

AN INVESTIGATION OF
THE REASONS FOR AND IMPACT OF RENTAL APARTMENT DEMOLITIONS
IN VANCOUVER'S KERRISDALE NEIGHBOURHOOD, 1989

By
Danny Ho

B.A., The University of British Columbia, 1982
Post-Baccalaureate Diploma, Business Administration,
Simon Fraser University, 1987

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Danny Ho

School of Community and Regional Planning
The University of British Columbia
6033 Memorial Road
Vancouver B.C.
V6T 1W5

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Abstract

This study investigates the impact of intense development pressures on the low-rise rental stock in Vancouver's Kerrisdale neighbourhood. In a neighbourhood which has changed little over the last twenty years, Kerrisdale changed rapidly during 1988 and 1989. Starting in late 1988, the neighbourhood has been inundated with new luxury condominium projects. In the process, 17 rental buildings have been or will be demolished to make room for the new condominium and over 300 tenants (many elderly) will be evicted. This study analyzes why this is happening and investigates what impact the demolitions and evictions have had on the displaced tenants. The case is especially interesting because forced evictions do not generally take place in a city's exclusive neighbourhoods. The study also examines the rationale for the demolitions, the key players involved, and the city and provincial government's response.

The impact of the redevelopment pressure has been primarily social. Social impact refers to loss to self-esteem, uncertainty, anxiety, loss of control, and stress. Although there is a perception that Kerrisdale residents are very wealthy, tenants tend to be less well off. An analysis of Statistics Canada income data show that more than 40% of the tenants in the low-rise rental stock earned less than \$20,000 per year in 1985. Ironically, it is the tenants in the low-rise buildings who tend to be the least able to cope financially who are the most at risk of eviction. It is the low-rise stock which is the target of redevelopment pressures.

While still relatively early in the eviction process (only 7 of 17 buildings have been demolished), this study found that evicted tenants moved to all parts of the Lower Mainland. Younger tenants tended to move further while the elderly tended to stay nearby. The study found that more than 65 percent of the elderly were able to stay in the neighbourhood. Evicted renters who found places in Kerrisdale generally paid more rent for the same space. Many had no choice but to seek accommodation in the more expensive high-rises. Due to the fixed income of many of the elderly, it is unclear how many would be able to withstand another round of rent increases.

An analysis of the development economics of construction in Kerrisdale indicates that the primary rationale for the demolition of the rental stock is economics—there is a much greater profit margin in developing luxury condominiums than there is for maintaining or constructing rental housing. Strong demand from Eastern, local and off-shore investors combined with a severe lack of land zoned for multiple residential development has increased the incentive to demolish the low-rise stock.

Two thirds of the developers currently pursuing luxury condominium projects in Kerrisdale are from off-shore and are new players in the Vancouver market. The remaining developers have are from Vancouver. It is the local developers who are developing the majority of the units proposed. They are also the later entrants into the Kerrisdale market. This study has found that the sale of the new luxury condominium units in Kerrisdale will be promoted in both local and off-shore (particularly Hong Kong) markets. Many of the projects have been designed with the off-shore buyer in mind.

The provincial government's response to the Kerrisdale situation has primarily been to avoid market intervention. The city's response has been to slow the rate of change. This has been accomplished by implementing demolition delays, amendments to current building by-laws, rental demolition fees, and the creation of a Vancouver Land Corporation (VLC Properties Limited) with a mandate of building affordable rental housing as a replacement for stock lost throughout the city. The success of these strategies can only be determined over the long term.

The results of this study suggest that the rental housing sector is unlikely to improve without substantial subsidies from third parties or from government. Citizens need to be aware that there is a cost to be paid for the status quo. One fact to consider is that there is tremendous demand to live in Vancouver, yet more than 70% of it is zoned low-density. In order to relieve some of the pressure for demolitions, selected rezoning to higher densities is required. At the same time, municipalities need to look at improving transportation access so that new land can be made available to accommodate growth.

Table of Contents

ABSTRACT	ii
TABLE OF CONTENTS	iv
LIST OF FIGURES	vii
ACKNOWLEDGEMENTS	ix

CHAPTER ONE: INTRODUCTION

1.1 Purpose	1
1.2 Rationale	2
1.3 The Context	3
1.4 Scope	5
1.5 Methodology and Organization	5

CHAPTER TWO: LITERATURE REVIEW: RESIDENTIAL DISPLACEMENT

2.1 Introduction	8
2.2 The American Experience	8
2.3 The Canadian Experience	11
2.4 Summary	13

CHAPTER THREE: IMPACT ON KERRISDALE

3.1 Introduction	18
3.2 Census Profile of Kerrisdale Residents	20
3.3 Profiles of Tenants in Kerrisdale RM3 Apartment Zone	
3.31 Age Mix of Kerrisdale Tenants	20
3.32 Occupation/Income Characteristics	20
3.4 Description of Rental Housing Stock	22
3.5 Property Assessments and Tax Increases	24
3.6 Condominium Projects Currently Planned in Area	26
3.7 Impact of Redevelopment on Tenants	27
3.71 Who and How Many People are Impacted?	27
3.72 Tenant Incomes	30
3.73 Where Did Displaced Tenants Go?	31
3.74 Financial Impact of Evictions: Affect on Rents Paid	32
3.75 Social and Psychological Impact of Evictions	34
3.8 Summary	40

CHAPTER FOUR: PROFORMA ANALYSIS—THE ECONOMICS OF RENTAL VERSUS CONDOMINIUM INVESTMENT

4.1	Introduction	43
4.2	Where are Private Rental Units Being Built?	44
4.3	Where are Non-Market Housing Projects Being Built?	45
4.4	The Housing Market in the Kerrisdale Apartment Area	46
	a) The Luxury Condominium Market	46
	b) The Rental Housing Market	48
4.5	Development Economics in Kerrisdale	50
4.6	Economics of Rental Versus Condominium Investment	52
	a) Scenario 1, Buy Rental and Continue to Operate	53
	b) Scenario 2, Analysis of Profits: Buy 1983; Sell 1989	55
	c) Scenario 3, Build Hi-Rise Apartment and Rent Today	57
	d) Scenario 4, Build Apartment and Sell as Condominium	57
	e) Scenario 5, Analysis of Further Risk of Kerrisdale Land	60
4.7	Summary	63

CHAPTER FIVE: THE KEY PLAYERS

5.1	Introduction	65
5.2	Details of Apartment Transactions	67
5.3	The Developers	70
	5.31 Extent of Flipping	71
	5.32 Mortgage Financing	72
5.4	The Previous Owners	72
5.5	Summary	74

CHAPTER SIX: POTENTIAL DEMAND

6.1	Introduction	77
6.2	Supply of Apartment-Zoned Land	77
6.3	Where is Demand Coming From?	78
6.4	Who is Driving the West-Side Housing Market?	82
6.5	How Deep is the Kerrisdale Condominium Sub-market?	87
6.6	Summary	89

CHAPTER SEVEN: THE CITY'S RESPONSE and POLICY OPTIONS

7.1	Introduction	91
7.2	The City's Response	93
	a) Demolition Delay	93
	b) Vancouver Land Corporation	94
	c) RM3 Amendments	94
	d) Rental Demolition Fee Requirement	95

7.3	Demand Side Options:	
7.31	Rent Control	98
7.32	Demolition Control	99
7.33	Ownership and Speculation Taxes	99
	Supply Side Options:	
7.34	Increase Capacity by Rezoning Low-Density Areas	100
7.4	Other Options	
7.41	Require Developers to Pay for Affordable Housing	101
7.42	City Helps Seniors Buy Building in Kerrisdale	102
7.5	Summary	103
CHAPTER EIGHT : CONCLUSION		106
APPENDICES:		
Appendix 1	Impact on Kerrisdale	109
1a.	Evicted Tenants Characteristics and Relocation Distribution	110
1b.	Evicted Tenants Characteristics and Relocation Distribution	111
Appendix 2	Potential Demand/Offshore Marketing	112a
2a.	Real Estate agent's letter of solicitation on behalf of Hong Kong Buyers	113
2b.	Newspaper Advertisement for Kerrisdale Condominium in Hong Kong	114
2c.	Advertisement of Vancouver Properties in Hong Kong	115
2d.	Investment Analysis in Foreign Exchange	116
2e.	Commercial Bank Lending Rates, Selected International Countries	117
Appendix 3	Policy Response	117a
3a.	Letter to Kerrisdale Resident from Rita Johnson on Provincial Policy	118
3b.	Details of City's Demolition Delay Requirements for Developers in Area	119
3c.	By-Law 6515, RM3 Amendments, April 4, 1989	121
3d.	By-law 6539, Demolition Fee requirement, August 1, 1989	122
3e.	Letter from Real Estate agent urging Home-owners to oppose RM3 Amendments	123
3f.	Kerrisdale RS-1 Rezoning Policy, 1980 (resistance to upzoning)	125
REFERENCES		126

List of Figures

Chapter 3	P.
Figure 3.1 Kerrisdale RM3 Apartment Area Map	15
Figure 3.2 Map of Apartments Currently Planned for Redevelopment	16
Figure 3.3 Addresses and Unit Breakdown of Apartments Currently Planned	17
Figure 3.4 Demographic Profile, Kerrisdale and City of Vancouver	20
Figure 3.5 Annual Income Chart of Kerrisdale Forum Participants	21
Figure 3.6 Privately-Owned Apartment Vacancies in Vancouver CMA, 1989	22
Figure 3.7 Rental Stock Inventory in Kerrisdale apartment area, 1986-1989	23
Figure 3.8 Rental Apartment Buildings Sold in Kerrisdale, 1980-1989	24
Figure 3.9 Historical Tax Information on Properties with applications for redevelopment	25
Figure 3.91 Private Households by Area, By Household Type, by Household Maintainer Age, by Income and By Tenure in Kerrisdale RM3 Apartment area	28
Figure 3.92 Renter to Owner Household Comparison in Kerrisdale RM3 area, 1986	29
Figure 3.93 1986 Median Household Income Characteristics of Residents in Hi/Lo-Rises Structures in Kerrisdale	30
Figure 3.94 Monthly Safer Aid Allowances for Single People	33
Figure 3.95 Social and Psychological Impact of Eviction on Elderly Renters	35
Chapter 4	
Figure 4.1 Apartment Condominiums and Private Rental Units Under Construction, June 1989	45
Figure 4.2 Social Housing Inventory by Area in City of Vancouver	46
Figure 4.3 Recent Kerrisdale Concrete Condominium Completion Statistics	47
Figure 4.4 Historical 1 Bedroom Rent Levels in Kerrisdale and City, 1985-1989	48
Figure 4.5 CPI Change for Owner and Renter Expenses, 1985-1989	49
Figure 4.6 Percentage Price Increase For Luxury Condominiums by Area, Apr. 88-Apr. 89	50
Figure 4.7 Median Luxury Condominium Prices, Vancouver, April 1988-April 1989	51
Figure 4.8a Proformas, Scenario 1: Continue to Maintain Rental Investment	54
Figure 4.8b Scenario 2, Profit Performance of Rental Investment, 1983-1989	56
Figure 4.8c Scenario 3, Build New Hi-Rise and Rent in Today's Market	58
Figure 4.8d Scenario 4, Build a Condominium and Sell	59
Figure 4.8e Degree of Risk for Further Redevelopment (Based on Developer's Budget)	61
Chapter 5:	
Figure 5.1 Summary of Developers Having Applications for Condominium Development in Kerrisdale Apartment Area, As of September 1989.	66
Figure 5.2 Portfolio of Kerrisdale Developers in Other Areas in City	71
Figure 5.3 Amount Paid for Land for Condominium Projects Currently Planned	73
Figure 5.4 Owner and Property Details of Apt. Buildings Planned for Demolition	76

List of Figures

Chapter 6	P.
Figure 6.1 Net Population Movement into B.C.: International and InterProvincial, 1987, 1988	79
Figure 6.2 International Immigration to B.C. by Source	81
Figure 6.3 Weekly Real Estate Activity Synopsis, Jan.-June 1989	83
Figure 6.4 Median Residential Price Points, Vancouver West, Jan-June 1989.	83
Figure 6.5 Significant Players in the Condominium Pre-Sale Marketing Process, Spring 1989	86
Chapter 7	
Figure 7.1 The City's Response: Timeline of Significant Events, January-August 1989	96
Figure 7.2 Development Permit Application Process for Developers Using RM3 By-laws and Amendments Current to August, 1989	97

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1.0 Introduction

1.1 Purpose

The purpose of this study is to investigate and document the impact of redevelopment pressures on the rental housing market in Kerrisdale. The focus is on why demolitions are happening and what their impacts are. An important factor is that many of the evicted tenants in Kerrisdale are elderly.

The major research questions this study addresses are divided into three parts:

1. Social:

- Who are the tenants being affected by the redevelopment pressures?
- How are they being affected in the short and long term?
- Where are displaced tenants going?
- How much are they paying for this new accommodation?

2. Market:

- Who are the key players redeveloping the older apartments?
- To what extent are these investors and developers local or from off-shore.
- What is the profit potential of condominium construction for developers in Kerrisdale?
- Who are buying the new condominiums?
- How many buildings are being planned for redevelopment?
- How many rental units are anticipated to be lost?
- What areas are at redevelopment risk in Kerrisdale and in other parts of the city?
- Is the pressure for redevelopment likely to continue?

3. Political:

- What are some policy options for government?
- What has been the response from the three levels of government?

1.2 Rationale

A study of the impact of redevelopment pressures on the private rental housing in Kerrisdale illustrates that given the right economic conditions this market sector cannot survive. An analysis of who is developing the properties, and why these properties are being redeveloped suggests that it is simply a matter of economics. During a period of economic prosperity, the unprofitable nature of a private rental housing market becomes clear.

A study of the impact of redevelopment pressures on the rental housing market is important because it shows that the rental housing market cannot respond to those sectors of the population who can be outbid by others. The case of Kerrisdale is significant because it shows that evictions happen not only in poorer parts of the city, but can also occur in the most expensive parts.

The private rental housing market is in serious trouble, particularly at the lower end of the market. According to the last census in 1986, the City of Vancouver had a population of about 431, 100. Approximately 58% of households rented. If the people renting illegal suites are counted as well, that number becomes closer to 60% renters.¹ Because little rental stock is being built, the loss of any existing rental units makes finding rental accommodation more difficult.

The demolition of existing rental apartment buildings in Kerrisdale is a result of demand exceeding supply. Many want to live in Kerrisdale. However, there is very little zoned multiple residential land in Kerrisdale. More than 70% of the city's residential land is zoned single-family. There is, therefore, very little land zoned for apartments. When demand becomes strong and supply is constrained, it becomes economic to demolish and redevelop to more modern structures. This is not good news for the renter.

The rental housing sector is being depleted from a number of fronts. A primary cause is demolition and condominium conversion. Canada Mortgage and Housing

1. Based on City of Vancouver 1986 Census data; Rental Housing Trends: City of Vancouver, David Hulchanski, UBC Centre for Human Settlements, The University of B.C. April 1989. The census likely missed some of the huge illegal suite segment of the rental market in the city.

Corporation (CMHC), the federal agency which surveys rental housing,² estimates that in 1987 and 1988 there was a loss of 3750 units in the Vancouver Census Metropolitan Area (CMA) due to conversion or demolition. In the city of Vancouver, between 1981 and 1988, a total of 1850 apartment units were approved for conversion to Condominium.³ These losses, while not large in comparison to the total existing stock, is significant because there is little being built to replace lost units.

There are few private rental apartment starts without government assistance. In 1988, there were only 315 rental units starts in the city, approximately one fifth the numbers of condo starts. There is also an ambitious City of Vancouver campaign to eliminate some illegal suites. The city estimates that there are approximately 26,000 suites which provide affordable accommodation. All these factors-- the demolition and conversion of units, the reluctance of developers to build additional units, and the campaign to eliminate illegal suites -- contribute to a pessimistic outlook on the availability of affordable rental housing.

1.3 Context

Vancouver is a very attractive place to live. When a buoyant economy is combined with the mild climate the city has attracts a substantial increase in inter-provincial and international migration. In 1988, net migration into B.C. was 46,579 persons, 16,696 of which are international migrants, and the remainder being from the other provinces. This compares with a total net migration of 31,386 in 1987.

The influx of people has meant that vacancy rates for rental accommodation continue to be low. In April 1989, for example, the vacancy rate in Kerrisdale was 0.2 percent. This means that out of a total inventory of approximately 2300 apartment units, only five were found to be available for rent. The demand for housing remains strong in the city, and accommodation is becoming more expensive. In 1989, the average rent of a one bedroom apartment costs \$611 in Kerrisdale compared to the city average of \$526.

Housing remains a growing concern for city politicians. The rental market is extremely tight with near-zero vacancy rates. The value of land has increased in many

2. The CMHC Survey includes all purpose built rental projects containing 6 or more rental units.

3. These losses (ie, 5,600 units) represent 5% of the CMHC measurable stock, according to CMHC B.C Region Office Statistics.

parts of the city, especially on the west side. Standard 33 ft. lots with bungalows which use to sell for \$260,000 in April 1988 were selling for \$450,000 in April 1989.⁴

The supply of land for new housing remains limited. Over 70% of the residential land is zoned for single-family residences. And, city council is continuing its crackdown of illegal suites in the city. The housing situation for renters is bleak given the tight vacancies, and the losses to the rental stock.

The cost of housing is becoming expensive for home-owners as well as renters. Affordability remains a major concern for many first-time homebuyers. Despite the fact that MLS sales of homes are breaking many records, very few of these homes are being bought by young people. Rather, the majority of purchasers are experienced buyers who have some equity and who have bought three or four times in their lifetime.⁵

Another concern which has surfaced is the construction of big homes and the destruction of large trees. While not specifically related to Rental housing, there is some feeling that Asians (notably from Hong Kong and Taiwan) are responsible for wreaking havoc in the South Granville and Kerrisdale neighbourhoods. The new house "spec" market on the South Granville and Kerrisdale area has been extremely active in 1988, and the earlier part of 1989. New home sales in these areas have almost been exclusively from off-shore investors and landed immigrants from Hong Kong.

Rapid change in the physical character of westside neighbourhoods and large tax increases in residential assessments have created a backlash against Asians and off-shore investment among some residents. The market, however, remains relatively free of rent controls or of special speculative taxes of any kind.

4. Based on MLS listings and records kept by Various Real estate firms.

5. Royal LePage Home Buying Survey, February 1989, Royal LePage Residential Real Estate Services.

1.4 Scope

This study examines the apartment demolitions in the Kerrisdale area which began in the Fall of 1988. It is a social impact and market analysis of the area. Two objectives of the study are to: (1) discover the degree and extent of impact of evicted residents; and (2) to investigate the key players and examine the various factors which have created this situation.

Other instances of forced relocation for condominium redevelopment in other parts of the Vancouver area are becoming more common. These other examples are not specifically examined but only referred to. This study is restricted to apartment demolition activity within the RM3 zone in Kerrisdale bounded by West Boulevard to Larch, and from West 38th to West 45th Avenue.

1.5 Methodology and Organization

1.51 Methodology

This research is based on a case study of events which began happening in the Fall of 1988. A case study method is used because the inquiry involves a contemporary incident which cannot be studied through traditional library research. In addition, the topic requires a multi-disciplinary approach and multiple sources of evidence are used.⁶ These include intensive interviews and participant observation. An important consideration of cases studies is that result may not necessarily be generalized to the greater population. However, if enough case studies are researched, the evidence can be generalized to theoretical propositions.⁷

The principal means of data collection was by interviewing experts in the real estate industry and by interviewing and talking to residents in the Kerrisdale area. Information regarding the effect of evictions on tenants was summarized based on numerous conversations with affected tenants, a city health nurse, and various other concerned residents. In addition, the literature on "relocation stress" is examined. Information

6. Yin, Robert K. Case Study Research, Applied Research Methods Series, Vol. 5, Sage Publications, Newbury Park, California, 1984.

7. Like single scientific experiments, single case studies can not be generalized because each case has slightly different conditions. However, if enough cases or experiments are done, and if results are replicated, certain principles can be generalized.

regarding the whereabouts of evicted tenants were determined by personal contact with residents over the phone and with the assistance of building spokespeople who knew where their neighbours moved. While there were some problems tracking down some previous residents of the buildings, conversations with previously evicted tenants, several building managers, and a couple of shop owners helped as additional checks on the accuracy of the findings.

In order to understand the impact that redevelopment was having on the neighbourhood, weekly meetings held by the Concerned Citizens for Affordable Housing were attended. This organization was formed to lobby for affordable housing in the neighbourhood. This contact with the group proved useful— I became known among the members, and they in turn trusted me. They provided access to any information required.

Information regarding the market aspects of this study is obtained through informed sources in the industry. Market velocity and sales data are obtained from the Greater Vancouver Real Estate Board's VanDat and through the MLS weekly Sales/Listing catalogues. Key properties are checked against B.C. Assessment records for accuracy. Property tax assessments are obtained from the City's Treasury Department upon special request.

The extent of demolition activity is obtained through perusal of architectural drawings of the proposed developments. Compilation of the extent of re-development is obtained through development building applications, with the assistance of personnel from Planning and Permits and Licenses departments of Vancouver City Hall.

The profiles of developers active in the demolition of apartments in Kerrisdale were determined through land title and company searches. In addition, a number of industry experts (eg., the Urban Development Institute) and various companies active in real estate were asked about the developers in question.

1.52 Organization

Chapter 2 examines the literature on residential displacement. There has been very little written on the eviction of tenants in middle and upper-middle income neighbourhoods. This is because this occurrence has been relatively rare. The displacement literature has primarily dealt with examples of gentrification and neighbourhood revitalization in American inner cities. Chapter 2 describes the various impacts that displacement has had on residents in the United States.

Chapter 3 describes what is happening in Kerrisdale with respect to the apartment demolitions. This examination includes establishing a profile of residents in the area, documenting the tenant response, investigating the degree and extent of impact on residents, and investigating where displaced tenants went.

Chapter 4 analyses the economics of Housing. The first part examines some of the factors behind the thrust for redevelopment in older established neighbourhoods. To a large extent, supply and demand is key. Demand and supply factors are analysed. The second part of this chapter looks at the costs of building rental versus condominium units. Detailed proforma analysis are presented for several properties.

Chapter 5 identifies the key players involved in redeveloping land in Kerrisdale. This discussion reveals who they are and what other kinds of properties they are developing. In addition, this chapter describes the target markets of condominiums and the condominium marketing process. Finally, there is a discussion on the how much longer pressure for redevelopment will last.

Chapter 6 analyses the public policy response from the three levels of government. Chapter 7 summarizes the major findings, and explains why apartment demolitions are occurring in Kerrisdale. A number of supply and demand options are presented and corresponding short and long-term costs and benefits of each is explained.

2.0 Literature Review: Residential Displacement

2.1 Introduction

Within the displacement literature (most of it American), the focus has been almost exclusively on the revitalization and gentrification of older, inner-city neighbourhoods which are close to central business districts. In the United States during the 1960s, many people were displaced from their homes as a result of public actions such as urban renewal and highway construction. In the 1970s and more recently, displacement has occurred primarily because of private re-investment in inner city neighbourhoods by middle class professionals. Typically, such re-investment result in the displacement of low-income groups which include ethnic minorities, the elderly and the working class who could not compete in the housing market.

The incidence of residential displacement in middle-income areas such as Vancouver's Kerrisdale has been rare and is a relatively new occurrence. Consequently, there has been few studies dealing with this type of situation. However, even though tenant displacement in middle and upper-middle income residential neighbourhoods has not been common, the reason for dislocation is the same as in poorer neighbourhoods—economics.

Redevelopment pressures occur when the economic incentive for new uses or more intense development of a similar use greatly exceed the existing ones. Forced displacement occurs when owners of a property have the economic power to force another less powerful group (tenants) out of that property. This chapter reviews the relevant displacement literature to determine what is known about the extent and consequence of displacement in other areas.

2.2 The American Experience

Literature dealing with displacement in the United States has been sparse and research results have been contradictory. Displacement results are sometimes unreliable because researchers have a difficult time tracking down displaced residents to interview them. In addition, there are many local and personal factors which can affect the extent of hardship caused by displacement. For example, some landlords may discriminate against Blacks and families further restricting their choice of accommodation after

displacement. During the mid-late seventies, different researchers estimated that displacement could range from the thousands¹ to the millions.²

2.21 Methods Used to Study Displacement

Social scientists have generally used two approaches to obtain a sample of displaced households. The first one involves taking a random sample of all households in an area to learn who has moved in some given period and why. The best example of this type of work is from the City of Seattle's Office of Policy Planning. In 1979, they took a random sampling of 1,269 households in the city and found that 100 households had been displaced.³

The second approach to studying displacement involve focusing on known areas of revitalization. The researcher would then determine the households who had left and attempt to interview these households in their new neighbourhoods. The largest and best known study of this type was conducted by a US Department of Housing and Urban Development (HUD) - sponsored agency in 1975. The agency, National Institute for Advanced Studies (NIAS) traced households that had moved from San Francisco's Hayes Valley between 1975 to 1980.⁴ Although the agency was well funded by HUD, of a total sample of 1,700, the agency was only able to successfully interview 185 households (a response rate of 11%). The low response rate was due to the fact that as time elapses it becomes more difficult to track residents down. Also the questions the agency wanted to ask unnecessarily took a great deal of time; hence, many households refused to co-operate.

2.21 The Magnitude of the Problem

There are no good estimates of the precise magnitude of the displacement problem. Depending on the source, estimates can range from a few thousand a year to several

1. Newman, Sandra and Michael Owen, "Residential Displacement in the U.S., 1970-1977." Paper prepared for the U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 1980 in Michael Shill and Richard P. Nathan, Revitalizing America's Cities: Neighbourhood Re-investment and Displacement, State University of New York, Albany, N.Y. 1983.

2. Hartman, Chester, "Comment on "Neighbourhood Revitalization and Displacement: A Review of the Evidence" in American Planning Association Journal, Oct. 1979.

3. Seattle Office of Policy Planning, Physical Planning Division, Seattle Displacement Study, (Seattle: Office of Policy Planning) October 1979 in Shill and Nathan, 1983: 54.

4. National Institute for Advanced Studies, "Market Generated Displacement: A Single City Case Study" Draft Report prepared for the U.S. Department of Housing and Urban Development (Washington, D.C.: National Institute for Advanced Studies, 1980) in Shill and Nathan, 1983: 55.

million. All researchers agree, however, that the trend toward continued displacement will continue as redevelopment pressures on scarce land in urban residential areas continues.

2.22 Characteristics of Displaced Households

Results from the Seattle and NIAS studies indicate that displaced households are likely to have completed fewer years of formal education than those households who moved voluntarily. In addition, female-headed households with children had a higher displacement rate than other types of households. Findings from the studies also suggest that low-income families are hardest hit by displacement caused by re-investment.⁵

2.23 Changes in Rent and Destination of Displaced Households

In both the Seattle and NIAS studies, it was concluded that displaced households who were forced to move did not pay substantially higher rents than before. Residents who were displaced tended to relocate nearby. In the San Francisco study, 25% of displaced residents remained in the neighbourhood, another 25% moved to an adjacent area. In another study by Owen and Newman (1970), researchers found that an overwhelming majority of those displaced remained within central cities.⁶

2.24 Response of residents to Involuntary Displacement

The response to displacement varied. For example, 52% of the displaced residents of the Seattle study indicated that their new neighbourhoods were better than their previous one. On the other hand, other studies indicate that residents are very attached to their neighbourhoods. In a famous relocation study of Boston's West end in the 1960s, some resident's reactions were of intense grief. As one resident commented: "I felt as though I had lost everything," "I felt like my heart was taken out of me," "I felt like taking the gas-pipe," "I lost all the friends I knew," "I always felt I had to go home to the West End and even now I feel like crying when I pass by"⁷.

5. Nathan and Shill, 1983: 57.

6. Sandra J. Newman and Michael S. Owen, "Residential Displacement in the U.S., 1970-1977." Paper prepared for U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 1980, in Nathan and Shill, 1983:59.

7. Fried, Marc "Grieving for a Lost Home" in Leonard J. Duhi, M.D. The Urban Condition, Basic Books, New York 1963.

Because of the heterogeneous nature of neighbourhoods it is difficult to generalize on the effects of forced displacement on residents. Clearly, whether impact is negative or positive is dependent on a person's age, and other personal, and economic factors. However, if no choices or options are given to displaced residents, the chances are they will be bitter and unhappy.

2.3 The Canadian Experience: Kitsilano, Vancouver, B.C.

Displacement activity occurred in Canada as in the United States with Urban renewal in the 1960s. In the 1970s, displacement due to private redevelopment pressures intensified as rental apartments were increasingly threatened by condominium conversions and by the construction of new condominium buildings. In the 1970s, the Kitsilano district of Vancouver, an inner city neighbourhood, began experiencing redevelopment pressures. This section reports on the findings of a survey of tenants displaced by three condominium projects in 1974 and 1975.⁸

2.31 Displaced Residents Characteristics

Out of a total of 90 displaced households, 36 were located and interviewed. Tenants in Kitsilano were generally young and single, and were white-collar workers with low to moderate incomes which ranged from \$3500 to \$4500 per year in 1975. The demographic breakdown was: 47% singles, 19% married without children, 14% single parents, 11% married with children, and 8% were living common-law.⁹

2.32 Changes in Rent and Destination of Displaced Households

Responses from the 36 households indicate that in nearly every case rents increased after displacement for equivalent or inferior accommodation. Before displacement, only 12 of the 36 respondents paid 35% or less of their income towards rent. After displacement, however, 21 of the respondents paid more than 35%. Single parents were hardest hit by displacement because of the lack of rental units which accepted children and because of the general discrimination which families with children faced in the housing market.

8. Stobie, Peter "Private Redevelopment in the Inner City", 1979 Unpublished M.A. Thesis, Department of Geography, The University of British Columbia.

9. *Ibid.* p.88.

About one third of the sample of displaced residents stayed in Kitsilano while the other two thirds had to relocate outside the neighbourhood. Most stayed at least on the West-side. All respondents who moved out of the neighbourhood expressed the fact that they would have stayed if they had the choice. Affordability was the predominant response as to why they left the neighbourhood.¹⁰

2.33 Response of Residents to Forced Displacement

Responses from the sample of 36 households indicated that 83% were more happy with their previous dwellings than their present accommodation. The reasons cited included the affordability of those units, and the friendly relations with their neighbours. It is interesting to note that 3 of the 4 households who expressed a greater satisfaction with their present homes had bought their own places after displacement.

While residents of Kitsilano had a strong attraction for the area, there was no evidence that residents displaced were as intensely saddened as those displaced residents in Marc Fried's 1963 study of displaced tenants in Boston's West End. In fact, the most common reaction of Kitsilano respondents to displacement was anger directed at rent increases.

Fried (1963) had argued the degree of displacement impact is dependent on how attached one is to the local area. For some groups of people, notably the working class, "the residential area is the region in which a vast and interlocking set of social networks is localized.... the physical area has considerable meaning as an extension as home"¹¹. Fried argues that the meaning of local area and local social networks is not as important to the middle class because they have more extensive relations outside the area.

Another group greater at risk is the elderly. Because of their reduced mobility, reduced income, and reduced capability to adapt to change, it is likely that this group will be more adversely affected than younger groups.

10. Stobie, 1979: 94.

11. Fried, 1963: 154.

2.4 Summary

There is very little literature related on residential displacement in middle and upper income neighbourhoods such as in Kerrisdale. This is because forced displacement of this group of people is a recent phenomena. Most of the literature is American and deals with the displacement impact of gentrification in low-income neighbourhoods in the inner-city.

The issue of displacement is not new. Widespread displacement was a common occurrence in the 1960s when public urban renewal projects were built. More recent displacement has been caused by private re-investment. Displacement occurs when the economic return for new uses and more intense development greatly exceed profits from present uses and densities.

From a methodological perspective, studying the extent and degree of impacts on displaced residents has been difficult for researchers. Studies which were done in the 1970s showed wide ranging estimates of the extent of annual impacts from several thousand to 2.5 million people. Obviously, these estimates are in the extreme.

Results of two American studies indicate that most people who were displaced moved close to their previous neighbourhoods. In addition, the studies showed that those displaced did not pay substantially higher rents (there was no mention of size of new accommodation or quality). In general, researchers do agree that there is a trend toward increasing displacement as private re-investment increases redevelopment pressures. Tenants and low-income households are the most likely groups at risk.

In Canada, a 1975 study done on Vancouver's Kitsilano showed that displaced tenants paid more for their accommodation after they were forced to move. Before displacement, one third of a sample of 36 (12) displaced residents indicated that rents accounted for 35% of income. After displacement, two thirds of the sample (21) indicated that they now paid more than 35% of income.

Respondents of the Stobie study were displaced by the construction of new condominiums. Although all the respondents have been affected negatively, single mothers were found to be the hardest hit because there were few affordable rental units

available, and because there was more discrimination against this group in the housing market.

About one third of the displaced respondents managed to stay in the neighbourhood. Those who left cited affordability and the lack of alternatives as the primarily reasons why they left the area.

Though, Kitsilano respondents indicated that they were attracted to the area, there was no evidence to suggest profound grief as to a lost of a home as was found in Marc Fried's 1963 study of Boston's West end. Respondents who had moved away from the neighbourhood stated that they changed their shopping and bank-use. However, these changes did not appear to be a serious imposition.¹²

12. Stobie, 1979: 100.

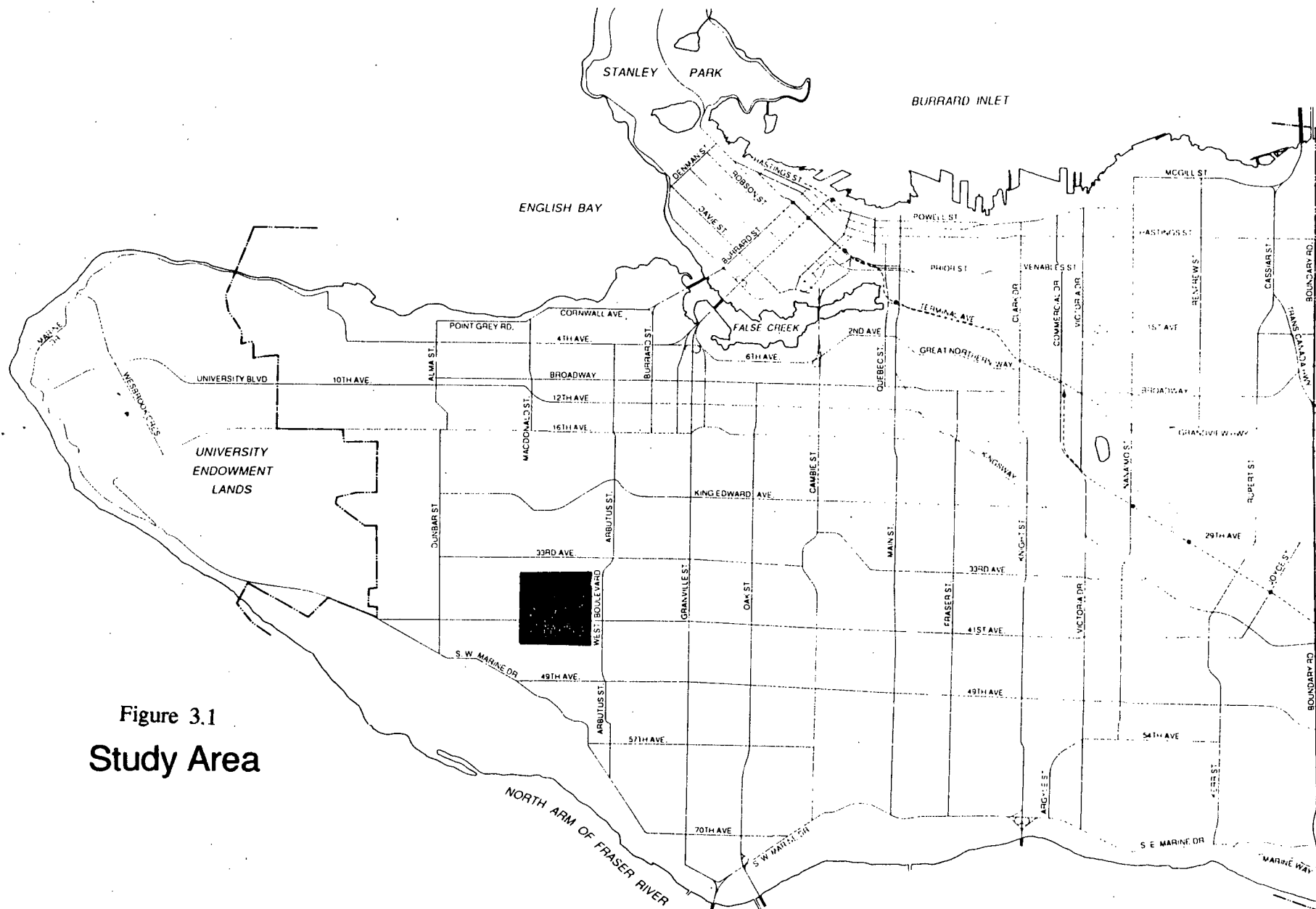


Figure 3.1
Study Area

KERRISDALE RM3 APARTMENT ZONE

School of Community and Regional Planning, The University of B.C.

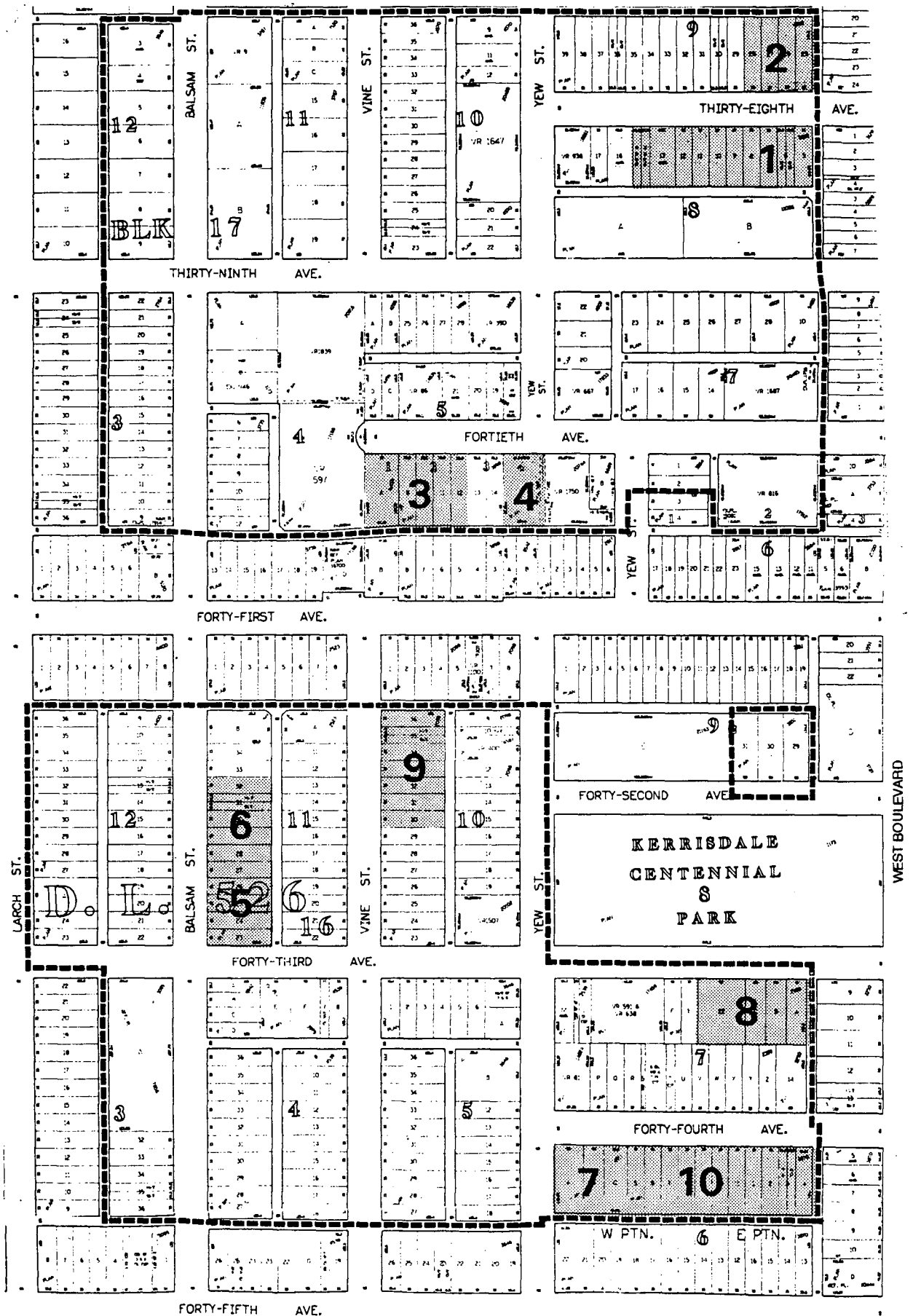
Date August 1989

Drawn Danny Ho

Scale metres 1000 500 0 1 2 kilometres



Condominium Projects Currently Planned in Kerrisdale Involving Low-rise Apartment Building Demolitions, 1989



Apartment Buildings Currently Planned for Redevelopment

Project Address		Existing Rental Units	Proposed Condo Units
1.	2110 and 2148 W. 38th Ave.	65	41 units
* 2.	2121 W. 38th Ave.	26	13 units
* 3.	2256, 2278, 2294 W. 40th Ave.	41	26 units
* 4.	2226 W. 40th Ave.	15	10 units
* 5.	5890 Balsam St.	20	10 units
* 6.	5850 Balsam St.	37	20 units
** 7.	6020 Yew St.	12	7 units
* 8.	2116 and 2130 W. 43rd Ave	18	11 units
9.	5752, 5774, 5790 Vine St.	28	20 units
10.	2120+2170 W. 44th Ave	97	64 units
Total (Known to date)		359	222 units.
* Demolition Completed ** Permits issued All others in approval process			

3.0 Impact of Redevelopment on Renters in Kerrisdale's RM3* District

3.1 Introduction

Kerrisdale, a neighbourhood in the west side of Vancouver, has traditionally been regarded as one of the more affluent areas of the city. Starting in late 1988, developers began submitting plans to the city for the replacement of older apartment buildings with condominiums. While redevelopment and the eviction of residents are not new in the city, residents in the Kerrisdale neighbourhood have never been forced to leave their homes.

This chapter discusses the impact of redevelopment pressures on tenants and on the rental housing market in the area. A profile of tenants is first established. This is followed by a description of the number of buildings being affected. Finally, there is a discussion of how people are being affected and where they have gone. The study area is located within the Kerrisdale district and is bounded by West Boulevard to Larch St., and from West 38th Ave. to West 45th Ave (a district known in the zoning by-law as the Kerrisdale RM3 apartment area).

3.2 Census Profile of Kerrisdale Residents

A problematic feature of the Kerrisdale apartment area in terms of using census data is that it intersects two Vancouver local areas, Kerrisdale and Arbutus-Ridge. Therefore, census data on Kerrisdale will give us characteristics of the residents in the smaller RM3 apartment area and information about residents outside the apartment area. Since there is no practical way of delineating data for just the Kerrisdale apartment zone, it is necessary to choose one of the two areas for some general census information.

In the Kerrisdale neighbourhood as a whole, residents are relatively wealthy. According to Census Canada data, the median household income was \$59,474 in 1986 compared to the city average of \$24,661.¹ The highest median household incomes were in

* The Term "RM3" is a designation used by the City of Vancouver Planning Department to mean an area zoned for multiple-family dwellings. For a full definition and more details on RM3 zoning, see appendix.
 1. Census Canada 1986 figures, as published in *Vancouver Local Areas*, City of Vancouver Planning Department, June 1989.

Shaughnessy (\$96,034) and the lowest in Strathcona (\$16,115). In Kerrisdale, median male incomes were \$30,534, and median female incomes were approximately half, \$14,482.

Compared to the rest of the city, Kerrisdale has a much smaller proportion of poor people. In 1986, the Census found that 10.3% of the households in Kerrisdale had low incomes compared to 25.5% for the city average. The "low income" households designation apply when more than 58.5% of gross household income is necessary to pay for the basic essentials of food, clothing, and shelter.

About 38% of the residents of Kerrisdale rent their accommodation. Tenants paid more for shelter costs as a percentage of their income than did owners. Of tenants, 31.8% paid more than 30% of their gross income on an average rent of \$755 per month. By contrast, only 7.3% of owners paid more than 30% of their gross income on shelter and operations. Kerrisdale residents, however, still fared better than other people living in other areas of the city.

There has been a net loss of population in Kerrisdale of 1055 between 1971 and 1986. Since 1981, the area has had positive population growth, but these numbers still do not equal the numbers in 1971. Most of the gain in population appears to be younger people (20-44 age), and the number of individuals in the 55+ group appears to be declining. Residents tend to be more stable than average. According to 1986 figures, 60.4% of the population in Kerrisdale stated that they did not move within the last five years. In the city of Vancouver, only 48.5% of the population were able to say this.

Finally, the ethnic mix has changed. In 1971, 92.4% of the population stated English as their mother tongue. By 1986, only 85.9% of residents claimed English as their first language. The second most common language is Chinese. In 1971, only 0.7 of the residents claimed Chinese as their first language. By 1986, 5% of Kerrisdale residents had Chinese as their mother tongue.

3.3 Profiles of Tenants in Kerrisdale RM3 Apartment Zone

3.31 Age Mix of Kerrisdale Tenants

A range of age groups can be found among the Kerrisdale apartment zone tenants. Certain buildings are inhabited by mostly retired residents while others tend to have younger residents. Census data for the larger Kerrisdale area shows that the proportion of residents in the younger group (20-44 age) is approximately equal to the more mature group (55 and over). In addition, the Census data also shows that from 1971 to 1986 , there has been a gradual decline of individuals in the older age grouping while there has been an increase of individuals in the younger age grouping.

Conversations with residents in the apartment area of Kerrisdale confirm that these gradual age shifts are occurring in the apartment area. There has been a marked inflow of younger apartment dwellers particularly in the last 5 years.²

3.32 Occupation and Income Characteristics of Kerrisdale Tenants

Available 1986 census information in the larger Kerrisdale area show that residents were primarily engaged in white-collar professional occupations. Most were employed in one of the following industries: (1) finance, insurance, real estate, (2) business services, (3) education, and (4) health services. Compared to the city average, Kerrisdale also has twice as many self-employed entrepreneurs, 20% vs the city's 10%.³

Even though the median incomes for Kerrisdale are among the top three in the city, there are residents within the apartment zoned area who are less wealthy and on fixed incomes. Seniors and women are often disproportionately represented in this group. They are also the same group of people who tend to be renters.

According to the 1986 census, 10.3% of residents paid more than 58% of income on shelter and food. In addition, women made approximately half the incomes of their

2. The researcher had asked many apartment dwellers about the age composition in the apartment area. While seniors are predominant, there is an increasing number of young residents moving in—especially within the last 5 years.

3. Planning Department, City of Vancouver. "Vancouver Local Areas 1986, 20% data from Census Canada, June 1986.

Figure 3.4
Demographic Profile, Kerrisdale and City of Vancouver
Selected Statistics, 1981, 1986

	KERRISDALE			CITY
	1971	1981	1986	1986
Population	13410	12170	12355	432,385
20-44 group	3505	3785	4255	278,655
55+ group	4235	4160	3940	109,490
Marital Status				
Population, 15 yrs +	10,800	10,310	10,510	371,935
Single	2,770	2,735	2,880	129,540
Married(includes separated)	6,560	6,090	6,145	190,380
Divorced	225	370	475	30,275
Widowed	1,245	1,120	1,005	21,735
Mother Tongue: 100%				
English	92.4	86.9	85.9	66.1
Chinese	0.7	4.9	5.0	13.8
German	1.9	1.7	2.1	2.6
OCCUPIED PRIVATE DWELLINGS				
Owned	62.6%	62.6%	61.4%	42.4%
Rented	37.8%	37.3%	38.5%	57.6%

INCOME 1986 (20% data)	KERRISDALE (1986)		CITY OF VANCOUVER (1986)	
Household Income				
Average	\$59,474		\$32,403	
Median	\$41,978		\$24,661	
Individual Income				
Male: Average	\$46,277		\$22,485	
Median	\$30,534		\$16,159	
Female: Average	\$19,607		\$14,509	
Median:	\$14,482		\$11,013	
LOW INCOME				
Total population in private households	12,240	100%	420,000	100%
Persons in low-income households	1,255	10.3%	107,415	25.5%
INCOME BY SOURCE				
From employment	66.5%		73.5%	
From government transfer payments	6.2%		11.6%	
From other sources	27.3%		14.9%	
BY SHELTER COSTS				
Tenants:				
Incidence Gross rent \geq 30% of household income	31.8%		38.5%	
Average gross rent (monthly)	\$755		\$545	
Owner occupied:				
Incidence Owner's payment \geq 30% of hhld income	7.3%		13.9%	
Owner's average major payments (monthly)	\$730		\$518	
BY MOBILITY STATUS				
total population 5 years and over	11,705 (100%)		403,950 (100%)	
Movers	39.6%		51.5%	
Non-Movers	60.4		48.5%	

NOTES:

- **Low Income:** is defined on the basis of Statistics Canada's low-income cutoffs. These are set at income levels where 58.5 percent of gross income goes to the essentials of food, clothing, and shelter. For Vancouver, the 1985 low-income cutoff ranged from \$10,233 for one person household to \$29,155 for a seven person household.
- **Shelter costs:** refers to the costs of occupying dwellings, including utilities, taxes, and mortgage payments or rent.
- **Income By Source:** Employment income refers to earned wages and from self-employed earnings. Government transfer payments include all transfer payments from government, but exclude family allowances, old age pensions, Canada Pension benefits, UIC benefits, — these are included in the "other" category. The latter category includes income from retirement pensions, dividends, and interest payments.
- **Mobility Status:** indicates whether respondent was in the same place of residence in 1986 as in 1981 (5 years)

Source: Data from Census Canada, 1981, 1986. Vancouver Local Areas 1971-1981, August 1985, Vancouver Local Areas 1986, October 1988, Vancouver Local Areas 1986 (20% data), June 1989, City of Vancouver Planning Department.

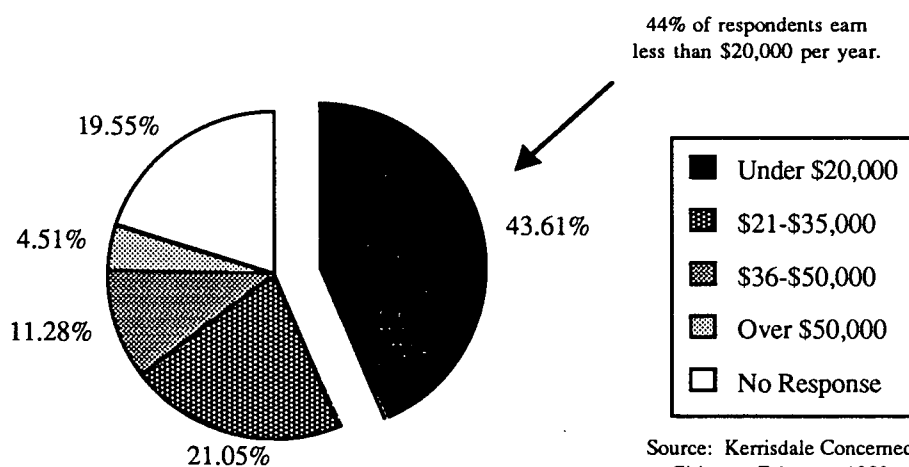
male counterparts. This is especially important because the majority of renters being impacted tend to be both women and seniors. In terms of income, these groups earn the least in society.

In a separate and more recent survey conducted by the *Concerned Citizens for Affordable Housing* in February, 1989,⁴ organizers found that respondents had a mix of incomes. Almost half (44%) of the people who came out to the forum, had incomes of less than \$20,000. Fifteen percent indicated that their incomes fell in-between \$36,000-\$50,000 and four percent said that they had earnings of more than \$50,000.

In addition, the survey forms indicated that the majority of respondents were seniors. Over 88% of those surveyed were 50 years and older. This indicates that even though there are a mix of ages among the tenant population, it is the seniors who appear to be most affected.

Figure 3.5

Annual Income of Forum Audience February 26, 1989



Source: Kerrisdale Concerned Citizens, February 1989

Census 1986 tract data obtained for the Kerrisdale Apartment zone indicate that renter-household incomes vary substantially. Renter-household incomes tend to be either low (below \$20,000) or Higher (\$30,000+). Renter households who live in apartments

4. On February 26, 1989, The Concerned Citizens for Affordable Housing, a group of citizens concerned about the various rumours that had spread about evictions organized a open forum with invited politicians and concerned residents. Income figures quoted here are based on the responses given by individuals who thought would be affected.

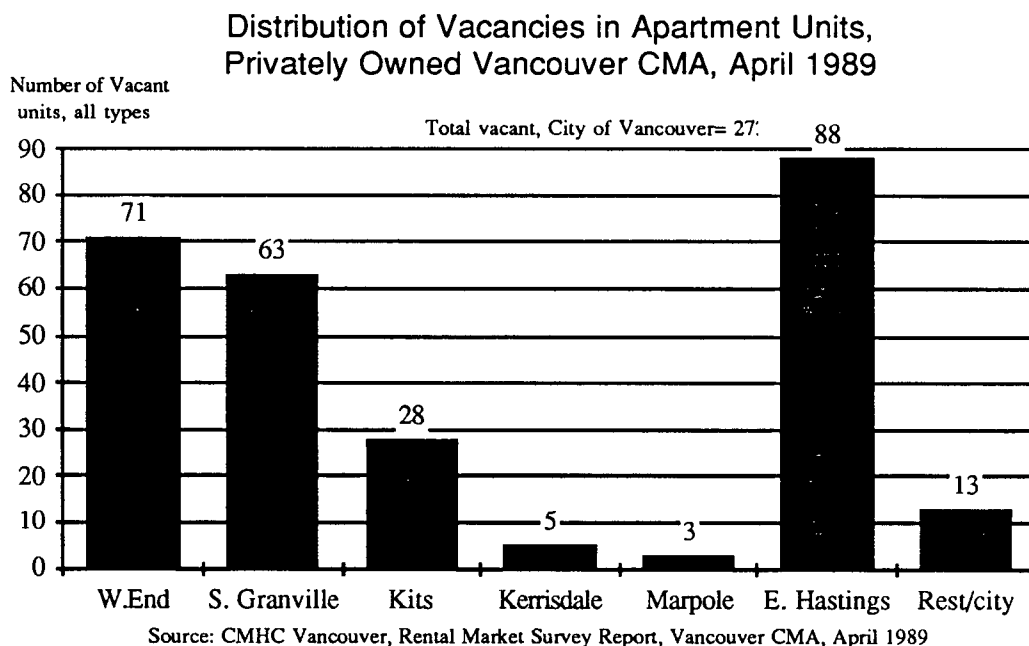
less than 5 stories tend to have lower incomes than those tenants living in high-rises (over 5 stories). Information from the two census tracts that make up the Kerrisdale apartment zone (Arbutus-Ridge and Kerrisdale), was in agreement with the findings of the Concerned Citizen's Survey that showed that about 50% of the renters earned less than \$20,000 per year. Information from the two Census tracts indicate that 1045 out of 2150 renter households earned less than \$20,000 in 1986.⁵ (See figure 3.93)

3.4 Description of the Kerrisdale Rental Housing Stock and Market, and Its Impact from Redevelopment

In the RM3 multi-family district in Kerrisdale bounded by West Boulevard to Larch and West 38th Ave to West 45th Ave., there are approximately 2300 rental units.⁶ Most of these units are post WW II buildings with the majority constructed in the late 1950s and early 1960s.

The rental situation in Kerrisdale, as in the rest of Vancouver, is extremely tight. The vacancy rate in April for the area was 0.2% which means that CMHC surveyors were only able to find 5 apartment units available for rent at the beginning of April.

Figure 3.6



5. Custom 1986 Census Canada printout, "Private Households by Structural Type, Household Income, Tenure and Shelter Costs" User-Specified Areas, Census Canada 1986 Tapes, City of Vancouver Planning Department, Nov. 1988.

6. This number represents only those units in buildings with six or more units. Based on the vacancy surveys that Canada Mortgage and Housing Corporation conducts twice a year. CMHC Vancouver Branch.

April 1989 average rental rates by bedroom size were as follows: 1 bedroom: \$611; 2 bedrooms: \$926; and 3 bedrooms: \$1271. These figures compare to average Vancouver rates of \$526, \$801, and \$1054 for the same sized accommodation in the city as a whole.

A significant trend in the rental housing market is that the number of rental units have been steadily declining. Data compiled from CMHC the City of Vancouver shows that there has been a net loss of rental apartment units between 1986 and 1989. During the past three years, and assuming that pending development applications are approved for new condominium projects, it is estimated that approximately 425 rental units would be lost. This number represents about 20% of the existing rental stock in their area.

Figure 3.7

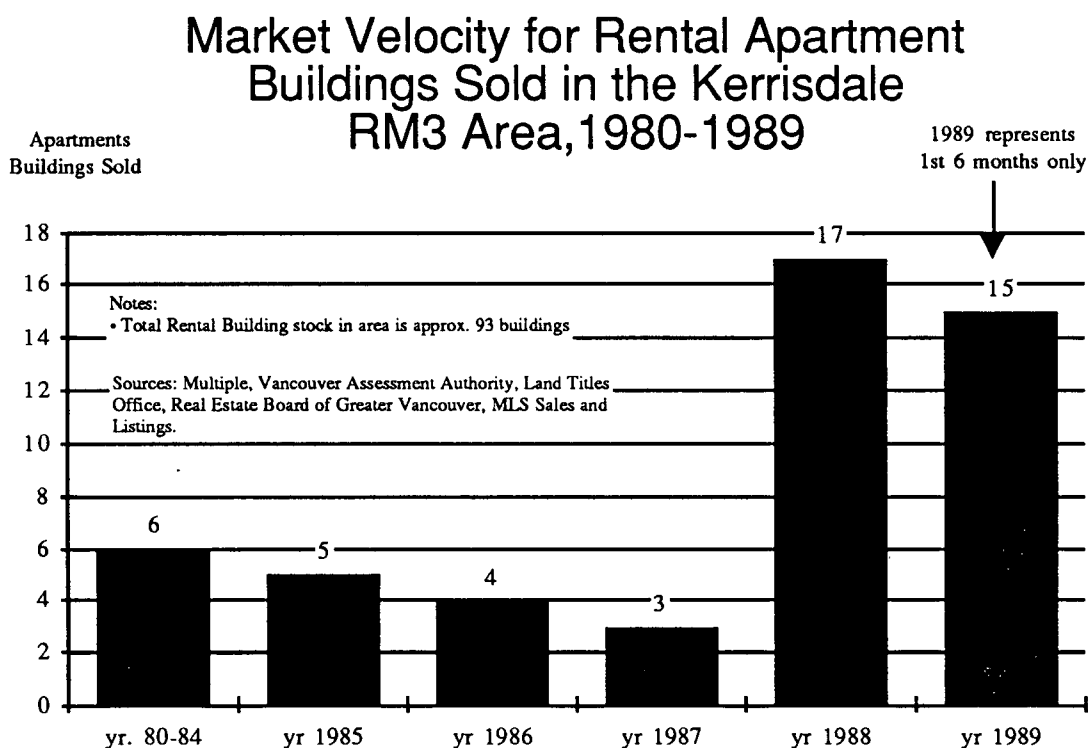
Rental Stock Inventory in the Kerrisdale RM3 Apartment Area (in buildings with 6 or more rental units)				
	1986	1987	1988	1989
Total Stock	2623	2631	2557	2373
Deletions/additions *	8	(74)	(184) **	(175) ***
Remaining Stock	2631	2557	2373	2198
NOTES: * Deletions are due to demolition or condo conversion. ** Some of these units will actually be demolished in 1989. If a building is empty, CMHC takes off survey. *** Projected number based on applications for redevelopment. Source: CMHC Vancouver Branch, City of Vancouver Permits and Licenses				

The situation does not look optimistic for renters in Kerrisdale. There is substantial interest among developers in redeveloping the area with condominiums. There are several existing luxury high-rise condominium projects in the area, and the majority of them have been built within the last 5 years.⁷ An analysis of the market velocity for purchase and sale of rental apartment buildings indicates that apartment sales have surged dramatically in 1988 and in the first 6 months of 1989. During the early and mid 1980s, sales of rental

7. These include: 5425 Yew, 5939 Yew, 5389 Vine, 2350 West 39th., 2115 West 40th.

apartments have been modest. This was primarily because the economic incentive for owners to sell was not there. By 1988 and early 1989, however, the market became extremely active. In 1988, a total of 17 rental buildings sold; this represented more than 5 times the volume of sales in 1987 and more than the sales of the previous three years combined.

Figure 3.8



3.5 Property Assessments and Tax Increases

The numerous sales of apartment properties in 1988 had affected the assessed values of land in the Kerrisdale apartment area. Like most areas on the west-side of the city, the assessed value of land had increased substantially. An examination of the land values of several recently sold apartment properties shows that values have increased an average of 20 percent from 1986 to 1988. However, land assessments over the next 2 year cycle increased even more. Assessments of land for 1989-1988 ranged from a low of 45

Figure 3.9

Historical Tax Information, Properties to be Redeveloped as Condominiums in Kerrisdale, 100% Sample

1986							Notes:	
Roll Number	Address	Land	Improvements	Total Assessed Value	Total Taxes	Improvements to Land Ratio		
153-742-081-67	2121 w. 38th	686850	258450	945300	10791	37.63	1) In 1989, properties	
153-742-081-74	2110 w. 38th	606100	128600	734700	8240	21.22	with ** had taxes capped	
153-742-081-64	2148 w. 38th	1397350	254150	1651500	18523	18.19		
153-747-079-84	2226 w. 40th	n/a	n/a	n/a	n/a	n/a	2) Yr 1987 is not listed.	
153-747-079-52	2256 w. 40th	320750	391750	712500	7990	122.14	yr 1988 is approx. indicator	
153-747-079-32	2278 w. 40th	313250	394950	708200	7942	126.08		
153-747-079-22	2294-96 w. 40th	315700	378700	694400	7787	119.96		
159-078-750-56	5850 Balsam	1245450	254750	1500200	16825	20.45		
159-078-750-92	5890 Balsam	619650	116700	736350	8464	18.83		
159-757-081-46	2170 w. 44th	1573500	410300	1983800	22248	26.08		
159-757-081-76	2120 w. 44th	1677050	411250	2088300	23440	24.52		
159-757-081-06	6020 Yew	252200	126000	378200	4242	49.96		
159-079-750-36	5790 Vine	287200	222900	510100	5721	77.61		
159-079-750-26	5774 Vine	215400	161700	377100	4229	75.07		
159-079-750-20	5752 Vine	193850	185650	379500	4287	95.77		
159-755-081-86	2116 w. 43rd	113700	174600	288300	3320	153.56		
159-755-081-80	2130 w. 43rd	354850	74950	429800	4996	21.12		
1988								
Roll Number	Address	Land	Improvements	Total Assessed Value	Total Taxes	Improvements to Land Ratio	1988 to 1986 land values	1988 over 1986 taxes
153-742-081-67	2121 w. 38th	824220	324500	1148720	13987	39.37	120.00	130
153-742-081-74	2110 w. 38th	727314	202850	930164	11173	27.89	120.00	136
153-742-081-64	2148 w. 38th	1676820	326900	2003720	24070	19.50	120.00	130
153-747-079-84	2226 w. 40th	404000	302000	706000	8491	74.75	n/a	n/a
153-747-079-52	2256 w. 40th	384878	404900	789778	9486	105.20	119.99	119
153-747-079-32	2278 w. 40th	375901	424300	800201	9611	112.88	120.00	121
153-747-079-22	2294-96 w. 40th	378845	406650	785495	9435	107.34	120.00	121
159-078-750-56	5850 Balsam	1494528	277200	1771728	21282	18.55	120.00	126
159-078-750-92	5890 Balsam	743576	118300	861876	10558	15.91	120.00	125
159-757-081-46	2170 w. 44th	1888181	403000	2291181	27521	21.34	120.00	124
159-757-081-76	2120 w. 44th	2012437	385550	2397987	28824	19.16	120.00	123
159-757-081-06	6020 Yew	302659	139900	442559	5316	46.22	120.01	125
159-079-750-36	5790 Vine	344656	244950	589606	7082	71.07	120.01	124
159-079-750-26	5774 Vine	258492	161050	419542	5040	62.30	120.01	119
159-079-750-20	5752 Vine	232642	177050	409692	4936	76.10	120.01	115
159-755-081-86	2116 w. 43rd	128850	186850	315700	3879	145.01	113.32	117
159-755-081-80	2130 w. 43rd	425840	74950	500790	6191	17.60	120.01	124
1989								
Roll Number	Address	Land	Improvements	Total Assessed Value	Total Taxes	Improvements to Land Ratio	1989 to 1988 Land values	1989 over 1988
153-742-081-67	2121 w. 38th	1201850	100450	1302300	13009	8.36	145.82	93
153-742-081-74	2110 w. 38th	1060550	122450	1183000	11645	11.55	145.82	104
153-742-081-64	2148 w. 38th	2445850	137250	2583100	25427	5.61	145.86	106
153-747-079-84	2226 w. 40th	648350	59550	707900	6968	9.18	160.48	82
153-747-079-52	2256 w. 40th **	689650	183450	873100	7905	26.60	179.19	83
153-747-079-32	2278 w. 40th **	673550	216050	889600	8084	32.08	179.18	84
153-747-079-22	2294-96 w. 40th**	678800	190850	869650	7882	28.12	179.18	84
159-078-750-56	5850 Balsam	2179950	107500	2287450	22517	4.93	145.86	106
159-078-750-92	5890 Balsam	1084300	53200	1137500	11402	4.91	145.82	108
159-757-081-46	2170 w. 44th	2754150	157500	2911650	28662	5.72	145.86	104
159-757-081-76	2120 w. 44th	2935400	151850	3087250	30410	5.17	145.86	106
159-757-081-06	6020 Yew**	542300	30350	572650	5095	5.60	179.18	96
159-079-750-36	5790 Vine**	617550	34800	652350	5804	5.64	179.18	82
159-079-750-26	5774 Vine**	463150	25250	488400	4345	5.45	179.17	86
159-079-750-20	5752 Vine**	416850	139400	556250	5059	33.44	179.18	102
159-755-081-86	2116 w. 43rd**	231700	172350	404050	3825	74.38	179.82	99
159-755-081-80	2130 w. 43rd**	894350	38150	932500	7928	4.27	210.02	128

Source: Treasury Department, City of Vancouver

Danny Ho, UBC, August 1989

percent to a high of 110 percent over the last taxation cycle⁸ (see next page). A good example of the hefty land assessments is the property at 2130 West 43rd Avenue. In 1988, the land on this property was assessed at \$425, 840 . In the next assessment cycle in 1989, that land assessment had increased to \$894, 350 representing a 110 percent increase.

The large increases in land values were accompanied by supposed large tax hikes. However, taxes were capped if land values increased by more than 45%. The net effect of this capping was that taxes only rose slightly compared to the last cycle.

According to B.C. Assessment appraisers, the land in Kerrisdale is worth far more than the buildings . Whereas buildings on individual lots accounted for 20 percent or more of property values in 1987-1988, those same buildings were assessed at about 5 percent of property values in 1989.

Strong demand for land in the area, accompanied by low rates of return for existing buildings mean that there is tremendous economic incentive for existing owners to sell.

3.6 Condominium Projects Currently Planned in the Kerrisdale RM3 Area

The strong sales of older rental apartment properties in 1988 and 1989 reflect the fact that developers are assembling land to build luxury condominiums. As of August 1989, Planning department records, show that 17 rental apartment buildings are scheduled to be replaced by 10 luxury condominium projects. In the process, 359 older existing rental units will be replaced by 222 luxury condominium units. All 17 of the rental apartment buildings were bought within the last year.

Given the extremely high land and construction costs associated with the new condo projects, it is unlikely that any of the current tenants will be able to live in the new units. In general, the new units will be marketed to local retirees (Kerrisdale and Shaughnessy) and to off-shore markets⁹. Target buyers will be in the upper middle to high income range.

8. I would like to thank Penny Bruin and her staff at the Treasury Department, City of Vancouver for her assistance with obtaining this data. Properties are assessed on two year cycles in B.C., 1989 represents the first year of a two year cycle.

9. According to discussions with various real estate agents. This information is also confirmed by various Royal LePage marketing studies.

A common feature of all the new units is that they will be large. Typical units will be from 1500 sq. ft. and up, with at least 2 bedrooms. Many of the units will take up the entire floor of the building. When planned earlier in the year, developers were expecting to sell the exclusive units for \$500 per sq. ft. (eg. a 2,000 sq. ft. unit will cost \$1,000,000). If the market softens it is unlikely that buyers will pay that price. Nonetheless, because of the high land prices in Kerrisdale, it is unlikely that developers will sell the units for less than cost (eg. \$250 per sq. foot, or \$500,000 for a 2000 sq. ft. unit).

3.7 Impact of Redevelopment on Tenants

The scheduled demolition of 17 rental apartment buildings within several months of each other will mean that existing tenants will have to move quickly. Under provincial legislation, owners of a property are legally compelled to give at least 2 months notice for eviction. The Vancouver city council have extended that period of notice to 6 months so that tenants can have more time to seek other accommodation. This section documents which group of tenants are the most likely to be adversely affected by displacement. It also examines where people have gone or will go, and how much more or less displaced renters are paying for their new accommodation. In addition, a number of personal accounts of impact are described to supplement the statistical picture.

3.71 Who and How Many People are Impacted?

Intense redevelopment pressures in Kerrisdale have thus far affected primarily renters who have no security of tenure in their homes. When redevelopment pressures intensify for property, tenants are the first to be displaced. With 359 rental units scheduled to be demolished (79 units have already been taken down as of September), this current wave of demolitions will have a direct affect on at least 400 individuals.¹⁰ However, it is not only the current group of evicted renters who should be concerned about this situation. All renters in the area, particularly those who live in the low-rise buildings, should be concerned. The reason for this is that the economics for apartment owners are no longer as attractive in comparison to options such as condominium redevelopment (see chapter 5). And, when the real estate market heats up, the cheaper low-rise buildings will be the first to go down.

10. This is a conservative estimate assuming that all 359 rental units were previously occupied, and that some suites had more than one occupant.

PRIVATE HOUSEHOLDS BY AREA, BY HOUSEHOLD TYPE, BY HOUSEHOLD MAINTAINER AGE, BY INCOME AND BY TENURE

ARBUTUS-RIDGE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
Total Household type	1260	130	1130	90
less than \$10,000	255	25	230	20
10-14,999	190	0	195	17
15000-19999	145	30	115	10
20-24999	125	25	105	9
25-29999	135	0	135	12
30-39999	155	0	150	13
40,000 +	245	40	210	19

KERRISDALE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
Total Household type	1270	250	1020	80
less than \$10,000	200	45	155	15
10-14,999	240	35	210	21
15000-19999	165	25	140	14
20-24999	125	25	100	10
25-29999	90	25	70	7
30-39999	175	25	145	14
40,000 +	270	65	210	21

ARBUTUS-RIDGE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
1 person hshld 65+,	470	55	420	89
less than \$10,000	145	20	120	29
10-14,999	135	0	135	32
15000-19999	45	15	30	7
20-24999	40	0	30	7
25-29999	50	0	45	11
30-39999	40	0	40	10
40,000 +	20	0	20	5

ARBUTUS-RIDGE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
2 person hshld 65+,	200	40	160	80
less than \$10,000	0	0	0	0
10-14,999	0	0	0	0
15000-19999	25	15	15	9
20-24999	15	0	0	0
25-29999	30	0	30	30
30-39999	30	0	30	19
40,000 +	90	10	75	47

KERRISDALE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
1 person hshld 65+,	400	115	285	71
less than \$10,000	120	40	80	28
10-14,999	125	25	105	37
15000-19999	45	10	35	12
20-24999	75	20	55	19
25-29999	0	0	0	0
30-39999	15	0	0	0
40,000 +	15	0	10	4

KERRISDALE

Apt less than 5 storeys	Total	Owned	Rented	% Rented
2 person hshld 65+,	100	30	65	65
less than \$10,000	0	0	0	0
10-14,999	20	0	10	15
15000-19999	15	10	0	0
20-24999	0	0	0	0
25-29999	10	0	10	10
30-39999	10	0	10	15
40,000 +	35	15	20	31

ARBUTUS-RIDGE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
Total Household type	1025	355	670	65
less than \$10,000	75	25	55	8
10-14,999	120	50	70	10
15000-19999	100	25	75	11
20-24999	70	45	35	5
25-29999	110	35	70	10
30-39999	115	35	80	12
40,000 +	435	145	290	43

KERRISDALE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
Total Household type	465	60	405	87
less than \$10,000	105	10	95	23
10-14,999	55	0	40	10
15000-19999	25	0	20	5
20-24999	50	0	40	10
25-29999	15	0	15	4
30-39999	60	10	50	12
40,000 +	160	25	140	35

ARBUTUS-RIDGE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
1 person hshld 65+,	375	135	240	64
less than \$10,000	55	20	35	15
10-14,999	75	35	45	19
15000-19999	45	0	40	17
20-24999	30	15	15	6
25-29999	40	25	20	8
30-39999	25	0	15	6
40,000 +	110	40	70	29

ARBUTUS-RIDGE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
2 person hshld 65+,	220	75	145	66
less than \$10,000	0	0	0	0
10-14,999	15	0	15	10
15000-19999	10	0	0	0
20-24999	25	0	15	10
25-29999	25	0	20	14
30-39999	40	15	25	17
40,000 +	105	35	60	41

KERRISDALE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
1 person hshld 65+,	220	20	200	91
less than \$10,000	80	10	75	38
10-14,999	30	0	25	13
15000-19999	10	0	10	5
20-24999	25	0	25	13
25-29999	0	0	0	0
30-39999	20	0	20	10
40,000 +	45	0	40	20

KERRISDALE

Apt more than 5 storeys	Total	Owned	Rented	% Rented
2 person hshld 65+,	105	30	80	76
less than \$10,000	0	0	0	0
10-14,999	15	0	15	19
15000-19999	0	0	0	0
20-24999	10	0	15	19
25-29999	0	0	0	0
30-39999	20	10	10	13
40,000 +	45	10	35	44

Source: Private Households by Structural type, Household Type, Household Income, Showing Tenure and Shelter Costs, User-specified Areas, Census 1986 Canada Tapes, City of Vancouver Planning Dept., Nov. 1988

Danny Ho, UBC, 1989

Note: The Kerrisdale RM3 Apartment zone is found within Arbutus Ridge and Kerrisdale. The use of both Census tracts is highly accurate since almost all the apts in both tracts are only found within the Kerrisdale RM3 area. **Some figures may not add to 100% due to rounding.

According to the 1986 Census, there are about 3200 households who rent apartment units in the the Kerrisdale RM3 apartment area. Two thirds of these households rent in low-rise buildings. It will be these approximately 2100 households who would be at risk for eviction in the long run if demand continues (with supply of land constrained).

Figure 3.92

Renter Households to Owners Households in the Kerrisdale RM3 Apartment Zone, 1986				
	TOTAL OWNED	RENTED	% RENTED	
Arbutus Ridge: Apt. Less than Five Stories	1260	130	1130	90
Arbutus Ridge: Apt. More than 5 Stories	1025	355	670	65
Kerrisdale: Apt. Less than Five Stories	1270	250	1020	80
Kerrisdale: Apt. More than Five Stories	465	60	405	87
Total :	4020	795	3225	
Notes: The Kerrisdale RM3 apartment area stretches accross two Census divisions, Arbutus -Ridge and Kerrisdale (Tracts 9, 22). The Arbutus-Ridge portion represents the north part of the Kerrisdale apartment zone while the Kerrisdale Portion represents the south part of the apartment zone. Together these two areas make up the Kerrisdale RM3 Apartment area. Source: 1986 Census Canada Tapes, User-specified areas on Private Households by Area, by Tenure, by Income, by Shelter Costs. City of Vancouver Planning Department, November 1988				

Even though there has been more younger individuals moving into the Kerrisdale apartment area, the age mix of residents is still heavily skewed toward an older population. Census statistics, for example, indicate surprisingly that about 1595 of the 3225 renters living in the area are 65 years or older. Renters who are seniors also tend to make up the majority of residents in low-rise apartments. Residents in condominiums are also over-represented by seniors. Of the condominium stock, two thirds of the residents are over 65 years old. These numbers show that a number of seniors live in the Kerrisdale apartment zone, and many are renters.¹¹

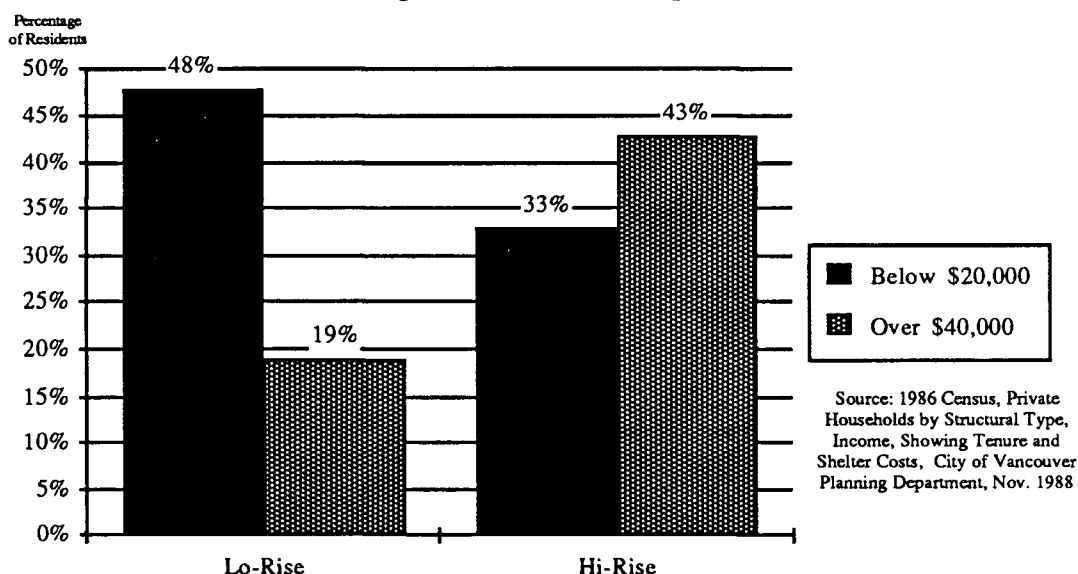
11. 1986 Census Canada User-Specified Areas, Private Households by Structural Type, Household Income, Showing Tenure and Shelter Costs, Census Canada tapes, City of Vancouver Planning Department, Nov. 1988.

3.72 Income Characteristics of Tenants

In 1986, Census Canada reported that median household incomes in the larger Kerrisdale area was \$59,474.¹² This figure represented the third highest median income from Vancouver neighbourhoods. On the surface, this would suggest that Kerrisdale residents are wealthy. In fact, median household incomes in the Kerrisdale apartment area vary substantially. In general, there appears to be two patterns. Median incomes tend to be clustered at either the bottom or at the top. Renters who are poorer tend to live in the low-rise apartment stock while renters who have bigger incomes tend to occupy the high-rise stock. According to the 1986 statistics, in high-rise buildings (5 stories or more), 33 percent of renters earned less than \$20,000 and 43 percent earned more than \$40,000. On the other hand, in low-rise buildings, 48% of renter households earned less than \$20,000 and only 19 percent earned more than \$40,000.

Figure 3.93

1986 Median Renter Household Income Characteristics
in Lo-rise and Hi-rise Buildings in the Kerrisdale Apartment Area



12. 1986 Census figures in Vancouver Local Areas, 1986 Census Data, City of Vancouver Planning Department.

The fact that that more than 40 percent of the renter households in the low-rise apartment stock earn less than \$20,000 per year again confirms the accuracy of an earlier described survey which estimated that 43 percent of residents earned under \$20,000. Moreover, the fact that lower-income renter households are concentrated in the low-rise stock will mean that they will be the group who will be at the greatest risk, and the group with the least financial resources to cope if eviction should occur.

The following section deals with how tenants who have been evicted have been impacted. There is a greater focus on the impact of elderly tenants because it is felt that they will be the most adversely affected. Some of the information is based on the personal accounts of some tenants, and may not be necessarily generalizable. Because of the difficulty in tracking down tenants and getting their co-operation to help with the research, no attempt was made to obtain a 100% sample. Information which was gathered was cross-referenced with seniors familiar with the researcher for "reasonableness". A full assessment of the impact of eviction is not possible at this early date because only 6 of the 17 rental buildings have been demolished.

3.73 Where Did Displaced Tenants Go?

Based on information provided to me by apartment building managers, and by some of the tenants, it appears that evicted renters have moved to areas throughout the Metropolitan Vancouver. Some examples of the new locations are: North Vancouver, West End, South Granville, Marpole, Kitsilano, Richmond, White Rock, Surrey, and Langley.

In general, the final choice for a new home is dependent on the displaced person's age, mobility, place of work, friends, and income. Several tenants (who were still working) in one building moved to the West End because it was closer to work. One couple moved to Richmond because they had some friends there. Finally, some tenants were known to move to the Eastern suburbs. But, these were younger tenants. According to one tenant, "they were going to buy a home out there anyhow. The evictions simply accelerated the process."

For seniors, on the other hand, there is a tendency to stay in the area at all costs. This is confirmed by the fact that at least two thirds of the evicted seniors opted to stay and found places in Kerrisdale (see tables on next page) . When the researcher asked one older displaced resident whether moving out of the area was an option, he replied that the area

was his home and he did not want to move out. Another resident commented that the "Kerrisdale area was like a little village where one feels safe, and that there were few parts of Vancouver that offered this secure type of atmosphere." In addition, "the shopping and the doctors are nearby." Therefore, it is interesting to note that when people did move, the destinations tended to be nearby, to Marpole or to South Granville. Nobody was found to relocate to the East-side of the city.

Contrary to the belief that people have been forced to move out of the area, it appears as though the majority of seniors directly affected by eviction have not been forced to do so yet.

3.74 Financial Impact of Evictions: Effect on Rents Paid

The decision to stay in Kerrisdale is not without compromise. Seniors who want to stay in the area generally will pay more for their shelter. The Kerrisdale area already has one of the highest rents in the city and one of the lowest vacancy rates. In April 1989, average one bedroom rents were \$611 per month in Kerrisdale (compared to \$526 for the city average) and the vacancy rate was .2 percent.¹³ Together, these two factors make apartment hunting extremely difficult. This difficulty in finding accommodation is confirmed by the fact that many of the displaced tenants had found their new apartments in Kerrisdale only by word of mouth through networking after months of looking around.¹⁴

Tenants who have been displaced from the cheaper low-rise renter stock have in many cases had to move to the more expensive high-rise concrete apartment buildings because few of the cheaper low-rise units are available. For example, one 78 year old female tenant who moved to a high-rise had to pay \$775 per month compared to \$565 per month previously. This new rent had increased by 37 percent, and it now accounted for 55 percent of her total income.

In one Kerrisdale building, tenants who had to move had to face either paying more for rent, living in less space, or moving out of the area. Few chose to move out of the area, and most took what they could get in the Kerrisdale rental market. Based on the

13. April 1989 Vancouver Vacancy Survey, CMHC Vancouver Branch.

14. Some of the displaced residents began looking for apartments when rumours started to circulate that their buildings were sold or were scheduled to be demolished. The researcher is aware of several instances where the availability of suites were not advertised. Displaced tenants were advised of vacancies through the grapevine (through friends and other contacts).

known data from one building, the range of rents ranged from a decrease of 21 percent to an increase of 48 percent in rents. In a second building, two tenants (both seniors) had indicated that they have moved to South Granville. One of them paid less than before but was getting less space, and the other tenant indicated that he was paying \$100 dollars more. Everybody paid more as a result of the move, unless they chose to rent a smaller space or they move out of the area, or both.

In another study, one commissioned by the Vancouver City Social Planning department, the results were similar. Although no data was collected about the size of accommodation before and after eviction, the researcher found that almost all tenants had to pay higher rents as a result of the eviction. These new rents accounted from between 25 to 67 percent of the tenants' incomes.¹⁵

Government programs such as the Shelter Aid for Elderly Renters (SAFER) is of little benefit for seniors in the Kerrisdale area because the program will not subsidize rents that are more than \$475 per month.¹⁶ The following table shows that few if any Kerrisdale tenants can be helped from this program.

Figure 3.94

MONTHLY SAFER AID ALLOWANCES FOR SINGLE PEOPLE						
Income per month	Rent Level per month					
	\$200	\$250	\$300	\$350	\$400	\$450
\$602	\$17	\$62	\$107	\$152	\$197	\$242
\$763		\$18	\$63	\$108	\$153	\$198
\$898			\$24	\$64	\$104	\$144
\$1046				\$24	\$59	\$93
\$1194					\$24	\$53
\$1342						\$12
\$1490						\$1

Source: Ministry of Social Services and Housing 1989

15. Marcoux, Roneen, "Tenant Relocation Study", Social Planning Department, City of Vancouver, August 1989.

16. Shelter Aid for Elderly Renters Brochure #81134, Ministry of Social Services and Housing, Province of B.C.

Although rents are continually going up, there is a limit in the terms of how much seniors can pay. Many seniors had sold their homes sometime in the past, and had believed that they could live off the interest from the money for the rest of their lives. In hindsight, several displaced renters had commented that they should have bought. But, they could not have predicted that rents would have increase so steeply.

Unfortunately, because of inflation and steep rent increases, the interest earnings off seniors' savings are not covering their expenses, and many seniors are having to withdraw from their principal. This dwindling of the nest-egg is a major concern for many seniors .

The rent situation does not look good in Kerrisdale. If the census data is correct in stating that approximately 40 percent of the renter households in low-rise apartments in Kerrisdale earn less than \$20,000 per year, then all these people are already paying more than 30 percent of their income towards rent (assuming the average CMHC \$611 per month rent for an one bedroom unit). In fact, they are paying 37% of their income.

In order to meet CMHC's 30% income/shelter expense rule, a renter household renting for \$611 per month must be making at least \$24, 500 per year. On the other hand, if a renter must pay \$795 per month for rent (as in the case of one 78 year old lady), she should be making at least \$2650 per month or \$32,000 per year .

The demolition of low-rise rental apartments has impacted tenants because it has reduced the supply of less expensive apartment units. Seniors are especially affected because moving out of the area is not an option for many. It is unclear how much longer some seniors will be able to stay in Kerrisdale given the increasing cost of housing.

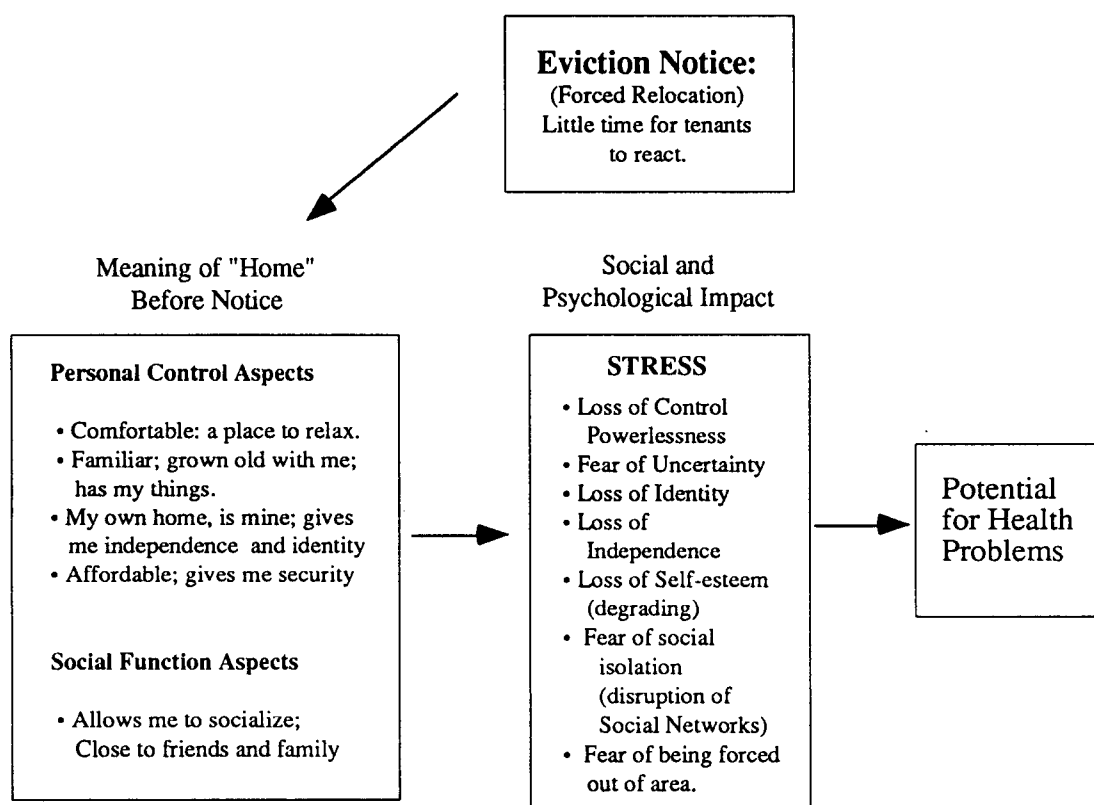
3.75 Social and Psychological Impact of Evictions

Evictions generally have an economic impact on all tenants. However, it is the social and psychological impacts which are affecting the seniors the hardest. That involuntary relocation for older people is disruptive, stressful, and potentially debilitating is strongly supported in the gerontology literature.¹⁷

17. For example: Aldrich, C. & Mendkoff, E. "Relocation of the aged and disabled, a mortality study", Journal of American Geriatrics Society, 1963, 185-194.

Figure 3.95

The Social and Psychological Impact of Eviction on Elderly Renters in Kerrisdale



Source: Adapted from Rutman, Deborah and Jonathan L. Freedman, "Anticipating Relocation: Coping Strategies and the Meaning of Home for Older People" in Canadian Journal of Aging, Vol. 7, No. 1, 1988. The various impacts of displacement were obtained through conversations with evicted tenants, and confirmed with a city health nurse who works closely with the Kerrisdale seniors. While certain individuals may have slightly different experiences, on the whole, these reactions seemed to be shared by the majority of displaced seniors who spoke with the researcher.

One of the greatest losses of old age is the loss of choice. An older person does not have the economic power nor often the physical ability to make as many choices about his/her life as was possible in earlier years. When an individual loses the freedom to exercise choice, that individual loses self-respect and dignity. And, as one gets older, the need to stay in familiar surroundings, the need to maintain social networks, and the need to stay in one's own home (whether rented or owned) becomes more precious.¹⁸

The primary impact of the recent and planned apartment demolitions in Kerrisdale has been stress. Because of the rapid rate of change in Kerrisdale, and the seemingly futility of preventing tenants' homes from being demolished, many of the displaced seniors are feeling that they are no longer in control of their future. They are fearful of the future because they do not know what will happen to them.

Seniors, like everyone else, want to be able to control their own destiny. This is one reason why buildings even rumoured to be demolished empty out far in advance of an formal eviction deadline. These seniors seek to find another place as quickly as possible to reduce anxiety and uncertainty, and to avoid the risk of eviction at a moments notice.

Security of tenure is extremely important to seniors because it ensures them that they will not have to worry about losing their homes at any moment. Unlike younger people, seniors, due to age, frailty, and income, are unable to cope with change and relocation as readily. Therefore, the idea of being forced to leave one's home without recourse is particularly upsetting.

For many seniors, the demolition of apartments in Kerrisdale is seen as a destruction of home and community. To understand this, it is necessary to be aware of the special meaning of "home" to seniors. Rutman *et al* (1988), for example, found that seniors in general attached great importance to their homes (see diagram on next page). In a study of the effects of relocation, respondents in her study indicated that their present homes "meant" comfort, security and independence. Home was a place and a space that individuals could feel was theirs—that they "owned."¹⁹ One's home was an area in which an individual could exercise some control and be secure. The home also symbolized one's

18. Hasselkus, Betty Risteen, "Relocation Stress and the Elderly" in The American Journal of Occupational Therapy, November-December 1978, Vol. 32, No. 10.

19. Rutman, Deborah L. and Jonathan L. Freedman, "Anticipating Relocation: Coping Strategies and the Meaning of Home for Older People" in Canadian Journal of Aging, Vol. 7, No. 1, 1988.

independence and individuality. In addition, for some, the home had a social function. It was a place to socialize, entertain, and be close with friends and family.²⁰

In another study, Fried (1963) found that displaced tenants considered the physical areas near their living quarters also had meaning, as an extension of home. According to Fried (1963):

It is the sense of belonging someplace, in a particular place which is quite familiar and easily delineating, in a wide area in which one feels "at home". This is the core of meaning to the local area. And this applies for many people who have few close relationships within the area. Even familiar and expectable streets and houses, faces at the window, and people walking by, personal greetings and impersonal sounds may serve to designate the concrete foci of a sense of belonging somewhere, and may provide special kinds of interpersonal and social meaning to a region one defines as "home".²¹

In Kerrisdale, it is precisely the familiar shops, streets and people that give the area a comfortable feeling—as though it were home.

The greatest fear that displaced seniors have is being forced out of the area. Many of the seniors have lived in Kerrisdale for many years, and have established routines in their daily lives. If seniors are forced to move, it is difficult for them to change. Loss of continuity and the potential disruption of social networks and contacts are significant impacts. Although an estimated 65 percent of the evicted tenants have found places in the neighbourhood, it would appear that the social impact remains substantial. According to one tenant: "In the older 3 storey apartments, the physical arrangement facilitated social-interaction—people got to know their neighbours." He added, "And, even if some residents were not that sociable, their faces were familiar. It was a warm type of place, like they were all one family." In another building, one young lady stated in conversation that some of the seniors in her building often invited her for tea, and that she was very impressed with this even though she did not really know them well.

By contrast, in some of the high-rises where many of the displaced tenants moved, there were few opportunities to know their neighbours. The physical form of the buildings tends to be different and there are many more apartments. One displaced senior commented, "I moved five blocks away, but its different. I don't see the same people

20. Rutman and Freedman, 1988.

21. Fried, Marc "Grieving for a Lost Home" in Leonard J. Duhl, M.D., The Urban Condition, Basic Books, New York, 1963.

anymore." Thus, even though many seniors were able to stay in the neighbourhood, the effect of the move may have been no different if they had moved out of the area.

An involuntary change in one's social and physical environments need not be dramatic to to stressful. A move away from one area of the neighbourhood may require individuals to establish new patterns of shopping, transportation and other aspects of daily life. These changes, particularly for the older person can be disruptive. Difficulties with adjustment will in turn affect life satisfaction and morale.

Some of the displaced seniors were not happy with their new apartments. Even though apartments were rented, many seniors felt that their homes were their castles. The apartments were "theirs" and many took great pride in decorating them. One couple who moved had a difficult time making their new apartment look like their old apartment. The new apartment was dirtier, smaller and they had to pay about \$100 more in rent. Seemingly little things like carpet spots and finding enough room for their paintings suddenly became very important. The retired couple told the researcher that they had never had to look for an apartment for 40 years since they were first married, and that having to do it now was a horrendous experience.

Another important impact of the evictions was that it was very humiliating for those people who received them. Many seniors felt that they have contributed to society, and have made it what it is today. By evicting the long-time residents of Kerrisdale, there is a great injustice. One senior told the researcher that she felt very degraded and worthless (like disposable trash) when she received her eviction notice. Another said that "the people doing the evicting are like dictators who have total control." "How can a stranger suddenly come into your lives, hand you an eviction notice and force you to move out of your home?" "It is the same as oppression." "And, we are helpless." "There is nothing we can say or do that can influence them to stop."

Although the effects of relocation stress are not easily quantified, the psychological and emotional impacts are very real. It is difficult to generalize about the impact of evictions because different people may have different coping abilities. And, many observations are subjective. But, people familiar with those seniors who have been displaced or are about to be displaced have noticed that some individuals who have been evicted have become less enthusiastic about life, that depression and mood swings became

more prevalent. In other cases, seniors became less social, were not as eager any longer, and became sick more often.²²

One 85 year old widow, for example, was having a terrible time adjusting. Before she had moved to her present high-rise apartment, she was paying \$550 for rent; she is now paying \$750 per month (not including utilities) out of the \$1000 per month income she gets from pensions and from interest earnings. Because she is using her principal savings now to pay her rent, she is very worried about another round of rent increases. Previous to moving earlier this year, this woman was relatively happy; she enjoyed tending her garden outside her low-rise apartment, and she enjoyed baking, and enjoyed shopping in nearby Kerrisdale shops. She does not do these things anymore because of painful arthritis which she believe have been exacerbated by the the stress of moving. This woman indicated that it had come to a point where it did not matter anymore because the stress and the worry had become some painful. She said that " one more move and that may be the end for her."

Several month ago, in April, the newspapers reported on the relocation stress of Mrs. Ivy Burford, a 83 year old widow who had been evicted from her apartment. Three months after, Mrs Burford had died. After being evicted in April, Mrs Burford moved a short distance away to another apartment in Kerrisdale where she paid \$625 per month (compared to \$450 per month in the old apartment).²³ Mrs Burford was typical of the many elderly renters in the area. Before her husband died 18 years ago, he sold their home for \$33,000 and set her up in a rental apartment (condominiums were uncommon then). The intention was that the interest off the savings would be able to take care of her forever. Unfortunately with inflation and the increases in rent, most of the nest-egg had been diminished. Like some of the other displaced tenants, Mrs Burford expressed sentiments of powerlessness and despair. "How will I go about finding a home. How do I get rid of these carpets. Do I need to take the drapes? It's like I am in a fog and nobody will help me. Unless the good lord takes me, I don't have an answer."²⁴

Helplessness and despair are functions of a lack of choice for displaced seniors. Stress, while perhaps not the sole cause of mortality in some grieving tenants, certainly has some significant impacts on the well-being of individuals. In general, researchers agree

22. For example, a community health nurse, an apartment manager, and other seniors at a community centre have commented on the declining spirit and health of those displaced.

23. This information was passed along by some concerned tenants in Mrs Burford's new apartment.

24. Hamilton, Gordon "Apartment Demolitions Haunt Tenant, 83" in the Vancouver Sun Newspaper, April 6, 1989 p.1.

that impact and stress can be considerably be reduced if: (1) change takes place gradually, (2) the change between new and old environments are not drastic, and (3) affected tenants are consulted and given a choice and function in decision-making. The more control and predictability residents have of their new environment, the less negative the affects of the relocation.²⁵

3.8 Summary

This chapter has discussed the impact of redevelopment pressures on tenants and on the rental housing market in Kerrisdale. The chapter outlined a profile of residents of the area, and described how the rental stock has or will change in the short run with 17 rental apartment buildings scheduled to be demolished. In addition, the chapter has covered how displaced tenants, particularly seniors have been impacted economically, socially, and psychologically from the current situation, and where they have gone. The study area (known as the Kerrisdale apartment RM3 area) is bounded by West Boulevard to Larch St., and from West 38th Ave. to West 45th Ave.

While the incomes of the larger Kerrisdale area is one of the highest in the city, incomes within the RM3 apartment zone within Kerrisdale vary considerably. According to a survey by the Concerned Citizens for Affordable housing, about 43 percent of the renter population in the area earn less than \$20,000 per year. Statistics from the 1986 Census confirm this, and indicate that poorer tenants tend to live in low-rise buildings (those which are the most at risk for demolition) and the more affluent residents tend to live in the high-rises.

Due to strong demand from local and off-shore markets, there has been substantial interest among developers to demolish and redevelop in the area. The strong demand resulted in strong sales activity for rental apartment buildings in 1988 and 1989. Sales in 1988 alone exceeded the total number of apartments sold in the area in the last 3 years combined.

Developers who have bought older rental buildings in the area (all within the last year) are planning to demolish 17 buildings containing 359 rental units. These units are to

25. Schultz, Richard and Gail Brenner, "Relocation of the Aged: A Review and Theoretical Analysis" in Journal of Gerontology, Vol. 32, No. 3, 1977, and Hasselkus, Betty Risteen, "Relocation Stress and the Elderly" in The American Journal of Occupational Therapy, November-December 1978, Volume 32, No. 10.

be replaced by 222 luxury apartments. Strong demand and low vacancy rates have meant that the rental housing market is tight in Kerrisdale. And, units are continually being lost. In the April Vacancy survey, out of 2300 rental units in the area, CMHC found only 5 suites available for rent (.2 percent vacancy rate). Data from the government housing agency also suggests that the area is losing rental units. CMHC estimates that over the last three years, the area have and will lose about 400 units in total— with most of the units being lost in 1988 and in 1989.

Because it is still relatively early (only 6 of the 17 buildings have been demolished), it is difficult to assess the full impact of this wave of demolitions. If all 359 apartments are demolished, a conservative estimate will be that at least 400 individuals would be affected. However, other tenants should also be concerned. Assuming strong demand continues and the supply of available land is limited, those renters living in older low-rise rental stock is also potentially at risk.

According to the 1986 Census, about one half of the renter households are seniors. Furthermore, the Census shows that 44 percent of renter households in low-rise apartments earn less than \$20,000 per year. If this finding is correct, and if we assume that these tenants are renting at the average price for a one bedroom unit \$611 (in April 1989), then everybody in this group is already paying more than 30 percent of their income towards rent. Data gathered also indicates that some displaced renters are paying over 50 percent of their fixed incomes on rent. Although there are exceptions, it is the seniors groups who will have the most difficulty in moving.

Contrary to the belief that many seniors have been forced out of the area, data collected indicates that a majority of those evicted (about 65 percent) stayed in the area. For displaced tenants who moved within the area, rents increased in every instance. Incidences of rent decreases occurred when displaced tenants opted to move out of the area or into smaller accommodation outside Kerrisdale.

Although seniors have been impacted economically, it is the social and psychological impact which have affected all seniors. The biggest impact of evictions have been the stress. A major fear of many seniors was being forced to move out of the area. Other reactions were: loss of choice (powerlessness), loss of independence, loss of self-esteem, and fear of uncertainty. The health of some displaced tenants appeared to worsen after the move. Although not scientific, they believed that the decline in health was due in

part to increased stress. Several people who had been evicted had also died recently after their move. While it cannot be proven that mortality was caused by stress, their feelings of hopelessness and despair before the moves were good indicators of potential adjustment problems.

In general, researchers agree that the best methods for reducing relocation stress especially among seniors, are to: (1) slow the rate of change, (2) ensure that old and new environments are not too drastic, (3) ensure that affected tenants are consulted and given some choice. If seniors know they are in control, they will have less fear, and the negative effects of relocation are reduced. The abrupt apartment evictions in Kerrisdale violated all these principles.

4.0 The Costs of Building Rental Versus Condominium Apartments

4.1 Introduction

New rental housing production is increasingly becoming rarer and rarer. In 1982, private rental starts in the city of Vancouver accounted for 47% of the total starts. By 1988, the total number of private rental starts had fallen to a mere 5% of the total starts.¹ The rental housing market is experiencing tremendous demand for more units to be added to the existing stock. However, instead of additions to the stock, the rental housing inventory is being diminished because of several different factors which include: conversions from apartment to condominium, demolition of existing suites, and a crackdown on illegal suites in single-family houses.

The principal reason why few rental units are being built is because it is financially unattractive. In the short term, it is much more profitable to build condominiums than rental apartments because the return is quicker and more predictable. In addition, for the investor, the trend towards stronger tenant rights legislation, increased taxes on capital gains, and increasing property management fees make rental housing investment less desirable than other ventures.

Real estate investments, however, still tends to be good investments most of the time due to leverage. Leverage is the act of making as much as possible with as little as possible. In real estate, profits are obtained quickest when property is bought with a view of selling it shortly. This rapid buying and reselling process is commonly known as a "flip". In order to make more profits, the less one invests in the venture, the more one makes. For example, the investor who invests \$50,000 and sells the property shortly for \$55,000 cash earns a profit of 5%. However, if that same investor invests \$5,000 for the same project, and sells it for the same price, his profit now becomes 100% since the return on the initial investment is doubled.

Rental projects may be viable depending on the owner's motivation to stay in for the long term, his required capitalization rate (return on investment), the expected rate of capital appreciation, and various tax laws. In general, developing property is a very risky

1. CMHC Vancouver Branch, Market Activity Surveys 1982-1988.

business. The profitability of any development is dependent on a number of variables. Generally, the price of land, the cost of financing, the zoning, and the market demand for the final product are significant factors to consider. Because most real estate developments are highly leveraged (much of development costs are borrowed), any increase in interest rates will have a significant impact on the profitability. In addition, delays in the completion of construction due either to political process or a softening in market demand will affect profitability.

This section discusses why very few private rental units are being constructed in the city, and outlines where they are being built. In addition, there is an analysis of apartment vs condominium profitability using proforma analysis in Kerrisdale. Five scenarios are presented: (1) Build an apartment and sell as Condominium, (2) Build an apartment and rent, (3) Buy an apartment today and rent, (4) Analyse the profit of an Apartment investor who bought seven years ago and sold recently, (5) Discuss the potential for further redevelopment of land in Kerrisdale.

4.2 Where are Private Rental Units Being Built?

Without government subsidies, there have been very few private rental starts in the city. Despite the removal of rental controls in 1983, there has not been an increase in private rental accommodation. This is primarily because the returns for rental investment is not as attractive as other investments. Since 1984, private rental starts accounted for an average of 5.6% of annual housing stock². In the first six months of 1989, CMHC figures show that only 526 private rental apartment units are under construction, compared to 4856 apartment condominiums in the Vancouver CMA.

Much of the current rental stock that is being built is situated in areas where the cost of land make such projects financially viable. Rental housing construction has been most active in the outlying areas. For example, Surrey, Richmond, and Langley municipalities account for over 43% of the units under construction so far this year (as of June). In the City of Vancouver, private rental construction has generally remained in the eastside of the city. Rental construction in this area represents about a third of the 296 units that are actually being built in the city. Marpole accounts for another third, and the north shore of False Creek (downtown peninsula) accounts for the remaining third. The downtown units,

2. Statistics from CMHC Vancouver Branch.

however, are aimed primarily for the upper end of the rental market. There are no private rental units being built on the west side of the city.

Figure 4.1

Apartment Condominiums and Private Rental Apartments Under Construction in Vancouver City as of June 1989		
AREA	Apt Condo Units	Apt Rental Units
West end	553	0
Downtown	228	130
Kits	152	0
False Creek	433	0
Granville/Oak	381	0
Kerrisdale	0	0
Marpole	33	88
Eastside	48	62
Mt. Pleasant	63	16
Strath/Grandview	57	0
Westside	229	0
TOTAL	2177	296

Source: CMHC Vancouver Branch, Market Housing Activity Report, June 1989

4.3 Where are Non-Market Housing Projects Being Built?

An analysis of where non-market housing units are being built will show that they will generally be found in the east side of the city. There are very few social housing projects in the west side of the city. The three wealthiest neighbourhoods in the city—Shaughnessy, Dunbar-Southlands, and Kerrisdale have no social housing projects.

There are several reasons for this. First, although there may be a minority of individuals in economic hardship, the majority of residents can afford market housing. Second, there may be an resistance to this type of housing by residents, and (3) land prices in these areas are so high that subsidized housing of any kind will be excessively expensive.

Figure 4.2

Social Housing Inventory
Number of Projects and Number of Units by Area

	Area Name	# of Projects	# of Units
WEST-SIDE	Arbutus Ridge	3	181
	Dunbar-Southland	0	0
	Kerrisdale	0	0
	Kitsilano	23	559
	Marpole	11	498
	Oakridge	2	178
	Shaugnessy	0	0
	South Cambie	2	65
	West Point Grey	4	271
	West-side Subtotal	45	1752
EAST-SIDE	Grandview-Woodlands	52	1673
	Hastings-Sunrise	12	813
	Kensington-Cedar	12	401
	Killarnery	20	1572
	Mt. Pleasant	23	751
	Renfrew-Colling.	16	712
	Riley Park	5	362
	Strathcona	32	2616
	Sunset	3	112
	Victoria-Fraserview	8	911
	East-side Subtotal	183	9923
DOWNTOWN & FALSE CREEK	CBD	15	1416
	Fairview	22	1447
	West End	15	1482
	Downtown/Fairview Subtotal	152	4345
Total City of Vancouver		280	16,020

Source: Social Planning Department, as of January 1988

4.4 THE HOUSING MARKET IN KERRISDALE RM3

a) The Luxury Condominium Market

Prior to 1987, the outlook for luxury condominium units in Kerrisdale was weak. This was consistent with the overall market activity in Metropolitan Vancouver. Since 1986, there has been several condominium projects completed³. At that time, the top

3. The addresses are 5425 Yew, 5919 Yew, 5535 Vine, 2350 west 39th, and 2115 west 40th. A total of 117 dwelling units were lost in the process. 5885 Yew was also constructed, but information regarding the previous building was not pursued. All these buildings are concrete hi-rises.

listing prices for luxury units ranged from \$160 to \$187 per square ft. By late 1988, the prices had increased to about \$350 per square ft. At the peak of the boom, in early 1989, sale prices of land was about \$160 per sq. ft, and developers were budgeting and projecting condo sales revenues in the range of \$400-\$500 per square ft.⁴ This meant that typical penthouse suites of 2000 square ft would sell in the \$1 million dollar range.

Figure 4.3 Selected Kerrisdale Concrete Condominium Completions

Address	Name	Units	Avg Price/Sq.Ft	Complete Date	Marketing Period	Absorption Rate
5425 Yew	"The Belmont"	37	\$199-\$245	1987	18 months	2.05/month
5389 Vine	Chelsea Crt	18	\$287-\$452	1988	Not Available	n/a
2350 w. 39th	St. Moritz	43	\$200-\$327	1987	7 months	6.14/month
2115 w. 40th	Regency Pl.	25	\$191-\$252	1986	19 months*	1.31/month
2189 w. 42nd	Governor's	49	\$252	1988	Presold	Completely Sold
5939 Yew	Tiffany Pl	7	\$234-\$274	1988	8 months	.9/month

* This building had no pre-selling periods like the others. Building completed in August 1986, and sold out in February 1988

Source: Various Real Estate Marketing Reports

The average absorption rate for major luxury projects has been approximately 1-2 units per month in 1986-87 on the West-side. However, with pre-selling of units far in advance of completion, there appears to be little problem selling the units. Almost all of the projects in Kerrisdale sold out within a few months after completion. As the demand for luxury condominiums continues, it is expected that sales of newly completed units will be more brisk.

Purchasers of luxury condominiums traditionally have been empty nesters who have retired and sold their homes on the west side. These buyers typically made up half the market. Purchasers from Hong Kong made up the rest of the market. It is expected that people from Hong Kong will increasingly become more important as more wealthy seniors from Kerrisdale flock to retirement communities in White Rock.⁵

4. From discussions with Waverly Development Corporation, June 1989

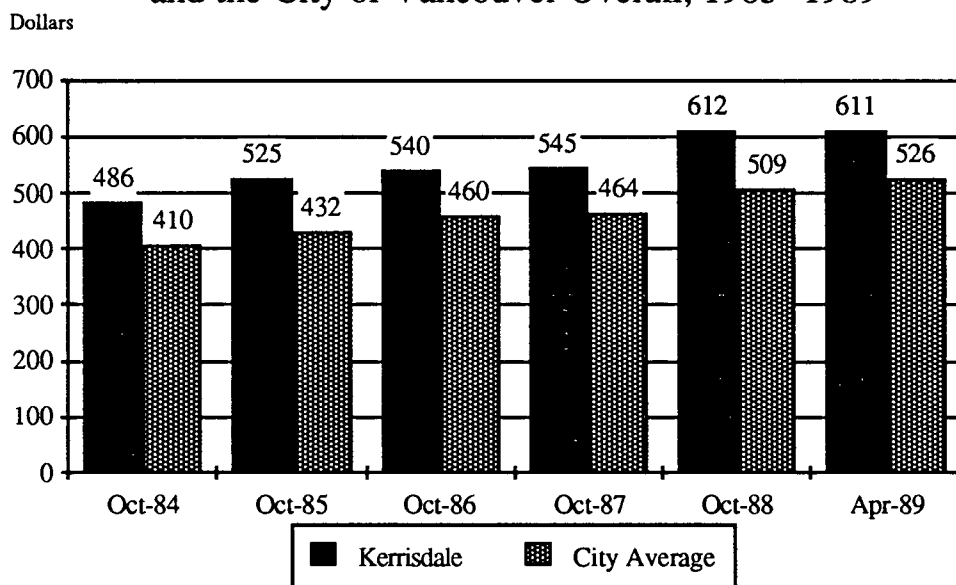
5 These comments are based on real estate marketing reports and with conversations with real estate agents.

b) THE RENTAL MARKET IN KERRISDALE RM3 APARTMENT AREA

The rental apartment market continues to be tight in the Kerrisdale RM3 district, particularly in low-rise buildings which generally command less rents. The April vacancy rate was .2 percent which means that out of a 2300 units, only five were found to be available for rent. Average rents for one, two and three bedroom units were \$611, \$926, and \$1271 respectively.

Figure 4.4

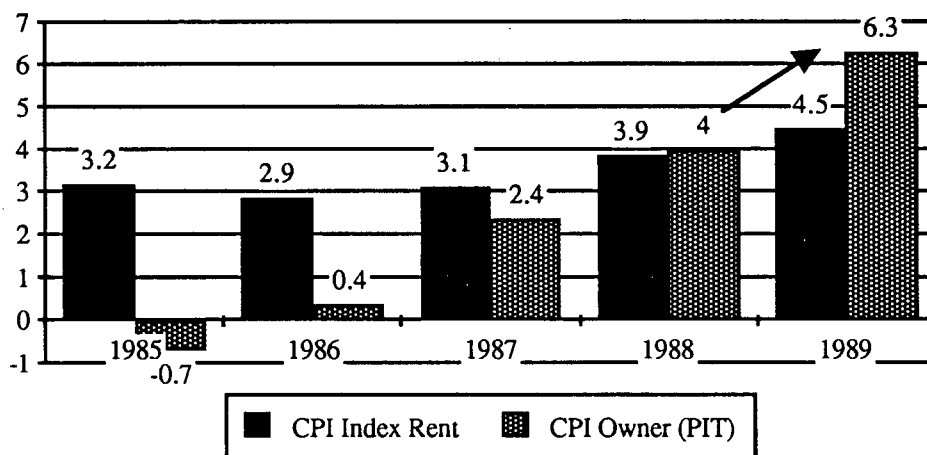
Historical 1 Bedroom Rent Levels in Kerrisdale and the City of Vancouver Overall, 1985- 1989



Source: CMHC Vancouver Branch, Apartment Vacancy Survey, Various Years

Rent increases between 1984 and 1987 were modest in the City of Vancouver primarily because of weak economic growth and low in-migration. In Kerrisdale, rents increased 8% between 1984 and 1985 and remained stable in 1986 and 1987. In 1988, rents jumped dramatically relative to the previous two years in Kerrisdale and in the city because of strong economic growth, and increased in-migration. These factors help to place additional pressures on the existing low vacancy rates.

Figure 4.5
Consumer Price Information Index Change
for Owner and Renter Expenses
in Vancouver, 1985-1989



Source: Statistics Canada Catalogue # 62-010. Data Bank D488803. Time Series Retrieval

The Consumer Price Index for owners expenses towards shelter has been increasing more steeply than that of renters. In 1985, the percent change in expenses associated with owning property was negative. This meant that owners actually had to pay less expenses than they did the year before. Renters, on the other hand, had a Consumer Price Index of about 3 percent meaning that their rents and associated costs increased an average of about 3 percent. By 1989, the CPI index for renters had increased to 4.5 percent while the one for owners had increased to 6.3 percent. These figures indicate that expenses associated with owning property: principal, interest and taxes have exceeded those expenses associated with renting. This suggests that landlords who own apartment properties are likely to pass those increases to their tenants. In Kerrisdale, the rapid increase in land values will place additional pressure for upward rents as landlords try to reduce their opportunity costs of maintaining their rental properties.

4.5 DEVELOPMENT ECONOMICS IN KERRISDALE

Investment in real estate, while generally good, involves financial risk since much of the money needed to finance projects is borrowed. In addition, factors such as interest charges, land prices, municipal zoning requirements, tax laws, and demand for the final product are significant factors to consider. Unfavorable influences of any of the factors can break or make a project.

While the Vancouver housing market has been stable over the last several years, increased demand earlier this year for housing have stimulated house prices. While average house prices in the city have increased across the board, the greatest price increases have occurred in the west side. The demand for luxury condominiums have particularly been strong. Data from Royal LePage show that strongest demand for luxury units come from Vancouver's westside, Richmond and Burnaby. The greatest price increases from year to year were from units on the Westside and from Burnaby with percent increases of 69.9% and 58% respectively.

Figure 4.6

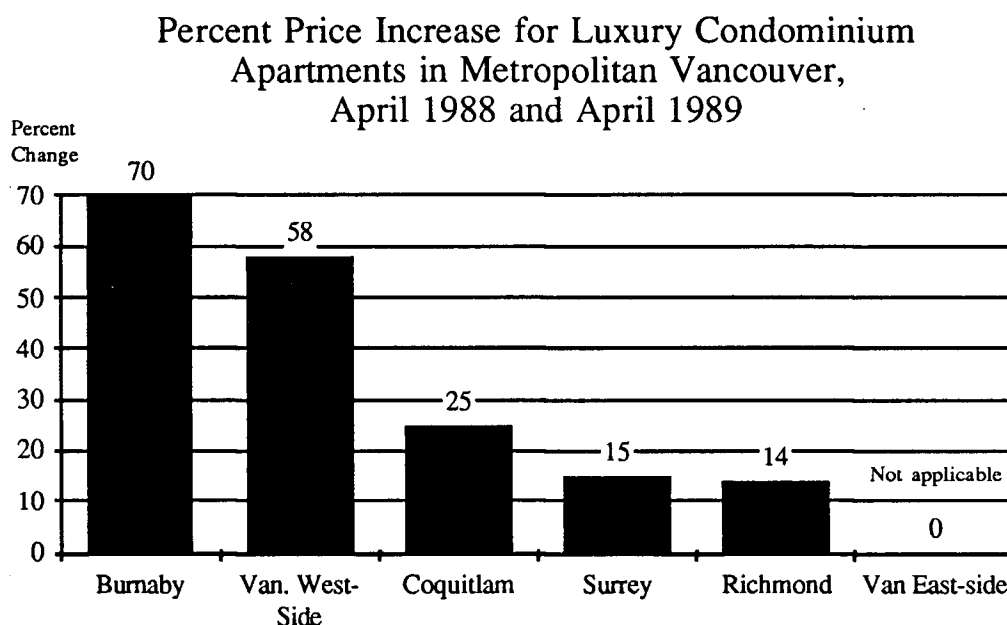
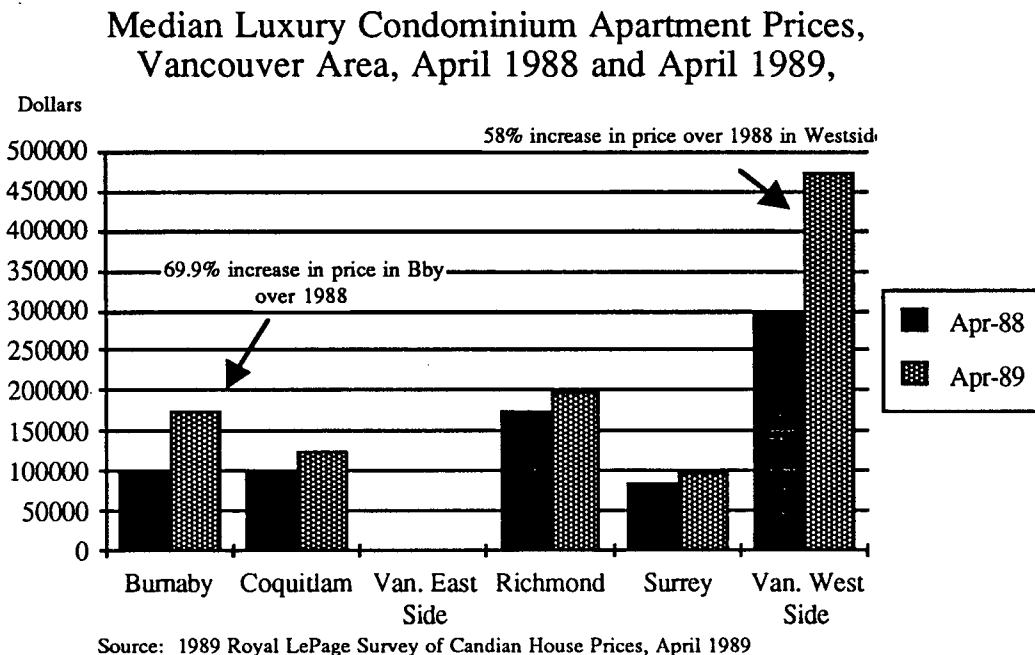


Figure 4.7



The strong demand for luxury condominiums in Vancouver's west-side Kerrisdale has meant that many existing rental apartment buildings are being torn and redeveloped. From an investor perspective, the income being generated from existing rental uses did not and could not approach those profits from condo sales.

The Kerrisdale RM3 apartment zone is characterized by mainly 3 storey wood-frame apartment buildings. Although the zoning, in place since the 1950s, allow for outright construction of 12 storey buildings, the majority of apartment dwellings within Kerrisdale remains lo-rise.

Land prices in Kerrisdale has been a significant factor in driving the redevelopment of Kerrisdale. The extremely high land values make it necessary for any new development to be built to the maximum zoning envelope. In RM3-zoned apartment districts, the basic FSR⁶ (floor space ratio) is 1.0 with the possibility of achieving FSRs of 1.82 for 150 ft. lots and 1.86 for 200ft. lots if bonusing requirements are met⁷. Zoning under RM3 allows

6. "FSR" Floor Space Ratio is defined as the ratio of allowable built area over the site area. For example, on a site size of 100 feet, a FSR of 2.0 would allow the construction of 200 ft. on that property, and an FSR of 3.0 would allow 300ft. to be built and so on.

7. For a discussion of the maximum floor space ratios under RM3 guidelines, please refer to "RM3 Floor Space Ratio Bonus System" in Appendix

for the construction of apartments up to 120 ft. and are permitted outright. Development permits which meet all the requirements are virtually guaranteed, and neighbours need not be notified.

Few of the existing apartment buildings in Kerrisdale utilized the full zoning capacity allowed (typical FSRs were from 1.2 - 1.5) when they were first built in the late 1950s and 1960s. This was primarily due to a number of factors: (1) low-rise developments were already profitable, (2) many of the owners were small-scale and could not afford to build a concrete hi-rise, (3) the market demand was not strong enough, (4) apartments could not be stratified; therefore investors had to be in for the long-term.

Because of high land prices and the strong demand for accommodation in Kerrisdale, any new developments will have to built to the maximum.

4.6 Economics of Rental vs Condominium Investment:

The attractiveness of any investment is dependent on factors such as: rate of return on investment, the degree of risk, owner objectives (cash flow or capital gain), liquidity, availability of financing, and protection from inflation.

The following discussion presents 5 scenarios on the profitability of Rental versus Condominium investment in Kerrisdale RM3 apartment district from an investor's point of view that maximizes profits while reducing the risks.

Scenario 1 analyses the current rent situation of an existing lo-rise building in Kerrisdale using actual current income and expense flows. Potential profits are forecasted for the next 5 years . Scenario 2 analyses the past rental income performance of an owner of rental property who bought in 1983 and have just recently sold. Scenario 3 examines the viability of building a rental hi-rise today. Scenario 4 looks at the returns on building a condominium, and Scenario 5 estimates the degree of risk for redevelopment of other properties in Kerrisdale given developers' budgets for land.

Scenario 1: Investor Buys Existing Rental Apartment and Continues to Operate It.
 Sell after 5 years.

The following property has recently listed for sale. Assuming an investor buys the property and keeps it for five years, what would be his return? The assumptions are: Inflation is 5%, Capital appreciation is 10% per year, Actual purchase price is \$980, 000; Downpayment is 25%: \$245, 000; Loan amount is \$735,000; Financing is 12% per year (amortization period is 25 years with a term of 5 years).

Under this scenario, the investor receives net income of \$46, 856 in year 1 and increases to \$53, 307 in year 5. In year 1, finance charges are \$87, 933 and it decreases to \$84, 896 in year 5. As time progresses, the expense to income ratio decreases and net cash flows become positive.

After year 5, the investor sells the property at an expected price of \$1,578, 300 (assuming 10% appreciation), and makes a capital gain of \$598, 300. Because one half of the capital gain is taxable, the investor must subtract \$137, 609 from the sale price giving him net proceeds of \$1, 440, 691. In order to get to the net profit, the investor must still subtract: (1) remaining balance of his loan to the bank, (2) initial equity contribution, and (3) total negative flows during the previous five years. After all this is done, the investors determines that he has earned an after-tax income of \$302, 449 over five years. That translates into a 25% return on equity annually or \$43, 207 per year.

However, if dollars are calculated for inflation (present value calculation), the scenario is drastically altered. Instead of an after-tax income of \$302, 449 over five years, the investor loses \$39, 212 over the same period.

Comment: In this example, provided all the assumptions are true, the investor will make approximately \$43,000 (20% return on initial equity) per year. This compares to about \$20,000 per year after-tax income if that initial equity contribution was invested in bonds. Generally, then, investment in rental housing is still a better investment than placing your money in a bank to earn interest.

Figure 4.8a Scenario 1: Continue to Maintain Rental Investment

PROFORMA ANALYSIS AND INCOME PROJECTION FOR A RENTAL PROPERTY IN KERRISDALE, ACTUAL INCOME EXPENSE FLOWS

Assumptions

Inflation is 5% per year
 Capital appreciation is 10% per year
 Sale Price: \$980,000
 Equity down: 25% of purchase price
 Financing= 12% per year fixed rate
 Amortization: 300 months
 Term : 5 years

Loan is \$735,000
 Required equity is \$245,000

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5
Gross income	\$60,300	\$63,315	\$66,481	\$69,805	\$73,295
Gross expenses	\$16,444	\$17,266	\$18,130	\$19,036	\$19,988
Net income	\$43,856	\$46,049	\$48,351	\$50,769	\$53,307
Less:					
Financing Charges					
Interest Paid	\$87,933	\$87,304	\$86,595	\$85,795	\$84,896
Net Cash Flow	(\$44,077)	(\$41,255)	(\$38,244)	(\$35,026)	(\$31,589)
Mortgage Details:					
Interest Paid	\$87,933	\$87,304	\$86,595	\$85,795	\$84,896
Principal Paid	\$4,961	\$10,552	\$16,852	\$23,950	\$31,949
Total Paid	\$92,894	\$185,789	\$278,683	\$371,577	\$464,472
Still owing	\$730,039	\$724,448	\$718,148	\$711,050	\$703,051

Sell Property after year 5 @ \$1,578,300

Initial Property Value, \$980,000	\$1,078,000	\$1,185,800	\$1,304,380	\$1,434,818	\$1,578,300
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980000

	Nominal Dollars	Correction for Inflation
Purchase Price, Year 1	\$980,000	\$980,000
Property Sale Price at Year 5		
Nominal \$\$	\$1,578,300	
Real \$\$		\$1,236,639
Gross Profit	\$598,300	\$256,639
50% of nominal Profit taxable	\$299,150	\$299,150
1/2 of Capital Gains is taxed at 46%	\$137,609	\$137,609
Nominal After-tax Profit /losses	\$460,691	\$119,030

PROFIT ANALYSIS

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5
OPTION 1, Put money in Term deposit					
Opportunity Cost of \$245,000	\$269,500	\$296,450	\$326,095	\$358,705	\$394,575
Downpayment assuming 10% Bonds					
245000 Nominal dollars					
Interest Income of \$245,000 @10% over 5 years	\$149,575				
less taxes @ 30%	\$44,872				
After tax income over 5 years	\$104,702	*****			
Return on Equity over 5 years, After tax	43%				
Approximate return on Equity annually at 8.3%	20,940				
OPTION 2	Nominal Dollars	(in Real \$\$\$)			
Invest in Property, Sell After year 5	\$1,578,300	\$1,236,639			
• less capital gains tax	\$137,609	\$137,609			
Net proceeds	\$1,440,691	\$1,099,030			
• less remaining balancing to be paid to bank	\$703,051	\$703,051			
• less total negative cash flow in 5 yrs	\$190,191	\$190,191			
• less initial equity contribution	\$245,000	\$245,000			
After tax income over 5 years	\$302,449	(\$39,212)			
Return on Equity over 5 years After tax	123%	-22%			
Approximate % return on equity annually	25%	-4%			
Approximate return on equity annually	\$43,207	(\$7,842)	*****		

Notes: CCA tax deductions are not taken into account since they will be recaptured when building is sold.

- Earnings for option 2 will be higher if negative cash flow is applied to other income-producing properties of investor's portfolio to reduce taxable income
- return on equity annually figures are approximate.
- Income/expense, and Sale price are actual figures
- For illustration purposes only.

August 1989

Scenario 2: Analysis of Profits Incurred of Rental Property Bought in 1983 and Sold in 1989

The following rental property was sold in April 1989 for \$5, 437, 500. This property was previously purchased in 1983 for \$2, 300, 000. What has been the profits incurred over this period? The assumptions are: Previous owners took out a loan on the \$2.3 million in 1983; Equity contribution is \$580, 000; Loan amount: \$1, 740, 000, Interest in 1983: 11.5% per annum; Vacancy expense: 3% of Gross income; Mgmt and other Expenses: 30% of gross income⁸. Income revenues are based on having a total of 44 one bedroom units and one two bedroom unit. Calculations are based on average CMHC rents for the respective bedroom sizes in each of the 7 years.

In this example, financing charges exceed income revenues in the first three years. Starting in year 4, rent revenues exceeded finance charges, and the property was making money. At the end of Year 7, the property was generating an annual income of \$223, 592 before taxes. The required rate of return for most apartment investors now is about 6.5% (Capitalization rate⁹). Based on the annual income of \$223, 592, and a cap rate of 6.5%, investors would only be willing to pay approximately \$3.4 million for the property. In fact, a developer who wanted the property for condominium development paid \$5.4 million.

The owner of this building made a reasonable profit over the seven years due primarily to capital appreciation (not rental revenues) and to leverage. After receiving \$5.4 million for the property, the investor must pay one half of the capital gain in taxes¹⁰. In addition, he needs to pay the bank balance of his initial loan, his initial equity contribution and add the positive cash flows from 1983 to 1989. The investor ends up with an after-tax profit of \$2.5 million dollars over 7 years (about \$362, 911 annually). Should the original investor decide not to invest in this property and put his down payment of \$580, 000 in

8. These figures are based on Industry standards. These are the same ones used for the Urban Development Institute Rental Model, April 1989.

9. The "capitalization rate" can be defined as the rate used to convert income to value. The capitalization rate is an income rate as opposed to interest and discount rates which are yield rates. The cap rate or income rate is the ratio between income and value (salesprice). $\text{Cap Rate} = \text{Net Operating income} / \text{Sales Price}$. The going cap rate indicates the income that certain types of properties are expected to generate. The lower the cap rate, the less one is willing to pay for the property. Real estate appraisers use the cap rate as one tool to determine an approximate price for a piece of property.

10. In 1990, it is expected that the capital gains tax would be increased to 75% of the gain compared to today's 50%. This will add to the unattractiveness of rental investments. Source: Revenue Canada

Figure 4.8b Scenario 2: Profit Performance of Rental Investment: Case example (Bought in 1983; Sold in 1989)

56

PROFORMA ANALYSIS AND INCOME PROJECTION FOR A RENTAL PROPERTY IN KERRISDALE, ACTUAL INCOME EXPENSE FLOWS

Assumptions

Original Owner bought in 1983	\$2,320,000
New Owners Bought, in April 1989	\$5,437,500
SITE STATISTICS	
Lot Size, 214ft. x 118 ft.	\$25,252
Interest Rate March 1983 is 11.5%	
Assume 25% equity	\$580,000
Loan Amount	\$1,740,000

• Cap Rate of 6.5% in 1983 from income of 153, 492/yr gives the property a value of \$2.3 million

• Cap rate of 6.5% in 1989 using current income produced gives the property a theoretical value of \$3.4 million under Rental.

• \$5.4 million was actually paid indicating that the property was capable of earning much more than current rental income.

Average Rent Levels, Kerrisdale	1983	1984	1985	1986	1987	1988	1989
44 one bedroom units	\$409	\$486	\$525	\$540	\$545	\$612	\$611
(1) 2 bedroom unit	\$1,095	\$701	\$742	\$777	\$791	\$874	\$926

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7
Gross income	\$229,092	\$265,020	\$286,104	\$294,444	\$297,252	\$333,624	\$333,720
Less vacancies @ 3%	\$6,873	\$7,951	\$8,583	\$8,833	\$8,918	\$10,009	\$10,012
Less other expenses @ 30%	\$68,728	\$79,506	\$85,831	\$88,333	\$89,176	\$100,087	\$100,116
Net income	\$153,492	\$177,563	\$191,690	\$197,277	\$199,159	\$223,528	\$223,592
Less:							
Financing Charges							
Interest Paid	\$199,439	\$197,888	\$196,147	\$194,195	\$192,008	\$189,555	\$186,804
Net Cash Flow	(\$45,947)	(\$20,325)	(\$4,457)	\$3,082	\$7,151	\$33,973	\$36,788
Mortgage Details:							
Yearly Interest Paid	\$199,439	\$197,888	\$196,147	\$194,195	\$192,008	\$189,555	\$186,804
Total Principal Paid	\$12,799	\$27,151	\$43,243	\$61,286	\$81,516	\$104,200	\$129,635
Total Paid	\$212,238	\$424,478	\$636,717	\$848,955	\$1,061,193	\$1,273,432	\$1,485,671
Still owing	\$1,727,201	\$1,712,849	\$1,696,757	\$1,678,714	\$1,658,484	\$1,635,800	\$1,610,365

Sell Property after year 7 @ \$5, 437, 500
Initial Property Value, \$2, 320, 000

	Nominal Dollars	Real Dollars (assuming 5% Inflation factor)
Purchase Price, Year 1	\$2,320,000	\$2,320,000
Property Sale Price at Year 7		
Nominal \$\$	\$5,437,500	
Real \$\$		\$3,864,329
CAPITAL GAIN	\$3,117,500	\$1,544,329
50% of nominal Profit taxable	\$1,558,750	\$1,558,750
1/2 of Capital Gains is taxed at 46%	\$717,025	\$717,025
Proceeds before final payment to Bank	\$2,400,475	\$827,304

PROFIT ANALYSIS

	Nominal Dollars	Real Dollars
Option 1, Keep Property, Sell After year 7		
Selling Price after Year 7	\$5,437,500	\$3,864,329
less capital gains tax	\$717,025	\$717,025
Net proceeds	\$4,720,475	\$3,147,304
less remaining balancing to be paid to bank	\$1,610,365	\$1,610,365
less initial equity contribution	\$580,000	\$580,000
add net positive cash flow in 7 yrs	\$10,265	\$10,265
AFTER TAX PROFITS AFTER 7 YEARS	\$2,540,375	\$967,204

Return on Equity over 7 years After taxes	438%	167%
Return on Equity annually	63%	24%
Approx. return on equity annually after taxes	\$362,911	\$138,172

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6	End of Year 7
Option 2, Invest \$580,000 in Bonds (assuming 8% avg appreciation)	\$626,400	\$676,512	\$730,633	\$789,084	\$852,210	\$920,387	\$994,018
Real dollar adjustment, assuming 5% inflation	\$597,400	\$615,322	\$633,782	\$652,795	\$672,379	\$692,550	\$713,327

	Nominal Dollars	Real Dollars
End of Year 7	\$994,018	\$713,327
Less original investment	\$580,000	\$580,000
Gross Interest Income	\$414,018	\$133,327
less .46 tax rate	\$190,448	\$61,330
NET INTEREST INCOME OVER 7 YEARS	\$223,570	\$71,996
Return on Equity over 7 years	39%	12%
Approx. return on equity / yr after taxes	6%	2%
Approx. return on equity / yr after taxes	\$31,939	\$10,285

Notes:

- CCA tax deductions are not taken into account since they will be recaptured when building is sold.
- Sale and Purchase prices of this property are actual amounts.
- Vacancy rates are assumed to be 3%, and expenses are assumed to be 30% of gross rent revenues following the UDI Rental Model
- Annual Rental incomes are based on CMHC Average rents for 1 and 2 bedrooms for the various years
- Earnings will be higher if negative cash flow is applied to other income-producing properties of investor's portfolio to reduce taxable income
- return on equity annually figures are approximate.
- Correction for inflation is assumed to be 5% (Real Dollars calculation)
- For illustration purposes only.

bonds, his after-tax income from interest would be \$223, 570, or approximately \$31, 939 annually.

Investment in Rental housing is still profitable over the long term. Profits are primarily dependent on capital appreciation and not so much on rental income. The prudent apartment investor needs to be in for the long term and have substantial capital to cover losses in the first few years.

Scenario 3: Build a Hi-rise Apartment and Intend to Rent in Kerrisdale

Scenarios 3, 4, and 5 are based on the property at 2256, 2278, and 2296 West 40th Avenue in Kerrisdale.

Scenario 3 presents the situation where rental apartments are built instead of strata-titled condos. The building to be built will be 12 stories and will contain 26 units. The building is built to the maximum FSR of 1.86. The construction costs per sq. ft. is assumed to be \$90 (slightly less than for condominiums). In addition, each rentable sq. ft. of the complex is estimated to rent for \$1.25 per sq. ft. per month which translates into a monthly income of \$1395 for a 1740 sq. ft. unit. The price paid for this land was \$3, 600, 000 (\$126 per sq. ft. in July 1988). The going price has since gone up to about \$150 per sq. ft for raw land. Estimated net operating income(before long-term debt service) for the new building is approximately \$459, 910 .

The total construction cost of the rental apartment building is calculated to be \$10, 705, 754. Taking into account the expected earning potential of this building in the first year (\$459, 910), the investor who wants the standard 6.5% return (6.5% cap rate) will only be willing to pay about \$7 million for the property. In order to cover at least the cost of construction, an investor must be willing to take a return of 4.5% on revenues just to break even on costs.

Scenario 4 Build Apartment and Sell as Strata-Title

Using the same piece of property as the previous example, what is the profit range if condominiums are built? Four situations are presented to take into account the changing market conditions. In situation 1, the actual prices paid for the property in July 1988 are

Figure 4.8c Scenario 3: Build New High-rise Building and Rent in Today's Market

Proforma Analysis, Purpose-Built Luxury Rental Hi-rise
2256, 2278, 2294-96 West 40th Ave.
Vancouver B.C., July 1989

Kerrisdale Hi-rise Rental Project, 26 units
1 tower, 12 floors. 1 floor of underground parking, all rental

ASSUMPTIONS:

• Site Size 203ftx141ft.	28623
• Floor Space Ratio, FSR	1.86
• Total Buildable Area	53239
• Land Price per sq. ft.	\$126
• construction costs per sq. ft.	\$90
• Price per Buildable sq. ft.	\$68
• Total Rentable Area (85% efficiency)	45253
• Size of each unit in sq. ft.	1740
• Rental rate for each unit per month	\$1,395
• Rental Rate per sq. ft/month	\$1.25
• Annual Rental Income= Rental rate/month x rentable area x 12	\$677,335
• Land Costs	\$3,600,000

DESCRIPTION: (26) 3 bedroom rental units in Kewrrisdale renting for \$1395 per month

CONSTRUCTION COSTS

• Hard Costs: \$90/sq. ft. Buildable area	\$4,791,490
• Parking: @ \$10,000 per stall, 58 required	\$580,000
• Demolition of three existing buildings	\$50,000
• Soft Costs (15% of hard costs)	\$813,224
Subtotal	\$6,234,714

\$3,117,357

INTERIM FINANCING (Construction)

(assuming 1/2 of all construction costs
are carried for 12 months at 13%)

\$404,228

LAND COSTS

\$3,600,000

INTERIM FINANCING (Land Costs)

(assuming full cost of land is financed over 12 months at 13%)

\$466,812

TOTAL COSTS

\$10,705,754

REVENUES

• Gross potential rents per annum	\$677,335
• less Bad debts and vacancy @ 3%	\$20,320
• Actual gross rent	\$657,015
• less operating expenses @ 30%	\$197,104
• Net operating income before debt service	\$459,910

CAPITALIZATION RATES

• 6.5% IF INVESTORS REQUIRES 6.5% RETURN THEN PROPERTY WILL BE WORTH	\$7,075,542
• 5.5% IF INVESTORS REQUIRES 5.5% RETURN THEN PROPERTY WILL BE WORTH	\$8,362,004
• 4.5% IF INVESTORS REQUIRES 4.5% RETURN THEN PROPERTY WILL BE WORTH	\$10,220,228
• 3.5% IF INVESTORS REQUIRES 3.5% RETURN THEN PROPERTY WILL BE WORTH	\$13,140,293

NOTES: The capitalization rate is a ratio of income to value.

Given a net operating income, the higher the Cap rate, the lower the property value.

• In this example, the potential investor must be willing to accept a Cap. rate of about 4.5 just to break even with the Costs.
based on 1st year annual cash flows before debt service. When financing charges are added, cash flows become negative.

Figure 4.8d Scenario 4: Build Condominium High-rise and Sell in Today's Market

Proforma Analysis, Luxury Condominium Development
2256, 2278, 2294-96 West 40th Ave.
Vancouver B.C., July 1989

Kerrisdale Hi-rise Condominium Project, 26 units
1 tower, 12 floors. 1 floor of underground parking, all strata-title. 20% equity

ASSUMPTIONS:

• Site Size 203ftx141ft.	28623
• Floor Space Ratio, FSR	1.86
• Total Buildable Area	53239
• Total Marketable Area (85% efficiency)	45253
• Construction Costs, per sq. ft. (Steel and Concrete)	\$100

	SCENARIO 1	SCENARIO 2	SCENARIO 3
LAND COST	\$3,600,000	\$4,300,000	\$4,007,220
PER SQ. FT. SITE VALUE	\$126	\$150	\$140
EXPECTED SELLING PRICE PER SQ FOOT PER UNIT	\$400	\$400	\$325
RESIDENTIAL REVENUES (Marketable area x Revenues per sq. ft.)	\$18,101,185	\$18,101,185	\$14,707,213
COSTS:			
Construction costs:			
• Hard Costs: \$100/sq. ft. Buildable area	\$5,323,878	\$5,323,878	\$5,323,878
• Parking: @ \$10,000 per stall, 58 required	\$580,000	\$580,000	\$580,000
• Demolition of three existing buildings	\$50,000	\$50,000	\$50,000
• Soft Costs (15% of hard costs)	\$893,082	\$893,082	\$893,082
Subtotal	\$6,846,960	\$6,846,960	\$6,846,960
INTERIM FINANCING (Construction) (assuming 1/2 of all construction costs are carried for 12 months at 13%)	\$3,423,480 \$443,923	\$443,923	\$443,923
REAL ESTATE COMMISSIONS (estimated at 4% of revenues)	\$724,047	\$724,047	\$588,289
LAND COSTS	\$3,600,000	\$4,300,000	\$4,007,220
INTERIM FINANCING (Land Costs) (assuming full cost of land is financed over 18 months at 13%)	\$699,185	\$835,137	\$778,274
TOTAL COSTS	\$12,314,115	\$13,150,067	\$12,664,665
Required Equity invested equals 20% of costs	\$2,462,823	\$2,630,013	\$2,532,933
BEFORE TAX PROFIT	\$5,787,070	\$4,951,118	\$2,042,548
• Return on Costs (profit/total costs)	47%	38%	16%
• Return on Equity (profit/equity)	235%	188%	81%
AFTER TAX PROFIT apply .46 tax rate	\$3,125,018	\$2,673,604	\$1,102,976

used (\$126 per sq. ft.). The expected selling price for finished units at \$400 per sq. ft. is the going rate for luxury units as of Spring 1989.

At \$400 per sq. ft., a completed building will bring in revenues of \$18.1 million. Hard costs typically run at \$100 per sq. ft. and soft costs are about 15% of hard costs¹¹. When interim financing, land costs, and real estate commissions are added, the total construction costs are estimated to be \$12.3 million. This leaves a before-tax profit of \$5.7 million and an after-tax one of \$3.1 million over approximately 18 months.

If the developer were to buy the land in January 1989 when raw RM3 land was selling for \$150 per sq. ft. in Kerrisdale, and assuming everything else still applied, the developer would make a before-tax profit of \$4.9 million and a after-tax profit of \$2.6 million.

Even if the market softens and the developer buys land for \$140 per sq. ft. and is able to sell his units for only \$325 per sq. ft., he still makes a pre-tax profit of \$2 million and an after-tax one of \$1.1 million.

In general, if market conditions are favourable and there is strong enough demand for the end product, the construction of condominiums apartments is much more profitable than rental housing investment. In the discussion of scenario 2, it was revealed that an apartment building bought in 1983 and resold in 1989 realized after tax profits of 2.5 million over 7 years. While this is not a bad return by itself, it does not compare to the profit potential in building condominiums. For example, using the assumptions in scenario 4, if the developer is able to pre-sell all his condos before completion, he is able to make the same 2.5 million, but only over 18 months!

Scenario 5: An Analysis of the Risk of Further Demolition Activity in RM3 Land in Kerrisdale Given Selected Developers' Budgets.

Given favourable market conditions, the development of condominiums is very profitable. Eventhough the price of land is high in Kerrisdale, the prices that some people are willing to pay are even higher. This strong demand makes potential redevelopment viable. The following discussion outlines a number of market scenarios and under what

11. Hard costs are the material costs related to construction. Soft costs, by contrast, are all other costs involved in development (lawyer's fees, architecture fees, marketing costs, permit/license fees etc).

Figure 4.8e Scenario 5: An Analysis of the Degree of Risk for Further Redevelopment Based on Developers' Budget for Land

Sample Proforma for a Luxury Condominium in Kerrisdale: Analysis of Redevelopment Potential and Risk

ASSUMPTIONS:

Site: 2256, 2278, 2296 w. 40th Ave.	
Site Size	203x141'
Site area	28623
FSR	1.86
Total Buildable Area	53239
Total Marketable Area, assuming 85% efficiency	45253
Parking: 2.2 stalls required/unit	

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Projected Unit Sales price per sq. ft.	\$400	\$350	\$350	\$325
Construction Costs per sq. ft.	\$100	\$100	\$90	\$100
Profit required	20%	20%	20%	15%

REVENUES:

Marketable area x \$400 sq. ft.	\$18,101,185	\$15,838,537	\$15,838,537	\$14,707,213
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COSTS:

• Construction Costs:				
Hard Costs, construction costs/sq. ft. x Buildable area	\$5,323,878	\$5,323,878	\$4,791,490	\$5,323,878
Parking : @ \$10,000/stall; 58 required	\$580,000	\$580,000	\$580,000	\$580,000
Demolition of existing buildings	\$50,000	\$50,000	\$50,000	\$50,000
Soft Costs (15% of Hard Costs)	\$893,082	\$893,082	\$813,224	\$893,082
Subtotal	\$6,846,960	\$6,846,960	\$6,234,714	\$6,846,960

INTERIM FINANCING

(assuming that 1/2 of construction costs are carried for 12 months at 13%)

\$443,923	\$443,923	\$404,228	\$443,923
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REAL ESTATE COMMISSIONS

(estimated 4% of revenues)

\$724,047	\$633,541	\$633,541	\$588,289
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PROFIT REQUIRED

\$3,620,237	\$3,167,707	\$3,167,707	\$2,206,082
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TOTAL COSTS

\$11,635,167	\$11,092,132	\$10,440,191	\$10,085,253
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RESIDUAL

(to cover land costs and land carrying charges)
(budget approx. 90% of amount for land)

\$6,466,018	\$4,746,405	\$5,398,346	\$4,621,960
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Less: Land carrying charges (assuming the full cost of land is financed over 18 months @ 13%)

\$1,051,581	\$771,917	\$877,943	\$751,678
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Maximum budget Allowance for Land
(remainder is additional profit)

\$5,414,437	\$3,974,488	\$4,520,403	\$3,870,282
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BOTTOM LINE COMPARISON

• Land allowance per sq. ft. of Site	\$189	\$139	\$158	\$135
• Land allowance per buildable Sq. ft. of Site	\$102	\$75	\$85	\$73
• Land allowance for a standard 50x125 sq. ft. lot	\$1,182,274	\$867,853	\$987,057	\$845,099

Notes: Actual Land costs \$126 per sq. ft. July 1988

\$126

Redevelopment Potential Based on Developer Budgets and Market Conditions

Yes	Maybe	Yes	No
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Threshold Dollars for Development

• Current Values of RM3 Land, July 1989, per sq. ft.	\$150	\$150	\$150	\$150
• Current per buildable Sq. ft. (FSR 1.82)	\$81	\$81	\$81	\$81
Selling Price for 50x125 ft. lot, July 1989	\$937,500	\$937,500	\$937,500	\$937,500

conditions other apartments will be at risk for redevelopment¹². In general, if demand is strong enough, and if the developer's budget for land exceeds current market values, more land will be at risk for redevelopment.

In estimating the profitability of any real estate venture, land costs, financing, and the strength of consumer demand are significant variables to consider. In scenario 1, land was bought early in July 1988, at \$126 per sq. ft. Assuming sales projections of \$400 per sq. ft., \$100 construction costs, and a required profit of 20%, the developer would have a residual of \$6.4 million for land and carrying charges. The going market rate for land as of January 1989 was \$150 per sq. ft. in Kerrisdale. In this situation, the developer was able to afford \$189 (but actually paid \$126). Using these figures, the developer can theoretically pay up to \$189 per sq. ft. for raw land and still make his required profit.

Should projected revenues of completed condos drop to \$350 per sq. ft, the developer would only have a residual land budget of 4.7 million which translates into \$139 per sq. ft. This does not quite make the threshold of \$150. But, if the developer turns to cheaper construction costs (\$90 instead of \$100 per sq. ft.), he saves costs and his budget for land increases beyond the threshold amount. Land becomes at risk for redevelopment to condominium.

In situation 4, projected sales of condos drops to \$325 per sq. ft. In addition, the developer takes a cut in profit. However, the budget for land falls below the threshold. Given these budgets, the developer will not be able to purchase land at the market rate of \$150 per sq. ft. without having to take a cut into profits.

Based on the 4 Scenarios in this section, hi-rise condominium developments would be able to support values of between \$135-\$189 per sq. ft. for land (which may have 3-storey walkups already on them). Because the going market rate for older three-storey walkups is approximately \$150 per sq. ft as of Spring 1989, it is likely that almost every property is at risk (if the demand for condominiums continues).

12. Parts of this model is based on "The Analysis of Redevelopment Potential in the RM3 Zoned Areas of South Granville and Grandview-Woodlands", Coriolis Consulting Corporation, January 1989.

4.7 SUMMARY

Rental housing is increasingly becoming rarer as demolition of existing stock increases while the number of new starts decreases. A major reason why private rental housing is not built is because of the poor relative economics behind it. Records from CMHC show that 296 private apartment rental units are currently under construction in the City of Vancouver compared to 2, 177 apartment condominiums. The majority of these rental starts are located in the East-side where land values are cheaper, or are built for the upper end of the market. There are no private rental apartments currently under construction anywhere on the west side.

An analysis of the condominium market in Kerrisdale indicate that demand for condominiums have surged sharply in 1988 and earlier this year. Absorption rates for new units have been steady but not spectacular in previous years. Buyers of condominiums traditionally have been empty nestors who have sold their homes in Kerrisdale. However, people from Hong Kong is increasingly becoming a significant part of the market. Projected sales revenue of completed condo units were in the range of \$400-500 per sq. ft.

The rental apartment market continues to be tight in Kerrisdale. In April 1989, the vacancy rate was .2% which means that CMHC enumerators were only able to find 5 units available for rent out of about 2300 units. An examination of historical rents in Kerrisdale show that rents were raised drastically in 1988 after 2-3 years of only modest increases.

Developing property is a risky business. Because projects are usually highly leveraged, an increase in interest rates, a delay in construction, or a drop in demand can have devastating impacts on profits. While it's true that investment in rental housing is increasingly unattractive compared to condominium development, it is still profitable. The attractiveness of rental property as an investment will depend on the investor's own motives and his required rate of return, and his willingness to stay for the long term.

Profit for rental apartments is based on heavily on potential capital appreciation and less so on rental revenues. Therefore, investors need to have substantial back-up capital to cover negative cash flows in the early years of the investment.

The development of condominiums is extremely profitable compared to rental housing as an investment. Examples in the text indicate that after tax profits of \$2.5 million can be achieved over 18 months (condo) compared to 7 years if a building was rented out. The strong demand for condominiums in Kerrisdale means that, given developers' budgets for land, all older apartment buildings in the area are at risk.

5.0 The Key Players

5.1 Introduction

A central question around the apartment demolition incidents in Kerrisdale are the identities of those developers involved in the demolition of older rental apartment buildings. There is a perception that Asian Developers are mainly to blame. Resentment against Asian investment from local residents have been fuel by a number of issues and incidents. First, the westside of the city (particularly in areas such as South Granville and Kerrisdale) has been inundated with developers building "spec" houses for Hong Kong Chinese. Residents complain that developers have been destroying trees, and that the resulting big houses are ugly and out of place with their neighbourhoods. Second, there is a perception that increased house prices is a result of flipping. Finally, there is concern that residential real estate is increasingly marketed overseas to non-residents. Residents were particularly upset with the exclusive sale of the 216 unit Regatta Condominium project by Victor Li in Hong Kong which sold out in 3 hours.

This chapter reports and identifies the key players involved in condominium development in Kerrisdale during the period from late 1988 to 1989. This information is based on Land title and Company searches from the provincial government databanks. Actual land transaction documents were reviewed. In addition, informed professionals were asked for their knowledge about these companies.

5.2 Details of Apartment Transactions¹

During the six month period from January 1989 to July 1989, 10 Condominium project applications involving 17 existing low-rise rental apartments were submitted to the City of Vancouver Planning department for approval. All 17 of these buildings were bought within the last year. The following discussion identifies and presents details of those transactions.

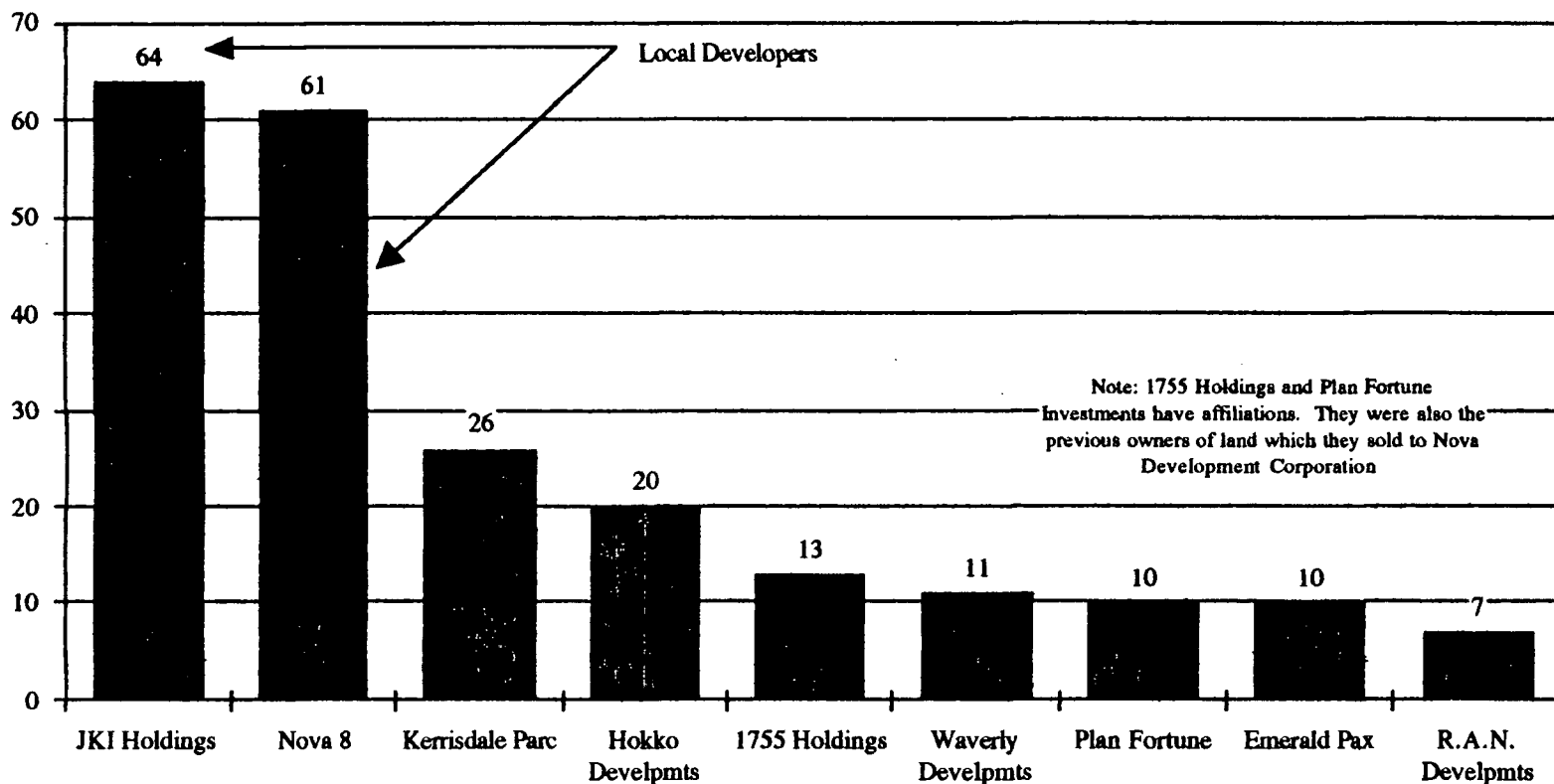
1. I would like to thank Daphne Bramham of the Vancouver Sun Newspaper for her assistance with parts of this research.

Figure 5.1

Summary of All Developers Currently Having Applications for Condominium Construction in Kerrisdale RM3 Apartment District*

Number of
Units Proposed

* As of September 1989, 222 condo units total.



Source: Permits and Licenses, Planning Department, City of Vancouver

*(Project #1), 2110 West 38th, and 2121 West 38th
65 existing rental units; 41 proposed condominium units*

These two buildings were bought in April 1989 by Nova 8 Development Corporation. The first property was bought from Shui Yau Tsang for \$2.4 million, and the second property was bought from Norbill investments. Nova paid premium prices for this land of about \$200 per sq. ft. They have an outstanding mortgage with Security Pacific Bank.

*(Project #2), 2121 West 38th Ave
26 existing rental units; 13 proposed condominium units*

This apartment block was bought from Nordic House Ltd in November of 1988 for \$2.01 million by 1755 Holdings (a major assembler of land in the area). The owner of the property is listed as Oily Investments and Huey Tai Investments of Hong Kong. Both Huey Tai and 1755 Holdings were registered in Canada in October 1988. Oily Investments is not a Canadian Registered company. Lawyer Michael Kalef of Vancouver is listed as a director of 1755 Holdings. He is also a president of Plan Fortune Investments, a company which owns 2226 West 40th (another proposed condominium location). An outstanding mortgage on the property is held by the Hong Kong Bank of Canada.

*(Project #3), 2256, 2278, 2294-96 West 40th Ave.
41 existing rental units; 26 proposed condominiums*

These three apartment buildings were purchased from Manor Gardens owned by Andre Molnar in July 1988 for \$3.6 million. The new owners, Kerrisdale Parc Developments paid cash for the properties. The company's officers are lawyer Boris Fodchuk of West Vancouver, Shan Keng Li of Burnaby; Gary Paul Tso , Gordon George Tso and pharmacist George C. Tso of Vancouver.

(Project #4), 2226 West 40th Ave.

15 existing rental units; 10 proposed condominiums

This 15 unit building was bought from retired engineer, Ping-Hua Pu, for \$1.6 million in December 1988. The new owners, Plan Fortune have an outstanding mortgage with the Hong Kong Bank of Canada.

(Project #5), 5890 Balsam Street

20 existing rental units; 10 proposed condominiums

This property was bought from Leo Krell (individual) for \$1.8 million dollars in January 1989 by Emerald Pax Holdings. Emerald Pax is also the developer of the Emerald West Condominium complex in the West End of the City. The company has a \$4.5 million mortgage with the Hong Kong Bank of Canada at prime plus 1/2 %.

(Project #6), 5850 Balsam Street

37 existing rental units; 20 proposed condominiums

Nova Seven Developments bought this property from the Holding company #349821 alias #355126 alias Shui Yau Tsang alias Generation Enterprises for \$3.5 million in December 1988. The Holding company itself bought the property from Rudolf Martin, an east-side electrician in September 1988 for \$3 million. The principals of Nova Development are: Azizi Azizi of Vancouver, Anin and Kombiz Eghdami of west Vancouver; and Houchang Zargarpour of West Vancouver. The company has a mortgage with Western Builder's Capital.

(Project #7), 6020 Yew Street

12 existing rental units; 7 proposed condominiums

R.A.N. Developments purchased this property from Anka Investments for \$1.1 million in May 1989. R.A.N. holds a mortgage with Confederation Life Insurance. The directors of R.A.N. are Bijan Neyestani and Faramarz Rohani, both of Victoria B.C.

(Project #8), 2116 and 2130 West 43rd Ave.

18 existing rental units; 11 proposed condominiums

Maple Holiday Park (a registered company of Waverly Development Corp) bought the two properties in late 1988 for approximately 2.3 million. Maple Holiday's directors include: Ken Megale of West Vancouver, and Douglas Robinson and Ralph Silverton , both of Calgary. The company has a mortgage of \$2.4 million and a mortgage of \$5.5 million for construction costs with Metropolitan Trust of Canada.

(Project #9), 5752, 5774, 5790 Vine Street

28 existing rental units; 20 proposed condominiums

Hokko Development Corporation bought these properties in January and February of 1989. The corporation paid \$3.3 million cash for these properties.

(Project #10), 2120 and 2170 West 44th Avenue

97 existing rental units; 64 proposed condominiums

JKI Holdings (a registered company of local developer, Bucci Development Corporation) bought the two properties from Basha Sales Limited in the Fall of 1988. JKI Holdings has a \$7.2 million mortgage from Basha Sales, Leibel Sales, and Newport Sales at an interest rate of 10.75% (bi-annually) until December 1991. After that, interest is calculated at 18% calculated monthly. Basha Sales limited is a holder of several rental apartment buildings in Kerrisdale.

5.3 The Developers

It is difficult to estimate exactly how much Asian money is backing developers in Kerrisdale. A careful analysis of records and information from discussions with informed professionals in the development industry indicates that about one third of the developers involved in the current wave of condominium projects in Kerrisdale are experienced Canadian developers. The other two thirds of the developers are relatively new players from off-shore, and are not well known in local development circles. As figure 5.1 indicates, the two developers proposing the greatest number of units are JKI Holdings and Nova Development Corporation. JKI Holdings is a holding company of local development firm, Bucci Developments. Bucci is a well-known local developer involved with residential and retail projects.² Nova Development Company, another major player in Kerrisdale, is owned by Iranian-Canadians who have been developing real estate in Canada for about 10 years.³

With the exception of Waverly Development Company and R.A.N. developments whose director, Bijian Neyestani is believed to have been developing projects in Vancouver for about 10 years, the remainder are new players in the development industry. This is confirmed with discussions with Maureen Enser, executive director of the Urban Development Institute in Vancouver who was unfamiliar with many of the companies.

While it is the local developers who are proposing the most units in Kerrisdale, it is primarily the Asian developers who have been assembling land early. For example, numbered company #355126, also affiliated with #349821, Plan Fortune Investments, 1755 Holdings, Generation Enterprises bought several apartment properties in Kerrisdale and flipped them to Nova Development Corporation who is now presently developing those properties. A good example of this is at 5850 Balsam. It was bought from the original owner in Sept. 1988 for \$3,000,000 and then resold to Nova for \$3.5 million three months later.

2. Interview with Maureen Enser, Executive Director, Urban Development Institute, Pacific Region, August 1989.

3. Conversations with industry professionals.

The numbered company #349821, an affiliate of 1755 Holdings, also has purchased other apartment properties in the Kerrisdale area. These are located at 5960 Balsam (purchased January 1989, \$2.8 million), and 5955 Yew St which was bought in July 1988 for \$1.8 million. The property, 5955 Yew was resold to another buyer in March 1989 for \$2 million. These properties are still being rented.

An analysis of the portfolios of the developers operating in Kerrisdale reveals that they are also actively developing condominiums in the West End. Based on this partial listing, it would appear that both local and Asian-affiliated companies are jumping into the West-end market.

Figure 5.2

**Partial List of Kerrisdale Developers Currently
Involved in West End Condominium Projects**

<u>Kerrisdale Developers</u>	<u>West End Projects</u>	<u>Project Address</u>	<u>Existing</u>	<u>Proposed</u>
Nova Development	Atlas West Developmt Corp.	1272 Comox St. *	20	8 Fls, 26 units
Maple Holiday Park (Waverly)	Cedar Holiday Park	1520 Harwood *	8	8 Fls, 13 units
R.A.N. Development	A.N.R Investments Ltd.	1290 Burnaby St. *	18	9 Fls, 15 units
Emerald Pax	Emerald West	717 Jervis St.	new	n/a
Plan Fortune/1755 Holdings	1787 Holdings Ltd.	1403 Beach Ave. *	22	6fl, 9 units
* Development Application in process (involves rental demolition) Source: Permts and Licenses. City of Vancouver				

5.31 Extent of Flipping

Of the 17 apartments slated for demolition and redevelopment, a number were flipped several times. As pointed out in Chapter 3, the number of sales between 1980 and 1987 was modest, averaging about six per year. In 1988, the number of apartment block sales jumped dramatically, and some of those have been resold since then. While it is not the purpose of this study to document the extent of flipping, it was found that flipping is relatively common. One developer (also known as Generation Enterprises, Plan Fortune,

1755 Holdings, #349821, and #355126) was found to have bought a number of sites in the Kerrisdale area in the last two years and have subsequently sold them to other condominium developers locally. Plan Fortune Developments is currently planning to develop luxury condominiums in two sites in Kerrisdale.

5.32 Mortgage Financing

Of the nine developers currently developing or planning to develop condominiums in the Kerrisdale, only two paid cash for their properties. Both Kerrisdale Parc and Hokko Developments (Asian-affiliated companies) paid \$3.6 and \$3.3 million cash for their respective properties. It was Kerrisdale Parc Developments who had offered Andre Molnar "so much money [for his land that] he couldn't say no"⁴. The rest of the development companies (both local and Asian-affiliated) had conventional-type mortgages with loans of at least 75% of the purchase price. One interesting case is the mortgage arrangements of JKI Holdings. The company had a \$7.2 million loan at 10.75 % interest with monthly payments of \$68, 067 which expires in Dec 1991. After that time, the interest becomes 18% calculated monthly (payment about \$109, 000/month). This example shows why developers need to develop projects quickly since finance charges can have an significant impact on profits.

5.4 The Previous Owners

Rental revenues can not come close to the profits generated by a successful condominium development over the same period of time. That is why, if the price is right, apartment owners sell. In general, the rental apartments in Kerrisdale are own by both corporate and family operations. Family operations differ from corporate-owned properties because, in general, they do not keep up with the market as closely. Rent increases are not decided at a head office but rather by consultation with family or by looking at the newspapers. From discussions with tenants, living in family-run operations often mean a more personal relationship with management, and rent increases are gradual. In Kerrisdale, the proportion of the family-type operations is diminishing as apartment owners sell out.

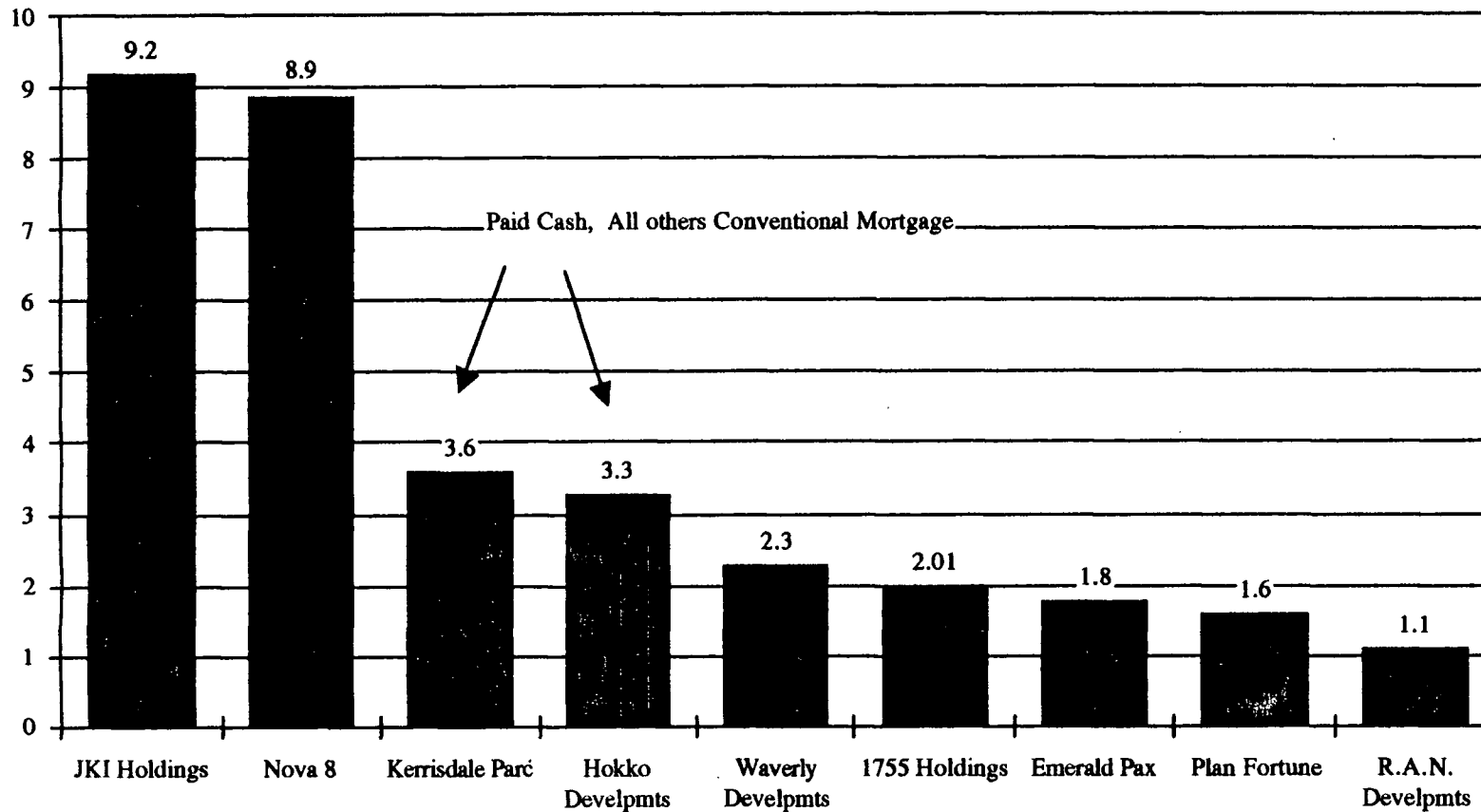
A great number of apartment owners are retired. Many are older and may not be able to look after their properties as diligently as before. Lucy Swiatek, a former owner of 6020

4. From an interview with Daphne Bramham, Vancouver Sun .

Figure 5.3

**Amount Paid for Land for Condominium Projects of Current Developers
Having Applications in for Redevelopment in Kerrisdale RM3 District**

In Millions



Source: Land and Title Searches, Vancouver Land Titles Office, Province of British Columbia, August 1989

Yew is typical of some of the owners who sell out to condominium developers. In a recent interview with a Vancouver Sun reporter, Ms. Swiatek indicated that she sold her building because "she got tired of managing it."⁵ The attractive prices that developers offer individual apartment block owners enable them to retire with substantial financial resources. Many continue to stay in Kerrisdale and live in the one of the area's condominiums.

5.5 Summary

There has been a growing backlash in Vancouver against Asian investment. Residents on the westside of the city has especially been upset with the increasing incidence of big houses in their neighbourhood. Residents feel that trees are needlessly chopped down, and the big houses are not in keeping with neighbourhood characters. In addition, there is perception that Asians are helping to increase property taxes by flipping property, and that they are to blame for the rise in house prices.

This chapter identifies the key players involved in demolishing apartments and building condominiums in Kerrisdale. During a six month period, from January to July 1989, developers submitted applications for 10 condominium complexes involving the demolition of 17 existing low-rise apartment buildings in Kerrisdale. In general, about one third of the developers are locally based and known in local development circles, and two-thirds are from off-shore in Asia. Many of the developers are also relatively new players. This information is based on a combination of land and company searches, and with discussions with informed individuals in the development industry.

In terms of the timing, it is interesting to note that it is the Asian companies who first began buying land with the intent of redevelopment in Kerrisdale. One company, in particular bought several parcels and then resold them to local developers. As profit potential became clear, other developers jumped into the market. Many of the developers in Kerrisdale are also active in developing property in the West End. Like other sectors of the real estate market, sales of apartment buildings have significantly increased in 1988 and in 1989. The total number of sales in 1988 exceeded sales of the three previous years combined.

5. Daphne Bramham, "Condo Craze changing the Face of a Neighbourhood" in Vancouver Sun, B1, August 18, 1989.

The degree of risk for many of the developers appears to be large. Almost all the developers have large mortgages on their projects except for two Asian developers who paid cash for their properties. What this means is that local developers cannot wait excessively long for their payback. The limited equity positions that characterizes many of the local developers mean they need to seek profits in the shortest term.

The selling price of land in Kerrisdale has created an extremely high risk situation for many developers. Developers purchasing property as recent as April 1989 were paying around \$200 per sq. ft. for the land. Finished condominiums can typically sell for about \$1 million. It is unclear how large this market niche is. That is why some local developers like Andre Molnar, do little business in Kerrisdale anymore. According to Molnar, "the land is overpriced, and I don't think the prices will stay." ⁶

The sellers of existing apartment buildings are well compensated for their properties. These people are generally older individuals who are retiring or who no longer wish to manage their rental buildings. Many end up living in luxury condominiums in the area.

The amount of off-shore investment into Vancouver real estate is rapidly increasing. Efforts to track it are difficult because the same companies may use different holding companies for every property transaction they make. There is definitely evidence of off-shore money in Kerrisdale. Coldwell Banker, a commercial real estate company, estimates that 25% of the apartment buildings sold in Vancouver in 1988 were to Asian investors.⁷ That number may be a conservative estimate. In Kerrisdale, this research indicates that about one third of the developers are local and the rest are off-shore developers from Asia who are relatively new to the Canadian scene. Furthermore, several of the properties which local developers did buy were flipped by Asian owners to resident Canadian companies. In the final analysis, the identities of the developers may be irrelevant. If it there there is money to be made, there will be entrepreneurs seeking to make it.

6. Daphne Bramham, "Condo Craze changing the Face of a Neighbourhood" in Vancouver Sun, B1, August 18, 1989.

7. Frank O'Brien, "Investors from Asia Buy Up Vancouver," Financial Post, March 22, 1989.

Figure 5.4

Owner and Property Details of Apartment Buildings Planned for Redevelopment in Kerrisdale RM3 Apartment Zone, As of September 1989

Address	Previous Owner	Current Owner	Owner Address	Date Bought	Price Paid	Lot Size	Lot Area	\$/sq. ft	Holder of Mortgage
2110 w. 38th	Shui Yau Tsang, #355126 **	Nova 8 Development Corp.	201-585 16th, W. Van	Apr.89	\$2,300,000	102x118	12036	\$191	Security Pacific Bank Canada
2148 w. 38th	Norbill Investments	Nova 8 Development Corp.	201-2167 Bellevue, W. Van	Apr.89	\$5,437,500	214x118	25252	\$215	Security Pacific Bank Canada
2121 w. 38th	Nordic House Ltd	1755 Holdings Ltd **	19th flr, 885 W. Georgia	Nov. 88	\$2,010,000	99x148	14652	\$137	Hong Kong Bank of Canada
2256 w. 40th	Manor Hse, Andre Molnar	Kerrisdale Parc Developments	17th flr, 1075 W. Georgia	Jul-88	\$1,200,000	68x140	9520	\$126	Cash Sales
2278 w. 40th	Manor Hse, Andre Molnar	Kerrisdale Parc Developments	17th flr, 1075 W. Georgia	Jul-88	\$1,200,000	67x140	9380	\$128	Cash Sales
2296-2294 w. 40th	Manor Hse, Andre Molnar	Kerrisdale Parc Developments	17th flr, 1075 W. Georgia	Jul-88	\$1,200,000	67x141	9447	\$127	Cash Sales
2226 W. 40th	Ping-Hua Pu	Plan Fortune Investments	19th flr, 885 W. Georgia	Dec-88	\$1,600,000	72x139	10008	\$160	Hong Kong Bank of Canada
5890 Balsam	Leo Krell	Emerald Pax Holdings	830-505 Burrard	Jan-89	\$1,796,000	99x125	12375	\$145	Hong Kong Bank of Canada
5850 Balsam	#349821 (HK) same as 355126	Nova 7 Development Corp	201-585 16th S., W. Van	Dec. 88	\$3,500,000	181x125	22625	\$155	Western Builders Capital
6020 Yew	Anka Investments	R.A.N. Developments	1690-1500 West Georgia	May-89	\$1,100,000	55x135	7425	\$148	Confederation Life Insurance
2116 w. 43rd	Lorene Petersen	Waverly Development Corp	2100-505 Burrard	Jan-89	\$760,000	41x128	5248	\$145	Metropolitan Trust Canada
2130 W. 43rd	Neil Meyer Ltd	Waverly Development Corp	2100-505 Burrard	Jan-89	\$1,510,000	80x128	10240	\$147	Metropolitan Trust Canada
5752 Vine	L. Roesler	Hokko Developments Co.	5037 Blenheim, Van	Feb-89	\$1,000,000	49x125	6125	\$163	Cash Sales
5774 Vine	Irene Makator et al	Hokko Developments Co.	5037 Blenheim, Van	Feb-89	\$1,000,000	49x125	6125	\$163	Cash Sales
5790 Vine	Broadview Bldings Ltd	Hokko Developments Co.	5037 Blenheim	Jan. 89	\$1,300,000	66x125	8250	\$163	Cash Sales
2120-2170 W. 44th	Basha, Leibel, Newport Sales	JKI (Bucci Development Corp)	1490-1090 W. Georgia	Dec-88	\$9,200,000	135x449	60, 767	\$151	Basha, Leibel, Newport Sales
Average selling Sq. Ft. Lot value								\$154	

Source: Land and Company Searches, B.C. Land Titles Office, Province of B.C., B.C. Assessment Authority,
• Permits and Licenses, City of Vancouver,

Danny Ho, UBC, September 1989

6.0 Potential Market Demand: The Likelihood of Redevelopment Pressures Continuing

6.1 Introduction

Redevelopment pressure in the Kerrisdale RM3 apartment area is a result of demand exceeding supply. The tremendous pressure for housing has meant that many existing low-rise rental apartment buildings are being torn for more luxurious accommodation. This chapter examines some of the supply and demand issues which have contributed to the west-side real estate boom in general and to the apartment demolitions in Kerrisdale in particular. The issue of Asian investment in the West-side is also discussed.

Although Asian money is widely thought to be fueling the real estate boom in early 1989, the boom is more likely caused by a number of factors of which Asian investment is only one. Other factors are population growth (from intra-provincial, inter-provincial and international migration), an improved economy and improved job environment. When compared to property values in Toronto and to international locations, Vancouver's property values are considerably lower. The increasing internationalization of real estate in Vancouver means that the price of Vancouver real estate will continue to rise. As the world becomes smaller, the financing more international; markets will not only be influenced by local factors but many distant ones as well.

6.2 Supply of RM3 Apartment Land

The primary reason developers are tearing down existing low-rise apartments in Kerrisdale is because there is no other vacant land in the Kerrisdale area which allows for condominium towers. Low-rise rental apartment buildings just happens to be the cheapest land available in the area, and that is why they are the first to go when redevelopment pressure heats up.

In a city where about 60% of the people rent, Vancouver has remarkably few zoned areas for multiple-family dwellings. Under the existing zoning (the majority of which is RS1 Single-family), Vancouver is built to about 90% of total capacity. In high demand areas such as Kerrisdale, the built capacity is already at 95%, and there are few

opportunities to add to that capacity unless zoning changes are implemented.¹ Moreover, attempts of rezoning to increase supply are usually met with neighbourhood resistance. Because of the scarcity of development sites in high-demand areas like Kerrisdale, prices have risen so that it is feasible to redevelop.

The demand for real estate is site-specific and is dependent on the unique environment surrounding the site. Therefore, the availability of additional capacity in other areas of the city may not necessarily reduce the pressure for redevelopment in Kerrisdale. Residents of the west side of the city may not consider moving to the east side of the city as potential options. Therefore, even though some areas in the eastside such as Grandview-Woodlands may have additional capacity for more multiple-type housing, this additional capacity will not necessarily alleviate pressures impacting on west-side neighbourhoods. The differences in demand for certain areas explain why high-demand neighbourhoods are more at an immediate risk to redevelopment than lower-demand neighbourhoods.

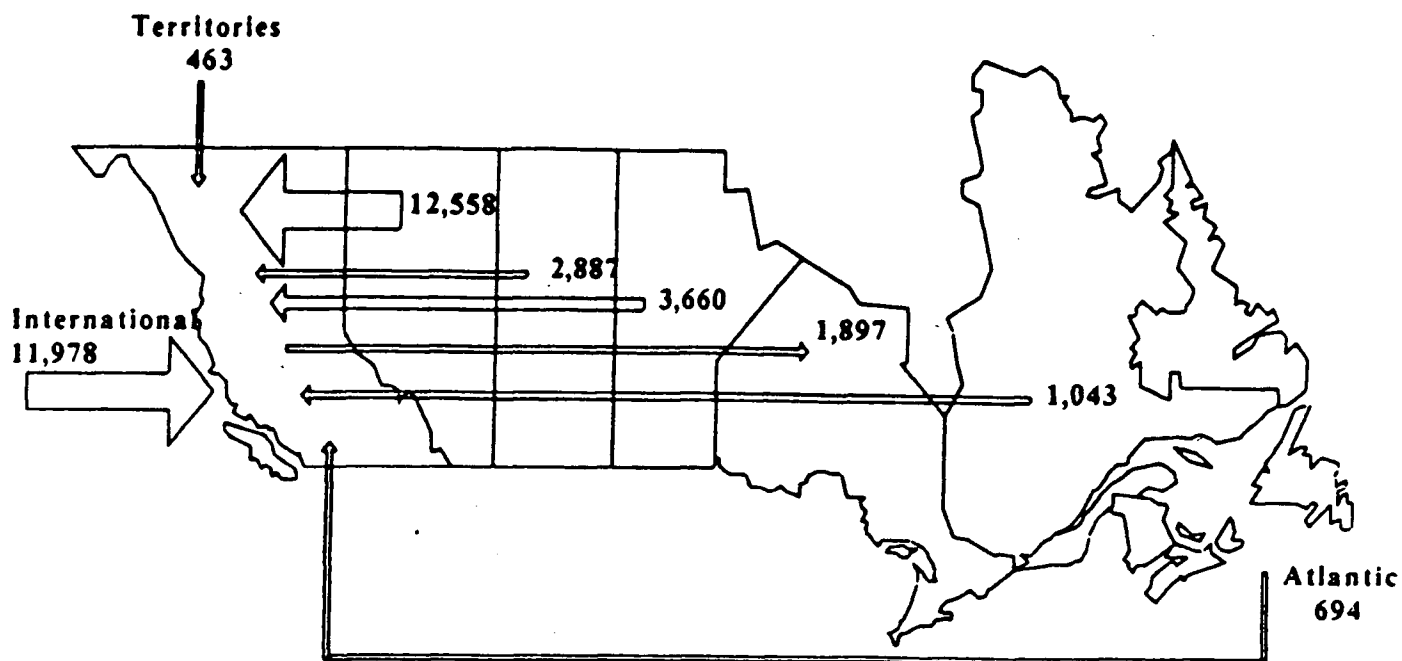
6.3 Where is Demand Coming From?

Combined with a constrained and limited supply of West-side land, strong demand from both inter-provincial and international migration have contributed to a heated real estate market. Total net migration to B.C. has been increased most dramatically in 1988 as the province's economy gradually improved. At its lowest point in 1985, B.C. had a net migration from all sources of only 1917 individuals. By 1987, that number had risen to 31,386 and to 46,431 by 1988. Net increases of population in B.C. are largely a result of decreased out-migration and increased in-migration. The two largest sources of inter-provincial migrants come from Ontario and Alberta. As recently as 1987, more people from B.C. went to Ontario than did Ontarians to B.C.; there was a net outflow of 1897. By 1988, however, the situation had drastically reversed. Compared to a net outflow of 1897 persons in 1987, B.C. was the recipients of 7,361 Ontarians in 1988. Net inflows of migrants from Alberta, while still strong, dropped slightly to 10,462 in 1988 down from 12,558 in 1987. This is partially attributable to an improving Alberta economy.

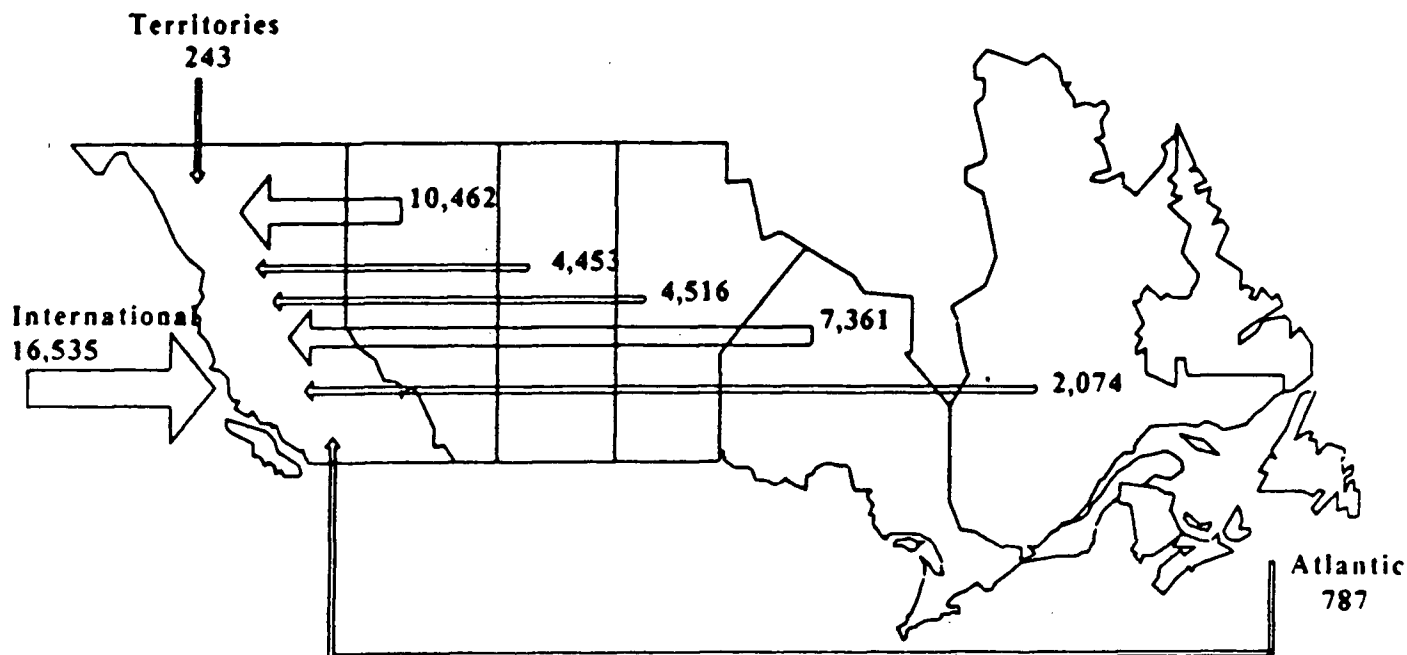
Up to the second quarter of 1989, strong net in-flows of population from Alberta and Ontario continue to be recorded. During the first six months of 1989, the province

1. City Manager's Report, "Vancouver's Housing Supply" to Standing Committee on Neighbourhood Issues and Services, City of Vancouver, March 10, 1989.

Net Population Movement For British Columbia
Jan. 1, 1987 to Dec. 31, 1987
Total Net Movement: 31,386 Persons



Net Population Movement For British Columbia
Jan. 1, 1988 to Dec. 31, 1988
Total Net Movement: 46,431 Persons



attracted an estimated 14, 581 individuals from other provinces compared to 8885 individuals over the same period in 1988. In addition, B.C. attracted more individuals over 65 than any other province in Canada. However, seniors still tend to be generally immobile compared to other age groups. In the first quarter of 1989, only 362 seniors (mainly from Ontario) came to B.C. in keeping with the province's reputation as a retirement centre.

From the international scene the province attracted 22, 765 (16, 535 net) persons in 1988 (14.3% of Canada's total), compared to 18, 913 (11, 978 net) in 1987 (12.4%) of Canada's total.² The source of the immigration has changed significantly over the past twenty years. In 1968, 44% of the international immigrants came from Europe compared to 22% from Asia. By 1988, the percentage of immigrants from Asia increased threefold accounting for 66% of the total immigrants while the percentage of immigrants from Europe decrease by more 50% to 17%.

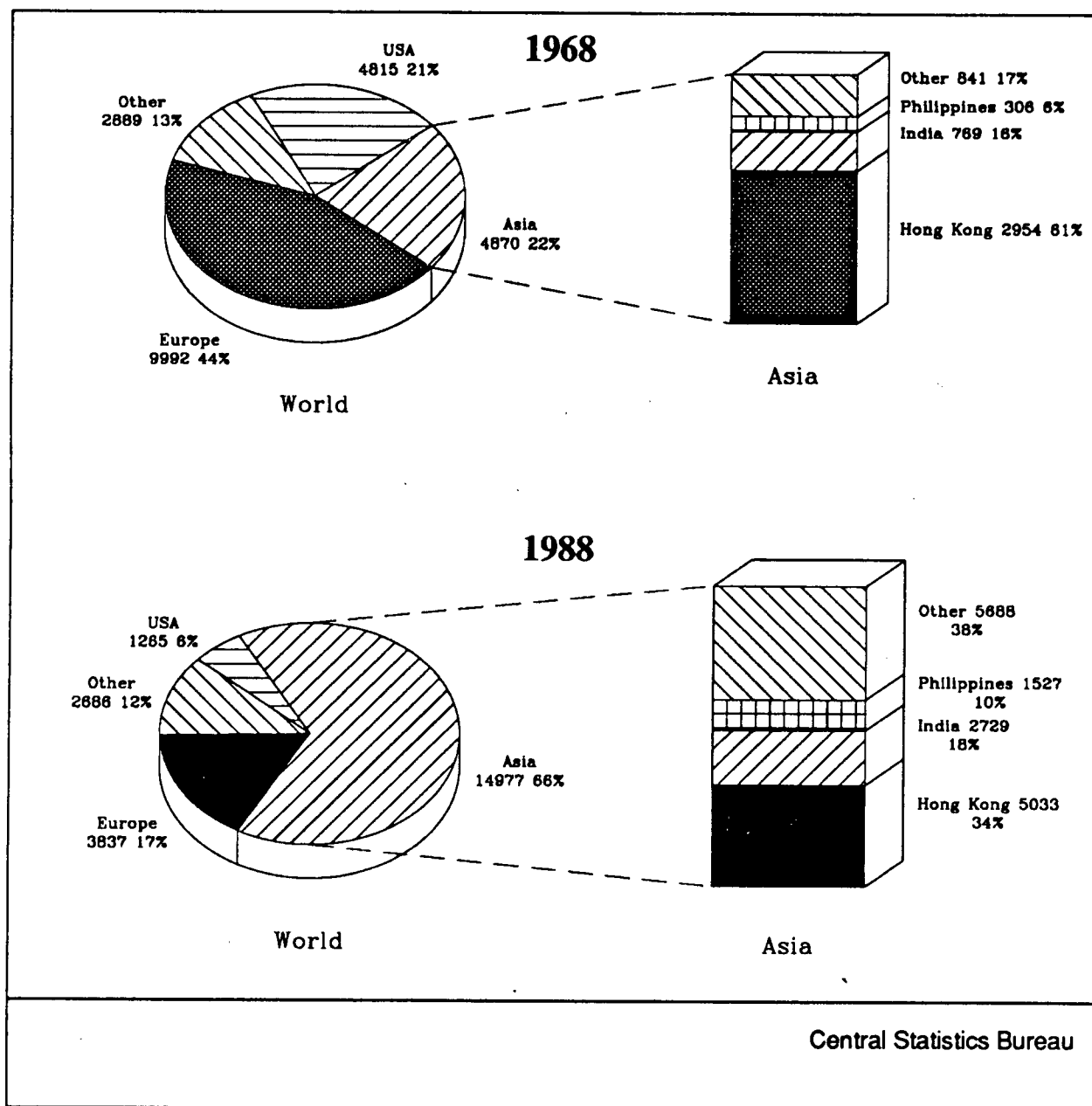
Increased pressure for housing and other services from immigrants impact mainly the urban areas such as Vancouver. Immigrants from Asia tend to congregate in Vancouver whereas immigrants from Europe tend to disperse themselves throughout the province. For example, out of the 5033 immigrants from Hong Kong in 1988, 4,817 (95%) settled in Vancouver. By contrast, for European immigrants, only 2592 (65%) of the newly arrived immigrants opted for Vancouver. Twenty six percent of the Europeans settled in areas other than Victoria and Vancouver.

Asian immigrants account for a large proportion of the "Business" and "Investor" immigrants coming into the province. Immigrants under the Investor and Business Entrepreneurial categories come predominantly from Asia. In 1987, there were 561 immigrants who came in under the "Business Entrepreneur category". Of this number, 372 (66%) came from Asia; each had a net case worth of \$1.5 million. The second largest source was from Europe with 63 investors (approximately 1/6 of the Asian number). This European group each had a net worth of \$842,000. By 1988, the number of Asian immigrants under this category increased to 679 (which accounted for 78% of the total from all areas) while European Immigrants in this category increased at a lower percentage to only 91 cases. Net worth per case for Europeans stayed relatively stable between 1987 and 1988. For Asians, however, net worth per case dropped from 1.5 million in 1988 to

2. British Columbia Immigration Highlights, First Quarter 1989, Central Statistics Bureau, May 1989 , Ministry of Finance and Corporate Relations, Province of British Columbia.

Figure 6.2

Immigration to British Columbia By Source



\$942,000 in 1988. Hong Kong immigrants who represent 70% of the Asian category maintained their net worth per cases of \$1 , \$1.1, and \$1.3 million in 1987, 1988, and in the 1st three months of 1989.

Immigrants from Asia make up 89% of all "Investor"³ immigrants coming into the province in 1988. Out of the 156 cases, 139 came from Asia with a investment per case of \$901,800. The next biggest group comes from Europe with 8 cases; each of which has a investment value of \$320,000. In 1988, about 12% of all Hong Kong immigrants (each investing about \$1 million) came to BC under the Business or Investor categories.⁴ Hong Kong immigrants coming into B.C. under this investor category pumped \$123 million dollars into the economy in 1988 compared to just \$41 million in 1987.

The net effect of both increased inter-provincial and international migration into the province is an increased demand for housing. The high demand for housing in certain parts of the city (but with a constrained supply of vacant land) means that redevelopment is forced to occur.

6.4 Who is Driving the West-side Housing Market ?

The influx of in-migrants from all areas and an improved economy has contributed to a buoyant real estate market in all areas of the lower Mainland. However, it has been the Vancouver's affluent West-side, followed very closely by Richmond which have had the greatest market activity and price increases.

Even though it is commonly perceived that Hong Kong money is fueling the real estate boom, this may be true only for certain sectors of the West-side and Richmond markets. On the whole, the empirical evidence suggests that sales are highly sensitive to interest rates—something that may not necessarily affect Asian buyers as much since they pay cash. As the chart shows on the next page, residential sales climbed to a peak in late February 1989 and then dropped as interest rates rose.

3. An investor is allowed to qualify for citizenship if he has a net worth of at least \$500,000 and invests \$250,000 in a business.

4. There were 5033 immigrants from Hong Kong in 1988. 470 came as "Business" immigrants and 130 came as "Investor" immigrants. Source: Immigration and Refugee Affairs Division, Department of External Affairs, Government of Canada, March 1989.

Figure 6.3

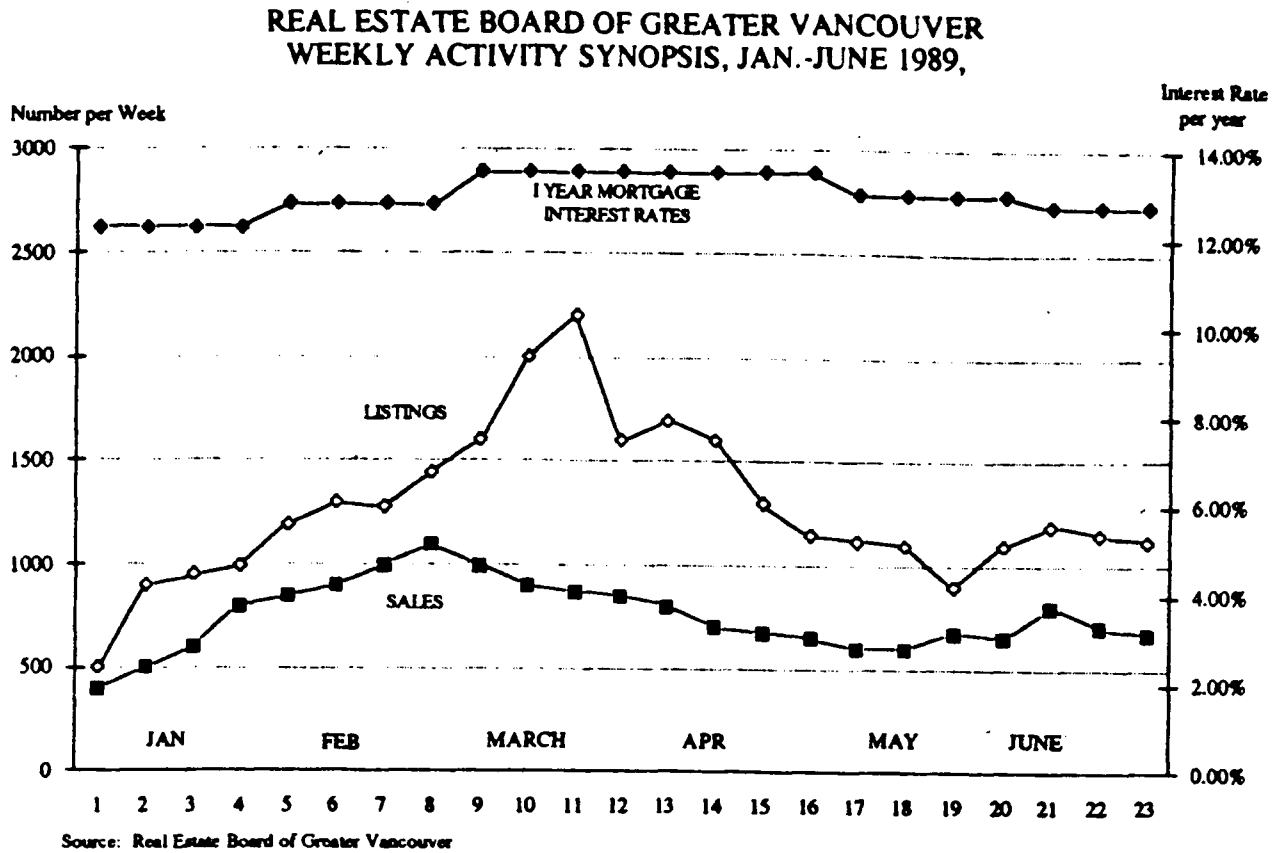
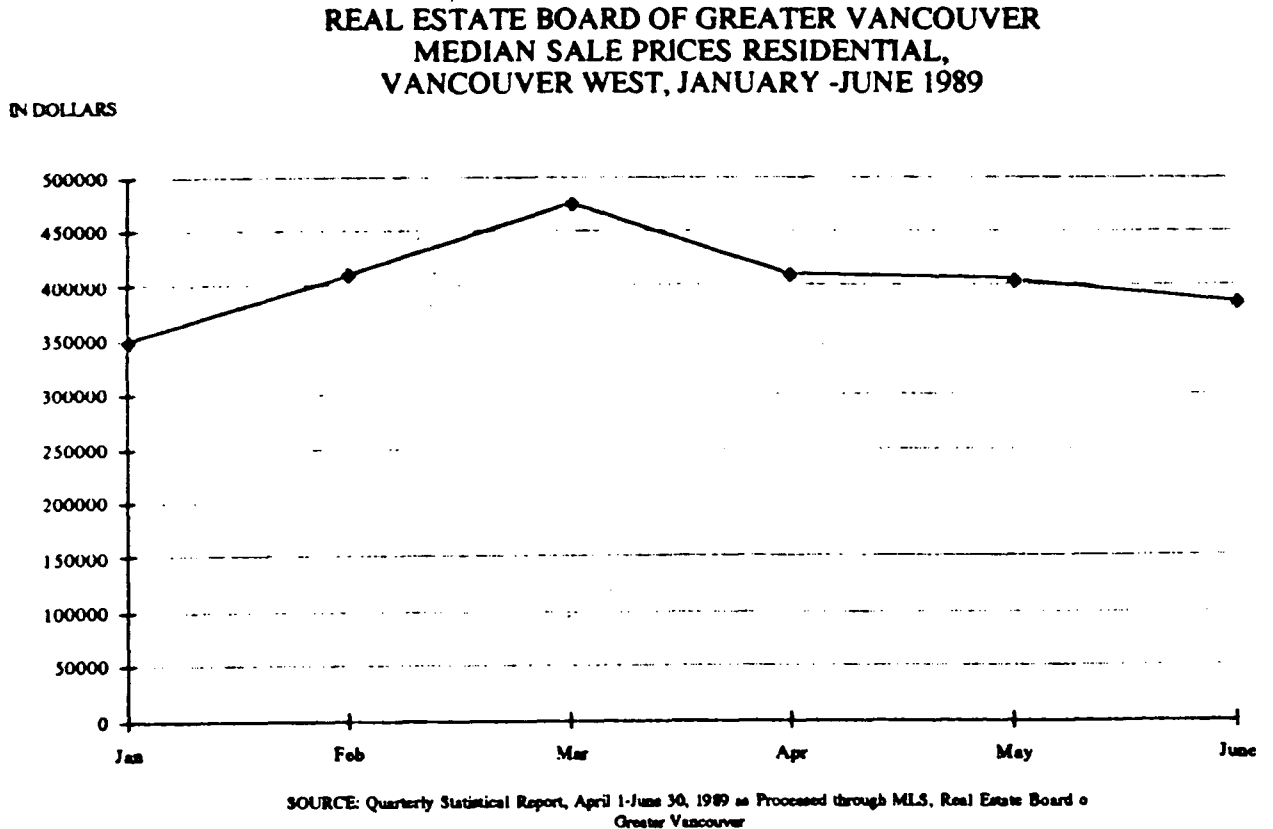


Figure 6.4



On Vancouver's west-side, the centre of all the controversy, the market is fueled primarily by both Asian and Eastern money. However, it is the Asian market which has become the most visible. According to Alex Ning, former manager of Keystone Realty, a company which specializes in West-side real estate, Eastern money mainly flows into the used west-side residential market. Moreover, many people from Eastern provinces chose instead to move out to the suburbs. The new big houses that have been causing much opposition in West-side neighbourhoods, however, are built exclusively (99%) for the Asian market.⁵ While not as affected by interest rates as local buyers, there has been a drop in demand recently because (1) West-side prices are becoming too expensive for some immigrants, (2) other options such as houses in Richmond are becoming more attractive; (3) the liquidity of assets in Hong Kong (without losses) is becoming more difficult since the June 4th China massacre.⁶ All these factors have had negative affects on the level of demand in west-side neighbourhoods at least in the short term.

It is difficult to estimate how much Asian money is flowing into Vancouver Real estate, but the consensus is that it is significant and varies according to the sector of the market. Statistics show that approximately 5033 immigrants came from Hong Kong in 1988 compared to 7,361 from Ontario. Migrants from these areas add to the general demand for housing.

In addition, would-be immigrants from Hong Kong who hope to emigrate to Canada also buy. Typically, these buyers have their friends look after their purchases, or they leave the houses empty.⁷ The Chinese Edition, a local upscale Chinese magazine aimed at new arrivals, also made a point in its investment section that "there is also a trend that many buyers are neither immigrants nor in the process of becoming immigrants." "[The buyers] have merely discovered that Vancouver has the potential to become a bigger city with higher real estate values, and are investing accordingly."⁸ Marketing product in off-shore markets is becoming common (see appendix).

According to Victor Setton, president of United Properties, one of the city's largest condominium developers, "if overseas investors stopped buying, high-rise residential construction in Vancouver would drop 50% and condominium starts in general would fall

5. This feeling is shared by every real estate agent the researcher have talked to.

6. Ibid.

7. This observation was made by several real estate agents. The researcher is also familiar with several personal cases.

8. Wilfred Wan, "Annual Investment Guide" in Chinese Edition: Lifestyle Magazine, Spring 1989.

25%. It is pretty scary."⁹ Michael Geller, president of the Urban Development Institute, a group representing the development industry, echos the importance and extent of Asian investment. Geller, who has arranged major property deals with Hong Kong buyers estimates that 60% of the 3,000 condominiums planned for construction this year (1989) in Vancouver are financed in part or entirely by Asian Investors, and that this represents investments of \$360 million.¹⁰ Coldwell Banker Real Estate Services, in their Greater Vancouver Apartment Report, notes that the extent of foreign participation in the local real estate market in 1988 was between 25-30 percent. As of September, they estimate that 50 percent of the real estate activity is from off-shore— primarily from Hong Kong.¹¹ Strong and steady demand from off-shore means that many local real estate companies are increasing marketing products overseas. Royal LePage, Canada's largest real estate agency will be one of the first companies to set up sales offices in Hong Kong, Taiwan, and Tokyo to tap this market.¹²

Luxury condominiums which are being built at a rapid pace in Vancouver is largely pre-marketed off-shore. As the diagram on the next page shows, the marketing process involves a series of players which may or not be partners. On the one side, local or Asian developers develop the finished units which they may wholesale to middlemen, or they may market the units themselves. Wholesalers are important because they have the distribution channels to market product, and their connections are well-established in the orient. While not all condominium units are sold this way, it is estimated that 60% of the units are sold in this fashion overseas. Depending on the market, some of these units (interim agreements) may be flipped, or some may be rented through property management firms or taken care of by friends.

Even though many condominiums are marketed off-shore, many developers will not market properties in Hong Kong alone. According to David Wan, investment adviser for Vigers International (North America), "the developers will sell in both Hong Kong and Canadian markets. "But they have the Hong Kong people's need in mind when designing. For instance, they will build apartments with two three bedrooms while flats with one bedroom are geared to the needs of Canadians," he said.¹³ Luxury condominiums going

9. Frank O'Brien, "Investors from Asia buy up Vancouver" in The Financial Post, March 22 1989.

10. Ibid.

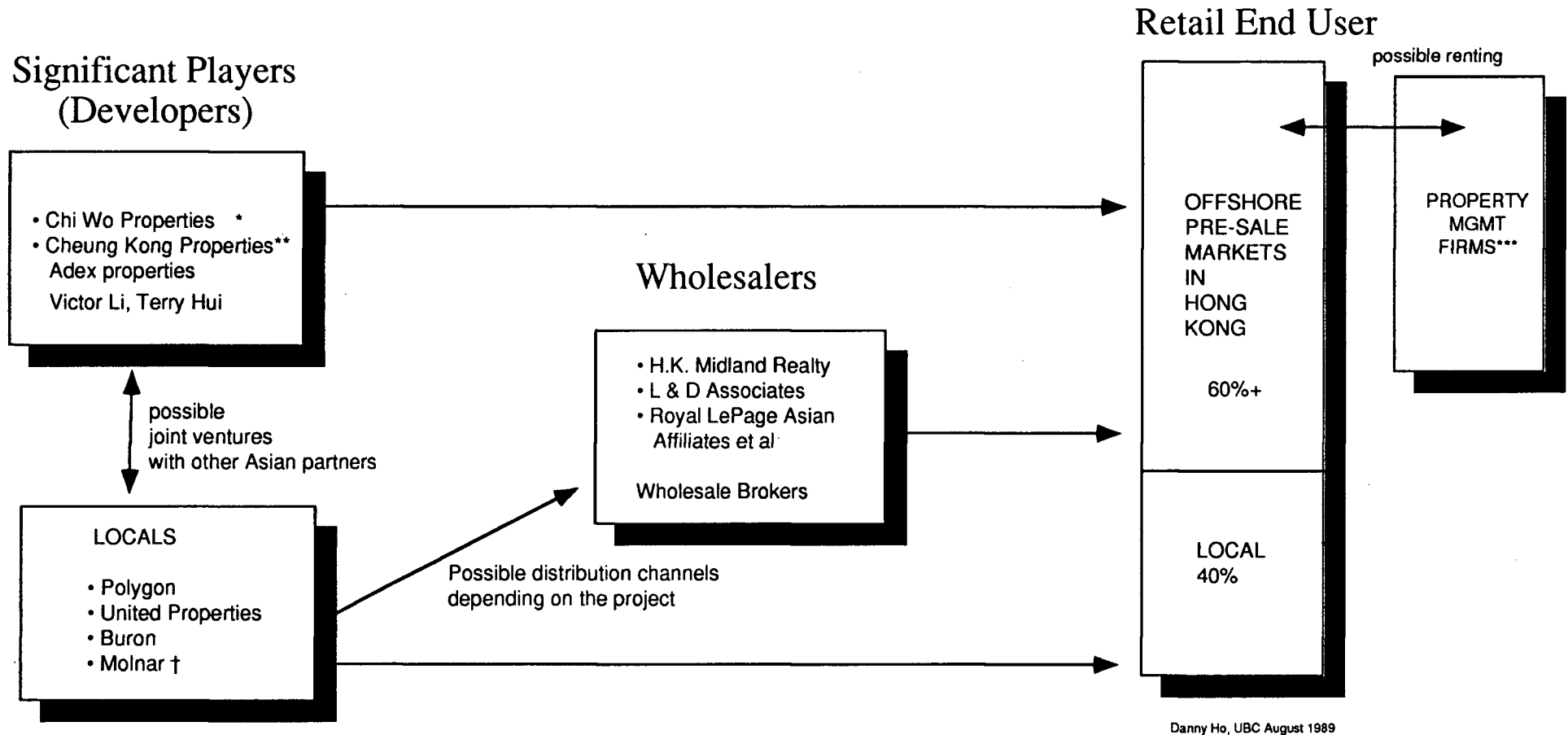
11. Coldwell Banker Commercial Real Estate Services, Greater Vancouver Apartment Report, September 1989.

12. Robert Matas, "B.C. Houses Hot Sellers Abroad" in The Globe and Mail, November 28, 1988.

13. Chung, Lynda "Residents Will Get First Choice of Apartments" in South China Morning Post, Wednesday August 2, 1989 Property p.7.

Figure 6.5

Significant Players in the Condominium Pre-sale Marketing Process, Spring 1989



* For example: Exclusive brokers for Highbury Towers (4th and Highbury), Pacific Cove, False Creek, and the "Metropolitan" condos near MetroTown

** Handled the Hong Kong Sale of the "Regatta" Condominium in South False Creek

*** Property Mgmt firms handle rentals for investor properties. New Condo projects such as "The Discovery", "The Admiral", "The Carlie" tend to be rented out. It is estimated that more than 50% of these projects are rented.

† The Molnar Group and Zhong Xing Group of Hong Kong will be teaming up to build the Renaissance Development in New Westminster. When complete, the development will include 15 buildings, and contain 1411 units of housing.

up in Kerrisdale are typically large with two or more bedrooms. Some of the proposals for the new condominiums include design plans for extensive children's play areas as well indicating that targeted end users may be families rather than retired couples.

6.5 How Deep will the Market be in the Kerrisdale Condominium Sub-Market ?

It would be difficult to estimate the demand for condominiums in this area in the long term. Desirability is dependent on the changes which occur in the neighbourhood, the availability of other housing alternatives, and market conditions. In general, Kerrisdale has always been a desirable neighbourhood. For many local west-side residents, Kerrisdale is a good place to retire because the area is quiet, safe, and close to their friends and family. Asian buyers like Kerrisdale, as they do South Granville, for the areas' status and prestige and for the areas' proximity to good schools.¹⁴ Therefore, these two areas will remain attractive.

However, there is a limit to how much people can pay. Even though many of the condominium developers are targeting their luxury units to Asian buyers, it is doubtful whether the asking prices of \$400-\$500 per square ft. can be obtained in the current market (\$800,000-\$1,000,000 per unit). Even in Hong Kong, people only have so much money. Alex Ning, manager of Edgewater Realty on the city's westside, says "the average family in Hong Kong can no longer afford to live in the city's exclusive westside." With 359 condominium units planned to be developed over the next year or so, there may be a potential oversupply problem.¹⁵ It is unlikely, in the short-term, that any more new residential condominium developments will be planned in Kerrisdale until market conditions heat up again.

But, that may not be long. According to Andrea Eng, a realtor with Colliers, Macaulay, Nicolls Inc, and president of the Vancouver Chapter of the Hong-Kong-Canada Business Association, "a typical [commercial] Hong Kong buyer has between 2 and 7 million dollars to invest in Vancouver real estate, and there are lots of these guys."¹⁶ Eng adds, that many of the smaller off-shore investors who get involved in the Vancouver real estate market downplay their assets. "They will tell you that they have \$1 or \$2 million

14. Based on conversations with real estate agents.

15. However, the Taiwanese and Japanese markets are only recently being tapped. Therefore, the level of demand could easily increase.

16. as quoted in Gordon Keast's article, "The World's Longest Commute" in Equity Magazine, March 1988.

to invest but during negotiations, you discover that their pockets are much deeper, and a property deal involving \$2-7 million is not out of their reach." Ms. Eng also pointed out that Hong Kong investors are no longer only passive players content with apartment buildings and shopping centres. "Up until the early 1980s," says Eng, most investors were passive. Now we're starting to see a wave of developers."

In the larger Vancouver context, the city's land is still an excellent buy compared to the international markets. It is only a matter of time before land prices in Vancouver catch up with the rest of the world. In a recent conference sponsored by the Urban Development Institute, Francis Wong, a Vancouver Real Estate Developer and former Hawaiian senator, noted that "Asian investors look on Greater Vancouver prices as a bargain."¹⁷ Mr. Wong noted that "internationalization of real estate is inevitable." This drive towards internationalization is driven by: (1) investors seeking a better long-term return than is available in East Asia¹⁸, and (2) investors seeking investments abroad with Good preservation of capital as a hedge against inflation. As long as market comparisons can be made between high real estate values in East Asia, and international financing can flow freely, funds will seek the best values. Wong cited that at the height of the real estate boom in Tokyo in 1987, the highest land price was 34 million yen for a square meter. That translates into U.S. \$6.7 billion per acre! In Hawaii, prime beachfront sold recently for a record high of a mere US \$35 million an acre or US \$800 per sq. ft. This is a bargain by Japanese standards. Contrast these numbers with the approximately \$400 per sq. ft. that developers are asking for new condominiums in Kerrisdale, and by Japanese standards, those prices are ridiculously low.

In Hawaii, local financial institutions and local developers are also participants with the Japanese. Wong predicts that in the not too distant future, Vancouver will have major Japanese players competing with investors from East Asia. Moreover, Wong points out, "as the world's economy shifts from the Atlantic to the Pacific, and transportation and communication becomes quick and easy, we'll see a gradual leveling of similar real estate values."¹⁹

17. From the Speech by Francis A. Wong before the UDI Financial Forum 1989: "The Asian Buyer Phenomenon", March 22, 1989.

18. As an example, Wong says that the Cap rate in Japan may be only 2%. In Hawaii, the same investment can return 4.5%.

19Ibid.

6.6 Summary:

This chapter examines the likelihood of redevelopment pressures continuing. Redevelopment pressure in the Kerrisdale RM 3 apartment area is a result of demand exceeding supply. The area's current zoning allows for more built area than currently exists. Because land prices have increased dramatically, there is tremendous economic incentive to redevelop. Demolitions of existing apartments have occurred because Kerrisdale land is 95% built to capacity; there is no other vacant land.

In addition to constrained supply, strong demand from other provinces and from off-shore is driving the redevelopment pressure. Inter-provincial and international migration reached highs in 1988. In 1988, there was a net inflow of 7,361 individuals from Ontario to B.C. whereas in 1987, B.C. lost 1897 individuals to Ontario. International migrants, who came to B.C. in 1988, accounted for 16,535 individuals (5033 were from Hong Kong).

The influx of in-migrants into the province and an improved economy has resulted in a buoyant real estate market. Even though Asian money is perceived to be fueling the Vancouver real estate boom in early 1989, this may be true for only certain sectors of the west-side and Richmond markets. In general, the west-side markets are fueled by both Asian and Eastern money. However, it is the Asian segment and the big house controversy which have been the most visible. An analysis of Greater Vancouver MLS sales, listings and mortgage rates indicate that sales dropped when interest rates rose. This indicates that Asians are not totally to be blamed since most pay cash for their properties.

But, even though few Asian buyers finance their homes, a drop in demand cannot be explained by interest rates alone. Other influencing factors are: (1) prices on the west-side are too high; (2) other areas such as Richmond are becoming more attractive; (3) internal political events such as the China Massacre in June has affected the liquidity positions of many potential investors in the short-term; (4) other areas in the eastern suburbs are opening up for development.

Nobody knows exactly how deep the market for Vancouver real estate is. However, according to industry professionals such as Victor Setton, president of United Properties, one of the city's largest condominium developers. "If overseas investors

stopped buying, high-rise residential construction in Vancouver would drop 50% and condominium starts in general would fall 25%. It's pretty scary."

While few know exactly how deep the market really is, it is inevitable that Vancouver real estate prices will level off to international levels. In Japan, in 1987 during its real estate boom, the highest land price was \$US 6.7 billion per acre! In Hawaii recently, prime beachfront sold for US \$35 million an acre (US \$800 per sq. ft.). In exclusive Kerrisdale, by contrast, land for condominiums can be bought for (Can. \$6.5 million per acre, \$150 per sq. ft.). In the long term, as long as land values remain relatively cheap by international standards, there is little doubt that redevelopment pressures will continue to occur in the city.

7.0 The City's Response and Other Policy Options

7.1 Introduction:

Although there are many dimensions to the housing issue, the fundamental problem is that demand exceeds supply. Demand is forecasted to increase due to a number of factors. First, Vancouver is a attractive place to live. Its mild climate and scenic setting make it one of the world's most beautiful cities. Second, Vancouver's real estate prices are significantly lower compared to other international cities. This makes Vancouver an attractive place to live and to invest. Changes in demographics such as an increasing number of households mean that there is more demand for housing.

Adding to the housing "problem" is the lack of supply in Vancouver. Because of the land-locked nature of Vancouver, there is little land left for additional housing. Additional supply will only be created by rezoning to greater densities. A prominent feature of the city is that much of its residential land is zoned RS-1 single family. This low-density zoning combined with the strong demand to live in Vancouver will increase redevelopment pressures on the few multiple-family zoned areas existing in the city.

Vancouver, under its present zoning structure, is built to about 90% of permitted capacity.¹ Several important points need to be introduced with regards to capacity. First, of the approximately 35,000 units which is estimated to be possibly built in Vancouver, more than half are located in the downtown core (19,000), and less than 2% (625) are located in high-demand areas such as Kerrisdale, Arbutus, Oakridge, Cambie, and Shaughnessy combined. This means that additional units in the downtown core may not necessarily reduce pressure off high-demand areas such as Kerrisdale. There is also evidence that downtown living may not be attractive to seniors as it is to younger individuals.² In 1981, 15% of the residents of South False Creek were 65 year or older. By 1986, that percentage had dropped to below 9%. This is below both the city and region average.³

1. City Manager's report to Standing Committee on Neighbourhood Issues and Services, "Vancouver's Housing Supply", March 10, 1989.

2. There is a general consensus among Kerrisdale seniors interviewed that living in downtown Vancouver is not an option (mainly because of a perceived fear for safety). This did not appear to be an issue for younger Kerrisdale residents.

3. Op cit.

The situation in Kerrisdale is a problem of demand exceeding supply. Policy decisions from government can be comprised of actions that decrease demand and/or actions that increase supply. Whether or not there is any government involvement is based on the government's belief in the free market. On the one extreme, action is not necessary because intervention may be more detrimental than helpful. On the other extreme, intervention may be necessary since the market will not provide housing for those that need it. Policy action from government will fall somewhere between these two extremes.

Each of the three levels of government have different positions on the housing situation in Kerrisdale. At the federal level, the government is unable to assist residents in Kerrisdale because it is primarily a local issue which they do not have any jurisdictional powers under the BNA act. Furthermore, any federal actions such as interest rate policy (which affects demand) will affect the nation as a whole and cannot be implemented in isolation to a local area. At the provincial level, the laws regarding the land-use of local areas are delegated to the municipalities and therefore the provincial government has no jurisdiction. Where the sale of land is concerned, the provincial government indicates that it is unwilling to tamper with the free market. In a letter to a resident of Kerrisdale, the Honourable Rita Johnson, Minister of Municipal Affairs writes with regard to the housing situation in Kerrisdale:

the specific forces bringing these matters into focus are market driven and it is not our intention to intercede in this process to any major degree. If unilateral intrusions are made in the way of freezes on demolitions, rents and conversions, marked artificial decreases and/or increases in values will occur, shortages will become more acute, and an unofficial payment system will quickly develop in securing rental accommodation.⁴

Actions by both federal and provincial governments are unlikely to be helpful in the short or long terms because of jurisdictional powers or simply because of unwillingness to interfere with the free market. In addition, it is unlikely that either governments will be willing to, or able to, afford to build social housing projects in high land value areas such as Kerrisdale.

4. Memo to Kerrisdale resident from Rita Johnson, Minister of Municipal Affairs. See appendix.

This chapter outlines the City's response to the housing situation in Kerrisdale and documents the impact these policies have had so far on the various groups involved. In addition, several other options are discussed and the various pros and cons are presented

7.2 The City's Response

The municipal government's main tool for land-use control and regulation is limited to its zoning and development by-law. Since January, when the housing market was beginning to heat up, the city has implemented a number of demand and supply strategies in attempts to alleviate the housing situation (particularly in Kerrisdale). Among the major initiatives passed were: (1) Demolition Delay (April); (2) VLC Properties Ltd. announced (May); (3) RM3 Amendments (June); and (4) Rental Demolition Fee requirement (August). In general, Vancouver's municipal government have implemented a number of strategies aimed at slowing down the rate of change in neighbourhoods. In addition, the municipal council have requested for legislation requiring landlords to pay for relocating tenants dislocated by demolition, and have called for the establishment of a rentalsman to review unconscionable rent increases.⁵

7.21 City Action #1: Demolition Delay

The general intent of this action is to give more time for evicted tenants to look for accommodation, and to encourage landlords to provide greater consideration for tenants who must relocate. No development permit will be issued until all tenants have vacated the building voluntarily, or 6 months have elapsed since notice of the proposed demolition has been given to tenants. Developers are required to keep accurate records of the status of all their tenants, and an affidavit stating that all tenants have left voluntarily (or time has lapsed to 6 months) is required before any permit is issued.

The impact of this bylaw for tenants is that it gives them more time to look for other accommodation. However, for many tenants, a longer grace period also means a longer period of uncertainty. Therefore, many tenants move much earlier than the limit of six months.⁶ The impact on this bylaw for developers will be a delay in the development

5. While the city may want developers to compensate dislocated tenants for moving expenses, the city has no power to enforce this requirement. Such matters fall under the provincial government who is responsible for landlord-tenants matters. This was indicated in a letter from Mayor Campbell, Letters to Editor, "Council Working for Demolition Solutions" in Vancouver Sun, July 28, 1989.

6. This observation is based on comments from affected tenants in Kerrisdale.

process and potentially less profits. In the worst case scenario, developers will have to wait a maximum of six months before all the building's tenants have vacated. If the developer is in a hurry, he may wish to "pay" the tenants to move out earlier. The net result of the by-law is that it gives tenants more time to look for other accommodation, and is essentially a temporary measure.

7.22 City Action #2: Vancouver Land Corporation (VLC Properties Ltd.)

The announcement of *Vancouver Land Corporation* in May is the municipal council's strategy towards increasing the supply of housing. VLC was formed to develop, own and manage, multi-family residential rental properties located primarily in Vancouver. Under the proposal, the company will build rental units on long-term leases to middle-income singles, seniors and families by encouraging investment from various pension funds. The city will commit much of its public land in addition to about 7.5 million dollars to the private company, and fast-track any rezonings if required. The company hopes to build 2000 rental units per year and rent them out at slightly below market rates. As of May 1989, that would mean a typical one bedroom unit would rent for between \$650 and \$800 per month.⁷

While the municipal council has passed a resolution to commit to VLC, the company is controversial among developers and tenant groups alike. For developers, there is some concern that a private company will have a competitive advantage over other companies interested in developing the same land. And, for potential tenants, there is concern about the affordability of the new units.

The beneficial impact of VLC, if any, will be in the long run. However, it may not necessarily help those most in need, nor will it necessarily help evicted tenants in areas such as Kerrisdale where there is little public land available.

7.23 City Action #3: RM3 Amendments

The RM3 amendments to the RM3 zoning schedule has made it more difficult to build 12 storey buildings in RM3 areas. Enacted in June, the amendments have made high-rise apartments over a Floor space ratio (FSR) of 1.0 conditional uses. Previous to the

7. Jeff Lee, "Cope Alderman Rip Mayor Over Housing Plan", Vancouver Sun, May 26, 1989.

amendments, the maximum FSR in RM3 districts was 1.85 and 120 ft. If a developer met the requirements of the zoning schedule, he was automatically entitled to a permit without having to go to public hearing.

With the new amendments, buildings are limited to a maximum of 40 ft. outright use, and the developer needs "referral for advice of council, consideration of the rate of change in the neighbourhood and consideration of the opinions of tenants who would be replaced" should additional relaxations be requested. These criteria have not yet been defined.⁸ Of the 10 condominium projects submitted for condominium development in Kerrisdale, 6 will be affected by the new amendments.⁹

The advantages of the amendments are: (1) They will reduce the economic incentive to redevelop in the short term, and (2) city council can make these amendments quickly and has the legal authority to do so. On the other hand, such amendments will not solve the housing problem in the long term. Downzoning will frustrate market demand unless other similar areas are rezoned for the same use. Downzoning does not necessarily mean the end of evictions and demolitions either. Continued high demand, without other land choices, will mean that future evictions would be again be possible (this time with perhaps luxury lo-rises condominiums). High demand and constrained supply will also mean that loss of affordable housing is still possible through increased rents, renovation, and conversion. Finally, downzoning destroys the investor's confidence in the city.¹⁰

7.24 City Action #4: Rental Demolition Fee Requirement

On August 1, the Vancouver City Council passed a by-law requiring developers to pay a \$1000 demolition fee for every rental unit demolished. The impact of this by-law is expected to be minimal towards developers since the fee is small. The by-law will have little significant impact on the development of condominiums in the area. The by-law is important because it sends a message to developers that there is a cost to redeveloping previously rented accommodation. However, the \$1000 fee is not likely to be enough of a disincentive to make any difference. Some observers have suggested that this fee be raised to make a more significant impact. Michael Goldberg, the Director of International Finance

8. Bylaw 6515: A By-law to Amend the Zoning and Development By-law being By-Law No. 3575, enacted June 27, 1989. See appendix.

9. Those projects affected include: 2110, 2148 W. 38th., 2121 W. 38th, 2226 W. 40th., 6020 Yew, 5752, 5774, 5790 Vine, and 2120, 2170 W. 44th Ave.

10. For a discussion of the RM3 amendments from a realtor's perspective, see appendix.

Figure 7.1

THE CITY'S RESPONSE: TIME-LINE OF SIGNIFICANT EVENTS RELATED TO KERRISDALE HOUSING FROM JANUARY - AUGUST 1989

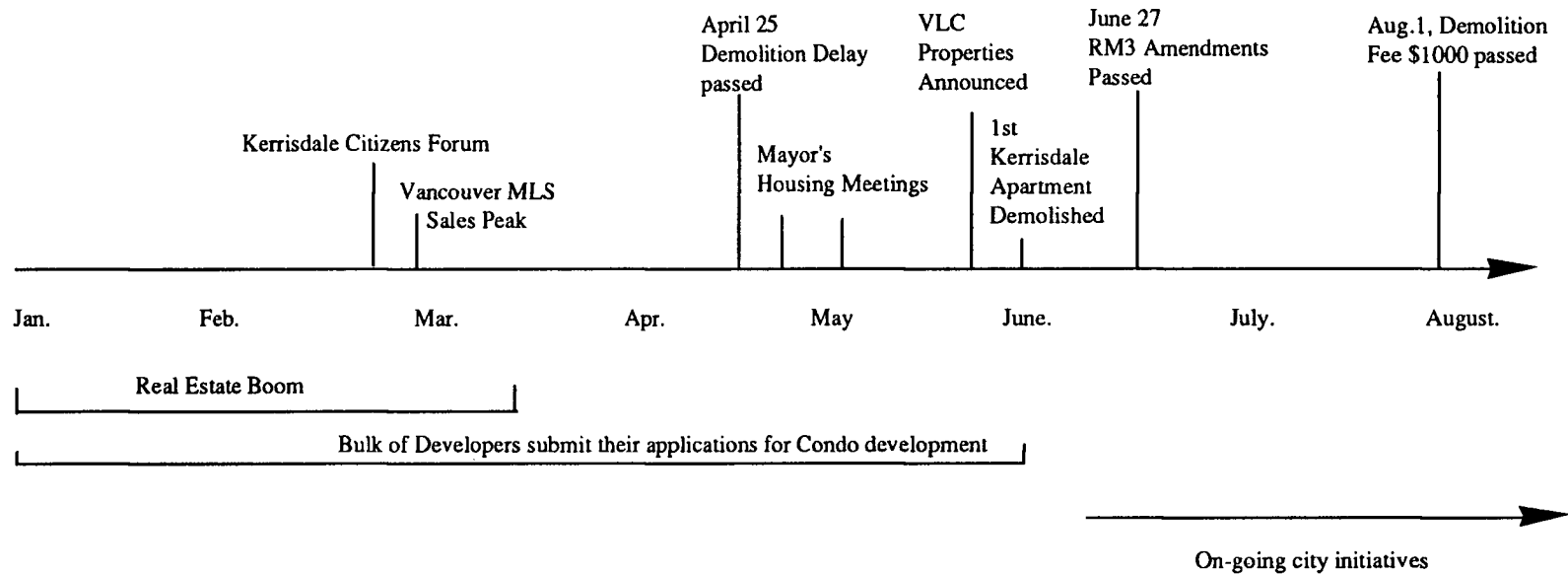
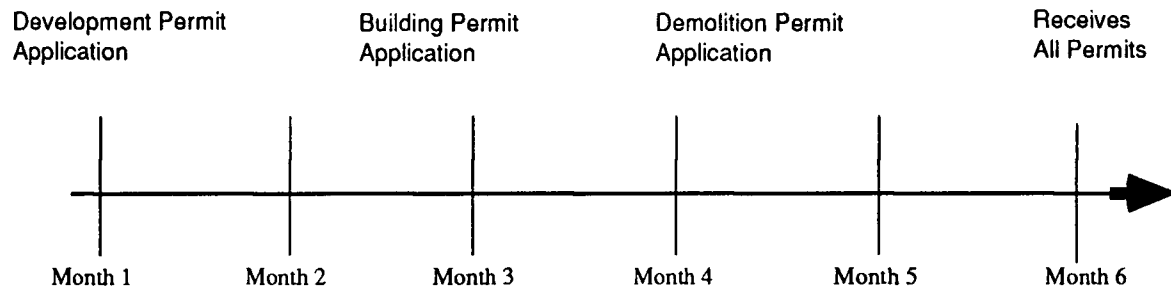


Figure 7.2

Development Permit Application Process, Procedures and Timeline Using RM3 Bylaws and Amendments Current to August, 1989



Developer wants to redevelop.
• must notify tenants of intent preferably on or before this date.
• provides city with affidavit with list of tenants stating "intent to demolish and redevelop"

Tenants may have to move. Legally entitled to two months notice under Provincial legislation after 2 months notice. If everything is going well with the development permit application, developer applies for development and building permit to save time. If there are no other tenants in the building, and if plans meet all zoning and building bylaws, these permits are issued quickly.

Developer submits 2nd affidavit stating that "all tenants in the building have voluntarily moved, or that they have made good arrangements for relocation". And if City is satisfied that all tenants are relocated satisfactorily, all permits (including demolition) are issued.

As of Aug. 1, if any developer does not have his demolition permit, he will be charged an \$1000 "demolition" fee for each dwelling unit demolished.

Comment: Under RM3 amendments as of April 4, 1989. The developer must show evidence that all tenants have been satisfactorily been relocated. There is no requirement that the developer compensate for moving expenses. However, he may have to pay them to leave earlier.

* If the city has any concerns about the validity that "tenants have been satisfactorily located", the city can withhold permits for a maximum of six months from development application date.

Summary of Development Requirements

- meet all zoning and building requirements
- provide affidavit of tenants satisfactorily re-located
- give six months notice
- pay \$1000 demolition fee per unit demolished.

Centre and UBC professor of Urban Land Economics, suggests instead a "whopping big charge for demolitions in the range of \$5,000 per unit instead of the \$1,000. He says "that tax would be put into a defense fund to help the needy, for displaced tenants to find alternative accommodation or even to subsidize their rents so that they can afford to stay in Kerrisdale."¹¹

7.3 General Policy Options

Besides some of the actions which have already been undertaken by Vancouver council, there has been several options which have been suggested by the public¹². Each of these options will have tendencies to reduce demand or to increase supply. There is , in addition, short and long term costs and benefits of each option. This section outlines the various major options and their subsequent effects.

Demand Side Option

7.31 Rent Control

The major intent of rent control is to prevent unreasonable rent increases. The practice is controversial because it infringes on the rights of property owners, and interferes with the market.¹³ Rent control programs can vary in terms of strictness. Few rent control programs do not allow rent increases to take place. The city council have asked the provincial government to re-instate the rentalsman to hear appeals from tenants receiving unconscionable rent increases, but was turned down earlier this year.

Benefits:

- In the short run, rent control maintains affordable rents for existing tenants
- Rent review prevents landlords from unreasonable rent increases during periods of high demand and low vacancies.

11. Bramham, Daphne " A Neighbourhood in Trouble: Radicals Are Bred in Turmoil" in Vancouver Sun, August 17, 1989 A9.

12. Some of these options are based on the summary sheets, May 8, 1989 Housing Symposium prepared by John Winsor, Vancouver Planning Department.

13. The effects of rent control is a hotly debated topic. For one view of the impact of rent control, see Friedman, Milton and Michael Walker et al, Rent Control: A Popular Paradox. Evidence on the Economic Effects of Rent Control, Vancouver: The Fraser Institute, 1975. For another view, see Bartelt, David and Ronal Lawson, "Rent Control and Abandonment in New York City: A Look at the Evidence" in Rachel G. Bratt et al (ed) Critical Perspectives on Housing, Temple University Press 1986.

Costs:

- A ceiling on rent levels decreases the potential profitability of one's investment, and adds to the increasing unattractiveness of rental investments.
- Landlords are more likely to avoid maintenance
- In the long run, rent control may reduce the incentive to build further rental units
- A freeze on rents does not necessarily mean that those most in need will benefit
- During periods of high demand, a freeze on rents may accelerate conversion or demolition activity further eroding the existing rental stock.

7.32 Demolition Control

The intent of demolition control is to delay the the demolition of affordable rental housing. City council has amended a by-law in April to require that all tenants have been relocated voluntarily, and that these tenants are given six months notice of intent to demolish until any demolition permit will be issued. The Vancouver City council has tried to slow the rate of change by also selectively downzoning RM3 areas (requiring the densities over a certain degree to be conditional).

Benefits:

- A delay in demolition activity gives more time for evicted tenants to find other accommodation.
- demolition control, extends the life of rental buildings in the short term.
- Council may insist that that a equal number of units be replaced.

Costs:

- Any benefit of demolition control/delay will only be in the short term
- Will add to the unattractiveness of rental housing as an investment.
- Controls of demolition may have an upward pressure on rents as owners try to defray the opportunity costs of redevelopment.

7.33 Ownership Controls and Speculation Taxes

The main intent of ownership controls and speculation taxes is to limit house price increases. The two levels of government who would most likely administer these controls would either be the federal or/and the provincial government. Ownership control may include limiting the sale of land to landed immigrants or Canadian citizens. A speculation

tax is intended to make the rapid resale of property over a short period uneconomical since any profits would be taxed.

Benefits:

- restrictions on foreign ownership of land will reduce the overall demand, and thereby price increases
- taxes on speculation will capture speculative profits for public purposes

Costs:

- Implementation of speculation taxes may scare off foreign investment in other sectors of the economy.
- Speculative taxes and controls on ownership will be extremely difficult to monitor.
- Restricting foreign ownership of land may reduce the supply of rental housing since it is the foreign injections of capital which has created many buildings.
- Restrictions on foreign ownership is beyond the city's legal authority to control.

Supply Side Options

7.34 Increase Capacity by Rezoning in Low Density Areas

The housing "crisis" in Vancouver is primarily a result of demand exceeding supply. Vancouver, under its present zoning, is 90% built to capacity. While the demand to live in Vancouver is high, the vast proportion of the city is zoned low density (RS-1 single family). In the west side especially, there is little land for multi-family homes under the existing zoning. What are the effects of rezoning single-family areas?

Benefits:

- Increasing the supply of RM3 land will decrease the pressure for demolitions which are currently focused on the few existing areas which allow for multi-family use on the west side.
- Increased capacity would mean that seniors may have more choices to stay in their neighbourhoods
- Increased supply of land would mean that rent may not necessarily rise as quickly

Costs:

- Increasing the capacity of an area means that the neighbourhood may change, and current residents must be willing to accept this change.

7.4 Other Options

7.41 Option that Requires That Developers Pay for Affordable Housing

The intent of this option is based on the fact that developers contribute for the need for affordable housing by demolishing rental units, and by making an area more desirable. This may have the net effect of increasing the price of accommodation close to these new developments. At the present time, for major rezonings, the city asks developers that a certain proportion of land (about 20%) be made available for non-market housing. The city council can do this because there are fewer ground rules that govern rezonings than for sites governed by set zoning schedules. Developers has thus far been receptive since council is more willing to negotiate for rezoning bonuses if they are co-operative.

For single-site cases, the range of options are more limited. The Vancouver City council has asked the provincial legislature to grant the council the authority to levy development costs charges, including a levy for social housing. However, the legislature has not yet responded, and the city does not have the power to make developers pay for this development levy at present.

There has been some suggestions by the public that developers should integrate social housing units in the same structures as non-market housing. For example, developers might reserve the first few floors of a building for non-market units, and the rest for market strata units. While the idea has validity, the Vancouver city council does not have the power to enforce it, and developers are generally not receptive to this idea because it would be extremely difficult to sell the strata units mixed with non-market housing.¹⁴ In addition, there are administrative difficulties in classifying the units in the building as strata, co-op, or other tenure.

14. Enforcement is from the provincial government. Whether or not this arrangement happens is dependent on the market as well in terms of the marketability of those units.

Benefits:

- Having developers pay for affordable housing is fair because in developing their projects, it is inevitable some affordable housing will be lost (or the developments would put upward pressures on rents in nearby areas).

Costs/problems:

- This option only works when the market is extremely active and developers can afford to allocate the funds to non-market housing. In less buoyant times, these requirements may dissuade development.
- The city council does not have the statutory authority to assess development levies for land for Social housing.
- Calls for the integration of non-market and market units in a single site is not enforceable by the city council, and is not acceptable to developers from a marketing perspective
- The existing City council requirement for 20% non-market housing for "mega-projects" may already be illegal. That is, the requirement that developers adhere to the 20% requirement for social housing in exchange for a re-zoning application is tantamount to "selling zoning" which is illegal.¹⁵ Should developers seek to challenge this requirement, the city may not be able to enforce this requirement.

7.42 City Helps Seniors Buy Building in Kerrisdale

The intent of this option is to assist tenants dislocated through eviction to stay in their neighbourhoods. A major problem with this option is that it favours certain residents at the expense of other needy tenants. There are also those critics who would argue that many of the tenants now being evicted had sold their homes in the past and benefitted. Therefore, there is no reason to compensate tenants today.

Benefit:

- Displaced tenants are able to stay in their neighbourhoods

15. Conversation with Mr. Rick Scobie, Associate Director Zoning , Planning Department, City of Vancouver, September 1989.

Costs:

- Economically unfeasible since land in Kerrisdale is extremely expensive, and there are no public land available in the area to write down costs.
- Because of the price of land, finance charges would exceed rental revenues. This means rents cannot be affordable unless there is some subsidy by government. It is unlikely that CMHC would subsidize projects in Kerrisdale because of the high land prices.
- The City would have to discriminate in favour of one part of town at the expense of another (which may be worse off) in the city.
- This idea is only valid in the short term, and is limited to the number of units bought.

7.5 Summary

This chapter describes the city's response to the housing situation in Kerrisdale, and presents a number of other possible options. Although there are many dimensions to the housing issue, the fundamental problem is that demand exceeds supply. In general, potential policy actions must either decrease the demand or increase the supply. Each of the various supply and demand actions have short and long term costs and benefits. In the long run, it is necessary to concentrate on those policy actions which increase supply.

Actions and inactions by both the federal and provincial governments have not been helpful. At the federal level, there has not been a response because the housing situation in Kerrisdale is primarily a local matter. In addition, housing policy is designed to affect the nation, and cannot be implemented in isolation to a local area. At the provincial level, a belief in the forces of the free market has made the government reluctant to intervene to any significant degree. A recent city council request to re-instate the rentalsman to hear appeals from tenants who have received unreasonable rent increases was refused.

The municipal city council's role in the Kerrisdale situation has primarily been through actions implemented with its zoning and development by-law. The municipal response thus far has been to implement several by-laws and amendments. These include: Demolition Delay, RM3 amendments, Rental Demolition fee requirement, and the announcement of Vancouver Land Corporation. The intent of the demolition delay is to

give evicted tenants more time to look for other accommodation. The city has tripled the length of time for eviction notices from 2 to 6 months. The intent of the RM3 amendments is to reduce the economic incentive of redevelopment in RM3 areas. This has been done by reducing the outright use to a lower density. Requests for relaxations and increased densities are conditional and dependent on certain criteria yet to be defined by council.

The introduction of a rental demolition fee in August is significant because it sends a message to developers that there is a price to pay for demolishing rental units. Unfortunately, the small fee involved will unlikely have a significant impact on the decision to proceed with redevelopment. The announcement of Vancouver Land Corporation is a supply-side solution. The city hopes to build 2000 rental units per year via this private company. Because the company relies primarily on city-owned land, it is unlikely that seniors living on the west-side will benefit; there are few appropriate city-owned land in this part of town.

Several other options that may be possible are the various controls on the market that reduce the demand for potential properties. These include rent control, demolition control, and ownership control. In general, these actions have beneficial short-term effects, but may have more counteractive effects in the long run. In addition, restrictions on ownership may have negative effects on investment in other sectors of the economy.

The idea that developers pay for non-market housing is often proposed as an option. It is standard practice for the city council to require developers involved with "mega-projects" (in major rezonings) to reserve about 20% of land for non-market housing. However, there may be some uncertainty whether the city council can legally require developers to abide by this requirement since the city is essentially "selling" zoning which is illegal.

An important alternative strategy is to increase the supply of land by rezoning selected RS-1 and commercial areas near high-demand areas such as Kerrisdale. The availability of more land will mean less pressure on existing RM3 areas, and will mean that seniors will have more choices to stay in their neighbourhoods. The downside is that residents who are accustomed to lower densities must be willing to accept greater densities.

In general, whether certain options are implemented by the city council is dependent on its statutory authority to re-enforce such laws, and is dependent on the political will of the other two levels of government. At the same time, municipal governments can received tremendous resistance at any hint of upzoning.

The housing problem is multi-dimensional, and no matter what strategy is implemented, there have to be trade-offs. Vancouver is changing rapidly, and residents need to understand that certain changes will be inevitable if people want to stay in the city.

8.0 Conclusions

The purpose of this study has been to investigate the social impact (extent and degree) that redevelopment pressures have had on people forced to move. The study has examined why redevelopment pressures are happening, and has reported on the key players involved. In addition, the City of Vancouver's response to this housing situation are discussed, and a range of additional policy options are presented. The perspective taken in the study is from both a developer and tenant point of view. Information from both viewpoints are presented.

In general, the impact of redevelopment pressures in Kerrisdale has been primarily social. Social impact refers to loss of self-esteem, uncertainty, anxiety, loss of control, and stress. An analysis of income data for renters from Statistics Canada and from discussions from tenants themselves, indicate that 48% of tenants in low-rise buildings earn less than \$20,000 in 1985. Half the tenant population in Kerrisdale are seniors and are on fixed incomes. Individuals who live in low-rise rental stock are generally poorer than renters living in nearby high-rises. When redevelopment pressures build, it is the least able (poorer renters) living in the older low-rise rental stock who must move and who have the most difficulty adjusting. The majority of tenants affected are seniors and women.

Although it is still relatively early, (only 7 of 17 buildings have been demolished), evicted tenants relocated throughout the Lower Mainland. At least 65 percent of the seniors evicted managed to stay in Kerrisdale. Those who moved out of the neighbourhood tended to be younger. Evicted renters who managed to find places in Kerrisdale generally paid more for rent. This was because they had to find accommodation in high-rises. Those fortunate to find low-rise accommodation paid the same or slightly more. In some instances, rents were higher or lower because of space differences; therefore, no generalization can be made. The fact that a majority of seniors managed to stay in the community does not mean that there are no costs to them. In addition to rising rents, stress, anxiety, uncertainty, loss of control, and self-esteem represent some of the major impacts of the apartment evictions.

The rationale for the apartment demolitions in Kerrisdale is an economic one. Because of a limited supply of apartment land on the one hand, and an extremely strong demand for accommodation in the area, there is little choice but to demolish from an economic viewpoint. The decision to demolish is also encouraged by the fact that there is

little economic incentive to maintain rental units compared to condominium development. An analysis of two sample pro-formas in Chapter 4 (scenario 3 and 4) indicate that it makes little sense to build rental apartment buildings in today's market. In scenario 3, a developer builds a 12 storey high-rise condominium tower to sell. His actual land costs are \$126 per sq. ft. Assuming a Floor Space Ratio of 1.82 and an expected selling price of \$400 per sq. ft. for the luxury units, the developer is estimated to make over \$3 million dollars after tax. On the other hand, a developer who wants to build a rental tower must be willing to accept a low return on investment (4.5% capitalization rate in first year) just to cover construction costs. These numbers show that any additional rental housing in Kerrisdale is unlikely to occur without subsidies.

The nine developers who have plans or are actively developing condominiums in Kerrisdale represent a mix of local and off-shore companies. About one third of the developers are local and established while the remaining two-thirds are from off-shore and considered relative new players in local development circles. All of the properties currently slated for redevelopment were bought within the last year. An analysis of land transactions show that the off-shore companies were the first to assemble land in the area with the local developers entering later into the market. Conversations with developers and an analysis of the plans of the projects suggest that many of the units have been designed with the off-shore buyer in mind. However, from an economic standpoint, the identities of the developers are irrelevant. Where there is profit to be made, there will be an entrepreneur to capitalize on it.

The response of the civic government toward the demolitions in Kerrisdale has primarily been to slow the rate of change in the neighbourhood. The major actions the city has implemented so far include: (1) demolition delay; (2) amendments to the RM3 bylaw making some uses "conditional"; (3) rental demolition fee requirement; and (4) establishment of the Vancouver Land Corporation (VLC Properties Ltd.). The effects of these strategies will have to be measured over the long term.

Based on the economics of land development, the rental housing sector will continue to decline. From an economic viewpoint, Vancouver will have to increase the supply of apartment land if it is to reduce the pressure for demolitions. The single-family zones in Vancouver may not be so realistic as demand for land increases. This means that residents must be willing to accept higher densities in the city. Such upzoning can be done gradually and in carefully selected areas.

In conclusion, the crux of the demolition situation in Kerrisdale is that demand exceeds supply. Demolitions are happening because of a good economy, strong demand, and zoning that allows for higher density housing. Demolitions will continue to take place as long as these conditions are present.

More research is required to determine the impact of evictions on the health of elderly residents over a period of time. In addition, it would be interesting to determine what percentage of evicted tenants will have to move out of the neighbourhood in the next round of eviction and rent increases. Finally, it would be interesting to document how much new rental housing is created or trickles down for the low-end of the rental market as a result of recent condominium investment in Kerrisdale.

Appendix 1

Impacts on Kerrisdale (Chapter 3)

Evicted Tenants: Distribution and Characteristics Part 1 of 2

Building 1	Age Group	Sex	Length of Residence in Suite	Rent/month	Apt size	Moved To:	New Rent	% Increase/Decrease in Rent	New Apt Size
Building 1	younger	m	n/a	710	1 bdrm+den	still in apt	n/a	n/a	
Building 1	senior	couple	2yr	750	2 bdrm	S. Granville	1050	40	3 bdrm
Building 1	senior	f	2 yr	525	1 bdrm	Kerrisdale	775	48	1 bdrm
Building 1	senior	f	n/a	550	1 bdrm	Kerrisdale	785	43	1 bdrm
Building 1	senior	f	6 yrs	725	1 bdrm +den	S. Granville	555	-23	1 bdrm
Building 1	senior	f	19yrs	550	1 bdrm	S. Granville	555	1	1 bdrm
Building 1	senior	f	3 yrs	750	2 bdrm	Kerrisdale	795	6	1 bdrm
Building 1	senior	f	10 yrs	550	1 bdrm	Kerrisdale	620	13	1 bdrm
Building 1	senior	f	n/a	550	1 bdrm	Kerrisdale	n/a	n/a	1 bdrm
Building 1	senior	f	10 yrs	750	1 bdrm +den	Kerrisdale	590	-21	1 bdrm
Building 1	senior	f	4 yrs	550	1 bdrm	Kerrisdale	625	14	1 bdrm
Building 1	senior	f	n/a	550	1 bdrm	Kerrisdale	775	41	1 bdrm
Building 1	seniors	couple	n/a	550	1 bdrm	Kerrisdale	n/a	n/a	1 bdrm
Building 1	seniors	couple	n/a	550	1 bdrm	Kerrisdale	n/a	n/a	n/a
Building 1	senior	f	n/a	510	1 bdrm	Kerrisdale	n/a	n/a	n/a
Building 1	senior	f	10 yrs	550	1 bdrm	still in apt	n/a	n/a	n/a
Building 1	younger	f	3 yrs	550	1 bdrm	still in apt	n/a	n/a	n/a
Building 1	seniors	couple	18 yrs	795	2 bdrm +den	Kerrisdale	640	-19	1 bdrm
Building 1	younger	couple	2 yrs	525	1 bdrm	still in apt	n/a	n/a	n/a
Building 1	senior	f	1 yr	700	2 bdrm	Kerrisdale	775	11	1 bdrm

100% SAMPLE

100% SAMPLE

Building 2	Age Group	Sex	Length Residence	Rent/month	Apt size	Moved To:	New Rent	Notes
Building 2	senior	?	n/a	n/a	1 bdrm	Victoria	n/a	
Building 2	younger	couple	n/a	n/a	1 bdrm	still in apt	n/a	
Building 2	senior	?	n/a	n/a	1 bdrm	N. Van	n/a	
Building 2	senior	?	n/a	n/a	1 bdrm	S. Granville	n/a	
Building 2	senior	f	18 yrs	450	1 bdrm	Kerrisdale	625	Died July 89
Building 2	younger	f	n/a	n/a	1 bdrm	Still in apt		
Building 2	younger	?	n/a	n/a	1 bdrm	Richmond		
Building 2	senior	f	n/a	n/a	1 bdrm	Kerrisdale		
Building 2	Senior	?	n/a	n/a	1 bdrm	Richmond		
Building 2	younger	?	n/a	n/a	1 bdrm	unknown		
Building 2	middle	f	9 yrs	511	1 bdrm	still in apt		
Building 2	middle	f	n/a	n/a	1 bdrm	Kerrisdale		
Building 2	senior	m	n/a	n/a	1 bdrm	Marpole		
Building 2	senior	m	n/a	n/a	1 bdrm	n/a	n/a	Died, spring, 1989
Building 2	middle	f	n/a	511	1 bdrm	West End		
Building 2	senior	f	n/a	n/a	1 bdrm	Kerrisdale	n/a	
Building 2	younger	f	n/a	n/a	1 bdrm	still in apt.		
Building 2	younger	f	n/a	n/a	1 bdrm	still in apt		
Building 2	middle	f	n/a	n/a	1 bdrm	Kerrisdale		
Building 2	senior	f	n/a	n/a	1 bdrm	Nursing home		
Building 2	younger	m	n/a	n/a	1 bdrm	W. End		
Building 2	younger	?	n/a	n/a	1 bdrm	W. End		
Building 2	younger	?	n/a	n/a	1 bdrm	still in apt.		
Building 2	senior	couple	n/a	n/a	1 bdrm	Kerrisdale		
Building 2	senior	f	n/a	n/a	1 bdrm	Oakridge		
Building 2	senior	f	n/a	n/a	1 bdrm	unknown		
Building 2	senior	f	n/a	n/a	1 bdrm	S. Granville		
Building 2	younger	f	n/a	n/a	1 bdrm	unknown		
Building 2	younger	f	n/a	n/a	1 bdrm	unknown		
Building 2	senior	f	9 yrs	485	1 bdrm	Kerrisdale		
Building 2	senior	couple	n/a	n/a	n/a	Richmond		
Building 2	middle	f	n/a	n/a	n/a	unknown		

Danny Ho, UBC, August 1989

Building #3	Age group	Sex	previous rent	previous apt. size	Moved to:	New rent	Apt size
Building #3	65	m	650	2 bdrm	S. Granville	less than 650	1 bdrm
Building #3	66	m	650	unknown	S. Granville	750	1 bdrm
Building 4	65+	f	450	Bachelor	Kerrisdale	390	Bachelor
Building 5	65+	f	n/a	1 bdrm	Kerrisdale	n/a	1bdrm

Comments

- Moves occurred from Dec. 1988 to July 1989, and is continuing for those still in slated buildings
- A general pattern is that the majority of seniors stayed in Kerrisdale (more than 50% stayed in the area)
- For those who moved, Marpole and South Granville were the top 2 destinations for seniors. Nobody was found who moved to the Eastside.
- new rents generally increased. Where decreases were observed, there was a sacrifice of space, or they moved out of the area.
- most residents lived alone and were women
- while it would appear that rent increases were absorbed by the tenants, it's uncertain whether they could endure the next set of increases.
- some people were displaced to the suburbs. But, generally those people were younger, were going to buy a house there, or already had friends there.
- while economic impact was very stressful, the psychological impact on self-esteem, physical well-being were frequently mentioned.
- Loss of dignity, self esteem, loss of choice and control, injustice, uncertainty, and fear were common themes cited.

Methodology :

- Key contacts
- Telephone survey
- subsequent cross-referencing

Danny Ho, UBC, August 1989

Evicted Tenants: Distribution and Characteristics, Part 2 of 2

Address	Problem	Sex	Age	Household size	Current rent	% of Income	New Rent	% Rent Increase/Decrease	% of Income
5850 Balsam	eviction	f	59	1	\$511	37%	n/a	n/a	n/a
5850 Balsam	eviction	f	83	1	\$480	n/a	n/a	n/a	n/a
5752 Vine	eviction	m/f	25	2	\$500	25%	n/a	n/a	n/a
5774 Vine	eviction	f	84	1	\$435	54%	\$510	17	63
5790 Vine	eviction	f	65+	1	\$470	34%	\$675	44	48
5790 Vine	eviction	m/f	65+	2	\$580	41	\$675	16	0
5797 Vine	increase	f	69	1	\$450	60	\$500	11	67
2121 w. 38th	eviction	f	50+	1	535	n/a	n/a	n/a	n/a
2121 w. 38th	eviction	m	33	1	450	23	515	14	25
2121 w. 38th	eviction	m/f	30	2	540	n/a	n/a	n/a	n/a
2121 w. 38th	eviction	m	74	1	527	44	460	-13	39
2121 w. 38th	eviction	f	67	1	600	43	660	10	47
2121 w. 38th	eviction	f	41	1	545	39	635	17	45
2148 w. 38th	emptying	f	65+	1	560	62	n/a	n/a	n/a
2148 w. 38th	emptying	f	76	1	545	36	n/a	n/a	n/a
2148 w. 38th	emptying	f	35	1	550	n/a	n/a	n/a	n/a
2180 w. 38th	increase	f	65+	1	635	n/a	695	9	n/a
2226 w. 40th	eviction	f	46	3	625	48	780	25	n/a
2120 w. 44th	emptying	f	65+	1	600	n/a	n/a	n/a	n/a
2120 w. 44th	emptying	f	78	1	565	44	775	37	55
2120 w. 44th	emptying	m/f	60+	2	550	33	n/a	n/a	n/a

Notes:

- (1) From: Roneen Marcoux, "Tenant Relocation Study", Social Planning Department, August 1989
- (2) For overall picture only. There may be some isolated overlap from part 1

Appendix 2

Potential Demand (Chapter 6)

Levett & Bailey

Chartered Surveyors

CANADA

C1 Vancouver — Oakridge Income Property
Adjacent to Oakridge Mall, 122 residential units on 2.3 acres site, good redevelopment potential. Strong rental market, current yield 5.7%, good rent reviews. CDN\$15.2M

C2 Vancouver — Burnaby Residential
95 — 2 Bedroom units, adjacent to Central Park and ALRT Rapid Transit. Well maintained 1st class condominiums, good condo value for future resale. Current yield 5.5%, good rent reviews. CDN\$12M

C3 Vancouver — Development Site
160,000 sq.ft. site area, adjacent to City Hall, Q.E. Park, 5-minute drive to downtown Vancouver, proposed residential development CDN\$17.0M

C4 Vancouver — Development Site
56,000 sq. ft. site area, adjacent to downtown Vancouver and Expo Site, commercial retail and hotel development opportunity, 340,000 sq. ft. buildable area, excellent investment. CDN\$16.0M

C5 Vancouver — Kerrisdale Luxury Condominiums
Prestigious location on West Side district. Outstanding designed units. Ideal distinctive home or investment. Completion: 1990 June. CDN\$860,000 — CDN\$1.6M

C6 Vancouver — Champlain Heights
2 to 4 bedroom townhouses, built 1982, 989 sq. ft. to 1,449 sq. ft. CDN\$141,808 — CDN\$196,218

C7 Ontario — Investment Opportunities
Residential apartments in Mississauga, west of Metropolitan Toronto, U. of T. Erindale Campus, return ranges from 6 to 8%. CDN\$7M — CDN\$24M.

C8 Alberta — Investment Properties
Shopping Centres, Business Park, Warehouse, Office and Residential Complex in Edmonton and Calgary, yield ranges from 7 to 9%. CDN\$2.0M — CDN\$7.5M

Australia

A1 Sunshine Coast, Queensland — Catalina Apartment
Luxury twin tower with ocean view. 2 to 3 bedroom apartments ranging 1,131 sq. ft. — 4,300 sq. ft. Pool, sauna, conference room facilities, FIRB approval. A\$220,000 — A\$1,200,000

A2 Gold Coast — Waterfront Apartments
Located on the banks of the Nerang River, heart of Surfers Paradise. 2 Bedroom apartments ranging 1,017 to 1188 sq. ft. Pool, sauna & gymnasium facilities available. A\$230,000 — \$355,000

A3 Gold Coast — Mediterranean Style Townhouses
Well located private residential resort, superb choice of 2, 3 or 4 bedroom townhouses. Finance on 10% deposit and take advantage of 'Negative Gearing' for tax benefit. Don't miss this opportunity. A\$137,000 — \$178,000

A4 Gold Coast — Luxury Residential Resort
Located on waterfront land overlooking the Surfers Paradise Golf Course. Villa style 3 bedroom condominiums ranging 2,450 to 3234 sq. ft. exclusive country club. A\$425,000 — A\$520,000

U.S.A.

U1 Manhattan, N.Y. — Mandarin Plaza
Heart of N.Y., 25 storey tower, studio, 1 to 2-bedroom apartments ranging 465 sq.ft. to 1,150 sq.ft. Completion: 1990 April US\$160,890 — US\$582,000

U2 Office Building — Los Angeles & San Francisco, CA
Downtown location, 15,300 sq.ft. to 53,000 sq.ft. rentable area, redevelopment potential. Yield 7.25% to 10%. US\$3.7M — \$10M

U3 Hotel Resort Complex — California
Joint Venture partnership, prestigious tourist point, 5.2 miles of beach frontage, proposed development of 500 hotel rooms, 1,000 residential units and 4 golf courses, close to two major metropolitan areas (San Francisco and San Jose). Asking US\$48.5M

U4 Vero Beach, Florida — Resort & Residential Complex
Fantastic beach location, award winning community, large variety of models & unit sizes. Price ranging from US\$130,000's to \$300,000's.



Asian House 11th Floor
One Hennessy Road Hong Kong

For more listings, please call:

PACIFIC COVE

One of Vancouver's most beautiful residential waterfront developments.

Buy now!
Price increase — August 15.



Pacific Cove is a development of 143 suites set on the South shore of False Creek, facing the city and the mountains. It offers an incomparable lifestyle to discerning buyers, and a convenience of location that is hard to find, even in Vancouver.

Now, if you act quickly, you can purchase in this beautiful development at extremely favourable prices. But hurry, prices go up on August 15, 1989.

- Every suite features a balcony or deck
- Fitted kitchens and bathrooms
- Recreational facilities
- Games room, jacuzzi, sauna
- Landscaped gardens with lagoon
- Private underground parking
- Solid concrete construction
- Prime location
- Close to city centre
- Short walk to Granville Island
- Mortgage finance up to 70%

Call Mary Tung

The CANADIAN CONNECTION

CHI WO

Chi Wo Properties Ltd.

A Jardine Pacific Business

SOURCE: South China Morning Post. August 2, 1989

Investment Analysis

116

Problem:

Suppose a foreign investor in Japan wants to invest money in Canada, and eventually wants to convert that money back to Japanese currency. Would the rate of return be better if the investor invested in Japan or in Canada?

Assumptions:

As of August 3/89: Globe and Mail Money market Statistics

Canadian one year T-bill 11.4% per year

Japanese Spot Rate: Cdn \$ per unit: 0.008555

Japanese 12 month forward rate: Cdn \$ per unit: 0.009051

Step 1: Convert Japanese currency to Canadian Dollar

Step 2: Calculate Return of Canadian Dollar investment

Step 3: Convert Spot and Forward rates of Canadian Investments back to Japanese currency

Step 4: Calculate yield based on home currency terms.

Yen to Canadian equals ¥ x Spot Canadian/(\$ Cdn)/¥;

Step 1

Investor has yen equivalent to \$1 million Canadian.

ie, \$1,000,000 Can/ spot rate ¥ = 116, 890, 707 ¥

Step 2 Invests that money in Canada at 11.4 % T-bills for one year. After one year at maturity, the investors receives \$114,000 for a total of \$1,114,000.

Step 3 Investor wants to convert that money to Japanese yen. Convert Canadian \$ to Yen=

$$\frac{\$1,114,000 \text{ Can}}{0.009051 \text{ Forward 12 month rate}} = \$123,080,322.60 \text{ ¥}$$

$$\text{Therefore, } \frac{123,080,322.60 \text{ ¥} - 116,890,707 \text{ ¥}}{116,890,707 \text{ ¥}} \times \frac{365}{365} = 5.29 \%$$

Japanese Domestic rate: 5.37% yield

Japanese → Canadian → Japanese rate : 5.29 % yield

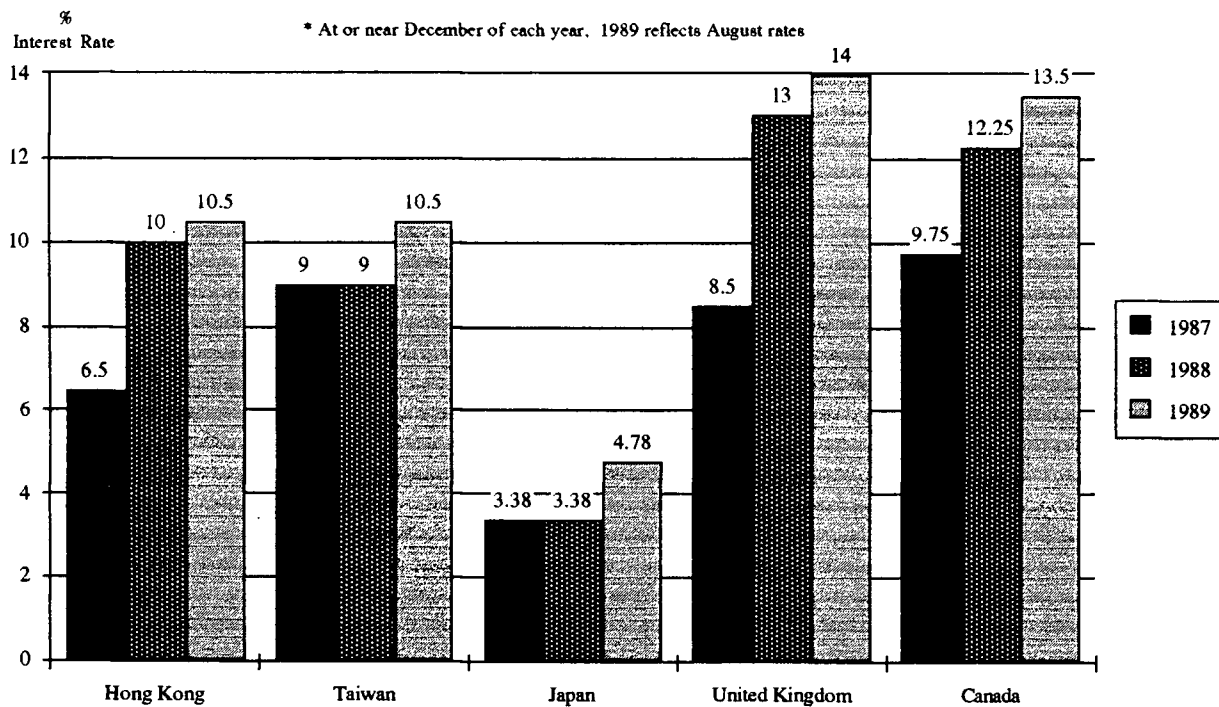
Step 4 Yield Analysis and comment

If the Japanese investor decides to invest the equivalent of \$1 million Canadian into a Canadian Bank, and then convert that money into Japanese yen using current and 12 month forward rates, the yield is 5.29 %.

On the other hand, if the investor decides to keep the money in Japanese banks investing in domestic t-bills, then the yield after one year is 5.37%.

Thus, unless the investor is willing to take a risk (forego forward contract rates), the yields in the two countries are similar.

Commercial Bank Lending Rates to Prime Borrowers, Selected International Countries, 1987- 1989 *



Source: World Financial Markets, 1989 issue 2

Appendix 3

Policy Response (Chapter 7)



AUTHORITY

City Council

EFFECTIVE DATE

April 25, 1989

DEMOLITION DELAY

Council, on April 25, 1989 amended Section 10.12 of the Zoning and Development By-law as follows:

"10.12.2 Except as set out in section 10.12.3, where development necessitates the demolition of existing residential rental accommodation, no development permit shall be issued for the demolition unless and until

- (a) all tenants have vacated the building voluntarily or six months have elapsed since notice of the proposed demolition has been given to all tenants; and
- (b) a development permit for the new development has been issued.

The development permit for the new development shall not be issued unless and until all building permits for the new development and a building permit for the demolition are issuable."

Need for Affidavits

The owner or his agent is responsible for proving that either of the foregoing conditions in (a) above have been met. An affidavit, including the following information, will be required indicating that either:

1. Six months have elapsed since notice of the proposed demolition has been given to all tenants. The names of the former tenants should be listed along with their former suite numbers, and the date(s) of notification.

or that,

2. All tenants have vacated the building voluntarily. The names of the former tenants should be listed along with their former suite numbers. Any indication of relocation assistance provided to the tenants should be included in the affidavit. It is also desirable to include signed and dated statements from tenants.

A notice to vacate given by the owner or his agent under the provisions of the **Residential Tenancy Act** will not be considered as evidence that tenants have vacated the building voluntarily.

Notice to Vacate

The six month notice of demolition provides tenants additional time to make relocation arrangements. It is not, however, a notice to vacate, nor does it provide tenants the right to remain on the premises for six months in contravention of notice to vacate given under the provisions of the provincial **Residential Tenancy Act**.

BY-LAW NO. 6515

A By-law to amend the
Zoning and Development By-law,
being By-law No. 3575

THE COUNCIL OF THE CITY OF VANCOUVER, in open meeting
assembled, enacts as follows:

1. The RM-3 District Schedule to By-law No. 3575 is amended:
 - (a) in section 2.2.DW by deleting the words "Multiple Dwelling."
and by substituting therefor the following:

"Multiple Dwelling, provided that the floor space ratio does
not exceed 1.0 and the height does not exceed 40 feet.";
 - (b) in section 3.2.DW by inserting as the last entry thereof the
following:

"Multiple Dwelling, provided that before making a decision
the Development Permit Board shall advise Council and
thereafter consider the rate of change in the neighbourhood
and the opinions of tenants who would be displaced by the
development.".
2. Except as provided for in section 3, this By-law comes into
force and takes effect on the date of its passing.
3. This By-law shall come into force and take effect on April 4,
1990 with respect only to those sites for which an application for a
development permit was made on or before April 4, 1989 and which, if
containing residential rental accommodation, had at least two-thirds of
its units unoccupied as of June 20, 1989.

DONE AND PASSED in open Council this 27th day of
June , 1989.

(signed) Gordon Campbell
Mayor

(signed) Maria Kinsella
City Clerk

"I hereby certify that the foregoing is a correct copy
of a By-law passed by the Council of the City of
Vancouver on the 27th day of June, 1989, and numbered
6515.

CITY CLERK"

BY-LAW NO. 6539

A By-law to amend the
Building By-law,
being By-law No. 6134

THE COUNCIL OF THE CITY OF VANCOUVER, in open meeting
assembled, enacts as follows:

1. Schedule "A" to By-law No. 6134 is amended:
 - (a) in clause (a) of section 1 by inserting after the words "clause (b)," the following:

"but in addition to the fee set out in clause (e),";
 - (b) in section 1 by adding thereto the following clause:

"(e) For the demolition of a BUILDING
which has at any time provided
RESIDENTIAL OCCUPANCY, for each
DWELLING UNIT\$1,000.00"
2. This By-law comes into force and takes effect on the date of
its passing.

DONE AND PASSED in open Council this 1st day of
August, 1989.

(signed) Bruce Eriksen
Deputy Mayor

(signed) Maria Kinsella
City Clerk

"I hereby certify that the foregoing is a correct copy of
a By-law passed by the Council of the City of Vancouver
on the 1st day of August, 1989, and numbered 6539.

Residential occupancy means the *occupancy* or use of a *building* or part thereof by persons for whom sleeping accommodation is provided but who are not harboured or detained to receive medical care or treatment or are not involuntarily detained.

Dwelling unit means a *suite* operated as a housekeeping unit, used or intended to be used as a residence and usually containing cooking, eating, living, sleeping and sanitary facilities.

EXAMPLES:

DEMOLITION OF A ONE FAMILY DWELLING-ESTIMATED COST OF DEMOLITION \$3,000

**SEC. 1(A) FEE \$52.00
**SEC. 1(E) FEE \$1,000.00

TOTAL FEE \$1,052.00*

*AN ADDITIONAL \$35.00 FEE IS
REQUIRED FOR DEMOLITION OF
RESIDENTIAL RENTAL ACCOMMODATION

DEMOLITION OF A MULTIPLE DWELLING CONTAINING 5 DWELLING UNITS-ESTIMATED COST OF
DEMOLITION \$6,000

**SEC. 1(A) FEE \$60.00
**SEC. 1(E) FEE \$5,000.00
\$35.00*

TOTAL FEE \$5,095.00

*AN ADDITIONAL \$35.00 FEE IS
REQUIRED FOR DEMOLITION OF
RESIDENTIAL RENTAL ACCOMMODATION

**FROM SCHEDULE A OF THE VANCOUVER BUILDING BY-LAW #6134



NATIONAL REAL ESTATE SERVICE

NRS COMMERCIAL REALTY LTD.
COMMERCIAL, INDUSTRIAL, INVESTMENTS

May 26, 1989

RE: RM-3 DOWNZONING
PUBLIC HEARING ON JUNE 8TH, 1989

We are writing to you to urge you to attend the Public Hearing on June 8th, 1989 to debate the proposed downzoning of all RM-3 zoned property in Kerrisdale, South Granville and Granville-Woodlands areas.

As a property owner in these areas you should be aware of the financial implications of the amended RM-3 District Schedule City Council has proposed whereby:

- a) multiple dwellings would be permitted as an outright approval use only to a maximum floor space ratio of 1.0 (formerly 1.85) and a maximum height of 40 feet (formerly 120 feet);
- b) multiple dwellings would be conditionally approvable at a greater floor space ratio, subject to the "bonus" provisions in the current RM-3 schedule (site size, site coverage, underground parking), and to a maximum building height of 120 feet, provided the Development Permit Board first consider after advising Council:
 - i) the rate of change in the RM-3 neighborhood; and
 - ii) the opinions of tenants who would be displaced were the proposed development to proceed.

NRS Commercial Realty Ltd., as agents for several property owners in the above areas, wish to advise you that should the above draft by-law be enacted we expect that property values and your ability to sell or redevelop will be significantly reduced.

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KERRISDALE RS-1 REZONING POLICY

Adopted by City Council October 7, 1980

The Director of Planning is instructed to advise applicants or potential applicants wishing to alter the residential zoning in Kerrisdale that Council would not be prepared to approve any rezoning applications from single-family residential to apartment, townhouse or other higher-density residential use.



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