LOW-RISE MARKET RENTAL BUILDINGS IN NEW WESTMINSTER: PAST, PRESENT, AND FUTURE

By

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ABSTRACT

In Canada, the supply of new rental housing has been decreasing, leaving renters more dependent on existing rental stock. Less supply, with increasing demand, necessitates the preservation of the existing rental stock. In recent years, many Canadian cities have experienced threats to their rental stock from deteriorating buildings, lessening affordability, and from luxury conversions or demolitions for redevelopment.

Little information is available on threats to, and ways of preserving one form of rental housing, the low-rise market rental building, sometimes referred to as the three floor walk-up. This thesis describes the interaction between supply and demand that led to the construction of low-rise market rental buildings in the lower mainland of British Columbia, and particularly in two neighborhoods of New Westminster referred to as the study area. More importantly, because so little information is available on the low-rise stock in British Columbia, an exploratory examination of building, tenant, and owner characteristics in the study area was undertaken.

The neighborhoods selected are important not only because of the large number of low-rise rental units within their boundaries, but because of the high demand for these rental units, and the pressure for redevelopment that is now occurring within these neighborhoods. Therefore, the findings of this study are of use to other urban areas in which market forces pushing for higher returns on investment come into conflict with
the need of low and moderate income people to remain in locations that meet their needs.

An analysis of data obtained on building, tenant, and owner characteristics revealed a number of important facts. Firstly, the needs of owners for an adequate return on their investment are met by the low-rise building stock. When capital appreciation of buildings is factored into the equation, internal rates of return on investment from low-rise buildings are equal to or greater than returns on investments of comparable risk.

Secondly an analysis of data revealed that although tenant needs for comfortable, well located housing was met by low-rise apartments, that there were a number of problems evident. For instance, 51 percent of tenant households pay rent equal to or greater than 30 percent of income. Lack of affordability, the result of low incomes and increasing rents, is a significant problem in the study area. Neighborhood problems, as evidenced by a high incidence of crime and poverty is also a concern.

Thirdly it was found that although most low-rise apartments are in a good state of repair, 25 percent of them are not getting needed repair. This lack of required maintenance and repair is of special concern as this stock ages and buildings deteriorate resulting in loss of rental stock. Threats of demolition for redevelopment although not of serious concern now could become a problem in the future. Finally, the lack of government involvement at all levels in preserving the existing low-rise rental stock is a cause of concern as this stock gets
older.

On the basis of study findings four main threats to the preservation of this rental stock were identified including building and neighborhood deterioration, lessening affordability for tenants, potential for building demolition and redevelopment, and a lack of government involvement to assist tenants and owners in need. Twenty-one alternatives to deal with threats to stock preservation, that have or might be undertaken by Federal, Provincial, or Municipal Governments, were analyzed. Guiding principles such as comprehensiveness, local responsiveness, time frame awareness, and political/financial astuteness were utilized in selecting thirteen alternatives for implementation in the study area.
TABLE OF CONTENTS

ABSTRACT ii

LIST OF TABLES ix

ACKNOWLEDGEMENT x

1.0 INTRODUCTION 1

1.1 Introduction 1

1.2 Rationale 2

1.3 Context 4

1.4 Scope 7

1.5 Methodology and Organization 8

2.0 HISTORY 13

2.1 Before World War II 13

2.2 Post War Construction 17

2.3 The 1960s 22

2.4 The 1970s 33

2.5 The 1980s 37

2.6 Summary 39

3.0 BUILDINGS, NEIGHBORHOOD, AND LOCAL GOVERNMENT 41

3.1 Buildings 41

Number and Location of Low-rise Buildings 41

Nature of Tenure 42

Building and Apartment Unit Size 43

Building Design 44

Period of Construction 49

Building Condition 52

Rent Prices 56
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 Neighborhood Quality</td>
<td>59</td>
</tr>
<tr>
<td>Appearance of Buildings</td>
<td>59</td>
</tr>
<tr>
<td>Parking and Traffic Congestion</td>
<td>60</td>
</tr>
<tr>
<td>Crime</td>
<td>60</td>
</tr>
<tr>
<td>Incidence of Poverty</td>
<td>61</td>
</tr>
<tr>
<td>Condition of Infrastructure</td>
<td>63</td>
</tr>
<tr>
<td>Neighborhood Amenities</td>
<td>63</td>
</tr>
<tr>
<td>3.3 Local Government Policies</td>
<td>63</td>
</tr>
<tr>
<td>Zoning</td>
<td>63</td>
</tr>
<tr>
<td>Official Community Plans for Neighborhoods</td>
<td>64</td>
</tr>
<tr>
<td>Demolitions</td>
<td>65</td>
</tr>
<tr>
<td>Conversion to Condominiums</td>
<td>65</td>
</tr>
<tr>
<td>3.4 Summary</td>
<td>65</td>
</tr>
<tr>
<td>4.0 TENANTS</td>
<td>67</td>
</tr>
<tr>
<td>4.1 Density</td>
<td>68</td>
</tr>
<tr>
<td>4.2 Age of Residents</td>
<td>69</td>
</tr>
<tr>
<td>4.3 Household and Family Characteristics</td>
<td>72</td>
</tr>
<tr>
<td>4.4 Marital Status</td>
<td>76</td>
</tr>
<tr>
<td>4.5 Education</td>
<td>77</td>
</tr>
<tr>
<td>4.6 Labour Force Analysis</td>
<td>78</td>
</tr>
<tr>
<td>4.7 Income</td>
<td>80</td>
</tr>
<tr>
<td>4.8 Mobility</td>
<td>86</td>
</tr>
<tr>
<td>4.9 Summary</td>
<td>89</td>
</tr>
<tr>
<td>5.0 OWNERS</td>
<td>92</td>
</tr>
<tr>
<td>5.1 Ownership Form</td>
<td>92</td>
</tr>
<tr>
<td>5.2 Holding Periods</td>
<td>95</td>
</tr>
<tr>
<td>5.3 Incidence of Leveraging</td>
<td>96</td>
</tr>
</tbody>
</table>
7.0 CONCLUSION AND RECOMMENDATIONS 143

7.1 Future Demand 143

7.2 Recommendations 147

Threats 147

Goals 147

Principles 149

Alternative Measures to Meet Goals 149

Alternatives Selected 166

Redevelopment As Well As Preservation 177

7.3 Summary 178

REFERENCE LIST 180

APPENDIX

A- New Westminster in the Lower Mainland 188

B- The Study Area in New Westminster 189

C- The Study Area Neighborhoods 190

D- A Sample of Low-rise Buildings 191

E- Calculations of Internal Rates of Return on Property #6 197
LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>APARTMENT STOCK BY DECADE FOR CANADA, VANCOUVER, AND NEW WESTMINSTER</th>
<th>16</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABLE 2</td>
<td>NUMBER OF APARTMENT UNITS AND LOW-RISE BUILDINGS IN THE STUDY AREA BY PERIOD OF CONSTRUCTION</td>
<td>50</td>
</tr>
<tr>
<td>TABLE 3</td>
<td>CONDITION OF RENTAL DWELLING UNITS BY STUDY AREA NEIGHBORHOOD</td>
<td>56</td>
</tr>
<tr>
<td>TABLE 4</td>
<td>AGE DISTRIBUTION IN STUDY AREA AND VANCOUVER CMA POPULATIONS BY PERCENT, 1986</td>
<td>71</td>
</tr>
<tr>
<td>TABLE 5</td>
<td>INCIDENCE OF LOW INCOME IN THE ADJUSTED STUDY AREA AND THE VANCOUVER CMA BY HOUSEHOLD TYPE, 1985</td>
<td>86</td>
</tr>
<tr>
<td>TABLE 6</td>
<td>AVERAGES OF SELECTED OWNERSHIP CHARACTERISTICS</td>
<td>109</td>
</tr>
</tbody>
</table>
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Special thanks go to my friends who put up with my preoccupation with thesis material and my family who seldom saw me over the course of my studies. Their emotional and financial help will not be forgotten.
1.1 Introduction

This study deals with one form of market rental housing, variously referred to as low-rise apartment buildings, or just 'three floor walk-ups', in the City of New Westminster. In Canada, the supply of new rental housing has been decreasing, leaving renters more dependent on existing rental stock. Less supply, with increasing demand, necessitates the preservation of the existing rental stock. Little information is available on ways to preserve market rental low-rise stock. This study was undertaken to provide information on this most important rental housing form, so that measures might be taken to protect it.

This analysis of the market rental low-rise stock includes the following areas:

1. the history of the low-rise building form, with special emphasis on one specific area of New Westminster;
2. the characteristics of the present stock including information on buildings, tenants, and owners;
3. the government programs meant to deal with this building form, and the people who own and rent them; and
4. the existing threats to the low-rise stock and measures

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1 Maps showing New Westminster in the Lower Mainland, the area under study in New Westminster, and the neighbourhoods within the study area can be found in Appendix A, B, and C.
that might be taken to protect it.

On the basis of the findings of this analysis, the following research questions are addressed:

1. What factors led to the construction of so many low-rise buildings in New Westminster?
2. What is the state of existing low-rise buildings in terms of their location, size, age, design, physical condition, rental rates, and neighborhood?
3. Who are the people that live in low-rise apartment buildings?
4. Who are the owners of low-rise apartment buildings, and why do they own such buildings?
5. What national, provincial and local government programs have been developed to deal with tenant, owner, and building needs?
6. What is the future of low-rise apartment buildings in New Westminster?
7. What are the threats to low-rise apartment buildings, and what policies and programs might be useful in dealing with any threats?

1.2 Rationale

The problem of affordable rental housing is the most important housing problem facing Canadians. Low income households are forced to pay rents in excess of the acceptable norm of 30 percent of income and, as a result, are often unable to provide
themselves or their families with adequate food or clothing. The supply of affordable rental stock coming onto the market is insufficient to meet current need. There are several reasons for this. Firstly, it is not profitable for the private sector to build at existing market rents. Secondly, government finds it too costly to provide the capital to fund new rental accommodation. Since very little new rental stock is being built, it is important that the existing rental stock be conserved.

Most of present rental stock is market rentals, meaning that the buildings are owned by private investors as opposed to nonprofit societies or public corporations. It is therefore important to understand how owners, tenants, and government programs interact to produce the types of arrangements we now have in these buildings.

In many communities the present rental stock is under severe pressure for redevelopment. Existing market rents often do not provide a competitive rate of return for the private investor. When market factors allow a conversion to a more profitable use, existing affordable rental stock is either 'bulldozed down' or converted to luxury apartment accommodation. If existing market rental buildings are important because they provide so much rental accommodation to people, and if they are building few new rental units, we need to better understand how they work and what can be done to conserve them.

Very little literature exists on the low-rise rental stock.
Books and articles have been written in the United States on the state of multi-family rental housing and on the garden apartment rental stock, but almost nothing, outside a report prepared by Peter Barnard Associates for the Ontario Ministry of Municipal Affairs and Housing, has been written on the low-rise stock. This may be related to the preoccupation of many persons who are interested in rental housing with the creation of new units rather than with the conservation of existing stock. It seems that in the United States and Canada rental buildings must reach a state of extensive deterioration or abandonment before people really get interested in preservation of existing stock.

1.3 The Context: local rental housing markets

In Greater Vancouver

Greater Vancouver, of which New Westminster is a part, has been experiencing continuously increasing pressure on its rental stock. Economic growth and international immigration have led to large numbers of persons coming to British Columbia, and especially the greater Vancouver area.

In the absence of any significant increases in supply, vacancy rates have fallen to almost zero in most areas of the Lower Mainland. This has produced a continuous upward pressure on rents, resulting in many cases, in rent increases of 20 and 30 percent per year. Rental housing has become less and less affordable in the lower mainland over the past several years.

Investors in existing low-rise buildings in some areas of
Vancouver have found that the escalating prices of housing and land make the demolition of existing low-rise buildings attractive. For instance, many low-rise rental buildings have been demolished in the Kerrisdale neighborhood of Vancouver over the past several years. They have been replaced by high priced condominiums. Existing tenants were displaced, often with considerable emotional distress. Government initiatives to ease the problem through support to the private sector to create more rental housing have led to the creation of few new rental units.

In New Westminster

One of the objectives of New Westminster's Official Community Plan is to "provide adequate, safe, healthy housing for all the citizens, while encouraging diversification of places to live with respect to financial resources, ages and household composition" (City of New Westminster 1982c, 8). To fulfill this commitment, as well as to fulfill its commitment to the development of a regional town centre, the City of New Westminster has worked with the Provincial Government and the private sector in developing New Westminster Landing, also known as New Westminster Quay. In addition to the development of commercial buildings, 1016 condominium units have already been constructed in New Westminster Landing to meet the housing needs of middle income people. Another 300 units are under construction or will be constructed in the near future.

To the west of New Westminster Landing, along the Fraser
River, another large development is under construction. The Renaissance Neighborhood will see the construction of 1400 condominium units for middle and upper income persons. Fraser Heights, located on the site of the old B.C. Penitentiary, is another neighborhood in which the City of New Westminster has been active in encouraging housing development. This neighborhood will have 903 single family houses or condominium units when it is completed. Already there are 639 housing units completed or are under construction.

The City of New Westminster has certainly fulfilled its objective of encouraging development of housing for some citizens with the development of 3626 dwelling units. However, it appears that not all citizens have benefited as was outlined in the housing objective in the Official Community Plan. New dwelling units created in the three new neighborhoods are for ownership by middle and upper income citizens.

Within New Westminster's Official Community Plan is a housing policy whereby "diversified housing types should be encouraged for people with low and moderate incomes; various ages; different family sizes and housing preferences" (City of New Westminster 1982c, 15). Although 156 cooperative housing units were included in the New Westminster Landing Neighborhood, there were no provisions for the inclusion of cooperative housing or social housing in the Renaissance or Fraser Heights neighborhoods. Only four percent of the dwelling units that have been or will be built in the three New Westminster
neighborhoods will have been built for rental purposes. In effect, no new accommodation for people of low or moderate income has been provided.

Since little new construction for rental purposes is being undertaken in the Province, the Greater Vancouver Region, or in the City of New Westminster it was felt that an exploratory study should be undertaken on the state of the existing rental stock.

1.4 Scope

This thesis focuses on market rental low-rise apartment buildings containing six or more units in two New Westminster neighborhoods. One of these neighborhoods is referred to as the Uptown neighborhood by the City of New Westminster Planning Department. The other is the Brow-of-the-Hill neighborhood, which is, for the purposes of this thesis, further divided into eastern and western Brow-of-the-Hill. These three neighborhoods together are referred to in the thesis as the study area.

Boundaries of the neighborhoods used in this thesis are somewhat different than the boundaries as determined by the City of New Westminster's Planning Department. For instance, the Uptown neighborhood referred to in this thesis runs from Sixth Avenue in the North to Royal Avenue on the South, and from Sixth Street on the East to Eighth Street on the West. The eastern Brow-of-the-Hill neighborhood runs from Sixth Avenue on the
North to Royal Avenue on the South, and from Eighth Street on the East to Twelfth Street on the West. The western Brow-of-the-Hill runs from Twelfth Street on the East to Fourteenth Street on the West, and from Sixth Avenue on the North to Third Avenue on the South.

The boundaries were chosen on the basis of differing characteristics, historical reference, and ease of analysis of census data. The Uptown area, as defined in the thesis, shares similar boundaries with Census Tract 205, while the eastern Brow-of-the-Hill neighborhood has similar boundaries as Census Tract 204. The western Brow-of-the-Hill has similar boundaries as Census Tract 202. At times the term unadjusted study area is used, and it refers to the area contained by Census Tracts 202, 204, and 205.

The neighborhoods were chosen for study primarily because of the large numbers of low-rise rental buildings within their boundaries. Another reason for selecting them is that because of their proximity to Vancouver, as well as their good transportation and community facilities, they are now under pressure for redevelopment. These neighborhoods and their buildings are in the forefront of the conflict between market forces pushing for higher returns on investment, and the needs of low and moderate income people for housing in locations that meet their needs. It is important to describe the participants in this conflict as well as land and buildings that are the subject of disagreement.
1.5 Methodology and Organization

Very little literature on the low-rise apartment building is available. In 1985 the Ontario government commissioned a study of low-rise buildings since such buildings comprised a significant proportion of the province's rental stock (Peter Barnard Associates 1985). They also were aware that the low-rise stock was a source of a great deal of low cost housing and that the stock was getting older so that deterioration of the buildings was likely. In addition, little research had been done on the subject in Ontario.

The study had a number of aims which included a desire to better understand the characteristics of the buildings, their owners and their tenants. The Government of Ontario wanted to identify the future of these units and policy issues arising from their projections.

Peter Barnard Associates conducted in-depth personal interviews with owners and tenants of these buildings throughout Ontario. In addition, the study organizers had trained inspectors go over approximately 100 buildings to evaluate their present condition. Finally, Peter Barnard Associates interviewed housing analysts as well as federal and provincial government officials to get their views on this important stock.

Peter Barnard Associates findings suggested that low-rise units accounted for one-quarter of all rental accommodations in the province. One-third of all the existing low-rise buildings
in the Province of Ontario were over 40 years old, and 25 percent of them were in need of rehabilitation. Another important finding was that units in low-rise buildings in large cities tended to rent at significantly lower levels than units in other rental forms. In fact such units attracted a significant number of tenants whose incomes were at or below the poverty line, and therefore these units, in terms of affordability, were especially valuable.

Peter Barnard Associates found that the majority of owners were small business people for the most part, and often individuals or husband and wife operations. The motivation of these small entrepreneurs and their management practices differed from the large scale owners (holding companies). Finally, they found that the low-rise stock, in a number of urban areas in the Province of Ontario, was threatened with demolition for redevelopment, conversion or luxury renovation. This threat was related to the age of the stock and to the disincentives for owning these buildings experienced by the owners.

Since little information was available in written form on low-rise apartment buildings, a variety of other techniques were used in obtaining data on buildings, tenants, and owners, including information from the following sources:

1. reports from the City of New Westminster's Planning Department;
2. information supplied by the City of New Westminster's Planning Department upon request;
3. census data from Statistics Canada;
4. interviews with municipal planners, community workers, local politicians, low-rise apartment building owners and developers, Federal and Provincial Housing officials, as well as one public housing developer and manager;
5. newspaper articles;
6. information on a sample of low-rise apartment buildings including British Columbia Assessment Authority data, Land Titles data, and Vancouver Real Estate Board data; and
7. journal articles and books on the topics of real estate investment, property management, neighborhood revitalization and displacement, and construction of rental accommodation.

Chapter Two provides a brief history of apartment building construction in Canada, Greater Vancouver, and most specifically New Westminster. The reasons for construction of rental units, and more specifically low-rise market rental units is provided from 1910 through 1985.

Chapter Three provides a description of low-rise building characteristics in the study area of New Westminster. These characteristics include size, age, design, physical condition, and rental rates. In addition, neighborhood quality is
addressed using several criteria. Government programs affecting the low-rise stock is briefly examined.

Chapter Four looks at the residents of low-rise apartment buildings in the study area from the point of view of their age, size of household, family configuration, education, labour force participation, income, and mobility.

Chapter Five presents ownership characteristics of a sample of 20 low-rise apartment buildings in the study area. Characteristics such as ownership form, degree of leverage, length of holding period, assessed and market values of properties, rental rates, and returns on investment are determined.

Chapter Six brings the chapters on the existing state of affairs in buildings, tenants and owners together by determining how each meets the needs of the others. This chapter deals with the suitability or fit of buildings to tenant and owner needs. Where problems exist they are noted for later treatment.

Chapter Seven begins with a brief look at the future of the low-rise apartment stock in the study area, and notes any situations threatening the longevity of the stock. The majority of this chapter deals with solutions to the threats to low-rise apartment buildings in the study area.
CHAPTER TWO

HISTORY

This chapter discusses changing supply of and demand for apartment rental accommodation in New Westminster for the years 1910 to 1986 in order to discover the reasons why low-rise apartment buildings were constructed. Frequent reference is made to Canadian and Vancouver figures on apartment unit starts because national and regional issues determined growth in apartment construction in New Westminster to a great extent. The 1960s receive the most attention because this decade saw the construction of the greatest number of New Westminster's low-rise rental buildings.

Any analysis of apartment construction trends over many years is hampered by the availability of data in a disaggregated form. For instance, some reports on housing starts include data on apartments in the same category with row and duplex housing. Therefore, in the following discussion, care is taken in specifying whether starts and completions are of multiple dwellings, apartments, or low-rise units.

2.1 Before World War II

Increasing Demand for Apartments. Single family detached dwelling units have outnumbered multiple dwelling units throughout the course of Canadian history. However, the proportion of single as opposed to multiple unit structures built at any particular time has changed. For instance,
dwelling units completed in multiple structures increased from 24.45 percent of all completions in 1921 in Canada, to 63.5 percent of all completions in 1940 (Buckley 1965, Series R133-139).

In most areas of Canada apartment construction was relatively insignificant prior to the 1920s. For instance, there were only 35,095 apartments in Canada in 1921, comprising only 2 percent of all dwelling units. In British Columbia there were 2,175 apartments making up only 1.8 percent of all dwelling units. New Westminster had 46 apartment units in its total stock of 2,991 dwelling units. Unquestionably, the most popular form of accommodation was the single detached dwelling unit (1921 Census of Canada).

Apartment growth, as a part of the overall growth in multiple structures, occurred in two expansion periods between 1926 and 1940. The first occurred in the mid-1920s through a large increase in the population in age groups with a high propensity to rent. By 1931 there were 342,659 apartments in Canada's making up 15.54 percent of all 2,205,228 dwelling units (1931 Census of Canada).

In Vancouver, apartment construction made up 30 percent of all residential construction between 1926 and 1929, and by 1931

-------------------

2 Table 1 provides information on the number of apartments in the dwelling stock from 1921 through 1981 for Canada, Vancouver, and New Westminster. In addition, the percentage of total dwelling units that are apartments is given by decade.
there were 9,160 apartments in the city (City of Vancouver Building Inspector Records and 1931 Census of Canada). This represented 16 percent of the total housing stock of Vancouver. In comparison, Montreal had 149,154 apartments at this time, which represented 87.8 percent of its housing stock (1931 Census of Canada). New Westminster had 444 apartment units by 1931, and this represented 10.8 percent of its total dwelling stock.

A much slower expansion in the apartment stock, generated by the rising profitability of apartment construction, began in 1933, but ended a couple of years later. Out of a total of 438,200 dwelling units completed between 1929 and 1939 in Canada, one hundred and ninety thousand or 43.5 percent were urban apartment completions, and by 1941 twenty-one percent of Canada's dwelling stock was classified as apartments (1941 Census of Canada). By 1941 21.6 percent of Vancouver's 71,116 dwelling units were apartments.

During the course of the two decades from 1921 to 1941 it is estimated that the incidence of home ownership in urban areas declined somewhat. Increased popularity of the apartment was the result of growing urbanism and rising land values leading to a lack of affordability of single family accommodation. However, even though apartment living got a boost between 1920 and 1940, by the end of 1940, 54 percent of the urban housing stock, and 94 percent of rural housing stock were single family dwellings (1941 Census of Canada)
## TABLE 1

APARTMENT STOCK BY DECADE FOR CANADA, VANCOUVER, AND NEW WESTMINSTER

<table>
<thead>
<tr>
<th>Decade</th>
<th>Canada</th>
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<th>New Westminster</th>
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</thead>
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<tr>
<td></td>
<td>(2)</td>
<td>(6)</td>
<td>(2)</td>
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<tr>
<td>1921</td>
<td>35,095</td>
<td>1,380</td>
<td>46</td>
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<tr>
<td></td>
<td>(16)</td>
<td>(16)</td>
<td>(11)</td>
</tr>
<tr>
<td>1931</td>
<td>342,659</td>
<td>9,160</td>
<td>444</td>
</tr>
<tr>
<td>1941</td>
<td>533,034</td>
<td>15,361</td>
<td>2,738</td>
</tr>
<tr>
<td></td>
<td>(21)</td>
<td>(22)</td>
<td>(30)</td>
</tr>
<tr>
<td>1951</td>
<td>885,565</td>
<td>28,420</td>
<td>1,705</td>
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<td></td>
<td>(26)</td>
<td>(28)</td>
<td>(21)</td>
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<tr>
<td>1961</td>
<td>1,151,098</td>
<td>37,520</td>
<td>2,738</td>
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<tr>
<td></td>
<td>(25)</td>
<td>(32)</td>
<td>(30)</td>
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<tr>
<td>1971</td>
<td>1,699,045</td>
<td>72,800</td>
<td>8,900</td>
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<tr>
<td></td>
<td>(28)</td>
<td>(48)</td>
<td>(58)</td>
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<tr>
<td>1981</td>
<td>2,586,570</td>
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<td>not available</td>
</tr>
<tr>
<td></td>
<td>(32)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistics Canada. Census reports from 1921 through 1981.

*Figures in brackets represent the percentage of an area's dwelling unit stock that are apartments.

---

For most census years apartments are found in the apartment and flat category. The 1981 census referred to this category as other multiple dwellings. The majority of accommodation included in this category is high and low-rise apartments, but there is a minority made up of other multiple types (e.g. duplexes, basement suites). More recent census reports disaggregate this general category into types of apartments (e.g. high and low-rise). However, in order to make comparison between decades the more encompassing category is used.
2.2 Post War Construction

1940 to 1955, Decreasing Apartment Supply. During World War II all residential construction decreased. After the war, multiple structure completions, as a percentage of all residential completions, decreased to a low point of 18.8 percent in 1946. From 1940 to 1949 only 26 percent of all dwelling units completed were in multiple structures (Buckley 1965, Series R133-139). In the 1950s apartment construction continued to assume a small portion of total dwelling unit construction. Between 1949 and 1959 only 20 per cent of new dwellings were apartments (Wheeler 1968, 27).

Increases in single family detached dwelling construction, reaching a high of 74.24 percent of residential construction in 1951, can be attributed to several factors (Steele 1983, Series S190-194). Firstly, increasing average incomes made single family home ownership affordable, and secondly, the introduction of government programs favored single family accommodation. For instance, favorable National Housing Act mortgage terms stimulated the construction of single family dwellings (Canadian Builder 1965, 41).

Structural Type of Apartment Buildings Built Locally Before 1955. Although medium-rise apartment blocks might have been more popular in other parts of Canada, before 1955, the typical Vancouver apartment was a frame walk-up building with fewer than thirty suites (Watts 1964, B-1). Apartment buildings built for...
rental purposes in New Westminster before 1955 were also the
frame walk-up type, except that the low-rise apartment buildings
built in New Westminster tended to have fewer than 16 suites.
Only 6 of 34 low-rise apartment buildings standing today, built
prior to 1960, have more than 16 suites (City of New Westminster
Planning Department 1989).

Few apartment buildings constructed in the New Westminster
study area have been demolished. Since 1976 only two low-rise
buildings have been demolished (City of New Westminster Planning
Department 1989). Therefore, we can assume that most of the
low-rise stock built in the study area prior to 1960 is still
standing. Of these 34 buildings containing 447 apartment units,
four were built between 1910 and 1919, 3 were constructed
between 1940 and 1949, and 27 were built between 1950 and 1959
(City of New Westminster Planning Department 1989).

The greatest concentration of these older low-rise buildings
in the study area are in the western Brow-of-the-Hill
neighborhood (9 buildings), along the east side of Eighth Street
(9 buildings) in the Uptown neighborhood, and in the 400 and 500
block of Seventh Street in the Uptown area.

Increasing Apartment Construction in the Mid-1950s. In the
mid-1950s the number of multiple dwelling units, as a percentage
of all dwelling unit completions, began to increase again. In
1955, the number of dwelling units completed in multiple
structures in Canada, as a percentage of all dwelling units
completed, was 30 percent, and the percentage increased to 35 percent in 1959 (Steele 1983, Series S190-194).

In addition, apartment unit share of multiple unit construction began to increase. Of the 49,167 multiple dwelling unit starts in 1959 in Canada, 36,791 or 74.83 percent were apartments (low and high-rise), up from 1951 when 63.3 percent of all multiple unit starts were apartment starts (Wheeler 1968, 37). The apartment form of multiple dwelling unit had clearly become the dominant form.

In British Columbia, the apartment captured 78.98 percent of the multiple dwelling starts in 1959. However, multiple dwelling unit starts comprised only 17.1 percent of all starts, lower than the 26 percent of all dwelling unit starts in the whole of Canada (Steele 1983, Series S190-194).

Multiple family dwelling unit starts increased in Metropolitan Vancouver from just under 1500 units per year in 1954 to over 3000 units per year in 1958. In 1959, Metropolitan Vancouver had 89.26 percent of its multiple dwelling unit starts in apartments (Steele 1983, Series S190-194).

Reasons for Increased Apartment Demand After 1955. Reasons for increased demand for apartment rental units beginning in the 1950s were increasing urban concentration, undoubling of shared households brought about by increasing housing supply, increases in non-traditional family households such as young people in their early twenties and people over 65, and increases in
employment income.

The proportion of Canada's population living in urban areas increased from 56 percent in 1941 to almost 70 percent in 1961 (Watts 1964, B-1). This increase in urban populations due to in-migration during the war years and immigration after the war, created greater demands for housing, especially in our larger Canadian cities.

Government initiatives, designed to provide employment for returning soldiers, helped to increase the supply of accommodation which allowed persons who had been living together because of no alternate accommodation to find other housing. Demand for new housing attributed to this 'undoubling' of shared households increased from an average of 7,100 per annum from 1951-1956 to 10,000 from 1956-1961 (Canadian Builder 1965, 41).

Although average net family formation remained about the same between 1951 and 1961, non-family household formation increased. Between 1956 and 1961, net non-family household formation in Canada accounted for 23 percent of total net household formation (Canadian Builder 1965, 41). These non-family households were mainly composed of young single people, those over 65 years of age, and increasing numbers of divorced and separated persons.

Higher incomes played an important role as well in creating increased demand for apartments, by enabling the formation of non-family households. Of course, the type of accommodation that young and senior persons would be demanding was smaller and cheaper forms of housing that could be rented.
Market Conditions (Supply). The factors producing an increase in supply of rental apartments in the latter half of the 1950s were changing market conditions and new government programs.

The shift to urban living, increasing incomes, and consequent increases in non-family households put pressure on the supply of urban land. In the 1950's residential land prices began to skyrocket in urban centers. Developers found that increased costs due to high land prices, when added to the general increase in construction costs, priced the single-family residence out of the reach of a large proportion of potential buyers. For those individuals who wished to remain in urban centers the only option was to rent, and builders responded by constructing more apartment buildings.

Increasing land costs not only forced a change in building from single family to multi-family, but also put pressure on developers to change the location of their multi-family buildings. Building costs could be decreased, and profits increased by finding less expensive building sites away from the central areas of Vancouver, in either the more outlying areas of Vancouver such as Marpole, or in the neighboring suburbs of New Westminster, Burnaby, and to a lesser extent North Vancouver (Watts 1964, B-1).

Government Policies and Programs. The increase in supply of housing, both single family and multiple, couldn't have occurred without federal housing programs. Parliament created a new
Crown agency, the Central Mortgage and Housing Corporation (CMHC) which commenced operations in 1946 to carry out the federal government's housing responsibilities. National Housing Act mortgages were introduced.

In addition, the Veterans' Rental Housing Program, which aimed at building 10,000 homes per year, became the primary program for rental housing, supplemented by the Limited Dividend Housing Program. Under the Limited Dividend Program rental housing developers, who agreed to limit their profits and to limit occupancy to persons whose incomes fell within guidelines established by the CMHC, received mortgage loans from the CMHC.

2.3 The 1960s

Increasing Demand for Apartments in Canada. The increased demand for rental housing in the 1960s was an accentuation of some of the factors that had begun to emerge in the 1950s, including increasing urbanization, the undoubling of households, the increase in marriages, the beginnings of growth in non-family households, and the increase in home ownership costs.

The biggest boost to rental housing in the 1960s was given by the rapid increase in non-family households, the result of the coming of age of postwar babies, and the sharp rise in the divorce rate. Non-family household formation in Canada increased from annual averages of 12,400 from 1951-1956, 28,600 from 1956-1961, and 41,000 from 1961-1966 (Smith 1971, 13).

In the early 1960s rental housing became more and more
attractive to many Canadians as the cost of single family accommodation increased, the result of increasing land and construction costs (District of Burnaby Planning Department 1969, 8). In Vancouver average area house prices increased 20 percent between 1965 and 1968 (Metro Trends 1969).

As house prices increased, required down payments increased, making it more difficult for people to purchase homes. Vendor financing emerged as a response to this problem, but certainly was only a partial solution.

On top of monetary increases in house prices and down-payments, there were also increases in mortgage lending rates from 6 1/4 to 9 1/8 percent in the latter half of the 1960s (Metro Trends 1968). Therefore, increasing home ownership costs made rental accommodation more and more attractive.

**Increasing Demand in Vancouver.** In Metropolitan Vancouver the increase in non-family households was fuelled in part by an average annual increase of seven percent in young adults of apartment renting age from 1961 to 1966 (1961 and 1966 Census of Canada). Increased non-family growth was also the result of an increase in the number of divorces.

In Vancouver marriages rose in 1965 to 6431 per annum after having remained relatively stable in the early 1960s, varying between 5318 to 5683 per annum between 1960 and 1964 (Wheeler 1968, 28). More Vancouver marriages increased the demand for apartments by young, newly married couples who couldn't afford
to buy in an increasingly expensive single family detached housing market.

**Increased Demand in New Westminster.** New Westminster's population increased 20 percent from 1961 to 1971, due in no small measure to apartment construction activity that had 'spilled over' from Vancouver and Burnaby (City of New Westminster Planning Department 1989). Apartments in New Westminster provided affordable accommodation to young men and women whose incomes allowed them to leave their families to set up their own households.

In addition to young adults, a rapidly expanding group of persons over 40 years of age (often empty nesters or retirees), and young married couples, were attracted to the centrality to jobs, facilities, good transportation, and social services that New Westminster provided.

Many people, including the elderly, single parent families, and low income households found that the suburbs did not provide them with good transportation and social services that they needed. The development of such services takes time. For instance, in an April, 1969 newspaper article the then Social Service Administrator for New Westminster, Mr. Jones, indicated that people were attracted to the apartments of New Westminster because of the city's centrality, and its compactness allowing accessibility to services like hospitals, Canada Manpower offices, and welfare services (Leech 1969).
Supply in Canada, Vancouver, and New Westminster in the 1960s.

The private sector, with substantial government assistance, responded to increased demand for affordable rental housing in a significant way. The vigor of the private sector in producing rental apartments in the 1960s in Canada is evidenced by the fact that such accommodation accounted for 47 percent of all housing starts between 1963 and 1970. Eighty-five percent of Canadian rental apartment starts, in the period between 1963 and 1970, were private nongovernment assisted starts. Apartment dwelling starts in Canada amounted to 648,022 between 1960 and 1970 (Steele 1983, Series S190-194).

In New Westminster there were approximately 4800 apartment starts between 1960 and 1970, and most of these were low-rise units built for the rental market (City of New Westminster Planning Department 1989). The busiest years for apartment construction in New Westminster were from 1965 to 1970. During this period apartment units represented 95 percent of all residential starts in New Westminster (New Westminster Planning Department 1989). During the 1960s, 3247 apartment units in low-rise buildings were constructed in the study area (City of New Westminster Planning Department 1989). But what kind of low rises were built?

Most apartments in low-rise rental buildings constructed in the 1960s were one bedroom units. Figures for 1969 indicate that there were 64.9 percent one bedroom apartments, 12.2 percent bachelor units, and 22.9 two or more bedroom apartments.
in low-rise buildings in New Westminster (Metro Trends 1970, B-11)

Builder's decisions to construct primarily bachelor and one bedroom units tended to discourage tenants with children from living in low-rise buildings. As a result, the predominance of small apartments had implications for age and family structure distribution within the population of the study area. In addition to the limiting factor of apartment size, many owners consciously chose to restrict apartment rentals to persons without children.

A newspaper article in the 1960s reported:

Unless there is a change in policy to the effect that provision is made for family accommodation in multiple dwellings, the present trend could radically change the age-mix of the City's residents...If the present trend continues this would result in a reduction in the number of residents within the age range of 35-50 years as they move out in search of family accommodation, and an increase in the number of persons in the 19-24 and 65+ age groups. Any disproportionate growth in these age groups would further skew the City's age-sex pyramid (New Westminster Columbian, July 16, 1970).

Government Policies and Programs Encourage Supply. The increase in demand from households unable to buy single family accommodation due to increases in land, construction, and finance costs were, of course, important factors in bringing on rental apartment construction. However, it was the involvement of the federal government, with its subsidies through the income tax system, and local government through its encouragement of multi-family development that really paved the way for the rapid construction of apartments.
Local Government Programs. In the 1960s, central areas of the Lower Mainland, such as Vancouver, Burnaby and New Westminster, had little vacant residential land for development. Land costs were high, making single family detached accommodation expensive. In the suburbs land costs, and therefore housing costs, were lower making these areas more attractive to families in the 1950s. A great deal of development was bypassing inner city suburbs for the newer suburbs of Surrey, Delta and Coquitlam.

In addition, some single family neighborhoods of Vancouver and New Westminster had deteriorated by the 1960s, with the result that municipal treasuries were suffering. The Federal government's perception of the need to meet the housing needs of 'baby boomers' and the elderly, combined with the need for inner city areas to be revitalized to increase tax revenues, produced incentives for government involvement in apartment development.

In the early 1960s, the net worth of the City of New Westminster, as measured by the assessed value of its buildings, was actually decreasing, according to former Director of Planning, Barry Chaster. Although there is some evidence that the City of New Westminster would have preferred several of the areas identified in the urban renewal study of 1965 to be developed as single family neighborhoods, city officials could see that developers were not interested in single family detached housing because of high land costs. The City of New
Westminster, therefore, decided to accept and encourage apartment development, and in 1965 adopted regulations to control the location and development of apartment areas. Two of these areas were the Brow-of-the-Hill and Uptown neighborhoods (New Westminster Columbian, October 8, 1965).

The designation of neighborhoods for apartment development had its desired effect. For instance, one article in the local New Westminster paper recounted how 15 apartment buildings had replaced 48 single family houses, bringing far greater dollars to the local tax rolls and providing accommodation for many more people (The New Westminster Columbian, January 20, 1967).

However, the demolition of single family housing was not without its problems.

One New Westminster newspaper article states:

Much of the City's housing stock which accommodates residents of the lower income group is presently in such a state of obsolescence that it should be replaced. Some is already being replaced by new multiple accommodation, but because of the high rents on completion, this new accommodation prohibits the displaced persons from occupying the units. These displaced people must either migrate to other low-rental accommodation within the City or seek housing in other parts of the Lower Mainland (New Westminster Columbian, January 20, 1967)

Local government also provided speedy development application processing for developers in New Westminster in the 1960s, according to Barry Chaster, Planning Director for the City of New Westminster at the time. In addition, at least in the beginnings of low-rise development in the study area, the City was prepared to accept apartments of a quality and design that
other municipalities might have not been too interested in accepting, according to Mr. Chaster.

New Westminster's floor area ratio at 1.2 for three-floor frame construction, was among the highest of any municipality in the lower mainland in the 1960s, and would have been attractive to developers of apartment buildings. At the time FARs for medium density three story frame construction was .90 in Burnaby, .60 in Coquitlam, 1.0 in North Vancouver City, and 1.0 in Delta (Corporation of the District of Burnaby Planning Department 1969, Appendix II).

In addition to tax advantages, and a favorable treatment from local government, builders were also attracted to New Westminster because of its other advantages.

The Director of the New Westminster Planning department during the 1960s, Barry Chaster, states:

New Westminster had a lot of infrastructure that other places didn't have. Burnaby was just a place between Vancouver and New Westminster. New Westminster had an urban feel, urban facilities, schools, park, shopping, everything close by. One could get to anything you needed in three minutes, and the City promoted those things to get development, because there was negative growth at that time (Chaster 1989).

Federal Government Programs. However, favorable local government treatment alone would not have attracted the builders. Rental housing benefited substantially from tax incentives during the 1960s. For instance, capital cost allowances (depreciation) were in excess of true economic depreciation, rollover provisions enabled the postponement of
recaptured depreciation on the sale of an investment property, capital gains were not taxed, book losses were deductible against other income which enabled a tax sheltering of other income, and special tax treatment was provided on death. Such favorable tax treatment meant that an investment in rental property to earn income could bring returns to an investor which were far in excess of returns he could receive from an investment of similar risk.  

Of special value to the investor was the tax regulation that enabled the investor to write off losses from the investment, which are quite common for a rental building carrying a high mortgage, against other income. Often the investor in New Westminster low-rise buildings was a professional, such as a doctor, who could financially handle the amount of cash necessary to have the building constructed. He, of course, could write any losses off against his professional income.

Who Built Low-Rise Buildings? According to Bill Racinello, a New Westminster builder and low-rise apartment building owner, the builders who constructed low-rises in the study area were in the beginning stages of their business careers. For instance, Wall and Redekopp, a firm that became fairly large in the real

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4 To realize how good these tax incentives were, it was estimated that when these incentives were removed in 1972 the after-tax rate of return for individuals investing in a sample of rental apartments fell from a pre-1972 average of 57 percent to 13 percent (Clayton Research Associates 1984, 35).
estate industry in the Lower Mainland, were just starting out. The majority of builders were small time contractors, rather than large development companies, who would build only two or three buildings and usually sell them. A few builders would keep some of their buildings, while selling others to investors. Furthermore, most of the builders had some past experience with wood frame construction, while very few had any experience with concrete construction.

Since they were small builders, the amount of cash they could invest was limited. New Westminster apartment building sites were relatively inexpensive. For instance in 1969, price per square foot for land was $4.70 to $6.00 in the Marpole district of Vancouver, $3.35 to $6.00 a square foot in the Lower Lonsdale area of North Vancouver City, and $3.75 to $4.50 a square foot in the New Westminster study area (Metro Trends 1970, B-4).

With a willingness on the part of City Hall to accept developments that some other municipalities might not find too attractive, less expensive buildings could also be erected in New Westminster. For instance, in 1969 the average cost to build an apartment unit of average quality was $2800 to $3500 in Marpole, $2400 to $4000 in Lower Lonsdale, and only $2000 to $2300 in the New Westminster study area (Metro Trends 1970, B-4).

**Building Location.** According to Bill Racinello, apartment construction in the study area first began in the northern part
of the Uptown neighborhood near Woodwards Department Store. The reason for initial construction in this location was that mortgage companies favored this area, and if builders intended on building an apartment outside this general area, they might not get a mortgage. Mortgage companies in the early 1960s were not too interested in financing projects in the eastern Brow-of-the-Hill area.

**Quality of Low-rise Buildings Constructed.** The low-rise buildings constructed in the 1960s and 1970s were architect designed, and in the opinion of both builders and city officials, were fairly well built for their time. Improvements in building materials and methods of construction have occurred since these buildings were erected. For instance, in the 1960s insulation was placed between floors for soundproofing, whereas now floors are of concrete. In addition, fire safety standards have improved since the time of the construction of many of these buildings, so that older low-rise buildings in New Westminster must now bring their fire alarm systems up to modern standards.

**Concerns Regarding Adherence to Building Plans**

Lax inspection of buildings under construction was criticized by the New Westminster Advisory Planning Commission on a number of occasions during the 1960s (New Westminster Columbian, August 5, 1966, and July 20, 1969). The complaints involved the
failure of builders to adhere to the plans they submitted to the City before they began construction. Parking, landscaping, and fencing of new apartment blocks were often severely altered between the time the plans were submitted and the building completed. Unfortunately, when the infractions were not picked up by inspectors, they were not corrected. As a result, low-rise buildings were often not provided with the prescribed number of parking spaces.

2.4 The 1970s

Demand. The demographic forces that pushed for purpose-designed apartment building construction in the 1960s continued into the 1970s, although with diminishing intensity. For instance, the net change in the number of households in the 15-34 age bracket, the primary group for rental housing demand, declined from an annual average of 116,500 in 1971-1976 to 90,100 in 1976-1980 in Canada (Clayton Research Associates 1984, B-3).

Decreasing Supply. Between 1970 and 1973 apartment dwelling starts averaged around 100,000 per year in Canada (Steele 1983 Series S190-194). The forces maintaining this high level of multiple rental starts included the long planning and preconstruction lags, rising inflationary expectations, and a low real mortgage rate.

However, in 1974, only 74,025 starts were recorded (Steele 1983 Series 190-194). The same pattern holds true for New
Westminster, although there is some indication that starts actually fell several years earlier.

**Causes of Decreased Supply.** The forces leading to a decline in apartment building construction beginning in 1973 include decreasing rental rates brought about by the late 1960s boom in rental apartment construction, lower incomes of people renting apartments and thus lowered ability to pay, movement of renters to ownership, changes in government policies around income tax deductions, and government regulation of the rental housing industry which led to decreased investment. Although there was a slowdown in apartment construction, it was short-lived.

The most significant factor leading to decreases in apartment unit supply was the changes in income tax regulations in 1972, referred to above, that removed the incentives to invest in rental apartment construction. As a result, apartment construction slowed down dramatically in 1974 in Canada, and led to shortages of rental apartment units in major Canadian cities in the mid-1970s.

**New Programs to Encourage Apartment Construction.** When the federal government realized that rental apartment shortages existed, they introduced a number of programs in the mid-1970s to encourage rental apartment construction. In December 1974, the Federal government reversed its position and temporarily allowed losses from apartment operation to be deducted from
other income on new multi-unit residential buildings (MURBs) for which construction was started within a specified period. This MURB provision was extended annually until the end of 1979, when it was terminated for new construction. It reappeared for one year in 1981.

The MURB provisions are referred to as tax expenditures as opposed to the Assisted Rental Program (ARP) and the Canada Rental Supply Program (CRSP) which are referred to as expenditure subsidies. Under MURB the federal government did not allocate a specific amount of money for the program, but rather allowed certain income tax deductions. Under ARP and CRSP specific amounts of money, in the form of grants or loans, were set aside as subsidies for rental construction.

Between 1975 and 1979, approximately 19,000 units of rental housing in the Lower Mainland received assistance through MURB provisions. In New Westminster, for the same period, 1,052 units received benefits under the MURB program (Kamenz 1989, 36).

Another 1970s rental supply program to encourage apartment construction was the 1975 initiated Assisted Rental Program (ARP). This program at first provided direct annual subsidies to privately initiated rental projects. Program details changed over its four years of operation, but essentially it provided a 5 to 15 year subsidy stream which decreased annually. There were restrictions on rents, unit size, and unit cost. Those formulating the program wanted regulations that ensured that the stock remained as rental for a period of time and that it be of
moderate price and size.

In 1976 ARP changed from a grant to an interest free loan which increased the attractiveness of stacking MURB and ARP. Between 1976 and 1979, seven thousand eight hundred and eighty-three rental units received assistance under the ARP program in the Lower-Mainland of British Columbia, while 609 rental units in New Westminster received help under this program (Kamenz 1989, 39). New government commitments to the program ceased in 1978.

As a result of these government initiatives, apartment starts surged in 1976 and 1977, and conditions in the rental market improved. Average rent increases declined and vacancy rates increased. Over 40 percent of all apartments built in the 1970s received direct assistance in one form or another from the federal government, and of these, over 51 percent were projects sponsored by private developers (Clayton Research Associates 1984b, 9).

In 1978 Federal government subsidies were reduced, and market rental apartment construction declined steadily throughout the remaining 1970s in Canada. By 1980, private market rental starts had fallen to 10 percent of total starts (Clayton Research Associates 1984b, 10).

By the end of the 1970s eight hundred and seventy thousand apartment units had been constructed in Canada which was slightly more than had been built in the 1960s. In the study area of New Westminster, apartment construction was down to 1220 units, considerably less than the 3247 units produced in the
2.5 The 1980s

Demand. Recovery in rental construction was tempered by increasingly unfavorable demographics in the 1980s. Average annual net household formation in the 15-34 age bracket was expected to decline from 103,250 households in 1971-81 to 62,100 households in 1981-86, and only 13,700 households in 1986-91. In addition, little change was expected in net household formation aged 65 and over (Clayton Research Associates, 1984b, B-3).

Growth in rental construction was also hampered by the continued inability of the rental population to pay increased rents and a lack of government programs to attract investors into the rental apartment construction industry. Although some cities experienced increases in rental demand due to immigration, overall, the net demand for rental housing was unlikely to grow substantially, although there would be a shift in the age composition of this demand and an increase in replacement demand. The lower-mainland experienced large numbers of in-migrants during the early and later parts of the 1980s. This led to increased rents in all areas including the study area of New Westminster.

Supply. Construction of apartment units dropped off considerably in Canada in the 1980s, and averaged only about
15,000 units per year during the first half of the decade. The private sectors share of new apartment construction in comparison to the public sectors dropped appreciably. Few of the units constructed by the private sector were for rental purposes, and in fact were strata titled so they could be sold to individual owners. Owners would often rent them out after they had purchased them from developers.

In the study area the number of low-rise apartment units increased by 426 between 1980 and 1988 (City of New Westminster Planning Department 1989). This represents only an 8 percent addition to the existing stock.

**Government.** The government introduced the Canada Rental Supply Plan (CRSP) in November, 1981. This program provided developers of new private rental housing with 15-year interest free loans. Funding for the program was limited to 30,000 units in tight rental markets. Loans of up to $15,000 per unit were approved.

Under CRSP regulations, developers were required to offer one-third of the units in each development for provincial rent subsidy. Another regulation ensured that the development had to be physically accessible to the disabled, and that a minimum of 5 percent of the units had to be designed for the disabled. CRSP loans could not be used in conjunction with MURB or provincial assistance similar to CRSP. CRSP came to and end in British Columbia in 1984.
In the Lower Mainland, 3,970 rental units received assistance under the CRSP program from 1982 to 1984. In New Westminster 531 rental units were constructed under the program. Kamenz (1989, 52) concluded that market-welfare programs such as MURB, ARP, and CRSP "overwhelmingly concentrated in the established areas like Burnaby, New Westminster, North Vancouver City, Richmond and Vancouver". He found that 79 percent of MURB units, 83 percent of ARP units, and 70 percent of CRSP units were constructed in these Lower-Mainland areas (Kamenz 1989, 52).

In 1989 Provincial and, in the case of Vancouver, Municipal programs have been initiated to encourage the building of apartment rental units.

2.6 Summary

This chapter identifies some of the reasons why low-rise apartment buildings were built in New Westminster during the years 1910 through 1986. The demand factors causing the increase in apartment construction were found to be increasing urbanization, increases in the number of those in the apartment renting ages of 15 to 34, especially during the 1960s and 1970s, and increases in other forms of non-family households such as the divorced, separated, and widowed.

Supply factors encouraging the construction of apartment units, especially in the 1960s and 1970s, were found to be increasing land costs in cities that make higher density residential construction more economical and government programs
that both make apartment construction more financially rewarding and easier to undertake.

Finally, the analysis of apartment construction in the 1980s indicates that when effective demand is lacking, because those demanding rental housing do not have the ability to pay, and government will is lacking in providing incentives to the private sector to build rental housing, then very little market rental housing gets built.
CHAPTER THREE
BUILDINGS, NEIGHBORHOOD, AND LOCAL GOVERNMENT

This chapter describes the existing stock of low-rise market rental buildings in the study area in terms of the numbers and location of buildings within the study area, age of the present stock, size of buildings and apartment units, building and site design, rental price, and present building condition. In addition, neighborhood conditions are considered, followed by a description of local government initiatives in dealing with the stock.

3.1 BUILDINGS

Number and Location of Low-rise Buildings

Most Dwelling Units are Low-rises. The 1986 Census of Canada indicates that there were 6920 dwelling units in the study area. There were 4880 dwelling units in the 'all other dwelling types' category, which includes low-rise buildings, and this category represents 71 percent of all dwelling units in the study area.\(^5\) Apartments over 5 stories account for 22 percent of all dwelling units in the study area, and single detached dwellings account for 7 percent.\(^6\)

\(^5\) The 1981 Census of Canada data on the study area suggests that 95 percent of the 'all other dwelling types' are made up of units in low-rise buildings.

\(^6\) Figures supplied by the New Westminster Planning Department in 1989 suggest that there were 4864 apartments in 160 low-rise buildings in the study area.
Eastern Brow-of-the-Hill has the Largest Number of Low-rises. Sixty percent of apartments in the study area's low-rise buildings are located in the eastern Brow-of-the-Hill neighborhood. City of New Westminster Planning Department figures for 1989 indicate that there are 2891 apartments in 87 low-rise buildings in this area. The Uptown neighborhood has 1682 (34%) low-rise apartments in 59 buildings, while the western Brow-of-the-Hill area has 291 (6%) low-rise apartments in 14 buildings.

Nature of Tenure

Most Low-rise units are Purpose Designed Rental Units. In 1986, eighty-seven percent of the dwelling units in the study area were rentals (1986 Census of Canada). Of the existing 4864 apartments in low-rise buildings, 4337 apartments making up 89 percent of the total, were built by the private sector for rental purposes according to figures supplied by the City of New Westminster's Planning Department. These apartments are contained in 146 low-rise buildings. In addition there are 222 (5%) units in 5 low-rise coops, and 305 (6%) dwelling units in 9 low-rise condominiums. There are likely a number of condominium units that are rented, but they were not built for the rental market.
Building and Apartment Size

Almost One-half of Low-rise Buildings Contain More than 32 Suites Each. 7 Forty-seven percent (68 buildings) of the 146 low-rises built for rental purposes in the study area contain more than 32 dwelling units each. This group of low-rise buildings vary in size from 32 to 117 dwelling units. Only three of these larger buildings were built prior to 1960, with the majority built in the 1960s and 1970s.

Thirty-two percent (47 buildings) of the purpose designed low-rise rental buildings in the study area have between 16 and 32 units. Finally, 31 buildings representing 21 percent of the purpose-designed, low-rise rental stock have less than 16 dwelling units. The majority of these smaller buildings were built prior to 1960. Seven of the 14 low-rises in the western Brow-of-the-Hill area are of this size.

The Majority of Apartments in Low-rises are One Bedroom. Sixty percent of low-rise apartments in the study area have one bedroom. In addition, there are another 10 percent that are bachelor units. Therefore, 70 percent of all apartments in low rise rental buildings are smaller units, suitable for small households. Two and three bedroom units make

7 Buildings with 32 or more apartments are defined as large buildings, while those with between 16 and 32 apartments are defined as medium sized buildings. Small buildings are defined as having less than 16 apartments.
up only 30 percent of the low-rise rental stock in the study area (City of New Westminster Planning Department 1989).

Building Design

Typical Appearance. The typical low-rise in the study area is a flat roofed, wood frame building of either 3 or 4 floors, with the first floor, at times, below grade. In the early 1960s the City allowed 20 percent of the area of one floor for a penthouse, so that some low-rises have a small box-like structure forming the uppermost floor of the building. Exterior cladding is usually stucco, or cedar, or a combination of the two.

Access to individual dwelling units is by means of a central corridor, usually running across the site, in the case of buildings sited on lots with sufficient frontage. The individual units are accessed by stairwells at each end. In the case of narrower lots with smaller buildings, the corridor runs from front to back, with stairwells down both the front and rear of the building.

Parking is either underground, at grade under a portion of the building, or at the rear, accessible from the lane or from a driveway down one side of the building. Landscaping is usually sparse.

Standard Interior Layouts. Most low-rise buildings contain a mix of bachelor, one, and two bedroom units, with the most popular size being the one bedroom unit. The bachelor units
have one large room for sleeping, eating and entertaining. At one end, often separated by a partial divider, is a kitchen with stove, sink, and refrigerator. These units have a private bathroom. Bachelor units are usually around 600 square feet.

One bedroom units usually have a combination living and dining room, with a kitchen separated by a partial or full wall. Kitchens are always near the front door of the apartment to provide some privacy by separating the entrance from the living areas of the unit. There is a bedroom and private bathroom as well. Most of these units would be about 750 square feet. Two bedrooms units are similar except for the extra bedroom. Two bedroom units are around 900 square feet.

**Monotonous Siting Criteria.** City of New Westminster development regulations pertaining to building size and site coverage, when fully taken advantage of by builders, led to monotonous siting of buildings. In the 1960s and 1970s, buildings were designed to contain the maximum number of square feet allowed under the Zoning Bylaw for the RM-3 Zone. In those years, building size was controlled by a floor area ratio of 1.2, and an allowable site coverage of 40 percent. These two development controls ensured that the building constructed would be no more than three floors, according to Percey Perry of the City of New Westminster's Planning Department. In addition, the National Building Code restricted wood frame construction to a maximum of three floors.
Attempts to provide some open space around buildings resulted in siting monotony as well. Front setback regulations of 25 feet and side yard setbacks of 50 percent of building height, ensured that buildings would be fairly close together, and all be set back a monotonous 25 feet from the front property line. Of course they wouldn't go further back as they often had to use the 25 foot rear setback for parking. Taken together, the development controls referred to above produced buildings of uniform height that seemed to be cramped together in long monotonous rows, so that they were often described as a row of 'cracker boxes'. Landscaping was kept at a minimum on most sites, likely for economic reasons, thereby adding to the dreariness of the area.

Parking a Problem. For the 3312 dwelling units in low-rise buildings in the study area, there are 3170 on-site parking spaces (City of New Westminster Planning Department 1989). This provides .95 parking spaces per dwelling unit. This compares to

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8 Figures concerning on-site parking, presence of elevators and period of construction of low-rise buildings in the Brow-of-the-Hill and Uptown neighborhoods were obtained from the City of New Westminster Planning Department. The Planning Department's boundaries for these two neighborhoods differs slightly from the boundaries of the study area used in this thesis. The City uses a base of 182 buildings and 5340 apartments, while the study area's base is 160 buildings and 4854 dwelling units. It was not possible to correct the City's figures for characteristics such as parking, elevators and age to apply to the study area, so that in the following discussion of these characteristics the City's base is used in referring to the study area.
.96 on-site parking spaces per dwelling unit in the Uptown area. In the 1960s developers were expected to provide only .4 parking spaces per apartment, but this was gradually increased so that contemporary zoning bylaw regulations call for 1.2 off street parking spaces for each one bedroom apartment (City of New Westminster Planning Department 1989). However, the area is still left with less off street spaces than there are apartments. Many seniors do not drive or own cars, but many residents who do drive own several vehicles. As a result there is inadequate off street parking for apartments as is evidenced by the succession of cars parked down both sides of streets in the study area.

Elevators a Plus. One hundred and forty-two low-rise buildings in the study area containing 4819 dwelling units are equipped with elevators (City of New Westminster Planning Department 1989). These 142 low-rise buildings represent 78 percent of the buildings and 90 percent of the dwelling units in all low-rises in the study area. Such a large number of apartments serviced by elevators is important considering the large number of seniors in the study area who would face real problems if there were no elevator service. The Uptown area is slightly ahead of the Brow-of-the-Hill neighborhood in the proportion of its buildings and dwelling units serviced by elevators. Buildings constructed prior to 1960 do not have elevators.
Open Space Lacking. Open space is a problem with sites in the study area that are covered by so much building and parking. There is simply no room for private outdoor on-site areas for tenants. Patios for ground level apartments are a rarity in 1960s construction, although some were provided in buildings of 1970s vintage.

Balconies Abound. In order to meet tenant demands for some open areas, most dwelling units are provided with balconies. In fact, 146 low-rise buildings in the study area, containing 4984 dwelling units, have balconies (City of New Westminster Planning Department 1989). Eighty percent of all low-rise buildings, and 93 percent of all low-rise dwelling units in the study area have balconies. Low-rise buildings that predate 1960 were usually built without balconies.

Social and Recreational Spaces. There are no figures available on the provision of social and recreational facilities in low-rise buildings. Personal observation would suggest that most post-1960 low-rises would have laundry facilities. A good number had social/recreational rooms for the use of tenants. A minority would have had swimming pools and/or saunas since this would have been uneconomical for buildings of medium density. The provision of these facilities was much more common in high-rises. It is unlikely that any facilities, other than laundry,
was provided low-rise apartment tenants prior to the 1950s.

**Limited Storage Capability.** The in-suite storage capacity of purpose designed low-rise units is generally poor, with only one or two small closets for clothing. However, there is usually provision for storage in a basement locker area. Each apartment unit is given a small (6' x 6') locker for the storage of goods. Although useful for storage, these lockers are seldom secure, and often the objects of thefts, according to City Police.

**Period of Construction**

One-fifth Over 30 Years Old. City of New Westminster data on the age of existing low-rises in the Brow-of-the-Hill and Uptown neighborhoods suggest that 34 buildings containing 447 apartments were built prior to 1960. These 34 buildings represent 19 percent of low-rise buildings in two neighborhoods, but only 8 percent of the dwelling units. The reason for this discrepancy is that buildings constructed before 1960 tended to contain fewer dwelling units than buildings constructed after 1960.

Fifty-one percent of the low-rise buildings constructed prior to 1960 were built in the Uptown neighborhood, while 18 percent were built in the eastern Brow-of-the-Hill area, and 31 percent

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9 Table 2 provides information on number of apartments and low-rise buildings constructed before 1960, and during the 1960s, 1970s and 1980s in the study area.
in the western Brow-of-the-Hill area. For the western Brow-of-the-Hill area, 10 of its 14 low-rises were built before 1960. Sixty-four percent of the western Brow-of-the-Hill's low-rise building stock is over 30 years of age.

TABLE 2

<table>
<thead>
<tr>
<th>Period of Construction</th>
<th>Number of Apartment Units</th>
<th>Number of Buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 1960s</td>
<td>447</td>
<td>34</td>
</tr>
<tr>
<td>1960s</td>
<td>3247 (8.3)*</td>
<td>98 (18.7)</td>
</tr>
<tr>
<td>1970s</td>
<td>1220 (22.8)</td>
<td>34 (18.7)</td>
</tr>
<tr>
<td>1980s</td>
<td>426 (8.1)</td>
<td>16 (8.8)</td>
</tr>
<tr>
<td>Total</td>
<td>5340 (100)</td>
<td>182 (100)</td>
</tr>
</tbody>
</table>

Source: City of New Westminster Planning Department 1989
*Figures in brackets represent the percentage of all apartments or all low-rise buildings in each period of construction.

Most Built in the 1960s. Ninety-eight low-rise buildings containing 3247 apartments were constructed in the 1960s in the Brow-of-the-Hill and Uptown neighborhoods. These 98 low-rise buildings represent 54 percent of all low-rise buildings in these neighborhoods. Sixty percent of the apartments in low-rise buildings in these neighborhoods were built during the 1960s.

Sixty percent of low-rise buildings constructed in the 1960s
were built in the eastern Brow-of-the-Hill neighborhood, followed by the Uptown area with 35 percent of the low-rises built during this period. Only 3 percent of 1960s built low-rise stock was constructed in the western Brow-of-the-Hill neighborhood.

Only 34 low-rise buildings representing 19 percent of all low-rise stock in the two New Westminster neighborhoods were built in the 1970s. These 34 buildings contain 1220 dwelling units or 23 percent of the dwelling units in low-rises. The majority of these low-rise buildings were built in the eastern Brow-of-the-Hill neighborhood, while the rest were constructed in the Uptown area.

In the 1980s only 426 dwelling units in 16 low-rise buildings were constructed in the two neighborhoods. This represents only 9 percent of all low-rise buildings, and only 8 percent of the dwelling units in low-rises. In recent years many more apartments in high-rises have been constructed in the study area than apartments in low rises. In addition, a few townhouse projects and stacked townhouse projects have been undertaken in the study area.

**By 2010, 75 percent of Low-rises Will be Over 40 Years Old.** Within 20 years, three-quarters of the low-rise buildings in the study area will be more than 40 years old, if present stock remains standing. The benchmark age for major rehabilitation of housing stock is 50 years and 25 years for
repair work (Canada Mortgage and Housing 1980). Some buildings may last longer, while others require this type of attention sooner.

The reason for differences in building longevity is that there is no definite, critical age at which a building must be rehabilitated because deterioration of building components is a function of the causes of deterioration to which they are exposed (weather, wear and tear, etc.), and the quality of construction and maintenance of these components. With proper maintenance and modernization of a building's components, its life is virtually infinite. As low-rise buildings become older, issues of proper maintenance, repair, and updating become crucial for the longevity of the stock.

Building Condition

Little Information Available. Very little information is available on the physical condition of low-rise buildings in British Columbia, and especially on the stock in the study area. The Government of the Province of Ontario did commission a study of its low-rise buildings, and one of the areas the commission looked at was the physical condition of the low-rise stock.

Information on building condition in the study area is contained within the 1981 Census of Canada. At that time one of the questions asked of respondents was whether or not the dwelling they were living in was in need of repairs, not including desirable remodelling or additions. Respondents were asked to answer in one of the following ways:
No, only regular maintenance is needed such as painting, furnace cleaning, etc); Yes, minor repairs are needed (missing or loose floor tiles, bricks of shingles, defective steps, railing or siding, etc); or Yes, major repairs are needed (defective plumbing or electrical wiring, structural repairs to walls, floors or ceilings, etc) (1981 Census of Canada).

Although the question on building condition in the 1981 census represents the tenants assessment of building condition, and is therefore not as accurate as, for instance, the use of expert appraisal of building condition utilized in the Ontario study, the 1981 census question does give some indication of the condition of dwelling units in the study area. Condition of building by structural type, such as low-rise, single detached, and so on is not given. However, the assumption made here is that since approximately 70 percent of dwelling units in the study area are in low rise buildings, that the aggregated figures on building condition are indicative of the condition of low-rise buildings. 10

Only 7 Percent Need Major Repairs, But Most Are Rentals. Only 460 owned and rented dwelling units out of a base of 6579 dwelling units in the study area required major repairs. This represents about 7% of the dwelling units with serious structural and/or mechanical problems. However, 435

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10 Table 3 provides information on condition of rented dwelling units in the study area by neighborhood.
units of this stock requiring major repair, or 95 percent of it are rental units (1981 Census of Canada).

Some areas of the study area have more units in need of major repairs than others. For instance, the western Brow-of-the-Hill neighborhood, which does have a high percentage of pre-1946 low-rise stock, is very much over represented with dwelling units requiring major repair. It has 9 percent of the dwelling units in the study area base of dwelling units, but has 21 percent of all dwelling units in the study area requiring major repair. Both the eastern Brow-of-the-Hill and the Uptown neighborhoods are under represented with less units requiring major repairs than might be expected considering there respective proportion of all dwelling units.

Are Major Repairs Being Undertaken? Major repairs to electrical or structural systems in buildings require a building permit to undertake the rehabilitative work. According to City of New Westminster figures taken from building permit records, only $33,500 was spent on rehabilitation to the low-rise stock in the Brow-of-the-Hill area in 1987, and only $23,000 was spent in the Uptown Area. The figures for the two areas for 1988 were $102,100 and $87,849 respectively. Does this represent an adequate expenditure of money for repairs?

If one assumes that each dwelling unit in a low-rise produces, on an average, $5000 of income per year, then the combined income from all market rental low-rise apartments in the study
area is approximately $22 million per annum. The total amount invested in rehabilitation of low-rises was $246,449 in 1987 and 1988. This expenditure on major repair represents only .6 percent per annum of revenue generated by low-rises in the study area. An industry 'rule of thumb' is that maintenance and repair usually account for between 5 and 10 percent of building revenue (effective gross income) depending on the age of the building. Certainly the .6 percent expenditure on major repairs seems very low when industry 'rules of thumb' are considered.

The 17% That Require Minor Repairs Are Mostly Rentals. Minor repairs are important because they solve the problems that if left unattended over time, will produce major structural problems in the future. For instance, missing bricks, shingles, and siding will allow water to penetrate, eventually leading to wood rot and weakening the structural integrity of the building. It is of concern that 17 percent of the eastern and western Brow-of-the-Hill's dwelling units and 15 percent of the Uptown neighborhood's dwelling units are in need of minor repair, considering that a majority of units in these neighborhoods were built after 1960. One-fifth of the dwelling units of both neighborhoods require either minor or major repairs, and between 80 and 90 percent of those units are rental units (1981 Census of Canada).

What is even more disconcerting, is that 50 percent of the units in the western Brow-of-the-Hill neighborhood require
either minor or major repairs, and 90 percent of those units are rental. Finally, one quarter of all dwelling units in the study area require minor or major repair (1981 Census of Canada).

The Good News. The good news is that 75 percent of the stock in the study area seems to be in good shape, requiring only regular maintenance (1981 Census of Canada). A discussion on maintenance practices will be taken up in Chapter Six.

TABLE 3

CONDITION OF RENTED DWELLING UNITS BY STUDY AREA NEIGHBORHOOD, 1981

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Needs Regular Maintenance Only</th>
<th>Needs Minor Repair</th>
<th>Needs Major Repair</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Brow-of-the-Hill</td>
<td>235</td>
<td>160</td>
<td>120</td>
</tr>
<tr>
<td>Eastern Brow-of-the-Hill</td>
<td>2330</td>
<td>530</td>
<td>195</td>
</tr>
<tr>
<td>Uptown</td>
<td>1795</td>
<td>280</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>4360</td>
<td>970</td>
<td>435</td>
</tr>
</tbody>
</table>

Source: 1981 Census of Canada

Rent Per Month

Supply and demand for rental units interact to produce a price per rental unit in the absence of any sort of rent controls.

Lowest Rents in the Lower-Mainland. Figures supplied by Canada Mortgage and Housing suggest that as of October, 1989,
New Westminster had the lowest average rental rates of any area in the Lower Mainland (CMHC Rental Market Survey Report October, 1989). Average rental rates for a bachelor suite at that time was $373 per month and compares to $486 in Burnaby and $374 in Delta. These figures suggest that average rents in New Westminster's bachelor apartments are 24 percent lower than Burnaby's bachelor unit rates.

Lower rents are also noted for New Westminster's one bedroom apartments. Average rents for one bedroom units are $470 in New Westminster, $554 in Burnaby, and $517 in Surrey. One bedroom units, the most common type of unit in low-rises in New Westminster, are 15 percent less expensive than comparable units in Burnaby. Average rents for two and three bedroom units in New Westminster are not as low as comparable units in some of the outlying municipalities such as Maple Ridge and Coquitlam, but are still lower than more central areas like Burnaby. However, only 25 percent of the study area's low-rise stock are two and three bedroom units.

The Bad News. Although rents for bachelor and one bedroom units are the lowest in the area, they have been rising significantly in New Westminster over the past two years as they have been in every other centre. The average price of a bachelor suite rose from $322 in October, 1988 to $373 in October, 1989, and for a one bedroom unit from $413 to $470 (CMHC Rental Market Survey Report October, 1989). This
represents a 16 percent increase in the average price of a bachelor unit, and a 14 percent increase in the average price of a one bedroom unit. This is of particular importance to the large number of low income renters in the study area.

Although there has been continuous rent increases over the past 30 years in New Westminster, they have generally been under 10 percent per annum. The only exception was in 1981-82 when increased demand for rental accommodation, the result of a buoyant Provincial economy and resulting immigration, produced a 22 percent increase. From 1984 to 1988 the City averaged a 5 percent per annum increase in rents (City of New Westminster Planning Department 1989).

Despite historically low rent increases in New Westminster, the latest round of increases is amongst the highest in the lower mainland. The 16 percent increase in average bachelor apartment rates is third highest in the lower mainland. Only Burnaby's 30 percent increase and Delta's 21 percent increase are higher. New Westminster is sixth highest in terms of average rental increases for one bedroom apartments (CMHC Rental Market Survey Report October 1989).

It Can Get Worse. Rental rates have continued to increase in New Westminster, and in the study area since CMHC's October, 1989 survey. A sample of low-rise apartment buildings selected for analysis on ownership characteristics in Chapter Five reveals rent increases since October, 1989. One reason for this
increase is that New Westminster has one of the lowest vacancy rates for private market rental apartments in the lower-mainland. The vacancy rate for bachelor units, as of October, 1989 was zero, and for one bedroom units, it was 0.4 percent (CMHC Rental Market Survey Report October, 1989). Such low vacancy rates place a continued upward pressure on rents.

**Terms of Tenancy.** Typically, the terms of tenancy in market rental apartments is on a month-to-month basis. Very few buildings would follow any longer term leasing policy.

### 3.2 NEIGHBORHOOD QUALITY

Neighborhood quality is usually determined by such characteristics as external appearance of buildings, parking and traffic congestion, condition of infrastructure such as roads and sidewalks, incidence of crime and poverty, as well as local amenities, including shopping, recreational, medical, and social amenities.

**Appearance of Buildings**

Observations made while driving through the study area, as well as information from the sample of apartment buildings selected for ownership analysis, suggest that many low-rise buildings have a poor exterior appearance. Faded and peeling paint, stains on stucco, rotting wood in building trim, rusted railings, and paper strewn yards contribute towards poor
building appearance.

The poor exterior appearance of some low-rise buildings has also been noted by others in the community. For instance, some of the seniors that Val MacDonald of the Seniors Bureau works with complain of the poor appearance of the low-rise buildings in which they live.

Parking and Traffic Congestion

There are more vehicles requiring parking than there are off street parking spaces. The reason for the lack of parking is that zoning regulations applicable at the time low-rises were built, did not require developers to provide sufficient parking. In addition, individuals now own more vehicles than they used to when these buildings were constructed. Visitors to the area require parking spaces for their cars. As a result of these demands, streets are usually congested with cars lining both sides of neighbourhood streets.

Furthermore, the medium density development produces a great deal of traffic for the area, and when this is combined with the 'rat running' by people cutting through this residential neighborhood, traffic becomes a problem.

Crime

According to the New Westminster City Police, numbers of some types of crimes committed are higher in the study area than they are in other areas of the City. City constables are required to
respond to complaints in the study area somewhat more than in other neighborhoods. However, exact statistics were not available. When interviewed, Corporal Donnelly of the New Westminster Police Department was quick to point out that no other area of the City has a greater concentration of population than the study area.

The most common crime committed in the study area is theft from automobiles. This is not surprising given the number of cars left on the street with their contents open to public view. Other crimes committed in the area include breaking and entering with theft, vandalism involving automobiles and buildings, as well as family relations disputes usually involving alcohol.

Sixteen to twenty-four year olds are most often the perpetrators of crimes and most often the victims of crime. They are most often the victims because they are usually out later in the evenings and are most often in areas were crime occurs (night clubs, etc.).

Seniors are not often victims of crime, according to Constable Donnelly. However, when they are victimized it tends to be more publicized. Val MacDonald of the Seniors Bureau, states that some seniors living in the study area may feel a little apprehensive about being victimized, and won't go out at night, but that this is not a general complaint among the seniors.

Incidence of Poverty

In 1982 the Planning Department of the City of New Westminster
did a study on the special need residential facilities in New Westminster. The study addressed the question of whether or not the housing stock in the City adequately met the shelter needs of those in the community with an affordability problem. Individuals having a housing affordability problem were described as those receiving income assistance from the then Ministry of Human Resources (now the Ministry of Social Services and Housing), and those receiving help through G.A.I.N. for seniors.

They discovered that 17.3 percent of the total households in the City of New Westminster were in receipt of assistance through one of these programs. Furthermore, they found that 53 percent of those in need of financial help with housing live in purpose designed apartment units.

They also found that the eastern and western Brow-of-the-Hill neighborhoods had the highest numbers of those receiving financial help (22%), while the Uptown neighborhood had the third highest number (13.3%) in the City. However, when those in need of help with housing are expressed as a percentage of their own population, the Brow-of-the-Hill neighborhood drops to fourth place and the Uptown area drops to seventh. There is a great deal of poverty in the study area in comparison to other areas of New Westminster, but that is due, to some extent, to the fact that more people live in these areas.

It is unlikely that anything has changed since 1982 to alter the distribution of poverty in New Westminster, and that
neighborhoods in the study area still contain significant numbers of people living in poverty.

**Condition of Infrastructure**

Information supplied by the Planning Department, City of New Westminster suggests that many of the services in the study area are very old. Electricity and water were installed in 1891, sewers in 1912, sidewalks in 1912, and storm sewers in 1971. However, the City was not able to provide information on ongoing expenditures on services by geographic area, so that it is impossible to know to what extent these services are being rehabilitated. It is safe to say that probably very little is being spent on improvements in the study area.

**Neighborhood Amenities**

The study area is central to all amenities. It is within a six or seven block distance to libraries, parks, professional and commercial services, a regional college, arts and entertainment centers, and sports and recreational facilities. In addition, it is extremely well served by bus that links the area to all areas of the lower mainland as well as to the two ALRT stations.

**3.3 Local Government Policies**

**Zoning**

There are a number of different zoning designations for land in the Brow-of-the-Hill and Uptown neighborhoods. In the study
area, all parcels that are not zoned for commercial or multi-family uses are zoned RS-2 One Family District. In fact, multi-family sites were all RS-2 prior to an application for rezoning being successfully applied for. For some time, the City has had a policy of entertaining applications for rezoning from RS-2 to multiple family and judges each application on its merits.

Within the study area there are a number of multiple districts that differ in terms of the density of dwelling units and the type of structure allowed. Until recently, low-rise apartment buildings were zoned RM-3. Regulation under this designation allowed for the construction of a low-rise or high-rise building. However, in September of 1989, the New Westminster City Council passed a bylaw that rezoned 205 low-rise buildings, predominantly in the Brow-of-the-Hill and Uptown areas, to RM-2 (low-rise only). The rezoning was partially undertaken to remove the threat of low-rises being demolished to make room for high-rise buildings without first having to go through the rezoning process. Existing high-rises were rezoned to RM-4.

Official Community Plans for Neighborhoods

New Westminster has an Official Community Plan that outlines the direction of development in the City over the course of future years. A number of neighborhoods have Official Community Plans for their neighborhood that dictate what residents would like to see in terms of future development in the neighborhood. There are no Official Community Plans, at present, for the
eastern and western Brow-of-the-Hill or Uptown neighborhoods.

Demolitions
According to the New Westminster Planning Department there were no apartment demolitions from 1976 to 1988. In 1989, demolition permits for two pre-1950s low-rise apartment buildings in the eastern Brow-of-the-Hill, one a 36 unit building and another 48 unit building, were granted in order to erect a 108 unit condominium high-rise building.

Conversion to Condominiums
There have been only 10 applications for conversions to condominiums. These all occurred in 1973-74. Only 1 of these, a 33 unit low-rise was approved before a moratorium on conversions was approved in 1975 (City of New Westminster Planning Department). The moratorium on conversions is still in place at the present time.

3.4 Summary
The market rental low-rise stock in the study area can be characterized as being substantially large in number, providing fairly good accommodation to small households at competitive but increasing rents. Most of the stock is relatively new, and while the majority of the buildings are in good condition, a significant number are not being kept in a satisfactory state of repair. While units are large enough, building design, physical
appearance, and landscaping leave something to be desired in many cases. Although neighborhoods are central with good facilities, they are suffering from some deterioration as evidenced by higher than desirable rates of poverty and crime, and traffic congestion.
CHAPTER FOUR

TELEANTS

Building and neighborhood neglect and deterioration often result when such buildings and neighborhoods fail to satisfy the needs of their inhabitants. Buildings should meet the shelter needs of their occupants. Such needs would include appropriate unit size, affordability, cleanliness and safety, attractiveness, and interior comfort. Chapter Three presented building characteristics which serve as factors capable of satisfying or frustrating tenant needs. This chapter examines tenant characteristics in order to determine if the fit between low-rise building and tenant characteristics is suitable.

The chapter begins by looking at tenant crowding (density). This is followed by an examination of tenant age, household and family characteristics, education, labour force conditions, income, and mobility. The chapter concludes with a review of the local literature on tenant satisfaction with the low-rise building form.

Data on these characteristics was obtained from the 1986 Census of Canada, and provides the data source for all discussion on tenant characteristics in this chapter. Such data is not disaggregated by dwelling tenure (owned or rented), or type of structure (single detached, low-rise) for most characteristics. However, because 87 percent of dwellings are rented, and because 70 percent of dwelling units are in low-rise buildings, it is felt that conclusions arrived at from an analysis of this data are applicable to tenants of low-rise market rental apartment buildings.
4.1 Density

Crowding of Dwelling Units is Significantly Greater. There are several ways to describe density in an area. Persons per acre and dwellings per acre provide us with two measures of crowding within a neighborhood. If persons per acre is used as a measure, density is 33 persons per acre (81.63 persons per hectare), given a population of 11,510 and a total area of 348.41 acres (141 hectares) in the study area (Census of Canada 1986). This compares to the City of New Westminster's 10.52 persons per acre (26 persons per hectare). On the other hand, if dwelling units per acre are used as a measure, density is 20 dwelling units per acre (49 per hectare) in an area containing 6920 dwelling units (Census of Canada 1986). The City of New Westminster has 5.11 units per acre or 12.63 per hectare.

Less Crowding Within Dwelling Units. Density can also be expressed as persons per dwelling unit, and can give us a means of assessing crowding within a dwelling unit. The study area has 1.64 persons per dwelling unit, compared to 1.98 persons per dwelling unit in New Westminster, and 2.54 persons per dwelling unit in the Vancouver CMA (Census of Canada 1986). This measure of density indicates much less crowding within households for the study area in comparison to some other districts.

Differences Within the Study Area. There are differences in
density within the study area. For instance, the western Brow-of-the-Hill area, the smallest area in size (37 acres), has a density of 12.5 dwellings and 26 persons per acre. The largest neighborhood territorially is the Uptown area (163 acres) and it has 16.96 dwelling units and 27 persons per acre. The highest density in the study area occurs in the eastern Brow-of-the-Hill neighborhood where densities approach 25 dwellings and 41 persons per acre in this 148 acre area.

There are also differences in household density between neighborhoods within the study area. The Uptown area is lowest with 1.56 persons per private household, followed by the eastern Brow-of-the-Hill neighborhood with 1.66 persons per private household. The western Brow-of-the-Hill neighborhood had the highest number of persons per private household with 2.01.

4.2 Age of Residents

Fewer Children in the Study Area. Children from 0 to 14 years of age represent only nine percent of the study area's population. This compares to 12 percent of the City of New Westminster's, and 19 percent of the Vancouver CMA's populations in this age group. The largest age group in the study area's population of children is the 0 to 4 age group. The 0 to 4 age group has four percent of the population of the study area, while the percentage of children in each subsequent age range (e.g. 5-9, 10-14) is less than the percentage of the 0 to 4 age group. Table 4 provides information on the age distribution of
There are differences within the study area. For instance, the western Brow-of-the-Hill neighborhood has approximately 19 percent of its total population in the 0 to 14 age group. The Uptown neighborhood on the eastern side of the study area has only 7 percent of its population in the 0 to 14 age group.

Young Adults, Especially Young Males Predominate. Over one-third of the study area's population (38%) is between the ages of 20 and 34. Forty percent of the study area's population of males are young men in the 20 to 34 age group. The Vancouver CMA has only 27 percent of its male population in the 20 to 34 age range. There are differences between geographical areas of the study area in regard to this heavy concentration of young males. The western Brow-of-the-Hill neighborhood has the highest concentration, with 45 percent young men between 20 and 34 in its population of males, whereas the Uptown neighborhood has only 34 percent young men from 20 to 34 years of age in its male population.

Vancouver CMA's population between 20 and 34 is 34 percent in this age group, and only 27 percent of the city's population in this age group. This compares to 32 percent of New Westminster third of the study area's population (38%) is between the ages of 20 and 34. Young adults, especially young males, predominate. Over one-third of the study area's population in comparison to the age

Less in the 35 to 65 Year Group. The Vancouver CMA has 37 percent of its population in the 35 to 65 age group.
Vancouver CMA these 'middle agers' outnumber the young adult population (27%) by 10 percent. The City of New Westminster has an even split with 32 percent in each of its 'young' and middle age adult populations. However, the study area has 38 percent young adults and only 30 percent 'middle agers'.

<table>
<thead>
<tr>
<th>Age</th>
<th>Study Area</th>
<th>Vancouver CMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 4 years</td>
<td>3.95</td>
<td>6.58</td>
</tr>
<tr>
<td>5 - 9 years</td>
<td>2.73</td>
<td>5.93</td>
</tr>
<tr>
<td>10 - 14 years</td>
<td>2.30</td>
<td>5.87</td>
</tr>
<tr>
<td>15 - 19 years</td>
<td>5.03</td>
<td>6.81</td>
</tr>
<tr>
<td>20 - 24 years</td>
<td>13.51</td>
<td>8.60</td>
</tr>
<tr>
<td>25 - 34 years</td>
<td>24.19</td>
<td>18.59</td>
</tr>
<tr>
<td>35 - 44 years</td>
<td>12.51</td>
<td>15.38</td>
</tr>
<tr>
<td>45 - 54 years</td>
<td>8.21</td>
<td>10.52</td>
</tr>
<tr>
<td>55 - 64 years</td>
<td>9.94</td>
<td>9.58</td>
</tr>
<tr>
<td>65 - 74 years</td>
<td>9.94</td>
<td>7.26</td>
</tr>
<tr>
<td>75 years +</td>
<td>7.64</td>
<td>4.81</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: 1986 Census of Canada

More Seniors. There are significantly more seniors, as a percentage of the total population, in both New Westminster City and in the study area, than there are in the Vancouver CMA. Eighteen percent of both New Westminster's population, and of the study area's population, is made up of persons 65 and over. This compares to 12 percent of the Vancouver CMA's population over 65 years of age.

The Uptown neighborhood has one half of the 2025 persons over
65 in the study area, while the eastern Brow-of-the-Hill has the other half, with only a handful of seniors living in the western Brow-of-the-Hill.

Twenty-three percent of the study area's female population is 65 and over age group, while only 12 percent of the male population of the study area is in this age category. Females outnumber males almost two to one in the over 65 age group in the study area.

4.3 Household and Family Characteristics

According to 1986 Census of Canada data, the study area had a private household base of 6915. This represents 36 percent of the City of New Westminster's 19,415 households. The eastern Brow-of-the-Hill area had the highest number of households in the study area with 53 percent (3680), followed by Uptown with 40 percent (2770) and the western Brow-of-the-Hill area with 7 percent (465).

Over 50 Percent One Person Households. In the study area, 55 percent (3810) of households are one person households. This compares to 43 percent and 28 percent for the City of New

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12 The 1986 Census of Canada defines a household as a person or group of persons (other than foreign residents) who occupy a dwelling and do not have a usual place of residence elsewhere in Canada. It usually consists of a family group with or without lodgers, employees, etc. However, it may consist of two or more families sharing a dwelling, a group of unrelated persons, or one person living alone.
Westminster, and the Vancouver CMA respectively. The predominance of the one person household in the study area is significant, but it is only when one considers the additional 2265 two person households, representing 33 percent of total households, that the full importance of the small household in the study area is made clear.

While the study area has 88 percent of its households as one and two person households, New Westminster has 77 percent, and the Vancouver CMA has 59 percent. The 12 percent three or more person households in the study area is far less than the 38 percent three or more person households in the Vancouver CMA. The importance of the low-rise housing form for single and two person households is clear.

Households Are Overwhelmingly Renters. There are 5905 tenant occupied households in the study area, and these make up 85 percent of all the households in the study area. The Vancouver CMA has 43 percent of its households as tenant occupied households.

Over one-half or 51 percent (3025) of tenant-occupied households in the study area pay rent that is equal to or greater than 30 percent of their household income, while the comparable figure in the Vancouver CMA is 19 percent.

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13 According to the 1986 Census of Canada, a tenant-occupied household would be a household occupying a private dwelling which is not owned by some member of the household.
affordability is a significant problem in the study area.

The remaining 15 percent (800) of households in the study area are owner-occupied households, and only 9 percent of these owner-occupied households pay expenses that are equal to or greater than 30 percent of their household income.

Majority of Households Are Non-family The majority of households in the study area are not families, as defined by the census. Of the 6915 private households, 4370 or 63 percent are non-family households. This compares with New Westminster's 51 percent and Vancouver CMA's 34 percent non-family households. Forty-four percent of New Westminster's non-family households live in the study area.

The remaining 37 percent (2545) of households in the study area are one and two census family households. New Westminster City has 49 percent and Vancouver CMA has 66 percent of their private households as census family households.

The western and eastern Brow-of-the-Hill neighborhoods are

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14 A census family refers to a husband and a wife(with or without children who have never married, regardless of age), or a lone parent of any marital status, with one or more children who have never married, regardless of age, living in the same dwelling.

15 Non-family households refers to a person or persons who do not belong to a census family. They may be related to the household reference person(e.g., cousin, grandparent) or unrelated(e.g., room-mate, lodger). A person living alone is always a non-family person. Eighty-seven percent of the non-family households are made up of one person households in the study area.
slightly over represented in comparison to their populations with census family households, while the Uptown neighborhood is somewhat under represented.

Two Person (husband-wife) Families, Without Children, Most Common Census Family Form. The two person census family makes up 75 percent of the total 2545 census families in the study area. The study area's percentage of two person census families in its census family population is much higher than New Westminster's 61 percent, and the Vancouver CMA's 45 percent two person census families in their respective census family populations. The most dominant family structure in the two person census family form is the husband and wife family, with or without kids. The study area has 77 percent of its census families as husband and wife.

Most husband and wife census families living in the study area have no children at home. Seventy-five percent of the study area's husband and wife census families do not have children at home, and this compares to New Westminster's 59 percent and the Vancouver CMA's 43 percent of their husband and wife populations that have no children at home. Of the 25 percent of husband and wife census families that did have children at home, over half had only one child (51%), while another 32 percent had two children at home. Therefore, 84 percent of the families with children had two or less.
More Lone-parents. The study area has 560 lone-parent families which represents 22 percent of its census families. New Westminster has 17 percent and the Vancouver CMA has 13 percent of their census families that are lone-parent families. The lone-parent family is more prevalent in the eastern Brow-of-the-Hill area where 60 percent of the lone parent families reside. The most common lone-parent family is the female lone-parent making up 87 percent of all lone parent families. Three quarters of lone-parent families have only one child.

Fewer Children at Home. There are 1575 children living at home in the study area. This represents 14 percent of the population of the study area and compares to 20 percent for New Westminster, and 30 percent for the Vancouver CMA.

4.4 MARITAL STATUS

Marital Status More Nontraditional. Seventeen percent of the population 15 years and over in the study area are either divorced or separated. This compares to the Vancouver CMA's eight percent of total population that are divorced or separated. Widowed persons make up ten percent of the study area population, but only seven percent of the Vancouver CMA population. Thirty-five percent of the study area population over 15 years of age are single, while only 28 percent of the Vancouver CMA population would be singles over 15 years old.
Married Persons in a Minority. Only thirty-eight percent of the study area population are married. This is significantly less than the 57 percent of the Vancouver CMA 15 years and older population that are married. There are some differences within the study area in terms of the percentage of population that are married. For instance, while the eastern Brow-of-the-Hill and the Uptown neighborhoods have 39 and 36 percent respectively of their populations that are married, the western Brow-of-the-Hill has 48 percent of its population over 15 years old who are married.

4.5 EDUCATION

More of the Lowest Educated. If a secondary certificate is taken as a necessary basic level of education in Canadian society, then the 4515 individuals in the study area without secondary certification are educationally disadvantaged. Persons without secondary certification represent 44 percent of the study area's 10,320 persons over 15 years of age. This compares to 37 percent of persons over 15 years of age in the Vancouver CMA with less than secondary education.

Forty percent of the population of the study area have what might be called an adequate education. These individuals have either a secondary certificate and/or trade certification, diplomas, or other non university education. This is slightly better than the Vancouver CMA's 39 percent of its population
having this level of education.

The study area, with 16 percent of its population having some university education (with or without degrees), is significantly lower than the Vancouver CMA's 25 percent of its population having this higher education. The Vancouver CMA has twice the proportion of its 15 years and over population having university degrees as does the study area.

The standards of education show little variation within the study area. There is no neighborhood that stands out as having a significantly greater percentage of its population more or less educated.

4.6 Labour Force Analysis

More Out of the Labour Force. Although it is probably not highly significant, the study area has more of its population out of the labour force than does the Vancouver CMA. Those not participating make up 37 percent of the 10,350 persons over 15 years of age in the study area. This compares to the Vancouver CMA's 32 percent of its population in this category. The difference between the study area and the Vancouver CMA in percentage of their populations not in the labour force may be partially due to the study area's greater numbers of seniors.

In the study area, there is almost twice as many females out of the labour force as males, and a greater percentage of its female population is out of the labour force (45%) when compared
to the Vancouver CMA (41%). The study area also has a higher portion of its male population out of the labour force (27%) than has the Vancouver CMA (22%).

Of course the participation rate, the percentage derived by dividing those in the labour force over 15 years old by those 15 years and over in the population, is lower in the study area. The participation rate in the study area is 64 percent compared to the Vancouver CMA's 69 percent. This difference is likely due to the greater number of seniors in the study area, and perhaps to the greater number of single parents remaining in the home to care for dependent children. This small difference between the two areas in work force participation dispels the belief, expressed by some New Westminster residents, that study area residents lacked motivation to work.

Significantly Higher Unemployment in 1986. Although 5405 of a total 6575 persons in the labour force were working part or full time in 1985 (82%) in the study area, this still left an unemployment rate of 18 percent. This compares to a 13 percent unemployment rate in New Westminster City as a whole, and an 11 percent unemployment rate in the Vancouver CMA. The western Brow-of-the-Hill area showed the highest percentage of its population being unemployed with almost one-quarter of its labour force out of work. The eastern Brow-of-the-Hill was slightly below the study area average.

The percentage of males in the labour force that were unemployed in 1985 was 20 percent. This compares to 12 percent
for the Vancouver CMA, and represents a significant difference in male unemployment between the two areas. The difference between the two areas is not quite as great for females, where the 1985 rate of unemployment for females was 15 percent in the study area and 11 percent in the Vancouver CMA. Males in the western Brow-of-the-Hill and Uptown neighborhoods had a slightly higher unemployment rate than the study area male unemployment rate, while females living in the western Brow-of-the-Hill area showed a significantly greater unemployment rate (26%) than did females in the rest of the study area.

The unemployment rate will be lower at the present time, since unemployment levels in the lower mainland area of British Columbia have decreased. However, significant difference between the study area and the Vancouver CMA are still to be expected because of the poorer education and training of study area residents.

4.7 Income

The analysis of income was conducted on a base of 9430 males (48%) and females (52%), with income, who were over 15 years of age and living in the study area in 1985.

Significantly Lower Income on Average. The average yearly income received by males and females in the study area in 1985 was $14,975. This compares to a $17,946 average yearly income for New Westminster males and females, and a $19,670 average
yearly income for Vancouver CMA males and females. The average yearly income was 25 percent higher in the Vancouver CMA than in the study area.

The average yearly income in the Uptown neighborhood was about 9 percent less than the average yearly income yearly income in the other two study area neighborhoods. This may be due to the higher percentage of income in the Uptown neighborhood coming from government transfer payments. Income from transfer payments is usually less than income from employment.

Female Income Significantly Less than Male Income. Women receive significantly less income than men on average. The average income for women is 22 percent less than the average income for males in the study area. This discrepancy in income received is the result of the higher wages paid to men, and the greater numbers of men receiving employment income.

Median Income is Even Lower. Average income can be deceptive if there is a skewed distribution of incomes in a population. Unfortunately, figures on median incomes were not available for the study area, but analysis of unadjusted study area data reveal that the median income for males was approximately $14,000, and for females approximately $10,400. Combined median income for males and females is approximately $12,200. There is every reason to believe that the study area, which would contain a lower percentage of persons with employment income than would
the unadjusted study area, might even have a slightly lower median income than the unadjusted study area.

**Most Income is Employment Income.** Unfortunately, the data for source of income is not available for the study area, and therefore unadjusted study area data is used. The data suggests that for both the eastern and western Brow-of-the-Hill neighborhoods, the primary source of income is employment income. In fact, about 75 percent of the income is employment income, while only about 16 percent is from government transfer payments. The remaining 9 percent of income comes from 'other income sources' such as private pensions, investments, etc.

The Uptown neighborhood is different from the other two neighborhoods in regard to source of income. Fifty-eight percent of its income, in 1985, came from employment, and 22 percent came from government transfer payments. The remaining 20 percent of income came from 'other income sources'. The differences between the Uptown neighborhood and the other two neighborhoods in source of income is likely the greater number of seniors in the Uptown neighborhood receiving old age pension monies (transfer payments), and pensions and money from investments (other income sources).

The Vancouver CMA receives much more of its income from employment income (78%), and less from government transfer payments (10%) and other income (12%) when compared to the study area.
50 Percent of Those Employed Work Part Time or Part Year. Fifty percent of the study area's 8055 males and females reporting income from employment in 1985 worked full year, full time, while the other 50 percent worked part year or part time. This same 50/50 distribution of part and full time work seems to hold for males in the City of New Westminster. However females in New Westminster had less full year full time work (46%) and more part year or part time work (54%). More Vancouver CMA males (56%) worked full year full time, and less Vancouver CMA females (46%) worked full time. Slightly more males than females in all areas seem to be employed full year full time.

The average income from employment for males and females is lower at $16810.16 in the study area than it is in the Vancouver CMA ($21,530). Study area income from employment is 22 percent lower than employment income in the Vancouver CMA.

People in the study area getting income from full and part time employment make up 30 percent of all people in New Westminster getting employment income. The percentage of study area residents getting employment income is slightly higher than the study area's percentage of the New Westminster population, and suggests that the people in the study area are a fairly productive group.

Family Income Low as Well. There were 2485 census families
reporting income in the study area in 1985. This compares to 9735 census families in New Westminster as a whole reporting income. The study area's census families comprise 26 percent of all census families in New Westminster reporting income in 1985.

The average census family income in the study area was $26,874. This compares to $34,160 for New Westminster as a whole, and $41,351 for the Vancouver CMA. Census families in the study area get along, on an average, with 22 percent less income than the average census family in the City of New Westminster, and 35 percent less than the average census family in the Vancouver CMA. The incidence of low income amongst census families in the study area is not available, but 1986 Census of Canada figures for the unadjusted study area indicate that 36 percent of its census families are low income census families.\(^\text{16}\) The Vancouver CMA has only 18.8 percent of its census families as low income census families.

An economic family, as defined in the 1986 census, is a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage (including common-law) or adoption. There are no figures available on the incidence of low income economic families in the study area. However, there are figures available for the unadjusted study area, and

\(^\text{16}\) The incidence of low income, obtained from the 1986 Census of Canada, is given for unattached individuals and census families as well as economic families. The incidence of low income is based on the numbers of these households falling below the low income cutoffs established by Statistics Canada for 1985.
they indicate that out of 3910 economic families in the unadjusted study area, 1110, or 28 percent of them, are low income economic families. This compares to 21 percent of New Westminster City's, and 15 percent of the Vancouver CMA's economic families being low income economic families. Clearly, the study area has a large percentage of its economic families as low income economic families.

Unattached Persons the Worst Off. Unattached individuals, according the 1986 census, are household members who are not members of an economic family. They may be persons living alone, but also could be made up of several persons not related by blood or marriage living together. The study area had 4950 unattached persons reporting income in 1985. This represents 45 percent of all unattached persons reporting income in the City of New Westminster in 1985, and yet the study area had only 28 percent of the population of New Westminster. Clearly the unattached person reporting income is a significant proportion of the study area, and of New Westminster in general!

The average income of the unattached individual is low at only $14,155.15 per annum in the study area. Unfortunately, there is no data available on the incidence of low income among unattached individuals in the study area. In the unadjusted study area 47 percent of unattached individuals reporting income where of low income. This compares to 45 percent for New Westminster City, and 41 percent for the Vancouver CMA.
The Majority of Households Are of Low Income. Out of 6,868 households in the study area, 3,859 or 56 percent of them have income of under $20,000 per annum. This compares with 35 percent for the City of New Westminster, and 33 percent for the Vancouver CMA. Clearly the low-rise rental stock is home to low income households! The western Brow-of-the-Hill neighborhood had 58 percent of its households reporting low income. However, the other two neighborhoods did not make out much better, averaging around 55 percent of their total households having income under $20,000. The study area has 70 percent of its households with income under $30,000 per annum.

TABLE 5

INCIDENCE OF LOW INCOME IN THE UNADJUSTED STUDY AREA AND THE VANCOUVER CMA BY HOUSEHOLD TYPE, 1985

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Unadjusted Study Area</th>
<th>Vancouver CMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Families</td>
<td>28.38%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Unattached Persons</td>
<td>46.89%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Persons in Low Income Family Units</td>
<td>36.31%</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

Source: 1986 Census of Canada

4.8 Mobility

Most Residents Canadian Born British Columbians. Of the 11,500 residents in the study area, 9,415 or eighty-two percent of the total population were born in Canada. This leaves 2085
residents or eighteen percent born outside Canada. The most usual place of birth for the non Canadian born was Europe (64%), followed by 17 percent in Asia, and 11 percent in the United States. Although New Westminster shows a similar distribution of place of birth as does the study area, the Vancouver CMA is slightly different, having fewer Canadian born (71%) and more persons born in Asia.

Of those born in Canada and living in the study area, 53 percent were born in British Columbia. New Westminster had 60 percent of its Canadian born population indicating that British Columbia was their place of birth, while the Vancouver CMA was slightly higher at 63 percent claiming British Columbia as their place of birth. It appears that study area residents are more likely to be born out of province than either New Westminster residents, or Vancouver CMA residents. However, this is not surprising considering that rental apartment units are well suited to the needs of a population moving into the lower mainland area.

A Highly Mobile Population. According to the 1986 Census of Canada, 'movers' are persons who, on Census Day, were living in a different dwelling than the one they occupied five years earlier. Under this definition, 7990 or almost 70 percent of the study areas population are movers. This represents 39 percent of the 20,610 movers in the City of New Westminster, and yet the study area has only 28 percent of the population in the
City. Movers are very much over represented in the study area. New Westminster had 52 percent of its population as movers, while the Vancouver CMA had 51 percent.

The western Brow-of-the-Hill neighborhood has the most highly mobile population of any of the neighborhoods in the study area. Almost 80 percent of its residents have moved within the past 5 years. The eastern Brow-of-the-Hill neighborhood is also very high (75%), with the Uptown area showing the greatest stability of population within the study area, having 65 percent of their population as movers. This lower figure for movers in the Uptown area may reflect the greater stability of older population groups in this area.

Most Study Area Residents Are Migrants. The Census of Canada defines migrants as movers who, on Census Day, were residing in a different CSD within Canada five years earlier (internal migrants) or who were living outside Canada five years earlier (external migrants). They may have come from other areas of the lower mainland, other districts in the province of British Columbia, or from other places in Canada.

According to this definition, 3135 persons or 39 percent of study area residents are non-migrants from within the CSD, and 4855 or 61 percent of the movers in the study area were migrants. Fifty-nine percent of the City of New Westminster's, and 50 percent of the Vancouver CMA's movers are migrants. The western Brow-of-the-Hill neighborhood has the highest portion of
its movers in the migrant class (72%). The Uptown area has only 56 percent of its movers as migrants.

Study Area Migrants Mainly Locals or British Columbians. Of those migrating to the study area, 75 percent come from either another area in the Census Metropolitan Area (lower mainland) or from other parts of British Columbia. Although figures on migration into the study area are not disaggregated into those coming from within the same CMA and those from other parts of British Columbia, it is likely that the percentage of each compares closely to the unadjusted study area. In the unadjusted study area, 72 percent of those migrating to the unadjusted study area come from the same CMA.

It appears that most of the inhabitants of low-rise buildings are Canadians, and that although it is a highly mobile population, most of those moving in are from other parts of the lower mainland followed by those from other areas of the province.

4.9 Summary

The study area provides accommodation at medium density levels, to a population that differs in a variety of ways from mainstream society. Household composition is more non-traditional, with the majority of people living in one person households. Those that have families are likely to be marital pairs with no children, and if they do have children, there is
likely only one child per family. Incidence of single parent families is also higher than in New Westminster or the Vancouver CMA.

The study area seems to be a transitional place for a highly mobile population. Large numbers of young adults are biding their time until they make decisions about life direction. Recently widowed, separated and divorced persons are waiting, pending decisions about new directions for their lives. Young families may be waiting until they get enough money for the down payment on a house, and seniors want a place that they can spend the last few years of their lives with some sense of independence and dignity. It's a transitional area in many respects, and it provides a very unique service, by providing a stopping off space for people while they determine new directions for their lives.

The economic vulnerability of what must be at least one-half of the residents of the study area is most significant. Over one-half of workers are dependent on income from part year or part time jobs, over one-half have less than a grade 12 education, and over one half are considered to be living at low income levels. Although some individuals in the area seem to be doing fairly well financially, almost three-quarters of the population are living on less that $30,000 per annum. Therefore this number of people have only low or moderate incomes.

Before examining the fit between tenant needs, based on tenant characteristics, and building characteristics, the
characteristics of owners should be examined. Since the majority of low-rise buildings in the study area are privately owned and operated, it is most important to understand the needs and motives of this group.
CHAPTER FIVE

THE OWNERS

This chapter analyzes a sample of 20 market rental low-rise buildings in the study area from the following points of view: ownership form and goals; holding periods; incidence of leveraging; assessed and market values; land component portion of property values; rental rates; and returns on investment. This is not a random sample, but some effort was made to select buildings that would be representative of the age, size, and location of buildings in the study area's low-rise rental stock. A description of the buildings used in this analysis can be found in Appendix D.

5.1 Ownership Form

Ownership form refers to the entity holding title to the property such as a corporation, general or limited partnership, or sole proprietorship (e.g., marital couple or lone individual). The following discussion considers ownership form, place of residence of the owner (e.g. local, lower mainland, or out of the area or out of province), and size of the ownership entity as evidenced by the number of apartments owned.
The Corporate and Partnership Forms are the Most Popular.\textsuperscript{17} Twelve out of twenty buildings in the sample were owned by corporations or partnerships in 1990, and these twelve buildings represents 60 percent of the sample. The remaining eight buildings, representing 40 percent of the sample, are held as sole proprietorships. Six of the eight buildings held as sole proprietorships were owned by marital pairs, while two were owned by individuals.

Ownership goals differ between the different types of ownership forms, although direct evidence of this from owners of the sample buildings was not obtained. Marital pairs and individuals are likely holding the property because it either provides them with a job managing the buildings, or as Peter Barnard Associates (1985) found in their study of low-rise rental buildings in Ontario, it provides them with increased equity over the long-term as a form of pension plan.

Corporate and partnership goals in holding these properties can be more complex. These owners/investors may be looking for slow, long term growth of a fairly risk free asset. On the other hand, the corporation or partnership may just be holding and managing the property at minimal expense with the expectation of redevelopment of the property in the future (Peter Barnard Associates 1985, 1.7). Finally, the owner,

\textsuperscript{17} The corporate and partnership forms of ownership are placed in one category here because of difficulties in separating them.
whether it be the sole proprietorship, corporate, or partnership forms, may be speculating, by buying property with below market rental rates, increasing rents in a tight market, and selling the building for a good profit.

Ownership Form and Size of Building are Related. Three of the four small (under 16 unit) buildings are owned by sole proprietorships (marital pairs or individuals), while only one of these small buildings are owned by corporations or partnerships. However, twelve of the 16 medium (16-32 unit) and large sized buildings (32+ units) are owned by corporations or partnerships. Three out of eight medium sized buildings are owned by sole proprietorships, while only one out of eight large buildings are owned by sole proprietorships.

The low number of large and medium sized buildings owned by sole proprietorships is not surprising considering that sole proprietorships would have difficulty getting the capital required to buy buildings with 16 or more apartments.

One of the reasons larger apartment buildings are attractive to the corporate and partnership forms of ownership is because of the economies of scale that exist in the operation of apartment buildings. Gau (1982) found that larger apartment properties have lower average operating expenses per dollar of gross income, and therefore savings that increase returns on investment can be realized with these larger low-rise buildings.
Incidence of Multiple Building Ownership Difficult to Determine. Although no cases of multiple building ownership were found in the sample, a few cases of multiple ownership of low-rise buildings in New Westminster were observed. Discussions with several owners of low-rise buildings revealed that one owner could register his buildings under a number of different company names. It is almost impossible, unless one wishes to go to a great deal of expense, to determine the extent of multiple ownership of low-rises in the study area.

Owners are Usually Non-residents. There were three instances in the sample where the low-rise building itself was given as the address of the registered owner. Further investigation revealed that in only one instance did the registered owner live in the low-rise building. It was found that for all properties, owner's addresses appearing on British Columbia Assessment Authority records were lower mainland addresses.

5.2 Long Holding Periods

Holding periods were determined on 10 of the 20 properties in the sample. The length of time owners held title to their property varied from seven to nineteen years, with the mean holding period being 10 years.

Surprisingly, some of the larger properties owned by corporations and partnerships, had been held the longest. It is well known that 50 percent of the capital cost allowance
available on a building has been taken by the end of the 15th year, and therefore one incentive for holding these properties is no longer very important. One would think that the ownership of these properties would change more often because of the reduced value of capital cost allowances.

5.3 Incidence of Leveraging

Information on the state of title was obtained on 16 of the 20 properties in the sample. One half of the properties had at least a first mortgage on them, and on three properties there was both a first and second mortgage in place. However, in one-half of the cases there was no leveraging and the properties had clear title.

Of the eight buildings that had some form of mortgage on them, five were large buildings (32 + units), two were medium sized (16-32), and one was small (under 16 units). This would be as one would expect since buildings costing more would require more financing at the time of purchase. There was only one large building among the eight buildings carrying no debt financing.

Six of the eight buildings carrying first and/or second mortgages were owned by corporations or partnerships, while two were owned by sole proprietorships. The higher number of corporations and partnerships with debt financing may be the result of these ownership forms owning the larger, more expensive buildings. On the other hand, greater use of leveraging among corporations and partnerships may be due to the
greater financial sophistication of these investors who realize that it is possible to increase returns on investment through increased use of debt financing (Gau 1982, 11).

The amount of debt financing employed varied between three and 72 percent of property market value. Five of the eight properties with mortgages in place used debt to finance 38 or more percent of property market value.

Three of the eight clear titled properties were small buildings, while four were medium sized buildings, and only one was a large building. Six of the eight buildings without mortgages were owned by sole proprietorships.

5.4 Property Values

Market Values, Determined From Property Sales. Not all apartment buildings sold appear as listings through the multiple listing service of the Vancouver Real Estate Board. However, in 1989, ten low-rise apartment buildings in the study area appear as sales on the records of the Vancouver Real Estate Board. Sales prices range from $342,000 to $3,000,000, and all sales prices were within 14 percent of asking price. The median sales price was $545,000. The average sales price per apartment unit was $52,750.

Of the ten properties sold, six were small properties under 16 units each, while two were medium sized properties (16-32 units), and two were large properties (32 + units). The average sales price per apartment unit was $43,151 for small buildings,
$76,167 for medium sized buildings, and $58,132 for large buildings.

The over representation of small apartment building sales in the study area may be the result of more small property listings on the Vancouver Real Estate Board. Large apartment buildings, instead of being listed, may be sold by the promotional efforts of property brokers in the investment community.

5.5 Assessed Values

Assessed values, in the sample, varied from a low of $267,800 for a 9 unit apartment building to $2,585,500 for a 98 unit complex. The average assessed value per apartment unit was $27,662. The average assessed value per apartment unit was $28,295 in small buildings, $26,267 in medium sized buildings, and $28,566 for large buildings.

However, it is interesting to note how much assessed values are less than market values. For instance, Property #2 in the western Brow-of-the-Hill area was assessed in 1988 at $29,666 per apartment unit, but sold for $43,877 per apartment unit in the latter part of that year. Similarly, Property #5 was assessed in 1989 for $34,735 per apartment unit, but the same building was up for sale in 1988 with an asking price of $61,764 per apartment unit. There are other instances in the sample

18 All information on assessed values of low-rise buildings was obtained from British Columbia Assessment Authority records.
were assessed values were far lower than asking market prices. The difference between market and assessed values means considerable revenue loss for the City of New Westminster from under assessed apartment property.

**Land Component Portion of Total Property Value.** The land component portion of property values, as determined from British Columbia Assessment Authority records, varies from 22 to 46 percent of assessed value. There is a relationship between the location of property and the proportion of total assessed value taken up by land values. In the Uptown area, land value is between 40 and 50 percent of total assessed value. The land component portion of total assessed value varies between 30 and 40 percent in the eastern Brow-of-the Hill, while in the western Brow-of-the-Hill land values vary between 20 and 30 percent of total assessed value. Differences in land to total property value ratios is undoubtedly due to the fact that land values decrease as you move west from the Uptown area to the western Brow-of-the-Hill area.

**5.6 Rental Rates**

Average rental rates for low-rise units in the sample seemed to be somewhat higher for bachelor and one bedroom units than those found in the October, 1989 CMHC survey referred to in Chapter Three. For instance, the average rent for a one bedroom unit in the sample was $483 per month as compared to CMHC's
$470. Average rents in the sample for two bedroom units were somewhat lower at $568 per month than CMHC's $620 per month average for New Westminster. Average rents for all sizes of units are higher in the Uptown area, and become cheaper as you move toward the western Brow-of-the-Hill area.

5.7 Expense Ratios

Declared expense ratios were obtained from multiple listing service data on seven of twenty properties in the sample. Expense ratios varied from a low of 20 percent to a high of 50.1 percent. The most common quoted expense ratio was 31 percent.

Rule of thumb expense ratios in the apartment rental industry are between 30 and 35 percent. However, when interviewed, one owner of a number of apartment buildings in the study area suggested that 35 percent was more realistic, and that lesser ratios, especially in the case of older buildings, meant that owners were deferring maintenance items or cutting corners by not paying for good on-site managers. One British Columbia Assessment Authority appraiser suggested expense ratios of between 40 and 45 percent were common in low-rise buildings in the study area.

The differences in declared expense ratios is likely due to a

19 Expense ratios refer to the percentage of gross rental property income less vacancies and bad debts, that goes towards operating expenses such as utilities, property taxes, management, repairs and maintenance, and so on.
number of factors. Firstly, differences can be due to the differences in building management skill. Secondly, they can be due to differences between owners who wish to keep their buildings in good condition, and those who defer building maintenance and repair. Finally, as Gau (1982) points out, differences in expense ratios can be due to building size, where larger buildings show economies of scale.

5.8 Returns on Investment

Eleven of twenty properties in the sample were analyzed for returns on investment utilizing a Lotus 123 spreadsheet developed specifically for this purpose. A copy of the input and output on Property #6 in the sample appears in Appendix E.

The return on investment determined for each property in the sample does not measure the returns to the present owners of apartment buildings in the sample, since it was not possible to obtain information on financing, owner's tax bracket, and other necessary information for each property. Instead, the returns arrived at are those for a scenario in which one investor, interested in purchasing a low-rise building, specifies the financing arrangements he wants and his tax bracket, and asks a real estate analyst to provide him with returns on a number of low-rise buildings.

Assumptions

(1) An investor wishes to purchase a property as of January 1, 1990, and in making his decision he needs to know what rate of
return the property will provide him given his own particular constraints in terms of financing and tax bracket.

(2) He wishes to know rates of return for both a situation in which he has (a) 100 percent equity, and (b) 60 percent equity. The 40 percent (of purchase price) mortgage will be a 12.5 percent mortgage compounded annually, but payments will be made monthly. The amortization period will be 25 years, and the term will be for 5 years to match his holding period.

(3) The acquisition price of the property will be determined by capitalizing the first year's Net Operating Income at market determined capitalization rates. The investor wishes to hold the property five years and then sell the property. The sales price of the property will be determined by capitalizing the 6th year Net Operating Income at the acquisition capitalization rate.

(4) There will be a seven percent sales commission on the first $100,000 of sales price, and 2 percent on the remaining portion of the sales price when the property is sold.

(5) Gross revenue is simply the yearly rental received from properties at current (1990) rental rates in the study area. Income from other sources is not considered.

(6) An average historical rental rate increase for New Westminster of 6.5 percent per annum is used.

(7) An average historical vacancy rate of 2.4 percent per annum for New Westminster is used and a bad debt rate of .6 percent per annum is added to the vacancy figure for a total of
3 percent vacancy and bad debts per annum.

(8) A 35 percent expense ratio is utilized for buildings constructed prior to 1970, and a 32 percent expense ratio is used for buildings constructed after 1970. These percentages are generally accepted by the industry. A larger expense ratio is expected from an older building because of greater maintenance and repair expenses as well as greater heating expenses due to poorer construction. An escalation in expenses of 5 percent per annum is used for all buildings.

(9) Capital Cost Allowance depreciable base is determined from the ratio of building to total property values established by the British Columbia Assessment Authority records for a particular property. The Capital Cost Allowance is 4 percent on the undepreciated balance for wood frame apartments (Class 1). There is full recapture of Capital Cost Allowance upon sale of the property.

(10) It is assumed that the investor is in the 50 percent income tax bracket.

(11) Capital gains of 75 percent is applicable, and it is assumed that the investor is not eligible for any reduction of capital gains liability.

The eleven properties were analyzed from the point of view of both an all equity investment, in which the investor pays all cash, as well as a situation, in which this same investor, pays 60 percent of the value of the property, and finances 40 percent through a conventional first mortgage. Both single period
measures and multi-year measures were derived for each property.

**Measures of Single Year Returns**

The equity dividend rate is a single period measure, and is determined by dividing the amount of cash flow a property generates--after expenses, vacancy losses, and mortgage interest are deducted in one year--by the amount of equity an investor has in the property. This is an after-financing and before-tax measure of return. In an all equity investment this measure is the same as the capitalization rate (a rate used to determine the market value of the property). The equity dividend rate does not take into account increases in the market value of the property.

The equity dividend rate for properties analyzed using no debt financing varied between 7.2 and 10.5 percent. This is not particularly high when one considers that alternate, less risky investments such as bonds and one year term deposits paid as high or higher rates.\(^{20}\) The equity dividend rate drops even lower when 40 percent financing is used to between 3.06 and 8.77 percent. Equity dividend rates were found to be larger on smaller (under 16 unit) low-rise buildings, and smaller on the larger, more expensive apartment buildings in the sample.

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\(^{20}\) A five year term deposit currently pays 11.25 percent per annum.
The equity yield measure of return is a one year measure which does not consider capital appreciation of the property. This is an after-financing and after-tax rate of return, arrived at by dividing the after-tax and after-financing cash flow in one year by the equity invested in the property. For sample properties, the equity yield rate in an all equity situation varied between 4.1 percent and 5.97 percent. These returns are even less than after tax returns for a person in the 50 percent tax bracket who invests his money in almost risk free bank savings accounts or three month treasury bills. When 40 percent debt financing is entered into the equation, the equity yield rates drop from a low of 2.33 percent to a high of 5.38 percent. When only cash flow is taken into account the returns on investment for low-rise buildings is lower than other investments of similar risk. This is especially true when some form of debt financing is used.

Multi-year measures

Eleven of the 20 properties in the sample were analyzed for their internal rate of return on investment (IRR). This return is found by discounting the operating flows during the holding

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21 Bank savings accounts are currently paying in the 12 percent range, while three month treasury bills are currently producing a 13 percent before tax return. The after tax return for an investor in the 50 percent tax bracket would be 6 percent for a bank savings account and 6.5 percent for treasury bills. These returns would exceed the equity yield rate for low-rise rental buildings.
period and the capital appreciation flow at the time of sale. The IRR is an after-financing and after-tax measure of return. The IRR was computed on each property on the basis of both an all equity investment and a 60 percent equity investment.

On an after-financing and after-tax basis, returns varied from 8.11 percent to 10.25 percent for an all equity investment, and from 9.17 percent to 12.56 percent on a 40 percent equity investment. Eight of the eleven properties analyzed showed increased IRRs when debt financing was used and confirms Gau's (1982) assertions regarding the positive effects of leverage on property returns. The average internal rate of return after tax and after financing for an unleveraged investment was 9.11 percent, and 10.81 percent for a 40 percent leveraged investment. The mean IRR for an unlevered investment was 8.91 percent.

In a study of internal rates of return on apartment properties in Vancouver in the early 1980s Gau (1982) found that the mean after-tax IRR for unlevered investments to be 10.3 percent. This is very close to the mean of 8.91 percent found in the study area sample.

Gau and Wicks (1982) determined before-financing IRRs on nine MURB and non-MURB apartment buildings in Vancouver in the early 1980s. The mean before-financing IRR was 11.9 percent on non-MURB properties. The reasons for the difference between the mean returns of this sample and the study area sample are not known, but undoubtedly the greater inflation in the late 1970s
and early 1980s might be one answer.

Multi-year rates of return are much higher than single year returns on properties in the study area sample because the increase in the market value of properties over the five year holding period was taken into account. Returns, especially on an after tax basis, become far more competitive with other investments of a similar risk when capital appreciation is taken into account. For instance, a five year term deposit at 11.25 percent per annum is only a 5.62 percent return to an investor in the 50 percent bracket. The investor, in the low-rise apartment building scenario who was also in the 50 percent bracket, received a return of almost 9 percent per annum. The dependence of owners, desiring to obtain competitive returns, on capital appreciation is brought home most forcibly.22

Some patterns emerged in terms of size of property and location of property and returns on investment. Surprisingly, internal rates of return on investment were as high or higher in smaller and older buildings in less desirable locations of the study area. For instance, average 60 percent equity IRRs for Uptown were 10.03 percent, for the eastern Brow-of-the-Hill 10.77 percent, and for the western Brow-of-the-Hill 12.46

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22 Another comparable investment to low-rise apartment buildings would be 5 year mortgage backed securities which are currently returning a before-tax rate of 11.74 percent. On an after-tax basis mortgage backed securities, which are not eligible for capital cost allowance as are low-rise apartment buildings, would have a similar rate of return to the average 9.11 percent before-financing IRR for low-rise buildings.
percent. However, the higher IRRs in the western Brow-of-the-Hill may have resulted from the inability of the spreadsheet program to make deductions from end of holding period market values for important repair and modernization expenses. In terms of internal rates of return on smaller buildings Gau (1982) found that these returns could be just as high as returns on larger buildings.

One of the limitations of the assumption used in the analysis of returns on study area properties—that properties are all purchased in 1990 and held five years—is that it fails to take into account the possibility that property was purchased prior to the latest escalations of rents. If for example Property #6, in the sample, was purchased just before rents were increased 25 percent in 1989, then held five years, the IRR with no leveraging would be 15 percent. This is far better than the 8.71 it would receive in 1990 when rent increases had been capitalized into the purchase price of the property. Therefore, there are higher returns available to investors who want to speculate on rental property in the study area.

An analysis of returns on investment suggest that they are low when only one year measures using cash flow are used. Low cash flow can be a problem for some low-rise building owners in the study area. Property #2, a nine unit low-rise building in the western Brow-of-the-Hill neighborhood, is carrying a $259,000 mortgage that represents 61 percent of this property's market value. The payment to service this debt, assuming an 11 percent
interest rate, plus expenses of 35 percent of gross effective income, would be as much as the gross rental income of the building. In such a situation the owner has no money to use for his/her own needs or for improvements to the building. Therefore, although internal rates of return on low-rise buildings are as good as or superior to returns from investments of similar risks, there are problems for some owners because of low yearly cash flow.

TABLE 6

AVERAGES OF SELECTED OWNERSHIP CHARACTERISTICS

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price Per Apartment</td>
<td>$52,750</td>
</tr>
<tr>
<td>Assessed Value Per Apartment</td>
<td>$27,662</td>
</tr>
<tr>
<td>Rents (per month)</td>
<td></td>
</tr>
<tr>
<td>One Bedroom</td>
<td>$483</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>$563</td>
</tr>
<tr>
<td>Returns on Investment</td>
<td></td>
</tr>
<tr>
<td>Equity yield rate (all equity)</td>
<td>4.72%</td>
</tr>
<tr>
<td>Equity yield rate (60% equity)</td>
<td>3.34%</td>
</tr>
<tr>
<td>IRR-before tax (all equity)</td>
<td>13.00%</td>
</tr>
<tr>
<td>IRR-before tax (60% equity)</td>
<td>13.33%</td>
</tr>
<tr>
<td>IRR-after tax (all equity)</td>
<td>9.11%</td>
</tr>
<tr>
<td>IRR-after tax (60% equity)</td>
<td>10.81%</td>
</tr>
</tbody>
</table>

Source: Sample of 20 low-rise buildings drawn from the Study Area

5.9 Summary

This chapter analyzed some characteristics of ownership of a sample of low-rise rental apartment buildings in the study area. It was found that the corporate and partnership forms are the most popular forms of ownership. The relatively long holding periods suggest that corporate and partnership owners are
probably interested in getting a fairly steady rate of return over a long period. It is also possible that they are holding the property for some time, pending redevelopment.

Although the sole proprietorship was a less common ownership form in the sample, it was a significant portion of the sample (40%). Sole proprietorships, including marital pairs and singles, also hold their property for a long time, but for reasons that likely differ from the corporate and partnership forms of ownership. The corporate and partnership form of ownership tend to have the larger apartment buildings, while the smaller ones are owned by sole proprietorships.

Owners of apartment buildings in the study area tend to be nonresident owners who usually live in areas of the lower mainland other than New Westminster. It is difficult to determine if they own many apartment buildings, since one owner may own several buildings under different names.

One-half of the owners in the sample used some degree of debt financing, and the other half used no debt financing. Owners of larger buildings more often carried one or more mortgages.

Apartment building sales in the study area indicated that more smaller buildings were sold in 1989 than the medium or larger sized buildings. Differences in sales may be due to larger buildings being sold by means other than through the Vancouver Real Estate Board. Assessed values on sample buildings were found to be much lower than market values of buildings. The land component portion of property values was found to be the
highest in the Uptown neighborhood and to decrease as one moved west towards the western Brow-of-the-Hill neighborhood. Rental rates in the sample were found generally to be higher than the October, 1989 survey of rental rates conducted by CMHC. Concern was expressed that this makes apartments in the study area even less affordable than they had been. An analysis was made of returns of investment on 11 of the 20 properties in the sample. It was found that although returns based on one year measures were lower than returns on investments of comparable or less risk, when multi-year measures were used to include capital appreciation of properties, the returns on an after financing and after tax basis were as high or higher than comparable investments.
CHAPTER SIX

COMPLEMENTARITY

By complementarity is meant the satisfactory fit between tenant and owner/investor needs on the one hand, and the characteristics of buildings and neighborhoods on the other. For instance, does interior and exterior design of buildings as well as apartment size meet the requirements of the tenant population? Are returns on investment satisfactory to owners/investors of low-rise rental buildings? Finally, are government programs to deal with this housing form satisfactory to tenants, owners, and to the integrity of the buildings themselves? This chapter examines indications of both good and bad fit, and some of the solutions to poor fit being considered, or actually undertaken, by owners, tenants advocates, neighborhood groups, and local government.

6.1 Indications of Adequate Fit

Owner/Investor satisfaction

Although suitability of rental accommodation may not be entirely satisfactory to renters because of income problems, private market rental buildings also may not be suitable to owners because of inadequate returns on investment. If the person renting is faced with the reality of low income, and
therefore a need to keep his shelter expenses to a minimum, the owner/investor is faced with a need to keep his returns equal to or greater than other investment returns of similar risk.

The rate of return that is considered suitable to an investor is open to some debate. Some real estate analysts have suggested that the individual investor will be willing to continue to invest in rental property as long as his after-tax rate of return on the property is equal to or greater than the after-tax rate of return on a riskless asset plus a risk factor associated with rental housing (Crone 1988, 39). The size of the risk factor associated with rental housing is not exactly clear. Five year term deposit rates, which currently provide a 11.25 percent before-tax return, might be considered as a comparable investment to apartment building investment. To an investor in the 50 percent tax bracket, a before-tax return of 11.25 percent would provide a 5.63 percent return on an after-tax basis. The reason for this reduction in rate of return from a 11 percent before-tax return to a 5.63 percent after-tax return is that all interest earned on term deposits are subject to full tax at the investors tax rate. An after-tax return of 5.63 percent is considerably lower than the rates of return found on rental properties in the study area and reported in Chapter Five.

Investments with less risk such as treasury bills and 10 year bonds yield 13.15 percent and 11 percent respectively at the present time on a before-tax basis. However these returns
represent only a 6.58 percent return after-tax for treasury bills and 5.5 percent after-tax for 10 year bonds to an investor in the 50 percent bracket. These returns, once again, are less than was seen on rental properties in the study area.

Another comparable investment to low-rise rental property might be 5 year mortgage backed securities. Presently, the returns on these 5 year investments are 12 percent per annum before-tax. This type of investment qualifies for favorable tax treatment in the sense that interest on loans made to purchase these securities are deductible from income tax payable. However, there is no provision for favorable capital gains treatment. If no loans are made to purchase this sort of investment, a 12 percent before-tax return is only a 6 percent return after-tax.

After reviewing alternate investments of similar risk, the average after-tax return on unleveraged low-rise rental property of 9.11 percent per annum is superior to any of these other investments.

The analysis of returns on investment in Chapter Five suggested that returns were low when single year measures using only cash flow were used. Low cash flow can be a problem for some low-rise building owners in the study area. In Chapter Five, it was pointed out that Property #2, a nine unit low-rise building in the western Brow-of-the-Hill neighborhood, is carrying a $259,000 mortgage that represents 61 percent of this property's market value. The payment to service this debt,
assuming an 11 percent interest rate, plus expenses of 35 percent of gross effective income, would be as much as the gross rental income of the building. In such a situation the owner has no money to use for his own needs or for improvements to the building. Therefore, although internal rates of return on low-rise buildings are as good as or superior to returns from investments of similar risks when capital appreciation of the building is taken into account, there are problems for some owners because of low yearly cash flow.

Capital appreciation of property, which is an important contributor to the good returns on investment to owners already referred to, is dependent upon increased rental rates, and it is on this point that the contradiction within the private rental market is based. This essential contradiction and conflict is made more dramatic when one side (the renter) is facing greater and greater poverty.

Clearly owners and tenants have not been able to manage the inherent conflict between them, and government has become involved, at various times, to manage the conflict. Presently, renters and owners, in British Columbia, are subject to the regulations of the Residential Tenancy Act, and in the past there were rent controls. However, rent controls proved to be unpopular with owners since they restricted the capital appreciation of rental buildings. Rent controls were removed, and now we have tenants complaining as rents escalate. If the inherent conflict is to be managed, new solutions must be found.
Terms of Tenancy

The month-to-month term of tenancy offered by owners of low-rise buildings is most functional for a population in which 70 percent of the people, as was pointed out in Chapter Four, were classed as movers in the 1986 Census of Canada. The low-rise structures provide accommodation for many who are in a state of transition in their lives. These would include, for instance, recent arrivals from out of province, uncertain about job location, and needing temporary housing until they become more settled. In addition, students, divorced or separated persons, as well as widowed persons, all require temporary accommodation that is unencumbered by long term leases.

On the other hand, the uncertainty of short term rental agreements can prove problematic for seniors on fixed incomes who must constantly face rental increases beyond their means.

Household Size and Apartment Size

Eighty-eight percent of households in the study area are either one or two person households. Of course, the one person household is most popular in that there are 55 percent of all households in this category. These small households fit very well with the 70 percent bachelor and one bedroom apartments in the study area's low-rise stock. In addition to numbers of bedrooms, apartment size and interior layout seems to be functional for low-rise tenants. If present trends to smaller
households continues, these small apartments will continue to be suitable into the future.

**Accessibility**

The study area is well serviced by buses, and in addition by two ALRT stations. This is very important to a low income population who are very dependent on public transportation for work and recreation.

**Community facilities**

Good community facilities are especially important to seniors in the study area, and include easy access to shopping, medical care, recreational centers (Century House), and parks. The fact that the grade is fairly level, and that these facilities are within a 5 to 10 block radius of where seniors live is of special importance to seniors.

**Building amenities**

The large number of low-rises with elevators and balconies seem to meet tenants needs for ease of access in buildings, and desire for some open space.

### 6.2 Indications of Poor Fit

**Affordability a Problem**

The Low Income Tenant. Although low-rise rents in the study area are the cheapest in the lower mainland, there is a very
real affordability problem because the income of tenants is also very low. Chapter Four indicated that 55 percent of study area households are one person households, and 47 percent of those unattached individuals are below Statistics Canada's 1985 low income cutoffs for unattached individuals. If a maximum of 30 percent of income devoted to shelter is considered as being an appropriate indication of housing affordability, then low-rise accommodation in the study area is unaffordable to most of its tenants. Fifty-one percent of the tenants were paying rent equal to or in excess of 30 percent of their household income in 1985 (1986 Census of Canada).

Val MacDonald of the Seniors Bureau in New Westminster makes the point that, at present, a minimum pension for those over 65 is $750 per month. At this income, pensioners should be paying

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23 Figures on incidence of low income among unattached individuals and family units are not available in the 1986 census for the study area, but are available for the unadjusted study area. The incidence of low income, as determined by the number of persons below the low income cutoffs established by Statistics Canada for 1985, are 47 percent for unattached individuals, 36 percent for census family units, and 28 percent for all economic families.
no more than $225 per month for rent if the 30 percent of income for rent test of affordability is used. However, present rent levels in the study area are twice this amount, and therefore pensioners require further government subsidies.

The study area has a higher percentage of its population showing a housing affordability problem than the percentage of population with a housing affordability problem in either the City of New Westminster, or the Vancouver CMA. The reason for the greater affordability problem in the study area is that there is a greater percentage of low income people in the study area's population in comparison to the percentage of low income people in the populations of New Westminster or the Vancouver CMA.

**The Moderate Income Tenant.** Moderate income tenants, here defined as households with an income between $20,000 and $30,000, made up 18 percent of the households in the study area in 1985 (1986 Census of Canada). Bachelor and one bedroom apartments would be affordable for this group in that rent would take 30 percent or less of income. However, two and three bedroom apartments in the study area would not be affordable for many of the moderate income group.

**Apartments Becoming Increasingly Unaffordable.** Recent rent increases make the low-rise stock increasingly unaffordable to low and moderate income renters. Tenants are caught in a bind
in that they cannot afford existing low-rise rents, but since these rates are the lowest in the lower mainland, they have little choice but to pay.

Val MacDonald of the Seniors Bureau indicates that 10 percent of the telephone calls her agency received between January and March, 1989, were from seniors looking for help in finding alternate housing. The reason most often given for looking for different accommodation was rent increases that exceeded their ability to pay. According to Ms. MacDonald, if seniors cannot find cheaper accommodation, they either reduce their food purchases or go to food banks in order to pay for rent increases.

Mary Billick of the Lower Mainland Community Housing Registry Society deals with many low income persons looking for rental accommodation, and she echoes the concerns expressed by Val MacDonald regarding rent increases and displacement. In regards to displacement, she complains that landlords are, by excessively increasing rents, throwing out people who built the community, and by their actions are saying that these people aren't needed any more.

Although buildings are most suitable to tenants and owners in many ways, there are problems in fit as well. These include low maintenance and repair standards in some buildings, poor design, higher crime rates, and traffic and parking problems all leading to poor neighborhood image.
Maintenance and Repair

Reasons for Concern About Building Maintenance and Repair. Poor maintenance leads to greater and greater deterioration of building components. Increased structural and mechanical problems are more expensive to repair, thereby decreasing an owner's interest in maintaining the property.

Neglect of maintenance and repair often lead to poorer maintenance practices in neighboring buildings, and this can produce a vicious cycle of neighborhood deterioration. Poorly kept buildings cannot draw higher rents, which leads to increasing rounds of disinvestment by owners. The end result is continued deterioration and finally demolition. During the period of deterioration, tenant needs for attractive and well functioning housing are not met, and therefore poor maintenance and repair practices are indications of poor fit.

Sternlieb and Hughes (1981) state that 73 percent of Canada's housing stock in the year 2001 is already built, so the importance of the existing stock is readily apparent. Discussion of buildings in the study area in Chapter Two pointed out that by 2010, 75 percent of the buildings in the study area will be over 40 years old. A building's 'life' is very long if it is properly maintained, and if its components are modernized. The question is whether the existing stock of low-rises is properly maintained, repaired, and modernized so that as it approaches its 50th birthday it continues as viable rental stock.
What is Good Maintenance Practice? There are two types of maintenance that concern good property managers. The first, preventive maintenance, involves continuous corrective action, and is taken to minimize deterioration to building components. Preventive maintenance can be divided into structural and mechanical. For instance, a structural program should include repainting at regular intervals, repointing joints in brick and block work, replacement of worn floor coverings and so on. Mechanical preventive maintenance relates to heating, ventilation and air conditioning units, sump pumps, compressors and any other mechanical equipment.

The second type of maintenance, corrective maintenance, involves repairing an item after it has broken. This type of repair will occur despite the best preventive programs, and is usually more costly, as damage is likely to be greater.

Sometimes, the expression 'deferred maintenance' may be used, as if it were a third type. In effect, it is putting off until tomorrow what should have been done yesterday. It is indicative of poor management, as it usually means maintenance has been put off in the hope that it will not become necessary. The physical life of a property depends to a great extent on the quality of its maintenance and repair, and if these are not undertaken on time, more expensive rehabilitation is required in future years.
Actual Maintenance and Repair Practices. Although good maintenance is advocated by the property management industry, preventive and corrective maintenance are often not followed in practice. The reason for this is that in the short run deferred maintenance, which is usually none or inferior maintenance, will produce higher cash flows and returns on investments. If the percentage of expenses for maintenance or repair can be reduced, cash flow will be increased, thereby recovering equity sooner.

Maintenance expenditures are often the easiest to cut. The other area is management expenditures. An owner cannot easily cut costs on property taxes, utility expenses, financing costs, and so on.

Some property management professionals actually counsel some of these poorer maintenance practices. For instance, in his article on turning around troubled multi-family properties, Ronald C. Jackson (1987) writes "concentrate on only improvements you need to rent units and generate cash...If you have to make capital improvements, only make those needed to fill vacancies". The message contained in this statement is that as long as all units are filled, an owner's decision to spend money on maintenance and repair is somewhat discretionary.

Low vacancy rates are fairly typical for the lower mainland of British Columbia. For instance, over the past 30 years the average vacancy rate for New Westminster has been 2.4 percent (City of New Westminster Planning Department). When
vacancy rates are low there is less motivation for building management to keep a building well maintained and repaired. Since his/her vacancy level is already low, an owner can't ensure higher levels of occupancy by better maintenance and repair. In addition, since the tenant population of low-rise apartments have limited incomes, an owner can't get higher rents just by keeping a well maintained and repaired building.

Evidence on Current Maintenance and Repair Practices in Low-rises in Canada and British Columbia. In 1986 CMHC conducted a national survey of homeowners, landlords, and tenants, and the resulting National Housing Study provides owners'/occupants' assessments of the condition of their dwellings (CMHC 1988, i). The low-rise stock, defined by this study as all structures under 5 stories (including single family houses), accounted for 91 percent of occupied private dwellings in 1986. Just over one third (35%) of the low-rise stock was estimated to be in need of repairs. Twenty-five percent of the low-rise stock required minor repair, and 10 percent required major repairs. The incidence of low-rise dwellings in need of major repairs is highest in rural areas and in the Atlantic region, in the rental stock, and among dwellings constructed prior to 1941.

Despite the markedly higher incidence of repair needed in the older housing stock, the incidence of repair requirements among the stock constructed during the 1960s, 1970s and 1980s revealed that housing maintenance and repairs were important
considerations for newer dwellings as well. Dwellings constructed after 1960 accounted for 27 per cent of the stock in need of major repair, and 42 percent of the minor repair requirements (CMHC 1986).

Data obtained from Statistics Canada's Survey of Household Facilities and Equipment (HFE) indicate that roughly 26 percent of the housing stock (2.4 million dwellings) was in need of repairs in 1985. Just under half of these units (1.1 million) fell into the category requiring major repair (CMHC 1988, 3).

Current Maintenance and Repair Practices in the Study Area. Although the 1981 Census of Canada indicated that 75 percent of tenants felt that their buildings in the study area required only regular maintenance, 25 percent of the tenants felt that the buildings needed major or minor repairs. According to CMHC, surveying occupant ratings of building condition is a reliable means of gauging the condition of the whole housing stock (CMHC 1985). In addition to the 1981 census's disconcerting information that a large segment of the study area's low-rise stock required repair, there is other information leading to concern about present and future levels of maintenance and repair of low-rise buildings in the study area.

From Owners and Managers of Apartment Buildings. A number of persons active in building and management of housing in the lower mainland stated that many buildings are being poorly
maintained, and kept in a poor state of repair. One manager of apartment buildings, when interviewed, wondered what the low-rise stock would look like in seven or eight years since so many buildings were poorly maintained. According to him, owners are not setting aside reserves to cover maintenance and repairs, and must be doing other things with the money that should be going for these necessary items of expense.

Insight into how some owners of low-rise buildings in the study area view their property, and its longevity is obtained from an interview conducted by a local newspaper, and reported in its August 16, 1989 edition. In the article, Bob Scragg, of Wall Financial Corporation, gave his opinion of New Westminster City Council's intention of rezoning his apartment on Howay Street in New Westminster from RM-3 to RM-2. The former designation permitted the erection of a high rise building or a low-rise building, while the proposed rezoning would only permit a low-rise building.

Mr. Scragg said his company had no intention of tearing the low-rise building down now and putting up a high-rise. In speaking of his 1970 constructed building, he suggested that this building wouldn't be affected for another 20-25 years. "But when the buildings' life runs out it will be in a neighborhood of slum buildings. It won't be economically feasible to repair or renovate the buildings" (New Westminster Now, August 16, 1989). Mr. Scragg goes on to state that owners won't bother replacing or keeping up the building because
of the high costs involved. The New Westminster Now reported Mr. Scragg's comments regarding other low-rise building owners:

It will reach a point when the owners won't bother with any upgrading. There's no economic justification to do it. They'll let the building degenerate and wait for someone to buy the property on speculation. The new owner will then try to have the property rezoned to allow a high-rise, said Scragg.

Mr. Scragg's candid remarks suggest that many owners are seeing a 45 to 50 year life for their low-rises, but that at the end of this life the buildings will be in such poor shape that they won't be worth fixing up, so that they will have to be torn down. Apparently the prospect of keeping the building well maintained, and in a good state of repair so that they are functional past the 45-50 year mark doesn't enter into Mr. Scragg's thinking.

From Community Leaders. Several community leaders, who have contact with tenants of some of the low-rises in the study, hear about poor maintenance practices from these tenants. Kathleen Langstroth of the Brow-of-the-Hill Residents Council states that some landlords are not maintaining their buildings. She obtained her information from talking to renters in the area who complain about poor appearance of low-rise buildings as well as heating and plumbing problems. She was especially critical of some of the low-rise buildings in the western Brow-of-the-Hill area, and pointed to such things as poor standards of cleanliness with trash littered hallways and lack of vacuuming
Val MacDonald of the Seniors Bureau also hears complaints regarding maintenance from her seniors clients. The seniors would like to move because of the rental increases and the decrease in apartment maintenance and services, but they are unable to because there is nowhere to go. Their complaints are usually around the lack of cleaning, painting, and tardiness in fixing things that need repair. Mary Billick of the Lower Mainland Housing registry echoes Val's concerns regarding maintenance and repair.

In addition to some owners and managers, as well as community activists, government employees and elected officials are also aware of a problem in lack of maintenance and repair in study area low-rise buildings. Corporal Donnelly, of the New Westminster Police Department, pointed to the possibility that poor maintenance and management practices in some low-rises lead to more deterioration of these buildings. Yvonne Cocke, Alderman in the City of New Westminster, also expressed concern about some owners letting their buildings deteriorate, and later saying that the buildings need to be torn down so that new buildings of higher density could be built.

From Declared Expense Ratios of Low-rises For Sale. A review of properties offered for sale in the last two years in the study area indicated that declared expense ratios were well below market expense ratios in several cases. When one owner of
a low-rise building that was constructed in the study area in the 1950s professes to have an expense ratio of 20 percent, one must conclude that some needed item of building expense is being cut. The item of expense to be cut to reduce expenses is often building maintenance and repair.

**From a Drive-by Inspection.** A brief site inspection of low-rise buildings included in the sample chosen for analysis on ownership found some buildings with poor external appearance and poor landscaping maintenance.

**From Building Permit Records.** Figures supplied by the City of New Westminster's Planning Department suggest that a small sum of money was spent by owners on low-rise building rehabilitation in 1988 and 1989.

**Poor Building Design**

There is little doubt that the low-rise buildings in the study area do not meet the present day standards for attractive and functional low-rise apartments buildings. Study area apartment buildings were built quickly and cheaply for a rapidly expanding rental market. Certainly design improved in these buildings as time moved on. Purpose designed, low-rise buildings of the late 1970s and early 1980s incorporated such things as ground level patios, more private balconies, more functional interior layouts and so on. However, design problems common to most older low-
rise structures such as overlooking, inadequate off site parking, long dungeon-like interior corridors, inadequate in-suite storage, poor soundproofing, cannot be easily corrected. These problems, by decreasing tenant satisfaction, are indications of poor fit.

Neighborhood Problems

There are a number of possible causes for the neighborhood problems that detract from the livability of study area neighborhoods. Low rental rates, in comparison to less central municipalities such as Surrey or Delta, suggest that the study area neighborhoods may be valued less highly by renters. This may be due to higher incidence of poverty, crime, traffic and noise, deteriorating buildings, and poor design in these neighborhoods. In addition, there is a skewed distribution of age and family structures resulting in a low proportion of middle aged, family persons in the study area, and that may contribute to neighborhood instability. A vicious cycle may be at work here whereby factors contribute to lower rental rates, and these lower rental rates, in turn, attract persons with lower education, income, and more social problems.

Social, economic, and demographic forces interact to produce the problems noted in study area neighborhoods. For instance, crime in the area is likely related to the high numbers of younger males living in the area with poor education, and low income due to dependence on part time jobs.
When the low-rise buildings were first built they represented a temporary stopping off point for young single adults, and young married couples on their way up to better futures. The question now is whether or not, in the absence of any direction from government, these neighborhoods have become just another stopping off point for the old, the poor, and the uneducated, who are not going anywhere.

Further Neighborhood Deterioration? Pointing out neighborhood problems in the study area is not to deny that in many ways these neighborhoods meets the needs of many of their residents. Central location, excellent transportation, easy access to shopping and medical care, lower comparable rental rates, compatible apartment size, are of great satisfaction to residents. However, if decreased investment in the maintenance and repair of low-rise buildings continues, leading to increasing neighborhood unattractiveness and increased social problems, the consequence may be demolition and redevelopment of existing low-rise buildings. Demolitions and redevelopment will start with older buildings in the beginning, but could move to newer buildings given certain favorable market forces.

Owner's attempts to Improve Complementarity

Although owners are concerned about their buildings meeting the needs of tenants, they must be concerned about the profitability of their business. Some measures currently
considered by lower mainland and study area owners of low-rise apartment buildings to improve profitability include rehabilitation, renovation, and redevelopment.

Renovation or Redevelopment to Increase Returns? The central concern of most apartment building owners is to maximize returns. This is not the only ownership goal. For instance, some owners view the management of their apartment buildings as their job. However, they are still concerned about making a profit. If they are not making suitable returns, often measured by the percentage of return they could get on alternate investments of similar risk, they must make decisions to increase returns.

One of the steps a profit maximizing manager of real estate takes in assessing his property is to study the economics of alternatives. This is a study to determine the highest, best and most productive use of the property including a review of alternative uses, and the projected income after rehabilitation, modernization, change of use or conversion or demolition and reconstruction.

The alternatives a manager of rental apartment property might consider are as follows:

(1) Leave the building as it is, except for normal maintenance requirements.

(2) Renovate the building by giving it a face-lift; e.g painting, cleaning, new carpet, new fixtures, and so on.
This could be referred to as moderate rehabilitation to increase rent levels.

(3) Modernize the building; install new elevators, replace outmoded heating units, install air-conditioning and so on, or remove one or more stories. This could be referred to as luxury renovation and would be undertaken to appeal to a much more affluent renter.

(4) Change in use:

(a) by conversion; for example, from apartments to motor hotel, or from retail use to office use.

(b) by demolition of an obsolete building and construction of a new modern structure that could either be rented or units sold to owner-investors.

Do These Options Pose Threats to Study Area Low-rise Buildings? The question is whether options two through four are viable, and if they are, do they pose threats to tenant needs, and to existing low-rise rental buildings in the study area?

Of course option number two is just correcting deferred maintenance. It is likely that such improvements would still attract people from the same income class. If the rental levels in the building were lower than the local market levels, then some rent increase would be possible.

The general industry rule of thumb is that as long as increases in rent are at least 13.5 percent of expenses for improvements, the renovation is financially worthwhile (Eshleman
1987, 38). For instance, a $2,000 per suite renovation could be justified by a minimum of $22.50 per month rent increase. However, the point to be made is that in a tight rental market a $22.50 per month rent increase could be obtained without renovating. In a tight rental market there is no competition, and therefore the need to renovate is removed. Vacancy levels are generally low in the study area, and therefore the financial reward for moderate renovation is low.

A luxury renovation would require that people of medium or high income move into the area. However, individuals with this kind of income are usually more interested in buying, but if they do rent they want attractive, modern buildings. According to Carman, Jr. and Smith (1986) medium and upper income renters will seek housing which provides the amenities and sense of livability of single family homes. Apartments for medium and upper income renters must give a sense of privacy, security, landscaping, recreational amenities, energy efficiency, location, and an overall image (Carman Jr. and Smith 1986, 46).

To bring an existing low-rise in the study area up to these standards would cost so much that it would not be economically feasible. For this reason there is only one apartment building in the study area that has been upgraded so that it might be called a modest 'luxury renovation'.

In addition to the reasons outlined above, existing low-rise buildings in the study area are unlikely candidates for luxury
renovation for the following reasons. Firstly, the study area neighborhoods would unlikely be seen as attractive for medium and upper income renters. Secondly, cases reported in the literature on successful renovation of rental apartment buildings usually involve buildings that have high vacancy rates and/or below market rental rate structures. But what about the possibility for redevelopment of existing low-rise properties?

If redevelopment would be for rental use, before an owner-investor would demolish the building and build new, he/she would have to make sure that the annual income on the new building, minus the annual capital charge of constructing the new building, equaled or exceeded the annual income on the existing structure. It is unlikely that the study area could support higher rental levels for reasons that have already been discussed. Therefore, it would not be economical to tear down an existing rental to build one that would take in the same gross rent. But what would make demolition and redevelopment for rental possible?

The only way to keep rents at existing levels, and yet build a new structure on the site of a demolished low-rise, would be to develop at higher densities. This means the construction of high-rises, and as has been already stated, New Westminster City Council has rezoned low-rise sites to RM-2 which only permits the construction of low-rise buildings.

Another alternative would be to demolish the existing low-rise building, and build a new low-rise, strata titling the
units to sell as condominiums. The market seems to have been very good for such low-rise condominiums over the past several years. Two bedroom units in modern low-rise buildings in the study area have been selling in the $120,000 price range. For instance, there are two 24 unit low-rise buildings being erected in the western Brow-of-the-Hill neighborhood at the present time. In one low-rise building, 800 square foot apartments are being sold for $120,000. Would it be viable to demolish a low-rise rental apartment building, and construct low-rise apartment condominiums on the site such as the condominiums that are currently being built in the western Brow-of-the-Hill?

When the units are built and are sold out, likely over a two year period, the total selling price for the building's 24 condominiums will be approximately $2,880,000. Current building costs for apartment buildings (low-rise) are approximately $70 a square foot (hard and soft costs). For a 22,000 square foot building, containing 24 condominiums, the costs would be approximately $1,540,000. In addition, one must add on 20 percent of building costs for a developer's expected profit of $308,000, and financing costs of $323,400 (10% simple accruing interest over 2 years). The total costs would be $2,171,400 for this new building. This leaves a residual to land of approximately ($2,880,000 - 2,171,400) $708,600.

The developer, in this example, to earn his 20 percent on building costs, can only pay about $700,000 for the land. The only existing low-rise sites obtainable for less than $700,000
in the study area would be the older buildings built prior to the 1960s having less than 16 units. However, none of these buildings are built on lots large enough to put a 24-unit building. Most of these low-rise sites couldn't accommodate more than the units they already have. Therefore, at the present time it is unlikely that low-rise buildings in the study area would be demolished to build new condominium apartment units. If demolition and redevelopment of low-rise sites is not feasible now, could this happen in the future?

If the market value of a $120,000 condominium in a newly built 24 unit low-rise buildings were to increase to $210,000 over the next five years (a 12% per annum increase), the market value of the project would be $5,040,000. Assuming construction costs increase by six percent to $2,060,867, developers profit to $412,000 (20%), and finance charges to $430,000 (assuming 10% simple interest over 2 years), the total project cost would be $2,902,000. This would leave a land residual of $2,138,000.

The market value of Property #6, referred to in Appendix A, given a 6 percent per annum rent escalation in its units, would be around $1,622,000 in 5 years. The land residual, at $2,138,000 is larger than the market value of Property #6 making it feasible to demolish Property #6 and build a 24 unit condominium development.

The key factors in the above scenario is market value of condominiums escalating faster than construction costs and rents. This increase in the price of condominiums is the result
of increased demand for such units. In addition, for such rapid price increases to occur, there would have to be lack of zoned land available at a suitable price to build on. If these two factors occur at once, the existing low-rise buildings in New Westminster might be at risk for demolition.

**Attempts to Improve Complementarity (Neighborhood Improvement)**

A residents association has formed in the eastern Brow-of-the-Hill area that wishes to retain the Brow-of-the-Hill as a single family neighborhood, and to increase the number of families with children in the neighborhood. These goals are positive for the neighborhood in that they address the skewed age and family structure of the Brow-of-the-Hill neighborhood by increasing the numbers of families.

The residents association prefer the construction of single family detached housing in the Brow-of-the-Hill area. This association wants to keep out high-rise developers as well as developers of low-rise condominiums who are building for the singles or 'empty nester' markets, because these developers are not building for families with children.

The Brow-of-the-Hill resident association says it would accept multi-family housing if it were for families. However, attempts at developing multi-family cooperative housing in the area would not meet with the association's approval because it feels that recent proposals for coops place too many units on a site,
making the proposals unworkable for families with children. In June, 1989 New Westminster City Council, in response to the wishes of the eastern Brow-of-the-Hill residents, adopted a policy that would encourage developments that provide low density family-oriented housing instead of multi-story, medium density developments including low-rise apartments. The RS-2 zoned area in which this policy would be implemented would be an area bounded by Fourth Avenue, Eighth Street, Queens Avenue, Eleventh Street, Third Avenue and Louellen Street. Multiple family(high-rise) development and redevelopment would be encouraged, in the future according to this new policy, in the downtown area, south of the study area.

Although New Westminster City Council and the eastern Brow-of-the-Hill resident's association may want low density family development, land values have increased so high in the area that low density development is impractical. The policy restricting development to low density family development has the effect of producing no development. The goal of adding more families with children, and thereby improving the neighborhood is frustrated by an unworkable policy.

Although New Westminster City Council indicated in the past that they wanted an Official Community Plan for the Brow-of-the-Hill neighborhood, there is no intention now to have such a plan prepared. Without such a plan providing future direction, problems affecting neighborhood suitability cannot be properly addressed, and ad hoc, poorly conceived policies, such as the
one limiting development to low-density family housing, will achieve nothing.

**Other Efforts by Local Government (Low-rise Preservation).** New Westminster City Council has rezoned existing low-rise buildings in the study area so that proposals to build high-rises will first have to go through a rezoning process. Although this action is to be applauded, it does not entirely remove the threat to low-rise buildings in the future.

The downzoning of low-rise sites will remove the threat of demolition of low-rise units to some extent, but unless alternate sites for higher density accommodation in the lower mainland are provided through zoning, the threat of demolition to low-rise apartment buildings is a possibility in the future. If market prices for condominiums are good, in the absence of appropriately zoned land, existing low-rise buildings with zoning already in place, will be seen as attractive sites for redevelopment.

In addition, pressure on future city councils to accept rezoning of existing low-rise building sites to high-rise use in order to create jobs and expand city tax bases could result in the demolition of low-rises in the future.

**6.3 Summary**

This chapter has taken a look at indications of adequate and poor fit of low-rise building characteristics, and tenant and
owner needs. Owner needs for adequate returns on their investments were found to be more than adequately served by low-rise apartment buildings, although it was recognized that low yearly cash flow might be a problem in some cases. Tenant needs for comfortably sized living units, for flexible leasing periods, and for accommodation that was well served by on-site amenities (e.g. elevators), transportation, and community facilities, was found to be adequately met by low-rise buildings and their neighborhoods.

However, a poor fit was found between low-rise building rents and the income of tenants, that seems to be getting more and more problematic. In addition, indications of poor fit were found between building needs for adequate repair and maintenance, and owners desires for higher return on investments. Concern was expressed that as the stock ages into the 21st century, both buildings and their neighborhoods may deteriorate at a faster rate unless something is done to improve repair and maintenance standards.

Poor design was pointed to as a problem for tenants, but that nothing much could be done about this problem. However, indications of neighborhood deterioration that frustrated the needs of tenants and owners alike should be dealt with, and was in fact being addressed, although not always adequately by neighborhood associations and local government. Finally, efforts of owners to find higher returns through luxury renovation or demolition and redevelopment were considered, and
although it was felt that luxury renovation was unlikely, redevelopment with its demolition of low-rise buildings, was considered a possibility in the future.
CHAPTER SEVEN
CONCLUSION AND RECOMMENDATIONS

7.1 Future Demand

Although there is a great demand for the low-rise rental stock now, will there be a continuing demand for this stock in future years? Demographers have pointed to future decreases in population growth rates and changes in age distribution that will affect rates of household formation. Changes in household formation will in turn determine the demand for owner occupied as well as rental housing. According to several housing experts, the future demand for rental housing will decrease significantly (Gau and Goldberg 1983). But what is the basis for their concerns?

Decreasing population growth rates and a slowing down of metropolitan and urban concentration are predicted for the 1990s and into the early 21st century. Such declines are attributed to the declining fertility rate, a slowing in survival rate increases, and lower levels of international immigration. The conclusion is that overall housing demand will fall, because the number of people requiring shelter will not be increasing as rapidly as in the past. There will also be a shift in the types of shelter demanded and the tenure preferred (Gau and Goldberg 1983). But what are the reasons for these latter changes?

As the large group of baby boomers work their way through their life cycle during the 1990s and into the 21st century, there will be a decrease in the percentage of the population in
the 20 to 34 age group, and an increase in the percentage of the population in the middle and older years. There changes, it is stated, will reduce the demand for rental accommodation significantly. But how does this work?

In Chapter One, the rapid increase in the percentage of the population in the 20 to 34 age range in the 1960s and early 1970s was given as the main reason for the increased demand that brought on the large supply of rental housing in the Greater Vancouver area. Of course the 20 to 34 age group has a high propensity to form households, and a high propensity to rent, and as a consequence a huge demand for rental accommodation was realized. Since in the future this group will make up a much smaller percentage of the population, the argument is that the demand for rental housing will fall considerably.

Chapter Four pointed out that 38 percent of the tenants in the study area's low-rise apartments were between 20 and 34 years of age. If this age group's percentage of the total population were to decrease by 50 percent, as has been suggested by Gau and Goldberg, would the demand for apartments in the study area also decrease by this amount, and therefore lead to apartment unit vacancies?

There are a number of economic, social, and political factors that might ameliorate the negative effects on rental housing demand brought on by the decreasing size of the 20 to 34 age group. Let us now turn to an examination of some of these factors.
Firstly, one of the assumptions upon which forecasts of rapidly declining demand for rental accommodation are based, is that households in the 20 to 34 age group will purchase single family houses or condominiums as they move into the next age cohort. However, increasing costs of ownership, including rapidly escalating prices of homes in many markets, as well as high interest rates, have put home ownership out of the reach of many individuals. Increases in income in the 20 to 34 year old group have not kept pace with increases in ownership costs. As a result, these people are likely going to have to continue renting, since they cannot become owners.

It is unlikely that interest rates are going to come down significantly over the next decade. This is related to the high deficits the United States Government is running, in addition to the likely increased demand for investment from other countries. In addition, the Canadian Government is using high interest rates to fight inflation which stubbornly refuses to go away. Finally, the political will that was shown in the past to stimulate home ownership through huge government expenditures seems to be lacking at the present time. For these economic and political reasons, it is unlikely that the large drop in predicted rental demand will be realized.

Secondly, demographers are predicting an increase in one and two person households as well as increases in nontraditional household types. Although many of these new households will be financially able to own their housing units, many will still
require rental accommodation, especially single parents and elderly females.

Thirdly, neither the federal or provincial governments are making much effort to increase the supply of rental accommodation, therefore ensuring that whatever rental housing now exists will continue to be in high demand in the future.

In addition to factors operating on a national and international level, such as those outlined above, that are working to produce a healthy demand for rental accommodation in the future, there are also a number of factors of a local nature that will ensure continued demand for rental accommodation in the study area of New Westminster.

Central lower mainland suburbs, like the study area of New Westminster, will continue to be popular places to live in the future. Good quality services, as well as quick and easy access to downtown Vancouver, make the study area an attractive area to live in the future. Furthermore, British Columbia, and the lower mainland area in particular, are going to be popular places for people from other countries and other areas of Canada to come to and live. Finally, the large numbers of people inhabiting inferior illegal suites provide a large pool of renters to draw from for any anticipated vacancies in low-rise apartments. Demand for apartments in low-rise buildings in the study area is strong now, and will be well into the future. There is no threat posed to these units by decreasing demand.

If low-rise apartment buildings are suitable, by and large,
for tenants and owners alike at the present time, and if the demand for these units will be present well into the future, what can be done to preserve and enhance this most important segment of our rental stock?

7.2 RECOMMENDATIONS

Threats

Threats to existing low-rise rental stock, described in previous chapters, include the following:

1. threats to the longevity of the stock coming from building and neighborhood deterioration, demolition, or luxury conversion;

2. threats to affordability for existing tenants;

3. threats to adequate returns on investment for owners resulting from attempts to deal with the affordability issue; and

4. threats from government inaction to address the threats to the stock.

Goals

Measures to deal with threats to the low-rise rental stock in the study area of New Westminster must achieve a number of goals. Firstly, they must protect and enhance study area low-rise buildings and neighborhoods by stopping both the physical deterioration of buildings, and the market forces leading to demolition. Measures must ensure that buildings are properly
maintained, repaired, and modernized to promote building longevity, meet tenant needs, and improve neighborhood image. Neighborhood problems of poor education, low paying part-time work, higher than average crime rates, and age and family structure imbalances all must be addressed.

Secondly, at the same time as buildings and neighborhoods are improved, efforts must be made to ensure that rents remain affordable to existing tenants to avoid rounds of tenant displacement in the future. Measures chosen for neighborhood improvement must be those that don't make neighborhoods so attractive as to lead to increased rents in buildings, luxury renovations, or demolitions of existing low-rises.

Thirdly, competitive rates of return for investor/owners must be maintained to ensure that disinvestment, in the form of poor maintenance and repair practices, is not encouraged. The goal here should also include a more harmonious relationship between building management and tenants.

Finally, measures undertaken must ensure that federal, provincial, and local governments become actively involved in protecting the low-rise rental stock, its tenants, and its owners. The rental housing market suffers from market failure at the present time. Extremely low vacancy rates in the lower mainland area of British Columbia, the result of increased demand, should bring on new supply of rental units that keep rents within the financial means of tenants. However, such supply is not forthcoming, and rent levels increase beyond the
means of tenants. The need for government involvement, not only in encouraging new supply, but also in protecting and enhancing existing rental accommodation is clear.

**Principles**

Attempts to deal with threats to the low-rise rental stock that meet identified goals must adhere to the following principles:

1. that more than one measure be utilized since the multi-faceted nature of the problems facing the low-rise rental stock requires that a comprehensive set of measures be employed;

2. that the threats to low rise stock will differ according to the characteristics of a particular community, and the response to threats must be flexible enough to respond to community differences; and

3. that any combination of measures to achieve goals take into account political realities, including the multitudinous demand for government expenditures, and therefore keep demands on government funding at a minimum.

**Alternative Measures to Meet Goals**

The following measures have been advocated in the literature as ways of achieving the above mentioned goals. They are divided according to level of government responsibility.

**Federal Programs**
Government Purchase of Existing Low-rise Buildings. The purchase and operation of low-rise buildings by government would certainly reflect a significant commitment on the part of government towards the low-rise stock. It is likely that buildings would be better maintained under government operation since the profit motive would no longer be primary. Under government operation, rents would likely remain affordable, since no government would like to upset such a large voting constituency as renters. However, this solution would be extremely expensive, both from the point of view of the large initial outlays of capital for purchase, and for ongoing subsidies of building rehabilitation and rent levels. For this reason, it doesn't meet the third principle outlined above, and therefore is not considered as a viable option, at least in the short run.

Government Subsidies for Rehabilitation. Government loans and/or grants are a very popular measure to encourage rehabilitation of rental buildings. For instance, rental RRAP (Residential Rehabilitation Assistance Program), a Canada Mortgage and Housing Corporation program that was recently discontinued, provided renovation loans to a maximum of $17,000 per unit for substandard low rent units. Forgiveness was earned by landlords who kept post-renovation rents below average market levels for fifteen years. This type of program meets several criteria outlined above. It encourages repair to the existing
stock, and it takes into consideration affordability through loan forgiveness if rents are kept low in the post-rehabilitation period. Unfortunately, CMHC felt that it was not well targeted to those in core housing need, so discontinued the program.

Undoubtedly a program like rental RRAP would be helpful to those owners having low cash flows either due to low demand for rental units, or high mortgage costs. For instance, Property #6 in the sample analyzed for returns on investment, a 21 unit apartment building in the Uptown Neighborhood, could face problems in affording rehabilitative work if the owner had a 40 percent mortgage on the property. Although the after tax return on investment over a five year period, taking into account capital appreciation, is a respectable 10.10 percent, the first year after tax cash flow would only be $19,213. Even year three's cash flow is only $29,747 after all operating, financing, and tax expenses have been paid. If he/she were to make any repairs, the expenses would have to come out of this limited amount of money.

If the owner of property #6 had an all equity investment he/she would be getting an after tax flow of approximately $52,000 during the first year. He/she would be better able to afford improvements in building condition. The point to be made is that there is room for a program like rental RRAP, but it should be targeted to owners with problems in affording expenditures on repair because of low yearly cash flow.
Shelter Allowances. As a Federally subsidized program, shelter allowance advocates believe that such allowances paid to needy renters would bring on new supply, reduce rent levels making rental accommodation more affordable, and provide owners with returns on investment that would allow them to keep their buildings in good repair.

However, the program would be very expensive, and there is no guarantee that needy renters, forced to go without many consumer goods because of low income, would invest their increased allowances in housing. Therefore, increased incomes may not lead to increased demand for rental units, and as a consequence new supply may not be forthcoming.24

Finally, there is no guarantee that increased returns on investment to owners, resulting from increased ability of renters to pay rents, would result in investment in building repair and maintenance. Chapter Five showed that returns on investment on an after tax basis from low-rise buildings in the study area is very competitive with other investments. However, as was found in Chapter Three, there are many low-rise buildings in the study area needing minor and major repair. In addition, tenants complain about poor maintenance practices in many buildings. Mayer found a similar discrepancy between higher

24 Other criticisms of shelter allowances are provided by J. D. Hulchanski in Shelter Allowances and Canadian Housing Policy: A Review and Evaluation
returns and increased investment in building repair in his study of owners decisions to invest in rehabilitation of multi-family housing in Berkely, California. He states, "surprisingly, given exceptionally good potential investment return, owners of structures in bad condition relative to neighboring buildings are found to do no more frequent (if anything, less frequent) repair" (Mayer 1981, 57).

**Increased Incentives Through More Liberal Tax Allowances.** Increased returns on investment could be realized through such income tax provisions as accelerated depreciation of any rehabilitative expenses or lower rates on capital gains of rehabilitated rental buildings. However, owners/investors are already getting ample incentives through such tax expenditures as interest rate deductibility and capital cost allowances, and it still does not seem to be enough to bring on required repair to buildings.

The problem in the study area, as far as getting required rehabilitation is concerned, doesn't seem to be the result of inadequate returns. If any increased incentives were to be given they should be targeted very carefully to those who really need it because of continuous problems with vacancies, and to those who are fulfilling certain social goals such as providing rental accommodation to low income people.

**Changes in Capital Cost Allowance Rates.** Owners are allowed
to deduct 4 percent of their building's depreciable base every year from the income tax payable on their low-rise building. This is an allowance for the depreciation of their building. One solution suggested to enhance building repair and maintenance, is to allow greater CCA deductions, which would increase yearly cash flow making more money available for building repair and maintenance. However, existing CCA rates, as was earlier pointed, are not working in many cases to improve building repair standards, and besides there are some problems with CCA provisions that can pose a threat to rental buildings.

Capital Cost Allowance can be a threat to low-rise building longevity. Most of the value of capital cost allowances to an owner is taken out over the first 15 years he owns the building. In addition, the size of his mortgage has been reduced through monthly payments, so that the combination of lowered leverage and lowered CCA benefits make his/her returns lower in relation to alternate investments.

If the value of the property has gone up since he bought the building, which is most often the case in the study area, the owner must pay all or part of the money he has received through capital cost allowance back to the government when he sells the building. If he demolishes the building and just sells the land, he doesn't have to worry about paying back capital cost allowances taken in the past. If land prices have gone up, and if the owner has practiced deferred maintenance, the owner might find that it is in his interest to let the building deteriorate
and demolish it, rather than sell the building. There is an argument that could be made to reduce or restrict the benefits of capital cost allowances in order to protect low-rise buildings from demolition.

It has already been pointed out that some owners facing higher vacancy rates or higher mortgage costs may suffer in the short run through small cash flows, and this in turn could reduce their ability to keep their buildings in good condition. There is room for the use of capital cost allowance in this situation. However, for many owners with low mortgage costs and low vacancy rates, there is no need for higher capital cost allowances.

**Provincial Programs**

**Rent Review.** A program of rent review attempts to deal with the problem of tenant affordability at the same time it allows owners a reasonable return on their investment. As long as an owner stays within some acceptable guidelines of rent increases, such increases are allowed. For instance, a rent increase within a market determined average rent increase would be acceptable, but the government may roll back a rent increase that exceeded a market determined average. The problem here is that the market may well push rents far beyond the affordability of tenants. Rent review may control the few overzealous landlords who want to rent gouge, but it does nothing to prevent the loss of affordability in tight rental markets such as is evidenced in the study area.
Rent Control. A program of rent control, such as British Columbia introduced in the 1970s, does deal with the affordability issue directly by limiting rent increases to a definite percentage each year. Tenants may continue to lose affordability, but at least it doesn't come suddenly in dramatic spurts as rents escalate 30 or 40 percent in one year. The problem with rent controls is that it can limit landlord's cash flow and returns on investment so that needed repairs and rehabilitation of buildings is not undertaken. Theoretically, a 20 percent increase in rents in one year could provide a marginally profitable apartment building operation with the cash flow it needs to undertake improvements in building components. The term theoretically is used because despite the removal of rent controls in British Columbia in early 1980s, there has been no observable increase in the money expended on building maintenance and repair in the study area.

It is also argued that rent controls limit the attractability of holding property in rental use, because of the lowered returns on investment, and therefore accelerate the trend towards demolition. There might be some truth to this position. However, there are many factors other than rent controls that can lead to premature demolition. Rapid increases in land values due to the increased demand for condominiums in the Kerrisdale neighborhood in Vancouver is just one of these factors accelerating demolitions.

Perhaps the negative impacts of rent controls on landlords
could be ameliorated by government subsidies for vacancies and increases in operating costs. In addition, perhaps new financial tools such as index mortgages, by reducing interest rates for landlords, could increase returns enough to compensate for any losses brought about by rent controls.

**Maintenance and Occupancy Bylaws.** The distinguishing feature of these codes or bylaws is that they describe, in bylaws, standards to which existing properties must be maintained as well as conditions of occupancy. Under today's circumstances, however, the maintenance features are generally considered more important than the occupancy features. Maintenance bylaws normally cover all aspects of the building condition: structural, sanitary, plumbing, electrical, and fire safety, and they are retroactive, even applying to conditions existing prior to the enactment of the bylaw.

Most local jurisdictions have a number of bylaws and regulations that appear to address the problems that a maintenance and occupancy bylaw deals with. For instance, there are health regulations, sanitary codes, electrical codes, fire safety codes, dangerous or derelict building provisions, unsightly premises regulations, and so on. The Province of British Columbia's Residential Tenancy Act had a duty to repair section that could force landlords to repair their buildings, although changes to the Act in 1984 has rendered this provision almost useless.
Robert L. Hale Jr writes:

The difference between these and Maintenance and Occupancy Bylaws is that they deal with new construction, applied for rehabilitation, or some specific aspect of a building. Only property maintenance Bylaws enable a Municipality to deal with an existing deteriorating property before it gets so dilapidated that repair is no longer feasible. The other codes or Bylaws may overlap with the M & O Bylaw, but they do not protect a total building from neglect like the M & O Bylaw does (Hale, 1986, 57).

Although these M & O Bylaws are locally drafted and administered, authority to pass such bylaws are given to local jurisdictions by Provincial Governments. The City of Vancouver Charter gives the Vancouver City Council the power to pass such M & O Bylaws. However, the Province of British Columbia is the only province in Canada that has not empowered its municipalities to pass M & O Bylaws, and although a few municipalities have gone ahead anyway and passed them, they are generally considered ultra vires and are not enforced by municipal governments.

The value of M & O Bylaws is that they are not dependent on either positive market factors or the whims of owners in ensuring that low-rise rental buildings are kept well maintained and repaired. Standards are set in bylaws, and through encouragement, advice, assistance, and enforcement by local officials, the buildings are protected.

Tax on Landlords Used for Maintenance and Repair. France places a 3.5 percent tax on landlords incomes and modernization and repair of buildings is financed out of this tax. In
Denmark, public and private rental agencies are obliged by law to set aside 15 D Kroner per square foot of floor space per annum. This tax generates a fund that is used to finance small subsidized maintenance loans for landlords (Harloe 1985).

The philosophy behind this measure is that each landlord, by allowing his or her building to run down, places pressure on neighboring properties to do the same. Lowered rental levels, due to improper maintenance in one building, ensures that rental levels in adjoining buildings will also increase at a slower rate which in turn will lead to poorer maintenance practices in these buildings. If landlords have to pay a tax on their income that would be used in improving neighboring buildings, they might put more pressure on neighboring landlords to keep up their buildings. With this sort of measure, costs of building improvements are kept where they should be—on the landlord.

Little information is provided in the French experience on how the money is spent. For instance, do owners requiring assistance voluntarily ask for it, or is there some form of maintenance bylaw stipulating what buildings need help, and then offering their owners assistance from tax monies collected from neighboring landlords? The danger of this measure is that in a tight rental market, with no rent controls, landlords will simply pass the cost of this tax onto tenants.

**Property Tax Abatement.** With this measure, increases in assessed values resulting from building rehabilitation are
forgone. If there is no increase in assessed value, there will be no property tax increase to owners as a result of the rehabilitation. However, value for tax assessment purposes is determined by rent levels and it might be difficult to decide whether rent increases are due to market factors or due to improvements in the building.

**Property Tax Rebate.** It is sometimes recommended that this measure go along with property tax abatement. In the case of a property rebate, not only is there no tax increase because of rehabilitation, but the owner who improves his property actually gets back some of the money he pays in property tax. There is probably some advantage in this measure if it is directed towards stock where repair is badly needed, and where owners are not in a position, because of low cash flow, to undertake repair. Provincial assessment files contain all the data necessary to determine eligibility for such rebates from the Province. However, as was the case with rental RRAP, there would not likely be much take-up of such a measure in the study area if it were tied to a recapture of monies from property tax rebate upon the sale of the building.

**Improvements in Services to Disadvantaged Tenants.** This measure would undoubtedly involve both federal and provincial levels of government. Chapter Four pointed out the low educational levels of many study area tenants, and their
dependence upon low paying, part time work as well as government assistance. Programs directed at meeting the educational and vocational needs of this group could lead to increased incomes, thereby making apartment units more affordable. Most discussion of ways to make rental accommodation more affordable concentrate on increasing supply or controlling rents, while very little is directed towards positive ways of increasing effective demand. More income from better paying, steady jobs could make it much easier for study area tenants to pay higher rents.

Provision of Property Management Training to Landlords. CMHC found in their National Housing Study that a large percentage of landlords were not aware that their buildings were in need of major repair (CMHC 1986). The study on low-rise rental housing done in Ontario found that small landlords, who dominated the low-rise stock in Ontario, often lacked the resources and technical knowledge to manage and maintain their properties in a cost effective manner. They suggested that the viability of these small operations could be improved through the provision of services in areas such as budgeting, financing, accounting, rent review, landlord tenant relations, repair and maintenance strategies and energy improvements. What was needed, they suggested, was a Provincially funded program to pay owners, or property management associations, to provide training(Peter Barnard Associates 1985).
Although the small apartment building operations in the study area could likely benefit from advice on maintenance and repair strategies, the analysis of returns on investment in Chapter Five indicated that small buildings were doing as well as larger buildings, and would not require help in financial matters. One of the reasons they are doing so well is that with the high demand for rental accommodation they have no vacancies, and can increase rents as high as the market will bear. The small low-rise buildings in the study area do not face problems with rent review as do the small low-rise buildings in Ontario. In a situation in which they had to face higher vacancies and lower revenues they might have to get more training to remain competitive. It would be expected that if a maintenance and occupancy bylaw were introduced in New Westminster, advice, encouragement and assistance on repair and maintenance practices would be offered as a part of these new regulations.

Local Government Programs

Use of Incentives to Obtain Desired Development. In order to increase the provision of amenities in low-rise buildings, the City of Calgary Planning Commission offer a bonus in the form of additional penthouse units. For each square foot of workshop, or a mini park he/she provided, the developer could have an additional square foot for a penthouse (City of Calgary Planning Department 1979). This principle could be applied to existing buildings in the study area as well. For instance, bonuses
could be provided to construct outdoor open space on rooftops, where building structure permits.

**Registry of Developable Land in the Municipality.** If a municipality kept a registry of the developable land within its jurisdiction, they could help developers find alternate sites to existing low-rise building sites for development. Of course, of great importance, would be the provision of an adequate supply of zoned land for different uses.

**Official Community Plans.** Official Community Plans could be made for neighborhoods that would outline the goals of future development, and which could provide residents and developers alike with information upon which to base their decisions in respect of their property. If goals for neighborhoods zoned for multi-family accommodation are not set, no improvements occur in these areas.

**Small Local Improvements.** Small, relatively inexpensive improvements, such as sidewalk and boulevard improvements, public benches, and mini-parks can contribute towards the livability of an area, and help reverse trends towards deterioration in multi-family neighborhoods.

**Rental Only Zones.** The ability to zone areas for rental only housing, if permitted under the Municipal Act, could have some
positive effects. Demolition for condominiums would no longer be a concern, although luxury renovation and perhaps even demolition for luxury rental accommodation might still be a possibility. However, it really doesn't address the problem of affordability, since rents in these zones would be unaffected by the fact that other uses were not permitted.

Establishing a Constituency for Housing. In order to get all levels of government more involved in the problems of the rental sector, an effective constituency must be developed to speak for the existing rental stock. During periods of rapid economic development in the lower mainland, voices are raised against the products of increased rental demand such as demolitions and displacement, but as soon as the economy slows down, discussion about preserving existing stock is seldom heard until the next expansion of the economy.

Interviews with community activists in New Westminster indicated that renters do not usually become motivated to become involved in measures to preserve existing rental buildings and prevent displacement until a crisis occurs. This may be due to the high mobility in these areas, and a lack of commitment to the community. However, there are sections of the rental community that tend to be more stable, especially senior citizens. This lack of commitment from renters, however, suggests that the constituency for rental housing must be broad.
Demolition Controls. The power to stop demolitions entirely has not been given to municipalities in British Columbia. However, if they were given this power now, they would be able to delay demolitions of rental units until alternatives to the destruction of these buildings could be found.

Although it is argued that demolition controls involves excessive interference in an owner's property rights, it should be remembered that a good deal of the money that went into building low-rise buildings in the study area came from public sources. Chapter Two pointed out how liberal tax incentives in the 1960s stimulated the construction of low-rise buildings, and in the 1970s and 1980s forgivable loans, low interest loans, and liberal CCA rates all were used to increase rental production. All these measures were employed at the expense of the ordinary taxpayer. Therefore, the public must have some voice, in the future of an asset that they have made significant financial contributions towards.

Creation of a Low-rise Inventory in Local Planning Departments Municipalities must be familiar with their low-rise stock, and be able to monitor the changes taking place within it before any strategy can be implemented. With provincial funding municipalities could inventory their low-rise stock and develop a data capacity which would sensitize them to luxury renovations, conversions and demolitions. This information would also be used to deliver and evaluate programs designed to
assist this sector.

Alternatives Selected

Measures to deal with threats to the existing low-rise stock and its occupants in the study area of New Westminster, in addition to being comprehensive and cost-effective, must be implemented according to some time frame. Some measures are more urgently required than others. For instance, tenants of low-rise buildings in the study area are being displaced now due to excessive rental increases.

The following measures aimed at dealing with problems of the low-rise stock represent a comprehensive approach that is of relatively low cost. In addition, the principle of time frame awareness is adhered to by dividing measures into those that should be implemented immediately, those requiring implementation in the near future, and those that can wait for further study prior to implementation.

Short Term

Rent Review. Some immediate steps must be taken to control the excessive rent increases now occurring in the study area. Mayor Campbell of the City of Vancouver advocates a system of government rent review in cases where tenants are subjected to an increase of rent in excess of 1.5 times the average rent increase. If the rent increase exceeds the guidelines for no good reason, the government should be able to have the rent rolled back to the appropriate level(The Province, January 26,
Although this proposal might be considered fair in a rental market operating properly, it is inadequate to deal with the problem in a market experiencing failure. Average market rents in an area with no new supply may be so high so as to frustrate any intent of making rents affordable. The market average may well be in the 30 percent range, but the tenants ability to pay remains the same.

A landlord has a right to a reasonable return on a building, but this return should be tied to the return on an investment of similar risk and not to some average rent increase in a failing rental market. This proposal involves determining the average before tax and before financing return on an alternate investment of similar risk, and making this the standard upon which to determine if a rent increase is reasonable. For instance, if an average alternate investment returns 9 percent then this would be the figure upon which a rent review is made.

This proposal would probably reduce returns on investment over a 5 year period on a low-rise building in the study area since average rental increases over this period would be reduced, in turn reducing the increase in capital value of the building. However, the returns would be in line with alternate investments, which seems a fair way to treat an investor.

If such a rate of return on a alternate investment of similar risk were used as a guideline as suggested above, it is unlikely that double digit rental increases would have been experienced.
in the study area. This measure would be fair to an investor/owner because it keeps his returns competitive with returns on other investments. The Provincial Government would be involved in reviewing rent increases, and although it would mean some expense in hiring new staff, the Provincial Government does have recent experience in implementing rent controls.

Maintenance and Occupancy Bylaws. The Provincial Government should make immediate changes in the Municipal Act to empower municipalities to pass maintenance and occupancy bylaws. Evidence suggests that some landlords, no matter what sort of cash flow they are getting or how high their returns on investment are, will not keep their buildings well maintained and in a good state of repair. Negligence of buildings may be caused by a desire to get as much money as possible out of their buildings in the short run, or it may be due to ignorance of the needs of their buildings. Whatever the reason, steps must be taken immediately to protect buildings, or else we will pay heavily in the future in terms of having to construct new rental accommodation.

It is up to the Provincial Government to pass the new legislation to make it possible for local governments to pass new maintenance and occupancy bylaws. Local Municipal Governments are likely to need some financial help from the Province in administering the program. However, if the new program of inspection is coordinated with other existing local
inspection programs such as health and building inspection services, the cost of the new service should not be that great. Some form of assistance to landlords, hard hit by the need to repair their buildings, could come from already tried programs such as property tax abatement, rebate, or rental RRAP if it is ever reestablished.

Provision of Official Community Plans for Neighborhoods Under Redevelopment Pressure. A municipality must have a clear understanding of where it would like to see a particular neighborhood going in terms of development. At the present time there are no neighborhood plans for the Brow-of-the-Hill or Uptown neighborhoods. A plan would send clear signals to all concerned about what is likely to happen. In addition, programs leading to goals set in the neighborhood plan could be implemented and evaluated, providing a sense of direction for all concerned.

At the present time New Westminster Council has a policy of encouraging family growth in one portion of the eastern Brow-of-the-Hill. Neighborhood residents want this family growth but are reluctant to see the type of multi-family development proposals that they feel are aimed at the empty nest and seniors markets rather than at families with children. Of course to private sector developers it makes no sense trying to build for families with children since this group, if they had the money to purchase a home, would be looking towards single family
detached accommodation in the suburbs. At the time of rezoning, neighborhood residents speak against multi-family proposals that cater to empty nesters and seniors, and council members have tended to support them.

On the other hand, because of increased land values, it is no longer feasible to tear down existing older dilapidated houses and build new single family dwellings, ideally suited to families with children, in this portion of the Brow-of-the-Hill neighborhood. Multi-family accommodation is the most viable option, and yet without some clear signal in the form of a community plan outlining how accommodation catering to families with children is going to be built in the area, nothing happens.

Perhaps one solution to the problem of increasing the number of families with children in this area would be the encouragement of cooperative housing associations whose membership is restricted to families with children.

Low-rise Inventory in Local Planning Offices. The New Westminster Planning Department already has a good deal of information on its low-rise stock. However, a great deal of information is missing including information on tenant needs as well as building conditions. The Provincial Government should make funds available to the City of New Westminster so they can either fill in information gaps themselves, or be able to hire consultants to provide this information to them. This proposal is unlikely to cost a great deal of money, and would provide the
needed information to monitor changes, and to develop and evaluate programs to deal with the threats to the stock.

    Registry of Developable Land. Although there is little cleared developable land left in New Westminster, the City has looked at redevelopment options in built up areas. The City should prepare a list of sites suitable for different uses that could be made available to developers. This may save existing low-rises from demolition in the future in that a developer could become aware of another site to build on.

    Establish a Constituency for Rental Housing. There does not seem to be much of a constituency for existing rental housing in New Westminster. There are a few local groups as well as a small number of politicians who are concerned about the issue, but they are not working together, and there seems to be no plan of action. For instance, the Seniors Bureau, representing older renters, does not work closely with the Lower Mainland Housing Registry, who represent other low-income renters. Further, the residents association in the Brow-of-the-Hill doesn't work with other groups. Finally, there is no tenant's association in New Westminster.

    There seems to be a need for interested groups to come together in New Westminster, to establish some goals and priorities to save existing rental accommodation in the City, and to ensure that the stock remains affordable.
Small Local Improvements. There are a number of small, inexpensive improvements that could be made to the area. For instance, the Seniors Bureau has advocated in the past for benches within the Uptown neighborhood that seniors could use as rest stops while they are walking through the area to shopping. Others have advocated for mini-parks in the study area to provide some area in which to socialize and to relax. There are larger parks nearby, but it is felt that small parks might foster a greater feeling of neighborliness. In addition, steps to cut down on outside traffic using the study area as a traffic shortcut ('rat running'), while being fairly inexpensive, would add a greater sense of livability to the neighborhood.

Mid Term

Demolition Controls. Although demolition controls would be a program that should be implemented immediately in Vancouver, there are no immediate threats of demolition to low-rise buildings in the New Westminster study area. Such demolitions could occur if demands for condominiums in the area should increase in the future. Chapter Five explored the circumstances under which low-rise buildings might be demolished in the study area. Therefore, any housing constituency that comes together for the purpose of protecting rental housing stock in New Westminster should advocate for the inclusion, in the Municipal Act, of municipal authority to delay demolitions while other
Encouragement of the Owner-occupant Form of Property Ownership. The split between the shelter and investment components of ownership produce many problems in rental housing. Chapter Five pointed out that owners rarely reside in their apartment buildings, and are therefore primarily concerned about their properties as investments. Their tenants are not their neighbors with whom they must interact, so therefore they are not as concerned about tenant problems. Owners don't have to deal face-to-face with tenants when they, as owners, make excessive demands for rent increases, and they don't have to continue living with tenants on a day-to-day basis after neglecting promised services to tenants.

Mayer's study of factors affecting landlord's housing rehabilitation decisions found that owner-occupant landlords have higher likelihood of rehabilitation investment than other landlords, and that there should be increased public encouragement for that ownership form as an effective housing conservation measure (Mayer 1981).

The problem with this proposal is that most persons prepared to become owner-occupants simply do not have the cash to purchase a low-rise building in the study area. These prospective owners would have to carry such a large mortgage that their cash flow in the beginning years would be negative, requiring them to subsidize the shortfall with income from some
other source, making the concept unworkable.

The chances of several owner occupants purchasing a building are greater, especially if they could obtain a price level adjusted mortgage (indexed mortgage). Such mortgages have been advocated for use in financing cooperatives, and as one author suggests, the market for indexed mortgages could be widened if they were used with mortgage-backed securities. These securities would be purchased by pension funds which represent a huge source of capital (Bossons 1985).

Of course the number of owner-occupants in any one building would have to be limited, or else it would be a condominium project. However, with low interest rates, such as those provided by price level adjusted mortgages, and other forms of support such as increased CCA allowances, and property tax rebates for any rehabilitation expenses, several owner-occupants supplying their own management services might make such a program financially viable.

Targeting of Capital Cost Allowances. In recent years the Canadian government has been targeting financial aid in the housing market to those tenants in need. Capital cost allowance, a tax expenditure given to owners to compensate them for the depreciation of their buildings, must also be targeted so that owners whose buildings are appreciating in value are actually receiving lower CCA rates than owners whose buildings are depreciating. Under the proposed scheme certain areas of
the country experiencing higher vacancy rates, and therefore presumably lowered property values, as well as areas experiencing advanced ageing of their low-rise stock would get higher CCA rates (e.g. 6%). Those areas where property values have been appreciating would get lower CCA rates (e.g. 1%). The net effect of this proposal would be to redirect this form of tax expenditure from those receiving high returns because of property appreciation to those areas of the rental stock receiving low returns. The assumption is that such a redirection will result in more money available to owners of buildings requiring more repair.

**Reintroduction of Rental RRAP.** For most owners of low-rise rental buildings in the study area, problems of high vacancy rates and huge mortgage payments are not really a concern. Demand for apartment units is high, rents are increasing, and as Chapter Five indicated, many properties have no debt financing. As a result, take-up of rental RRAP was low in the study area (City of New Westminster Planning Department). Owners did not want the controls placed on rent increases that were involved in rental RRAP. They felt that returns on investment would be enhanced by turning down the opportunity of free government loans, and allowing rent increases to push up cash flow and capital appreciation.

If a maintenance and occupancy bylaw were introduced in New Westminster, there may be increased interest on the part of some
study area landlords, who are facing high mortgage payments, in financial assistance such as was provided through rental RRAP. They would discover that they had to improve their buildings, and at such a time they may have some difficulty in immediately financing such improvements. Therefore, CMHC should reintroduce rental RRAP to assist more marginal low-rise operations.

**Improvements in Services to Disadvantaged Tenants.** Chapter Four indicated that many of the tenants in the study area do not have the education and skills to compete in today's job market. Single parents often do not have job skills, but also require child care services so they can work. What is required is an active outreach program, undertaken through the cooperation of the federal and provincial government, to provide personal and vocational counseling, job training, and ongoing support to disadvantaged tenants in the study area.

**Long term solutions**

**Studies on the Long Term Future of the Private Sector Rental Housing Market.** If the disparity between tenant incomes and rental rates continues to grow in our major Canadian cities, the private rental housing market will become less and less viable. If it is not viable now or in the future, the federal government must take steps towards decreasing tax expenditures in the form of interest rate deductions and CCA deductions from taxes owed,
and instead use these forgone revenues to begin purchasing low-rise rental buildings so that such buildings are owned and operated by public or non-profit agencies. Similarly the Provincial governments must, if rental markets become less and less viable as evidenced by decreasing affordability, impose a rent control system.

Before such drastic measures are taken, the federal and provincial governments should fund studies and research into the private rental market and ways that the integrity of rental buildings might be maintained, and the needs of tenants and owners might be met within the context of a private rental housing market.

**Redevelopment as well as Preservation**

To this point the preservation of existing low-rise buildings has been of prime importance. Although existing rental buildings meet tenant needs, and therefore should be preserved, there are a certain number of them that because of past neglect, cannot be preserved. Furthermore, as was found in Chapter Two, existing low-rise buildings do not provide large enough apartments for families with children. Therefore, if the goal is to stabilize study area neighborhoods by increasing the number of families with children, something in addition to preservation must be proposed.

In Chapter One the creation of three new neighborhoods in New Westminster over the past five years was seen as a fulfillment
of housing objectives expressed in New Westminster's Official Community Plan. At that time it was noted that this new housing was for middle and upper income citizens, and that little provision has been made in the plans for these new neighborhoods for the housing needs of low and moderate income people. Perhaps it is time to look at the redevelopment of older low-rise building sites for housing low and moderate income families with children. The New Westminster City Council could take a position of favouring such a course of action. Of course such accommodation would not be undertaken by the private sector, but would require the involvement of public and non-profit agencies.

7.3 Summary

Low-rise rental buildings in the study area represent a significant housing resource in the City of New Westminster, and in the lower mainland of British Columbia. Although the threats to this stock are not as immediate and dramatic as in some other areas of Greater Vancouver, they nevertheless are important.

In preceding chapters attempts were made to describe the origins of the low-rise building form in New Westminster, as well as the characteristics of the present stock. Characteristics of tenants and buildings were presented as well. It was determined that buildings were suitable for tenants and owners in many ways, but that there were problems that posed threats to the longevity of the low-rise stock, and the
satisfaction of its tenants and owners. Ways of dealing with these threats were evaluated, and recommendations made of those options felt to be most desirable in the short, mid, and long term.

In addition, it was suggested that preservation alone will not solve all study area problems. Older neglected low-rise buildings will need to be demolished in the future, and new homes must be found for persons displaced. Existing low-rise buildings cannot meet the needs of families with children. Redevelopment of existing low-rise sites for low and moderate income families with children should be encouraged by New Westminster City Council.

Although the recommendations to deal with threats to low-rise stock will be advantageous, the future of the low-rise market rental building will continue to be troubled. The continual conflict between investment objectives dictated by the market and the needs of tenants for affordable accommodation in locations that meet their needs will not get better. If government doesn't take a very active role in the protection and enhancement of the stock, tenants will be displaced, and valuable rental housing units will be lost.
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NEW WESTMINSTER IN THE METROPOLITAN AREA

APPENDIX A
APPENDIX D

A Sample of Low-rise Apartment Buildings

Although the sample of 20 market rental low-rise buildings was not randomly selected, an attempt was made to stratify the sample according to location of building by neighborhood, size of building in terms of number of units, and by date of construction. To this end five buildings were selected from the western Brow-of-the-Hill neighborhood, eight from the eastern Brow-of-the-Hill area, and seven buildings from the Uptown neighborhood. In terms of number of units, four buildings containing 15 or less units, eight buildings with between 16 and 32 units, and eight buildings with more than 32 units were chosen. Finally, seven buildings that were constructed prior to 1960, 12 buildings constructed between 1960 and 1979, and two units constructed in the 1980s were selected.

The Buildings Chosen

property #1 The "Gregory" apartment building, a 15 unit building, was built in the eastern Brow-of-the-Hill area in 1958. This building contains all one bedroom units renting at $450 per month, and there are no vacancies at the present time. Two years ago suites rented for $350 per month, an increase of almost 30 percent in two years.

This building has been owned since July, 1980 by James and Margaret Horne of 246 W 6th Street, North Vancouver, B.C. The assessed value of the property, as of June, 1989 was $406,100 of which $148,950 was for land, and $257,150 was for buildings. This property was clear title.

The design of this building is typical for many built prior to 1960 on small (66' x 132') lots in New Westminster, and the Lower Mainland. The exterior of the building shows average upkeep. However, it is very poorly landscaped with gravel replacing lawn in the front yard. There are a few parking stalls at the rear of the property, and as is typical for pre-1960s apartment construction, there are no balconies for individual suites.

property #2 The "Toohey Apartments" is a 9 unit 'pre 1960s' building in the western Brow-of-the-Hill neighborhood. It was built on a 55 x 125 foot lot, and its stucco exterior is in poor condition. The building contains 8 two bedroom units and one bachelor unit.

This building was listed for sale in 1988 showing an effective gross income of $36,312 and an expense ratio of 24.9 percent. The listing price was $310,000 and the sale price was $240,000. It was listed again in the later part of 1988 and resold for $394,900. In 1989 it was once again placed on the market for $425,000. At this time the claim was that the building earned $51,217 effective gross income, and that the expense ratio was 20 percent. This listing placed the age of the building at 30 years, which means it was constructed in 1958. The building
sold in June, 1989 for $410,000.

The owner of the property is Intervanc Investments Inc. of North Vancouver. The assessed value was $267,800 with $75,200 for land and 192,600 for buildings. Information suggests a first mortgage of approximately $259,070.

**property #3** The "Pine Crest Apartments" is a 10 unit building in the western Brow-of-the-Hill area. The appearance of this building is poor, and the site is devoid of any landscaping. The front yard is entirely taken up with parking spaces. The property was listed for sale in 1989 for $495,000 and sold for $488,000 in February, 1989.

The property is owned by Helene and Andreas Zlok of 7176 Duff Street in Vancouver. The assessed value of the land as of June, 1989 was $322,150 of which $89,500 was for land and $232,650 was for buildings.

**property #4** The "Capri Villa Apartments" is a 15 unit building in the Uptown area, and is a good example of pre-1960s low-rise buildings, although it does have some balconies. The exterior appearance of this building is poor in that both the stucco and trim needs painting. There are some visible signs of wood rot on the trim.

The property is registered to Barbara Starniovich of #201, 436 Ash Street, New Westminster, and is the only property in the sample in which the owner occupies a rental unit. The assessed value of the property is $362,050 with land valued at $141,150 and the building at $220,900. The property is clear title.

**property #5** The "Royal Court Apartments" is a 17 unit building constructed in the Uptown neighborhood in 1981. The exterior appearance of this building is very good, and in addition it is well landscaped with a variety of well cared for trees and shrubs. There is a professional management firm (Rines Property Management) in charge, and rents are $500 for the one bedroom and $650 for two bedroom suites.

The registered owners of the property are S.J.S. Developments Ltd. of 8151 Sunnywood Drive in Richmond, B.C. The assessed value of the property is $590,500 of which $248,350 is land and $342,150 is buildings. This property has a first mortgage of approximately $461,000 on it.

The property was up for sale in 1988 for $1,050,000. Information supplied at that time indicate an effective gross income of $101,553 and an expense ratio of 31 percent.

**property #6** The 21 suite "Saint Michelle Apartments" was built in 1969 in the Uptown area. There are 4 bachelor and 17 one bedroom suites in this building that rent for $475 and $575 per month respectively. Two years ago these units rented for $345 and $400 per month, an increase of 38 percent and 44 percent respectively. The appearance of this building suggests that it is well maintained with attractive landscaping. It does
have underground parking, balconies, and a resident manager. It has no elevators.

The building is registered in the name of Frederick and Islay Forewell of 6368 Gordon Avenue, Burnaby, B.C. since December, 1971. The assessed value is $563,800 with $256,550 for land and $307,250 for buildings. There are no encumbrances registered against title.

**property #7**  The "Ashwood Court Apartments" are a 16 unit building in the Uptown area of New Westminster. This pre-1960s built structure has a clean external appearance, but very limited landscaping. There is a small number of parking spaces in the rear of the small lot that is accessed by a narrow driveway down one side of the property. The building has no balconies, and there appears to be no resident manager.

The registered owner of the property as of June, 1989 is Tom Stephen Ltd. of 4069 Madeley Road, North Vancouver. The assessed value is $425,000 with $169,350 to land and $255,650 to buildings.

**property #8**  The 16 unit "Ash Manor Apartments" were built prior to 1960 in the Uptown neighborhood of New Westminster.

The registered owner of the building as of June, 1989 was MacMillan Agencies Ltd. of 512 Ash Street, New Westminster. The assessed value of the building is $348,700 of which $169,350 is for land and $179,350 is for land.

The 8 bachelor suites in the building rent for $330 per month, while the 6 one bedroom units and 1 two bedroom unit rent for $400 and $450 respectively.

**property #9**  The "Ambrose Apartments" are likely the oldest units in the sample. The building is located in the western Brow-of-the-Hill area. The external appearance of the building is poor, as is the quality of the landscaping. There are no balconies and no provision for parking on-site.

The registered owners of the property are Richard and Anne Jonas of 11239 Danniels Road, Richmond, B.C. The assessed value of the property is $298,250 with $65,850 for land and $232,400 for buildings. There are no encumbrances registered against this property.

This property was for sale in 1988 for 320,000. Information supplied suggest an effective gross income of $29,648 and a capitalization rate of 11 percent.

**property #10**  The "Sir Roman Apartments" is a 18 unit building constructed in 1969 in the eastern Brow-of-the-Hill neighborhood. The external appearance of the building is fair, but the landscaping is poor. Current rents are $380 for a bachelor suite and $465 for a one bedroom unit. There are 14 one bedroom units, and 1 two bedroom and three bachelors units.

The property is registered to Guiseppe Iorio of 3146 Adanac Street in Vancouver. The assessed value as of June, 1989 was
$489,450 with $89,350 going to land and $300,100 for buildings. The property was of clear title in 1988. 

The property was for sale in 1988 for $699,000. At that time information supplied suggested an effective gross income of $77,437, and expense ratio of 31 percent, and a capitalization rate of 7.6 percent.

**property #11** The 24 unit "La Belle Manor" was built in 1964 in the Uptown area of New Westminster. This building has a good external appearance, although the landscaping is only fair. The building has 14 one bedroom units, 7 two bedroom units, and 3 bachelor units. A bachelor unit in the building rents for $425, and a one bedroom for $495. In 1988 the owners were A,P, C&W Lau. Information on assessed value of the property is not available. There is a small second mortgage of $27,984 on the property. In 1988 the property was up for sale for $850,000. Information supplied at that time suggested an effective gross income of $100,102, an expense ratio of 50.1 percent, a capitalization rate of 5.8 percent and a Gross Rent Multiplier of 8.5.

**property #12** "Marine View Manor" was built in 1925 and contains 21 suites (1 bachelor, 13 one bedroom and 7 two bedroom). This western Brow-of-the-Hill property was listed for sale in 1988 for $505,000 with the registered owners listed as Strothert Holdings. Information on the listing suggests a Gross Income Multiplier of 5.9, a capitalization rate of 10.5 percent, an expense ratio of 37 percent, and an effective gross income of $84,454. The building has the external appearance of being minimally maintained.

**property #13** The 43 suite "Tamarest Apartments" was built in 1976 in the eastern Brow-of-the-Hill neighborhood. External appearance and landscaping are both good, although the front entrance and front yard are rather messy with papers and cartons strewn around. The building reflects some improved design over 1960s construction, in that there are enclosed patios with ground level suites, and in addition neighboring balconies are separated by a solid divider for privacy. Rents are $475 for a one bedroom, and $600 for a two bedroom suite. As of June 1989 the registered owner of the property was Socarp Holdings Ltd. of #270 1441 Creekside Drive, Vancouver. The assessed value of the property was $1,209,750 of which $460,950 was for land and $748,800 was for buildings. This property was for sale in 1989 with an asking price of $2,255,000 and sold in November, 1989 for $2,355,000.

**property #14** The 43 unit "Panorama Court" was built in 1966 in the eastern Brow-of-the-Hill area. This building has a good external appearance but has poor landscaping. One bedroom suites run between $355 to $370 per month, while two bedroom units are $470 per month.
The registered owner of the property as of June, 1989 was Centr O Mart Ltd. of 6582 Wiltshire Street, Vancouver, B.C. The assessed value was $1,256,650 of which $447,100 was for land, and $809,550 was for buildings. State of title information is not available.

property #15 "Del-Vue Court", built in 1969, has 35 suites, and is located in the eastern Brow-of-the-Hill area. The exterior appearance of the building is good, but the site is almost devoid of any landscaping. One bedroom units rent for $500 per month, while two bedroom units rent for $570.

The registered owner of this property, as of June, 1989 is Deck Holdings of 890 E. 29th Street in North Vancouver, B.C. The assessed value of the property is $1,037,100 of which $345,900 is for land, and $691,200 is for building. There is a first mortgage registered against the property.

property #16 The 98 unit "Lincoln Manor Apartments" is the largest development in our sample. It comprises three buildings that were constructed in the Uptown neighborhood in 1977. The external appearance of this building is good, as is the landscaping. The building reflects the improved design in the later 1970s with the solid dividers between balconies to give a sense of privacy. This complex has 33 one bedroom suites, 14 two bedroom units and 51 bachelor units. One bedroom suites rent for $560, while two bedroom units go for $670 per month.

The registered owner of the building as of June, 1989 was Lincoln Manor Ltd., of #101 727 5th Avenue, New Westminster. The assessed value of the building was $2,585,500 of which $1,185,650 was for land and $1,399,850 was for buildings. The building has a first mortgage of approximately $2,600,000 on it.

This development was listed for sale in 1989 for $4,950,000. Information supplied at the time suggested an effective gross income of $484,989, an expense ratio of 33 percent, and a G.R.M of 9.2.

property #17 "Windsor House" is a 37 unit building in the Uptown neighborhood. It was built in 1964. The external appearance and landscaping of this building are both poor. Current rents are $510 for a one bedroom, and all suites are one bedroom units. The registered owner of the property as of June, 1989 is Anne Markin of 1327 W. King Edward Avenue, Vancouver, B.C. The assessed value of the property is $1,021,700 of which $450,500 are for land and $571,200 are for buildings. The property is free from all encumbrances.

property #18 "The Bel-Air", located in the western Brow-of-the-Hill neighborhood, was for sale in 1988 for $1,250,000. The owners were J&K Chand but as of June, 1989 were 1210 Cameron Management Ltd. of #809 626 W. Pender Street, Vancouver, B.C. Information at the time of sale suggests a $700,000 first mortgage and a $200,000 second mortgage registered against
title. The listed capitalization rate was 10 percent, the GRM was 6.6, and the expense ratio was 31.

There are 41 suites in this building constructed in 1961. Twenty nine of the units are one bedroom, and 11 units are two bedroom. In 1988 rents were $375 for a one bedroom and $500 for a two bedroom.

This building is in a more run down section of the area, and although the external appearance of the building is fair, the yard is messy, with papers strewn about, and shrubs and plants appear to receive minimal care.

property #19  "Daylin Manor", built in 1967, is a 47 unit building in the eastern Brow-of-the-Hill area. Current rents for the one bedroom units is $506, and two bedroom units rent for $606. The external appearance of this building is good, while landscaping receives a fair report.

The assessed value is $1,370,250 of which $682,000 is for land and $688,250 is for buildings. The building's owners are Bristol Investments Ltd. of Vancouver. There is only a very small mortgage registered against title.

property #20  "The Barcelona" is a 42 unit building in the eastern Brow-of-the-Hill area. Both external appearance and landscaping are good, although the yard has been kept in a mess with papers and cartons strewn around. The two bachelor units in the building rent for $390 per month, while the 34 one bedroom units are $515 and the 6 two bedroom units are $625 per month.

The present owner of the property is the Mutual Life Assurance Co. of Canada with offices in Vancouver. The assessed value of the property is $1,217,550 of which $564,550 is for land and $653,000 is for the building. This building was for sale in 1988 for $990,000. At that time the effective gross income was given as $180,240. It was stated that there was a $140,000 first mortgage and a $237,000 second mortgage on the property.
### APPENDIX E

**Calculation of Internal Rate of Return for Property**

#### Inputs

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$1,232,120</td>
</tr>
<tr>
<td>Sales Price</td>
<td>$1,569,952</td>
</tr>
<tr>
<td>Equity</td>
<td>$739,272</td>
</tr>
<tr>
<td>Mortgage Principal</td>
<td>$492,648</td>
</tr>
<tr>
<td>Mortgage Interest rate</td>
<td>12.5% per annum</td>
</tr>
<tr>
<td>Term</td>
<td>300 months (25 years)</td>
</tr>
<tr>
<td>Gross Income (year 1)</td>
<td>$140,100</td>
</tr>
<tr>
<td>Rent escalation</td>
<td>6.5% per annum</td>
</tr>
<tr>
<td>Vacancy Allowance</td>
<td>3%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
</tr>
<tr>
<td>% of Effective Gross escalation rate</td>
<td>32%</td>
</tr>
<tr>
<td>% of Effective Gross escalation</td>
<td>5%</td>
</tr>
<tr>
<td>Marginal Tax Rate</td>
<td>50%</td>
</tr>
<tr>
<td>Disposition as to CCA</td>
<td></td>
</tr>
<tr>
<td>Year 1 Buildings</td>
<td>$677,666</td>
</tr>
<tr>
<td>CCA Rate</td>
<td></td>
</tr>
<tr>
<td>Buildings (Year 1)</td>
<td>2%</td>
</tr>
<tr>
<td>-Other Years</td>
<td>4%</td>
</tr>
<tr>
<td>Capital Gains</td>
<td>75%</td>
</tr>
</tbody>
</table>

#### Outputs

**Single Period Measures**
- ROI (Capitalization rate): 7.5%
- Equity Dividend Rate: 3.78%
- Equity Yield Rate: 2.60%

**Multi-Year Measures**
- Internal Rate of Return
  - Before Tax: 12.58%
  - After Tax: 10.10%
<table>
<thead>
<tr>
<th>Five Year Proforma</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>$140,100</td>
<td>149,206</td>
<td>158,904</td>
<td>169,233</td>
<td>180,233</td>
</tr>
<tr>
<td>Vacancy</td>
<td>$4,203</td>
<td>4,476</td>
<td>4,767</td>
<td>5,077</td>
<td>5,407</td>
</tr>
<tr>
<td>=Effective Gross Income</td>
<td>$135,897</td>
<td>144,730</td>
<td>154,137</td>
<td>164,156</td>
<td>174,826</td>
</tr>
<tr>
<td>=Effective Expenses</td>
<td>$43,487</td>
<td>46,466</td>
<td>51,748</td>
<td>55,117</td>
<td>56,700</td>
</tr>
<tr>
<td>=Net Income</td>
<td>$92,409</td>
<td>96,343</td>
<td>102,369</td>
<td>109,039</td>
<td>116,126</td>
</tr>
<tr>
<td>=Interest</td>
<td>$61,435</td>
<td>61,031</td>
<td>60,573</td>
<td>60,055</td>
<td>59,469</td>
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<tr>
<td>=CCA</td>
<td>$13,553</td>
<td>26,564</td>
<td>25,501</td>
<td>24,481</td>
<td>23,502</td>
</tr>
<tr>
<td>=Taxable Income</td>
<td>$17,421</td>
<td>8,648</td>
<td>16,313</td>
<td>24,501</td>
<td>33,155</td>
</tr>
<tr>
<td>x Tax Rate</td>
<td>.50</td>
<td>.50</td>
<td>.50</td>
<td>.50</td>
<td>.50</td>
</tr>
<tr>
<td>=Tax Payable</td>
<td>$8,710</td>
<td>4,323</td>
<td>8,156</td>
<td>12,250</td>
<td>16,577</td>
</tr>
<tr>
<td>Net Income</td>
<td>$92,406</td>
<td>96,242</td>
<td>102,369</td>
<td>109,039</td>
<td>116,126</td>
</tr>
<tr>
<td>-Debt Payments</td>
<td>64,485</td>
<td>64,485</td>
<td>64,485</td>
<td>64,485</td>
<td>64,485</td>
</tr>
<tr>
<td>=Before Tax Cash Flow</td>
<td>$27,924</td>
<td>31,756</td>
<td>37,903</td>
<td>44,553</td>
<td>51,640</td>
</tr>
<tr>
<td>-Tax Payable</td>
<td>8,710</td>
<td>4,323</td>
<td>8,156</td>
<td>12,350</td>
<td>16,577</td>
</tr>
<tr>
<td>=After Tax Cash Flow</td>
<td>$19,213</td>
<td>27,433</td>
<td>29,747</td>
<td>32,303</td>
<td>35,063</td>
</tr>
</tbody>
</table>

CCA Computation

| Undepreciated Balance | $677,666 | 664,112 | 637,548 | 612,046 | 587,564 |
| x Tax Rate            | .02      | .04     | .04     | .04     | .04     |
| =Maximum CCA          | $13,553  | 26,564  | 25,501  | 24,481  | 23,502  |

| Closing CCA Balance   | $664,112 | 637,548 | 612,046 | 587,564 | 564,061 |
## Capital Gains and Capital Cost Allowance Recapture

### Residual

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Net Sales Price</td>
<td>$1,569,952</td>
</tr>
<tr>
<td>- Outstanding Debt</td>
<td>$472,986</td>
</tr>
<tr>
<td><strong>= Before Tax Residual</strong></td>
<td>$1,096,965</td>
</tr>
<tr>
<td>- Tax on Capital Gain</td>
<td>$126,687</td>
</tr>
<tr>
<td>- Tax on Recovery</td>
<td>$56,802</td>
</tr>
<tr>
<td><strong>= After Tax Residual</strong></td>
<td>$1,027,080</td>
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</table>

### Tax on Capital Gain

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Selling Price</td>
<td>$1,569,952</td>
</tr>
<tr>
<td>- Adjusted Cost</td>
<td>$1,232,120</td>
</tr>
<tr>
<td><strong>= Total Gain</strong></td>
<td>$337,832</td>
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<tr>
<td>Tax on Recovery</td>
<td>.75</td>
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<tr>
<td><strong>= Taxable Capital Gain</strong></td>
<td>$253,374</td>
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<tr>
<td>x individual Tax Rate</td>
<td>.50</td>
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<tr>
<td><strong>= Tax on Gain</strong></td>
<td>$126,687</td>
</tr>
</tbody>
</table>

### Tax on Recovery

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCA Recovery Buildings</td>
<td>$113,604</td>
</tr>
<tr>
<td>x Tax Rate</td>
<td>.50</td>
</tr>
<tr>
<td><strong>= Tax on Recovery</strong></td>
<td>$56,802</td>
</tr>
</tbody>
</table>
### Mortgage Calculations

| Principal | $492,646 |
| Interest | 12.5% |
| Term     | 300 months |
| Payment  | $5,374 per month |

<table>
<thead>
<tr>
<th>Outstanding Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
</tr>
<tr>
<td>$489,797</td>
</tr>
<tr>
<td>Year 2</td>
</tr>
<tr>
<td>$486,343</td>
</tr>
<tr>
<td>Year 3</td>
</tr>
<tr>
<td>$482,431</td>
</tr>
<tr>
<td>Year 4</td>
</tr>
<tr>
<td>$476,002</td>
</tr>
<tr>
<td>Year 5</td>
</tr>
<tr>
<td>$472,966</td>
</tr>
</tbody>
</table>

### Amortization Schedule

<table>
<thead>
<tr>
<th>Month</th>
<th>Principal</th>
<th>Interest</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-89</td>
<td>$239.96</td>
<td>$5,133.83</td>
<td>$492,608</td>
</tr>
<tr>
<td>Feb-89</td>
<td>$242.45</td>
<td>$5,131.33</td>
<td>$492,365</td>
</tr>
<tr>
<td>Mar-89</td>
<td>$244.96</td>
<td>$5,126.81</td>
<td>$492,120</td>
</tr>
<tr>
<td>Apr-89</td>
<td>$247.53</td>
<td>$5,126.26</td>
<td>$491,873</td>
</tr>
<tr>
<td>May-89</td>
<td>$250.11</td>
<td>$5,123.66</td>
<td>$491,622</td>
</tr>
<tr>
<td>Jun-89</td>
<td>$252.72</td>
<td>$5,121.07</td>
<td>$491,370</td>
</tr>
<tr>
<td>Jul-89</td>
<td>$255.35</td>
<td>$5,116.44</td>
<td>$491,114</td>
</tr>
<tr>
<td>Aug-89</td>
<td>$258.01</td>
<td>$5,115.76</td>
<td>$490,856</td>
</tr>
<tr>
<td>Sep-89</td>
<td>$260.70</td>
<td>$5,113.09</td>
<td>$490,596</td>
</tr>
<tr>
<td>Oct-89</td>
<td>$263.41</td>
<td>$5,110.38</td>
<td>$490,332</td>
</tr>
<tr>
<td>Nov-89</td>
<td>$266.16</td>
<td>$5,107.63</td>
<td>$490,066</td>
</tr>
<tr>
<td>Dec-89</td>
<td>$268.93</td>
<td>$5,104.86</td>
<td>$489,797</td>
</tr>
</tbody>
</table>

---

25 Only one year of a 25 year amortization table is presented here.