

AFFORDABILITY AND CHOICE TODAY (A•C•T) DEMONSTRATION PROJECT

Case Study

Shared Ownership Housing Pilot Project

**Habitations Populaires Desjardins du Centre du Québec
Trois-Rivières, Quebec**

Prepared for:

Federation of Canadian Municipalities

Canadian Home Builders' Association

Canadian Housing and Renewal Association

Canada Mortgage and Housing Corporation

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FOREWORD

The project documented in this case study received funding assistance under the Affordability and Choice Today (A•C•T) Program. A•C•T is a joint initiative, managed by the Federation of Canadian Municipalities, the Canadian Home Builders' Association, and the Canadian Housing and Renewal Association, together with the funding agency Canada Mortgage and Housing Corporation. The A•C•T Program is administered by the Federation of Canadian Municipalities.

A•C•T, which was launched in January 1990, was designed to foster changes to planning and building regulations and residential development approval procedures in order to improve housing affordability, choice and quality.

Through A•C•T, grants are awarded to municipalities, private and non-profit builders and developers, planners and architects to undertake innovative regulatory reform initiatives in municipalities across Canada. Three types of projects are awarded grants under the A•C•T Program: Demonstration Projects, Streamlined Approval Process Projects, and Case Studies (of existing initiatives).

- *Demonstration Projects* involve the construction of innovative housing that demonstrates how modifications to planning and construction regulations can improve affordability, choice and quality.

- *Streamlined Approval Process Projects* involve the development of a method or an approach that reduces the time and effort needed to obtain approvals for housing projects.
- *Case Study* grants are awarded for the documentation of existing regulatory reform initiatives.

Change and innovation require the participation of all the players in the housing sector. A•C•T provides a unique opportunity for groups at the local level to work together to identify housing concerns, reach consensus on potential solutions, and implement actions. Consequently, a key component of A•C•T-sponsored projects is the participation and cooperation of various players in the housing sector in all phases of each project, from development to realization.

All projects awarded a grant under the A•C•T Program are documented as case studies in order to share information on the initiatives and the benefits of regulatory reform with other Canadian communities. Each case study discusses the regulatory reform initiative, its goals and the lessons learned. Where appropriate, the cost savings resulting from modifications in various planning, development and construction regulations are calculated and reported.

TABLE OF CONTENTS

PROJECT OVERVIEW.....	i
1.0 PROJECT DESCRIPTION.....	1
1.1 Revitalizing Downtown Trois-Rivières.....	1
1.2 A•C•T Project Objectives.....	1
1.3 Project Activities.....	2
1.3.1 Innovative Financing.....	2
1.3.2 Marketing the Shared Ownership Concept.....	3
1.3.3 Demonstration Project.....	3
<i>Table 1. Changes to Zoning and Development Standards.....</i>	4
<i>Figure 1. Demonstration Home, Site Plan.....</i>	5
<i>Figure 2. Demonstration Home, Floorplans.....</i>	6
<i>Figure 3. Photograph of the Façade.....</i>	8
2.0 THE COMMUNITY AND KEY PLAYERS.....	9
2.1 Housing Context in Trois-Rivières.....	9
2.2 Housing Needs.....	9
2.3 Key Players.....	9
2.3.1 Habitations populaires Desjardins du Centre du Québec.....	9
2.3.2 Caisse populaire Saint-Philippe de Trois-Rivières.....	9
2.3.3 Planning Department, City of Trois-Rivières.....	10
5.0 REGULATORY REFORM INITIAITVES AND IMPACT ON HOUSING COST, CHOICE AND QUALITY.....	11

PROJECT OVERVIEW

In 1991, the City of Trois-Rivières, Quebec, initiated a strategy to revitalize its older residential neighbourhoods. One of the City's primary aims was to make downtown living more attractive to young families, with a view to reversing the loss of population to the suburbs and urban periphery. Trois-Rivières' centrally located neighbourhoods offer residents many advantages, including proximity to urban amenities such as schools, parks, medical services and the recently developed Old Port.

A non-profit housing organization, Habitations populaires Desjardins du Centre du Québec (HPDCQ), has worked in cooperation with the City of Trois-Rivières on a number of renewal projects in the downtown core over the past several years. As part of the City's revitalization efforts, HPDCQ decided to use a novel approach to the provision of affordable housing, called "shared ownership". By allowing the home buyer to purchase the building first, and the land several years later, at no interest, shared ownership makes homeownership more accessible and affordable. This is especially true in downtown areas where the high cost of land can discourage the construction of smaller affordable homes suitable for first-time buyers.

In spring 1993, HPDCQ was sponsored by A•C•T to design and construct two small, semi-detached single-family homes in one of Trois-Rivières' older neighbourhoods, using the shared ownership approach. Municipal

regulations currently do not permit the development of this type of small-lot housing. In order to construct the two demonstration homes, modifications to various municipal zoning and land development bylaws were required. In particular, the City amended its zoning bylaw to permit the construction of semi-detached single-family homes on a site previously zoned for multi-family housing. Zoning regulations were also modified to reduce side and rear setbacks, minimum lot size and building size. Furthermore, the land development bylaw was amended in order to subdivide the site into two smaller parcels.

This A•C•T initiative combined innovative financing with a small-house design suitable for low- and middle-income households. By deferring the payment for the land component of a house for several years, shared ownership reduces the upfront cost of purchasing a home, thereby making homeownership more accessible. Small-home infill projects such as this A•C•T demonstration project not only make more effective use of land in built-up areas, they also increase housing choice in downtown neighbourhoods.

Due to the success of the pilot project, HPDCQ plans to build more affordable shared-ownership housing on a site owned by the City of Trois-Rivières. Other Canadian municipalities can benefit from the lessons learned from this A•C•T project.

1.0 PROJECT DESCRIPTION

1.1 Revitalizing Downtown Trois-Rivières

Since the 1960s, the turn-of-the-century neighbourhoods surrounding downtown Trois-Rivières, Quebec, have suffered from neglect and a loss of population to new suburban developments. To remedy this situation, in 1991 the City of Trois-Rivières established a committee whose mandate was to make recommendations on how to attain two primary objectives: to improve the quality of life in the downtown area, and to reverse the movement of households out of the area. The City's mayor, Mr. Guy Leblanc, invited Habitations populaires Desjardins du Centre du Québec (HPDCQ), a local non-profit housing organization, to join the committee along with representatives of other key organizations working in the community, including the Caisses populaires¹ Desjardins, the Quebec Housing Corporation², Canada Mortgage and Housing Corporation and the Public Health Centre.

“L’objectif n’est pas de ramener massivement les gens vivre au centre-ville mais au moins de leur donner le choix en leur offrant une bonne qualité de vie à un endroit comme à l’autre.”
-Mayor Guy Leblanc

Over the past six years, the City has pursued a number of actions to revitalize the downtown neighbourhoods targeted by the committee, including undertaking residential renovation and restoration, developing empty lots, promoting pilot projects, increasing access to

homeownership and improving neighbourhood security.

1.2 A•C•T Project Objectives

As part of this revitalization effort, HPDCQ decided to undertake an innovative housing demonstration project that would develop long-neglected vacant lots in one of the targeted areas. In spring 1993, HPDCQ was awarded an A•C•T grant to design and construct two semi-detached single-family units on small lots in one of Trois-Rivières' older districts, using a novel approach to the provision of affordable housing, called “shared ownership”. By allowing the home buyer to purchase the building first, and the land several years later, at no interest, shared ownership makes homeownership more accessible and affordable, especially in downtown neighbourhoods where the high cost of land discourages the building of smaller, affordable homes that meet the needs of first-time home buyers.

In order to construct the small demonstration homes, it was necessary to modify municipal land development and zoning regulations. The City's zoning and land development bylaws currently do not permit the development of small homes like those that HPDCQ wanted to showcase in its shared-ownership pilot project. For example, applicable zoning bylaws stipulate a minimum lot size of 9 by 26 metres (29.5 by 85.3 feet) which could not accommodate the small lots envisaged by the project team. Furthermore, the applicable zoning bylaw does not permit single-family detached, semi-detached or row housing.

¹ In English, “Credit Unions”.

² In French, “Société d’habitation du Québec”.

1.3 Project Activities

The project team consisted of representatives of HPDCQ, the City of Trois-Rivières' Planning Department, and the Caisse populaire Saint-Philippe de Trois-Rivières, which serves the neighbourhood where the demonstration project was built. At public consultation meetings on revitalizing downtown neighbourhoods, HPDCQ presented the demonstration project and invited comments and suggestions from local residents in order to better respond to their housing needs.

The project commenced in 1993 and was completed in the fall of 1994.

1.3.1 Innovative Financing

One of the main obstacles to homeownership for low- and middle-income households is the accumulation of a down payment. Shared ownership reduces the size of the down payment by initially deducting the cost of land, which can represent a significant portion of the overall price of a home, especially in downtown areas. This formula permits the purchasers to defer payment for the land until later, when their income may have increased.

With the shared-ownership approach to financing the purchase of a home, the home buyer acquires the building first and the land several years later. The home buyer does not become the effective owner of the entire property (house and land) until the land component of the purchase price is paid for, in full, to the previous property owner in an agreed number of years (in this case, seven) after the Contract of Sale is signed. At that time, the new

owner renegotiates the mortgage to include the land cost.

As part of the A•C•T project, HPDCQ developed a model Contract of Sale that applies specifically to shared-ownership housing. The Contract of Sale serves as the legal agreement between the property owner and the purchaser.³ For this type of financial arrangement, the property owner would normally be a municipality or a financial institution.

If, in the interim, the property is resold, the advantages of shared housing cannot be transferred to the new owner (i.e., the new owner must buy both the building and the land). This condition was included in the Contract of Sale in order to discourage speculation.

The homeowner is responsible for municipal and school taxes. For the purposes of municipal evaluation, the land and building constitute a single entity.

In 1992, the average price of an entry-level home in Trois-Rivières was \$70,450. To own such a home, it would cost a total of \$742 per month (this figure includes mortgage payments and taxes) and require an annual household income of \$26,510.⁴

HPDCQ prepared three scenarios to illustrate the monthly cost of owning a \$50,000 home (excluding land cost) using the shared-ownership

³ A copy of the Contract of Sale (available in French only) may be obtained on loan from the Canadian Housing Information Centre (CHIC), 700 Montreal Road, Ottawa, Ontario, K1A 0P7, Tel: (613) 748-2367, Fax: (613) 748-6192, TTY: (613) 748-2143.

⁴ Sources: CMHC, Statistics Canada, Ministry of Energy, Mines and Resources.

approach. For each of the scenarios, different assumptions were made regarding the amount of mortgage carried and interest rates. For example, with 95 per cent financing provided by the Caisse and an interest rate of nine per cent over five years, the monthly cost of homeownership, including taxes, would be \$446 the first year, increasing to \$552 the fourth year.⁵ According to this scenario, HPDCQ estimates that the household income required to own one of the demonstration homes would be about \$17,860 the first year, and \$22,104 the fourth year.

1.3.2 Marketing the Shared Ownership Concept

The project team believed that a properly conceived and implemented marketing plan was crucial to the success of the demonstration project. The goal of the marketing plan was threefold: to educate the public about the shared-ownership concept; to create interest in purchasing a home in older downtown neighbourhoods; and to contact potential buyers of the demonstration units.

To sell the concept, the project team carried out the following activities:

- Participation in the City's booth at the New Homes Exhibition;
- Production and distribution of a publicity pamphlet;
- Production and display of a publicity poster in centrally located Caisses populaires; and
- Placing advertisements in local newspapers.

⁵ The varying monthly cost reflects the tax rebates provided by the City of Trois-Rivières.

All publicity carried the theme "Become a Homeowner for \$59,850"⁶. After a short period of publicity and meetings with potential buyers, HPDCQ found purchasers for the two units. The new homeowners are a middle-aged single woman who was previously renting in the area, and a couple in their forties returning to the neighbourhood.

1.3.3 Demonstration Project

Site Selection

The project team selected a site on the corner of Hart and Sainte-Cécile Streets in the centrally located Ste-Cécile neighbourhood, one of the areas targeted by the City for urban revitalization. The 409.2 m² (4,400 ft²) site contained a vacant six-unit apartment building in serious disrepair, which was demolished to permit the construction of the shared-housing pilot project.

The demonstration site, which belongs to the Caisse populaire St-Philippe, is well situated near urban amenities such as schools, medical services, public transportation and shopping.

Planning and Design

The project team consulted with several local building contractors on the design of the homes in order to keep construction costs to a minimum.

Each of the 112 m² (1,200 ft²) semi-detached homes consist of two storeys and an unfinished basement, designed to accommodate the addition of a bathroom with a shower. The first floor contains a living room, kitchen and dining area.

⁶ In French, "Devenez propriétaire pour 59 850 \$".

Two bedrooms and a full bathroom are located on the second floor.

Each home has its own outdoor parking space and a separate entrance porch. The exterior walls are clad in brick up to the first storey, so that the demonstration homes blend in with the architectural style of the neighbourhood.

Figures 1 and 2 contain, respectively, the site plan and floorplans.

Changes to Municipal Regulations

HPDCQ's design for the small homes contravened existing municipal zoning and land development bylaws in a number of ways. To permit the construction of the two units, the

City of Trois-Rivières' Municipal Council amended its zoning bylaw 2001-Z (1989) and land development bylaw 2000-L (1989) in March 1994 as follows:

- to reduce the minimum size for residential units;
- to increase residential density by allowing smaller lot sizes (refer to the table below);
- to increase housing variety; and
- to reduce front and side setbacks.

Details of the regulatory changes pertaining to the building site are shown in the table below. These changes would permit the construction of even smaller units on even smaller lots than those developed for the demonstration project.

Table 1. Changes to Zoning and Development Standards

Description	Previous Standard	Modified Standard
Housing Type	Up-and-Down Duplexes	Single-Family Detached, Semi-detached and Row
Minimum Building Frontage	9 m (29.5 ft.)	4.5 m (14.75 ft.)
Minimum Building Depth	26 m (85.3 ft.)	8 m (26.25 ft.)
Minimum Ground Floor Area	60 m (646 ft. ²)	50 m ² (538 f ²)
Building Setback from Street Lot Line	0.3 m (1 ft.)	1 m (3.3 ft.)
Rear Setback	8 m (26 ft.)	7 m (23 ft.)
Floor Area Ratio	0.60	0.60
Maximum Building Height	14 m (46 ft.)	12 m (39.3 ft.)
Minimum/Maximum Number of Floors	1/3	2/3
Minimum Lot Size <i>Semi-Detached or Row Unit</i>	100 m ² (1,076 ft ²)	60 m ² (646 ft ²)
Lot Frontage <i>Semi-Detached or Row Unit</i>	5 m (16.4 ft.)	4.5 m (14.75 ft.)
Lot Depth <i>Semi-Detached or Row Unit</i>	22 m (72.2 ft.)	12 m (39 ft.)

Figure 1. Demonstration Home, Site Plan.

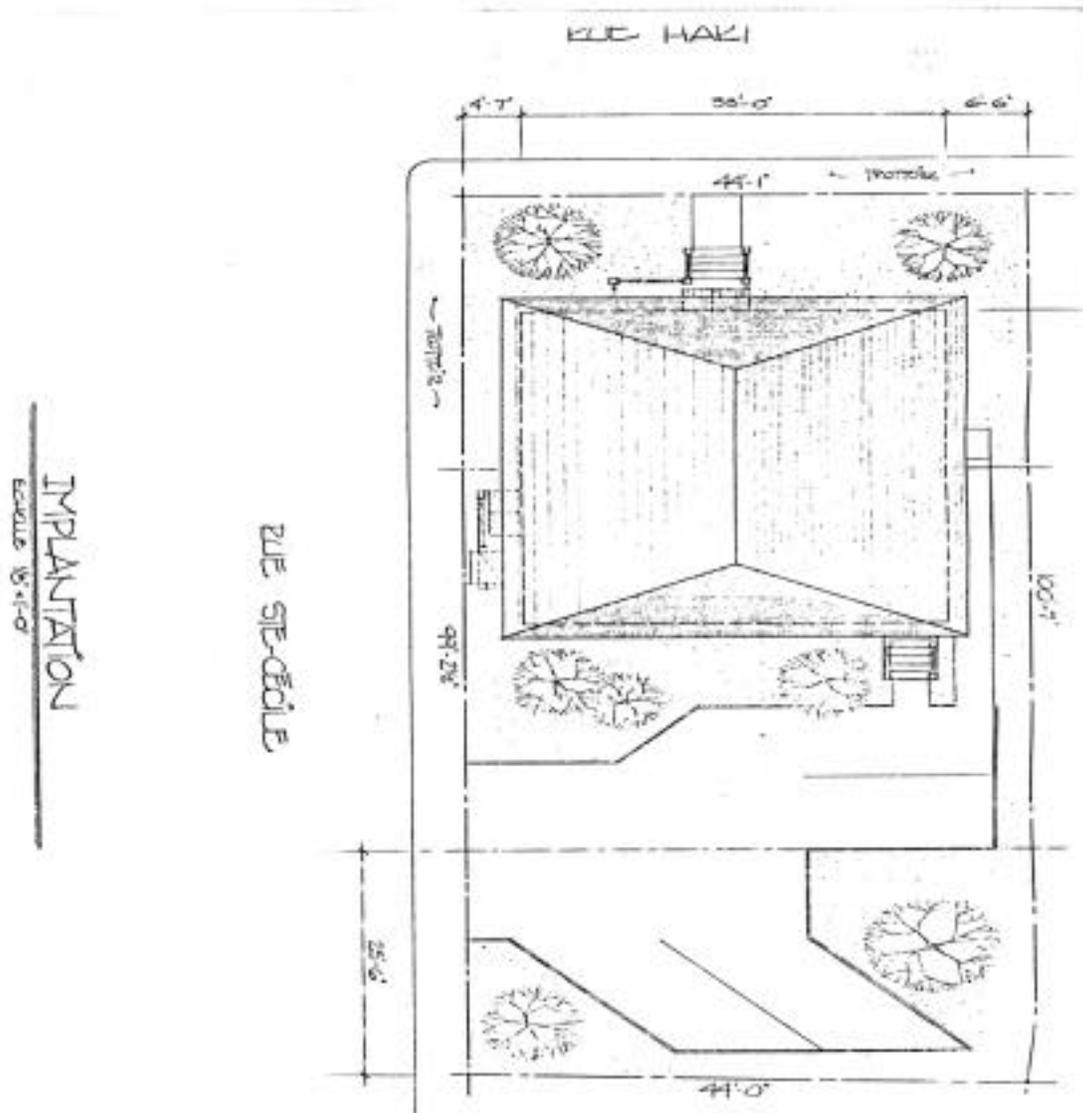
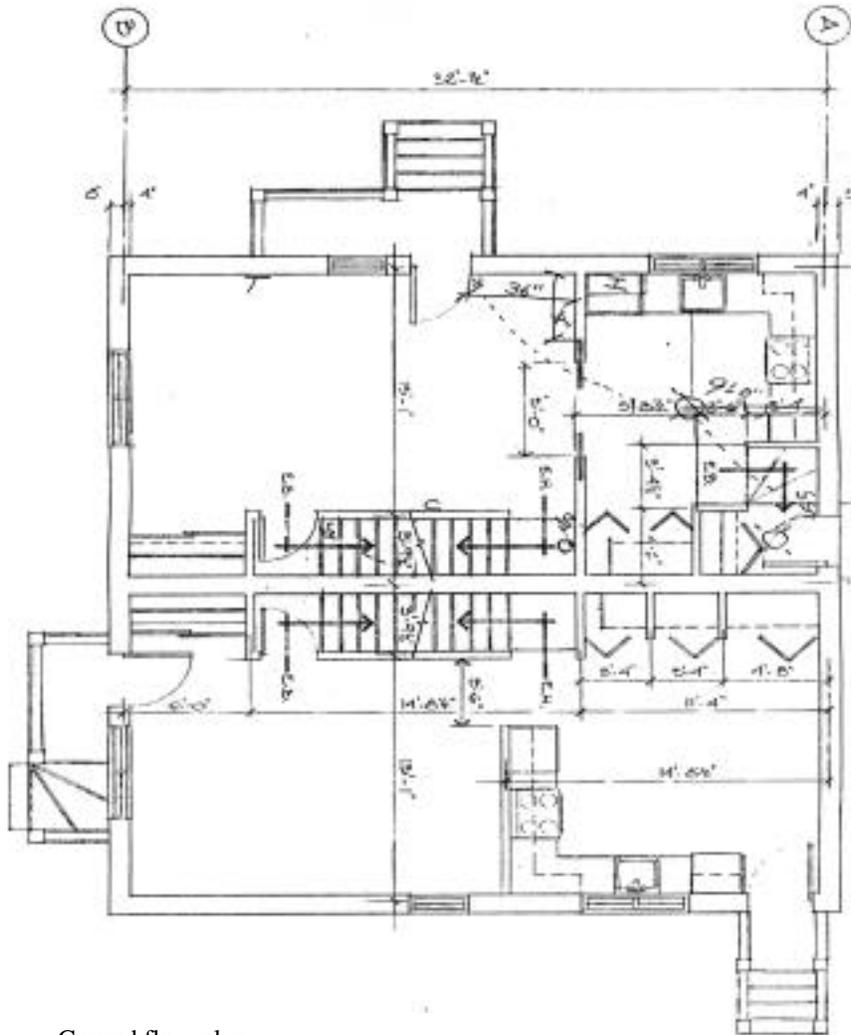
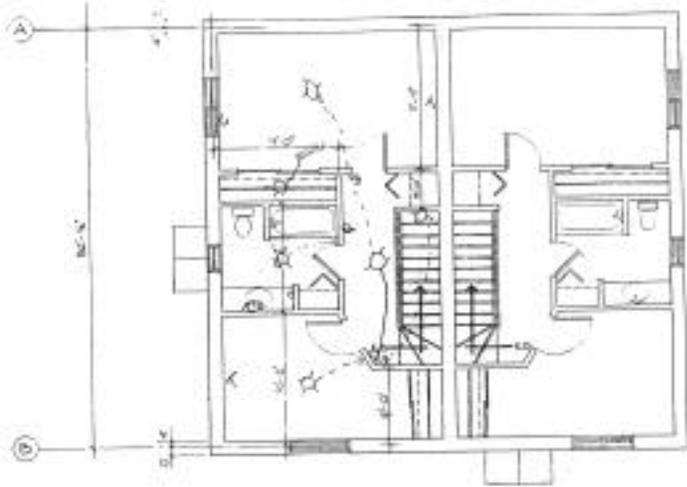


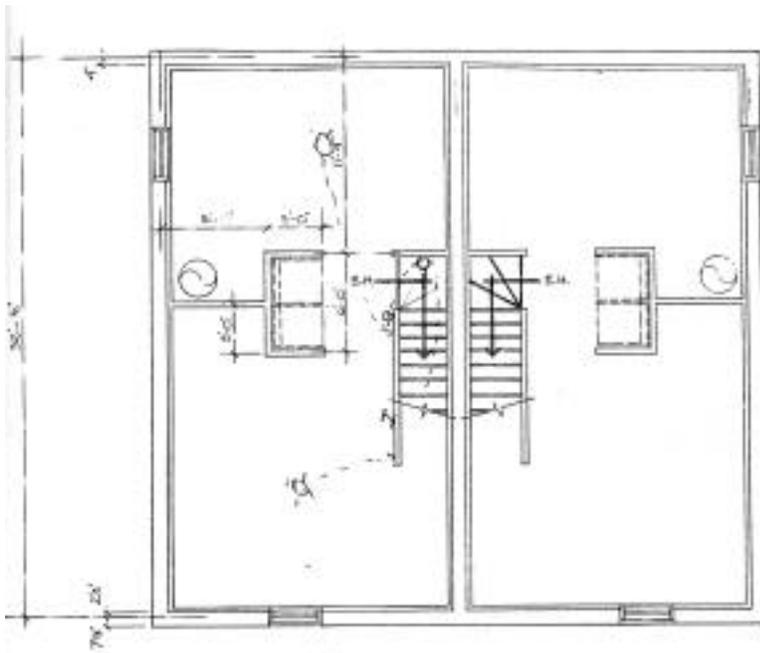
Figure 2. Demonstration Home, Floorplans.



Ground floor plan



Upper floor plan



Basement plan

Construction Costs

The demonstration project was built on schedule and close to budget. The construction phase went smoothly due to both the expertise of the building contractors and, the close involvement of the key players.

The residents took possession of their new homes in the fall of 1994. A photograph of the finished building is presented below.

The units were sold for \$51,233 and \$52,405, or a total of \$103,638 (excluding land costs), including applicable taxes. Total construction cost came to \$104,626, resulting in a deficit of \$988. The discrepancy between the construction cost and the selling price was due to the fact that one of the units was sold before construction had begun. HPDCQ absorbed the

extra cost as part of the cost of developing innovative housing.

The land cost for each unit was \$7,500, to be paid seven years after the home purchase date. This price was partially subsidized; the market price for a similar lot would be approximately \$9,000.

To calculate the total costs related to the completion of the A•C•T demonstration project, it was necessary to take into consideration the amount of time and labour donated by the project team. HPDCQ estimates the total cost deficit to be about \$15,000, which covers the administrative costs related to the innovative nature of the demonstration project. This deficit was largely offset by the A•C•T grant.

Figure 3. Photograph of the Façade.



2.0 THE COMMUNITY AND KEY PLAYERS

2.1 Housing Context in Trois-Rivières

Trois-Rivières' downtown neighbourhoods contain a variety of multi-family dwellings, particularly small apartment buildings, triplexes and quadraplexes. There are relatively few large units of decent quality. Furthermore, these areas have suffered from neglect over the past three decades; they are dotted with empty lots and deteriorated buildings. Ste-Cecile, where the demonstration project is located, is the poorest area in Trois-Rivières.

Renting is prevalent; approximately 61 per cent of households in Trois-Rivières are renters⁷. The recent slowdown in residential construction has led to a decrease in the vacancy rate for rental units from 8.3 per cent in 1991 to five per cent in 1994. At the same time, the demand for housing has increased, which is reflected in a 19 per cent increase in the number of households living in Trois-Rivières over the same period.

HPDCQ believes that there is a potential demand for homes designed and priced to attract first-time home buyers. In 1992, it was estimated that about 40 per cent of renters living in Trois-Rivières could afford to buy an entry-level home.

2.2 Housing Needs

The project proponents undertook a survey to determine what kind of housing young first-time home buyers are looking for. They found that many households would choose to live downtown providing they can find housing that meets their needs and aspirations. For example,

small homes priced at about \$50,000 that are designed to evolve according to the residents' needs have been popular in the region.

The survey results identified at least two categories of households that are interested in living downtown. The first group consists of single people who want spacious rental accommodation located in the city core near the Old Port development. The second group is made up of households who would like to become homeowners and remain downtown. The latter is the target group for the demonstration project.

2.3 Key Players

2.3.1 Habitations Populaires Desjardins du Centre du Quebec

The non-profit housing organization, Habitations populaires Desjardins du Centre du Quebec has worked in the field of community and social housing in the Mauricie/Bois Franc and Lanaudière regions for 20 years. HPDCQ has helped create more than 40 non-profit housing organizations, which currently operate nearly 1,000 housing units. HPDCQ provides a wide range of services, including project development, real estate evaluation, the construction of housing for seniors, building management and contracting.

2.3.2 Caisse populaire Saint-Philippe de Trois-Rivières

The Caisse populaire St-Philippe has worked in partnership with the HPDCQ since 1978 by providing financing for social housing projects.

⁷ Source: Statistics Canada, 1991.

The Caisse initially became involved in this A•C•T demonstration project because it possessed a suitable site obtained as a result of a mortgage foreclosure.

In addition to providing the site, the Caisse populaire St-Philippe financed the construction of this A•C•T demonstration project. The Caisse also offered the buyers an advantageous mortgage arrangement. Under normal circumstances, the Caisse provides financing for up to 75 per cent of the purchase price. For the demonstration homes, however, the Caisse agreed to finance 90 per cent of the price.

2.3.3 Planning Department, City of Trois-Rivières

The Planning Department supported this experimental housing project throughout. In particular, the Department's technical staff provided invaluable architectural advice during the design phase of the project.

To help ensure the project's success, the City offered the buyers a tax rebate of 100 per cent the first year, 50 per cent the second year, and 25 per cent the third year.

3.0 REGULATORY REFORM INITIATIVES AND IMPACT ON AFFORDABILITY, CHOICE AND QUALITY

The A•C•T demonstration project undertaken by HPDCQ in cooperation with the City of Trois-Rivières and the Caisse populaire St-Philippe combines innovative financing with a small-house form designed for low- and middle-income families. With this project, HPDCQ wished to demonstrate that there is a market for homes of good quality in the less affluent areas of downtown Trois-Rivières.

Shared-ownership housing makes home-ownership more accessible. Using a small-lot housing design, HPDCQ was able to offer first-time home buyers their own house for an initial price of about \$53,000 (excluding land costs), \$17,000 less than the average price of an entry-level home in Trois-Rivières in 1992.

Shared-ownership housing also increases housing choice by offering first-time home buyers an attractive and affordable alternative to suburban living.

In addition, this A•C•T project demonstrates a number of ways to help renew deteriorating downtown neighbourhoods. The shared-ownership approach reduces the advantage of lower land costs in the suburbs. Municipalities can also encourage urban revitalization by modifying municipal zoning and land development bylaws in order to permit the construction of small infill housing, particularly on hard-to-develop lots.

Due to the interest generated by the pilot project, HPDCQ plans to build additional affordable shared-ownership housing on a site owned by the City of Trois-Rivières. The experience of this A•C•T demonstration project is transferable to other Canadian communities interested in providing a higher quality of life in their downtown residential areas.