

# The Case for Non-Profits in the Preservation and Provision of Urban Housing

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by Gene Milgram, Christine McKee, & Lloyd Axworthy  
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The Institute of Urban Studies





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**FOR INFORMATION:**

***The Institute of Urban Studies***

The University of Winnipeg  
599 Portage Avenue, Winnipeg  
phone: 204.982.1140  
fax: 204.943.4695  
general email: [ius@uwinnipeg.ca](mailto:ius@uwinnipeg.ca)

*Mailing Address:*

***The Institute of Urban Studies***

The University of Winnipeg  
515 Portage Avenue  
Winnipeg, Manitoba, R3B 2E9

**THE CASE FOR NON-PROFITS IN THE PRESERVATION AND PROVISION OF URBAN HOUSING**

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The Institute of Urban Studies is an independent research arm of the University of Winnipeg. Since 1969, the IUS has been both an academic and an applied research centre, committed to examining urban development issues in a broad, non-partisan manner. The Institute examines inner city, environmental, Aboriginal and community development issues. In addition to its ongoing involvement in research, IUS brings in visiting scholars, hosts workshops, seminars and conferences, and acts in partnership with other organizations in the community to effect positive change.

THE CASE FOR NON-PROFITS IN THE PRESERVATION  
AND PROVISION OF URBAN HOUSING

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By:  
Gene Milgram  
Christine McKee  
Lloyd Axworthy  
Institute of Urban Studies  
University of Winnipeg

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Pressure on housing comes from many directions. Last summer a bewildered young caretaker of a 14-unit apartment building called our Institute offices at the University of Winnipeg. The tenants at 11 Kennedy Street had received notice to vacate, but didn't want to leave. They had good reasons. The old building had low rents, an interior containing a beautiful wood staircase, stained glass windows, a variety of interestingly shaped suites with five working fireplaces, sound mechanical components, a prime location within walking distance to central city amenities, and it faced the Manitoba Legislature's attractively landscaped grounds. Was it possible, she inquired, for the Institute to do something?

It was discovered that the vacate notice was a result of the issuance of an order under new City Fire Regulations, enforced by the semi-independent Winnipeg Building Commission, an order which could be challenged. This enquiry began a six month effort to save the seventy-nine year old three storey brick mansion.

The irony in this case is that a fire by-law, passed with the honourable intent of benefiting tenants by raising the standards of

life safety from fire, was resented by a group of tenants because it was going to force them out of their preferred housing. It is illustrative of the broad problem of older downtown neighbourhoods in our cities across Canada. For a variety of reasons and in numerous ways, basically sound housing stock is being demolished or allowed to languish, and very little is being done to correct the problem. It is in just such a situation that the need for an effective non-profit housing strategy becomes apparent.

As for the old building, a variety of institutional, economic, and motivational factors combined to frustrate the Institute's efforts to simultaneously find an alternative way of meeting the goal of fire safety and keeping on the market a form of low cost housing that was so desirable to one segment of housing consumers. Today the site is a vacant lot. What problems and constraints affected the Institute's ability to save the building?

The first problem was that the tenants had no legal standing under the law; thus we had to work with the owner of the building. However, his long term interests were toward speculative profits from the sale and higher density development of the site rather than the revenue to be derived from the ongoing operation of a more moderate rental enterprise. He was only prepared to spend \$5,000 for any proposed improvements, versus an estimate of \$15,000 to meet the City's requirements. Even though a new system of fire safety was worked out within these budget limits and even though we believed it would in fact provide a higher level of tenant protection, the City Building Commission rejected the proposal because it was based on a somewhat different analysis

of what constitutes potential dangers to life and the most effective way of dealing with them. When this approach failed, our efforts changed to a strategy of developing a non-profit corporation to purchase and renovate the building using funds provided under the National Housing Act. This effort also ended in frustration.

Thus, in a time of low-cost housing scarcity and inflation, when both natural and capital resources are strained, our production system will have to spend \$25,000 to \$30,000 per dwelling unit for new housing just to replace the present stock. Unless it is public housing, which can only be built under deep public subsidy, it will not meet the same economic market. Moreover, any new high-rise housing could not replace the aesthetic interior and exterior characteristics, would be out of scale with the area, and adds to the social cost of relocation and disruption to the individuals involved.

There are other examples. In a present case, the Institute is trying to save from demolition another valuable older building, occupied by an 82 year old woman who has lived there since 1899. This house and the one adjacent, occupied by a dozen lower income people, are to be knocked down to make way for a high-rise public housing project, even though there are several vacant sites in the near vicinity. Officials of the Provincial Housing Corporation are indifferent. Their goal is producing the maximum number of new units. Such a single minded purpose does not allow for any other considerations about the effect on the neighbourhood, the economics of replacement costs, or the human values of keeping intact sound older structures.

These agencies - the Winnipeg Building Commission, the Manitoba Housing and Renewal Corporation, and others - have their own limited

goals. Whether they help or hinder other goals is usually not accepted by them as part of their responsibility. The Building Commission members, for example, said that the question of whether the difference between \$5,000 worth of improvements and \$10,000 worth of improvements was significant enough to cause the loss of the entire building was not open for discussion because loss of housing stock was a policy question rather than a technical one.

To accept responsibility for only narrow concerns because one's daily life is easier that way reflects an all too prevalent attitude towards housing problems. This leads to counter-productive consequences. If, in the process of creating independent authorities with essentially singular objectives, we do not retain the sense of responsibility for the wider context of the system, then we will have eliminated both the institutional and personal elements that permitted flexibility and responsiveness in the system by which we govern ourselves.

Non-profit housing groups are one way to reintroduce this element of variety and flexibility and satisfy diversified housing needs. How?

First, by their very nature, non-profit groups may be interested in many different forms of housing, depending on the particular composition of each group's voluntary membership. They are likely to have a wider spectrum of concerns than a single goal oriented private or public developer and be more sensitive to different housing needs.

Secondly, the federal government has recognized the potentially valuable and different institutional role which non-profits can play in the community. It not only makes them eligible for financial benefits which private owners are not, but even gives start-up grants of \$10,000

to assist in the formative start-up stage, with architectural, financial planning, and engineering costs. Non-profits get a 100% mortgage from Central Mortgage and Housing Corporation at a lower interest rate than is obtainable in the private market. Furthermore, 10% of the total mortgage is forgiven, thus making it a form of indirect grant. Non-profits are also eligible for the sizable grants and low interest loans available under the federal Residential Rehabilitation Assistance Program; whereas private homeowners and landlords may apply only if their property is within a designated Neighbourhood Improvement Program area.

The ideological outlook of non-profits and these initial subsidies help to reduce costs and to hold down future increases. More importantly, the combination of non-profit and rehabilitation programs helps meet the larger community interest of providing reasonable housing at the lowest long-run subsidy cost to the taxpayer, furthers the intangible goal that government adjust to the personal needs of the individual, and maintains a sense of community stability rather than encouraging the cycle of demolition and destruction in unnecessary circumstances.

However, to accomplish these goals, as in the case of our building with the fire code problems, a non-profit group must have control, either by lease or ownership, of the property in question. This is where the countervailing forces of government again come into play. For government has a large influence over the value of land or building, and its action or inaction may determine whether a non-profit group can acquire it.

For example, on the supply side, local government exercises choice through planning and regulatory controls, such as zoning, height and open

space restrictions, property tax and rent control practices, etc., over the purposes for which land may be used and the kinds of standards which structures on land must meet. All too often the way controls have been implemented has resulted in the destruction or slow deterioration of buildings that could have had years of useful life.

On the demand side, the Federal Government influences how well non-profit groups will be able to compete with other potential purchasers by its limits on what it will help finance, especially with regard to land prices.

In the earlier Kennedy Street case, <sup>if</sup> Central Mortgage and Housing Corporation's land lease program regulations had been flexible enough to consider reasonable per unit combined costs of acquiring, renovating, and renting out a building rather than just looking at land costs separately, then the building might have been saved by non-profit. Additionally, because the City's planning regulations presented no obstacles, the owner took the course of demolishing the historic building rather than selling for the professionally appraised value.

This is not to say that non-profit groups cannot function under present regulations. A number of different types of non-profit organizations can, and do, exist, many very successfully. Initial formation requires only that a group be incorporated, which is a fairly simple procedure. Community action groups, co-operatives, churches, and service clubs are examples of private non-profit organizations. Many have goals beyond housing.

However, as the Kennedy Street case illustrates, the route is not always easy for a non-profit, as many hurdles still exist in the system. A recent report by the Canadian Council on Social Development points out that non-profit groups are still severely limited by the scarcity of start-up funds and technical resources, as well as by a continuing frustration in



dealing with different levels of government.

A different form of non-profit which is just starting in Canada and which may overcome some difficulties associated with start-up costs, economies of scale, and the need to co-ordinate local government, is the municipal non-profit corporation. The best example is now being operated by Toronto, but there are others in Vancouver and Ottawa. The municipal non-profit has the advantage of municipal backing, as well as city resources and expertise in staffing. There is, of course, opposition to these non-profits. Other city departments are likely to feel threatened if they lose power and are less able to influence urban priorities. There are also municipal politicians who feel the expense of staffing a municipal non-profit is too great, or believe that city involvement in housing should be confined to exercising regulatory controls.

Also, municipal non-profits are not without their problems. For example, Toronto has been successful in bringing many new and rehabilitated units into the housing market, but by its very success it also has the potential of becoming over time an inflexible bureaucratic organization. Toronto's methods of counteracting this tendency may include divesting ownership of individual properties to resident co-operatives, tenant management with ownership retained by the municipal non-profit, or, in the case of tenants who do not want to be involved in the time and effort of running housing, divestiture to other non-profit groups. This last method has similarities with the model of a Housing Development Corporation prepared by the Department of Community Affairs of New Jersey. Under this proposal the state would create a community development corporation. This in turn would develop projects in local communities and as local people gained expertise, it would spin-off independent subsidiaries that would continue

the process but also be able to go to the larger body for the technical help and capital loans when necessary.

In summary, private and public means of producing and operating housing have often become too production oriented. Many segments of the housing market require more specialized and more sensitive responses to meet their needs, both in terms of costs of housing, choice of new versus rehabilitated units, and style of management. Non-profits provide another alternative system. Experience to date has proved hopeful, though problems do exist and the full potential of non-profits has yet to be tapped. Consumers who want a greater say in shaping the course of their housing and neighbourhoods will have to show a willingness to get involved. Also essential is the patience and support by government, whose personnel can be instrumental in providing the guidance, expertise, funds, and flexibility necessary for new diversified groups to learn the ropes and to create and manage successful ventures.