



CMHC

**Central Mortgage
and Housing Corporation**

**Société centrale
d'hypothèques et de logement**

A REVIEW OF THE

ASSISTED HOMEOWNERSHIP/
CO-OPERATIVE PROGRAM

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CO-OPERATIVE PROGRAM

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EXECUTIVE SUMMARY

As part of the "New Directions in Housing" announced in May of 1978, the Federal Government terminated subsidy assistance to homeowners. This action was taken in order to:

- reduce market distortions caused by the provision of subsidies for particular newly constructed housing units;
- avoid a situation in which many households, not really able to afford the long term costs of home ownership were induced into financial difficulties and eventual default, foreclosure, and/or personal bankruptcy;
- increase the equitability of housing programs -- reserving subsidies for those of low incomes and withdrawing them for those who often had higher salaries or wages than the average tax payer footing the subsidy bill.

A necessary consequence of withdrawal of Assisted Home Ownership subsidies was the termination of the so-called "AHOP-COOP" arrangements which had been negotiated between the Federal and provincial governments of Nova Scotia, Prince Edward Island, New Brunswick and Saskatchewan; also affected was an ownership program in Newfoundland known as "Section 40, Program 1".

The paper which follows was prepared in order to provide background information for the development of a replacement to the AHOP/COOP arrangement. It summarizes the activity under the various Federal-provincial agreements and documents the reasons why the program was a popular one, despite its small size. Many of the positive characteristics

described in the paper derive from the cooperative or self-help "sweat equity" nature of the program, not from its specific financial details. Such attributes can presumably be retained in the future, by making appropriate organizational arrangements to do so in connection with a replacement program. The later will however, need to be consistent with the policy principles established by "New Directions in Housing".

The following conclusions have been drawn from the analysis of the AHOP/COOP program:

1. The program has been successful despite problems encountered by some co-op builders.

- (a) The majority of the co-op families did belong to the target population.

They had lower incomes than the purchaser families.

They were young families that rented accommodation, usually apartments, before building their home.

They were families, who generally found that dwellings which met their needs were not readily available, and that mortgage money was not easily accessible to them.

They were families willing to contribute sweat equity to acquire a dwelling of their own, a dwelling that they wanted and could afford.

- (b) The majority of builders were satisfied with the co-op program and with the new dwelling which they acquired.

They considered that the benefits of their new dwelling negated the difficulties encountered during construction.

They would be willing to recommend the program.

They would again build under the program, under similar circumstances.

(c) The program assisted families in acquiring dwellings at lower cost than the available market dwellings - usually of comparable quality.

(d) The capital costs and subsidies incurred by the Federal and provincial government have been lower for co-operative housing than for public housing projects.

2. The most important aspects of the program, in the opinion of the builders were the financial advantages:

(a) the provision of mortgage money;

(b) the provision of mortgage assistance;

(c) the opportunity to save by contributing sweat equity. The co-op builders were willing to make trade-off particularly by contributing their time and labour. Their dwellings were also usually smaller than the marketed dwellings and they did not include as many special features.

3. Group co-operation was not prevalent among co-op builders. There appears to have been a diversity of opinions with respect to the importance of group building. In many cases, builders favored the concept of self-help. In either case, the contributions made by the program recipients in the planning and the construction of their homes is one of the important factors which contributed to the success of the program.

The results of this research support Alexander Laidlaw, who (as a former employee of the Corporation involved with co-operatives) advocated that:

"Building co-operative can yield precious social dividends that cannot be found in public housing, and ... they can ease the public burden of housing subsidies."

(Laidlaw 1971:4)

They also appear to be in line with Turner's principles of housing which state that more satisfactory housing is obtained by local production through network structures and decentralization technologies (Turner 1976). As a result there is no mismatch of shelter and essential life needs.

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CHAPTER ONE

INTRODUCTION

The purpose of this paper is to give an overview of the homeownership programs under Section 40, AHOP or RNH Program 1. The Federal-provincial agreements for the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan are designed to assist building co-operatives. In the case of Newfoundland, owner building prevails.

The historical background of building co-operatives is presented in this chapter. It is followed by a review of the production and the geographic distribution of AHOP/COOP dwellings in Chapter Two. In Chapter Three, the available data on program recipients has been summarized stating their socio-economic characteristics, their housing history, their attitudes toward home acquisition and toward the Co-operative Housing Program, as well as their housing satisfaction. Comparisons are made to home purchasers when possible. In the following chapter, the cost of AHOP/COOP is discussed, both in terms of the dwellings, and of the program as compared to public housing. Additional information on AHOP/COOP is provided in Chapter Five which refers to the quality of construction and to the concepts of co-operation and self-help.

1.1 HISTORICAL BACKGROUND

The first housing co-operative in Canada was organized in Cape Breton, Nova Scotia, in 1938. Following its recognition as a legal entity, credit was made available to co-operatives by the Nova Scotia government, by amendment of provincial legislation on limited dividend companies. Co-operative housing soon became very active in Eastern Nova Scotia. The co-op movement, under the leadership of the Extension Department, St Francis-Xavier University was intended to benefit low-income families and sought to provide affordable housing for individual ownership. The key to the co-op method was the educa-

tion program.

The co-operative housing movement later spread out to other provinces. Building co-operatives were soon organized in Quebec (1941) in Newfoundland (1944) and in Ontario (1946). The majority of these co-ops were sponsored either by government agencies or by the Roman Catholic Church and its affiliated organizations.

The National Housing Act made provisions for loans to co-operatives starting in 1944, but insured loans were only available in 1953. At that time the Federal government entered into an agreement with the province of Nova Scotia whereby it would provide 75% of the mortgage funding for building co-operatives. The province, through the Nova Scotia Housing Commission, provided the remaining 25% of the mortgage and carried on the administration of the program. Meanwhile the Extension Department continued to be active in the co-op program by motivating families, forming potential co-op groups, and assisting in the education program.

The co-operative housing program was a success in Nova Scotia where 5,500 co-op units were constructed by the end of 1973 (Roach 1974). The other provinces also succeeded in providing part of their housing stock through building co-operatives. Within a 20 year span, over 9,500 units were constructed in Quebec, mostly by building co-operatives which were financed through other co-operative organizations (Jordan 1973). In Newfoundland, five percent of the housing built between 1952 and 1962 was constructed by co-op groups (Midmore 1962). These were supported by the provincial government. Furthermore, approximately 1,100 units were built in Ontario between 1946 and 1959, despite numerous difficulties encountered in obtaining financing (Jordan 1973). Assistance was acquired from the Institute of Social Action at St. Patrick's College in Ottawa where a plan was developed in 1952 for the organization and the education of co-operative builders. Mortgage financing was arranged directly through C.M.H.C. rather than through a provincial department.

The Production of co-op dwellings declined in the late 1950's or early 1960's in each of these provinces. The inadequacy of mortgage terms for low income categories was found to be the most probable cause for the decline of co-operative housing in Nova Scotia (MacDonald 1965). In Ontario, the decline has been attributed partially to the lack of promotion (Midmore 1962).

In 1960, a co-op housing program was organized in Prince Edward Island under a federal provincial agreement. It accounted for 3.3% of the P.E.I. housing stock (8,335 units) produced between 1960 and 1972. (Seth and Dickson 1974). However, a trend similar to the other provinces was encountered, and no co-operative companies were formed in P.E.I. between 1963 and 1968. It is only in 1969, when the P.E.I. Housing Authority became responsible for the administration of the program that co-operative housing gained impetus.

Simultaneously in Nova Scotia, there was a rapid growth in the numbers of co-operative participants during the late 1960's and early 1970's following the commission's policy of land banking and servicing of land assemblies. The provision of serviced lots to be sold by co-op builders permitted the expansion of the program which occurred after 1966. It was found at this time that fewer persons were interested in providing family housing on a group basis (Harding 1965), therefore the education program was reduced in content and shortened so that the co-op participants could begin construction on their houses as quickly as possible.

In 1970, an additional agreement was signed between the federal government and the Nova Scotia Housing Commission whereby 75% of the administration costs of the co-op program would be paid by the federal government. The involvement of the Extension Department of St. Francis-Xavier University ceased at this time, when it became clear that the program survival was assured. (The Extension Department continues to be actively involved in promoting co-operative principles through the Coady Institute for International Studies.)

The province of New Brunswick initiated legislation to enable co-operative housing in 1970, and entered into a federal provincial agreement similar to Nova Scotia's. However, very few dwellings were built under the initial program basically because the mortgage amount provided was too small. There was also a lack of administrative staff.

An important change was introduced into the co-operative legislation in 1970-71 with the introduction of the optional individual co-operative mortgage, thus removing a serious obstacle for co-op builders. Initially the co-op group assumed the corporate responsibility for the mortgage and was responsible as a group for any delinquency in payment on the part of its members. For years, this had been a sore point among co-op members.

Following the introduction of the AHOP scheme by CMHC in 1973, new agreements were signed between the federal government and the provinces of Nova Scotia, New Brunswick and Prince Edward Island where the Assisted Home Ownership Co-op Program (AHOCP) was implemented in 1974. This was basically the AHOP program, but with smaller mortgage loans to reflect cost reductions resulting from sweat equity. The program was a success and it was expanded to Saskatchewan the following year (1975).

Changes, however, were made to the AHOP in 1976. It followed that both Nova Scotia and Saskatchewan would not comply with the Interest Reduction Loan and refused to sign a new agreement. Saskatchewan opted for an alternative agreement while Nova Scotia dropped the program for one year. An agreement for self-help co-op was signed by Nova Scotia in 1977. The Interest Reduction Loan was not incorporated in that agreement.

CHAPTER TWO

PRODUCTION OF DWELLINGS UNDER THE HOMEOWNERSHIP PROGRAMS, SECTION 40

This chapter reviews the production of the co-op (or owner-built) dwelling under Section 40 by province for the period 1975-77. It also reports on the urban/rural distribution of those dwellings.

2.1 COMPARATIVE PRODUCTION REVIEW

A summary of the production of AHOP/COOP dwellings is presented in Table 2.1. It gives the number of dwellings constructed under AHOP/COOP in 1975, 1976 and 1977, the total loan amounts, the income range of the program recipients and the Federal-provincial contributions. The dwellings built under Section 40 in Saskatchewan (1976-77), and those built in Newfoundland (1975-77) fall under different Federal-provincial agreements. The production review for those provinces is presented in Appendix B and Appendix C respectively.

As shown in Table 2.1, there has been a decrease in the overall production of AHOP/COOP dwellings between 1975 and 1977. The province of Nova Scotia produced the largest number of co-op dwellings in 1975 (ie, 987). However, no co-op dwellings were built in that province in the following year since the N.S.H.C. refused to sign the new agreement proposed by CMHC. The province entered into a new agreement in 1977, but only 106 dwellings were built, a small number in comparison to the 1975 production.

The other provinces experienced different patterns of production of co-op or owner-built dwellings. New Brunswick had the highest level of production in 1976 followed by a decline in 1977. Saskatchewan dropped AHOP/COOP in 1976 but also experienced an increase in production during that year under an alternative agreement. (See Appendix B).

TABLE 2.1

CO-OP/AHOP PROGRAM
COMPARATIVE PRODUCTION FIGURE REVIEW

YEAR	PROVINCE	NUMBER OF PROJECTS	NO. OF UNITS	TOTAL LOANS \$	75% FED. SHARE \$	AV. LOAN PER UNIT \$	AV. FED. SHARE LOAN PER UNIT \$
1975	P.E.I.	20	123	2,826,500	2,119,875	22,980	17,235
	N.S.	203	987	26,015,447	19,511,585	26,218	19,652
	N.B.	42	366	9,464,000	7,098,000	26,000	19,500
	SASK.	9	74	2,047,000	1,535,250	27,666	20,750
		274	1,548	40,352,947	30,264,710	25,716	19,284
1976	P.E.I.	-8	44	1,115,600	836,700	25,400	19,022
	N.B.	-47	450	12,825,000	9,618,750	28,500	21,375
		55	494	13,940,600	10,455,450	26,950	20,213
1977	P.E.I.		50	1,324,500	993,375	26,490	19,868
	N.S.		106	2,660,213	1,995,160	25,096	18,822
	N.B.		266	8,026,000	6,019,500	30,173	22,630
			422	12,010,713	9,008,035	27,253	20,440

YEAR	PROVINCE	INCOME RANGE-GROSS			FED-PROV.		FED-PROV.		ADDITIONAL PROVINCIAL ASSISTANCE AV. PUPM
		AV. TOTAL FAMILY GROSS	LOW AVERAGE	HIGH	INT. ASST.		TOTAL SUBSIDY (75-25) AV. PUPM		
					(75-25) AV. PUPM	GRANT ASST. (75-25) AV. PUPM			
1975	P.E.I.	8,151	6,504	11,145	61.90	32.96	94.81	NIL	
	N.S.	9,980	7,779	12,257	40.30	52.48	93.79	4.62	
	N.B.	10,142	7,734	12,989	35.38	40.93	76.32	2.22	
	SASK.	10,132	7,581	12,779	41.85	44.50	86.85	3.45	
		9,601	7,400	12,293	44.86	42.72	87.94	2.57	
1976	P.E.I.	10,022	7,759	12,656	69.27	11.43	80.70	NIL	
	N.B.	10,033	7,748	13,333	70.80	38.71	109.52	.11	
		10,028	7,754	12,995	70.04	25.07	95.11	.06	
1977	P.E.I.	9,984	7,270	14,170	42.84	20.11	62.95	-	
	N.S.	8,210	6,863	9,444	-	-	69.71	2.43	
	N.B.	11,060	8,700	14,860	43.90	56.20	100.10	.06	
		9,751	7,611	12,824	43.37	38.16	77.59	1.25	

* Income Range is based on the averages for co-op groups and therefore does not reflect the income differences for individuals.

In PEI more co-op dwellings were built in 1975 than in the following years. In 1977 the greatest number of units built took place in Newfoundland.

There has been an increase in the average loan per unit between 1975 and 1977 in every province except in Nova Scotia (Table 2.1) Saskatchewan had the highest average mortgage amount per unit (Appendix B.1). Simultaneously, there was an increase in the average family income of co-op recipients for the province of New Brunswick and Saskatchewan but a decrease in Nova Scotia and Prince Edward Island (ie, between 1976 and 1977 in this case). Smaller loans were available to Nova Scotia co-op applicants in 1977 because of the changes introduced in the provincial AHOP/COOP agreement. This, in turn, restricted the location of co-op dwellings to rural areas (See Section 2.2) where incomes are likely to be lower than in more urbanized areas.

The number of dwellings constructed under the homeownership program, section 40, is small in comparison with the production of residential dwellings in all of Canada, i.e., less than one percent (CMHC 1978). However, AHOP/COOP in 1975, accounted for as much as 16% of the residential housing starts in Nova Scotia and 15% in Prince Edward Island (Table 2.2). This constituted 40% of the NHA assisted dwelling starts in Nova Scotia and 35% in PEI for the same year.

It is interesting to note that whereas in PEI the AHOP/COOP percentage of NHA assisted dwelling starts remained basically the same in 1977, there was a corresponding 30% drop in N.S.. Alternatively New Brunswick, the percentage of AHOP/COOP to NHA assisted dwelling starts has significantly increased between 1975 and 1977, i.e. from 29% to 86%.

TABLE 2.2

AHOP/COOP AS A PROPORTION OF THE PROVINCIAL RESIDENTIAL HOUSING STARTS AND THE NHA ASSISTED DWELLING STARTS:
NB, NS, PEI (1975-1977)

AHOP/COOP PERCENTAGE OF PROVINCIAL RESIDENTIAL HOUSING STARTS		AHOP/COOP PERCENTAGE OF NHA ASSISTED DWELLING STARTS	
1975	1977	1975	1977
N.B. 4.4	6.2	28.6	86.4
N.S. 15.5	1.4	39.8	9.7
PEI 14.5	6.1	34.6	37.6

Source: CMHC, Canadian Housing Statistics (1975-1977)

2.2 GEORGRAPHIC DISTRIBUTION

The urban/rural distribution of the AHOP/COOP dwellings is discussed alternatively for the provinces of N.B., N.S. and Saskatchewan.

New Brunswick

The first co-op dwellings built under AHOP/COOP in N.B. were located in urban areas, as shown in Table 2.3. This was a result of the implementation of the program which was initially restricted to the major urban areas. In the following years however, there has been a steady increase in the proportion of co-op units built in rural areas. Forty percent of the units built in 1977 were located in rural areas.

TABLE 2.3

URBAN/RURAL DISTRIBUTION OF CO-OP UNITS: NEW
BRUNSWICK (1974-77)

YEAR	NO. OF UNITS	URBAN (%)	RURAL (%)
1974	43	100	-
1975	366	90	10
1976	385	75	25
1977	277	60	40

Source: NBHC

Nova Scotia

The maximum mortgage loan of \$25,200 which was available under the self-help co-op program in 1977 basically restricted its application to rural areas. In 1975, however, when the subsidy and maximum loan available under AHOP/COOP was higher, the split appears to have been more even, most probably half and half. (Table 2.4). As shown in Table 2.3, most of the activity in 1975 took place in Halifax County and Cape Breton County, the most urbanized counties in Nova Scotia.

TABLE 2.4

GEOGRAPHIC DISTRIBUTION OF COOP DWELLINGS BY COUNTY:
NOVA SCOTIA (1975 and 1977)

County	Number of Units	
	1975	1977
Annapolis	21	11
Antigonish	25	7
Cape Breton	333	49
Colchester	35	9

County	1975	1977
Cumberland	7	2
Digby	8	-
Guysborough	9	1
Halifax	320	1
Hants	39	4
Inverness	39	4
Kings	58	8
Lunenburg	27	1
Pictou	31	1
Queens	4	-
Richmond	5	-
Shelburne	4	-
Victoria	10	3
Yarmouth	17	1
Total	992	98

Source: NSHC

Saskatchewan

In Saskatchewan, the majority of co-op dwellings built in 1976-77 were located in large metropolitan centres (Table 2.5). Co-op dwellings, however, were found in communities of all sizes. There appears to be a relationship between the number of co-op units and the size of the communities in which they were built.

TABLE 2.5

GEOGRAPHIC DISTRIBUTION OF CO-OP DWELLINGS BY SIZE OF COMMUNITY: SASKATCHEWAN (1976-77)

Size of Community		<u>Co-op Units Started</u>			
		<u>1976</u>		<u>1977</u>	
		No.	(%)	No.	(%)
Town	Less than 2,000	7	2.3	5	4.3
	2,500 - 4,999	12	3.9	3	2.6
City	5,000 - 9,999	24	7.7	16	13.7
	10,000 - 19,999	24	7.7	9	7.7
	20,000 - 49,999	36	11.6	19	16.2

Size of Community	<u>1976</u>		<u>1977</u>	
	No.	(%)	No.	(%)
50,000 - 99,999	-	-	-	-
100,000 - 150,000	207	66.8	65	55.6
	<u>310</u>		<u>117</u>	

Source: CMHC Saskatchewan Regional Office

2.3 CONCLUSION

The dwellings produced under the homeownership programs section 40 represent only a small proportion of the canadian residential housing starts. These are concentrated in the least populated and/or most economically deprived provinces. The production of AHOP/COOP dwellings has decreased between 1975 and 1977 along with that of other NHA assisted dwellings. However there has been fluctuations in production between provinces which appear to be associated with yearly changes in the program application. Such changes are also reflected in the geographic distribution of the co-op dwellings.

CHAPTER THREE

AHOP/COOP PROGRAM RECIPIENTS

This section presents data on the socio-economic characteristics of the recipients of the CO-OP-AHOP programs,¹ their housing situation, their attitudes toward home acquisition, their housing satisfaction and their perceptions of the Co-op program. Data are presented for the year 1974-75 as it is the most complete set of data available. Using the results of a survey² conducted in New Brunswick (Gaudet 1978), a comparison is drawn between co-op home builders and home purchasers who have children. Data on the Saskatchewan and Newfoundland home builders are presented in Appendices B and C.

¹ Referred to as co-op builders in the text.

² The samples studied consisted of families who acquired a dwelling in 1975, but were surveyed in 1977.

3.1 SOCIO-ECONOMIC CHARACTERISTICS

3.1.1 Age

The average age of co-operative applicants was approximately 31 years in 1974-75. It was closely related to the age of NHA borrowers. Nearly 90% of the co-op builders were between 20 and 39 years of age (Table 3.1).

TABLE 3.1

AGE OF CO-OP APPLICANTS, HEAD OF HOUSEHOLD

Nova Scotia (1974)		New Brunswick (1974-75)	
<u>Age</u>	<u>Percentage</u>	<u>Age</u>	<u>Percentage</u>
20 or under	3%	19 or under	1
21-25	31	20-24	22
26-30	30	25-29	32
31-35	18	30-34	24
36-40	9	35-39	12
40-49	9	40-49	7
50 and over	0	50 and over	2
average age	31.7	average age	31.0
Average age NHA borrowers (1974): 31.4			

Source: Moir (1976) and NBHC (1975)

Co-op builders were found to be younger than private purchasers with children, as shown in Table 3.2.

TABLE 3.2

AGE DISTRIBUTION OF HEAD OF HOUSEHOLD:
CO-OP BUILDERS VS HOME PURCHASERS

	25 years or less	25-29 years	30-34 years	35-39 years	40-49 years	50 yrs or over
Co-op builders (%)	9.0	35.0	26.0	8.0	10.0	2.0
Home purchasers (%)	2.2	20.1	27.6	17.9	25.4	6.7

$\chi^2 = 25.18$ with 1df $P = 0.001$

Source: Gaudet (1978)

3.1.2 Number and Age of Children

The average number of children per co-op family in N.B. was 2.1 in 1975 (NBHC). This was virtually equal to the provincial average for the same year. All co-op families in N.B. had at least one dependent child living at home at the time of application. In Nova Scotia, the mean family size was 3.9 persons. The majority of families in each of these provinces had one or two children as indicated by the following distribution (Table 3.3).

TABLE 3.3
CO-OP FAMILIES BY NUMBER OF CHILDREN

Percentage of Families	Number of Children					
	0	1	2	3	4	5 or more
Nova Scotia ¹	4.3	35.3	33.0	15.4	6.7	5.3
New Brunswick ²	-	24.0	48.0	16.0	6.0	6.0

¹ 1975 Data for total population (NSHC).

² Data taken from 1977 survey (Gaudet 1978) based on 25% of the total co-op population in New Brunswick for 1974-75.

No significant difference was found to exist between co-op builders and home purchasers in 1975 with respect to the number of children living at home (Table 3.4).

TABLE 3.4
NUMBER OF CHILDREN PER FAMILY:
CO-OP BUILDERS VS HOME PURCHASERS

	Number of Children				
	1	2	3	4	5 or more
Co-op families(%)	24.0	48.0	16.0	6.0	6.0
Purchaser " (%)	26.9	40.3	20.9	8.2	3.7

$\chi^2 = 2.70$ with 4df P = N.S.

Source: Gaudet (1978)

¹ Purchasers who have children only.

Age of Children

Children of the co-op builders in New Brunswick were younger than those of the home purchasers. More builders than purchasers had children less than 6 years of age, but fewer had children in the 12 to 19 age group (Table 3.5). Builder's families were therefore at an earlier stage of the family life cycle.

TABLE 3.5

CAPITALIZE NUMBER OF CHILDREN PER FAMILY BY AGE GROUP

	Number of Children						
	Less than six years			Between 12 & 19 years			
	0	1	2 plus	0	1	2	3 plus
Co-op families (%)	20.0	40.0	40.0	81.0	7.0	8.0	4.0
Purchasers	41.8	35.8	22.4	87.0	18.0	17.0	12.0
$\chi^2 = 14.58$ with 2df $P = 0.0007$ $U = 5624.5$ $P = 0.008$							

Source: Gaudet (1978)

3.1.3 Marital Status

In the province of New Brunswick, the co-operative program recipients were virtually all married couples (1974-75). Ninety seven percent of the N.B. builders were married. The remaining 3% were either single parent family heads, divorced or separated. Similar proportions were likely to exist in the other provinces as well, since the program required applicants to be married couples and/or to have at least one dependent child living at home.

3.1.4 Family Income

The average family income of 1975 co-op builders is given below (Table 3.6). The gross family income was adjusted by deducting \$1,000 for a working spouse or single parent, and \$300. per child.

TABLE 3.6
FAMILY INCOME OF CO-OP RECIPIENTS BY PROVINCE (1975)

	Average Family Income	
	Av. Total Family Gross	Av. Total Family Adjusted
New Brunswick	10,142	9,411
Nova Scotia	9,980	9,222
P.E.I.	8,151	7,888
Saskatchewan	<u>10,132</u>	<u>9,334</u>
Canada	9,601	8,964

Source: CMHC

The income distributions presented in Table 3.7 indicate that the majority of co-op families have incomes between \$7,000 and \$13,000.

TABLE 3.7
FAMILY INCOME DISTRIBUTION FOR CO-OP RECIPIENTS, BY
PROVINCE (1974-75)

Income Range	Nova Scotia Recipients (1975)		New Brunswick Recipients (1974-75)	
	No.	%	No.	%
\$4,000 - \$4,999	1	0.1	-	-
\$5,000 - \$5,999	25	2.5	-	-
\$6,000 - \$6,999	66	6.7	9	2.3
\$7,000 - \$7,999	118	11.9	66	16.6
\$8,000 - \$8,999	148	14.9	62	15.6
\$9,000 - \$9,999	142	14.3	79	19.6
\$10,000 - \$10,999	163	16.4	65	16.4
\$11,000 - \$11,999	140	14.1	58	14.6
\$12,000 - \$12,999	89	8.9	33	8.3
\$13,000 - \$13,999	55	5.5	13	3.3
\$14,000 - \$14,999	29 ¹	2.9 ¹	8	2.0
\$15,000 - \$15,999	16 ¹	1.6 ¹	2	.5
\$16,000 - \$16,999			2	.5
Total	992		397	

Source: NSHC and NBHC (1975)

¹

Recipients with an income of \$15,000 and over.

The gross family income of co-op builders was found to be significantly lower than that of home purchasers. (Table 3.8) Whereas the majority of co-op families (79%) had gross family incomes falling within the range of \$10,000 and \$19,999, 55% of the purchasers had incomes of \$20,000 or more.

TABLE 3.8

GROSS FAMILY INCOME: CO-OP BUILDERS VS HOME PURCHASERS

	Less than \$10,000	\$10,000 \$14,999	\$15,000 \$15,999	\$20,000 and over
Co-op families (%)	14.4	48.5	30.9	6.2
Purchasers families (%)	2.2	16.4	22.4	59.0

$\chi^2 = 74.86$ with 3df $P = 0.0001$

Source: Gaudet (1978)

Similarly in Nova Scotia, the co-op program was serving a lower income group than the private market. The mean income for Nova Scotia co-op builders in 1974 was \$10,794.5, approximately \$2,000 below the national average income of home buyers, i.e. \$13,538. However, families earning the lowest incomes were still not served by either the co-op program or the private market.

3.1.5 Educational Background

The educational background of 1974 co-op builders in Nova Scotia, both husband and wives, ranged from completion of grade 8 to obtaining a university degree. Data presented in Table 3.9 indicates that in comparison to the canadian population, the sample has average or slightly higher than average education. Only a small proportion of the builders have less than a grade 9 education or detain a university degree.

TABLE 3.9
EDUCATION OF NOVA SCOTIA BUILDERS COMPARED TO THE
CANADIAN POPULATION
(Husbands and Wives)

Highest level of schooling	Nova Scotia Builders sample (1975) %	Canadian Population (1971) %
less than grade 9	4	32.2
grades 9-11	4.4	31.7
grades 12-13 ¹	3.4	16.2
some university ²	14	5.7
university degree	4	7.1

Source: Moir (1976) and Census Canada (1971).

¹ 4 of these respondents studied at vocational school as well.

² 3 of the respondents were currently attending university.

Co-op builders, however, were found to have less education than home purchasers. As shown in Table 3.10 a large percentage of co-op builders compared to home purchasers had only a grade school or a high school education. Alternatively, a university education was more common among home purchasers.

TABLE 3.10
EDUCATION OF NEW BRUNSWICK CO-OP BUILDER COMPARED
TO HOME PURCHASERS

Highest level of education	Co-Op Builders (%)	Home Purchasers (%)
Grade School	12	2.2
Some High School	26	17.2
High School Graduate	22	14.2
Some College	12	10.4
College Graduate	13	10.4
Some University	4	7.5
University Graduate	10	43.3
Other	1	3.7

$\chi^2 = 30.07$ with 7df $P = 0.0001$

Source: Gaudet (1978)

3.1.6 Occupation

Co-op builders represent a broad range of occupations as shown in the following distribution (Table 3.11 and 3.12). As might be expected, the highest proportion of co-op builders belonged to the construction trade, i.e. 20% in Nova Scotia, or to the building and mechanical trades i.e. 24% in New Brunswick. However, the majority of builders were from occupations unrelated to the building industry. For example large proportions of builders were also employed in clerical, technical and manufacturing jobs. This shows that people other than tradesmen are capable of carrying out the basic tasks of residential construction.

TABLE 3.11

OCCUPATION OF HOUSEHOLD HEAD-NOVA SCOTIA CO-OP BUILDERS
COMPARED TO THE POPULATION OF METRO HALIFAX

Occupation	Nova Scotia builders	Metro Halifax
	Sample (1974) percent	(1971) percent
Managerial	4	6.7
Technological	12	6.8
Clerical	20	8.1
Sales	8	9.8
Service	8	19.9
Construction trades	20	7.7
Transportation	8	4.7
Machining	8	7.6
Other 1	12	8.4

Source: Moir (1976) and Census of Canada (1971).

¹ Other includes such occupations as natural sciences, engineering, mining, fishing, forming, art, etc.

TABLE 3.12

OCCUPATION OF HOUSEHOLD HEAD: NEW BRUNSWICK CO-OP
BUILDERS

Occupation	N.B. co-op builders	
	No.	%
Service industries	30	7.5
Printing	5	1.3
Building & mechanical trades	96	24.1
Sales	22	5.5
Electronics	15	3.8
Clerical & administrative	71	17.8
Police, fire & security	25	6.3
Medical	7	1.8
Manufacturing & processing	56	14.1
Engineering	3	.01
Government	7	1.8

(Cont'd)	No.	%
Transportation & Communication	15	3.8
Armed forces	20	5.0
Education	7	1.8
Student	2	-
Farming	1	-
Arts & sciences	15	3.8
Retired	1	-

Source: NBHC (1975)

The socio-economic index for occupation in Canada (Blishen scale) was used to code the occupations of New Brunswick builders and purchasers. As a result, co-op builders were found to have a lower socio-economic status than builders. As shown in Table 3.13, a comparably large proportion of purchasers did belong to the highest status categories (60% in the 2 highest categories). Conversely, the co-op builders were largely represented in lower categories.

TABLE 3.13
SOCIO-ECONOMIC STATUS: CO-OP
BUILDERS AND HOME PURCHASERS

	Blishen Scale					
	70 & over	60.00 69.99	50.00 59.99	40.00 49.99	30.00 39.99	Below 30
Co-op builders (%)	1.0	14.4	20.6	34.0	14.4	15.5
Home purchasers (%)	13.4	46.5	11.8	11.8	9.4	7.1

$\chi^2 = 47.92$ with 5df P = 0.01

Source: Gaudet (1978)

3.2 HOUSING SITUATION

3.2.1 Previous Residence

3.2.1.1 Tenure

Eighty-eight percent of the N.B. co-op families, were residing in rental units at the time of their acceptance into the program (Table 3.14). Forty-five or roughly 11% of those families were living in public housing units. The majority of co-op builders were therefore first time home owners. This was not the case among purchasers, as more than 50% already owned or were purchasing a dwelling before their new house purchase in 1975.

TABLE 3.14
TENURE OF PREVIOUS FAMILY RESIDENCE:
CO-OP BUILDERS VS HOME PURCHASERS

Tenure	<u>Percentage of New Brunswick Families</u>		
	Co-op Families		Purchasers Families
	Total	Sample	Sample
Occupied rental units	88.0%	89.7	47.0
Were purchasing homes	12.1 ¹	10.3 ²	53.0 ²
Owned dwelling free of mortgage	0.3		

Source: NBHC (1975) and Gaudet (1978)

¹ 27 mortgages out of 48 were for mobile homes.

² Includes families who owned a dwelling, whether or not the mortgage is paid off.

3.2.1.2 Type of Dwelling

As shown in Table 3.15 the apartment was the most common type of dwelling occupied by co-op builders

prior to their acceptance into the program.

TABLE 3.15
TYPE OF PREVIOUS DWELLING:
CO-OP BUILDERS VS HOME PURCHASERS

	Apartment	Single- Detached	Duplex or Townhouse	Mobile Home	Shared a House
Co-op bldg	60.6	14.1	13.1	11.1 ¹	1.0
Home purchasing	24.1	55.6	15.8	3.0	1.5

$\chi^2 = 51.03$ with 4df $P = 0.0001$

Source: Gaudet (1978)

¹ A large proportion of mobile homes were occupied by co-op builders in comparison to the proportion of mobile homes to the total number of occupied dwellings for the province of N.B., i.e. 2.2 in 1975.

3.2.1.3 Monthly Rental Costs

Before their acceptance into the co-op program, the N.B. builders paid an average monthly rent of \$141.00 (1974-75). The distribution of monthly rental costs incurred by co-op applicants is shown in Table 3.16.

TABLE 3.16
MONTHLY RENTAL COSTS PAID BY CO-OP APPLICANTS:
NEW BRUNSWICK (1975)

Monthly Rental Costs								
\$50- \$-14	\$75- \$99	\$100- \$124	\$125- \$149	\$150- \$174	\$175- \$199	\$200- \$224	\$225- \$249	\$250- \$274
Co-op applicants								
Number								
18	30	69	89	77	36	17	6	2
Percent								
5.2	8.7	20.1	25.9	22.4	10.5	4.9	1.7	0.6

Source: NBHC (1975)

The debt ratio of rent/mortgage and utilities costs was examined in relation to annual family income in order to gain a perspective on the portion of income which was spent on housing accommodation, by the co-op applicants, prior to their acceptance into the program. As shown in Table 3.17, 86.4% of the families were successful in keeping accommodation costs below 25% of their annual income, which means that the AHOP/CO-OP formula for subsidy assistance would not improve harsher financial obligations on those families.

TABLE 3.17

DEBT RATIO OF RENT/MORTGAGE AND UTILITIES
RELATED TO ANNUAL FAMILY INCOME: NEW BRUNSWICK (1975)

			<u>Percentage of Income Spent on Housing</u>						
0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-49	
<hr/>									
Co-op applicants									
Number									
6	35	92	130	81	32	9	-	3	
Percent									
1.5	9.0	23.7	35.5	20.9	8.2	2.3	-	0.8	

Source: NBHC (1975)

3.2.2 New Dwellings

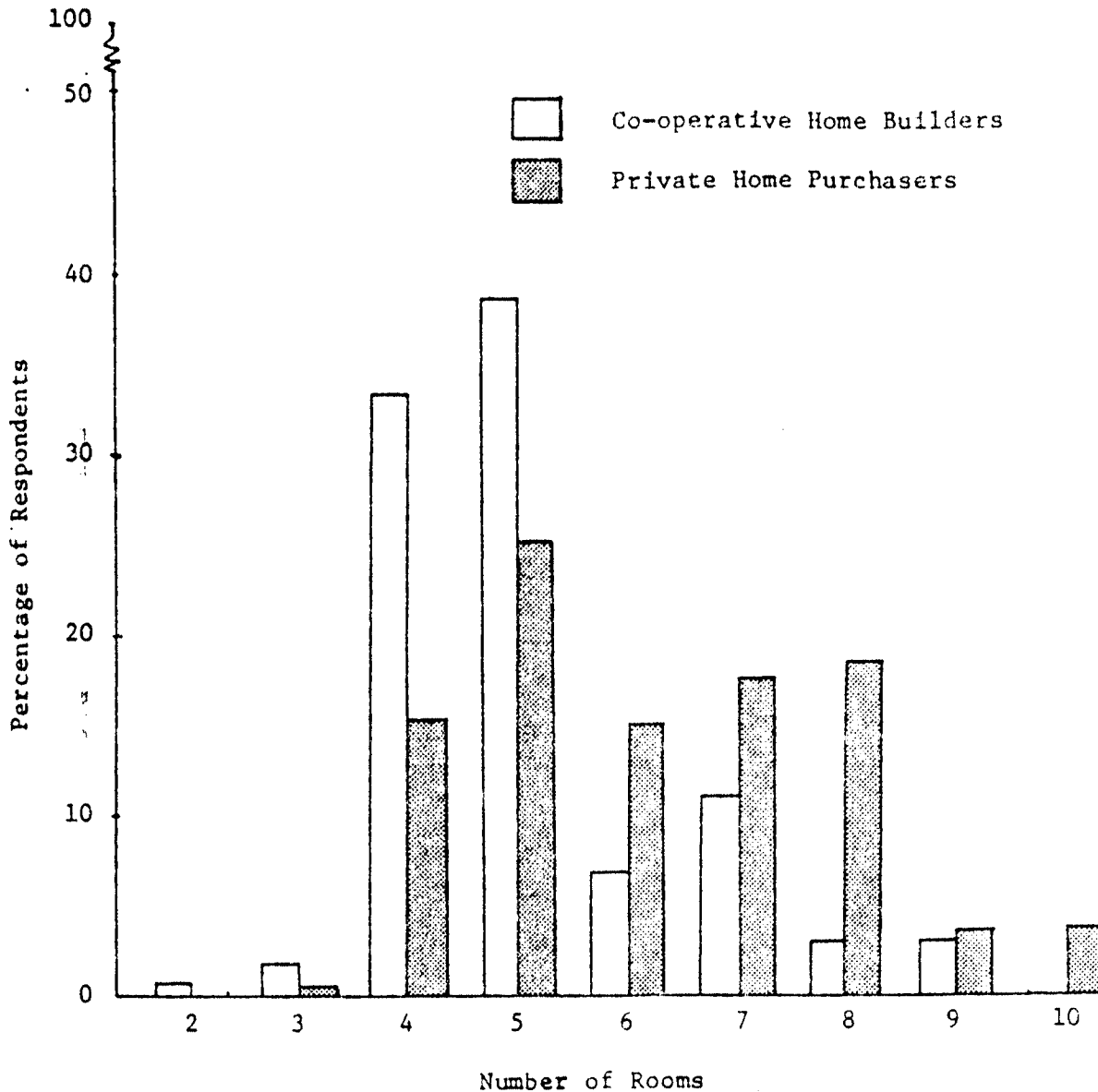
3.2.2.1 Size of Dwellings

The size of the co-op dwellings built in N.B. (1974-75) was estimated based on the number of rooms per dwelling excluding the kitchen and bathroom/s and it was compared to the size of the purchased dwellings. As a result, the co-op dwellings were found to be smaller on average than the purchased dwellings. The majority of the co-op dwellings (73%), contained 4 or 5 rooms by that measure, as illustrated in Figure 3.1. Forty-one percent of the purchased dwellings were reported to be of the same size. However, the majority of the purchased dwellings were larger than the co-op dwellings and in this

case, had between 6 and 8 rooms.

FIGURE 3.1

NUMBER OF ROOMS¹ CONTAINED IN DWELLINGS: CO-OP
BUILT VS PURCHASED DWELLINGS



¹ Excluding kitchen and bathroom(s)

Source: Gaudet (1978)

3.2.2.2 Special Features

The purchased dwellings also contained more features than the co-op dwellings as may be seen in Table 3.18 which gives the incidence of dwellings with a family room, a fireplace and more than one full bathroom.

TABLE 3.18

SPECIAL FEATURES INCLUDED IN CO-OP BUILT
VS PURCHASED DWELLINGS

	Family Room	Fireplace	More than one full bathroom
Co-op dwellings	41.0	33.0	11.0
Purchased "	62.7	54.5	26.9
$\chi^2 = 9.97$ 1ldf	$\chi^2 = 9.81$ 1df	8.02, 1df	
p = 0.0016	p = 0.0017	p = 0.0046	

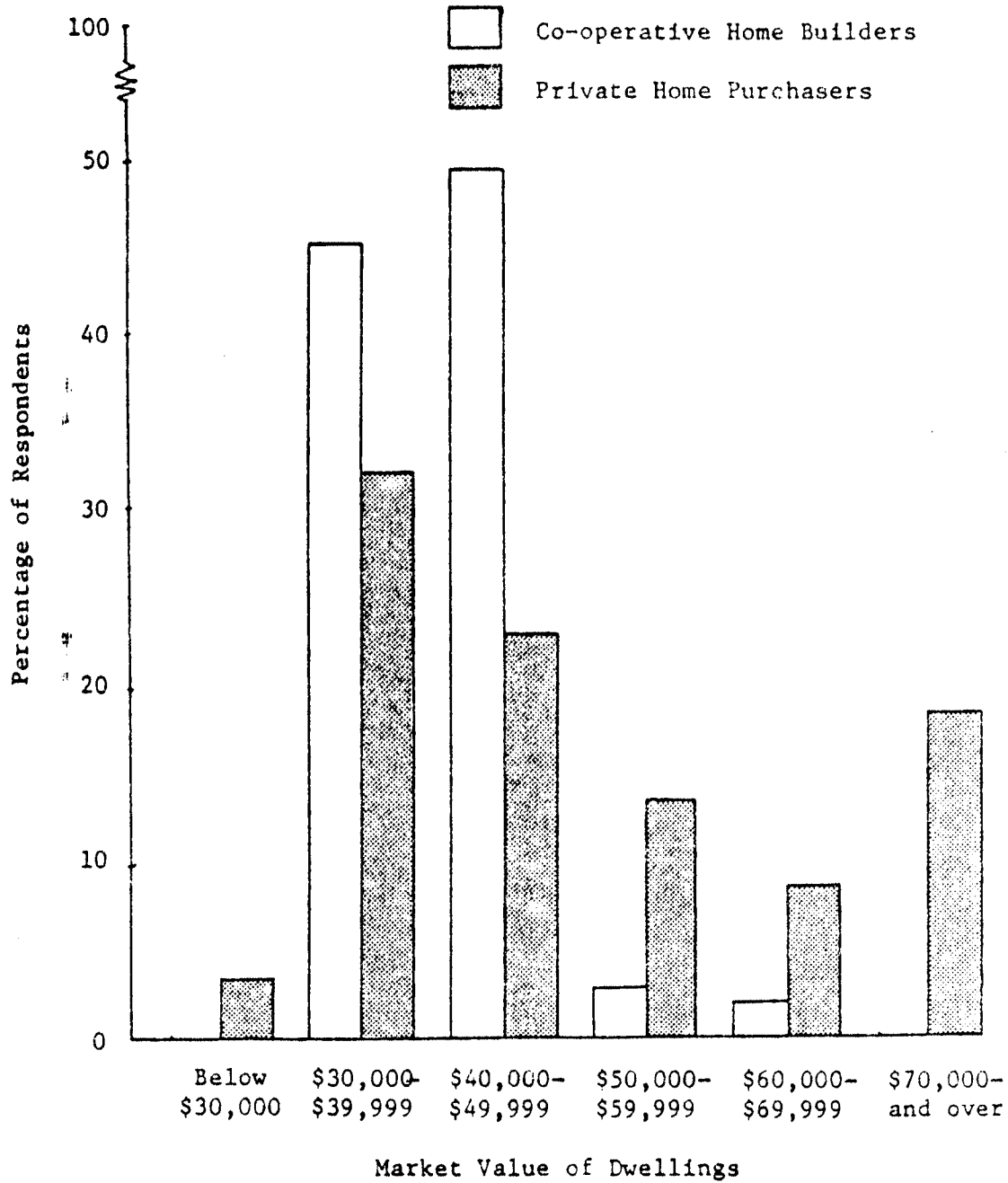
Source: Gaudet (1978)

3.2.2.3 Estimated Value

The co-op dwellings in N.B. have a lower "market value" than the purchased dwellings (Figure 3.2). This is based on estimates given by their respective owners. The mean values reported were \$40,000 for the co-op dwellings and \$50,000 for the purchased dwellings. The majority of the co-op dwellings were estimated to be worth between \$30,000 and \$50,000. These were of comparable value to approximately 50% of the purchased dwelling (i.e., those of lower value).

FIGURE 3.2

ESTIMATED VALUE OF DWELLINGS: CO-OP
BUILT VS PURCHASED DWELLINGS



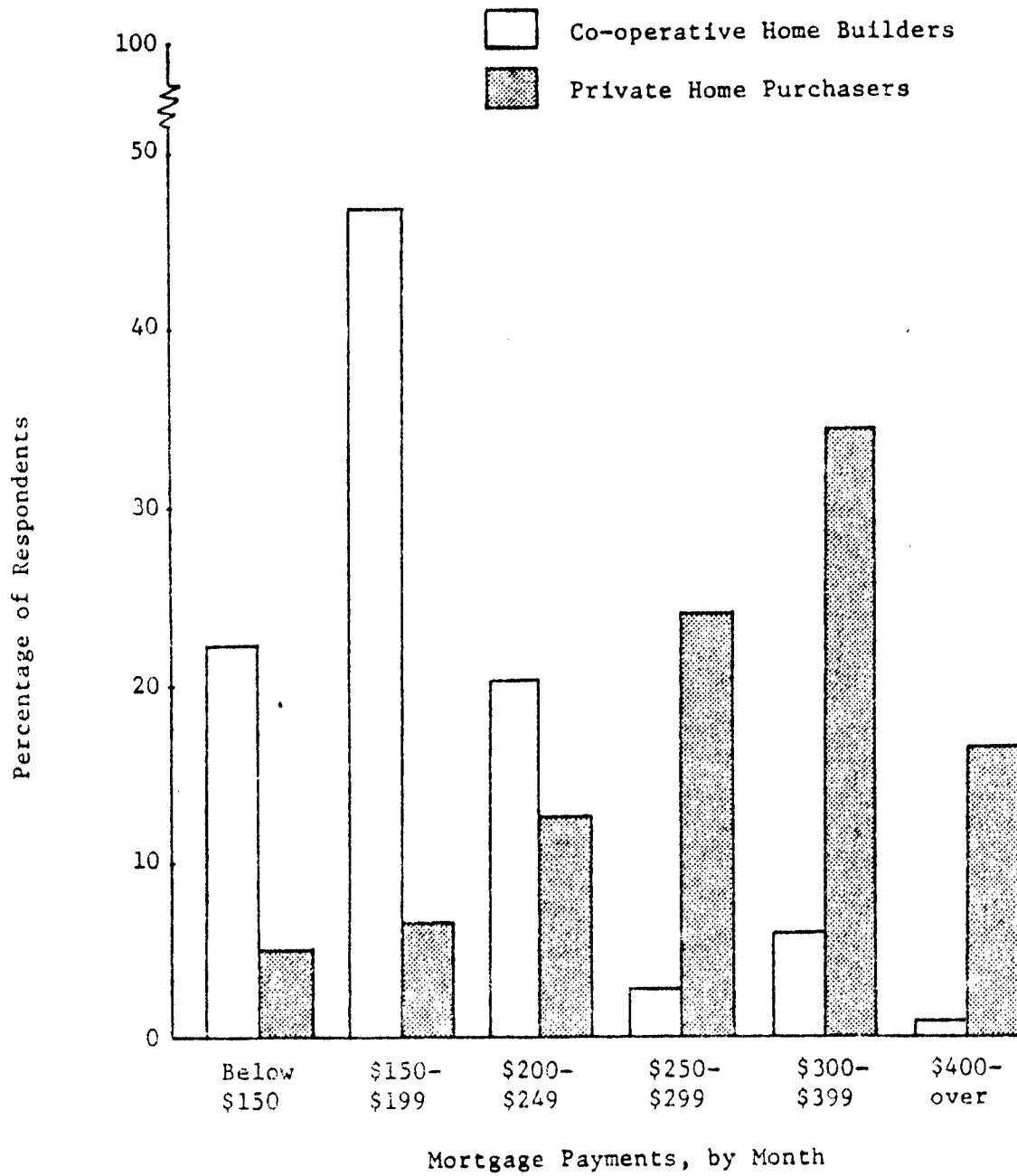
Source: Gaudet (1978)

3.2.2.4 Size of Mortgage Payments

The average mortgage payment made by the N.B. co-op builders in 1975 was \$180 per month (including PIT) on a 35 year mortgage (NBHC). As shown in Figure 3.3, the mortgage payments made by co-op builders were significantly lower than those made by private home purchasers. The majority of builders (88%) made payments lower than \$250 per month, whereas the payments made by home purchasers were higher than \$250 in 75% of the cases.

FIGURE 3.3

SIZE OF MORTGAGE PAYMENTS: CO-OP
BUILDERS VS HOME PURCHASERS



Source: Gaudet (1978)

3.3 ATTITUDES TOWARD HOME ACQUISITION

This section and the following two sections are based primarily on the results of the comparative survey between co-op builders and home purchasers which was conducted in New Brunswick in 1977 (Gaudet 1978). The samples studied represent the 1974-75 population of builders and the 1975 purchasers for the cities of Moncton, St. John, Fredericton and Bathurst. Attitudes are reported with respect to the availability of single-family dwellings which met family needs, the availability and size of mortgage money, the advantages of homeownership and the value of new versus previous dwelling.

3.3.1 Dwellings Available on the Market

A large proportion of co-op builders, as compared to home purchasers, found that detached dwellings which met their family needs were not readily available (Table 3.19). They likely held that attitude because the cost of the available dwellings was beyond their means.

TABLE 3.19

AGREEMENT OR DISAGREEMENT WITH THE
STATEMENT: "SINGLE FAMILY DWELLINGS
OF SUFFICIENT SIZE FOR MY FAMILY NEEDS
ARE NOT READILY AVAILABLE"

	Strongly Agree	Agree	Neither Nor	Disagree	Strongly Disagree	Row Total
Co-op Builders (%)						
	11.2	29.6	10.2	38.6	10.2	98
Purchasers (%)						
	6.0	15.8	12.8	46.6	18.8	133

U = 5086.5 P = 0.003

Source: Gaudet (1978)

3.3.2 Mortgage Availability

As shown in Table 3.20 it appears to have been much more difficult for co-op builders to acquire mortgage money than it was for home purchasers. This is further supported by several Nova Scotia and New Brunswick builders who indicated that the co-op method of home acquisition was the only way for them to acquire a dwelling. They didn't have access to conventional loans or other mortgage loans.

TABLE 3.20

AGREEMENT OR DISAGREEMENT WITH
THE STATEMENT: "MORTGAGE MONEY
IS EASILY AVAILABLE FOR SOMEONE
LIKE MYSELF"

Group	Strongly Agree	Agree	Neither Nor	Disagree	Strongly Disagree	Row Total
Co-op Builders (%)	7.1	38.4	16.2	26.3	12.1	99
Purchasers (%)	28.6	57.1	9.0	3.8	1.5	131

U = 3301.0 P = 0.001

Source: Gaudet (1978)

3.3.3 Size of Mortgage

As shown in Table 3.21, 75% of the co-op builders agreed that the size of their mortgage loan was adequate to acquire a suitable dwelling for their family. Similarly 87% of the purchasers agreed with the statement. It should be noted however that 20% of the co-op builders considered the size of their mortgage to be inadequate.

TABLE 3.21

AGREEMENT OR DISAGREEMENT WITH THE
STATEMENT: "THE SIZE OF OUR MORTGAGE
WAS ADEQUATE TO ACQUIRE A SUITABLE
DWELLING FOR MY FAMILY"

Group	Strongly Agree	Agree	Neither Nor	Disagree	Strongly Disagree	Row Total
Co-op Builders (%)	18.0	57.0	5.0	15.0	5.0	100
Purchasers (%)	26.1	61.2	9.0	2.2	1.5	134

U = 5515.5 P = 0.009

Source: Gaudet (1978)

3.3.4 Value of New vs Previous Dwelling

Despite the fact that the majority of co-op builders payed more on their new mortgages than they did on previous rents,¹ they agreed that their new dwellings gave them more value for their money than their previous residence (Table 3.22). A reduced majority of purchasers agreed with this statement.

¹ Differences in average monthly payments between renting and co-op ownership in N.B. is between \$141 and \$190 (NBHC 1975). In N.S., all except one of the 25 co-op families interviewed by Moir (1976) were paying more on mortgages than on previous rents.

TABLE 3.22

AGREEMENT OR DISAGREEMENT WITH THE
STATEMENT: "COMPARED TO WHERE WE
LIVED BEFORE, THIS HOUSE GIVES US
MORE VALUE FOR OUR MONEY"

Group	Strongly Agree	Agree	Neither Nor	Disagree	Strongly Disagree	Row Total
Co-op Builders (%)	54.5	39.4	3.0	1.0	2.0	99
Purchasers (%)	27.8	36.8	16.5	16.5	6.8	133

U = 4061.5 P = 0.001

Source: Gaudet (1978)

3.3.5 Preference for Homeownership

Co-op builders and home purchasers generally agreed that it is worth making larger monthly payments to own a house (Table 3.23). This is consistent with the results of Roach's Study (1974) in which 98% of the respondents expressed preference for homeownership. In Moir (1976) it was explained that this preference for homeownership stems from greater privacy, more living space as well as a chance to acquire equity.

TABLE 3.23

AGREEMENT OR DISAGREEMENT WITH THE
STATEMENT: "IT IS WORTH MAKING LARGER
MONTHLY PAYMENTS TO HAVE A HOUSE OF
OUR OWN"

Group	Strongly Agree	Agree	Neither Nor	Disagree	Strongly Disagree	Row Total
Co-op Builders (%)	30.6	46.9	8.9	13.3	1.0	98
Purchasers (%)	22.6	55.6	10.5	9.0	2.3	133

U = N.S.

Source: Gaudet (1978)

Both groups also agreed that the advantages of owning a home outweigh the difficulties that have to be overcome in buying or building (Table 3.24).

TABLE 3.24

AGREEMENT OR DISAGREEMENT WITH THE
STATEMENT: "THE ADVANTAGES OF OWNING
A HOME OUTWEIGH THE DIFFICULTIES THAT
HAVE TO BE OVERCOME IN BUYING OR BUILDING"

Group	Agree	Neither Nor	Disagree	Row Total
Co-op Builders (%)	87.8	6.1	6.1	98
Purchasers (%)	87.8	7.6	4.6	131

U = N.S.

Source: Gaudet (1978)

3.4 HOUSING SATISFACTION

3.4.1 Method of Home Acquisition

Eighty-eight percent of the co-op builders in N.B. indicated that they were satisfied with their method of home acquisition. Table 3.25 indicates that they were more satisfied than the home purchasers.

TABLE 3.25

SATISFACTION WITH METHOD OF HOME ACQUISITION:
CO-OP BUILDERS VS HOME PURCHASERS

	Very Satis.	Satisfied	Neither Nor	Disatis. Disatis.	Very Disatis.	Row Total
Co-op builder (%)	57.0	31.0	9.0	2.0	1.0	100
Purchasers (%)	19.5	40.6	18.0	18.0	3.8	113

U = 3674.5 P = 0.001

Source: Gaudet (1978)

The following explanations were given by co-op builders to express their satisfaction with the co-op method of home acquisition.

<u>Explanations</u>	<u>% of Co-op Builders¹</u>
Self-satisfaction	24
Costs	17
Quality	14
Easy means or terms	8
Met family needs	7

¹ Explanations were obtained for part of the sample only.

3.4.2 New Dwelling vs Previous Dwelling

All the co-op builders surveyed indicated that they were more satisfied with their new dwelling than with their previous dwelling (Table 3.26). Although home purchasers were also generally satisfied with their dwellings, they were not as nearly satisfied as the builders.

TABLE 3.26

SATISFACTION WITH NEW DWELLING VS PREVIOUS DWELLING: CO-OP BUILDERS VS HOME PURCHASERS

	Much Satisfied	More Satis.	More Satis. Nor Less	Not More Less	Less Satis.	Much less Satis.	Row Total
Co-op Builders (%)	87.0	13.0	-	-	-	-	100
Purchasers (%)	44.8	34.3	9.0	9.0	3.0	-	134

U = 3689.0 P = 0.0001

Source: Gaudet (1978)

The differences in satisfaction between co-op builders and home purchasers may be partly explained by the fact that a number of purchasers already held a mortgage on a single-family dwelling, whereas builders were generally first time homeowners. The most common factors stated by co-op builders as an explanation for their satisfaction are given below.

<u>Explanations</u>	<u>Percent of Builders</u> ¹
Pride in ownership	25
Privacy	17
Space	15
Investment	13
Other 2	26

- ¹ Explanations were obtained for part of the sample only.
- ² Other factors mentioned by builders referred to the upkeep of the property, their independence, a dwelling that meets family needs, cost, location or environment and quality of dwelling.

3.5 ATTITUDES TOWARD THE AHOP/COOP PROGRAM

3.5.1 Satisfaction with the Program

Co-op builders were found to be generally satisfied with the program (Table 3.27). Ninety-one percent of the builders in Roach's study (1974) were satisfied as shown by the following distribution.

TABLE 3.27
SATISFACTION WITH THE CO-OP PROGRAM

	Very Satis.	Satisfied	Moderately Satisfied	Not Satis.	Very Disatis.
Co-op Builders (%)	25	38	28	6	3

Source: Roach (1974)

In the study conducted in N.B. by Gaudet (1978), 84% of the builders indicated that it was "a good program". (It was considered "a very good program" by 46% of those respondents.) Similarly in Moir's study of N.S. builders (1976), 80% of the builders interviewed considered the program to have been effective in meeting their need for affordable, moderately priced housing.

For many builders, the co-op method was the only way by which they could have acquired a house. A view commonly expressed by builders in the Moir study (1976) was that "A lot of people would never have a home without the co-op program". Eighteen out of 25 builders interviewed by Moir stated that the AHOCF mortgages were the only funds they could obtain. Similarly in Roach's study (1974), 54% of the builders interviewed indicated that they could not have acquired a home of their own by any other method. They explained that they could not have obtained a mortgage by other means. Another group of builders (36%) interviewed in the same study stated that they could have acquired a house otherwise, but they also generally indicated that it would not have been a better method.

3.5.2 Would Choose to Build Again

Given similar circumstances to when they entered the program, the majority of builders would still choose to build a house under the co-op program if they had to start over again.

TABLE 3.28
CHOICE TO BUILD OR NOT UNDER THE CO-OP
PROGRAM IF IT WAS TO START OVER

	Percentage of Respondents		
	New Brunswick	Nova Scotia	
	1974-75 Gaudet %	1974 Moir %	1967-73 Roach %
Would build through the co-op program	67%	80%	78%
Would prefer to build independently	32	-	20
Would not build at all	12	-	2

Source: Gaudet (1978), Moir (1976) and Roach (1974)

It thus appears that co-op builders would not be reluctant to build their dwelling if it were to start over but in some cases, they would prefer the self-help alternative over the co-op method.

3.5.3 Would Recommend the Co-op Program

Co-op builders indicated that they would recommend the program to others such as friends or people with whom they work.

TABLE 3.29
WILLINGNESS OF CO-OP BUILDERS TO RECOMMEND
THE AHOP/CO-OP PROGRAM

	New Brunswick 1974-75 %	Nova Scotia 1967-73 %
Definitely yes	56	32
Likely yes	35	60
Likely not	7	2
Definitely not	-	4
No answer	-	2

Source: Gaudet (1978) and Roach (1974)

3.5.4 Co-op Housing better than public housing

Virtually all builders felt that co-op housing is a better form of housing than public housing or low rental as shown in the following distribution compiled from the Roach study (1974).

Most definitely	68
Definitely	26
Perhaps	5
I don't think so	0.5
Not at all	0.5

3.5.5 Important Features of the AHOP/COOP Program

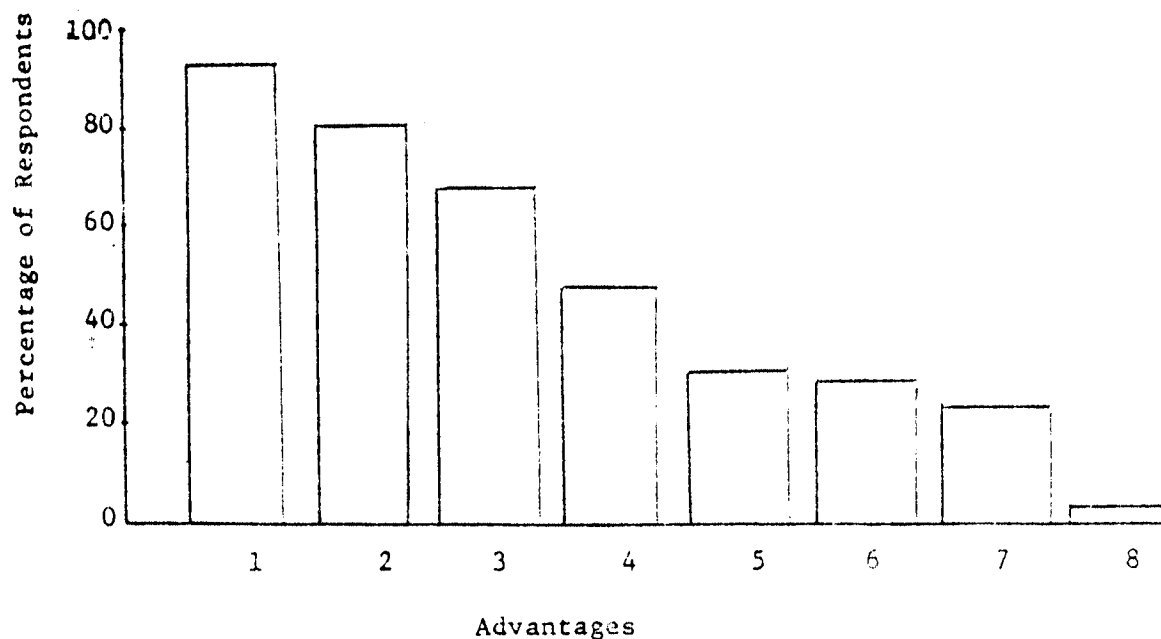
The N.B. co-op builders felt that several factors contributed to the program's success. The most important advantages in their opinion, (Gaudet 1978) is given below by percentage response.

<u>Most important advantages</u>	<u>Percent of respondents</u>
Availability of mortgage without downpayment	46
Availability of mortgage assistance	23
The opportunity to save money by contributing sweat equity	22
Other	3

All three features were considered important aspects of the program by the majority of builders along with several other benefits as shown in Figure 3.4.

FIGURE 3.4

ADVANTAGES OF THE AHOP/COOP PROGRAM IN
THE OPINION OF CO-OPERATIVE HOME BUILDERS



(1) No down payment required; (2) Opportunity to save by contributing sweat equity; (3) Mortgage assistance; (4) Discounts on purchases; (5) Opportunity to build as a group; (6) Guidance in home construction; (7) Established credit not required; (8) Other advantages.

Source: Gaudet (1978)

In the Moir study (1976) of N.S. co-op builders, the following factors were selected in order of importance:

1. The provision of mortgage funds.
2. The provision of mortgage assistance.
3. Serviced lots sold at cost.
4. Reduced material costs.

These findings are similar to those of the N.B. study, except that serviced lots were also mentioned in the case of Nova Scotia 1. Lots sold at cost were considered an advantage because of the shortage and high cost of serviced lots sold on the private market.

In the Roach study (1974), the builders agreed that the following features were advantages of the co-op program:

<u>Advantages</u>	<u>Percent of respondents</u>
Mortgage	94
Downpayment	90
Labour saving	66
Better Neighborhood	56
Group co-operation	38

Group co-operation, it should be noted, was considered not to be an advantage of the program by 49% of the respondents in this study.

¹ This feature did not appear on the item check list used in the Gaudet study (1978). It was brought out as a result of the open-ended question used by Moir (1976).

3.6 SUMMARY

Co-op builders were generally found to be between 20 and 35 years of age and they have an average of 2.1 children. They are younger than home purchasers and they are at an earlier stage of the family cycle. In 1975, the majority of co-op applicants had incomes ranging between \$7,000 and \$13,000, that which is significantly lower than the incomes of home purchasers. Co-op builders account for a wide range in educational background and occupation. However, they have a lower level of education and a lower socio-economic index than home purchasers.

Before moving into their dwellings, co-op builders generally occupied rental accommodation usually apartments. On the other hand, more than half of the home purchasers had previously purchased a single-family dwelling. Likely as a result of the lower incomes of co-op builders as well as their previous housing situation, the co-op dwellings were generally smaller than purchased dwellings, they had fewer additional features and were assessed a lower value. Similarly the mortgage payments on co-op dwellings were smaller than the payment made on purchased dwellings.

Co-op builders found that single family dwellings were not readily available. Mortgage money was also not as easily accessible to them as to home purchasers. In addition, the size of their mortgages were not always considered adequate. However, co-op builders generally paid more on their mortgages than they did on previous rents. They placed a high value on homeownership and therefore considered their new dwelling as being more valuable to them than their previous dwellings. They also considered the advantage of owning a home to outweigh the difficulties encountered in building.

AHOP/COOP recipients have been reported to be very satisfied with their new dwellings from which they have acquired pride in ownership, more privacy and space. Co-op builders were also very satisfied with their method of home acquisition which contributed to their self-satisfaction. They were also pleased with the cost and the quality of their dwellings and consider the AHOP/COOP program to be a "good" program. The

majority of builders would build again under the program if they had to start over, but some would prefer to build independently probably by taking advantage of the other program benefits. The builders would recommend the AHOP/COOP program which they consider to be definitely better than public housing.

The most important advantages of AHOP/COOP in the opinion of the program recipients are the availability of mortgage money without down payments, the availability of mortgage assistance and the opportunity to save money by contributing sweat equity. These are the primary factors which have contributed to the success of the program.

CHAPTER FOUR

COSTS OF AHOP/COOP

This chapter covers the cost of houses built under AHOP/COOP, a comparison of the cost of Co-op or self constructed houses with that of contracted built houses, the degree of construction completed within the mortgage amounts provided under AHOP/COOP and additional amounts spent on coop houses. This is followed by a comparison of the costs of co-operative housing and public housing.

4.1 COST OF HOUSES BUILT UNDER AHOP/COOP

Data on the cost of co-op houses per se is not available. However, the amount of mortgage on those houses can be used as an estimate since it should approximate 95% of the total cost (It is sometimes more). The average mortgage for co-op projects approved in 1975 did range between \$22,780 in PEI and \$27,666 in Saskatchewan. The average loan per unit was \$26,000 in New Brunswick and \$26,218 in Nova Scotia. The average monthly payments on co-op loans obtained by N.B. builders between 1974 and 1977 are presented in Table 4.1

TABLE 4.1

AVERAGE MONTHLY PAYMENTS ON CO-OP
MORTGAGES: NEW BRUNSWICK (1974-77)

Year	Average Loan Amount \$	Average Monthly Payment ¹ \$
1974	\$23,500	\$175
1975	26,000	180
1976	28,500	180
1977	29,000	200

¹ P.I.T. included - Mortgage term = 35 years

Since no downpayment was required to obtain mortgages under AHOP/COOP, the mortgage, the builders' sweat equity plus savings generally constituted the purchase price of the co-op dwellings. This amount, according to Moir (1975) would not have purchased contractor-built-houses which ranged upwards in price from \$36,000 in 1975. Semi-detached units built by a non-profit company were even sold for over 1/3 more than the co-op mortgages. Co-op dwellings were also acquired at a lower cost than other NHA financed single-detached dwellings which were estimated to cost \$35,000 in Halifax (CMHC 1975).

4.1.1 Contractor Built vs Self constructed Dwelling

The 1972 study by Murray Jones and Associates indicates that over \$10,000 could be saved by contributing sweat equity as shown in Table 4.2. All costs, especially land costs, have increased since then, but the table gives an indication of the savings than can still be realized by builders. In many cases, co-op builders also paid considerably less for their lots than the contractors (22% less in 1974) so that savings may be even greater than indicated.

TABLE 4.2
COMPARISON OF THE RESPECTIVE COST OF A
CONTRACTOR BUILT AND A SELF CONSTRUCTED
HOUSE

	Developer Built	Individually Built	
		With "sweat equity"	Without "sweat equity"
Land	\$ 3,340	\$ 3,340	\$ 3,340
Materials	4,030	5,760	5,760
Skilled labour	6,600	3,960	7,920
Ordinary labour	7,700	2,770	9,240
Markup	5,830	-	1,000 *
Cost of shelter	-	1,000	1,000
Total	27,500	16,830	28,260
*For Commercial sold lots			

Source: Murray Jones and Associates Ltd. (1974)

4.1.2 Degree of Construction Completed Within Mortgage Amounts

It was found by Moir (1976) that the basic design of the co-op houses could be completed within the mortgage amounts. The AHOCF mortgages were considered adequate for the construction of a basic house - 1,000 square feet, one bathroom, vinyl floor coverings and other low cost items. Some builders, however, considered an "adequate" house to be more than the basic structure for which AHOCF mortgages were intended. They may have chosen to include additional features such as a family room, a fireplace, carpeting, extra bathroom facilities, etc. As a result, very few co-op dwellings were fully completed within the mortgage amounts. (See Table 4.3).

TABLE 4.3
DEGREE OF CONSTRUCTION COMPLETED
WITHIN CO-OP MORTGAGE AMOUNTS

	House fully completed	House 80% completed	House 60% completed	Less than 60%	Total No.
Percent of builders in Moir Study	8	60	32	0	25
Percent of builders in Roach study ¹	3.5	46.4	27.8	22.3	198

Source: Moir (1976) and Roach (1974)

¹ In comparison, the AHOCF mortgages available to builders in the Moir study were more generous than those provided to earlier builders surveyed by Roach.

According to Moir (1976) approximately 50% of the co-op builders interviewed reached 90-100% completion within their mortgages, and 96% of the builders were able to build their houses within the amounts of their mortgages and savings. It was also stated that the builders who had completed the least within their mortgage amounts had hired more subcon-

tractors and/or bought more prefabricated components than the others.

4.1.3 Money Spent on Houses in Addition to
Mortgages

Co-op builders usually spent between \$1,000 and \$10,000 on their houses in addition to their mortgages. This is shown by the distributions in Table 4.4. The money spent for additional features on the houses generally came from savings (sometimes in the form of equity on a previously owned house or mobile home).

TABLE 4.4
MONEY SPENT ON CO-OP HOUSES IN ADDITION TO
MORTGAGES

Amount	Percent of builders	
	Moir Study (N= 25) 1974	Roach Study ¹ (N= 198) 1967-73
\$1,000	32	2
2,000	16	22
3,000	16	19
4,000	8	20
5,000	12	13
6,000	8	7
7,000	4	7
10,000	4	1
no response	-	9

Source: Moir (1976) and Roach (1974)

¹ The mortgages obtained by builders in the earlier Roach study were considerably lower than the AHOCF mortgages in Moir's.

4.2 COSTS OF AHOP/COOP RELATIVE TO PUBLIC HOUSING

A comparison of the capital costs and subsidies of co-operative and public housing projects in N.S. was presented by Roach (1974) based on the period 1966-72. (See Appendix A). The conclusions drawn from this comparison are summarized below.

1. Co-op housing is much less expensive, in terms of average mortgage loans than average capital costs for public housing family units.
2. Co-op housing has been more successful in terms of units constructed in the period 1967 - 1973 than has the public housing family unit program.
3. Public housing will result in enormous long-term subsidies while co-operative subsidies will not be as lengthy. Even when new subsidies are introduced, they will be phased out in 5 to 7½ years as incomes rise.
4. Families in public housing units generally move out if their income increases substantially, lower income families then move in. Families in co-op homes do not move unless it is the result of a work transfer. The pride of ownership is an important factor in co-operative housing.
5. Family income is lower in public housing than in co-operative housing. A progressive subsidy for co-op builders might help many public housing families to move into homes of their own. The capital costs would be a lot less and the subsidy required would be substantially less.

Comparisons similar to that made by Roach (1974) have also been made between AHOP in general and public housing. In Dennis and Fish (1972), it was concluded that it is cheaper for government to use AHOP than public or non-profit housing, even for low-income households. Lithwick (1978) came to the same conclusion by comparing the subsidy costs (hypothetical) of public housing with the amount of grant and IRL available under AHOP in 1976. He concluded that AHOP costs only one-half as much as public housing, largely because it puts the costs of maintenance and

operation onto the homeowner. For example, if a household with an income of \$7,500 has more than a 50 percent probability of entering public housing, it would be cheaper for government to use AHOP.

4.3 CONCLUSION

It was shown in this chapter that co-op dwellings cost less than privately purchased dwellings or other NHA single-detached dwellings. Savings are generated by builders who contribute sweat equity. Co-op dwellings, however, cannot always be completed within the mortgage amounts provided under AHOP/COOP. But usually, this is explained by the fact that many builders chose to include in their dwellings, additional features which could be paid through savings.

The COOP/AHOP program was also shown to have cost advantages over public housing. This is done simply by providing mortgage loans with minimum subsidies and/or grants, and making the program recipients responsible for the maintenance and operation of their dwellings. At the same time, it gives program recipients the opportunity to acquire a dwelling that meets family needs. They have the advantages associated with homeownership.

CHAPTER FIVE

OTHER ASPECTS OF AHOP/COOP

Two issues of importance to building co-operatives are briefly discussed in this section. These are related to construction quality and to the aspects of co-operation and self-help.

5.1 CONSTRUCTION QUALITY

The evidence obtained does not permit a precise comparison of construction quality between co-operatively built and contractor built dwellings. However, a crude measure was obtained by Moir who interviewed real estate employees who had experience in appraising and selling both types of housing in the Halifax area. The consensus of opinion was that co-operatively built dwellings are equal in quality to that of contractor built units in that some are good and some are bad. It was stated that some co-ops homes are improperly built because they don't have the know how. Simultaneously, some contractors' units are built cheaply to increase profits. Whereas shoddy craftsmanship is sometimes concealed by well finished facades in contractor built dwellings, construction standards required are sometimes exceeded by co-op builders, for example, by improving insulation to reduce heating costs. Such factors are likely to affect the market value of the dwellings, especially if their appearance is emphasized.

5.2 CO-OPERATION VERSUS SELF HELP

Co-operation among group members

There appears to be little co-operation among group members to help each other during the construction phase as was done in the earlier co-operatives. A diversity of opinions exists among group members with respect to the amount of co-operation observed in their respective group as indicated below (Table 5.1).

TABLE 5.1

AMOUNT OF CO-OPERATION AMONG CO-OP GROUP
MEMBERS

Amount of Co-operation	Percent of Builders	
	New Brunswick 1974-75	Nova Scotia 1967-73
Very much or A great deal	10 -	- 17
Some	35	30
Very little	37	29
None at all	18	24

Source: Gaudet (1978) and Roach (1974)

There is a difference of opinions among builders with respect to the amount of co-operation that there should be between group members. Fifty-five percent of the builders in the Roach study (1974) felt that there should be considerable co-operation among the members during construction, whereas 27% were of the opposing view. Some builders were disappointed with the lack of mutual-aid because they had anticipated group members to help each other (Moir 1976). Others had a different perspective of co-operative building. Many builders relied upon experienced friends or relatives to help them and would have considered it an imposition to ask them to help the rest of their group as well. Some groups agreed to co-operate in the heaviest work involved in construction whereas others decided that each member would build entirely on his own, for various reasons.

Self-help

The co-op program has grown to attract numerous applicants who entered as individuals, rather than as members of a group. Many builders referred to a sense of accomplishment which was acquired as they

succeeded in building their own home. They adhere to the concept of self-help with its emphasis upon self-reliance, self-sufficiency and on the nuclear family as the self-help unit.

5.3 CONCLUSION

AHOP/COOP dwellings should not be discredited because of their quality since they appear to have relatively the same standards as contractor built dwellings. The issue of co-operation versus self-help remains present but it apparently can be resolved by the builders themselves. However, they need to be well informed, and such matters should be discussed early in the project, taking each case into consideration.

APPENDIX A

CO-OP HOUSING vs. PUBLIC HOUSING

A comparison between public housing family units and co-operative housing from 1966 to 1972 provides us with some interesting information.

- (a) More co-operative units were built in the Sydney and Halifax-Dartmouth-Sackville areas than public housing family units in the same time period. (1,748 co-op units versus 950 public housing family units.)
- (b) Total mortgage loans for co-operative housing were greater (because of the fact that more co-op units were built) than capital costs for public housing family units (\$22,085,500 for co-op vs. \$17,930,634 for public housing). Average mortgage loan per unit for co-operative housing was less (\$12,634.73 per unit of co-op housing versus \$18,874.35 per family unit of public housing).
- (c) The total subsidy for all public housing family unit projects built in this period in Sydney, Halifax and Dartmouth is enormous. Extended over its 50 year term, the subsidy totals \$66,207,800.
- (d) A pilot project was begun in the co-op housing program in 1971; this involves a commitment to subsidize mortgages of people in the \$3,500 - \$5,000 income range. Initially, the program was limited to a maximum of 200 units. It is a small experiment (only 32 subsidized mortgages are under repayment as of this time at an average monthly subsidy of \$32.64) and is designed to work itself out over a short period of time with periodic income reviews. Statistics Canada has projected that the average Canadian family income of \$7,671 in 1973 will reach \$11,500 in 1978; \$14,600 in 1981, and \$16,225 in 1983.

See Appendix C.

Under the Nova Scotia subsidized co-op program the subsidy is shared 75 per cent - 25 per cent by the federal and provincial governments. Because the experiment is small, and at this time the results are uncertain, it was decided that it not be examined for the purposes of the study.

APPENDIX A (Cont'd)

The following chart shows in detail units, capital costs and subsidies for public housing family units and mortgage amount for co-op units in Halifax and Sydney, 1967 - 1972. Details on the particular public housing projects are tabulated on the following page.

One must note that the mortgage loan figures for co-op units do not take into account the value of the individual's labour and the savings that he invests.

APPENDIX A.1

CO-OP HOUSING IN NOVA SCOTIA

TABLE A.1 COSTS OF CO-OP HOUSING VS PUBLIC HOUSING
(1967 - 72)

HALIFAX AREA

	Public Housing Sect. 40, 1967-1972	Co-op Housing Sect. 40, 1967-1972
Number of units	542	1,292
Total capital costs (public housing) and mortgage loans (co-op housing)	\$ 9,546,146	\$16,984,500
Average capital costs (public housing) per unit; and mortgage loans (co-op housing) per unit	\$ 17,612	\$ 13,145
Total subsidy (50 year term)	\$35,098,200	*

SYDNEY AREA

	Public Housing Sect. 40, 1966-1972	Co-op Housing Sect. 40, 1966-1972
Number of units	408	456
Total capital costs (public housing) and mortgage loans (co-op housing)	\$ 8,384,488	\$5,101,000
Average capital costs (public housing) per unit; and mortgage loans (co-op housing) per unit	\$ 20,550	\$ 11,186
Total subsidy (50 year term)	\$31,109,600	*

SYDNEY-HALIFAX COMBINED

	Public Housing Sect. 40, 1966-1972	Co-op Housing Sect. 40, 1966-1972
Number of units	950	1,748
Total capital costs (public housing) and mortgage loans (co-op housing)	\$17,930,634	\$22,085,500
Average capital costs (public housing) per unit; and mortgage loans (co-op housing) per unit	\$ 18,874	\$ 12,634
Total subsidy (50 year term)	\$66,207,800	*

* Pilot project begun in 1971 allocated 200 subsidized co-op units for the province. At this time 32 subsidized mortgages are on repayment with an average subsidy of \$32.64 per unit per month.

SOURCE: Roach (1974), pp. 13-14

APPENDIX B

SASKATCHEWAN CO-OPERATIVE HOME BUILDING PROGRAM
1976 - 1977

In 1975, the Province of Saskatchewan operated a program similar to the Assisted Homeownership Co-operative Program (AHOC) which is known to the Maritime provinces. With changes introduced to the AHO program in 1976, the province wouldn't comply with the Interest Reduction Loan. Instead, it now operates the Co-operative House Building Program which is basically the same as AHOP except that the province stocks up to \$500 onto the federal subsidy. Very few families get the maximum provincial subsidy.

Production Review

The summary table presented below (Table B.1) gives the production figures of the Co-operative House Building Program in Saskatchewan for the years 1976 and 1977. It shows an increase in production over the year 1975 when the province operated under AHOP/COOP.

TABLE B.1

SASKATCHEWAN CO-OPERATIVE HOUSE BUILDING PROGRAM
PRODUCTION FIGURES, (1976-77)

Year	No. of Projects	No. of Units	Av. Mtge Amount	Av. Gross Income	Av. Mtl Assistance Fed.	Assistance Prov.	Total
1976	41	310	\$32,804	\$13,063	\$117.71	\$6.93 ¹	\$124.64
1977	21	117	\$35,597	\$15,160	\$ 78.81	\$8.73 ²	\$ 87.54

¹ 72 applicants with provincial assistance

² 41 applicants with provincial assistance averaging \$24.91.

Socio-Economic Characteristics of Program Recipients

There appears to be a basic similarity between the Saskatchewan co-operative builders and the New Brunswick and Nova Scotia Builders with respect to their

socio-economic characteristics. As shown in Table B.2, the majority of the Saskatchewan builders (66%) are between the ages of 20 and 30 years. They are generally married and have a few children, 1 or 2 per family is most common -(Table B.3 and B.4). However, more families without children have acquired a dwelling under the Saskatchewan program than under the AHOCF still operating in N.B. and N.S.

TABLE B.2
AGE DISTRIBUTION OF HOUSEHOLD HEAD:
SASKATCHEWAN (1976-77)

	<u>Percentage of Co-op Builders</u>					Total
	Under 20	20-24	25-29	30-34	35 & over	
1976	6.1	38.1	28.1	10.1	17.7	310
1977	6.0	37.6	28.2	10.3	17.9	117

TABLE B.3
MARITAL STATUS OF HOUSEHOLD HEAD:
SASKATCHEWAN (1976-77)

	<u>Percentage of Co-op Builders</u>		Total
	Married	Single Parents	
1976	98.1	1.9	310
1977	98.3	1.7	117

TABLE B.4
NUMBER OF CHILDREN PER HOUSEHOLD
SASKATCHEWAN (1976-77)

	<u>Percentage of Co-op Builders with Child.</u>				Total
	0	1	2	3 plus	
1976	23.9	31.9	33.9	10.3	310
1977	23.9	31.6	34.2	10.3	117

The income distribution of the Saskatchewan co-operative families (Table B.5) appears to be similar to that of the New Brunswick and Nova Scotia builders (Table 8). The income level of the Saskatchewan builders in 1976 and 1977 was higher than the income level of the N.B. and the N.S. builders in 1975. This merely reflects the inflation rate as indicated by comparing the average income of co-op builders in Saskatchewan for the years 1975, 1976 and 1977, i.e., \$10,132, 13,063 and \$15,160 respectively.

TABLE B.5
FAMILY GROSS INCOME DISTRIBUTION
OF SASKATCHEWAN CO-OP BUILDERS
(1976-77)

Gross Income Level \$	Saskatchewan Co-operative Builders			
	1976		1977	
	Number	Percent	Number	Percent
Under 9,999	79	25.5	6	5.1
10,000-11,999	99	31.9	22	18.8
12,000-13,999	64	20.6	22	18.8
14,000-15,999	34	11.0	18	15.4
16,000-17,999	15	4.8	16	13.7
18,000-19,999	13	4.2	22	18.8
20,000 plus	6	1.9	11	9.4
	<u>310</u>		<u>117</u>	

Costs

Details on co-operative house construction costs for the centres of Regina and Assiniboia are shown below (Table B.6). It gives an outlook on the land and construction costs per unit as a proportion of the total unit cost.

TABLE B.6
CO-OPERATIVE HOUSE BUILDING COST SUMMARY:
REGINA AND ASSINIBOIA (1976)

Centre	Land Cost	Const. Cost	Other	Unit Cost	Const. Cost Per Sq. Ft.
Regina	\$8,000	\$26,400	\$1,700	\$36,100	\$25.78
Assiniboia	\$6,200	\$26,400	\$1,700	\$34,300	\$25.78

APPENDIX C

NEWFOUNDLAND HOME BUILDING PROGRAM,
SECTION 40 AHOP

The province of Newfoundland still operates a home building program under Section 40 AHOP, Program 1 (i.e., the 1974 agreement). The 1977 summary data is presented in Table C.1.

TABLE C.1
NEWFOUNDLAND HOME BUILDING PROGRAM 1:
PRODUCTION FIGURES (1977)

No. of units	Total Project Cost	Av. Family Income	Av. No. of Dependents	Av. Mtly Sub. Federal Prov.
284	\$7,851,000	\$12,212	2.3	\$16.17* \$5.39*

* Only 4 out of the 284 recipients obtained a federal provincial subsidy.

Family Income

As shown in Table C.2, the family income of the Newfoundland owner-builders under Section 40 AHOP, Program 1, appears to be high comparatively to the other provinces (Table 8 and 41). The Newfoundland builders had the highest average income in 1977.

TABLE C.2
FAMILY INCOME DISTRIBUTION OF NEWFOUNDLAND
BUILDERS (1977)

	Income Category						
	Under \$9,999	\$10,000- \$11,999	\$12,000- \$13,999	\$14,000- \$15,999	\$16,000-18,000- \$17,999 19,999	\$20,000 & over	
Nfld Builders (%)	33.8	22.1	15.3	12.8	6.8	4.3	5.0

Number of Children

The majority of the Newfoundland builders in 1977 had between one and three children as shown in Table C.3. They have slightly more children per household than the co-op builders from the other provinces (Table 4 and 40).

TABLE C.3

NUMBER OF CHILDREN PER HOUSEHOLD FOR
NEWFOUNDLAND BUILDERS (1977)

	0	1	2	3	4	5	6 plus
Newfoundland Builders (%)	5.6	17.3	27.8	30.6	8.8	6.3	3.2

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