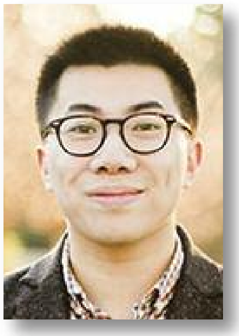


Should Old Rental Buildings be Saved – or Sacrificed?

A building boom decades ago is still housing half of Canada's tenants. But time is running out on a generation of apartment buildings.

By John Rieti · CBC News

"I feel like I really lucked out," said Mitch William. His rent is a bargain.

William pays $855 a month for a 750-square foot one-bedroom apartment in Metro Vancouver where the average rent is $1,223, according to a fall 2016 report by the Canadian Mortgage and Housing Corporation (CMHC).

His location is also convenient. His rental building is less than a block away from the Metrotown shopping centre and SkyTrain station. William, 25, takes the train to work downtown at an insurance company. The ride only takes 16 minutes.

William's apartment is coveted for another reason: there aren't nearly enough rentals in Vancouver to go around at any price. Vacancy rates for purpose-built rental apartments fell in both Vancouver and Toronto last year. As of four months ago, Metro Vancouver's vacancy rate was a nearly invisible 0.7 per cent. Toronto's was somewhat better, at 1.3 per cent, according to CMHC. Across all major Canadian centres, the average rate was 3.4 per cent.

But other urban Canadian regions are short of rentals. Pushing the demand are increasing numbers of new immigrants, aging boomers, and young people who cannot afford to buy a home.

Yet even as supply lags behind demand, many of the country's rental apartment buildings are aging, in poor shape, and in need of costly repairs. Over three-quarters of the buildings in what's known as the "primary rental market," are over 30 years old, according to 2011 CMHC numbers. And almost half of Canadian renters live in them.

More than half of Canada's renters live in buildings that are more than 30 years old. Some structures are near the end of their lives. Photo by Christopher Cheung.

At a time when the country's major cities need every rental suite they can provide, what to do about the half of those we have that are showing their age is a largely unaddressed question.

Rental rewards

The reason why so many purpose-built rentals were constructed between the late-1940s and the early-1980s is because Canada's federal government provided a variety of incentives over the decades for investors to build them. Many were professionals like doctors and lawyers with a little surplus income to put somewhere. "There were also a lot of guys who had plumbing businesses — contractors who had some extra cash from their businesses — who were able to build apartments," said David Hutniak, the CEO of LandlordBC.

In the 1940s and 1950s, federal programs encouraged the construction of rentals for the boom in new families delayed by the Second World War. In the mid-1970s, rentals built under two popular programs

> Pushing the demand are increasing numbers of new immigrants, aging boomers, and young people who cannot afford to buy a home.

— the Multiple Unit Rental Building tax shelter (MURBs) and the Assisted Rental Program (ARP) — housed those families' kids, the baby boomers, as they left home to establish their own families.

For Toronto, these decades meant a frenzy of high-rise rental construction. "It was a perfect storm of federal policy, a growing city, and a planning regime that really took to that type of housing," said Graeme Stewart, an architect and planner in the city. But in the early-1980s, the federal government cut the incentives. Canada's peak era of purpose-built rental construction came to an end.

Some reports suggest construction is picking up again today. New units pushed the average rental vacancy rate for major Canadian centres up a tenth of a per cent between 2015 and 2016, according to CMHC.

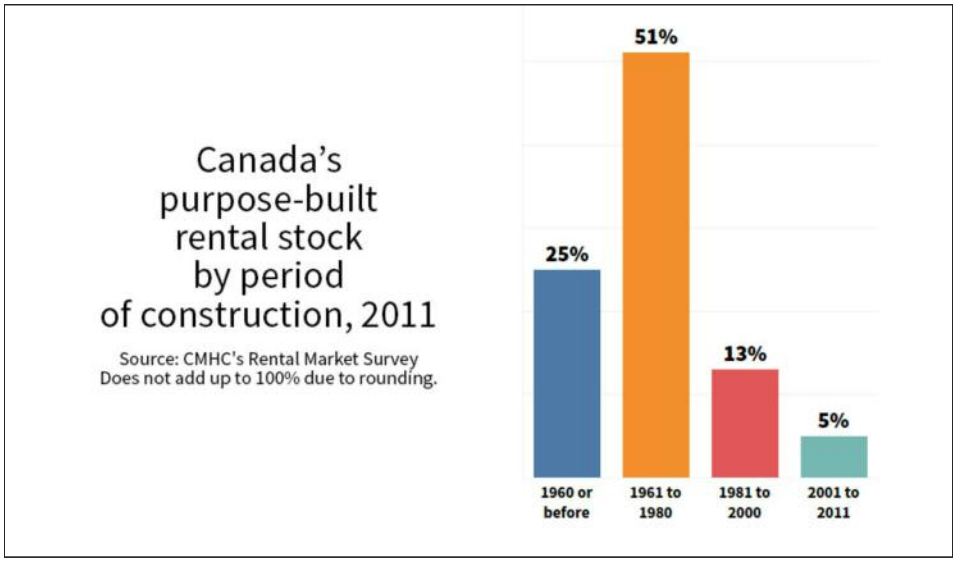
But in the meantime, some owners of existing, aging buildings are deciding that maintenance and management are not worth the trouble and cashing out. Often evictions follow new owners with plans to develop the property.

Generational change of landlords

According to LandlordBC's Hutniak, many of the original investors who built rentals during the subsidy era have since passed the properties on to younger family members. But many, busy with other careers and plans, decide to sell the buildings or push them out to property management companies to handle.

Rainy British Columbia's venerable purpose-built rentals face another problem. Most were built from wood frame construction with an expected a lifespan of about 60 years. Many are nearing, at, or beyond that lifetime now.

Proper maintenance can keep those buildings going for a handful of extra years. But keeping up elements like wiring, windows, heating and plumbing, elevators, and the building envelope itself, is expensive. And there does come a day when the effort is futile due to simple age – "not a condemnation of maintenance," said Hutniak.



Three-quarters of Canada's rental apartments were built when Ottawa favoured the sector with incentives that ended in the early '80s. Graphic by Christopher Cheung.

Most of BC's rental buildings are woodframe. Collage by Christopher Cheung.

"I'm not just a landlord sitting around collecting paycheques," said an owner of two Vancouver rental buildings built in the 1970s. "People probably have grand misconceptions that it's all rosy and easy money, but buildings take active management and it gets pricey. Just to hold them is expensive."

Another man, in his late 30s, is a live-in property manager of a 1960s rental building in Vancouver's Kitsilano neighbourhood. He works for a landlord who owns 14 buildings in all. He said that while managing an old building is a lot of work, demand keeps the market alive.

"There's always a profit to be made," he said. "I'll give you an example: laundry machines take two dollars to wash, two dollars to dry. For 14 buildings, that's roughly $100,000 per year from laundry machines."
(Both individuals shared their views with The Tyee anonymously, fearing what they believed to be a negative portrayal of landlords in the media.)

For many older buildings, the real asset value is in the land beneath them. Realtor David Goodman of HQ Commercial calls them "nest eggs" for their owners. Goodman, who's been in the business since the '70s, is the author of the Goodman Report, a resource on trends in rental apartment sales. It recently reported that a 1965 building with 27 suites on Vancouver's west side sold for $14.6 million.

But while selling these buildings is lucrative, redeveloping them is a challenge. In 2007, the City of Vancouver placed a moratorium on the demolition of rental buildings in a number of neighbourhoods where they are clustered. This "rate of change" restriction allows buildings to be torn down only if they are rebuilt with the same number of units as before to "protect" the rental stock, no extra density allowed.

Goodman thinks the city's being overprotective when there's limited land for development. "We're strong advocates for the abandonment of the moratorium," he said. "Although we have a bit of supply coming out, it's not nearly enough to address demand."

The landlord The Tyee interviewed would also like to see the ban lifted. "It's hypocritical for a city that says there's a lack of housing," he said. "If I could, I would knock down one of my buildings and build a bigger one."

Aside from supposedly protecting the rental stock, Vancouver's tight restriction seeks to prevent renters from being displaced by redevelopment something that has happened in the Burnaby neighbourhood where Mitch William rents.

One fix suggested by those who work in local development: allow extra density, but mandate compensation for the residents disturbed. That might mean allowing them to rent in the redeveloped building at their old rental rate, or monetary compensation tied to how long they lived in the old building.

Reno loans

The federal Rental Residential Rehabilitation Assistance Program used to help landlords renovate individual units rented to low-income tenants. It was scrapped by the Harper government in 2011 in favour of letting provinces decide where to apply federal affordable housing funds on a cost-matching basis.

Ontario took advantage of the opportunity to offer landlords forgivable loans to renovate rental buildings — on condition that they keep their rents affordable (at or below CMHC's market average) for at least 15 years. If they do — and the building isn't sold — the province will forgive the loan.

Manitoba and New Brunswick have similar programs; rental-crunched B.C. does not. Toronto launched its own program to deal with a specific type of rental building there: concrete high-rises. (B.C. has some of those as well, though not as many.)

Toronto's towers were also built with federal incentives. They were intended to house newcomers during Toronto's population boom as its residents tripled from 1 to 3 million people between 1950 and 1980. Today, over a million people in the Greater Toronto Area live in 2,000 towers of eight stories or more, according to Graeme Stewart, a principal at ERA Architects.

"They're concrete with masonry walls, so they're sound assets," said Stewart, "but they're known for being really energy inefficient, and tearing down is amazingly expensive."

"They're concrete with masonry walls, so they're sound assets," said Stewart, "but they're known for being really energy inefficient, and tearing down is amazingly expensive."

The towers were originally intended for young couples and professionals. It was expected that they owned cars, as most were located in suburbs away from transit. As years went by, the buildings aged and became unpopular with their original tenants. That also made them more affordable for lower-income households, including newly landed immigrants.

Despite their inconvenience and inefficiency, the buildings remain an important part of Metro Toronto's housing. Stewart got the idea to breathe new life into them when he researched their construction for his Masters thesis as an architecture student at the University of Toronto.

In 2007, his idea caught the ear of Toronto's then-mayor, David Miller. The following year the city set up a "Tower Renewal" office.

Their research showed that retrofitting these buildings for energy efficiency would benefit residents at the same time as it would help make Toronto greener. The average old high-rise emits 1,712 tonnes of greenhouse gas emissions per year. Retrofitting can reduce that by 74 per cent.

Toronto brought urban amenities to formerly out-of-the-way highrises built in the 1970s. Photo submitted by Graeme Stewart.

A three-year pilot project that ended last year provided $10 million in low-interest loans to retrofit 10 buildings with improvements like better insulation, air sealing, new boilers, and low-flow toilets.

The initiative also tackled the other problem with many towers: their out-of-the-way locations. "As the buildings became more and more affordable, they didn't get integrated into the planning of the city. Transit, services, shops, jobs – all that stuff," said Stewart. "So we asked: how do we reinvest in these neighbourhoods and realign them with growth?"

The solution: relax single-use residential zoning, and mix in commercial space. Allow for barbershops, food markets, cafes, medical offices, community centres, and places of worship. For low-income renters who mostly depend on public transit, having businesses and services close to home was just what they needed.

The new zoning was approved in 2014, and has begun to transform formerly neglected apartment neighbourhoods.

The next rental building boom?

Stewart believes an interest in greener housing will continue to motivate governments and landlords to upgrade older rental buildings like Toronto's towers. The subject is expected to be addressed in the housing strategy the federal government has committed to releasing this year.

Ottawa has also begun to tackle creating new rentals. Its 2016 budget made $2.5 billion available in low-cost loans to municipalities and developers looking to build rentals. And last September, it created an Affordable Rental Innovation Fund to fund "unique" rental projects, inviting unconventional 'developers' such as faith-based organizations to apply.

Back in Metro Vancouver, Mitch William hopes to see more stock appear as well, as landlords in his neighbourhood are slowly selling older buildings to developers.
"There are thousands of people that live here," said William, "but there aren't thousands of affordable places to live." All the more important to mandate the compensation of residents displaced when a rental building goes down.

Mitch William's $850 a month one-bedroom near Vancouver's Metrotown transit hub is a vanishing bargain as older apartment buildings get redeveloped. Photo by Christopher Cheung.

William notes the mix of people in his 1960s-era building. "I actually thought that it being a cheaper place and an older building, that some seedy people might be around here," William admitted. "That didn't happen at all. There are some immigrants. Younger people, older people. There are a lot of professionals. For what it is, a cheaper apartment building, the mix of people that live here is very good."

As homeownership spirals out of reach of incomes in both Vancouver and Toronto, more rentals are an obvious answer. But so is not losing the units we have.

***Christopher Cheung** reports on affordable housing for the Housing Fix. 2016-17 funders of the Housing Fix are Vancity Credit Union, Catherine Donnelly Foundation and the Real Estate Foundation of B.C., in collaboration with Columbia Institute. Funders of special solutions reporting projects neither influence nor endorse the particular content of our reporting.* ◆