restoration. In comparison, the construction of sidewalks and the sodding of boulevards in new subdivisions is normally delayed by the developer until most, if not all, the new houses on a street are built, to avoid the expense of restoring these improvements.

### 6.5.7 Concrete Pumping

Some infill building lots are so tight, and movement is restricted to such an extent, that concrete delivery trucks cannot manoeuvre onto the site. This may arise due to the proximity of adjacent structures, including neighbours' fences; the presence of mature trees; or wet site conditions. In these circumstances, the builder must utilize a mobile pump to place the concrete for the basement walls (the concrete for the footings can usually be managed by the delivery trucks with chute extensions because the footings are lower than the street). Although this is not a difficult procedure, it adds approximately \$400 to the cost of constructing the house and it is not a cost that can always be anticipated in advance.

### 6.5.8 Summary of Additional Costs for Infill Construction

The cumulative effect of these various special challenges to the infill builder are substantial. Not only does the builder pay higher service connection costs, he is faced with additional construction costs of between \$2,000 - 3,000 per house arising from the difficulties involved in building on small lots. This amounts to an average addition of approximately six to seven percent to the construction cost of the home. The extra administrative time required on each individual house is a major demand on the builder's limited resources and limits the ability of the infill builder to expand the number of houses constructed in a year. Although hard to quantify in terms of dollars, the City Homes experience suggests that the administrative time spent on each infill house was roughly double the spent on the same types of tasks involved in building a similar home in a new subdivision. This additional administration time cost approximately \$1,500 - 2,000 per house. All totalled, as summarized in Table 6, the additional costs to construct an infill home over and above the cost to construct a similar home in a new subdivision

can range from roughly \$8,000 - 13,000. When compared to the suburban builder, the infill builder is operating at a considerable disadvantage.

**TABLE 6      INFILL BUILDING COSTS OVER AND ABOVE  
SUBURBAN BUILDING COSTS FOR A DETACHED DWELLING**

| ITEM                                | ESTIMATED<br>COST |
|-------------------------------------|-------------------|
| 1. Variances                        | \$ 300            |
| 2. Sewer & water line connections   | 3,300             |
| 3. Demolition                       | 3,000             |
| 4. Repairs to neighbour's property  | 400               |
| 5. Boulevard and sidewalk repairs   | 500               |
| 6. Hauling fill                     | 800               |
| 7. Settlement                       | 300               |
| 8. Concrete pumping                 | 400               |
| 9. Additional administration time   | 2,000             |
| 10. Subdivision and park dedication | 2,000             |
| <b>TOTAL PER HOUSE:</b>             |                   |
| Without demolition or subdivision   | \$ 8,000          |
| With demolition and subdivision     | \$13,000          |

## **6.6      Mortgage Financing: Appraisal Difficulties**

Lending institutions and mortgage underwriters base their loans and insurance on the appraised values of properties. The appraisal process depends on comparisons. Values are established based on comparing similar houses (and lots) to others which have sold recently in the local market. The appraised land values in new subdivisions are quite easy to establish in a city such as Winnipeg because there are few land developers and prices do not fluctuate or dramatically vary across the city. Within a local market, the appraised values for new house construction is also fairly consistent and easy to establish based on square footage. Used housing is appraised using comparisons of recent sales.

The infill builder applying for a mortgage presents the appraiser with a dilemma. Unless there have been a number of sales of recently built new houses in the area, there are no comparable homes on which to base the appraisal. Land values cannot be as easily identified as they are in new subdivisions, therefore, rather than appraise infill housing based on land value, plus a square footage value for construction, the appraisal of a new infill house is usually treated like the appraisal for a used house, based solely on comparisons. If there are no comparisons, the appraisal may be low because the appraiser would rather error on the low side than over-value the property. Therefore, an abundance of caution works against the infill builder, particularly when pioneering in older neighbourhoods.

Some critics of the practices of lending institutions, and the chartered banks in particular, have accused them of "red lining" certain neighbourhoods and districts. This refers to the practice of refusing to provide mortgage financing to any home within designated areas. City Homes did not encounter this problem in the neighbourhoods in which they were building. They did, however, encounter mortgage appraisal difficulties, particularly with private appraisal firms. It appeared at the time, between 1987 - 1990, that appraisals for new infill houses were about five percent lower than comparable new homes in suburban areas, despite the fact that they often sold for similar prices.<sup>73</sup> When challenged on the values, the appraisers would cite the concern for the resale value of the new infill house. Although the first purchaser of the house may have been willing to pay a given value, the appraisers were concerned that, in the event of a sale or a mortgage foreclosure, new purchasers could not be found who were willing to pay the same value.

Lenders assess risk with respect to loans and mortgages. The value of a new home located within a neighbourhood of existing homes of lesser value, is directly affected by the neighbourhood. As a general rule, people are discouraged from over-building for a

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<sup>73</sup> Greg Bottrell, August 8 1991.

particular neighbourhood or street, because the neighbourhood depreciates the value of the house. From a financial or risk perspective, it is usually best to own the smallest, rather than the largest, house on the block. The infill builder is usually constructing, not necessarily the largest, but certainly the most expensive house on the block. Lenders assess such a home as a potentially higher risk than a similar house in a new subdivision surrounded by comparable homes.

City Homes found the Canada Mortgage and Housing Corporation (CMHC) to be more sympathetic of the philosophy of the infill program, and generally more supportive in their appraisals than private appraisals done for the Mortgage Insurance Company of Canada (MICC).<sup>74</sup> This is consistent with the national policies of CMHC, which often encourage innovation with respect to new housing. City Homes encountered some initial reluctance with the appraisal department at CMHC, however, once the builder established a track record, with some minor exceptions, CMHC was supportive.

Regardless of this support, the difficulties with appraisals are an added responsibility for the infill builder. It adds to the administrative time in following-up with the appraisals and, in cases where appraisals are less than anticipated by the builder, means lower mortgage draws during construction, and consequently, less working capital for the builder. A low appraisal may also affect the ability of the builder to obtain the asking price for the house because the purchaser, if applying for a high ratio loan, must make up the difference in cash.<sup>75</sup>

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<sup>74</sup> Mortgage insuring, or underwriting, is only offered by CMHC and MICC. It is required for all residential mortgages in excess of 75 percent of the appraised value of the property.

<sup>75</sup> For example, if the builder's asking price for the home is \$75,000, and the appraisal is \$72,000, the maximum loan is based on \$72,000. A purchaser applying for a high-ratio loan of 90 percent would be able to obtain a mortgage of only \$64,800 rather than \$67,500 (90 % of \$72,000 = \$64,800; 90 % of \$75,000 = \$67,500). The difference of \$2,700 must be included in the down payment. Therefore, rather than paying ten percent as a down payment (\$7,500),

## 6.7 Sales and Marketing

### 6.7.1 Housing as an Investment

Most purchasers of new, modestly priced, homes are not only buying shelter, they are making the key investment decision of their lifetime. Home ownership in Canada is seen as a prudent, practical and economical form of investment for retirement. Not only is home ownership used as a method of forced saving, it is generally believed that the value of the home will rise at a rate equal to or better than the rate of inflation.<sup>76</sup> By excluding owner-occupied housing from capital gains taxes, it would appear that the government has decided not to discourage home ownership as a form of long term investment. Investment through home ownership is, therefore, one of the few methods, other than Registered Retirement Savings Plans, for the unsophisticated investor to gain tax-free equity.

The infill builder has some degree of difficulty in emphasizing the investment argument to the prospective purchaser, in part, because, the value of a new home in an old neighbourhood may not escalate, or even hold its value, at the same rate as a comparable new home in a suburban area. As with the difficulties with appraisals, it is the

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the purchaser must pay 13.6 percent down (\$10,200), or the builder must drop the price of the home. Most prudent purchasers will not pay more than the appraised price of the house. Therefore, the builder must lower the price or he will probably lose the sale. Since the cost to build the house cannot be reduced, the drop in price is a reduction in the builder's profit margin on the house.

<sup>76</sup> There is some recent evidence which suggests that over the next two decades, this will not be the case. The reduced demand for housing, as the "baby boom" generation ages, is predicted to result in a general decline in the value of housing relative to general rate of inflation. This does not yet appear to be influencing the housing market as young couples and increasing numbers of singles still chose single family home ownership as a form of long term savings.

neighbourhood, as much as it is the house, which determines value. Infill houses will always form the minority of homes in an older neighbourhood. Therefore, they are influenced to a greater degree by the value of the used homes around them, than is the reverse. The value of houses in new subdivisions are governed by the builders' costs of production and, therefore, they do not have the same "elasticity" in pricing as do used homes in older neighbourhoods.<sup>77</sup> The selling price of used homes in older neighbourhoods is often more elastic because the vendors' prices are not tied to the cost of production. In addition, in many cases, the homes have been owned for a number of years and the vendors can substantially reduce the selling price of the home without a cash loss.

Therefore, in times of real estate market reversals or economic downturns, the more elastic used home market may draw down the value of the new infill house. This is rarely true of the new house in the suburbs because builders will generally stop building rather than reduce prices. In addition, because most used housing in new neighbourhoods has been owned for a relatively short period of time, these vendors do not have the option of reducing their prices without suffering actual cash losses on the sale.

#### 6.7.2 Price Spread Between Used and New House Values

The infill builder in Winnipeg normally is active in older neighbourhoods with existing modest housing and smaller lots ranging from 25 - 33 feet in width. This is not as much a matter of choice as it is a function of available building sites. These neighbourhoods generally are characterized by single storey and storey and a half homes, and a high

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<sup>77</sup> The term "elasticity" in the context of the retail market refers to the ability of prices to fluctuate. The prices of products with large mark-ups are more elastic than products with small mark-ups. The new housing market is not considered to be very elastic because most of the costs of production are not elastic and the mark-ups are not high.

percentage of home ownership. The combination of smaller lots and small houses has kept the market value of houses in these neighbourhoods within the financial reach of a large section of the population. Other older neighbourhoods, characterized by two and two and a half storey houses, have evolved into rooming house and rental areas because of the size of the homes. There has been very little private market infill building activity in neighbourhoods with small lots and larger homes.

The average value of used housing in Winnipeg neighbourhoods, such as east St. James (where there has been recent infill building activity), is approximately \$50,000 - 55,000.<sup>78</sup> The selling price of new infill houses in these same areas has ranged from \$70,000 - 75,000. This \$20,000 spread, which is a difference of 35 - 40 percent above the average house values in the neighbourhood, is a major obstacle for the infill builder to overcome when marketing the new home. City Homes found that they had very little success in attracting prospective purchasers from new subdivisions to older neighbourhoods. These prospective purchasers were not willing to purchase a house worth 40 percent more than the average house in the neighbourhood and which, in some cases, be worth double the value of the house next door.

### 6.7.3 Market Targeting

Successful managers advise that the secret to good sales is knowing the market for the product and focusing efforts on the target market. City Homes had anticipated that there would be a reasonably strong demand in established older neighbourhoods for two groups of prospective purchasers: elderly people who currently lived in the neighbourhoods and who may be looking for a low maintenance home for their retirement; and young couples and single parents who, although wanting a new home, would like to raise their families in the neighbourhood in which they grew up in a location not far from the support of parents. City Homes, therefore, concentrated their initial marketing efforts within the

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<sup>78</sup> Bottrell.

communities in which they were building, with an emphasis on the benefits of the community.

Although, initially successful in drawing people from the neighbourhoods to the display homes, City Homes found that price was a major obstacle. In the Brooklands neighbourhood, for example, where Manitoba Housing had built and sold a number of single family infill houses at subsidized prices, visitors to the City Homes display model expressed surprise that the builder was asking so much money (in their opinion) for such small houses. Not being familiar with the new housing market, the perception of the local residents was that the prices of the Manitoba Housing homes were fair market value and that the private builder was over-charging. In three years of building in Brooklands, only three of the ten City Homes sales were made to local residents.

The builder's sales experience in St. James (24 houses) and Elmwood (3 houses) was similar. Approximately 30 percent of sales were to local residents or to people returning to the neighbourhood in which they grew up. The builder was more successful in attracting seniors to their product. Roughly 25 percent of the infill houses sold by City Homes were to seniors or elderly purchasers.

A review of the profile of purchasers of houses built by City Homes underscores the diversity of the infill housing market and the difficulty in targeting marketing efforts. City Homes sold houses to young families, couples, new Canadians, single parent families, single people, same gender couples, and elderly people. There was no average or typical purchaser.

#### 6.7.4 Dispersal of Product

The technique for the marketing of new homes has evolved over the past fifteen years in response to changes in the marketplace. Fifteen years ago, a larger builder would purchase full blocks of lots from a land developer and construct several display homes

in a prominent location near the entrance to a new subdivision. In addition to the display homes, large numbers of houses would be constructed as inventory units ("spec" homes). It was not uncommon for a large builder to have four or five display homes; 15 - 20 spec units under construction or finished; and 20 - 30 vacant lots in inventory. With such a concentration of activity in one location, the builder could effectively advertise and draw considerable "traffic."<sup>79</sup> Smaller builders would usually try to build a display home and several spec units "around the corner" from the large builder, and draw off the large builder's traffic. This same pattern would be repeated in four or five new subdivisions in different locations around the city.

Reduced housing demand, higher overhead costs, lower profit margins, higher mortgage rates, and a more cautious approach to business, have all contributed to change these marketing techniques. Builders still build display units, but fewer of them and in fewer subdivisions. They maintain a minimum inventory of lots, build very few spec units, and in general, attempt to limit their financial risk. The small builders still build around the corner and draw off of the larger builder's traffic. But it is now often the developer which is spending heavily on advertising to get the customers out to the subdivisions. The combined effects of the advertising by the developer and several builders, generates a fair amount of traffic in the subdivision and all builders in the area benefit.

In contrast to this, the infill builder is on his own. Not only is the product scattered throughout the neighbourhood, it is not always easy to find. Unlike the builder in a new subdivision, whose multitude of directional signs are tolerated by both home owners and civic officials, the infill builder does not enjoy the same freedom. His advertising dollars are not complimented by other builders or a developer, and he has fewer units in one area than a suburban builder. As a result, either more money is expended per house

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<sup>79</sup> Builders refer to people looking at new housing as "traffic". Most builders routinely monitor, or count, traffic on weekends as an indicator of market interest in new housing.

trying to draw customers, or the marketing is not carried out in the same fashion as in new subdivisions.

City Homes started out by attempting to replicate the methods of selling new homes in new subdivisions. They opened two furnished display homes in September of 1987 during the fall "Parade of Homes"; one in east St. James and one in Brooklands.<sup>80</sup> Prior to opening the display homes, City Homes had developed five standard house plans which could be built on 25 foot wide lots, and purchased and obtained the necessary variances to build houses on approximately 20 lots. The objective of the marketing program was to advertise the two display home locations, which were both staffed with sales people, and pre-sell the various models on lots throughout the neighbourhoods.

City Homes had more traffic in the two weeks of the 1987 Parade of Homes than they experienced from that time on. Whether it was the initial curiosity about the program, or a result of the tail-end of a very active real estate market, they were not able to determine. The initial success in attracting the public to the infill display homes was very encouraging to City Homes, but it was short lived.<sup>81</sup>

Between 1987 and 1989, City Homes found that they were spending an increasing amount of money on advertising and attracting fewer potential customers each year. In 1989 they abandoned the method of pre-selling houses using a display home attended by sales person and went into a spec building program with the houses listed for sale through a real estate firm utilizing the MLS. Although, more costly per unit, the

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<sup>80</sup> The Manitoba Home Builders Association sponsors a two week exhibition in September of each year during which most of the builders in the association open their new models for the fall market. The event is heavily advertised and well patronized by the public.

<sup>81</sup> The real estate market was very active in Winnipeg in the period from about 1984 to the spring of 1987. Builders in all areas of the city noted a dramatic drop off in traffic in the spring of 1987.

expense of the advertising was borne by the real estate company and the commissions were not payable until the house sold and occupied. This change moved the cost of sales from a fixed overhead expense to a variable expense, which assisted the builder's cash flow management. It also meant that the concept of marketing scattered infill housing in the same manner as new suburban housing had not worked.

#### 6.7.5 Consumer Preference

The customer who is considering only new housing must choose between a home in a new subdivision or an infill home in an established neighbourhood. The advantages to new subdivisions include a wider selection of homes (often from more than one builder); a choice of lot sizes and locations, the security of being surrounded with houses of similar value; the perception of isolation from social problems in existing neighbourhoods; and a general homogeneity of family type within the subdivision. The established neighbourhood offers close proximity to amenities such as retail outlets and public services, established schools (often within walking distance); mature trees; good access to transportation facilities (including public transit); a diverse neighbourhood, both in terms of housing and population; and an immediate sense of community.

The infill builder has two distinct types of customers: those that are already looking at used homes in the neighbourhood, and those that are looking for a new home but who may not be tied to a neighbourhood. For most areas in Winnipeg where there is infill building activity, the customer who is already looking for housing in the neighbourhood is probably considering homes in the \$50,000 - 60,000 range. The builder is faced with convincing the prospective purchaser to pay an additional \$15,000 - 20,000 for a new home. The arguments in favour of such a decision may include better living space, a modern kitchen and bathroom; the ability to expand into the lower level at low cost; and lower maintenance, operating and upkeep costs. The difference between the cost of a used home and a new home means roughly \$200 per month in additional mortgage payments. If the customer can see a possible saving of \$2,400 per year on the cost of

maintenance, utilities, and upgrading by owning a new home, the builder may make the sale. One detraction is higher realty taxes. If the new home is assessed at 35 - 40 percent higher than older homes in the neighbourhood, this can result in higher realty taxes of roughly \$400 per year. This represents an erosion of the gains made in owning the new home and hinders the builder's efforts to sell the home on the merits of lower operating costs.

Some may argue that consumer preference has been partly determined by lack of choice of new housing in older neighbourhoods. City Homes maintained an inventory of up to 15 vacant lots and several completed houses. However, rather than this being an asset, this inventory turned into a liability because sales were so slow that the carrying costs soon eroded the potential profit margins. In contrast, competitively priced homes of similar size were selling reasonably well in suburban locations.

This was true not only of modestly priced houses. The Domaine Marius-Benoist subdivision in north St. Boniface was offering lots and houses of a similar size, character and price as the lots and homes in Whyte Ridge, a subdivision in suburban Fort Garry. It has taken five years to sell the first 70 lots in the Domaine. In the same time period over 1,000 lots have been sold in Whyte Ridge. Although there are many factors which influence consumer choice, the lack of a range of new housing choices in older neighbourhoods does not appear to be a primary factor.

There have also been arguments made that the lack of development controls in suburban locations has worked against the success of the infill housing industry. This view is supported by the Real Estate Research Corporation in the table of "Factors Affecting Infill Potential" (Table 1, page 25). This has long been debated in Winnipeg and could form the basis for a thesis in itself. It has not been researched in the context of this thesis. It should be noted, however, that any such policy, if it were to be effective, would require planning control over an area which goes well beyond the boundaries of

the city. This regional control does not presently exist and in the current political climate, it would not appear to be on the horizon.

It is left up to the infill builder to overcome the reluctance of the prospective purchaser to make the financial investment in the older community. Although the city may be making an effort to assist such communities, it is rarely obvious to the perspective home buyer driving through the area. In contrast, the land developers make very conscious and obvious efforts through advertising to encourage home buyers to locate in new subdivisions. It is perhaps not surprising that small builders such as City Homes have had such limited success in challenging this market.

## **6.8 Competition From New Housing in the Suburbs**

The cost for fully serviced building lots in Winnipeg currently averages approximately \$700 per front foot (ff).<sup>82</sup> Since most available infill lots are only 25 feet wide, one may conclude that the infill builder would have a price advantage over the suburban builder in the cost of land. There are, however, two factors which mitigate this possible advantage. The first is higher costs, and the second is the availability of small lots in new subdivisions.

The discussions earlier in this chapter demonstrate that the infill builder is faced with a variety of expenses not encountered by the suburban builder which add substantially to his costs. Over and above the cost of the land, the infill builder may have additional expenses of \$8,000 - 13,000 per lot (see Table 6). This amounts to \$328 - 528 per front foot for a 25 foot lot. The builder should, therefore, pay only \$175 - 375/ff (\$4,400 -

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<sup>82</sup> Residential land for single family homes in Winnipeg is sold on a front foot basis. The front footage is a calculation of the width of the lot, usually measured at a distance roughly one third of the depth of the lot, parallel to the front property line.

9,400) for a vacant lot, to result in an overall price of the lot (including development costs) in the \$700/ff range. This has not been the case. Vacant lots, in the period between 1986 - 1990, were selling for a low of approximately \$12,000 in Elmwood (\$480/ff), to a high of approximately \$18,000 in St. James (\$720/ff). Although land was available at lower prices elsewhere in the city, it was not located in neighbourhoods in which there was any hope of selling new homes. Infill builders were paying the equivalent, after development costs were added, of anywhere between \$780/ff and \$1,320/ff for land. Although it may seem incredible that a builder would pay the equivalent of an average of \$1,000/ff for land in non-prime residential neighbourhoods, this was often the result of unforeseen expenses such as difficult service connections. Smaller lots for modest housing in suburban subdivisions were selling for around \$700/ff. Therefore, the cost to an infill builder for a 25 foot wide lot was about the same as a suburban builder would pay for a 36 foot wide lot.

The city of Winnipeg, through text amendments, introduced narrow frontage zoning categories into most of the various zoning by-laws in the late seventies and early eighties. As a result of these changes, and in response to pressure to ensure that new housing prices in Winnipeg remained affordable, many of the new suburban subdivisions in Winnipeg included narrow lots for modest housing. Lots widths as narrow as 30 feet were approved in a number of areas in the city including St. Norbert, Transcona, West Kildonan, and St. James. The one advantage that the infill builder could have had over the suburban builder was not realized because the suburban builder could buy cheaper building lots.

## **7.0 Summary**

The city of Winnipeg is small enough that there is a general consistency to the market for the sale of new housing in the city. The infill builder must be able to offer housing which is competitively priced with houses of similar size and character in suburban

locations. Since the costs for labour and material are consistent throughout the city, the only potential area where cost savings may be utilized to off-set the additional costs is in the acquisition of the lot. The experience of City Homes demonstrated that there are many factors which add significantly to the cost of building on scattered lots in older neighbourhoods over and above those which are experienced by suburban builders. When the additional costs which are associated with developing the lot were added to the land acquisition cost, the overall cost of the lot averaged approximately \$1,000 per front foot. In contrast, fully serviced lots in suburban locations were selling for approximately \$700 per front foot. Therefore, the infill builder was offering building lots which were 25 feet in width for the same price as builders in suburban locations could offer 36 foot wide lots. In addition, recent changes to the zoning by-laws permitted the development of lots in several suburban locations as narrow as 30 feet width. The higher land costs placed the infill builder at a disadvantage to the suburban builder with respect to the selling price of new houses.

The infill builder has been forced to off-set this disadvantage by operating with lower overhead expenses or lower profit margins, or both. Many infill builders have kept their operating expenses lower than suburban builders by limiting the number of houses they build in a year. In this way they can operate the business out of their personal residence and can avoid hiring office staff. Lower profit margins, on the other hand, in an industry which is already experiencing small margins due to a depressed market for new homes, come only at the expense of the viability of the operation. If the infill builder must conduct a business operation in an environment where he is at a disadvantage to the competition due to higher costs and lower profit margins, the viability of such an operation is questionable. This may be the underlying factor behind the findings of both Peter Barnard and the Real Estate Research Association that most infill builders were small operations and that many were committed to the concept of infill building. If they were not, they probably did not survive.

The city of Winnipeg, which relied on the private infill building industry to deliver one of the key components of its housing objectives in its development plan, contributed to this climate of marginal operational viability by adding to the difficulty and the cost of infill housing. It has done so by failing to address the problem of the complex procedures and of the contradictory zoning and building by-laws faced by the infill builder. The city has also implemented cost increases for a range of services associated with infill building. Although this was not the result of an official policy to discourage infill building, the net result has been the same. The city must recognize that the difficulties and costs associated with building on scattered lots in older neighbourhoods make this kind of housing operation marginal. To date, the city has been more a part of the problem rather than part of the solution.

## **CHAPTER 7**

### **Current Public Policy Affecting Private Market Infill Housing**

The construction of private market infill housing in older residential neighbourhoods has been demonstrated to be unfeasible in most north American cities without direct public assistance programs. From all indications, it would appear that Winnipeg is no different than other cities experiencing similar problems in their older neighbourhoods. However, Plan Winnipeg placed a strong emphasis on a reliance for the initiative of new infill housing on the private sector. This chapter identifies the various government policies and programs which have had an impact on infill housing in Winnipeg. The city of Winnipeg is examined first because it is at this level where the infill/revitalization strategy under Plan Winnipeg was developed. Secondly, the province of Manitoba's policies and programs are discussed, followed by those of the government of Canada. The role of a unique tri-governmental agreement, known as the Winnipeg Core Area Initiative, is discussed separately.

#### **7.1 The City of Winnipeg**

The city of Winnipeg's primary policy document is its development plan; Plan Winnipeg. The development plan established broad policy statements and long term objectives with respect to the physical, social and economic well being of the city. All city initiated programs, budgets, by-laws and public works must be consistent with these long term objectives. Plan Winnipeg established housing policy through an "Infill/Revitalization" strategy. This strategy evolved out of a series of on-going programs developed through the 1970s with respect to neighbourhood stabilization and revitalization. Therefore, it is relevant to examine city housing policy leading up to Plan Winnipeg. Housing initiatives which have developed since the adoption of Plan Winnipeg are also discussed.

Two of the major problems facing Winnipeg in the early 1970s were population loss from the inner city and the physical deterioration in these neighbourhoods. This was more than perception. It was documented with statistics on a variety of problems including population loss and migration to the suburban fringe; a large proportion of older, poorly maintained dwellings and the loss of housing due to demolitions; and evidence of a wide range of social problems. The rate of unemployment in the inner-city was double the city average; the incidence of families below the poverty line was five times the average; and in some areas as much as 40 percent of the housing stock was classified as being in poor condition.<sup>83</sup> It was clear that these problems needed to be addressed in a comprehensive manner.

The city was granted a mandate under The City of Winnipeg Act to become involved with housing and community improvement. The first step towards fulfilling this mandate was the formation of the Neighbourhood Improvement Branch in 1973, which later evolved into the Community Programs Division. The branch's role was to assist in the revitalization of older Winnipeg neighbourhoods through the use of the newly established programs within the National Housing Act which were cost-shared by the federal, provincial and municipal governments. The Neighbourhood Improvement Program ([NIP] later to be replaced with the Community Improvement Program [CIP]), and the Residential Rehabilitation Assistance Program (RRAP) both commenced in 1974. The CIP came to an end in 1983 and was replaced by a new program called the Manitoba/Winnipeg Community Revitalization Program (M/WCRP) which was cost-shared equally between the province and the city. The current M/WCRP agreement extends to 1996. The Community Programs Branch was also directly involved in the delivery of several programs developed under the Core Area Initiatives.

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<sup>83</sup> Matthew Kiernan. *Coordination for the City Core* (Policy Options Politiques, v. 6, n. 7, September 1985), p.23.

### 7.1.1 The Winnipeg Area Characterization Study

One of the keys to establishing housing and community revitalization policy was the preparation of a data bank on the physical needs of neighbourhoods. In the late 1970s, The City of Winnipeg Planning Department prepared a comprehensive report entitled the *Winnipeg Area Characterization* study. The study established neighbourhood units encompassing all the urban and rural areas of the city. For the most part, the neighbourhood units were based on geographic and historic boundaries, but an attempt was made to create units of similar size to facilitate data comparisons and analysis. As the city has continued to grow, new neighbourhood areas have been formed and defined. There currently are 217 neighbourhoods identified.

Each neighbourhood was examined with respect to physical characteristics such as existing land use, zoning, and the age and quality of the residential buildings, as well as social characteristics such as age distribution, family make-up, population change, income levels, and employment rates. The study identified neighbourhoods with common characteristics and grouped these neighbourhoods accordingly. The residential neighbourhoods were identified as being in one of six states: "Redevelopment"; "Major Improvement"; "Rehabilitation"; "Conservation"; "Stable"; or "Emerging."

The *Winnipeg Area Characterization* study was the base from which the Plan Winnipeg Policy Areas were formed. The 71 neighbourhoods defined as Major Improvement, Rehabilitation and Conservation in the study became the "Older Neighbourhood" Policy Area in Plan Winnipeg (Figure 1, page 7). The infill/revitalization strategy was based on plans and programs which would encourage the maintenance and revitalization of these areas. This was one of the fundamental objectives of Plan Winnipeg.

### 7.1.2 The Residential Rehabilitation Assistance Program

The Residential Rehabilitation Assistance Program (RRAP) is a federally funded program administrated through the Canada Mortgage and Housing Corporation (CMHC). It is delivered by the city of Winnipeg's Community Programs Division under contract to CMHC. The objective of the program is to encourage home owners and landlords to invest in the repair of their properties. This is accomplished by financial assistance through forgivable loans. The home owner portion of the program was limited to NIP/CIP areas to concentrate the efforts of the program in the neighbourhoods in which concern for the quality of housing was greatest. As such, the program was a building block for community revitalization.

The city considered the RRAP to be a fundamental element of the policy of neighbourhood stabilization. Plan Winnipeg recognized the importance of the program, along with the NIP/CIP, and called for their continuance as one of the key strategies for the maintenance and revitalization of the older residential neighbourhoods. The public commitment to community facilities and existing housing was considered essential to help create the physical environment necessary to encourage the investment by private owners in existing housing, as well as to attract new housing. The infill/revitalization strategy needed all of the components to be successful in meeting its objectives.

In 1986, the federal government substantially amended the RRAP. The home owner program changed emphasis from a tool for community stabilization and revitalization to a social housing program. Core need thresholds were established and geographic boundaries were removed. The result was a decrease in the take-up of the program funds between 1986 and 1989.<sup>84</sup> The Landlord RRAP was also altered in 1986 and

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<sup>84</sup> The Community Programs Division. *Status Report on the Role of the City of Winnipeg Involvement in Housing Initiatives*, November 1990.

eliminated in 1989. It is not a component of current policy with respect to infill housing.

### 7.1.3 Plan Winnipeg

Plan Winnipeg is structured in two parts: "Part One: Introduction to Plan Winnipeg" and "Part Two: The By-law." The introduction is the broad statement of purpose of the plan and it identifies the fundamental objectives of the plan. The by-law is a series of policies and objectives structured around each of the departments of the city which were deemed to have a role in the physical planning of the city. Departments such as social services and police were not considered part of this process at the time.

The introduction to Plan Winnipeg identifies the purpose of the plan as a comprehensive, long range statement of the city's policy and general approach to the physical, environmental, economic and social issues facing Winnipeg. It was intended to be a policy document which would assist both government and private sector decision makers when making long and short term decisions.<sup>85</sup>

The introduction states that the plan is structured around two fundamental objectives:

- the most effective strategy for encouraging the maintenance and revitalization of older, established neighbourhoods and
- the optimal (cost-effective) location for new neighbourhoods in the suburban periphery<sup>86</sup>

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<sup>85</sup> *Plan Winnipeg*, p. I-1.

<sup>86</sup> *Ibid.* p. I-4.

The infill housing policies form part of a larger strategy with respect to the revitalization of the older neighbourhoods of Winnipeg. The methods by which the plan chose to achieve these objectives were identified as the "Containment" strategy and the "Infill/Revitalization" strategy.

The city was concerned that if the past trends continued, the older, established neighbourhoods would lose an additional 37,000 persons through out-migration in the period between 1991 - 1999; that dwelling unit demolitions would exceed replacements by 4,500 units; and that these losses would result in an ever-increasing concentration of high-needs groups in the older neighbourhoods.<sup>87</sup>

The city identified the containment strategy as the most suitable method to arrest these trends. The strategy was intended to reduce population loss to about 6,400 persons and to have dwelling unit construction out-number demolitions by 7,000 units. The goal was to hold the line against further declines. The infill/revitalization strategy was selected as the appropriate approach to achieve the goals of the containment strategy. It included support for housing rehabilitation and the construction of new infill housing to be located on vacant lots and in the rear yards of existing lots.<sup>88</sup>

The infill/revitalization strategy set a goal of encouraging 20 percent of all of the anticipated new housing to be construction in the city into the older residential neighbourhoods over the 20 year span of Plan Winnipeg. It was estimated that 55,000 new dwelling units would be constructed in the city between 1979 - 1999. The capacity for new housing in the older neighbourhoods was estimated at 10,000 units. Plan Winnipeg established an objective of encouraging the construction of approximately 11,000 new dwelling units in the older neighbourhoods. This was to

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<sup>87</sup> *Ibid.* p. I-5.

<sup>88</sup> *Ibid.*, p. I-5.

result in a net increase of 7,000 units above the anticipated demolition of 4,000 housing units.

The by-law section of Plan Winnipeg established policies on a number of issues related to housing and neighbourhood revitalization including:

Section 4(1), Policy: The City shall support the maintenance and revitalization of older residential neighbourhoods as a priority in meeting the City's responsibility for housing and community development and shall cause to be prepared Action Area Plans as determined by Council . . .

Section 6(1), Policy: The City shall encourage, wherever possible, private sector investment in appropriate development in older residential neighbourhoods<sup>89</sup>

The goals and policies established in Plan Winnipeg have been the blueprint for city housing policy for the past decade. The primary vehicle for achieving these objectives came in the form of a unique tripartite agreement known as the Core Area Initiative, which is discussed in subsection 7.4.

#### 7.1.4 The City of Winnipeg Non-profit Housing Corporation

The City of Winnipeg incorporated a non-profit housing corporation in 1978 called the Winnipeg Housing Rehabilitation Corporation (WHRC). The mandate for the WHRC included the provision of housing for persons of low or modest income. This could be accomplished either through the rental or sale of housing units, or through the acquisition and sale of land. By establishing the WHRC, the city had the mechanism to create a public urban land development corporation to assemble and

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<sup>89</sup> *Ibid.* p. II-8.

market lots for infill builders. Despite a recommendation by Barnard that the city consider using the WHRC for that purpose, and despite similar suggestions from others, including the general manager of the corporation in 1985, the city chose not to become directly involved in private market infill housing through this means because they did not want to incur the direct financial responsibility for a housing program.<sup>90</sup>

#### 7.1.5 The Ad Hoc Committee on Housing

The Committee on Planning and Community Services struck an ad hoc committee on housing in 1987. The terms of reference for the committee were broadly based and included a number of issues relating to maintenance standards for rental housing. Included, however, was a review of the city's long term commitment to housing and neighbourhood revitalization programs to determine whether a permanent Department of Housing was needed to deal with the stability of older city neighbourhoods.

The Community Improvement Division is unique within the city administration because its operational funding is included within the city's capital budget and it is tied into the existence of joint agreements with senior levels of government. The department derives most of its administrative funding from the delivery of jointly funded programs. In the period between 1973 - 1988, the Community Programs Division was associated with the delivery of programming valued at \$130 million through the Neighbourhood Improvement Program, the Community Improvement Program, the Manitoba/Winnipeg Community Revitalization Program, the

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<sup>90</sup> The author was the general manager of the Winnipeg Housing Rehabilitation Corporation from 1981 to 1986.

Residential Rehabilitation Assistance Program, and various Core Area Initiative programs. In the absence of senior government cost-shared programs the division would cease to exist.<sup>91</sup>

The ad hoc committee proposed a number of recommendations, including the following which would have an impact on infill housing: that an operational audit be conducted of the Planning Department which would include the feasibility of establishing a separate Housing and Community Programs Department; that The City of Winnipeg Act be amended with respect to the contents of Action Area Plans to permit the establishment and implementation of a housing program for the area including housing restoration, construction, non-profit and co-operative housing; and that the provincial infill housing program be continued with special emphasis in Community Revitalization Areas.<sup>92</sup>

The committee also recommended the creation of a "housing resource unit" to ensure, among other objectives, support to non-profit and co-operative housing associations by assisting them with subsidies to meet the differential between the allowable maximum unit cost for land permitted by the province, and actual cost for cleared land.<sup>93</sup>

To date, the only one of these recommendations to be acted upon was an amendment to The City of Winnipeg Act under Bill 35 in 1991. The others are still under discussion and consideration.

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<sup>91</sup> *Report of the Ad Hoc Committee on Housing for the Committee on Planning and Community Services*, January 24, 1989, p.11.

<sup>92</sup> *Ibid.*, pp. 4,5.

<sup>93</sup> *Ibid.*, p. 19.

### 7.1.6 Habitat For Humanity

A private non-profit association, called Habitat for Humanity, recently has been active in constructing new single family infill houses in Winnipeg. The houses built by Habitat are constructed primarily by volunteer labour, with much of the materials being donated by local firms. The mandate of the association is to provide an opportunity for families with limited income to own a new home. To qualify for the program, individuals must contribute their time as "sweat equity" on houses built for others, as well as time spent on the construction of their own home. Habitat's preference is to build several houses in a cluster, both for the advantages of construction efficiency and visual impact, and to provide the opportunity for generating a micro-community for mutual support.

Although the city has not adopted a specific policy with respect to assisting Habitat, it has co-operated with the redevelopment of two inner city sites for new housing. The first of these developments was approval for the construction of 18 houses on Angus Street, a short one-block street in the North Point Douglas area. Since this project was approved in 1990, Habitat has built 12 houses and two currently are under construction. At the time of sale to Habitat, Angus Street was primarily vacant land owned by the city, with a small park at one end of the street. In addition, there were two older houses owned by the Winnipeg Housing Rehabilitation Corporation (WHRC). The city assisted this project by selling Habitat the city-owned land for one dollar. The two existing houses were sold by the WHRC to Habitat at book value. In addition, standards with respect to minimum right-of-way requirements were eased and a special land dedication arrangement was negotiated which allowed Habitat to move the playground equipment from the existing Angus Street park to a vacant lot in the neighbourhood and develop it as a new park.

The most recent Habitat proposal involves a vacant parcel of industrial zoned land on Jarvis Avenue in the North End. Habitat has applied to rezone and subdivide the land and install new services to permit the development of 21 lots for single family houses. In this case, the city has agreed in principal to lease the land to Habitat for \$1 per year and Habitat will have an option to purchase the land for \$39,500 at any time up to 20 years. The purchase price would increase by 7.5 percent per year, compounded annually. In addition, the city will establish a reserve of \$250,000 to cover any shortfall in Habitat funding for the required municipal services. If it is necessary to use funds from the reserve, the amount will be recovered through a special composite local improvement by-law charged back to the lots in the development. The city administration is also recommending that the parkland dedication be waived. The application was recommended for approval by the Community Committee at a public hearing held in June 1992.

Although the city of Winnipeg does not have a specific policy in place for dealing with non-profit housing proposals such as Habitat for Humanity, it is demonstrating a willingness to co-operate by relaxing some development standards, by providing stand-by financing for services, and by selling city-owned land with favourable terms and conditions. For the present, the city seems comfortable in dealing with these applications on an ad hoc basis, rather than with a fixed policy.

## **7.2 The Province of Manitoba**

Of the three levels of government, the province has been the one most directly involved with the provision of new infill housing. Operating under a strategic program developed by the Manitoba Housing and Renewal Corporation (MHRC), support for private market housing was provided under section 2.1 of the plan. The goals of this section were to influence the private rental and home ownership sectors of the market to promote adequate supply and to capture the stimulative benefits of

housing production. A sub-objective was to direct a degree of affordability and accessibility to moderate income groups. The strategic program had three distinct components directed at infill housing: Section 2.1.2 "Homes in Manitoba Program (HIMP) - Affordable New Homes Component"; Section 2.1.3 "Infill Housing"; and Section 2.1.4 "Core Area Initiatives Home Ownership Program."

The Affordable New Homes component was intended to stimulate and accelerate the number of new ownership housing starts to counteract the downward trend in housing production brought on by high mortgage rates in the early 1980s. It featured mortgage lending at rates of 11.5 percent (well below the prevailing rates at the time) and an income related subsidy to qualifying households. The mortgages had open, five year terms, on a maximum new unit price of \$64,000. Mortgage refinancing with the private sector was required at the end of the five year term. In the period between 1983 - 1984, the HIMP was utilized for financing 1,524 purchases of new homes. It is estimated that approximately 20 of these were privately initiated new infill houses.<sup>94</sup>

The Infill Housing component of HIMP was intended to stimulate the construction of new ownership units in the core area of Winnipeg in concert with urban redevelopment objectives. It featured MHRC as the developer of new single family infill housing units which were sold at prices consistent with neighbourhood housing values. The mortgages were provided directly by MHRC at interest rates of 11.5 percent and open five year terms. Income related subsidies for qualifying households were also available. Between 1983 - 1985, 152 houses were built and sold in the older neighbourhoods of Winnipeg.

Many of the lots on which MHRC built were acquired from the city of Winnipeg under the NIP/CIP agreements. Of the 105 lots acquired from the city, 80 were

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<sup>94</sup> Farley Cates, March 20, 1992.

NIP/CIP acquisitions. In this indirect manner, all three levels of government made modest contributions to infill housing development, although none of it was initiated by the private sector.

MHRC also held a competition for the design of single family detached houses capable of being built on 25 foot and 33 foot wide lots. The winning designs resulted in publicity for the designers and the payment of a royalty fee for each house built. Construction blueprints of these designs were made available for sale to the public or any contractor who wished to build one of the homes. In addition, MHRC utilized the designs in the construction of most of the infill houses which they built and sold after 1983.

In addition to its direct role in supplying infill housing, the province was designated to deliver the Core Area Initiative Grants for Home Ownership Program (CAIGHO) (see section 7.4). It was also involved as a financial partner in the Neighbourhood Improvement Program, the Community Improvement Program and the Manitoba/Winnipeg Community Revitalization Program.

### **7.3 The Government of Canada**

The involvement of the federal government, with respect to private market infill housing, has been limited to its financial contribution to the Core Area Agreement and the role of the Canada Mortgage and Housing Corporation (CMHC). CMHC played a large part with respect to the revitalization and stabilization of older neighbourhoods through the funding and contracts (with the city of Winnipeg) for the delivery of the NIP, CIP and RRAP programs.

CMHC has no programs specifically directed at infill housing. However, through their mortgage underwriting function, they can play a significant role. Mortgages in

excess of 75 percent of the appraised value of residential properties must be insured in the event of a default on payments. There are two mortgage underwriting firms in Canada, CMHC and the Mortgage Insurance Company of Canada (MICC). Generally speaking, MICC limits its mortgage insurance to proven and stable markets. CMHC, in addition to proven traditional markets, insures in what may be considered higher risk locations such as rural areas and remote towns. CMHC also insures social and non-profit housing.

One of the critical factors to a builder is obtaining a high appraised value on the house and lot. This is necessary for two reasons: to maximize the mortgage draws during construction; and to ensure that the appraised value is at least as high as the asking price for the house. A low appraisal means more money out-of-pocket for the builder during construction and it may mean a lower sales price.

Appraisals are traditionally done using market comparisons. Infill housing presents a problem for an appraiser because it is very difficult to find fair market comparisons. Based not so much on stated policy as on support in principal by regional offices for the concept of infill housing, CMHC can assist the infill housing industry by being supportive in their appraisals. The problem faced by CMHC is maintaining a fine balance between providing a positive appraisal based on support of the concept of infill housing, and appraising relative to realistic market expectations. At present, there are no specific policy guidelines for CMHC's appraisal department to follow with respect to infill housing.

#### **7.4 The Core Area Initiative**

In September 1980, a memorandum of understanding was signed by the federal Minister of Employment and Immigration, The provincial Minister for Urban Affairs and the Mayor of Winnipeg, to establish a tripartite agreement to be known as the

Winnipeg Core Area Initiative. The three levels of government agreed to co-ordinate their efforts to deal with the increasing economic, physical and social problems facing the residents of the core area of Winnipeg. The Core Area Initiative agreement (CAI) was initially a five year program (1981 - 1986), with commitments of funding from each level of government of \$32 million, for a total public spending effort of \$96 million. The agreement was later extended with an additional commitment of \$100 million for a second five year period, which came to an end in March 1992.

The CAI's primary purpose was to improve job opportunities and standards of living for core area residents. It was structured around three key "Sectors": Sector I "Employment, Housing and Neighbourhood Revitalization"; Sector II "Economic Stimulus Through Key Site Development"; and Sector III "Management and Consultation." The infill housing policies and programs fell under Sector I.

Although the area defined by the CAI as "core neighbourhoods" encompassed only about half of the areas defined under Plan Winnipeg as "Older Neighbourhoods", the programs were intended to be complimentary and supportive of the same underlying principals of stabilization and revitalization.

The objective of the housing program in the first five year CAI was to improve the housing stock and re-establish viable and stable neighbourhoods in the core area. The primary strategy was to provide housing rehabilitation assistance to renovate 4,000 existing housing units and to construct 400 new infill housing units for private ownership.<sup>95</sup>

The infill housing component of the CAI relied upon a single program to assist in the delivery of the new housing units; the Core Area Grant for Home Ownership

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<sup>95</sup> Proposed Winnipeg Core Area Initiative, June 1981. p. 9.

(CAIGHO). In the first CAI, two million dollars were allocated to assist in the purchase of 400 new infill dwelling units. Purchasers of newly constructed, moderately priced homes, which could include apartment condominiums, were eligible for a \$5,000 grant within an area defined by the CAI (referred to hereafter as the "core") as well as in locations identified as "Action Area" neighbourhoods situated outside of the core. These included neighbourhoods such as Weston, Brooklands and King Edward (east St. James). The initial maximum allowable unit price was \$68,000.

The grants were later reduced to \$2,500 and limited to locations within the overall core area, while a grant of \$8,500 was available to qualifying purchasers of new homes located in approved targeted neighbourhoods. The maximum allowable unit price was increased to \$80,000 (\$71,000 in targeted neighbourhoods). The grants could be used for any form of new housing, and a number were utilized to purchase condominium row house units in the River/Osborne neighbourhood.

A total of 305 grants were provided for the purchase of new dwellings under the two phases of the CAI. Of these, 188 were associated with the provincial HIMP, of which 152 were single family detached infill units built by MHRC, 27 were private market condominiums, and nine were private market single family detached houses. There were 117 grants made for privately constructed and financed dwelling units under the CAIGHO program (a break-down of the unit type splits for the privately financed purchases is not available). Overall, approximately one half of the new infill housing units built with CAI assistance were government initiated and one half were initiated by private or non-profit groups.<sup>96</sup>

The city of Winnipeg was not directly involved with this program. It was delivered by the provincial government through Manitoba Housing. Indirect city involvement

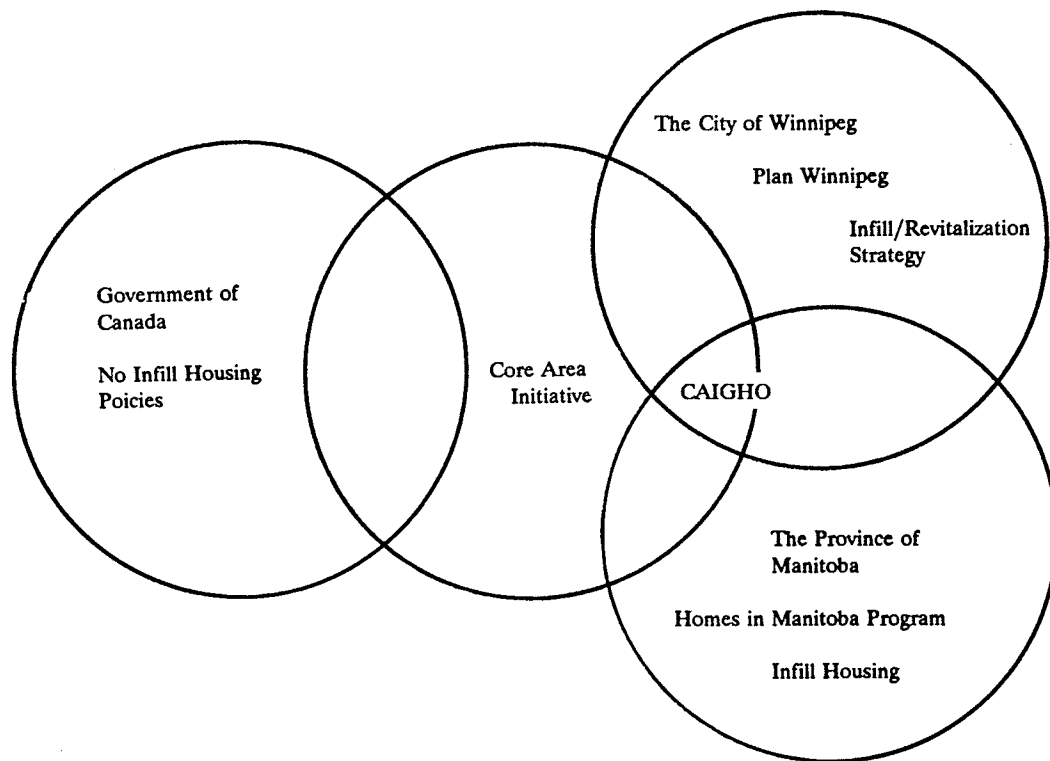
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<sup>96</sup> Terry Kuzmich, April 9, 1992.

was limited to co-ordinating the delivery of the CAIGHO program in community improvement and core area neighbourhoods as part of the comprehensive strategy of stabilization and revitalization.

**FIGURE 2**

**THE RELATIONSHIP OF GOVERNMENT INFILL HOUSING POLICIES**



(CAIGHO: Core Area Initiative Grant for Home Ownership)

## 7.5 Summary

Research carried out in the late 1970s by the city of Winnipeg and others indicated that the older inner city neighbourhoods were experiencing problems associated with the quality of housing, population loss, an imbalance of family structure and type, social fabric, and economic opportunities. Plan Winnipeg, later to be reinforced by

the Core Area Initiative, set forth to address some of the problems with an overall strategy of neighbourhood stabilization through programs of housing rehabilitation combined with new infill housing. The plan established a goal of encouraging 20 percent of all new housing to be built in the city to locate in the older residential neighbourhoods. The housing policies within Plan Winnipeg anticipated that the private sector would play a key role in the initiation of the infill housing program.

The city has not established any programs or policies directed at assisting or encouraging private market infill housing. It has however, on an ad hoc basis, been assisting a non-profit group to redevelop land for infill housing in inner city locations. The city was also a party to the Core Area Initiative Agreement, which created a program of grants to assist purchasers of new infill housing within the boundaries established by the CAI.

Although the province held a design competition for infill housing designs, the Core Area Initiative Grants for Home Ownership program was the only program from the three levels of government which was directed at the private market infill housing sector. However, the program provided assistance to home buyers rather than to home builders. It was limited to the neighbourhoods defined by the CAI, which encompassed approximately one half the areas identified within Plan Winnipeg as the older neighbourhoods at which the infill/revitalization strategy was targeted. There were no programs or funding directed specifically at encouraging private builders to develop infill housing.

As discussed in the following chapter, this overall lack of support for private market infill housing is somewhat surprising given that the revitalization/infill strategy was one of the key components of Plan Winnipeg.

## CHAPTER 8

### **An Evaluation of Current Public Policy on Infill Housing**

The city of Winnipeg has jurisdiction and responsibility for the health of its neighbourhoods. Plan Winnipeg recognized this responsibility and established broad policy objectives with respect to neighbourhood revitalization. Included within these objectives were goals for the construction of new infill housing as one component of the neighbourhood revitalization process. The province of Manitoba must endorse and approve Plan Winnipeg as part of the by-law approval process. Therefore, one would expect a certain degree of co-operation with and co-ordination of policies with respect to housing initiatives.

Both the province and the city were participants, along with the government of Canada, in the Core Area Initiative agreement, which spanned the ten year period which roughly corresponds to the unofficial time frame of Plan Winnipeg.<sup>97</sup> Each of these parties strongly endorsed the policies of infill housing as one of the key strategies for neighbourhood stabilization and revitalization. However, to be effective, policies which establish goals must also include, or at least be followed with, policies and programs which allow or encourage the goal to be met. There is no question that clear goals and objectives with respect to infill housing were established in Plan Winnipeg, and to a lesser degree, by the Core Area Initiative, but the follow-up policies and programs, as initiated either by the city administration or by city council, are crucial to evaluating the commitment to Plan Winnipeg and infill housing.

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<sup>97</sup> Although Plan Winnipeg received third reading and final by city council in 1986, it was given first reading by council in 1981.

Plan Winnipeg placed a reliance on the private sector to provide the initiative for a very ambitious infill housing program. What tools and direction did the city give the private sector? How then did the city react to private sector initiatives? And what role did the provinces's infill housing programs play in encouraging private initiative for infill housing? This chapter provides a critical review of public policy on private market infill housing and initiatives over the past decade.

### **8.1 The City of Winnipeg**

The city's policy with respect to private market infill housing has been limited almost exclusively to Plan Winnipeg. The infill housing component of Plan Winnipeg forms part of a broader infill/revitalization strategy which was intended to arrest the trend of population loss from the older neighbourhoods by increasing the number of households. The goal set forth within Plan Winnipeg was to attract 20 percent of all new housing built in the city to the older residential neighbourhoods over the time frame of the plan.

Having established a goal as specific as the infill housing objective set in Plan Winnipeg, one would have to ask how this was expected to happen. New infill housing in older neighbourhoods can only be built if one of two conditions are met: either the market demand will drive a response from the home building industry, as it does in the suburbs, or publicly supported programs to stimulate and encourage both the potential buyers and the building industry must be put in place. As Peter Barnard identified with his case study of infill housing in Winnipeg, and as has been amply demonstrated by the work of others such as the Real Estate Research Corporation in the U.S., a weak real estate market such as Winnipeg's cannot expect an active private market infill industry to develop without government stimulus in the form of a variety of programs.

Once the Plan Winnipeg infill/revitalization policy was adopted by the city of Winnipeg as the key strategy in striving to achieve one of the fundamental objectives of the plan, one would look for specific policies, programs and initiatives by the city, and presumably by the province, to achieve the goal. As the senior level of government responsible for the actions of municipalities, the provincial government approved Plan Winnipeg prior to its adoption by the city. Therefore, one would conclude that the province accepted and endorsed the infill/revitalization strategy in Plan Winnipeg.

The research which was carried out on infill housing in the late 1970s and the early 1980s suggests that the best approach to a successful infill housing strategy is a series of programs centred around three policy areas: identifying opportunities (infill data bank sources for developers); streamlined approval processes backed up by public support for infill housing; and development and purchaser incentives (subsidies).

Plan Winnipeg established goals with respect to the number of new housing units for older neighbourhoods which would have resulted in a reversal of a continent-wide trend of development on the fringe of the urban area. This was a bold goal and had it been achieved, it would have been unprecedented. Unfortunately, the city's objectives were more ambitious than the policies it put in place to meet the objectives. With the exception of the Core Area Initiative Grants For Home Ownership program, the city did not participate in a single specific program to encourage, assist or promote private market infill housing. In fact, as demonstrated in the examination of the factors affecting the viability of private market infill housing in chapter 6, through the collective actions of the planning, operations and real estate departments, and of the individual community committees, the city did exactly the opposite. They collectively made it almost impossible for the infill builder to be successful. Given the circumstances, it is surprising that any infill was built at all within the older neighbourhoods. Having missed the opportunity when the overall

housing market was reasonably buoyant, the prospects for future infill housing by the private sector now seem slim.

The city appears to have put its faith in one of two assumptions: that the general real estate market would generate the interest to drive the development of infill housing by consumer demand; or that the housing programs offered by the Core Area Initiative would be adequate to achieve the objectives of Plan Winnipeg. Neither was correct.

In the ten year period between 1982 - 1991, the older neighbourhoods of the city were able to attract 5,162 new dwelling units out of a total of 35,528 built in the city (14.5 percent of the total). Of this, a maximum of 1,600 dwelling units, or 4.5 percent of the total new units, could have been considered infill housing by the definition contained in Plan Winnipeg.<sup>98</sup> This represents a net gain of 300 new infill units (over demolitions) over a ten year period, or less than one percent of the net gain throughout the city. When all types of new housing units built in older neighbourhoods are considered, there has been a net increase of 3,663 dwelling units, which is 10.7 percent of the overall net increase in the city.

This may lead one to question if the infill/revitalization strategy was the wrong approach to the problem or if the goals were too optimistic. With respect to the latter, in the absence of any comprehensive programs to encourage or facilitate infill housing, it was almost impossible for 20 percent of the city's new housing stock to be built as infill housing in the older neighbourhoods due to the lack of building sites. The alternative would be to consider infill primarily as apartments built at higher densities than the existing housing. This would not have been consistent with Plan Winnipeg's direction of maintaining the character of the older neighbourhoods.

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<sup>98</sup> Based on the description of infill housing contained in Plan Winnipeg, this would include single family detached houses, single family semi-detached houses and row housing.

Plan Winnipeg's infill strategy included rear lot development; the infill of existing vacant sites; and the replacement of demolished dwelling units. It is worth while examining these components of the strategy as to the effectiveness of each over the past ten years.

With the exception of the 1972 Mark VIII demonstration project, it appears that there have been no rear lot development schemes approved by the city of Winnipeg. A large part of the estimated 10,000 unit capacity of older neighbourhoods was intended to be rear lot redevelopment. The absence of applications for such subdivisions may have been the result of low consumer demand, lack of encouragement or outright discouragement from the city administration, or a combination of the costs and problems associated with compliance with zoning and building code regulations.

It would appear that despite the Plan Winnipeg objectives regarding rear lot development, city council has taken quite a different approach to the idea. In response to an initiative from CMHC in May 1991, regarding the establishment of rear lot "garden suites", council adopted a report which recommended that on an experimental basis, such suites be limited to the area of the city covered by zoning By-law 1800 (essentially Fort Garry and Charleswood); that the suites be owned and regulated by the province; and that privately-owned suites be discouraged. The Executive Policy Committee, in reaction to the province's response that it was not interested in regulating garden suites, in April 1992 recommended against amending the zoning by-laws to permit such development. Although council's concern may have been centred around keeping garden suites out of suburban areas, one would question how committed the city is to the policy of rear lot infill development.

Therefore, new infill was more likely to occur on scattered existing sites, at locations where demolitions have occurred, or on lands with obsolete uses such as industrial sites located in predominately residential areas. How then, has city policy been

structured to assist infill housing in these circumstances? As identified in chapter 6, the two general areas where the city could have addressed infill housing policy at a practical level are regulatory reform and municipal infrastructure upgrading.

The older residential neighbourhoods of the city are governed by eight separate zoning by-laws. Two of these by-laws have been amended to recognize single-family zoning categories with minimum lot widths of 25 and 30 feet. The residential neighbourhoods covered by these by-laws have been reviewed on a block-by-block basis and zoning categories (which reflect average lot sizes) have been adopted. As a result, infill housing is a permitted use without a variance on most lots within these areas. There are no conflicts with building code definitions regarding building separation spaces. The new infill house must comply with the code; the adjacent older houses are not affected.

In contrast, in the older neighbourhoods covered by zoning by-laws which have not been amended, infill housing on smaller lots is not permitted except in cases where the site is considered a "lot of record."<sup>99</sup> The establishment of the new building lot, the possible requirement to establish a sub-standard lot from which the building lot is being created, and the creation of sub-standard yards for both the new dwelling and possible an existing dwelling, must all be approved under a "variance" procedure. The city charges a fee for each of these variances. In addition, there is a public hearing involved which causes a time delay of four to eight weeks. If the decision on the variance is appealed, there can be an additional four to eight week delay.

The city has also been applying the building code regulations with respect to building separation spaces, not only to the new infill dwelling, but also to the walls of

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<sup>99</sup> A "lot of record" is a lot which was deemed to have existed prior to the establishment of the zoning by-law and to which the ownership was held on an individual Certificate of Title at that time.

adjacent, existing dwellings which are affected by the variance. Therefore, what is regulated under the code in one neighbourhood of the city is not regulated in another neighbourhood.

In support of the Plan Winnipeg infill housing policies, the city should have adopted amendments to all of the zoning by-laws affecting older residential neighbourhoods to allow infill housing as a permitted use. This would have eliminated costly variance fees, time consuming public hearings and appeals, conflict between the builder and the community, delays and uncertainties, and building code ambiguities. Unfortunately the city has failed to do this. In the process, it has cost the infill building industry thousands of dollars in unjustifiable fees and immeasurable lost opportunities.

The city's record on the handling of servicing and infrastructure issues has been no better. The *modus operandi* for all city departments has been to treat all development applications equally, regardless of location or circumstance. The city has developed guidelines entitled "Development Agreement Parameters" which are used by the city administration when dealing with rezoning and subdivision applications for new development. These were developed to provide a consistent response from the administration in keeping with council objectives with respect to suburban development.

In the absence of any other guidelines or parameters, these same parameters are utilized to deal with applications for infill subdivisions on what is often reclaimed land from obsolete industrial sites. Because some aspects of the parameters do not translate well to infill locations, the most financially advantageous position for the city is the one usually adopted by the administration. Each department of the city reviews the application, not within the broader context of Plan Winnipeg policy, but in the narrow interpretation of the parameters as they relate to the department. As a result, infill subdivisions cannot be competitive with suburban developments

because the cost to develop them is usually higher and the recoveries, in terms of sales revenues, are generally lower due to their locations.

Even at the level of individual infill lots, current city policy, as defined and applied by the operations department, is to ensure that housing on these lots occurs at no expenses or risk to the city. Therefore, damage deposits may be collected for lot grading, boulevards, curbs, sidewalks, and rear lanes. In addition, if an existing building on the site is demolished prior to construction, there may be a deposit for the sewer and water line disconnection work. The construction of a single infill house may involve up to four separate deposits totalling almost \$3,000 in cash.

As detailed in chapter 6, the city standards for backfill and street-cut requirements have increased substantially during the time when Plan Winnipeg was theoretically encouraging infill housing. Demolition costs have also risen dramatically, in part because of large increases by the city for tipping fees at its landfill sites.

The cumulative affect of these seemingly unrelated issues has been an effective policy to discourage the construction of infill houses. How does the city reconcile the paradox of establishing, as one of its fundamental goals in Plan Winnipeg, the encouragement of infill housing, and concurrently adopting a series of measures, guidelines and regulations which effectively prevented the private sector from profitably establishing an infill housing industry? It cannot.

The one exception to the negative response to infill housing has been the city's handling of Habitat for Humanity. Through a series of ad hoc policies developed for each site, the city has been providing direct assistance for non-profit infill housing. The assistance has been both with land assembly and with financial backing for the infrastructure upgrading. Considering the location of the Habitat projects, in central core area neighbourhoods, this ad hoc approach may be the only practical approach for infill housing of this nature.

A change in the city's handling of privately initiated infill housing is needed. The current problem seems to lie, in part, with the structure of the city administration with respect to Plan Winnipeg. There is no administrative accountability for the document as a whole, only as fragmented pieces. Politically, city council is responsible. But here again, the day-to-day issues such as variances for infill housing have been dealt with by the various community committees. The committees tend to support the local councillor's recommendation on matters in his or her ward. This places an unreasonable reliance for housing policy in the hands of individual councillors who may or may not support the infill housing strategy. Plan Winnipeg seems to be followed when convenient, but it is not the guiding document which it was intended to be. This weakness in the administration of Plan Winnipeg and the lack of administrative responsibility for plan's policies for infill housing have resulted in a series of policies which have discouraged, rather than encouraged private market infill housing.

## **8.2 The Province of Manitoba**

When establishing infill housing objectives in its strategic program, the provincial Department of Housing was interested less in the physical aspects of neighbourhood redevelopment than in the employment and social aspects of such policies. The overriding program goals were to influence the production of housing to promote adequate supply and to capture the spin-off benefits of the employment which were generated by housing construction. A sub-objective was to direct a degree of affordability and accessibility to moderate income groups. Whereas the city was interested in the physical aspects of infill housing because of the contribution this would make to stabilizing older neighbourhoods, the province was more interested in the social aspects of an infill program.

The objective of the infill housing component of the Homes in Manitoba Program (HIMP) was to stimulate construction of new ownership housing units in Winnipeg's core area with a sub-emphasis on assisting low and moderate income households which resided in the core area. The province did not draw a distinction between private or public initiative of the development of the houses and, therefore, it had no problem with constructing the units directly.

Manitoba Housing built and sold 152 single family detached houses on scattered lots located in older neighbourhoods in the city between 1983 - 1985. This was slightly higher than the objective established in the strategic program and, at approximately 50 units per year, represented a high level of construction activity during this period. Almost all of the lots were vacant prior to construction, therefore, the program resulted in a highly visible improvement to most neighbourhoods.

The program did not, however, encourage or stimulate private market initiative in the same field. By establishing sales prices which were based on realistic market expectations and not tied into production and development costs, the province inadvertently established what amounted to the "ceiling" price for new infill housing in many neighbourhoods. When private builders tried to follow Manitoba Housing into neighbourhoods such as Brooklands and Weston, not only were their prices well above the existing used house prices, they were well above the prices recently charged for the new houses sold by Manitoba Housing.

Manitoba Housing set their prices according to realistic market expectations in keeping with the goals and objectives of the program. However, the province was also supporting Plan Winnipeg and its policies for infill housing as well as the Core Area Initiative and its goals and objectives. Somewhere in this mix of overlapping objectives, it should have been recognized that the CAIGHO program was not going to be sufficient to generate the level of housing activity in the core which was projected. Although it is difficult to criticise the province for the delivery of its infill

housing program because it essentially met its objectives, one wonders if a broader perspective with respect to the combined overall goals of Plan Winnipeg and the Core Area Initiative could not somehow have been achieved.

### **8.3 The Core Area Initiative**

The Core Area Initiatives was a vehicle for policy implementation which complemented many of the housing and urban revitalization issues identified in Plan Winnipeg. The Core Area Initiative Grants for Home Ownership (CAIGHO) was the only policy program established to assist and encourage private market infill housing. However, the program did not achieve its objectives with respect to the numbers of privately initiated infill houses. A shift in the program's target under the second CAI agreement, to the purchase of existing housing, resulted in very little take-up for new infill housing in the latter half of the 1980s. A total of 117 grants for new, private market housing were made over the ten year life of the program. This is an average of just under 12 units per year, or one half of one percent of the new single family housing built in the city.

Part of the problem with the structure of the CAIGHO program was that it was targeted exclusively at the buyers of the housing. There seems to have been an underlying concern that private business might make a profit out of government funded programs. Therefore, rather than run that political risk, such programs are often avoided. Instead, the programs and subsidies were directed at the home owner. However, it is the builder/developer who takes the larger risk. If the infill builder is successful financially, there is a higher probability that by remaining in business there will be additional infill houses built. Subsidies to buyers are usually one-time efforts and do not contribute to a sustainable infill industry. They should constitute part of a broader program which recognizes the shared risks of both the builder and

the buyer. The CAIGHO program did not address this issue and it fell well short of its potential.

#### **8.4 Summary**

With the exception of its involvement with the CAIGHO program, the city of Winnipeg has not developed any programs or policies to encourage or assist the private sector to become involved with an infill housing program in the older neighbourhoods of Winnipeg. In fact, the response by the individual city departments to private market infill initiatives, combined with the actions of some of the community committees, formed an unofficial policy of erecting barriers and obstacles which put infill housing at a disadvantage to suburban development. The goal of attracting 20 percent of all new housing to older residential neighbourhoods may have been somewhat over ambitious, but it became impossible to achieve given the lack of direction, policies and programs by the city.

The province's infill housing program could have provided a good stimulus to a private market infill housing program if there had been some complimentary program to assist or encourage the private builder. Unfortunately there was not. Rather than providing a stimulus, the low sale prices of the provincially built houses created a market in which private builders could not compete. The problem lay not with Manitoba Housing's prices, which were a realistic appreciation of the market, but in the lack of assistance or incentives to the private sector.

The Core Area Initiative, through the CAIGHO program, tried to address this by providing grants to the home buyer. Although helpful, it did not contribute to establishment of a viable, sustainable infill housing industry. With the expiry of the Core Area Initiative agreement on March 31 1992, the only program which had any potential for influencing private market infill housing came to an end.

## **CHAPTER 9**

### **Directions for the Future**

The infill/revitalization strategy contained in Plan Winnipeg was sound in its premise, but weak in its execution. The lack of private market interest in building in the older neighbourhoods of the city is a result of lack of profitability. I would not recommend a radical departure from the infill/revitalization strategy. However, the strategy must be accompanied with a recognition that there will be a substantial public cost associated with a successful strategy. Developing a housing strategy to revitalize older neighbourhoods without committing public funding and support to the program is ineffective. This should be clear from the experience with Plan Winnipeg over the past decade. The infill housing objectives looked impressive, but they could not be achieved without assistance.

The city of Winnipeg must set reasonable goals which are obtainable, not just in the physical sense, but also politically. Much of what needs to be done does not involve the expenditure of public funds; in some cases, programs may result only in the loss or deferment of potential revenues. Other programs would require public funds from some source, but not necessarily from the city. However, the city must be willing to take the lead in the development of policy. Without this lead, support from the other levels of government will not be forthcoming.

#### **9.1 Recommendations**

The research conducted for this study clearly demonstrates a need for a sensitive approach to inner city revitalization. The infill housing policies promoted by Peter Barnard and others are the only rational approaches to the problem of the deterioration and loss of housing in these neighbourhoods. The massive urban renewal schemes of the

1960s have, for the most part, been discredited and considered failures. There are no other obvious approaches to urban redevelopment waiting in the wings. The suggestion that suburban growth within Winnipeg should be severely limited to force development into older neighbourhoods exhibits a disregard for the nature of our society. Canadians view the purchase of a house as an investment, not in the community, but for their family. It is self-motivated. The vast majority of people, as has been demonstrated by past purchase practices, will not invest in new housing in older neighbourhoods in Winnipeg. The studies from other cities are unanimous in the conclusion that infill housing is not a substitute for suburban development. However, they also conclude that it can be an important component of a healthy and diversified mix of housing choices within a community.

The problems of older neighbourhoods need to be addressed comprehensively over a long period of time. For this reason, I recommend that the city of Winnipeg develop its own policy and strategy to address the housing problems, rather than wait for special programs such as the Core Area Initiative. Although these special programs focus attention and financial resources on the problems, they tend to be short lived and raise expectations for major improvements over short time frames. The policies and strategies which have been adopted in American cities such as Rochester and Pittsburgh are long-term and comprehensive.

The older residential neighbourhoods of Winnipeg are by no means homogeneous. They are at varying stages of stability or deterioration. A number of the program recommendations which I am making could be targeted to specific neighbourhoods; other policies could apply to all the older neighbourhoods. Therefore, I recommend that the city identify a series of classifications for older residential neighbourhoods for the purposes of targeting some of the infill housing programs. The first classification would be the neighbourhoods where the degree of deterioration of the housing stock is greatest (possible corresponding to neighbourhoods identified as "Major Improvement" in the *Winnipeg Area Characterization* study). Based on the value of the existing housing

within these neighbourhoods, it should be recognized that it is unlikely that infill housing which is intended for sale, can or will be built without large subsidies. Therefore, these neighbourhoods should receive priority for public and non-profit housing initiatives. The work of groups such as Habitat for Humanity should be encouraged through public assistance with land assembly, approvals and site servicing.

The second and possible third neighbourhood classifications for the infill housing programs (possibly corresponding to the "Rehabilitation" and "Conservation" neighbourhoods) would be related to the viability of the housing market and the degree of assistance required to stimulate infill housing in each area. Some neighbourhoods, which may be stable in many other respects, have housing with relatively low market values. Infill housing (without subsidies) is too expensive for these neighbourhoods, even though an interest may exist for home ownership. There also are older residential neighbourhoods where very limited assistance may be required for successful infill building. A neighbourhood classification system for targeting infill housing programs is not a new concept. It would allow a fine-tuning of programs to encourage housing in the neighbourhoods most likely to benefit.

There must be a rational overall program which flows from the Plan Winnipeg objectives for the infill/revitalization strategy. There must be a step-by-step method to achieve the goals established. At present, there is no such program. Realistic goals must be established, not based on hypothetical neighbourhood capacity, but based on a rational approach to market share. The goal of attracting 20 percent of all new housing to older neighbourhoods was too high. The city should continue to strive to accomplish modest increases in the housing stock. I recommend that the city establish an infill housing goal of attracting 5 - 10 percent of all new single family detached and semi-detached houses to be built in the city over the next ten years into older neighbourhoods. Based on the projected average number of new building starts over this time frame of 1,300 houses per year, the goal for the infill program would be between 65 - 120 houses per year. Over the ten year period of the first stage of the program, this would be approximately

1,000 new single family homes between 1992 - 2001. A goal of five to ten percent of the overall market for single family detached and semi-detached housing units is realistic and achievable with a concentrated public effort and modest public expenditures.

There has been an average of 100 new single family houses per year built in the older residential neighbourhoods of Winnipeg over the past decade. The overall city-wide building permit activity in the next ten years is projected to be considerably less than the previous decade. Therefore, although being a modest goal, attracting 1,000 new units will require a commitment from the city because it represents an increase, not in total numbers, but in the total market share. However, it will not happen without programs and encouragement from the public sector.

It should be recognized that the private market infill builder or developer is likely to be a relatively small enterprise with limited financial resources and limited development skills. As the city discovered with the delivery of the RRAP program, the success of the program depended on a large network of small contractors. I believe that this will also be the case for a successful infill building program. Therefore, the program should be structured to provide the maximum amount of encouragement and support for this potential group.

I recommend that the city of Winnipeg build an infill housing policy around a series programs, rather than counting on a single program to achieve the goal. The policy would be structured within three program areas: **Information and Support; Approval Streamlining; and Financial Assistance.**

## **9.2 Program 1. Information and Support**

### **9.2.1 An Infill Housing Advocate and Administrative Support Unit**

I recommend the city assign the responsibility of the infill housing program to an infill housing advocate or administrative unit which would be responsible to co-ordinate and monitor all aspects of the infill housing programs. The advocate would be the liaison responsible to co-ordinate the efforts of the program within the administration, particularly with the Land Surveys and Real Estate Department, the Operations Department and the Planning Department. The advocate would also maintain contact with the housing industry and be responsible for the promotion of the program. Infill builders often feel that no one in the administration is willing to publicly support their efforts. The advocate could fulfil this role not only within the administration, but within the public forum as well.

### **9.2.2 Land and Lot Inventories**

The city should compile and maintain a land and lot inventory list which is not only readily available to the building industry, but is actively promoted. The inventory would include information on zoning, servicing and pricing. The city should set the price for potential infill housing sites based on support of the program and not rely entirely on the current system of sealed bids. The highest price for infill building parcels may not always be in the best interest of the program or the city. Where demand warrants, a lot draw system could be utilized.

The city should identify all its surplus land which may be available for infill housing, either as individual lots or as larger parcels which could be subdivided. As the city acquires land for tax arrears, it should be evaluated and if it has infill potential, the land should be cleared for redevelopment rather than waiting until a potential buyer is found. Where necessary and desirable to promote the program, the city should initiate rezoning,

variance and subdivision applications to improve the potential of the land for infill housing. The city should take an active, rather than a passive role in the development of an infill housing program.

In this regard, the city should take the initiative to review the potential for infill housing with the various school divisions which are likely to find themselves with surplus or vacant school sites in the future.

### 9.2.3 Infill Land Development

The city has, in the past, been unwilling to consider a land acquisition program for the purposes of supporting a private infill housing program. This was recommended by Peter Barnard in the policy identification papers in the development of Plan Winnipeg. I recommend that the city reconsider this with respect to sites such as obsolete industrial lands. Funding or land may be available in co-operation with the province of Manitoba for demonstration and key site development areas. The city could act as an urban land developer in much the same fashion as a suburban development company would to assemble the land; to subdivide and rezone it; and to market the lots and promote the subdivision. This could be done either directly by the city or as a joint partner with private or community interest groups.

## 9.3 Program 2. Approval Streamlining

### 9.3.1 Zoning Consistent with the Neighbourhood

The city should accelerate the process of examining the zoning by-laws of older neighbourhoods to bring them into compliance with the existing land use configurations. As an example, the Elmwood area of East Kildonan has zoning categories which correspond with the existing lot widths (R1-2.5, R1-3 etc.). This would remove the cost,

time and aggravation encountered in obtaining a variance to build an infill house when the zoning is inconsistent with the lot sizes. Although a time consuming process, the city should commit to meet this objective no later than December 1993.

The texts for all of the zoning and town planning schemes which cover designated infill neighbourhoods should have consistent wording and minimum standards. The present system is confusing and it makes it difficult for the average infill builder to understand the system because it varies so much from neighbourhood to neighbourhood.

### 9.3.2 One-stop Permit Applications

Most infill builders are small companies with few, if any, paid staff members other than the builder. The time involved in processing a building permit, which may take the builder to three city departments in three buildings, often twice for each permit, is unacceptable and unnecessary. The current set-up of six operational districts, in six separate locations, results in an extremely inefficient process for a small builder. The use of facsimile machines in most city offices permits the adoption of a one-stop shop concept with respect to obtaining building permits. The city should review the building permit process for single family detached dwellings and devise a system to facilitate the issuance of building permits from the planning department without separate trips to the streets and various district operations departments.

### 9.3.3 Harmonizing Building Code and Zoning By-law Provisions

The city must remove the ambiguity and inconsistent application of the building code with respect to side yard separations. If the city considers it acceptable under the building code to construct new housing (with side yards of less than four feet) adjacent to existing houses in Elmwood, for example, it also should be acceptable elsewhere in the city. The current system causes confusion, misunderstandings, and unnecessary costs when building in some neighbourhoods of the city.

#### 9.3.4 Development Agreement Parameters

I am recommending the city review the Development Agreement Parameters which were drawn-up for dealing with the development of large suburban tracks of land. The administration needs some direction and latitude in dealing with urban infill development sites because the conditions for each site may involve unusual circumstances not found in suburban locations.

### 9.4 Program 3. Financial Assistance

#### 9.4.1 Dedication Waivers

The city should waive the cash dedication fee (payable in lieu of land dedication) for small subdivision applications which create single family lots for infill building in the older residential neighbourhoods. This would remove one of financial burdens associated with some infill locations. The loss of "potential" revenue to the city would be minor, but the benefit to an infill builder would be significant. It is difficult to estimate what such a program would cost the city in loss potential revenue, but I would place the figure at \$1,000 per lot for 10 - 20 lots per year.

#### 9.4.2 Lot Service Connection Costs

I consider the cost of house connections to the sewer and water mains to be one of the most significant factors affecting the viability of infill building infill housing on scattered lots. There is so much uncertainty about the costs of these connections, and they can vary so much due to a number of factors that this single item can financially break an infill builder.

I recommend that the city assume responsibility for the installation of the sewer and water connections from the mains to new infill houses (in locations already serviced with mains). This could be carried out by city crews or contracted out. The builder would be charged a flat rate which I recommend to be \$2,000 per unit. This is about half of the actual cost for such connections for infill units. The estimated cost for the city to service 100 building sites per year would be \$200,000 annually.

#### 9.4.3 Variance Application Fees

The costs associated with variance application fees for some infill permits are extravagant due to a multiplier effect of several variances to achieve a single approval. In the interests of creating an effective and supportive atmosphere for infill builders, I recommend that the city consider a single application fee for variances for infill building lots for single family detached and semi-detached houses of \$100 per application.

The potential lost revenue to the city for such a program is difficult to estimate precisely, but would probably be somewhere around \$5,000 per year for 100 infill houses. Should the city update the zoning and town planning schemes, as recommended in Program 2, the need for many of these variances would disappear and there would be no lost revenue for the city.

#### 9.4.4 Damage Deposits

The financial burden on a small builder of lot grading, boulevard, sidewalk, street, lane, and temporary sewer and water abandonment deposits are tremendous and cannot be overstated. In many cases, due to seasonal delays, the deposits are held for months after completion of the project. A builder with several houses under development, may have thousands of dollars tied-up in damage deposits at several different operations district

offices. Different standards and deposits between districts add to the confusion for a small builder who must keep track of the deposits and request the release of each deposit separately.

The city is prudent to require damage deposits for its own protection. However, in the interests of promoting an effective infill program, I recommend the current system of damage deposits be replaced with a single deposit of \$1,000 per single family infill house. The deposit would be paid with the building permit application as part of the "one-stop" permit concept and released from the same office.

The risk to the city, in the event that a builder abandons a deposit or goes out of business, is that the cost to correct any deficiencies would exceed the deposit retained. I suspect the incidence of business failure during construction, which would result in the city taking some remedial action, would not exceed five percent of the total construction starts. I recommend that the city establish a reserve fund of \$5,000 - 10,000 to reimburse the operations department should this happen.

#### 9.4.5 Grants for House Builders

Several cities, including Montreal, Pittsburgh and Rochester have established assistance programs directed at the builders of infill housing to encourage their participation. The often expressed fear about assisting builders is that public funds are being directed to profits of private companies. The overwhelming evidence is that most of the builders and contractors involved are small operators who undertake a substantial risk in building in inner city neighbourhoods. There are far more builders who go broke than who get wealthy from infill building.

Most of the builder assistance programs used in other cities are linked to specific actions by the builder. They range from site clearing assistance to loans at below-market rates from municipal and state governments. Montreal offered cash subsidies on a site-by-site basis ranging from \$1,000 for larger sites to \$2,000 for smaller sites. Pittsburgh offered site clearing assistance, mortgages at below market rates and tax credits.

I recommend the city consider either grants or credits to assist builders in site clearance costs. The existence of a derelict building on a potential infill building site represents a liability and a cost to the builder ranging from \$2,000 - \$3,000 per house. A good portion of the cost of a demolition is the "tipping fee" at the city's land fill sites. I recommend a rebate program for builders of single family infill houses built on lots involving a demolition of \$1,000 per house, payable once the foundation of the new house has been constructed and backfilled, if completed within one year of the demolition.

The cost to the city of such a program would be offset by the tipping fees collected. This represents a loss of potential revenue to the city of approximately \$20,000 per year.

I also recommend a realty tax moratorium on new houses while they are under construction and for a period of six months following completion. Builders who construct a house prior to selling it do so at considerable risk. The risk is higher in older residential neighbourhoods than it is in the suburbs. Under this program, the assessment on the building portion of the property would not come into effect until six months following completion of the house or upon possession by the new owners, whichever comes first.

The cost to the city for such a tax deferral program would be minimal. Most builders attempt to pre-sell their houses due to the risks involved with spec building. However,

to be successful, an infill housing program has to be somewhat aggressive to meet the competition. This program would help the builder should the market be slow to respond to the sale. The loss to the city is minor, but the savings could be significant to a small builder. I estimate the cost to the city, in lost revenue, to be less than \$10,000 per year.

#### 9.4.6 Realty Tax Credits to Purchasers

Several of the comprehensive strategies used to promote and develop infill housing programs in American cities include some form of realty tax incentive, usually a deferment of part of the tax. I recommend that the city examine such deferrals as a form of assistance to purchasers of new homes in older neighbourhoods. The purchaser of a new home in an older neighbourhood currently is expected to pay more for the house than the value of surrounding houses, as well as pay higher realty taxes based on the value of the home. As a supporting feature of the comprehensive infill housing program, I recommend the city implement a three year tax phase-in scheme (similar to the one current in place for properties which were subject to large tax increases due to assessment changes in 1990). In the first year of the program, the home owner, who must also occupy the home, would pay the same level of realty tax as the average assessed home of a similar size in the neighbourhood. This would increase to the normal tax payable on the full assessed value over a three year period. The phase-in period would assist purchasers to adjust to the higher costs of owning the new infill dwelling.

The costs for such a program are cumulative and rise for the first three years before levelling off. I estimate the cost of loss revenue to the city for the program to be approximately \$22,000 in the first year; \$34,000 in the second year; and \$45,000 in the third and consecutive years. Again, this is more of a deferment in potential revenue for

the city than a budgetary expense. The deferment in revenue to the school divisions would be proportionately similar.

#### 9.4.7 Grants to Home Owner

The infill housing strategy developed under the Core Area Initiative involved direct grants to first time purchasers of homes in core area neighbourhoods. The program was split into new and existing homes. I recommend that a similar program be developed which would be directed specifically at the purchase of new homes in older residential neighbourhoods. The size of the grants would be tied to the specific neighbourhoods to be determined on such characteristics as the degree of housing deterioration. I recommend a grant structure similar to the Core Area Initiative Grant for Home Ownership program, ranging from \$2,500 - 10,000. The level of assistance would be intended to decrease the spread between the purchase price of new and existing housing to within 10 - 15 percent. It would not be intended to bring the cost of the new infill unit to the market value of existing used housing. I believe that there should be some price spread between new and used housing to avoid disrupting the real estate market and placing the owners of existing housing at a disadvantage.

Assuming an average home owner grant of \$5,000, the cost of this program would be \$500,000 per year for 100 infill houses.

#### 9.5 Cost Sharing

There is nothing new or outstanding in any of these proposals. They are tried and true methods used in other cities experiencing similar problems to Winnipeg. Programs 1 and 2 have no significant cost implications to either the city or any other level of government,

and may, due to some improvement in efficiency with by-law and permit processing, reduce costs.

There are significant costs associated with Program 3. I would recommend the city approach the province of Manitoba with a proposal to cost-share Program 3. The city would be responsible for all the site and builder related costs and subsidies and the delivery of these programs. The estimated annual cost to the city for Programs 3, items 1 - 5 would be a budgetary cost of \$200,000 for the servicing program and between \$50,000 - 60,000 in deferred or lost revenue. This would result in an average level of assistance from the city of a direct cost of \$2,000 per dwelling unit and of a deferred revenue loss of \$500 - 600 per dwelling unit.

Item 6 of Program 3 would be administrated and delivered by the city. Item 7 would be delivered by the province. The city would be responsible for the costs of the deferred tax credit program plus 25 percent of the grants for new infill home ownership program. The province of Manitoba would be responsible for 75 percent of cost of the ownership grants program.

As a result of this proposed cost sharing formula, the cost to each level of government for the total package of programs would be approximately \$400,000 per year, for an average of \$4,000 per unit.

At these levels of assistance, I do not believe the house building and development industries would see an unfair advantage being provided to the infill builder. In fact, since the program would be open to any and all builders, part of the strategy would be to increase the attractiveness of infill building to a degree which offsets some of the problems associated with it.

The proposed programs are summarized in Table 7.

**TABLE 7      RECOMMENDED INFILL HOUSING PROGRAMS  
FOR THE CITY OF WINNIPEG**

**PROGRAM 1.   INFORMATION and SUPPORT**

| PROGRAM  | DESCRIPTION   | ESTIMATED COST   |
|--|---|--|
| 1.      An Infill Housing Advocate and Administrative Support Unit | The city of Winnipeg assigns the responsibility of coordinating and monitoring infill housing policy to a single administrative unit. This unit would serve as a public advocate for infill housing and maintain contact with the industry and promote infill housing policy.   | No additional public cost. The role would be created within the Planning Department by re-deploying existing resources.  |
| 2.      Land and Lot Inventories                                   | The city compiles and maintains a current infill land and lot inventory which is actively promoted with builders. The city takes a pro-active role by preparing the sites for infill housing by initiating rezoning, variance and subdivision applications (where necessary) prior to placing the land on the inventory list. | No additional public cost. Existing resources within the Land Surveys and Real Estate Department, as well as the recommended infill co-ordination unit within the Planning Department would be utilized. |
| 3.      Infill Land Development                                    | The city takes an active role in the assembly and development of "urban subdivisions" for infill builders, primarily on obsolete industrial sites.  | The costs would vary depending upon the site. Generally, site development costs would be recovered; land assembly costs would not likely be recovered.   |

TABLE 7 (cont.)

**PROGRAM 2. APPROVAL STREAMLINING**

| PROGRAM  | DESCRIPTION   | ESTIMATED COST   |
|--|---|--|
| 1. Zoning consistent with the neighbourhood.               | The city of Winnipeg amends the text of the various zoning and town planning by-laws to make them consistent with existing residential development patterns in older neighbourhoods. All texts to have consistent standards and wording with respect to residential lot requirements. | This is an ongoing responsibility of the city and existing resources would be utilized.  |
| 2. One-stop building permit applications.                  | The city amends its administrative procedures and requirements to allow builders to obtain a building permit for single detached and semi-detached houses from a single city office. Damage deposits would also be co-ordinated through this office (the Planning Department).        | Once established, the system may result in some savings to the city by increasing the efficiency of processing building permits. |
| 3. Harmonizing building code and zoning By-law provisions. | The city removes the apparent inconsistency in the application of building code provisions with respect to the creation of building sites for infill housing.   | No additional public cost.   |
| 4. Development Agreement Parameters.                       | The city of Winnipeg establishes guidelines within the Development Agreement Parameters to assist the administration to respond to private infill land development applications.  | No additional public cost.   |

TABLE 7 (cont.)

**PROGRAM 3. FINANCIAL ASSISTANCE**

| PROGRAM  | DESCRIPTION   | ESTIMATED PUBLIC COSTS  |
|--|---|---|
| 1. Dedication waivers.                         | The city no longer assesses cash-in-lieu of park dedication for residential subdivisions of less than 5 lots on land zoned for residential purposes within the older neighbourhoods of the city.  | The city of Winnipeg lost revenue of \$10,000-\$20,000 for 10 to 20 additional lots created per year.   |
| 2. Lot service connections.                    | The city of Winnipeg is responsible for the provision of sewer and water connections from the mains to single family detached and semi-detached houses in older residential neighbourhoods of the city. Builders are charged a flat fee per dwelling unit of \$2,000 for detached and semi-detached houses.   | The city of Winnipeg would recover one half of the cost from the builders; the balance is estimated to cost the city \$200,000 for 100 new houses per year.   |
| 3. Variance application fees.                  | The city of Winnipeg amends its Development Application fees to eliminate multiple variance fees for a single infill houses application and reduces the fee to \$100 per dwelling unit.   | The city of Winnipeg lost revenue of \$5,000 for 100 infill houses per year (diminishing as zoning text amendments allow for infill housing without variances (see Program 2.1).  |
| 4. Damage deposits.                            | The city of Winnipeg reduces the required damage deposits for infill housing in older residential neighbourhoods to a flat \$1,000 per dwelling unit.   | The city of Winnipeg to establish a reserve fund of \$5,000-\$10,000 to cover losses for an estimated 5% default rate.  |
| 5-A. Grants to builders: demolition credits.   | The city of Winnipeg provides a rebate of \$1,000 per new infill detached dwelling in older residential neighbourhoods for sites on which an existing house is demolished.  | The city of Winnipeg lost revenue of \$20,000 per year.   |
| 5-B. Grants to builders: realty tax deferrals. | The city of Winnipeg defers assessing new infill dwellings for taxation purposes for a period of six months following substantial completion of the house, or until the house is occupied, whichever occurs first.  | The city of Winnipeg lost revenue of \$10,000 per year.   |
| 6. Realty tax phase-in period.                 | The city of Winnipeg provides a three year phase-in period for realty taxes for the first purchaser of new infill detached dwellings in older neighbourhoods. The phase-in credit is calculated based on the difference between the assessment on the new infill house and a per square foot average assessment for the neighbourhood.  | The city of Winnipeg \$22,000 in year-one; \$34,000 in year-two; and \$45,000 in year-three and following years. Lost revenue to the school division(s) would be similar.   |
| 7. Grants to Home Owners                       | The city of Winnipeg and the province of Manitoba provide grants to purchasers of new single family detached and semi-detached houses in the older residential neighbourhoods ranging from \$2,500 to \$10,000, based on location. The grants reduce the purchase price of the new homes to within 15% of the cost of an average existing home of comparable size in the neighbourhood. | The province of Manitoba and The city of Winnipeg cost share the program 75/25. The cost to the province would be approximately \$375,000 and the cost to the city would be approximately \$125,000 to provide grants for 100 purchases per year. |

## 9.6 Summary

There is no rationale for an infill housing policy in Plan Winnipeg if the city is not willing to put the tools in place to allow the program to function. Plan Winnipeg seems to have assumed too much about the viability of the role of the private market to deliver the infill housing component of the plan. A reliance on normal market conditions to drive the strategy without direction or stimulus from the public sector was ill conceived. The experience of other North American cities faced with similar problems clearly demonstrates that a lead role must be taken by some level of government to deal with inner city housing problems. The city of Winnipeg established the infill/revitalization strategy in its development plan, therefore, one would conclude that the city should be the level of government to take the leadership role. It has failed to do so.

The failure to establish a comprehensive program to encourage and stimulate the infill housing strategy would appear to indicate either a lack of commitment to the concept or a lack of understanding of the Winnipeg housing market. Regardless of the underlying reason for this failure, the city has not lost the opportunity to redefine its priorities and set a new goal for the future as Plan Winnipeg is reviewed and amended.

The infill/revitalization strategy is a sound one, but it will not be successful without public assistance. Utilizing the examples set in other cities facing similar problems, and applying the successful components of solutions from these locales, I am recommending a comprehensive package of programs to assist and encourage both the building industry and the potential home purchasing public. I feel the blend of the programs, combined with realistic goals and objectives, is the key to a successful infill/revitalization strategy.

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