RESEARCH REPORT

ALTERNATE TENURE ARRANGEMENTS

HOUSING AFFORDABILITY AND FINANCE SERIES

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Alternate Tenure Arrangements

Final Report

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Dedication

This report is dedicated to the memory of David Scherlowski who was struck down by cancer at an early age. David is remembered by his friends at CMHC and members of the consulting community for his sincerity, dedication and never-failing confidence that his research efforts would have a positive impact in improving housing access, affordability and choice for Canadians. David was the project manager for this research report and was an expert on municipal measures used in creating affordable housing; just one of his many areas of housing knowledge and expertise at CMHC.

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Purpose

Canadians use a variety of tenure arrangements to acquire housing. Common forms of tenure include freehold ownership, condominium ownership, and rental. Alternate tenure arrangements are less widely used, but nonetheless have the potential to increase the range of affordable housing options to meet changing consumer preferences and needs. To help increase awareness of the types and range of alternate tenure arrangements, as well as their potential to increase housing affordability, Canada Mortgage and Housing Corporation carried out research and produced a report named "Alternate Tenure Arrangements". The report presents the results of this research and discusses and compares the various types of alternate tenure arrangements that are currently available in Canada. These include life leases, equity co-ops, leaseholds, and shared equity arrangements. The report also includes a discussion of cohousing, which is a newly emerging form of collaborative housing that can feature a variety of tenure types.

Executive Summary

Objectives and Methodology

The objectives of this research were:

1. To develop a report on the range and types of alternate tenure arrangements that are currently available in Canada; and

2. To assess the extent to which housing projects using various types of alternate tenure arrangements are meeting residents' needs, preferences, and expectations.

The research included reviewing current literature on the range of alternate tenure arrangements that are available in Canada and carrying out 30 case studies of housing projects across Canada featuring various types of alternate tenure arrangements. The case study research involved visits to each of the projects, in-depth interviews with the project administrators and sponsors, and interviews with residents.

Overall Findings

Impact on Affordability

Alternate tenure arrangements have the potential to create housing that is affordable relative to market levels, especially over time. For example, two-bedroom ground oriented units in a 13-year-old equity co-op in Surrey, a suburb of Vancouver, have sold for $69,000 since the day the project opened in 1987. In 2000, this is less than one-third the cost of new row units. Although some co-op members are concerned about the inability to realize any equity gains, others believe that the objective of the co-op to provide affordable housing in the long term can be met only if capital appreciation is not permitted. Other equity co-ops are tied to more flexible arrangements—85% of market value for example, or equity gains equivalent to increases in the Consumer Price Index. New legal structures for equity co-ops in some provinces have made financing easier, thus increasing the accessibility of these projects for prospective members.

In a similar fashion to some equity co-ops, many life lease projects are based on a model whereby entrance fees will not increase over time, meaning that they too will become increasingly affordable in future years. The non-profit nature of almost all life lease projects may also result in savings in capital and operating costs. The fact that life lease projects are financed by their residents may create some cost-savings during the development process, in addition of course to providing the means by which the projects are created in the first place.

Leasehold arrangements also have the potential to reduce housing costs and enhance affordability. Purchasers of leasehold interests do not buy the so-called reversionary interest in the land, meaning that at the end of the lease term the land reverts to its owner. Leasehold buyers may also benefit from various other savings if landlords can reduce costs for items such as legal and servicing costs.

Cohousing communities value diversity and try very hard to include residents of all income levels. On occasion, this has been possible because of special arrangements made with municipalities to allow a greater than normal number of units in exchange for the provision of below-market housing units. In other cases, cohousing communities have created an internal financial framework that allows lower income households to live in the community.

An example of an alternate tenure arrangement where the affordability impacts are immediate rather than long term is shared equity. One of the case study projects in the report is able to create home ownership opportunities for very low income households, even those on social assistance.

Resident Characteristics and Level of Satisfaction with Housing

Life lease projects are exclusively inhabited by people over the age of 55. Most equity co-ops are as well, although there are a few family projects and some projects that include both seniors and families. The two shared equity case studies in this report are aimed at families, but the other two models—cohousing and residential leasehold—attract all household types.

By and large, consumers of all the tenure types assessed in this report were very satisfied with the choice of tenure they had made. Some were more satisfied than others, although where some degree of dissatisfaction was evident, it was often due to external factors not related to the form of tenure—weak housing markets for example. The source of satisfaction varied, but often was related to a strong sense of community that residents had not experienced in their former accommodation.

Sponsorship and Community Partnerships

All but two of the tenure types included in this report rely to a greater or lesser degree on community partnerships to sponsor them, develop them, finance them, and operate them. The two exceptions are residential leasehold projects, where projects are typically developed in much the same way as market condominium projects, and cohousing communities, which are created and developed by their members.

Life lease projects are almost always sponsored by community non-profit organizations such as churches and service clubs, although one life lease project in Canada has been sponsored by a municipality, and two others by a non-profit property management company. Only one privately owned life lease project was identified during the study. Community based non-profit organizations are an integral and critical component of the development process for life lease housing. Without their involvement, there would be only a fraction of the number of life lease projects that currently exists. Not only do community sponsors provide valuable resources and services during the development and construction process, their ongoing involvement in the management and operation of the projects they helped to create is also critical.

Equity co-ops may develop on the initiative of their members, but in other cases they have been sponsored by churches and municipalities, on occasion as the preferred tenure type for land leased from municipalities or other public agencies. Non-profit development consultants or resource groups may also be instrumental in the development of equity co-operatives.

The shared equity projects identified in the report and included as case studies involve a range of partners, including municipal and provincial governments; educational institutions; and private sector partners such as lenders, realtors, and contractors.

Housing Form

Most life lease projects are high rise or low rise apartments, although one ground oriented development was identified during the study. Similarly, almost all recent equity co-operatives are high rise or low rise apartments, although one new project and several older ones also provide ground oriented accommodation. Residential leaseholds vary considerably, from single family housing on large suburban lots to high rise apartments. Most of the cohousing communities in Canada are low rise apartments or townhouses, although there is one single family development in a more rural area. Shared equity projects tend to be lower density than the other tenure types—both case studies involved single family housing.

Sources of Financing

Some equity co-ops and some life lease projects are financed entirely by member equity. Others rely to a greater or lesser degree on mortgage financing from traditional lenders such as banks and credit unions, as do residential leasehold and cohousing communities. Some shared equity projects rely significantly on funding from municipal and provincial governments.

Potential for Growth

Fifteen years ago there were no life lease projects in Canada—now there are 200. The life lease model provides a way to combine the desire of many community based non-profit organizations to help meet housing needs in their communities with the desire of many Canadians to find housing more suitable to their needs than the single family house they may have lived in for most of their adult lives. In view of the age structure of the Canadian population, it seems highly probable that the number of life lease projects will continue to grow in the future.

Other alternate tenure arrangements have also become more common as projects are built and people become more aware of their potential. The ability to strata title individual units in equity co-ops in Alberta and Quebec is encouraging the development of that tenure type in those provinces. Although there are only a few occupied cohousing communities at the moment, their successful creation and the satisfaction of their residents are helping to foster the development of similar communities in other centres. Leaseholds can provide housing that is more affordable than housing built on freehold land, a fact that has helped to develop and market leasehold projects in several provinces.

Findings - Specific Tenure

Life Leases

Definition: A life lease is a legal agreement that permits its purchaser to occupy a dwelling unit for life in exchange for a lump sum payment (entrance fee) and a monthly payment to cover the project management fees and maintenance and operating costs. Most life lease projects are sponsored by community based non-profit organizations. Residents in life lease projects are 55+.

The first life lease projects in Canada were developed in Manitoba and Saskatchewan in the late 1980's, encouraged in part by government programs that resulted in the creation of joint life lease/rent supplement projects. Activity in other provinces has increased rapidly in recent years, although there are no life lease projects east of the Ontario/Quebec border. There are probably close to 200 life lease projects now in existence, the bulk of them in Manitoba and Ontario.

Life lease projects vary widely from one province to the next and indeed from one neighbourhood to the next. In Manitoba, life lease residents are considered tenants and are subject to the *Landlord and Tenant Act*. In Ontario, the Ontario New Home Warranty Program does not enroll life lease projects because they involve leases, not agreements of purchase and sale. In BC, life lease residents qualify for the Homeowner Grant, which helps to defray property taxes. In Saskatchewan and Alberta, life lease residents are viewed not as owners, but as purchasers of a life interest in their unit. They are not considered to be tenants.

Other major differences are how entrance fees are paid (some require entrance fees to be paid in full at move-in; others allow financing) and how they are refunded (on exit, entrance fees may be refunded: at the same level paid, at market levels, at the original level plus a share of market appreciation, (if any), or at the original level less a continually increasing percentage); the extent of guaranteed sponsor buy-backs in the event of move-out or death (very common in Western Canada); and the range of services provided.

Equity Co-ops

Definition: An equity co-op is a co-op housing development financed by its members. No government subsidies are involved.

Although equity co-ops have existed in the United States for decades, the oldest project in Canada was built in the late 1980's. Since then, 18 purpose built equity co-ops have been developed in BC, Alberta, and Quebec, 12 of them for the 55+ market. Only 10 continue to function as equity co-ops, all outside BC. Equity co-ops in BC have experienced poor market conditions since 1994, which have adversely affected several projects. This is partly because co-op members in BC do not hold individual title to their units, meaning all members share in the liability created when another member defaults. Some BC equity co-ops have already converted to strata title (condominium) status. Others are in the process of converting to strata title. Two of the co-ops were developed on leased land but have been permitted to buy the freehold title to their sites.

Dwelling units in co-op housing projects in Alberta and Quebec are strata titled, meaning individuals can arrange their own mortgage financing, and if one member defaults on his or her obligations, the others are not responsible for the debt. This arrangement has encouraged the development of equity co-ops in these two provinces.

Leaseholds

> Definition: A lease is a right in real property granted through a contractual arrangement whereby one party (the landlord) gives up some rights to immediate possession of the property to the other party (the tenant) but retains ultimate ownership of the property. When the lease ends, the property and improvements revert to the landlord. Housing may be built on land that is available for long term lease.

Residential leaseholds in Canada were fairly common in the 1960's and 1970's. They are now available in the following situations:

1. Ongoing municipal government involvement in land leasing: Vancouver is the major practitioner of this, mainly for reasons of retaining control over future redevelopment opportunities. North and West Vancouver have also leased land to facilitate the development of affordable housing for certain groups such as seniors.

2. Ongoing federal government involvement in land leasing: mostly in national parks, but also in special cases such as Harbourfront.

3. First Nations.

4. Universities—UBC, Simon Fraser, University of Guelph.

5. Private sector Ontario retirement communities.

Because residents of housing built on leased land have to relinquish the land and often the improvements to the landlord when the lease ends, the housing so produced is usually less expensive than housing built on land owned by the occupant. As a result, leasehold arrangements have the potential to reduce housing costs and enhance affordability.

Shared Equity

> Definition: Shared equity refers to tenure arrangements which are designed to make home ownership easier and more accessible for people with low incomes.

There are a few newly emerging shared equity arrangements in Canada. This research focuses on two. Some shared equity arrangements seem to provide a workable solution to inner city housing problems in Prairie cities and other cities where there is low cost inner city housing stock in need of repair. Buyers of houses purchased and rehabilitated under the terms of these arrangements are able to earn equity in their homes over a period of years by a combination of good payment records and participation in the management and operation of their housing project. Co-op members tend to be extremely satisfied with the nature of these arrangements, and some have even been able to move from social assistance to employment because of stable housing.

Cohousing

Definition: Cohousing is short for Collaborative Housing. In a cohousing community, each household has a private self-contained residence but also shares common facilities with other residents, such as a kitchen and dining hall, children's playrooms, workshops, guest rooms, and laundry facilities.

There are only five occupied cohousing communities in Canada—four in BC and one in Ottawa—although 16 are in various stages of development. Residents of cohousing communities tend to be extremely satisfied, in large part because residents “self-select”: they choose cohousing for their residential environment.

Table of Contents

Chapter One: Introduction

Most people in Canada rent, or they own their house and lot outright, or they own a condominium[1]. There are other options, however, five of which are examined in detail in this report. The five alternate tenure arrangements are:

- Cohousing
- Equity co-operatives
- Life lease projects
- Residential leaseholds
- Shared equity arrangements

The objectives of the report were two-fold:

1. To develop an up-to-date consolidated source of information on the range of alternate tenure arrangements that can be used to implement affordable housing through partnerships; and

2. To assess the extent to which projects utilizing alternate tenure arrangements have successfully met client needs, preferences and expectations.

In order to fulfill these objectives, two major tasks were undertaken, described at greater length in the next chapter.

The first task was the identification of all the examples of these five alternate tenure types in Canada.

The second task was a determination of how successfully these tenure types have met consumer needs. This task was accomplished through the completion of 30 case studies, included in Appendix A.

Brief descriptions of the alternate tenure types examined in this report follow:

Cohousing—Cohousing communities combine private self-contained dwellings with extensive common facilities that may include a large dining room, kitchen, lounges, meeting rooms, recreation facilities, library, workshops, and childcare. Strictly speaking, cohousing is not a type of tenure—most cohousing projects in Canada are structured as condominiums.

Equity Co-operatives—Generally, co-op owners own shares in the co-op that owns the land and buildings. Housing co-ops are of two basic types—government-assisted co-ops, where members benefit from varying degrees of subsidization, and equity co-ops, which receive no government assistance and are financed by their members. The focus in this report is restricted to equity co-operatives.

Life Lease Projects—Life lease residents exchange a lump sum prepayment and monthly payments for the right to live in a building for life, with certain conditions. Life lease purchasers in some provinces are considered to be owners (they purchase the right to live in the building for life), while in others they are considered to be tenants.

Residential Leaseholds—A lease is a right in real property granted through a contractual arrangement whereby one party (the landlord) gives up some rights to immediate possession of the property to the other party (the tenant) but retains ultimate ownership of the property. Depending on the nature of the lease, the buildings and other improvements on the land may also revert to the owner at the end of the lease, and there may be various restrictions on use contained in the lease. This report focuses on permanent ownership housing constructed on leased land.

Shared Equity Arrangements—True examples of shared equity arrangements are relatively uncommon. The term refers to an arrangement whereby purchasers contribute part of the down payment on a house and someone else—a community based non-profit organization for example—contributes the rest. Both share any subsequent property appreciation on a prearranged basis.

Project Goals

Projects based on an alternate tenure type have the potential to address specific housing and social needs, as they affect design, security, affordability, liquidity, and lifestyle. All these issues are addressed in the report and the case studies that follow.

Report Structure

Following this introductory chapter, the report is divided into eight additional chapters and three appendices:

Chapter Two:	Methodology
Chapter Three:	Comparison of Tenure Types
Chapter Four:	Cohousing
Chapter Five:	Equity Co-ops
Chapter Six:	Life Lease
Chapter Seven:	Leasehold Arrangements
Chapter Eight:	Shared Equity Arrangements
Chapter Nine:	Conclusions and Lessons Learned

Appendix A: Case Studies
Appendix B: Bibliography
Appendix C: Interview Guides

Endnotes

1 Throughout this report, the terms “condominium” and “strata title” are used interchangeably.

The work plan for this project included the following nine steps:

Step One—Literature review. A bibliography is included in Appendix B, but there is not a great deal of published information available on alternate tenure arrangements in Canada.

Step Two—The development of a list of examples of alternate tenure arrangement (ATA) projects throughout Canada. The list was based on a number of sources including:

- CMHC and Canadian Housing Renewal Associates: *New Ways to Develop Affordable Housing* (not yet published)
- CMHC: *Life Tenancy Task Force*
- CMHC: *Consolidated Catalogue of Canadian Centre Public/Private Partnerships in Housing Projects*
- CMHC: *Source Book on Life Leases*
- CMHC: 24 Case Studies, Seniors Projects (not yet published)
- CMHC: *Partnership Courier*
- CMHC: *Housing for Older Canadians,* NHA 2184
- Ministry of Municipal Affairs and Housing, B.C.: *Life Lease Projects in B.C.*
- CMHC, Winnipeg: *Life Lease Market*
- Life Lease Associates, various documents
- Domain Consulting, *Seniors and Equity Housing Co-operatives in B.C.*

Step Three—Circulation of the list developed in Step Two to CMHC's regional Partnership Centres, for additions and corrections.

Step Four—Based on what was assumed to be a fairly complete list of ATA projects throughout the country, the study team assembled basic information on each project. In many cases this information was readily available from CMHC or other records; in other cases it was necessary to contact the project directly to obtain the necessary data.

Step Five—Determination of the criteria for choosing case studies. These were determined in conjunction with the Project Officer and with the Partnership Centres throughout the country. Criteria used to identify potential case study projects included:

1. **Whether or not the project had previously served as a case study** and if so, when—previous case study involvement did not necessarily preclude potential case study status again, but it did indicate caution.

2. **Regional representativeness**—This proved to be a very difficult factor because many of the examples of alternate tenure arrangements are located in British Columbia and just a few east of Ontario.

   Four of five occupied cohousing projects, 14 of 19 equity co-op projects, and virtually all the examples of unsubsidized residential leasehold projects are in BC, which seriously skewed the regional representativeness from the outset.

   Additionally, in spite of very diligent investigations and the involvement of CMHC's Atlantic region and National Office staff, the only example of a project based on an alternate tenure arrangement in the Atlantic region was found to be New Dawn, a very interesting project but one that had recently been the subject of a case study undertaken by Homegrown Solutions.[2]

Similarly, a scarcity of alternate tenure arrangements exists in Québec. The first and only equity co-op developed in that province under the terms of new legislation respecting land titles was included as a case study in this report (Les Jardins Memphrémagog). Another potential case study involving shared ownership, Habitations Populaires Desjardins du Centre du Québec in Trois Rivières, was the subject of a demonstration project and case study report undertaken in 1998 by the ACT program (Affordability and Choice Today).

3. **The size of the universe and the number of case studies required**—As noted in Chapter One, 30 case studies were required for this report, 10 life lease projects, 10 equity co-ops, and 10 distributed among the remaining three tenures: cohousing, shared equity, and leasehold.

There are very few examples in Canada of cohousing projects. Only five projects are occupied and one had already been included in another recent CMHC report as a case study.[3] Two of the remaining four cohousing projects appear in this report as case studies.

Similarly, only five or six examples of shared equity housing were identified, depending on how this category is defined, and three of them were included in other recent reports as case studies. Consequently, only two examples of shared equity housing appear in this report as case studies.

In terms of unsubsidized residential leaseholds, there are a limited number of examples of this tenure type as well, most of them concentrated in BC. Three have been included as case studies in this report, one in Ontario, one in Alberta, and one in BC.

The remaining 23 case studies were distributed between equity co-ops (10) and life lease projects (13).

4. **Client group**—All the life lease projects are occupied by people aged 55 and older, all the shared equity projects by families, and all the cohousing and residential leasehold projects by a mixture of families and seniors.

The only category where client group was a factor in the choice of case studies was the equity co-op group. Most equity co-ops are seniors projects, but there are a few family and other mixed (mixed household types and age groups) projects. Two of the 10 equity co-op case studies in this report are non-seniors projects.

5. **Sponsorship**—The major category where sponsorship is a factor is the life lease category. Most sponsors are service clubs, churches, and other community based non-profit groups. The only case study where sponsorship was an important factor in the selection process was The Meridian, a life lease project in Nepean, Ontario. The Meridian was chosen as a case study because it is the only life lease project in Canada sponsored by a municipality.

6. **Degree of success**—All the case studies in this report are standing structures so by at least a basic measure of success they have all been successful. But in one or two of the categories, the mere fact of

existence does not imply unqualified success. As Chapter Five and some of the case studies illustrate, many of the equity co-ops included in the study have encountered serious challenges and several of them either have converted already from equity co-op to strata title status or were about to do so at the time this research was being undertaken. The other category that has encountered some recent turbulence is the residential leasehold category, discussed in Chapter Seven.

Step Six—Once the criteria were adopted by which case studies would be chosen, it was necessary to approach potential case study projects and request their participation. This happened in a variety of ways ranging from the very casual (a phone call from the principal researcher to someone involved with the project) to the very formal (a letter from the Director of the CMHC Partnership Centre to the Chairman of the Board). Some projects were happy to participate and agreed very quickly; others were much more reluctant. In one case it took two months and innumerable written approaches to gain co-operation. In some cases projects refused to participate in the study, generally on the grounds that staff were too busy.

Step Seven—Interview guides were developed for each of the main players involved in the case studies, including the residents. Copies of the interview guides are included in Appendix C.

Step Eight—Site visits. Every case study project was visited in person by one of the senior researchers. Staff were interviewed on site, as were residents. The only two cases where residents were not interviewed in person were the Village by the Arboretum, a leasehold case study in Guelph, Ontario, where residents were interviewed by phone, and the Windsor, Ontario shared equity case study, where it was not possible to interview residents at all.

Although the case study site visits were very successful and added immeasurably to the quality of the research, it was not possible to get the same level of detailed information from every project. This was particularly the case with the private leasehold projects, but it happened a number of times with life lease projects as well, for a number of reasons. Consequently, the 30 case studies are not identical in terms of the amount or quality of information presented on each.

It is also important to note that resident views are not statistically valid. There was neither the time nor the budget to ensure statistical accuracy and it is possible that some case studies contain unrepresentative views from the residents. The potential danger of this is probably slight. Although the method of invitation to the discussion groups was left up to project administrators, normally they did not attend the sessions and there was never any suggestion at all that residents were hand-picked or afraid to speak their minds.

Another important factor in the research was that draft reports were sent to each case study project to ensure the accuracy of the information obtained. Not only did this procedure improve the quality of the information, informants were extremely pleased that they had been given the opportunity to review the drafts. Although several of the case study reports are rather negative, not one informant requested changes to the tone or the content of the drafts, except where information contained in the draft was inadvertently inaccurate.

In fact, several informants said they were pleased to have obtained a comprehensive written summary of the development and operation of the project they administer or live in.

Step Nine—Report writing.

Endnotes

[2] Homegrown Solutions is a partnership initiative of CMHC, the Canadian Housing and Renewal Association, the Canadian Homebuilders' Association, the Federation of Canadian Municipalities, and the Co-operative Housing Federation of Canada. The program aims to encourage the development of innovative solutions to housing problems at a local community level.

[3] *New Ways to Develop Affordable Housing*, unpublished.

Chapter Three: Comparison of Tenure Types

In this chapter, the results of the case study research are briefly summarized and compared from a number of perspectives, including geography, impact on affordability, client type, sponsorship and community involvement (partnership perspectives), and consumer satisfaction.

In order to keep the discussion manageable, only highlights from the rest of the report are included in this chapter. Detailed information on all the issues raised appears in the chapters that follow.

I. Geography

As indicated in Chapter Two, the five alternate tenure types investigated in this report are heavily skewed to the western end of the country. Chapters four to eight attempt to explain some of this geographic disparity, but in brief, some of the major reasons appear to be:

Cohousing

- Why four of five occupied cohousing projects in Canada are in BC (the fifth, a very small one, is in Ottawa) is a good question. A number of cohousing projects are underway in other places, such as Calgary and Toronto, so BC's geographic dominance in this area may be temporary. Part of the reason for the current concentration may be similar to one of the reasons suggested for the relative ubiquity of equity co-ops in BC—the fact that people with expertise in the development of cohousing projects live in that province.

- The fact that one example of any type of tenure is developed somewhere makes it easier for the second and subsequent examples. Lenders, municipalities, developers and many prospective purchasers all feel more comfortable being involved in the second or third development rather than the first, a fact that may help to explain the concentration of cohousing in BC.

- Less intangibly and perhaps somewhat fancifully, there seems to be something about the west coasts of both Canada and the US that fosters unconventional approaches to various aspects of life. A number of cohousing communities exists in Washington, Oregon, and California, but whether they are due to something in the climate and geography, or merely to the fact that someone who wanted to develop a cohousing community just happened to live in Davis, California is hard to say.[4]

Equity co-ops

- Most equity co-ops in Canada are in BC. Part of the reason for this unquestionably seems to be the continued existence of several resource groups in that province with expertise in the development of co-ops and a desire to survive in an era of reduced public funding for affordable housing. The fact that the BC government has continued to fund the development of new affordable housing projects when almost all the other provinces have ceased to do so has helped the resource groups survive.

- Several municipal governments in BC have actively tried to promote the development of relatively affordable seniors housing on municipally owned or controlled land. In the absence of non-profit funding for seniors housing (most of the BC government funding in recent years has gone to family housing projects), municipalities have encouraged equity co-ops as an alternative to non-profit projects.

- The province with the next highest number of equity co-ops, Alberta, also is home to a very active resource group, although it has survived without the advantage of government funding of new housing projects. Over the last several years, this group has developed a unique legal framework for equity co-ops that avoids many of the problems encountered by equity co-ops in BC in the 1990's, meaning that current geographic imbalances may be redressed in future. More detail about the Alberta model is included in Chapter Five of this report.

- Quebec too has recently introduced legislation that facilitates the creation of equity co-ops and this will likely result in an increasing number of projects in that province.

Life Lease

On a per capita basis, Manitoba is the undisputed life lease capital of Canada. As Chapter Six indicates, Manitoba has about the same number of life lease projects and units as Ontario does, with one-sixth the population. Manitoba is also the only province with life lease legislation, which several other provinces have studied with interest.[5]

Major reasons for the popularity of this tenure type in Manitoba include:

- **History—**Manitoba and Saskatchewan pioneered the life lease concept in Canada in the last half of the 1980's.
- **Familiarity—**With over 40 projects in many towns and cities in Manitoba, life lease housing is a widely known form of tenure.

- **Expertise—**The long history of life lease housing in the province has resulted in a high level of expertise in the development and operation of life lease housing projects.

Residential Leaseholds

- One of the major developers of unsubsidized residential leasehold projects in Canada are First Nations in BC and Alberta. There may be examples of such developments in other provinces as well but we were unable to identify them. In BC, many First Nations are actively pursuing residential development on their land, which in many cases is located in extremely attractive surroundings.

- The City of Vancouver has been leasing land for the development of market condominiums for many years, the only municipality in Canada to do so on such a scale. As Chapter Seven indicates, more than 2,000 units have been developed on land owned and leased by the City of Vancouver.

- The University of British Columbia and Simon Fraser University, both in metropolitan Vancouver, are two of only three universities in Canada to be actively engaged in residential development on their land as a way of generating endowment income. The third example is the University of Guelph.

Why not Quebec and Atlantic Canada?

Many reasons have been suggested for the relative scarcity of alternate tenure arrangements in provinces east of Ontario. Some of these are listed below. Note that they are all only partial explanations and they may not even apply. For example, the first factor on the list is affordable housing, meaning that because housing is relatively affordable in many parts of Atlantic Canada, the incentive to create alternate forms of housing may not exist. But housing in Saskatchewan and Manitoba is relatively affordable too, and yet life lease housing is very common there. Affordable housing may well be part of the explanation, but the relationship is not a direct or easily observable one.

- **Affordable housing—**As already indicated, a relatively affordable housing stock may reduce the pressure to create and develop alternate tenure forms.

- **Rural/urban population patterns—** Atlantic Canada is more rural than Western Canada. To the extent that some of the alternate tenure arrangements included in this report are more typically found in urban than in rural environments, more of them would be expected in Western Canada than in Eastern Canada.

- **Social structure—**Extended families may be more common in Eastern than in Western Canada. If this is so and parents and grandparents are more likely to live with family members than on their own, the demand for tenure types such as life lease housing would be reduced, other things being equal.

- **Rental housing stock—**There is a far higher percentage of renters in Quebec than in the rest of the country. Greater access to a large stock of good quality rental housing may also reduce the demand for tenure types such as life lease housing.

- **Recent introduction of facilitating legislation—**In Quebec, legislation appropriate for the development of seniors equity co-ops has only been in existence for a few years. Now that one project has been successfully developed, it is likely that more projects will be developed in the future.

II. Impact on Affordability

The term “affordability” as it is used in this report means rents or purchase prices that are below market levels.

In terms of their ability to produce housing priced below general market levels, the alternate tenure arrangements studied in this report are limited in the extent to which they can achieve such an objective, at least in the short term. Without public sector grants or subsidies, it is almost impossible to produce housing that is affordable for low income households, or even moderate income households.

Over time however, several of these alternate tenure arrangements can and do result in housing that is very affordable relative to market levels. For example, two-bedroom ground oriented units in a 13-year-old equity co-op in Surrey, a suburb of Vancouver, have always sold for $69,000. In 2000, this is less than one-third the cost of new row units. Units in Ambleview equity Co-op sell for 85 per cent of market value.

Similarly, the entry fees of many life lease projects will not increase over time, meaning that they too will become increasingly affordable in future years.

The impact on affordability of each of the five tenure types studied in this report are discussed separately below.

Cohousing

Although cohousing communities value diversity, it is very difficult for them to develop housing that is affordable for any but middle income households. Quayside Cohousing in North Vancouver includes five units that are rented on a rent-geared-to-income basis, made possible by a density bonus granted by the municipality, but in most cases the cost of the common areas results in selling prices at least equivalent to market.

Equity Co-ops

Non-market equity co-ops, that is, those whose share prices remain constant over time and do not fluctuate with market values, have the potential to provide very affordable housing in the medium and longer term. Avondale Equity Co-op in Central Surrey, a suburb of Vancouver, was built in the late 1980's and operates on a non-market basis. Share prices have remained constant since that time, with the result that two-bedroom, 1,000 square foot attached bungalow units may be acquired for $69,000, far below market prices for equivalent accommodation.

Other equity co-ops such as Parkgate in North Vancouver provide for share appreciation tied to movements in the Consumer Price Index. If the local real estate market had appreciated instead of depreciated in the time since Parkgate was built, it too would be becoming more affordable relative to the market than when it was first built. However, should the market improve in time, Parkgate could provide more affordable housing than the private market.

Shares in Ambleview Equity Co-op in West Vancouver were valued at roughly 85 per cent of comparable market values when it was built in the late 1980's. Below market prices were possible for several reasons, including a preferentially priced land lease from the municipality and a non-profit development consultant. As long as its lease remains in force, Ambleview will always maintain its relatively affordable status.

Market based equity co-ops such as Riverwind in Edmonton provide good quality accommodation for mostly middle-income buyers. The strata title equity co-op model on which Riverwind is based has the potential to provide housing for lower income households if a system of internal cross-subsidization can be implemented. Such a model is in the development stages with the Mountain Homes Co-op in Canmore, Alberta. In this case, the plan is to produce units for below market costs but to sell them at market prices, thus realizing a profit that will be used to reduce housing costs for lower income members.

From the perspective of equity co-op members, views differ on the value of a market approach (equity appreciation possible) versus a non-market approach (equity appreciation not possible). Some members are committed to the model of affordable housing for them and for succeeding co-op members, while others want the opportunity to participate in market movements.

Life Lease

Similar to equity co-ops, life lease projects that are based on a model where entrance fees do not increase over time will provide increasingly affordable housing in the future. Market based models, where entrance fees fluctuate with market prices, do not have this potential.

Otherwise, there is not a great deal of scope for life lease projects to provide more affordable housing than the market in the initial instance, in spite of the basically non-profit nature of the development process and the fact that residents are providing the capital. Sponsor donations may help to increase affordability.

Over time, the non-profit nature of most life lease operations may help to keep operating costs down compared to available alternatives.

Residential Leasehold

This report focuses only on residential leaseholds where the housing built on them is unsubsidized. Theoretically, such housing should be more affordable than comparable housing built on fee simple land because purchasers do not own the so-called reversionary rights to the land—that is, when the lease ends, the ownership of the land, and possibly the improvements, reverts to the landowner.

Generally, a 99-year prepaid lease is considered roughly comparable to fee simple ownership and real estate prices, other things being equal, should be approximately the same. The shorter the lease term the greater should be the price gap between leasehold ownership and fee simple ownership. That is more or less what happens in reality, although recent publicity in British Columbia about a land lease situation on Musqueam First Nations land has resulted in consumer suspicion about all leasehold situations, no matter how different from the Musqueam case.[6] Price differentials between leasehold and freehold real estate have widened beyond normal, but whether this is only a temporary phenomenon is hard to say.

Residential leaseholds in Canada in recent years have occurred only in special circumstances—on First Nations land; in situations where the landowner is legally prohibited from selling land, as is the case with the University of British Columbia; or in cases where municipalities want to retain control over land holdings to simplify future redevelopment.

Currently, public land leasing to improve affordability happens only rarely. In the 1970's and early 1980's, a number of governments in Canada experimented with various land leasing schemes designed to improve access to home ownership. For example, the Ontario government's HOME (Home Ownership Made Easy) program was introduced in 1967 with the objective of assisting middle income households to achieve home ownership. Both land sales and land leases were possible under the terms of the program. Similarly, the District of North Vancouver administered a major residential leasehold program from 1978 to 1983. For a variety of reasons, none of these programs was particularly successful in achieving its objectives. Consumers in Canada, with rare exceptions, prefer freehold ownership to leasehold ownership. Four of the equity co-op case studies in this report were developed on land leased from public bodies. In one case, the municipality has allowed the co-op to revert to fee simple title and this is also likely to happen in two of the remaining three cases.[7]

Shared Equity

One of the two examples of shared equity in this report has been extremely successful at making ownership housing affordable for very low income households, even those on welfare. The Quint Development Corporation in Saskatoon has developed a program that combines the acquisition of basically sound houses in inner city areas with job training opportunities for carpenters and other workers involved in residential renovation. Over time, the members of the co-ops that are formed to buy and live in the houses earn the required down payments by making regular mortgage payments and by being actively involved in the day-to-day operations of the co-ops. Seed money from the Province of Saskatchewan and the City of Saskatoon helps to make the program a success.

III. Client Type

Life lease projects are exclusively inhabited by seniors. Most equity co-ops are as well, although there are a few family projects. In Alberta, a new equity co-op model that allows individual strata titling of each unit makes financing easier and may increase the number of family equity co-ops. In the past, financing an equity co-op has usually required large amounts of equity, which has been difficult for many families.

The two shared equity case studies in this report are aimed at families, but the other two models—cohousing and residential leasehold—attract all household types. Cohousing communities actively promote diversification by incorporating a number of different unit types and sizes within their communities. Cardiff Place in Victoria for example has unit sizes ranging from studios to three-bedroom units.

IV. Sponsorship and Community Partnerships

As explained in greater detail below, all but one of the tenure types included in this report rely to a greater or lesser degree on community partnerships to sponsor them, develop them, finance them, and operate them. The one exception is the residential leasehold category, where projects are typically developed in much the same way as market condominium projects.

Cohousing

One of the basic and fundamental principles of cohousing is member involvement in every aspect of the development of a project and in ongoing project operation. The members of the community are in complete control. Cohousing groups also value their membership in the larger community and value the opportunity to join in partnerships with other community groups and agencies. Quayside North in North Vancouver for example has several community partners—the municipality, which granted it a density bonus in return for the inclusion of rent supplement units within the project; CMHC, which paid for the installation of a greywater recycling system so that its performance can be evaluated and monitored; BC Housing, which pays the subsidies for the rent supplement tenants and so on.

During the development and construction phase of Windsong Cohousing Community, the builder became such a valued member of the team that the main square in the development is named in his honor.

Equity Co-ops

Almost all equity co-ops have relied on the partnership and services of resource groups to assist them through the development and construction phases. A few, however, have done it on their own, Bridgeside North and Les Jardins Memphrémagog being two examples.

Municipalities are always involved in the development process of course but some have become true partners in the development of equity co-ops in their jurisdictions. Both the Districts of North and West Vancouver have leased land to equity co-ops to encourage the development of affordable housing within their borders—Ambleview Place in the case of West Vancouver, and Bridgeside North and Parkgate in the case of North Vancouver.

Life Lease

With very few exceptions,[8] life lease projects are probably the best example of the value of community sponsorships in the development of good quality housing for community residents.

Life lease projects are usually sponsored by churches and service clubs, meaning that these organizations conceive of the idea of building the project in the first place, are instrumental in getting the project developed and occupied, and maintain an ongoing role following project completion. One life lease project in Canada, The Meridian, was sponsored by the City of Nepean, although the City's role will cease once the project is fully occupied and operational. Two life lease projects in Winnipeg were sponsored by a non-profit property management company with a long history of managing social housing, and another life lease project in Winnipeg was sponsored by an organization formed of retired schoolteachers.

Community based non-profit organizations are an integral and critical component of the development process for life lease housing. Without their involvement, there would only be a fraction of the number of life lease projects that currently exist. Not only do they provide valuable resources and services during the development and construction process, their ongoing involvement in the management and operation of the projects they helped to create is also critical.

Shared Equity

In both case studies included in this report municipalities have been important partners. In the Windsor case the municipality's role actually went beyond that of partner—it was the initiator and administrator of the program.

The case of Quint clearly illustrates the benefits of partnerships. The program would not work without the close involvement of a whole series of partners:

- Quint Development Corporation, which developed the concepts, found the money to deliver the program, and continues to expand the program in Saskatoon and other cities;

- Saskatchewan Municipal Government, which provides funding and administrative support;
- City of Saskatoon, which provides funding and strong administrative support for the program;
- Royal LePage, which provides real estate services at below market rates;
- Saskatoon Credit Union and St. Mary's Credit Union, which provides mortgage financing;
- The Co-operators, which provides insurance;
- Ashford Realty, which provides real estate services at below market rates;
- SunCorp Appraisals, which provides appraisal services at below market rates;
- Hardy and Hardy Lawyers, which provide legal services at below market rates;
- Saskatoon Housing Authority, which provides administrative support;
- Department of Social Services, which permits social service allowances to be used for mortgage payments (as opposed to rent);
- New Careers Corporation, which provided funding for employees while they were being trained on the job;
- Kelsey/SIAST Institute, which supported the training initiatives;
- AODBT Architects, which provide design services at below market rates.

IV. Consumer Satisfaction

By and large, consumers of all the tenure types assessed in this report are reasonably satisfied with the choice of tenure they have made. Some are more satisfied than others, although where some degree of dissatisfaction is evident, it is often due to external factors not related to the form of tenure—weak housing markets for example.

Cohousing

Cohousing residents are extremely enthusiastic proponents of the cohousing concept. As Chapter Four explains in greater detail, they appear to have achieved what they set out to achieve—living in a true community where people know and support each other in a variety of ways, and where children can grow up in a safe environment cared for by all the adults and other children in the community.

Equity Co-ops

In BC, the equity co-ops that have been developed over the last five or six years have all struggled with a weak real estate market that has persisted since 1994. The impacts of the weak market have been serious and have highlighted one of the major defects of the BC equity co-op model—joint liability in the event of default. No other tenure type studied in this report is subject to the joint liability concept. Even where joint liability has not caused problems in BC, members have suffered losses in the value of their shares. At least two equity co-ops are facing foreclosure because of an inability to sell enough units to ensure viability.

In spite of these serious problems, most members of even the co-ops facing serious difficulty are reasonably satisfied with their tenure type because of the sense of community that exists in their co-op.

In Quebec and Alberta where different co-op models and better housing markets exist, residents of equity co-ops are very satisfied with their residential environment.

Life Lease

Residents of life lease projects are as satisfied with their housing as are residents of cohousing projects. Whether or not they have the opportunity to benefit from increases in general real estate values, they appreciate in particular these benefits of living in life lease projects:

- Life lease projects are designed specifically for the seniors market and include features and amenities that appeal to seniors. They are “lifestyle” buildings that can provide a supportive environment for seniors and a real sense of community.

- They can legally restrict residency to seniors, an extremely important advantage from the perspective of many seniors, some of whom would prefer other forms of tenure if senior-only residency could be assured.

- They are generally sponsored by local community groups, service clubs, or churches and thus have roots in the community.

- Because of large initial payments, residents take an “ownership-like” interest in the building, but they do not have to become members of a condominium corporation Many case study residents reported that they had no interest in participating in the management of their project and considered the fact that they didn't have to one of the major advantages of life lease.

- Many life leases offer a guaranteed buy-back and this is an extremely attractive feature for consumers, regardless of the nature of the buy-back (i.e., whether leases are bought back at the same price as residents paid or not).

Residential Leaseholds

Residents of Raven Woods in North Vancouver believe they have obtained good value for their housing dollar. They also appreciate the scenic beauty of their surroundings. As Chapter Seven explains at greater length, some are rather apprehensive because Raven Woods is located on First Nations land[9] but have chosen to trade off their anxiety for what they believe is good value.

Shared Equity

Although consumer views related to the Windsor project were not obtainable, members of the Quint housing co-operative are highly satisfied with their living arrangements. Not only are they able to obtain good quality housing at an affordable price, they are gaining entry into the ownership market and building up a nest egg facilitated by the operation of the payment structure at Quint. Members also appreciate the opportunity to learn new skills and to live in a close-knit community.

Endnotes

[4] Davis, California is home to the well-known N Street cohousing community.

[5] Information on Manitoba's life lease legislation is available from Roger Barsy (Residential Tenancies Branch) (204) 945-2476, rtb@cca.gov.mb.ca

[6] The Musqueam case involves a land lease situation in Vancouver where homeowners leased land from the Musqueam First Nations. The leases were not prepaid and dramatic rent increases at the 30 year point in the leases resulted in a huge amount of controversy, still ongoing as this report was being written.

[7] See Chapter Five; Equity Co-ops as well as case study reports for The Legends, Bridgeside North, Parkgate, and Ambleview Place.

[8] Those being the very few life lease projects developed by for-profit private developers.

[9] The Musqueam case involves a land lease situation in Vancouver where homeowners leased land from the Musqueam First Nations. The leases were not prepaid and dramatic rent increases at the 30 year point in the leases resulted in a huge amount of controversy, still ongoing as this report was being written.

Chapter Four: Cohousing

Definition: Cohousing is short for Collaborative Housing. In a cohousing community, each household has a private self-contained residence but also shares extensive common facilities with other residents, such as a kitchen and dining hall, children's playrooms, workshops, guest rooms, and laundry facilities.

Cohousing was first developed in Denmark in the mid-1970's by people dissatisfied with traditional neighbourhood design because of what they considered its lack of community. These people were looking for a way to combine the advantages of separate and self-contained dwelling units with a strong sense of community relationships. The model they developed is characterized by private dwellings with their own kitchen and living areas, but also extensive common facilities that may include a large dining room, kitchen, lounges, meeting rooms, recreation facilities, library, workshops, and childcare. In Denmark, these communities are called “bofoellesskaber”, which means “living communities” in Danish.

Residents of cohousing communities share many activities of daily living such as meal preparation, child care, laundry, gardening, and social activities. In addition they may share ownership of assets such as cars.

There are hundreds of cohousing communities in Denmark. In fact, cohousing units now comprise 10 per cent of all new housing starts in Denmark.

The concept has spread internationally and there are now cohousing communities in Australia, Ireland, the Netherlands, New Zealand, Australia, Sweden, England, and Canada.

In Canada, five cohousing communities have been completed and occupied and several more are in the development stages.

The following sections are included in this chapter:

- **Statistics—**Where are the cohousing communities in Canada located, what are they like in terms of size and housing type, and who lives in them?
- **Nature and operation—**What are the distinguishing features of cohousing communities and how are they managed?
- **Legal structure—**Under what tenure arrangements are cohousing units occupied by their residents?
- **Geographic concentration—**Why are four of the five occupied cohousing projects and nine of the 16 developing cohousing projects located in BC?
- **Consumer reaction—**How satisfied with the concept of cohousing are the people who live in them?
- **The downside—**What are some of the possible disadvantages of cohousing?
- **Wider application—**Many observers believe that cohousing is a very appropriate model for a wide variety of housing consumers. Can the success of cohousing in Denmark and other countries be replicated in Canada?

Two cohousing case studies are included in Appendix A.

Statistics

The following table includes all the occupied cohousing communities in Canada as of September, 1999.

Table 4.1 Occupied Cohousing Communities in Canada

Name	Location	Year Completed	No. of Units
Cardiff Place	Victoria, BC	1994	17
Windsong	Langley, BC	1996	34
Quayside	N.Van., BC	1998	19
Middle Road	Nelson, BC	1995	12
Terra Firma	Ottawa, Ontario	1997	6

Structure Type

Except for Middle Road, comprising 12 single family dwelling units, all the occupied cohousing communities are multi-family developments. Probably not coincidentally, Middle Road is the only community not in a large urban centre. Cardiff Place and Quayside are low rise apartment structures; Windsong and Terra Firma are composed of townhouse units.

Household Type

One of the basic tenets of the cohousing philosophy is the desirability of mixed communities—mixed in terms of type of household, size of household, and, ideally, income of household, although often it is difficult to achieve a significant degree of income mixing. Unless cohousing communities develop an internal surcharge system of some sort (for example, similar to that of Mountain Homes Co-op, described in Chapter Three), or affordable units can be produced because of density bonuses or other regulatory benefits, residency may be limited to middle income households.[10] However, some cohousing communities have been able to expand their affordability limits through the use of mechanisms such as those just described.[11]

Mixed residency from the perspective of household size and household type is somewhat easier to achieve because cohousing communities are deliberately designed to accommodate different household types. Cardiff Place for example, although located in an apartment structure close to downtown Victoria, contains three-bedroom units and a large and well-equipped indoor/outdoor play space for children as well as one-bedroom units. Typical apartment buildings in this area do not contain three-bedroom units and do not provide large and well-equipped indoor/outdoor play areas for children.

Windsong, located in a suburb of Vancouver, includes 1-bedroom and den units as well as four bedroom units in an effort to encourage diversity among the membership.

Both communities aim to attract households of all types and sizes, although cohousing communities tend to attract households that share several characteristics. Surveys of existing communities in North America have found that many cohousing residents:

- Have higher than average levels of education and many are professionals;
- Select cohousing to improve their quality of life;
- Have chosen to work at home or work part-time at fulfilling occupations;

- Have higher than average financial resources and tend to be debt-free;

- Are proactive people in the community.[12]

Some cohousing communities include rental units. In the case of Cardiff Place in Victoria, it was a condition of the City's approval of the rezoning that five units be made available on the rental market for five years. Windsong also includes rental units.

Developing Cohousing Communities

Table 4.2 includes all developing cohousing communities in Canada as of September, 1999.[13]

Table 4.2 Cohousing Communities in the Development Stage in Canada

Name	Location	Planned No. of Units
Cranberry Commons	Burnaby, BC	24
Okanagan Cohousing	Kelowna, BC	30
Nanaimo Cohousing Group	Nanaimo, BC	Not yet known
Vancouver Cohousing Group	Vancouver, BC	Not yet known
Nelson Cohousing Group	Nelson, BC	Not yet known
Prince George Cohousing Group	Prince George, BC	Not yet known
South Surrey Cohousing Group	Surrey, BC	Not yet known
Saltspring Cohousing	Salt Spring Island, BC	Not yet known
Roberts Creek Cohousing	Roberts Creek, BC	15-20
Whole Life	Calgary, Alberta	Not yet known
High River Cohousing Group	High River, Alberta	Not yet known
Shaftesbury Gardens	Toronto, Ontario	Not yet known
Riverdale	Toronto, Ontario	3
Whole Village	King Twnshp, Ontario	30
Foxfell Friends Community	Orillia, Ontario	Not yet known
Atelier Habitation Montréal	Montréal, Quebec	30

Nature and Operation: What are the distinguishing features of cohousing communities and how are they managed?

The main characteristics of most cohousing communities can be summarized in seven points:

1. **Resident involvement in planning and design—**Early and extensive involvement in the design process is believed by cohousing proponents to foster a strong and enduring sense of community.

   The oldest cohousing community in Canada (Cardiff Place) has just celebrated its fifth anniversary. Because cohousing is such a recent phenomenon in Canada, almost all cohousing residents are first generation residents who have indeed been closely involved in the initiation, planning, design, development and construction of their community.

   The question of how the sense of community of second generation residents may differ from that of first generation residents has yet to be addressed in Canada, although the experience in Denmark, where cohousing is over 30 years old, would seem to indicate that cohousing appeals to more than just first generation residents. In fact, European experience suggests that homes in existing cohousing communities are highly prized because residents get all the benefits of living in a cohousing community without having to do all the work involved in the development process.[14]

The converse of resident involvement in the development process is the involvement of developers and development consultants, which is the subject of some controversy. However, in view of the complexity of the development process, it is almost impossible for cohousing groups to advance their plans without the assistance of a development consultant and/or a developer.[15] Some members of the cohousing community advocate greater reliance on professional developers in an effort to try and avoid some of what can be the immensely complicated and time-consuming process of developing a cohousing community.

2. **The design itself**—In order to encourage and foster a strong sense of community, the design of cohousing communities is distinctive, as described at the outset of this section. Typically, private dwelling units are relatively small because the community space (often called the common house) is considered an integral part of the residential environment. The communal space at Windsong for example is 4,500 square feet, encompassing a large kitchen and dining room, a fireside lounge, children's play areas, laundry areas, guest room, office space, and craft room.

   Most cohousing communities incorporate pedestrian-oriented designs with cars relegated to the periphery of the site (or underground). Windsong's 34 townhouses are in two rows facing each other across a pedestrian street that is covered by a glass roof; parking is underground.

3. **Size**—The ideal size for a cohousing community is considered to be between 20 and 30 units. Any fewer units means there are fewer households to share the work, and any more may mean a reduction in the sense of community. It is interesting to note that the first Danish cohousing community was inspired in part by Thomas More's book, *Utopia*, which describes a city of co-operatives, each consisting of 30 families who share common facilities and meals, and who organize child care and other practical functions.[16]

4. **Consensus decision-making**—Cohousing communities practice consensus decision-making—voting does not occur. There is no established hierarchy or Board of Directors. Responsibilities for various functions are rotated through the membership—there are leadership roles, but not leaders.

5. **Community activities**—In addition to meetings, members have the opportunity to share in many activities ranging from communal meals to social evenings. Many cohousing communities eat communally several times a week, with the cooking duties rotated among the members.

6. **Member selection**—Cohousing communities generally do not have membership committees because such committees are believed to be exclusionary and judgmental. Cohousing communities rely on self-selection to generate interested and suitable members. *The Cohousing Handbook* indicates that “Groups who have implemented complex methods of determining who will be able to join their group have either failed to create

cohousing or they have had to change or eliminate their process of member selection."[17]

7. **Sustainability**—Cohousing communities are typically sensitive to environmental issues. Members may share cars, grow organic gardens, prefer communal laundries to individual washers and dryers, and incorporate resource-saving features in their designs. Quayside for example incorporates a grey water recycling system, which was funded as part of an ongoing research project by CMHC.

Legal Structure

Strictly speaking, cohousing communities do not represent an alternate form of tenure —they represent an alternate lifestyle. Cohousing residents in Canada have either bought their individual dwelling units on a freehold basis (Middle Road for example), on a condominium or strata title basis (Windsong, Cardiff Place, and Quayside), or jointly on the basis of a co-tenancy agreement (Terra Firma); or they rent, if rental units are available.[18] The type of tenure involved in cohousing communities is usually quite conventional, although Terra Firma, where each of the six member households holds 1/6th of a single mortgage, differs from the standard approach.

The cohousing communities in Canada that are organized as condominiums chose this approach partly because they are multi-family structures (apartments and townhouses) and partly because both lenders and prospective members are familiar with condominiums, although there are aspects of strata title legislation that are not particularly appropriate for cohousing communities, decision-making being a good example. Condominium legislation is based on the notion of hierarchical strata councils and voting, in contrast to the consensus based decision-making used by cohousing communities.

Co-operatives are also based on a Board of Directors and voting model, so offer no better alternative in terms of decision-making than condominiums. In addition, one of the major operating principles of co-operatives—member selection based on the establishment and functioning of a member selection committee—is contrary to one of the major operating principles of cohousing communities—member selection based on the self-selection principle.

In BC, co-operative cohousing communities, if there were any, would also face difficulties associated with financing and joint liability issues unless they were strata titled, in which case the simplest approach would simply be to adopt a strata title structure at the outset.[19]

The Cohousing Handbook suggests that a condominium structure may be preferable to a cooperative structure because it can be operated just as democratically and in many places is much easier to finance than a cooperative.[20]

When members of a cohousing community move, they sell their units on the open market the same way anyone else would (unless they are renters of course). Cohousing communities strongly encourage prospective members to spend a considerable amount of time in the community before deciding whether or not to move in. Often prospective members will live in the guest suite for a time.

Geographic Concentration

All but one of the occupied cohousing projects in Canada are located in BC, as are nine of the 16 developing cohousing projects. It is difficult to determine precisely why this is so, beyond noting that several cohousing development consultants live (or have lived) in BC.

The equity co-op section of this report also grapples with trying to identify the reasons why most equity co-ops in Canada are located in BC. The continued existence of several resource groups was suggested as a possible partial explanation in that case as well.

Other reasons for the concentration of cohousing in BC are not immediately apparent, beyond the fact that the existence of one cohousing community in a province makes it easier for others to develop. Lenders, municipalities, and other decision-makers tend to be comforted by the existence of precedents.

Consumer Reaction

Residents of cohousing communities tend to be fervent supporters of their chosen lifestyle for the following reasons:

- **Sense of community—**Creating a sense of community was of course the reason the cohousing concept was invented in the first place. People who are attracted to cohousing developments are looking for a strong sense of community that is extremely hard to find in more conventional neighbourhoods. As the case studies demonstrate, they seem to find it.

- **Resident involvement in planning and designing a new project—**This is considered an extremely important component of cohousing development, partly because of the obvious advantages of being able to shape individual and community living environments, but also partly because of the bonding experience afforded by the long and often painful process of developing a residential community of any sort.

- **Non-hierarchical decision-making structure—**In spite of the fact that many cohousing members will readily admit that consensus decision-making is extremely time-consuming and very difficult to implement effectively, they are strong supporters of it, believing that consensus results in healthier communities than hierarchy.

- **Sustainable development—**Cohousing residents tend to be environmentally sensitive and many cohousing practices support the notion of sustainable development. For example, although all Windsong homes have washer/dryer hook-ups, 80 per cent of residents choose to do their laundry in the community laundry room, partly for social reasons but mostly for environmental reasons.

- **Child-rearing—**Cohousing residents believe that cohousing developments are good places for children (and by extension, their parents). Children are accepted and valued members of the community. One of the regrets of the Cardiff Place community is that there are not more children living in the community.

- **Operational efficiencies—**Because of their design (e.g., no fences) cohousing communities may be able to share the acquisition costs of items such as children's swing sets.

- **Equity appreciation—**The limited evidence that is available indicates that cohousing communities may retain their value better than more conventional communities.[21]

The Downside: What are some of the disadvantages of cohousing communities?

- The development process is extremely complicated and time-consuming. Residential development is never easy, but there are aspects of cohousing development that make the process even more difficult, such as the consensus decision-making model, the need to create substantial community space and still remain viable, and the lack of familiarity of municipalities and lenders with the concept.

- The risk is considerable. In order to get a community off the ground, members must put substantial amounts of money at risk for various front end costs such as securing land, design costs, marketing costs, interim financing costs and other similar expenditures.

- It is difficult for cohousing communities to accommodate lower income households, although diversity is a valued principle. The cost of the common area means that new cohousing units may cost more than comparable condominium units, notwithstanding the enormous amounts of volunteer labour that are contributed to the development process.

  Retrofit cohousing, which is developed from existing housing, may have the potential to lower costs, although the provision of communal space may be a challenge. The most well-known example of retrofit cohousing is the N Street Cohousing group in Davis, California, where 12 contiguous single family houses have been converted by their owners into a cohousing community. In Canada, Terra Firma is the only example of retrofit cohousing, although the Riverdale cohousing group in Toronto is following the same model and has already acquired two adjacent houses.

- Consensus decision-making is time-consuming and may be frustrating for some people.

- Some cohousing communities such as Terra Firma and Cardiff Place have had to contend with “Nimby Neighbours”, who objected to the presence of a cohousing community in their neighbourhood.

Wider Application: Can the advantages of cohousing be extended to more consumers?

In Denmark, cohousing communities now account for 10 per cent of housing starts. Were this proportion to apply in Canada, it would result in roughly 15,000 cohousing starts per year, in very startling contrast to the 88 cohousing units that actually exist.

In other countries, except for the US where there are over 100 cohousing communities, there are even fewer cohousing units than there are in Canada, even in other Scandinavian countries such as Sweden.

On the other hand, there are 16 communities in various stages of development in Canada and many more underway internationally.

Cohousing is a very appealing concept for many people, although the difficulty, the cost, and the risk associated with its development have limited its market share. It seems reasonable to assume, however, that as the number of cohousing communities grows in Canada, a critical mass will slowly develop that will encourage and facilitate the demand for more communities.

The aging of the baby boomers may also fuel the demand for cohousing. In Denmark, seniors cohousing communities have become extremely popular.

Kathryn McCamant and Charles Durrett, cohousing specialists in the US who have worked with several Canadian groups, describe in one of their books on cohousing the similarities between Danes and Americans interested in the cohousing model:

> *"People speak of their frustration with the isolation of current housing options, the desire for a spontaneous social life that doesn't require making appointments with friends, wanting more contact with people of different ages, and the need for a better place to raise children."*[22]

Although McCamant and Durrett do not minimize the challenges associated with developing cohousing communities, they believe that cohousing's ability to create both shelter and community means that it is a particularly suitable vehicle for meeting the housing needs of people all over the world.

Endnotes

[10] Because of resident involvement in the design and the development of cohousing communities, as well as in their ongoing operation, economies may be realized that help to reduce capital and operating costs. However, the impact of these savings, on their own, would not be generally significant enough to permit low income households to access cohousing.

[11] Quayside, for example, has implemented its own affordability program. Thanks to a density bonus granted by the municipality, four of the 19 units were sold at prices 20-25% below market, and one unit is reserved for rental on a rent-geared-to-income basis.
A housing agreement signed by the municipality and Quayside Village ensures that the status of these units will remain unchanged throughout the life of the community.

[12] Hanson, Chris, T*he Cohousing Handbook*, Hartely and Marks, 1996, page 196.

[13] The best source of information on cohousing communities is the cohousing Web page, which is located at www.cohousing.ca

[14] ibd, page 217.

[15] Developers provide financing as well as expertise; development consultants provide expertise only.

[16] McCamant, Kathryn and Charles Durrett, *Cohousing*, Habitat Press, 1998.

[17] Hanson, op.cit.

[18] In Denmark, most cohousing communities are structured as limited equity co-operatives financed with government-sponsored loans.

[19] See equity co-op section of this report for a discussion of these issues.

[20] Hanson, op.cit, page 10.

[21] Residents of both Windsong in Langley and Cardiff Place in Victoria believe that the selling prices of their units have remained relatively firm even in falling markets. In the US, the experience has been that cohousing retains value and appreciates faster than conventional housing.

[22] McCamant and Durrett, op.cit.

> Definition: An equity co-op is a co-op financed by its members. No government subsidies are involved.[23]

In some parts of the world, equity co-ops have existed for many, many years.[24] In New York City for example, some of the most expensive real estate in the city operates on an equity co-op basis. In Canada, they are uncommon.[25] Until the recent development of an equity co-op in Magog, 70 miles from Montréal, equity co-ops existed only in BC and in Alberta.

In BC, although 14 have been developed, only five are likely to survive as equity co-ops.[26] In Alberta, four have been developed and one is under construction. The rarity of equity co-ops is even more striking in view of the fact that even in Canada they are not a particularly new concept—the first ones have been occupied for over a decade.[27]

Equity co-ops in BC have had some lack of success in recent years. Almost all the equity co-ops developed since the early 1990's have experienced serious difficulties, and most are in the process of converting from co-op to strata title (condominium) status. The reasons for this rather dismal situation are complex, as the case studies that follow indicate. The situation in Alberta and Quebec appears to be somewhat more promising than the situation in BC, for reasons that are also described in greater detail later in this chapter.

The following sections are included in this chapter:

- **Location**—Where are the equity co-ops in Canada located and who lives in them? Why are there only two equity co-ops east of Alberta?
- **Legal structure**—Aside from their commonality as equity co-ops, what are their distinguishing characteristics?
- **Consumer perspectives**—Why would consumers consider an equity co-op?
- **The downsides**—What has gone wrong in the BC projects that have failed?
- **The Alberta model**—How is it different?
- **Recipes for success**—What appear to be the critical factors determining viability?

Ten case studies are included in Appendix A.

Location

Table 5.1 on the next page includes all the projects in Canada that were developed initially as equity co-ops and that operated as such for some length of time, although they may not be operating as equity co-ops any longer.

In the table, "S" stands for seniors and "M" stands for mixed households. Note that except for Eagle Grove in Squamish, which is 45 miles north of Vancouver, all the BC projects are in the Greater Vancouver area.

Table 5.1 Equity Co-ops in Canada			
Name	Location	Type	No. of Units
Ambleview	West Van., BC	S	42
Avondale	Surrey, BC	S	70
Bridgeside	N. Van., BC	M	6
The Cedars	Surrey, BC	S	70
City Lights	Van., BC	M	16
Chateau d'Or	Coquitlam, BC	S	32
Crescent Downs	Ladner, BC	S	70
Eagle Grove	Squamish, BC	S	63
Khatsalano	Van., BC	M	46
Kirkstone	N. Van., BC	S	49
The Legends	Burnaby, BC	S	36
Parkgate	N. Van., BC	S	54
Tudor Gardens	West Van., BC	S	33
Moral Imperative	Edm., Alta	M	6
Riverwind	Edm., Alta	M	
Southview	Jasper, Alta	M	40
Valley Ridge	Ft. Sask., Alta	S	60
Magog	Magog, PQ	S	30

As the table indicates, almost all the equity co-ops developed in BC have been seniors projects. The equity co-op in Quebec is also a seniors project. In Alberta, the situation is different with only one co-op, Valley Ridge, occupied exclusively by seniors.

There are several reasons for the preponderance of seniors projects:

- More seniors than families have equity, which makes developing an equity co-op easier;
- Some municipalities have identified a need for affordable housing for seniors and have specified equity co-ops as a preferred tenure (e.g., Tudor Gardens, Ambleview Place, Parkgate, The Legends);
- Several co-ops (The Cedars, Crescent Downs, Avondale, Magog) were built to fill the gap in the private housing market for certain kinds of accommodation—in the BC cases for ground-oriented, affordable seniors housing, and in the Quebec case for good quality, low-maintenance housing for retirees;

Geographic Concentration: Why is there only one equity co-op east of Alberta?

There are several possible reasons why equity co-ops are a rare phenomenon east of Alberta:

- In both BC and Alberta, equity co-ops have been developed by resource groups that have promoted the concept in their respective provinces. In BC, Columbia Housing, usually in partnership with Progressive Homes, a builder and developer of social housing, developed all three of the first equity co-ops in the province as well as two of the more recent ones.

  In Alberta, Communitas has developed most of the projects in that province. In most of the other provinces and territories, resource groups have simply disappeared since the cessation of publicly funded housing programs. The expertise necessary to develop equity co-ops, which are complicated and time-consuming, no longer exists in much of the country.

- Equity co-ops tend, although this is not an absolute truism, to be a creature of relatively expensive housing markets. In many places in Canada, housing of the more traditional types of tenure such as freehold, rental, and condo, is reasonably affordable for most of the population. In these places, equity co-ops would presumably only be preferred by those who could not find what they were looking for on the market, as was the case with the co-op in Magog, or who were philosophically attracted to the idea of co-operative living.

- Because many seniors live in mortgage-free houses, they are in some senses a natural constituency for equity co-ops. However, in many places in Canada, at least west of the Ontario/Quebec border, the need for suitable accommodation for relatively affluent seniors is being met by a number of alternate forms of tenure, including life leases, congregate care, and condominiums.

  East of the Ontario/Quebec border, knowledgeable observers have suggested that the paucity of multi-family residential options for seniors may be due partly to the fact that extended families are more common than they are in the west, and that seniors may be more likely to live with family members.
- In Quebec, rental is a much commoner tenure choice than it is in the rest of Canada, meaning that there is less impetus for the creation of equity co-operatives than there might be otherwise.

- An accommodating legal structure has only been available in Quebec since the new Civil Code was adopted in 1994. More equity co-ops may be developed there in the future, especially in view of the success of the first one (a case study in this report).

Legal Structure and Related Issues

An equity co-op, like any other co-op, is an association of shareholders, or members, incorporated under the relevant provincial legislation in order to achieve an objective. In the case of a housing co-op, the objective is to provide housing for its members. Many housing co-ops in Canada were developed under a variety of government programs aimed at providing subsidized housing for low income households. Equity co-ops are developed using funds provided by their members. Although the members of an equity co-op are in effect the owners of their units, they do not usually hold title as they would in a condominium (the exceptions are Alberta and Quebec, discussed elsewhere in this report). Instead, they own shares in the co-op that holds title to the units.

Titles

In newer equity co-ops in British Columbia (those built since the mid 1990's), it is common for units to be individually strata titled even though the co-operative ultimately retains title to the units (that is, the titles are all in the co-op's name, not the individual members' names). Individual strata titling provides reassurance to lenders and may simplify financial arrangements.[28] In

Alberta and Quebec, equity co-op units are individually titled as a matter of course.

In one BC case (Eagle Grove) both the name of the member and the name of the co-op appeared on the title as tenants-in-common. This arrangement, which is explained in more detail in the case study section, was intended to ensure that units would always sell for below market prices.

In BC, where members own shares in the co-op that holds the title to the property, it may be difficult for individuals to raise sufficient capital to join the co-op because shares in a co-operative cannot be used as security for a mortgage.[29] Members may have to pay cash for their shares, which is one reason why there are more seniors equity co-ops than family equity co-ops, seniors generally having greater access to capital. Alternatively, the co-op may arrange for a blanket mortgage and charge individual members for their share of the mortgage. The fact that equity co-ops may be more difficult to finance than condominiums where individuals do have title to their property is one reason why they tend to have lower market values than condominiums.

In Alberta and Quebec, individual financing of equity co-op units is no different than financing any other kind of residential real estate.

Joint Liability

Because title is normally held only by the co-op in BC, problems associated with joint liability in the event of default have been a major issue. At least one co-op (The Legends) believed that by stratifying the units at the outset the members would be protected from joint liability even though the co-op continued to hold all the titles. When a member did default, this assumption proved false and the remaining members were forced to assume the defaulting member's obligations. Joint liability has also been a problem for Bridgeside North. Even if default were not a concern, the administration of a joint mortgage can be complicated and require careful matching of financial capacity between outgoing and incoming members. By registering each unit title in the name of the member, the Alberta and Quebec models avoid this difficulty.

Land Tenure

Most equity co-ops are on freehold land. The exceptions are Ambleview Place, Parkgate, Bridgeside North, The Legends, and Khatsalano. The first three of these are located on land leased from the municipality, The Legends on land leased from the provincial government, and Khatsalano on land leased from CMHC. The Legends, which is one of the co-ops in the process of converting to strata title, is also in the process of buying the freehold title to its site in order to remove what is often believed to be a marketing impediment (that is, the fact that the land is leased rather than owned. This issue is discussed at greater length in the case studies).

The issue of land leasing is a very complicated one. Typically, equity co-ops have been developed on leased land so that housing can be made more affordable. Municipalities or other public agencies will often lease land for 60 years for 75 per cent of its freehold market value, thereby conferring an apparent instant advantage in terms of unit prices (that is, the land is available for 75 per cent of its freehold value, not 100 per cent of its freehold value). However, the advantage is something of an illusion. A 60-year lease at 75 per cent of freehold market value is not generally considered to represent a discounted value.[30] Furthermore, unless a sinking fund[31] is established (and paid for), it will become increasingly difficult to market units as the lease term shortens. Other difficulties associated with equity co-ops developed on leased land may be:

- **Restrictions—**Public agencies such as municipalities and provinces tend to demand concessions in return for land leases, whether or not they are good value for the co-op. Age and affordability restrictions are the most frequent conditions imposed by municipalities. Although co-ops may be in favour of some or all of the restrictions, they tend to make initial and ongoing marketing of the housing more difficult.

- **Marketing problems—**leased land is viewed with some suspicion in many places in Canada, partly because of a few highly publicized cases involving the lessor/lessee relationship.[32] Some equity co-ops in BC (Bridgeside North, The Legends, Parkgate, Tudor Gardens) have found that the combination of an equity co-op structure with leased land has made marketing of the project to prospective clients extremely difficult in the context of a weak and fiercely competitive local real estate market.

From the point of view of equity co-operatives in Canada, the Quebec model is unique in terms of land ownership, pursuant to the concept of superficiary ownership introduced with changes to the Civil Code in 1994. This arrangement allows the separation of ownership of land and buildings, not possible in Quebec before the 1994 changes. Thus the land might be the property of one person or company (for example, a co-operative as in the case of Les Jardins Memphrémagog, a case study in this report) and the homes built on that land might be owned by different individuals or companies (for example, the members of the co-operative). The advantage of this type of arrangement is that the co-op, by controlling the ownership of the land, is able to ensure that membership and occupancy is restricted to those 55 years of age and older.[33]

This arrangement is somewhat similar to a land trust, a vehicle that has often been suggested as a way of providing land for affordable housing.

Equity Appreciation

There are two basic models of equity appreciation, which are usually referred to as market and non-market approaches. In a non-market co-op, outgoing members receive only a very limited return on their equity or even none at all. Three of the original four co-ops in BC (The Cedars, Crescent Downs, and Avondale) operate on the basis of this principle, as does Parkgate.[34] In the first three, outgoing members receive no appreciation on their initial equity contribution, while in the Parkgate case outgoing members receive their original equity back, plus an adjustment based on movements in the Consumer Price Index (CPI) over the term of their residency.

However, because the local real estate market has declined since Parkgate was first occupied, members have been unable to sell their shares for what they paid for them, meaning that the CPI adjustment is essentially irrelevant.

In other co-ops, Ambleview Place for example, members share in market appreciation (or depreciation as the case may be) because share purchase prices are tied to market values. The ability to accumulate equity is also one of the defining characteristics of the co-ops that have been developed in Alberta and Quebec in recent years.

Although some residents of equity co-ops applaud the notion of non-appreciation, whether for philosophical or straight economic reasons,[35] non-market co-ops tend to struggle with this issue, particularly in unstable real estate markets such as those in BC. The inability to realize a capital gain on real estate is a serious concern to many people in some markets.

Consumer Perspectives: Why would consumers consider an equity co-op?

In equity co-ops:

- There tends to be a sense of community that may not be available from alternate tenure arrangements, such as condominiums;
- Members have the ability to control who lives in the project;[36]
- There is security of tenure: members may stay as long as they like, assuming they observe co-op policies;
- Members have the ability to manage their own residential community;
- Members may have the opportunity to help design the project they will live in, although clearly this is an advantage that is only available to the initial residents;
- Housing can be built without government subsidy or support, although governments may be willing to lease public land to equity co-ops, which may provide a price advantage, real or apparent;[37]
- Most co-ops operate on a non-profit basis, which may result in more affordable housing;
- Where equity co-ops act as their own developer and are able to realize construction cost savings, they may be one of the very few ways for moderate income family households to gain a foothold in the ownership market. The fact remains however, that developing a family equity co-op is a challenging process as the experience of Bridgeside North illustrates;
- Equity co-ops may be a way for governments to meet housing goals, e.g., for relatively affordable seniors housing in the community. This was precisely the reason that the District of West Vancouver assembled the land and encouraged the creation of Ambleview Housing Co-op.

- Equity co-ops may be the only way for some people to meet their housing needs. For example, the members of Eagle Grove Co-op could not find suitable housing on the market so proceeded to develop their own.

Equity co-ops that clearly illustrate the impact these advantages can have on quality of life include Crescent Downs, in Ladner, BC, where 50 households are on a waiting list. People wait up to 18 months to move in and are often willing to sell their house and move into temporary rental accommodation to be able to move quickly when a vacancy arises. There is also a waiting list at Avondale, where prices are extremely affordable relative to the market. Ambleview Place is another example of a co-op that has operated very successfully for over 10 years.

Les Jardins Memphrémagog in Quebec has similarly been successful at meeting the housing needs of its members, as have the equity co-ops developed in Alberta.

What is the typical consumer reaction to equity co-ops?

In spite of the problems experienced by many equity co-ops in BC, most residents of equity co-ops in all three provinces where they have been developed are highly satisfied with their quality of life as many of the case studies illustrate. People are looking for a sense of community in their daily lives, and the co-operative lifestyle can help meet this need.

As the case studies illustrate, many of the problems experienced with equity co-ops in BC over the last five years are related to two major factors—one has been the poor housing market, and the other has revolved around the issue of equity appreciation (although it is difficult to consider those two factors in isolation from each other).

Overlaying these two issues has been the complex nature of the equity co-op development process itself, and the fact that individual co-op units in BC cannot be strata titled, as they can be in Alberta and Quebec. There is an additional factor that should be mentioned that may or may not be related to the housing market issue, and that is the marketplace response to co-op tenure. Many residents of equity co-ops consulted during the preparation of this report said that there was a stigma in their communities associated with co-ops that made marketing difficult. The stigma is caused by the perception that co-operatives are a form of subsidized housing for low income households. It seems reasonable to suppose that as more equity co-ops are developed, the general public will become more aware of the distinctions between the two types of co-operatives (i.e., subsidized and non-subsidized).

The Downside: What are some of the disadvantages of equity co-ops?

When assessing the following list of possible disadvantages, it is important to bear in mind that many are avoidable. For example, equity return has been a source of difficulty for many equity co-ops in BC. In Alberta and Quebec, equity co-operatives are developed from the outset as strata title (or superficiary) co-operatives, not because of concerns from lenders about potential defaults but because this is the model that people want. They are looking for a co-operative lifestyle, but they want to accumulate equity as well.

Possible disadvantages of equity co-ops include the following:

- Initial equity is required, which may be an impediment for many households other than home-owning seniors. Some equity co-operatives have devised mechanisms to reduce the amount of equity required for each member, but some basic level of equity is still required. Of course this is also true for conventional home ownership.

- Developing a housing project is a very complex and risky undertaking. Inexperienced, although well-intentioned, sponsors may believe that by acting as their own developer, they can easily save the profit margin that a for-profit developer would require to develop the same project. Even with the assistance of capable consultants, this can be very difficult to do. Community groups may also not recognize the nature of the risks they are taking by acting as their own developer.

- Often, for a variety of reasons, the development of an equity co-op takes a very long period of time. This may result in some loss of interest and/or ability to wait on the part of prospective residents. Delays after construction has started are costly to finance.

- Depending on how the co-op is structured, the manner in which equity is returned to outgoing members may be the source of difficulty, as some of the case studies illustrate.

- Equity co-ops are complicated and they are relatively new. People may have trouble understanding what living in an equity co-op means, even people who have lived in one for several years. Although it is likely that very few strata title or fee simple owners have ever read or tried to understand the legal documents governing their tenure, people are familiar with these concepts and feel generally comfortable with them and, more importantly, so do lenders;

- In cases where individual names are not on title, members must undertake repayment of loans as tenants-in-common in the event of default. That is, if a member refuses to pay, the other members are responsible for the debt so created. This situation is now occurring in at least two equity co-ops in Vancouver.

- Even where default is not a problem, the fact that individual units are not separately and individually financed (the Alberta and Quebec models are different) means that co-ops may have to deal with the complications imposed by a blanket mortgage, the size of which will vary as people move in and out. This may be especially a problem for family co-ops. If an individual with a very low share of a blanket mortgage moves out, it may be difficult for the co-op to find a new member with the same amount of equity. This issue has been a problem for Bridgeside North and is explained at some length in the case study.

- For many people, the word “co-op” means subsidized housing for low income households. Some seniors equity co-ops believe that there is a stigma associated with the word that impedes marketing and lowers resale values.

- Seniors, who are often the major users of equity co-ops, may lack the health or the energy to become involved or to stay involved in development or management issues.

The Alberta and Quebec Models

Equity co-ops in Alberta and Quebec are structured differently from equity co-ops in BC. Notable differences include:

1. In Alberta, strata titles are enabled under the *Land Titles Act*. In other provinces, strata titles are governed under *Condominium Acts* or *Strata Title Acts*, which means that strata titled properties must be governed as condominiums. In Alberta, there is no such necessity. Strata titled properties can be governed in a number of ways, for example, as co-operatives. Thus the creation of strata title equity co-operatives is possible, which, as the Riverwind case study illustrates, combine some of the principles of conventional home ownership with some of the principles of co-operative ownership.

2. In Quebec, a new land lease arrangement called superficiary property has been allowed since the new Civil Code came into force in 1994. This arrangement allows the separation of the ownership of land and buildings. Thus the land might be the property of one person or company (for example, a co-operative) and the homes built on that land might be owned by different individuals or companies (for example, the members of the co-operative). The co-op is thus able to control membership and occupancy to those 55 years of age and older. In addition, because the individual units are separately titled, members may arrange their own mortgage financing, if required, and members are not jointly liable for the mortgage debts of other members.

Recipes for Success: What are the factors to consider when developing a new equity co-op?

1. Market Analysis

In order to successfully develop and market a new equity co-op, the critical necessity for superior market analysis cannot be emphasized too strongly. If healthy real estate markets could be guaranteed (or even foreseen), a thorough understanding of the market would not be so important. But as almost all the recent British Columbia examples illustrate, poor market conditions can be a fatal blow to a project with a tenure that may be difficult for consumers to understand and unfamiliar to lenders.

Sponsors who understand their local markets thoroughly will recognize where the niches are; will know what level of price discount may be necessary to compensate for any special conditions associated with an unconventional type of tenure; will allow for the possibility of a market downturn during the development process; and will be able to exploit the benefits of an equity co-op structure relative to other alternatives in the marketplace.

2. Consumer Education

Equity co-ops can be very complicated mechanisms, particularly when there are large numbers of partners involved. The complexity is increased even further when land is leased from the municipality or from another public agency. It took 18 months to conclude the lease documents for Parkgate, a delay that was one of the reasons Parkgate faced more adverse market circumstances than it otherwise would have.

Partly because of this complexity, members of equity co-ops do not always seem to understand the nature of what an equity co-op is, nor are they clear about why they have bought into one. As long as the value of their units increases (or does not decrease), this may not be that serious a problem. In falling markets however, this lack of understanding seems to make a bad situation even worse.

How to avoid this difficulty is problematical. In some provinces disclosure requirements are quite rigorous, but the issue may not be one of disclosure. Part of the answer may be the avoidance in the first place of extremely complicated structures. An equity co-operative on leased land with a sinking fund and restricted equity appreciation options may simply be too complex a mechanism for most consumers to ever understand. The legal requirements surrounding the decision to purchase a condominium or a life lease can also be quite challenging, but perhaps not to the same extent.

3. Appropriate Legislative Framework

There are some concerns about the legislative framework for equity co-ops in BC. The experience in Alberta and Quebec illustrates the advantages that appropriate legislation can mean for the development process.

4. Resident Involvement

The very first equity co-op in British Columbia to convert legally from a co-operative structure to a condominium structure was developed with little resident input and without the services of an established resource group.[38] On the other hand, one of the oldest equity co-ops still in operation was developed in essentially the same way.[39] On the basis of these two examples, it is difficult to conclude that maximum resident involvement is a critical success factor in the development stages, although there is no question that ongoing resident involvement is very important in the continuing success of any community.

5. A Market Niche

The experience of Crescent Downs, The Cedars, Avondale, Ambleview Place, and Magog illustrate the point that identifying and filling a gap in the market can be a recipe for success. In the case of the first three co-ops, there was literally no competition in the market for ground-oriented housing for moderate income retirees. In the case of Magog, retirees who wanted to move from the single family houses and remain in the community had only one choice—poor quality rental accommodation.

6. Price Structure

Equity co-ops seem to work when they are very affordable relative to the market, and seem to struggle very hard when price structures are similar.

Endnotes

[23] CMHC or other governments may provide limited and repayable start-up assistance.

[24] A 1996 article in the Wall Street Journal about an equity co-op under construction in Atlanta describes it as the first to be built anywhere in the US in the last 10 years and the first to be built in Atlanta ever. Other equity co-ops cited in the article are in New York City, where they have been popular for almost 100 years, Chicago, San Francisco, and Washington, D.C. The article identifies the ability to control who lives in the community as the chief advantage of co-ops.

[25] There are thousands of equity co-op units in Toronto, created by owners of rental projects who wanted to convert their properties to condominium status, but were thwarted by residential tenancy legislation from doing so. The properties were converted to equity co-op status as a second best solution. These projects have not been included in the analysis in this report because they were not deliberately created as equity co-ops, unlike the projects included in this report.

[26] See the case studies for a discussion of the reasons why some equity co-ops have failed. The five that are likely to survive are Crescent Gardens, The Cedars, Avondale, Ambleview Place and Parkgate. City Lights may also survive because of significant and ongoing assistance from BC Housing. The inventory section of this report includes 13 projects—the 14th, Tillicum, never really functioned as an equity co-op.

[27] The Cedars, Crescent Gardens, and Avondale Housing Co-operative, all in the Greater Vancouver area, were developed and occupied in the late 1980's. Riverwind in Edmonton was started at about the same time.

[28] Lenders (and CMHC) prefer strata titling because in the event of default it is easier to dispose of a unit or units if the building has been strata titled from the outset. Strata titling after the fact is complicated and expensive.

[29] In some co-ops, it is possible to borrow mortgage funds, but in somewhat complicated circumstances—see Ambleview case study.

[30] Leasehold valuation is a very complex issue. Generally, a 99-year lease is considered tantamount to a freehold interest and valued accordingly. The shorter the lease period, the lower the value of the lease relative to freehold values. The value of a 60-year lease is clearly lower than the value of a 99-year lease—the question is, how much lower? Some observers believe that a 25% reduction in the value of the lease merely accounts for its shorter life and does not represent a true discount from market values.

[31] A sinking fund ensures that funds will be available to pay out members in residence when the lease expires. If not for the existence of a sinking fund, unit prices would decline as the lease term shortens.

[32] See for example the Musqueam discussion included in Chapter Seven.

[33] The arrangement in Quebec is unique in Canada. In BC, all titles are in the name of the co-op, although all the shares of the co-op are owned by the members. In Alberta, members have title to their own unit and also own a share of the common property, exactly like a condominium.

[34] See case studies for a discussion of the difficulties that both Crescent Downs and Avondale have experienced over their equity appreciation policies.

[35] Some residents have calculated that even when all costs are considered, including the loss of interest on their equity, the cost of living in their co-op is much cheaper than market alternatives and there is no danger of capital loss.

[36] The ability to control who lives in the project is considered by many co-ops to be a major advantage that is not available to condominium residents because of human rights legislation. However, recent court rulings in BC have determined that where a municipality places an age-restricting covenant on a property, this does not contravene human rights legislation. Consequently, at least one co-op, Kirkstone Housing Co-op, has decided to convert to strata title because of this ruling.

[37] As already mentioned, although leased land may provide an initial price advantage, it also creates additional complications which some believe outweigh the initial price advantage.

[38] Tudor Gardens was developed by a private developer, The Buron Corporation. A few resident meetings were organized and conducted by two of the residents of Ambleview Place.

[39] Crescent Gardens was developed on a turnkey basis by Progressive Homes. Some organizational assistance was provided by Columbia Housing Advisory Group, a resource group.

Definition: A life lease is a legal agreement that permits its purchaser to occupy a dwelling unit for life in exchange for a lump sum payment and a monthly payment to cover the project management fees and maintenance and operating costs. Most life lease projects are sponsored by community based non-profit organizations. Residents in life lease projects are 55+.

The first life lease projects were built in Saskatchewan and Manitoba in the 1980's. They were developed in some cases to fill a gap in the market between fully subsidized non-profit housing and high end luxury accommodation; and in other cases because there was no other way to create needed seniors housing. Since then, about 150 projects have been built in provinces from Ontario west to BC. There are no life lease projects in Quebec or in Atlantic Canada.

Life lease housing was created to meet a need in the market place that still exists. Many new projects are in the planning stages and there are no signs that the appeal to housing consumers is diminishing. Several provincial governments are actively planning legislation to deal with the proliferation of life lease projects, which have been operating on an essentially unregulated basis in most places. Manitoba is the only province to have introduced a regulatory framework, although its legislation has not yet been proclaimed.

As the case studies in this report illustrate clearly, consumers are very satisfied with life lease housing, notwithstanding their general lack of legal protection. Although the structure and operation of life lease projects differ dramatically from province to province, the fundamental appeal to consumers lies in the fact that they are communities of similar people—they offer purchasers the opportunity to live with and interact on a social basis with people of the same age and with the same kinds of interests.

Seniors equity co-ops offer the same kind of opportunity, with the difference that life leases are, in almost all cases, sponsored by a community based non-profit corporation or partnership that does much of the planning and development work and almost all of the ongoing property management. Not only do seniors feel a sense of trust because of the involvement of these organizations, many seniors prefer to avoid the need to become heavily involved in the ongoing operation of the housing they live in.

The following sections are included in this chapter:

- **Statistics**—Where are the life lease projects in Canada located and what are they like in terms of size and housing type? Who typically sponsors life lease projects?
- **Nature and operation**—What are the distinguishing features of life lease projects and how are they managed? How affordable are they?
- **Legal issues**—Because consumers often invest very large amounts of money in life lease units, governments have become concerned about the security of these investments.
- **Consumer reaction**—How satisfied with life lease housing are the people who live in them?

Thirteen case studies are included in Appendix A.

Statistics

Table 6.1 includes most of the occupied life lease communities in Canada as of the fall of 1999. It is difficult to be precise about the total number of life lease units at any particular point in time because there are so many of them, they are developing so quickly, and there is no regulatory framework in most provinces. In addition, many do not require mortgage insurance, so CMHC knowledge of the market is far from complete.

One way to identify life lease housing projects is to investigate a number of sources of information—provinces, municipalities, development consultants, other life lease projects, Web sites, newspapers, seniors groups and so on. Identifying projects in this way does not always allow the acquisition of comprehensive information on a project-specific basis, so the number of units in the table should be considered approximate only. Except for case study projects, individual life lease projects were not contacted to determine basic information such as unit counts and sponsorship.

In particular, the number of units in Ontario may be questionable. There are a relatively large number of projects in that province and no central source of information, making it difficult to obtain information. Manitoba also has a large number of projects, particularly on a per capita basis, but more readily accessible information was available for Manitoba life lease projects than for Ontario projects.

Table 6.1 Occupied Life Lease Projects in Canada

Province	Number of Projects	Total Number of Units
BC	22	1,400
Alberta	12	600
Saskatchewan	17	1,100
Manitoba	72	2,200
Ontario	66	2,600

As the table indicates, the Manitoba experience is rather startling. Ontario has six times the population of Manitoba, but about the same number of projects and the same number of units. BC, with four times the population of Manitoba, has only half the number of projects.

Why Manitoba?

There are a number of possible explanations for the popularity of the life lease concept in Manitoba. Perhaps the most important is that the concept was largely pioneered there and was encouraged for years by successive governments. Many of the Manitoba life lease projects are combined life lease/subsidized rental projects, developed under the terms of a government program known as the Seniors RentalStart Program. As a result of this level of activity, consumers and community groups became familiar with the concept of life lease housing and development consultants with expertise in the field emerged. Just as the existence of resource groups in BC with expertise in equity co-ops has been identified in this report as one reason for the preponderance of that housing form in BC, so too the existence of development consultants in Manitoba with expertise in life lease housing is no doubt one reason for the large number of life lease projects in that province.

The fact that housing markets are relatively more stable in Manitoba than in some other provinces may also be a reason for the popularity of life lease housing. In some other provinces, depending on the life lease model used, purchasers may not have the opportunity to share in the market value appreciation of their units (if any). Anticipating general increases in real estate values, some purchasers may prefer condominiums to life leases. In markets where prices are stable, future increases in asset values may not be a concern and condominiums may lose some of their relative appeal.

Housing Type

Most life lease projects, no matter what size of community they are located in, are apartments, either low rise or high rise. One of the exceptions to this general rule is Prince of Peace Village in Calgary, a case study in this report, which is composed of semi-detached bungalows.

Sponsorship

Most life leases in Canada have been sponsored by churches or service clubs. There are very few private life lease projects—Villa Royale in Saskatoon is one, and there may be a few in Ontario, although there are no doubt a number of private developers who are increasingly interested in this market.

Consumers who are attracted to life lease projects invariably cite the reputation of the sponsor as one of the major reasons for their interest, which is one reason non-profit community based organizations have successfully developed life lease projects in many communities.

In addition, the very nature of a life lease project implies an ongoing role for the sponsor (in most cases—The Meridian in Ottawa is an exception), which may not be appealing for some private developers. The owners of Villa Royale, who are interested in a long term investment, have hired a non-profit housing provider, the Lutheran Sunset Home of Saskatoon, to manage Villa Royale and to provide services for its residents.

Atypical sponsors include a group of retired teachers in Winnipeg (Fred Wyatt Place); a non-profit property management firm, also in Winnipeg (Riverbend Plaza and Colorado Estates); and the municipality of Nepean (The Meridian).

Nature and Operation

Although there is enormous variation among life leases in Canada, they share several fundamental characteristics:

- A life lease is a legal interest in residential property. It permits its purchaser to occupy a unit for life in exchange for a lump sum payment (an entrance fee) and monthly payments that cover management fees and maintenance and operating costs and may also cover debt retirement costs.

- When a resident dies or moves, lessees or estates get some or all or more than their original entrance fee back, depending on the nature of the particular life lease agreement involved.

- Almost all life lease projects in Canada are sponsored by community based non-profit organizations that develop the project in the first instance and continue to manage it post-occupancy.

- All life lease projects in Canada are targeted to people 55 years of age and older. The ability to restrict occupancy to this age group is one of the major attractions of the life lease form of tenure to consumers.

- Although life leases are purchased for life, in fact continued occupancy requires the ability to live independently, the determination of which is the responsibility of the sponsor, often with medical advice.

Renter or Owner?

One of the many rather dramatic differences among life lease projects in Canada is the renter/owner dichotomy. In Manitoba, life lease residents are tenants and the provisions of the *Residential Tenancies Act* apply to them. A discussion paper published by the Minister of Consumer and Corporate Affairs in 1997 begins this way: "Life leases are a useful way of raising money for rental housing."[40] In fact, the title of the document is "*Life Lease Rental Housing Discussion Document*". In contrast, in BC life lease purchasers qualify for the Home Owner grant, a grant intended to help homeowners defray property taxes. Life lease residents are not covered by the *Residential Tenancy Act,* which does not apply to lease terms longer than 20 years.[41]

In most provinces other than Manitoba, life lease residents are described by sponsors not as owners, but as <u>purchasers</u> of a life interest in their units. They are required to pay annual property taxes and the sponsors take pains to emphasize the ownership nature of their residency. This is particularly the case where residents capture all or part of any appreciation in the market value of their unit. These projects are very similar to condominiums, although residents do not have title to their units and are not responsible for project operation.

However, life lease projects in Ontario are not covered by the Ontario New Home Warranty Program because they are considered to be rental projects. Additionally, Shepherd Gardens in Toronto has been assessed by the municipality as rental housing.

Required Investment

In many provinces, consumers must pay the full purchase price of their unit upon occupancy. In contrast, the so-called "Manitoba model" allows for a minimum investment of much less than the full purchase price, although consumers may, if they wish, pay the full amount. In this case, the monthly rent is substantially lower. However, the monthly rent in the Manitoba model is never reduced to operating costs only, which is often the case in other provinces. In Manitoba, only the interest earned on investments over the minimum is used to reduce monthly payments. Minimum entrance fees are used partly to pay for the construction cost of the building, and partly to fund a trust account called the Entrance Fee Refund Fund, established to allow a tolerance for entrance fund repayments. Interest earned on the Refund Fund is used to offset monthly operating costs.

Projects in provinces other than Manitoba are starting to introduce the partial payment model. Purchasers at Lions Cove in Victoria can finance up to half the cost of their unit, although 85 per cent of purchasers paid the full entrance fee.

At The Meridian in Nepean, purchasers can finance up to 75 per cent of the cost of their unit with a loan from the Toronto Dominion (TD) Bank. Terms of up to 10 years and amortization periods of up to 20 years are available. The bank accepts an assignment of the life lease occupancy agreement as collateral and security for the loan.

In Alberta, Glenrich Gate has adopted the Manitoba model in order to provide flexibility for purchasers. Prince of Peace Village in Calgary requires full payment, but has arranged a relationship with the TD bank to provide mortgage financing for purchasers who need it.

Affordability

Life lease projects generally advertise themselves as (and are generally perceived to be) providing affordable housing, usually because of the non-profit nature of their operation, or because of a contribution of land or capital from the project sponsor, or both. However, unless significant donations have in fact been made, it is very hard for life lease projects to achieve construction costs much below more conventional projects, even allowing for the absence of developer profit. Life lease projects may include a number of amenities that are not usually provided in condominium projects, which may add significantly to project cost.

From the perspective of purchasers, those projects that permit minimum deposits (the Manitoba model) are more affordable in a capital cost sense than projects that require the full purchase price, although the resulting level of monthly rent in the Manitoba model may be relatively high. Purchasers at Elks Manor in Neepawa, Manitoba, need only provide an entrance fee of $26,000, although monthly rent exceeds $600.

Like equity co-ops that do not recognize variations in the general level of real estate values, life lease projects that never raise the level of entrance fees will become increasingly affordable over time. A unit in Lions Cove in Victoria currently costs a minimum of $136,000, similar to comparable market condominiums. In 20 years, the Lions Cove unit will still cost $136,000, while the price level of market condominiums is likely to have increased somewhat.

However, the Lions Cove model probably represents a minority of life lease projects. Even in Manitoba, some sponsors are starting to think about allowing purchasers to share in the appreciation of real estate values.

Refunding of Entrance Fees

Guaranteed buy-back provisions are an important and very appealing feature of life lease projects from the perspective of purchasers.

Where guaranteed buy-backs are provided for, there is usually some period of time specified before sponsors are required to refund entry fees. At Hillside and Lakeside Villages in Camrose and Lions View in Victoria, entrance fees are repaid within 90 days of move-out, while at Luther Heights buy-back is guaranteed within 180 days.

In Ontario, guaranteed buy-backs are not as common as they are in the four western provinces. Often residents are responsible for selling their units and remain responsible for all fees and charges until they are able to find another buyer for their unit.

Most life lease projects, even those with guaranteed buy-backs, count on repaying entrance fees to outgoing residents with entrance fees received from incoming residents. Most are also building up funds that will make the refunding process easier and quicker.

Replacement Reserve Funds

The new “Manitoba Life Lease Act” (not yet proclaimed) provides for the maintenance of a reserve fund to replace items such as roofs, electrical and plumbing systems, elevators, and parking structures.

Although not mandated by statute, other life lease projects commonly implement a reserve fund, usually funded by monthly fees.

Provision of Services

Not surprisingly, older projects tend to have fewer design features than newer ones do to accommodate the needs of residents as they age, although this is not true without exception. Luther Heights for example is 10 years old but is better able to accommodate the needs of aging tenants than most of the other case study projects, although the fact that it is also the largest project is significant. A large project can economically incorporate more features and amenities than a smaller project can.

Projects that are adjacent to care homes tend to attract an older clientele than projects that are not so situated. In some cases, such projects incorporate a significant number of features to accommodate aging in place, such as at The Meridian for example, while in others, units are fairly conventional. This is the case with Tabor Manor, although some steps are now being taken to better accommodate the needs of aging residents.

Some life lease projects have not incorporated any special features to accommodate aging residents. Hillside and Lakeside Village in Camrose, Alberta, are fairly conventional buildings in respect of aging in place features. This may be a reflection of the sponsor's perspective. The Bethany Group has been providing care services and facilities in Camrose for most of this century and sponsored the two life lease projects as a way of meeting the needs of independent seniors.

The case studies appended to this report illustrate the range of services provided in life lease projects, which run the gamut from no services at all to a very extensive array. Luther Heights provides a full meal service for those who want it, a wellness clinic, a 24-hour emergency medical response system, pastoral care, a tenant services worker, a massage therapist, a reflexologist, and a foot clinic. Lakeside and Hillside Village provide no services. In the middle of the services spectrum are projects such as Lions Cove, which provides two meals a week in the dining room and a variety of social activities.

Some projects, such as The Meridian, plan to access services on a fee basis from the adjacent care home once it is completed. These services include meals, personal care services such as therapeutic bathing, foot care, housekeeping and laundry services, and medical/dental services. Residents of Tabor Manor are also able to access certain services from the adjacent care home, although the extent of services is somewhat limited. Life lease residents are strongly discouraged from requesting medical services from the care home because there is simply no surplus staffing capacity available to respond to needs from outside the care home itself.

The provision of services is an economic challenge for life lease operators. Meal service in particular can be very difficult to provide on a self-sustaining basis. Even in Luther Heights, which is a very large project, it was necessary to introduce a mandatory eight meals per month in order to allow the meal service to function on a cost-recovery basis. Residents of life lease projects that are adjacent to care homes generally find it easier to access meal services than residents of free standing life lease projects. Lions Cove advertised the provision of three meals per week during the development and construction phases of the project, but found that they could only provide two meals per week post-occupancy, partly because a significant number of units remained unsold. Even when all the units are sold, it may be necessary to consider establishing a mandatory minimum number of meals per week in order to ensure a viable operation.

The availability of meals and other services is a definite attraction for some life lease purchasers, but certainly not all. It is undoubtedly true, however, that as current residents age in place, many will want additional services. Some life lease operators will be able to provide them but in other cases, people may have to move to alternate accommodation.

Although not a case study in this report, there is one life lease project that is also a licensed care facility, that being Laurier House in Edmonton.

Legal Issues

Many provincial governments in Canada have become somewhat alarmed in recent years about the growth in the life lease market, which is relatively unregulated. Even where statutes of various kinds apply, something of a regulatory patchwork has been created, resulting in an uncertain situation for consumers, many of whom have invested large amounts of money in their life lease units. The fact that most sponsors of life lease projects are benevolent sponsors (community based non-profit organizations) may be comforting, but certainly does not guarantee the absence of risk.

Governments are concerned about issues such as disclosure, guarantees and buy-back provisions; the “non-profit” nature of some sponsors; the presence or absence of warranty protection; replacement reserve requirements; the security of entrance fee funds and other operating funds—the list goes on. A recent paper produced by BC's Ministry of Social Development and Economic Security on legal issues associated with the life lease form of tenure is eight pages long and raises 84 issues.

Legally, purchasers of life lease units in all provinces but Manitoba are in something of a legal no man's land. Although units are often strata titled,[42] the title to all the units remains in the name of the sponsor. Consequently projects do not fall under the purview of *Condominium* or *Strata Title Acts*, nor do they fall under landlord and tenant legislation. In BC, the *Real Estate Act* applies to life lease sales when projects are stratified so disclosure statements must be filed with the Superintendent of Real Estate, but in other provinces (excluding Manitoba), the extent of disclosure is up to the sponsor.

Given that life leases operate differently not only between but within provinces, it is readily apparent that a comprehensive discussion of the regulatory framework of life lease projects throughout Canada is far beyond the scope of this report. Some of the more major issues of concern to government are included in the following list:

Security of Entrance Fees

Again, the situation in terms of legal issues varies dramatically from province to province and from sponsor to sponsor. In Manitoba, entrance fees are secured through an interest registered against the title of the property in the name of the resident. In some projects in Saskatchewan and Alberta, residents hold mortgages on their units that are registered at Land Titles. In a sense, these residents have the legal rights of a lender—they could foreclose and take title to their unit if circumstances made this necessary—if the sponsor were unable to refund entrance fees for example.

In BC, where all recent projects have been strata titled (although all titles are held in the name of the sponsor), some leases are registered on title. In Ontario, life lease projects are not normally strata titled—only one project has been strata titled to date (Two Neptune Drive). Because there is no definitive legal description for each unit in non-strata titled developments, only an assignment of leasehold interest registered against the overall property is possible.

Prior to occupancy, there are also concerns about what happens to deposit funds if a sponsor is forced to halt construction before the project is finished, or if sufficient pre-sales cannot be made to allow construction to begin.

Disclosure

Life leases are a relatively new form of tenure and many consumers are unfamiliar with them. Except in Manitoba and in BC when projects are strata titled, there are no mandatory disclosure requirements that sponsors must observe. Competent and reputable sponsors want to ensure that purchasers clearly understand what they are buying, but the degree to which disclosure is made is an individual decision that varies from sponsor to sponsor. Some purchasers ask their lawyers to review documents, but others do not.

Post-occupancy, there is no requirement for sponsors to inform residents about the financial status of the project they live in (except in Manitoba), notwithstanding the fact that residents have in many cases made very significant investments in the project in question. Again, many sponsors voluntarily inform their residents about the financial status of their projects, but there is no compulsion for them to do so.

Warranty Protection

The issue of warranty protection is irrelevant in some cases and very relevant in others. As tenants, Manitoba life lease residents are in no way responsible for the maintenance and upkeep of the building, as is the case with all tenants. But as purchasers, neither are residents of Hillside Village in Canmore or Luther Heights in Saskatoon because maintenance and upkeep is the responsibility of the building owners (the sponsors). These purchasers would not require protection from a New Home

Warranty Program. In other cases, warranty protection may be more important. All new life lease projects will be covered under the new mandatory warranty system in BC, but in Ontario, life lease projects are not covered under the Ontario New Home Warranty program because they are not condominiums.

Replacement Reserves

Condominium legislation ensures that strata councils make provision for replacement reserves but there is no legislative requirement (except in Manitoba) for life lease operators to do the same. Reputable sponsors will make provision for replacement reserves as a standard operating procedure, but there is no law compelling them to do so. However, the fact that sponsors are going to be involved in the ongoing operation of the project for many years provides a strong incentive to ensure adequate replacement reserves.

Manitoba Legislation

Manitoba has developed but not proclaimed a "Life Lease and Consequential Amendments Act". The Act governs:

- Disclosure requirements;
- Cooling off periods;
- Entrance fee refunding operations, assignment of leases;
- Registration of leasehold estates;
- Reserve funds;
- Insurance;
- Annual meetings;
- Appointment of trustees for entrance fee funds;
- Minimum refundable amounts (95 per cent if the landlord is not a non-profit landlord, or the term of the lease is for the tenant's life);
- Timing of entrance fee refunds;
- The extent to which the landlord can mortgage the building;
- Defaults and foreclosures;
- The number of projects a non-profit landlord can own (one).

Other provinces are studying the Manitoba legislation with interest.

Consumer Reaction

A statistically valid survey of life lease consumers was beyond the scope of this report. However, the results of interviews with residents of the 13 case study buildings indicated that residents of life lease buildings tend to be extremely satisfied with their housing, notwithstanding the concerns of government regulators. Reasons for this high level of satisfaction include:

- They are designed specifically for the seniors market and include many features and amenities that appeal to seniors. Although not all life lease projects offer the same level of features and amenities, many do include meal services, activity rooms and planned activities, fitness and wellness facilities, exercise rooms, wheelchair accessibility, libraries and lounges, and access to the outdoors. They are "lifestyle" buildings that can provide a supportive environment for seniors and a real sense of community that may not be as available in other projects on the market.

- They are generally sponsored by local community groups, service clubs, or churches and thus have roots in the community.

- Because of large initial payments, residents take an “ownership-like” interest in the building, but they do not have to become members of a condominium corporation. Many case study residents reported that they had no interest in participating in the management of their project and considered the fact that they did not have to one of the major advantages of living in a life lease project.

- Many life leases offer a guaranteed buy-back and this is an extremely attractive feature for consumers, regardless of the nature of the buy-back (i.e., whether leases are bought back at the same price residents paid or not).

- Some life lease developments offer consumers the ability to share in any appreciation in general real estate values, which is an appealing feature for some consumers. However, residents in buildings where this is not possible do not appear to be concerned about the fact that if real estate values increase, the value of their investment will not. To some extent, this no doubt reflects a degree of biased observation (consumers who were bothered by this would not have moved in) but many life lease residents expressed the view that the time for making money in the real estate market had passed and what they were looking for now was shelter and a sense of community.

- The non-profit nature of most life lease operations is also appealing to consumers.

- The provision of services is appreciated by residents of projects where they are available, but life lease projects offering no services at all are also attractive to consumers.

- Residents living in life lease communities based on the Manitoba model can lower their monthly payments by contributing more equity, or conversely, they can make only a partial payment and allocate their capital to some other use, travel for example.

It seems very likely that the positive consumer response to life leases will continue in the future. Life lease housing is one of the very few ways in which consumers can obtain the kind of housing they want. It is also an excellent way for community based non-profit organizations to make a contribution to their community.

However, it is very difficult to develop any kind of resident funded housing without substantial amounts of equity. In order to obtain NHA insurance for construction financing, CMHC generally requires equity in cash or land equivalent to 25 per cent of the construction cost of the project. It is true that in theory, life lease housing is resident funded and that is true up to a point, but in order to get to that point organizations may need to spend several hundred thousand dollars on site options, architectural fees, zoning costs, marketing fees and so on. Before making substantial deposits, consumers must feel confident that the project will in fact be built.

Obtaining start up funding of this order of magnitude is a major challenge for most community groups.

Endnotes

[40] Manitoba Consumer and Corporate Affairs, *Life Lease Rental Housing Discussion Document*, 1997

[41] Ironically, in BC life lessees are both owners as defined by the *Home Owner Grant Act* and renters as defined by the *Shelter Aid for Elderly Renters Act* and so technically qualify for both subsidies.

[42] All life lease projects built in BC over the last five years or so have been strata titled. Hillside Village in Alberta and Luther Heights in Saskatoon are strata titled as is Two Neptune Drive in Toronto, the only life lease project in Ontario to be strata titled.

> Definition: A lease is a right in real property granted through a contractual arrangement whereby one party (the landlord) gives up some rights to immediate possession of the property to the other party (the tenant) but retains ultimate ownership of the property. When the lease ends, the property and improvements revert to the landlord. Housing may be built on land that is available for long term lease.

Permanent ownership housing[43] built on leased land is not common in Canada. It generally occurs in one of seven circumstances:

1. **Where governments try to improve housing affordability or meet other housing goals**—Probably the best known example of this circumstance is the Ontario government's HOME (Home Ownership Made Easy) program, which operated in the late 1960's and through most of the 1970's. Other governments have also introduced leasing programs in an effort to improve the affordability of ownership housing, including the province of BC, several municipalities in the metro Vancouver and metro Toronto areas, and the City of Windsor.[44] The City of Vancouver is also involved in land leasing focused on the development of market rental housing (with Concert Properties, formerly known as Greystone Properties, a developer owned by the pension plans of several construction unions).

2. **Where governments want to control the development of land that is considered special for some reason—** The City of Vancouver, with three major land leasing operations, has been the most active jurisdiction in Canada in terms of leasing publicly owned land in order to achieve planning goals and to accommodate future redevelopment of the sites[45] Harbourfront in Toronto, located on land owned by the Federal government, is another example of land leasing undertaken by governments for a specific purpose.

3. **On First Nations land—**Several First Nations have built residential developments on their land using a land lease arrangement.

4. **On land owned by universities—**The University of British Columbia and the University of Guelph have both encouraged residential development on university-owned land in order to provide endowment income. Simon Fraser University has just started the planning process for a 10,000-person residential development on its endowment land, and the University of Northern British Columbia may also be interested in a similar venture.

5. **On federally owned land in national parks or in other unique circumstances such as Harbourfront in Toronto.**

6. **In retirement communities in Ontario.**

7. **Where public agencies other than municipalities want to retain ultimate control of their land—**The only example of this identified during the preparation of this report was the Vancouver School Board, which prefers to retain rather than sell temporarily surplus land if it foresees a future school-related use for the site.

In addition to the three leasehold case studies in Appendix A, there are five other case studies in this report that involve land leases. Four are equity co-ops and one is a shared equity arrangement, all located on land leased from provincial or municipal governments trying to encourage the development of affordable housing.[46]

It is very likely that there are numerous examples of land leases not included in this report. They are more difficult to identify than equity co-ops, life lease projects, or cohousing developments. In particular, there may be many other examples of residential development on First Nations land than are identified in this report.

Following this introduction, the other sections included in this chapter are:

- **Statistics—**Where are some of the leasehold communities in Canada located?
- **Nature and operation—**What are the characteristics of these communities and how do they operate?
- **Legal issues—**Under what legal arrangements are these communities occupied by their residents and what are some of the current legal issues of interest to developers and consumers?
- **Consumer demand—**Why would consumers consider a leasehold situation and how satisfied are they with them?
- **Wider application—**Is there greater scope for leased land communities in Canada?

As mentioned, three case studies relating to leasehold developments are included in Appendix A.

Statistics

Table 7.1 on the next page includes all the land lease arrangements identified during the preparation of this report, except for historic government initiatives such as the HOME program. That program, and all others similar to it, have been excluded from the discussion in this chapter.

In addition, only cases involving permanent ownership housing outside national parks have been included in the table. There are probably thousands of cases of vacation homes on leased land, all excluded from this analysis.

Nature and Operation

In terms of housing form, residential developments on leased land range from highrise buildings on the UBC endowment lands, to upscale single detached homes in the Redwood Meadows development just outside Calgary, to one-bedroom manufactured housing units located in many of the retirement communities in Ontario. Housing form is a function of local market demands and local market economics.
In some cases, as is discussed in more detail in the next section, leasehold communities operate as condominiums. This is the case on the UBC endowment lands. Others

Table 7.1 Residential Leaseholds in Canada		
Name	**Location**	**No. of Units at Build-out**
UBC	Vancouver, BC	20,000
Simon Fraser University	Burnaby, BC	Up to 5,000
City of Vancouver	Vancouver, BC	2,000+
Tsawwassen First Nations	Delta, BC	178
Burrard First Nations	North Vancouver, BC	533+
Musqueam First Nations	Vancouver, BC	71+
Vancouver School District	Vancouver, BC	86
Kamloops First Nations	Kamloops, BC	3,000
Westbank First Nations	Kelowna, BC	1,200
Penticton First Nations	Penticton, BC	200
Sarcee First Nations	Redwood Meadows, Alberta	351
University of Guelph	Guelph, Ontario	700
Harbourfront	Toronto, Ontario	100 acres, units not available
Various Adult lifestyle communities	Ontario	4,000+

operate like condominiums, although legally they do not fall under condominium legislation. This is the case with the Raven Woods development in North Vancouver. Still others operate much like mobile home parks where homes are owned and lots are rented. This is the case with the retirement communities in Ontario.

Legal Issues

Leaseholds are complicated in both a legal and an economic sense, partly because there are so many different variations on the basic theme, and partly because most people are not as familiar with them as they are with fee simple or condominium ownership.
As an example of the variety of leases in current use, Ontario retirement communities are based on leases that are no longer than one day less than 21 years (because of *Ontario Planning Act* restrictions, discussed in greater length later in this report), while leases at Raven Woods and UBC are prepaid 99-year non-negotiable leases. Leases at Redwood Meadows are 75 years, also prepaid. Some leases offer easy and low cost renewal, while others do not.

In terms of mortgage insurance, the situation is equally as diverse as the lease arrangements. In general, CMHC's mortgage insurance program will not insure a lease arrangement where the lease payments are not known in advance. A prepaid lease would clearly be acceptable, as would a monthly payment lease where the monthly payments were determined in advance. CMHC will not insure a leasehold arrangement where land rents may be fixed for a certain period of time and then increase to some unspecified level related to market conditions at the time of lease renewal, nor will insurance be available unless the land in question is surrendered to the crown over the term of the lease.

The situation with regard to CMHC insurance for retirement communities in Ontario is complicated. At the moment, chattel loan insurance, normally used for mobile homes, may be available for purchasers but discussions are underway between CMHC and the Ontario Manufactured Housing Association to create a more suitable mechanism.

Lease Termination Complexities

What happens as the lease term shortens and then ends is, in some cases, a grey area, particularly where the term of the lease and the useful life of the improvements are quite different. Although woodframe residential structures have a useful life expectancy of 50-75 years, many have been built on land with 99-year land leases. How strata councils (or homeowner councils in the case of First Nations developments) deal with the issues of deteriorating structures and declining lease terms will not be known for a number of years.

At Redwood Meadows, both the land and the improvements revert to Sarcee Developments Ltd., a company owned by the Sarcee Band of Indians, at the expiration of the lease in 2049. Unless the head lease is renewed or other arrangements are made, those in residence in 2049 will simply have to move elsewhere, with or without their houses. Values will start to drop before then of course, but there is no sign of falling prices due to lease expiration at this point in the lease.

Some leasehold arrangements appear to have been devised with no clear thought as to how the termination of the lease will be handled. Exceptions to this observation include the UBC and Vancouver School Board leases, which include buy-backs at replacement market values at lease expiration.

In BC, the *Condominium Act* states that at the conclusion of a lease, leaseholders must be given a five year extension at the then market value of lease terms. If no renewal arrangement is reached during the five year period, the landowner must buy back the improvements at market value, (note: not at replacement market value). The question is, what will the market value of the improvements be? In the case of woodframe apartment buildings that have not been maintained, the value could be zero. As the lease term shortens, what actions will the strata council take in terms of maintaining or improving the improvements? No one really knows.

In the case of 99-year leases, woodframe improvements may reach the end of their useful lives long before the lease term expires, unless they are well maintained by homeowner or strata councils. The same question then arises—as the lease term shortens, what will the reaction of strata councils be to spending money on maintenance, and what will the impact of the declining lease term be on the value of the leasehold interest?

Consumer Issues

Generally, and other considerations such as affordability aside, a leasehold interest is a less marketable asset than a fee simple interest in real estate for several major reasons:

- Consumers are less familiar with leasing than they are with fee simple ownership. Because they may not clearly understand the nature of the leasing decision, nor appreciate the variety of leasehold interests that exists in many provinces, it may be difficult for them to make an informed purchasing decision.

Developers of leasehold condominiums in Vancouver are finding their product much harder to sell post-Musqueam, in spite of the fact that their leases are much different from the Musqueam leases.[47]

- Lenders may be less willing to lend on a leasehold interest than on a fee simple interest, even where the lease is prepaid. Where leases are not prepaid, lenders will only finance deals where lease payments are fixed in advance for the term of the lease.

  One of the reasons lenders may avoid leased land financing is that in the event of default on the part of the occupant, they can never obtain the land, only the leasehold interest, i.e., the unit or building located on the property plus the remaining length of the lease.

- The end of the lease term, or the intervals of rent review, may present various complications, many of them only imperfectly understood by both developers and residents of leasehold units. Rent reviews have caused great difficulty in the Musqueam case. In an effort to avoid similar difficulties, the City of Vancouver no longer enters into anything other than 99-year prepaid leases and is trying to convert all its outstanding renewable leases to prepaid leases.

- Because of the relatively small size of the leasehold market compared to other tenures, as well as the variety of leases that exist, values are sometimes difficult to determine. In general, a 99-year lease is considered of equal value to a fee simple interest but as the lease term shortens, the relationship between leasehold value and fee simple value becomes less clear. Municipalities sometimes lease land for 60 years for 75 per cent of fee simple market values, a discount that many market observers believe is a direct reflection of the shorter length of the lease and not in any way a below-market value.

Consumer Views: In light of these apparent disadvantages, why would consumers consider a leasehold arrangement?

There are three basic reasons why they might. The first relates to the fact that an investment in housing is often thought of as comprising two separate components—the consumption component and the investment component. Buying a house on a fee simple basis involves both components. Leasing a house involves only one—the consumption component. Separating the two may make leasehold housing cheaper and thus more affordable (because the purchaser is not buying the land). In addition, it allows consumers to make separate consumption and investment decisions.

An earlier CMHC report describes this phenomenon as follows: “The ground lease option provides the household with a means of deciding upon housing consumption, independent of the investment decision: they can live in their dream house (on leased land or leased in total) while investing their money elsewhere. To the extent that this improves the efficiency of the market, society gains.”[48]

Certainly better value for money was indicated by consumers at Raven Woods and Redwood Meadows as a very important reason for buying units in those developments. Purchasers at Redwood Meadows indicated that they bought there for lifestyle reasons, and placed their investment dollars—the money they saved by not buying land—in mutual funds.

The second reason for buying on a leasehold basis is that it may be the only option for a purchaser who wants to live in that precise location. Individuals who want to live adjacent to the Arboretum at the University of Guelph have to lease the lot on which their house stands—there is no other alternative. Often the locations involved in leasehold arrangements are special for one reason or another—Raven Woods for example is located in a forested area along an arm of the Pacific Ocean and many of the City of Vancouver leaseholds are waterfront sites.

The third reason is one discussed earlier in this section—the wishes of governments to improve the affordability of ownership housing by leasing publicly owned land.

Developer Views: Why develop on a leasehold basis instead of on a fee simple or strata title basis?

First Nations undertake residential developments on their land as an economic development opportunity. There is no other practical or legal way for them to develop and convey units to consumers than on a leasehold basis, so the decision making process is simple.

Developers of retirement communities in Ontario rely on 20-year lease arrangements for a number of reasons, among them:

- *The Ontario Planning Act*—Leases equal to or longer than 21 years must be based on a legal subdivision plan, which is an expensive undertaking. With shorter leaseholds, there is no need to formally subdivide the land.

- Greater control over design, operation, and occupancy—Owners are able to impose restrictions on various aspects of design and operation that would be more difficult under alternative structures.

- Lack of alternatives—Ontario's new *Condominium Act* will make it easier to develop adult lifestyle communities on a leasehold condominium basis. Current legislation does not easily accommodate such a structure, particularly where bungalow style communities are involved.

- Servicing in rural areas in Ontario is easier with one owner. Communal servicing and wells can be constructed, instead of individual wells and septic fields.

- Developers maintain the common grounds, which is appealing to purchasers.

In other circumstances, developers have built leasehold condominiums because the terms of the lease were favorable. This has been the case for example with the UBC endowment lands and with the land owned and leased by the City of Vancouver. There are some indications that developers may be viewing leases with less favour than formerly, for reasons that may be only temporary. In the Vancouver area in particular, where leaseholds have been quite widely used, adverse publicity focused on the Musqueam case has resulted in some consumer antipathy to the leasehold concept, notwithstanding the fact that the Musqueam case is quite different from the other leasehold arrangements in the

Vancouver area.[49] Developers and landowners will have to instill confidence in consumers about the soundness of land leasing, perhaps by offering prepaid 99-year leases with clear provisions for what happens at lease termination.

The Kamloops Indian Band is involved in a joint venture to develop a 2,000 unit residential community around a golf course in Kamloops, BC. The development is called Sun Rivers. The lease in use at Sun Rivers is a 99-year prepaid lease that may be as long as 118 years for early buyers. The lease contains a number of "comfort clauses", intended to satisfy consumers who may be concerned about the security of their investment. One of the clauses deals with "Unrestricted Motor Vehicle Access" and assures buyers that "in the event of any roadblocks or disturbances of any nature to publicly traveled roads within the development, the Kamloops Indian Band agrees and will immediately request that the police take any and all necessary and appropriate legal actions to ensure removal of such roadblocks or disturbances."

Other comfort clauses ensure the right to quiet enjoyment and direct all parties to act honestly and in good faith in the event of conflict.

Wider Application: What is the future of residential leaseholds in Canada?

Except for First Nations land and university endowment lands, it is unlikely that many new leasehold situations will be created in the future. The few municipalities that have become involved in leasehold arrangements for unsubsidized housing have either withdrawn from the field entirely or are rethinking the wisdom of leasing rather than selling land that they own. The District of North Vancouver for example introduced a land leasing program in the early 1970's, leasing lots on a prepaid basis for 99 years. However, problems encountered by leaseholders resulted in the termination of the program in 1983. Leaseholders found the value of their lease to be significantly below freehold values, selling periods were much longer than those required for freehold properties, and financing was more difficult. In the case of the City of Vancouver, land leasing operations have been extensive. However, adverse publicity resulting from the Musqueam situation has caused the City to defer any additional leasing initiatives until it becomes clear which way the market is heading.

As the equity co-op section of this report explains at some length, municipal and provincial governments have also encountered difficulties leasing land for the development of equity co-operatives.

An earlier CMHC report on the subject of residential leaseholds concludes:

"Residential land leasing is not common in either the USA or Canada and is less so today than 10 years ago. The major provincial land leasing programs have been discontinued and in most cases the existing land leases have been sold off to the occupying tenants. [Also], one of the more active municipal governments in terms of residential land leasing (The District of North Vancouver) has discontinued the practice in favour of selling fee simple. Given the fact that they had a carefully designed plan and philosophy towards land leasing, particular care should be given to their analysis."[50]

Endnotes

[43] There are a number of cases of vacation homes constructed on land leased from public owners.

[44] The City of Windsor program is discussed in this report in the Shared Equity section.

[45] The three are False Creek, the Fraserlands (adjacent to the Fraser River), and Champlain Heights in East Vancouver. In the case of False Creek, the City was anxious to achieve its goal of a mixed community so it altered the terms of the land leases depending on the nature of the lessee. Thus, at a time when freehold land was worth $18 per buildable square foot, leases were signed with co-ops for $10, with seniors projects for $6-8, and with market condo developers for $14. Leases in False Creek were 60 years but were raised to 99 years for the Fraserlands and Champlain developments.

[46] The four equity co-ops are Ambleview Place, Parkgate, Bridgeside North, and The Legends. The fifth project is the City of Windsor's shared equity program.

[47] The Musqueam case involves a land lease situation in Vancouver where homeowners leased land from the Musqueam First Nations. The leases were not prepaid and dramatic rent increases at the 30-year point in the leases resulted in a huge amount of controversy, still ongoing as this report was being written.

[48] Hamilton, op.cit., page ix

[49] The Musqueam case involves a land lease situation in Vancouver where homeowners leased land from the Musqueam First Nations. The leases were not prepaid and dramatic rent increases at the 30-year point in the leases resulted in a huge amount of controversy, still ongoing as this report was being written.

[50] Hamilton, op.cit. page 50.

Chapter Eight: Shared Equity Arrangements

Definition: In this report, shared equity refers to tenure arrangements which are designed to make home ownership easier and more accessible for people with low incomes.

Many government programs of the 1970's and 1980's would qualify under this definition—the HOME program in Ontario for example. In many respects, the Windsor case study included in this report is very similar to the HOME program. However, the case studies selected for this report were limited to examples that have been operational in the 1990's.

Examples of true shared equity arrangements in Canada are impossible to find. In a true shared equity arrangement, a buyer and a non-occupant investor or sponsor would share the downpayment on a house and then subsequently share in any price appreciation, with provision made for appropriate recognition of operating costs.

Examples of variations on this theme that have been the subject of recent case study research include:

- **Shared Ownership Housing Pilot Project, Trois Rivières**

In this case, the City wanted to attract young families to downtown living by allowing them to buy the house first and the land later. It launched a demonstration project in 1993 by building two semi-detached houses in downtown Trois Rivières. Seven years after the initial purchase, buyers are to assume the cost of the land as well, via the renegotiation of the mortgage by the landowner, either the municipality or a financial institution.

If, in the interim, the house is sold, the new buyer must purchase both land and building. The original purchaser and the City share the equity of the house and lot, the purchaser by contributing the down payment for the value of the house and the City by carrying the cost of the land for seven years.

Program sponsors estimated that participants in the shared equity program could access home ownership for a total monthly cost of $446, including property taxes. The cost of the land for each unit was $7,500, approximately $1,500 below market value. The two homeowners who bought the demonstration houses must pay the $7,500 seven years after they purchased their houses.

An evaluation of the design and goals of this program concluded that shared ownership housing made home ownership more accessible, and increased housing choices for first time homebuyers. A complete evaluation of the operation of the program will not be possible until sometime in 2001.

- **Options for Homes, Toronto**

The Options for Homes initiative does not involve purchasers unable to accumulate a down payment, but it does illustrate a form of equity sharing. Homes are developed and sold at cost, at some discount from market value. The discount is converted into a second mortgage held by a third party.

When the unit is sold, any profit is split evenly between the homeowner and the second mortgage holder. If there is a loss, the second mortgage acts as a cushion, protecting homeowners from loss on their initial investment, at least to a point.

Options for Homes has developed and sold about 500 units using this model, starting with a 42-unit townhouse project in Toronto that was sold to households with incomes of $32,000. The St. Lawrence and Parliament Square Co-ops in Toronto were also developed using this model.

Case Studies in this Report

Two examples of shared equity ownership housing are included in this report: equity co-ops developed by the Quint Development Corporation in Saskatoon, and the Home Equity Participation Program in Windsor. Both initiatives were aimed at improving access to home ownership for low or moderate income households. Neither initiative is an example of a true shared equity arrangement.

Windsor

In the Windsor case, which is no longer in operation, the City's non-profit housing corporation developed and built single and semi-detached houses on City-owned land, which was leased to qualifying households for $1 per year. Reducing the total cost of the housing units by the price of the land meant that affordability was extended to lower income households that could not otherwise have afforded either the down payment or the monthly payments.

The basic premise behind the operation of the program was that both incomes and house prices would increase by about 7 per cent per year in the years following the initial purchases, thus allowing buyers at the end of year 10 to purchase the land at market cost and still retain some accumulated equity.

However, a number of factors led to unanticipated results. The first of these was the extension of CMHC's 5 per cent down program to all buyers, thus making access to home ownership easier for the group of buyers targeted by the program.

A second factor was the location of the City owned land. Some lots were located in less than desirable areas. Under the 5 per cent down program, buyers could afford houses in more desirable locations.

A third factor was that house prices and incomes did not increase by 7 per cent per year in the years following the introduction of the program.

Saskatoon

As the Quint case study explains in detail, buyers of houses purchased and renovated by the Quint Development Corporation are not required to provide an upfront downpayment. Instead, equity in homes is earned over a period of five years by a combination of good payment records, participation in the management and operation of the co-op, and contributions to the contingency fund. After the five-year period has elapsed, qualifying co-op members receive title to their homes with no further restrictions. In the sense that equity is accumulated by the actions of two parties, the purchaser and the province of Saskatchewan, the Quint housing co-ops may be considered examples of a shared equity program.

Impact on Affordability

In the Quint model in particular, home ownership opportunities are made available to households with very low incomes—even households on welfare may qualify to buy a house. This is made possible by the fact that a very large number of partners are involved in the Quint initiative, including some partners with money, notably the Province of Saskatchewan and the City of Saskatoon.

In the Windsor case, home ownership opportunities were possible for low to moderate income households—those who could not have afforded to buy on their own.

Partnerships

As Chapter Three and the case study discusses, the Quint program operates with a large number of very involved partners; the Windsor program was developed and implemented mainly by the City of Windsor's municipal non-profit housing corporation.

Related Goals

It is interesting to note that two of the shared equity initiatives described in this chapter—Quint and Trois Rivières—share goals other than improving access to home ownership. The Trois Rivières program was conceived as a way of encouraging people to live in downtown Trois Rivières; the Quint program hopes to stabilize and revitalize inner city neighbourhoods by increasing the proportion of owners and decreasing the proportion of absentee landlords.

Future Program Activity

The Quint program is in the midst of expanding while the City of Windsor program is no longer operational. Other cities are looking to the Quint initiative as a way of revitalizing declining inner city neighbourhoods—in Saskatchewan, both Prince Albert and Regina have introduced similar programs, and Winnipeg seems to be very interested in the concept.

Shared equity programs can be a very useful tool in situations where there is a large stock of affordable housing located in the midst of declining and unstable neighbourhoods.

In most other cases, however, shared equity initiatives, at least true shared equity initiatives, are too complicated a mechanism to encourage the production of much affordable housing. This is particularly true where house price inflation is low and incomes are growing very slowly.

Chapter Three (Comparison of Tenure Types) provides a summary of the five tenure types in terms of a variety of factors including impact on affordability, consumer satisfaction, client type, sponsorship, and community involvement.

This chapter will not repeat the conclusions described in Chapter Three. Instead, it will suggest some future directions for governments and housing providers to consider in order to maximize the impact of the five alternate tenure types studied in this report on the supply of affordable housing in Canada.

1. Recommendations for further research made by researchers are often suspect as reflecting no more than base self-interest. In the case of the alternate tenures studied in this report, it may be evident from the body of the report that each of the tenure types could easily be the subject of its own detailed report. The life lease section in particular points out many issues that would benefit from additional research.

2. Equity co-ops based on the BC model are far too vulnerable to soft real estate markets to provide a useful model for other projects to follow. However, the Alberta and Quebec models avoid the dangers of the BC model and promise to result in the production of good quality resident-owned accommodation in the future.

3. Cohousing projects, although generally not able to provide housing at much below market levels, are able to provide very satisfactory residential environments. Their popularity in Denmark far exceeds the impact they have had on the Canadian housing market. Seniors cohousing projects, also popular in Denmark, do not exist at all in Canada. But because they are challenging and time consuming to develop, few cohousing projects have been built in Canada, although a number are underway. Greater knowledge of their nature and operation would probably be useful, as would municipal support during rezoning.

4. The number of life lease projects is increasing rapidly in many provinces. As the case studies in this report attest, they are very popular with consumers. In addition, they are a useful vehicle for community based non-profit organizations with energy and resources at their disposal that may wish to pursue the development of a housing project in their community. However, because the production of life lease projects is so fragmented, a tremendous amount of time and energy is wasted though continual reinvention of the wheel—there is no central source of information on which community groups can rely to learn lessons already learned by others. The production of this report will go some way to alleviating this problem, but much more could be done, particularly in view of the enormous diversity in life leases.

5. Leasehold arrangements are rather rare in Canada now, but may burgeon as First Nations increasingly turn to residential development as a way of generating revenue and increasing employment opportunities for their members. Leaseholds are complicated and often poorly understood by consumers and would certainly benefit from greater

knowledge of their basic operating principles. In addition, some leasehold developments have been in operation for more than 20 years now. A systematic analysis of how their market values have changed as their lease terms have shortened would be very useful.

6. True shared equity arrangements are extremely rare, partly because they are complicated to administer for what are usually rather modest benefits. However, the Quint model included in this report, while not a true shared equity arrangement, does provide a very useful model for cities facing problems similar to those faced in Saskatoon—unstable inner city neighbourhoods characterized by low housing prices and low household incomes.

Appendices

- **Appendix A**: Case Studies
    - Cohousing
    - Equity Co-ops
    - Life Lease
    - Residential Leaseholds
    - Shared Equity
- **Appendix B**: Bibliography
- **Appendix C**: Interview Guides

Appendix A: Case Studies

List of Case Studies

Cohousing Case Studies

Cardiff Place Cohousing 1246 Fairfield Road Victoria, BC V8V 3B5

Cohousing

I. BACKGROUND INFORMATION

Year Occupied

1994

Project Sponsor

Victoria CoHousing Development Society (now defunct). Cardiff Place was the first cohousing project developed in Canada.

Client Group

The residents of Cardiff Place are a mixture of household types—some younger singles, some seniors, some couples without children, some middle aged singles, and four families with six children among them.

Project Summary

Name of Project	Cardiff Place Cohousing
Location	Victoria, BC
Population	334,368 (Capital Region District)
Dwelling Unit Type	New low rise apartment building connected to renovated heritage building
Number of Units	17
Client Group	Families and individuals; seniors and non-seniors

Origins and Objectives

In the early 1990's, one of the original (and current) members of Cardiff Place became attracted to the notion of living in a housing development that offered more of a sense of community than was available in conventional housing developments. He advertised in the local newspaper and attracted a core group of like-minded people. Interestingly, several members of the core group were single women who were already actively searching for a way to live together and realized that cohousing was a very appropriate vehicle. The group began to meet in the fall of 1992.

In 1993, the group became aware that a condominium project located in the Fairfield area of Victoria was nearing the point at which construction was scheduled to begin. The developer of the project, Birch Builders, had won the development rights to the City-owned site by undertaking to save the adjacent heritage building instead of demolishing it. However, pre-sale activity had been slow. The developer and the co-housing group recognized that they might both benefit if they joined forces to develop a co-housing project rather than a condominium project and that is what they subsequently did.

Goals

Like all cohousing communities, Cardiff Place Cohousing adopted the following four fundamental operating principles:

1. **Participatory process**—Residents organize and participate in the planning and design process for the housing development and are responsible as a group for all final decisions. (This principle of course only applies to the initial group of residents.)

2. **Intentional neighbourhood design**—The physical design encourages a strong sense of community.

3. **Extensive common facilities**—An integral part of the community, common areas are designed for daily use, to supplement private living areas. Most residents at Cardiff Place eat communally three times per week, although for some residents, particularly the strict vegetarians, it is too difficult to participate in communal meals. Cooking duties rotate through the membership, as do most other duties.

4. **Complete resident management**—Residents manage the development, making decisions of common concern at community meetings.[1]

Cohousing communities resemble co-ops in terms of characteristics 1 and 4, and in fact there is no reason why cohousing communities could not be structured as co-ops, except that it is often easier to arrange financing for strata title developments than for co-op developments. Cohousing is not really an example of an alternative tenure arrangement per se, rather it is an example of an alternative lifestyle choice.

[1] McCamant, K. and C. Durrett, *Cohousing*, Habitat Press, 1988.

Physical Description of Project

- Located on Fairfield Road in Victoria in a desirable residential area near the downtown.
- Composed of two adjacent buildings on a half-acre lot connected at ground level.
- One building, containing 11 units, was built for Cardiff Place.
- The other building, containing 6 units, is a renovated heritage building.
- Both buildings are 4 storeys, with 3,000 square feet of common space on the ground floor and residential space on the top three floors. Only the new building has an elevator and balconies.
- A variety of unit types are available including studios, and 1-, 2-, and 3-bedroom units ranging in size from approximately 400 square feet to approximately 1,400 square feet.
- Features within the units include:
    - high efficiency gas fireplaces
    - ultra low flush toilets
    - upgraded sound insulation
    - concrete floors and high grade carpet underpad

Project Amenities Available to all Residents

- Common room containing large kitchen and dining room.
- Lounge with fireplace (part of common room).
- Children's indoor/outdoor play area (part of common room).
- Workshops.
- Laundry area.
- Storage.
- Guest room.
- Gardens/composting area.
- Residents eat communally three times per week.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure—Strata title, except for five rental units included as part of the City's agreement to rezone the property. The rental units were to be maintained for a period of five years. Three units are still rented.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- Cardiff Place residents were heavily involved in every aspect of planning, design, development, construction, and ongoing operation and management.
- A private consultant named Chris Hanson functioned as development consultant.
- The contractor was a local Victoria firm, Birch Builders.

Although the City of Victoria owned the land before selling it to Birch Builders, the land sale had occurred before the cohousing development got underway.

Project Costs

The total capital budget for Cardiff Place was $3.1 million.

Project Development Funding

None

Project Financing

Project financing was very difficult and very risky for the members. Most of the initial occupants deposited $10,000 at the outset, which they were made to understand clearly was at significant risk of being lost entirely. However, two members provided a much more significant cash infusion to bridge the gap until equity from members could cover the costs.

Almost at the same time as members were buying their units, the real estate market in Victoria entered a long recessionary cycle which has yet to be substantially reversed.[2] Anticipated selling prices fell and the market value of Cardiff Place units fell before members had even moved in. At the date of completion, only 13 of the 17 units had been sold and the project had come close to bankruptcy on three occasions.

In an effort to demonstrate to Birch Builders a commitment to help carry the unsold units, the 13 members contributed a total of $40,000 in addition to the purchase price of their units. However, it was necessary for Birch Builders to carry the four unsold units for another year before all the units finally sold.

Pricing Structure

Pre-construction prices of selected units were as follows. Some units have views and some do not:

Type of unit	Square footage	List Price
1-bedroom	705	$97,324
1-bedroom	832	$133,181
2-bedroom	937	$155,719
2-bedroom	1,042	$189,527
3-bedroom	1,514	$240,750
3-bedroom	1,577	$250,995

At that time, these prices were about the same as roughly comparable condominium units in similar neighbourhoods, after allowing for the more extensive indoor common areas.

Marketing Issues

As already indicated, Cardiff Place was completed just as the Victoria real estate market began a long decline from which it has not yet recovered. The average price of a single family dwelling sold on the Multiple Listing Service was $247,000 in December, 1994. The average dropped steadily over the next few years until it reached $228,863 in December, 1997. It has subsequently increased somewhat, but average prices are still below 1994 levels.

Although price declines are welcome news from an affordability perspective, they are usually associated with a loss of consumer

[2] As one of the residents described this coincidence of events: *"Our timing was perfectly awful."*

confidence in the economy in general and slowing real estate market sales activity. This was certainly the experience with Cardiff Place, with the result that it took a full year to market the four units that remained unsold at the date of project completion. In addition, the real estate market decline occurred after the first 13 homeowners had bought their units, with the result that they lost substantial sums of money (on paper) before they had even moved in.

The fact that the 17 Cardiff Place units also had to absorb the cost of 3,000 square feet of common space made the marketing problems that much more difficult because of increased costs relative to competing projects. Although condominium projects also include common space, a 17-unit condominium project would more likely contain 300, not 3,000, square feet of common space

As in other cohousing projects, there is no resident selection committee—residents "self-select". Although it has a large, secure and very attractive indoor-outdoor play area for children and although providing a nurturing environment for children is one of the major goals of cohousing communities, Cardiff Place has not attracted more families with children for three main reasons: its apartment style of construction, the fact that it has few three-bedroom units, and the fact that it is more expensive than lower density residential alternatives in suburban locations.

Since initial occupancy several resales have occurred, all at prices about 15% below initial purchase prices, which mirrors the decline in the overall Victoria market for apartment style condominiums.

Was the type of tenure a factor in initial move-in decisions?

For most residents, the fact that Cardiff Place is a cohousing development was the major reason they moved in, although at least one resident was more attracted to the location than the nature of the development.

III. CLIENT SATISFACTION

Members are generally extremely satisfied with life at Cardiff Place. Positives include:

- Strong sense of community: This is of course the reason people join cohousing communities—they are looking for a way of life that is much different from life in a traditional North American neighbourhood. Cardiff Place residents typically do not lock their doors and feel like they are members of a very large extended family. Members tell the story of one resident who was diagnosed with cancer and died 3 months later, cared for around the clock by her neighbours.

- Locations: Cardiff Place is located in a very desirable area of Victoria, near downtown.

- Physical design: The buildings are very attractive. The new building closely resembles the renovated heritage building.

Negatives cited by residents include:

- The development and marketing process was extremely complicated and very stressful. Some who have been involved from the outset said they would never do it again, for this very reason. Others found the development process highly challenging, but also exhilarating.

- As previously mentioned, many members have suffered financial losses[3] due to the sustained downturn in the Victoria real estate market that began just as Cardiff Place was ready for occupancy.

- Some members would prefer to see more children living at Cardiff Place, although they recognize that the price structure and apartment configuration may discourage families with children.

Several other cohousing developments are underway in the Victoria area, although some Cardiff Place residents expressed the view that it would be difficult for the Victoria market to absorb more than one cohousing project.

Management Issues

- Like all cohousing communities, Cardiff Place is completely self-managed on a consensus basis. Members clearly recognize that consensus decision making, while an essential and valued component of cohousing developments, is a difficult and time-consuming thing to do right. Most people are used to the one-person, one-vote, majority rules model, and must learn how to operate in a framework where everyone must agree on a decision before it can be implemented. Members would never change the consensus model, but do not minimize the challenges inherent in implementing it effectively.

- Chore sharing is a management issue that has not yet been resolved entirely satisfactorily at Cardiff Place. Whether and how to introduce a mandatory time commitment is currently being discussed among the residents.

Monthly Fees

Monthly strata fees range from $84 to $185, depending on unit size. Strata fees cover water, hot water, sewer, property insurance, garbage collection, replacement reserves, common area costs, and operating costs of the various committees that contribute to life at Cardiff Place. Residents pay their own utilities and property taxes.

Members also pay separately ($3 per meal) for the common adult dinners that are cooked and served three times per week. Cooking duties are rotated among the members on a voluntary basis, although all members who share in the communal meals share in the cooking duties.[4]

Overall Satisfaction with Tenure

Members of Cardiff Place are extremely satisfied with their residential environment, notwithstanding the stressful and risky circumstances of its creation and development.

[3] The losses are paper losses and if the Victoria real estate market recovers, losses may be reduced or eliminated.

[4] As previously mentioned, a few members have chosen not to participate in the communal process primarily for reasons of diet.

What the Experience of Cardiff Place Illustrates about Cohousing Communities

- Cohousing communities foster a very strong sense of satisfaction and loyalty among their resident members.

- The development process for cohousing communities is often difficult, time consuming and risky. If the development period coincides with a market downturn, as was the case with Cardiff Place, the risks can become extremely serious. Without the financial assistance of Birch Builders, Cardiff Place may well have been forced to declare bankruptcy.

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Windsong Cohousing Community — Cohousing
20543 96th Avenue
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I. BACKGROUND INFORMATION

Year Occupied

1996

Project Sponsor

Windsong Cohousing Ltd.

Client Group

Windsong residents include a variety of household types—some younger singles, some seniors, some families with children, some couples without children. There are 105 residents in total, of which 35 are children. There is no resident selection committee—residents "self-select". Residents share a wide variety of occupations ranging from piano tuner to policeman to therapist to medical doctor.

Project Summary	
Name of Project	Windsong Cohousing
Location	Langley, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	Two wings of townhouses and apartments located on either side of an atrium style corridor
Number of Units	34 (26 townhouses; 6 apartments)
Client Group	Families and individuals; seniors and non-seniors

Origins and Objectives

Windsong was the second cohousing development started n Canada (Cardiff Place in Victoria was the first). The original core group of Windsong residents wanted to live in a cohousing development because they were looking for a different way to live and what they believed would be a better way to bring up children. They advertised for other interested people in the Common Ground newspaper. During the development and construction process each resident attended more than 200 meetings.
A number of serious reverses occurred during the development phase that very nearly killed the project, but the residents persevered.[5]

Goals

As was the case with Cardiff Place residents, Windsong members set out to create a cohousing community, generally defined as one that shares four common characteristics:

1. **Participatory process—**Residents organize and participate in the planning and design process for the housing development and are responsible as a group for all final decisions.

2. **Intentional neighbourhood design—** The physical design encourages a strong sense of community.

3. **Extensive common facilities—**An integral part of the community, common areas are designed for daily use, to supplement private living areas.

4. **Complete resident management—** Residents manage the development, making decisions of common concern at community meetings.[6]

Cohousing communities also support the principles of sustainable development.

Physical Description of Project

- 34 units.

- Variety of unit types in two wings with a 4,500 square foot common house in the centre of the wings.

- Single level one bedroom and den units (700 square feet) are located duplex style on either side of a staircase that leads to the second floor units; adjacent two-storey, three-bedroom townhouse units (1,100 square feet) are located over the underground parking structure; end units on the wings are three-storey four-bedroom units with a basement (1,800 square feet). The parking structure does not extend the whole length of the wings.

- The three- and four-bedroom units have two full bathrooms.

- Every unit has a kitchen and eating area.

The individual units in Windsong, as in most cohousing developments, are quite small, by deliberate design. The community space in a cohousing development is not simply amenity space, as in other types of housing developments, it is an integral part of the living area of all residents.

[5] For example, halfway through the development process the Ministry of the Environment demanded that the development be moved a further 15 metres from the adjacent stream, which necessitated a complete redesign.

[6] McCamant, K. and C. Durrett, *Cohousing*, Habitat Press, 1988.

Consequently, the relatively small size of the individual units must be considered in conjunction with the size of the community space. Residents do much of their active living in the community space and use their individual units as retreats.

The common house contains the dining room and kitchen, children's play area, a guest suite, a variety of meeting and community activity rooms, office, laundry room, craft room and store. There is a large garden behind the project. The total area of the site is 6 acres, but 4.5 acres of the site are an environmentally sensitive area that can never be built on.

Windsong is located in the Walnut Grove area of Langley, one of the 13 municipalities comprising the Greater Vancouver Regional District. Langley is about an hour's commute, by car only,[7] from downtown Vancouver. The Walnut Grove area has been developed over the past 10 years or so.

Project Amenities Available to all Residents

- Common house (see preceding description).

- Communal laundry is used by 24 of the 34 households although all units have laundry hook-ups. The motivation for using the communal laundry is partly social, partly environmental, and partly economic.

- There is a local area network installed and maintained by one of the residents that provides e-mail and high speed Internet access for $5 per month per resident.

- One of the residents organizes and operates a store that provides items such as organic vegetables at wholesale cost.

- Several residents share cars so that instead of each household needing two cars, each household has one car and shares another. (Because of Windsong's location it would be difficult to function without cars.)

- Childcare is shared among residents, as are a variety of other services ranging from gardening to hair cutting.

Land and Unit Tenure

- Land tenure—Freehold.

- Unit tenure—Strata title. There are some renters in the project as well,[8] all of whom have an equal voice in the management of the community.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- Windsong residents were heavily involved in every aspect of planning, design, development, construction, and ongoing operation and management.

[7] It is possible, but difficult, to take a ferry across the Fraser River from Fort Langley, several kilometres east of Windsong, and then take a commuter railroad to downtown Vancouver.

[8] For example, one of the owners shares a unit with a tenant; two of the residents bought two units each, the second one of which they rent.

- The contractor, Northmark Construction, was very supportive of Windsong's aims and when the project ran into difficulty because of poor market conditions, contributed its 10% profit margin. The main internal street at Windsong is called Hancock Square, in honour of Northmark's owner, Bill Hancock.
- Chris Hanson of Cohousing Resources, a consultant specializing in cohousing developments, facilitated the process of teaching the group to become developers and property managers.
- Although the Township of Langley was very supportive of the project, there were no special concessions made to facilitate Windsong's development.

Project Costs

The total project cost was $6.1 million, distributed as follows:

- Land—$1,051,000
- Hard Costs—$3,418,000
- Soft Costs—$1,097,000
- Financing—$292,000
- Contingency—$242,000

Project Development Funding

None.

Project Financing

- Equity of $1.8 million was generated from members ($400,000), Northmark ($600,000) and a private mortgage investment corporation ($800,000). The member equity was contributed first.
- Minimum deposits of $20,000 or 10% of unit costs were required from each member.
- Construction financing was provided by Multiple Retirement Services Trust.
- The project is insured by CMHC.
- Take-out financing was provided by the Royal Bank.
- Pre-sales of 21 units were initially required by CMHC, a requirement that was later raised to 27.

Pricing Structure and Marketing Issues

1) Pricing Structure

The units at Windsong are considerably more expensive than neighbouring condominium units. For example, the large four-bedroom unit at Windsong is currently valued at $265,000, while a reasonably comparable condominium (without access to the community space) would sell for about $200,000.

Currently, the one-bedroom and den units would sell for approximately $160,000.

The residents are willing to accommodate interested and suitable prospective residents who are not able to arrange their own bank financing. For example, the residents recently provided second mortgage financing at a 3% interest rate to a family without sufficient funds for a down payment.

2) Marketing Issues

At completion, six units were unsold. The local real estate market in 1996 was in the second year of a long decline. Northmark Construction contributed its 10% profit margin and two of the residents each bought an additional unit. The remaining units were sold within 6 months.

Since occupancy, Windsong units have maintained approximately the same selling price, although real estate values in the metropolitan Vancouver area have been declining since 1994.

Prospective residents are invited to a community event and a community meeting so they can judge whether this is a lifestyle for them. They do this before making a buying decision.

Was the type of tenure a factor in initial move-in decisions?

Windsong residents chose to live at Windsong because it is a cohousing community and for no other reason. Unlike Cardiff Place, which is located in a desirable area of Victoria, Windsong is located in a new and distant suburb of Greater Vancouver. Several residents expressed their dislike of the location, but realize that finding a suitable and reasonably affordable site for a cohousing community in a major metropolitan area like Vancouver is a formidable challenge.

III. CLIENT SATISFACTION

Members are generally extremely satisfied with life at Windsong. Positives include:

- Strong feeling of community. Doors are not locked, residents share many things, such as cars and vacuum cleaners, and many services, such as child care, cooking, gardening, and hair cutting. Many residents are very conscious of environmental issues, which accounts for some of the dislike of the Langley location (because of the long commute necessary), and actively search for ways to make the community as self-sustaining as possible. Studies have shown that people who live in cohousing developments remain there twice as long as they tend to remain in other tenure arrangements.[9]

- Even though individual units are relatively small, especially for families with children, residents maintain that the community space expands their living environment to a size that is perfectly satisfactory.

- Unit prices have maintained their original value over the three-year period since initial occupancy, unlike the average value of real estate in the Greater Vancouver area which has declined steadily since 1994. Residents believe this is because of the strong appeal Windsong has for people who are searching for a strong sense of community in their residential environment.

[9] Alan Carpenter, *Community Dream Creators*.

Negative aspect cited by residents:

- Its location in Langley, which is, as already mentioned, a somewhat distant suburb of Vancouver. In fact, there is some feeling that Windsong and Langley are incompatible, although residents are very involved in the larger community.

Management Issues

The residents of Windsong self-manage on a consensus basis. They do virtually everything themselves, including much of the mechanical work. Residents are expected to contribute four hours per month to the operation of the project and most do. Residents who do not contribute or who are uncomfortable with the lifestyle move out, although this has happened on very few occasions.

Meetings are planned and run by a facilitation committee, the membership of which changes regularly. Decisions are made on the basis of 100% consensus.

Monthly Fees

Monthly strata fees, which vary according to unit size, average $83 per month. This covers insurance, utilities, maintenance, and social activities.

Overall Satisfaction with Tenure

Members of Windsong are extremely satisfied with their residential environment.

What the Experience of Windsong Illustrates about Cohousing Communities

- Cohousing communities foster a very strong sense of satisfaction and loyalty among their resident members.

- Cohousing communities stress sustainability in their development and operation. At Windsong, the principles of sustainability are observed in many ways, ranging from the design itself to various energy saving alternatives adopted by the residents such as car sharing and car pooling and reliance on common laundry facilities.

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Equity Co-op Case Studies

Ambleview Place Housing Co-operative — Equity Co-operative

606 14th Street
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I. BACKGROUND INFORMATION

Year Occupied

1988

Project Sponsors

The District of West Vancouver and Ambleview Place Housing Co-operative.

Client Group

Ambleview is a seniors equity co-op, which in the District of West Vancouver means that at least one member of a household must be 60 years of age or older.[10] If prioritization is necessary, the first priority is given to residents of West Vancouver and the second priority to people who have worked in West Vancouver.

Project Summary	
Name of Project	Ambleview Place Housing Co-operative
Location	West Vancouver, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	Four-storey woodframe apartment building
Number of Units	42
Client Group	Seniors

[10] Some members of the co-op would prefer to have the age limit lowered to 55 from 60.

Origins and Objectives

In the mid-1980's, the District of West Vancouver identified a need for affordable seniors housing. The District concluded that the best way of achieving its goal was to acquire a site and then lease it to a community based housing group. Subsequently, four lots on 14th Street were acquired.

The District's original plan envisaged the construction of non-profit housing on the site, but two submissions for funding to the BC Housing Management Commission were turned down. Eventually, the District decided to encourage the building of an equity co-op on the site and published a request for proposals from interested proponents. The wording of the proposal is summarized below:

"West Vancouver Municipal Council requests submissions for private development of a non-profit non-subsidized housing project for senior citizens. Co-operative ownership, or its equivalent, is required. The 26,135 sq.ft. municipally owned site is proposed to be leased upon a long term (60 years) prepaid basis. Site development criteria includes provision of residential units, predominantly one and two bedrooms, with appropriate amenities for seniors (no care) in a low rise structure up to a density of 1.5 (Floor Area Ratio)."

The successful proponent, Robert Isaac-Renton, was a local architect who is still in active practice.[11]

The architect's first proposal was for a mixed seniors/family project for low income households. Although the exact sequence of events following this proposal is unknown, it was evidently not regarded as feasible on the site for a number of reasons.

The next proposal was for a low income seniors project, but at that time, there was no funding for such projects. The notion of a seniors equity co-op was devised as a way of combining the dual objectives of developing affordable seniors housing on the site without the requirement for public funding.

Although a resource group[12] was involved in the development of Ambleview, its role was minor; basically limited to some public education functions such as explaining the concept of co-operative housing at meetings organized by the architect or the District. The largest development role was assumed by the architect. In addition to assembling the site and undertaking the proposal call, the District also held a public meeting intended to generate interest in the project's development.

Physical Description of Project

- 42 units in a four-storey woodframe building.
- 12 one-bedroom units (615 square feet).
- 6 one-bedroom plus den units (745-815 square feet).
- 24 two-bedroom units (875-947 square feet).

[11] Mr. Isaac-Renton was also the architect for Khatsalano Equity Co-op and the Commercial Drive Equity Co-op.

[12] "Resource group" is the term used to describe non-profit development consultants that specializae in the development of housing co-operatives. In the late 1980's and early 1990's there were many resource groups located in almost every part of the country. Most disbanded or pursued other directions after the withdrawal of senior governments (except BC and Quebec) from the funding of social housing.

- 42 underground parking spaces.
- The site is 26,136 square feet (0.6 acres), very attractively landscaped.

Ambleview Place is located just off Marine Drive in West Vancouver, an affluent municipality in the Greater Vancouver area. Marine Drive is an important commercial thoroughfare and all necessary services (shopping, banking, medical services, restaurants) are easily accessible on foot, by car, or by public transit.

Amenities

- Community lounge
- Meeting room
- Office
- Workshop
- Communal laundry

Land and Unit Tenure

- Land Tenure—leasehold. The land was leased from the District of West Vancouver for 60 years. At the end of the term, members in residence are to be compensated for the then market value of the land and buildings.[13] In order to ensure that funds are available to compensate these members, a sinking fund was established by the municipality.

  Members pay $10 per month for the first 14 years; $15 per month in years 15-29; $25 per month in years 30-44; and $40 per month in years 45 on.

  Currently, because the co-op is still in the first 14 years of operation, total annual payments of $10 per month x 12 months x 42 units = $5,040 are added to the sinking fund each year. Given the impact of compound interest, the sinking fund is expected to be large enough by year 60 to pay the 42 members then in residence the market value of their units, in terms of 2047 dollars.

  The value of the prepaid lease was set at $775,000, which was estimated to be about 60% of the freehold value of the land.[14] In return for the discounted price, the co-op agreed to maintain the building as a seniors housing development operated by a co-op or other non-profit organization, and to ensure that future sales prices maintained the same relationship to market prices as existed at initial occupancy. The application of this principle is discussed at somewhat greater length later in this section.

- Unit Tenure—members lease units from the co-op, which is not strata titled. That is, there is only one title and it is in the name of Ambleview Place Housing Co-operative.

[13] Assuming the District decides it wants the land back at the end of the lease.
[14] Estimate of project architect.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- The District of West Vancouver generated the original idea, assembled the site, conducted a proposal call, and leased the site to the subsequently formed co-op.
- The project was built on the basis of a design-build turnkey contract.[15]
- The architect, Robert Isaac-Renton, provided many development consulting functions in addition to standard architectural work.
- A resource group, Inner City Housing Society (now known as Innovative Housing Society) helped with membership development and education.
- The builder was Gauvin Construction.
- The members of the co-op were somewhat involved in the planning, development, and construction of the project, although the fact that it was a turn-key proposal limited the extent of the possible involvement. After the plans for the building were finalized, representatives of the co-op met with the architect and contractor on a monthly basis to review progress. The first residents were able to make some choices about unit design—fridge size for example, type of carpet and linoleum, second bathroom or storage room in the two-bedroom units.

Project Costs

The capital cost of Ambleview Place was $3 million broken down as follows:

- Land—$775,00
- Land carrying costs—$63,000
- Construction cost—$1.7 million
- Interim financing—$69,000
- Design consultants—$67,000
- Development cost charges—$119,000
- Resource group fee—$45,000
- Other soft costs—$165,000

Project Development Funding

None—interim financing was provided by the architect.

Project Financing

Interested prospective members paid a $1,000 deposit at the outset. If accepted for membership, the deposit became non-refundable. The balance of the minimum deposit of 25% of the cost of the unit was due just prior to residents moving in. Member equity was held in trust until the building permit was issued, and professional fees were paid at that time from the member equity. Because of this arrangement, member deposits were never

[15] A turn-key contract means that the project is designed by the architect and built by the contractor with little or no involvement by future residents. When the project is complete, the key is turned over to the residents—hence the name of the technique.

at risk (beyond the initial $1,000).

Mortgage draws for construction financing began soon after that on the strength of the land lease, which had already been signed by the District of West Vancouver, as well as on the fact that the units were fully subscribed by people who had paid a 25% deposit.

If members required a mortgage, one could be arranged with VanCity Credit Union, the take-out lender, via a blanket mortgage held by the co-op that was initially equivalent to 53% of the total cost of the development.

Since initial occupancy, if a member owing a share of the mortgage moves out, the incoming member must assume the share even if the new member could have paid cash.

Changes to the mortgage, including pay-out, can only be made at the renewal date of the mortgage. If an incoming member needs more mortgage financing than an outgoing member, he or she must arrange for bridge or other interim financing until the mortgage renewal date, when an increase to the mortgage amount may be negotiated. Currently, the outstanding mortgage amount is $331,189.

Pricing Structure

When Ambleview was developed, it offered very affordable accommodation relative to the West Vancouver market. Unit prices, which were determined solely on the basis of total costs and the square footage of units,[16] ranged[17] from $56,000 to $91,000, prices that were equivalent to between 73% and 83% of market values at the time. Below market values were achieved for three major reasons:

- The municipality leased the land to the co-op for about 60% of its market value.[18]
- The development consultants worked on a fee basis, saving some proportion of a developer's profit margin.
- The project was pre-sold and did not require any marketing expenditures.

Member equity rises (or falls) in concert with increases (or decreases) in the general level of real estate prices. At the time of initial occupancy, ratios were established for each unit based on the cost of the unit compared to its appraised market value. These ratios will be maintained throughout the life of the co-op, meaning that although prices of co-op units will rise, they will remain substantially below market prices for similar accommodation.

An appraisal is conducted of 5 or 6 units in November every year. When a member moves out, they may base their selling price on the most recent November appraisal, or they may commission their own appraisal, in which case selling price is based on an average of the two.

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16 Plus extras that the initial residents added to their units, such as washers and dryers.

17 What is really sold in an equity co-op transaction is shares, not units. Members own shares that are equivalent in value to the value of the unit.

18 It is common for public land leases in BC to operate on the basis of 60-year leases at 75% of freehold market value. It is a matter of some controversy whether such arrangements represent preferential treatment from the perspective of the lessees, although at the outset, a 25% reduction in land cost is an obvious marketing advantage. A 40% reduction in land cost provides an even more obvious advantage.

Some problems have been created because of the fact that the original selling prices did not reflect anything other than unit type. That is, all 2-bedroom units were sold at exactly the same price, regardless of views or sun exposure or which floor of the building the unit was located on.[19]

Currently, units that sold for just over $90,000 at initial occupancy are valued at about $165,000, which represents an increase of 83%.[20]

Marketing Issues

Because the units were very attractively priced, the location was excellent, and the real estate market was healthy, there were no marketing difficulties. All the units were pre-sold, which resulted in a saving of marketing costs.

Was the type of tenure a factor in initial move-in decisions?

Generally, it was not. Residents were attracted to Ambleview Place for the following major reasons:

- **Affordability—**As previously noted, Ambleview's prices have been substantially below average West Vancouver prices since the project was built. Some members had been renting in West Vancouver and had been growing concerned about the magnitude and frequency of rent increases. Others downsized from much larger condominiums. Some had sold their previous residence because they could no longer comfortably afford them. Although these members had believed they would never be in an ownership position again, the price structure at Ambleview Place allowed them to buy.

- **Location—**As indicated in the description of this project, the location of Ambleview Place is excellent.

- **Input into Design—**Some of the initial occupants were attracted by the ability to have some influence in the design of the project, although as already explained, the extent of their influence was limited by the turnkey nature of the development.

- **Sincerity of Development Team—** Several members commented that they had been impressed by the knowledge and sincerity of the development team, including the architect, the contractor, and the resource group.

Somewhat unusually, the fact that Ambleview Place is on leased land does not appear to be a source of concern for residents. Part of the reason for this is that the District of West Vancouver owns the land and that a sinking fund has been established by the municipality. It may also be the case that residents recognize and appreciate the contribution that the leasehold status has made to the relative

[19] Generally, unit prices reflect attributes in addition to unit type. That is, a 2-bedroom view unit usually sells for a higher price than a 2-bedroom unit without a view. These distinctions were not made at Ambleview Place.

[20] There are no readily available data about the prices of low rise condominiums in West Vancouver over the period since 1987. The estimate of $165,000 is based on the annual appraisal process conducted at Ambleview Place.

affordability of their accommodation.

III. CLIENT SATISFACTION

Members are generally very satisfied with Ambleview Place. Positives include:

- Strong sense of community—Participation is expected of members. In addition to the Board of Directors, there are 10 active committees. Members consider themselves part of an extended family and say they never feel alone. One member commented that she "had never been happier than living at Ambleview Place".
- Affordable housing.
- Excellent location.
- Well-designed units.
- Ability to control who moves in: Ambleview Place looks for members who "are happy to be alive", in the words of one of the residents. The co-op is also concerned about maintaining a reasonably youthful membership.
- Sinking fund (described in the Land and Unit tenure section of this report).

Negatives cited by residents include:

- Some members believe that the value of their investment has grown more slowly than equivalent units in the condo market.
- There may be something of a co-op stigma in West Vancouver. Some members of Ambleview as well as some members of Tudor Gardens (also a case study in this report) believe that co-ops are perceived by the general public as providing subsidized rental accommodation for low income households.
- The sinking fund may prove inadequate. It is very difficult to estimate accurately what future real estate values may be and the fund could conceivably be too small to permit market level buy-outs at the end of the term.
- Units are relatively small, although residents moving from larger homes soon adapt to the smaller sizes.
- Some members miss their gardens.

Management Issues

Although the members self-managed at the outset, they decided in 1994 that it made more sense to hire a property management firm. Ambleview Place is now managed by a management firm.

However, the members are still very involved in the operation of the co-op. In addition to the Board of Directors there are committees responsible for finance, membership, maintenance, grievances, housekeeping, gardening, rules/handbook, security, social events, design and decorating, and recycling.

Monthly Fees

Monthly fees per unit range on the basis of unit size from just under $100 to $164 per month for maintenance and other common charges, including management fees and sinking fund payments. Property taxes are paid separately, but are quite modest (around $400 per year). Recent annual operating budgets of the co-op have been based on revenues and expenses of just under $70,000. Annual additions to the replacement reserve fund range between $9,000 and $15,000. The co-op has a healthy replacement reserve fund.

Design Features to Address the Needs of Residents as they Age

- Some bathrooms have grab bars.
- The units are wheelchair accessible.

Overall Satisfaction with Tenure

Ambleview Place is a very successful community. It is probably fair to say that its co-operative structure has made a definite contribution to its success, by involving residents in the management of the building and by encouraging and fostering social interaction among them.

What the Experience of Ambleview Place Illustrates about Equity Co-ops

- As noted elsewhere in this report, equity co-ops seem to be most successful when two conditions are met: when they fill a gap or niche in the marketplace, and when the co-op is substantially more affordable than available alternatives. In what is probably the most expensive real estate market in Canada, Ambleview Place provides good quality, relatively affordable housing in an excellent location.
- Although land leases can be problematical for equity co-ops and may be a marketing negative, this does not appear to be the case for Ambleview Place. The prepaid lease was well priced and the co-op's residents have confidence in the lessor, the District of West Vancouver.
- The co-operative lifestyle is believed by the members of Ambleview Place to foster a sense of community that they could not find in readily available alternatives such as condominiums.
- Although it is an impossible factor to control, developing an equity co-op in a vibrant real estate market is much easier than developing one in a real estate recession.
- Ambleview Place is not strata titled. However, it has never experienced any problems related to defaults or joint liability issues. There is only a small mortgage, which is shared by nine members. In these circumstances, the probability of default is remote and even if it occurred, it would not be seriously detrimental. Members, even those with mortgages, have substantial amounts of equity in their units and in addition, units are readily marketable.

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Avondale Housing Co-operative — Equity Co-operative

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I. BACKGROUND INFORMATION

Year Occupied

1987

Project Sponsors

Columbia Housing Advisory Association[21] and Avondale Housing Co-operative

Client Group

Avondale was designed to meet the housing needs of modest income retirees over the age of 50.

Project Summary	
Name of Project	Avondale Housing Co-operative
Location	Surrey, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	One-storey bungalow units built in clusters
Number of Units	70
Client Group	Seniors

[21] Columbia Housing is a resource group, a non-profit development consultant that specializes in the development of co-operative housing projects.

Origins and Objectives

The genesis of Avondale, as was the case with Crescent Downs and The Cedars, which are similar developments, was a view held by Columbia Housing, a resource group, that the housing needs of modest income retirees were not being met in the Greater Vancouver marketplace. In conjunction with Progressive Homes, a builder specializing in social housing, Columbia set out to fill this gap in the marketplace, first with The Cedars and Avondale, and then with Crescent Downs, also a case study in this report.

Physical Description of Project

- 70 one- and two-bedroom bungalow units built in clusters.
- The 20 one-bedroom plus den units are 880 square feet.
- The 47 two-bedroom units, which include an en suite bathroom as well as the main bathroom, are 950 square feet.
- There are also three fully accessible units, only one of which has ever been occupied by a disabled resident.
- Units have front and back doors and yards with parking near the units.
- Units are modest (small, vinyl siding exteriors) but attractive and the site is very well kept and landscaped.
- The site is nine acres. It is virtually impossible that a similar design could be replicated in the same location today because such a low density development would mean prohibitive per unit land costs.

Avondale is located in the Newton area of Surrey, a suburb of Greater Vancouver. The journey by car from Avondale to downtown Vancouver takes approximately one hour at rush hour. All shopping and services are close by, including a library and a seniors centre.

Amenities

- A free-standing amenity building that is heartily disliked by some members because of its unusual design. It very much resembles a grain elevator but all the space above the main floor is unusable. The building contains a large meeting room that is used for social activities as well as meetings.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure—Members lease units from the co-op. Neither shares nor leases may be assigned.

Client Group

Seniors.

II. PROJECT DEVELOPMENT, FINANCING AND MARKETING

Development Model/Partnership Arrangements

- Progressive Homes bought the land and held it during construction, hired and supervised the architect, arranged interim financing, and built the project on the basis of a fixed sum construction contract. Progressive was responsible for all interim development and construction costs.

- Columbia Housing generated the membership base, incorporated the co-op, performed project co-ordination duties, marketed the co-op, and provided member education.

Some members of the co-op are dissatisfied with a number of events that occurred during the development process, some of which were only resolved through litigation. One of the fundamental policies that is the subject of continuing dispute is the amount of equity paid to outgoing members. This issue is described at greater length in the price structure section of this case study.

Project Costs

- Land cost—$735,000
- Fixed price design build cost for completed project—$3,555,335
- Columbia Housing fee—$133,000
- PMB Consultants (Construction Advisor) —$27,500
- Total cost—$4,450835

Project Development Funding

None was necessary—interim financing was provided by Progressive Homes.

Project Financing

Prospective members were required to deposit $13,000 (in trust) to reserve a unit. The balance of the purchase price was due on occupancy.

Pricing Structure

At the outset, units were priced to reflect development costs. The one-bedroom units sold for $66,000 and the two-bedroom units for $69,000. It is difficult to compare these prices to then-market prices for two reasons —because there was no similar accommodation available on the market, and because CMHC did not publish data on unit prices at that time.

There is no such difficulty in 2000. Because Avondale is a non-market co-op that does not allow any appreciation or adjustment of equity values, units are still selling at their original price levels, which are extremely affordable by neighbourhood standards.[22]

Over the last 12 years, some co-op members began to grow concerned about the purchasing power of the value of their shares in the event that illness forced them to move into an expensive congregate care home. Columbia Housing had pursued this identical issue on behalf of another co-op, which had been advised by the Superintendent of Co-operatives that the co-op could increase the value of its members' equity to more closely reflect market values as long as the necessary extraordinary resolution was passed by the membership. This would require a 75% vote in favour by members.

Such a resolution was prepared for Avondale, whereby the capital value of outgoing members' shares would be tied to appraised market values on the basis of the relationship between the cost to build the project and its appraised market value at the time it was built.

[22] Currently, new single family houses in Surrey are selling for an average price of $345,000. New row condominium units are selling for an average price of $245,000.

That is, shares would be valued on the basis of the following formula:

$$\frac{\text{Total Project Cost}}{\text{Appraised Market Value at Completion}} \times \text{Appraised Market Value of Unit} = \text{Capital Value of Shares}$$

To illustrate, if the ratio resulting from the comparison between project cost and appraised value at completion were, say, 75%, then the capital value of shares in 1999 would be equivalent to 75% of the appraised market value of the unit in 1999. This would be considerably more than current prices of $66,000 for a one-bedroom unit and $69,000 for a two-bedroom unit.

Although the resolution was prepared, litigation at Crescent Downs over similar issues delayed further action at Avondale for a considerable period of time. At the moment, the Board of Directors has not yet agreed to introduce the resolution for consideration by the membership and events are in something of a state of limbo.

Marketing Issues

Avondale filled up quickly. It was considered by members to be affordably priced,[23] it was very well located, and there were (and are) few similarly designed projects available. In addition, the real estate market was healthy in the late 1980's.

Currently there is a waiting list, not surprising in view of the location, affordability, and design of the units. The member selection committee tries hard to choose members who will be compatible with the community, and who are not too old and frail. The co-op is very anxious not to acquire any of the characteristics or appearance of a care home.

Was the type of tenure a factor in initial move-in decisions?

It is probably fair to say that few residents focused on the ownership structure of Avondale when they moved in, although subsequently, equity restrictions have created some problems, as already noted. The major attraction of Avondale at the time of initial occupancy was its location, its design, and its affordability.

III. CLIENT SATISFACTION

Advantages of Avondale from the members' perspective are summarized below:

- **Site and unit designs**—Many members chose Avondale primarily because of the design of the units—they are on one level (no basement); they have a front door and a back door; car parking is nearby; each unit has a front and back yard, and there is a great deal of common open space. This kind of design in the Greater Vancouver area is extremely difficult to find.

- **Location**—The co-op is very centrally located to all shopping and services, including a library and a seniors centre

- **Affordability**—In the Avondale case, affordability is a two-edged sword. As already noted, units are extremely affordable, which is clearly a major advantage for new members. But the fact that no equity build-up is possible is a concern for some long term members who worry about how they would

[23] As previously mentioned, data are not available that would indicate how Avondale prices compared to market prices at the time of initial occupancy.

finance a residential option that provided some level of care, in the event that this became necessary.

- **Sense of community—**Members appreciate the shared nature of co-operative living. Many social events are organized regularly, including bingo, rummoli, and pot luck dinners.

- **Security—**Members appreciate the ability to leave their house for extended periods of time without concern. The site is fenced and there is only one entrance.

- **Land ownership—**The fact that the land is owned by the co-op and not leased is considered to be a major advantage by many members who are aware of the struggles that have been faced by other equity co-ops that were built on leased land.[24]

Negatives cited by residents include:

- **Age structure—**One of the concerns of the members is the age distribution of the residents, which is difficult to get just right. If residents are too young (i.e., over 50 but under 65) and are still working, they lack the time and the energy to participate in the operation of the co-op. If they are too old, they may lack the energy, the health, or the desire to participate in the operation of the co-op.

- **Member selection procedure—**Formerly, the entire Board would participate in the member selection process. Current practice is for only a few members of the Board to interview prospective members, a policy that some members believe is not particularly conducive to an effective member selection process.

- **Affordability—**As noted, affordability at Avondale is a two-edged sword. Members who have lived at Avondale since initial occupancy have not benefited from any appreciation in real estate values in the Vancouver area since the late1980's and may be at something of a disadvantage in terms of accessing alternative accommodation.[25]

Management Issues

Avondale is managed by a management firm, Compton Steel, which is highly regarded by the membership. The co-op has a healthy replacement reserve fund of almost $500,000, which is augmented annually by an amount ranging from $35,000 to $45,000.

Monthly Fees

Monthly fees for all unit types are $210, which covers maintenance and property taxes.

Design Features to Address the Needs of Residents as they Age

- Grab bars in the bathrooms.

- Units all on one level.

- Three fully accessible units.

[24] See for example Bridgeside North, The Legends, and Parkgate case studies.
[25] Unless they invested the savings accruing to the difference between their shelter costs at Avondale and market costs.

Overall Satisfaction with Tenure

Avondale is a healthy community with members who are, for the most part, extremely satisfied with their residential environment.

The one factor that has resulted in some controversy is the non-market nature of the co-op and the consequent treatment of equity. As indicated, the Avondale model allows no return on equity, which has resulted in extremely affordable housing. However, some members believe that the non-market nature of the co-op puts them at a disadvantage because there is no ability to capture increases in the value of real estate assets.

What the Experience of Avondale Illustrates about Equity Co-ops

- For all equity co-ops, and for non-market equity co-ops in particular, it is critically important to convey clearly to prospective members exactly how the co-op functions and what will happen to their equity over time.

- The turnkey method of developing co-ops has its advantages and its disadvantages. Members are not generally very involved in the development of their eventual home, which may be regarded as a disadvantage by some,[26] and it may be more expensive than alternative development methods for a number of reasons.[27] On the other hand, it avoids some of the serious barriers faced by equity co-ops, the availability of interim financing for example.

- Equity co-ops may be particularly successful when two conditions are met: when they fill a gap in the marketplace, such as Avondale and other similar co-ops did for ground-oriented, affordable, retirement housing; and where the co-op is substantially more affordable than other alternatives.

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[26] Although the Crescent Downs community is healthy and vibrant. Over time of course, whatever benefits may accrue from significant member involvement in the development stage will become less important simply as a result of turnover.

[27] For example, turnkey developers earn profits that reflect their greater involvement.

[28] Note that Mr. Kitchen is not currently on the Board of Directors. He was recommended as a knowledgeable spokesperson by Faye Kantrowitz, the spokesperson for The Legends Housing Co-op.

Crescent Downs Housing Co-operative — Equity Co-operative

4749 64th Street
Ladner, BC
V4K 4W4

I. BACKGROUND INFORMATION

Year Occupied

1991

Project Sponsors

Columbia Housing Advisory Association[29] and Crescent Downs Housing Co-operative

Client Group

Crescent Downs was designed to meet the housing needs of modest income retirees over the age of 50. The average age of the current membership is about 65. Half are couples and the majority of the remainder are women living alone.

Project Summary	
Name of Project	Crescent Downs Housing Co-op
Location	Ladner, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	1,000 square foot single-storey bungalows built in clusters of four
Number of Units	70
Client Group	Seniors

[29] Columbia Housing is a resource group, a non-profit development consultant that specializes in the development of co-operative housing projects.

Origins and Objectives

Columbia Housing identified a gap in the marketplace for retirement housing for modest income retirees. In conjunction with Progressive Homes, a builder specializing in social housing, Columbia Housing set out to fill this gap in the marketplace with a series of three equity co-ops: The Cedars, Avondale, and Crescent Downs.[30] All three are located in the Greater Vancouver area.

Physical Description of Project

- 70 two-bedroom bungalow units, each encompassing 1,000 square feet, built in clusters of four on a 5 acre site.

- Units have front and back doors and yards with parking immediately in front of units.

- The site is very well kept and landscaped.[31]

The Crescent Downs site is about one mile from the village of Ladner and is not within walking distance of shopping or services.

Ladner itself is part of the municipality of Delta, one of the constituent municipalities of the Greater Vancouver area. Ladner is approximately 40 kilometres from downtown Vancouver.

Amenities

- There is a free standing amenity building in the centre of complex that contains a meeting room with tables and chairs, a workshop, a small office, and a storage room. The meeting room is used for social events such as potluck dinners as well as for meetings. Pools and other expensive amenities were avoided in order to keep costs down.

Land and Unit Tenure

- Land tenure—Freehold. Owned by the co-operative as an entity, not jointly by the members, who are in effect shareholders of a corporate entity.

- Unit tenure—Members lease units from the co-op. Neither shares nor leases may be assigned.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- Progressive Homes located and acquired the site, obtained the rezoning, and held the land during construction; hired and supervised the architect; arranged interim financing; and built the project.

- Columbia Housing incorporated the co-op; performed project co-ordination duties; provided advice to the co-op during the development period, marketed the co-op; and provided member education.

Project Costs

$7.9 million

Project Development Funding

No public financial support of any kind was provided. Start-up funds, which are often required in the early stages of project development to option land or to

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30 Avondale is also a case study in this report.
31 There is some doubt whether the municipality would approve a similar design today because of its relatively low density.

pay architectural fees or to market a project, were not required because Progressive Homes supplied all the necessary front-end financial support. Columbia Housing deferred its fees for administration, marketing, and public education until occupancy.

Project Financing

Prospective members could choose a unit on the basis of a $200 application fee. The balance of their down payment, which could range from 20% to 100% of the value of the unit, was due two weeks later. All funds went into a trust account with interest accruing to the members until project occupancy. The funds were never used as security for borrowing and were never at risk.

The ultimate take-out mortgage was $4.3 million, 56% of the project cost. The outstanding mortgage now is approximately $500,000. Only a handful of members still pay a share of the mortgage.

Pricing Structure

Units were originally priced at $107,000 for the internal units and $113,000 for the end units (and are priced the same today). It is difficult to compare these prices to market prices because the Crescent Downs units were unique.[32] Similarly, it is difficult to compare Crescent Downs' prices to current market values for the same reason. The goal of the co-op has always been, and remains, to provide affordable and comfortable accommodation for those who live there now and for those who will live there in the future.

Members unable to pay cash for the full value of the shares attributable to their unit must contribute to their share of the overall mortgage held by the co-op.

On move-out, the original intention was that members would have their shares redeemed by the co-op in the same amount as they paid when they moved in. However, the exact nature of the appropriate amount of redemption has been a huge issue for the co-op for most of its existence and the cause of a great deal of litigation.

According to the co-op's current Board of Directors, the difficulty began when marketing problems during the co-op's development stages resulted in a decision of Columbia Housing to introduce the concept of adjusting the value of shares by increases in the Consumer Price Index for outgoing members.[33] The way in which this decision was implemented is believed by the current Board to have been illegal. Legal or not, in August of 1992 an extraordinary resolution was passed by the membership rescinding the CPI adjustment. However, for members who joined the co-op between August of 1990, when the adjustment was first introduced, and August of 1992, the question of whether or not a CPI adjustment should apply to the value of their shares has been the subject of ongoing litigation. The Board now believes that the issue is finally nearing resolution and that the ultimate result will be that no member is entitled to an adjustment of share value on any basis.

Responsibility for finding a new member devolves upon the co-op, which has six months to redeem the shares of the outgoing member.

[32] There are no other housing projects remotely similar to Crescent Downs in its market area.

[33] The view of Columbia Housing is that it was unfair to require prospective members to accept a future decline in the purchasing power of their share purchase.

Marketing Issues

Because of a market downturn, only 50% of the units had been sold at project completion (people wishing to move in could not sell their own houses). VanCity, the lender for the take-out blanket mortgage, advanced $1.5 million to Progressive Homes. The $2 million in deposits was also paid to Progressive, who agreed to hold a second mortgage at 0% interest while the remaining units were sold. This took six months.

Subsequent to initial occupancy, the project has been full and currently has an 18-month waiting list. In light of the difficulties the membership has had over the CPI adjustment, the membership committee takes special pains to explain to prospective members that when they move out, their share value will be returned to them in exactly the same amount as when they moved in.

Was the type of tenure a factor in initial move-in decisions?

It is probably fair to say that few residents focused on the ownership structure of Crescent Downs when they moved in, although subsequently, equity restrictions have created some problems, as already noted. The major attraction of Crescent Downs at the time of initial occupancy was its design.

III. CLIENT SATISFACTION

Advantages of Crescent Downs from the members' perspective are summarized below:

- **Site and unit designs**—Many members chose Crescent Downs primarily because of the design of the units—they are on one level (no basement); they have a front door and a back door; car parking is right outside the units; and each unit has a front and back yard. This kind of design in the Greater Vancouver area is extremely difficult to find.

- **Affordability**—Because of the relative modesty of the design, and because of the limitations on the return of share prices, units are affordable and will remain that way.[34] Some members who have compared the total cost of their units, including foregone interest on the share value, to the cost of renting comparable accommodation believe that Crescent Downs is several hundred dollars cheaper per month than renting. The fact that capital appreciation is not possible is discounted by members for two reasons—the first is that these members are looking for shelter, not for capital gains, and the second is that markets can go down as well as up, as all residents of the Greater Vancouver area know only too well. The overall downward trend in local real estate markets over the past several years

[34] Units at Crescent Downs sell for $107,000 to $113,000. According to data from the Greater Vancouver Real Estate Board, the average price of a single family dwelling sold in South Delta, where Crescent Downs is located, on the Multiple Listing Service in the three months ending April 30, 1999 was $313,000. The average price of a townhouse and an apartment condominium sold on the MLS were $212,000 and $154,000 respectively. Although some new dwelling units are sold on the MLS, most sales are of existing housing. It is not possible to obtain more detailed data from the Board, such as the average price of a 1,000 square foot townhouse condominium unit.

has been exacerbated by the leaky condo phenomenon, of which there are several examples in the neighbourhood of Crescent Downs.[35]

- **Sense of community—**Members appreciate the shared nature of co-operative living. For example, the internal roads of the development were recently resurfaced. Rather than hiring a contractor to do this work, the members did it themselves, partly for economic reasons but partly because it was a “bonding experience”.

  In addition to the Board of Directors, organized committees include a membership committee, a maintenance committee, a gardening committee, a move-in/out committee, and a social committee.

- **Security—**Members appreciate the ability to leave their house for extended periods of time without concern. The site is fenced and there is only one entrance.

There are now about 50 or more households on the waiting list. Many people sell their houses and move into temporary rental accommodation while they wait for a unit in Crescent Downs to become available.

Negatives cited by residents include:

- **The CPI adjustment—**In terms of sources of dissatisfaction, the main one has been the ongoing battle over the CPI adjustment.

Management Issues

Although the members self-managed at the outset, they eventually decided that it made more sense to hire a property management firm. Crescent Downs is now managed by a management firm, Compton Steel, that is highly regarded by the membership. The co-op has a healthy replacement reserve fund.

Monthly Fees

$187 per month for maintenance and property taxes.

Design Features to Address the Needs of Residents as they Age

- The bathrooms all have grab bars.

- The units are wheelchair accessible.

The co-op is concerned about aging issues and loss of independence that may be experienced by members. They point out that Crescent Downs is not a health centre and that members requiring care need to find alternative accommodation.

Overall Satisfaction with Tenure

Crescent Downs is a strong and vibrant community with members who are, for the most part, extremely satisfied with the nature of their governing structure and the way it has moulded their interactions with each other.

The one factor that has resulted in some controversy is the non-market nature of the co-op and the consequent treatment of equity. As indicated, the Crescent Downs

[35] Many condominium units built in the Greater Vancouver area since the late 1970's have been discovered to leak. Owners are required to repair these units, often at a cost of $30,000 to $40,000 or more for each unit.

model allows no return on equity, assuming current litigation concludes as anticipated by the Board. This situation is acceptable to most members, particularly those who are aware of how affordable Crescent Downs is relative to market alternatives. These members believe the objective of the co-op is to provide affordable housing over the long term. However, there are a few members who disagree with this non-market philosophy.

What the Experience of Crescent Downs Illustrates about Equity Co-ops

- For all equity co-ops, and for non-market equity co-ops in particular, it is critically important to convey clearly to prospective members exactly how the co-op functions and what will happen to their equity over time.

- The turnkey method of developing co-ops has its advantages and its disadvantages. Members are not generally very involved in the development of their eventual home, which may be regarded as a disadvantage by some,[36] and it may be more expensive than alternative development methods for a number of reasons.[37]

On the other hand, it avoids some of the serious barriers faced by equity co-ops, the availability of interim financing for example.

- In volatile real estate markets, traditional equity co-ops[38] may face very serious problems if they encounter a market downturn during their marketing phase, as several of the case studies in this report discuss.[39] Crescent Downs was only 50% sold at completion, but because of the involvement and co-operation of the turnkey developer, Progressive Homes, was able to survive the financial repercussions of the lack of sales. Had the co-op been acting as its own developer, the members would have been jointly liable for the unsold units, which clearly would have created very serious problems.

  Other, more recently developed, co-ops in BC[40], have all grappled with problems caused by unlimited joint liability. The Alberta model, discussed elsewhere in this report, avoids the unlimited joint liability problems faced by co-op members in BC.

- Equity co-ops may be particularly successful when two conditions are met: when they fill a gap in the marketplace, such as Crescent Downs did for ground-oriented, affordable, retirement housing; and where the co-op is substantially more affordable than other alternatives.

- The co-operative lifestyle is believed by the members of Crescent Downs to foster a sense of community that they could not find in readily available alternatives such as condominiums.

36 Although the Crescent Downs community is healthy and vibrant. Over time, whatever benefits may accrue from significant member involvement in the development stage will become less important simply as a result of turnover.
37 For example, developers must be compensated for the wider array of services they provide.
38 i.e., non-strata-titled.
39 See, for example, Eagle Grove, Parkgate, and The Legends.
40 The Legends, Khatsalano, Bridgeside North, and Eagle Grove.

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I. BACKGROUND INFORMATION

Year Occupied

1997

Project Sponsor

Eagle Grove Equity Housing Co-operative

Client Group

Eagle Grove Housing Co-operative was established as a seniors equity housing co-operative, defined by the District of Squamish as including those over 50 years of age. The age restriction was included in a housing agreement signed by the District and the co-operative.

Project Summary

Name of Project	Eagle Grove Housing Co-operative
Location	Squamish, BC
Population	15,400
Dwelling Unit Type	18 two-bedroom bungalows built in clusters and a 45-unit four-storey woodframe apartment building
Number of Units	63
Client Group	Seniors

Origins and Objectives

A group of Squamish residents devised the idea of developing affordable, secure, low maintenance, and self-managed housing because they could not find appropriate housing elsewhere in the downtown area of the community of Squamish, which is where they preferred to live. One of the original members of Eagle Grove was familiar with co-operatives because he had worked under a co-operative structure (a logging co-op) during his career. The idea grew and spread from there.

The disclosure statement filed with the Superintendent of Real Estate in BC lists the intentions of the co-op as follows:

1. To provide housing accommodation for persons over 50 years of age and their spouses;

2. To provide affordable housing for purchasers at less than its market value by limiting ownership to a partial interest in the fee simple of a strata lot;

3. To provide a housing development in which the occupants co-operatively manage its common affairs.

Physical Description of Project

- 63-unit development.

- 18 two-bedroom bungalows in clusters.

- 45 apartment units in a 4-storey woodframe apartment.

- Apartment units are either one-bedroom and den (28 units) or two-bedrooms (17 units). All bungalow units are two-bedroom.

- Units range from 773 square feet to 1,010 square feet.

The co-op is in downtown Squamish, which is approximately 45 miles north of Vancouver. The building, which is one block from a shopping centre, is located adjacent to an empty lot which was part of the land deal negotiated with the municipality. The original intention was to build a seniors centre on the site, but it seems doubtful if the centre will be built within the reasonably near future. If the lot is sold for some other purpose, the proceeds of the sale must be used for the development of a seniors community centre elsewhere in the community.

Amenities

- Common room with kitchen

- Top floor solarium

- Community garden with raised plots

- Undercover parking

- Office

- Workshop

Land and Unit Tenure

- Land Tenure—Freehold. The land was bought from the District of Squamish. The members preferred to buy the land rather than lease it so that they would have more control. Furthermore, the resource group advising the co-op, Access Building Association, believes that land leases are not usually a suitable form of tenure for equity co-ops.[41]

- Unit Tenure—The units were strata titled from the outset. Both the co-op and the member were registered on the title of each strata lot as tenants in common in proportion to their interest in ownership (see section on Pricing Structure below for further detail on these issues).[42]

II. PROJECT DEVELOPMENT, FINANCING AND MARKETING

Development Model/Partnership Arrangements

A resource group (Access Building Association) was hired to assist the co-op with its plans. The seniors designed their own site plan and unit layouts in a series of workshops with architects and artists. The site for the development was purchased from the District of Squamish, on condition that at least part of the project be in apartment form (so as to enhance the land value). The co-op would have preferred to develop the whole site less densely and believe that they paid too much for the land, since the site was in flood plain and required extensive fill because it is rather swampy.

Subsequently an architect and a contractor were hired. Unfortunately, for reasons that will not be explored here, both the contractor and the architect had to be fired, at a very late stage in the development process—$500,000 worth of servicing and site work had already been done.

At this point the co-op had to decide whether to abandon the project and lose their deposits,[43] or carry on. They decided to carry on, but because of the urgency of getting the project underway (interest costs were mounting), chose a rather unusual solution for a multi-family development—modular housing from Britco, a major manufacturer of modular housing. The four-67storey apartment built for Eagle Grove by Britco was the first fully sprinklered 4 storey modular residential structure ever built in Canada. It was also the first CMHC project that provided underwriting for construction advances for modules produced elsewhere and delivered to the site.

The cost of construction for the Britco units was slightly less than the original contractor's final price, although delays and flood plain requirements added to the costs.

Project Costs

The total cost of the project was $8.351 million.

Project Development Funding

- $75,000 in Proposal Development Funding (PDF) from CMHC, which was repayable from the first mortgage advance.

- $75,000 start-up funding from BC Housing.

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41 Primarily because of the declining value of leasehold interests as time goes on, the necessity of administering and paying into a sinking fund, and the difficulty of complex administration, including computing the value of the fund in the buying and selling of units.

42 Purchasers were required to assign voting rights under the *Condominium Act* to the Co-op.

43 See project financing section.

Project Financing

Initially, the co-op attempted to develop the project under the terms of an innovative home ownership program launched by BC Housing. The program, known as NOHO (New Options for Home Ownership), provided start-up funding and 100% construction financing at government borrowing rates. However, the co-op was not able to persuade BC Housing that its legal structure would provide affordable housing over the long term. Although start-up funding was provided by BC Housing (and repaid by the co-op), construction financing was not.

The co-op members provided shareholder loans of $550,000 to provide equity for construction, separate from their deposits which were held in trust. The disclosure statement noted the intention to use shareholder loans, which paid 10% interest, for working capital. Members understood that these funds would be at risk if the development did not proceed and about half of the original members elected to lend the co-operative funds ranging from $10,000 to $40,000. The deposits of the other members were placed in trust. Unusually, the lender and CMHC agreed to retire these shareholder loans at the time of conveying units to these members, rather than waiting until the last unit was sold, which is standard practice. The advantage of this approach is that it provides both a source of working capital for the co-op and a means of leveraging other financing.

Additionally, the District of Squamish charged market value for the land, but subordinated payment to the lender and took security via a second mortgage which was discharged by way of a settlement agreement that included cash, security held for off-site improvements, and assignment of downstream benefits under the municipal latecomer agreement.

Total equity amounted to 15% of the then capital cost of the project at commitment and during the course of construction. CMHC insured the construction loan once the stipulated number of pre-sales (40) had been obtained, but allowed an authorized advance of funds for site fill and off-site improvements.

At occupancy, as discussed at greater length later in this case study, 20 units remained unsold. Foreseeing this or a similar occurrence, Eagle Grove and Access had discussed what they might do in the event of a worsening market. The co-op had approached its lender, Multiple Retirement Services Trust, and suggested a refinancing deal secured by the co-op's average 10% interest in the value of the project.[44] This amount was approximately equal to five years worth of interest payments. Multiple Retirement Services Trust did not agree to this plan, on the grounds that it was too early to think of refinancing.[45] Subsequently, Multiple Retirement Services Trust chose not to provide financing on this basis.

The members then agreed with the lender and CMHC to sell units in fee simple and

[44] On a per unit basis, the co-op's registered interest varied from 4% to 16% based on the percentage of cost of a unit in relation to appraised market value. For example, a unit which cost $90,000 was appraised at $100,000 would represent 10% ownership by the co-op and 90% by the member. Mortgage documentation provided that individual liability to the co-op was limited to the registered percentage on the member's unit.

[45] And possibly because they had the security of NHA insurance.

members purchased the co-operative's interest in their own units in order to raise cash. The members raised $150,000 in this way, which was enough to pay the interest for one year. In the process of doing this, they also extinguished the value of the 10% co-operative ownership of the units which had been sold, which the seniors had hoped would serve as the basis for refinancing.

After the $150,000 had been expended and all other available sources of financial assistance had been exhausted, the co-op stopped paying interest on the loan. The co-operative remains the developer. However, personal liability of members was limited to the co-operative interest in each unit sold. There were no personal covenants by co-op members, nor obligations for unsold units beyond the equity remaining in the unsold units. The co-operative was structured as a non-profit entity. So far, several months after the last interest payment was made, Multiple Retirement Services Trust has made no move to initiate foreclosure proceedings. The co-op has engaged realtors who are continuing to try and sell the remaining units.

The co-op continues to function as the developer under the *Real Estate Act* and will continue to so function until all the units are sold or the court orders a conduct of sale to the lender, the only creditor.

Because the co-op was registered as a strata title from the outset, it was a relatively straightforward matter to accomplish the transition from co-op to condominium. The whole process has resulted, essentially, in a builder co-op during development and construction, and a condominium structure post-occupancy.

Pricing Structure

Initially, both the co-op and the District wanted to provide relatively affordable housing for moderate income seniors and retirees. In conjunction with Access, Eagle Grove adopted the mechanism of ensuring below market pricing by limiting ownership to a partial interest in the fee simple of a strata lot.[46]

The model used by Eagle Grove Co-op is unique in British Columbia. It is based on the notion of a discount from market prices, as are several other co-ops, but the mechanism is different in Eagle Grove's case. At completion, units were appraised to establish a market value. This value was then compared to the cost of producing the unit and a ratio was thereby established. So far, this is somewhat similar to the method used in some other co-ops, such as Ambleview Place, although the appraisals done for Ambleview Place were based on the principle that units of the same type should be worth the same, regardless of location in the building, views, etc.[47]

Where the Eagle Grove model differs from the Ambleview model is that in Eagle Grove's case, both the co-op and the shareholder are registered on title as tenants in common. The member's share is based on the established ratio, and the co-op's share is the difference between the member's

[46] See project financing section below for more detail on the mechanics of this arrangement.
[47] As indicated in the Ambleview case study, this approach has caused some difficulty ever since.

share and 100%. This shared ownership provides a market driven mechanism to ensure that below-market values are maintained, as well as creating an asset for the co-op separate from the individual interests of the members.[48] Ratios varied, but averaged 10% (or 90% individually owned from the members' perspective). If necessary, the co-op's share could legally be reduced to 1%, and in fact was, as the project financing section discussed. When the decision was made to sell the fee simple, the co-operative's registered interest was fully conveyed to each member, in exchange for cash.

Mortgage financing for individual units, where required, was on the basis of an interest in the fee simple of a stratified unit.

Marketing Issues

When the idea for the co-op was launched, the real estate market in most areas of British Columbia was very active. By the time it was ready for occupancy in mid-1997, the market in Squamish, as in most other places, had deteriorated significantly. In addition, other major projects had been developed, providing competition for the co-op.

At the outset, there was a definite price advantage for co-op units, averaging 10% below market. Because of the various delays and problems referred to elsewhere in this section, that price differential disappeared and in fact for an appreciable length of time the co-op units were priced above the market.[49] At project completion, over 20 units remained unsold and the real estate market continued to deteriorate.

A variety of methods have been considered to market the remaining units. Legally, 20 units could be rented, although co-op members and the lender are reluctant to consider this option because of the GST required on rental units as well as the effect on marketability. Explorations with BC Housing about the possibility of subsidizing some of the units have also occurred.

A substantial price reduction was implemented near the end of June, 1999, and the expectation was that this would definitely help to market the units.[50]

According to the co-operative's realtor and some members of the co-operative, an additional marketing problem was created by the very fact of being a co-operative, which apparently carries some stigma in Squamish. Marketing was the primary issue in shifting from co-operative to condominium tenure. Real estate advice indicated that co-ops are viewed as subsidized rental accommodation, appropriate only for low income households. The view of the realtor who is marketing the units now is that many people are unfamiliar with co-ops and therefore apprehensive, especially seniors. They fear they will be tied in to something they may not like. Currently, the co-op is being marketed under the following slogan:

48 The co-op required purchasers to enter into an Option to Purchase and a Co-Ownership Agreement with the co-op, which were registered on title to each strata lot. The co-op was prohibited from selling its registered interest for the personal benefit of any member by its Articles of Incorporation, although it could sell its registered interest in order to fund common purposes and common capital and operating costs which it did in order to meet the anticipated interest costs.

49 Information provided by the realtor who is currently marketing the units.

50 The price of a two-bedroom corner unit was reduced from $145,600 to $123,000. The lowest priced unit was reduced from $124,900 to $110,000.

"Now Offered with Clear Title Ownership". There are people who would like to move into the project who are unable to sell their own units. This is particularly true of people who are living in other condominium projects in Squamish, the market for which is currently very slow. According to realtors, the appeal of Eagle Grove is basically three-fold: it is well located; the units are attractive; and perhaps most importantly, it is well known in Squamish that there is a real community at Eagle Grove, where the residents live active lives and look out for each other.[51]

Was the type of tenure a factor in initial move-in decisions?

Eagle Grove was structured as an equity co-op from the outset in order to meet several fundamental goals: to enable the project to be built in the first place with equity provided by its members; to provide the seniors with a high degree of control over design and occupants, and to provide a mechanism to ensure ongoing affordability. The choice of equity co-op as the form of tenure was made because it was really the only choice—at the time there were no market developments in the community that were limited to seniors, nor anything in the downtown core with close access to shopping, transportation and services, so the members set out to create their own housing.

III. CLIENT SATISFACTION

Notwithstanding the long and painful development process, the residents of Eagle Grove are generally well satisfied with their residential environment. As indicted elsewhere in this case study, the vibrant nature of the community living at Eagle Grove is well known in the Squamish area. The major reasons for this are summarized below:

- **Location—**Eagle Grove residents had from the beginning wanted a downtown location.

- **Sense of community—**Although Eagle Grove will function for the remainder of its existence as a strata title development rather than as a co-operative, the residents are strongly attached to each other and to their community.

- **Building design—**With one or two exceptions, the residents are very happy with the physical attributes of Eagle Grove. The units are attractive and well designed, except for the fact that there are no linen closets—they were overlooked during the design and construction process.

Negatives cited by residents include:[52]

- **Common areas—**The common room/kitchen area, where meetings and social activities are held, is too small. It is very difficult to hold events such as potluck suppers because the space is not large enough to accommodate all the residents. Once the remaining 20 units are sold this problem will become worse.

- **Solarium—**The other public area is a large solarium located on the top floor

[51] One of the realtors involved in selling Eagle Grove units is hoping to move her father-in-law from Victoria to Squamish so he can move in to the project.

[52] Residents readily acknowledge that the financing issues discussed elsewhere in this report were very stressful, although several also mentioned that the whole process had resulted in a strong community feeling in the building. Negatives included in this section are restricted to more physical deficiencies.

of the building. The ceiling and walls of the room are glass and the view is spectacular. Unfortunately the space is unusable because it is not well-ventilated (the heat in the summer reaches dangerous levels) and it is not sufficiently sound-proofed (from the perspective of the unit immediately below). Britco has undertaken to install opening windows to permit cross-ventilation.

Monthly Fees

Monthly strata fees range from $65 per month to $85 per month. Members pay their own municipal taxes.

Design Features to Address the Needs of Residents as they Age

- Medical alert system.
- Lower light switches.
- Grab bars in the bathroom.
- Wide hallways.
- Two units that are fully wheelchair accessible.
- All units have wheelchair accessible turning radiuses in all rooms.

What the Experience of Eagle Grove Illustrates about Equity Co-ops

- The development of an equity co-op, like the development of most residential projects, is very difficult to undertake successfully in a declining real estate market.
- Equity co-ops are one of the only ways in which seniors can group together to meet their own housing needs.
- In spite of trying circumstances, the development of an equity co-op can result in the creation of a close and well-functioning community.
- Like several other equity co-ops included in this report, Eagle Grove met with some resistance in the community relative to the marketability of the equity co-op concept. Many people perceive all co-ops as providing subsidized housing for low income households and are reluctant to consider membership as a result, notwithstanding the specific advantages of equity co-ops (the ability to control membership and occupancy for example).

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I. BACKGROUND INFORMATION

Year Occupied

1997

Project Sponsors

The City of Burnaby and the British Columbia Buildings Corporation

Client Group

At the outset, the co-op was intended to provide affordable housing for seniors (55+). For a variety of reasons,[53] enough seniors were not attracted to the project and it is now occupied by a mix of seniors, first time home buyers, and others (see Marketing section for more details).

Project Summary	
Name of Project	The Legends Equity Co-operative
Location	Burnaby, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	Three-storey woodframe apartment building
Number of Units	36
Client Group	Seniors

[53] Although the building is in a prestigious neighbourhood, it is somewhat inconvenient from the point of view of access to shopping and services for people who do not drive. It is also on a rather steep hillside, resulting in good views, but access to several nearby recreational amenities requires walking up and down the hill.

Origins and Objectives

The Legends Equity Housing Co-operative was initiated by the City of Burnaby and the British Columbia Buildings Corporation (BCBC), a provincial government agency, in order to provide affordable seniors housing in the Oaklands, an upscale master planned community developed on the site of a former penitentiary in Burnaby, a suburb of Vancouver.

The project was developed as a result of Burnaby's inclusionary housing policy for master planned communities, whereby 20% of the site must be developed for affordable housing.

The City conducted a competition to find an interested developer. Columbia Housing as resource group in conjunction with Progressive Homes as contractor were chosen to develop the site.

Physical Description of Project

- 36 unit three-storey hillside apartment building.
- 13 one-bedroom units and 23 two-bedroom units, all with one bathroom.
- Unit sizes range from 550-940 square feet.
- Underground parking.

The project is located in the Oaklands area of Burnaby, a near suburb of Vancouver. The site, which is about one kilometre from one of the largest shopping centres in British Columbia, overlooks a lake and the Coast Mountains.

Amenities

- Meeting room and lounge
- Kitchen
- Communal laundry

Land and Unit Tenure

- Land tenure (initially)—Leasehold, from the BCBC, the landowner.
- Unit tenure (initially)—Although the units were strata titled, all titles were held by the co-op. Residents leased units from the co-op.

The land was leased from BCBC for 60 years at 75% of market value. A sinking fund was established, held by the municipality. Controls on land use (i.e., co-op structure, seniors) were enforced through a housing agreement signed by the City and the co-op. Individual units were strata titled from the outset, but all the units were owned by the co-op and leased to the members. Many members believed that the titles to individual units were in their names and did not realize until much later that this was not the case.

Currently, changes are underway that will result in the project becoming a conventional strata title project on freehold land (described in greater detail below).

II. PROJECT DEVELOPMENT, FINANCING AND MARKETING

Development Model/Partnership Arrangements

The project was developed as a joint venture between BCBC, the land owner; the City of Burnaby through its 20% inclusionary housing policy; a resource group selected through a competitive process (Columbia Housing), and a developer (Progressive Homes). There was no core group of co-op members until Columbia Housing set out to find them, and no formalized resident involvement occurred until rezoning and design were completed.

Project Costs

The total project cost was $5,411,500, which included a $1.3 million prepaid land lease. A detailed breakdown of project costs was not available.

Project Development Funding

$75,000 Proposal Development Funding from CMHC, repayable from the first mortgage advance.

Project Financing

The Legends was built on a full turn key basis. The developer, Progressive Homes, pre-funded all costs, including equity of $1.4 million.

Members were required to provide deposits equivalent to 10% of the unit price—5% initially and 5% before construction started. Minimum equity of 25% was initially required, but marketing difficulties persuaded the resource group to reduce equity requirements from 25% to 5% under CMHC's 95% Financing program.

An NHA insured construction loan of $4 million was reduced by member cash purchases; a maximum possible residual loan of $2 million was available for purchasers unable to pay cash. Members requiring financing provided a promissory note and made monthly payments to cover their pro rata share of the residual mortgage.

Pricing Structure

The Legends was designed and built to provide affordable housing in an upscale development. Compared to other projects in the neighbourhood, its units are smaller, more modest (for example, units have only one-bathroom), and less expensive. Unit prices ranged from $114,900 for the smallest one-bedroom unit to $194,900 for the largest two-bedroom units (1,069 square feet).

The Legends was not a market value co-op. That is, on move-out, had any market value increase occurred during its brief existence as a co-op, members would have received either their initial share value adjusted for movements in the Consumer Price Index or market value, whichever was lower.

Marketing Issues

The Legends hit the market at a very bad time—real estate markets were very weak. In addition, as already noted, the location of the co-op is really not suitable in some ways for seniors. The only adjacent walking trails are actually a series of hundreds of steps that traverse the steep hill between the south end of the Oaklands site and Deer

Lake at the bottom of the hill. Shopping is not very convenient either, notwithstanding the relative proximity of over one million square feet of regional shopping centre. There are no grocery or other stores within reasonable walking distance (from a senior's perspective) of the project, nor any services with the exception of a dental office on the Oaklands site.

In addition, new condominium units located adjacent to, or above, shopping and services were available for the same price at the same time, making marketing even more difficult.

Some steps were taken to improve absorption, including reducing the minimum equity requirement to 5% and removing the seniors restriction. In addition, the developer offered mortgage rate buy-downs, and replaced Columbia Housing as the marketer. These methods succeeded in filling the building up, but with entirely different occupants than were first envisaged. For example, many first time buyers were attracted by the low entrance requirements. The building now has only eight senior households.

As the real estate market continued to deteriorate, members found themselves in possession of units that were worth less than the value of the lease. With little to lose, one member defaulted on his lease payments.

The residents of the co-op (and indeed the City of Burnaby) believed that as a result of its legal structure (i.e., individual units strata titled although all the titles were in the name of the co-op), it would not be subject to any joint responsibility caused by defaulting members, a belief that turned out to be erroneous.

After the first default occurred and the co-op discovered that all members were indeed liable as tenants-in-common, they approached the City and asked that the housing agreement be cancelled so the co-op could convert to strata title and protect itself from further defaults, which may very well occur.[54] This request was granted by Burnaby City Council.

At the same time, in the belief that its leasehold status was a marketing impediment, the co-op asked the British Columbia Buildings Corporation to allow it to pay out the lease. BCBC agreed and an appraisal has been done indicating that the freehold value of the land is not significantly higher than the value of the prepaid lease as it was established several years ago when the real estate market was healthier and land values were higher.[55] In this respect at least, the co-op has benefited from the currently poor real estate market. The current residents of The Legends have agreed to share the cost of buying out of the lease.

In the near future, the building will be a conventional strata title condominium on freehold land. Some members believe that marketing difficulties have been due to three major reasons: because the building is an equity co-op, because it is on leased land, and because equity appreciation is not possible.

[54] The co-op has the legal right to pursue defaulters, but has decided that the cost of doing so would likely outweigh any possible recovery.

[55] The cost to buy the freehold ownership of the site was established at $203,000.

Was the type of tenure a factor in initial move-in decisions?

Some of the early members of The Legends were attracted to the idea of living in a self-managed seniors community.

Some of the members still living in the building admit that they did not fully understand the nature of the real estate transaction they were entering into when they joined the co-operative. Many believed that they were buying a condominium unit and many did not get independent legal advice.

III. CLIENT SATISFACTION

The question of client satisfaction is not really applicable, in the sense that a seniors co-op never really existed on the site. A spokesperson for the members who has been heavily involved in resolving the issues believes that the myriad of restrictions imposed on the co-op made it too difficult for the project to succeed, given that there were many available alternatives that were not so restricted.

Speaking for herself, the spokesperson said she would never buy again. As she put it: *"Condos promise you everything and give you nothing. Rentals promise you nothing and give you nothing. You are never disappointed."* She also believes that no level of government should ever become involved in equity co-operatives.

On the other hand, the units in the building are attractive and rather more modest than of many of the neighbouring buildings, and the structure itself is sound, which should prove to be a marketing advantage in a market plagued with leaky buildings.

Perhaps the one positive outcome of the sad story of the Legends is that reasonably modest accommodation was created in the upscale environment of the Oaklands community, which otherwise would not have occurred.

Management Issues

The co-op experienced some difficulty with Columbia, when they were managing the building. Owing to some confusion about responsibilities and obligations related to management, Columbia presented a bill for $7,000 for management duties to the co-op, which the co-op refused to pay. The case ended up in Small Claims Court and Columbia lost.

Monthly Fees

Not available.

Design Features to Address the Needs of Residents as they Age

- There are two fully accessible units in the building, although neither is occupied by a disabled person.
- In all units there are grab bars in the bathroom and rocker switches.
- Hallways and doorways are wide.
- The City of Burnaby paid for the wheelchair ramp at the front of the building, which is very long and winding because the building is located on a hill.

What the Experience of The Legends Illustrates about Equity Co-ops

- As several case studies in this report illustrate, the impact of a falling real estate market can be fatal for the viability of an equity co-op.

- Non-market (i.e., where equity growth is limited) equity co-ops on leased land are extremely complicated mechanisms. Any level of government that decides to encourage their development should ensure that prospective members understand clearly what they are buying and that members obtain independent legal advice.

- Unless non-market equity co-ops are priced very advantageously relative to market alternatives such as condominiums, or they are physically unique in some way, they are very difficult to market. In a declining real estate market they may be virtually impossible to market.

- Although the members of The Legends were recruited after most of the major development decisions had been made, it is not possible to conclude that this was one of the reasons contributing to the failure of the co-op. Columbia Housing and Progressive Homes have developed other, successful, co-ops in the same way.[56]

- Joint liability issues are a serious impediment to the development of equity co-ops in BC.

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[56] Crescent Downs for example.

Les Jardins Memphrémagog
564 Alphonse-Desjardins Street
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J1X 7H6

Equity Co-operative

I. BACKGROUND INFORMATION

Address

564 Alphonse-Desjardins Street
Magog, PQ J1X 7H6

Year Occupied

1998

Client Group

Active retirees (55+)

Origins and Objectives

The co-op was initiated by a group of people from the Magog area who saw a need for suitable accommodation for a group of active retirees (55+) who wanted to live together in Magog. However, the only local alternatives for independent retirees wishing to downsize were small, subsidized apartments. Consequently, the group decided to create its own housing project.

Project Summary

Name of Project	Les Jardins Memphrémagog
Location	Magog, Quebec
Population	14,000
Dwelling Unit Type	Semi-detached bungalows, most with basements
Number of Units	30
Client Group	Seniors

The core group of 15 people from the area included the former mayor of the City of Magog. The group did not use the services of a Resource Group, but proceeded on their own to obtain assistance from the Sherbrooke CMHC office and the various Ministries responsible for co-operatives, and to arrange their own lender (Caisse Populaire), notary, land surveyor, architect, and engineer.

Les Jardins Memphrémagog is the first project of its kind in the Province of Quebec.

Physical Description of Project

- 30 semi-detached homes located on a street specifically opened for this project.
- One-storey houses with basements except for a few where the owner did not want a basement or rock conditions did not allow excavation.
- Houses are 1,250 square feet.
- Lots are 55 x 80 feet, for a total lot size of 4,400 square feet.

Amenities

Although funds were set aside for a community centre, the members have decided they would rather not spend the money that was allocated for the centre.

Land and Unit Tenure

- Land tenure—A land lease arrangement called superficiary property has been allowed since Quebec's new Civil Code came into force in 1994. This arrangement allows the separation of the land and of the buildings thereon between different owners. Thus the land might be the property of one person or company (for example, a co-operative) and the homes built on that land might be owned by different individuals or companies (for example, the members of the co-operative). It is thus feasible to finance only the homes with a mortgage, subject to the rights of the landowner, or the land and housing both. The advantage of this type of tenure is that the co-op, by controlling the ownership of the land, is able to ensure that membership and occupancy are restricted to those over the age of 55.
- Unit tenure—Members have title to their own units and they also own preferred shares in the non-profit company that holds title to the land, an arrangement that is unique among equity co-ops in Canada. When they sell their units, they must transfer their preferred shares back to the non-profit company. Units can be mortgaged. The mortgage on the units is tied into the mortgage on the land in such a manner that default under the house mortgage is also default under the mortgage on the land. Any default triggers a right to buy out the unit at a pre-set price, which is not advantageous for the owner.

II. PROJECT DEVELOPMENT, FINANCING AND MARKETING

Development Model/Partnership Arrangements

- The co-op undertook the initiation and development of the project on its own, without the assistance of a resource group or other development consultant.

- The Caisse Populaire Saint-Patrice de Magog provided a loan that the co-op used to buy and service the land.
- The builder, Marco Lecours, built and provided the financing for a model home to help market the project.

Project Costs

The project cost $3 million to build, or approximately $100,000 per home.

Project Development Funding

$45,000 Proposal Development Funding from CMHC, which is repayable from the first mortgage advance.

Project Financing

Members deposited $8,000 and the Caisse Populaire provided the construction financing. As noted, the builder financed the construction of a display home.

Pricing Structure

House prices vary from $75,000 to $110,000 depending on size, amenities and finishes desired by each owner. Prices have increased by $5,000 since last year because of development cost increases.

The co-op will always hold title to the land. Each member is issued with preferred shares of the co-op worth 1/30th of the value of the land, estimated to be $600,000. The 30 members are thus 100% shareholders of the co-op. Each $20,000 share is paid for by an initial deposit of $8,000 and a subsequent payment of $12,000, which may be financed over time.

When members leave, they are responsible for finding a qualified buyer for their unit. If they find a buyer who does not qualify in terms of age, they so inform the co-op, which has three months to decide whether to buy the unit from the owner at the lower of market value or assessed value plus 5%. If the co-op decides not to buy the unit, the owner remains responsible for the unit until a qualified buyer is found.

Marketing Issues

The development of the co-op met a real need in the community. For the members, there was no real alternative to their single family houses. They were looking for something comfortable and secure that required minimum maintenance and allowed them to travel south in the winter. Magog has only one residence for seniors in need of assistance.

Some members are from somewhat further afield—Sorel, Montréal, Longueuil, and Sherbrooke.

No publicity campaigns were necessary. There is a billboard at the entrance to the project and some coverage appeared in the local media at project launching, but the discovery was soon made that no advertising was required. Demand for the project clearly existed and word of mouth was sufficient.

Of the planned 30 units, 22 have been built, 18 are occupied, and four are at the finishing stages. The additional eight foundations and ground floors will be built before the end of the year and all the units are expected to have been sold by year-end as well. The general approach used in the construction process has been that as soon as one buyer is confirmed, a semi-detached home is built. The first half is finished according to the requirements of the buyer. The other attached unit is built as a shell without any opening in the back and on the side. From a legal standpoint, if members are in agreement, they could rent any unsold units for $700-800 per month, provided the renters met the minimum age criterion. However, they prefer not to consider this option for the time being since there is every indication that all the units will be sold by the end of the year.

III. CLIENT SATISFACTION

Members are very satisfied with the co-op for the following reasons:

- The coop conveys a sense of security.
- The site is beautiful and close to downtown—a 10-minute walk.
- Magog is a resort community that is very attractive for a clientele of young retirees. It is built on the shores of Lake Memphrémagog, a 32-mile long lake with breathtaking scenery, with a ski station atop a 2,000 foot mountain, less than five miles from city centre.
- There is a strong sense of community among the members of the co-op that is highly appreciated. What is principally appreciated is the fact that members can own their unit while benefiting from the co-operative approach: security, community spirit, participation in the decision-making process.
- Members can choose the interior design of their homes according to their tastes and needs. Each home is thus more individualized, which adds cachet to the project, allows flexibility in costs, and promotes more satisfaction for homeowners.

The only negative aspect of the co-op's development cited by members relates to some concerns about the continuity of management once the project is complete. The seven members of the Board will retire upon project completion and will be replaced by a manager chosen by the members from among the homeowners. Currently, no member of the Board lives in the Project.

It is evident that all would gladly go through the process again, including Board members who would launch another project. All are convinced about its usefulness and its efficiency for members who appreciate the formula that has been implemented.

Management Issues

The Board is composed of seven persons, five of whom are founding members. Members of the Board do not live in the project.

None of the Board members had any specific preparation or experience in managing a co-op. It was only their belief in the need for the project and their interest in helping and being of service to the community that motivated them to participate in the development of the co-op.

As indicated, members have some concerns about how they will manage once the founding board resigns and the occupants assume the management of the co-op.

Monthly Fees

Monthly fees are $100, including municipal taxes.

Design Features to Address the Needs of Residents as they Age

- The units are single storey bungalows.

Overall Satisfaction with Tenure

As already indicated, members are extremely satisfied with the co-op.

What the Experience of Les Jardins Memphrémagog Illustrates about Equity Co-operatives

- The success of Les Jardins Memphrémagog clearly illustrates the point that equity co-ops tend to be more successful when they fill a previously unoccupied niche in the marketplace, especially when the location is excellent.

- Les Jardins is the first development of its kind in Quebec. Although the nature of the legal structure was new and unfamiliar, the credibility of the community members who served on the founding Board was sufficient to overcome any hesitation on the part of prospective members.

- The residential environment created in a housing co-operative can be highly satisfying for its members.

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I. BACKGROUND INFORMATION

Year Occupied

1996

Project Sponsors

The District of North Vancouver and the United Church of Canada.

Client Group

Parkgate Housing Co-operative (generally referred to as The Atrium) was developed to provide good quality, affordable housing for moderate income seniors who were at least 55 years of age. Almost all the current residents were former homeowners in the area.

Project Summary	
Name of Project	Parkgate Housing Co-operative
Location	North Vancouver, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	Three-storey woodframe apartment building constructed in two wings connected by the lobby. The wings are structured around atria.
Number of Units	54
Client Group	Seniors

Origins and Objectives

The District of North Vancouver owns the site on which the co-op, a church, and the street between them are located. The initiative to develop an equity co-op came from the church, which had identified a need for affordable accommodation for moderate income seniors in North Vancouver. The District was very supportive of the church's objectives.

Physical Description of Project

- 54 units in a three-storey apartment building.
- Two one-bedroom units (740 sq.ft.).
- 52 two-bedroom units (936 sq.ft.).
- All units have two bathrooms, one with a bathtub and one with a walk-in shower.
- The building comprises two identical wings connected by the lobby.
- Both wings are structured around a three-storey atrium.
- All but two units face onto the atria.

The location of the project is excellent—within walking distance of a shopping centre with all necessary services, public transportation, and a community centre that includes a separate seniors centre.

Amenities

- The atria, which are very large, are used for a very wide variety of activities ranging from meetings to bridge to potluck dinners. Organized activities are regularly switched from one atrium to the other so that all members feel equally included. The atria contain tables and chairs and members regularly have their coffee there—anyone who seeks companionship visits the atria; anyone who desires privacy remains in their unit.
- There is an exercise room that is not well used. Residents hope to turn it into a guest room.

Land and Unit Tenure

- Land tenure—Leasehold from the District of North Vancouver. The original term of the lease was 60 years with an option to renew for 30 years at 75% of freehold market value. In order to cover a $360,000 deficit (see Project Financing section for more details), the length of the lease was shortened to 40 years, thus reducing its value by $360,000.

However, there is no sinking fund in place, which will certainly create problems as the lease term shortens.

- Unit tenure—Members lease units from the co-operative. Parkgate is strata titled, although all the titles are in the name of the co-operative.

II. PROJECT DEVELOPMENT, FINANCING AND MARKETING

Development Model/Partnership Arrangements

- Columbia Housing and the adjacent United Church acted as joint venture developers, undertaking the design, financing, and construction of the co-op.

- Columbia also acted as resource group, organizing and educating the members and undertaking the marketing functions, at least at the outset.
- The District of North Vancouver rezoned the land, held it throughout the development process, and leased it to the co-op.
- CMHC provided PDF and insured the mortgage.

Project Costs

The total cost of Parkgate Housing Co-operative was $9.2 million, including $2.1 million for the prepaid land lease (later reduced to $1.74 million), $5.8 million for construction costs, $637,000 for soft costs, and $450,000 for financing costs.

Project Development Funding

$75,000 Proposal Development Funding from CMHC, repayable from the first mortgage advance.

Project Financing

The minimum equity requirement is 25%. Deposits for original purchasers were originally established at 5% but were later raised to 10%.

Ten people still have mortgages.

Pricing Structure

The original price for a two-bedroom unit was $170,000. The share value for each unit was based on the development costs per square foot multiplied by the size of the unit with no recognition for location in the building.

Units were somewhat smaller than condominium units in the area, but significantly more affordable.

For example, there is a strata title building directly across the street from the co-op where the units are about 200 square feet larger than the units at Parkgate but sell for approximately $250,000.

On move-out, members receive their initial deposit back, adjusted for movements in the Consumer Price Index, or the market value of their unit, whichever is lower. A few members are now dissatisfied with the concept of being unable to make a return on their money in a rising market but being at risk of losing money in a market downturn, although other members point out that this was explained very clearly to members before they moved in. One unit of each type is appraised annually.

Marketing Issues

By the time the co-op was ready for occupancy, the local real estate market was in a serious downturn. Nine units could not be sold, with the result that there was a $360,000 deficit caused by the fact that $40,000 from each unit sale was intended to go to the District of North Vancouver in payment for the prepaid lease. This problem was solved, at least temporarily, by virtue of the District's agreeing to reduce the length of the lease from 60 years to 51 years, thus reducing its value by $360,000. In order to speed up the marketing process, the co-op hired Fifth Avenue Real Estate, a well-known firm of condominium marketers.

It took several years to sell all the units, and the co-op is now dealing with resales. Where a resale is involved, the Board has the right to try and market the units for the first three months. After that time, residents can use the services of a realtor to try and sell their units.

So far, it has not been possible to re-sell any of the units that are available, partly because some people who want to move in are unable to sell their homes. Members believe that marketing problems are due to several factors—the poor real estate market, the fact that the land is leased, and the fact that the building is an equity co-operative.[57] When the initial residents moved into the co-op, they were told that if and when they wanted to move, all they would have to do was notify the Board, which would then choose someone from the waiting list to move into their unit. Prospective residents found this very appealing.

Currently, there are five realtors' For-Sale signs in front of Parkgate. The signs have been there for months.

Was the type of tenure a factor in initial move-in decisions?

There are a number of reasons why people chose to move into Parkgate, the type of tenure being one among many. Most members chose to move in for one or more of the following reasons:

- They were tired of yard work.
- Their health was declining somewhat and they needed smaller homes.
- The location was appealing—it is so close to all services that owning a car is unnecessary.
- Many members belonged to the sponsoring church.
- Members were attracted to the idea of living in a co-operative community.
- The unit and building design attracted some members.
- The units were affordable compared to neighbourhood alternatives.
- Members feel much safer and more secure living at Parkgate than they did living in a single family home.[58]

The fact that Parkgate is an equity co-op was not a material factor in most people's decisions to move in (*"we couldn't make heads or tails out of what an equity co-op is"*) and is believed now to be a marketing disadvantage (*"people will not move in because it is an equity co-op"*). The fact that the co-op is on leased land is also believed to be a marketing impediment although the current residents are not particularly concerned about the lease because *"at the end of the lease we will all be dead."*

III. CLIENT SATISFACTION

Most Parkgate residents are highly satisfied with their quality of life—many of the reasons that influenced their decisions to move in have been affirmed in residency. Membership is particularly valued for these factors:

- **Sense of community**—There is a real sense of community. There are many organized activities ranging from three

[57] The co-op's property management firm manages 48 buildings. The firm agrees with this assessment of marketing difficulties and adds a fourth—the age restrictions.
[58] One member rated his sense of security at Parkgate as 13 on a scale of 1 to 10.

levels of bridge (beginner, intermediate, and expert) to bingo. Members look out for each other—people who are ill leave their doors ajar and other residents check on them continuously and help them out, by buying their groceries or performing other needed services. The extent to which this sense of community exists because Parkgate is a co-operative and not, for example, a condominium, is a difficult issue to address, although some studies have documented higher satisfaction levels among co-op residents than among residents of other tenure types.[59]

- **Design**—Residents are very pleased with the quality of the physical space at Parkgate. Although reasonably compact in size, units are well-planned.

The large and attractive public spaces created by the atrium design are used by residents for a variety of activities, both organized and spontaneous.

- **Location**—As mentioned previously, the location is excellent.

Sources of dissatisfaction relate almost exclusively to the resale provisions and to the fact that reselling units is so difficult.

Management Issues

Parkgate followed a self-management model for the first two years of occupancy. At that point, residents decided that self-management was too onerous a task and hired Cypress Properties to manage the property on their behalf. They are pleased with this decision and pleased with Cypress Properties.

Monthly Fees

Monthly fees, which average $172 per unit, cover utilities, maintenance, management fees, and replacement reserves. Property taxes are not included.

Design Features to Address the Needs of Residents as they Age

Parkgate has a number of features that facilitate aging in place:

- Walk-in showers
- Rocker light switches
- Lever handles on taps
- Grab bars in the bathrooms
- Wide hallways and doors
- Balconies are wheelchair accessible

In addition to the facilities at Parkgate, there are complementary neighbourhood services that residents use. For example, the local Safeway delivers groceries free of charge to Parkgate residents. There is a meal preparation and delivery service that delivers frozen meals to residents on a regular basis at a cost of $6 per meal.

[59] For example, Doyle, Veronica, The Effect of Tenure Type, Age Mix, and Subjective Housing Variables on Housing Satisfaction and Well-being of Older Residents in Rental, Cooperative, and Strata Title Housing, Simon Fraser University, 1990.

Overall Satisfaction with Tenure

If the Vancouver real estate market were healthier and residents could sell their units, it is quite probable that the degree of satisfaction with Parkgate would be very high. In spite of serious marketing difficulties, residents very much enjoy the quality of life at Parkgate.

What the Experience of Parkgate Illustrates about Equity Co-ops

- As many of the case studies in this report have repeated, it is extremely difficult to develop an equity co-op in a falling real estate market.

- Notwithstanding marketing difficulties, the quality of life for Parkgate residents is generally very high. Residents appreciate the strong sense of community and the ability to become as involved as they want in the life of the co-op.

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I. BACKGROUND INFORMATION

Year Occupied

West Tower—1990/1991
East Tower—1991/1992

Project Sponsor

Riverwind Housing Co-operative, incorporated on October 20, 1989. The founding members of the co-operative were a group of people attracted to the co-operative lifestyle, but who also wanted an opportunity to accumulate equity from home ownership.

Client Group

Middle income families and individuals in Edmonton. Because it is close to the University of Alberta, a significant proportion of residents are University faculty and staff. There are a few families, but not many children.

Project Summary	
Name of Project	Riverwind Equity Housing Co-operative
Location	Edmonton, Alberta
Population	854,000
Dwelling Unit Type	Twin 19-storey apartment buildings
Number of Units	101
Client Group	Mixed

Origins and Objectives

Riverwind was the first strata title housing co-operative in Alberta. There are now three other occupied equity co-ops and a fifth building is under construction.[60]

Two factors were paramount in Riverwind's development: the fact that Communitas, a local resource group with years of experience in the development of co-operative housing projects, had acquired an excellent building site on Saskatchewan Drive overlooking the river valley and downtown Edmonton, and the desire of a number of middle income people in Edmonton to live co-operatively as homeowners. A third factor was the amendment of Alberta's *Land Titles Act* in 1988 to permit the registration of strata titles.

The fact that strata titles in Alberta are enabled under the *Land Titles Act* is extremely important. In other provinces, strata titles are governed under Condominium Acts or Strata Title Acts, meaning that strata titled properties must be governed and conveyed as condominiums. In Alberta, there is no such necessity. Strata titled properties can be governed and conveyed in the same manner as any other property: as freehold or leasehold or as a condominium or a co-operative. Projects where individuals hold title to their units can function as co-operatives in Alberta. In BC, they cannot—they must function according to the terms of the *Strata Title Act*.

Once the amendment of the *Land Titles Act* made the creation of equity co-ops possible, Communitas commissioned the development of all the legal documentation that would be required to actually develop and operate a strata title co-operative. In December, 1990, Riverwind's lawyer concluded that on the basis of the legal documents that had been so developed :

"*We are satisfied that there are no fundamental problems with a co-operative housing project that includes the element of single family ownership of individual strata lots.*"[61]

The lawyer went on to comment on the unique nature of Riverwind:

"….. this project is unique. It combines two principals which are traditionally inconsistent with one another, namely: 1. Co-operative housing principles (where individual rights normally associated with homeownership are submerged or given up for the benefit of the community as a whole), and 2. Principles of individual homeownership (where individual's rights are superior in all respects to those of his immediate neighbors)."

Physical Description of Project

- Twin 19-storey towers joined at the base (the only high rise equity co-op in Canada) Riverwind's development required a succession of appeals to the city, starting with the fact that the towers exceeded the city's height restriction. Appeals were also necessary concerning separation distance

[60] Grandin Green in Edmonton, which will be the city's first "green" high rise.
[61] Lawyer David Finlay, December 3, 1990.

between the towers, addition of the enclosed connecting walkway, addition of south side balconies, and so on. Appeals generally succeeded because of Riverwind's architectural merits (the towers are striking and attractive) and because of neighbourhood support.

- Total of 101 units, all of which are either two- or three-bedroom with two bathrooms.

- Three units per floor, with the end units extending the entire width of the building. These units, which are 1,345 square feet, have both a north (river view) and a south exposure. The third unit, which is 1,140 square feet, shares the centre area with the elevator shaft and lobby and has just one (north) exposure.

Riverwind is located on Saskatchewan Drive in Edmonton, overlooking the North Saskatchewan river valley and downtown Edmonton.

Amenities

- Large meeting room/lounge with kitchen
- Gym
- Steam room
- Wood panelled games room
- Guest suite

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Freehold. The co-operative corporation owns the land and common areas. Members must join the co-op to purchase a suite. Members may rent their units for up to a year with the approval of the Board of Directors. This is of particular benefit to the University of Alberta faculty living in the building who go on sabbaticals periodically.

Legal Structure

Riverwind's legal framework is based on the *Co-operative Associations Act and the Land Titles Act*. To ensure that the building is owner occupied, there is also a restrictive covenant governing owner occupancy. To ensure that the co-op is able to control membership and occupancy, there is an option to purchase in favour of the co-operative.

The practical impact of Riverwind's legal framework is that the members can control who is allowed to buy a suite and they can, by a 75% vote, compel another owner to sell if the behaviour of the member is seriously detrimental to the other owners. Neither of these rights is available to condominium owners, who are unable to control who buys a unit in their building or who lives in it.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The development of Riverwind was very much a collaborative process that began in mid-1989 with the formation of a planning group. The co-op was incorporated in October of that year. By the time incorporation occurred, the planning group had retained an architect and a contractor. In August, 1989 an individual named Rick

Forest and Communitas jointly established Riverwind Development Ltd. and construction began in November, 1989. The contractor brought capital and expertise to the partnership and Communitas brought expertise in the development and operation of co-operatives.

Project Costs

It has not been possible to obtain detailed financial information about the development of Riverwind.

Project Financing

The equity necessary to obtain construction financing was provided by Communitas, Rick Forest, and a private outside equity investor. A private lender provided uninsured construction financing equal to 85% of costs.

Individual purchasers were required to deposit 15% of the cost of their units, although they could prepay 100% of the cost in return for a reduction in the price of the unit.

A number of units were unsold as of the date of project completion. An “inventory loan” from the Government of Alberta's Treasury Branch was arranged to cover the ongoing costs of unsold units.

Pricing Structure

In an analysis done by Communitas of selling prices over the one-year period ending November, 1998, the average price of Riverwind units was $195,700. The average per square foot selling price was $143. Compared to 17 other comparable condominiums in the same or a similar neighbourhood, these prices were at the high end. The average unit selling price in all 18 projects was $163,000, while the average per square foot price was $111.

Members are also required to purchase a $2,000 refundable share that is used to provide a source of funds for emergencies. The co-op also has a fully funded replacement reserve.

Marketing Issues

The first Riverwind tower sold out so quickly that construction of the second tower was started earlier than originally planned. However, the onset of the 1990/91 recession resulted in sales in the second tower slowing dramatically, to the point where co-op members debated the wisdom of continuing as a co-operative.[62] Prices and sales remained flat for several years and the last unit was not sold until 1997.

Both joint venture partners lost money as a result of these marketing difficulties, although the eventual success of Riverwind as a residential environment has proved to be beneficial in terms of enhancing the reputations of those involved in its development.

However, the debate still continues about the marketing impact of the term “co-operative”. Some real estate agents and other industry participants apparently believe that there is a certain lack of acceptance of co-operatives in the market place, although as Communitas points out, equity co-operatives have advantages over condominiums in terms of their ability to control who is permitted to live in the

[62] Early History of the Riverwind Strata Title Housing Co-operative, page 5.

building, thus ensuring that the building is owner occupied and owner controlled. Communitas has undertaken various market surveys indicating that selling prices in Riverwind compare favourably to selling prices in comparable condominiums, thereby illustrating that controls on membership enhance value.

Was the type of tenure a factor in initial move-in decisions?

Members made the following comments about their decision to live in Riverwind:

- Some were attracted to the idea of living co-operatively and to the sense of community they believed would be thereby encouraged.

- The location is definitely a major attraction, as is the design of the units and the exterior appearance of the buildings. The founding members were able to influence the design of the buildings to a significant degree. It was they who devised the notion of “townhouses in the sky”, which resulted in the single loaded corridor design.

- Some are attracted by the notion that the co-op can control who lives in the building.

- The original members of the co-op appreciated the ability to be involved in the design of the project.

III. CLIENT SATISFACTION

Perhaps not surprisingly in view of the size of Riverwind, there are different reactions to its success as a co-operative. There seems to be a clear consensus that as a residential environment it has been a success, notwithstanding the fact that it took several years to sell all the units. As an investment for its original backers it has not been a success, at least in direct monetary terms.

Those residents who express some skepticism about Riverwind's success as a co-op believe that it is too big and has too many members with extremely diverse backgrounds and interests to function effectively as a co-op. They also believe that ironically, its superior location and appearance have actually been disadvantages from the co-op's perspective—they have attracted residents who want to live in the building because of where it is and what it looks like, not because of its structure as a co-op. Part of the issue here has been the fact that the co-op, until recently, has not had the luxury of selecting residents who are attracted to Riverwind's structure as a co-op. Marketing imperatives have made it necessary to accept virtually everyone who wanted to move in. Now that the building is full, the Board of Directors is hopeful that the member selection process can be made more rigorous.

Other people are not skeptical about Riverwind's success as a co-op. They believe that no co-op ever fully engages all its residents, and that Riverwind is no different in this respect. But, like other co-ops, members who are involved and active in the co-op's affairs believe that there is a much stronger sense of community in Riverwind than they would find in a comparable condominium project. Furthermore, the great advantage of Riverwind relative to comparable condominiums is that the co-op can control who is allowed to live in the building and thus can ensure owner occupancy and owner control. No Riverwind unit has ever been sold to an investor, in spite of the financial pressures created by the long marketing period for the East Tower.

The membership is also divided about the decision to retain professional property managers. Some believe that the whole essence of co-operative living is self-management and that if co-ops do not self manage, they essentially cease to function co-operatively. Others believe that self-management for a co-op the size of Riverwind is simply too onerous a task for volunteers.

Residents are in the process of developing a member handbook. One of the issues they are trying to come to grips with is how to encourage member participation and whether to make participation mandatory.

Management Issues

After a number of years of self-management, Riverwind chose to rely on professional property management instead. Managing a development as large as Riverwind is a complicated and time-consuming task. In addition, it was becoming increasingly difficult to attract Board and committee members because of the scope of the required commitment, in terms of time as well as responsibility.

As previously indicated however, the decision to hire a property management firm has not been without its controversy.

Monthly Fees

Monthly fees average about $300 and cover maintenance expenses, water, gas, cable, and common area upkeep. Property taxes are additional and range from $1,900 per year to $2,500 per year.

What the Experience of Riverwind Illustrates about Equity Co-ops

- The major feature illustrated by Riverwind is its unique legal structure. In BC, several equity co-ops have experienced serious difficulty because of the joint liability inherent in the equity co-op model in BC. In Alberta, this is not an issue.

- As is the case in BC, one of the most significant benefits of equity co-ops is considered to be their ability to control membership and occupancy, thus ensuring owner occupancy and owner control.

- The supporters of the strata title equity co-op model in Alberta hope that its wider introduction to the marketplace will help to broaden the appeal of housing co-ops among all household types.

- It is difficult, although certainly not impossible, to make a project the size of Riverwind function effectively as a co-op. However, now that the buildings are full and the financial stresses have been reduced, it is likely that an even stronger sense of co-operative living will emerge. There is already a high level of member participation that is likely to increase, partly because a property manager has been hired. Notwithstanding the uncertainty of some members about this initiative, volunteers are apt to think twice about taking on the challenge of managing a multi-million dollar development. The assistance of a property manager will free the volunteers to concentrate on member involvement and policy development.

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I. BACKGROUND INFORMATION

Year Occupied

1992

Project Sponsors

The District of West Vancouver and the Buron Corporation, a private developer.[63]

Client Group

Tudor Gardens, until very recently,[64] was a seniors equity co-op, which in the District of West Vancouver means that at least one member of a household must be 60 years of age or older. The District of West Vancouver also restricted initial occupancy to people who either were then or had been in the past residents of the District. The units were intended to sell initially and in perpetuity for 15% below market, although no income restrictions were applied to prospective residents.

Project Summary	
Name of Project	Tudor Gardens
Location	West Vancouver, BC
Population	2,107,000 (Metropolitan area)
Dwelling Unit Type	Four-storey woodframe apartment building
Number of Units	33
Client Group	Seniors

63 The Buron Corporation was unable to comment on this case study because its project files are inaccessible.
64 In June, 1999, Tudor Gardens converted from an equity co-op structure to a strata title structure, the first equity co-op in BC to do so.

Origins and Objectives

The Buron Corporation made an option to purchase the three lots on which Tudor Gardens now stands. The District of West Vancouver informed Buron that rezoning would be contingent on the development of an equity co-op with affordability restrictions, similar to the already existing Ambleview Place (also a case study in this report). That is, units were to be developed and sold for prices that were about 15% below market. However, unlike Ambleview Place, which benefited from a municipal land lease, a non-profit development consultant, and no marketing costs,[65] there was really no obvious source of construction or development cost savings for Tudor Gardens. The land was bought at market prices, the developer was a for-profit company, and marketing costs were incurred. Nevertheless, the project was developed, built, and marketed on the basis of prices that were described as being significantly below market.

For its part, the District of West Vancouver was seeking to provide relatively affordable seniors housing in an expensive housing market.

Physical Description of Project

- 33-unit woodframe apartment building.
- Units range from 750 to 1,150 square feet.
- There are four one-bedroom units; the rest are either one-bedroom and den or two-bedroom units.

The building is located just off Marine Drive, a major commercial artery and public transit route in West Vancouver, an affluent suburb of Vancouver. The building is across the street from a seniors centre.

Amenities

- Large and very attractive lounge/meeting room that opens onto a beautiful garden area with BBQ.
- Grounds are very well kept and beautifully landscaped.
- Library and workshop.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure—Originally leased from the co-op for 99 years, now strata title.[66]

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The project was conceived of, initiated, developed and marketed by the Buron Corporation. The District of West Vancouver participated in a peripheral way by agreeing to rezone the land if a seniors equity co-op were built and by imposing affordability and age restrictions, but this was not really a partnership arrangement in any true sense of the word.

65 Ambleview was 100% pre-leased because its prices were very affordable by West Vancouver standards.
66 Tudor Gardens was the first equity co-op in BC to convert from co-operative to strata tenure.

Some Ambleview Place members assisted the Buron Corporation by conducting several meetings for prospective Tudor Gardens residents.

Project Costs

As previously indicated, detailed financial data are not available.

Project Development Funding

None was required—the developer provided the interim financing.

Project Financing

Members were required to make an initial $1,000 deposit, with minimum total equity of 25% required before or during construction. At occupancy, 100% of the purchase price of the units was required. Member deposits were held in a trust account and were never placed at any risk.

Pricing Structure

The residents believed that once the building was completed, the units would be appraised and then sold to them for prices that were 15% below the appraised market value.

Appraisals were indeed produced for the units that purported to demonstrate below market prices, but according to the residents, prices were in fact very close to market. In addition, there may have been some lack of consistency in the manner in which the appraisals were carried out. Prices were also apparently increased during the marketing period (i.e., the residents believe that the developer charged what the market would bear).

Initial prices ranged from $212,000 to $255,000 per unit. The Vancouver real estate market was heating up in 1992 and many Tudor Gardens residents believe they bought at a peak, without a real 15% adjustment. In fact, residents believe that units were priced from 105-108% of market. This estimation includes a recognition of the fact that the developer charged for a number of so-called extras, window openers for the skylights for example, which added $675 to the cost of the units. Quantity surveys[67] apparently indicated some divergence between the units as described in the plans used to sell the building on the one hand, and the finished product on the other. According to residents, the municipal authorities were not sufficiently rigorous in their checking procedures.

In addition, residents believe that appraisals were inconsistent as well as inaccurate. For example, residents occupying corner units discovered that their units were valued at less than less desirable interior units.

In terms of value for money, some early purchasers lost substantial amounts of money when they moved out of the building, in some cases as much as $40,000. Currently, at least three units are for sale and one has been for sale for over a year. The residents believe that market prices are now within about $20,000 of what they paid originally.

Residents began to lobby the District of West Vancouver to remove the covenant that restricted resale prices to 85% of market. They also wanted the age restriction reduced from 60 to 55. The District concluded that what the co-op really wanted was to convert to a condominium. The residents say that this was not their goal,

[67] Quantity surveyors assess building plans prior to construction with a view to estimating ultimate construction costs.

notwithstanding the fact that they believed the co-op structure to be a marketing impediment. Although there is an example of a successful equity co-op in West Vancouver, Ambleview Place, co-ops are believed to have a stigma attached to them in the local real estate market. This is partly because most co-ops are subsidized and occupied by low income households, and partly because members lease their units from the co-op and leasehold situations are regarded with some disfavour. Nevertheless, although some members believed they could have continued to operate as a co-op as long as the 85% and age restrictions were altered, they proceeded with the steps necessary to convert to a strata title project, and in mid-1999 became the first equity co-op in BC to convert from co-op to strata title.

Was the type of tenure a factor in initial move-in decisions?

The type of tenure was not a major factor in the decision-making processes of residents, although it was a consideration for some. Members were attracted to Tudor Gardens for the following reasons:

- **Location—**As previously indicated, the location of Tudor Gardens is excellent.

- **Design—**Many of the original residents of Tudor Gardens were looking for good quality, affordable housing in a convenient location that would allow them to cut down on the amount of maintenance and upkeep required in their single family houses. Some had lost spouses.

- **Affordability—**Units in Tudor Gardens were supposed to be sold at prices 15% below market, although as discussed at some length earlier in this section, members believe that the appraisals conducted at occupancy were inaccurate and that Tudor Gardens' selling prices were at market levels, not 15% below.

- **Co-op structure—**Some members were attracted to Tudor Gardens because they believed that the co-op structure would allow them to be selective about the membership and residency in the co-op.

III. CLIENT SATISFACTION

Tudor Gardens is no longer an equity co-operative. Members who prefer its status as a strata title development suggest the following reasons for their preference:

- **Resale price restrictions—**As indicated earlier in this section, the pricing structure of Tudor Gardens has been the source of much dissatisfaction from the outset. Members believe they bought at market, not at 85% of market, and they have resented the ongoing requirement to resell at 85% of market.

- **Age restriction—**Like many residents of Ambleview Place co-op, many residents of Tudor Gardens thought the minimum age requirement of 60 was too old. It is common for seniors equity co-ops to become concerned about the increasing average age of their members, partly because it may be more difficult to encourage older members to participate, and partly because they prefer a mix of age groups.

- **Co-op stigma—**Residents of Tudor Gardens believe that because many co-ops are subsidized by government so that low income households can live in them, the general public believes that all co-ops provide subsidized accommodation for low income households. As a consequence, there was a general belief among the residents of Tudor Gardens that the value of their units was depreciated in the marketplace.

- **Member selection procedures—**One of the major benefits of a co-op structure, as opposed to a strata title structure, is that membership can legally be restricted to seniors. This was considered to be a benefit by initial Tudor Gardens members. However, many members believe that shares in Tudor Gardens were sold to anyone who walked through the door, without regard for their suitability as co-op members. For example, several residents were approved for occupancy who were very old and in frail health. Seven years later, the building has become disproportionately occupied by old and frail residents and the value of member control over occupancy became discredited in the eyes of many Tudor Gardens residents. One of the consequences of the age structure of the residents is that several require care to enable them to continue living in the building. Some have 24-hour care and all the caregivers have keys to the building, which is something of a security concern.

- **Building quality—**Although the residents experienced a series of problems in the early years of the building, they are satisfied with it now. They believe that it is a good building. At the outset however, they were forced to replace some building components which had been obsolete when installed, the plumbing fixtures for example and the security system. Notwithstanding the events of the last 10 years, current residents of Tudor Gardens are very satisfied to be living in the building now that it is no longer an equity co-op. Positive aspects of their residential environment include:

- **Location—**Excellent.

- **Design—**The building is physically attractive.

- **Social activities—**There is an active social committee that organizes functions such as bridge parties and dinner parties as well as a garden committee. The membership committee has been disbanded.

Management Issues

The building is managed by Ascent Realty, a management firm that is highly regarded in many parts of Vancouver.

Monthly Fees

Not available.

Design Features to Address the Needs of Residents as they Age

- The developers incorporated some aging in place features which the residents do not particularly like. Plugs for example are higher up the wall than in conventional housing units, a location the residents consider rather ugly.

- There are lever handles in the bathtubs.
- Grab bars were added on request, at additional cost.

What the Experience of Tudor Gardens Illustrates about Equity Co-ops

- For new construction, achieving cost savings in the order of 15% relative to market values is an extremely difficult thing to do. Municipalities and housing groups that seek savings of this magnitude should be very clear about how and where such savings are to be realized.
- Equity co-ops that are based on a discount from market values, for whatever reason, need to be very explicit about all matters related to pricing and sales. People are generally very aware of values in their local real estate markets. They will recognize, if not immediately then certainly eventually, values that may have been adjusted in some way to fit a preconceived formula.
- If there is no appreciable discount from market values relative to more traditional forms of tenure such as condominiums, it can be extremely difficult to develop and sustain a viable equity co-operative unless there are other compelling reasons why people might be attracted to the project, design for example. Tudor Gardens, while an attractive building, is very similar in appearance and style to many other buildings in West Vancouver.
- Although it is not essential for success that members be deeply involved in project development (the success of some turnkey developments underscores this point), it is desirable that initial residents understand clearly how the member selection process will work.

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Bridgeside North Housing Co-operative — Equity Co-operative

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V7P 2G4

I. BACKGROUND INFORMATION

Year Occupied

1996

Project Sponsor

Bridgeside North Housing Co-operative

Client Group

Bridgeside North is a family co-op.

Origins and Objectives

Bridgeside North Housing Co-op was initiated by a North Vancouver couple who rented in the area. As they tell the story of the co-op's beginnings, they used to walk for miles through North Vancouver admiring the housing that they could never hope to own. They finally arrived at the conclusion that if they ever wanted to end their status as tenants, they would have to take action on their own.

Project Summary

Name of Project	Bridgeside North Housing Co-operative
Location	North Vancouver, BC
Population	2,107,000 (metropolitan area)
Dwelling Unit Type	Three semi-detached units
Number of Units	6
Client Group	Families

Early in the 1990's, the couple found a suitable site owned by the District of North Vancouver. The District was very supportive of the aims of the co-op, recognizing the high cost of housing within its borders. By this time the co-op had grown to include 10 households interested in ending their status as tenants and becoming members of the co-op. The co-op members spent a significant amount of time and money establishing the feasibility of the site for development purposes, but were frustrated in their aims when frogs were found on the site and it was withdrawn from the market for environmental reasons.

The District suggested three other sites to the co-op, one of which the co-op members chose to develop. It is a very beautiful site, well treed and located across the street from Lynn Creek. There are no houses on the creek side of the street. Because of the nature of the site and the existing single family housing in the neighbourhood, the only way the co-op could obtain a rezoning was to build three semi-detached units that looked like three large single family dwellings instead of pursuing their original intention, which was to build a mix of housing types that could accommodate different sizes and types of households. As a result, the units became larger and of a somewhat less modest character than the co-op had originally intended.

Physical Description of Project

- Six semi-detached units.
- Units range from 2,400 square feet to 2,750 square feet.
- The lot is 180 x 131 feet, or 24,948 square feet.

Amenities

None

Land and Unit Tenure

- Land tenure—Originally leased from the District of North Vancouver for 50 years plus a 20 year extension at 75% of freehold market value.
- Unit Tenure—Members lease units from the co-op, which was not strata titled at the outset, although $10,000 was set aside in the development budget in case strata titling became necessary.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- The co-op members did a very significant amount of work developing and building the units. Sweat equity on the construction process alone has been estimated by co-op members as amounting to $120,000.[68]
- The District of North Vancouver was very supportive of the project, although recent events (see Marketing section) have resulted in a more adversarial relationship between the two. The District leased District-owned land to the co-op.
- VanCity Credit Union financed the project and was very supportive of its aims and objectives.

[68] Members kept accurate records of the number of hours they put into building the co-op. They valued labourer type duties at $10 per hour and more skilled functions at $20 per hour.

- CMHC insured the construction financing and the take-out loans.

Project Costs

The hard costs of developing the co-op were exactly as budgeted—$110,000 per unit. The soft costs came in substantially over budget, partly because CMHC, concerned about the fact that co-op members had never developed a project before, insisted that a project manager be hired, although the co-op's architect was also performing construction supervision duties. The project manager cost $75,000.

In addition, delays resulted in increased interest costs, as did unexpected costs such as the provincial Property Purchase Transfer Tax. The co-op had assumed that because the District was not selling the land but only leasing it for 50 years, the tax would not be levied. But it was, costing the co-op $10,000.

Total project costs amounted to $1.8 million, including sweat equity. Individual unit costs, including sweat equity, ranged from $281,000 to $311,000.[69]

Project Development Funding

None. The co-op had hoped it might receive some PDF from CMHC, but year end reallocations resulted in a shortage of funds for BC projects.

Project Financing

The co-op has a blanket mortgage arranged through VanCity Credit Union. Three of the six members of the co-op provided minimum down payments of 5%; others provided more.[70] In order to meet VanCity lending requirements, one of the six members agreed to let his existing house be used as security for the financing.

Because of design and cost increases, monthly mortgage payments now average $1,800, which is approximately $400 per month higher than co-op members had planned on.

Pricing Structure

Units were sold to members at what it cost to build them. As the Project Costs sections indicates, prices varied from $281,000 to $311,000, including sweat equity which ranged from $12,000 to $47,000 per unit.

Marketing Issues

The co-op was fully occupied on completion by the founding members. The first resale occurred easily. The member who sold decided he was not a “co-op person”—he could not get used to the concept of obtaining the approval of fellow members before, for example, making changes to his garden. His unit was sold to a person who was previously involved with the co-op.

The second resale was much more problematic. The house was empty for three months and the other five members had to carry the

69 To put these numbers into perspective, new semi-detached houses sold in North Vancouver in 1995 for a median price of $374,900.

70 The three members who provided minimum down payments probably could not have qualified for mortgage financing on their own.

mortgage payments throughout this period.[71] According to co-op members, although there was a great deal of initial interest from prospective members, as soon as they heard the phrase "co-op", their interest disappeared. The unit was finally sold only after the original member agreed to guarantee the mortgage of the new buyer.

The members of the co-op began to grow concerned about the longer term viability of the co-op, particularly as one of the members had a very large amount of equity in his unit ($130,000). If he moved out, the difficulty of finding a new buyer would be exacerbated because another purchaser with a similar amount of equity would have to be found.

The co-op subsequently approached the District of North Vancouver and requested that the District approve the stratification of the co-op. The District agreed, on condition that future sales prices for the units would be at the appraised market value minus 15%. The co-op members are opposed to this condition, because it would mean a substantial loss for them. They would prefer an arrangement such as an adjustment based on movements in the Consumer Price Index (CPI). Both District and co-op agreed that the lease would be maintained, but for 50 years from the date of stratification.

Since those discussions occurred in 1999, ongoing negotiations between the District and the co-op have begun to focus on the possibility of both stratification and the conversion of the leasehold status of the co-op to freehold tenure. As was the case with The Legends in Burnaby, the District may allow the co-op to buy the freehold title to the site.

Was the type of tenure a factor in initial move-in decisions?

The type of tenure was critical—it was the only way the residential aspirations of the co-op members could be realized.

However, the joint liability issues associated with the structure of equity co-ops in BC meant that members faced serious financial risks unless all the units were continuously occupied.

III. CLIENT SATISFACTION

In terms of the housing units themselves, the members of Bridgeside North are extremely satisfied. They are also gratified that they were able to create the co-op basically on their own, with the assistance of their partners.

However, events subsequent to the development of the co-op have been less satisfactory, as previously explained.

[71] The onus to find new members is on the co-op. The co-op has one year following a move to find a replacement member and if this is not possible, the outgoing member must be reimbursed for what he paid for his unit, plus the value of improvements.

It is somewhat ironic that the co-op was sent a letter by the District of North Vancouver shortly after completion that says, in part:

"The Bridgeside North Co-operative deserves recognition and assistance for their remarkable achievement in developing a non-profit housing co-operative entirely without government subsidies. Exceptional degrees of determination and commitment were required to develop a co-op from an initial idea to a completed housing project. Members contributed a vast amount of volunteer time to move through the negotiation, approval, and construction phases of the project. The results appear to satisfy both members and the community."

Monthly Fees

Monthly strata fees are $100, which covers management costs, landscaping, and exterior maintenance.

What the Experience of Bridgeside North Illustrates about Equity Co-ops

- Residential development is a very complicated undertaking. It is difficult for non-professionals to deal with this complexity, particularly when substantial amounts of money are at risk.

- Notwithstanding the previous comment, it would be possible for municipalities to encourage the development of small infill projects such as Bridgeside North on the basis of lessons learned from the development of the first one, assuming that some mechanism could be developed to avoid the joint liability problems experienced by Bridgeside (and other equity co-ops in BC). Sharing of information could include the plans for Bridgeside (which were developed by the co-op and the architect working together), the legal documents, and so on.

- Joint liability issues are a serious impediment to the development of equity co-ops in BC.

- Complicating the issue of joint liability is the difficulty faced by equity co-ops with blanket mortgage financing, particularly when many members require high ratio financing but some are able to contribute large amounts of equity. This difficulty is avoided in the Alberta and Quebec models, where stratification and individual titles allow individual financing arrangements.[72]

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[72] See Riverwind and Les Jardins Memphrémagog case studies.

Life Lease Case Studies

Hillside Village and Lakeside Village — Life Lease

c/o The Bethany Group
4617 56th Street
Camrose, Alberta
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I. BACKGROUND INFORMATION

Year Occupied

Lakeside Village—1989
Hillside Village—1993

Project Sponsor

The sponsor of both projects was The Bethany Group, a private not-for-profit corporation affiliated with the Evangelical Lutheran Church. The Bethany Group has been providing health and housing services for people in Camrose, Alberta[73] and a very large surrounding area[74] for 77 years. Among its range of housing and health care services, the Bethany Group owns and operates two life lease projects, Lakeside Village (20 units) and Hillside Village (49 units).

Client Group

Middle income, active seniors, average age about 80.

Project Summary	
Name of Project	Hillside Village and Lakeside Village
Location	Camrose, Alberta
Population	14,000
Dwelling Unit Type	Three- and four-storey woodframe apartment buildings
Number of Units	49 (Hillside) and 20 (Lakeside)
Client Group	Seniors

[73] Camrose is a city of 14,000 people located 90 kilometres southeast of Edmonton.
[74] The "trading area" for the services provided by the Bethany Group extends as far east as the Saskatchewan border, a distance of almost 200 kilometres.

Origins and Objectives

The Bethany Group developed first Lakeside Village and then Hillside Village because they identified a need in Camrose for multi-family housing for middle income seniors. Until the construction of these two buildings, the only multi-family housing for seniors in Camrose that had elevators and common areas was subsidized, rent-geared-to-income housing. Three such projects, which are managed by the Bethany Group, had been built in 1976, 1982, and 1986. No private developers were active in Camrose at that time. The concept of life lease housing was then very new, certainly in Alberta. A few projects had been developed in Saskatchewan and also in Wisconsin, which had come to the attention of Bethany Group employees at conferences.

Since the construction of Hillside Village, private developers have entered the Camrose market. Several condominium projects have been built, as well as the first phase of a planned four-phase “continuum of care” project. Because the private sector is now active in the market, the Bethany Group will not build any more life lease projects, believing that its energies and skills are better devoted to areas where the private market is not active. The Group also believes that the life lease market in Camrose has been well satisfied for the foreseeable future.

(As an aside, an area that the Bethany Group believes is not well served in Camrose is assisted living for moderate income households.[75] Both the Bethany Group and another local housing provider in Camrose are actively planning assisted living projects, both 80 units. These projects will provide modest rental accommodation (one-bedroom units will be 500 square feet), one meal per day, and a 24-hour per day emergency alert system as part of the monthly rental charge, which, for an individual living in a one-bedroom apartment, will be $1,100. Additional services, such as three meals per day or housekeeping, will be available on a fee basis. The standard service and accommodation package will fall between the no-service model of the life lease projects and the full service model of Alberta's lodge program. The Bethany Group's project will be built on a site adjacent to a proposed long term care facility that has been awaiting funding from the provincial government for several years.)

Physical Description of Projects

- Both projects overlook a very pretty lake and park near the central shopping area of Camrose.
- Lakeside Village has 20 apartments on three floors; Hillside has 49 apartments on four floors. Lakeside Village has apartments on only one side of the building (technically speaking, a single loaded corridor) so that all units have views of the lake.
- In Lakeside Village there are one, two, and three-bedroom units ranging from 950 to 1,500 square feet. Each unit has five appliances. The one-bedroom and some of the two-bedroom units have one bathroom; some of the two-bedroom units have 1.5 bathrooms, and the three-bedroom units have two bathrooms.

75 It is very difficult for moderate income seniors to access any of the low rental projects in Camrose because they are allocated on the basis of a point rating scale that assigns a heavy weight to low income.

- In Hillside Village there are one- and two-bedroom apartments as well as one-bedroom plus den units ranging from 775 to 1,222 square feet. Some of the two-bedroom units have more than one-bathroom.

- In Hillside Village, in-suite laundry hook-ups are provided while in Lakeside Village washers and dryers are included in the purchase price.

- Parking is available in either individual garages at grade or underground. A garage costs $5,200 while an underground parking spot costs $12,000.

- Every unit has a balcony or deck and storage rooms are provided in each apartment.

Amenities and Services

Aside from the fact that both buildings have spacious and attractive lounges and other public areas, there are no special amenities or services at either building, nor are there any plans to provide services in the future. There is no undeveloped space in either project that could accommodate meal service for example. Some residents use services such as Meals on Wheels. Residents who are unable to live independently, or with minimal support, must move to a facility providing more care. In cases where this has happened, the Bethany Group has worked closely with families or with the Public Trustee to move people to a more appropriate facility. Eviction has never been necessary.

Land and Unit Tenure

- Land Tenure—Freehold.

- Unit Tenure—Life lease. The units in Lakeside Village are not strata titled but those in Hillside Village are. More detail on these issues appears later in this report.

Basic Nature of Lease Agreement

- Residents must pay for their units in cash—no financing is available.

- Within 90 days of move-out, residents receive their entrance fee back less depreciation to a maximum of 10%, a reduction described in the marketing brochure as “an amount to allow for building depreciation”. The formula provides for return of 95% of the entrance fee after one year of occupancy, 94% after two years of occupancy, and so on, until after the fifth and subsequent year, 90% of the entry fee is refunded. Surpluses built up by the Bethany Group as a result of refunding operations will be used for two purposes—as a replacement reserve fund, and as a sinking fund to pay out residents living in Hillside and Lakeside Village at the end of the buildings' useful lives.

- Units are re-leased at whatever the market will bear. If the market has gone up, the additional money goes into a restricted fund to support the buildings. If the market has gone down, the Bethany Group bears the loss.

- Residents who are no longer able to live independently are encouraged and assisted to move. The occupancy agreement for Hillside Village reads as follows: “If the health status of the resident should change to the extent that continued residency at Hillside Village is inappropriate, Bethany reserves the right to seek additional consultation as to the need for a move to a more appropriate facility. In such cases, the resident, the resident's family, and the resident's physician shall be contacted.” The Bethany Group has never had to resort to eviction, working through families and the public trustee instead when residents have needed to be moved to facilities providing care. The view of the Bethany Group, and it may be a reasonable one, is that faith-based organizations tend to “go that extra mile” when dealing with difficult situations involving residents.

- Sub-letting is not permitted.

Legal Issues

Between the development of Lakeside Village and Hillside Village, the Bethany Group made a number of significant changes, not only in terms of design,[76] but also in terms of legal structure. Hillside Village is registered as a condominium—each unit is separately titled, although the Bethany Group holds all the titles. Each resident holds a mortgage on his or her unit that is registered at Land Titles. In a sense, each resident has the legal rights of a lender—they could foreclose and take title to a unit if circumstances made this necessary—for example, if all the residents decided to move out at the same time and the Bethany Group was unable to repay the entrance fees within three months as required by the occupancy agreement.

This structure was chosen because the Board of the Bethany Group was concerned about the unfunded liability they would face in catastrophic circumstances and whether the assets of the Bethany Group might be in some jeopardy. Registering Hillside Village as a condominium was seen as a way to protect the interests of both the residents and the Bethany Group.[77]

In the broader sense, there are a number of grey areas associated with the operation of life lease projects in Alberta. For example, as is the case in most other provinces, there are no standard occupancy agreements. It is interesting to note that the occupancy agreement for the first Bethany life lease project, Lakeside Village, is called a Residential Tenancy Agreement (wherein “the tenant wishes to lease an apartment”), while that for the newer Hillside Village is called an Occupancy Agreement (wherein “the resident desires to purchase the right to occupy the residence”).

Although the issue has never been tested in court, the Bethany Group does not believe that the provisions of the *Residential Tenancy Act* apply to life lease projects. Their view is that the success of their life lease projects and the rights and protections afforded their residents rest on the reputation and integrity of the Bethany Group itself, which has been active in the Camrose area for 77 years and which

76 Lakeside Village is a long, three-storey structure with single loaded corridors. All the units overlook the lake. Hillside Village is a more conventional four-storey design with double loaded corridors. Units at the front of the building overlook the lake.

77 There is only one mortgage for Lakeside Village, held by the Bethany Group.

intends to provide housing and health services in the community for many years to come.

The legality of age restrictions in the life lease projects has never been tested, nor has the prohibition on sub-letting. The Villages are promoted as retirement living projects and residents essentially self-select on the basis of the conditions established by the Bethany Group.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The Bethany Group functioned as the developer for both Lakeside and Hillside Villages. They bought the land, obtained the for necessary zoning changes, arranged the financing, hired the architect and contractor, and marketed the projects. Now they manage them as well.

The costs and the risks of project development are major issues for the Bethany Group. The expenditure of $200,000 to $300,000 in project development financing for securing land,[78] preparing preliminary architectural drawings, rezoning (if necessary), and market analysis is, from their perspective, the biggest single limiting factor for non-profit community organizations wanting to develop housing projects. The possibility of partnerships with for-profit developers arises occasionally, but is viewed by the Bethany Group as a difficult arrangement to implement successfully.

Project Costs

Not available.

Project Financing

The Bethany Group front-ended the pre-development costs, which amounted to over $300,000.

Pricing Structure

Entrance fees for the Bethany Group's life lease projects range from $77,800 to $120,000 in Lakeside Village and from $58,000 to $103,000 in Hillside Village.

Monthly Fees

Monthly fees cover property taxes and operating costs. They range from $350 to $370 per month.

Marketing Issues

In advance of the development of Lakeside Village, detailed market research, including a series of focus groups, was undertaken before the decision to proceed was made. In the event, the 20 units in Lakeside Village were sold out in six weeks. Soon after that the Bethany Group began development work on Hillside Village. Hillside Village was intended to be built in two phases, but the first phase sold out so quickly that both phases were built at the same time. It is made very clear to people that what they are buying is a lifestyle

[78] Notwithstanding Camrose's relatively small population, its proximity to Edmonton, its attractiveness to retirees from a large surrounding area, and its generally healthy economy have resulted in high land costs.

investment, not a real estate investment. Some people choose not to move in because appreciation is not possible, but for many others it is not an important factor.

The Bethany Group stresses four themes that they believe describe the philosophy underlying the development and operation of their life lease projects: freedom (from the need to be involved with the management of a real estate investment); security; comfort; and friends.

Relative to competing condominium projects, Hillside and Lakeside Village are considered to be affordable. Two-bedroom units in one local condominium are currently selling for $140,000, considerably more than two-bedroom units in the life lease projects. Condo fees in this project are $140 per month and residents are responsible for their own property taxes and utilities.

Both Hillside Village and Lakeside Village are full and there is a waiting list.

Was the type of tenure a factor in initial move-in decisions?

Yes, although it was not the only reason. The most important reasons why people moved into Hillside and Lakeside Village were:

- Location and physical quality of buildings.[79]
- Inability or disinclination to maintain single family home and yard.[80]
- Greater ease of travel: “lock the door and go”.
- Security—No concerns about robbery or other crimes.
- Sense of community provided by other residents. Organized activities and weekly coffee parties provide a way for residents to socialize.
- Simplicity of move-out, a feature of more benefit to estates than to current occupants, but one that is important to many residents.
- Knowing exactly how much money will be refunded in the event of move-out or death. Although there is no possibility of capital appreciation, there is no possibility of loss either.
- There are no legal fees and no real estate fees.
- Fewer responsibilities than required in a condominium. This includes not only the absence of strata council responsibilities, but also maintenance responsibilities within individual units. The Bethany Group repairs and maintains all appliances and plumbing, electrical, and heating systems at no direct cost to the resident (although the cost of such repairs is included in the monthly fee).

79 Specific advantages of Lakeside and Hillside Villages relative to competing projects include balconies and central heating (some of the local condominium projects have individual furnaces that must be accessed from the balcony, which is often snow-covered in winter).

80 Hiring people to perform chores around the house and yard was described as a “hassle”.

Residents had thought carefully about the financial implications of moving into the two projects and had decided that the impossibility of realizing capital gains on their homes was not a serious deterrent. One resident had calculated that it would be cheaper for him to live in the life lease than in his house as long as the monthly fees did not exceed $500 (they currently range from about $350 to about $370, an amount that includes property taxes, insurance, utilities except phone and cable, maintenance, appliance repair, and the funding of a replacement reserve fund).

III. CLIENT SATISFACTION

Management Issues

Both Hillside Village and Lakeside Village have resident councils whose primary function is planning social activities. Management functions are viewed by both owner and residents as the responsibility of the Bethany Group, as owner. Residents are provided with an annual financial report that summarizes the operation of the projects over the preceding 12 months.

The fact that residents are not expected to take an active part in project management is considered to be a benefit by the Bethany Group and by the residents, at least those interviewed for this study. The residential alternative for relatively affluent Camrose retirees wanting to live in elevatored multi-family accommodation is condominiums, which require membership and participation in a condominium association. Many seniors prefer not to be involved in property management

Design Features to Address the Needs of Residents as they Age

- Although the two projects have very different designs, both were intended to be “senior friendly”—doorways and halls are wide and there are grab bars in the bathrooms.
- People in wheelchairs are able to live in the buildings.
- Both projects contain attractive and well-designed lounges and meeting rooms, but there is no intention of using these spaces to provide services, now or in the future.

Overall Satisfaction with Tenure

Residents are extremely satisfied with life in Lakeside and Hillside Village. They have no concerns (at least no expressed concerns) about their legal status within the life lease structure, nor about the fact that their investment will decline in value by 10%.

What the Experience of Lakeside and Hillside Villages Illustrate about Life Lease Projects

- The reputation and integrity of the sponsor is critical to project success.
- Although services are appreciated by residents who have access to them, the provision of services is not essential for project success.

- Many life lease residents appreciate simplicity. They like the fact that they are not required to participate in management. They find very appealing the ability to call the building manager to fix an appliance rather than worry about it themselves. They like the idea that they can lock their door and go away on an extended holiday without worrying about their residence. And the particularly like the guaranteed buyback provisions of life lease arrangements.

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Elks Manor — Life Lease

Main Street between Mountain and First
Neepawa, Manitoba
R0J 1H0

I. BACKGROUND INFORMATION

Year Occupied

1993

Project Sponsor

The owner and operator of Elks Manor is a numbered Manitoba company (2625360 Manitoba Association Inc.), a non-profit housing corporation established by the local Elks chapter—the Benevolent and Protective Order of Elks—Lodge No. 398. It is the only housing facility operated by the Lodge.

Client Group

Residents must be at least 55 years of age and be able to function independently. The average age, according to the sponsor, is in the mid 80's. Most residents are single women. No services are available in the building itself, but some residents are assisted by services such as meals-on-wheels and home care. The sponsor has some concerns that several of the residents will soon have to move to personal care facilities. The sponsor believes, however, that the project has enabled many of its residents to prolong their ability to function independently in the project's supportive environment.

Project Summary

Name of Project	Elks Manor
Location	Neepawa, Manitoba
Population	3,500
Dwelling Unit Type	Six-storey apartment building
Number of Units	50
Client Group	Seniors

Origins and Objectives

The local Elks chapter had determined in the latter part of the 1980's that Neepawa's seniors required additional housing options, as well as facilities providing health care and other services. This was confirmed by surveys carried out through the local newspaper and through public meetings. The organization felt strongly enough about wanting to address this need that it began to assemble land, using its own funds, close to the main business centre of Neepawa, a town of about 3,600. It took three years to assemble the site. In 1991, responding to a call for proposals issued by Manitoba Housing, the sponsor submitted a proposal for a mixed-income seniors project that included both life lease and fully subsidized rental units. This proposal was accepted. The project was constructed during 1992/1993 and full occupancy was achieved in March of 1993.

Physical Description of Project

- 50 unit six-storey concrete and masonry apartment building consisting of 35 life lease units and 15 rental housing units subsidized on a rent-geared-to income basis under a provincial/federal cost sharing arrangement. The provincial government sponsored several of these mixed income projects while it was still actively developing housing projects.

- There are no major physical differences between the life lease and rental units. However, all subsidized units are one-bedroom and about 600 square feet in size. By comparison, the life lease one-bedroom apartments range in size from 644 square feet to 667 square feet (corner suite). The life lease two-bedroom apartments range in size from 838 square feet to 861 square feet (corner suite).

- All units have carpeted living room and bedroom(s), balconies, and one bathroom.

- Two appliances are provided—a stove and a refrigerator.

The project is located on Main Street close to Neepawa's main shopping area.

Amenities and Services

The building features include:

- A large multi-purpose room, including a reading room and lounge area.

- Common (serving) kitchen.

- Lobby, furnished waiting room, and solarium on the ground floor.

- Laundry room on each floor (included in monthly rent).

- Air conditioned public areas and corridors.

- Main floor common storage.

- Interphone security systems.

- Serviced, surface parking for all suites.

- Emergency call system.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure—Leasehold. The units have not been stratified.

Basic Nature of Lease Agreement

- New residents must pay a deposit of $2,000 non-refundable deposit. The balance of the entrance fee (which varies by unit type—$24,000 for a one-bedroom and $26,000 for a two-bedroom) is payable prior to occupancy.
- Sublets are permitted with the approval of the sponsor. These are not encouraged, however.
- The Elks Lodge offers guaranteed entrance fee refunds, but apart from a small escrow fund these refunds are funded by the entrance fees paid by incoming residents. Tenants are required to give 90 days notice to terminate their lease. Refunds are processed through a trustee (Co-operative Trust) who accepts all entrance fee deposits from incoming residents. Refunds are made in full, less a small administrative fee ($100) charged by the trustee. Approximately ten to fifteen life lease apartments have been re-leased since 1993. Most refunds were made within the 90-day period. Life lease residents also pay a security deposit equal to one half of the monthly rental rate.

Legal Issues

The lease executed by each life lease resident provides for an occupancy term ending on the earlier of the date of the death of the resident or the date of termination of the lease. A resident can terminate the lease at any time with 90 days notice. The sponsor can terminate the lease only for cause e.g., if the resident is in default under the terms of the lease (for non-payment of rent, willful damage or destruction etc).

Legal documents provided to the life lease resident include:

- Offer to lease.
- Lease.

The initial residents also received copies of documents pertaining to the role of the trustee in handling the initial deposit and entrance fee payments and their use to fund construction and development costs. An escrow fund was established from these initial payments—$2,000 per life lease unit, or $70,000 in total—was put into an escrow reserve fund which is available to fund entrance fee refunds if an entrance fee payment from an incoming resident is not available. This escrow fund is maintained by the trustee.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The Elks lodge was the developer of the project and engaged a general contractor selected by competitive public tender. The sponsor hired a development consultant who co-ordinated all aspects of the development process—design, selection of contractor, construction, marketing, and financing. The sponsor also hired an architect who was directly responsible for the preparation of design and working drawings and performed construction inspections and issued payment certifications. The lender was (and is) the Beautiful Plains Credit Union. Under the provisions of the Manitoba Housing program a partial mortgage guarantee was provided by the Province of Manitoba. This guarantee covered 10% of the life lease portion of the project mortgage. Up to this amount was payable to the lender if the project fell behind in its mortgage payments in this first six years of operation and did have sufficient reserves to remedy this default. The guarantee period ended in March of 1999.

Project Costs

The total capital budget was $3.1 million. The 2000/2001 operating budget for the life lease component of the building is some $289,332.[81]

The building is presently exempt from the school portion of the property tax assessment.

Project Financing

Construction was financed through advances of the permanent mortgage which was provided by a local credit union as indicated above.

The financing included 100% of the capital cost of the (subsidized) rental units and the funds required to pay the capital costs of life lease units (less the entrance fees paid by the residents, the escrow reserve, and the land cost, which was paid for by the sponsor). The initial term of the mortgage was three years, it was renewed in 1996 for five years at a slightly lower mortgage rate. It is presently 7.8%.

Pricing Structure

The entrance fees and current rents paid for the life lease apartments are as follows:

Unit type	Entrance Fee	Current Rent
1-bedroom	$24,000	$573
1-bedroom (corner)	$24,000	$607
2-bedroom	$26,000	$697
2-bedroom (corner)	$26,000	$716

Rents have increased only once in six years, in 1996. This increase is still remembered with considerable displeasure by the residents. Further increases have been avoided partly expenses have been stable and also because of the reduction in debt service costs at the end of the first three-year term of the mortgage.

Rent charges include all utilities and building services except for telephone and cable. The parking charges for each of 18 garages is $35/month.

No additional services are provided by the project although various community services do support many of the residents in the building e.g., meals, home care etc.

[81] Comprised as follows:

Revenue	$289,332	Expenses Administration	12,000
Repairs & Maintenance	30,450	Utilities	37,602
Replacement Reserve	13,800	Property Tax	37,704
Amortization	146,340	Insurance	2,640
Total Expenses	$280,536	Net Surplus	8,796

Monthly Fees

Included in rent, except for phone, cable, and parking.

Marketing Issues

The sponsor views its life lease residents as tenants albeit with more of an interest in the project than is usually the case for tenants by virtue of their life leases and entrance fee payments. Rents were set at a level which ensured all operating costs could be paid. This, for Neepawa, established the market for this type of rental unit. There are very few other private rental units in Neepawa—almost all are single detached homes.

Many of the life lease residents are retired farmers or their surviving spouses. The project enabled many farm households to retire, sell or lease their farms, and relocate to town. This option was generally not available prior to the development of Elks Manor. Incoming residents continue to be largely farm households.

To date the sponsor has experienced no difficulties re-leasing the life lease units for which there is a waiting list.

The mixed income nature of the project has not resulted in any significant marketing problems.

The building is now six years old and has a waiting list for both life lease and rental units.

Was the type of tenure a factor in initial move-in decisions?

In general, life lease tenure was not a significant factor for the residents. Most had been occupants since the building was completed, and almost all had been home owners for most of their adult lives in the Neepawa area. The choice to move to Elks Manor was prompted more by the following factors:

- Location.
- Increasing difficulty in maintaining their homes.
- Design features.
- The “sociability” of the residents.

III. CLIENT SATISFACTION

The life lease residents are extremely satisfied with life in Elks Manor. In addition to the factors cited in the preceding section, residents expressed particular satisfaction with the large multi-purpose room and other main floor amenity space.

Negatives cited by residents were:

- The only significant concern expressed was the amount of the rent, especially given the fact that each resident paid an entrance fee.
- Design concerns mentioned by the residents included the observation that the kitchen cabinets were too high—they are set at normal height but some residents are shorter than average.
- Also, some residents commented that glue down carpeting (on a concrete base) resulted in a hard surface. (This is customary in a seniors building as it allows wheelchair accessibility to all apartments.)

- Some residents also felt that some apartments would have benefited from a larger living room and smaller bedroom. (The residents were not involved in the design of the apartments).

Concerns about rent levels (and possible future increases) was the most widely expressed issue of any significance. The life lease residents, however, understood that the financial viability of the project was dependent upon these rent levels. They understood as well that the building would not have been built without the entrance fees paid by the life lease residents.

All of the residents indicated they expected to remain in the project until they could no longer look after themselves.

Management Issues

One life lease resident is a member of the project's Board of Directors. Other than this, the life lease residents are not involved in the management of the project. This is left to the Board who have engaged a part-time manager. This manager was a resident for a period of time but this proved to be difficult as he was too accessible—residents would often request assistance after regular work hours for matters that did not need immediate attention.

The residents are largely responsible (via a residents committee) for organizing a variety of social activities e.g., morning coffee gatherings twice each week.

Design Features to Address the Needs of Residents as they Age

The building has been designed with a number of features with aging in place in mind:

- The building is accessible by wheelchair.
- Several apartments are full mobility units, including the appropriate turning radius in the bathroom.
- Bathrooms have non-skid tubs and grab bars.
- The building has an emergency call system.
- Lever style door handles.
- Grab bars in bathrooms.

Overall Satisfaction with Tenure

Extremely high.

What the Experience of Elks Manor Illustrates about Life Lease Projects

- A life lease project can be successful even in smaller, farm-based communities such as Neepawa.
- This type of project likely requires the participation of a motivated local sponsor as well as a local financial institution, in this case the credit union.
- Mixed income projects can be marketed successfully to life lease residents and do not face any significant operating issues resulting from the mix in income levels.

- A stable real estate market where there are no expectations of significant capital gains may enhance the acceptability of the life lease model, where the model in use does not permit the accruing of individual capital gains.

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I. BACKGROUND INFORMATION

Year Occupied

Glenrich Gate has presold eight of 26 planned units. As soon as 10 are sold, construction will be started. Occupancy is anticipated in the fall of 2000. Zoning approval from the City of Calgary was obtained in June 1999.

Project Sponsor

The Glamorgan Christian Housing Society, a society formed by the members of Christ Lutheran Church to oversee the development, construction, and ongoing operation of Glenrich Gate. The Church deliberately avoided the inclusion of the word "Lutheran" in the name of the housing society so that all would feel welcome.

Client Group

Seniors over the age of 55.

Project Summary	
Name of Project	Glenrich Gate
Location	Calgary, Alberta
Population	816,000
Dwelling Unit Type	three-storey apartment
Number of Units	50
Client Group	Seniors

Origins and Objectives

Christ Lutheran Church is located on a large and underutilized site in southwest Calgary. The Church congregation has become too large for the current building, but funds for rebuilding were not available. Consequently, the Church decided that the development of a life lease project would not only provide capital for a new church, but would also provide a useful service for community seniors. The life lease project and the church will be physically connected.

Physical Description of Projects

- 26 units in a three-storey apartment building. The project was originally planned to be 32 units in a four-storey structure, but neighbours objected to the height, so it was scaled back to three storeys.
- The building will contain six one-bedroom units, which range from 594 to 616 square feet.
- Twenty two-bedroom units, which range from 904 to 1,190 square feet.
- Each unit will have a balcony or patio.
- Five appliances will be provided.
- Parking will be underground.

Amenities

- Main floor social, recreation, and crafts area.
- Landscaped park area surrounding the building.
- Secure entry.

Glenrich Gate is located on Richmond Road, which is a major arterial road. Shopping and services are close by and access to public transit is excellent.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Life lease. The units in Glenrich Gate are not strata titled.

Basic Nature of Lease Agreement

- The first step in leasing a unit is the completion of an Expression of Interest form, which requires no deposit and is cancelable at any time by the interested purchaser.
- The final life lease agreement will be made available to residents prior to the start of construction.
- Interested buyers will then complete a Life Lease Application form and begin to make a series of payments.
- The first required payment is $20,000, which does not need to be provided in cash. Instead, buyers can in effect borrow this amount by permitting a lien to be placed against the future sale of their house. Other Calgary projects also use this system, which avoids the need for interested buyers to liquidate assets.
- Residents wishing to move out may terminate their contract and receive a refund of their entry fee within 180 days.

- Increases in the value of the unit, if any, are shared equally by the resident (or the estate) and the housing society.
- Entrance fees are secured by a second mortgage registered against the title for the building. If the sponsor failed to refund entry fees, the residents would have the legal right to assume ownership of the property.
- A reserve fund will be established by the sponsor that will grow over time and provide additional security for the repayment of entrance fees.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Glenrich Gate is being developed by Glamorgan Christian Housing Society, the housing society incorporated by Christ Lutheran Church to handle all the details related to the development, construction, and operation of the housing project.

The Society has retained a development consultant to assist it as well as an architect.

Project Costs

Not available.

Project Financing

Not yet arranged.

Pricing Structure

Entrance fees for Glenrich Gate units range from $90,900 to $181,900.

Glenrich Gate is based on the Manitoba model, that is, purchasers are not required to pay the full cost of their unit at occupancy.

Minimum entrance fees are 50% of the cost of the unit. Buyers choosing to make minimum deposits pay extra monthly charges reflecting the need to finance half the purchase price.

For a one-bedroom unit for example, a buyer making the minimum deposit would be required to deposit $45,450 and make monthly payments of $550. A buyer paying the full entry fee of $90,900 would pay monthly fees of $220, which cover property taxes, operating and maintenance costs, and long term capital replacement reserves.

The literature for Glenrich Gate describes project Entrance Fees as “significantly less than the purchase price of a condominium unit of similar value”.

Monthly Fees

Monthly fees (excluding financing charges) range from $220 to $440 depending on size of unit. Purchasers will be provided with the opportunity to participate in the formulation of annual operating budgets.

Marketing Issues

The Society believes that the relative newness of the life lease concept in the Calgary area has led to some hesitancy on the part of potential buyers, but is confident that the project will proceed soon.

Was the type of tenure a factor in initial move-in decisions?

From the perspective of the Church and its congregation, life lease was the desired tenure because it enabled the Church to retain ownership and control over the housing project.

Initial buyers are equally attracted to the fact that the Church will retain ownership and control, although that is not the only reason they have reserved a unit. Other reasons include:

- A wish to relinquish the responsibility of single family home ownership.
- Location—Most of the early buyers have lived in the neighbourhood for years.
- Proximity to shopping and services.

III. CLIENT SATISFACTION

Not applicable.

Design Features to Address the Needs of Residents as they Age

The project is planned to be very accommodating of the needs of aging residents. For example, no or very low thresholds will be part of the construction design.

Overall Satisfaction with Tenure

The first eight buyers are completely satisfied with the life lease concept. Initial caution has been dispelled by consultation with lawyers, children, the Church, and other advisors.

What the Experience of Prince of Glenrich Gate Illustrates about Life Lease Projects

- As has been noted over and over in this report, the reputation of the sponsoring organization is critically important.
- Buyers are very attracted to the idea of ongoing involvement by a sponsor, partly because of the control over occupancy such sponsorship allows, and partly because of the role sponsors play in terms of fostering and encouraging the emergence of a more community focused environment than might be possible in a condominium or conventional rental project.

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I. BACKGROUND INFORMATION

Year Occupied

Original Project—1989
Expansion—1996

Project Sponsor

The owner and operator of Lindenholm Place is Lindenholm Ministries Inc., a non-profit housing corporation established by the Grant Memorial Baptist Church. The sponsor also operates, on the same site, its church, a private school (grades kindergarten to grade 12), and a seniors life lease project (Lindenholm Terrace) built in 1998.

Client Group

Residents must be at least 50 years of age, but almost all are over 55. The sponsor believes the average age of the present residents to be between 70 and 75. The building has attracted a considerable number of empty-nesters still in the work force who are looking for a pre-retirement home which could eventually be adapted if necessary to accommodate problems associated with aging. The sponsor has considered increasing the minimum age to 55.

Project Summary

Name of Project	Lindenholm Place
Location	Winnipeg, Manitoba
Population	660,000
Dwelling Unit Type	Ten-storey apartment building
Number of Units	112
Client Group	Seniors

Origins and Objectives

In the early 1980's The Grant Memorial Baptist Church developed its church on a 24-acre site in Winnipeg, which, although centrally located, was in an area that had been left unserviced and undeveloped. An upscale residential area was also planned for the same neighbourhood and has since been developed to the south of the church's site. Improvements to roads and commercial services have also occurred.

From the outset, the church planned to develop both subsidized and non-subsidized seniors housing as well as personal care facilities on its site. Lindenholm Place was the church's first housing project. Completed in 1989, and expanded in 1996, it provides 112 apartments for seniors 50 years and older. Residents receive 99-year leases. A second project, also non-subsidized, Lindenholm Terrace, is a true life lease development. This project was completed in 1996. While the development of the site does not include a hoped for personal care facility, it does achieve many of the goals set by the church some fifteen years ago, providing serene, safe, and affordable housing to Winnipeg seniors. The site includes a man-made lake adjacent to Lindenholm Place. A new 244-unit assisted and supportive seniors housing project has just been completed on a site just to the east of the Church's site. Although not affiliated with Lindenholm this project will be available to present residents.

Physical Description of Project

- 112 unit, 10-storey concrete frame building.
- Underground parking stalls.
- Includes one-, one-plus den, two-, and three-bedroom apartments ranging in size from 522 to 1,250 square feet.
- Some initial residents had the option to enclose balconies—this option was subsequently made available to all residents.
- The building has central air conditioning.
- The addition completed in 1996 is composed of 20 two bedroom apartments each with two bathrooms.
- Each apartment has in suite storage and laundry.
- Each resident has a basement level storage locker.

Amenities and Services

- Amenity areas on the first two floors are high windowed and well lit.
- Amenities include a large swimming pool, lounges, multi-purpose area, a kitchen and a solarium.
- The project includes a large workshop, garden spaces, and a car wash.

No additional services are provided to the residents, although some utilize a meal service provided by the church that is within walking distance. Other outside services e.g., home care, meals-on-wheels, etc. are available to the residents.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Leasehold (99-year term). The building has not been strata-titled.

Basic Nature of Lease Agreement

- A deposit of $2,000 is required with the offer to lease executed by a prospective resident. A further deposit of $10,000 is required upon the acceptance of the offer. The payment of the full lease charge is required prior to occupancy.
- Leases have a 99-year term, and can be renewed for an additional 99-years.
- Deposits are refundable only in the event of the death of the tenant prior to occupancy.
- Sub-letting is allowed, with the permission of the sponsor, only to resident who are also 50 years of age or older.
- Residents can assign their leases at market values—new residents must assume all existing terms. Any increase or decrease in market value is reflected in the assignment price and accrues to the departing resident.
- Residents can terminate their lease with 90 days notice but would forfeit their deposits if they did so.
- Residents can register a mortgage against their leasehold interest.

Legal Issues

The 99-year lease term was adapted when the first phase of the project was completed in 1989. It was chosen because the sponsor felt this would be the form of tenure most acceptable to its prospective residents. Life lease projects were still not widely known. The 99-year lease provided security of tenure and also provided the residents with a tangible asset that could be “assigned” or resold. The sponsor believed the value of these leases would appreciate over time. This has not occurred, however, significant appreciation of market values has in general not occurred for most residential real estate in Winnipeg over the past 10 years.

A significant legal issue became apparent with the completion of the addition in 1996. Canada Customs and Revenue Agency has assessed the building as a condominium for GST purposes. This has resulted in an unforseen tax liability which the sponsor is presently appealing. It would appear Canada Customs and Revenue Agency regards the present lease terms to result in a form of tenure equivalent to ownership without regard to the continuing landlord obligations.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The sponsor developed this project initially with a Steering Committee appointed by the church. This committee became the Board of the new non-profit corporation, Lindenholm Ministries Inc. This corporation in turn engaged the services of an architect (MMP Architects) and selected a contractor (Crystal Construction) via invitational tender. The marketing of the two phases of the project was carried out by two real estate firms. The sponsor had a full time staff person, reporting to the Board, available for the project.

Project Costs

The project had a total capital cost of $10 million for phase I and $2.4 million for phase II. Operating costs total $483,000, distributed as follows:

Administration/Management	20,500
Property Taxes	140,000
Utilities	135,000
Salaries & Benefits	63,500
Contract Services	67,100
Structural Repairs	20,000
Custodial & Maintenance	9,750
Insurance	7,000
Prepayment Discounts	3,500
Miscellaneous	1,300
Reserve Fund	15,000
Total	482,650

Project Financing

A construction loan was used to provide the funds necessary during construction before the deposits and final lease payments were received from the residents. The sponsor provided the land for the project. No long term mortgage funding was required.

Residents who required mortgages arranged them through their own lender or through a lender with which the sponsor had negotiated a financing agreement.

Pricing Structure

The following table illustrates (for selected units) the original pricing of the project and the budgeted occupancy charges for 1999. Additional parking is available at a cost of $12 (outside) and $20 (inside).

Style	Unit Type	Size	Price (S.F.)	Monthly Occupancy Charge
B	1-bedroom	722	$ 67,000	$242
C	1-bedroom/Den	828	$ 78,900	$278
D	1-bedroom/Den	954	$ 86,500	$320
E	2-bedroom	1,122	$104,000	$377
G	2-bedroom	1,125	$105,000	$378

Monthly Fees

Residents pay a pro-rated share of the operating expenses (based on a square footage calculation—see above). They can choose to prepay their expenses and receive a small discount if they choose to do so.

Residents are responsible for all regular maintenance within their apartments—including painting. They are also responsible for reselling their leases.

Marketing Issues

Several of the apartments were originally leased to non-residents for sub-lease purposes. All but a handful of these apartments are now owner-occupied. The project sustained a development cost overrun due to the extended marketing period which was funded by the sponsor. The sponsor believes this was mainly due to the non-traditional nature of the tenure arrangements as well as the size of the project, the lack of commercial services and development in the area, and general market conditions. This view would seem to be supported by the favorable marketing environment the building presently enjoys. The initial marketing was fairly expensive. Two display suites were constructed and staffed, on a consecutive basis, by the real estate firm. Professional marketing materials (brochures, etc.) were developed. The church ensured its members were made aware of the progress of the project. Selective advertising was done in local and community news papers.

Was the type of tenure a factor in initial move-in decisions?

Not according to the residents that were interviewed for this report. The project was marketed as a condominium type project—although residents were fully informed about the nature of the 99-year lease. The ability to resell their leases was stressed in the marketing materials. There may well have been some confusion about the legal limitations of a leasehold interest and its differences from freehold or condominium ownership. This no longer appears to be the case as with the increasing acceptance of life leases the market has matured and new purchasers of leases in Lindenholm are probably better informed and have a better understanding of what they are buying. About 35 apartments have been re-leased over the past 10 years.

The residents tended to place more importance on other factors such as building features, central air conditioning, amenities such as the swimming pool/sauna, and good unit planning—large windows, in-suite laundry and so forth. As the overall neighbourhood is developed the location itself is becoming seen as a particular advantage.

III. CLIENT SATISFACTION

The residents are very satisfied with the project. There is an active residents committee which organizes various activities. The facilities are well used. The swimming pool is a particularly attractive for grand children. All residents seem very pleased, overall, with the features of the project.

The residents also view their neighbours in the building as friendly and supportive. The building has developed as a community within the larger community of the overall site. Trust and confidence in the sponsor probably overcame many potential concerns with an unfamiliar form of tenure as well as purchasing a major asset based only on information included in plans and drawings. The contractor also enjoyed a good reputation and probably increased the marketability of the project.

Negatives cited by residents were very few. Some would appreciate an art/crafts room, others an exercise/weight room.

Management Issues

The residents are also very satisfied with the management of the building, with one caveat. They believe that there could be better communication between the residents and the Board of Directors. At the moment, one resident is a Board member. Residents can nominate three individuals each year. All Board members must also be a member of the church. All Board members are appointed by the church. Other then via this representation and by issues raised with the Board by the Residents committee, the residents are not involved in the management of the project. In this respect the project functions markedly differently than would a condominium Board made up of owner-representatives. Interestingly enough, however, the residents realize that many management issues are left to the Board and administrative staff and do not require their involvement.

Design Features to Address the Needs of Residents as they Age

Many residents remain relatively unconcerned about these issues. The apartments have been designed well in terms of allowing the usual adjustments e.g., light switches, receptacles, emergency call (local), grab bar readiness, and wheel chair accessibility. The lack of services is not viewed as an issue as these can be brought to the building by various agencies.

Many of the residents view the building as an excellent place to live until they graduate to a health care facility of some type.
A new project, the Waverley, has just been completed a block or so away, and will provide both personal care and supportive seniors housing.

Overall Satisfaction with Tenure

Extremely high.

What the Experience of Lindenholm Place Illustrates about Life Lease Projects

- The importance of the sponsor in the marketing of a new type of tenure cannot be overstated. The trust inspired by a reputable, caring sponsor can overcome a great deal of market resistance, not just from potential residents, but from their families, lawyers, and other advisors.

- The greater the investment made by the residents, and the more a project is marketed as an ownership form of tenure, the more likely one would expect residents to demand an influential voice in project management. However, this is often not the case with life lease projects. Many residents do not want to be heavily involved in the day to day operations of the project they live in, notwithstanding significant levels of investment.

- On the other hand, the continuity and consistency of a sponsor controlled project is of particular attraction to those seniors who do not wish to be politically active and who agree with the principles and programs to which the sponsor has made commitments. In addition, health concerns or long holiday or travel times away from home can limit effective political involvement. The assurance of control by a benevolent sponsor may provide some residents with additional peace of mind.

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Lions Cove View Royal — Life Lease

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I. BACKGROUND INFORMATION

Year Occupied

1998

Project Sponsor

Royal View Housing Society, incorporated by the South Van Isle Lions Club for the purpose of developing the Lions Cove View Royal life lease project.

Client Group

Moderate income seniors, many of whom are former homeowners in View Royal. The equity residents use to move into Lions Cove comes from the sale of their house. Residents are older on average than the residents in Lions Club projects in other provinces, an observation that also holds true in the two other occupied Lions Club projects in BC. One explanation for this difference may be that a more moderate climate encourages and allows people to remain in their own homes somewhat longer than people living in harsher climates.

Project Summary	
Name of Project	Lions Cove View Royal
Location	Victoria, BC
Population	334,000 (Metropolitan area)
Dwelling Unit Type	Two three-storey woodframe apartment building
Number of Units	66
Client Group	Seniors

Origins and Objectives

Since its inception in 1953, the South Van Isle Lions Club, formerly known as the Langford and District Lions Club, has been serving the needs of community seniors. In early 1995, the Club identified a need for affordable seniors housing in View Royal, a suburb of Victoria, BC. The decision was made to pursue a life lease project, now known as Lions Cove, View Royal.[82]

Physical Description of Project

- 66 units in two three-storey woodframe buildings with a two-storey level at the north end of the west building. The buildings are joined by a two-storey amenity building.[83]
- All units are two-bedroom, two-bathroom units, ranging from 815 to 1,270 square feet.
- Five appliances are included with the purchase price (stove, fridge, dishwasher, stacking washer and dryer).
- Each unit has its own hot water tank.

The project is located in View Royal, a suburb of Victoria. The Juan de Fuca seniors centre is nearby.

Amenities and Services

- The central amenity building contains a very attractive lobby/lounge area, a library, a dining/meeting room, a kitchen (warm up equipped), and a deck that is accessed from the dining room.
- There is also a guest suite and an activities room on the third floor of the west wing, as well as a suite for the resident Manager/Caretaker.
- Dinner is served two nights per week in the dining room at a cost of $7.50. Attendance is voluntary. As time goes on and all the remaining units are sold, the plan is to increase the number of meals served.
- There is a patio off the dining room and a library.
- The Lions Housing Centres, based in Winnipeg, co-ordinate the provision of programs for all Lions Cove projects. A wide variety of social, recreational, and lifestyle activities is offered.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Life lease. All the units are strata-titled but the society is the registered owner of all the titles.

Basic Nature of Lease Agreement

- A $2,500 non-refundable contribution to the Security Fund is required.
- Entrance fee transactions are handled through a Trustee.
- Residents may finance up to half the cost of their unit.

[82] All the life lease projects sponsored by the Lions are called Lions Cove, followed by a geographic designation, except the project in Campbell River, which is called Lions View.
[83] The building was stepped down to meet neighbourhood objections.

- Except for the $2,500 non-refundable contribution, entrance fees are refunded in full within 90 days of the later of lease termination or move-out. If the real estate market declines, the security fund will be used to cushion the difference between what units will sell for on the market and what outgoing residents paid for them, so that residents will never suffer a capital loss on their entrance fees (beyond the non-refundable $2,500). If the real estate market appreciates, the project will simply become more affordable relative to the market since the entrance fees will never be increased.

- If there are insufficient funds in the Security Fund to permit a refund(s), the landlord may borrow against a pre-approved line of credit.

- Sub-letting is allowed, with permission from The Board of Directors, as long the sub-tenant is over the age of 55 and as long as the rent charged does not exceed the life lease tenant's share of the operating expenses and landlord financing (if applicable).

- The landlord has absolute discretion to terminate the lease if the actions of a tenant are deemed to constitute a nuisance or danger to the project or to other tenants.

- The landlord has the right of reasonable entry if a tenant has given notice, in an emergency, and in other cases after written notice is delivered 24 hours in advance.

Legal Issues

In order to facilitate financing, all the units are strata-titled but the housing society is the registered owner of all 66 strata titles issued for the building. The purchaser's interest in their equity and in their life lease is secured by a mortgage in favour of the purchaser registered against the title to each individual unit. Residents of Lions Cove View Royal cannot register their life leases on title, although residents of all the other Lions Club life leases can.

Life lease residents in BC are eligible for the Homeowner Grant, which provides a grant intended to defray property taxes.

Prior to marketing the units, the sponsor was required to file a disclosure statement with the Superintendent of Real Estate. Included in the disclosure statement are:

Schedule A—The strata plans
Schedule B—Builders' warranty
Schedule C—Operating budget for the first year
Schedule D—Security Agreement (relative to deposits, entrance fees, leases, mortgages, promissory notes (signed by tenants requiring landlord financing), escrow accounts, security fund, etc)
Schedule E—Offer to Lease
Schedule F—Life Lease
Schedule G—Management Agreement
Schedule H—Rental Disclosure Statement
Schedule I—Non-Disturbance Agreement (Multiple Retirement Services Trust mortgage)
Schedule J—Entrance Fund Refund Agreement
Schedule K—Non-Disturbance Agreement (Farmer Construction mortgage)

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The developer of Lions Cove View Royal was the Royal View Housing Society, incorporated by the South Isle Lions Club for the purpose of developing the project. The project manager was Ruschell Marketing Services (Pacific) Ltd/RLCI, a company that develops life lease projects for Lions Clubs and other service organizations throughout Western Canada.

Project Costs

The project is insured for $6 million.

Project Financing

About half the venture capital required to develop the project was generated through pre-sales. The rest was provided by a group of investors who invest solely in life lease projects sponsored by Lions clubs and other service clubs,[84] and by CMHC through its repayable Proposal Development Funding. Construction financing was provided by Multiple Retirement Services Trust and the TD Bank and insured by CMHC.

Initially, residents were required to make a minimum down payment of 50% of the value of their unit.[85] Those who needed mortgage financing for the rest arranged it through the sponsor and secured it by signing a promissory note. Tenants paid on the same terms as the sponsor's long term financing.

Pricing Structure

Prices range from $136,900 to $194,900. Minimum down payments of 25% are required, in addition to a $2,500 non-refundable contribution to a security fund, the purpose of which is to provide funds to repay entrance fees when residents move out or die. About 85% of residents have paid the full entrance fee for their units. Residents who require mortgage financing may borrow it from their bank or may arrange a vendor take-back mortgage with the project owner.

There are 12 different unit types. A sample of unit costs is illustrated in the table below,

Unit Type	Price Range	Monthly Maintenance Fee (based on full entrance fee payment)	Estimated Monthly Property Taxes
1	$136,900-$144,900	$144	$71
2	$146,900-$159,900	$160	$79
3	$161,900-$164,900	$165	$82
4	$179,900-$182,900	$187	$93
5	$191,900-$194,900	$196	$97

ranging from the lowest price to the highest. The sponsor believes these prices are about 15% below the price of a comparable condominium unit.

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84 The investors are all members of the Lions Club or another service clubs and lend only to non-profit organizations. Interest rates charged are very high, in reflection of the very high risks involved in the early development phases of projects. However, the group believes life lease projects are generally good investments.

85 Initially, minimum deposits were 50%. However, because of marketing difficulties, CMHC agreed to reduce the minimum from 50% to 25% as long as total debt on the project did not exceed 50% of costs.

Monthly Fees

$144-196 per month. The annual operating budget is $133,210.[86]

Marketing Issues

In order to meet CMHC requirements for insuring the construction financing as well as to provide comfort for the sponsors, 50% of the units were pre-sold before construction began.

Project occupancy was June 1998. As of August 1999, 18 units were still available, although comparisons done by the sponsors indicate that units are outselling comparable condo units by a factor of 4 to 1. The real estate market in Victoria is soft, and potential Lions Cove residents are unable to sell their homes. The belief of the sponsor is that security of capital is the major attraction of life lease projects.[87]

Was the type of tenure a factor in initial move-in decisions?

Yes, although other factors were important as well. These are described in more detail in Section III below.

III. CLIENT SATISFACTION

Residents are mostly very satisfied with Lions Cove. Positives cited by residents include:

- **Location**—Many of the tenants are long-time View Royal residents. They did not want to leave their neighbourhood, but until Lions Cove was built there was no suitable accommodation for empty nesters and downsizers. The location is also very convenient in terms of its access to shopping, services, public transportation, health care, the Juan de Fuca Seniors Centre, and the Victoria General Hospital, which is 1.4 kilometres away.

- **Ease of disposition of real estate on move-out**—The automatic buy-back within 90 days of moving out of the building was a strong incentive for many residents. Several commented that their children would not be faced with the need to sell real estate assets. The fact that their entrance fees would not appreciate in value was not considered an issue—one resident commented that at his age, people have either made their fortune in the real estate market or they are never going to.

- **No Real Estate Fees**

[86] Composed as follows:

Caretaker,	$12,000
Contingency and Replacement Reserve	$10,000
Property Management Fee	$15,840
Repair and Maintenance	$16,800
Utilities (common areas)	$26,770
Standby Fee (LC for refunding)	$10,000
Vacancy Reserve	$10,000
Other (admin, insurance, garbage, etc.)	$31,800
Total	$133,210

[87] House prices in both Vancouver and Victoria have been declining since 1994, meaning that security of investment in the conventional ownership market has not been possible for many people.

- **Meals—**Several of the residents were primarily attracted by the meal service, which was intended to be three nights per week but so far has been limited to two nights per week.

- **Safety and security—**Many residents had lived alone in single family houses before moving into View Royal and frequently felt unsafe, particularly at night.

- **Convenience—**All repair and maintenance work within the units as well as on the grounds and in the public areas is undertaken by the sponsor. Some residents had managed to remain living in single family homes for some years by hiring people to perform maintenance and repair work, but this was considered not only a "hassle" but also a security risk. Additionally, the fact that all repairs and maintenance are the responsibility of the landlord is reassuring for residents of BC, many of whom have become alarmed in recent years about the quality of buildings in British Columbia.

- **Age restrictions—**Residents appreciated the fact that the building would only be occupied by people over 55.

- **Construction quality—**The builder, Farmer Construction, has a good reputation as a quality builder.

- **Financial reasons—**Some residents had calculated the after-tax income stream they would realize from the investment of their money in an interest bearing account and decided they were just as well or better off purchasing a life interest in Lions Cove.

Although most the residents bought without knowing anyone else who was moving into the building, many commented that their fellow residents were very friendly and that there was a real sense of community in the building. Organized activities within the building include craft classes, exercises, a writers' group, a painting group, a sewing class, monthly teas, and weekly card parties. The resident manager also organizes excursions outside the building.

Overall, residents are very satisfied with their choice of residence and tenure. The few complaints related to the quality and nature of the laundry appliances (particularly the dryer, which is too small and too high for many residents, and the stove, which does not have time-set capability), the lack of storage space, and for some residents, the fact that only two and not the promised three meals per week are available. However, these residents realized that the number of unsold units make three meals per week impractical at present.

Management Issues

Royal View Housing Society manages the building with the assistance of consultants. For example, the programming and delivery of activities in the building is the responsibility of the Lions Housing Centres, which provides programming and co-ordination of services for all Lions Club life lease projects. There is also a resident manager. All required maintenance and repair within the units is handled by the sponsor.

The landlord is encouraging the development of a functioning and effective residents council.

Design Features to Address the Needs of Residents as they Age[88]

- All common areas as well as the building grounds are wheelchair accessible and barrier free.
- Hallways are wide and brightly lighted with tight commercial carpet and handrails.
- The buildings are equipped with heat and smoke detectors as well as sprinklers. Strobe light detectors are installed for hard of hearing residents
- All doors and faucets have lever handles.
- All plugs are raised from floor level.
- All closets have lowered shelves and clothes racks.
- Bathrooms have non-skid bathtubs. Grab bars are installed on request.
- Doors to the balconies are garden doors, not sliding glass doors, in order that residents in wheelchairs can access the balcony over the lower lip.
- There is an emergency call system.

Overall Satisfaction with Tenure

Residents appear to be very satisfied with the life lease arrangements at Lions Cove View Royal.

What the Experience of Lions Cove View Royal Illustrates about Life Lease Projects

- Sponsorship is critically important. Not only are residents attracted in the initial instance to projects that are sponsored by organizations with which they are familiar, the involvement of the sponsoring group enhances the quality of life for residents.
- Proximity to shopping and services is extremely important.
- Lack of equity appreciation does not appear to be a concern for residents.
- The provision of services, including meal services, is an important incentive for some residents.
- Slow real estate markets can be a serious problem for non-profit community based sponsors, who often do not have significant financial resources to fall back on in the event of slower than expected sales.

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88 Note that Lions Cove View Royal was the first life lease project developed by the Lions Club in the Victoria area. Their later buildings include more aging-in-place features than View Royal, for example five foot turning radii in the bathrooms to accommodate wheelchairs.

Luther Heights — Life Lease
1802 Alexandra Avenue
Saskatoon, Saskatchewan
S7K 8A6

I. BACKGROUND INFORMATION

Year Occupied

1989

Project Sponsor

The owner and operator of Luther Heights is Lutheran Sunset Home of Saskatoon (LSH), a church based organization that in addition to Luther Heights also owns and operates or provides services to:

- Luther Tower, a 196-unit market rental seniors high rise.
- Luther Special Care Home, a 129-bed intermediate care home.
- Luther Seniors Centre.
- Luther Family Housing.
- Luther Childcare Centre.
- Trinity Tower in Estevan, Saskatchewan.
- Luther Place in Outlook, Saskatchewan.
- Several group homes.

Project Summary	
Name of Project	Luther Heights
Location	Saskatoon, Saskatchewan
Population	216,000
Dwelling Unit Type	Four-storey concrete apartment building
Number of Units	120 (70 life lease; 50 rent-geared-to-income)
Client Group	Seniors

- LSH also provides services to Villa Royale, in Saskatoon, one of the very few privately owned life lease projects in Canada.
- LSH will also provide the services for Riverside Terrace, a privately-owned 157 unit high end congregate care project currently under construction in Saskatoon. Rents in Riverside Terrace will range from $1,450 to $2,995 per month and will cover a wide range of services including meals, laundry, and housekeeping.

Client Group

Residents must be at least 60 years of age, in order to comply with parking-related zoning conditions imposed by City of Saskatoon. In fact, the average age of residents is 81.1, up from 78 five years ago. Of the total 120 households, 15 are couples and the rest individuals. Because of the services and facilities of Luther Heights, residents are able to live there longer than might be possible in a condominium, for example, that did not offer services. Notwithstanding this fact, Luther takes pains to emphasize the independent condo-style living they try to promote. Generally, residents are encouraged to move when they require care 24 hours per day—when they cannot be left alone because they pose a risk to themselves or to others.

In terms of income, the life lease residents are moderate to middle income, almost all previous homeowners. The renters are by definition low income. Rents are geared to income.

Origins and Objectives

LSH had been operating for years as a recognized leader in the provision of nursing homes and enriched housing projects. In the mid-1980's it decided to expand its objectives to include the provision of high quality housing facilities for people over the age of 60 and to provide support services for the residents on a non-profit basis. The result was Luther Heights, which was originally intended to be a high rise equity co-operative. It became a low rise structure in response to neighbourhood concerns, and it became a life lease instead of a co-operative when the initial residents voted in favour of the life lease alternative. The idea of a co-op had been suggested by the original planners of the project.

Physical Description of Project

- 120 unit low rise apartment building in Saskatoon consisting of 70 life lease units and 50 rental housing units subsidized on a rent-geared-to-income basis by the provincial government. It is not unusual for projects in Saskatchewan and Manitoba to combine life lease units and rent-geared-to-income units in the same building.

  Both provincial governments encouraged such an approach when they were still actively developing housing projects. In Luther Heights, there are generally no major physical differences between units occupied by life lease residents and those occupied by renters, although the largest units are not rented. Renters usually do not have balconies, but some life lease residents do not have them either. In all other respects units are identical, unlike the Manitoba situation where rental units are smaller than life lease units.[89]

- Concrete and masonry construction.[90]
- Units vary in size from 643 square foot one-bedroom units to 830 square foot one-bedroom and den units to the largest two-bedroom unit at 1,010 square feet. Many, but not all, suites have balconies. All suites have one bathroom only.

Luther Heights is located in the suburbs of Saskatoon, overlooking the South Saskatchewan River Valley. The location is pastoral and scenic, although at some distance from major shopping facilities. However a small strip mall and a bus route are close by.

Amenities and Services

- Kitchen and dining room.
- Conference and meeting rooms.
- Crafts room.
- Sun room.
- Guest room.
- Games area.
- Lounges.
- Clinical space for visiting health professionals.
- Communal laundry rooms on each floor.
- Meal program.
- 24-hour emergency monitoring.
- Electronic card security entrance.
- Fee for service massage therapy, foot care, beauty/barber shop.
- Outside services brought in to the building periodically include banking and library services.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Life lease. All the units are strata-titled but LSH is the registered owner of all the titles.

Basic Nature of Lease Agreement

- Prospective residents are required to deposit $100 to get on the waiting list, and then a further $4,900 if they make an offer to purchase. At occupancy the full amount is required.
- Applicants who change their mind have 14 days to withdraw offers to purchase.
- Luther Heights offers guaranteed buy-backs, using the money from incoming residents to pay outgoing residents. Buyback is guaranteed within 180 days after vacant possession at the lower of

89 The manager of Luther Heights advises that occasionally some resentment is voiced by life lease residents about renters, but normally residents mix well. Nevertheless, LSH believes that mixing the two tenure types may not be the most appropriate housing solution for anyone, all things considered, and avoided such an arrangement at another life lease it operates in Outlook, Saskatchewan.

90 The costs of concrete construction have escalated substantially since Luther Heights was built, to the point where it would no longer be feasible to build a low rise structure this way.

cost (i.e., entrance fee paid) or market value. Deducted from this amount, except where residency has been over four years, are a 4% resale fee, calculated on the basis of original cost; a suite restoration fee; and a depreciation fee on the appliances. In total, the buyback fee generally ranges from 5-7%. Normally, people (or their estates) do not have to wait 180 days for entrance fee refunds.

Since project occupancy, the market price has always been higher than cost price. Market value is established by a marketing committee, which is composed of the Executive Director of LSH, the Director of Housing of LSH, the manager of Luther Heights, and three outside individuals—one a realtor, one an appraiser, and one a Board member.

The Committee monitors market activity and price movements closely. When it has been determined that prices in the market have moved up substantially since the last time Luther prices were increased, prices of all the life lease units are raised simultaneously.

After three years of occupancy, increases in market value are shared 50/50 by the owner and by the resident.

- If Luther approves, residents may sub-let for up to six months at a time to another senior. In practice, most residents leaving for several months simply leave their units vacant.

Legal Issues

In the literature provided to prospective life lease residents at Luther Heights, the nature of the legal transaction is described below:

"Residents of Luther Heights purchase from Lutheran Sunset Home the right to use a particular unit for the rest of the resident's life under an offer to purchase and an occupancy agreement. Basically, the purchaser of a right to use a unit at Luther Heights has paid for the right and ability to occupy the housing unit and use common facilities at Luther Heights for the life of the resident, or both the lives of joint residents .... Only in rare circumstances can LSH require a resident to give up the right to use the unit by selling the right to use back to LSH. Legal title to the particular unit is not transferred by LSH to the resident. The right to use is a relationship between the resident and LSH created only by the agreements signed by both parties."

When it was being developed, Luther Heights was "condominiumized"—120 individual titles were registered at Land Titles under the terms of the *Condominium Properties Act of Saskatchewan*, although the titles all show LSH as the registered owner. This was done to provide comfort to lenders. Although title is not transferred, LSH does grant a mortgage of the legal ownership of a unit as security for the performance of its guaranteed buy-back of a unit. The mortgage can be registered by the resident against title as a way of registering notice of their interest in the unit on the title even though legal title is not transferred. Very few residents have chosen to register the mortgage on title. Because titles are not in the names of residents, the disposition of a life lease unit does not have to be probated following the death of a resident, which is a financial advantage for the estate. An additional advantage for Luther Heights residents occurred in 1997, when a tax reassessment resulted in huge tax increases for life leases operating under blanket titles, but very minor changes for Luther Heights.

Legal documents provided to purchasers are described below:

- **Offer to Purchase**—Detailing purchase price, possession date, payment arrangements, ownership and title arrangements.

- **Occupancy and Operating Agreement**—Terms and conditions governing occupancy.

- **Mortgage**—Security for guaranteed buy back provision.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Lutheran Sunset Homes was the developer of the project, which was built by a general contractor based on a competitive public tender.

Project Costs

The total capital budget of the project was $10,000,000. Annual operating costs are currently in excess of $300,000.

Project Financing

A construction loan was required to cover the difference between life lease purchases and the cost of construction over the first 12 months. The mortgage loan arranged pursuant to the construction financing was repaid as the life lease units were sold.

Most of the 50 rental units were financed through a long term 35-year mortgage loan. The loan is being repaid by rents received from tenants and by operating subsidies provided by the federal and provincial governments.

Life lease residents requiring mortgages may obtain them from Co-op Trust. LSH guarantees the mortgage.

Pricing Structure

Life lease purchase fees currently range from $79,000 for a 643 square foot one-bedroom apartment without a balcony to $111,500 for a 1,010 square foot two-bedroom unit with a balcony.

None of the units has more than one bathroom. These prices are considered roughly comparable to similar condominium projects.

Monthly Fees

Monthly shelter and basic service fees range from a low of $317 per month to a high of $459. There are several components of these fees, which are spelled out clearly to prospective residents:

- **The monthly basic service fee**—A flat $55 ($65 for couples), this fee covers the cost of the Tenant Services Worker, on site for 30 hours a week; the Wellness Clinic run by the Victorian Order of Nurses, which is held twice a week; a 24-hour emergency medical response system; and pastoral care, which is available on a half-time basis. The Tenant Services Worker helps residents to age in place, acts as a liaison with home care agencies, helps tenants who have just returned from hospital, and organizes social activities. Regularly scheduled activities include cards, dances, bingo, movies, and coffee parties. The dances, as well as other activities, are held in the gym of an adjacent former school that was bought by Luther and used to provide day care for Alzheimer patients as well as activities for Luther Heights resident. A live orchestra plays for the dances.

- **The monthly occupancy fee**—Ranges from $262 to $404 per month. Covers property taxes, heat, water and sewer; administrative services, maintenance fees, and a replacement reserve fund.

- **Meal service fee**—Residents are required to eat at least eight dinners per month in the dining room at a cost of $6.75 per meal, or $54 per month. Luther tried to run an open restaurant service, where residents could use the dining room as often as they wished, but the restaurant could not break even on this basis. For some time they experimented with bringing meals for those who wanted them from one of their other projects, but residents thought the quality of the meals suffered. Eventually, the residents decided that the best solution was to require residents to eat as many meals as necessary in order to allow the restaurant to run on a break-even basis. This was determined to be a minimum of eight dinners, although many residents eat in the restaurant much oftener—some daily.

  Lunches can be bought anytime—They do not have to be ordered in advance. The restaurant also sells a few staples such as bread and milk. Luther estimates that about 150 units would be necessary to make an open restaurant concept feasible.

- **Extra services**—Residents who want to do so can use the services of an on-site hair salon, bank, foot clinic, massage therapist, and reflexologist. These services are offered at various times throughout the week.

Marketing Issues

Luther Heights views its life lease residents as owners, unlike some other jurisdictions where life lease residents are considered to be tenants.[91] Luther does make a subtle distinction in its terminology—it refers to life lease residents as **purchasers** of the right to use a unit for life, rather than as **owners** of a unit. Residents are considered to be purchasing the right to live in a unit for the rest of their lives—the lack of an “expiry date” is the critical distinction between life residents and renters.

Prospective residents are given a blank copy of the occupancy agreement as part of the normal information package. The fact that Luther Heights is not a condo is heavily stressed. The underlying philosophy behind the operation of the project is that Luther Heights is not intended to be a money maker for either Luther Sunset Homes or for the residents.

Currently there is a waiting list for both rental and life lease units. LSH markets the life lease units on the basis of two primary characteristics—the guaranteed buyback,

[91] For example, Manitoba life lease projects view their residents as tenants.

and the ability of LSH to control who moves into the building, thus ensuring its continued existence as a high quality senior citizens development.

Was the type of tenure a factor in initial move-in decisions?

Yes, although it was not the only important factor. The most commonly mentioned reasons for moving into Luther Heights were:

- Wheelchair accessibility.
- Potential for socialization.
- Low rise structure (other suitable projects in Saskatoon are high rises).
- Affiliation with Lutheran church.
- Availability of services.
- Inability or unwillingness to maintain single family home any longer.
- Ease of disposing of asset at death or move-out (guaranteed buy-back).

All the residents were former homeowners.

III. CLIENT SATISFACTION

Residents are generally extremely satisfied with life at Luther Heights. They have no concerns about the buyback or any other provisions associated with the life lease model used by LSH. They are aware that as time goes by they are going to require more of the services offered at Luther Heights and they appreciate the fact that they will be available.

When asked if there was anything they would change,[92] the following suggestions were made:

- Some suggested they would prefer in-suite laundry to communal laundry (although others said they would rather have the room than an in-suite washer and dryer).
- All would have preferred self-cleaning ovens.
- Some suggested that a sink in the laundry room would be useful, as would a sink and toilet in the adjacent bathrooms (which contain a bathtub and shower intended to accommodate the needs of visitors).
- Most thought an extra half-bath in the units would be a good idea.

Management Issues

Because of the legal structure of Luther Heights, The Board of Directors of LSH function as The Board of Directors of Luther Heights as well. The operation and management of Luther Heights by the directors cover all aspects including the responsibility to set budgets and fees for the complex.

Residents are provided with a detailed financial statement once a year and are encouraged to review financial statements at any other time if they so wish. When fees are increased, a four page analysis of the reasons for the increase is provided to residents. Monthly fees increase annually, by an average of 2.1% per year.

[92] Note that this discussion occurred without reference to the costs or trade-offs that might have been required to obtain the suggested improvements to the project.

An active residents association meets five times per year, while a 13-member Board of Directors of the residents' association meets more frequently.

Design Features to Address the Needs of Residents as they Age

- Luther Heights is entirely wheelchair accessible throughout. About 25% of the residents use wheelchairs or walkers.
- Stairs are deeper from front to back and shorter from top to bottom than they normally are, making them much easier to use for people with physical impairments.
- Showers and bathtubs may be interchanged reasonably easily, so that a resident moving into a unit with a bathtub who would prefer a shower can be accommodated. The switch can be accomplished in one day.
- Bathtubs are higher than normal to facilitate transfers for residents in wheelchairs.
- 24-hour monitoring system.
- Non-slip flooring and grab bars in bathroom.
- Lever handles on doors and fixtures.
- Bright lighting.
- Cabinets and counters with adjustable heights.
- Countertop range with control buttons at the front.
- Adjustable height cabinets and counters; pull-out shelves in cabinets.

Overall Satisfaction with Tenure

Generally very high.

What the Experience of Luther Heights Illustrates about Life Lease Projects

- The reputation and integrity of the sponsor is critical to project success.
- The availability of services is clearly a valuable aspect of project operation if it can be done economically from the sponsor's perspective. However, Luther Heights is a large project (120 units) and its management stresses that truly economic service delivery would be better assured with 150 units.
- It is not necessary for resident satisfaction to have projects located adjacent, or at least very close, to major shopping and service areas as long as residents have some way of accessing these services. Luther Heights provides a regular bus service to take residents shopping and it also sells convenience foods such as milk and bread through its dining room facility. A small strip mall is within easy walking distance.

Contact Person

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The Meridian at Centrepointe — Life Lease

101 Centrpointe Drive
Nepean, Ontario
K2G 5K7

I. BACKGROUND INFORMATION

Year Occupied

December, 1999

Project Sponsor

The Meridian was sponsored by The City of Nepean, which incorporated the Centrepointe Life Lease Non-Profit Corporation to oversee the development of the project. The City was instrumental in the initiation and development of The Meridian.

At the time of this report, the Board of Directors was composed of three employees of the City of Nepean. Three months after occupancy, residents will elect their own Board of Directors and will thereafter be responsible, as owners, for the operation of the project. The City of Nepean and the current Board will no longer be involved.

Client Group

Residents must be at least 55 years of age. Most are moderate income former homeowners from Nepean.

Project Summary

Name of Project	The Meridian at Centrepointe
Location	Nepean, Ontario
Population	1,001,000 (Metropolitan area)
Dwelling Unit Type	Four-storey apartment building in two wings connected by a central amenity building
Number of Units	66
Client Group	Seniors

Origins and Objectives

The City of Nepean was active in the provision of social housing for many years, using a municipal non-profit corporation as its vehicle. When the federal government withdrew from funding social housing in 1994, the City began looking for other ways of generating housing. The staff had heard about life lease housing and invited Life Lease Associates of Toronto to make a presentation to City staff and service clubs. The City's hope was that one of the service clubs would agree to sponsor a project. When none did, the City decided to develop a project itself, in the expectation that it would function as a demonstration project and encourage other organizations to become involved in additional projects.

It is unlikely that the City will sponsor another life lease project itself, partly because it may cease to exist as a result of municipal reorganization, and partly because some of the Councillors believe that the private sector should build these types of projects. However, the City may form partnerships with other organizations to encourage the development of additional projects.

Physical Description of Project

- 66 units in two four-storey brick wings connected by a central amenity building. Parking is underground and each resident has access to a storage locker (3.5 x 4 x 8 feet).

- Unit sizes range from 863 square feet (one-bedroom) to 1,306 square feet (two-bedroom plus den).

- Most units have an additional three-piece bathroom.

- Each unit has a balcony or a solarium.

- Three appliances are provided—fridge, stove, and dishwasher, as well as hook-ups for washers and dryers.

- The heating and hot water systems are combined. An air handling unit contains a hot water coil that provides both hot water and hot air for heating. The rental charge for the hot water tank and air handling unit is $34 per month, considerably more than most residents are currently paying. However the system uses much less gas than more traditional heating and hot water systems and the building designers expect that residents will pay considerably less for gas.

The Meridian is located one block from the Nepean civic centre, which includes the City Hall, a library, and the Centrepointe Theatre. Also within one block are convenience stores, banks, medical offices, and cafes. A major shopping centre is six blocks away. The Nepean Seniors Centre is nearby.

The building is adjacent to the site of the Peter D. Clark Centre, a care home for low income frail elderly residents currently under construction.

A recently-built rental retirement home called the Crystal View Lodge is located directly across the street from The Meridian. Crystal View Lodge is composed of a low rise apartment building and a series of clustered bungalows.

Amenities and Services

- A central pavilion containing a library, multi-purpose room with fireplace and common kitchen, fitness room, crafts/hobby room, washroom, and coin operated laundry.
- Games room.
- Workshop.
- Guest suite.
- Security entrance system.
- TV monitored surveillance system in lobbies and parking garage.
- Hobby gardens.
- Once the adjacent care home is completed, Meridian residents will be able to purchase a number of services from the care home. This includes meals, personal care such as therapeutic bathing, foot care services, housekeeping and laundry services, and medical/dental services.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Life lease. There is one title, in the name of The Meridian at Centrepointe.

Basic Nature of Lease Agreement

- A minimum deposit of 25% was required of individuals who purchased a unit prior to the start of construction. The balance of the payment was due when suites were ready for occupancy.
- Financing is available for those who need it (see Project Financing section for further details).
- Residents may sell their units on the open market or they may sell them back to the Centrepointe Corporation, although there is no obligation on the part of the Corporation to purchase them. In either case, 5% of the sales price must be remitted to the Corporation, which puts the funds in a reserve account.
- There is no guaranteed buy-back.
- Centrepointe Life Lease Non-Profit Residence Inc. has the first right of refusal to repurchase a unit from an owner.

Legal Issues

- As indicated at the outset of this case study, The Meridian will be owned and operated solely by its residents three months after completion and occupancy. However, their legal status is somewhat unclear. They do not own their own units —there is only one title, and that is in the name of the Centrepointe Life Lease Non-Profit Corporation. They do not own shares in the corporation, as in a co-op or a company. They own a life interest in the building (a leasehold interest), which they can sell on the open market. As security, they can register their occupancy agreements on the title to the building. They can also obtain financing for up to 75% of the purchase price of their unit from the TD Bank, which accepts an assignment of the life lease occupancy agreement as collateral and security for the loan.

- The Meridian will operate essentially as a condominium or as a co-operative once the residents elect their own Board of Directors and the City of Nepean ceases to be involved. Unlike almost every other life lease project in Canada, there will be no ongoing sponsorship provided by anyone other than the residents. However, unlike a condominium or a co-operative, The Meridian will not be subject to the provisions of the *Condominium Act* or the *Co-operative Act*. It will operate outside a formal legal structure, as do most life leases, but it will not have the ongoing involvement of a sponsoring organization.

- As is the case with all life lease projects in Ontario, The Meridian is not covered by the Ontario New Home Warranty program. There is a one year warranty provided by the builder and various components are subject to longer manufacturers' warranties but the building itself is not covered by a warranty beyond the first year.

- Most of the purchasers have not retained lawyers to guide them through the purchasing decision.

- Residents are entitled to joint use of the common facilities—they do not own 1/66 of the common facilities as would residents of a condominium project.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- CMHC sold the land to the City of Nepean and also provided $45,000 in repayable start-up funding for the development.

- The City of Nepean provided $135,000 in repayable start up funding, incorporated the Centrepointe Corporation, formed the first Board of Directors on which three of its employees served, and acted as a very active sponsor throughout the development process. In addition, the City of Nepean provided assurance to CMHC that if the project failed as a life lease, the City would facilitate the conversion of the project to a condominium. This assurance allowed CMHC to look favourably on the underwriting of the loan.

- Life Lease Associates functioned as the development consultants.

Project Costs

The total cost of the building was $10.1 million.

Project Financing

The project was financed by residents' equity (25%) and a construction loan for the remainder.

From the perspective of residents, up to 75% of the purchase price of their unit may be financed with a loan from the TD Bank.

Terms of up to 10 years and an amortization period of up to 20 years are available. The bank accepts an assignment of the life lease occupancy agreement as collateral and security for the loan.

Prospective purchasers are made aware that it may make sense for them to sell their investments to buy a life lease unit and then borrow the same amount from the TD bank in order to buy their investment portfolio back. The interest on that loan may be tax deductible unlike a loan to buy a life lease unit.

Pricing Structure

Selling prices ranged from $118,500 for the most affordable unit, to $197,500 for the largest unit on the fourth floor. These prices include GST, one indoor parking space, three appliances, and one private locker.

It is difficult to estimate the relationship of these prices to comparable condominium prices because no condominium projects have been developed in the area in recent years. However, the price range is considered to be at the "lower end of luxury" in the Nepean market.

Marketing firms who were consulted by City staff during the early stages of the development process were very negative about the prospects for success. Their primary concern was that The Meridian was very similar to a condominium, and condominiums are not a popular form of tenure in the Ottawa-Carleton area.[93] However, the City believes that the combination of an excellent location, excellent amenities, good design, and an age restriction proved very attractive to purchasers.

Monthly Fees

The monthly occupancy fee ranges from $179 to $250 per month and covers cold water, cleaning and maintenance of common areas, management and administration costs, insurance on the building, and a replacement reserve fund.

Residents pay their own property taxes, which range from $1,600 per year to $2,200 per year.

Marketing Issues

Two of 66 units were unsold two months before occupancy, both ground floor units. Two other ground floor units were sold in the third month preceding occupancy.

Was the type of tenure a factor in initial move-in decisions?

As noted several times in this section, The Meridian is unlike other life lease projects in that the sponsoring organization will not be involved in ongoing project operation and management. As a result, one of the major attractions of other life lease projects —the existence of a reputable post-occupancy sponsor—does not apply in this case. However, some of the other reasons that attracted Meridian purchasers to the development are very similar to reasons cited by other life lease purchasers:[94]

93 One of the reasons for their relative lack of popularity is that the condominium market was severely overbuilt in the late 1970's and early 1980's in response to stimulatory programs such as the Multiple Unit Residential Building tax incentive program. Many people lost significant amounts of money as a result of the over-building.

94 Although discussions with residents could not occur, discussions with purchasers could, and did.

- **Age restrictions—**This is inevitably cited by life lease purchasers as a major reason for their interest. If condominiums could legally discriminate on the basis of age, life lease projects would lose some of their appeal for a significant number of purchasers.

- **Social reasons—**Related both to the age restrictions and to the presence of amenities that are not normally found in condominium projects. Purchasers believe that they will be living in a true community that offers many opportunities for social interaction. Some are tired of living alone; others are worried about what will happen to them when their spouse dies.

- **Location; building and unit design—** As previously indicated, The Meridian is an attractive project in an excellent location.

- **Downsizing—**Many residents are looking for a lower maintenance lifestyle and a place to live that they can simply lock and leave.

- **Lack of competition—**The only multi-family housing for seniors in the area is for low income seniors.

Some residents indicated that they would have preferred an alternate form of tenure such as condominium or rental if suitable accommodation had been available in the area.

III. CLIENT SATISFACTION

It is too early to say how successful The Meridian will be. Its legal structure is unusual for a life lease, but its design and location are excellent.

Almost half the purchasers have been widows, five have been widowers, and the remainder have been couples. All were previous homeowners who have financed their Meridian purchase by selling their houses. Thanks to a healthy local real estate market, very few purchasers have had difficulty selling their houses.

Management Issues

As noted at the outset of this case study, residents will soon be entirely responsible for the operation of The Meridian. In addition to the Board of Directors, committees that are currently being formed include the Property Management Committee, the Furnishings and Decorating Committee, and the Workshop Committee.

Design Features to Address the Needs of Residents as they Age

- Lever handles on all doors and faucets.

- Rocker type light switches.

- Wider doorways.

- Low window sills.

- Plumbing rough-in for future retrofit shower.

- Electrical rough-in for automatic suite doors.

- Light switches and thermostats at the four foot level.
- Electrical receptacles at 18 inches.
- Wide corridors with handrails.
- There is no emergency call system in the building, although the development consultant provides residents who are interested with literature on the Lifeline system (whereby residents wear a device on their wrist or around their neck that can be used to summon help).

Overall Satisfaction with Tenure

Too early to judge.

What the Experience of The Meridian Illustrates about Life Lease Projects

- The Meridian is unique in many ways—it is the only life lease project in Canada sponsored by a municipality, it is the only new, purpose built life lease project in Ottawa, and it is the only life lease project in Canada that will operate without the continuing involvement of an ongoing sponsor. How these factors work out in the future, particularly the lack of an ongoing sponsor, will be very interesting to observe.
- In many respects, The Meridian will operate much like a condominium, but residents will not have the legal protection or structure provided by the Condominium Act. Whether this proves to be problematical remains to be seen.
- Many seniors are very attracted to seniors only buildings and are willing to trade off other preferences in order to live in such an environment.

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Two Neptune Drive
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I. BACKGROUND INFORMATION

Year Occupied

Under development (included as a case study because it is the first strata titled life lease project in Ontario).

Project Sponsor

The sponsor of Two Neptune Drive is Baycrest Residential Properties Inc., incorporated by the Baycrest Centre for Geriatric Care for the purpose of developing and managing the Two Neptune Drive Life Lease project.

Client Group

The target client group is middle to upper middle income Jewish seniors in the Greater Toronto area, although the project is open to all denominations. All residents must be 65 years of age or older. The sponsor estimates the average age of its life purchasers to date to be approximately 79 years of age.

Project Summary	
Name of Project	Two Neptune Drive
Location	Toronto, Ontario
Population	4,233,000
Dwelling Unit Type	Nine-storey concrete high rise
Number of Units	120
Client Group	Seniors

Origins and Objectives

The Baycrest Centre for Geriatric Care currently operates a 372-bed home for the aged, a 220-unit seniors residence, a 14-bed group home, a 300-bed geriatric hospital, and a research institute. The Centre sought to develop an independent living facility in its community that would offer a middle ground between nursing home and adults only condos. Geared to Jewish seniors, but open to all, the sponsor wanted to find the right tenure of residence that would best serve the greatest number of seniors in the community and also offer easy access to the many services already available through its existing geriatric campus.

Physical Description of Project

- 120 units in a fully sprinklered concrete frame nine-storey building.
- Units range in size from 656 square foot one-bedroom to 1,224 square foot two-bedroom units.
- Each unit will have a built in emergency alarm system with 24-hour monitoring, five appliance package (with front control stoves), extra pantry shelving and many special features geared to safety and comfort of seniors.
- Amenities planned include a party room, library or games room, an exercise/fitness facility and beautifully landscaped garden area.
- Residence at two Neptune provides membership in the nearby Wagman Centre with access to exercise programs, warm water pool, special lectures, nature appreciation in the greenhouse, musical events and arts and crafts.
- A shuttle bus will be available to provide transportation to the main Baycrest complex, the Wagman Centre, and other selected neighbourhood destinations.

Amenities and Services

- Personal security with a 24-hour emergency response system.
- Shuttle bus to Baycrest Complex, Wagman Centre and other neighbourhood destinations.
- Access to many of the Baycrest Centres' outpatient and day programs such as hospital, clinics, and adult daycare services.
- Fee-for-service benefits available such as personal care, health services, housekeeping and meal service.
- Party room, library or games room, an exercise/fitness facility and beautifully landscaped garden area.
- Residence at Two Neptune provides membership in the nearby Wagman Centre with access to exercise programs, warm water pool, special lectures, nature appreciation in the greenhouse, musical events and arts and crafts.
- A shuttle bus will be available to provide transportation to the main Baycrest complex, the Wagman Centre and other selected neighbourhood destinations.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure
  - Baycrest Trust will own and manage Two Neptune—Baycrest maintains benevolent control of the project.
  - Unit tenure is life lease with all units on condominium title, but all titles are in the name of the sponsor. The life lease brings rights of occupancy for up to 49 years.
  - Each life lease holder can register their lease against the title for their suite.

Basic Nature of Lease Agreement

- $5,000 deposit is required upon the execution of the Offer for a Life Occupancy Estate (OLOE).
- Two further deposits will be required during the construction period.
- The balance of the life lease cost is to be paid on occupancy (via certified cheque).
- The deposits made under the OLOE are non-refundable except in the case of the death of the purchaser prior to the occupancy date, unless the offer is terminated through no fault of the occupant's, in which case deposits will be returned.
- The sponsor is restricted in the use of the deposit funds until construction commences. The funds are held in trust until then. Once construction starts, deposit funds can be used for construction purposes only.
- A security fund will not be established by the sponsor.
- Sub-letting will not be allowed.
- Residents will be able to resell their life leases at their market value less 6% withheld by the sponsor.
- New residents must enter into a new 49-year life lease agreements with the sponsor.
- Residents who have resold their life leases and who are admitted to a long term care facility may be able to receive an advance of up to $12,000 from the sponsor prior to the receipt of the payment from the new purchaser of their life lease. Interest is charged on this advance and it is repaid when the proceeds of the sale to the new purchaser are received.
- The life occupancy agreement makes specific reference to the condominium title. Residents acknowledge that they will be subject to the *Condominium Act*, and the Declaration, Bylaws, and Rules of the Condominium Corporation.
- Residents will not be included on the strata council.
- Each resident acknowledges in the OLOE that title to their units will not be conveyed to him/her—the condominium titles are held by the sponsor.

- Residents can arrange financing, however, which may be registered against the unit titles (subject to the approval of the sponsor). Financing has been prearranged through the Toronto Dominion Bank.

Legal Issues

Uniquely for Ontario, Two Neptune Drive is structured as a life lease with all units registered as condominiums. This allows the life lease purchaser to register the lease on the title of their individual suite, thus giving them a legal hold on their unit with a right to occupy for up to 49 years. The choice of 49 years is a reflection of the fact that leases of 50 years or longer are subject to land transfer taxes. Other life lease projects in Ontario do not include a specific termination date.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The Baycrest Board of Directors is involved in the directions of all aspects of the development process. Baycrest has hired a builder (Intraurban Management Services Inc. and Mark Guslits) to provide design and construction management services as well as to ultimately construct the building under a construction management agreement. Baycrest has also hired a marketing firm to oversee the sale of the life leases. A non-profit housing management firm, Kehilla Residential Housing Programme, has been engaged to assist in the development, design, and marketing of the project and its management plan.

Project Costs

- Capital Costs are not available. The projected operating budget for Two Neptune Drive in its initial year of operation is estimated to be $523,000.[95]

Project Financing

Most of the predevelopment funding for the project has been provided by the sponsor, who purchased the property and paid for the initial design work, as well as the marketing costs. CMHC has provided $45,000 in proposal development funding. The design and construction manager has also contributed a portion of the risk financing for predevelopment costs.

Construction financing will be provided by the Toronto Dominion Bank with a conventional mortgage that will be repaid with the proceeds of the life leases.

Pricing Structure

Prices range from $129,000 to $251,000. Residents are required to pay the deposits described above with payment in full at the time of occupancy. The average selling price per foot of leasable space is $207. The sponsor believes the market price for comparable units to be $220 to $230/foot—the selling price would therefore be approximately 8% under market.

There are 13 different unit plans, including one-bedroom, one-bedroom/den, two-bedroom, and two-bedroom/den apartments. A description of the prices and estimated monthly maintenance fees and property taxes for selected units is provided below.

[95] Composed as follows: Utilities $103,600, Repairs & maintenance $89,800, Contract on site wages $203,000 (Cleaners, concierge, recreation), Other operating costs $21,080, Administrative management $51,330, Reserve fund $71,000

Type	Unit	Size	Starting Price Fee	Monthly Maintenance Taxes	Monthly Property
Silverstone	1-bed	646	$129,000	$247	$135
Collinson	1-bed	865	$167,000	$336	$173
Deloraine	2-bed	976	$183,000	$379	$201
Ledbury	2-bed	1,224	$251,000	$469	$262

One underground parking stall is included.

Marketing Issues

The sponsor (and its construction lender) have established a presale requirement of 60%. At the time of this report 50 units (42%) had been sold. A fall construction start is anticipated.

The sponsor has constructed a sales office on site. This office is well equipped and provides potential residents with full colour brochures and other marketing materials. One of the most useful marketing tools has proven to be a 10-minute taped presentation by a former director of the Baycrest Centre. The tape includes a 3-4 minute animation of the building and one of the apartments which is remarkably effective in conveying the features of the project. It was also quite inexpensive to produce (about $40,000) compared to a full scale model suite.

The marketing efforts have emphasized the advantages of independent living, the design features of the building's common areas and apartments, and the life lease concept itself. The association with Baycrest is also stressed.

III. CLIENT SATISFACTION

Management Issues

The project will include a residents committee which will focus mainly on the social and recreational activities of the residents. Other than providing the sponsor with concerns on building issues the residents will not otherwise participate in the management of the project, although they will have some input into setting the operating budget. Residents will receive a copy of the annual budget.

A replacement reserve is required under Ontario's *Condominium Act*.

Design Features to Address the Needs of Residents as they Age

The site and proposed building are planned for total accessibility. All public areas and building access is designed to accommodate all residents and visitors who may have mobility issues.

- Each unit will have a built in emergency alarm system with 24-hour monitoring.
- Stoves have front controls.
- Extra pantry shelving.
- Lowered light switches, raised electrical outlets, wider hallways, large bathrooms.

What the Experience of Two Neptune Drive Illustrates about Life Lease Projects

Two Neptune is the first life lease project in Ontario to be registered as a condominium. This will allow purchasers to register their life leases against the condominium title for their apartment. Loans can also be so registered. This provides life lease purchasers with an asset somewhat more tangible than other life lease projects. The sponsor, however, retains full control of the condominium titles, and must approve all charges registered against them. The condominium aspect of the project is not heavily promoted in the sales material. The availability of short term loans to residents who must move to a care facility receives more attention.

As the project is not yet occupied, only some preliminary conclusions can be drawn about its development to date:

- The Two Neptune project includes some intriguing financing arrangements (condominium title, loan for care home entry) that do not (as yet) seem to have affected its pre-sale performance, which seems similar to that for other, comparably priced life lease projects. Sales have tended to slow as the project reaches the 40-50% level—then cancellations tend to offset new sales.

- The most important factors influencing a decision to purchase a life lease are the design features of the project, its common areas and apartments, and the reliability of the sponsor—in this case a sponsor with a strong reputation in geriatric care and with excellent facilities likely available to residents after they can no longer live in Two Neptune. The sponsor will have the ability to add services as needed to support the residents in their homes.

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Prince of Peace Village — Life Lease

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I. BACKGROUND INFORMATION

Year Occupied

1998

Project Sponsors

Prince of Peace Lutheran Church and the Lutheran Church—Canada, Alberta/British Columbia District.

Client Group

Seniors over the age of 55 (spouses may be younger). Anyone who lives in Prince of Peace Village for more than 60 days must be over the age of 55 (except for live-in caregivers, if required). Most of the current residents are couples, although there are two widows. The residents are mostly moderate to middle income former homeowners who have sold their relatively modest single family houses in order to be able to buy a unit in Prince of Peace Village. Half the current residents are still working.

Project Summary	
Name of Project	Prince of Peace Village
Location	1 mile east of city limits of Calgary, Alberta
Population	816,000
Dwelling Unit Type	Semi-detached bungalows
Number of Units	36 built; total of 160 planned
Client Group	Seniors

Origins and Objectives

Prince of Peace Lutheran Church was formerly located in northeast Calgary. The church went through a visioning process that resulted in the formulation of a plan to locate a larger church, a school, and seniors housing on the same site in an alternate location. After an extensive search, the church found and bought a 160-acre site just east of Calgary on the Trans-Canada Highway. The school, which has a student body of 243 students, was opened in the fall of 1995. The school and the church share the same building. Eventually a proper sanctuary will be built to house the church. The first life lease unit was occupied in October, 1998.

Physical Description of Projects

- Units range in size from 1,072 square feet to 1,296 square feet. In the next phase to be built, a slightly smaller (1,003 square feet) and a slightly larger (1,330 square feet) unit will also be available.

- All units have two bedrooms.

- The smallest units have one bathroom; all the other units have two.

- Unusually, stoves, dishwashers and washers and dryers are provided with the units, but not fridges. Fridges are an upgrade. Washers and dryers are generally stacked, although depending on the configuration of the unit side by side units may also be possible.

- All units have garages; some have double garages.

Prince of Peace Village is located on part of the 160-acre site owned by the church. The site is just outside the Calgary city limits—a five-minute drive from a shopping centre and a 10-minute drive from access to public transit.

Amenities

- When two classrooms were added to the rear of the school, a seniors amenity room was also added. Eventually a clubhouse will be built as part of the church/school complex. The clubhouse will contain a common room and kitchen for meals, a craft room, library, and workshop.

- Two kilometres of walking paths have been built through and around the site.

Land and Unit Tenure

- Land Tenure—Freehold.

- Unit Tenure—Life lease. The units in Prince of Peace Village are strata titled. The leases are registered in each individual's name in the Calgary Land Titles Office.

Basic Nature of Lease Agreement

- Units belonging to residents who die or wish to move are put up for re-lease by the Church, although the church sometimes uses realtors to market units. If units are not re-leased within six months, the Church will buy them back at fair market value less a 5% administrative fee.

- The disclosure statement provided by Prince of Peace Village to prospective residents includes the following documents:

    - Offer to Lease
    - Plan and Legal Description
    - The Life Lease Agreement
    - Project Details
    - Rights of Way and Easements
    - Restrictive Covenants
    - Estimated Operating Budget
    - Condominium By-laws
    - Use and Occupancy Restrictions
    - Property Management Agreement
    - Facilities Agreement
    - Phased Development Disclosure

Prince of Peace Village pays the legal costs for prospective purchasers to have a lawyer review and assist them in executing these documents. Purchasers who choose not to have a lawyer review the documents must sign a waiver to this effect.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Prince of Peace Church handled all the development work itself in conjunction with its architect and a Housing Committee, composed of the architect, other consultants, and some church members.

Project Costs

Total cost for the first two bays (the current 36 units) were $3.5 million.

Project Financing

The Lutheran Church—Canada, Alberta/British Columbia Division, has a Church Extension Fund that operates like a bank. Church members make deposits into the Fund, which earn interest, and the Fund lends them out for Church-related purposes, such as the construction of Prince of Peace Village. The TD bank also provided construction financing.

From the perspective of residents, a $5,000 refundable deposit is required in order to reserve a unit. An additional $20,000 is required when the offer to lease is executed. At that point, deposit monies become non-refundable. The full purchase price is required at occupancy.

Mortgage financing is available from the TD bank for up to 75% of the purchase price of a unit. About half the current residents have financed their units.

Pricing Structure

Entrance fees for Prince of Peace Village range from $159,900 for a unit of 1,072 square feet with one bathroom and a single car garage, to $189,900 for a unit of 1,296 square feet with two bathrooms and a double car garage.

Although these prices are believed to be fairly comparable to prices of similar accommodation, there are less expensive adult lifestyle apartment condominiums available. In the next phase of Prince of Peace Village, a smaller unit priced at $139,900 will be added to the five floor plans currently available.

Monthly Fees

Monthly fees range from $98 to $128 for the largest unit. Fees include an amount for the replacement reserve fund. The existence of this fund is one of the most common question raised by prospective residents.

Maintenance and repair is handled by the project although residents are responsible for maintenance within their units and for window washing.

Marketing Issues

Only 13 of 36 units in the first two phases have been sold. As soon as half the units have been sold, Prince of Peace Village will commence construction of the third phase. There are a number of reasons why the units may not have sold more quickly, including:

- Although the Village is only a five-minute drive from a shopping centre and the Calgary skyline is easily visible from the site, it is located in a rural area. While this appeals to people looking for a peaceful and pastoral setting, it may strike others as too isolated.
- The Village is a faith-based community, a fact that is emphasized in the marketing literature. Faith-based communities are very appealing to many people, but they do not appeal to all people.
- The fact that only 13 of 36 completed units are occupied may discourage some prospective buyers.
- Units are relatively expensive, a fact that will be addressed in the next phase of the Village with a unit selling for $20,000 below the current lowest price.

The majority of current residents are from Calgary, although inquiries have been received from BC and Saskatchewan.

About half the current residents were attracted to Prince of Peace Village because of its location and surroundings, and the other half by its affiliation with the Church.

Was the type of tenure a factor in initial move-in decisions?

Prince of Peace Village is very similar to a condominium, except for the ongoing involvement of the sponsor and the related fact that residents are not directly involved in project management. But as in many other life lease projects, the ongoing involvement of the sponsor was the critical factor for many purchasers. Other factors of importance include:

- Location—Prince of Peace Village is located in a very quiet and pastoral setting close to the City of Calgary.
- Involvement and proximity of Prince of Peace Church.
- Unit design—Units are very bright and attractive. They are also fully wheelchair accessible, considered a bonus by residents.
- Safety and security—Although the Village is not gated, it is a distinctly separate community. Internal streets are cul de sacs, discouraging through traffic. Residents feel secure when their grandchildren come to visit.

III. CLIENT SATISFACTION

Early purchasers at Prince of Peace Village are extremely satisfied with the community. In addition to the factors cited above, residents indicated satisfaction with the following features:

- According to independent experts, construction quality is very good.
- The walking path through the development is a very popular feature.
- A shuttle bus has been purchased and will shortly be in operation, enabling people who do not want to drive in the winter to buy groceries or have easy access to public transportation.
- A real community is already emerging.
- The ability to participate in equity build-up is appreciated by buyers.
- No yard work or maintenance.

Residents were unable to suggest a negative feature.

Management Issues

A residents council has been formed and is active in the organization of a number of activities.

Design Features to Address the Needs of Residents as they Age

- Bungalow construction—everything is on one level. There is a full basement, which residents can complete if they wish.
- Garages are attached to the bungalows.
- Very slight lip at the entrance to the bungalows.
- Doorways and front foyer are wide.
- Grab bars can be installed in the bathrooms.
- The first 18 units incorporated a two-bathtub configuration (i.e., a bathtub/shower in each of the two bathrooms). This was replaced in the next 18 units by one bathtub and one shower, which includes a shower seat. All future phases will be built this way.
- There is a generous radius in the bathroom, sufficient for a wheelchair.
- Windows are large, numerous and set lower in the wall so that wheelchair bound residents can easily see through the windows.

Overall Satisfaction with Tenure

Current buyers are extremely satisfied with Prince of Peace Village.

What the Experience of Prince of Peace Village Illustrates about Life Lease Projects

- The reputation of the sponsor has been critical in overcoming hesitancy on the part of prospective purchasers about the life lease concept.
- Many purchasers have been attracted by the affiliation of Prince of Peace Village with the Lutheran Church.

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Shepherd Gardens — Life Lease

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I. BACKGROUND INFORMATION

Year Occupied

1999

Project Sponsor

The Pentecostal Benevolent Association of Ontario is a non-profit charitable operation affiliated with the Pentecostal Assemblies of Canada. The Pentecostal Benevolent Association of Ontario has since changed its name to Shepherd Village Inc. Its objects, non-profit charitable status, and affiliation with the Pentecostal Association of Canada remain unchanged.

Client Group

The targeted client group is moderate income seniors (at least 65 years of age) generally with sufficient equity available from the sale of their home to purchase a life lease. The sponsor has estimated the average age of the residents to be 75 years of age. At least one purchaser was from outside the Toronto metropolitan area (Ottawa), but the rest have been from the Toronto area.

Project Summary	
Name of Project	Shepherd Gardens
Location	Scarborough, Ontario
Population	4,233,000 (metropolitan area)
Dwelling Unit Type	Six-storey masonry apartment building
Number of Units	115
Client Group	Seniors

Origins and Objectives

The Pentecostal Benevolent Association has been a provider of health services to seniors since 1961. The Shepherd Village campus, in which Shepherd Gardens was developed, includes both long term and personal care projects, as well as subsidized seniors housing projects developed over the past forty years. The decision to develop Shepherd Gardens was made in 1996. The project was intended to complement the existing projects as it would be directed to somewhat younger seniors of moderate income. The project would also improve the overall land use of the Campus and would make use of the existing services on the site with out undue increases in operating costs.

Physical Description of Project

- 115 units in a six-storey masonry building with two elevators.

- Underground parking for 115 cars is provided, with additional surface parking available.

- A common lounge and washroom are located on each floor; the project also includes games, exercise and reading rooms; workshop and craft rooms; bike and scooter storage; TV monitored security surveillance and a guest room.

- Units contain private heated sunrooms (some have been converted to regular living space); eat-in kitchens with three appliances; storage/laundry room with hookups for optional washer and dryers; second full bathroom in two-bedroom units; individual heating/air conditioning units.

- Custom suite upgrades and alterations were available for initial occupants.

- Units range in size from 679 square feet for the smallest of 27 one-bedroom units, to 1,284 for the largest of the 88 two-bedroom and two-bedroom/den units.

The project is located in a suburban commercial area of Scarborough. It is adjacent to the Agincourt Mall, an enclosed neighbourhood mall. A public library and golf course are within walking distance.

Shepherd Gardens is part of the larger Shepherd Village site, which also includes Shepherd Lodge Home for the Aged, Shepherd Terrace Nursing Home, Shepherd Terrace Retirement Residences, and Shepherd Manor Seniors Apartments.

All buildings are within comfortable walking distance of one another. Several are connected by underground links.

Amenities and Services

The project offers limited additional services itself but many services are available (at additional charge) on site in other projects on the campus. All buildings are within easy walking distance. Available services include:

- Two meals per day in a designated area in Shepherd Terrace—dinner prices range from $8.00 to $10.00 per meal.

- Personal care services (e.g., bathing, dressing, grooming and mobility) at a cost of approximately $15.00 per hour.

- Light house keeping services—at additional charge.
- Health care services.
- Swimming pool (in Shepherd Manor).
- Hair dressing and barber services (in Shepherd Manor and Shepherd Terrace).
- Foot care clinic (in Shepherd Village).
- Social and recreational programs, as organized by the project's Residents Council or provided by Shepherd Village (e.g., chapel services, exercise programs, entertainment and excursions etc.).
- Guest suite (in Shepherd Gardens).

Land and Unit Tenure

- Land Tenure—Freehold (the project site has been legally sub-divided from the rest of the campus site).
- Unit tenure—Life lease (unregisterable). The building is not strata-titled.

Basic Nature of Lease Agreement

- All residents execute a life lease Reservation Agreement and a life lease Occupancy Agreement.
- Initial residents paid a price for their unit equal to its total cost.
- Residents (both initial and subsequent) can transfer (sell) their lease to a subsequent occupant, with the approval of the sponsor at a price established by the resident (at market value). The sponsor maintains a sales office to handle the resale of life leases.
- Resales will occur at prices dictated by the market place. Prices can increase or decrease.
- The sponsor has the right to repurchase the life-lease (at its fair market value) but it is not obliged to buy back any of the life leases.
- Residents who resell their lease, after five years of occupancy, will receive 90% of the price paid by the new resident. The remaining 10% is retained by the sponsor. During the first five years of occupancy, residents who resell their interest receive a declining percentage of selling price, 95% in year one, 94% in year two, etc. The sponsor intends to use the withholding amounts to maintain and enhance the overall Shepherd Village complex.
- All transactions are handled by the sponsor—there is <u>no</u> separate security fund.
- Subletting is not allowed.
- The landlord has an absolute right to terminate the lease and resell the life lease in the case of a default by the resident. If the life lease is resold the resident will receive 85% of the resale value less the costs incurred to resell the lease.
- The landlord has the right of reasonable entry without notice in the case of an emergency, and with 24 hours written notice in other cases.

Legal Issues

Residents of Shepherd Gardens enter into a life lease occupancy agreement with the sponsor. This gives each resident the exclusive right to occupy their unit and to use the common facilities of the building. This is a form of leasehold rather than freehold ownership. Upon death, the life lease passes to the resident's estate. A resident can sell their life interest to another eligible senior (65 years of age and older) subject to the approval of the sponsor. The sponsor also has the right to repurchase the life interest if it so chooses. Sale prices are established either by independent appraisal or on the open market.

The building is located on a legally subdivided parcel of land. The building, however, has not been strata-titled. Therefore, mortgages cannot be registered against unit titles since they do not exist.

The sponsor has not allowed other types of financing to be registered e.g., financing against registered life leases.

The project has been assessed by the municipality as rental housing.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The Pentecostal Benevolent Association of Ontario engaged the services of Life Lease Associates of Canada to provide development coordination, marketing, legal and accounting services. However, all aspects of the project’s development were directed by the Association’s President reporting to the Board of Directors as necessary.

Project Costs

The total project cost was $17.0 million. The sponsor’s financial contribution consisted of the land as well as funding required during the pre-development, construction, and marketing periods.

Project Financing

Construction financing was provided through the presale of approximately 60% of the units, through the provision of landlord cash equity by the sponsor, and through a construction loan from a private lender (Mutual Capitalization Financial Corporation/Mutual Trust). Residents remitted a 25% non-refundable deposit prior to construction; the balance was due on completion.

As noted above, all residents were required to pay 100% of the purchase price (cost) of their unit. No financing was permitted.

Pricing Structure

The marketing of the building occurred over a lengthy period commencing September 1996, with a 60% pre-sale attained in September 1997, and construction start in January 1998. Prices were adjusted upwards during the presale and construction period to cover the additional marketing and interest costs incurred as a result of unsold units. Occupancy occurred in February 1999. Three units remained unsold in July 1999. These were units in less desirable locations in the building e.g., less attractive views.

Prices in September 1998 ranged from $99,850 to $203,900. Prices varied by unit type as well as location (by floor).

There are ten different unit-types. Their prices in September 1998 are described in the table below. The sponsor believes these prices are approximately 15% below market value.

	Average Price	Monthly Maintenance Fee	Monthly Property	Monthly Total Taxes
Dahlia	$104,675	$199	$ 93	$292
Dogwood	$116,500	$212	$101	$313
Begonia	$132,600	$236	$116	$352
Geranium	$130,000	$236	$116	$352
Marigold	$148,700	$260	$130	$390
Trillium	$150,300	$266	$134	$400
Marigold Plus	$159,900	$276	$140	$416
Hawthorn	$162,100	$279	$142	$421
Magnolia	$176,100	$300	$154	$454
Juniper	$201,400	$337	$177	$514
Average	$154,325	$266	$134	$399

Marketing Issues

The sponsor adopted a presale target of 60% partly for its comfort and partly to satisfy the requirements of its interim financing lender. This target was adopted after the initial marketing experience indicated a higher target was unworkable. Presales tended to level off at the 60% level; thereafter additional sales were offset by withdrawals. It was felt that a construction start was necessary to stimulate the sale of the remaining units.

Marketing methods included the use of a “mock up” apartment in Shepherd Terrace and a separate sales office. Both proved to be especially useful. Marketing materials included handout brochures. Notices were included in church publications. A limited amount of advertising was done in local newspapers.

Focus groups were used early in the development of the project concept and design. The life lease approach was adopted almost from the start as it seemed to best fit the requirements of the sponsor who wished to integrate this project into the overall campus approach of the Shepherd site.
A substantive change to the design of the project occurred during the marketing phase—the number of one-bedroom apartments was reduced in response to the greater demand for two-bedroom units. The initial scheme had included thirty-three 679 square foot, one-bedroom apartments (Dahlia). These were reduced to 17; twelve 1,018 square foot, two-bedroom apartments (Marigold Plus) took the place of the 16 eliminated one-bedroom units.

Purchasers were allowed to make many alterations and given an extensive number of upgrade options—perhaps too many from the perspective of the sponsor in retrospect. These caused some problems during construction in terms of the sequencing of trades and the ordering of materials. However, these options were popular with the purchasers. Residents could choose to have marble tile in their bathrooms or hardwood flooring in the living and dining rooms, for example. Other upgrades included a central vacuum system. The most popular upgrades were a kitchen pass-through, stacked washer/dryer, alterations to the solarium (by combining it with the living room), upgraded kitchen cabinets, and upgraded flooring (carpet, under pad, or hardwood).

The credibility of the sponsor proved to be the single most important factor in the marketing of the project. The sponsor was actively involved in all aspects of the development of the project including the marketing. The financial strength of the sponsor was also important in providing initial startup funding and construction financing.

Occupancy occurred in February 1999. As of July 1999, three units remained unsold—all with restricted views (i.e., less desirable). The sponsor was considering providing a sales incentive (e.g., washer/dryer) to aid the marketability of these units. Interestingly, three of the pre-sold units had been resold by their purchasers (or their families). All had been sold with a premium of about 5% over their original cost.

Was the type of tenure a factor in initial move-in decisions?

It would appear that tenure was not a major factor, although the residents did appreciate the fact that the tenure form allowed the sponsor to maintain the project as a seniors-only building.

More important factors were:

- Trust in the sponsor.
- The location of the project—The project is extremely well located adjacent to excellent shopping and other amenities. However, its inclusion in a campus setting with access to a great many personal and health care services is its major advantage from the point of view of the residents.
- The design of both the building and the apartments.

III. CLIENT SATISFACTION

At the time of this report the project had been occupied for about five months—much of the residents' attention was still focused on dealing with the remaining construction deficiencies.

Residents who participated in focus group discussions spoke mainly about their expectations as far as the affect on their quality of life was concerned—as the project had only been recently occupied. They were enthusiastic about the project and the benefits it held for them in the future. For many it represented a fresh start in a safe, comfortable, new environment. They saw the move to the project as one that was necessary given either their present or future physical conditions. They saw the project as one that would ensure their future comfort in a (for them) affordable way both while they were able to live independently, and afterward, they hoped, with access to the other facilities situated on the site.

The pricing of the project was viewed as appropriate in the Toronto market. Most residents believed it to be below market price for similar condominium units. It was recognized, however, that the requirement that each unit be paid for in full may prevent access by seniors without sufficient resources. It should also be noted that the residents view their life lease payments to be payments for shelter not an investment.

Any concerns residents had with initial occupancy problems e.g., construction deficiencies were more than offset by their trust and faith in the sponsor.

Management Issues

Ongoing project management will be provided by The Pentecostal Benevolent Society.

Design Features to Address the Needs of Residents as they Age

Shepherd Gardens is only one of two case studies that is located in a continuum of care campus setting (the other is Two Neptune Drive). It is clear that residents were attracted to the campus concept and to the availability on site of a wide variety of services and shelter options.

What the Experience of Shepherd Gardens Illustrates about Life Lease Projects

- The credibility of the sponsoring organization is extremely important to prospective purchasers of life lease projects.
- Location is also extremely important. The fact that Shepherd Gardens is adjacent to all the normal amenities and services and is also located in the Shepherd Village campus was a major attraction for residents.

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Life Lease

I. BACKGROUND INFORMATION

Year Occupied

1999 (summer occupancy)

Project Sponsors

The Bethany Care Society and St. Paul's Anglican Church, which is adjacent to Sundance on the Green and which owned the site the church and the life lease project are now located on.

The Bethany Care Society was established in 1945 as the Lutheran Welfare Society. Currently it provides daily service to over 2,700 people in five different facilities, including three multi-level care facilities.

Client Group

No one under the age of 55 can live in the project. The average age of residents is 78 years of age. In terms of household composition, 35% are couples, 48% are single women, 5% are single men, and the remainder of the units are unoccupied. Approximately 70% of residents are from the neighbourhoods surrounding Sundance on the Green. All residents were previous single family homeowners.

Project Summary

Name of Project	Sundance on the Green
Location	Calgary, Alberta
Population	816,000
Dwelling Unit Type	four-storey apartment building
Number of Units	98
Client Group	Seniors

Origins and Objectives

The Bethany Care Society has been providing services and shelter to Calgarians for over 50 years. The Society saw a gap in the market between seniors living in their own homes on the one hand, and residency in personal care homes on the other. The existence of this gap was verified by a series of surveys and focus groups.

The choice of life lease as opposed to any other form of tenure was made because the Society did not want to lose control over the project.

Physical Description of Projects

- One- and two-bedroom units ranging from 880 square feet to 1,200 square feet.
- The one-bedroom and one-bedroom and den units have one bathroom; the two-bedroom units have two bathrooms, one with a shower, one with a bathtub.

Sundance on the Green is close to a shopping centre and Lake Sundance. A bus stops right outside the door.

Amenities and Services

- Two great rooms.
- Two craft rooms.
- Library and pool table.
- Woodworking shop.
- Full service dining room.
- Guest suite.
- Organized activities including exercise classes.
- Space for an on-site wellness clinic (not established).
- Bethany LifeLine personal security system in every suite.
- Dairyland delivers milk and other basic goods on a regular basis.
- Underground parking with carwash bay.

Activities are organized by the Bethany Care Society. Over time, the plan is to provide an increasing number of services that will be purchased by residents on a fee for service basis, for example, housekeeping services.

The dining room is operated by a division of the Marriott hotel chain, which provides meal and housekeeping service to a number of seniors projects in Calgary. Dinners are $9.50 each, or residents may purchase a book of 13 tickets that provides one meal free as long as the 13 meals are eaten within one month. Although the meals are by all accounts very good, the dining room is not well patronized. As other case studies in this report have indicated (see for example Luther Heights and Lions Cove), it is very difficult to operate a cost-recovery dining room in a life lease project without establishing a mandatory minimum number of meals that must be purchased every month. At this point, meal service in Sundance on the Green is entirely optional. It seems unlikely that this arrangement will continue for long.

Land and Unit Tenure

- Land Tenure—Freehold.
- Unit Tenure—Life lease. The units in Sundance on the Green are not strata titled.

Basic Nature of Lease Agreement

- Residents must pay cash—No financing is available.
- The Society is responsible for repairs and maintenance, although residents are responsible for repairs and maintenance within the unit.
- When a resident dies or moves out, the lease reverts to the Society at fair market value less an 8% fee for refurbishing the unit. Fair market value is established by an independent appraiser.
- Repayment of entrance fees occurs within 60 days of lease termination.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The project was developed by the Bethany Care Society and St. Paul's Anglican Church.

Project Costs and Financing

Not available.

Pricing Structure

Entrance fees for Sundance on the Green range from $116,900 to $150,000.

Residents must pay cash—no financing is available. However, residents who must sell their houses before they can afford to buy a life lease do not have to wait until their house is actually sold before making a deposit—an assignment of funds from eventual sales proceeds is possible.

Monthly Fees

Monthly fees start at $195 and cover the cost of heat, water, staffing, maintenance, landscaping, monitoring fees, and Lake Sundance fees.

Marketing Issues

Sundance on the Green has been available for occupancy for about five months. Eighty-eight of 98 units are occupied.

Selling of the remaining units by real estate agents is permitted, although there is some concern about this practice. Purchasers must be able to live independently and the concern about real estate agents is that they may be willing to overlook certain issues in their desire to make a sale. So far however, no real problems have occurred.

Was the type of tenure a factor in initial move-in decisions?

It was a definite factor in the decision making process of most residents. Many were unfamiliar with the life lease concept and sought advice from a number of people before deciding to proceed—their lawyer, their children, and so on. However, as is the case with all other life lease case studies in this report, life lease buyers find very appealing the notion that the sponsoring organization, which they trust, will control the occupancy and the operation of the project. Other reasons cited by Sundance residents for their decision to move to Sundance include:

- Tired of the “hassle” involved in finding people to do maintenance work for single family homes.
- Lack of security in single family home—one resident had put bars on her windows and had been growing increasingly apprehensive about living in her house on her own.
- Ease of travel—“leave the house and shut the door”.
- A concern among couples about what would happen to the remaining spouse when the first one dies.

III. CLIENT SATISFACTION

Sundance on the Green had been occupied for fewer than six months. Construction deficiencies were a source of concern for some residents, but on the whole, residents were very satisfied with their units and with the nature of the community that has already been established. Many residents commented that they had not found the process of moving out of single family homes they had lived in for years stressful in the slightest.

Positive features mentioned by residents include:

- Companionship—many organized activities are available for residents who are interested in participating. Many residents no longer drive, or no longer drive at night, and appreciate the opportunity to socialize without going outside.
- The control exercised by Bethany over who moves into the building.
- Common areas—a feeling that you are not “stuck” in your apartment.
- The availability of services. Some residents who do not need the services now anticipate needing them in the future—“I always make my choices ahead of time.”
- The comfort level of children—children who were concerned about their parents living alone in a single family house feel much more comfortable with residency in Sundance on the Green.
- The proximity of shopping and services, including the Church. There is also a shuttle bus that travels once a week to the shopping centres.
- The guaranteed buy-back is very attractive to residents. People are not concerned about the 8% fee, likening it to real estate commissions that are generally in the 7% range.

On the negative side, residents suggested a few concerns in addition to construction deficiencies. It should be noted that many of these concerns are a function of the newness of the building and the unfamiliarity of many residents with life in a multi-family building. One resident commented that is was hard for people to learn to get along together after living alone for years.

- A belief that there are too many rules and regulations that are incompatible with an independent lifestyle and with real estate ownership (as opposed to renting in a more institutional setting). A frequently cited example was the rule against drinking coffee in the Great Room, although the Great Room is used for coffee parties and can also be booked for private functions.

- Some residents who are dissatisfied with construction deficiencies and other construction-related issues are very vocal in their dissatisfaction, which is upsetting to the other residents.

- Some features that residents believed would be provided have not been, at least so far, and this has led to some dissatisfaction.

- There are no fireplaces in the units, although there are two in the common areas, and no air conditioning in the units, although the hallways are air conditioned.

- Some management decisions have not been well understood by residents, which has caused some difficulty. The assignment of parking spaces is one example.

- Kitchens were often described as unsuitable for seniors (cupboards too high), although some residents had adapted easily, by using stools and by keeping the items in constant use in lower cupboards.

- A few of the more knowledgeable residents are concerned, in a minor way, about how life lease units will be appraised, given that there are so few of them, to date at least.

Management Issues

A residents committee is in the process of being formed. It is unclear to what extent residents will have access to financial information and other operating data.

Several of the residents had been involved in the early planning stages.

Design Features to Address the Needs of Residents as they Age

- The Bethany LifeLine Personal Security System is provided in every suite. The system provides each resident with a locket or bracelet.

- The entire building is wheelchair and walker accessible.

- All handles and faucets are lever-type.

- Light switches are rocker-type.

- Electrical outlets are higher than standard heights.

- Although grab bars are not provided in the bathrooms, they can be installed if residents so wish.

- The building is fully sprinklered.

- Hallways and common areas are very brightly lit.

- Windows are lower than normal so residents, even those in wheelchairs, can look out easily.

Overall Satisfaction with Tenure

Although there are some concerns mostly related to the newness of the building and the short period of time buyers have been in residency, residents are generally well satisfied with their decision to move into Sundance on the Green.

What the Experience of Sundance on the Green Illustrates about Life Lease Projects

- As several of the case studies in this report have discussed (see for example Luther Heights and Lions Cove), it is difficult to provide meal service on a cost recovery basis in a life lease project and almost impossible without establishing a mandatory minimum number of meals that must be purchased every month.

- Sponsors need to be very careful about explaining to prospective residents exactly what will be provided in the units and in the building as a whole. Misunderstandings can be the cause of a great deal of difficulty. Everything should be in writing.

- The reputation of the sponsor is a critical factor in reducing the anxiety that many people feel about the life lease concept, particularly in the Calgary area where life lease projects are still quite rare.

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Tabor Manor — Life Lease

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I. BACKGROUND INFORMATION

Year Occupied

1989

Project Sponsor

The Mennonite Brethren Church of Canada. There is a Board of Trustees who manage the project on behalf of area churches. The Administrator of Tabor Manor reports to the Board of Trustees.

Client Group

Seniors who can live independently most of the time, but who are looking for a little help with the activities of daily living and for a support network. In some cases, residents have moved into Tabor Manor to be near a spouse in the adjacent intermediate care home.

There are 40 residents, eight of whom are men. There are three couples. The average age is late 70's to early 80's.

Project Summary

Name of Project	Tabor Manor
Location	Abbotsford, BC
Population	114,000
Dwelling Unit Type	Three-storey woodframe apartment building
Number of Units	38
Client Group	Seniors

Origins and Objectives

Local Mennonite Brethren churches became aware of a need in the Abbotsford area for seniors housing suitable for people who could live basically independently, but needed some supports such as meal services and a social, Christian environment close to shopping, banks, and churches.

Initially, the project was intended to be 100% life lease, but because some community members could not afford the entrance fee, the decision was made to offer approximately half the units as rentals.

Physical Description of Project

- 38-unit, three-storey apartment building that is part life lease (18 units) and part rental (20 units). It is not unusual for residents to move into Tabor Manor as renters and then convert to life lease residents as soon as they are able to sell their homes.

- 26 one-bedroom units (561 sq.ft.).

- 12 two-bedroom units (778 to 814 sq.ft.).

- Eight underground parking spots are available, at $20 per month. Surface parking is free.

Tabor Manor is attached to an intermediate care home, called Tabor Home, where there are 110 residents. Because Tabor Home is funded by the government, residents at Tabor Manor do not get preferential treatment in terms of moving to Tabor Home if they need care home placement, although they may specify it as their first choice.

Tabor Manor and Tabor Home, which are about half a block from a major artery, are adjacent to a shopping centre in Abbotsford, a city of 105,000 people located in the Fraser Valley about 60 kilometres east of Vancouver.

Amenities and Services

- Daily meal service in the dining room of Tabor Manor—one meal per day (at noon) for a cost of $5.00. Residents indicate at the beginning of the month how many meals and on what day they want them and pay for the month's meals at that time.

- Patio off the dining room and a library.

- Some facilities of the adjacent care home are available to residents of Tabor Manor—residents can buy meals there if they like; they can consult the visiting doctor; and emergency medical care is available, although residents of Tabor Manor are strongly discouraged from relying on Tabor Homes personnel except in case of a real emergency.

- A visiting nurse service will start very soon at Tabor Manor. The Administrator of Tabor Manor has found from previous experience that often a nurse who provides information and assistance on issues such as nutrition can make a major difference to residents' health and their ability to live independently. The Nurse will provide a variety of services ranging from regular visiting with all Manor residents, to family liaison services, to providing medical assessments for residents unable to see their doctor.

- Tabor Manor does not offer housekeeping services, but some residents receive homemaker services from Continuing Care, while others rely on hired private cleaning ladies and cleaning companies.

- Residents at Tabor Manor can use the Century tub in the care home.

- Special events and activities that are organized at Tabor Home are available to the residents of Tabor Manor if there is space available.

- There is a buddy system—residents put special hangers on their doors at night. If they are still in place by 9:30 in the morning, the resident is checked on.

- German-speaking environment.

About half the residents at Tabor Manor avail themselves of some or all of these services.

Land and Unit Tenure

- Land Tenure—Freehold.

- Unit Tenure—Life lease.

Basic Nature of Lease Agreement

- A non-refundable application fee of $3,000 is required, which is returned in the event that Tabor Manor rejects the applicant.

- The application fee is included in the entrance fee for applicants who are accepted for occupancy.

- The entrance fee is required in full when the lease is executed.

- Monthly fees cover general operating costs, plus a replacement reserve in an amount deemed adequate by the Board of Trustees.

- Entrance fees are refunded according to the following formula:

    - For leases terminated within four years of signing, the original entrance fee is returned less the cost of restoring the unit so that it can be leased to another occupant plus a discount equal to 2% per annum of the original lease payment.

    - For leases terminated between years 5 and 9 inclusive, as above plus an additional discount of 1.5% per annum of the original lease payment.

    - For leases terminated between years 10 and 15, as above plus an additional discount of 1% per annum of the original lease payment.

- Occupants must be physically and mentally capable of caring for themselves. If they are judged incapable by the Tabor Home Society, after consulting with the physician and family members of the resident, Tabor Manor has the right to require the resident to move upon 30 days notice.

- Tabor Manor has the right of entry at all reasonable times to inspect and care for the apartment units.

- Each occupant is required to designate two responsible persons with whom the Tabor Home Society may consult and on whose direction or advice they may rely in the absence of a court appointed representative.

Tabor Manor is an example of a declining balance lease, in reality a form of prepaid rent. Although not common in Canada, they do exist. An earlier study of life leases surveyed 33 projects, of which two used declining balance leases.[96]

Legal Issues

The lease agreement in use at Tabor Manor is in the process of amendment.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

There were no partnerships involved in the construction of Tabor Home. The Mennonite Brethren churches who own the Tabor Home Society developed the project themselves, with co-ordination provided by the Administrator of the Society.

Project Costs

The capital cost of building Tabor Manor was $1.7 million.

Project Financing

Start-up funding was provided by the Tabor Resthome Fund. Life lease purchases were required to provide a $3,000 deposit to hold their suite.

Pricing Structure

Unit Type	Lease	Maintenance	Rent
Large 2-bedroom (814 sq.ft.)	$69,300	$125/month	NA-Lease only
Small 2-bedroom (778 sq.ft.)	$65,500	$120/month	$727
1-bedroom (561 sq.ft.)	$52,300	$94/month	$600

Rent and lease payments include surface parking, free laundry on each floor, emergency call bell in each unit, all utilities, and property taxes.

Marketing Issues

Currently, there is one vacancy at Tabor Manor. 1999 has been a difficult year from a marketing point of view, partly because the rental market has been very soft (the vacancy rate in Abbotsford is currently 7.2%) and partly because the home ownership market has also been soft, resulting in prospective residents being unable to sell their houses.

Recently three residents, who are friends, moved out at the same time. They moved to a nearby conventional rental building, citing lower rents and balconies as the reasons for their move. (Tabor Manor does not have

96 Social Data Research Limited, *Source Book on Life Leases*, CMHC, 1993.

balconies.) Evidently, they did not consider the proximity of the care home and the availability of some services as sufficient compensation for higher rents and the lack of balconies.

According to the residents attending the discussion group, the lack of equity appreciation at Tabor Manor is not an issue. One of the renters was considering buying a life lease but her children objected on the grounds that it was not a sound investment and persuaded her to remain a renter. A different perspective was offered by a couple who had been living there for nine years as leaseholders (i.e., life leaseholders) and had calculated in detail the financial implications of leasing versus renting. Their conclusion was that they had saved a significant amount of money leasing rather than renting.

None had any concern whatever with the lack of equity appreciation, although in many respects they are very concerned with the impact of their decisions on their children. They were concerned about complicating their children lives, but not about enriching them. They all said they had enough money—that their problem was not making money but trying to spend what they had. Lacking the ability or the inclination to travel, they had limited ways of spending money.

These views are interesting since it has been hypothesized in other studies that the particular form of life lease in use at Tabor Manor is a difficult one to market because of its declining balance nature.[97]

However, notwithstanding the views of current residents, it is entirely possible that others have been dissuaded from moving in because of the declining balance structure.

Was the type of tenure a factor in initial move-in decisions?

Yes, although it was one factor among several important factors. Residents were attracted to Tabor Manor for all of the following major reasons:

- **Sponsorship**—By the Mennonite church.[98] The German speaking environment is also an attraction. Residents anticipated that Tabor Manor would provide a friendly environment because of the church and the cultural links.

- **Location—**The fact that Tabor Manor is adjacent to Tabor Home is a strong attraction, as is its proximity to a next-door shopping centre. Some Tabor Manor residents had considered the Menno Home, which is care facility in Abbotsford, but had rejected it primarily because it is not close enough to stores and other services. In one case, a couple had very seriously considered the Menno Home but only the wife was eligible to move in because of her health. The husband would have had to move elsewhere and they did not want to be separated.

- **Ease of Disposition of Real Estate for Heirs—**Tabor Manor is an interesting project because of its partly rental partly life lease nature. Although the general principle governing who chooses to rent

97 See for example *A Source Book on Life Leases*, CMHC, 1993.
98 Although Tabor Manor was developed and is operated by the Mennonite church, it is not necessary to be a Mennonite to live there.

and who chooses to lease (as they refer to the option of becoming a life lease resident) is affordability, at least one renter chose that form of tenure because of a dislike of having his money tied up and a belief that being a tenant would make things easier for his heirs.

Concern for heirs was evident among the life lease residents as well and is one reason why they like Tabor Manor—it is very easy for the estate to liquidate their interests because of the automatic buy-back. There is no need to sell a house or condo, which, as many residents of BC have learned over the past several years, can take a very long time.

- **Affordability**—The entrance fees, the rents, and the monthly fees are affordable by local standards, although residents did not rigorously comparison shop before moving in. However, they were somewhat aware of market alternatives. Three former residents had recently moved from Tabor Manor to a nearby rental project that offered somewhat lower rents as well as balconies. Their decision to move was regarded as a mistake by the remaining residents because of the complete lack of services at the rental building.

- **Convenience**—Another attraction of Tabor Manor is that almost every cost, including laundry, heating, lights and water, is included in the monthly fee or rent—the only exception is the phone. Residents appreciate the ability to have to write only one cheque.

Prior to moving to Tabor Manor, some residents had been condo owners, some had been renters, and some had lived with their children.

III. CLIENT SATISFACTION

Residents are very satisfied with Tabor Manor. Most often cited factors include:

- Strong sense of community and appreciation of German and Mennonite environment.

- Location (proximity to care home and shopping/services).

- Availability of services (e.g., meals).

- Affordability.

- Simplicity for heirs.

Management Issues

Residents interviewed for the case study appeared to be very satisfied with the management at Tabor Manor.

Overall Satisfaction with Tenure

Generally, very high.

Design Features to Address the Needs of Residents as they Age

Although the building is not old (occupied in 1989), it was not designed with aging in place issues in mind. However, there are a few adaptive features:

- Grab bars in some bathrooms.

- An emergency call button in every unit (near the front door).
- On a gradual basis, carpets in the dining

room and hallway are being replaced with vinyl flooring, which residents find easier to manoeuvre on and much easier to keep clean. Many of them are shaky for one reason or another and food spills invariably end up on the carpet under the only eating area. It is a major concern.

- The bathtubs are surrounded by an acrylic surround that is not suitable for grab bars. Some residents have installed grab bars on the edge of their tubs. They cost $60 or $70 but they are a suitable alternative when grab bars cannot be placed on the walls in the bath enclosure.

Although there is meal service available at noon many residents don't like to use it because it ties them down. (They have to order at the beginning of the month). Others prefer to sleep in and have a late breakfast, which results in the meal being too early for them. Some use the meal service in the winter when it is too miserable to go out, but not in the summer.

Many residents find that the cupboards are too high for them.

What the Experience of Tabor Manor Illustrates about Life Lease Projects

- Sponsorship is critically important. Not only are residents attracted in the initial instance to projects that are sponsored by organizations with which they are familiar, the involvement of the sponsoring group enhances the quality of life for residents.
- For older life lease residents (over 65 rather than over 55 years of age), proximity to a care home can be a strong attraction, even if, as is the case with Tabor Manor, residence in an adjacent life lease project confers no special advantage in terms of eventually moving to the care home.

- Proximity to shopping and services is extremely important.

- Lack of equity appreciation does not appear to be a concern, certainly for the residents. In terms of the views of their children on this issue, residents say that their children are concerned with their parents' comfort and well-being, not with the size of their eventual inheritance.[99]

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[99] Some observers of the housing industry find it difficult to believe that residents and their children are really as uninterested in equity appreciation as they say they are. It is also true that this issue has caused difficulty in some equity co-ops. Nevertheless, the overwhelming majority of life lease residents interviewed for this study said they were not at all concerned about equity appreciation and neither were their children.

Transcona Place
110 Victoria Avenue West
Winnipeg, Manitoba
R2C 1S5

Life Lease

I. BACKGROUND INFORMATION

Year Occupied

1994

Project Sponsor

The owner and operator of Transcona Place is Transcona Place Inc., a non-profit housing corporation established by the Transcona branches of three service organizations, the Royal Canadian Legion, the Transcona Kiwanis Association, and the Transcona Kinsmen Association.

Client Group

The project is targeted to independent seniors at least 55 years of age. The average age is between 75 and 85, according to the sponsor. Most are single women.

Project Summary	
Name of Project	Transcona Place
Location	Winnipeg, Manitoba
Population	660,000
Dwelling Unit Type	Six-storey apartment building
Number of Units	39: 20 life lease; 19 subsidized rental
Client Group	Seniors

Origins and Objectives

The three sponsoring organizations, and in particular, the Transcona Legion, had for several years been aware of the need for additional housing for seniors in Transcona. Transcona, prior to the amalgamation of the City of Winnipeg in 1971, had been a separate and distinct municipality. Its residents remained reluctant to retire to other parts of Winnipeg. However, very limited seniors housing was available for households of modest income. The same situation existed for low income households. The Legion was also considering relocating and believed that a mixed use building might be a practical way to address both their needs and to provide much needed seniors housing.

The Legion began to assemble property in downtown Transcona in 1990. It took three years to purchase the five lots required. The Legion, together with the other two service organizations, responded to a call for proposals issued by Manitoba Housing in 1991 (the same proposal call which resulted in the Elks Manor project in Neepawa). They proposed a mixed income seniors project which included both life lease and fully subsidized units. The Legion abandoned its plans to relocate. After a lengthy approval process the proposal was accepted and construction began in 1993 and was completed in March 1994. The project was fully occupied upon completion.

Physical Description of Project

- 39-unit, six-storey apartment building with 20 life lease units and 19 rental housing units subsidized on a rent-geared-to income basis under a provincial/federal cost sharing arrangement. This approach was used by the provincial government during its last period of actively developing social housing programs. The last such projects were approved in 1992.
- The life lease and rental units have no major physical differences although the subsidized apartments, all one-bedroom, are somewhat smaller, 600 square feet in size compared with the 678 square foot life lease one-bedroom apartments. There are also two types of life lease two-bedroom apartments, 856 and 889 square feet in size.
- The project is constructed of concrete and masonry.
- Living rooms and bedrooms are carpeted.
- Each unit has a freezer-size storage room.
- Each unit has a balcony.
- Two appliances are provided—a range and refrigerator.

Transcona Place is located one block north of Transcona's main street—Regent Avenue. A branch of the Winnipeg Public Library is located directly across the street. A grocery store is within easy walking distance. Public transportation and commercial services are also close by—within one block.

Amenities and Services

The building includes:

- A large multi-purpose room and common (serving) kitchen.
- Lobby and library with gas fireplace.
- Solarium on the ground floor.
- Laundry room on each floor.
- Air conditioned public areas and corridors.
- Interphone security system.
- Serviced, surface parking for approximately 50% of suites.
- Emergency call system monitored 24 hours/day.

No services are available in the project itself although home care and meals-on-wheels provide services to some of the residents.

Land and Unit Tenure

- Land tenure—Freehold.
- Unit tenure—Life lease and rental. The units have not been stratified.

Basic Nature of Lease Agreement

- New residents must pay a $2,000 non-refundable deposit. The balance of the entrance fee (which varies by unit type—$21,500 for a one-bedroom and $23,500—$24,500 for a two-bedroom) is payable prior to occupancy.
- Sublets are permitted with the approval of the sponsor. These are not encouraged, however.
- Transcona Place offers guaranteed entrance fee refunds but apart from a small escrow fund these refunds are funded by the entrance fees paid by incoming residents. Tenants are required to give 90 days notice to terminate their lease. Refunds are processed through a trustee (Co-operative Trust) who accepts all entrance fee deposits from incoming residents. Refunds are made in full, less a small administrative fee ($100) charged by the trustee. Approximately 14 life lease apartments have been re-leased since 1994, excluding one resident who moved from a two-bedroom to a one-bedroom unit. Most refunds were made within the 90 day period.

Legal Issues

The lease executed by each life lease resident provides for an occupancy term ending on the earlier of the date of the date of death of the resident or the date of termination of the lease. A resident can terminate the lease at any time with 90 days notice. The sponsor can terminate the lease only for cause e.g., if the resident is in default under the terms of the lease. Examples of default would include non-payment of rent, willful damage or destruction, etc.

Legal documents provided to the life lease resident include:

- Offer to lease.
- Lease.

The initial residents also received copies of documents pertaining to the role of the trustee in handling the initial deposit and entrance fee payments and their use to fund construction and development costs. An escrow fund was established from these initial payments; $2,000/life lease unit, $40,000, was put into an escrow reserve which is available to fund entrance fee refunds if an entrance fee payment from an incoming resident is not available. This escrow fund is maintained by the trustee.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Transcona Place Inc. was the developer of the project and engaged a general contractor selected by competitive public tender. The sponsor hired a development consultant who coordinated all aspects of the development process—design, selection of contractor, construction, marketing, and financing. The sponsor also hired an architect who was directly responsible for the preparation of design and working drawings and performed construction inspections and issued payment certifications. The construction lender was the Transcona Credit Union. The final mortgage was arranged by Montrose Mortgage Services. Under the provisions of the Manitoba Housing program a partial mortgage guarantee was provided by the Province of Manitoba. The guarantee covers 10% of the life lease portion of the project mortgage. Up to this amount is payable to the lender if the project falls behind in its mortgage payments in the first six years of operation and does not have sufficient reserves to remedy this default. The guarantee period will end in March of 2000.

Project Costs

Capital costs and project financing are summarized below:

Land costs		273,157
Fees and charges		301,360
Construction & furnishings		2,256,645
GST		83,530
Total capital costs		2,914,692
Total by component	Life Lease	Rental
	1,647,995	1,266,697
Source of funding		
Sponsor		262,756
Residents (net)		415,000
Mortgage		970,239
		1,266.697
Total Funding		1,647,995
		1,266,697

The sponsor's equity contribution was $262,756 or some 16% of the capital costs of the life lease units. The residents contributed $415,000 or 25%. This latter amount is net of the $40,000 deposited to the project's escrow account. The cost of the rental units was funded by the first mortgage.

Project Financing

See above for financial details. Also note:

- The building is presently exempt from the school portion of the property tax assessment.

- Construction was financed through advances of the permanent mortgage which was provided by a local credit union as indicated above. The permanent mortgage was arranged by Montrose Mortgage Services.

- The financing included 100% of the capital cost of the (subsidized) rental units and the funds required to pay the capital costs of the life lease units (less the entrance fees paid by the residents, the escrow reserve, and an equity contribution made by the sponsor). The initial term of the mortgage is 10 years at 7.88%.

Pricing Structure

The entrance fees and current rents paid for the life lease apartments are as following:

All apartments have one bathroom. All have a balcony.

	# of Units	Entrance Fee	Current Rent
1-bedroom	10	$21,500	$557
2-bedroom (856 sq.ft.)	5	$23,500	$688
2-bedroom (889 sq.ft.)	5	$24,000	$714
Parking costs			$12
Laundry			$7
Emergency Alarm			$4

Rents have increased three times in five years, in 1996, 1997 and 1999 (an average of $17.50, $6.00 and $10.00 respectively). These increases were not well received by the residents.

Rent charges include all utilities and building services except for telephone and cable. The parking charges are $12/month. Monthly charges for the use of the washer/dryers are $7.50 and for the emergency alarm system are $4.00.

No additional services are provided by the project although various community services do support many of the residents in the building e.g., meals, home care etc.

Monthly Fees

Included in rent, except for phone, cable, and parking.

Marketing Issues

The sponsor views its life lease residents as tenants. Rents were set at a level which ensured all operating costs could be paid. Many of the life lease residents are former Transcona residents who still have family members residing close by. Many also have some previous association with one of the service organizations which established Transcona Place Inc.

To date the sponsor has experienced few difficulties re-leasing the life lease units for which there is a waiting list. The sole exception was a two-bedroom apartment on the sixth floor which was vacant for some five to six months in 1998.

The mixed income nature of the project has not resulted in any significant marketing problems.

Was the type of tenure a factor in initial move-in decisions?

It was not a major factor. More significant was the project's location (in Transcona), its design features, and the mutual support of the residents. The only significant concern expressed was the amount of the rent. Declining interest and other investment income has affected the affordability of the project.

III. CLIENT SATISFACTION

The life lease residents are extremely satisfied with life in Transcona Place. Concerns about rent levels (and possible future increases) was the only substantive concern. All residents indicated they expected to remain in the project until they could no longer look after themselves.

Management Issues

The life lease residents are not involved in the management of the project. This is left to the Board who have engaged a part-time manager.

The residents are largely responsible (via a residents committee) in organizing a variety of social activities e.g., regular card games, shuffle board etc. The chair of this committee can present issues concerning the project to the Board of Directors

Design Features to Address the Needs of Residents as they Age

- The building is accessible by wheelchair.
- Several apartments are full mobility units, including the appropriate turning radius in the bathroom.
- Bathrooms have non-skid tubs and grab bars.
- The building has an emergency call system.
- Lever style door handles.

Overall Satisfaction with Tenure

Extremely high.

What the Experience of Transcona Place Illustrates about Life Lease Projects

- This type of project likely requires the participation of a motivated locally based sponsor. In this case the equity provided by the sponsor was of critical importance.
- Mixed income projects can be marketed successfully to life lease residents and do not face any significant operating issues resulting from the mix in income levels.

- The sponsor is concerned about the high rent levels relative to other available accommodations (in Winnipeg's market). There may be too great a differential between the one and two bedroom rents as well. In retrospect, the entrance fees for the two bedrooms should have perhaps been higher resulting in somewhat lower rents. This is a difficult situation to correct after the fact.

Contact Person

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Residential Leasehold Case Studies

Village by the Arboretum — Leasehold
221 Stone Road East
Guelph, Ontario
N1G 4X3

I. BACKGROUND INFORMATION

Year Occupied

Initial occupancy 1994 (phased project). Phase IV under construction as of November, 1999.

Project Sponsor

Reid's Heritage Homes is a for-profit developer/builder/architect under a master (50-year) land lease agreement with the University of Guelph.

Client Group

The residents of the Village by the Arboretum are mainly retired, middle income, two-person households. There is no specific minimum age required for residency, but the target group is 55 years of age and older. The project is presented as an Adult Lifestyle Community on a secured site.

Project Summary	
Name of Project	Village by the Arboretum
Location	Guelph, Ontario
Population	105,000
Dwelling Unit Type	Mixed—single detached, townhouses, fourplexes, planned apartment building
Number of Units	491 currently; 700 at build-out
Client Group	Seniors

Origins and Objectives

The land was donated to the University of Guelph and serves as part of the University's endowment fund. A phased project of (ultimately) 700 single detached, townhouse and apartment units accommodating more than 1,000 people will be developed on a 165 hectare site in a pastoral setting. It took 10 years of planning and predevelopment work before construction began in 1993.

Physical Description of Project

- 491 units have been built to date—115 townhouses, 178 single detached units on 40-foot lots, 191 single detached units on 50-foot lots, two single detached units on 55-foot lots, and five single detached units on 60-foot lots.

- Units range from 1,161 to 1,835 square feet.

- The homes themselves have the following features:

    - Attached single or double garage.
    - Clay brick and maintenance free siding/soffits/faces and exteriors.
    - Full unfinished basements.
    - Paved driveways.
    - Lawns with sprinkler systems.
    - Good quality carpets and floor coverings.
    - Central air conditioning.
    - Forced air high efficiency gas furnaces.
    - Many options are available to purchasers, including interlocking drives and walkways, garage door openers, finished basements, and hardwood floors.

Amenities

- Security gatehouse.

- Large (43,700 square feet) recreation centre for sports, fitness, and leisure activities. It includes a large indoor pool, a 650-seat auditorium, an exercise room, a library, and a billiard room.

The site, which is extensively landscaped, is located adjacent to the University of Guelph Arboretum, which was established by the University in 1970. The Arboretum includes some 3,000 varieties of plants with interpretive trails.

Land and Unit Tenure

- Land Tenure—Leasehold. Individual home-buyers enter into a 20-year sub-lease for their lots with Reid's Homes and make monthly lease payments (see Pricing Structure for more details).

- Unit Tenure—In the commonly understood meaning of the term “own”, Arboretum residents own their homes—they can sell them. But unlike leasehold condominiums, where each unit is stratified and titled, residents of the Arboretum do not hold titles to their units. Instead, they hold a leasehold interest in the land.

Because of the nature of the lease (the length of the term and the monthly payment structure), Arboretum purchasers cannot obtain mortgage financing. Any purchaser who could not pay cash for a unit would have to obtain a personal loan.[100]

The purchase price of the units includes a contribution towards the cost of the recreation centre. Subsequent purchasers enter into a new 20 year sub-lease.

Nature of Lease Agreement

The sublease includes provisions to allow for a maximum increase of 3% annually. The increase is subject to review under the Province of Ontario's Rent Control Legislation. The sponsor has indicated there is, at present, no intention to increase the lease rates. The present rates vary by size (frontage foot) of lot. The current monthly rate for a 50 foot lot is $330.

The lease also provides for the following charges:

- Share of Operating Costs (Project & Recreation Centre): $211.81 per month.

- Contribution to Capital Reserve Fund: $30.00 per month.

Property taxes vary by size of unit and lot and are the responsibility of the purchaser.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- The University of Guelph, under the terms of its head lease with Reid's Heritage Homes, has broad control of the overall development of the project. In practical terms, however, Reid's is handling the general development of the project.

Project Costs

Project cost information is confidential.

Project Development Funding

None.

Project Financing

This information is also confidential.

Pricing Structure

The following table provides a description of the pricing for selected units in Phase IV. All prices include a $9,500 capital contribution to the cost of recreation centre and GST.

Lot Size (Front feet)	Model	Size (sq.ft.)	Base Price
40	Pinehurst	1,161	$185,400
50	Ashbury	1,635	$230,000
40	Oakdale	1,437	$196,400
40	Willowdale	1,480	$205,400
50	Sprucehaven	1,835	$235,400
Townhome	Silverlace II	1,288	$175,200

[100] In some other land lease communities in Ontario, residents have been able to obtain financing via CMHC's Chattel Loan Insurance program, which was designed for mobile homes.

In addition, residents pay land lease costs. As an example, a resident leasing a 40 foot lot would pay monthly fees as follows:

Basic monthly lease payment	$265
Capital reserve fund	$30
Maintenance fee	$211.81
Property taxes	$160 to $250

The sponsor has estimated that market value of the lots is approximately $80,000 to $90,000, which is believed to be competitive with comparable freehold or condominium projects.

Financing is only occasionally an issue—mortgages are not available. Some lenders will provide loans on the basis of the sublease. Other residents have arranged unsecured loans if they were required.

Marketing Issues

The developer has not encountered any significant concerns with respect to the leasehold tenure arrangements and believes the involvement of the University of Guelph has probably allayed any potential concerns. The University elected to pursue leasehold development because the land was donated to the University and there is no intention of selling it. The lease with Reid's Heritage Homes generates revenue for the University while maintaining its ownership position. The project is viewed as desirable from the point of view of its location, the overall development plan, and the design of the units. The reputation of the developer is also a positive factor.

Nevertheless, there are some unsold units. Phase I and Phase II are sold out but, 46 of 121 units in Phase III remain unsold, as do 96 of 141 Phase IV units. Two incentive plans are in place for the Phase IV units. Land lease payments in year one have been reduced by 50% and construction incentives are available such as dishwashers and a $3,000 reduction in the price of a sunroom option.

Was the type of tenure a factor in initial move-in decisions?

Yes, it was one of the reasons cited by residents for their decision to move in. Residents were attracted to the Village by the Arboretum for the following major reasons:

- **Location—**As indicated in the description of this project, the location of the project is excellent.
- **Design—**Units are very attractive and well designed.
- **Reputation of the Developer—**Reid's Heritage Homes has a good reputation as a competent and reliable developer.
- **Involvement of the University of Guelph—**The fact that the University owns the land is considered to be a marketing positive by the developer and by prospective residents.
- **Affordability—**Residents found the leasehold tenure attractive because it reduced the buy-in cost.

III. CLIENT SATISFACTION

Residents are generally very satisfied with Village by the Arboretum. Positives include:

- Sense of community.
- Excellent location.
- Well designed units.

The residents interviewed for this report had family or other ties to southern Ontario and the Toronto area so that the location of the Village of the Arboretum was an attractive one for their retirement. Most were very impressed with the project on their initial visit. A decision to purchase a home in the Village is apparently often a very easy one. A harder decision is the idea of living in a retirement setting. Some potential buyers may take several years before concluding it is the correct decision for them.

Most residents were home owners prior to their move to the Village—living in single family homes. Some looked at many other similar projects before deciding on the Village, while some had looked at only one or two.

Residents were not concerned about the twenty-year term of the lease primarily because of the involvement of the University of Guelph and the reputation of the developer. The residents expect that the renegotiation of the lease, which can occur at any time, will be handled fairly. Some residents prefer the lease arrangement to a condominium. Condominium owners are subject to assessment for the costs of major repairs eg. roof repairs. Residents in the Village are responsible only for their own homes.

The future availability of the extended care home provides the residents with a degree of comfort, although for younger residents (say 65 years of age and younger) not a major one. All residents however, believe the development of the care home will be an important addition to the site.

Some residents discussed the lease with lawyers. However the actual purchase of their homes was often done without the use of a lawyer as the documents were sufficiently clear—in the minds of the residents.

Management Issues

The project is managed by Reid's Heritage Homes. A residents' association was established in the Fall of 1994, shortly after the initial occupancy of Phase I. While not directly involved in management, the Association has as its mandate the promotion of a safe and secure life style in the project and the development of a friendly caring community.

The Association holds quarterly meetings and has two committees, Executive and Standing, to develop policies and implement programs. Activity groups organize various functions e.g., coffee hours, tennis, crafts, wine tasting, singing, drama, luncheons, and various trips (in and out of town).

Monthly Fees

In addition to the fees discussed in the Pricing Structure section of this report, all residents are automatically members of the Residents Association and are assessed a $30 capital assessment (one-time) for the costs of furnishings and equipment in the Association's office in the recreation building

(Village Centre). Annual fees are $27 (including a $12 annual fee for a regular news letter).

Design Features to Address the Needs of Residents as they Age

- Rough-ins for grab bars in the bathroom.
- Many units are bungalows, although there is a step at the entry.
- Light switches are rocker-style.
- Electrical receptacles have been raised to 18 inches off the floor.
- An extended care centre will soon be built on the site, thus allowing for an on-site continuum of care.

Overall Satisfaction with Tenure

Extremely high.

What the Experience of Village by the Arboretum Illustrates about Leasehold Arrangements

- Several universities in Canada have developed residential projects on land owned by them as a way of generating revenue. In addition to the University of Guelph, the University of British Columbia and Simon Fraser University are both involved in residential development. Other universities that own land with development potential could also pursue this option. Universities choose land lease rather than sale either because they legally have to, which is the case with UBC, or because they prefer to on philosophical or operational grounds.
- The lease option is clearly acceptable to some prospective purchasers. It is likely that the continuing involvement of the University is a plus for the purchasers, although there are a number of examples of adult lifestyle communities in Ontario that have been developed on leased land owned by private companies.
- The success of the project also seems due to the involvement of a local developer with strong skills in design, construction, marketing and management, as well as the financial ability to develop a project over almost a 10 year period.

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Leasehold

I. BACKGROUND INFORMATION

Year Occupied

Initial occupancy 1995 (phased project)

Project Sponsors

Raven Woods is located on the 265-acre Burrard Inlet Indian Reserve #3, which is located along Burrard Inlet, an arm of the Pacific Ocean, in North Vancouver, BC. The project developer is TAKaya Developments, a joint venture between the Tseil'waututh First Nation (Burrard Indian Band); Abbey Woods Developments, an affiliate of the Kuok Group, one of Asia's largest conglomerates; and Native Strategic Investments, a company involved in real estate developments in partnership with Native bands in the Lower Mainland.

Raven Woods is the third residential development undertaken on the reserve.

Client Group

Although the Raven Woods development is composed almost entirely of apartments (there are a few two-storey townhouses on the bottom two floors of one of the apartment buildings) and there is no special play space for children, there are a significant number of residents with children. Many buyers are first time homeowners, but the development also appeals to empty

Project Summary	
Name of Project	Raven Woods
Location	North Vancouver, BC
Population	2,017,000 (Metropolitan area)
Dwelling Unit Type	Four four-, five-, and six-storey apartment buildings.
Number of Units	396
Client Group	Mixed

nesters. Because of its location in a forested area along the shores of Burrard Inlet, it also appeals to people who are looking for a natural and scenic environment.

Origins and Objectives

The project was initiated as an economic development opportunity for the Tseil'waututh First Nation (Burrard Indian Band).

Physical Description of Project

- Five mid-rise and low-rise apartment buildings have been constructed to date—Windsong Phases I, II, and III (181 units); Deerfield (84 units); and Deerfield by the Sea (131 units).

- Deerfield by the Sea is the newest building. Units range from 627 square foot one-bedroom units to 1,526 four-bedroom units. Units include gas fireplaces, fridges, stoves, dishwashers, washers and dryers and are pre-wired for security and home theatre installations.

Amenities

- Extensively landscaped grounds in a forested setting.

- Lounge, fitness studio and multi-purpose room with kitchenette.

Land and Unit Tenure

- Land Tenure—Like all First Nations reserves, the land is owned by the Federal government and reserved in perpetuity for the Tseil'waututh First Nation (Burrard Indian Band). The Band asked the Federal government to create a 99-year lease for the land on which the Raven Woods development is located. The head lease, which ends on April 11, 2095, is currently held by TAKaya Holdings, which in turn grants sub-leases to individual purchasers. The sub-leases, which end one day prior to the end of the head lease, are prepaid.

  When the final phase of Raven Woods is completed, the Homeowners Corporation will receive the head lease from the federal government and will be the landlord under all of the sub-leases. The head lease and the sub-leases are registered in the Federal Government's Indian Lands Registry, not under the BC Land Titles system.

  At the end of 99 years, the land and buildings, if they are still standing, will revert back to the owner.[101] There is no sinking fund.

- Unit Tenure—Because Raven Woods is located on federal land, it is not governed by the BC *Strata Title Act*. Instead, the homeowners are shareholders of a limited company incorporated pursuant to the *Company Act*. Owners are members of a Homeowners Corporation rather than a strata. To all intents and purposes however, Raven Woods is operated like a condominium. When purchasing a unit, owners must agree to abide by the provisions of the *Strata Title Act*, although the Act itself does not apply to the development. The Homeowners Council functions as a strata council would. The only practical difference

[101] This statement does not account for land claims negotiations or legislative changes that may occur in the interim.

between strata title ownership and leasehold ownership of the Raven Woods type is that a lease has an end date and strata title ownership does not.[102]

Nature of Lease Agreement

As indicated, the head lease from the federal government will be in the name of TAKaya Holdings until the project is completed, at which time it will be assigned to the Homeowners Corporation. Individual purchasers buy prepaid leases that expire one day prior to the expiry of the Head Lease in 2095.

Although not part of the residential lease agreement, a separate agreement with the District of North Vancouver provides for the delivery of water, sewer, garbage collection, and police and fire services to the Raven Woods development.

The property taxes that pay for these services are levied and collected by the Tseil'waututh First Nation, which has committed to setting property taxes on a basis consistent with the District. The Nation's taxation and assessment by-law uses criteria for determining assessed value similar to the criteria contained in the *British Columbia Assessment Act*.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

The development of Raven Woods is a joint venture between the Tseil'waututh First Nation (Burrard Indian Band); Abbey Woods Developments, an affiliate of the Kuok Group, one of Asia's largest conglomerates; and Native Strategic Investments, a company involved in real estate developments in partnership with Native bands in the Lower Mainland.

Because Raven Woods is located on Federal land, the overall development plan had to be approved by the Federal Crown under the terms of the head lease, but no other approvals were required, including municipal approval. Notwithstanding the legalities associated with development on Federal crown lands (i.e., that municipal approval is not required), the Tseil'waututh First Nation strives to maintain a good relationship with the District of North Vancouver. All plans were submitted to the District for review and the quality of construction met or exceeded all mandated standards.

Project Costs

Project cost information is confidential.

Project Development Funding

None.

Project Financing

Project financing information is also confidential.

From the perspective of individual purchasers, mortgage financing is available from several lenders. Mortgage insurance from CMHC is also available if required.

[102] As the lease term nears its end date at Raven Woods, the value of the units compared to the value of similar strata title units will decline. However, any impact on value of a shorter lease term will not occur for many years.

Pricing Structure

The following table provides a description of the pricing for selected units in Deerfield by the Sea, the most recent phase of Raven Woods.

Model	Size (sq.ft.)	Base Price
Garden, 1-bed	627	$140,900
Garden, 2-bed + den	950	$179,900
Ocean, 2-bed + den	962	$215,900
Ocean, 3-bed + den	1,294	$264,900

In terms of the relationship between these prices and prices in similar strata title developments, it is difficult to compare because there are no strata title developments in similar locations. However, as the Client Satisfaction section of this report indicates, many purchasers bought units at Raven Woods because of perceived value.

Because of its location on Federal crown land, purchasers of new units at Raven Woods do not pay GST on the prepaid land lease (because the sales proceeds are going to the Tsiel'waututh First Nation (Burrard Indian Band) or Property Purchase Transfer Tax, normally payable in British Columbia on the purchase of real estate unless it is located on Federal crown land.

Marketing Issues

The major marketing issue for the developer of Raven Woods is the fact that Raven Woods is located on First Nations reserve land leased from the Federal government. In spite of the fact that Raven Woods leases are prepaid 99-year leases, negative publicity related to other First Nations ventures in BC, in particular the Musqueam situation,[103] has resulted in a slowdown in sales at Raven Woods. The developer has responded by offering no mortgage payments for one year on certain units.

Prospective purchasers may also be concerned about native land claims negotiations and the impact they may have on residential developments located on First Nations land. In fact, new legislation governing how bands can take direct control of land (Bill C-49, not yet proclaimed) specifically states that subleases such as those in use at Raven Woods will not be affected by the legislation.

The developer's marketing team takes special pains to explain clearly to prospective purchasers exactly what is involved in buying a unit at Raven Woods. Although not subject to provincial laws governing disclosure statements,[104] TAKaya Holdings provides a similar document called an Information Statement to prospective purchasers. The Information Statement contains this statement in bold on the first page: "Interested parties should consult with their legal and other professional advisors prior to making an

[103] The Musqueam case involves a land lease situation in Vancouver where homeowners leased land from the Musqueam First Nations. The leases were not prepaid and dramatic rent increases at the 30-year point in the leases resulted in a huge amount of controversy, still ongoing as this report was being written.

[104] Because Raven Woods is on Federal Crown land, provincial legislation, including the *Real Estate Act* and the *Condominium Act*, does not apply.

investment in the project". A Certificate of Independent Legal Advice forms part of the Lease Assignment transaction and purchasers are required to sign it in the presence of their lawyer.

Other information contained in the Information Statement includes details about:

- The location and the unit designs.
- The nature and length of the head lease with the federal government.
- The operation of the project and the Homeowners' Corporation.
- The provision of services and the how they are paid for.
- The annual operating budget.
- The unit entitlements and interest upon destruction.

Major lenders are willing to lend mortgage funds to Raven Woods purchasers and NHA insurance is available for purchasers requiring it.

Was the type of tenure a factor in initial move-in decisions?

The fact that Raven Woods is located on First Nations reserve land leased from the Federal government has been the source of concern for some purchasers. In British Columbia, the very well-publicized Musqueam case has resulted in some anxiety about real estate investments involving First Nations. Residents chose Raven Woods not because of the tenure but for the following major reasons:

- **Affordability**—Relative to the alternatives, Raven Woods is perceived as offering excellent value.
- **Location**—As indicated in the description of this project, Raven Woods is located in a beautiful forested area adjacent to Burrard Inlet. There are no other competing developments with the same kind of locational attributes.
- **Design**—Units are attractive, well designed, and well built.

III. CLIENT SATISFACTION

Residents are generally very satisfied with Raven Woods, as indicated in the preceding section. Positives include:

- Affordability—Units offer good value for the money.
- Excellent location.
- Well designed and well built units.
- No GST payable on new units.
- *Property Purchase Transfer Tax* is not payable.
- While not all residents feel perfectly comfortable about leasing First Nations land, many do in view of the fact that leases are prepaid and not negotiable for 99 years.

Negatives cited by residents include:

- First Nations leasehold is a concern for some residents, notwithstanding the legal situation and notwithstanding the fact that the Tseil'waututh First Nation (Burrard Indian Band) are partners in the development company developing Raven Woods. It would be extremely bad business practice for the band to take any action that would harm the marketability of the project since its success as a commercial venture is the whole point of the exercise.

Management Issues

Although not subject to the *Condominium Act*, Raven Woods is operated essentially the same as a condominium. The Homeowners Council has assumed all the functions of a strata council.

Monthly Fees

Monthly maintenance fees range from $93 per month for the smallest one-bedroom unit to $227 per month for the four-bedroom unit.

Overall Satisfaction with Tenure

Most residents are not particularly concerned with the leasehold nature of Raven Woods. They chose Raven Woods because of its location and because they believe it offers good value for money. Both those attributes are in part due to the project's location on First Nations land, so in a sense, residents can be said to be quite satisfied with the tenure. Some may have preferred fee simple or condominium ownership, but since they could not get the same location or quality with those tenures, they chose leasehold tenure at Raven Woods.

What the Experience of Raven Woods Illustrates about Leasehold Arrangements

- There is some misinformation and suspicion about leasehold communities on First Nations land, at least in BC. In spite of the fact that leases are prepaid for 99 years and are non-negotiable, some people are concerned that their investment is not as safe as it might be in a condominium development. There is no legal reason why this should be so.

- In the Raven Woods case, and in other similar cases where First Nations are partners in the undertaking of the residential development in question, there are also business reasons that may allay potential purchasers' concerns about the security of their investment. Safeguarding the reputation of the development as a good place to make a real estate investment is clearly in the self-interest of the band and its partners.

- First Nations land is in some cases in prime locations. Although prospective purchasers may have some concerns about the leasehold aspect of their investment, many are willing to trade off concern for location.

- The developers of Raven Woods say that because land costs are more affordable for them than for private sector developers, they are able to build a better product and still make a reasonable profit. Certainly, purchasers at Raven Woods believe that they were able to get more value for their dollar at Raven Woods than at competing condominium developments.

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Redwood Meadows — Leasehold
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I. BACKGROUND INFORMATION

Year Occupied

Initial occupancy 1975

Project Sponsors

The Tsuu T'ina First Nation (Sarcee Band of Indians)

Client Group

Houses in Redwood Meadows are large and quite upscale. Although there are some empty nesters, the predominant household form is families with children. About 80-90% of residents commute to work in Calgary. The latest Census counted 1,141 residents, one-third of whom were between 25 and 44 years of age, and 36.5% of whom were under the age of 19. Only 4.3% were over the age of 65.

Project Summary

Name of Project	Redwood Meadows
Location	Townsite of Redwood Meadows, Alberta
Population	1,141
Dwelling Unit Type	Single detached houses
Number of Units	351 built to date
Client Group	Mixed but mostly families

Origins and Objectives

Redwood Meadows is 20 miles west of Calgary. The Townsite was formally created in 1974 with a conditional surrender of 1,600 acres of Tsuu T'ina Nation (Sarcee Band of Indians) land to a wholly owned development company called Sarcee Developments Ltd. A golf course and residential sub-division were developed on the land. Lots were sub-leased to individuals with prepaid leases until 2049 (i.e., 75 year leases). The first houses were built in 1975.

The objective of the development was to provide economic development opportunities for the Tsuu T'ina Nation, as well as jobs for band members.

Although the master plan for Redwood Meadows anticipates the development of 1,200 housing units, including multi-family housing units, the Tsuu T'ina Nation apparently has no immediate plans for further development. All the available serviced land has been built on and no additional servicing work is underway.

None of the multi-family housing or planned commercial developments has been undertaken.

Physical Description of Project

- 351 upscale single detached houses in a forested area along the Elbow River.
- Lots are large—ranging from 0.3 acres to 0.5 acres.
- Houses are also large—the average size would probably be well over 2,000 square feet. Minimum house sizes are enforced in the Land Use and Development Regulations governing Redwood Meadows.
- Strict design guidelines are also enforced. As an example, wall exteriors are to be wood, brick, or stone in earthtone colour range. Vinyl or aluminum siding is not permitted.
- Fences are not permitted, so an impression of openness and parklike surroundings is created.

Amenities and Services

- 18 hole golf course (operated by Sarcee Developments Ltd.).
- Clubhouse and restaurant (operated by SDL).
- Water treatment facility including eight kilometres of watermains.
- Sewer lagoon and lift station.
- Paved roads (seven kilometres) and pathway system.
- Firehall.
- Community facility and administration office (8,000 square feet), where many community events occur.
- Playing field, tennis courts, basketball court, and three playgrounds.

Land and Unit Tenure

- Land Tenure—Like all First Nations reserves, the land is owned by the Federal government and reserved in perpetuity for the Tsuu T'ina First Nation (Sarcee Band of Indians). The Band asked the Federal government to create a 75-year lease for the land on which the Redwood Meadows development is located. The head lease was signed on September 6, 1974, and expires on September 5, 2049. The sub-leases, which are registered with the Federal Government's Indian Lands Registry, are prepaid. When the head lease ends, the land and improvements revert to the Tsuu T'ina First Nations. During the term of the lease, the land is surrendered by the Band to the Crown.

- Unit Tenure—Residents of Redwood Meadows own a leasehold interest in real estate. When purchasers buy a house, they sign an offer to purchase a leasehold interest and the sub-lease is subsequently transferred to them. Both the Department of Indian Affairs in Edmonton and the Sarcee Band must approve the transfer of a leasehold interest from one person to the next. The parties to the agreement to purchase a leasehold interest are Sarcee Developments Ltd. and, as joint enants, the purchaser and Her Majesty the Queen as represented by Indian and Northern Affairs Canada.

Nature of Lease Agreement

As indicated, the head lease from the federal government will expire in 2049, at which point the land and all improvements will revert to “Her Majesty the Queen in right of Canada for the use and benefit of the Sarcee Band”. Prior to the expiry of the lease, improvements may be removed as long as the plan for removal is approved by the Sarcee Nation.

If the head lease is renewed or otherwise extended, there is a clause in the current offer to purchase a leasehold interest that provides for purchasers to have first right to sub-lease their lot at terms to be agreed upon between Sarcee Developments Ltd., the purchaser, and the Minister of Indian and Northern Affairs Canada.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Redwood Meadows was developed by Sarcee Developments Ltd., a company wholly owned by the Sarcee Band of Indians.

Project Costs and Project Financing Details

Not available.

From the perspective of individual purchasers, mortgage financing is available from a number of major lenders, although not all lenders finance in Redwood Meadows purchases. Mortgage insurance from CMHC is available if required.

Pricing Structure

An analysis of the 30 sales that occurred in 1999 in Redwood Meadows indicates an average sales price of about $225,000.

Marketing Issues

Although homes are currently selling well, there is some concern about how long this will continue if a plan for lease expiration is not developed in the reasonably near future.

Was the type of tenure a factor in initial move-in decisions?

For many residents, the fact that Redwood Meadows is located on leased land was not an issue at all in their initial decision to purchase. Residents describe themselves as “falling in love” with Redwood Meadows—with the layout, the scenery and topography, the size of lots and the appearance of the community. Once resident in the community, buyers also grew to appreciate the strong sense of community that exists.

Residents often describe their decision to purchase in Redwood Meadows as a lifestyle investment, not a real estate investment.

III. CLIENT SATISFACTION

Although residents are extremely satisfied with Redwood Meadows as a place to live, some are becoming concerned about the fact that it is located on leased First Nations land. Additionally, as already mentioned, residents are becoming somewhat concerned about the expiration of the head lease in 2049.

Aside from those issues, residents are extremely satisfied with Redwood Meadows as a residential environment that leaves little to improve on. Residents cite not only the beauty of their surroundings, but also the sense of community and the freedom their children have to live their lives in freedom—in a way that has not been possible for many Canadian children for 50 years or more. The proximity of Calgary is also cited as a benefit.

Management Issues

Initially, the Townsite of Redwood Meadows was run as a company town by Sarcee Developments Ltd., although it was always envisaged that residents would ultimately operate the townsite. While the townsite was operated by SDL, the Tsuu T'ina Nation had to substantially subsidize the operation of the community. Many years of negotiations among the Federal and Provincial governments, the Sarcee Band Council, and the residents finally determined that Redwood Meadows could not be established as a municipality, for various jurisdictional reasons.

Consequently, wanting to be officially represented by a an elected body, residents formed a society in 1986—the Townsite of Redwood Meadows Administration Society, with a president (Mayor) and six directors (Councilors). Elections are held at the same time as other municipal elections in Alberta. The Society signed an agreement with the Tsuu T'ina Nation to have the Society operate the Townsite by, for, and on behalf of the residents. Redwood Meadows is a de facto municipality, providing services to the residents such as fire protection, police protection, assessment and taxation, enactment and enforcement of by-laws, snow removal, garbage collection, roads, and utilities. However, there are a number of governance issues that residents would like resolved. For example, it is a constant battle for Redwood Meadows to access grants available to all other municipalities.

The Society continues to lobby the Alberta government for recognition and to qualify for provincial funding.

Monthly Fees

Residents do not pay monthly fees—they pay taxes commensurate with what residents of any other comparable municipality in Alberta would pay.

Overall Satisfaction with Tenure

Extremely high.

What the Experience of Redwood Meadows Illustrates about Leasehold Arrangements

- If the environment is right, many purchasers will be unconcerned about leasehold arrangements as long as the expiration of the lease is far enough off in the future—50 years perhaps.

- Purchasers of leasehold interests often speak in terms of lifestyle investments rather than real estate investments. They accept that their investment may be somewhat less secure than a freehold investment, but they consider other factors more important—location or surroundings for example.

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Shared Equity Arrangements Case Studies

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Shared Equity

I. BACKGROUND INFORMATION

Year Occupied

1987

Project Sponsor

Quint Development Corporation is a non-profit community economic development corporation that serves the needs of five inner city neighbourhoods in Saskatoon.

Program Participants

Low or moderate income family households with at least one child. In the first co-op, the maximum allowable family income level was $25,000; in the later co-ops this was raised to $30,000. Seven of the families in the original housing co-op were social assistance recipients when they joined the co-op but three have since found employment. In all of the co-ops, some members are employed and some are on social assistance. The Saskatchewan Social Services Department has agreed that the shelter portion of social assistance payments could be applied to the mortgage payments.

Project Summary

Name of Project	Quint Housing Co-operatives
Location	Saskatoon, Saskatchewan
Population	216,000
Dwelling Unit Type	Single family houses
Number of Units	40
Client Group	Families with children

Origins and Objectives

Quint was formed in 1995 by a group of people who wanted to create jobs and other economic opportunities in five Saskatoon neighbourhoods. Similar programs are also now operating in Prince Albert and Regina, all funded by the provincial Neighbourhood Development Organization program.

Quint has eight long term objectives, one of which is “to improve the quality and availability of affordable housing for lower income residents.”[105] Improved and more affordable housing is considered one of the highest priorities for residents of Saskatoon's core communities.

The overall objectives of Quint's Affordable Housing Program are:

- To improve and stabilize family living situations within the community.
- To decrease social costs related to poor and unstable housing conditions.
- To reduce poverty and hunger by creating affordable housing alternatives.
- To create healthier communities by increasing residents' stability, pride, and commitment to their communities.
- To develop housing co-ops that provide support for and build the capacity of the families/new homeowners.
- To develop a sense of community by working together in housing co-ops.
- To help low-income families build equity.
- To stem the outflow of income from the core communities.
- To purchase, renovate and improve the aging housing stock in the core communities.
- To create employment and training opportunities for community residents through the restoration and improvement of the houses.

Increasing the rate of home ownership is becoming a preferred housing and community development policy, primarily as a way of ending the cycle of dependence on an unstable and often inappropriate rental housing market.[106]

How the Housing Model Works

Initially, Quint homes are financed on the basis of a 25% forgivable loan provided by the Saskatchewan government under its Neighbourhood Home Ownership Program, a 5% grant provided by the City of Saskatoon, and a mortgage for the remainder of the acquisition cost obtained by the co-op from either the Saskatoon or St. Mary’s Credit Unions. Individual co-op members are responsible for repaying the 70% mortgage, plus, for higher income members, some portion of the 25% forgivable loan. Members earn all or part of the forgivable loan over a five-year period by making regular mortgage payments and by participating in the operation of the co-op. The forgivable portion depends on family income, ranging from 100% for

105 Quint Development Corporation, 1998-99 Annual Report
106 Mawby, Russell, *Shared Ownership as an Affordable Housing Option*, 1996.

families with incomes under $25,000 to 50% for families earning between $29,000 and $30,000 per year.

During this period, title to each house remains in the housing co-op's name. At the end of five years, members may assume the freehold title to the home, as well as the mortgage, and leave the co-op; they may assume the title and remain in the co-op; or they may move.

The legal obligations of members will be spelled out in a housing agreement that will be signed by the member and by the housing co-op. The final form of the housing agreement is currently being negotiated. In the meantime, members are signing a one-page document that sets out monthly payments, responsibilities, and obligations. If members wish, they may register a caveat on the title of their house indicating their interest in the property.

In addition to their mortgage payments and co-op fees, co-op members contribute $50 per month to a rainy day fund (properly called the maintenance capital fund) that is used to lend money to members who need it to make repairs to their houses. At the end of five years, members may withdraw the amount they have contributed to the fund minus any funds that they may owe to the co-op, resulting in a possible nest egg worth up to $3,000.

Physical Description of Project

The original 10-house co-op (called the Quint Housing Co-operative) was followed by Phase II, which consists of two more 10-house co-ops: the C.O.R.E. Communities Organizing Roofs for Everyone) Housing Co-op and the Quint Good Neighbour Housing Co-op. Quint expects to acquire an additional 20 units in the fall of 1999.

The fact that there are 10 units in each co-op and not 8 or 20 is the result of careful thought. Both Quint and the potential members of the co-ops thought that 20 households per co-op would be too many to allow members to get to know each other well, and that fewer than 10 would mean the necessary co-op functions and duties would be spread among too few members.[107]

The houses are all single detached and all located in the inner city neighbourhoods served by Quint. They are typically older (WWII or older), frame houses requiring a certain amount of renovation to make them comfortable.

Land and Unit Tenure

- Land Tenure—Freehold.

- Unit tenure—For the first five years, title to all the houses remains in the name of the housing co-op, although the individual members make the mortgage payments. At the end of five years members may assume the freehold title to the home and leave the co-op, they may assume the freehold title and remain in the co-op, or they may leave the title in the name of the co-op.

[107] If many members choose to leave the co-op at the end of the five-year period, the few who remain may choose to join another co-op.

Why a Co-operative?

The 10 units in each of the Quint housing co-operatives are mostly scattered, although a few units are adjacent. There may be two miles between members' houses, which is a very unusual configuration for a housing co-operative. Another unusual aspect of the Quint co-operatives is that there are non-resident members on the boards, at least for the early years of the co-ops' existence. Quint chose the co-op model for a number of reasons:

- Because of the underlying philosophy of co-operatives—member control and democratic operation. The Quint housing program was developed on the basis of input from its members, not from any outside agency.

- Because of the support members could gain from each other, from Quint, and from the non-resident members on the boards. All the members are first time homeowners, not accustomed to life without a landlord. As a recent evaluation of the Quint program put it: “The development of a mentorship program for families to identify and develop home ownership skills is seen as being an essential aspect for a successful transition [from rental to ownership].”[108]

- Members have relatively low incomes, with few resources available to handle emergencies or unexpected repairs.[109] The rainy day fund, to which each member contributes $50 per month, provides loan funds on reasonable terms to help members pay for necessary repairs and also provides a way for members to save money.

- By virtue of operating the co-op, the members learn skills they might not otherwise have had the opportunity to learn. In addition to “soft” skills such as money management, members learn the hard skills associated with house repair. Members of the housing co-ops have the opportunity to join the Bent Nail Tool Co-op, which provides access to tools, workshops, and training opportunities for members. All the tools have been donated and include ladders and lawn mowers as well as hammers and saws. There is a $15 annual borrowing fee for members who do volunteer work within the Bent Nail co-op and a $25 fee for members who do not.

- Lastly, part of the monthly co-op fee pays for support from Quint, when required. This support tends to be heavily in demand when co-ops are new. Even when the co-ops are more established, Quint provides an auditing and accounting function.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

Many, people and agencies have been involved in the development and operation of Quint's Affordable Housing Program.

[108] Szejvolt, Laverne and M. Sutherland, *Affordable Housing Program Evaluation*, 1998.

[109] Some other innovative home ownership programs have experienced serious problems due to homeowner inability to handle unexpected repair costs. In Nova Scotia for example, the New Dawn program found that a substantial number of homeowners defaulted because their mortgage payments and other basic living expenses consumed all their disposable income, leaving them unable to pay for repairs and maintenance.

In addition to the Quint Development Corporation and the homeowners themselves, partners include:

- Saskatchewan Municipal Government
- City of Saskatoon
- Royal LePage
- Saskatoon Credit Union and St. Mary's Credit Union
- The Co-operators
- Ashford Realty
- SunCorp Appraisals
- Hardy and Hardy Lawyers
- Saskatoon Housing Authority
- Department of Social Services
- New Careers Corporation
- Kelsey/SIAST Institute
- AODBT Architects

Many of the private sector partners contribute their services to Quint at reduced rates.

Project Costs

The maximum house price allowed by the Saskatchewan government, including all acquisition and renovation costs, is currently $45,900. While this amount was workable when the housing program first started, increases in the value of real estate in Saskatoon have resulted in a growing scarcity of houses priced at this level. Some valued flexibility was added to the program when the government agreed to allow Quint to exceed the maximum house price in some cases as long as other houses were acquired below the maximum. Overall, the cost to acquire the 20 houses in the Phase II program could not exceed $900,000, plus the $900 per house renovation grant. This meant that houses priced between $42,000 and $52,000 could be acquired. In the Phase I program the maximum price available per house was $45,000 and was strictly observed.

The actual upfront financial contribution of the provincial government is restricted to the 25% forgivable loan amount. If each of the Phase II houses had been acquired at the maximum amount of $45,000, that would mean provincial funding of $225,000 ($900,000 x 25%). The rest comes from the 5% City grant and the 70% mortgage.

Most of the houses require renovation, which are carried out by Quint work crews using a variety of training funds provided by provincial and federal governments. The only direct cost to Quint is for materials, which helps to keep the price of housing down. As well, the renovation program provides work experience opportunities for the crews. Ironically, it is very difficult for Quint to finance the cost of trainers and supervisors for the work crews—although government training programs pay the wage costs of the trainees, they do not pay the wage costs of the trainers.

Of the 20 houses in Phase II, renovation costs averaged $2,800 per house. One house required a complete interior rebuild, costing $15,000. More typical renovations include repairs or replacement of heating and electrical systems. There are a number of good houses in the Quint neighbourhoods that would be excellent candidates for acquisition and renovation save for their poor foundations, which can easily cost $10,000 or more to repair.

Monthly carrying costs for the residents are very moderate—typically in the neighbourhood of $400.

Project Development Funding

See Project Financing Section.

Project Financing

Funds for acquisition are provided by the Saskatchewan government (25% forgivable loan) and the City of Saskatoon (5% grant). Renovation costs are covered in two ways—the cost of materials is added to the acquisition cost of the home, while the cost of labour is covered under various job training programs such as New Careers and Post Secondary Education and Skills Training.

Each housing co-operative takes out 10 individual mortgages equal to 70% of the total cost of each individual house. Each member pays the 70% mortgage on his or her own property. Homeowners earn the equity provided by the forgivable loan over a five year period by making regular mortgage payments and by participating in the operation of the co-op.

Pricing Structure

The maximum house price allowed under the program is $45,900. Once the 30% equity is deducted from the total cost of acquiring and renovating the house, and the monthly co-op fee (which covers property taxes, insurance, and a small administrative fee for Quint) and rainy day fund payments are added, co-op members typically face monthly housing charges of $400 or less. The most expensive house in the program costs its owner $444 per month.

Marketing Issues

Quint houses are sold in two basic ways—through community meetings and through word of mouth. Once a new member has applied for membership and been accepted, Quint begins the process of finding a suitable home for the household. Occasionally a home will be acquired before a family has been selected for it, but this procedure is the exception, not the rule.

Was the type of tenure a factor in initial move-in decisions?

The Quint housing co-operatives are a unique housing form. Members are attracted to the co-ops partly because they provide affordable home ownership, but also because they provide support for new and inexperienced homeowners.

As previously indicated, all the member were renters before they became members of Quint and all are relatively low income households. Their reasons for joining Quint vary in the details, but share broadly similar themes:

- One owner is a member of a five-person family—three children and two parents—in which only one parent works at a fairly low-wage job. Before moving to Quint, the family lived in a public housing unit that was so small that the husband had difficulty manoeuvring in the bathroom. In addition, they did not have the financial resources to accumulate a down payment. Now, after the five-year period is up, they will not only own their own house with a mortgage they can afford, they will have a $3,000 nest egg.

- Another owner is a single parent father with two young boys, formerly living in a rented apartment where the family was under constant pressure to be quiet. They now have their own house and yard and the father has put the skills he has learned on the board of the co-op to use by starting his own business. In addition, their co-op payments are lower than their rent used to be.

- Another member had always rented and was renting a house for $550 per month when she heard about Quint. She and her husband and their children are now buying their own house for monthly payments that are much less than what they were paying in rent.

III. CLIENT SATISFACTION

All members appreciate of the very affordable housing provided by Quint. Most members pay no more than $400 per month for mortgage payments, property taxes, insurance, co-op fees, and the rainy day fund.

At first many members found the experience of owning their own house and participating in the operation of a co-op to be an overwhelming experience, but the fact that they were all learning together and that they had Quint to rely on made the experience much less stressful than it would otherwise have been.

Management Issues

The Board of Directors of each co-op is composed of the member households and a number of outside advisors. Once past the initial development stage, each co-op may decide how many advisers it wants to retain on its Board. The Board of the first co-op was initially 17 people, is currently 12, and will soon be 10. The presence on the founding boards of outside advisors is considered to be a significant advantage by members.

Monthly Fees

In addition to the $50 per month rainy day fund, members pay a $62.50 per month co-op fee, which covers:

- Administration fee to Quint Development Corporation for accounting services.

- Support fee to cover some of the support provided by Quint's Housing Co-ordinator.

- Meeting expenses such as child care, refreshments, photocopies and mailing.

- Special social events identified by co-op members.

Members also pay their utilities, which average approximately $150 per month.

Overall Satisfaction with Tenure

Quint members are highly satisfied with their living arrangements. Not only are they able to obtain good quality housing at an affordable price, they are gaining entry into the ownership market and building up a nest egg. Members also appreciate the opportunity to learn new skills and to live in a close-knit community.

What the Experience of Quint Illustrates about Shared Ownership Models

- Providing a strong support system for first time homebuyers is critically important. In the Quint case, co-op members are able to draw support not only from Quint, but from their fellow members.

- The implementation of a rainy day fund or some similar mechanism is a very useful idea, not only to cushion low income households from the dangers of encountering unplanned and unaffordable house repairs, but also to provide a way of accumulating a nest egg.

- The existence of a parallel structure such as the Bent Nail Tool Co-op that helps homeowners learn the practical requirements of home ownership is also a useful idea.

- The Quint model would not work without a certain amount of government funding and without affordable house prices. However, in centres where neighbourhood stabilization is a desirable goal, the required level of up-front government funding is modest.

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Home Equity Participation Program Shared Equity
Scattered Locations
Windsor, Ontario

I. BACKGROUND INFORMATION

Year Occupied

1993 to 1997 (three phases)

Project Sponsor

Winhome, which is a municipally sponsored non-profit housing corporation

Client Group

The program was directed toward very moderate income households. The initial target group was households with annual incomes of between $30,000 and $40,000. Subsequent phases of the program increased these levels to between $35,000 and $45,000. The lower level was influenced by the construction and financing costs of the homes sold under the program, as well as prevailing mortgage rates. Households had to have a mortgage debt/income ratio no greater than 25%.

Project Summary

Name of Project	Home Equity Participation Program
Location	Windsor, Ontario
Population	200,000
Dwelling Unit Type	Single and semi-detached houses
Number of Units	17
Client Group	Families

As an example, monthly principal, interest and property tax costs (PIT) of $786 implied a minimum monthly income of $3,144 or $37,728 per year. A household with a lower income would have to provide some equity in cash—a household earning $30,000 per year could afford, at most, $625 in PIT costs, or a maximum mortgage of $54,500. The equity requirement would therefore be $18,500.

Origins and Objectives

In 1989 the City of Windsor established its Mayor's Committee on Housing. The Committee's mandate was to create more affordable housing within Windsor for households of low and moderate income. It was to pursue this objective by investigating innovative methods to promote the production of affordable housing in Windsor.

The membership of the Mayor's Committee on Housing included representation from the private development sector, local businesses, the City of Windsor, The Canadian Autoworkers' Union, the non-profit housing sector, and interested citizens. Support was solicited from agencies such as CMHC, the Ontario Ministry of Housing, the City's Planning, Building, and Property Department, and the Clerk's office.

Early in its deliberations, the Committee identified the high cost of rental housing as a major problem in Windsor. It believed this was a result of the lack of production of new private rental housing. Rent controls, it was felt, limited the ability of private developers to develop viable new rental projects. High rents also limited the ability of households to save. Entry into the ownership market was difficult. The Committee also felt that it should pursue opportunities to utilize publicly owned land to help solve the shortage of affordable housing.

The Committee engaged a housing consulting firm, Zock and Associates, in 1990 to coordinate workshops that would develop possible demonstration models that could be pursued to alleviate the shortage of affordable housing. One of three models suggested was the Equity Participation Program. A pilot project of five homes to be constructed on municipally owned land was approved in 1991. These five homes were completed and occupied in 1993.

How the Housing Model Works

The Equity Participation Program was directed to first time home buyers who could afford the monthly carrying costs of home ownership but lacked the necessary down payment. These households were unable to save sufficient funds because of high ongoing shelter and living expenses in their rental accommodation. Conventional mortgages required a down payment of 25% of the purchase price of a home. Higher ratio loans (through CMHC) required a down payment of 10% (at the time) but resulted in unaffordable mortgage payments for many households.

The Equity Participation Program, delivered by Winhome, a municipally sponsored non-profit housing corporation, made available city owned lots for the construction of single-detached and semi-detached houses. These sites were leased to eligible households for up to 10 years at a nominal cost ($1.00 per year). The households arranged NHA insured financing for the cost of their homes. Program participants could purchase their lots at market value at any time during their lease term. This was expected to be made possible because of rising incomes and home values. Participants were also free to resell their homes, although the market value of their lots was repayable at the time of resale.

The homes were constructed by the City of Windsor. The city worked with a local Architect (J.P. Thomson Associates) to develop various designs and specifications. A contractor was selected via public tender. Two phases of the program, of about 6 units each, followed the pilot project. These homes were constructed and occupied between 1995 and 1996. A fourth phase of six units was planned in 1997 but did not proceed.

To be eligible for the program, households had to meet the following requirements:

1. Canadian citizen or permanent legal resident of Canada.
2. Resident of Windsor for a minimum period of 12 months.
3. Have at least one dependant child.
4. Never owned a home or condominium.
5. Have an income which would allow a debt service ratio no greater than 25%.
6. Have a gross family income of at least $30,000 per year.
7. Have a gross family income less than $40,000 per year.
8. Have a satisfactory credit history.

Successful applicants were selected via random draw.

The equity sharing arrangements of the program can be illustrated by the following example (which was used in a 1994 Report on the program prepared by Zock and Associates). The example is summarized in words and then in numbers:

Between 1980 and 1990, house prices in Windsor had increased by an average of 7% annually. The pilot project resulted in average home values of $105,000, including a $32,000 lot value. A mortgage for the difference of $73,000 would have been required. Based on these factors, a home financed under the program would increase in value to some $193,040 in 10 years—this includes nine years of appreciation at 7%. The lot, if it increased at the same rate, would have a value of $62,950 at the end of 10 years. Assuming financing at 9.75% (the prevailing rate at the time), the household would have an equity position of some $68,935. Most of this increase in equity would have occurred via market appreciation.

Equity Appreciation @7%

	Initial	Year 2	Year 3	Year 10
Home Value	$105,000	$112,350	$137,630	$193,040
Less Mortgage Balance	$73,000	$71,438	$68,461	$61,155
Less Lot Value	$32,000	$36,640	$45,030	$62,950
Equity	0	$4,272	$24,139	$68,935

The participating households would be able to refinance as soon as their personal financial position and the market value of their home allowed. Their initial monthly mortgage payments under the program ($73,000 at 9.75%) would have been $641 and their property tax payments $146 for a total of $787. This amount would have been equivalent to the rental cost of comparable housing. Refinancing in year 10 would have increased their mortgage to $124,105—the value of the lot in year 10 plus the remaining balance of the initial mortgage. This would represent 64% of the value of the home. The mortgage payment (at 9.75%) would increase to $1,089, resulting in an average annual increase of 5.5%. It was expected that rents would increase at a similar rate. More importantly, it was expected that household incomes, at least for program participants, would have risen at least as much as rents and house values, if not more.

A key feature of the program, from the perspective of the City of Windsor, was that no management costs, and only limited administrative costs would be incurred by the City as a result of the delivery of the program. All participating households were expected to be independent—no additional services were to be provided. Program participants would be responsible for arranging their own financing. The City of Windsor would be able to recover its predevelopment costs (architectural fees and so on) from the sale of the homes. Its only ongoing costs would be associated with the administration of the land lease.

Physical Description of Project

Single and semi-detached units. The units to be included in Phase 4, which did not proceed, were typical of those developed under the program. Each unit was approximately 1,036 square feet (gross) and included a finished main floor with kitchen, dining room, four-piece bath and three-bedrooms. The main level was a half level above grade accessed through an at grade entry stair.

The lower level was primarily undeveloped space (approximately 975 square feet), a half level below grade for use as utility/storage space and future use as a family room, bedroom and bath. As a separate price to the contract, drywalling, but not taping, sanding or painting was requested of bidding contractors. It should also be noted that the tender documents requested a separate price for painting walls, ceilings, door frames, handrails, wood trims and baseboards on the main floor. Buyer/residents could rely on sweat equity for the completion of these items.

The six units to comprise Phase 4 were to be sited on city owned lots on High Street and Laurendeau Avenue. Each lot had 45 feet of frontage and was 105 feet in depth also typical of the lots developed under the program. All of the homes were to be of woodframe construction on concrete block foundation, walls clad in birch and vinyl siding above grade. Basements were strapped to accept R-12 batt insulation. The upper parts of the buildings were to be clad in prefinshed vinyl siding with vinyl/clad windows and exterior shutter treatment. The unit plans were attractive and well planned offering a very efficient use of space. The use of brick and prefinished vinyl offered a maintenance free exterior.

Land and Unit Tenure

- Land Tenure—Leasehold. Program participants received a five-year land lease, renewable for an additional five years. At the end of the second lease term the land could be purchased at its then current market value, as determined by an appraiser. The lot could be purchased at any time during either lease term.

- Unit tenure—The homes were purchased by program participants subject to terms of the land lease. Financing was available through NHA insured or conventional mortgages. In the case of foreclosure, however, the debt financing took precedence over insured loans. Therefore in these circumstances the City of Windsor could become responsible for the mortgage. All program participants contributed to a contingency fund with a payment equal to two months of the mortgage payment as additional security against default.

The Equity Occupation Agreement protected the City of Windsor's interest in the land and provided the legal framework for the responsibilities of the program participants. In the event of default by the participant (Equity Occupant), the city could force the sale of the home, with the proceeds used to repay (in the following order) the amounts owing to the mortgage lender, to the City of Windsor (Winhome) including the value of the lot and any costs incurred to complete the sale, and finally to the Equity Participant.

II. PROJECT DEVELOPMENT, FINANCING, AND MARKETING

Development Model/Partnership Arrangements

- The Program was the direct result of the initiative of the City of Windsor firstly to establish the Mayor's Committee on Housing and then to actively pursue alternatives to address housing affordability problems. Its non-profit housing corporation, Winhome, was the implementing agency.

- CMHC participated, initially, as a resource agency to the Mayor's Committee on Housing, and then as an insurer for the pilot program.

- Subsequent phases attracted the support of the civic Employees Credit Union.

- Professional support was provided by a local architect and local contractors all selected by public tender.

Project Costs

No project cost information is available. The homes were sold on a breakeven basis with no direct financial return earned by the City of Windsor.

Project Development Funding

All project development funding was provided by the City of Windsor.

Project Financing

Construction financing was provided through advances of the permanent mortgages arranged by each participant.

Pricing Structure

The homes developed under the Program were priced on a break-even basis. Program participants were charged a price which included construction, architectural fees, interim interest and other fees and charges. Program participants were responsible for all of their own financing and legal costs. Program participants also contributed to a Contingency Fund, as noted above.

As indicated, the program participants equity position varies (or falls) as the market values of their homes change. The City of Windsor's equity position rises (or falls) as the value of each lot changes. Each participant therefore shares in the rise (or fall) of the value of each home and lot proportionately. From the perspective of the City of Windsor, this situation was viewed as desirable since it did not change its financial exposure with respect to their land holdings. In fact, the program likely resulted in the earlier development of surplus land and its addition to the City's tax assessment base.

From the perspective of the program participants, they were able to enter the housing market without either a large down payment or a large mortgage with unaffordable mortgage payments.

Marketing Issues

The initial phases were much in demand and successful applicants were selected by lottery. Only limited marketing costs were incurred. The final phase (four) did not attract significant interest for a number of factors which will be discussed below.

Was the type of tenure a factor in initial move-in decisions?

It was a critical factor. The program design targeted households who could not otherwise enter the housing market.

III. CLIENT SATISFACTION

An evaluation of the Pilot Program was carried out in 1994. The families in the first five homes built under the Program indicated a very positive response (an average nine out of 10 rating). All of these families were pleased with their homes and their surrounding neighbourhood. They felt they were able to afford their monthly carrying cost and did not expect any difficulty in purchasing their lot during the next 10 years.

These initial program participants did request some design changes e.g., adding a garage, drywalling/finishing the basement, and landscaping. Most would also have appreciated having more input into the design of their homes, but on the whole, they were extremely satisfied with the program.

Only the contractor involved in the Pilot Program offered critical comments concerning his experience. These mainly had to do with the number of construction changes requested by participants. The contractor also complained about delays in receiving payment and his overall profitability. The participants, for their part, were not enamoured with the contractor's performance, complaining about his attitude and organizational skills. This issue did not affect their overall positive feelings about the program.

Favourable comments were received from the neighbours of the homes built in the Pilot phase (although they felt they should have had an opportunity to purchase one of the lots used); from the lawyers acting for the participants (although they suggested their clients should not have been allowed to move in prior to completion); from the mortgage lenders who expressed the importance of NHA insurance; from the City Solicitor; from the Architect (although he also expressed his dissatisfaction with the contractor but agreed with the need to limit construction changes); and from CMHC (Windsor).

Both the Commissioner of Finance and the Acting Commissioners of Property and Housing for the City of Windsor indicated their support for the program and their satisfaction with the results of the Pilot Phase.

The continuation of the Program in 1995 attempted to resolve the communication issues obvious in some of the concerns indicated above. This was done by stressing the details and process of the program with program participants at an initial meeting as well as with their lawyers and lenders. The tender documents were revised to ensure that bidders were made aware of the nature of the program and its desire for design input from the participants. Alternate prices were requested for such items as garages, finished family rooms and basement washrooms, landscaping, etc. Monthly construction meetings with the participants, Winhome, the contractors, and the Architect were organized.

These steps addressed the issues raised during the Pilot phase. Participant satisfaction with the program remained high during both Phases 2 and 3.

As of 1999, four or five of the approximately 17 lots developed under the program had been purchased by their owners. No substantive problems with the program had been experienced although one or two participants had experienced some financial problems (due to personal or family issues). There had been only one instance where the contingency fund was used. One of the purchased units had been resold.

A fourth phase of the program did not proceed although a request for applications was issued in the fall of 1997. Only two responses were received and these applicants withdrew when cost issues resulted in a retendering of the construction. This limited interest probably resulted from the decline in interest rates—other housing options became more affordable. CMHC also made available insured loans with 5% down payments. The lots provided with this phase were also not as attractively located as in previous phases. Finally the program lost the support of the lenders who had participated—although a local credit union remained interested.

What the Experience of this Program Illustrates About Shared Equity Programs

- In the right circumstances a municipal government can initiate a housing program which addresses affordability problems experienced by home buyers.
- A municipal initiative such as this can provide positive spin-offs to the municipality e.g., utilizing surplus lots and adding them to municipality's assessment base.
- This type of initiative may require the support of other levels of government. In this case the availability of NHA insurance was a critical factor.
- In this type of program, involving as it does the financial participation of the home buyers, the need for ongoing communication between all participants is especially important.

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Appendix B: Bibliography

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Appendix C: Interview Guides

Resident Satisfaction Information, Seniors (either completed individually or through focus groups)

1. Before you moved here, did you

   own _____
   rent _____
   other_____________________ (specify)?

2. For owners: What were the things you liked and disliked about your previous status as an owner? Check all that apply.

Factor	Liked	Disliked
Yard work		
Cost		
Maintenance responsibilities		
Security concerns		
Size of dwelling		
Physical features (e.g., stairs)		
Neighbourhood		
No services		
Lonely		

3. For renters: What were the things you liked and disliked about your previous status as a renter? Check all that apply.

Factor	Liked	Disliked
No yard		
Cost		
Landlord		
Security concerns		
Size/design of unit		
Neighbourhood		
No services		
Lonely		
No		

4. Was the fact that your new residence is an equity co-op/life lease important in your decision to move here?

Yes _______
No _______

5. If no, what factors were important?

Factor	Essential	Desirable	Didn't matter
Location			
Price			
Smaller unit (downsizing)			
Design features			
Maintenance responsibilities			
Liked the sponsor			
Liked the neighbours			
Liked the services			
Liked the amenities			

6. If yes what kind of factors did you consider when you decided to move to an equity co-op/life lease?

Factor	Essential	Desirable	Didn't matter
Affordability			
Maintenance responsibilities			
Neighbours			
Size of dwelling			
Physical features (e.g., stairs, # of bathrooms)			
Aging in place features			
Garden			
Services (e.g., meals, emergency contact, medical care)			
Security of tenure			
Planned activities			
Sponsor			
Involvement in management			
Equity Growth			
No more landlord			
Safety			

7. Did you consider other types of tenure before you decided to move here?

   Yes _______
   No _______

8. If yes, what other types did you consider and why?________________________________

   ____

10. Have you been generally satisfied with the decision you made to move here?
    - Yes, completely _______
    - Yes, most of the time _______
    - No _______

11. If yes, what are the things you like best about living here?
    - Suite size and layout _______
    - Aging in place features _______
    - Public areas _______
    - Location _______
    - Reasonable cost to move in _______
    - Friends and neighbours _______
    - Organized activities _______
    - Services _______
    - Safety _______
    - Security of tenure (no risk of having to move if you don't want to) _______
    - Good management _______
    - Monthly fees are reasonable _______
    - My equity will grow if the market goes up _______

12. If no, what are the things you don't like about living here? Check all that apply.
    - Don't like unit size _______
    - Don't like unit layout _______
    - Don't like the building type _______
    - Not enough privacy _______
    - Too noisy _______
    - Development is too congested _______
    - Not enough green space _______
    - Don't like my neighbours _______
    - It is too expensive _______
    - Management is not good _______
    - Concerns about safety/security _______
    - The services I need are not available _______
    - My equity will not grow _______
    - There are too many restrictions _______
    - Concerned about what will happen when I become less independent _______

- Don't understand how the building works _______

Comments____
____

13. Has anyone you know of moved away from here for reasons other than death?
    - Yes _______
    - No _______

14. If yes, why did they move?
    - Moved to a care facility _______
    - Moved in with family _______
    - Moved to a different building _______

Comments____
____

15. Is there any reason why you could not live here until you decide to move or you die?
    - Yes _______
    - No _______

If yes, what reason (s)?____
____

16. Do you view the amount you paid for your unit as
    - Payment for shelter _______
    - An investment _______
    - Both _______

17. When your lease or membership ends, is your investment
    - Returned in the same amount you paid _______
    - Returned with a cost of living increase _______
    - Returned in an amount that reflects market increases _______
    - Other____________________
    - Don't know________________

18. Are there services available here that you use?
    - Yes _______
    - No _______

19. If yes, what are they and what is their approximate cost?
    - Meals _______
    - Transportation _______
    - Personal care _______
    - Recreational opportunities _______
    - Housecleaning _______
    - Shopping _______
    - Health care _______
    - Other (please specify)_________________

20. Are there services that you need now that you are unable to obtain here?
    - Yes _______
    - No _______

21. If yes, what are they?
    - Meals _______
    - Transportation _______
    - Personal care _______
    - Recreational opportunities _______
    - Housecleaning _______
    - Shopping _______
    - Health care _______
    - Other (please specify)_________________

22. Are there services that you think you will require in the future that are not available here?
    - Yes _______
    - No _______

23. If yes, what are they?
    - Meals _______
    - Transportation _______
    - Personal care _______
    - Recreational opportunities _______
    - Housecleaning _______
    - Shopping _______
    - Health care _______
    - Other (please specify)_________________

24. In this building, are some or all of the residents involved in activities related to management, social, or recreational responsibilities?
    - Yes _______
    - No _______
    - Don't know _______

    If yes, please describe these activities____

    ____

    ____

25. Compared to living in your previous residence and on an overall basis, would you say living here is:
    - Much better _______
    - About the same _______
    - A lot worse _______
    - A little better _______
    - A little worse _______

Resident Satisfaction Information, Non-Seniors (either completed individually or through focus groups)

(Note: Form will be properly coded in its final form and will vary somewhat depending on how the survey is administered—individually or through focus groups.)

1. Reasons for choosing project x (check all that apply)
   - Liked the building and the units _______
   - Convenient location _______
   - Tired of maintaining previous residence _______
   - Price was reasonable _______
   - Friends moved here/wanted to be with friends _______
   - Looking for a different lifestyle _______
   -

   Other____
   ____
   ____

2. Have you been generally satisfied with the decision you made to move here?
   - Yes, completely _______
   - Yes, most of the time _______
   - No _______

3. If yes, what are the things you like best about living here?
   - Unit size and layout _______
   - Location _______
   - Like the lifestyle _______
   - Organized activities _______
   - Allows me to accumulate some equity _______
   - Public areas _______
   - Reasonable cost to move in ______
   - Friends and neighbours _______
   - Cost is reasonable _______

4. If no, what are the things you don't like about living here? (check all that apply)
   - Don't like unit size _______
   - Don't like the building type _______
   - Too noisy _______
   - Not enough green space _______
   - It is too expensive _______
   - Managing the development is difficult _______
   - Don't like unit layout _______
   - Not enough privacy _______
   - Development is too congested _______
   - Don't like my neighbours _______

   Comments____
   ____
   ____

5. In an average month, about how much do you pay in
   - Mortgage or lease payments $ _______/month
   - Maintenance or strata fees $ _______/month
   - Utilities and taxes $ _______/month
   - Other $ _______/month

6. Since you have lived here, have these monthly amounts
   - Gone up a little _______
   - Gone up a lot _______
   - Stayed about the same _______

   Comments____
   ____

7. Compared to your last residence, are you paying more for shelter, less for shelter, or about the same, on a monthly basis?
   - More _______
   - Less _______
   - About the same _______

   Comments____
   ____

8. In this building, are some or all of the residents involved in activities related to management, social, or recreational responsibilities?
   - Yes _______
   - No _______
   - Don't know _______

   If yes, please describe these activities__________________________________
   ____
   ____

9. Compared to living in your previous residence and on an overall basis, would you say living here is
   - Much better _______
   - A little better _______
   - About the same _______
   - A little worse _______
   - A lot worse _______

   Comments____
   ____
   ____

Resident Demographic Information, Seniors (either completed individually or prior to group discussion/focus group)

1. Age at last birthday _______

2. Sex
   Male _______
   Female _______

3. Marital status
   Married _______ Widowed _______
   Divorced _______ Never married _______

4. Employment Status
   Working full-time _______ Working part-time _______
   Unemployed _______ Retired _______
   Not in labour force _______

5. Household Status
   Individual _______ Husband/Wife _______
   Other Couple _______ Other _______

6. How long have you lived at your present address? _______ years

7. How many years did you live at your previous address? _______ years

8. How far away is your previous address from where you live now?
   Less than one mile _______
   Two to nine miles _______
   Over 10 miles _______

9. At your previous address did you own _______ or rent _______

10. Is your health
    Excellent _______ Good _______
    Fair _______ Poor _______

11. Annual income
    Less than $20,000 _______ $20,000 to $30,000 _______
    $30,000 to $40,000 _______ $40,000+ _______

Resident Demographic Information, Non-Seniors (either completed individually or prior to group discussion/focus group)

1. Age of Survey Respondent at last birthday _______

2. Sex

   Male _______
   Female _______

3. Marital status

   Married _______
   Separated _______
   Divorced _______
   Never married _______
   Other _______

4. Household Status

   Individual _______
   Husband/Wife _______
   Parent(s) and children _______
   Other _______

5. Number of people in household

   Adults _______
   Children _______

6. Employment Status of Respondent

   Working full-time _______
   Working part-time _______
   Unemployed _______
   Retired _______
   Not in labour force _______

7. How long have you lived at your present address? _______ years

8. How many years did you live at your previous address? _______ years

9. How far away is your previous address from where you live now?

   Less than one mile _______
   Two to nine miles _______
   Over 10 miles _______

10. At your previous address did you own _______ or rent _______

11. Was your previous residence

A single family house _______ A townhouse _______
An apartment _______ Other (please specify) _______

12. Annual income

Less than $30,000 _______ $30,000 to $50,000 _______
$50,001 to $60,000 _______ $60,001+ _______

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