

KLONDIKE DEVELOPMENT ORGANIZATION

CAPACITY DEVELOPMENT

HOUSING OPPORTUNITY RESEARCH

MARCH – MAY 2010

PREPARED BY

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SUMMARY

From 'Economic Scan and Assessment of Potential for Development (Vector Research et al, March 2008)':

"Housing is currently a challenge in Dawson. Whether it is for year-round residents or for temporary summer workers it is a topic that arises consistently. Any further development that will push the demand for housing is going to run into the limitations already existing in the community around housing. While there is an overall desire for a modest population increase to reach a critical mass for year-round services there is currently very limited capacity for new residents to find adequate housing. This applies to rental properties as well and without adequate apartment accommodation or some form of condominium development the ability to attract and retain people is a factor."

The study analyzed key statistical data, the market status and previous community housing reports. Three key strategic objectives were identified:

- 1) Match housing stock to demand and demographic trends
- 2) Increase overall quality of housing stock
- 3) Increase proportion of home ownership over renting

This is summarized in the following mission statement:

KDO Housing Mission

Target new construction or renovation and conversion of existing properties to expand the supply of quality single-person household units that are affordable and accessible for home ownership to gross annual incomes between \$20,000 and \$35,000.

Two existing affordable housing programs were considered, being the Affordable Housing Program and CHMC RRAP-C and applied to opportunities in Dawson. Near-term hurdles, in particular the absence of reliable survey data to establish an average rent benchmark for affordability under either program, prevent either being executed by KDO in Dawson. Given that both programs are also for rental and not home ownership, a new approach is required for KDO to achieve the mission.

An array of best practice case studies from across Canada that target affordable housing were examined and the Quint cooperative home ownership model is both the most aggressive and appropriate to KDO in the Dawson circumstances.

RECOMMENDATIONS FOR NEXT STEPS

- 1) Initiate convening of partner agencies to commence work on the Quint cooperative model.
- 2) Conduct market research to clearly segment the market between ownership and rental, family and single. Analyze gaps for the current market (including summer peak) and projected impacts of increased mining activity and establish a viable market for the Quint cooperative model in Dawson.
- 3) Identify development opportunities focused on:
 - Conversion of single detached residential and vacant commercial properties to multi-unit single-person residences
 - New construction
- 4) Design a full KDO cooperative home ownership strategy that meets qualification criteria as an actionable KDO social enterprise in years two to four of the strategic plan.

Additionally, with regard to the two existing affordable rental housing programs:

- 5) Contact the AHP program manager, YHC Board of Directors, Minister and MLA with a conceptual outline of the project that would have taken place here and a cover letter to explain the multiple difficulties associated and why it was not possible to submit a complete proposal.
- 6) Contact the CHMC RRAP-C program managers with regard to the average rent statistics and why the program is therefore not effective in achieving its mandate in small rural communities such as Dawson.

PART ONE – SITUATION ANALYSIS

1. STATISTICAL DATA

1.1 Stock

The Dawson housing stock is relatively new with the total number of dwellings rising from 675 to 768 between 2001 and 2006. Similarly, a lower percentage of housing is in need of repair than Yukon. Single detached dwellings have dominated this new construction at over 83% and now represent 69.2% of housing, in excess of 64.6% across Yukon. Housing is smaller, averaging 2.2 bedrooms against 2.5 for Yukon.

Yukon Housing Corporation has 66 social housing units in Dawson.

1.2 Demographics

Dawson City Population by Age

	0-14	14-24	24-54	Over 54	Total
1996	442	234	1227	220	2123
2002	327	217	1013	261	1818
2006	299	220	983	357	1859
2002-2006	-8.6%	1.4%	-3.0%	36.8%	2.3%
2009	265	200	961	447	1873
2006-2009	-11.4%	-9.1%	-2.2%	25.2%	0.8%
1996-2009	-40.0%	-14.5%	-21.7%	103.2%	-11.8%
2002-2009	-19.0%	-7.8%	-5.1%	71.3%	3.0%

Alongside much of rural Canada, Dawson City experienced a rapid population ageing between the census of 1996 and 2006 with the median age rising from 30.7 to 37.8 although this remains below the average for Yukon as a whole. As the table above shows, the only expanding age groups are over 54 with highly significant falls in the school age population.

The average household size is much lower than Yukon but population mobility is comparable at 20% over 5-year periods.

1.3 Occupancy

Occupancy rates fell slightly as the total of occupied dwellings rose to 600 and the 'usual resident' occupancy rate, 78%, is slightly lower than Yukon, 82%, and much lower than the 96% in Whitehorse. The ratio of population to total occupied private dwellings is lower than Yukon and falling

1.4 Costs

House prices rose 14.7% from \$129815 in 1996 to 148890 in 2006, below the general rise in the cost of living. Home ownership costs are only 70% of Yukon as a whole although this is 80% per bedroom. Median household income is 84% of Yukon but 94% for one-person households.

As a result in 2001 only 18.5% of households were spending over 30% of gross income on housing, the generally accepted measure of housing affordability. This is below the measure for Yukon at 19.5% and considerably below that for Canada, at 24.1%.

- Income threshold is between \$48,500 and \$63,500 to qualify for social housing
- House prices at lower ratio to earnings for one-persons and even for all, allowing for house size
- Cost of renting is 93% of ownership versus 81% of Yukon as a whole
- Affordability should push rent to the private sector at approx \$33,600 income for a 1-person unit

2. MARKET PRICE SNAPSHOT

2.1 Properties currently publicly listed for sale

	Lot Type	Building	Price
Downtown Core	14 single lots	Vacant	\$25-\$32,000
	Double residential	1250 sq ft	\$220,000
	Single residential (New)	780 sq ft	\$146,000
	Single residential	900 sq ft	\$189,000
	Double comm/residential	1200 sq ft	\$180,000
	Single comm/residential	1250 sq ft	\$190,000
Klondike Valley	8 acres	1000 sq ft	\$250,000
	10 acres	1000 sq ft	\$275,000
West Dawson	2.8 acre lots	Vacant	\$28,000
	1 acre	550 sq ft	\$125,000
	2.7 acres	720 sq ft	\$120,000
	5 acres	1700 sq ft	\$349,000

- Downtown lots (build-ready) \$35,000
- Klondike Valley lots \$15,000/acre
- West Dawson lots (un-serviced) \$10,000/acre
- Existing housing costs \$130/sq ft
- New housing costs \$155/sq ft

2.2 Market rental rates (selected)

	Unit Type	Utilities	Price
Klondike Valley	Kitchen unit	Inclusive	\$850
	West Wing (Double/King)	Inclusive	\$850
	Motel (Double/Queen)	Inclusive	\$750
Downtown	1-bed suite		\$650
	1-bed suite	Inclusive	\$800
	1-bed shared	Inclusive	\$550
	2-bed shared	Inclusive	\$650
Bureau of Statistics	Bachelor suite		\$600
	1-bedroom unit		\$700

- The Yukon Bureau statistics appear to be a fair estimate of market rent exclusive of utilities
- 2-bed shared properties reduce the cost to \$550 per month
- Anecdotal evidence suggests 3-bed or more shared properties reduce the cost below \$500/month

3. PREVIOUS DAWSON HOUSING REPORTS

3.1 Yukon Housing Corporation Report of the Auditor General (February 2010)

Units are significantly under-occupied with 70% of government staff housing and 44% of social housing units having more rooms than occupants. 13 units have one person in a 3 or 4 bedroom unit. The majority of applicants are single and constitute the longest waiting list. There is a clear need to reconfigure the family housing stock to single person units.

3.2 Economic Scan and Assessment of Potential for Development (Vector Research et al, March 2008)

The Yukon has a high, relative to Dawson, level of people living in homes they own and it has been increasing. This suggests the establishment of a more permanent population base as people are making an investment to put down roots. In contrast, only in 2006 did Dawson record more owner occupied dwellings than rented. The high proportion of rental in relation to owned dwellings can be due to a number of factors one of which may be the structure of population which is largely single and may be less likely to invest in housing while another could simply be the lack of available residential lots or properties for sale. Of concern are the quality and age of existing housing and the high costs of repairs and renovations.

3.3 Seasonal Worker Housing Needs Analysis (Michael Pealow, November 2007)

Seasonal labour shortages are not a result of a shortage of accommodations. 88% of workers found accommodations within 2 weeks and the typical 'squatters' are mostly lifestyle choices. The shortage is in quality rather than quantity. Hostels, dormitories and tents are not popular and only 6% are willing to forego running water. The typical reasons for employee departure related to accommodations were lack of services, too crowded/lack of privacy, high rent, noisy and only lastly 'could not find'. Most are looking to upgrade comfort and amenities.

28% would like better accommodations and workers are willing to pay more to get more. The average rent paid was \$233 with an employer allowance of \$137. There is a willingness to pay \$335. There is an opportunity for owners of substandard accommodations to improve revenues through upgrades. It is also possible that some problems are related to a 'crunch' as all tenants are looking at the same time

3.4 Yukon Housing Corporation Social Housing Report (2004)

Dawson has approximately 64 social housing units including 16 single detached dwellings, 18 duplexes, 4 4-plexes and 26 apartment units. At that time, 52.7% of social housing clients were single adults living alone.

Quality was again an issue as the Korbo Apartments is a former 1950s mining camp building with significant heating and ventilation problems despite upgrading efforts and the inventory includes 16 dwellings moved from Clinton Creek for which accessibility upgrades are impossible.

More rural residents are interested in home ownership than in Whitehorse but it is unavailable. Recommendations were made to work in partnership with the private and NGO sectors to renovate and build new social stock and to work with the private sector to enhance the viability of local housing markets.

3.5 Dawson City Community Housing Report (Yukon Housing Corporation, December 2000)

Affordability problems were much less than across the Yukon (2% actual, 15% possible) and crowding and energy costs problems were very similar to Yukon. Reasons cited for renting over ownership were a cheaper cost and lack of desirable homes to purchase, not down payments.

Quality issues were clearly identified again. There was a greater requirement for energy related and other major repairs such as walls, foundations, floors and ceilings. This was particularly true for households with annual incomes in the \$20-\$50,000 bracket. 11% of households were missing some basic facilities such as water, toilet or electricity. High proportions had health and safety deficiencies in ventilation, clean water or sewage disposal. More households were planning major repairs at higher costs and minor repairs such as windows, doors and insulation than the rest of Yukon.

4. CONCLUSIONS AND RECOMMENDED STRATEGIES

4.1 Conclusions

Dawson has:

- A much higher proportion of one-person households (40% over 30.9%) and less couples and families
- A higher and rapidly increasing income profile for one-person households
- A single detached family dwelling profile that does not meet the one-person household demand
- A much higher proportion of the population renting than in Yukon as a whole (44.2% over 30.5%)

BUT:

- Better housing affordability, both for renting and ownership, than across Yukon and Canada

Curiously, despite a relatively new housing profile, surveys consistently report quality issues with regard to the community housing stock. This may result from under-investment in maintenance and repairs in an environment that is hard on infrastructure. Property owners, including government housing corporations, likely do not set aside adequate replacement reserve funds from the date of purchase or construction, a practice that soon leads to a deterioration in property maintenance and quality.

This likely arises from the low ratio of market rent to ownership cost that makes it financially unfeasible to allocate sufficient replacement reserves and still generate positive short-term cash flows and earn a return on investment. Additionally, rental occupants do not generally exhibit comparable pride and care of properties that exacerbates maintenance deficits.

Evidence supports both a capacity and a desire to pay more to improve housing standards

4.2 Strategies

1) Match housing stock to demand and demographic trends

Recommend:

- Convert single detached residencies into multi-unit single-person residencies
- Convert vacant commercial properties into multi-unit single-person residencies
- Increase occupancy rates of existing single detached residencies

2) Increase overall quality of housing stock

Recommend:

- Incentivize new construction
- Incentivize renovation of existing rental properties

3) Increase proportion of home ownership over renting

Recommend:

- Lower barriers to new construction for ownership
- Lower financial barriers to ownership for low income households

Projects should target new construction or renovation and conversion of existing properties to create quality single-person household units that are affordable and accessible for **home ownership** to households with \$20,000 to \$35,000 gross annual incomes.

PART TWO – EXISTING OPPORTUNITIES

1. FIRST CUT SCOPING

1.1 Structures

A first cut financial scoping assessment was conducted upon a number of immediate development opportunity structures, both new building and conversions. Those demonstrating key learning are listed below and capital investment and revenue and expense projections are found in the table on page nine.

New building

- Owner-occupier (10% down payment and 4.54% fixed mortgage)
 - 650 ft² home on a full downtown lot
 - 500 ft² home on a full downtown lot
- Investment build for rental (30% down payment and 5% fixed mortgage)
 - 650 ft² home on a full downtown lot
 - 500 ft² home on a full downtown lot
 - 4-plex of 500 ft² 1-bedroom units on a full lot
- Opportunity One (5% fixed mortgage)
 - 1A: 4-plex of 650 ft² 1-bed units with Affordable Housing Program contribution
 - 1B: 4-plex of 500 ft² 1-bed units with Affordable Housing Program contribution

Renovation and conversion of existing commercial building

- Opportunity Two (30% down payment and 5% fixed mortgage)
 - 2A: Two 1-bed units and seasonal wall tents on second lot
 - 2B: Two 1-bed units, subdivide and sell second lot
 - 2C: Two 1-bed units, subdivide and sell second lot but with RRAP-C program contribution

1.2 Key Learning

As noted in both the census statistics and the Dawson City Community Housing Report (2000), it remains cheaper to rent than to owner-occupier new build and by a considerable margin. Even if the new home is as small as 500 ft² home ownership costs still exceed rental payments of \$700/month. From a purely financial perspective there is no case to build as an owner-occupier even at today's low interest costs.

Clearly many residents may choose to do so for other reasons such as security of tenure, pride and self-determination and hence the strategic objective to lower barriers to such projects remains valid. This will increase both stock capacity and quality through the application of private capital and expertise.

New build for investment approaches viability when the unit size is reduced to 500 ft² but requires the multiplex economies of scale of at least a 4-plex to become attractive. Even so, this relies upon the apparent, but not confirmed, privileged municipal rates for commercial residential properties.

The Yukon Housing Corporation Affordable Housing Program, with a 50% forgivable loan matching contribution certainly provides for the construction of viable new affordable rental housing. This opportunity passed the cut for further analysis.

An opportunity to purchase, renovate and convert an existing vacant commercial building on two downtown lots showed potential under several different development scenarios and financial structures. Noticeably, the application of the CHMC Residential Rehabilitation Assistance Program for such conversions actually reduced the project viability. This was considered in further detail.

***New build for affordable rental requires subsidy
Conversions hold potential but subsidy programs are dysfunctional***

TABLE OF FIRST CUT OPPORTUNITY REVENUE AND EXPENSE PROJECTIONS

Opportunity	OWN-OCC	OWN-OCC	INV-BUILD	INV-BUILD	INV-BUILD	1A	1B	2A	2B	2C
						AHP	AHP			RRAP-C
Size (ft ²)	650	500	650	500	2200	2800	2200	1300	1300	1300
Total Cost	135750	112500	135750	112500	376000	469000	376000	200000	185000	200000
Equity Investment	12800	11250	40725	33750	112800	10000	10000	60000	45000	45000
Forgivable Loan	0	0	0	0	0	234500	188000	0	0	50000
Debt Balance	122950	101250	95025	78750	263200	224500	178000	140000	140000	105000
Revenue										
Unit 1	8400	8400	9000	8400	8400	8400	8400	9000	9000	6600
Unit 2					8400	8400	8400	7800	7800	6600
Unit 3					8400	8400	8400			
Unit 4					8400	8400	8400			
Wall Tents								3000		
	8400	8400	9000	8400	33600	33600	33600	19800	16800	13200
Expense										
Debt Interest * 5.0%	5582	4597	4751	3938	13160	11225	8900	7000	7000	5250
Property Taxes 1.46%	1189	986	1189	986	3294	4108	3294	1752	1621	1752
Water & Sewer **	1125	1125	108	108	108	432	432	216	216	216
Waste Management	100	100	100	100	100	400	400	200	200	200
Insurance 0.5%	650	500	1100	950	2650	3250	2650	1750	1750	1750
Maintenance Reserve 2%	2715	2250	2715	2250	7520	9380	7520	4000	3700	4000
Property Management 6%	0	0	540	504	2016	2016	2016	1188	1008	792
	11361	9557	10503	8835	28848	30811	25212	16106	15495	13960
Net Revenue	-2961	-1157	-1503	-435	4752	2789	8388	3694	1305	-760
Yield	-23%	-10%	-4%	-1%	4%	28%	84%	6%	3%	-2%

* Owner-occupier finance assumes a 4.54% fixed interest loan ** City appears to offer an exceptionally low rate for commercial residential of \$108

2. YUKON HOUSING CORPORATION – AFFORDABLE HOUSING PROGRAM

2.1 Background

The Canada-Yukon Affordable Housing Initiative (AHI) is intended to increase the supply of affordable housing in Yukon. Funded by Canada Mortgage and Housing Corporation and delivered by Yukon Housing Corporation (YHC), this Affordable Housing Program initiative was targeted to Non-Governmental Organizations (NGO's) who want to provide affordable housing.

This initiative was focused on the construction of new affordable housing and it also included the conversion of existing non-residential space into affordable housing. Up to \$75,000 per unit in cost-matching funding was available.

A successful submission was predicated on the fact that the NGO agreed to provide affordable housing for a 10-year period based on charging monthly rent that is less than the posted median rate as set quarterly by the Yukon Bureau of Statistics.

At a minimum, Proponents had to build new units to YHC's GreenHome energy standards and it was recommended, but not required, that units on the main floor were built to YHC's Accommodating Home standards. Projects funded under this program had to be completed by March 31 2012.

2.2 KDO AHP Draft Proposal

Subsequent to the first cut scoping of the finances of a Dawson City AHP development, a more detailed scoping assessment was undertaken of the opportunity to determine if KDO could submit a viable proposal to the April 30, 2010 Request For Proposals deadline. The following conceptual framework was drafted.

2.2.1 Objective

To foster economic development in Dawson City by facilitating development of new quality, affordable rental accommodation that is needed for low income year round single residents. Access to modern, quality, affordable housing will also foster a feeling of responsibility and self esteem for the tenants.

This project would be community driven and has extensive partners from across the community including the municipality, First Nation development corporation (Han Construction), chamber of commerce, visitors association and arts society.

2.2.2 Target Market

The target clients would be young single people who are new to the community or work force in the \$30-\$45,000 gross annual income bracket. The demand in this segment of the Dawson City is extensive and far exceeds the capacity of the project. Yukon Bureau of Statistics has recorded vacancy rates of zero for a long time and demand is such that no vacancies would be anticipated.

2.2.3 Development Type

The project would be a low-rise apartment building containing 4 affordable 500 sq² one-bedroom units with 200-ft² common laundry and storage and exterior recreational space. 100% of units would be affordable.

2.2.4 Location: Lot 6, Block P, Ladue Estate (Current owner is Town of The City of Dawson)

This project would be located within the downtown historic core of Dawson City. All common services and amenities are within 1km including medical, school, college, shopping, banking, playground, daycare, recreation, government and others. All are within walking distance. This eliminates the need for a vehicle therefore maximizing access to services and minimizing the client cost of living.

The site is currently zoned RS – Single Detached Residential that allows for duplex development. A zoning amendment would be required to RM- Multiple Unit Residential. The City of Dawson would support this

project and subject to procedure no issues would be anticipated with regard to achieving the zoning amendment. The neighborhood is residential and primarily public housing (Tr'ondek Hwech'in) and is a good social fit.

The project would be built on a vacant undeveloped lot that is currently unkempt and an eyesore in a residential area of this historic town. The property collects water and breeds insects and as such is a health hazard. The impact will enhance the neighborhood and surrounding property values.

2.2.5 Property Management

A local qualified property management company would undertake property management and maintenance under contract.

2.2.6 Finances

Capital and operating budgets were outlined are shown in the tables on page twelve.

Exploratory discussions were held with a major Canadian banking institution that would finance the balance of project costs over and above the program contribution and hold a mortgage secured upon the property title. The financing would require a guarantee from a creditworthy institution in light of the unproven track record of KDO. Senior finance officials at Town of The City of Dawson indicated a strong interest to consider providing the necessary guarantee, subject to the approval of Council.

2.3 Opportunity Assessment

Given the start-up nature of the organization and its capacity position, KDO chose not to submit a formal proposal to the tender. There were a number of weaknesses with the program and the RFP process that contributed to this decision:

- 1) Limited time made available for proposal preparation
- 2) Uncertainty in the rent definition benchmark that affected the ability to assess the feasibility
 - Yukon Housing Corporation could not apply the 'Comparison of Median and Average Rent' Yukon Bureau of Statistics survey to a Dawson City proponent, as there is no median or average rent in that survey for Dawson City.
 - Yukon Housing Corporation does not consider the Yukon Bureau of Statistics monthly and annual statistical reports for the median rent of Dawson City statistically valid and as such will not accept them as a benchmark for determining a median or average rent.
 - A Dawson proponent would be required to propose a benchmark that is acceptable to Yukon Housing Corporation to determine average or median rent.
- 3) Financiers, guarantors and other contributors needed certainty as to projected revenues before they would allow their names to be associated with a proposal. The proposal would be a contract with Yukon Housing Corporation should the project proceed and as such was a serious matter.
- 4) RFP had extensive and detailed requirements involving a lot of parties and considerable commitment of resources to prepare in the time allocated, particularly for a smaller NGO like KDO. KDO does not currently have the staff capacity or volunteers to complete the application to this level of detail.

2.3 Recommendations

- 1) The project should be considered again if the initiative is opened again with adequate time for proposal development as it has excellent merit on many levels for the community.
- 2) In future, YHC should run an initial proposal call for a two-page 'Statement of Intent'. This is common practice and would enable NGOs to bring forward a proposal for early stage consideration without incurring excessive costs, volunteer burden or risk to relationships with community partners.
- 3) KDO should write to the program manager, YHC Board of Directors, Minister and MLA with a conceptual outline of the project that would have taken place here and a cover letter to explain the difficulties associated and why it was not possible to submit a complete proposal. This would indicate interest in such projects, highlight KDO and further confirm the need for the KDO in providing the **CAPACITY** to undertake and attract such investments to Dawson City that is currently absent.

KDO AHP PROJECT - CAPITAL BUDGET

Property Acquisition	Purchase price	\$12,500
	Geotech/Environmental	\$0
	Legal fees (land only)	\$0
	Demolition/site servicing	\$2,000
	Survey	\$0
	Appraisal	\$0
	Subtotal property acquisition	\$14,500
Soft Costs	Legal fees (other than land)	\$0
	Planning approvals	\$350
	Building permit fees	\$950
	Development charges	\$1,500
Consultants	Architectural	\$10,000
	Mechanical	\$0
	Electrical	\$0
	Mortgage insurance fee	\$1,500
	Interest during construction	\$5,500
	Insurance during construction	\$450
	Subtotal soft costs	\$20,250
Construction Costs	Construction (2200 ft ² at \$160/ft ²)	\$352,000
	Site excavation	\$30,000
	Contingency (10%)	\$38,200
	Subtotal construction costs	\$420,200
TOTAL COSTS		\$454,950
Construction Financing	Total borrowing	\$227,475
	Total equity/cash contribution	\$0
TOTAL FINANCING		\$227,475
Affordable Housing Program Funding	\$56,868.75 per unit	\$227,475

KDO AHP PROJECT - OPERATING BUDGET

Revenue	Income from 4 units at affordable rent (\$700)	\$33,600
	Income from other units	\$0
	Other revenue	\$0
TOTAL REVENUE		\$33,600
Expenditures	Management fee/administrative costs	\$2,016
	Building maintenance and repairs	\$3,520
	Electrical	\$0
	Water/sewer	\$832
	Heating	\$0
	Municipal taxes	\$3,543
	Insurance	\$2,650
	Mortgage/loan payments (interest + principal)	\$14,568
	Capital replacement reserves/depreciation	\$3,520
	Vacancy loss at 5%	\$1,680
TOTAL EXPENDITURES		\$32,329

3. CHMC RESIDENTIAL REHABILITATION ASSISTANCE PROGRAM - CONVERSION

3.1 Background

Residential Rehabilitation Assistance Program – Conversion (RRAP-C) is one of several programs provided by Canada Mortgage and Housing Corporation (CMHC) to assist in the creation of affordable housing for low-income households. It provides financial assistance to convert nonresidential properties into affordable, self-contained rental housing units or bed-units.

Eligibility requirements:

- Only work related to the conversion and rehabilitation of non-residential properties for the creation of residential units and bed-units
- Private entrepreneurs, non-profit corporations and co-operatives owning and converting nonresidential properties to create bona fide affordable rental accommodation.
- Properties that are:
 - Environmentally safe
 - Feasibly converted to residential accommodation
 - Viable based on agreed post-conversion rents.

Obligations:

- Operating agreement which establishes the rents that can be charged
- Ceiling on the income of households that can occupy the newly created self-contained units.

Financial Contribution:

- Forgivable loan
- Up to \$36,000 per unit or \$24,000 per bed-unit
- Up to 100 per cent of the eligible cost of conversion up to the maximum loan amount

3.2 Opportunity Assessment

The first cut scoping considered just one, Opportunity Two, but there are numerous commercial and institutional properties in Dawson that would be eligible for this program and may prove to be viable candidates for KDO to develop as an eligible agency with its assistance.

However, the affordable rent that may be applied is considerably lower than the Affordable Housing Program. This federal program uses the 2006 census data as a benchmark for average rent in Dawson. The census amalgamates all rent paid per person data regardless of unit size, quality or occupancy. As such, the value, being \$550/month, is significantly lower than would result from a specific survey of 1-bedroom or bachelor suites.

This anomaly reduces the effectiveness of the program and renders the opportunities marginal and higher risk, requiring considerable further market research and detailed feasibility assessment beyond the scope of this study.

Yukon Bureau of Statistics average rent of \$700/mth would likely ensure feasible affordable rental housing

3.2 Recommendations

- 1) Opportunity Two and similar properties should be considered further as they have some potential but require considerable further market research and detailed feasibility assessment.
- 2) KDO should contact program managers, CMHC Board of Directors, Minister and MP with a conceptual outline of the project that would take place here and a cover letter to explain the anomaly with regard to the average rent statistics and why the program is therefore not effective in achieving its mandate in small rural communities such as Dawson City.

PART THREE - BEST PRACTICE CASE STUDIES

As none of the existing opportunities have proven viable under the programs immediately available to KDO, a number of best practice case studies were reviewed for learning relevant to Dawson City.

1. AFFORDABLE HOME OWNERSHIP

1.1 Quint Development Corporation, Saskatoon, Saskatchewan

Affordable home ownership at carrying costs less than the rental market value through a housing cooperative, Quint Housing Cooperative (QHC). Transitions clients smoothly into home ownership.

- Purchased and renovated 10 homes at a cost of up to \$45,000 including repairs
- Target households to earn less than \$25,000 and meet other strict qualifying criteria such as rent history
- Held individual titles and mortgages and a housing agreement with the member families until they can assume full ownership
- Project refinanced after 5 years when members became sole owners
- Administered cooperative and enforced program guidelines
- Facilitated transition from rental to home ownership and may or may not be a lasting legacy:
 - Reassured lenders property will not fall into neglect or arrears
 - Framework for mutual support and building repair reserves
 - Network of skills and sweat equity
 - Power to replace residents in cases of default or cover payments temporarily if necessary

Financing:

- Province provided forgivable loan of 25% of appraised value to establish equity
- Forgiven upon meeting all requirements of cooperative program
- 5% municipal grant
- Credit union mortgage for balance
- Mortgages held on individual properties, members can only be responsible for own mortgages
- Partnerships with professionals, trade schools and others reduced renovation and administration costs

1.2 Options for Homes, Greater Toronto Area, Ontario

A non-profit housing developer using a model for the creation of sustainable market housing that is affordable to low- and moderate-income homebuyers. The model is explicitly designed to generate funds for an expanding pool of financial assistance to future projects and is being replicated in towns and cities across Canada.

- Cost price 15% below market value by charging a development fee rather than a profit:
 - Eliminate high cost features often found in condominiums such as exercise rooms
 - Work in partnership with a large and experienced builder
 - Minimize marketing and administrative costs without paid advertising or a model unit
 - Deferred development charges from municipal governments
- Savings value is captured and re-cycled for the future rather than given entirely to the first purchaser:
 - Housing sold at market value, 15% more than the cost price.
 - Buyer however is not required to pay that value immediately
 - Buyer down payment plus first mortgage only covers the cost price.
 - Difference is booked as a second mortgage,
 - No payments upon second mortgage, reducing the cost of ownership
 - Owner re-pays second mortgage upon re-sale or any time
- Creates permanent pool of capital to promote the development of affordable housing:
 - Second mortgage held by a second non-profit corporation
 - Deters 'flipping'
 - Proceeds from second mortgage plus its share of appreciation revert to pool and next projects
 - Value of assistance is not 'locked-in' to a specific site as it is in normal caveat agreements

2. AFFORDABLE RENTAL

2.1 11 Braemar, Truro, Nova Scotia

A private sector – government partnership creating 22 units for low and moderate-income households

- Affordable Housing Initiative (AHI) paid for a Need and Demand Analysis and Feasibility Study
- Total capital cost \$2,264,000:
 - Owner contributed 20% in equity
 - AHI forgivable loan of \$550,000 (\$25,000 per unit)
 - CHMC insured mortgage loan for remainder
- AHI loan is a forgivable second mortgage with no payments during the 15 year agreement
- Agreement to charge no more than average market rent for 15 years
- Government of Nova Scotia pays a rent supplement for 9 of the units to make these affordable for those that cannot afford market rent. Units are filled from a list provided by the government.

2.2 Martin Gran, Meadow Lake, Saskatchewan

Conversion of a vacant public school building slated from demolition into 12 affordable rental-housing units by a private non-profit corporation.

- Less expensive to convert than to build a new structure
- Building was donated, saving the demolition cost to the community
- Existing connections to utilities
- Total cost \$590,000
- RRAP (CHMC and Province of Saskatchewan) forgivable loan of \$216,000
- Balance provided by private investment

2.3 Secondary Suite Incentives, Victoria, British Columbia

Encouraging the creation of secondary suites by relaxing bylaw restrictions and providing grants to homeowners who add rental suites to their homes.

- Municipal grant of 25% of cost up to \$5,000 if guaranteed as rental accommodation for 5 years
- Hands-on assistance with facilitating developments including priority permitting
- Relaxed requirement to provide extra parking and reduced the ceiling clearance required

3. CONCLUSIONS

Given that the mission targets home ownership only the best practice case studies that target affordable ownership are applicable and the Quint cooperative model is both the most aggressive and appropriate to KDO in the Dawson circumstances. A number of exploratory projections were run on development structures under this model to examine if, and how, it could facilitate access to home ownership for low-income households. The results of these are in the table on page seventeen.

If KDO applied the model to Dawson it would enable:

- 1) Home ownership on annual incomes as low as \$21,565 with no down payment
- 2) Fully affordable home ownership on annual incomes as low as \$26,420
- 3) Equity building of 8.5% over the full 5-year period
- 4) Refinancing capacity in owner name after 5 years at identical monthly payments
- 5) Creation of a permanent pool of capital to fund future developments

This initial financial scoping confirms that there is merit in applying the model to Dawson City but considerable further market research and detailed feasibility assessment is required. There are a number of other variables to be added and adjusted such as mortgage term and the division of equity between KDO and the owner and other cost savings may be brought to bear upon closer examination.

Further work should demonstrate improved return on public investment over existing social housing model

TABLE OF EXPLORATORY REVENUE AND EXPENSE PROJECTIONS – QUINT MODEL

Description	Single	Single Program	Duplex Program	Single	Single Program	Duplex Program	4-Plex Program
Size (ft ²)	650	650	650	500	500	500	500
Construction Price	155	155	155	155	155	155	155
Construction Cost	100750	100750	100750	77500	77500	77500	77500
Property Cost	35000	35000	17500	35000	35000	17500	8750
Total Cost	135750	135750	118250	112500	112500	95000	86250
Equity Investment	7250	0	0	5001	0	0	0
Forgivable Loan	0	40725	35475	0	33750	28500	25875
Debt Balance	128500	95025	82775	107499	78750	66500	60375
Minimum Gross Income	36665	29690	26660	31520	25665	22845	21565
Operating Expense							
Mortgage 4.54%	8569	6337	5520	7168	5251	4434	4026
Property Taxes 1.46%	739	739	586	536	536	450	450
Water & Sewer	1125	1125	1125	1125	1125	1125	1125
Waste Management	100	100	100	100	100	100	100
Insurance 0.5%	650	650	650	500	500	500	500
Maintenance Reserve 2%	2715	2715	2365	2250	2250	1900	1725
Total	13898	11666	10346	11679	9762	8509	7926
Affordability Gross Income	46327	38886	34485	38930	32539	28365	26420
Rent Equivalent	9600	9600	8400	9000	8400	8400	8400
Net Saving	-4298	-2066	-1946	-2679	-1362	-109	474
Monthly (Principal+Interest)	714	528	460	597	438	370	336
5 Year Debt Balance	112893	83484	72722	94443	69185	58423	53042
5 Year Equity	22857	11541	10053	18057	9565	8077	7333
5 Year Equity Ratio	16.8%	8.5%	8.5%	16.1%	8.5%	8.5%	8.5%

APPENDIX – HOUSING QUALITY AND REGULATORS

The Seasonal Worker Housing Needs Analysis made recommendations on housing quality deficiencies:

Improve the Quality of Accommodations

The City of Dawson could implement a by-law requiring that landlords have a rental license or permit before any premises are made available for rent. The license or permit would ensure that rental accommodations meet basic health and sanitation standards. The license or permit would also provide Dawson City with a means for tracking the total number of units designated for rental purposes. There is an opportunity for owners of substandard accommodations to increase their rental revenues by upgrading their rental units.

Landlord/Tenant Information Workshops

A workshop could be coordinated to educate tenants and landlords about their rights and obligations. The workshop could be delivered by a territorial Rental Officer or other informed party. The workshop could be held on multiple nights at the start of the season. If delivered in the off-season, these workshops would help address situations where year-round Dawson City residents are being removed from their rental premises or are having their rents increased during the summer season. It would also help to educate landlords of their options for dealing with problem tenants.

YUKON LEGISLATIVE ASSEMBLY – SELECT COMMITTEE ON THE LANDLORD AND TENANT ACT

During the Fall 2009 session of the Yukon Legislative Assembly a Select Committee was established to consult with the public and interested parties on possible changes to improve the Landlord and Tenant Act.

Section 76 of the Act outlines the obligations of the landlord:

- a) Despite any state of disrepair existing without the knowledge of the tenant at the commencement of the tenancy, to provide and maintain in a good, safe, healthy, and tenantable state of repair
 - i) The rented premises, the common areas and the property of which they form a part, and
 - ii) The services and facilities agreed to be provided by the landlord under a written or unwritten tenancy agreement;
- b) To comply with health, safety, maintenance, and occupancy standards established by law;
- c) Not to withhold or interfere, other than for an emergency, with the supply of any vital service, such as heat, water, electricity, or any other utility to the premises...

Several public submissions have been made to the Committee with some consistent observations relevant to this section and therefore the housing quality issues seen in Dawson City. The following summarizes:

Enforcement

Current enforcement is by an application to a court by one party. An inspector, that could be the Rentals Officer, Environmental Health Officer or other qualified person should be empowered to carry out inspections and issue repair orders to either party if required, with strict time frames and further inspections

Accurate information and education on rights and responsibilities

The Rentals Officer currently provides some information and advice but the role should be expanded to an ongoing comprehensive public education campaign including use of a variety of media, distribution systems and materials such as workshops at varying levels of complexity. The present document "The Landlord Tenant Handbook" is a nice start but it is limited and not widely accessible.

Many people who live in poverty rent accommodations that are substandard. These places do not meet common standards of adequacy including being safe, clean, having all features and appliances in working order, etc. It is essential that landlord and tenant legislation ensure rental accommodation meets basic standards. The problem is that these provisions are too vague and the Act could mandate minimum rental standards such as mirroring established building standards and health and safety requirements.