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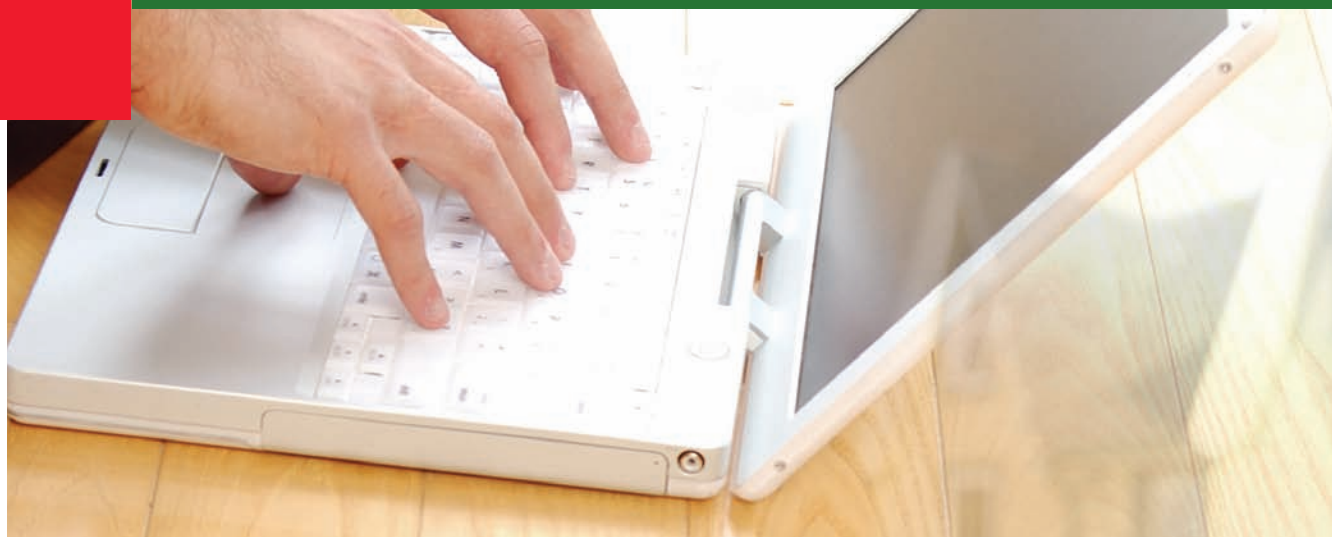

Alternative Methods of Financing Non-Profit Senior Citizens' Housing

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ALTERNATIVE METHODS OF FINANCING NON-PROFIT SENIOR CITIZENS' HOUSING

December 1984

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This project was carried out with the assistance of a grant from Canada Mortgage and Housing Corporation, under the terms of the External Research Program. The views expressed are those of the authors, and do not represent the official views of the Corporation.

ALTERATIVE METHODS OF FINANCING NON-PROFIT SENIOR CITIZENS' HOUSING

This paper proposes the creation of additional affordable retirement accommodation for Canadians through new non-profit projects in which seniors can financially participate in the capital funding. The benefits for the large numbers of senior households, who currently own fully paid-for houses, in retaining a financial involvement in their housing is explored and demonstrated, as is the expected financial viability of such projects.

An examination is made of the nature of the need and demand for retirement housing in Canada, the resources of Canadian seniors, and the nature of existing seniors' housing, both through social housing programs, entrepreneurial undertakings, and the resident-financed seniors' housing projects in both Canada and the United States.

Based on surveys and statistical data, as well as the experience in the United States, the expected response of Canadian senior citizens to the concept of contributing capital to their retirement housing is projected.

An examination of the favourable and unfavourable features of the alternative legal methods of accomplishing such housing in Canada, with a particular emphasis on Ontario as a sample case.

The basic elements of a program created through Canada Mortgage and Housing Corporation are proposed, as an extension to the existing Social Housing Program.

An additional benefit is the resulting increased availability of federal funds to meet the needs of poorer seniors, while meeting the housing needs and aspirations of Canadian seniors of various incomes and would-be sponsoring non-profit groups.

Such a financing method would be in keeping with The Honourable Michael Wilson's report "Agenda for Economic Renewal", issued as a background to his financial statement, which identified the interest in programs designed to "ensure that those receiving federal housing assistance are truly in need of such assistance."

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ALTERNATIVE METHODS OF FINANCING NON-PROFIT SENIOR CITIZENS HOUSING

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ALTERNATIVE METHODS OF FINANCING NON-PROFIT SENIOR CITIZENS HOUSING

INTRODUCTION

Almost three-quarters of Canadian households own houses at the time their members reach retirement age. As a major vehicle in which families accumulate their savings, virtually all of these homes, at this stage in their owners' lives, are debt free. Nevertheless, senior citizens' projects, both in the entrepreneurial and non-profit sectors have, with few exceptions, provided only rental accommodation. The few Canadian projects which have enabled seniors to have financial participation in housing which fills their retirement needs, and the numerous examples in the United States, have demonstrated the interest seniors have in alternatives to conventional rental housing.

Numerous non-profit groups have utilized C.M.H.C. programs to build apartment- style housing for independent seniors. These caring communities usually have long waiting lists, and while they fill definite needs in the community, they utilize substantial amounts of federal subsidy.

A new non-profit program should be developed to utilize seniors' own equity, which is or was embedded in their houses, to create new housing, within the context of a caring community. This would allow subsidies to flow more specifically to truly needy senior households.

The elements of a new housing program largely based on seniors' own resources exist now. These elements, (a) need and demand, (b) the ability of sizable numbers to afford the housing, and (c) a large number of interested sponsors, are present. Unlike family housing, where affordability is as great a concern as supply, many seniors have resources. A program has only to create the supply of appropriate housing with a suitable type of tenure, in order to allow a more accurate targeting of subsidy dollars to seniors of limited means.

1.0 RESIDENT-FINANCED SENIOR' CITIZENS HOUSING

The term 'resident-financed' has been used to refer to any method of a senior acquiring the use of a dwelling unit, by means of paying an amount to cover the capital cost of that unit. An ongoing fee is paid, which covers the operating costs, such as heat, realty taxes, and maintenance. Within this definition, a variety of tenure types are possible and will be reviewed in detail. Each of these forms of tenure has different characteristics in legal structure, participation in management, and methods of resale of the units.

Such structures can have benefits to both the non-profit sponsor and the tenant. The sponsor does not have to arrange long-term financing, or apply for federal subsidies for the non-low-income portion of its units. The seniors can enjoy the long-term use of their new unit, having completely eliminated the cost of financing from their monthly expenses, which often comprises the largest portion of their housing costs, even with a 56.1 subsidy.

For the purposes of this study, we have remained within the non-profit seniors context. Most of the forms of tenure explored are currently used in the entrepreneurial real estate sector for holding property and/or distributing tax benefits.

2.0 OBJECTIVES AND DEFINITIONS

2.1 OBJECTIVES

Six specific objectives are appropriate for feasible and desirable alternate financing methods. These objectives relate to the need for seniors' housing and the recognition that the housing for, seniors must provide more than mere accommodation; seniors projects built under existing and earlier federal programs have created communities which are desirable for more than their physical structure.

The objectives to which a program would be directed, and the criteria by which it would be judged are two-fold. One part includes the aspects of the success of the projects with regards to funding, financing, and organizational issues. The other would be its success in the seniors' marketplace, in being able to serve a range of needs, and being accepted by the target market.

(a) FINANCIAL AND LEGAL STRUCTURES FOR EQUITY SENIORS' HOUSING

The primary objective is to propose and develop feasible financial and legal structures which will be effective in utilizing the equity embedded in the housing stock currently occupied by Canadian seniors in the development of new senior citizens' accommodations in Canada. Other possible financing methods are included as comparisons, and for the prospects of using them, in combination with resident-financed units, in creating projects of broad appeal.

(b) INCREASE AVAILABLE SENIORS' HOUSING ALTERNATIVES

To expand the housing options for seniors so as to provide living alternatives not currently within C.M.H.C. or entrepreneurial options. Current programs are justifiably oriented toward the creation of modest housing, which has been in demand by even very affluent individuals.

(c) RETENTION OF SENIORS' EQUITY IN HOUSING

To provide for the retention of equity by seniors in their dwelling places, while at the same time providing housing for themselves and others.

(d) PROTECTION OF SENIORS FROM INFLATION

As an extension of (c), to help protect seniors from inflation. This concern relates to both wealthy and poor seniors, who often see their savings eroded by inflation. The 85 year-old, who retired in 1964, has seen his or her savings reduced in purchasing power to about a quarter of

what he or she had originally. Housing has been a traditional inflation shelter for Canadians, and as such should be available to seniors.

(e) OPTIMIZE USE OF GOVERNMENT SUBSIDIES

To reduce demand on federal subsidies which support the development and operation of seniors' housing projects, thereby allowing greater amounts of appropriate housing to be produced. Available subsidies could more specifically provide accommodation for seniors of limited income and assets. Limitations in the federal budget dictate that the existing social housing programs cannot meet all the needs and demands. If possible these federal funds should be directed to providing housing to those who have severe income and asset limitations, while less expensive programs create incentives and opportunities for non-profit groups to produce other housing units for those who do not have such a need for subsidization.

(f) QUALITY OF ENVIRONMENT

To provide a quality of environment which accommodates people of varying income levels. One of the major successes of C.M.H.C.'s recent social housing programs has been the mixing of low-income individuals with the general population, totally removing the stigma of assisted accommodation. This should be continued in any new program. As well, the ethnic, religious, and community groups which sponsor private non-profit projects, do so out of a sense of mission, and as a consequence,
demand quality,
and want to provide the most appropriate setting. Retaining the best features of existing non-profit participation is a most desired objective; it is these concerned people who change mere housing into 'caring communities.'

2.2 DEFINITIONS

Many terms are widely used in the seniors and the real estate fields, but require some definition and clarification as to their exact meanings for our purposes.

Control

This term has been used to describe the ability of a non-profit sponsor to guide a seniors' project by management decision making and choice of tenants.

Entrepreneurial

This term is used to describe the privately-owned, for-profit housing market sector. The term "privately-owned", although commonly used, lacks clarity, as it does include the stock of housing owned by religious, ethnic, or community groups. Such housing can be "privately-owned" but is also non-profit.

Low End of Market

Low End of Market, or L.E.M., refers to the rent which one would pay for an adequate, but modest apartment in any specified community. L.E.M rent is variously seen as the high end of the old (rent-controlled) housing universe, or the low-end of the new (non-rent-controlled) universe. When we refer to L.E.M. rents it will refer to a rental level which a senior household would consider paying for an average, acceptable-quality rental unit in the same area.

Model

A model is a theoretical statistical application of a concept on a specific factual situation.

Non-Profit: Private

A private non-profit is a registered non-profit entity, which can develop and/or manage a housing project. These typically represent religious, ethnic, or community groups, interested in producing housing for ethical reasons, as opposed to making a profit.

Project

A project is a physical facility designed for the accommodation of senior citizens.

Rent-Geared-to-Income (R.G.I.)

This is housing which is made available to individuals at a rent which is calculated as a proportion of a tenant's income.

Resident-Financed Project

A resident-financed project uses a senior citizen's equity to build a project, in which the senior receives the exclusive right to live in a specified part of the project, and to use access and services ancillary thereto. Condominium projects are the most familiar example of resident- financed projects.

Senior Individual

A senior is a person over the age of 65. A senior couple includes at least one person over age 65. A further subdivision by age and physical/ mental health is necessary. Most individuals aged 65-70 are an active part of their community, and tend not to experience failing health, except in the case of previously existing health problems. Ages 70 to 80 see many seniors fail, and a large proportion of the female population experience widowhood. Over age 80, the survivors tend to conform more to the popular concept of the senior, and tend to experience health concerns, and decreasing mobility. These three groups can be classed as the young senior, the middle-aged senior, and the old senior, although many individuals do not conform to such a model.

3.0 NEED AND DEMAND

3.1. CHANGING NEEDS

A dramatic change in the nature of appropriate housing for seniors has occurred in the past twenty-five years. This is demonstrated by the declining demand for residential care (room, board, and limited nursing care), as is provided in many Homes for the Aged built through the 1960's. These facilities, which once faced a large demand, now have turned to the provision of higher levels of care and creative marketing techniques to remain fully occupied. Seniors of the 1980's guard their independence and privacy, until they face the need for heavy care, and must surrender their freedom. Neverthless, seniors are expressing a need for supportive housing of a different type. This expression of need is demonstrated by the fact that most well located seniors' projects offering full apartments, a level of available services, and a sense of community, have long waiting lists.

3.2 DECLINE OF THE MULTI-GENERATIONAL FAMILY

It has been estimated that in the predominantly agricultural society of 1900 in North America, sixty percent of all seniors lived with their children. Through the twentieth century this number has declined; in the United States it was as high as eighteen percent as late as 1970, while by 1978 it was estimated at nine percent.

3.3 INDEPENDENCE

There are numerous signs that the decline in the numbers of seniors living with their children was a result of a desire for independence by seniors, and not as a result of neglect. The fact that seniors did live with their children could reflect the absence of suitable seniors' accommodation earlier in the century, or of inadequate resources to obtain any other type of housing.

In a 1981 survey carried out in the Waterloo region of Ontario, by the Eastwood Community, a Mennonite group interested in developing a non-profit seniors housing project, 421 senior households, of a wide range of ethnic, religious, and social backgrounds, of whom 68% were homeowners, responded to a questionnaire which asked for a response to the comment "My next move will be to:"

The group's characteristics were as follows:

Size of Household
- 41.6% were individuals
- 58.4% were couples

Current Accommodation

Single family house	68%
Duplex or town house	6%
2 Bedroom apartment	11%
1 Bedroom apartment	12%
Bachelor apartment	1%
Other	3%

Never used health or homemaker services 95%

Age Distribution

	Male	Female	Total
less than 64	2.4%	10.4%	12.8%
65-69	8.6	16.1	24.7
70-74	10.6	18.9	29.5
75-79	9.0	12.1	21.1
80-84	2.6	4.8	7.4
85+	1.7	2.8	4.5
Total	34.9%	65.1%	100.0%

The responses available and the selections were:

	Percentage	Number of Households
a 2 bedroom apartment	49.5%	208
a 1 bedroom apartment	23.5%	99
a bachelor apartment	.7%	3
a home for the aged (room & board)	11.3%	48
a nursing care facility	5.6%	24
I'll never move	3.7%	15
Other	5.6%	24

The aspirations of this large group of seniors is clearly expressed. Fully 73.7 percent anticipated ultimately moving into apartment accommodation. Almost half of the total group identified a two bedroom unit as being most desirable. Hostel-style accommodation (homes for the aged, rest homes, and nursing homes, which provide a minimum of personal space) accounted for 16.9 percent of the responses, however many of these, particularly the nursing home responses, might be interpreted as a willingness to move only when a substantial amount of care is required, and remaining in a house is impossible.

Until recently, most seniors'accommodations were built with semi-private and ward accommodation with common toilet and bathing facilities. In the 1980's other housing alternatives exist for seniors, and the older institutional-style facilities face rejection by healthy seniors. Most such facilities do remain full, usually by marketing efforts, or by increasing the level of care provided to the residents. There is nothing unusual about this situation.

As may be seen in the Eastwood group, seniors are only aspiring to what the general population expects as a minimum. Few younger people would accept shared accommodation on a permanent basis with anyone but their spouse.

A correlation between the propensity to move, and the age of the senior is clear in the various questionnaires analysed. Generally, individuals in the 70- 75 age group have a considerable acceptance of the idea of moving to a retirement community, while those in their eighties have already consciously or unconsciously made the decision to remain in their home until they are forced to move because of failing health. A seventy-two year old is more able to cope with the tasks of moving to an apartment, such as selling the home and downsizing the household. The eighty-five year old will regard these tasks with much greater anxiety.

Surveys done in two south-west Ontario towns (Aylmer and Parkhill), show the difference in demand for units between the homeowner and the non-homeowner. Responses were obtained from a total of 166 households. Of the 72 responses which indicated an interest in moving into the respective proposed 56.1 seniors' apartment projects, 55 were home-owners, and 17 rented or lived with family.

The results were as follows:

	Type of Unit Preferred	
	1 Bedroom	2 Bedroom
Homeowner	20	34
Other	13	4

Of the homeowners, 61.8 percent indicated that they would prefer a two bedroom unit, while 23.5 percent of the non-homeowners preferred this option. Many of the non-homeowners have apparently previously made the decision and taken the action to reduce their households, so relocating to the proposed project may be a second retirement move.

3.4 NEED FOR SENSE OF COMMUNITY

Within the context of independence, there is an awareness of the need to be part of a community of individuals with common interests. A balance has to be struck between the much valued privacy and independence, and human relations, communications, and community. This is the limitation of the methods available to keep the senior in his or her home. Most seniors who move into the newer retirement facilities do it, not because it is a surrendering of independence, but because it allows freedom for an increasing burden of home-ownership, or because they can become part of an active community which shares their values and interests, or they see it as a retreat from a

markedly changed world of haste, traffic, and inflation. As we have noted, seniors tend to move into retirement apartments in their early seventies. Once they are in their eighties they have elected their housing option.

3.5 ANALYSIS OF EXISTING HOUSING CONSUMPTION BY SENIORS

SENIORS' DEMANDS

Many houses in which seniors live are no longer suitable for them, being too large (the "empty nest"), difficult to maintain, or too costly. The joy of homeownership has been replaced by the burden of caring for house and garden. With decreased mobility, at times, the multiple storeys of pre-war housing are impractical.

There is a decreasing demand for facilities offering hostel-type accommodation without full nursing care. Large numbers of such charitable facilities, which prior to the 1980's could select among a number of applicants, now are accepting individuals requiring increasing amounts of care, and are attempting to attract well seniors through conscious marketing efforts, (usually through their church or community constituency), something which would never have been contemplated more than a decade ago. On the other hand, facilities which have apartments with or without services have a typical strong demand. For example, a project in a middle-sized Ontario town was visited which was situated across a street from a private entrepreneurial apartment building. The project visited was an entrepreneurial seniors' apartment complex with no services included in the base rent, and only minimal services available. The rents at the seniors' building were over $200.00 per month more than at the conventional apartment building. Both projects were full at the time of visiting.

In taking reservations prior to opening a new non-profit project in central Toronto offering apartments and limited care facilities, the administration expressed a concern about no-shows and what the initial vacancy rate for the seniors' apartments would be. On opening day, all seventy people with reservations appeared to sign a lease. This same complex at the present time has a 6 month to 1 year waiting list for apartments.

There is no doubt that there is a high demand for these facilities with apartments in contrast to the low demand for hostel-type projects. This difference will be accentuated by the change in the population of seniors in the years to come.

3.6 STATISTICAL IMPACT OF SENIORS

Note must be made of the anticipated rapid increase in the numbers of senior citizens over the next half century. It is well recognized that their numbers will grow more quickly than any other group in the Canadian population. Statistics Canada's estimates to 2011 show that the proportion of seniors will grow from 9.5 percent at the time of the 1981 Census to 13.1 percent in 2011, an increase of from 2.3 million in 1981 to 3.86 million in 2011. On the average, therefore, over this period, the ranks of senior citizens will grow by 52,000 per year yet, even by 2011, the largest increases in the numbers of seniors seeking appropriate housing will not be felt; the baby-boomer born in 1950 will pass age 70 in 2020.

Forecasts broken down by age groups within the senior population show that the numbers of individuals aged 65-74 will increase very rapidly after 1991, even in comparison with other growing groups of seniors.

The exact number of units needed specifically for seniors is subject to considerable uncertainty. Currently, over 85 percent of seniors live in general market accommodation. In light of the demand faced by projects offering apartment-style units in desirable locations, it may be assumed that if there were more units available, the proportion of seniors in 'family' housing would decrease. Over the next thirty years, over a million new senior households will be considering their choice of housing alternatives.

EXHIBIT 3-1
The Canadian Senior Population

Total numbers: 1981 2.30 million
2011 3.86 million

Year	Population 65+ (millions)	Households 65+ (millions)	Apartments Required	Annual New Seniors' Apts. Required
1976	2.00	1.200	376,000	
1981	2.30	1.380	432,000	11,200
1986	2.59	1.554	486,000	10,800
1991	2.97	1.782	558,000	14,400
1996	3.23	1.938	607,000	9,800
2001	3.39	2.034	637,000	6,000
2011	3.86	2.316	725,000	8,800

As may be noted, approximately 31.3 percent of senior households live in apartments. Hence, an indication of the numbers of senior apartment units that are required annually may be obtained, as is shown in Exhibit 3-1.[1] Between the 56.1 program inception in 1978 and the end of 1981, 26,199 seniors' units were authorized through the Private Non-Profit Program of C.M.H.C., while number of new units required was approximately 44,800.

3.7 THE RESOURCES OF SENIORS

One of the traditional images of senior citizens is that of the poor female senior, with only a meagre pension income. While many seniors do have limited resources, many others are able to afford a comfortable standard of living. An analysis of both U.S. and Canadian data indicates that there are decreasing numbers of poor seniors in the population.

Although available statistics have been used in this analysis, discussions with administrators of seniors' facilities, lead to the conclusion that the figures for both incomes and assets of seniors are understated between twenty and thirty-five percent. There are a number of reasons for this. Seniors are generally suspicious of surveys, particularly those conducted by government bodies, including Statistics Canada. It is not uncommon for seniors to lend money to their children for such things as the purchase of a house, and not report the interest income for tax purposes. Hence, they actually do have something to hide, particularly from the government. As well as actual misrepresentation, concerns over succession duties are still present, even though these no longer exist, and sizable assets are often turned over to children. Similarly, seniors are often concerned that in order to qualify for various types of assistance, including that of non-profit housing, they must have few assets, so again turn them over to children. (Even though the additional amounts are small now, any of the changes currently being discussed for the universality of social assistance to seniors in the future may validate past misrepresentations and exacerbate this problem in the future). House values are substantially understated because most senior home-owners have lived in one location for more than ten years. Hence, their assessment of the value of their own home, as reported to Statistics Canada, is likely to be considerably lower than its actual resale value.

3.7.1 Income Analysis of Seniors

In 1970 24.5% of the American population over age 65 was below their defined poverty level, in contrast to 12.6 percent of the total population. By 1977 this had declined to 14.1% for seniors and 11.6% for all individuals. In Canada, an analysis of incomes shows that in 1961, seniors had a mean income of 68.5% of the Canadian average, while by 1981 it had risen to 72.2% of the Canadian average. Over the twenty year period, average senior incomes rose 5.63 times, somewhat greater than the 5.35 times recorded for the total population, although this ratio shows significant fluctuations from year to year.

Exhibit 3-2 shows the percentage distribution of families by income (after tax) by Age of head of household in 1981 in Canada and the average income by age of head of household in 1981.[2] An examination of these figures illustrates that although seniors average incomes are less than the average of all incomes (and that a greater percentage of seniors than the general population are in the lower income categories) the average income of those over 65 years of age are quite comparable to other age groups when it is considered that at these advanced ages there are (hopefully) no children to support, few major capital acquisitions being made (cottages, houses, and cars), their housing costs are low due to the elimination of mortgage debt, and lifestyle changes do not require the costs incurred by younger people in raising families and working every day.

EXHIBIT 3-2

Percentage Distribution of Families by Income After Tax and by Age of Head of Household
1981 Census

AFTER TAX INCOME	ALL AGE GROUPS	65-69	70+
< 5000	2.1	1.9	1.5
5000-6999	2.3	3.3	2.3
7000-9999	5.4	12.2	16.3
10000-11999	5.0	12.1	21.2
12000-14999	7.4	14.6	16.1
15000-16999	5.8	7.3	8.2
17000-17999	3.1	3.9	2.6
18000-19999	6.2	5.5	5.0
20000-21999	6.4	5.3	4.4
22000-24999	10.1	6.7	5.7
25000-29999	14.8	8.4	6.3
30000-34999	11.1	5.7	3.7
35000+	20.3	13.1	6.6
Average Income After Tax	25,747	20,553	17,285

Average Income By Age, 1981

All	< 24	25-34	35-44	45-54	55-64	65-69	70+
25,747	18,531	23,917	28,189	30,960	27,207	20,553	17,285

Exhibit 3-3 is a chart showing the percentages of unattached individuals in the entire Canadian population in 1981 [3] which fall into each income category and the percentages of seniors who fall into these same categories. In addition, the average income (after tax) of unattached individuals in 1981 is shown by age category and

again seniors are seen to be comparable with young people and the average of all such individuals when the lessened costs of retirement are taken into account.

EXHIBIT 3-3

Percentage Distribution of Unattached Individuals by Age and by Income After Tax
1981 Census

AFTER TAX INCOME	ALL AGE GROUPS	65-69	70+
< 2000	4.1	0.9	0.0
2000-2999	2.2	1.6	1.0
3000-3999	4.3	3.2	2.4
4000-4999	5.4	5.0	6.7
5000-6999	20.5	38.8	49.8
7000-9999	15.2	20.3	17.7
10000-11999	8.6	7.7	6.8
12000-14999	12.0	7.4	6.2
15000-19999	14.5	5.2	4.6
20000+	13.1	9.9	4.7

Average After Tax Income By Age Group

ALL	<24	25-34	35-44	45-54	55-64	65-69	70+
11,553	9,861	14,407	15,778	13,490	10,803	9,866	8,499

Exhibits 3-4 and 3-5 show the same percentage distributions of incomes (after tax) by age of head of household for families and unattached individuals in 1972.[4] Exhibit 3-6 shows the same percentage distributions for both families and unattached individuals for the year 1976.[5]

EXHIBIT 3-4

Percentage Distribution of Families by Income After Tax and By Age of Head of HouseHold
Statistics Canada 1972

Income After Tax	Families						
	All	<24	25-34	35-44	45-54	55-64	65+
<2000	3.1	6.5	2.7	1.9	2.4	3.1	5.3
2000-2999	3.9	6.8	3.0	1.7	3.1	3.4	10.0
3000-3999	6.1	5.5	3.5	3.5	3.9	5.3	20.8
4000-4999	5.8	9.9	4.0	4.1	3.5	7.1	12.3
5000-5999	6.4	12.5	6.5	4.9	3.4	7.9	9.7
6000-6999	7.9	12.6	7.3	6.9	7.5	9.4	7.6
7000-7999	8.4	10.0	11.5	7.7	6.7	8.3	6.1
8000-8999	9.3	10.5	12.1	9.5	8.6	8.3	5.8
9000-9999	9.4	10.2	12.0	11.3	8.1	8.4	4.0
10000-11999	14.7	9.4	17.7	18.2	16.0	12.4	6.1
12000-14999	12.4	5.2	13.0	16.6	16.6	11.8	4.9
15000-19999	8.1	0.9	5.1	9.3	13.8	8.6	4.2
20000-24999	2.5	0.0	1.0	2.4	3.6	4.5	2.2
25000+	1.5	0.0	0.5	2.0	2.9	1.6	1.0
Average Inc. After Tax	9,550	6,821	9,152	10,524	11,114	9.813	6,776

EXHIBIT 3-5

Percentage Distribution of Unattached Individuals by Age and By Income After Tax
Statistics Canada 1972

AFTER TAX INCOME	ALL	<24	25-34	35-44	45-54	55-64	65+
<1000	11.8	20.0	6.8	9.4	10.2	17.4	6.2
1000-1499	6.1	7.0	2.7	4.4	7.9	10.9	4.7
1500-1999	15.3	9.9	3.3	3.0	5.8	9.3	37.6
2000-2999	15.7	16.9	8.2	5.2	8.9	13.4	26.2
3000-3999	11.1	15.7	9.3	10.0	9.1	10.7	9.6
4000-4999	10.4	12.4	14.8	8+1	12.4	10.7	5.7
5000-5999	9.3	8.9	14.5	11.9	13.9	11.0	2.9
6000-6999	7.2	6.0	14.1	13.2	10.7	6.0	1.5
7000-7999	4.8	2.3	11.1	10.0	7.2	3.8	1.2
8000-8999	2.3	0.6	4.7	4.4	2.9	2.1	1.7
9000-9999	2.5	0.0	6.3	6.5	5.3	1.4	0.4
10000-11999	1.6	0.3	2.1	7.8	2.2	1.3	0.5
12000-14999	1.1	0.0	1.3	3.1	2.3	1.4	0.6
15000+	0.9	0.1	0.7	2.9	1.1	0.6	1.2
Average Income After Tax	3,910	2,958	5.330	5,968	4,839	3,765	2,951

EXHIBIT 3-6
Percentage Distribution of Income for Families
and Unattached Individuals
Statistics Canada 1976

FAMILIES

After Tax Income	All	Age of Head of Household 65+
<3000	2.6	1.8
3000-4999	4.9	13.4
5000-6999	7.9	26.3
7000-8999	7.9	14.3
9000-10999	8.5	10.6
11000-11999	4.9	4.4
12000-12999	4.8	3.6
13000-13999	5.9	3.1
14000-14999	5.2	2.8
15000-15999	5.1	2.0
16000-16999	4.8	3.1
17000-17999	4.6	1.8
18000-19999	8.0	3.2
20000-21999	6.2	2.4
22000-24999	7.0	2.2
25000+	12.4	5.0
Average Inc. After Tax	15,993	10,730
Sample Size	9,801	1,284

UNATTACHED INDIVIDUALS

After Tax Income	All	65+ Years of Age
<1000	5.1	1.0
1000-1499	1.5	1.0
1500-1999	3.8	7.7
2000-2999	14.7	27.6
3000-3999	13.2	26.5
4000-4999	8.8	11.5
5000-5999	6.6	6.6
6000-6999	8.3	4.1
7000-7999	6.5	3.0
8000-8999	6.0	3.0
9000-9999	5.1	1.6
10000-11999	8.3	2.4
12000-14999	6.5	1.9
15000+	5.6	2.9
Average Inc.	6,676	4,780
Sample Size	2,833	864

A comparison of the 1972, 1976 and 1981 percentage distributions of income among age groups of both heads of household and unattached individuals shows a steady increase in the percentage of seniors in the upper income catgories for both heads of households and unattached individuals.

In addition to the increase in percentages of seniors in higher income groups from 1972 to 1981, the size and nature of that increase should be considered. For example, almost half (48.5%) of unattached individuals aged 65+ had less than $2,000 after tax income in 1972, while by 1976 less than a tenth (9.7%) of the 65+ category were earning less than $2,000 after tax. By 1981, there are no unattached individuals in the 70+ category earning less than $2,000 after tax, and less than a hundredth (0.9%) of the 65 to 69 age category is earning less than $2,000 after tax.

Two other points should be noted about this changing distribution of income among the seniors' population;

a) The peaks of income in 1976 and 1981 occur at levels significantly higher than calculations using the Consumer Price Index for the 1972 to 1981 period would create (for a 1972 base year), and,

b) the peaks of income, by income categories, are not as tall and slender in 1976 and 1981 as they are in 1972, indicating a greater spreading of the later incomes (already noted to be higher than even CPI calculations would indicate) amongst a greater cross-section of the seniors' population rather than having almost half the unattached seniors with less than $2,000 after tax income as occurred in 1972.

Comparison of graphs of this shift in after tax incomes to show peaks in progressive years in broader shapes and at higher income levels are not useful because of the different size of income categories within each table (e.g. Exhibit 3-5 has income categories in $500, $1,000, $2,000 and $3,000 sizes) and from table to table (e.g. Exhibit 3-5 has 3 categories of income less than $2,000 while Exhibit 3-3 has only one such category covering all three of the Exhibit 3-5 categories. Furthermore, the 1972 and 1976 data are for the 65+ age category but the 1981 data are broken down into the 70+ and 65 to 69 years of age categories).

Despite the failure of graphs of these data to be useful for comparative purposes, the comments on the placing and shape of income peaks are readily apparent in the above-noted tables and indicate a general increase in the after tax incomes of seniors. A majority of seniors are now in an income category which allows many more of them in 1981 to have enough income to make a choice as to what type of housing they will occupy.

3.7.2 Analysis of Home Ownership and Wealth of Seniors

Most studies of seniors ignore the equity most families accumulate in their homes. The role of CMHC in ensuring that most Canadians own homes, has been most successful. Exhibit 3-7 shows the level of house and condominium ownership in 1981 by province, for seniors as compared with ownership in the general population.[6] Fully 57.1 percent of Canadian households over age 65 owned homes, a figure which ranges from a high of 87% in Newfoundland, to a low of 42.5% in Quebec.

This level of homeownership among seniors reflects the general level of homeownership in each province. The figures indicate the apparent desirability of homeownership, at least compared to existing alternatives, for even among households with a head over age 75, over half continue to own homes. This age group contains many sick, frail, and institutionalized individuals, as well as those for whom maintenance and management is making ownership of a house less desirable.

While house prices are subject to fluctuation, long-term ownership of a dwelling unit, in contrast to short term speculation, has been generally rewarding. Even in such a dynamic location as Calgary (Bonavista) which experienced an unprecedented increase in prices between 1979 and 1982,

Exhibit 3-7

HOME OWNERSHIP LEVELS IN CANADA BY AGE OF HOUSEHOLD HEAD AND PROVINCE

PROVINCE	Total Households	Own Condominium	Own House or Condo.	% Owner	Percent Condo. Owner
Canada					
Total	8281530.00	171090.00	4970840.00	62.09	2.07
65-74	908805.00	17900.00	582660.00	66.08	1.97
75+	486570.00	7405.00	270575.00	57.13	1.52
Nfld					
T	148420.00	175.00	119520.00	80.65	0.12
65-74	16670.00	5.00	14795.00	88.78	0.03
75+	6555.00	0.00	5700.00	86.96	0.00
PEI					
T	37650.00	45.00	28455.00	75.70	0.12
65-74	5310.00	5.00	4125.00	77.78	0.09
75+	3205.00	5.00	2175.00	68.02	0.16
N S					
T	273195.00	1530.00	193780.00	71.49	0.56
65-74	36205.00	245.00	28035.00	78.11	0.68
75+	20130.00	50.00	14585.00	72.70	0.25
N B					
T	214920.00	370.00	157310.00	73.37	0.17
65-74	26835.00	35.00	20800.00	77.64	0.13
75+	14530.00	30.00	10050.00	69.37	0.21
Quebec					
T	2172855.00	13325.00	1144105.00	53.27	0.61
65-74	219480.00	1220.00	109765.00	50.57	0.56
75+	97635.00	440.00	41050.00	42.50	0.45
Ontario					
T	2969785.00	99820.00	1779130.00	63.27	3.36
65-74	332705.00	8440.00	213300.00	66.65	2.54
75+	187095.00	2865.00	103825.00	57.02	1.53
Man					
T	357985.00	2040.00	233545.00	65.81	0.57
65-74	47410.00	395.00	33390.00	71.26	0.83
75+	29085.00	200.00	16095.00	56.03	0.69
Sask					
T	332710.00	1325.00	241185.00	72.89	0.40
65-74	45000.00	180.00	36140.00	80.71	0.40
75+	28560.00	85.00	20465.00	71.95	0.30
Alberta					
T	758245.00	19875.00	458340.00	63.07	2.62
65-74	62600.00	955.00	46040.00	75.07	1.53
75+	34775.00	335.00	23300.00	67.97	0.96
B C					
T	996640.00	32540.00	608905.00	64.36	3.26
65-74	115760.00	6415.00	75885.00	71.10	5.54
75+	64650.00	3395.00	33150.00	56.53	5.25
Yukon					
T	7585.00	25.00	3975.00	52.74	0.33
65-74	325.00	0.00	205.00	63.08	0.00
75+	135.00	0.00	65.00	48.15	0.00
N W T					
T	11530.00	15.00	2600.00	22.68	0.13
65-74	510.00	0.00	180.00	35.29	0.00
75+	205.00	0.00	110.00	53.66	0.00

Source: 1981 Canada Census

followed by a dramatic fall in the 1982 recession, the average sale price of a two storey detached house was $176,000 in mid 1984, a substantial increase from $118,000 in mid 1977. This represents an average annual increase of 5.9 %. [7]

Hence the paradox of the income poor and asset rich senior is not unexpected. The widow who lives in a large home, may, after paying realty taxes, utilities, and maintenance, be unable to devote adequate funds to food and clothing.

Exhibit 3-8 shows, in the spring of 1977, the percentage distribution of home-owning families and unattached individuals by age of head of household with estimated market value of the home.[8] It is interesting to note that there was a very high incidence of home ownership in this category and that even in the higher market value categories the 65+ figures are quite comparable to those of the total population (and quite close to those of the under 35 years of age category.)

In addition, the 55 to 64 years of age category should be examined to see the situation of persons at the point of entry into retirement rather than considering only the over 65 categories. The over 65 category is a very mixed group, which includes those who have sold homes, become frail and institutionalized and exposed to inflation, as well as those who are uncertain about the value of their dwelling, or are unwilling to reveal it. The 55 to 64 category shows the highest incidence of home ownership of any category and very nearly the highest average equity in housing of any category.

Thus, Exhibit 3-8 shows, in 1977, a very high incidence of ownership of an asset with an average equity of $34,576 for the over 65 category and an even higher incidence of equity of $43,533 for the 55 to 64 category. In comparison, the development cost of a modest, resident-financed unit in 1977 would have been less than $30,000.

EXHIBIT 3-8
Income, Assets and Indebtedness of Families in Canada
Percentage distribution of Home-Owning Families and Unattached Individuals by Age of Head with Estimated Market Value of Home

Statistics Canada Spring 1977.

All Areas	Age of Head of Household					
Est. Market Value of Home	<35	35-44	45-54	55-64	65+	Total
<2500	1.1	1.4	1.5	2.0	2.1	1.6
2500-7499	3.0	2.7	2.4	3.9	6.9	3.7
7500-12499	4.5	3.9	4.09	6.8	9.1	5.5
12500-22499	10.4	9.6	10.0	13.3	15.8	11.6
22500-32499	15.2	12.7	14.3	15.7	15.7	14.7
32500-42499	18.9	18.6	15.2	14.2	19.1	17.3
42500-57499	29.1	19.8	19.3	18.8	15.8	21.0
57500-77499	12.9	20.3	19.7	14.3	10.5	15.6
77500-97499	2.3	6.5	7.1	3.5	3.0	4.5
97500+	2.5	4.5	6.3	7.3	2.1	4.4
Incidence of Home Ownership	12.2	52.9	72.7	74.4	70.4	62.6
Avg. Market Value	41,755	48,289	49,693	43,533	35,418	
Average Equity	21,706	34,902	41,940	40,276	34,576	

Exhibit 3-9 is a table showing the percentage composition of wealth of families and unattached individuals by age of head of household in Canada in 1977.[9] The divisions into which the wealth of each head of household or unattached individual was divided were:

(a) Miscellaneous net savings,
(b) Market value of passenger cars,
(c) Equity in home,
(d) Equity in all other Real Estate,
(e) Equity in business/farm/professional Interest.

Exhibit 3-9 shows the average wealth (assets less debt) for various age categories as it is distributed among the above-noted divisions of wealth. The low average wealth for the 65+ category can be at least partially explained by the inclusion of institutionalized individuals and the questionable valuation of seniors' home equity, as well as the ravages of inflation on their usual fixed-rate investments.

In any event, it is apparent that equity in the home constitutes almost one-half of all age categories' wealth and that the percentage for net savings is highest in the 55 to 64 and 65+ categories. As might be expected, the

percentage of wealth in equity from a business, farm, or professional interest is lowest in the 65+ category, but that percentage is still quite high for the 55 to 64 category where more individuals are still working.

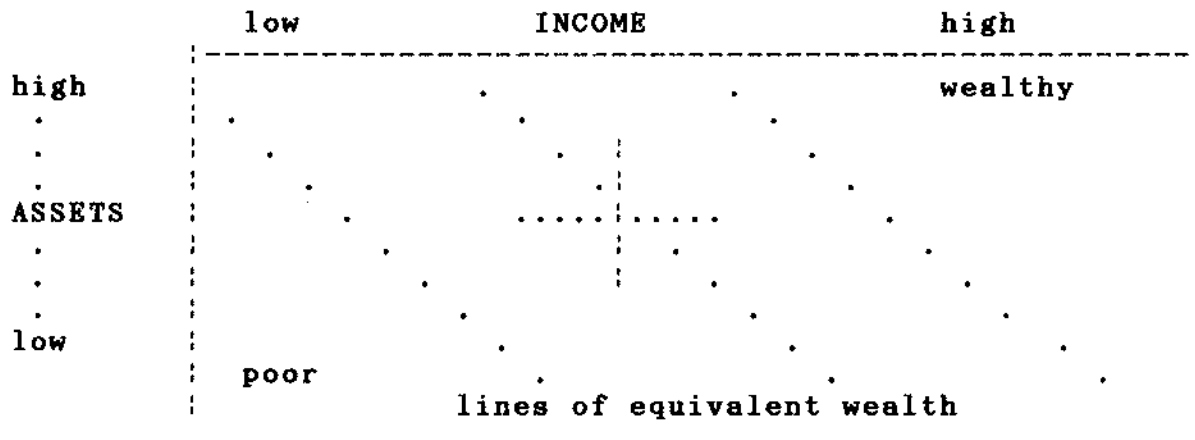
Exhibit 3-9
Percentage Composition of Wealth of Families and Unattached Individuals by Age of Head, Canada 1977.
Statistics Canada 1977

	Avg.Wealth	Misc. NetSvgs.	Mkt.Value Pass.Cars	Equity in home	Equity in all other RealEst.	Equity in Bus./ Farm/Prof Interest
<24	$5,466	-7.3	29.9	36.2	7.8	33.4
25-34	23,644	6.0	10.8	49.7	9.0	24.6
35-44	57,257	16.3	4.9	44.3	10.1	24.5
45-54	74,405	14.3	4.2	41.9	10.4	29.1
55-64	70,300	23.2	3.4	40.3	10.3	22.8
65+	47,074	33.2	2.6	46.0	8.9	9.2
Total	46,273	18.7	5.0	43.7	9.8	22.7

3.7.3 Distribution of the Combination of Income and Wealth Among Senior Citizens

Obviously, as well as considering income, any assessment of the resources of seniors must include their assets, particularly the invariably paid-for family home. The relative affluence of seniors must be viewed from two perspectives; income and assets. (Exhibit 3-10) Only the senior who has neither income nor assets, is truly poor.

EXHIBIT 3-10
ASSET / INCOME GRAPH



In the case of seniors, income alone is a limited method of assessing need; while there are many poor seniors who need assistance with affordable rental housing, a large group of seniors with savings embedded in their homes are well able

to use those savings for new, appropriate housing. The need is for a housing option which will appeal to these individuals and meet their needs and desires.

Exhibit 3-11 is a table showing the average income and wealth of families and unattached individuals in categories based on the age of the head of the household in Canada in 1977.[9]

It has already been noted, in 3.7.2., that there is reason to believe that the average wealth of $47,074 for the 65+ catgory is likely lower than the actual figure for non-institutionalized seniors who have obtained proper valuations of their property. But even using this undervalued estimate for wealth, the 65+ category had the highest wealth-to-income ratio of 5.47. This indicates even more strongly the importance to senior citizens of the equity in their homes when it is realized that the actual ratio is likely in the range of 7 or 8.

The importance of this equity for seniors living in their homes is magnified further by noting the 62.6% incidence of home ownership in the 65+ category and the 70.4% incidence of home ownership in the 55 to 64 category where the wealth to income ratio was also very high.

The other interesting statistic in Table 3-11 is the ratio of total debt to total assets and, as might be expected, it decreased to almost nothing in the 65+ category and was only 5.2% in the 55 to 64 category.

Exhibit 3-11

Average Income & Wealth of Families and Unattached Individuals by Age of Head, Canada 1977

Age of Head of House	Avg. Inc.	Avg. Wealth (Assets Less Debt)	Ratio of Wealth to Income	Incidence of Home Ownership	Incidence of Mortgage Indebtedness Among Home Owners	Ratio of Total debt to Total Assets
<24	$9,444	$5,466	.58	12.2	82.6	45.1
25-34	16,643	23,664	1.42	52.9	85.5	36.7
35-44	20,395	57,357	2.81	72.7	75.1	18.6
45-54	21,056	74,405	3.53	74.4	53.9	10.6
55-64	16,818	70-300	4.18	70.4	31.3	5.2
65+	8,604	47,074	5.47	62.6	9.7	1.8
TOTAL	15,849	46,273	2.92	59.6	54.0	15.1

3.8 SURVEY RESPONSES

3.8.1. Questionnaire and Distribution

An indication of the level of acceptance of the concept of pre-paying for a unit, was demonstrated in a survey carried out among the senior members of the Toronto Finnish-Canadian community by Suomi-Koti, a multi-denominational Finnish association which is interested in building seniors' housing.

A questionnaire was distributed and completed, mainly at the group's annual meeting in late March 1984. The seniors were asked to give information on a variety of housing-related issues. The question regarding their interest in resident-financed units read:

> If units for sale were available in Suomi-Koti, (in addition to the rental units) I would be interested in purchasing a unit at the following estimated prices, depending upon the unit design, and would prefer:
>
> | | | |
> |---|---|---|
> | Studio/Bachelor Unit | $45,000 | ( ) |
> | One Bedroom Unit | 59,000 | ( ) |
> | Two Bedroom Unit | 69,000 | ( ) |
> | Three Bedroom Unit | 81,000 | ( ) |
>
> Not Interested ( )
>
> If you were to purchase a unit, your monthly housing costs would only be for operating costs, utilities, and taxes (estimated at $170 per unit)

3.8.2. DATA FROM RETURNS

As the group is considering both seniors' and family housing, a number of young households responded to the survey. Analysis of the returns has been restricted to those interested households in which the youngest individual was aged 55 or over.

Significant points to be noted are:

> A total of 273 questionnaires were returned, of which 250 expressed an interest in seniors', as opposed to family, housing.
>
> 197 responses indicated an interest in moving into the project within 3 years of completion.
>
> 131 (66.5%) of the responses were from homeowners.
>
> 59 (29%) of the responses were from individuals who rented apartments or houses, or lived with relatives.
>
> 49 households indicated an interest in purchasing units

at the suggested prices, of whom all but 9 would also consider renting a unit.

DEMAND BY CURRENT TENURE

The breakdown between homeowners and renters regarding their interest in renting and/or buying units is noted in Exhibit 3-12. Of the 131 homeowners, 32.8 percent would buy a unit. Of the 118 homeowners who would rent a unit, 30.5 percent would also be interested in a purchase.

Exhibit 3-12
UNIT DEMAND BY CURRENT TENURE

		Rent Only	Rent or Buy	Buy Only	Unknown	Total
Homeowners	No	82	36	7	6	131
	%	62.5	27.5	5.3	4.6	100%
Renters	No	54	4	0	1	59
	%	91.5	6.8	0	1.7	100%
Unknown	No	3	0	2	2	7
Total		139	40	9	9	197

Exhibit 3-13 show the breakdown in numbers and percentages of the types of units desired by potential renters and potential purchasers.

Table 3-13
DEMAND BY UNIT TYPES PREFERRED

	RENTAL UNITS No.	RENTAL UNITS %	PURCHASED UNITS No.	PURCHASED UNITS %
Studio	23	12.8	7	14.2
1 Bedroom	119	66.5	19	38.8
2 Bedroom	37	20.7	21	42.5
3 Bedroom	-	0	2	4.1
Total	179	100%	49	100%

DEMAND BY AGE OF RESPONDENT HOUSEHOLD

The ages of the youngest individual in each household who responded positively to the alternative forms of tenure were as shown in Exhibit 3-14. In many cases it is the status of the youngest member of a couple which determines the desire for seniors' accommodation.

Exhibit 3-14
DEMAND BY AGE OF RESPONDENT HOUSEHOLD

	RENT ONLY		RENT OR BUY		BUY ONLY	UNKNOWN	TOTAL	
	No.	%	No	%	No.	No.	No.	%
55-59	10	7.1	4	10.0	0	0	14	7.1
60-64	14	10.1	10	25.0	0	1	25	12.7
65-69	33	23.7	10	25.0	2	1	46	23.3
70-74	29	20.8	9	22.5	0	1	38	19.3
75-79	23	16.5	3	7.5	2	2	30	15.2
80-84	24	17.3	4	10.0	1	0	29	14.7
85-89	4	2.9	0	0	0	1	5	25.4
90+	0	0	0	0	0	0	0	0
No Response	0	0	0	0	4	3	9	4.6
	139	100%	40	100%	9	9	197	100%

DEMAND BY INCOME

The income ranges of the individuals who responded positively to the alternative forms of tenure were as shown in Exhibit 3-15. The question regarding income was optional if the senior had enough resources to afford low-end-of-market rent for a rental unit, hence most of the 'no response' answers will reflect higher-income seniors.

Exhibit 3-15
DEMAND BY INCOME OF RESPONDENT HOUSEHOLD

Annual Income	RENT ONLY		RENT OR BUY		BUY ONLY	UNKNOWN	TOTAL	
	No.	%	No	%	No.	No.	No.	%
$0-5,000	16	11.5	4	10.0	0	0	20	10.1
5,000-10,000	58	41.7	8	20.0	2	0	68	34.5
10,000-15,000	23	16.5	12	30.0	0	2	37	18.8
15,000-20,000	8	5.7	3	7.5	0	0	11	5.6
20,000-25,000	1	.7	3	7.5	0	0	4	2.3
25,000-30,000	3	2.2	3	7.5	0	0	6	3.0
30,000 +	11	7.9	1	2.5	0	1	3	1.5
No Response	29	20.9	6	15.0	7	6	48	24.4
	139	100%	40	100%	9	9	197	100%

3.8.3. Characteristics of Survey Sample

The survey was carried out among the members of one ethnic group. Nevertheless, Finns are well integrated into Canadian society, do not live in any concentrations, and participate in a large number of trades, professions, and businesses. As well, this group represents a diversity of religious and political opinion, and a wide time span of immigration, from the time of the First World War to the 1970's.

Any survey carried out among members of a religious or ethnic group, has the aspect of trust between members of their own community. This might be expected in the case of many non-profit groups who might consider resident-financed housing, and may make the concept more accepted within their consitituency.

The individuals surveyed were already interested in moving into seniors' housing, hence the generally favourable response. However, this was always understood by the membership as being rental housing, built under Section 56.1 of the National Housing Act. No promotional work was done in explaining the resident-finance concept to the Finnish community.

The respondents are an urban group and are familiar with condominium-type ownership.

The question, for the sake of simplicity, related to purchasing a unit, probably implying a condominium title. While the response might be different in the case of a life-lease, the general concept of equity investment for seniors' housing on any basis is, in general, unfamiliar in Canada. In discussions held subsequently with the respondent seniors, the group found a high level of acceptance of other than condominium-type vehicles.

3.8.4. Interpretation

A considerable acceptance of the concept of unit ownership among these seniors was demonstrated. While most (70.6%) of the seniors who were interested in the project indicated that they would only rent an apartment, 22.3 percent of those who were interested, said they would consider either renting or buying a unit. The interest among those currently owning houses was, not unexpectedly, higher than among the renters. Of the 131 homeowners who expressed an interest in the project, 32.8 percent would consider either renting or purchasing. (Exhibit 3-12)

Exhibit 3-15 breaks down the responses by age groups. The potential renters are, as a group, approximately 5 years older than the potential purchasers, the mode being in the 70-74 age range, as opposed to the 65-69 age group for the purchasers. Typically, seniors between 70-74 do represent most of the tenants in a new rental seniors' apartment project. Nevertheless, the concept of 'purchasing' a unit was well accepted by households up to the 80-84 age grouping, where 17.2 percent indicated such an interest. All households in which the youngest member was over 85 and interested in the project would rent.

Exhibit 3-16 shows interest in renting or buying, by income group. While it might be assumed that potential purchasers would be wealthier than those who would only rent, as is supported by the responses, 28.5 percent of the people who would buy a unit indicated an income of under $10,000 per year, although, even within the Finnish group some

Exhibit 3-16

DISTRIBUTION OF DEMAND FOR RENTAL AND OWNED SENIORS HOUSING BY AGE

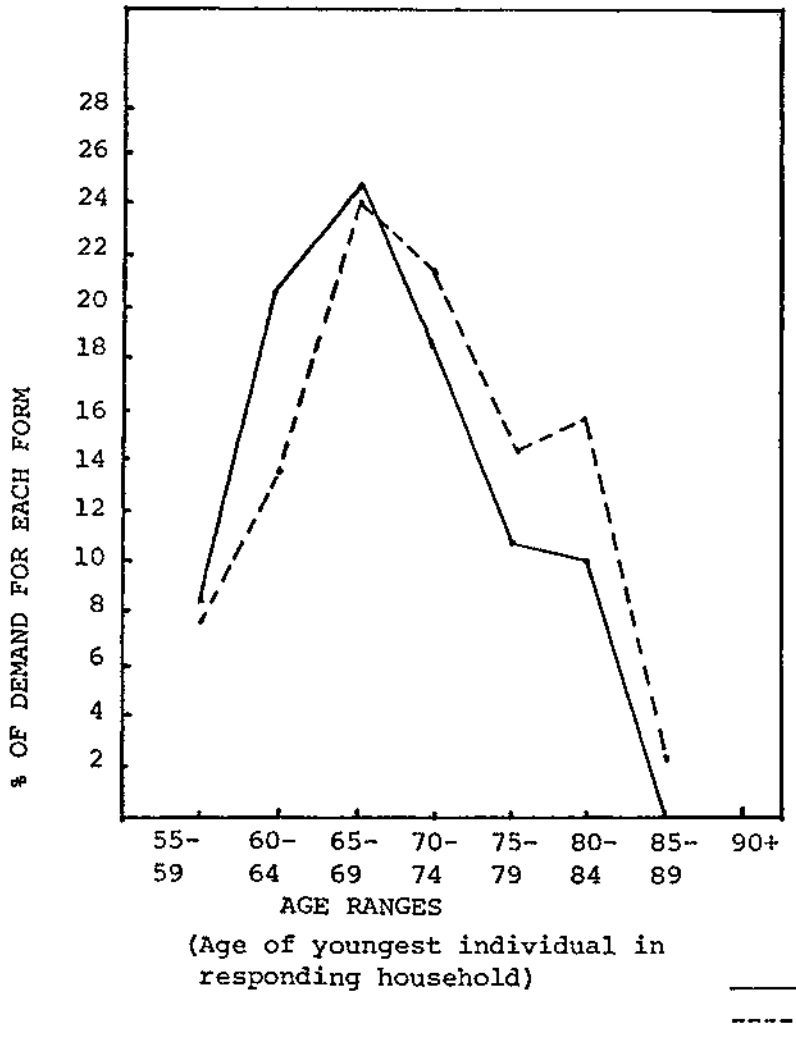
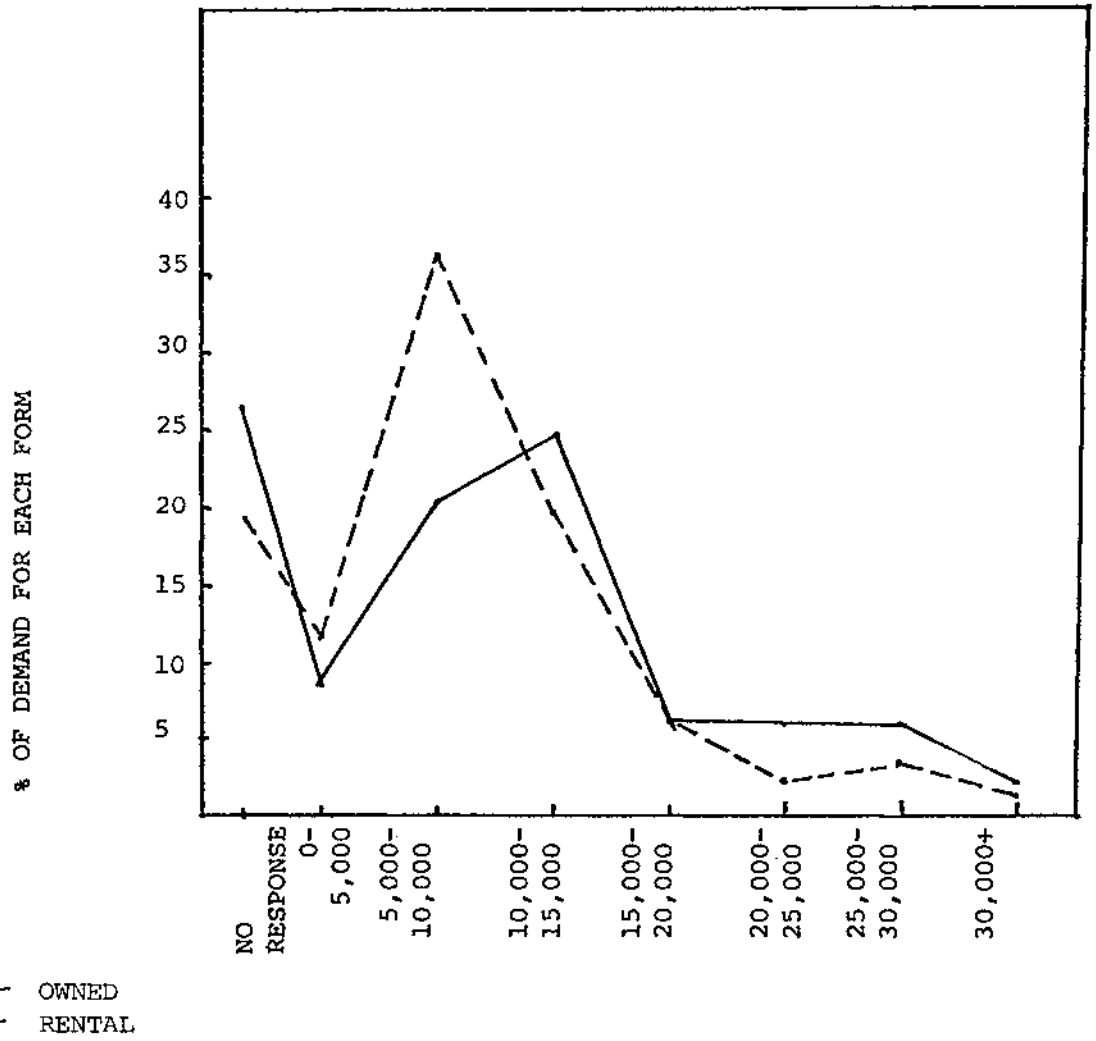


Exhibit 3-17

DISTRIBUTION OF DEMAND FOR RENTAL AND OWNED SENIORS HOUSING BY INCOME



OWNED

RENTAL

SOURCE: TORONTO FINNISH-CANADIAN SURVEY, 1984

EXHIBIT 3 -18
DEMAND BY UNIT TYPE FOR VARIOUS
AGE RANGES

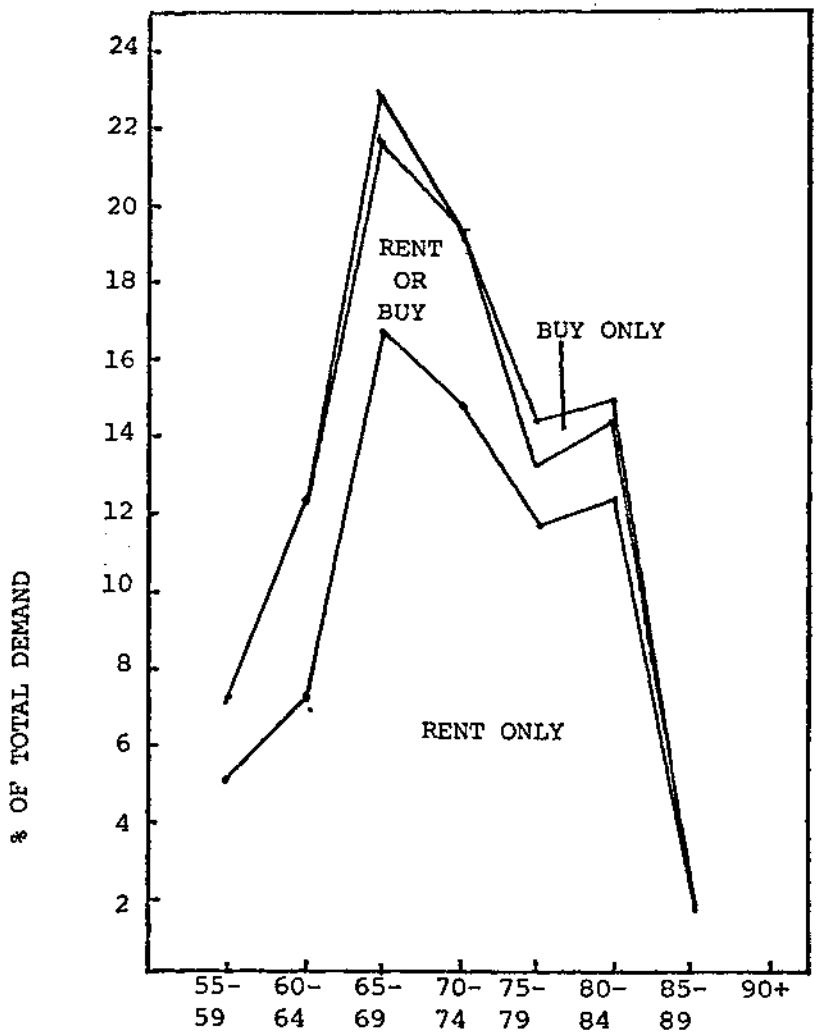
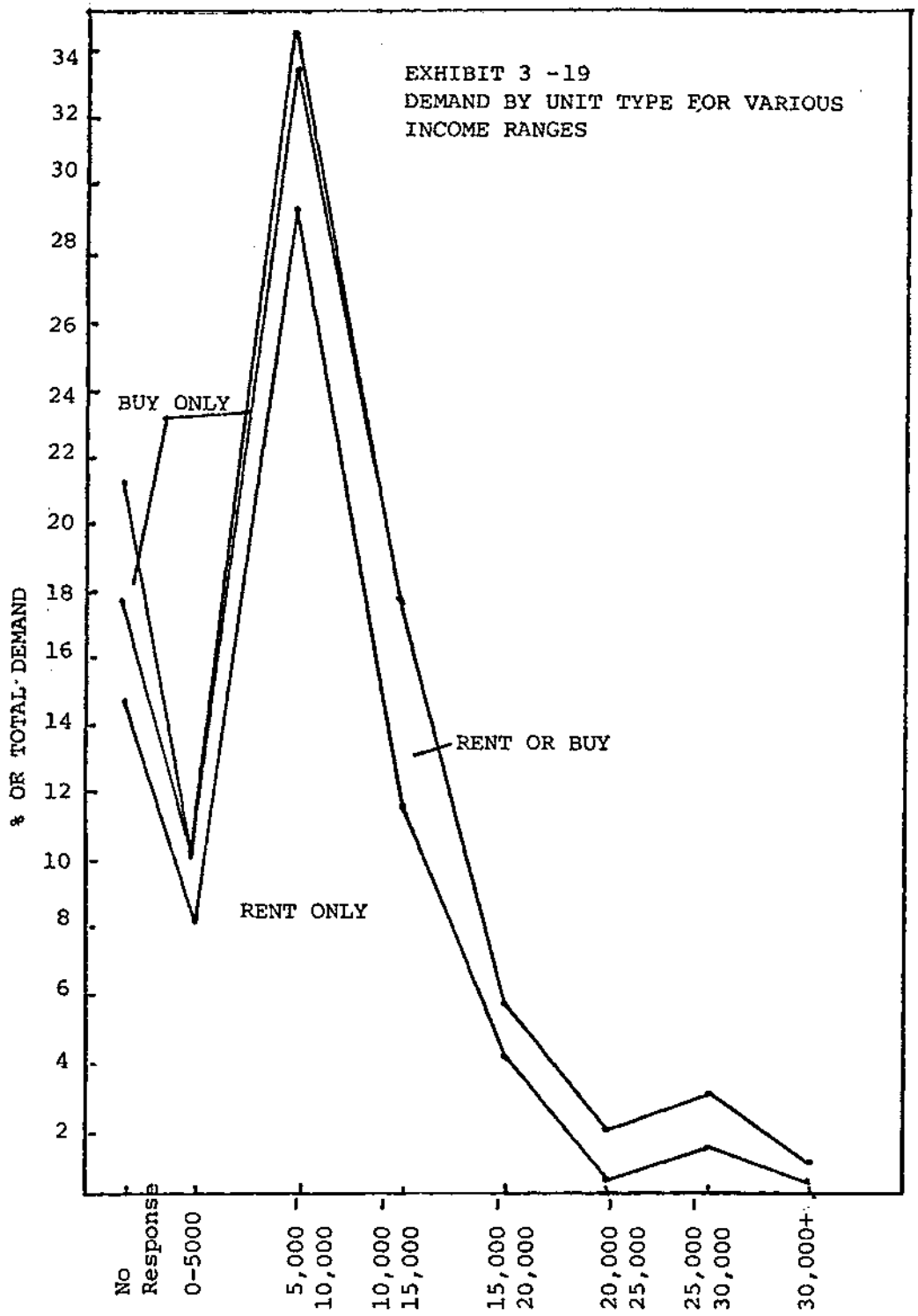


EXHIBIT 3 -19
DEMAND BY UNIT TYPE FOR VARIOUS
INCOME RANGES



withholding of income information is likely. The resident-financed concept appears not to be limited only to high-income individuals. Utilizing a guideline for establishing rent subsidies, where rent should not exceed 40% of gross income, approximately 35% of the households who would consider buying might qualify for rent-geared-to-income assistance, if they rented an apartment, depending upon how they were to deal with the proceeds derived from selling their houses. Not unexpectedly, the concept of purchasing units was more popular among the higher income seniors, although not restricted to this group.

The most important factor revealed in the survey is the implication that of the households who would move into a private non-profit rental unit in this proposed project, almost one-quarter of them, including many of those with limited incomes, would have a willingness to put their own funds into a unit, thereby not using the substantial federal subsidy which would apply to a new low-end-of-market rent unit.

3.9 SUMMARY OF NEED AND DEMAND

The need for changes in the manner of the provision of appropriate seniors' housing is being created by rapid change in the market environment.

The numbers of senior households will mushroom over the next thirty years, and an increasing proportion of them will be aspiring to a high quality of independent life. There is a current rejection of the older institutional-style housing options, and an increasing demand for apartment units in caring communities.

To date, the entrepreneurial sector has not attempted to fill the demand, and is showing few signs of becoming active. The apartment-style seniors' housing which is most in demand, continues to be created by non-profit organizations.

The rising numbers of seniors, especially with respect to the population of working age, is making the demand for accommodation increasingly difficult to fill by means of subsidized rental housing.

Survey information indicates an acceptance by many seniors of the concept of pre-paying for a housing unit.

4.0 EXISTING SENIORS HOUSING

4.1 HISTORICAL BACKGROUND

In seniors' housing there has been an evolution from the one-size-fits-all approach used earlier in the century, where seniors incapable of living alone, and who did not have the financial resources or family to provide support services, moved either to the nursing home, or to the welfare home. The additions to this system have been the private rest home, some of which are in the luxury class provided by the entrepreneurial sector, Homes for the Aged, and seniors apartments with various levels of services, as provided by the non-profit sector.

An increasing understanding of seniors' needs and aspirations has created the concept of the continuum of care, where a number of levels of services and care are available at one location, allowing seniors, as they become frail, to receive increasing levels of care, without leaving their circle of acquaintances and physical neighbourhood. These projects are also able to offer apartments with services on a partial or fully optional basis. This can allow seniors' to avoid moving to a care-oriented facility, as certain support services, such as housekeeping, limited nursing supervision, activities, or meals, are obtainable in their own units.

An entrepreneurial vehicle which has been well received by seniors is the residential condominium. Exhibit 3-7 shows that in Canada 1.8 percent of all senior households own a condominium. In Nova Scotia, Manitoba, and British Columbia, greater proportions of households aged 65 to 74 own condominiums than is the case for the general population. The care-free and ownership aspects of condominiums, apparently have made them popular among certain groups of seniors.

EXHIBIT 4-1
TYPES OF HOUSING AND CARE FACILITIES

Living Style	Sector / Program			
	Entrepreneurial	Charitable/ Municipal Home for the Aged	Non-Profit, Private or Municipal	Services/ Amenities
Independent	Condominiums			
	Conventional Apartments			Normal Apt. Amenities
			Non-Profit Apartments	Activity Programs Volunteer or Resident Run Part of a caring Community
			Serviced Apartments	Housekeeping, Meals Available Nursing Available
	Rooming Houses			
	Retirement Home	Residential Care	Hostel Units	Mandatory meals Limited nursing care included
	Rest Home			
	Nursing Home	Extended Care section	Nursing Home or section	1.5 - 3 hrs of nursing care per resident per day included.
Very Dependent (rooms & wards)			Chronic Hospital	Full meals & other services included

4.2 C.M.H.C. PROGRAMS

Programs for the creation of new affordable housing for Canadians, and housing for households with limited incomes have been developed by the federal government through Canada Mortgage and Housing Corporation. These programs have evolved as the needs of Canadians have changed, and to reflect the experience gained through sucessive programs.

(a) Section 15.1, National Housing Act

Support of housing created by non-profit groups dates back to the mid 1940s when C.M.H.C. first offered direct loans at lower than market interest rates. The National Housing Act Section 15.1 program commenced in 1973 and combined 100% direct C.M.H.C. loans at a fixed interest rate of 8 percent, amortized over 50 years, with a 10% forgiveness of

capital costs, and provincial rent reduction grants. Seniors' and family housing could be created by non-profit groups and offered at rents below market rents. The fixed interest rates ensured that rent increases could be held below the rate of inflation. Through the operating agreement signed between the project sponsor and C.M.H.C., low rents were encouraged, hence building maintenance frequently suffered. The 15.1 projects were seen as serving modest and moderate income groups; meeting the housing needs of the lowest income households was not a primary thrust of the program as originally designed, although the projects have tended to attract households of progressively lower incomes.

(b) Section 56.1, National Housing Act

In 1978 the Section 56.1 Program was made available to non-profit and co-operative sponsors, and addressed a number of shortcomings in the 15.1 Program, as well as those found in previous low-income public housing programs. Key aspects of Section 56.1 were the use of C.M.H.C. insured private mortgage financing in place of direct C.M.H.C. loans, and a mixing of income groups, both those with resources, and those for whom reduced rent was available on the basis of income testing.

The 1983 Section 56.1 Program Evaluation evaluated the success of the program in terms of achieving its original objectives.[10] It found that of the total of 66,757 units committed under the program prior to 1982, 39.3 percent, or 26,199 were designated for seniors, while the Section 56.1 Occupant Survey indicated that approximately 25.2 percent of all 56.1 units was actually occupied by a senior household. The Program Evaluation identified, in 1980, 92,000 rental households in Canada, making up 32.9 percent of all renting households with a head of age 70 or over, as being unable to afford adequate, uncrowded housing without paying more than 30 percent of gross income. More than one-fifth (20.7 percent) of senior households in 56.1 projects were found to be below the low income cut-off limit as defined by Statistics Canada's 1981 criteria. These 3,500 low-income senior households occupying 56.1 units authorized prior to the end of 1981, can be compared to the 92,000 seniors seen as having basic housing need related to affordability. This does not mean that the 56.1 seniors' housing units are not meeting a significant need; much of the need being filled relates to reasons of need other than that of affordability.

4.3 EXISTING RESIDENT-FINANCED PROJECTS

The 1983 Section 56.1 Program Evaluation related the results to the original program objectives. However, the program has caused a number of other effects in the seniors' housing industry.

One of these is the increasing number of would-be sponsoring groups which apply to the program, with property, fund-raising resources, and willingness, in communities which can demonstrate need frequently have to wait for three or four years to receive a unit allocation, if they receive one at all.

The Section 56.1 Program popularity comes from the following factors:

(a) The projects are generally of excellent quality, and the current operating agreements encourage proper building maintenance, and efficient operation. Thus the project is something in which the group can have pride.

(b) The project can accommodate seniors of all income levels, both the low income persons which most groups wish to serve for moral reasons, and the more affluent individuals who also need appropriate housing, in many cases especially those of the sponsor's own religion, ethnic group, or community. Thus, the sponsors can address what they see as the need, which is often somewhat different from the needs the Social Housing Program was designed to meet, especially with respect to seniors housing.

As a result of the limited number of non-profit units available, as well as philosophical or program concerns, a few groups have elected to use alternative means of financing projects. Certain church and ethnic associations have been able to raise enough money through donations to allow projects to be built with affordable rents. Five projects in Ontario have used the resident-financed method with varying results. Of the five projects, two have been major successes, two were ultimately re-financed by C.M.H.C. under the 56.1 program and converted to rental apartments, and one narrowly escaped financial failure. These projects were visited, and discussions held with their sponsors.

4.3.1. Existing Resident-Financed Projects in Ontario

The five existing Ontario projects can be summarized as follows:

(a) Each of these projects utilized a pre-paid lease scheme whereby a lump sum was paid on entry into the project and thereafter, a monthly fee for utilities, taxes, maintenance, and management, similar to a condominium fee, was paid by the residents.

(b) The pre-payments for 21 years-less-a-day for one-bedroom units ranged from $22,000 to $34,500 and for two-bedroom units ranged from $45,500 to $52,800.

(c) One of the leases promised the return of the full amount of the pre-payment at the termination of the lease while other leases provided for the return of some portion of the pre-payment on termination.

Example One

- $48,500 pre-payment for a lease with a twenty-one year, less a day term
- termination in year 1 of the lease, approximately $43,000 is returned ($450/month approx.)
- termination in year 2 of the lease, approximately $40,000 is returned ($360/month approx.)
- termination in year 20 of the lease, approximately $12,000 is returned ($152/month approx.)

Example 2

The part of pre-payment returned on termination is calculated as the proportion of the part of the lease occupied by the tenant before termination compared to the full term of the lease (21 years, less a day). If termination occurs in year two, nineteen-twentieths of the pre-payment would be returned.

(d) The size of the projects varied substantially, from 13 to over 200 units. Some projects had other types of units, such as residential care, but all the projects except one offered under 60 resident-financed units.

(e) Each project was sponsored by a group with religious affiliations and the project was developed and operated by private non-profit corporations.

(f) All of these projects were built before the 1983 amendments to the Planning Act of Ontario and thus each of these projects utilized a pre-paid lease tenure scheme with various undesirable features. These features included a 21 year-less-a-day term of such pre-paid lease after which the senior could lose his or her unit or clauses which would have made the lease partially or totally unenforceable. The lease for one project had a disclaimer as to the clause covering the term of the lease and the legally invalid renewal conditions.

g) There was no constant range of the proportion of the numbers of one-bedroom and two-bedroom units in these projects. One project had 11 one-bedroom units and 2 two-bedroom units while another had 12 one-bedroom units and 30 two-bedroom units. It was indicated by their sponsors that the two-bedroom units were preferred by most seniors.

h) There was no apparent difference in marketability between the projects, with respect to type of access to care facilities promised, but the proximity of care facilities was viewed as a big asset compared to other projects without such facilities.

i) The largest two projects have residential facilities on the same site and the resident-financed portions are viewed as one component of a full continuum of care. One of the projects made provision for a priority for admission to the care facility for residents of the resident-financed portion of the project but the other project made no such provision in its lease (although there was an intention expressed verbally to have such a priority of admission for occupants of resident-financed units).

j) Three of the five resident-financed projects had financial difficulties and two of them were eventually re-financed as Section 56.1 projects by C.M.H.C. One of the projects had a problem created by building what was undoubtedly an excessive number of units in a small town. In the same small town a well-known developer built a conventional rental 30 unit apartment building but was only able to lease half the units and incurred a substantial loss in disposing of the building. In contrast, the resident-financed project now existing in that town is completely occupied with a waiting list, due at least in part to the acceptance of the types of tenure offered at that project, i.e. pre-paid lease scheme for some units in addition to monthly rental units.

All three projects which experienced financial difficulties had severe marketing problems. The marketing problems of one project, which over-built in a small town, were solved in the long run by having a new board member, a clergyman at the head of the organization, inspiring a greater degree of trust by the seniors, as well as a timely large testamentary gift which arrived when the project was on the brink of failure. However, the marketing problems of the two other financially troubled projects were caused by senior citizens' suspicions of well-intentioned businessmen running the non-profit project. The necessary amount of trust by senior citizens' was never acquired by these projects and they had to be re-financed.

In contrast, the two most successful projects inspired a great degree of trust in their religious constituency and were characterized by well-designed promotional activities as part of an over-all non-profit marketing plan.

k) Representatives of each project indicated that the physical and financial aspects of each project were found highly desirable by seniors and when the two projects had to be re-financed, the tenants in the resident-finaced units strongly indicated their preference to not change their form of tenure.

1) Two other projects were identified which have utilized a resident-financed method in the past for seniors' housing. One, eventually, after twenty years of operation, discovered that the units no longer had to be "sold", but could be rented at a very modest level. It used a pre-paid lease, with the unit totally reverting to the sponsor at the death of the resident. In the religious context in which this was operated, it worked quite well. The other project was a co-operative housing project sponsored by an ethnic group. The sponsor was unable to control the resale of the units, hence the project evolved, over a number of years, into family housing.

4.3.2 Resident-Financed Projects in the United States

As all of the Ontario projects identified indicated that they had received their inspiration from the United States, it is necessary to look at American resident- financed projects. As in Canada, resident-financed projects in the United States are not easily isolated through a single trade association. Also as in Canada, these projects usually fall under general business and non-profit law, although in fourteen states various degrees of legislation do exist.

4.3.2.1 The American Situation

The most significant difference between Canada and the United States is that American projects, usually called 'Continuing Care Retirement Communities' (C.C.R.C.), attempt to address the need to finance long-term nursing care for the residents. Unlike Canadian seniors, those in the United States are not covered by a universal health care scheme which covers nursing-level care costs. Such care, in a ward situation in Ontario, costs, in total including the health insured portion, is currently $16,231 annually, and $21,177 for a private room. an amount which few people could pay for long, without some form of assistance. Therefore American resident-financed projects are seen, both by sponsor and tenant, as a way of providing both independent apartment accommodation and a form of insurance to cover possible nursing care costs. Hence, while the American experience can provide useful insights, it is inappropriate to transfer their methods, unchanged, to Canada.

4.3.2.2 American Projects

The resident-financed format is popular in the United States. In a comprehensive examination of the industry Winklevoss and Powell, identified an increasing number of projects being created, rising from approximately 50 per year in the early 1960's to 185 in 1982.[11] Moreover, these projects are large by Canadian standards, with an average

of 165 independent living units, in combination with care facilities, giving a total average project population of 245.

4.3.2.3 American Project and Lease Formats

There is no consistency among the contract terms of American projects, except the basic form of document. No reference to a C.C.R.C. offering tenure except by pre-paid lease was located. This lease format is of value because, unlike other vehicles it can be used to provide non-real-estate benefits, such as the access to care. In fact, 97.6% of the projects surveyed by Winklevoss and Powell guaranteed access to some form of nursing care. In contrast, only one of the Ontario projects did so.

As the American leases relate to health care, their financial aspects are substantially different than the Ontario projects. A typical American C.C.R.C. agreement provides that a sum of between $25,000 and $100,000, approximately the cost of building the apartment unit, is paid as an entrance fee, with an ongoing monthly fee. Winklevoss and Powell found an average monthly fee of $562. for a single individual and $815. for a couple. These are very high for apartment-style accommodation; typical monthly operating costs in a Canadian seniors' apartment project are $180 to 220 per month (excluding financing costs), but no less than 54 percent of the projects surveyed by Winklevoss and Powell indicated no increase in monthly fee, should nursing care be required. Not only does the senior resident pay for his nursing care through the disappearance of his or her entrance fee, but in fact prepays through the monthly payments. This promise of possible nursing care, if required, apparently justifies to many American seniors the very high monthly cost.

A change has occurred in the financial concepts behind American C.C.R.C.'s. Initially the C.C.R.C.s were seen to operate like annuities, where in return for a payment, a set of benefits is provided, in this case housing and care. The newer projects tend to use the apartment residents to subsidize the nursing home residents, and balance the project financially by limiting the number of nursing beds so there is always enough cross-subsidization. This accounts for the fact that 72.9% of projects surveyed by Winklevoss & Powell allowed for termination of the continuing care agreement if a suitable level of care could not be provided. No project which cross-subsidizes residents can allow itself to become unbalanced, with more subsidy consumed than subsidy produced.

4.3.2.4 Issues in American Resident-Financed Projects

The promise of care is important, and attractive in the United States, but is not necessary in the Canadian context. In fact, this sort of group insurance with promises of the coverage of future costs, created numerous difficulties for many C.C.R.C.'s, particularly for the early examples.

(a) Two types of financial logic have been used. The earliest was the use of annuity-type calculations, where the prepayments brought future benefits. The ongoing changes were minimal. Costs were funded through return on the prepaid funds as well as from the turnover of units.

b) Later formulas of cross-subsidization of care components through monthly fees have been utilized, as the projects relied excessively on the use of prepayments.

The reasons for the problems in the early C.C.R.C.'s are of interest because they will have their impact on Canadian projects.

a) Unforseen inflation caused operating costs, particularly with regards to care, to rise faster and higher than was predicted.

b) The annuity-type models were used initially to determine the expected requirement for care and the turn over of units. Mortality and morbidity (use of Health care) tables are calculated for large numbers of people. Any realistic project will have a small enough tenant population that will allow possible substantial deviations from expected statistics for the total population. Such statistics may not relate to seniors drawn from any limited pool, which may have specific characteristics which include religion, ethnicity, and geographical location. For example, of Canadians of Finnish origin aged 50, 67.97% can expect to live to at least age 75, while only 50.65% of the overall Canadian population at age 50 will see age 75. [12] Clearly, a project appealing to such a group, would not be able to use commonly available data.

c) There is now a realization that tenants in retirement housing live longer than in the general population. Winklevoss and Powell found in their analysis that residents of C.C.R.C.'s live from 3 to 26 percent longer than the general population. While little quantitative research has been done in this area, there is a widespread notion in the industry that this is indeed the case.

These three factors introduce a considerable amount of uncertainty, which the American C.C.R.C.'s have attempted to eliminate by using the cross-subsidization method, where population statistics play a minor role in the project financing.

4.4 ANALYSIS OF EXISTING PROJECTS

All of the Ontario projects which were visited had the following limitations:

(a) The maximum term of occupancy was 21 years. Some lack of resolution was present in some of the projects with regards to what would occur in 21 years time. In these projects there was a need for faith that a new lease (or extension) would be available without additional prepayments. While in some projects surveyed, the religious non-profit flavour made this seem likely, in others, a senior might not be so sure of a fair deal in 21 years. At that time today's administrators and board may not remain, and the verbal promises might not be fulfilled. The limitations that Section 49 of the Planning Act (in Ontario) placed on these projects was most evident. The limiting provision has recently been amended.

(b) The senior does not participate in any increase in the value of the unit. The amount of pre-payment of the lease is equal to the development costs of the unit. However at the termination of the lease, the senior receives little money back, while, in fact, the unit will have a considerably greater dollar value in the future. Two alternatives were seen, that in which the original price was returned to the senior at the conclusion of the lease term, or a declining balance was available. In an inflationary environment both seem inappropriate, particularly in the non-profit context.

(c) In conjunction with (b), over a period of years, as units in a project are "resold", an increasing amount of money will return to the non-profit corporation, with no clear use apparent. This reflects the American inspiration for these projects. The 'pooled health care insurance' concept is of marginal value in Canada, and the objectives of a resident-financed project are very different here.

(d) None of the projects studied, except the low-density 'village' type projects, are easily reproducable. No large urban resident-financed project was discovered in Canada. As the locations most favoured by Canadian seniors are usually in the centres of towns and cities, in contrast to the United States, a new method must be devised to create such developments.

5.0 SOCIAL ISSUES

5.1. INFLATION

The impact of inflation on seniors can be devastating. In particular, this is because seniors prefer secure investments such as corporate bonds, Canada Savings Bonds, and Guaranteed Investment Certificates. While reasonably secure from loss, these vehicles reflect inflation in the interest they pay, not in an increase in the value of the security. Much of the income paid by these vehicles may be illusionary, merely compensation for the erosion of principal. Over a period of years the fixed return may decrease in purchasing power as a function of inflation. A common scenario in non-profit seniors'apartments is over a period of years, individuals, who were financially well-off when they moved in, come to require rent-geared-to-income assistance. Resident-financed projects should be configured so seniors retain their purchasing power plus financial independence.

5.2. SECURITY

As people age, they find physical security increasingly attractive. Younger individuals have greater resiliance against reverses, in that they have the time and health to recover from financial and property losses. A burglary, fall, or financial loss may reduce quality of life for the rest of the seniors' lives while it will be hardly noticed by people who are part of the work-force. Seniors also frequently feel more vulnerable to such losses. These fears must be addressed.

The issue of security covers two separate issues: (a) physical aspects of the building, and (b) the safety of money deposited during the development process.

On the physical side of security, are the architectural and the managerial decisions which are encountered in all seniors' projects. Security is created, and is visible, by means of access control, ensuring that dark corners do not exist, and that public spaces are travelled, and subject to visual surveillance.

Security of the tenants' money and home during the process of developing and operating a project is equally important. Not only must a senior be secured against financial loss, but all the evidence and appearances must support this fact.

The actual assurance of security is achieved by ensuring that no seniors' money is actually exposed to risk. This can be done by a financial intermediary, such as a bank, trust company, or life insurance company, which holds the deposits, while advancing quite separate funds to the project sponsor. The deposits are only turned over to the

non-profit sponsor at the time of occupancy of the unit. As well, on an ongoing basis, security of tenure is required in the event of financial difficulties within the sponsoring group.

This safety mechanism could be made to appear secure, by the participation of C.M.H.C. and a known financial institution.

Discussion with potential lenders have indicated their willingness to fill such a role in project funding.

5.3. CARE AND PROJECT EVOLUTION

Over a period of years the nature of any seniors' project tends to change unless actually dealt with by its management.

Two causes for the changes are the aging of the population of individual facilities, and a high degree of rising expectations among the senior population.

Any project oriented towards active seniors is typically initially occupied by people largely aged in their early seventies. This original population ages, so that ten years after opening, the average age may be eighty, and prospective new tenants may regard it as being for older seniors. Therefore, seniors in their eighties become the main source of new tenants. The image of such a project has shifted to one for older seniors, hence older seniors come and demand an increasing level of services. This evolution has only recently come to be noted.

To a degree, these changes may also reflect a level of increased expectations among seniors, as the negative aspects of project evolution are found mostly in older hostel (lodge) type accommodation built twenty years ago, with small semi-private rooms and shared toilet facilities. As well, the limited personal space forces the use of common areas, where any frail individuals are immediately apparent to visitors. For the active senior, who has other options, such a project is unattractive, and only seniors with few other options elect to become tenants. These residential care facilities will face increasing difficulties in retaining clientele in the 1980's.

The aging process in apartment-style projects appears to be less dramatic than in the hostel-style projects, because of the greater availability of private personal space and the lower visibility of their frail members.

Project evolution must be planned for in any new project, in order to avoid future vacancies. The planning must encompass design, programs, and administration.

6.0. MARKETING

The marketing of seniors' units must be recognized, by the sponsoring group, as of primary importance in any project.

Units developed by groups operating under the existing Private Non-Profit Program, are usually subject to limited marketing efforts. Typically, the building is filled by people who responded to the initial surveys, and friends, relatives, and acquaintances of the sponsoring group. This does not mean that the community as a whole is not represented, but that most leasing activity even in major centres is done on a word-of-mouth basis. As well, many of the groups imprint their own set of values on a project, which means that it will come to the attention of people who adhere to those values, or travel in those circles. Because the non-profit projects have created a unique type of housing, which has great appeal to many seniors, active marketing after construction is often not necessary.

However, initial marketing of units, in a resident-financed project (where decisions to make major life-style and financial commitments are required) will demand more planning, careful execution, and expenditure of time and money. From being a relatively unimportant aspect in most projects, marketing will become the most important concern from the time of initial conception of a project. As well, a continuous demand will have to be ensured to make sure that units can be re-leased.

Seniors are extremely reluctant to make life-style changes, particularly when the accommodation is not complete, and cannot be viewed. In Sheltercare Management Consultants extensive experience in assisting non-profit groups in carrying out 'need and demand' surveys, there are continual reports of reluctance by those very individuals considered to be in the greatest need - usually in their late 80's, living alone, and barely able to cope with housekeeping, meal preparation and home maintenance. Typically, a non-profit group will scour the community to get an adequate number of seniors to fill out the questionnaire, and yet after opening the project, have a very substantial waiting list. This may make pre-sales difficult for the sale of units in unbuilt resident-financed projects.

As much of the marketing for non-profit projects is done on a word of mouth, low-key basis, through personal contacts in the group's religious, ethnic, and geographical communities. The selling of a resident- financed project can utilize the same methods. A more sophisticated package should be planned, beginning with a presentation which will answer questions and carefully explain details of the undertaking, allaying fears, and offering a pleasant, care-free future. This does not imply a glossy brochure, but a well-worked out, detailed presentation.

Start-up funding must include adequate funds for the preparation of attractive and informative brochures, unit drawings showing furniture layouts, and perspective drawings of interiors. For groups which have an existing project, be it funded under a C.M.H.C. program, or by some other method, the selling stage will be easier due to credibility of such groups as managers, developers, and creators of environments for seniors. An issue to be addressed is the availability of the skills necessary to create the appropriate and appealing messages needed to convince seniors about the benefits of resident-financed projects.

Non-profit groups have been oriented towards filling social needs for housing, services, and community. In the future, they will have to appeal to individuals who have wider choices and higher expectations. If the existing resident-financed seniors' projects, are examined, it may be noted that in two Ontario cases significant marketing problems were encountered. The two most successful projects carefully avoided the issue by building in stages; new units not being constructed until the previous phase was completely sold, and some of the next phase committed.

The interviewees associated with the existing Ontario projects indicated that sale of substantial numbers of units before construction had been difficult. Nevertheless none of the projects which had difficulties mounted a sophisticated marketing campaign, with a brochure, sales office, and informed representatives. In some of the resident- financed projects investigated, local suspicions of the motives of the backers occurred, in spite of the non-profit charter and low price of the units. In one project, community relations were carefully maintained, and the minister of the sponsoring church was much in evidence throughout the process.

It was specifically mentioned by the administrator of one of the existing Ontario resident-financed projects that he felt that the success of the project was due to the sponsoring group's reputation in the community, both through its religious role and that of an existing provider of seniors' housing and care. The three most successful projects shared this attribute, while the two failed projects, and the one which narrowly survived, had no previous housing role in the community and had less significant religious ties.

When pre-selling of units is attempted:

(a) Comprehensive advertising and sales materials should be prepared. Seniors are exposed to a considerable amount of advertising, as are most Canadians, and therefore some sophistication in the sales approach is necessary. As has been noted, even if the non-profit unit is of excellent value, seniors must have this message reinforced, their fears overcome, and they must want the unit, not just need it. This is particularly true in smaller communities,

where the project sponsors may be known to the prospective purchaser who may suspect the sponsor only because of this familiarity.

(b) The image of the project has to be carefully maintained, particularly if a prime source of purchasers is within an ethnic group or religious denomination. The people on the non-profit board must not represent a small sub-grouping, but must be seen as having the highest of ideals as motives, and if possible, should include religious leaders.

(c) The nature of unit ownership should be clear, therefore the structure and presentation of the vehicle should be as simple and clear as possible, as well as the non-profit sponsorship, which would not be available in a for-profit condominium.

(d) The advantages over similar for-profit condominiums or other projects must be shown,

7.0 ALTERNATIVE METHODS OF TENURE

A wide range of methods has been used to establish tenure and/or ownership of housing, including those used in entrepreneurial contexts to create or distribute tax benefits. All of these methods could be applied to resident-financed seniors' housing, although each has its own characteristics.

7.1 CONVENTIONAL RENTAL HOUSING

To date the basis of almost all non-profit senior citizens' housing has been a conventional rental formula. This results, in part, from the expectation that seniors desiring housing would have limited resources, and be contemplating a short-term tenure. For such a senior, rental is preferable. However many of the tenants applying for residence in existing non-profit housing do not fit such a pattern because they often have built-up equity in their homes, and the duration of occupancy in seniors' projects can be substantial.

7.1.1 Structure

The structure of rental accommodation is very straight forward. Rental is dictated by tradition and by legislation in every province, although if services such as meals and housekeeping are included little control exists. For housing for younger seniors, a tenant/landlord relationship will exist according to a lease and/or appropriate provincial legislation.

7.1.2 Economics

While many seniors find rental attractive, and most others will accept it, a major issue is the current unviability of most new rental projects. Interest rates reflect a proportion of current inflation. As inflation has been persistant and at a historically high rate, mortgage rates are similarly high. The resulting economic rents for even modest units, are so high as to appeal to a very limited group, mainly living in larger cities. For example, where rents of over $600 for a one bedroom apartment in Toronto or Vancouver are unattractive, they would be considered exhorbitant and unacceptable in any smaller centre.

Two methods have been used to create rental accommodation with modest rents:

(a) The first is by an interest rate subsidy as is utilized in the Section 56.1 program. This largely compensates for the inflation component in the interest rate which makes most rental housing unviable.

(b) An alternative method is the giving of a capital grant to a project. This would reduce the mortgage size, and hence payments. The following table shows resulting rentals under varying levels of capital grant. While a 30% grant would bring the price of a unit in a major city down to a moderately attractive level, no less than 65% would be required in a small town to make such housing competitive with existing housing.

EXHIBIT 7-1

RENTAL RATES UNDER VARYING LEVELS OF CAPITAL GRANT

Assumptions:

Capital cost of 1 bedroom seniors unit - $50,000

Mortgage Package: 13.5% for 35 years on portion of capital cost not funded by capital grant.

Operating Costs: $150 per month including utilities

Percent Capital Grant	Amount of Grant per unit	Amount of Mortgage per unit	Monthly per unit Interest Costs	Total Monthly Rent
20%	$10,000	$40,000	442.41	$592.41
40%	20,000	30,000	331.81	481.81
60%	30,000	20,000	221.21	371.21
80%	40,000	10,000	110.60	260.60

Exhibit 7-2

VEHICLE	LEGAL LIMITATIONS	ADVANCE COSTS	CONTROL OF PROJECT BY SPONSOR + CONTROL LIMITATIONS	PRECEDENTS	EXPECTED MARKETING ACCEPTANCE	ECONOMIC CHARACTERISTICS
Long Term Lease	Possible lease Term issues under Planning act.	Low	Excellent Control Limited by Residential Tenancies Act but the lease document must be comprehensive for all possible situations	Existing resident-financed projects in Ontario	Good Reasonable acceptance has been demonstrated. Is understood as it is related to conventional apartment lease.	Units return to sponsor
Share Capital Corporation	None Issues of registering on title	High to issue prospectus	Good, but subject to oppression remedy at discretion of a judge and there must be a comprehensive shareholders agreement to cover all situations, also rquires share transfer system.	"Equity - Coop" Owning large old houses or apartment building for their "tenant"	Moderate. "Golf Club" type ownership is familiar but is an unusual way to own housing	Units may return to sponsor at sponsor's option but only if the proper control mechanisms have been put in place and used.
Non-Share Capital Corporations (Using Debentures)				Sports Clubs (None located for housing	Moderate. "Golf Club" type ownership is familiar. Debentures are an even more unusual way of "Owing" housing.	Units may return to sponsor at sponsor's option but only if the proper control mechanisms have been put in place and used.
	None. Issues of registering of title	High to issue prospectus	Moderate. Little precedent for control by one entity Cppression Remedy also possible and a comprehensive shareholders agreement and share-transfer system are required			
Condominium for Sale	None	High costs in time & money for Condominium registration	Excellent Difficulties expected in obtaining registration of a condominium, but registration gives control to the sponsors and good title to each unit with a separate for each unit established by statutes i.e. by the comprehensive condominium legislation in each jurisdiction	Many conventional Condominiums	Excellent Clearly understood	Units do not return to sponsor except by specific control mechanisms and efforts to do so.
Condominium for Lease	Only that two Corporations (Possibly interlocked) have to be involved	High costs in time and money for condominium registration	Excellent Control Limited by Residential Tenancies Act.	Many, in cases where condos have not sold	Good. Same as for long term lease	Units return to sponsor
Co-operative Corporations	Not Legal for these purposes in Ontario		Poor, Co-op structure implies total control by tenants	None for this method	Moderate. Familiar to younger people	Not applicable, Sponsor cannot be separate

Exhibit 7-2 (continued)

VEHICLE	LEGAL LIMITATIONS	ADVANCE COSTS	CONTROL OF PROJECT BY SPONSOR + CONTROL LIMITATIONS	PRECEDENTS	EXPECTED MARKETING ACCEPTANCE	ECONOMIC CHARACTERISTICS
Limited partnerships	Few. Vehicle is governed by each partnership agreement. Issues of registering on title. Sponsor is general partner . Major issues arise regarding transfer of units	High for issuing of prospectus	Excellent. Totally determined by Partnership Agreement however that document must put a partnership interest transfer mechanism in place . As well as comprehensively covering all other situations.	Many for division of tax benefits of MURBS & hotels	Poor. A very complicated way of owning housing. Needs a lawyer to interpret even the basic method of ownership.	Units do not return to sponsor except by specific provisions for efforts to do so

Camouflaging of Rents

Certain projects, especially in the entrepreneurial sector, have camouflaged rents by including certain services, such as one meal per day, mandatory housekeeping, or a standby nurse. Such projects, because of the scarcity of serviced apartment units have been successful; when the total cost of the package is compared with other housing options, such as a home for the aged, where more care is given without extra charge but the accommodation consists of rooms, many of them semi-private, it appears most attractive. A rent of $650. with $300. of services monthly, giving a rent of $950. for a serviced one-bedroom apartment, looks very good compared to $700. for a semi-private room in a rest home. This method has often been successful due to the shortage of appropriate seniors' housing in Canada, but is not desirable in every situation, particularly as not all seniors want, need, or can afford services.

7.1.3 Control

Control of a rental project by a non-profit organization is not an issue as the sponsor maintains ownership, and the tenant's rights and obligations are clearly determined. The lease, applicable tenant and landlord act, and building regulations all establish the sponsor's control.

7.1.4 Marketing

Monthly rental is a well understood form of tenure, and most people do use it at some time during their life, in advance of a first home purchase, or for a summer cottage. The senior knows that his/her obligation to the unit is limited and offers flexibility.

7.1.5 Social Issues

Most seniors' projects are rental, and socially function well. No special issues arise.

7.1.6 Conclusion

Rental is the basic form of purpose-built and assisted seniors' accommodation. As it is especially suitable for seniors with very limited means, any project based on another form of tenure should incorporate some rental units.

7.2 LONG TERM PREPAID LEASES

Long term prepaid leases are a method widely used in the United States by many non-profit organizations. They are reasonably well accepted as a means of tenure for seniors' projects. The projects which used them in Ontario have had varying levels of success, but this appears to have been due to other factors than the basic method of tenure. Leases have some useful features when applied to seniors' projects.

7.2.1 Structure

The vehicle which tends to be used for seniors'projects is often called the life-lease. This is a lease in which an initial payment is made, which entitles seniors to live in a unit for the rest of their lives. A monthly charge is made to cover taxes, utilities, maintenance, and administration; the pre-payment being equal to or greater than the capital cost of the unit.

Termination of the lease occurs by the death of the tenant (or in the case of a couple, on the death of the last surviving spouse) , but leases generally have other clauses, which allow the lease to be terminated if the tenant suffers failing health, or on some occasions at the tenant's option. There is wide variation as to what occurs financially at termination. The tenant will receive back his original payment, some portion of it, or as is the case in the purest form of life lease, ... nothing. These types of termination cause the loss of much of one of the main benefits of real estate ownership - insulation from inflation resulting from corresponding increases in unit value. While in existing Ontario life leases seniors' equity disappears, especially when the effects of inflation are considered, such projects are still generally satisfactory for many seniors.

The American life leases usually include a promise of long-term care, if required, without the tenant having to bear the full costs. Therefore the build-up of a surplus occurs to fund the care costs.

The projects in Ontario have yet to experience the dilemma this surplus poses. If a unit is originally sold for $50,000. in ten years it might be worth $100,000 as a sole result of inflation. The original tenant, upon his or her departure, receives the $50,000 pre-payment back, and the non-profit sponsor markets the unit for "re- lease". They either lease it for $100,000 which yields a $50,000 profit, or lease it for $50,000 which gives the second lessee a unit at half the market price. In the latter case, the second tenant receives a benefit at the expense of the first, who saw the purchasing power of the prepayment

shrink to half. Either situation is unacceptable for a non-profit organization which must take the position that (a) each tenant is fairly dealt with, and (b) the benefits from the use of housing go only to the tenants.

Any increase in market value of the unit should be reflected in the amount of money returned to the tenant. The model for a Canadian resident-financed project must be drawn from the real-estate context, although the insurance concepts do create some interesting opportunities. However, the mechanism must ensure that the non-profit organization is not exposed to the risk of losses, should the value of a unit fall, or should it be difficult to re-lease.

7.2.2 Legal

Legally, the life lease has the great advantages of being a clear, understandable document. People in all jurisdictions, including seniors, understand leases, and the life-lease is an extension of what is commonly used for rental accommodation. There are also no registration or approval processes, as there are for condominiums, or in the event of a sale of securities as title to a unit, and an elaborate legal description is not ncessary. A simple drawing showing the unit in question will suffice to identify the unit for pre-leased units, and subsequently a unit number will be an adequate reference. However, should a tenant or his/her lawyer wish to register the lease on title, to get security for the original payment, it may be difficult to do so. In fact, from a land title perspective, it would be preferable to prohibit the registering of leases, so that any subsequent financing on the project would not be jeopardized.

The biggest issue restricting the use of life-leases was the presence in Ontario legislation of provisions prohibiting leases on parts of properties in excess of 21 years. In Ontario such long term leases were prohibited until late 1983 when a new section was added to the Planning Act, (Subsection 49(9)) which allows long-term leases when the unit being leased is "part of a building or structure." A case law has not yet been developed, and questions arise to whether rights of access over land leading to the building, parking rights outside the building and signs (and easements thereto) can be included in such a lease.

7.2.3. Economics

General inflation in the price of housing in Canada as a whole makes a formula to return all or some portion of the increase in the value of a unit to the senior necessary. While, in some markets property values will decline as a result of a general economic failure in the area, or property generally may decline in value for short periods,

the expected average length of tenure of twelve to fourteen years, is long enough to largely make the long-term increase in unit values resistant to short-term market fluctuations.

7.2.4 Control

The non-profit sponsor has considerable latitude in controlling the project. It is subject only to the appropriate tenant/landlord legislation which applies to other rental accommodation. The lease document establishes control and it could even be modified as the type of tenant (age, degree of infirmity,etc.) changes, if such modifications are desirable. There are two methods of retaining control for the sponsor needed for this type of tenure and they are:

(a) Subletting There must be a ban on any subletting, except with the consent of the sponsor, and completely at the sponsor's discretion with no written prerequisites. Thus the sponsor must pay the tenant an appropriate amount on the tenant's termination (for whatever reason). Subletting must be controlled, as the term of the lease will depend on the tenant's health. Subletting should be for limited periods only.

(b) Termination due to deterioration of health. The lease may provide for the tenant being redeemed by the sponsor if the tenant's physical and/or mental health deteriorates to the point where the sponsor wishes to terminate the lease, or transfer him or her to another part of the project, if possible. Removing a tenant who has no actual ownership interest in the unit will be less difficult than for the ownership-type of tenures available for resident-financed projects.

7.2.5 Marketing

The life-lease concept has found acceptance in the United States and in some Canadian projects. A primary marketing advantage is that, for the tenant, when death or sickness occurs, the additional stress of having to sell the unit does not have to be faced, unlike in the case of a condominium or other true ownership vehicle.

7.2.6 Summary

Long-term pre-paid leases are the most commonly used and recognized method of tenure for resident-financed seniors' projects to date.

7.3 SHARE CAPITAL CORPORATIONS

7.3.1 General

Share capital corporations are usually used for profit-oriented businesses of all types. These corporations have been used to 'sell' large houses or rental apartment buildings by having the whole house or building sold to a corporation, the shares of which are structured so as to give each shareholder the exclusive right to occupy a specific portion of the house or apartment building. This is the manner in which large houses in the Rosedale area of Toronto and buildings everywhere are made into what are commonly referred to as 'co-ops'. (The famous 'co-op apartments' in New York City are slightly different in that each apartment has a number of shares in the corporation proportionate to the size of the apartment, and a long-term assignable lease on the apartment from the corporation.)

Such 'co-ops', which are not to be confused with C.M.H.C. funded co-operative housing projects, have become so common that the Province of Ontario recently passed an act which allows a purchaser to rescind an agreement of purchase and sale which does not adequately warn the purchaser of the nature of the unit being purchased. In particular, the purchaser must be warned that he would have no legal right as a landlord to evict a tenant in the unit, in order to occupy that unit himself because the 'owner' of the building is the corporation for purposes of eviction by the owner, under the Residential Tenancies Act of Ontario.

7.3.2. Structure

These corporations are formed and regulated in Ontario by the Ontario Business Corporations Act (OBCA), which has recently undergone a major revision (August 1983) to make it more closely resemble the Canada Business Corporations Act (CBCA). As the name of the OBCA implies, these corporations are used to conduct profit-oriented businesses of all types. The corporation is owned by its common shareholders who have rights and obligations to share in the profits or losses of the corporation, and to vote, proportionately to their shareholdings. The corporation may create different types of shares, or special shares, with rights added to, or taken away from the basic rights of the common shareholders. The corporation is an entity entirely separate from its owner/shareholders. The residents of the building would own shares which entitle them to live in the building.

7.3.3 Legal

A major legal advantage is that the building is owned by one entity and hence it escapes planning act control regarding severance of units, because the sale of individual units is actually the sale of shares in the corporation.

Nevertheless, there are significant disadvantages. The 'owner' of a 'unit' actually owns a share in the corporation, which is the registered owner of the entire project. Thus, there are problems in accurately describing the appropriate unit, and the required rights-of-way which attach to each unit. Nevertheless, a plan similar to those used for condominium certification should suffice. Also, instead of being able to see the title to a unit in a public registration of land titles, only the legal title of the corporation can be ascertained in the usual manner. Thus, there must be a very securely administered share handling structure, preferably administered by a trust company, because an owner can only buy, sell, and mortgage, his or her share(s) in the corporation. The applicable securities act may require that a prospectus be prepared, approved, and issued, at great expense in money and time, unless a statutory or regulatory exemption is obtained, or unless the value of each unit rises to $100,000 to get above the minimum value of shares required for exemption from Ontario's act. As the intent is to create moderately priced housing, it would be inappropriate to price units at this level or comparable levels in other jurisdictions in any market in Canada.

7.3.4 Economics

The interface with any subsidized rent-geared-to-income units to be included in a project is easy to accomplish. Such units would not be sold by the corporation, but retained and rented in accordance with an operating agreement with C.M.H.C.

Flexibility to both the shareholder and the sponsor could be obtained by allowing the sponsor to repurchase units (shares) at an appraised value or a specified proportion of the purchase price paid by the shareholder, or to allow the tenant/owner to sell the units on the open market, in accordance with certain pre-established criteria. For example, if the sponsor allows a sale by a shareholder to someone other than the sponsor, then the new shareholder must be able to buy only with the unfettered approval of the sponsor.

7.3.5 Control

Control of the corporation may be obtained by the project sponsor in two ways. The corporation could issue thousands of common shares, of which most would go to the project sponsor, and the balance would be assigned one share per unit. Control is thus retained by holding a greater number of votes than any combination of unit owners. Alternatively, the non-profit could hold all of the common shares and issue specified 'special' shares for each unit. These shares would specify the exact ownership rights to each unit and in particular would allow the sponsor to retain the right of forcing a sale for reasons of deteriorating health and the right to stop subletting.Such a sale of shares could only be to the sponsor or to a purchaser approved by the sponsor.

The sponsor could also try to enforce control through the share transfer mechanism. However, for the sake of security of tenure and future marketability, a trust company would likely have to be used to set up a secure share transfer system.

Resale of the units would be subject to the approval of the non-profit sponsor, in order to retain the character of the project, or such resale would have to be directly to the sponsor for complete control of new tenants.

Limitations to such means of control comes through the rights of the 'Oppressions Remedy', in the new OBCA, which allows a 'complainant' (being a shareholder, director of the corporation, or 'any other person who, in the discretion of the court is a proper person to make an application'), or the 'Director' (appointed under the OBCA), to apply to a court to have the court substitute its judgement for the will of the majority of shareholders, and apply general standards of fairness to achieve a solution which satisfies an aggrieved applicant, without ordering the corporation to be wound up. Obviously this will always create uncertainty about the limits to the guidance and control a non-profit sponsor may exert over such a project. Similar rights are given to minority shareholders in other jurisdictions, so that uncertainty will always be created if a non-profit is taken to court by a senior to enforce a provision attached to the shares he or she holds, especially the matter of forced sales.

7.3.6 Marketing

The main issue regarding acceptability of a resident-financed project based on such a structure is public understanding of the purchase of a share certificate instead of a deed both initially and in the re-sale market. As well, the share transfer mechanism is not generally understood, and particularly in small towns, potential residents' lawyers may not be able to recommend the system.

7.3.7 Summary

It appears that the problems involved in a share capital corporation are not insurmountable, however they are numerous and significant enough to make other methods more attractive vehicles for most resident-financed seniors' projects.

7.4 NON-SHARE CAPITAL CORPORATIONS

7.4.1 General

Non-share capital corporations are created in Ontario under the Ontario Corporations Act (OCA). This is the vehicle used by sports clubs and non-profit housing corporations. As a method of supporting resident- financed projects it is philosophically more appropriate than a business corporation, but certain limitations in the existing legislation make it an unattractive vehicle in its own right, even though a non-profit corporation would be used as the sponsor of a prepaid lease project, or of a condominium structure.

7.4.2. Structure

Non-profit corporations incorporated prior to 1979 in Ontario, raised money and recognized membership by the selling of shares. Typically, in a golf club each member owned, and still owns, a share. However, now the OCA provides only for the incorporation of non-share capital corporations. Recently incorporated OCA corporations raise funds by levying dues on their 'members' and selling bonds, debentures, or other non-share instruments to members to raise money for a club or other facilities or projects. Therefore, for a resident- financed project, ownership of a unit would be created by the purchase of such a non-share instrument with the right to occupy one unit, attached to each such instrument.

7.4.3 Legal

The legal issues arising from the use of this vehicle are numerous. Incorporation is more complex than for a corporation set up under the business corporations act. The same securities act provisions regarding the sale of business corporation shares may apply to the sale of debentures or other instruments of a non-share capital corporation. A prospectus would have to be issued. Similarly there is also a need for a strictly administered debenture transfer system for the non- profit to keep control of the units, and to ensure their future ..page3 marketability. The subdivision provisions of the planning act will not apply as project ownership remains within one corporation.

7.4.4. Control

There is little precedent for control of an OCA corporation by one entity, as they are usually very democratic organizations run on a one member one vote system. Although debentures could have conditions attached to them as suggested for the shares of a business corporation (as in 7.3.5.), attempts at control of such an organization would, if anything, be more exposed to oppression-type minority shareholder remedies than business corporation entities. Thus, it would be impossible to give any certainty of working control of an OCA corporation to any sponsor.

7.4.5. Marketing

Marketing issues are probably the strongest reasons not to use this structure. There is little experience in the use of debentures as the vehicle for the ownership of housing, or as evidence of title. The issues with respect to the resale of units are more compelling than for share-based methods. Lawyers reviewing a purchase on behalf of a senior client would be exposed to an unusual document, and would observe a fair amount of caution. In central Ontario, one non-profit project which sold debentures failed, with the loss of considerable amounts of money to area seniors (many of whom were not project residents), and hence debentures would be viewed with considerable suspicion in that area.

7.4.6. Summary

The non-share capital corporation is a rather cumbersome, and potentially unmarketable method of directly creating resident-financed housing, although the non-profit structure could be used as a sponsor for other possible methods.

7.5 FREEHOLD CONDOMINIUM (CONDOMINIUM FOR SALE)

The Condominium Act of Ontario provides a comprehensive statutory system for the establishment and operation of multi-unit dwelling places, and provides for the separate ownership of each unit. Condominiums are very well known vehicles for the ownership of property in Ontario and throughout Canada, and are widely accepted. The level of condominium ownership among senior households approximates that for all Canadian households, as may be noted in Exhibit 3-7.

7.5.1. Ontario Structure

It is necessary that the developer of the non-profit own title to the land on which the building is situated. The condominium corporation is created by the developer registering the declaration and description on the title to

the land on which the project is to be situated. All references in this paper refer to the current Ontario Condominium Act, unless otherwise specified.

The Declaration

The declaration of the condominium corporation is the charter of the corporation and it must contain various statutory requirements including;

(i) a statement setting out the proportions of the common interest in percentages. (Ontario Condominium Act, Subsection 3 (1) c)

(ii) a statement of the percentages by which the owners are to contribute to common expenses.
(Subsection 3 (1) d)

(iii) a specification of any parts of the common elements that are to be used by the owners of one or more units and not by all of the owners.
(Subsection 3 (1) b)

In addition, the declaration may contain the following provisions;

(iv) "a specification of common expenses"
(Subsection 3 (2) a)

(v) "provisions respecting the occupation and use of the units and the common elements."
(Subsection 3 (2) b)

(vi) "provisions restricting gifts, leases, and sales of the units, and the common interests."
(subsection 3 (2) c)

(vii) a specification of any allocation of the obligation to repair and maintain the units and common elements.
(Subsection 3 (2) e)

The Description

The description of the condominium corporation consists of:

(i) the structural plans of the building(s)

(ii) the plan of survey showing the perimeters of the horizontal surfaces of the land and the perimeters of the buildings, the specifications of the boundaries of each unit by reference to the building(s) diagrams showing the shape and dimension of each unit and its location in relationship to other units in the buildings.

(iii) the certificate of the surveyor certifying construction of the building(s) according to the description.

With this detail of unit description a unit owner has exclusive ownership and use of a unit subject to the provisions of the Act, the declaration, and the by-laws of the corporations.

Each owner also is given;

(i) an undivided interest in the ownership and use of the common elements, subject to restrictions in the Act, declaration, by-laws or rules.

(ii) easements for services and support through the common elements and other units.

(iii) the right to require the performance of any duty of the corporation specified in the Act, declaration, the bylaws or rules.

There are also statutory provisions for the following;

(i) passage by a vote of the unit owners of by-laws and rules.

(ii) rules for relationship between owners and the corporation.

(iii) Restrictions on use of units and common areas

(iv) Maintenance and repairs to be carried out by the corporation payment from each unit.

(v) the owners paying proportionate amounts for maintenance, and other operating charges (and provision for enforcement of these payments as liens against the unit owner's title.)

(vi) Structure of management making each owner a member of the corporation and giving a board of directors elected from the membership executive responsibilty.

(vii) Establishment of budgets and reserves.

As well, the project would have to be accepted by the Ontario New Homes Warrantee Program, which involves the payment of funds in advance to ensure the quality of the project, and to obtain the use of the deposits made by the unit purchasers.

Problems to be Considered

(i) The major problem is the time and expense required to obtain the necessary municipal by-law changes and bureaucratic approvals of the declaration and description.

i) Section 54 of the Act makes strict provision for the leasing of units and provides INTER ALIA;

(a) that the declarant (developer) cannot lease a unit unless it is part of an option to purchase or an agreement to purchase or notice is given to each owner (and the owner given a right to object) or unless each agreement to purchase specifies the unit(s) to be leased and for what purposes, and

(b) Even if one or more of the conditions in (a) is satisfied the declarant may only lease a unit for a maximum of two years.

The leasing issues have been, of necessity, dealt with by entrepreneurial developers, who have had to wait for extended periods to sell units. They have sold units to sister companies who then leased them.

In the case of a resident-financed non-profit, the retention of certain units for rental is important in order to create rent-geared-to-income housing. Thus a sister non-profit entity to the sponsor- developer could be set up to buy any unsold units for leasing to seniors. Possibly a statutory exemption for non-profit seniors' projects could be sought as a long-term solution.

7.5.2. Condominium Provisions in other Jurisdictions[13]

In 7.5.1., the Ontario scheme for condominium projects is outlined and the 'declaration' is the main document used for initiating a condominium project. Almost every statute provides that the unit proportions of the common interest must be contained in a document which can be amended only by unanimous or near-unanimous consent of the unit owners. The reason for this provision is obvious. A purchaser of a condominium unit will never want to find that at some future time a majority of the unit owners could vote to double his share of the common expenses, or otherwise change the rights in the declaration which he received on purchasing the unit.

The condominium statutes of the Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, the Yukon, and the Northwest Territories also provide for a declaration, by-laws, and common element rules. However the scope of the declaration in these provinces is much wider than that of the Ontario Act. Generally any matter concerning the property can be included in the declaration. By-laws can be passed or amended by a vote of members who own two-thirds, or such greater percentage as is specified in

the declaration, of the common elements. The by-laws can provide for the making of common element rules by a vote of members who own a majority of the units. The Newfoundland Act has a similar framework but does not make any provision for common element rules.

In Quebec, there is a great deal of flexibility. The powers of the meeting of 'co-proprietors' are determined by the declaration. Unless the declaration provides to the contrary, a quorum is a majority and decisions are taken by a majority of those present or represented. However, certain items require one-half of the co-proprietors representing three-fourths of the vote to decide the matter. As expected, one of these items is amendment of the declaration of co-ownership and of the plan accompanying it, and there are further restrictions on change of relative value of the 'co-proprietors' relative share, and the alienation of part of the project.

Since there is no provision for rules outside of the declaration it would appear that all rules would have to be in the declaration. It would also appear that any rules not covered by statutory restrictions could then be amended by majority vote.

British Columbia provides that the First and Second Schedule by-laws are to have force and effect until they are added to, amended or repealed. The statutory requirements with respect to amendment vary depending on whether the project is exclusively residential or partially residential, with requirements for amendments lessening in proportion to the residential portion of the project.

In Saskatchewan, Schedule A and B by-laws cannot be added to, amended, or repealed except by unanimous resolution. Alberta has a single Schedule of by-laws which can be amended, repealed, or replaced by a special resolution.

7.5.3 Control

Central to the use of the condominium is control, particularly in the method to be used to relocate a senior who is in failing health. As residents have full title to the unit, convincing them to move or pay for additional services as may be necessary, becomes more significant. The condominium corporation will find that their project will evolve from one in which most of the residents are in their early seventies, and active, to one in which most are in their eighties, and requiring some health care support. Seniors will be less likely to want to face the stress of having to sell the unit, and will want health care services.

The by-laws and rules of the corporation can be made or changed, at a meeting of owners of at least 51 percent of the unit owners, (Subsection 28 (2)-references in section 7.5.3. of this paper, to the current Ontario Condominium Act) but the declaration can be changed only with a 100

percent approval of all members (Subsection 3 (4)), unless the provision in the declaration is deemed to be 'inconsistent' with the Act. (Subsection 3 (5))

As an example, a 1975 Ontario case ruled invalid a 'common element rule' because it would stop all pets, in all units, and this was beyond the scope of the intent of those rules, ie. to prevent unreasonable interference with the use and enjoyment of all units, and common elements. [14] It was noted, by many comentators at the time, that a similar clause could have been validly included in the declaration under the 'occupation and use of the units and common elements' heading of items allowed in the declaration, and in 1978 another Ontario case upheld such a clause, prohibiting pets, which was contained in the declaration of a condominium corporation. [15]

Control over the project might be obtained in three ways.

(A) It would appear that a non-profit could retain control by retaining title to one or more units as a landlord, and having the declaration specify the power of the non-profit to:

(i) force a sale of a unit at an appraised or pre-determined price if the mental or physical health of an owner deteriorates to a point where he/she is at personal risk, or is a burden on the other owners;

(ii) enforce owner-only occupancy; and

(iii) on termination (for whatever reason) (a) a compelled sale only to the sponsor at an appraised value or a specified proportion of the original purchase price, or (b) a sale to a third party approved by the sponsor.

(B) Alternatively, the sponsor can retain ownership of the R.G.I. portion of the project, as well as the activity rooms, dining rooms, lounges, kitchen, greenhouse, and workshop, and by calling each of these a unit, set up the voting structure to ensure voting control is embedded in the ownership of these elements. This alternative would put the control clauses (noted in (A) above) into the by-laws of the corporation.

(C) Each unit purchaser could grant an option back to the sponsor which would be exercised at a specified price formula, when the occupant died or became infirm. Such an option would allow the sponsor to be able to choose subsequent occupants. This alternative would be used in conjunction with either of the methods noted in (A) or (B), above, to also obtain owner-only occupancy and it could also be used to give more notice to purchasers or to help enforce other methods.

As an added element of control, management of the project would be carried out by the non-profit sponsor under a long-term managment contract.

It is inevitable that there will be resident representation on the condominium board, however this would be welcomed by most non-profit sponsoring organizations.

Discussions with the administrators of the Condominium Act of Ontario indicated that the non-profit seniors' condominium would be a new vehicle, and approval of the first such project would probably be a lengthy affair, as the regulations and administration are set up to deal with entrepreneurial projects, although the act itself poses few problems. Their concern was not registration of the declaration, but a policy consideration, i.e. the above mentioned conditions in the declaration hamper the owner's 'right of alienation' (the owner's right to sell the unit when desired, to whomever he/she wishes), and this right could possibly be pursued in court.

Only one case in Ontario has considered a prohibition in a declaration against leasing units. [16] It was held that any power to prohibit leasing units had to be found specifically in the provisions allowed for declarations of condominium corporations. The judge then found that the only applicable provision in the Condominium Act was the subsection allowing "provisions respecting the occupation and use" of the units. It was found that the fundamental right of alienation had not been clearly and specifically restricted by the "occupation and use" subsection, and thus the prohibition against leasing units was not authorized by the Act, and was invalid.

However, as noted above, the Condominium Act allows provisions restricting gifts, leases, and sales of the units and common elements. (Subsection 3 (3) c) It would appear that if a court was faced with the policy consideration of preserving the unfettered right of alienation, as opposed to this specific unqualified authorization to restrict "gifts, leases, and sales", and the policy of mass production of seniors' housing by a non-profit corporation with these restrictions attached, and shown to the senior in the agreement of purchase and sale, as well as in the declaration, before entering the project, there would be little chance of the non-profit corporation losing control. On the other hand, a statutory provision specifically allowing the restriction of 'the right of alienation' would stop even the most traditional judge from upholding that right.

To show the present limitations on a condominium unit owner's rights, it should be noted that a recent case showed a provision in a declaration of condominium, prohibiting minors in an adult-only building, to be enforcable and entitling the condominium corporation to a mandatory injunction requiring the unit owner in question

to comply with the adult-only provisions. [17] It was found that the 'occupation and use' subsection allowed enforcement of this severe limitation on the unit owners' rights, especially when it was noted that all the other unit owners had purchased units on the same terms, had abided by these terms, and wished that everyone in the building followed the provision.

7.5.4 Marketing

The condominium would probably be the easiest vehicle to market. It is readily understandable to the purchasers, their family, and their lawyer. The vehicle is accepted now by seniors, as the physical characteristics commonly found in condominiums, such as security, size of unit, and amenities, are attractive to them. Many condominiums have separate bills for heat, electricity, water, taxes, and maintenance and management. Any seniors'condominium would have to provide only one bill to each tenant for a proportionate share of the building operating costs, in order to simplify the residents' personal finances.

7.5.5 Summary

Despite high initial costs, in time and money, condominiums appear to be one of the best ways to sell units in a project in Ontario because of the very comprehensive statutory scheme for both the sale and transfer of units and the continued operation of the project. As well, the method of tenure is well understood. Its primary limitation is the weakness of control any sponsor could likely extend over the project.

7.6. LEASEHOLD CONDOMINIUM (Condominium for Lease)

7.6.1 Structure

A condominium corporation could theoretically be formed with the Non-Profit holding title to all the units and renting each unit on a life-lease basis to a senior citizen. This would require, as previously illustrated, that the declarant be an entity other than the Non-Profit which would buy the entire project from the declarant to be able to enter into long-term leases.

7.6.2 Control

The terms of the life leases would give the Non-Profit control over occupancy (see the section on life-leases for more detail)

7.6.3 Summary

There are certain advantages and disadvantages to this form of tenure.

Advantages

(i) clearly defined boundaries of units gives ease to search title to each unit. Leases can be registered on title.

(ii) The Non-Profit sponsors could let tenants become members of the board of directors and run their own building(s) subject to the control of the Landlord (the Non-Profit).

Disadvantages

(i) A great deal of time and expense is required to set up a life-lease program in a condominium project when only a detailed survey of a building owned by Non-Profit could effect a life-lease project.

This is a very lengthy and expensive process to set up a life-lease project which could be effected much more quickly and cheaply by using the life-lease concept only on an ordinary project. The only possible reasons for creating a leased condominium would be if certain provinces created legislation which prohibits long-term leases, without severance of the units.

7.7. CO-OPERATIVE CORPORATIONS

7.7.1. Equity Co-operative Corporations

These corporations are famous as a method of holding title to "co-op apartments" in New York City (as noted in 7.3.1.), where specific legislation is in effect for such entities. In Ontario, it would not be possible to incorporate specifically such a corporation, because the Condominium Act in Ontario provides a comprehensive scheme for the extablishment of this type of tenure, ie the condominium is Ontario's equity co-operative housing corporation. In fact the condominium would be a preferred way of providing such an option everywhere in Canada.

7.7.2. Non-Share Capital Co-Operative Corporations

These corporations are formed and regulated under the Co-operative Corporations Act of Ontario (The Act) and are widely used in social housing programs, as opposed to the equity co-operatives above. In these corporations government funds are used to build a project which is owned by the corporation. The residents of the corporation each pay their proportionate share of all expenses, mortgages, utilities and repairs or if possible supply some of these services in kind.

Although the Act allows various claims of membership to be created, "the designation of and the terms and conditions attached to each class" must be placed in the proposed articles of incorporation. Thus most corporations are formed with resident - only members. Each member then has one vote in making management decisions for the project and in electing a board of directors for the corporation. Each member must occupy his or her unit in the project (no subletting allowed) and if the member leaves the project the membership is forfeited and the new occupant of the unit becomes a member of the corporation. It is analogous to one tenant replacing another because no money is paid the member leaving the corporation and the project.

If the corporation is ever wound up the funds realized would not be distributed to members but to the source of the funds or possibly a charity chosen by members.

7.7.3. Control

The Non-Profit can retain control only by getting statutory approval for articles of incorporation which create two classes of membership one class for "unit" members and another for the Non-Profit which would allow the Non-Profit to control membership. However, because of the communal nature intended for these corporations, in all jurisdictions, it is unlikely that such a corporation could be formed in practice.

7.7.4. Summary

There are certain advantages and disadvantages which flow from this form of incorporation.

Advantages

(i) Warm communal feeling of each unit holder getting involved in the operation if services in kind are supplied (but seemingly limited application for senior citizens).

(ii) Ease of transfer of membership from one resident to another.

Disadvantages

(i) No equity participation for members

(ii) Uncertainty of retention of control by the Non-Profit.

This is not a suitable vehicle for resident- financed senior citizens' projects because of the lack of certainty of retention of control by the non-profit sponsor and the inability to give any equity participation to the unit holder.

7.8. LIMITED PARTNERSHIPS

7.8.1. Structure

A limited partnership is a combination of a partnership and a corporation. In an ordinary partnership each partner is personally liable for all debts of the partnership (with a right to claim from his partner(s) their share(s)). In a corporation a shareholder is liable only for the amount paid to obtain the shares.

However, in a limited partnership the combination of these two entities results in one or more "general" partners having unlimited joint liability but there is also provision for "limited" partners. A limited partner has a specified maximum liability and cannot be called upon to pay any debts after investing that maximum amount.

Management of the entity must be left in the hands of the general partner(s) because failure to stay within prescribed limits may result in the limited partner becoming generally liable for all the debts of the partnership. In Ontario if a limited partner "takes part in the control of the business" in addition to his rights and powers as a limited partner then he may become generally liable for all debts of the partnership. However, the Limited Partnerships Act provides that a limited partner shall not be deemed to take part in control of the business only because he exercises rights and powers in addition to those the Act expressly confers upon him (such rights being the right to advise as to management, to act as contractor for or agent or employee of the partnership or as a guarantor for the partnership). Thus, the question of where the limited partner loses his limited liability remains quite open. In particular, the ability of the limited partner to be an employee of the partnership seems to give great scope to a possible loss of limited liability if that employee assumes any substantial authority over the affairs of the partnership.

Many Multiple-Unit Residential Building (MURB) projects have used this legal vehicle to allow tax advantages to flow through to investors who became limited partners. The developer of the project built the project and remained as the general partner. Now there are no longer such tax advantages but a limited partnership could be used to sell specific units in a project where the Non-Profit builds a project and then takes in limited partners whose partnerships correspond to each of the units that they occupy.

In the United States, equity syndications have been carried out to fund non-profit seniors projects, where depreciation-induced losses have made investment attractive for tax reasons.

The nature of a partnership makes it difficult to specify part of the partnership assets for exclusive use of a limited partner but each limited partner could be given a long-term lease on a particular unit (with the options of appraisal or pre-determined price) as noted above. It is possible to specify occupancy of a unit with a single limited partnership in the partnership agreement which is the document which forms and governs the limited partnership (with limits imposed by the Act). However, the partnership units may not be as marketable as other vehicles, and a complex system for allowing transfers with the permission of the general partner, the Non-Profit, required for such a transfer would be required.

7.8.2. Control

As general partner the Non-Profit could be given the powers to operate the project and impose monthly levies on each limited partner for operating costs on each unit by the partnership agreement. The partnership agreement could also provide for the Non-Profit being able to enforce owner-only occupancy and to force a transfer of the unit if the health of the partner(s) deteriorates.

7.8.3. Limited Partnerships in Other Jursidictions

As stated above limited partners must be extremely careful not to become involved in the management of the partnership's business. If the limited partner goes outside the limits prescribed for them by the statutes then he/she may become liable for the debts of the partnership to varying degrees.

In British Columbia a limited partner must not "take part in the management of the business" or he will become liable as a general partner.

The statutes in the Yukon Territory, Newfoundland and Quebec provide for a limited partner being able to advise the partnership with respect to management but if he/she transacts business for the partnership or is employed in any capacity to do so limited liability is lost to different degrees. In the Yukon and Newfoundland the limited partner completely loses limited liability but in Quebec a limited partner is generally liable for the debts of the partnership resulting from his/her acts.

In New Brunswick the limited partner is given more leeway to advise management and negotiate in the business of the partnership (without binding the partnership). But if the limited partner actually transacts business on behalf of the partnership, is employed to transact such business or tries to bind the partnership an individual is generally liable for the debts of the partnership while he/she takes part in the management.

Alberta, Saskatchewan, Nova Scotia and the Northwest Territories have statutes which provide for general liability for a limited partner to become generally liable if he/she "takes part in the control of the business". These statutes do not expressly allow the limited partner to advise management but presumably such advice would not be considered as "control" of the business.

In Manitoba the limited partnership is expressly allowed to advise as to management but if he takes an "active part" in the partnership's business the partner becomes generally liable. However, this general liability only pertains to those persons the limited partnership dealt with who did not know he/she was a limited partner and the general liability to such persons extends only between the time the limited partner deals with these persons and the time that those persons acquire actual knowledge of the limited partner's limitation as to liability.

Prince Edward Island has no limited partnership legislation except a recent (1982) amendment to its Partnership Act which allows any limited partnership "formed in any province of Canada" to be registered in P.E.I. and allows the same limitation to liability of the limited partner that is allowed in the province of formation "so long as such liability remains so limited". (S.P.E.I.1982, c.22) [17b]

In addition, the laws as to assignment of a limited partner's interest, and the effects of the death of one of the limited partners, vary greatly throughout the country, and may necessitate dissolution and re-formation of the partnership or approval of a new partner by all the other partners, a process which would be prohibitively cumbersome.

7.8.4 Summary

The advantages and disadvantages of the limited partnership when used in the context of a resident- financed senior citizens project are as follows.

Advantages

(i) Great flexibility allowed to the Non-Profit in the drafting of the partnership Agreement.

(ii) Some familiarity with "limited partnership units" sold in MURB projects as an investment vehicle.

Disadvantages

(i) A need to essentially construct a "Condominium Act" style system of management in one governing document (the partnership agreement) which comes within the confines of the Limited Partnership Act.

[17b] Lyle R. Hepburn, Limited Partnerships, Richard DeBoo

(ii) Need for a limited partnership transfer register which creates enough confidence to attract large amounts of capital to try to avoid re-registration of the partnership whenever the partners change.

(iii) Securities Act problems of issuing a prospectus if the unit is being sold for less than $100,000. may prove insurmountable.

(iv) Despite MURBs making limited partnerships familiar as an investment this is not a usual form of home ownership.

Limited partnerships are a possible but not readily usable, or reproducible structure, due to the partnership agreement having to be completely re-written and negotiated for each project depending on any non-profit sponsor's goals and objectives.

7.9 SUMMARY

Exhibit 7-2 summarizes the alternative methods of establishing tenure, together with the respective advantages and disadvantages of each, for resident-financed seniors' housing.

8.0 ELEMENTS OF A NON-PROFIT RESIDENT-FINANCED PROGRAM

Within the context of existing legislation, economics, and market conditions, it is possible for non-profit groups to create resident-financed projects. However, such projects face major barriers, both due to a general lack of expertise or guidance, as well as limited government support, in the form of loan insurance and subsidies. It is significant that of the five Ontario projects reviewed, two failed, not as a result of the basic concept, but because of an uncertainty among seniors about the nature of the project, which the limited marketing employed by the project's sponsors could not overcome. If more than isolated projects are to occur, support must be created for resident-financing by C.M.H.C. This should take the form of a program and start-up process.

A program design will create both the incentive and a comprehensive package of methods for groups to follow in developing resident-financed projects.

8.1 START-UP PROGRAM

The cost of a resident-financed program will be largely for the required intensive start- up process. This process would be linked to a group's progress, particularly in regard to obtaining firm commitments for units. Due to the locking- in of a large proportion of the project residents at an early stage, a firm schedule, albeit conditional upon 'sales', will have to be provided at an early date. If certain of the preferred models are utilized, such as that of a condominium, the start-up costs will be higher than for a rental project, due to the additional legal, survey, and administrative costs involved.

Such a start-up procedure could be as follows:

Phase I - $10,000 maximum

Awarded on the basis of:
- general suitability of the group organization
- need and demand for R.G.I. units in the area
- statistical demand for resident-financed units in the area of the proposed project

Pays for:
- initial group organization
- incorporation
- land search / rezoning
- concept drawings
- needs survey
- initial contact with prospective tenants and obtaining list of interested persons.

Phase II - $40,000 maximum

Awarded on the basis of:
- suitability of project program and sketch designs
- results of needs survey
- result of initial tenant contacts
- general progress

Includes:
- a conditional development schedule based on expected unit commitments

Pays for:
- development of necessary materials for marketing, including legal documentation
- marketing of resident- financed units
- detailed unit designs
- art work / printing of promotional material
- advertising as necessary
- direction in sales techniques (volunteer sales force expected)
- development of lease structure and documentation

Phase III - $65,000 maximum

Awarded on the basis of:
- commitment of 40% of the resident- financed units with deposits
- general progress

Pays for:
- ongoing marketing and sales
- preparation of contract documents by architect

Undertaking to Insure

Awarded on the basis of:
- readiness to proceed
- commitment of 60% of the resident- financed units with deposits

As is currently the case, Start-Up funding will be forgiven if the project fails, and incorporated in the project's funding if it proceeds.

8.2 PREVENTION OF OVERBUILDING

Initial absorbtion and subsequent 'resales' of units must be ensured, therefore each branch office of C.M.H.C. will continue to monitor demand for units, to ensure the market is not glutted.

8.3 MIXING OF RESIDENT-FINANCED AND SUBSIDIZED RENTAL UNITS

Part of the advantage of resident-financed units is that they can be mixed with subsidized rental units. This allows the integration of low-income individuals with the balance of the population. Seniors frequently do not exhibit substantial differences by income ranges. Even affluent seniors tend not to be conspicuous by their material possessions as so many seniors have conservative spending habits. Those who financially participate in their unit are not likely to regard the people in subsidized units as being a threat to their investment; they might not even be able to identify them. It is important that the units cannot be easily identified from the corridor or from unit numbers as being rented or 'owned'; only inside the unit should the differences be apparent.

Two methods of financing the rental units are feasible:

8.3.1. Financial Separation

In this model, the subsidized rental units operate as if they are a separate project. A 100% mortgage on the rental (non-resident financed) units would be retained and a subsidy obtained to reduce rent levels. Such a subsidy would apply specifically to units which were marketed to low-income individuals. A subsidy could lower the effective interest rates as low as 0 %. Each part of the project must be financially independent, without financing from one flowing to the other. The subsidies and permanent financing should definitely not cross over and be applied to the resident-financed components, although various non-profit groups with religious backgrounds might feel it appropriate that the wealthy (resident- financed) should share with the less well off (the renters). Nevertheless, budget and/or area limits must be established so each component gets its fair share of the development and operational costs.

8.3.2. Financial Integration

Provided that the ratio of rental units to resident-financed units is not too high, a surplus created by the sale of the resident-financed units will allow all, or a substantial portion of the debt relating to the rental units to be eliminated, thereby reducing their rents.

For example,

100 units total @ $50,000 each=	$5,000,000	capital cost
80 res.-fin. sold @ $60,000ea.=	$4,800,000	
20 rental-balance of cost	200,000	

Therefore the average rental for the low-income units could be $170.00 operating costs + ($10,000 @ 13% for 35 years) 106.81=$276.81 /month.

While such a method has the attraction of requiring no ongoing subsidy, it may meet with resistance in the seniors' market. Although such a project may offer an excellent opportunity for the senior interested in a resident-financed unit, and the sharing embodied in such a project conforms to the expressed values of many likely sponsors, the transfer of funds to the rental units may be held against the project. The fact that a resident- financed unit would cost substantially less than one in an entrepreneurial condominium would not matter. It is most important that resident-financed projects gain acceptance among seniors, which would seem to outweigh the total elimination of subsidy possible. Financial integration of rental and resident-financed units may be part of some future program, after the concept becomes familiar.

8.3.3 Mix of Units - Resident-Financed/Low Income

The mix of units of each type would vary according to local market conditions. In many rural communities, where farm and home ownership is almost universal, 10 to 15 percent of the units in a project could be for low-income individuals. In other areas, where homes are worth less, or homeownership is less common, a higher proportion of rental units would be desirable. This would allow subsidy to be targeted to low-income individuals specifically in each area, and generally by region across Canada.

8.4 UNIT COUNT

Resident-financed units must not be counted as part of the overall federal unit allocations, as they will not receive an ongoing subsidy.

8.5 LOAN INSURANCE

Currently, 100 percent loan insurance is available only in conjunction with the Section 56.1 subsidy. Although some resident-financed groups may be able to obtain equity in advance of development, to ensure wide access to a program, it is necessary to have no requirements for outside funds, although incentives to raise such funds could be built into the program. The entire cash flow during development must be able to come from insured financing, or through direct loans or grants, such as during the start-up process.

8.6 LARGER UNITS

One of the changes in the seniors' market is the increasing desire for larger units. In many cities, bachelor units in older projects are finding little demand. Recent surveys, illustrate the demand for larger units, at least as many two-bedroom units were requested as one bedroom units. The current Private Non-Profit Program limits the number of two bedroom units to a small proportion of the overall project. For resident-financed units, the limits on size and bedroom count need not apply, because the extra cost would be covered by the senior resident. The physical nature of the

project could be tailor-made to match the demand. If units are pre-sold, the final unit counts can reflect exactly the units pre-committed before construction documents are started, conditional upon the exact legal structure used.

8.7 TRANSFERRING EQUITY FROM A SENIOR'S HOME

The process by which seniors transfer equity from their homes to the project must be examined. When seniors commit to units before construction, they will leave a deposit of $4,000 to $5,000, which is refunded only in the event of death, failing health, or at the senior's option, if another resident can be found for the unit. The deposits will be held in an interest-bearing trust account with the project lender. If seniors wish to leave more in their account, the additional interest will be credited against the price of the unit. When the units are ready for occupancy, the balance becomes due. As most seniors own a house, which is usually fully paid for, this balance comes from its sale. The Ontario projects which were reviewed did not express any past problems relating to seniors being unable to sell their homes after having made commitments to buy. One visited, would lend the necessary funds at the rate of interest the facility was paying for its financing, to any older person who was unable to sell his or her dwelling. The sponsor said this mechanism was used 'a couple of times', but only once for any length of time. Although the sales to seniors have appeared to have been concluded with few problems, a number of alternative ways of addressing the interface between home-ownership and the resident- financed unit exist, which could be included in a resident-financed program.

Five possible methods for a senior citizen to pre-pay the price of his unit or to arrange for assured payment for the unit immediately or shortly after completion of the unit were examined.

To illustrate these methods a typical case of a senior buying or pre-paying a lease for a unit, for $50,000. in a resident-financed project was used. The senior citizen pays for example, $4,000. as a deposit when the agreement to purchase (or lease) is executed. The senior is assumed to own his or her home free from mortgages with a substantial amount of equity therein (i.e. over $50,000) Then the following options are open to the senior:

(a) Full Payment Held in Trust

The senior could pay the balance of the money to the sponsor (or likely its law firm) to be held in trust until the project is completed. This money would be kept in an interest-bearing account (or fixed rate debt instrument) and the price of the unit would be adjusted to reflect the amount of interest that would accrue

before the time of completion of the unit by taking into account the length of time until the estimated completion date and the prevailing interest rate for fixed rate securities.

(b) Mortgage on Senior's Home

In this option, the senior allows a mortgage to the sponsor for the balance of the purchase price to be registered against his or her home. The senior has not actually advanced any money to the sponsor and thus is not at risk presuming the deposit is safely held if the project is not completed.

There is a potential problem for the sponsor because such a mortgage would only give the sponsor a security for the amount of money "advanced" to the senior not necessarily the face amount of the mortgage. However, it could be strongly argued that the sponsor has 'advanced' consideration to the senior by allocating a unit to that particular senior and that the value of such allocation is the value of the face amount of the mortgage.

When the unit is ready for occupancy the following events would occur;

(i) the senior sells the house

(ii) the senior uses part of the proceeds of this sale to pay to the sponsor the face amount of the mortgage and the sponsor discharges the mortgage, and

(iii) the full purchase price of the unit is used by the sponsor to pay off at least part of the interim financing on the entire project.

There should be a reasonable time allowed for the senior to sell his or her home but it should be within a specified period of time after the unit is ready for occupancy. Otherwise, the sponsor may face interim financing costs for an extended period while waiting for the senior to get the price he feels is appropriate. If there is such an extended wait, then the senior, not the sponsor, should pay the financing cost of such a waiting period where the senior would own two completed residences.

In the case of the extended wait, after the specified maximum period allowed for closing the sale has elapsed, the mortgage could be 'sold' by the sponsor at face value to the financial institution which had given the project its interim financing (the mortgage having been drawn up to the institution's specifications). The financial institution would then collect the face amount of the mortgage, plus interest at a rate defined in the mortgage (based likely on a certain bank's prime rate) after the

specified period of time has elapsed from the occupancy date of the unit. Then step (iii) above would occur first and steps (i) and (ii) would occur at a later date when the senior found an acceptable buyer.

If the seniors sold the house before the occupancy date of the unit, then the money paid to discharge the mortgage could be held in an instrument paying interest to the senior, until occupancy could be given.

(c) Registration of Agreement of purchase and sale of (or lease of) a unit on title to a senior's home.

This would be an unusual (but possible) agreement of purchase and sale (or lease) whereby the senior agreed to buy a unit when it was ready for occupancy and the sponsor agreed to purchase the senior's home at a specified price (somewhat below market, by means of a C.M.H.C. guarantee) within a specified period after the unit is ready. This document would be registered against the title to the senior's home to get security to help secure interim financing for the project for the sponsor for payment by the senior and released if the senior sold the house before occupancy was available.

(d) C.M.H.C. Guaranteed Sale Price

Another solution is to provide the guaranteed price for the senior's home in the form of a special type of 'mortgage insurance' for a fee as C.M.H.C. does in standard mortgage financing. The difference in this situation would be that instead of a guarantee being invoked only when there is a mortgage default, C.M.H.C. would come forward when the new unit is ready for occupancy and buy the senior's home at a guaranteed price within a specified period of time after the unit is ready, unless the senior arranges other financing to pay for the unit so that the home can be sold at a higher price at that later time. Thus, the sponsor would be paid very soon after the unit is complete (i.e. from the proceeds of the guaranteed sale or the senior's own financing) and the interim financing on the project would be further diminished.

This method, and method (e) would require a document such as the agreement of purchase and sale, described in (c), to bind the title of the house of the purchaser of the unit. If the purcahser sold the house before the occupancy date of the unit, than this document would have to be discharged and the money required to close the purchase of the unit could be held in a trust instrument, until occupancy was possible.

(e) Sale Guaranteed by a Financial Institution

Many financial institutions have their own real estate sales divisions and they may be able to offer a guaranteed sale price to the senior at the time (6 to 18 months maximum) when the unit is ready for occupancy. The fees of the financial institution for guaranteeing such a sale could be built into the price of the resident- financed unit.

Although these guaranteed sale prices are somewhat below the market value of the home at the time the unit is purchased, this guaranteed sale price gives the senior an assurance that his or her home will be sold at a price that will pay for the unit with an exact minimum amount of capital left for the future.

Guarantees from financial institutions would be available only on a project-by-project basis.

8.7.1. Summary

In all these options the sponsor obtains the funds from the sale of the unit shortly after the completion of the unit to help pay off the interim C.M.H.C.-guaranteed financing for the project.

In each of the options (b),(c),(d) and (e) if the senior sells his home before the unit is ready the sale price of the unit would be paid from the sale proceeds and held in trust in an interest-bearing bank account or fixed rate debt instrument as in option (a) until the unit was completed. In return the title to the senior's home would be cleared for such a pre-sale and the amount of money held in trust would be reduced somewhat from the amount due on completion of the unit in order to reflect the rate of interest to be earned on the money held in trust for the period of time provided in the agreement for the completion of the unit.

While initially such devices might be of value, existing projects have not faced problems in the actual closings, hence such vehicles are probably not required, although financing at cost should be available to seniors who have difficulty selling their homes.

8.8 DISTRIBUTION OF 'PROFIT'

Each existing project examined, and each possible method must address, consciously or unconsciously, the matter of the distribution of the increase in the value of the units. Generally, over a period of time, the value of real estate increase. This is partially due to general inflation in the economy, and partially due to increasing demand for the property. A unit in a resident-financed project will be no exception. Non-profit groups in Canada have rarely had to deal with this concern, as projects are usually occupied on

a rental basis and never sold. Only when a project is sold by its sponsor, does the increase in value become apparent. In a resident-financed project, each time a unit changes hands, the probability of creating a profit appears.

A variety of alternatives for the use of this 'profit' exist. For most financing methods the distribution can go to any combination of: the individual tenants, the tenants as a group, or the non-profit sponsor. As well, the distribution can be periodic or ongoing.

8.8.1. 'Profit' Retained by Sponsor

The Ontario projects examined, as is the case in the typical American situation, arrange that the' profit' will eventually accumulate in the hands of the sponsor. This is used to fund the nursing care liability in the American projects, but in the Ontario projects reviewed, is not allocated for any clear purpose. It is desirable that the non-profit receive part of such 'profits', in order to upgrade the projects, to build up a reserve to carry and remarket empty units, and to be able to promptly pay any obligations due on the departure or death of a resident. The retention of a large portion of the profit by the sponsor is ultimately inappropriate.

For example,

All of 'profit' is retained.

-senior at departure receives less then original price

-unit is resold at current market value

-profit goes to the non-profit

(i) Unit'sold'originally for $50,000 (development cost)

(ii) In 10 years time the original tenant leaves project and receives back $10,000

(iii) Unit'resold'for new market value of $80,000 a profit of $70,000 has been realized to the non-profit, which can use it to develop new components, or to provide services to the residents.

8.8.2. ' Profit' Given to Individual Seniors

Another alternative is to give most of the 'profit' to the individual tenant. This is much as is the case in most forms of owned accommodation; in a conventional condominium the departing owner receives a market value for the unit form the incoming owner. Part of any such uncontrolled condominum is that the residents participate in the

downside as well, if the market value of the unit falls, the senior bears the loss. Each tenant's gain or loss is related to the sale of his/her own unit.

All of the 'profit' is given to the resident of the individual unit resold.

(i) Unit sold for $50,000

(ii) Original resident leaves in 10 years

(iii) Unit is resold for $80,000 which is given to the original tenant as a capital gain on his primary residence.

8.8.3. 'Profit' Given to Residents Collectively

Alternatively, gains and losses may be distributed over the entire population of the project. This allows seniors to receive a benefit from the collective increase in the value of the project, without having to sell or mortgage their own unit. There are various ways in which this may be accomplished, but the simplest is for the non-profit to 'repurchase' the units from departing tenants at less then the current market value, resell them for current value, and use the 'profit' to reduce operating costs.

'Profit' is distributed to residents in common.

(i) Unit sold originally for $50,000

(ii) Original resident leaves in 10 years and receives nothing.

(iii) Unit resold for $80,000

(iv) The $80,000 is distributed over the balance of the units to reduce their operating costs.
If it were a 100 unit project
$80,000 / 100 units = $800 per unit
Distributed over one year = $66.67
reduction in monthly operating costs.

8.8.4. Recommendations

The matter of 'profit' distribution was discussed with a number of non- profit groups, who expressed their opinion that any resident- financed method has to offer a 'good deal' for each individual senior, yet many of the groups with religious orientations felt that some type of sharing would also be desirable.

In fact this desire to share fits well into any sponsor's need for an operating reserve to meet costs and cash flows involved in recycling the units. While it is true that under a sharing model, the residents who leave first will not receive the benefits others will, it is fair, in that each individual has an opportunity to receive the benefits.

A compromise among the three alternatives is most likely to gain acceptance among the groups and tenants, although a resident-financed program should give some latitude to the sponsor to meet the needs of the particular locality and constituency being serviced.

8.9 FORMULATION

After reviewing the alternative methods available for the structuring of a non-profit resident- financed project, and discussing them with non-profit groups, as well as administrators of existing projects, the following details were determined as being appropriate for use.

(a) The long-term lease and the condominium are the the most feasible vehicles. The long-term lease offers good control characteristics, ease of formulation, flexibility of terms, and familiarity, although condominiums offer better title, lower ongoing costs of administration of title and marketing, despite the higher initial costs in both time and money.

(b) If a lease is used, where legally possible, the lease should be for a maximum term of the lifetime of the last surviving member of a household's life. If not, a lease for the maximum term possible combined with a roving fee structure or an option on another unit timed for the expiry of the original lease term should be used. A condominium would not be subject to any specific term, but to the conditions of the declaration.

(c) The lease or condominium structure should include the following items:

- -No subletting unless otherwise approved by sponsor.
- -If a tenant's physical or mental health deteriorates to the level that he or she cannot function in the project, the sponsor has the right to terminate the lease.

(d) The units would be sold initially at the development cost plus a margin in order to provide a contingency for development and for initial operations, and possibly the creation of some rent-geared- to-income units.

(e) Subsequent resales would be at a maximum of the initial price, plus a factor to account for the effects of inflation. If market conditions at the time will not support such a formula, a lower price would be established, at the discretion of the sponsor. Relating units to the consumer price index would ensure that the units remained modest in price at all times.

(f) A mechanism for returning any profit to the residents is necessary, as well as the provision of a fund to allow the sponsor to recycle units without excessive financial risk.

(g) Any method of returning profit should mix an ongoing reduction of operating costs with a return of a portion of the then-current unit value at termination.

(h) A portion of rental units for low-income seniors should be integrated with the resident-financed units. Such rental units would be subject to some mortgage amount and be rented on a rent-geared-to-income basis, as allowed by a possible interest subsidy from C.M.H.C.

8.9.1. Proposed Program Description
Long Term Lease or Controlled Condominium

Primary features would be:

FORMAT: Prepaid long term lease or condominium controlled by right of sponsor to retake unit.

PRICE: The units would initially be sold for an appropriate share of the projected development cost plus 15 percent. The 15 percent overpayment would be available as a secondary contingency during development. If not so used the overpayment would be used for capital improvements, be added to the reserve for repayment of units, or ultimately returned to the tenants in the form of reduced operating costs. This 'overpayment' would not be noticed in the market, as in entrepreneurial projects, which might be used as a comparison, this would be part of the developer's profit. Subsequent tenants would pay a price as determined by a formula based on the original price plus a factor reflecting inflation, as well as market experience by the project, and as necessary, by appraisal to keep the project project prices modest and appropriate.

OPERATING COSTS: Proportionate share of project operating costs based on unit size.

TERMINATION: Termination would occur at the expiry of the lease term, at the death of the resident, in the event of the resident suffering from failing health, or at the election of the resident, although in the last case, a minimum lease period would apply. In the case of a condominium, this level of control could be achieved by

the sponsor having an option and/or a clause in the condominium declaration to retake the unit, which could be exercised at a predetermined price, if the resident became exessively frail, died, or at the election of the sponsor.

REPAYMENT AT TERMINATION: At termination, the tenant would receive 25 percent of the original price immediately, and after the unit is re-leased the balance of an amount based on the following declining balance formula would be returned.

% of resale price paid at termination

If leaves within one year of entry - 90%
1 - 2 years 85%
2 - 3 years 80%
After 3 years 75%

OPERATING RESERVE: A reserve would be built up as a result of the initial excess of selling price over development costs and the 'profit' made by reselling units. The sponsor would retain an amount equal to five percent of the current value of all the project's units, in order to redeem, refurbish, and market recycled units.

REDUCTION OF OPERATING COSTS: Any excess in the reserve of over the five percent of the project's total then current unit value, would be distributed among the tenants in the form of reductions in operating costs. The distribution would be averaged over a ten year period to ensure that the amounts so distributed would not vary excessively from year to year.

INCOME MIX: Ten to thirty percent of the units in such a project could be designated as rent-geared-to-income, with government subsidies.

ROLE OF C.M.H.C.: A project developed under such a program would receive start-up funding, 100% loan insurance for the interim and any permanent financing. A subsidy would reduce the rent levels of any Rent-Geared-to-Income housing which was created as part of a project.

9.0 TESTING OF FEASIBILITY AND SECURITY

The proposed resident-financed method was reviewed and tested in two ways, the long-term cash flows which might be expected and their impact on the project were assessed, and a study was made on the housing options open to a typical single senior.

9.1 PROJECT CASH FLOWS

A computer model of cash flows over 20 years was prepared, using an entirely resident-financed twenty-five unit project. The re-sale of units assumed was based on the occupancy characteristics for rental seniors' apartments. Tenants were assumed to occupy units for an average of ten years, but with a wide distribution of durations, which corresponds to the situation in American projects.

9.1.1. Methodology

Exhibit 9.1 shows the base assumed scenario. Over a period of twenty years, units are vacated and recycled. The sale of units is recognized under 'Inflows'. and redemptions due to termination under 'Outflows'. A pool of surplus funds is created, with income from the sale of units and interest, and outflows in the form of unit redemptions, distributions to the tenants in the form of reductions in operating costs, and presumably, capital improvements to the complex, although no improvements are included. At all times, this 'pool' retains 5 percent of the total current value of all of the units (% OF UNIT VAL), while the surplus (AVAILABLE FOR RENT REDUCTION) is distributed on the basis of a 10 year moving average (AVERAGE MONTHLY AMOUNT). The expected monthly operating costs are calculated on a per unit basis, together with the impact of the operating cost reductions.

Tests 3 and 4 are the base model under 12 and 3 percent inflation rates respectively, as a comparison with Test 1 which operated under a 7 percent annual rate of inflation.

Test 2 utilized a different redemption formula, where a tenant at termination received a declining balance of his or her original payment, so that after 10 years he or she received nothing, as is the case in many existing projects.

In order to review the impact of a decline in demand for units, Test 6 shows units taking up to two years to 're-lease', and the related cash flows.

The test results were as follows:

Test Number (Exhibit)	Annual Inflation Rate	Unit Value Returned at Termination	Buffer Retained by Pool	Period for Averaging Rent Reductions	Other
1	9-1 7%	% of re-sale price yr 1 90% yr 2 85% yr 3 80% yr 4 75% 75% thereafter	5% of total market value of all units	10 years	
2	9-2 7%	% of initial value yr 1 90% yr 2 80% yr 3 70% . . yr 10 0%	"	"	Note Last Line
3	9-3 12%	same as #1	"	"	
4	9-4 3%	"	"	5 yrs	
5	9-5 7%	"	"	5 yrs	Resale of units delayed up to 2 years to determi impact on cash flow.

Exhibit 9.1

Test 1. Base Model

Inflation 1.07 Value Returned at End 0.75

YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001.00	2002	2003	2004
UNIT PRICE	1.07	$ 57500.00	61525.00	65831.75	70439.97	75370.77	80646.72	86292.00	92332.43	98795.71	105711.40	113111.20	121028.99	129501.02	138566.09	148285.71	158644.31	169749.42	181631.87	194346.11	207950.33	222506.86
INFLOWS																						
1.00		57500.00	61525.00																			
2.00		57500.00			70439.97					98795.71												
3.00		57500.00				75370.77																
4.00		57500.00				75370.77																
5.00		57500.00					80646.72															
6.00		57500.00					80646.72															
7.00		57500.00							92332.43													222506.86
8.00		57500.00									105711.40											
9.00		57500.00										113111.20										
10.00		57500.00										113111.20										
11.00		57500.00										113111.20									207950.33	
12.00		57500.00											121028.99									
13.00		57500.00											121028.99									
14.00		57500.00											121028.99									
15.00		57500.00												129501.02								
16.00		57500.00												129501.02								
17.00		57500.00												129501.02								
18.00		57500.00												129501.02								
19.00		57500.00													138566.09							
20.00		57500.00													138566.09							
21.00		57500.00															158644.31					
22.00		57500.00																		194346.11		
23.00		57500.00																				
24.00		57500.00																				
25.00		57500.00																				
Total Inflows		$ 1437500.00	61525.00	0.00	70439.97	150741.54	161293.45	0.00	92332.43	98795.71	105711.40	339333.61	363086.96	518004.07	277132.18	0.00	158644.31	0.00	0.00	194346.11	207950.33	222506.86
OUTFLOWS		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.00		$ 50000.00	55372.50																			
2.00		50000.00			56351.98					74096.78												
3.00		50000.00				56528.08																
4.00		50000.00				56528.08																
5.00		50000.00					60485.04															
6.00		50000.00					60485.04															
7.00		50000.00							69249.33													166880.14
8.00		50000.00									79283.55											
9.00		50000.00										84833.40										
10.00		50000.00										84833.40										
11.00		50000.00										84833.40									155962.75	
12.00		50000.00											90771.74									
13.00		50000.00											90771.74									
14.00		50000.00											90771.74									
15.00		50000.00												97125.76								
16.00		50000.00												97125.76								
17.00		50000.00												97125.76								

Exhibit 9.1(continued)

Test 1.

YEAR	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001.00	2002	2003	2004
18.00	50000.00												97125.76								
19.00	50000.00													103924.57							
20.00	50000.00													103924.57							
21.00	50000.00															118983.24					
22.00	50000.00																		145759.58		
23.00	50000.00																				
24.00	50000.00																				
25.00	50000.00																				
Total Outflow	$ 1250000.00	55372.50	0.00	58351.98	113056.16	120970.09	0.00	69249.33	74096.78	79283.55	254500.21	272315.22	388503.05	207849.13	0.00	118983.24	0.00	0.00	145759.58	155962.75	166880.14
NET INFLOW TO POOL	$ 187500.00	6152.50	0.00	14087.99	37685.39	40323.36	0.00	23083.11	24698.93	26427.85	84833.40	90771.74	129501.02	69283.04	0.00	39661.08	0.00	0.00	48586.53	51987.58	55626.71
INTEREST INCOME	$ 0.00	16875.00	17906.85	18419.94	20244.27	24225.96	28460.72	29083.39	31840.82	34784.66	37926.17	46371.17	55349.42	67812.59	74826.82	75637.42	69118.54	81102.10	82200.76	87794.90	93782.23
TOTAL POOL VALUE	187500.00	198965.00	204665.98	224936.28	269177.30	316230.23	323149.77	353786.89	386489.50	421401.92	515235.23	614993.52	753473.22	831409.16	840415.83	890205.97	901134.45	913341.78	975498.87	1042024.73	1113224.99
% OF UNIT VAL 0.05	$ 71875.00	76906.25	82289.69	88049.97	94213.46	100808.41	107864.99	115415.54	123494.63	132139.26	141389.00	151286.23	161876.27	173207.61	185332.14	198305.39	212186.77	227039.84	242932.63	259937.92	278133.57
AVAILABLE FOR RENT REDUCTION	$ 115625.00	122058.75	122376.29	136086.31	174963.83	215421.83	215283.78	238371.35	262994.87	289262.67	373946.23	463707.29	591596.95	658201.55	655083.69	691900.57	683947.68	686301.94	732566.24	782086.81	835091.42
AVERAGE MONTHLY AMOUNT 10.00 YR AVGING	$ 38.54	40.69	40.79	45.63	58.32	71.81	71.76	79.46	87.66	96.42	124.62	154.57	197.20	219.40	218.36	230.63	229.65	228.77	244.19	260.70	278.36
MONTHLY OPERATING COSTS PER UNIT	$ 150.00	160.50	171.74	183.76	196.62	210.38	225.11	240.87	257.73	275.77	295.07	315.73	337.83	361.48	386.78	413.85	442.82	473.82	506.99	542.48	580.45
MONTHLY OPERATING FEE PER UNIT WITH REDUCTI	$ 111.46	119.81	130.94	138.13	138.30	138.59	153.35	161.41	170.06	179.35	170.46	161.16	140.63	142.08	168.42	183.22	213.18	245.05	262.80	281.78	302.09
AMOUNT SPENT FROM POOL IN YEAR	$ 11562.50	12205.88	12237.63	13608.63	17496.38	21542.18	21528.38	23837.13	26299.49	28926.27	37384.62	46370.73	59159.70	65820.16	65508.37	69190.06	68394.77	68630.19	73256.62	78208.68	83509.14
SHADOW MARKET RENT (6%)	$ 350.00	371.00	393.26	416.86	441.87	468.38	496.48	526.27	557.85	591.32	626.80	664.40	704.27	746.52	791.32	838.80	889.12	942.47	999.02	1058.96	1122.50
INFL INCREAS	$ 350.00	374.50	400.72	428.77	458.78	490.89	525.26	562.02	601.37	643.46	688.50	736.70	788.27	843.45	902.49	965.66	1033.26	1105.59	1182.98	1265.78	1354.39
POOL IF NO RENT REDUCTI	187500.00	193652.50	193652.50	207740.49	245425.88	285749.24	285749.24	308832.35	333531.28	359959.13	444792.53	535564.27	665065.29	734348.33	734348.33	774009.41	774009.41	774009.41	822595.94	874583.52	930210.23

Exhibit 9.2

Test 2.

Inflation 1.07 Value Returd at End 0.75

YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UNIT PRICE	1.07	$ 57500.00	61525.00	65831.75	70439.97	75370.77	80646.72	86292.00	92332.43	98795.71	105711.40	113111.20	121028.99	129501.02	138566.09	148265.71	158644.31	169745.42	181631.87	194346.11	207950.33	222506.86
INFLOWS																						
1.00		$ 57500.00	61525.00																			
2.00		57500.00			70439.97					98795.71												
3.00		57500.00				75370.77																
4.00		57500.00				75370.77																
5.00		57500.00					80646.72															
6.00		57500.00					80646.72															
7.00		57500.00							92332.43													222506.86
8.00		57500.00									105711.40											
9.00		57500.00										113111.20										
10.00		57500.00										113111.20										
11.00		57500.00										113111.20									207950.33	
12.00		57500.00											121028.99									
13.00		57500.00											121028.99									
14.00		57500.00											121028.99									
15.00		57500.00												129501.02								
16.00		57500.00												129501.02								
17.00		57500.00												129501.02								
18.00		57500.00												129501.02								
19.00		57500.00													138566.09							
20.00		57500.00													138566.09							
21.00		57500.00															158644.31					
22.00		57500.00																		194346.11		
23.00		57500.00																				
24.00		57500.00																				
25.00		57500.00																				
Total Inflows		$ 1437500.00	61525.00	0.00	70439.97	150741.54	161293.45	0.00	92332.43	98795.71	105711.40	339333.61	363086.96	518004.07	277132.18	0.00	158644.31	0.00	0.00	194346.11	207950.33	222506.86
OUTFLOWS		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.00		$ 50000.00	45000.00																			
2.00		50000.00			35000.00					18457.50												
3.00		50000.00				30000.00																
4.00		50000.00				30000.00																
5.00		50000.00					25000.00															
6.00		50000.00					25000.00															
7.00		50000.00							15000.00													0.00
8.00		50000.00									0.00											
9.00		50000.00										0.00										
10.00		50000.00										0.00										
11.00		50000.00										0.00									11311.10	
12.00		50000.00											0.00									
13.00		50000.00											0.00									
14.00		50000.00											0.00									
15.00		50000.00												0.00								
16.00		50000.00												0.00								
17.00		50000.00												0.00								

Exhibit 9.2 (continued)

Test 2.	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001.00	2002	2003.	2004
18.00	$ 50000.00												0.00								
19.00	50000.00													0.00							
20.00	50000.00													0.00							
21.00	50000.00															0.00					
22.00	50000.00																		0.00		
23.00	50000.00																				
24.00	50000.00																				
25.00	50000.00																				
Total Outflow	$ 1250000.00	45000.00	0.00	35000.00	60000.00	50000.00	0.00	15000.00	18457.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11311.10	0.00
NET INFLOW TO POOL	$ 187500.00	16525.00	0.00	35439.97	90741.54	111293.45	0.00	77332.43	80338.21	105711.40	339333.61	363086.96	518004.07	277132.18	0.00	158644.31	0.00	0.00	194346.11	196639.23	222506.86
INTEREST INCOME	$ 0.00	16875.00	18840.38	19344.13	23080.89	31809.27	42355.51	42839.23	50341.54	58197.30	68151.71	99199.47	132157.80	178818.17	203428.77	202953.35	216869.79	216485.84	216230.67	233602.87	251150.76
TOTAL POOL VALUE	$ 187500.00	209337.50	214934.75	256454.34	353436.34	470616.77	475991.44	559350.46	645636.72	757241.22	1102216.34	1468420.04	1986868.53	2260319.65	2255037.21	2409664.37	2405398.26	2402562.96	2595587.42	2790564.04	3011159.05
% OF UNIT VAL 0.05	$ 71875.00	76906.25	82289.69	88049.97	94213.46	100808.61	107864.99	115415.54	123494.63	132139.24	141389.00	151286.23	161876.27	173207.61	185332.14	198305.39	212186.77	227039.84	242932.63	259937.92	278133.57
AVAILABLE FOR RENT REDUCTION	$115625.00	132431.25	132645.06	168404.38	259222.87	369808.36	368126.45	443934.92	522142.09	625101.96	960827.34	1317133.81	1824992.26	2087112.04	2069705.07	2211358.97	2193211.49	2175523.11	2352654.78	2530626.12	2733025.48
AVERAGE MONTHLY AMOUNT																					
10.00 YR AVGING	$ 38.54	44.14	44.22	56.13	86.41	123.27	122.71	147.98	174.05	208.37	320.28	439.04	608.33	695.70	689.90	737.12	731.07	725.17	784.22	843.54	911.01
MONTHLY OPERATING COSTS																					
PER UNIT	$ 150.00	160.50	171.74	183.76	196.62	210.38	225.11	240.87	257.73	275.77	295.07	315.73	337.83	361.48	386.78	413.85	442.82	473.82	506.99	542.48	580.45
MONTHLY OPERATING FEE																					
PER UNIT WITH REDUCTI	$ 111.46	116.36	127.52	127.62	110.21	87.11	102.40	92.89	83.68	67.40	-25.20	-123.32	-270.50	-334.23	-303.12	-323.26	-288.25	-251.35	-277.23	-301.06	-330.56
AMOUNT SPENT FROM POOL																					
IN YEAR	$ 11562.50	13243.13	13264.51	16840.44	25922.29	36980.84	36812.64	44393.49	52214.21	62510.20	96082.73	131713.38	182499.23	208711.20	206970.51	221135.90	219321.15	217552.31	235265.48	253062.61	273302.55
SHADOW MARKET RENT (6%)	$ 350.00	371.00	393.26	416.86	441.87	468.38	496.48	526.27	557.85	591.32	626.80	664.40	704.27	746.52	791.32	838.80	889.12	942.47	999.02	1058.96	1122.50
INFL INCREAS	$ 350.00	374.50	400.72	428.77	458.78	490.89	525.26	562.02	601.37	643.46	688.50	736.70	788.27	843.45	902.49	965.66	1033.26	1105.59	1182.98	1265.78	1354.39
POOL IF NO RENT REDUCTI	187500.00	204025.00	204025.00	239464.97	330206.51	441499.96	441499.96	518832.40	599170.60	704882.01	1044215.62	1407302.58	1925306.64	2202438.82	2202438.82	2361083.13	2361083.13	2361083.13	2555429.24	2752068.47	2974575.33

Test 3. Base Model - 12% Inflation

Inflation	1.12			Value Returned at End	0.75																
YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UNIT PRICE	1.12	$ 57500.00	64400.00	72128.00	80783.36	90477.36	101334.65	113494.80	127114.18	142367.88	159452.03	178586.27	200016.62	224018.62	250900.85	281008.96	314730.03	352497.63	394797.35	442173.03	495233.80	554661.85
INFLOWS																						
1.00		$ 57500.00	64400.00																			
2.00		57500.00			80783.36					142367.88												
3.00		57500.00				90477.36																
4.00		57500.00				90477.36																
5.00		57500.00					101334.65															
6.00		57500.00					101334.65															
7.00		57500.00							127114.18													554661.85
8.00		57500.00									159452.03											
9.00		57500.00										178586.27										
10.00		57500.00										178586.27										
11.00		57500.00										178586.27									495233.80	
12.00		57500.00											200016.62									
13.00		57500.00											200016.62									
14.00		57500.00											200016.62									
15.00		57500.00												224018.62								
16.00		57500.00												224018.62								
17.00		57500.00												224018.62								
18.00		57500.00												224018.62								
19.00		57500.00													250900.85							
20.00		57500.00													250900.85							
21.00		57500.00															314730.03					
22.00		57500.00																		442173.03		
23.00		57500.00																				
24.00		57500.00																				
25.00		57500.00																				
Total Inflows		$ 1437500.00	64400.00	0.00	80783.36	180954.73	202669.29	0.00	127114.18	142367.88	159452.03	535758.82	600049.87	896074.48	501801.71	0.00	314730.03	0.00	0.00	442173.03	495233.80	554661.85
OUTFLOWS		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.00		$ 50000.00	57960.00																			
2.00		50000.00			64626.69					106775.91												
3.00		50000.00				67858.02																
4.00		50000.00				67858.02																
5.00		50000.00					76000.99															
6.00		50000.00					76000.99															
7.00		50000.00							95335.64													415996.39
8.00		50000.00									119589.02											
9.00		50000.00										133939.70										
10.00		50000.00										133939.70										
11.00		50000.00										133939.70									371425.35	
12.00		50000.00											150012.47									
13.00		50000.00											150012.47									
14.00		50000.00											150012.47									
15.00		50000.00												168013.96								
16.00		50000.00												168013.96								
17.00		50000.00												168013.96								

Exhibit 9.3 (continued)

Test 3.

YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001.00	2002	2003.	2004
18.00		$ 50000.00												168013.96								
19.00		50000.00													188175.64							
20.00		50000.00													188175.64							
21.00		50000.00															236047.52					
22.00		50000.00																		331629.77		
23.00		50000.00																				
24.00		50000.00																				
25.00		50000.00																				
Total Outflow		$ 1250000.00	57960.00	0.00	64626.69	135716.04	152001.97	0.00	95335.64	106775.91	119589.02	401819.11	450037.41	672055.86	376351.28	0.00	236047.52	0.00	0.00	331629.77	371425.35	415996.39
NET INFLOW TO POOL		$ 187500.00	6440.00	0.00	16156.67	45238.68	50667.32	0.00	31778.55	35591.97	39863.01	133939.70	150012.47	224018.62	125450.43	0.00	78682.51	0.00	0.00	110543.26	123808.45	138665.46
INTEREST INCOME		$ 0.00	26250.00	29207.85	31503.16	36287.46	45486.09	55982.31	59994.96	68829.91	78790.48	90014.36	115156.90	143890.19	184508.69	213372.42	226298.09	251283.22	266842.32	283684.72	317417.12	355185.02
TOTAL POOL VALUE		$ 187500.00	208627.50	225022.60	259196.18	324900.62	399873.64	428535.42	491642.23	562789.17	642959.72	822549.32	1027787.05	1317919.23	1524088.75	1616414.91	1794880.13	1908916.59	2026319.46	2267265.16	2537035.85	2839086.97
% OF UNIT VAL	0.05	$ 71875.00	80500.00	90160.00	100979.20	113096.70	126668.31	141868.51	158892.73	177959.85	199315.04	223232.84	250020.78	280023.27	313626.07	351261.20	393412.54	440622.04	493496.69	552716.29	619042.25	693327.32
AVAILABLE FOR RENT REDUCTION		$ 115625.00	128127.50	134862.60	158216.98	211803.92	273205.33	286666.91	332749.51	384829.31	443644.69	599316.48	777766.27	1037895.95	1210462.68	1265153.71	1401467.59	1468294.54	1532822.77	1714548.87	1917993.60	2145759.65
AVERAGE MONTHLY AMOUNT																						
10.00 YR AVGING		$ 38.54	42.71	44.95	52.74	70.60	91.07	95.56	110.92	128.28	147.88	199.77	259.26	345.97	403.49	421.72	467.16	488.46	510.94	571.52	639.33	715.25
MONTHLY OPERATING COSTS PER UNIT		$ 150.00	168.00	188.16	210.74	236.03	264.35	296.07	331.60	371.39	415.96	465.88	521.78	584.40	654.52	733.07	821.03	919.56	1029.91	1153.49	1291.91	1446.94
MONTHLY OPERATING FEE PER UNIT WITH REDUCTI		$ 111.46	125.29	143.21	158.00	165.43	173.28	200.52	220.69	243.12	268.08	266.11	262.53	238.43	251.04	311.35	353.88	431.09	518.97	581.98	652.58	731.69
AMOUNT SPENT FROM POOL IN YEAR		$ 11562.50	12812.75	13486.26	15821.70	21180.39	27320.53	28666.69	33274.95	38482.93	44364.47	59931.65	77776.63	103789.60	121046.27	126515.37	140146.76	146829.45	153282.28	171454.89	191799.36	214575.97
SHADOW MARKET RENT (6%)		$ 350.00	371.00	393.26	416.86	441.87	468.38	496.48	526.27	557.85	591.32	626.80	664.40	704.27	746.52	791.32	838.80	889.12	942.47	999.02	1058.96	1122.50
INFL INCREAS		350.00	392.00	439.04	491.72	550.73	616.82	690.84	773.74	866.59	970.58	1087.05	1217.49	1363.59	1527.22	1710.49	1915.75	2145.64	2403.11	2691.49	3014.47	3376.20
POOL IF NO RENT REDUCTI		187500.00	193940.00	193940.00	210096.67	255335.35	306002.68	306002.68	337781.22	373373.19	413236.20	547175.90	697188.37	921206.99	1046657.42	1046657.42	1125339.93	1125339.93	1125339.93	1235883.19	1359691.63	1498357.10

Exhibit 9.4

Test 4. Base Model- 3% Inflation

Inflation	1.03			Value Returned at End	0.75															
YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
IT PRICE	1.03	$ 57500.00	59225.00	61001.75	62831.80	64716.76	66658.26	68658.01	70717.75	72839.28	75024.46	77275.19	79593.45	81981.25	84440.69	86973.91	89583.13	92270.62	95038.74	97889.90	100826.60	103851.40
INFLOWS																						
1.00		$ 57500.00	59225.00																			
2.00		57500.00			62831.80					72839.28												
3.00		57500.00				64716.76																
4.00		57500.00				64716.76																
5.00		57500.00					66658.26															
6.00		57500.00					66658.26															
7.00		57500.00							70717.75													103851.40
8.00		57500.00									75024.46											
9.00		57500.00										77275.19										
10.00		57500.00										77275.19										
11.00		57500.00										77275.19									100826.60	
12.00		57500.00											79593.45									
13.00		57500.00											79593.45									
14.00		57500.00											79593.45									
15.00		57500.00												81981.25								
16.00		57500.00												81981.25								
17.00		57500.00												81981.25								
18.00		57500.00												81981.25								
19.00		57500.00													84440.69							
20.00		57500.00													84440.69							
21.00		57500.00															89583.13					
22.00		57500.00																		97889.90		
23.00		57500.00																				
24.00		57500.00																				
25.00		57500.00																				
Total Inflows		$1437500.00	59225.00	0.00	62831.80	129433.51	133316.52	0.00	70717.75	72839.28	75024.46	231825.58	238780.34	327925.00	168881.38	0.00	89583.13	0.00	0.00	97889.90	100826.60	103851.40
OUTFLOWS		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.00		$ 50000.00	53302.50																			
2.00		50000.00			50265.44					54629.46												
3.00		50000.00				48537.57																
4.00		50000.00				48537.57																
5.00		50000.00					49993.69															
6.00		50000.00					49993.69															
7.00		50000.00							53038.31													77888.55
8.00		50000.00									56268.34											
9.00		50000.00										57956.39										
10.00		50000.00										57956.39										
11.00		50000.00										57956.39									75619.95	
12.00		50000.00											59695.09									
13.00		50000.00											59695.09									
14.00		50000.00											59695.09									
15.00		50000.00												61485.94								
16.00		50000.00												61485.94								
17.00		50000.00												61485.94								

ibit 9.4 (continued)

Test 4

YEAR	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001.00	2002	2003	2004
18.00	$ 50000.00												61485.94								
19.00	50000.00													63330.52							
20.00	50000.00													63330.52							
21.00	50000.00															67187.34					
22.00	50000.00																		73417.43		
23.00	50000.00																				
24.00	50000.00																				
25.00	50000.00																				
Total Outflow	$ 1250000.00	53302.50	0.00	50265.44	97075.13	99987.39	0.00	53038.31	54629.46	56268.34	173869.18	179085.26	245943.75	126661.03	0.00	67187.34	0.00	0.00	73417.43	75619.95	77888.55
NET INFLOW TO POOL	$ 187500.00	5922.50	0.00	12566.36	32358.38	33329.13	0.00	17679.44	18209.82	18756.11	57956.39	59695.09	81981.25	42220.34	0.00	22395.78	0.00	0.00	24472.48	25206.65	25962.85
INTEREST INCOME	$ 0.00	9375.00	9561.75	9453.82	9990.71	11501.79	12997.64	12784.37	13439.23	14119.75	14806.81	17433.20	20029.26	23624.32	25066.50	24340.93	24787.26	24107.79	23479.09	24122.76	24788.76
TOTAL POOL VALUE	$ 187500.00	191235.00	189076.38	199814.14	230035.78	259952.72	255287.36	268784.68	282394.99	296136.26	348663.90	400585.19	472486.36	501330.05	486818.83	495745.22	482455.85	469581.88	482455.11	495775.24	509552.65
% OF UNIT VAL 0.05	$ 71875.00	74031.25	76252.19	78539.75	80895.95	83322.82	85822.51	88397.18	91049.10	93780.57	96593.99	99491.81	102476.56	105550.86	108717.39	111978.91	115338.28	118798.42	122362.38	126033.25	129814.24
AVAILABLE FOR RENT REDUCTION	$ 115625.00	117203.75	112824.19	121274.38	149139.84	176629.89	169464.86	180387.50	191345.89	202355.69	252069.91	301093.38	370009.80	395779.18	378101.24	383766.31	366817.57	350783.46	360092.73	369741.99	379738.41
AVERAGE MONTHLY AMOUNT 10.00 YR AVGING	$ 38.54	39.07	37.61	40.42	49.71	58.88	56.49	60.13	63.78	67.45	84.02	100.36	123.34	131.93	126.03	127.92	122.27	116.93	120.03	123.25	126.58
MONTHLY OPERATING COSTS PER UNIT	$ 150.00	154.50	159.14	163.91	168.83	173.89	179.11	184.48	190.02	195.72	201.59	207.64	213.86	220.28	226.89	233.70	240.71	247.93	255.36	263.03	270.92
MONTHLY OPERATING FEE PER UNIT WITH REDUCTI	$ 111.46	115.43	121.53	123.48	119.11	115.01	122.62	124.35	126.23	128.26	117.56	107.27	90.53	88.35	100.85	105.77	118.43	131.00	135.33	139.78	144.34
AMOUNT SPENT FROM POOL IN YEAR	$ 11562.50	11720.38	11282.42	12127.44	14913.98	17662.99	16946.49	18038.75	19134.59	20235.57	25206.99	30109.34	37000.98	39577.92	37810.12	38376.63	36681.76	35078.35	36009.27	36974.20	37973.84
SHADOW MARKET RENT (6%)	$ 350.00	371.00	393.26	416.86	441.87	468.38	496.48	526.27	557.85	591.32	626.80	664.40	704.27	746.52	791.32	838.80	889.12	942.47	999.02	1058.96	1122.50
INFL INCREAS	$ 350.00	360.50	371.32	382.45	393.93	405.75	417.92	430.46	443.37	456.67	470.37	484.48	499.02	513.99	529.41	545.29	561.65	578.50	595.85	613.73	632.14
POOL IF NO RENT REDUCTI	187500.00	193422.50	193422.50	205988.86	238347.24	271676.37	271676.37	289355.81	307565.63	326321.74	384278.13	443973.22	525954.47	568174.81	568174.81	590570.60	590570.60	590570.60	615043.07	640249.72	666212.57

Exhibit 9.5

Test S Model with Delayed Sales

Inflation 1.07 Value Returned at End 0.75

YEAR		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
NET PRICE	1.07	$ 57500.00	61525.00	65831.75	70439.97	75370.77	80646.72	86292.00	92332.43	98795.71	105711.40	113111.20	121028.99	129501.02	138566.09	148265.71	158644.31	169749.42	181631.87	194346.11	207950.33	222506.86
INFLOWS																						
1.00		$ 57500.00	61525.00																			
2.00		57500.00			70439.97					0.00	80000.00											
3.00		57500.00				0.00	70000.00															
4.00		57500.00				0.00	70000.00															
5.00		57500.00					0.00	80000.00														
6.00		57500.00					0.00	80000.00														
7.00		57500.00							0.00		80000.00											222506.86
8.00		57500.00									80000.00											
9.00		57500.00										113111.20										
10.00		57500.00										113111.20										
11.00		57500.00										113111.20									207950.33	
12.00		57500.00											121028.99									
13.00		57500.00											121028.99									
14.00		57500.00											121028.99									
15.00		57500.00												129501.02								
16.00		57500.00												129501.02								
17.00		57500.00												129501.02								
18.00		57500.00												129501.02								
19.00		57500.00													138566.09							
20.00		57500.00													138566.09							
21.00		57500.00															158644.31					
22.00		57500.00																		194346.11		
23.00		57500.00																				
24.00		57500.00																				
25.00		57500.00																				
Total Inflows		$ 1437500.00	61525.00	0.00	70439.97	0.00	140000.00	80000.00	80000.00	0.00	240000.00	339333.61	363086.96	$18004.07	277132.18	0.00	158644.31	0.00	0.00	194346.11	207950.33	222506.86
OUTFLOWS		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1.00		$ 50000.00	55372.50																			
2.00		50000.00			56351.98					15381.00	44619.00											
3.00		50000.00				12500.00	40000.00															
4.00		50000.00				12500.00	40000.00															
5.00		50000.00					12500.00	47500.00														
6.00		50000.00					12500.00		47500.00													
7.00		50000.00							12500.00		47500.00											166880.14
8.00		50000.00									60000.00											
9.00		50000.00										84833.40										
10.00		50000.00										84833.40										
11.00		50000.00										84833.40									155962.75	
12.00		50000.00											90771.74									
13.00		50000.00											90771.74									
14.00		50000.00											90771.74									
15.00		50000.00												97125.76								
16.00		50000.00												97125.76								
17.00		50000.00												97125.76								

Exhibit 9.5 (continued)

Test 5

YEAR	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
18.00	$ 50000.00												97125.76								
19.00	50000.00													103924.57							
20.00	50000.00													103924.57							
21.00	50000.00															118983.24					
22.00	50000.00																		145759.58		
23.00	50000.00																				
24.00	50000.00																				
25.00	50000.00																				
Total Outflow	$ 1250000.00	55372.50	0.00	56351.98	25000.00	105000.00	47500.00	60000.00	15381.00	152119.00	254500.21	272315.22	388503.05	207849.13	0.00	118983.24	0.00	0.00	145759.58	155962.75	166880.14
NET INFLOW TO POOL	$ 187500.00	6152.50	0.00	14087.99	-25000.00	35000.00	32500.00	20000.00	-15381.00	87881.00	84833.40	90771.74	129501.02	69283.04	0.00	39661.08	0.00	0.00	48586.53	51987.58	55626.71
INTEREST INCOME	$ 0.00	16875.00	17906.85	18419.94	20244.27	18584.27	22396.35	26004.66	28515.40	27804.79	36626.59	45084.59	54075.70	66551.61	73578.45	74401.54	78895.01	79890.81	81001.58	86607.71	92606.91
TOTAL POOL VALUE	$ 187500.00	198965.00	204665.98	224936.28	206491.91	248848.34	288940.70	316837.79	309829.97	406962.15	500939.84	600841.08	739462.31	817538.35	826683.73	876611.19	887675.61	900017.54	962307.87	1028965.64	1100296.49
% OF UNIT VAL 0.05	$ 71875.00	76906.25	82289.69	88049.97	94213.46	100808.41	107864.99	115415.54	123494.63	132139.25	141389.00	151286.23	161876.27	173207.61	185332.14	198305.39	212186.77	227039.84	242932.63	259937.92	278133.57
AVAILABLE FOR RENT REDUCTION	$ 115625.00	122058.75	122376.29	136886.31	112278.45	148039.93	181075.70	201422.25	186335.33	274822.87	359550.83	449554.84	577586.04	644330.75	641351.59	678305.80	675488.85	672977.69	719375.24	769027.72	822162.92
AVERAGE MONTHLY AMOUNT 10.00 YR AVGING	$ 38.54	40.69	40.79	45.63	37.43	49.35	60.36	67.14	62.11	91.61	119.85	149.85	192.53	214.78	213.78	226.10	225.16	224.33	239.79	256.34	274.05
MONTHLY OPERATING COSTS PER UNIT	$ 150.00	160.50	171.74	183.76	196.62	210.38	225.11	240.87	257.73	275.77	295.07	315.73	337.83	361.48	386.78	413.85	442.82	473.82	506.99	542.48	580.45
MONTHLY OPERATING FEE PER UNIT WITH REDUCTI	$ 111.46	119.81	130.96	138.13	159.19	161.04	164.75	173.73	195.62	184.16	175.22	165.88	145.30	146.70	173.00	187.75	217.66	249.50	267.20	286.14	306.40
AMOUNT SPENT FROM POOL IN YEAR	$ 11562.50	12205.88	12237.63	13688.63	11227.84	14803.99	18107.57	20142.22	18633.53	27482.29	35955.08	44955.48	57758.60	64433.07	64135.16	67830.58	67548.88	67297.77	71937.52	76902.77	82216.29
SHADOW MARKET RENT (6%)	$ 350.00	371.00	393.26	416.86	441.87	468.38	496.48	526.27	557.85	591.32	626.80	664.40	704.27	746.52	791.32	838.80	889.12	942.47	999.02	1058.96	1122.50
INFL INCREAS	$ 350.00	374.50	400.72	428.77	458.79	490.89	525.26	562.02	601.37	643.46	688.50	736.70	788.27	843.45	902.49	965.66	1033.26	1105.59	1182.98	1265.78	1354.39
POOL IF NO RENT REDUCTI	187500.00	193652.50	193652.50	207740.49	182740.49	217740.49	250240.49	270240.49	254859.49	342740.49	427573.90	518545.64	647846.65	717129.70	717129.70	756790.78	756790.78	756790.78	805377.30	857364.89	912991.60

9.1.2. Evaluation of Testing

The following items became apparent in the testing of this model.

Large sums of money pass through the hands of the non-profit in conjunction with the resale of units. This enables a comfortable buffer to be maintained for the sponsor to be able to refurbish and remarket units.

Retention of the amount for a buffer need only be enough to redeem and carry a few units. Five percent of the current market value of all the units appears to be sufficient in the examples.

The project is resistant to the effects of inflation. In periods of high inflation there is more 'profit' from resales and interest income available for distribution as rent-reductions, which helps to counteract increases in the actual costs of operations.

Any project which has no provision to return surpluses to the residents, either at time of termination, through reductions of operating costs, or any other method, will eventually accumulate an enormous surplus. This is demonstrated in the bottom line of Test 2, which after twenty years of operations shows an accumulation of 2.3 times the original cost of the project. This is the likely scenario which the existing resident-financed projects will experience, with ever increasing surpluses, and no predetermined policy regarding their use.

After 10 years of operations, the value of the pool begins to increase appreciably. This suggests that while in the early years building up a reserve is prudent, once the project is established and stable, steps will have to be taken to distribute the increasing surplus, in the form of extra operating cost reductions, or improvements to the facility.

9.2 ANALYSIS OF ALTERNATIVES AND IMPACT ON SENIORS

An analysis was prepared to determine the probable effects on seniors of resident-financed units. The widespread acceptance of the formula in the United States is encouraging, but, as has been noted, the benefits being received there are different than those received from a Canadian project, which would most likely operate independently of a care facility. The analysis done by a senior has to address most of the same issues faced by a young person facing the rent/buy situation. The choice of a retirement residence is important; a typical resident entering the project at age 72 or 73 might well plan for a tenure of up to 25 years, until he or she is close to age 100 although average tenure will be much shorter.

Obviously, one should not plan for an early death. Therefore, the analysis has to be carried out over a lengthy period and the investment characteristics become important.

9.2.1. CASH FLOW ANALYSIS

Projected future cash flows beginning in 1984 were developed for a senior with a modest income, under a variety of differing housing options. This will yield some of the characteristics of the different alternatives a healthy senior in his or her early seventies might have.

9.2.1.1. Assumptions

These projections were developed for three alternatives; 'A', remaining in the family house; 'B', selling the house and renting a modest apartment; and 'C', selling the house and purchasing a resident-financed apartment unit of similar size to the rental unit in option 'B'.

The model individual is assumed to have the following characteristics. He or she:

i) is a widow or widower

ii) has a fully indexed personal income of $11,000 per year

iii) has an investment income of $2,400 per year, based on $20,000 of savings invested in fixed interest securities yielding 12%, which was obtained when interest rates were higher. The scenario for the person with the lowest asset level assumed $30,000 of savings, similarly invested.

iv) Has various levels of assets, from a low of $30,000 to a high of $140,000, representing a range of house values from zero to $120,000.

The resident-financed project was assumed to offer the following characteristics:

i) the unit price is $50,000 (the maximum unit prices allowable by Canada Mortgage and Housing Corporation for 1 bedroom non-profit seniors units in mid 1984 ranged from a low of $38,000 in Trois-Rivieres to a high of $58,000 in Saskatchewan.)

ii) the unit price follows inflation. At termination of tenure the senior receives the then current unit value. The return assumed is shown in Exhibit 9-1, which also indicates the line for a 75% return future unit value.

iii) The operating costs in the first year are $190 per month and increase with inflation.

The rental rates used for a comparison to a resident-financed project are the area of greatest uncertainty. An estimated economic rent of $690 ($190 monthly operating costs plus $500 of interest cost based on a $50,000 unit cost at 12%) is unrealistically high, and few new rental projects are currently being built, when even in the largest centres older units in entrepreneurial apartment buildings are available for $300 per month less. The rental used for the comparison is $400 per month, although such low rent levels would not be found in new entrepreneurial buildings, particularly those oriented to seniors.

The following assumptions about the financial environment were made:

i) Income taxes were calculated on the basis of the 1983 tax guidelines for the first year. In subsequent years they were kept at a constant percentage of the pre-tax income; indexation to the rate of growth in income for each case was assumed.

ii) As a result of selling his or her home each senior was assumed to buy a portfolio of dividend paying stock and corporate or governmental bonds. Eighty percent of the portfolio was assumed to be bonds yielding 10 percent of their original value each year. The balance of the portfolio was stock, which yielded 4% of its current value per year, and increased in value at the rate of inflation. While not necessarily an ideal portfolio from either a tax or an inflation-shelter perspective, it does represent the traditional way seniors structured their investments; with a minimum of "speculative" components. In fact, for most widowed seniors of this income range, investment planning is much worse than that assumed. It is not uncommon for seniors to have substantial amounts in savings accounts for long periods of time.

iii) No reinvestment or consumption of capital was included. Each senior was assumed to live to the extent of his/her income.

iv) Inflation throughout the fifteen year period was 6 percent.

Although the case of a house-less senior was examined it is thought that her or she will be a very small part of the total demand for resident-financed units. The limited amounts of total assets held by those who do not or who

have not recently owned homes is underlined by a statement made in a 1976 study by Statistics Canada.

> "The 63% of elderly family units who are homeowners are obviously so much better off than the other 37% who are renters and lodgers: on a family unit basis their incomes are higher ($9,980 versus $6,297 in 1976) their "miscellaneous net savings" which consist of liquid assets mainly are on the average about $18,600 compared to approximately $10,600 for non-homeowners. In addition, they have the advantage of having lower shelter costs as for the great majority of them, these expenditures are limited to property taxes, insurance, and maintenance, which normally amount to less than rent." [18]

9.2.1.2. Annual Income Analysis

First Year

The level of assets and incomes of a senior for each alternative were calculated for years 1984 to 1999. Sample years are shown in Exhibits 9-6 to 9-9.

In the first year, the rental option is financially best for all but a senior who has a house valued at less than the value of the resident-financed unit. This is because of the capital made available for additional investment income, when the house is sold. At the lower asset ranges however, the progressive nature of the tax system is obvious; the senior who sells a $60,000 house and rents a unit, will find that 30% of the new interest income is payable in taxes. After allowing for taxes and the higher cost of rent than operating costs, the $60,000 house senior who rents an apartment has only $230 per year in extra income above the resident-financed case, not the $3,875 seen before the tax and housing costs.

The first year is very sensitive to the rental rates for available appropriate seniors'housing. At the $80,000 asset level ($60,000 house value) if the rent was $19.17 per month higher than assumed, the resident-financed unit would become preferrable, even in the first year. The various incomes after taxes and housing for the different asset ranges are shown in Exhibit 9.10.

Subsequent years

Over a period of years inflation takes its toll on the seniors as their income and asset levels generally fall in purchasing power. Exhibits 9-11 to 9-15 relate the three options to income and asset levels in future years. On Exhibit 9-13, ($80,000 asset level) it may be seen that the income for the resident-financed option 'C' overtakes that of the rental option 'B' within two years. Even the income after taxes and housing costs of the continued ownership of the house passes that of the rental option by year ten.

EXHIBIT 9-6 Annual Income Analysis for Housing Alternatives
Year 1

SENIOR'S OPTIONS

Year	1		
Inflation Index	1.00		
House Value Assumed			
40,000	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	40,000	0	50,000
Existing Investments	20,000	20,000	10,000
New Bonds	0	25,000	0
New Stock	0	15,000	0
Total Assets	60,000	60,000	60,000
INCOME			
Pension	11,000	11,000	11,000
Existing Investments	2,400	2,400	1,200
New Bonds (10%)	0	2,500	0
New Stock (4%)	0	600	0
Pre-Tax Income	13,400	16,500	12,200
Income Tax	1,236	2,140	911
AFTER TAX INCOME	12,164	14,360	11,289
RENT	0	4,800	0
OPERATING COSTS	2,500	0	2,280
REMAINING INCOME	9,664	9,560	9,009

SENIOR'S OPTIONS

House Value Assumed			
80,000	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	80,000	0	50,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	50,000	18,750
New Stock	0	30,000	11,250
Total Assets	100,000	100,000	100,000
INCOME			
Pension	11,000	11,000	11,000
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	5,000	1,875
New Stock (4%)	0	1,200	450
Pre-Tax Income	13,400	19,600	15,725
Income Tax	1,236	3,073	1,914
AFTER TAX INCOME	12,164	16,527	13,811
RENT	0	4,800	0
OPERATING COSTS	3,000	0	2,280
REMAINING INCOME	9,164	11,727	11,531

EXHIBIT 9-6 (cont'd) Annual Income Analysis for Housing Alternatives
Year 1

SENIOR'S OPTIONS

Year 1 (cont'd)

House Value Assumed 60,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	60,000	0	50,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	37,500	6,250
New Stock	0	22,500	3,750
Total Assets	80,000	80,000	80,000
INCOME			
Pension	11,000	11,000	11,000
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	3,750	625
New Stock (4%)	0	900	150
Pre-Tax Income	13,400	18,050	14,175
Income Tax	1,236	2,585	1,460
AFTER TAX INCOME	12,164	15,465	12,715
RENT	0	4,800	0
OPERATING COSTS	2,750	0	2,280
REMAINING INCOME	9,414	10,665	10,435

SENIOR'S OPTIONS

House Value Assumed 120,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	120,000	0	50,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	75,000	43,750
New Stock	0	45,000	26,250
Total Assets	140,000	140,000	140,000
INCOME			
Pension	11,000	11,000	11,000
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	7,500	4,375
New Stock (4%)	0	1,800	1,050
Pre-Tax Income	13,400	22,700	18,825
Income Tax	1,236	4,045	2,834
AFTER TAX INCOME	12,164	18,655	15,991
RENT	0	4,800	0
OPERATING COSTS	3,250	0	2,280
REMAINING INCOME	8,914	13,855	13,711

EXHIBIT 9-6 (cont'd) Annual Income Analysis for Housing Alternatives
Year 1

SENIOR'S OPTIONS

Year	1		
Inflation Index	1.00		
Total Assets	$ 30,000		
No House	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	50,000
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	30,000
INCOME			
Pension	0	11,000	11,000
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	14,600	11,000
Income Tax	0	1,551	771
AFTER TAX INCOME	0	13,049	10,229
RENT	0	4,800	0
OPERATING COSTS	0	0	2,280
INTEREST EXPENSES (11%)			2,200
REMAINING INCOME	0	8,249	5,749

Year	2		
Inflation Index	1.06		
	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	53,000
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	33,000
INCOME			
Pension	0	11,660	11,660
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	15,260	11,660
Income Tax	0	1,621	817
AFTER TAX INCOME	0	13,639	10,843
RENT	0	5,088	0
OPERATING COSTS	0	0	2,417
INTEREST EXPENSES (11%)		0	2,200
REMAINING INCOME	0	8,551	6,226

EXHIBIT 9-7 Annual Income Analysis for Housing Alternatives
Year 3

SENIOR'S OPTIONS

Year	3
Inflation Index	1.12

House Value Assumed 40,000

	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	44,944	0	56,180
Existing Investments	20,000	20,000	10,000
New Bonds	0	25,000	0
New Stock	0	16,854	0
Total Assets	64,944	61,854	66,180
INCOME			
Pension	12,360	12,360	12,360
Existing Investments	2,400	2,400	1,200
New Bonds (10%)	0	2,500	0
New Stock (4%)	0	674	0
Pre-Tax Income	14,760	17,934	13,560
Income Tax	1,361	2,326	1,013
AFTER TAX INCOME	13,398	15,608	12,547
RENT	0	5,393	0
OPERATING COSTS	2,809	0	2,562
REMAINING INCOME	10,589	10,215	9,985

SENIOR'S OPTIONS
House Value Assumed 80,000

	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	89,888	0	56,180
Existing Investments	20,000	20,000	20,000
New Bonds	0	50,000	18,750
New Stock	0	33,708	12,641
Total Assets	109,888	103,708	107,571
INCOME			
Pension	12,360	12,360	12,360
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	5,000	1,875
New Stock (4%)	0	1,348	506
Pre-Tax Income	14,760	21,108	17,140
Income Tax	1,361	3,309	2,086
AFTER TAX INCOME	13,398	17,798	15,054
RENT	0	5,393	0
OPERATING COSTS	3,371	0	2,562
REMAINING INCOME	10,027	12,405	12,492

EXHIBIT 9-7 (cont'd)
Year 3

SENIOR'S OPTIONS

Year 3 (cont'd)

House Value Assumed

60,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	67,416	0	56,180
Existing Investments	20,000	20,000	20,000
New Bonds	0	37,500	6,250
New Stock	0	25,281	4,214
Total Assets	87,416	82,781	86,644
INCOME			
Pension	12,360	12,360	12,360
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	3,750	625
New Stock (4%)	0	1,011	169
Pre-Tax Income	14,760	19,521	15,553
Income Tax	1,361	2,796	1,602
AFTER TAX INCOME	13,398	16,725	13,951
RENT	0	5,393	0
OPERATING COSTS	3,090	0	2,562
REMAINING INCOME	10,308	11,332	11,389

SENIOR'S OPTIONS
House Value Assumed

120,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	134,832	0	56,180
Existing Investments	20,000	20,000	20,000
New Bonds	0	75,000	43,750
New Stock	0	50,562	29,495
Total Assets	154,832	145,562	149,425
INCOME			
Pension	12,360	12,360	12,360
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	7,500	4,375
New Stock (4%)	0	2,022	1,180
Pre-Tax Income	14,760	24,282	20,314
Income Tax	1,361	4,327	3,058
AFTER TAX INCOME	13,398	19,955	17,256
RENT	0	5,393	0
OPERATING COSTS	3,652	0	2,562
REMAINING INCOME	9,746	14,562	14,694

EXHIBIT 9-7 (cont'd) Annual Income Analysis for Housing Alternatives
Year 3

SENIOR'S OPTIONS

Year	3		
Inflation Index	1.12		
Total Assets	$ 30,000		
No House	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	56,000
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	36,000
INCOME			
Pension	0	12,320	12,320
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	15,920	12,320
Income Tax	0	1,691	864
AFTER TAX INCOME	0	14,229	11,456
RENT	0	5,376	0
OPERATING COSTS	0	0	2,554
INTEREST EXPENSES (11%)			2,200
REMAINING INCOME	0	8,853	6,703

Year	4		
Inflation Index	1.19		
	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	59,360
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	39,360
INCOME			
Pension	0	13,059	13,059
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	16,659	13,059
Income Tax	0	1,770	915
AFTER TAX INCOME	0	14,889	12,144
RENT	0	5,699	0
OPERATING COSTS	0	0	2,707
INTEREST EXPENSES (11%)		0	2,200
REMAINING INCOME	0	9,191	7,237

EXHIBIT 9-8 Annual Income Analysis for Housing Alternatives
Year 7

SENIOR'S OPTIONS

Year	7
Inflation Index	1.42

House Value Assumed 40,000

	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	56,800	0	71,000
Existing Investments	20,000	20,000	10,000
New Bonds	0	25,000	0
New Stock	0	21,300	0
Total Assets	76,800	66,300	81,000
INCOME			
Pension	15,620	15,620	15,620
Existing Investments	2,400	2,400	1,200
New Bonds (10%)	0	2,500	0
New Stock (4%)	0	852	0
Pre-Tax Income	18,020	21,372	16,820
Income Tax	1,662	2,772	1,256
AFTER TAX INCOME	16,358	18,600	15,564
RENT	0	6,816	0
OPERATING COSTS	3,550	0	3,238
REMAINING INCOME	12,808	11,784	12,326

SENIOR'S OPTIONS

House Value Assumed 80,000

	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	113,600	0	71,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	50,000	18,750
New Stock	0	42,600	15,975
Total Assets	133,600	112,600	125,725
INCOME			
Pension	15,620	15,620	15,620
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	5,000	1,875
New Stock (4%)	0	1,704	639
Pre-Tax Income	18,020	24,724	20,534
Income Tax	1,662	3,876	2,499
AFTER TAX INCOME	16,358	20,848	18,035
RENT	0	6,816	0
OPERATING COSTS	4,260	0	3,238
REMAINING INCOME	12,098	14,032	14,797

EXHIBIT 9-8 (cont'd) Annual Income Analysis for Housing Alternatives
Year 7

SENIOR'S OPTIONS

House Value Assumed 60,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	85,200	0	71,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	37,500	6,250
New Stock	0	31,950	5,325
Total Assets	105,200	89,450	102,575
INCOME			
Pension	15,620	15,620	15,620
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	3,750	625
New Stock (4%)	0	1,278	213
Pre-Tax Income	18,020	23,048	18,858
Income Tax	1,662	3,301	1,942
AFTER TAX INCOME	16,358	19,747	16,916
RENT	0	6,816	0
OPERATING COSTS	3,905	0	3,238
REMAINING INCOME	12,453	12,931	13,678

SENIOR'S OPTIONS

House Value Assumed 120,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	170,400	0	71,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	75,000	43,750
New Stock	0	63,900	37,275
Total Assets	190,400	158,900	172,025
INCOME			
Pension	15,620	15,620	15,620
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	7,500	4,375
New Stock (4%)	0	2,556	1,491
Pre-Tax Income	18,020	28,076	23,886
Income Tax	1,662	5,003	3,596
AFTER TAX INCOME	16,358	23,073	20,290
RENT	0	6,816	0
OPERATING COSTS	4,615	0	3,238
REMAINING INCOME	11,743	16,257	17,052

EXHIBIT 9-8 (cont'd) Annual Income for Housing Alternatives
Year 7

SENIOR'S OPTIONS

Year	7		
Inflation Index	1.42		
Total Assets	$ 30,000		
No House	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	71,000
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	51,000
INCOME			
Pension	0	15,620	15,620
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	19,220	15,620
Income Tax	0	2,042	1,095
AFTER TAX INCOME	0	17,178	14,525
RENT	0	6,816	0
OPERATING COSTS	0	0	3,238
INTEREST EXPENSES (11%)			2,200
REMAINING INCOME	0	10,362	9,088

Year	8		
Inflation Index	1.51		
	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	0	0	75,260
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	55,260
INCOME			
Pension	0	16,557	16,557
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	20,157	16,557
Income Tax	0	2,141	1,161
AFTER TAX INCOME	0	18,016	15,397
RENT	0	7,225	0
OPERATING COSTS	0	0	3,432
INTEREST EXPENSES (11%)		0	2,200
REMAINING INCOME	0	10,791	9,765

EXHIBIT 9-9 Annual Income Analysis for Housing Alternatives
Year 12

SENIOR'S OPTIONS			
Year	12		
Inflation Index	1.90		
House Value Assumed			
40,000	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	76,000	0	95,000
Existing Investments	20,000	20,000	10,000
New Bonds	0	25,000	0
New Stock	0	28,500	0
Total Assets	96,000	73,500	105,000
INCOME			
Pension	20,900	20,900	20,900
Existing Investments	2,400	2,400	1,200
New Bonds (10%)	0	2,500	0
New Stock (4%)	0	1,140	0
Pre-Tax Income	23,300	26,940	22,100
Income Tax	2,149	3,494	1,650
AFTER TAX INCOME	21,151	23,446	20,450
RENT	0	9,120	0
OPERATING COSTS	4,750	0	4,332
REMAINING INCOME	16,401	14,326	16,118

SENIOR'S OPTIONS			
House Value Assumed			
80,000	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	152,000	0	95,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	50,000	18,750
New Stock	0	57,000	21,375
Total Assets	172,000	127,000	155,125
INCOME			
Pension	20,900	20,900	20,900
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	5,000	1,875
New Stock (4%)	0	2,280	855
Pre-Tax Income	23,300	30,580	26,030
Income Tax	2,149	4,795	3,168
AFTER TAX INCOME	21,151	25,785	22,862
RENT	0	9,120	0
OPERATING COSTS	5,700	0	4,332
REMAINING INCOME	15,451	16,665	18,530

EXHIBIT 9-9 (cont'd) Annual Income Analysis for Housing Alternatives
Year 12

SENIOR'S OPTIONS

House Value Assumed 60,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	114,000	0	95,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	37,500	6,250
New Stock	0	42,750	7,125
Total Assets	134,000	100,250	128,375
INCOME			
Pension	20,900	20,900	20,900
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	3,750	625
New Stock (4%)	0	1,710	285
Pre-Tax Income	23,300	28,760	24,210
Income Tax	2,149	4,119	2,494
AFTER TAX INCOME	21,151	24,641	21,716
RENT	0	9,120	0
OPERATING COSTS	5,225	0	4,332
REMAINING INCOME	15,926	15,521	17,384

SENIOR'S OPTIONS

House Value Assumed 120,000	'A' Retain House	'B' Rent Apartment	'C' Resident-Financed
ASSETS			
Dwelling Unit	228,000	0	95,000
Existing Investments	20,000	20,000	20,000
New Bonds	0	75,000	43,750
New Stock	0	85,500	49,875
Total Assets	248,000	180,500	208,625
INCOME			
Pension	20,900	20,900	20,900
Existing Investments	2,400	2,400	2,400
New Bonds (10%)	0	7,500	4,375
New Stock (4%)	0	3,420	1,995
Pre-Tax Income	23,300	34,220	29,670
Income Tax	2,149	6,098	4,467
AFTER TAX INCOME	21,151	28,122	25,203
RENT	0	9,120	0
OPERATING COSTS	6,175	0	4,332
REMAINING INCOME	14,976	19,002	20,871

EXHIBIT 9-9 (cont'd) Annual Income for Housing Alternatives
Year 12

SENIOR'S OPTIONS

Year	12		
Inflation Index	1.90		
Total Assets	$ 30,000		
No House	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	0	0	95,000
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	75,000
INCOME			
Pension	0	20,900	20,900
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	24,500	20,900
Income Tax	0	2,603	1,465
AFTER TAX INCOME	0	21,897	19,435
RENT	0	9,120	0
OPERATING COSTS	0	0	4,332
INTEREST EXPENSES (11%)			2,200
REMAINING INCOME	0	12,777	12,903

Year	13		
Inflation Index	2.01		
	'A'	'B'	'C'
	Retain House	Rent Apartment	Resident-Financed
ASSETS			
Dwelling Unit	0	0	100,700
Existing Investments	0	30,000	0
Mortgage Debt	0	0	-20,000
New Stock	0	0	0
Total Assets	0	30,000	80,700
INCOME			
Pension	0	22,154	22,154
Existing Investments	0	3,600	0
New Bonds (10%)	0	0	0
New Stock (4%)	0	0	0
Pre-Tax Income	0	25,754	22,154
Income Tax	0	2,736	1,553
AFTER TAX INCOME	0	23,018	20,601
RENT	0	9,667	0
OPERATING COSTS	0	0	4,592
INTEREST EXPENSES (11%)		0	2,200
REMAINING INCOME	0	13,351	13,809

Exhibit 9-12 also shows that for a senior with $60,000 of assets ($40,000 house value), while renting is a better option, from an income point of view, for a longer period, the resident-financed option still yields a higher annual income after the fourth year.

Exhibits 9-11 to 9-15 show asset growth over the fifteen year period if the entire inflation-induced gain is returned to the senior. Even if, in a non-profit project, all of this gain is returned to the seniors, albeit through a method such as outlined in section 9.1, the model of annual capital gain is acceptable, although some seniors will benefit to a greater or lesser extent from a reduction of operating costs based on their length of tenure. In ten years time, both the owner of the house and the owner of a resident-financed unit would have almost $25,000 more in assets, in direct ownership or in the share of a project's overall appreciation, than the renter. The two exhibits show that a home-owner who elected the resident-financed option would trade off some amount of appreciation in the value of his or her housing asset, against a higher ongoing income after taxes and housing.

It is interesting to note, in Exhibit 9-11, that it is actually viable for a senior with some income to borrow part of the payment for a resident-financed unit. In the situation of a senior at the lowest asset level, with $50,000 in savings, although the income after taxes and housing is substantially less than that of the renter in the initial years, in the long-term, in this case after the eleventh year, income after taxes and housing costs passes that of the rental option. The low asset senior, because of the leverage incurred through the borrowing to purchase the unit, was the only example whose income and assets grew at a rate exceeding inflation.

Exhibit 3-11 showed the average wealth of Canadians in 1977. If the stated figure of $47,074 of equity for seniors is related to 1984 purchasing power, it becomes approximately $87,000. If we add to that twenty-five percent to make some attempt at addressing the understatement of income and assets, it becomes $108,750 in 1985. Resident-financed seniors' apartments can be accessible to a large proportion of Canadian seniors.

9.2.2.3. Present Value Analysis

A present value analysis was carried out for the various options. Based only on an examination of the cash flows generated, at the lower asset levels, the difference between the options is not as clear as for the upper asset seniors. This is due to the lower marginal tax rate on the additional investment income obtainable by the renter. It might be argued that the difference in income between the

Exhibit 9-10

FINANCIAL IMPACT OF ALTERNATIVE HOUSING OPTIONS ON SENIORS
IN YEAR 1

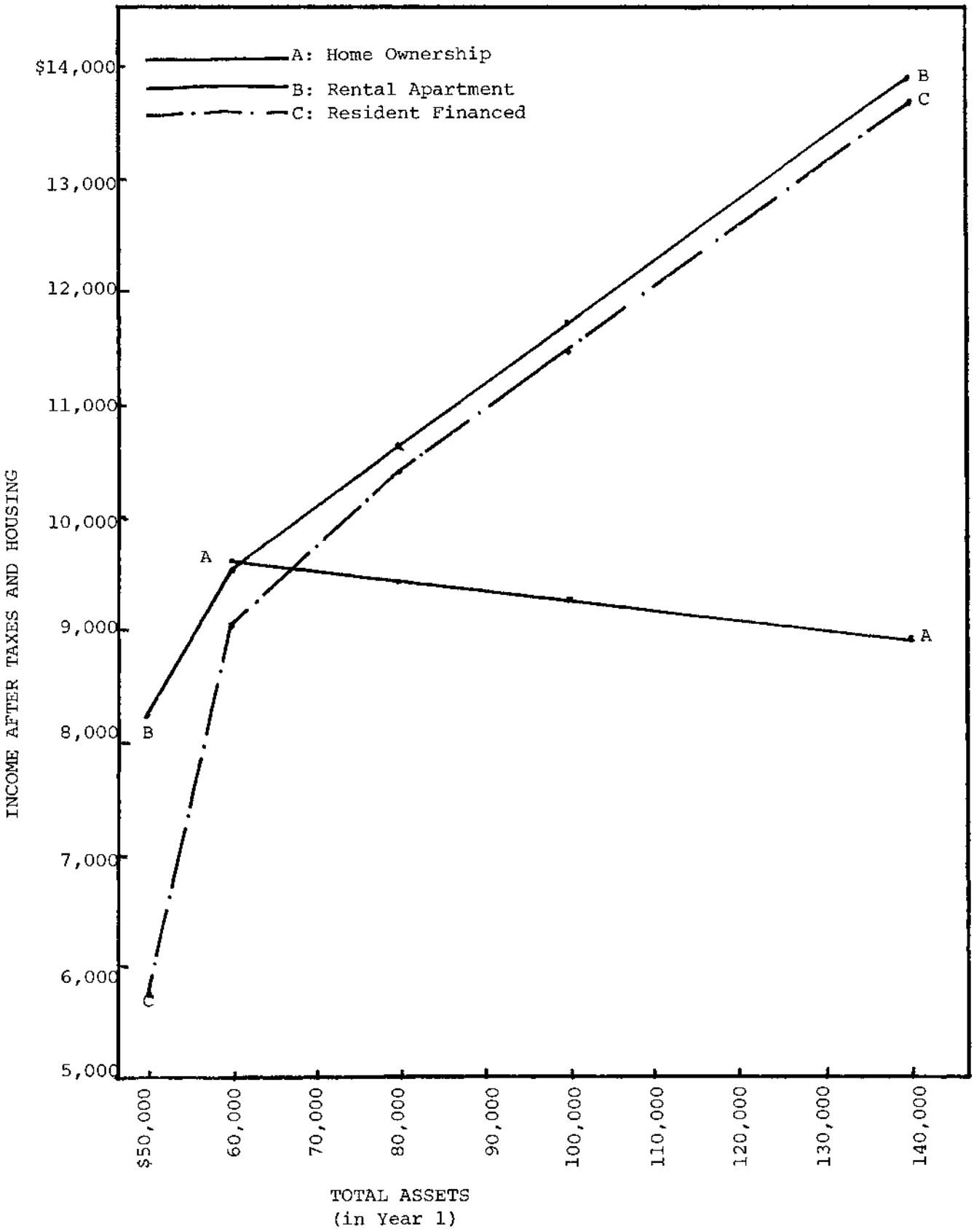
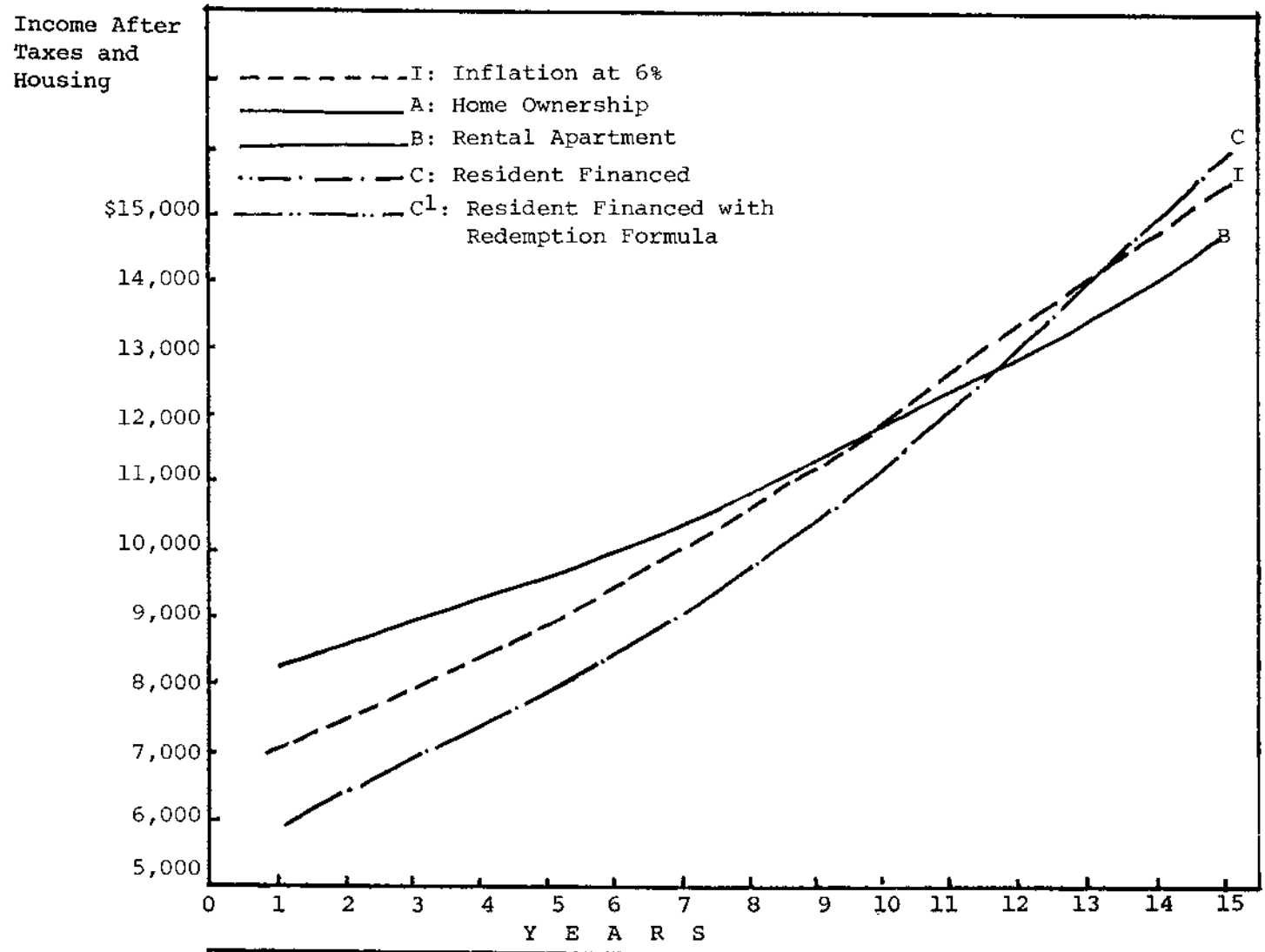


Exhibit 9-11

FINANCIAL IMPACT OF ALTERNATIVE HOUSING OPTIONS ON SENIORS
TOTAL ASSETS $30,000 HOUSE VALUE $0 (1984 - YEAR 1)



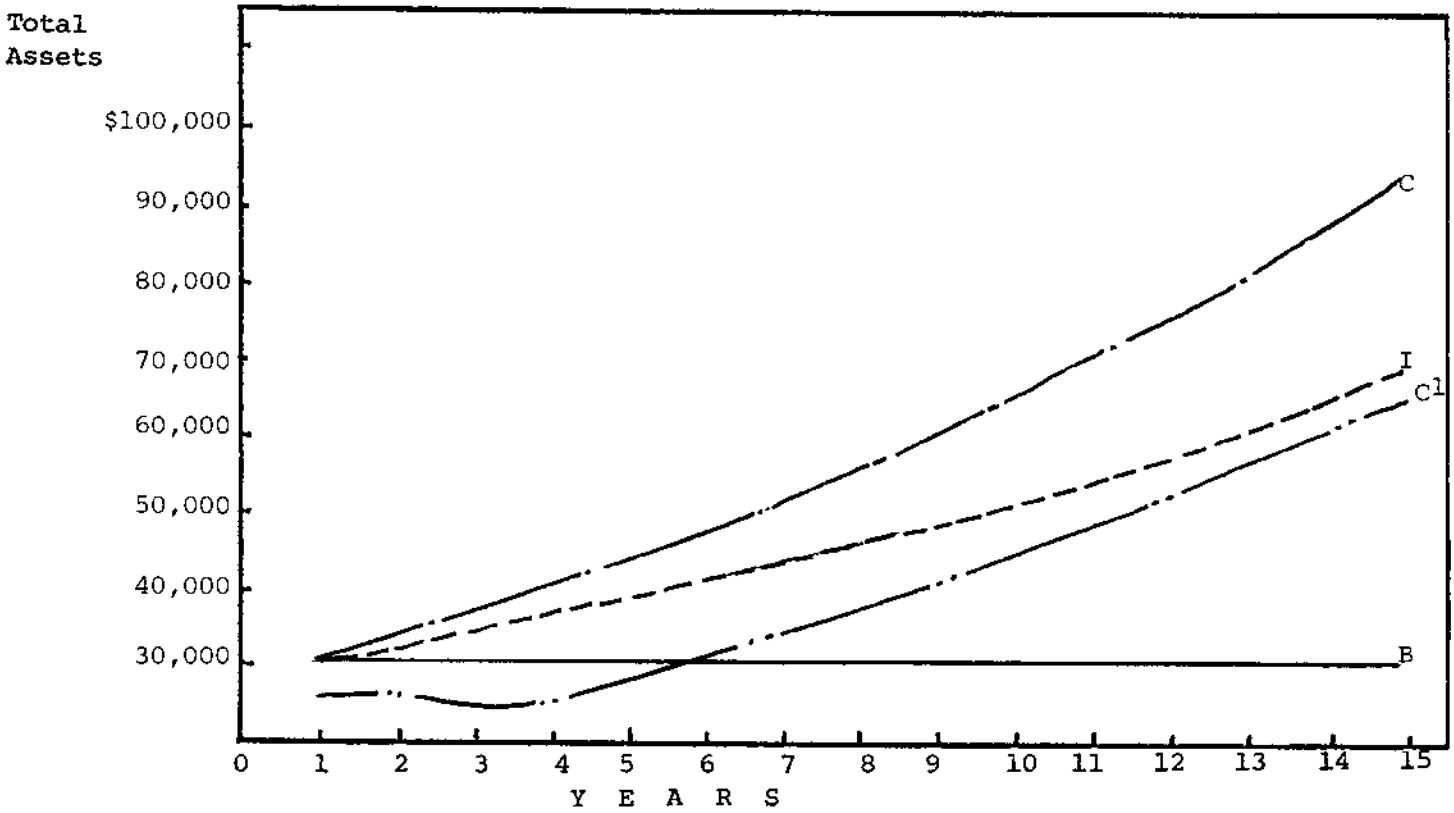
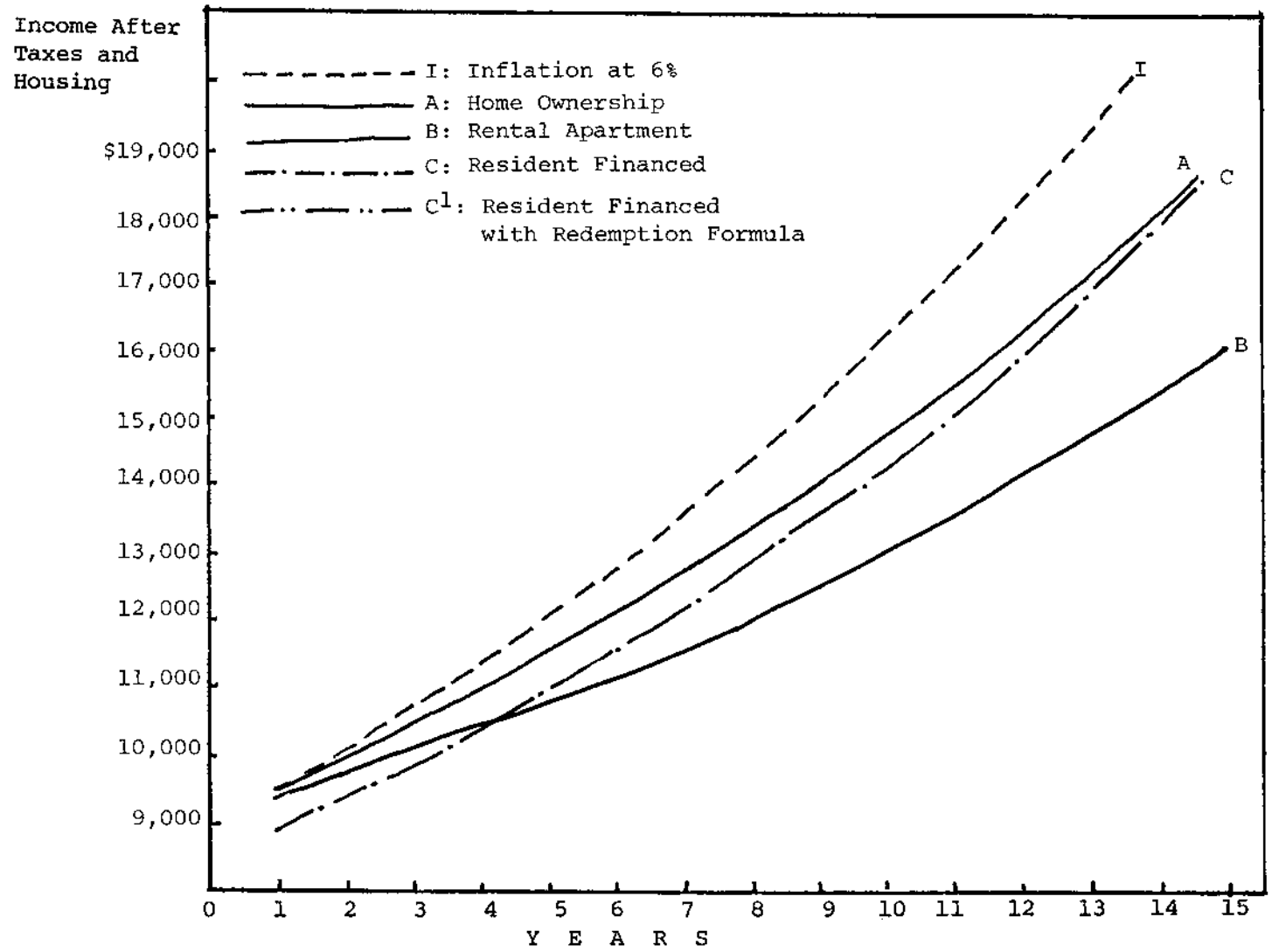


Exhibit 9-12

FINANCIAL IMPACT OF ALTERNATIVE HOUSING OPTIONS ON SENIORS
TOTAL ASSETS $60,000 - HOUSE VALUE $40,000 (1984 = YEAR 1)



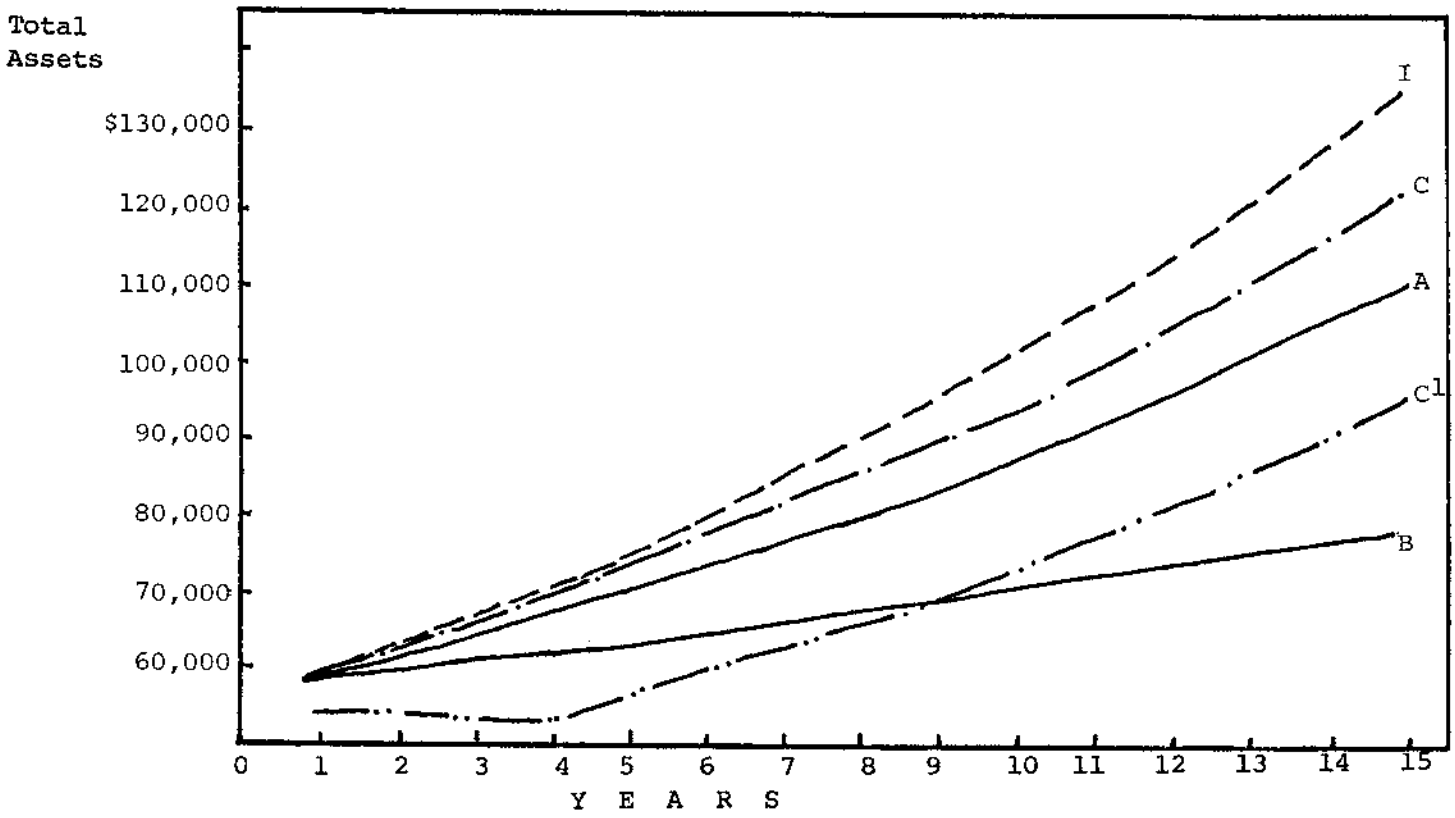
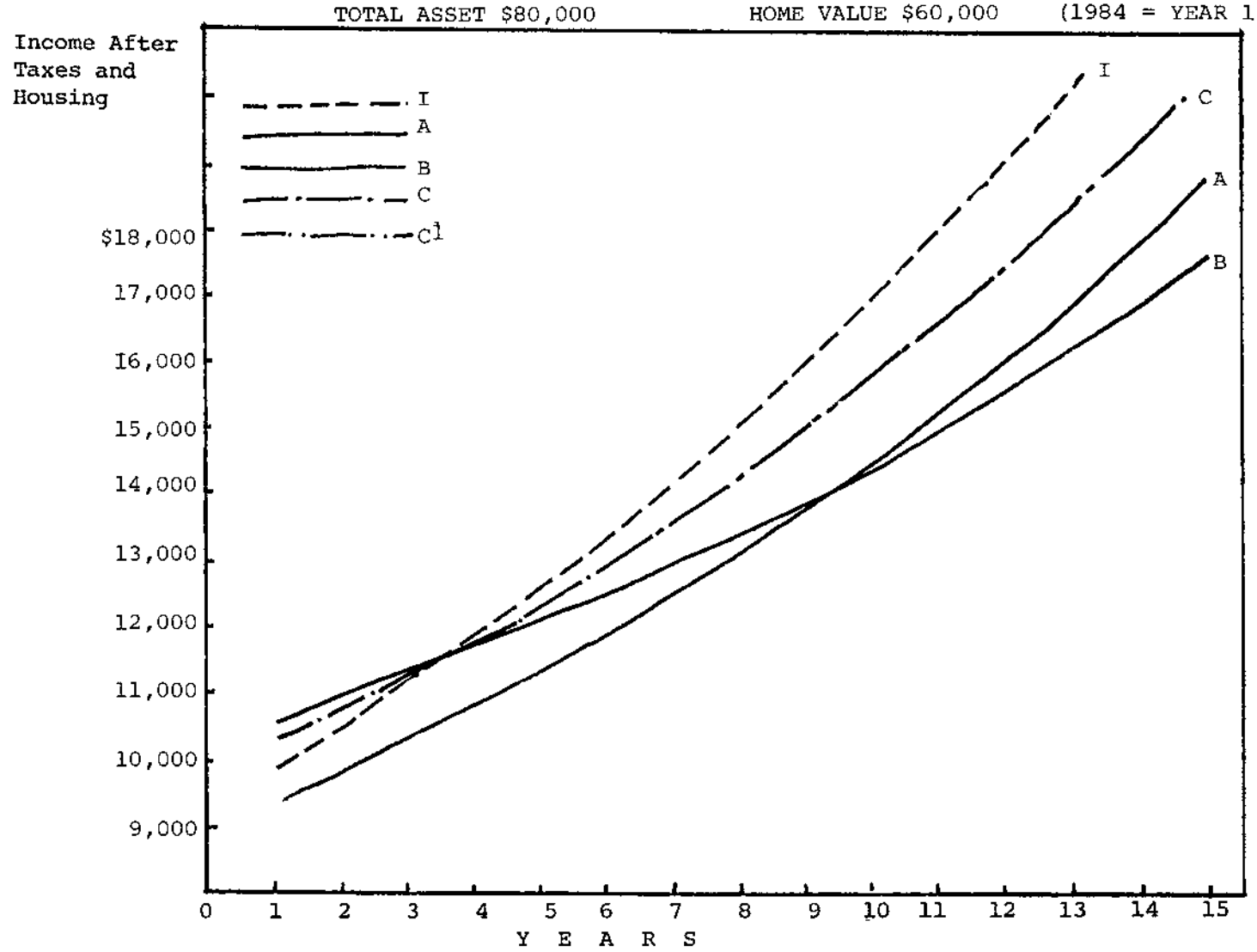


Exhibit 9-13

FINANCIAL IMPACT OF ALTERNATIVE HOUSING OPTIONS ON SENIORS

TOTAL ASSET $80,000 HOME VALUE $60,000 (1984 = YEAR 1)



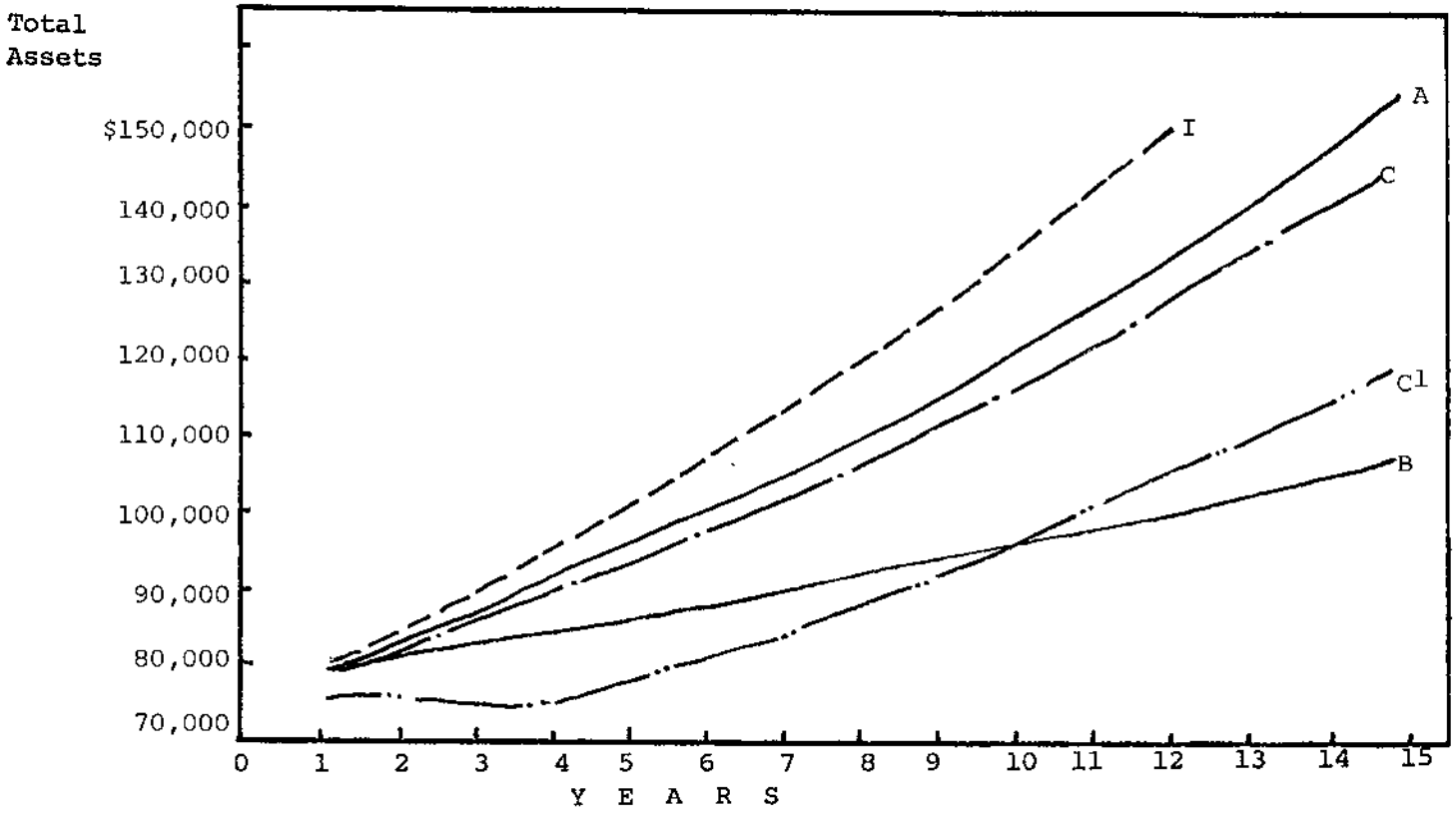
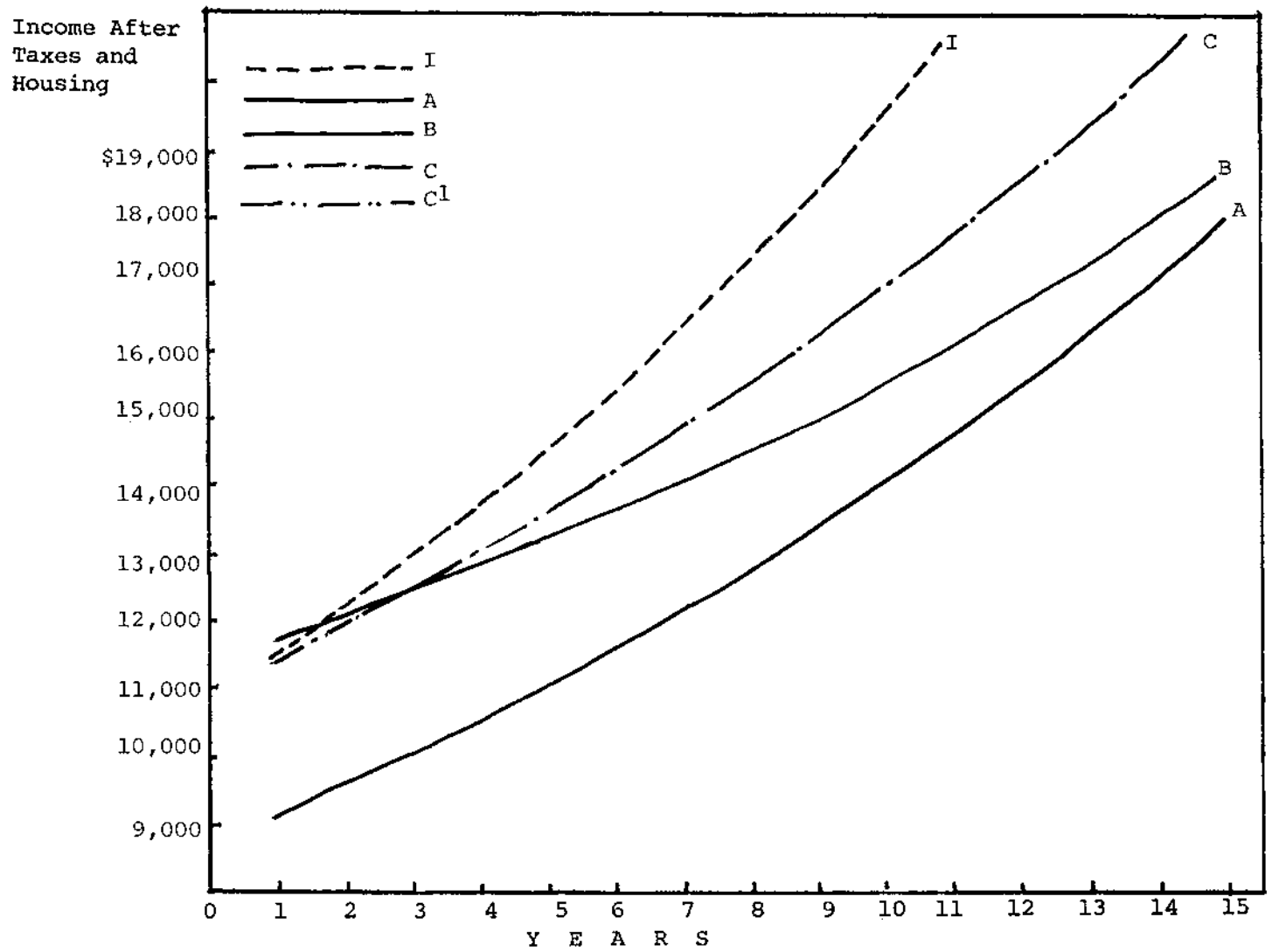


Exhibit 9-14

FINANCIAL IMPACT OF ALTERNATIVE HOUSING ON SENIORS
TOTAL ASSETS $100,000 HOUSE VALUE $80,000 (1984 = year 1)



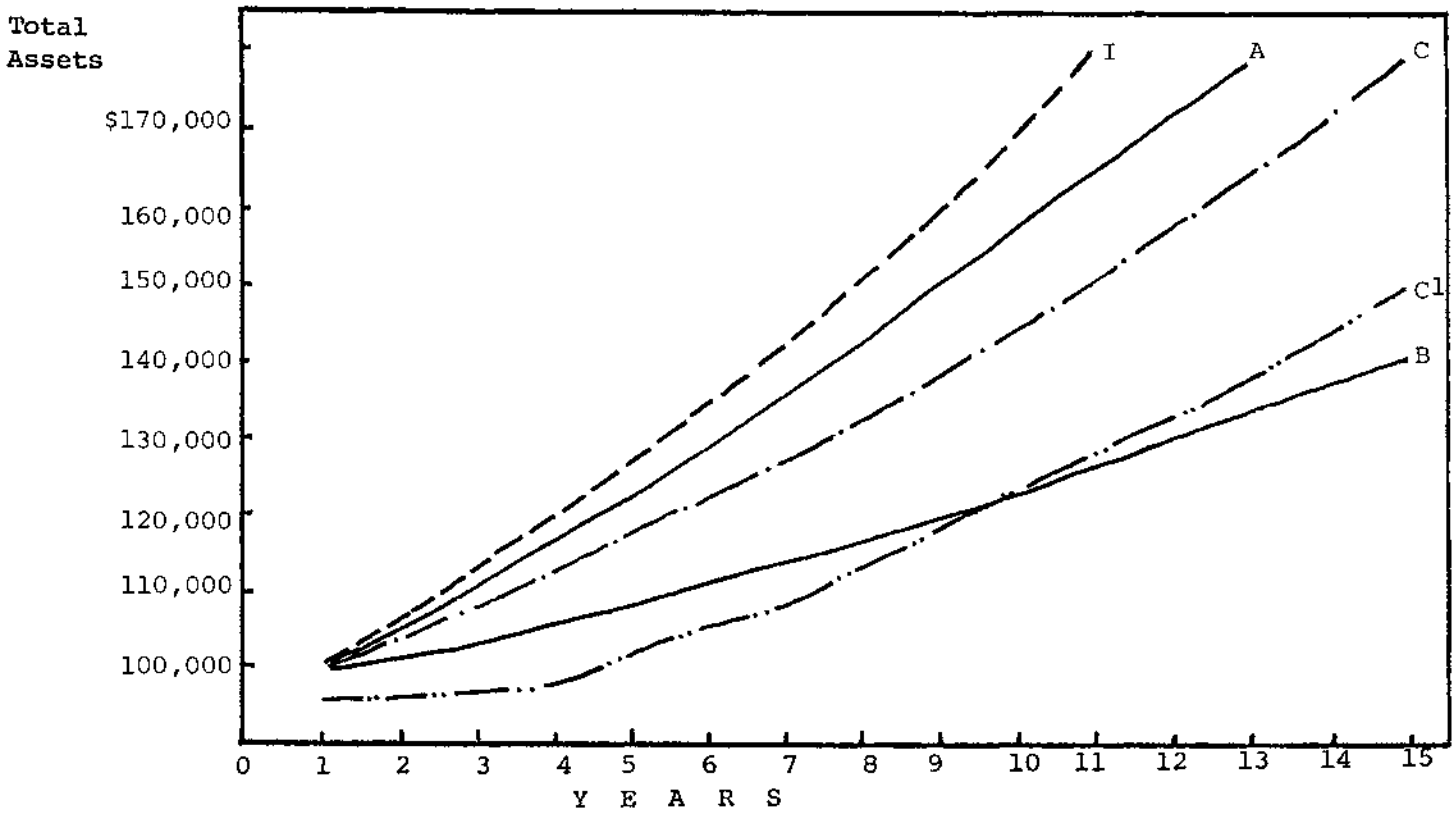
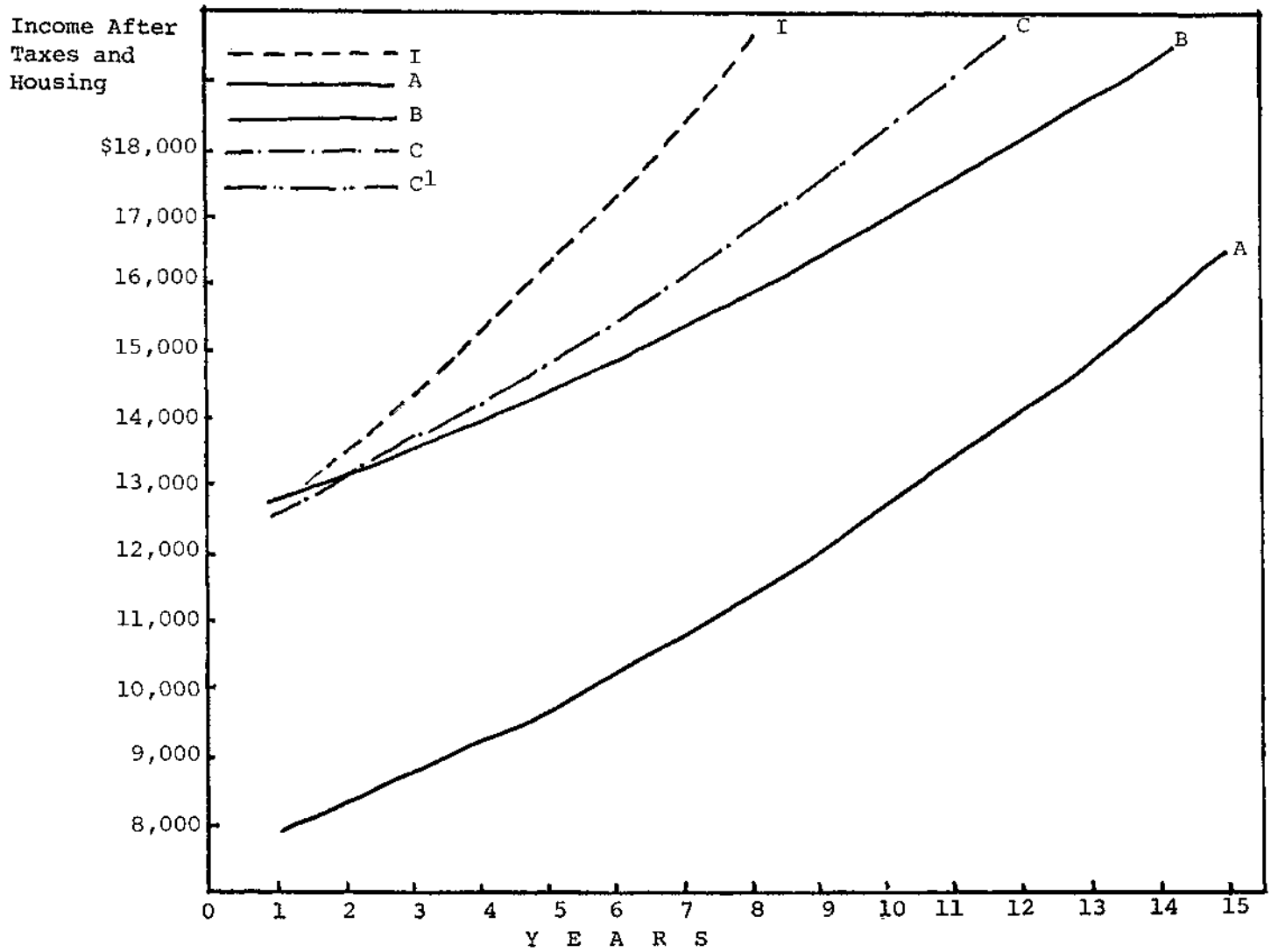
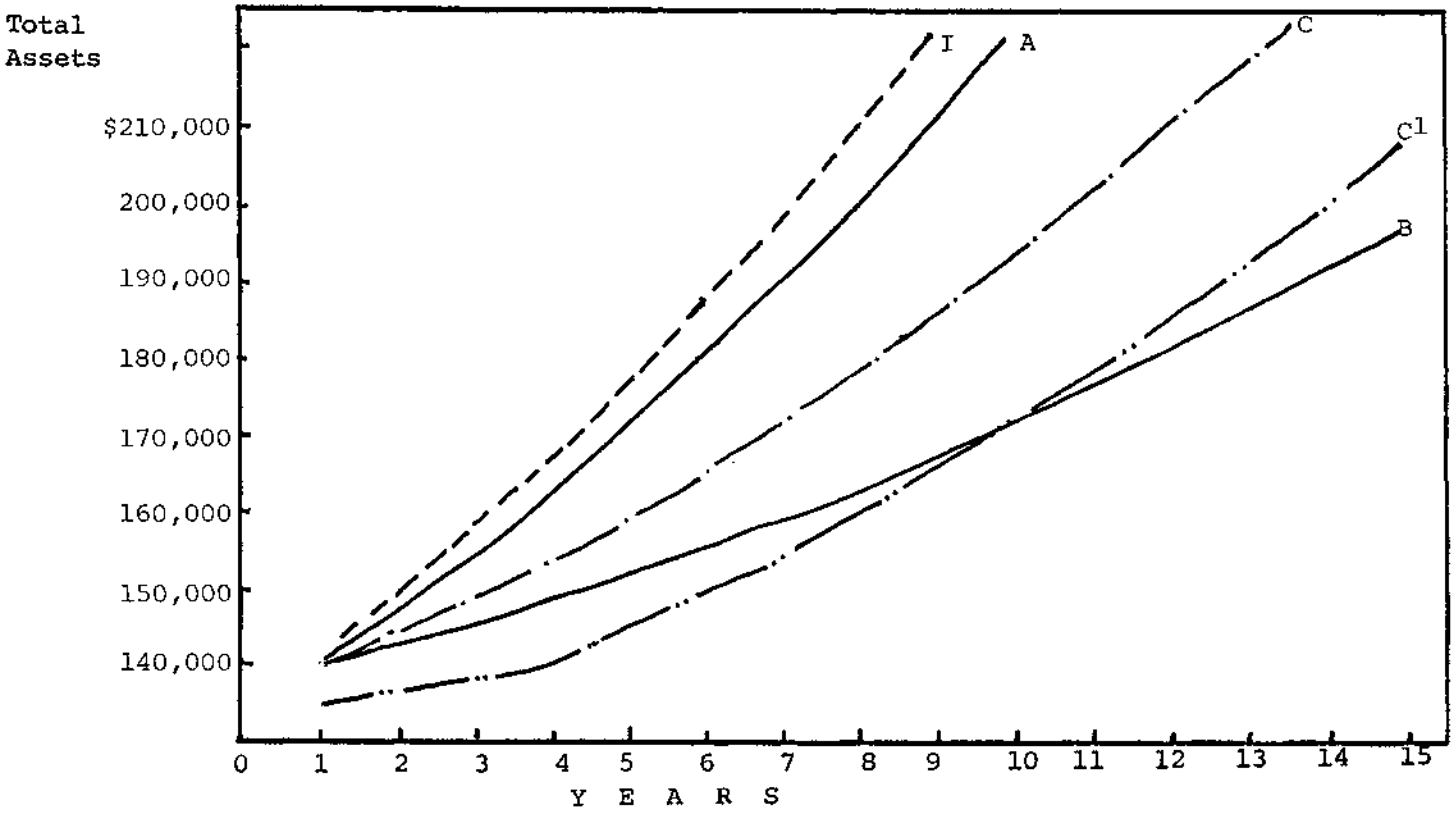


Exhibit 9-15

FINANCIAL IMPACT OF ALTERNATIVE HOUSING OPTIONS ON SENIORS

TOTAL ASSETS $140,000 HOUSE VALUE $120,000 (1984 = Year 1)





rent option and the resident-financed option in the early years could be invested by the renter in order to derive additional income in later years, thereby lessening the difference between the options.

The following assumptions were made in the analysis.

i) The rate of return assumed is 10%. This is equal to four per cent over the rate of inflation used for the income and asset projections. As such it could approximate the return a senior might obtain on his or her investments.

(ii) The value of the seniors' assets in year one is subtracted from the value in year fifteen. This is analogous to the senior moving to a nursing home or dying, and his or her assets being sold, thereby creating the 'realized capital gain'.

(iii) Present value analysis assumes the reinvestment of funds throughout the period of the analysis. In that we are measuring a difference throughout the period, this gives some advantage to the rental option, which creates additional income in the earlier years.

The results of the analysis are as follows.

EXHIBIT 9-16

Net Present Value of Various Housing Options
Including Capital Gain in Year 15

Total Assets Inluding House (Year 1)	House Value	NET PRESENT VALUE 'A' OWN HOUSE	'B' RENT APARTMENT	'C' RESIDENT-FINANCED
$30,000	-	-	78,033	82,966
60,000	$40,000	108,350	93,353	107,643
80,000	60,000	111,721	104,326	119,081
100,000	80,000	115,091	114,944	129,847
140,000	120,000	124,495	136,360	151,495

The capital gain at the end of the process may not be significant to the senior as he or she is likely to be dead or in need of significant nursing care at that time. The additional capital gain available for the home ownership and resident-financed options can be deducted from the calculations, as in Exhibit 9-20.

Exhibit 9-21

PRESENT VALUE OF FUTURE INCOME FOR ALTERNATIVE HOUSING OPTIONS
FOR DIFFERENT STARTING ASSET VALUES
(INCLUDING CAPITAL GAIN IN YEAR 15)

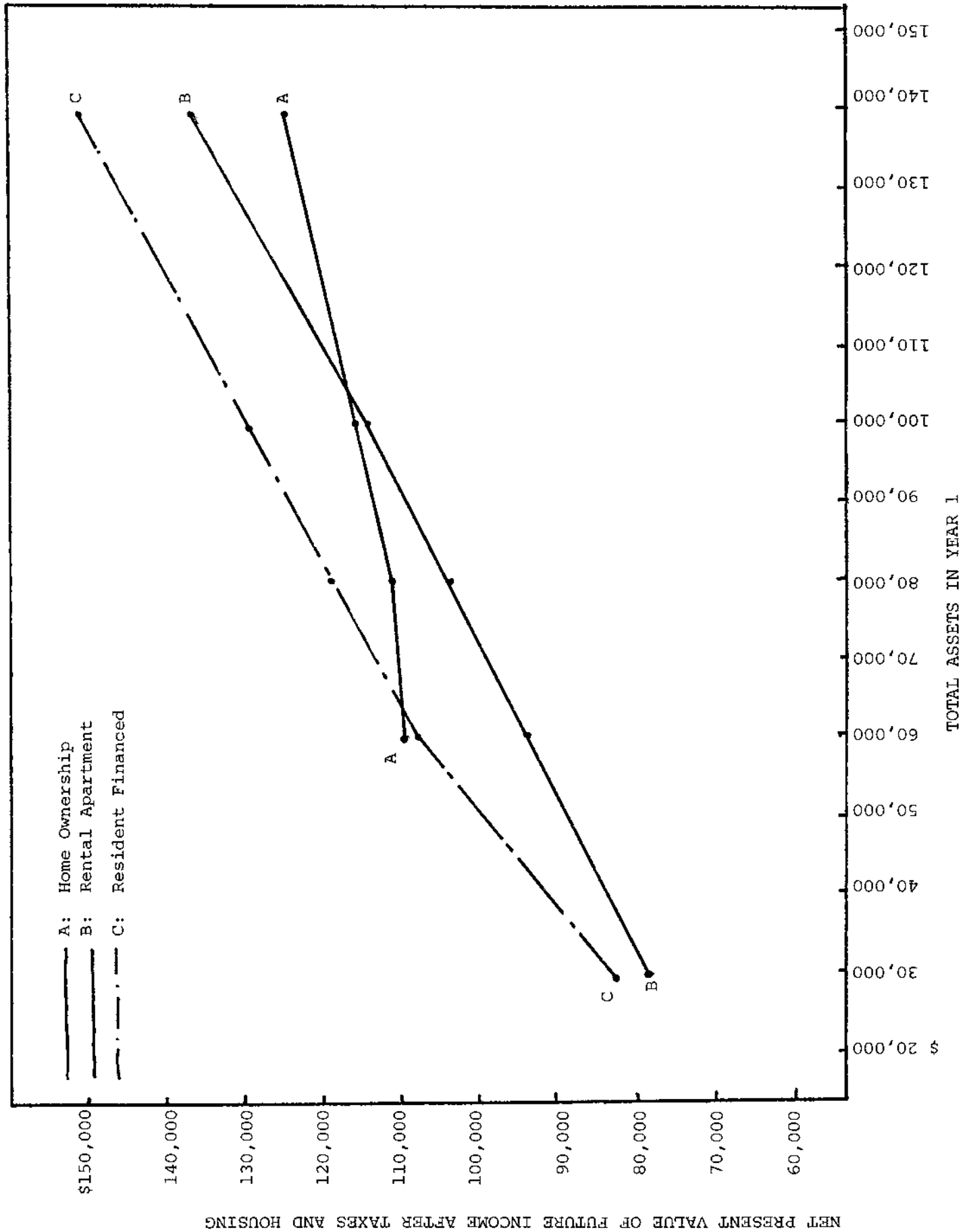


Exhibit 9-22

PRESENT VALUE OF FUTURE INCOME FOR ALTERNATIVE HOUSING OPTIONS
FOR DIFFERENT STARTING ASSET VALUES
(EXCLUDING FINAL CAPITAL GAIN)

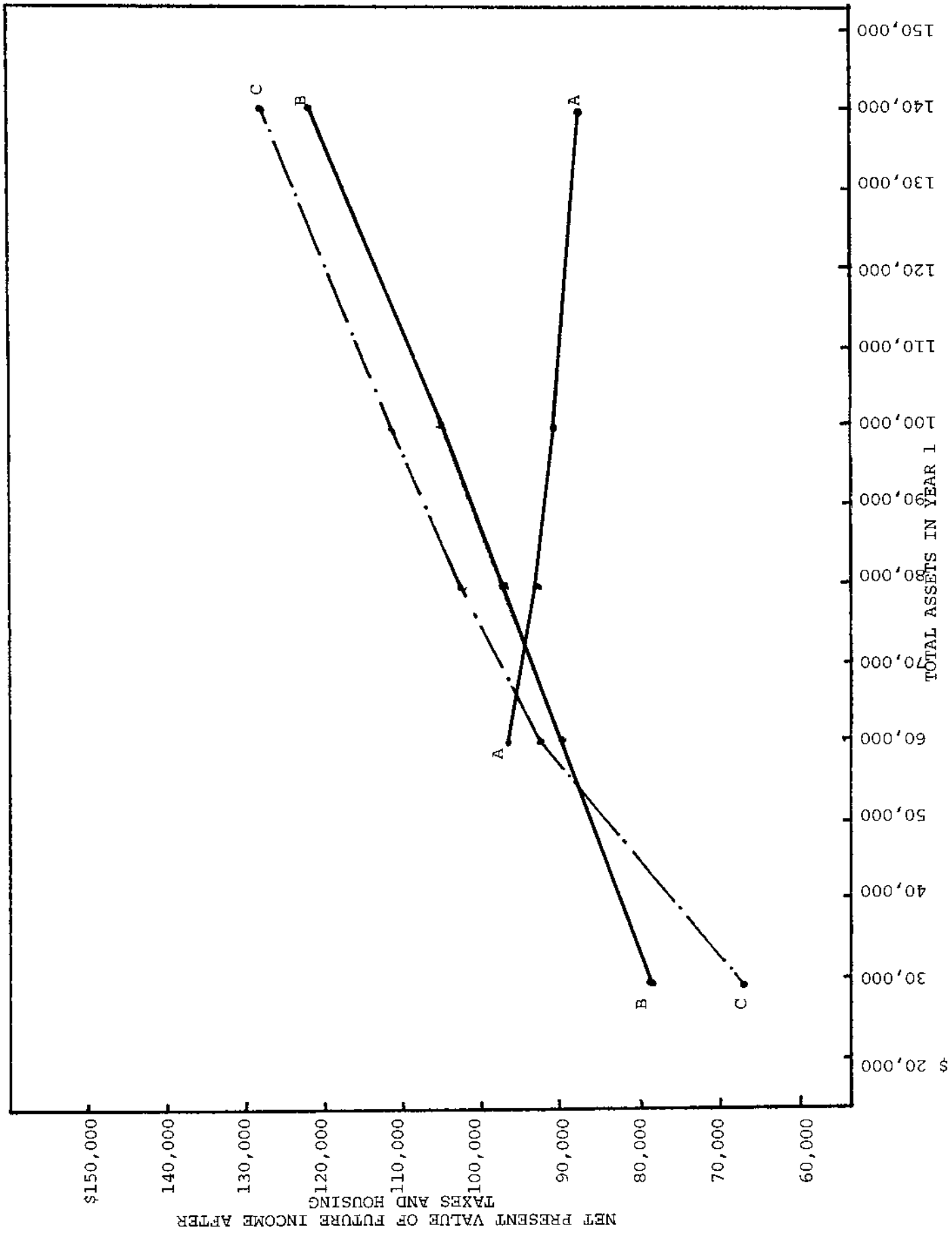


EXHIBIT 9-20

Net Present Value of Various Housing Options
Excluding Capital Gain in Year 15

Total Assets Inluding House (Year 1)	House Value	NET PRESENT VALUE 'A' OWN HOUSE	'B' RENT APARTMENT	'C' RESIDENT-FINANCED
$30,000	-	-	78,033	67,883
60,000	$40,000	96,284	88,828	92,561
80,000	60,000	93,622	97,539	102,867
100,000	80,000	90,959	105,895	111,371
140,000	120,000	88,298	122,786	128,498

Exhibits 9-21 and 9-22 plot the present value for the cash flows respectively with and without the capital gain in year 15. In all cases, except of that of the retention of a house of under $50,000 in value, the resident-financed option is preferred. When the growth in capital is ignored, the option of borrowing to buy a unit is less favourable. However, as time passes, this person is in a progressively better position. Regardless of the method of returning the appreciation in the value of the unit to the residents, the result is merely a trade-off, and will have a minor impact on the analysis. Future capital gains can be exchanged for current reductions in operating costs in the interest of the collective good of all the residents in a project.

9.2.3. Conclusions

The financial performance of the model resident-financed project is such that this form of tenure could be a viable option for many seniors. A variety of conditions would apply to whether or not a specific household would find it attractive. The senior would have to anticipate having good health for a long enough period to reach the break-even point against rental housing. Even ignoring the capital gain potential offered in the resident-financed alternative, the break-even point against renting will be within five years for most seniors.

Resident-financed housing is most appropriate for seniors who have more than the development cost of a unit in savings. Seniors who have homes, will find resident-financed "ownership" financially attractive because the large amounts of interest income earned by a senior, through investment of the proceeds of the sale of a house, is subject to a significant amount of tax, even if the senior has relatively little other income.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 CONCLUSIONS

This study shows that a federal program should be developed to support and encourage non-profit groups to build and manage projects with units made available to seniors by means of either controlled condominiums or pre-paid long-term leases, depending upon provincial law. Rental apartments should be built as part of these projects, to address the need of seniors who lack adequate resources to purchase units.

Resident-financed units can answer the concerns of many groups associated with non-profit seniors' housing.

For the senior, it increases the choice of affordable, appropriate housing available,oriented to the needs of older Canadians. Non-profit seniors' housing is gaining in popularity and being discovered by increasing numbers of seniors as an excellent retirement alternative. From a financial perspective, many would be better served with resident-financed units as they would be less exposed to the ravages of inflation on their income and assets.

There are numerous would-be non-profit sponsors waiting for unit allocations, in communities with significant need. A resident-financed program would allow many of these groups to proceed with projects conforming closely to their aspirations, including a larger proportion of the most desirable two-bedroom units, and enhanced amenities. They would remain in control of their project and be able to create the appropriate intentional communities.

The government would be able to authorize units for the growing seniors' population, without resorting to subsidies which to a large extent go to relatively affluent seniors. Eliminattion of the $5,500 to $6,000 annual subsidy to each 56.1 unit can result in a considerable savings to the federal budget, even allowing for the $1,000 to $1,500 tax saving gained by each senior living in a resident-financed unit. Such a program would allow available subsidy dollars to be directed more specifically to low-income households, while still integrating them into wider caring communities. This integration could be accomplished through mixing rental units with the resident-financed units in such a way that the nature of each unit is not identifiable.

10.2 RECOMMENDATIONS

This study shows that a program should be developed to encourage non-profit groups to develop projects with units available to seniors by means of either condominiums or pre-paid leases, in conjunction with rental apartments for seniors who lack adequate savings to purchase units.

Such a program would include the following:

10.1 A subsidy to make ten to thirty percent of the units in a resident-financed project available to low-income seniors on a rent-geared-to-income basis.

10.2 An approved resident-financed mechanism under which the balance of the units may be created.

10.3 The approval of subsidy and the issuing of an Undertaking to Insure would be conditional upon firm commitments with deposits for approximately sixty percent of the proposed resident-financed units.

10.4 The provision of 100 percent mortgage insurance for interim and permanent financing for capital costs relating to both the resident-financed and subsidized rental sections.

10.5 The rental units and resident-financed units should be mixed in the project, so the identity of each is not apparent from the corridor or unit number.

10.6 The development of a start-up program from which funds can be advanced, in keeping with the general progress of the group, and the progress of unit commitments.

The support of resident-financed housing for seniors should become part of the activities of Canada Mortgage and Housing Corporation, in order to allow non-profit groups to construct affordable seniors' housing utilizing the assets of moderate and upper income seniors while allowing subsidies to specifically address the housing needs of low-income seniors. In light of the rapidly increasing numbers of seniors in our society, some urgency in implementation is indicated.

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FOOTNOTES

[1] Statistics Canada, Canada's Elderly, Ottawa, March 1982.

[2] Statistics Canada, Income after Tax, Distribution by Size in Canada, Ottawa, 1981, pg. 48.

[3] Ibid, pg. 61

[4] Statistics Canada, Income After Tax, Distribution by Size in Canada, Ottawa, 1972.

[5] Statistics Canada, Income After Tax, Distribution by Size in Canada, Ottawa, 1976.

[6] Statistics Canada, 1981 Canada Census.

[7] Royal Trust Survey of House Prices, July 1984.

[8] Statistics Canada, Income, Assets, and Indebtedness of Families in Canada, Ottawa, 1977.

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