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UTILE

STUDENT HOUSING CO-OPS: PRELIMINARY FEASIBILITY STUDY

Report prepared for the Concordia Student Union
by UTILE, the student housing implantation working group
October 16th, 2014

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INTRODUCTION

MANDATE

UTILE was commissioned by the CSU to explore the possibility of investing in student housing co-ops.

Considering both the need and the opportunity for affordable, cooperative student housing in Montreal, this study aims to draw a broad assessment of the conditions that would be in favor of a successful project that could potentially be funded by the Concordia Student Union.

STUDY OBJECTIVES

- Evaluate the possibility for the CSU to fund a housing co-op project;
- Compare and contrast different development and funding scenarios;
- Make recommendations aimed towards the feasibility of such a project.

RESEARCH GROUP

The UTILE team has been working to study, promote and develop student housing co-ops in the province of Quebec since 2012. Incorporated as a nonprofit, the organization is the only one in the province specialized in student housing and as such has a double role of centralizing all information on the subject and fostering innovation. In the development of its own projects - the first of which has received 2 million $ of funding from the Quebec government - UTILE has gathered market insight and real estate knowledge that has allowed it to achieve its other goal : support student groups in their housing projects.

UTILE works in close collaboration with financial, architecture, real estate and student groups to ensure the validation of every technical aspect of its work and ensure optimal use of existing knowledge.

CONTEXT AND GENERAL OBSERVATIONS

THE NEED FOR STUDENT HOUSING

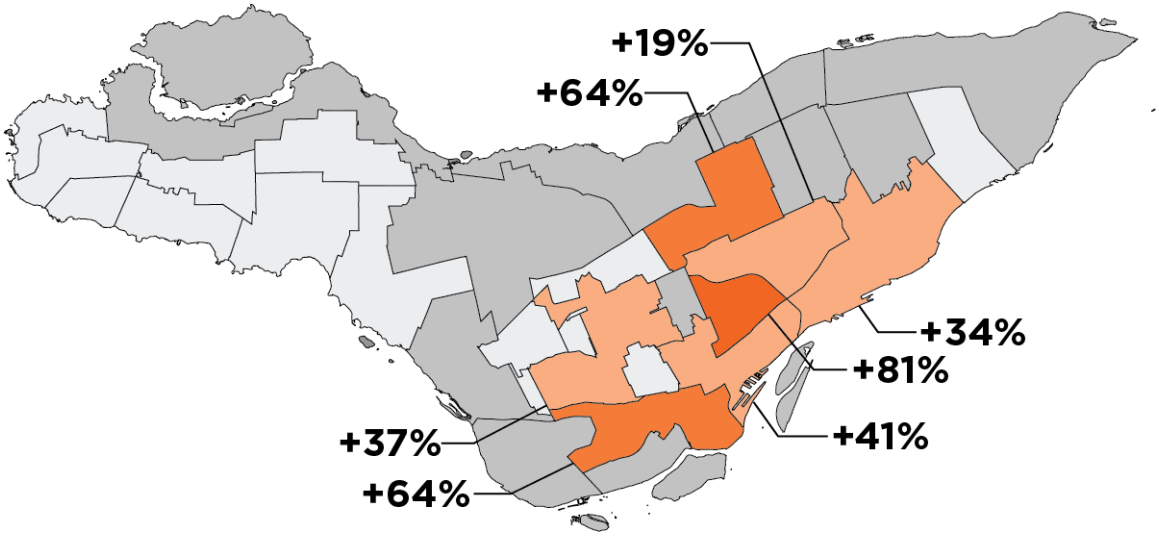
With the increasing number of students (most notably foreign) in Montreal, and the parallel rise in land values and rent prices, it is becoming increasingly difficult for students to find decent living conditions at a reasonable price in central Montreal neighborhoods. This has been shown by an ambitious market study on affordable student housing, the first of its kind, realized by UTILE in partnership with the CSU, SSMU and UQAM.

Appendix 1 UTILE's market study, 2014 (confidential)

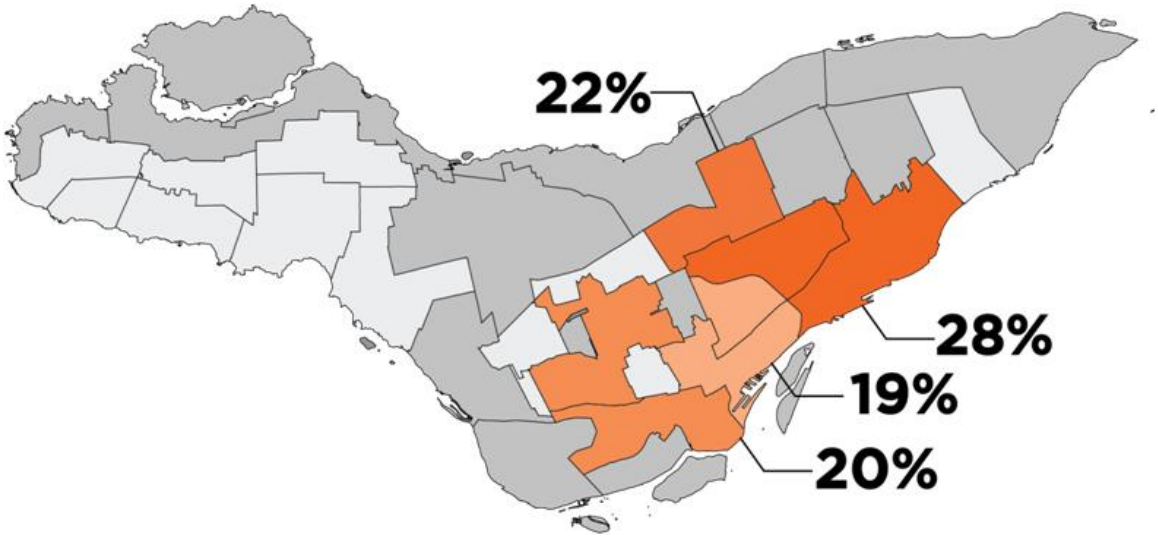
These are some of the primary results of this study :

- Students of Montreal are concentrated in central neighborhoods, with 7 boroughs receiving 66% of student tenants;
- Median student rent (without services) is surprisingly high at 560$, with a significant difference between students from in the province (495$) and from outside it (605$);
- Students tend to pay more than the average population for an equivalent apartment, this being especially true for larger apartments (see map below);
- Students tend to live in greater proportion in apartments of poorer condition than the average, which sits at around 10% for most boroughs (see map on next page).

Difference of price between student average rent for large apartments (3+ br) and the general average by borough



Proportion of student tenants living in apartments in poor or bad condition by borough



Data from this survey has led to a large number of secondary research projects. Among these, is a detailed analysis of Concordia students' living conditions and geographical position, which is attached as an appendix.

Appendix 2 The Concordia Ghetto report

The situation described in this study can be traced back to the fact that, in Montreal, **the vast majority of students must find housing within the regular tenant market**. This is due to the very limited quantity of housing halls offered by universities, numbering at around 5200, which house less than 4% of students who don't live with their parents. Having to find housing within the general housing stock is probably how students - many of which are unaware of their rights as tenants or of how low average rent is in Montreal - often end up paying more for apartments in worse condition.

It is important to note that the last decade has seen little to no development of affordable public student housing. Most development has been of high-cost units aimed to provide universities with additional funding, such as has been seen at École de technologie supérieure (ETS) or McGill. Université de Montréal is also planning to develop for-profit student housing to help fund its Campus Outremont project. At Concordia, the recent addition of around 350 units at the new Grey Nuns residence has only dented a level of demand so high that tenants must move out after a year in housing. The incapacity of institutions to house their own is likely due to budget cuts in universities and the unavailability of funds to take away from their educational mission to invest in student living conditions.

In parallel, 2013 and 2014 have seen for-profit student housing promoters moving in to try to take advantage of students' situation in Montreal. 3100 new units of housing have been announced in

2013 alone, many of which were built within converted hotels. According to the private firm that handled UTILE's market study, rooms within these projects will go from 1100$ to 1340$. This surprising boom in for-profit development shows two things :

- Montreal is now on the map of international investors in student housing;
- For-profit promoters expecting high margins believe that there are students in Montreal willing to pay that type of price despite much more affordable options on the general tenant market.

So far, external signals show that these private projects are not meeting the success they were expecting. Nonetheless, the presence of this luxury option in Montreal only shows the need for more student housing.

MOVING FORWARD - POTENTIAL AVENUES

To improve students' living conditions, UTILE has identified two methods. For one, it is possible to act on their conditions in the private housing market by communicating widely on tenants' rights, proper conditions and decent prices, and as such encouraging individual empowerment over their housing situation. A campaign and website on these themes are currently in development by UTILE in partnership with HOJO.

At the collective and practical level, the best way to bring about a permanent improvement on student housing is, simply put, to have more student housing. Dedicated units, provided at an affordable price, are the only way to act directly on the housing market. However, the low amount of dedicated student housing is not unrelated to the current context. Indeed considering the limited capacity of universities to develop student housing in sufficient quantity, and the unaffordability of private options, the only way remaining to act on this question is for students to be proactive.

For two decades now, community development - by nonprofits and co-ops - has been the *de facto* method for the production of affordable (or "social") housing, with financial support from the State. However, student housing is explicitly excluded from every available community housing funding program both at the provincial and the national level. As such, the remaining actors, and the best placed to act in this context, are student groups and unions themselves. This would both allow to develop more housing without waiting for external actors, and to empower students on their housing conditions.

ADVANTAGES AND CHALLENGES OF CO-OPS

Elsewhere in the world, student housing co-ops are a well established model that collectively house tens of thousands of students on at least three continents. On our continent, North American Students of Co-Operation (NASCO) is a federation of student co-ops that was founded in 1968 and today houses more than 5500 students across the United States and Canada.

Historically low interest in Quebec for student housing co-ops has changed with the recent (2007) construction of a student housing co-op in Sherbrooke city named L'Estudiantine. Co-ops such as L'Estudiantine differ from institutional student housing on many levels :

- To promote community living and involvement, leases last 12 months and are renewable;
- Tenants collectively own the co-operative and are directly involved in its management;
- The basic housing unit is not a studio, rather a shared apartment;
- Housing is always offered at-cost, thus remaining permanently below market price.

Today, especially due to worsening housing conditions, they are an alternative that is gathering increasing support. Indeed, experiences both in Quebec, in North America and the rest of the world show that co-ops have many distinct advantages :

- Through collective ownership in a nonprofit structure, buildings are withdrawn from the speculative nature of the real estate market. Rent only needs to follow inflation, which is generally lower than rent increases on the private market. As such, co-ops maintain sustained affordability over time. Furthermore, member management maintains a structural incentive to keep rents low;
- Being directly involved in the co-op's management, members gain control over their housing environment in a way that is impossible in any scenario other than property ownership. However in a co-op this empowerment is collective, resulting in a greater sense of community;
- In a sense, they politicize housing by bringing people together that otherwise would live apart in atomized groups. The collective voices thus created are akin to student unions in that they offer a space for students to engage in community work and the betterment of the student condition;
- Both as dedicated student spaces and privileged places of co-operative education, co-ops can be affiliated to educational success and personal development. For example, involvement on the board is a great learning experience;
- In short, co-ops are beneficial on multiple levels as members can not only live, but also learn and get involved on a scale that was previously impossible.

Still, despite the many excellent reasons to build more, there are only two student housing co-ops in Quebec - and absolutely none in Montreal. Further, neither of these examples was developed by a student union. This is because housing projects like these come with significant challenges :

- Funding is obviously the first and most important obstacle, with few student groups having the necessary hundreds of thousands of dollars (or millions) typically involved;

- Project duration - minimally three years from conception to construction - is a challenge for student unions which typically have a high turnover;
- A high level of technical knowledge and experience is required to handle such a project that is typically not present in student groups and the development of which is in contradiction with the high turnover mentioned earlier.

UTILE was created to tackle the last two issues by constituting as both a permanent promoter group and a center of technical expertise specialized in student co-ops. This study will later show that CSU funds can bring projects to materialize and according to which parameters.

EXTERNAL IMPACTS OF STUDENT HOUSING

UTILE's research has shown that student housing co-ops, and affordable student housing projects in general, can have a significant effect that goes far beyond its members.

First, the impact that students in Montreal have on rent hikes in central boroughs, especially for large apartments, must be taken into account. In the seven boroughs where students are the most present, about one fourth of the available stock of large (3 bedrooms and up) apartments is occupied by university students, and as observed earlier they pay on average a significantly higher price than the general average[1]. Probably due to flatsharing which allows more than two adults to share rent, student groups are effectively competing with families for the few large apartments available, and are thus pushing prices up. As such, building new flatshares offers the opportunity to house students outside the rental market, and diminish pressure on rent prices.

Furthermore, nonprofit ownership of the building withdraws both the housing units and the land from real estate speculation, which in itself is the source of multiple negative impacts, most notably gentrification. Because the building will never be sold off for a profit, it cannot be expected to gain value by nearby speculators. In a sense, the permanent presence of low-income student residents in a sector can also reduce the potential for land value hikes in the neighborhood and thus both maintain social mixity and land affordability. This is to be combined with the positive effects of urban (re-)development and of the presence of students for local activity, which thus induces revitalization without gentrification.

In the long run, student housing co-ops - as much as regular housing co-ops - contribute to maintaining Montreal's affordability, reduce pressure on rents in the private housing market, and foster neighborhood life without inducing gentrification.

Notes

[1] UTILE, 2014.

RESEARCH HYPOTHESES

Before starting this project, several parameters were fixed to identify the span of the research. As such, the following elements are independent variables to the selection of potential scenarios. They help to grasp where student housing co-ops stand as being neither residence halls nor for-profit student housing.

- Co-ops are affordable;
  - Target rent is around 80% of the student median (400-500);
  - As such construction materials are selected for affordability, not luxury;
  - Density is set at around 250 sq. ft. per person.
- Co-ops are at a human scale;
  - To maximize impact and economies of scale a single co-op houses around 100 students (in effect, it could be 50 to 150);
  - Individual apartments house 3 to 6 people;
  - Both for price and quality of life, buildings are of medium height (no more than 4 stories) where possible.
- Co-ops are accessible;
  - To remain affordable, most scenarios are located outside the downtown area;
  - Acceptable locations are in near-center boroughs and close to major public transit lines.

DEVELOPMENT SCENARIOS

INTRODUCTION

Taking into account the hypotheses presented above, four scenarios can be identified as potential avenues of development:

Scenario	Description	Typical location
Residential conversion	Purchase and potentially renovation of an existing housing building	Anywhere (according to opportunities), Concordia district included
Commercial conversion	Purchase and renovation of an existing commercial or industrial building	Near center, post-industrial sectors
Independent new construction	Purchase of an empty lot and construction of a wood-frame building	Near center
Participation in UTILE's pilot project	Insertion within a project that is currently in development	Near center

RESIDENTIAL CONVERSION

DESCRIPTION

Also known as collectivization, this approach to development consists of buying off existing housing from private owners and renting it out without profit. Buildings thus reserved to a social intent are withdrawn both from the speculative real estate market and from the market logics of rental housing. Repairs can be made to the building to adapt it to co-operative use and/or improve its general condition, but typically this scenario implies adapting to building forms as they exist in Montreal. Finally, in the specific case of student housing co-ops, this approach involves earmarking rental units to the student population.

CHARACTERISTICS

FINANCIAL FEASIBILITY

This is typically the most cost-effective option as it reuses existing buildings, albeit with minor modifications. Older buildings, typically 50 to 100 years old in Montreal, have depreciated value to the age of their constitutive elements. Prices are also greatly affected by general quality, as visible for example in finishing materials.

Prices also vary greatly according to location, due to the impact of land value on building prices. The table below shows average current prices in different boroughs as well as the price difference

with an equivalent new construction. The Concordia district could not be reviewed in this survey as no residential buildings were recently sold or for sale; it is however to be expected that due to land value spikes, they would be significantly more expensive than elsewhere.

Comparison of room price for conversion and new construction, by borough (2013)[2]

Plex location	Average price per apartment (typically a 5 ½)	Estimated price per bedroom	New construction cost estimate per bedroom	Difference
Plateau Mont-Royal[3]	220 506 $	73 502 $	75 578 $	-2,82%
Rosemont	177 527 $	59 176 $	71 033 $	-20,04%
Ville-Marie	164 021 $	54 674 $	64 669 $	-18,28%
Villeray	156 042 $	52 014 $	63 760 $	-22,58%
Le Sud-Ouest	155 499 $	51 833 $	64 669 $	-24,76%
Mercier/Hochelaga-Maisonneuve	143 639 $	47 880 $	61 942 $	-29,37%

Buying in high-student density areas, such as the Concordia Ghetto, is a possibility that implies reducing rents, rather than maintaining existing low rents. In such a scenario, the purchase price would be significantly higher due to the market value being affected by rental income, as explained by the capitalisation rate.

Project size with residential conversions varies greatly according to buildings that are available. In Montreal, the conditions for the creation of a large co-operative space are relatively rare. First, the most common building types are plexes, with two to five units only, and walk-ups with typically around six to eight units. Second, large apartments of three bedrooms and up are most often dispersed in the housing stock, of which they make up only 10%[4], with buildings being composed mostly of one and two bedroom apartments. The table below shows that very few large buildings have 3-bedroom flats in Montreal.

Capitalization rate and rental building value

The value of a building on the resale market is directly correlated to current and projected rental income as represented by the capitalization rate. This ratio represents the expected rate of return for the buyer, and is typically between 4,4 and 6,1% today, depending on variables such as the state of the building, neighborhood, and perceived risk. Thus, estimated building value is obtained by (yearly rent - operating costs)/capitalization rate. This shows that buildings with already higher rent will sell for a higher price.

Notes

[2] Data from the Centris system including all transactions made by real estate brokers in Montreal
[3] We are assuming that the low difference between price of a new construction building and existing apartments in Plateau-Mont-Royal is caused by the higher quality of apartments in this borough compared to the construction quality aimed for by UTILE, which is that of standard affordable housing.
[4] CMHC, Rental market report 2013

Due to this and to the fact that few of them are put on sale annually, residential conversion would be faster and easier on buildings of smaller size or with smaller apartments.

Number of apartments by building size and number of rooms - Montreal rental market5

Apartment size/building size	3-5 units	6-19 units	20-49 units	50-199 units	200+ units	Total
2 bedrooms	91 626	69 360	17 156	13 257	3 294	194 693
3 bedrooms	18 215	15 199	2 392	1 752	330	37 888

Construction and development costs would also vary according to the building. It is possible to purchase very affordable, near-slum buildings, but significant investments must then be made to bring the building to the level of acceptable living conditions. It is also possible to modify apartment configurations or increase building size, but significant modification can end up costing more than building from scratch. Furthermore, renovation costs in smaller buildings are usually higher per square foot than larger buildings due to diseconomies of scale. Finally, since building value is directly related to rents paid, major repairs are a strong incentive to increase rents in order to maintain return on investment (ROI). However, this rent increase may not be desired, and furthermore is regulated by the Régie du logement which has set it below 3,5% of renovation costs since 2005[6]. A social promoter can decide to maintain lower rents but at the cost of a significantly lower ROI.

TECHNICAL FEASIBILITY

Because potential architecture and apartment types vary according to the building bought, residential conversion implies strong constraints due to existing configuration. In Montreal, typical building shapes are narrow plexes with limited fenestration (presence of windows). High-rises have the same issue due to central circulation spaces. This reduces potential interior configurations due to the obligation of having one window per bedroom[7] and one per living room and dining room[8]. Because most buildings are woodframe construction, structural capacity often limits the addition of a floor, mezzanine, or rooftop terrace. These could only be added at very high costs that can reach those of constructing a new building.

Notes

[5] Ibid
[6] CORPIQ, consulted online https://www.corpiq.com/enjeux/fichiers/fichier_40_fr.pdf
[7] National Building Code of Canada 2005
[8] City of Montreal, Règlement sur le logement (03-096)

EXAMPLES OF FENESTRATION

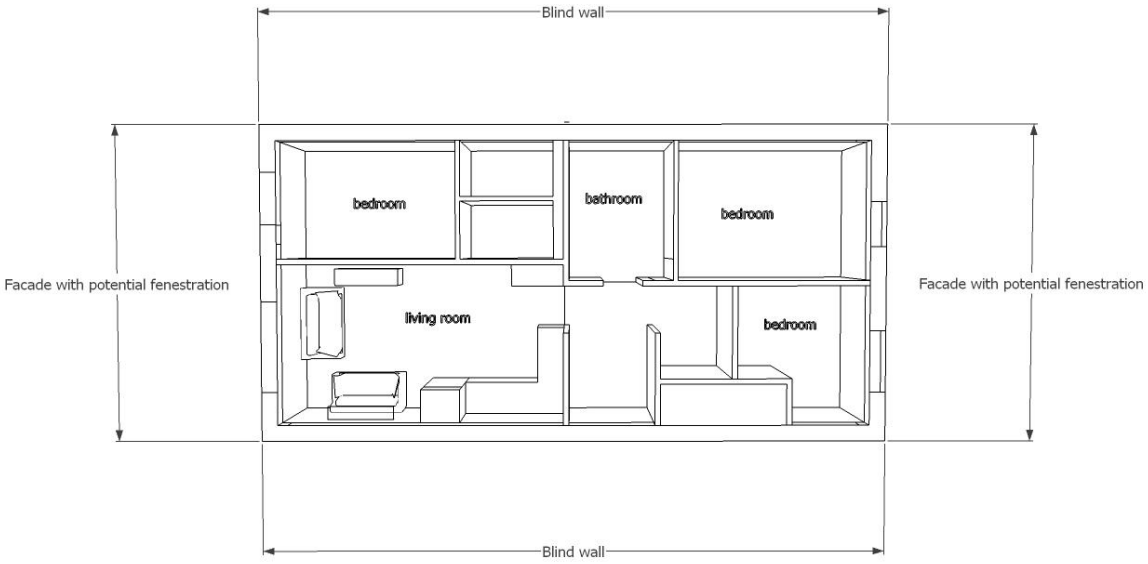


Figure: One example of a traditional “narrow plex” Montreal apartment

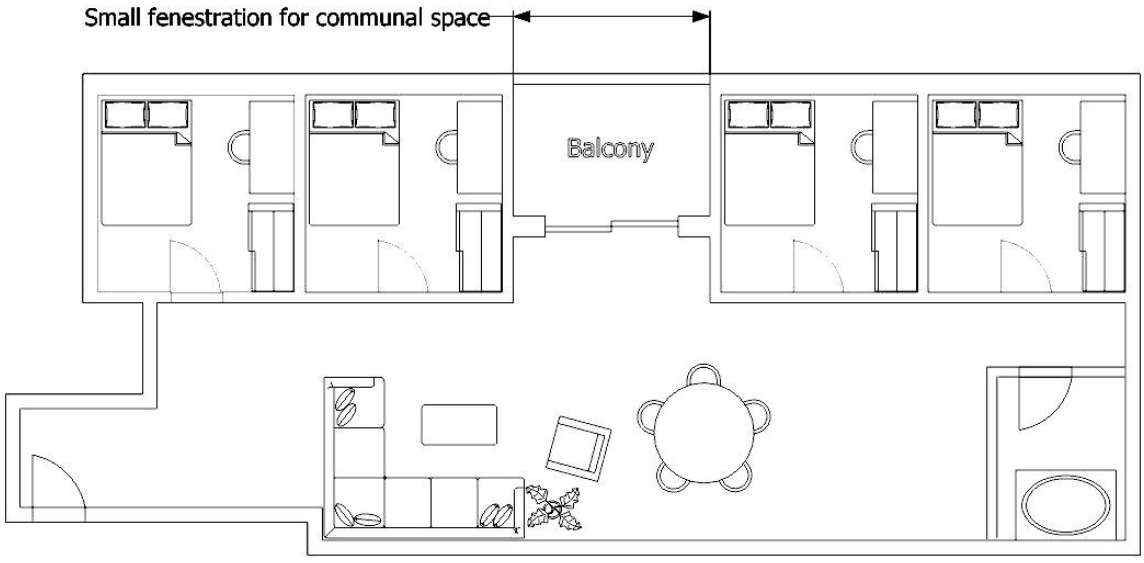


Figure: Limited fenestration of an on-corridor apartment in a high-rise building

Legal elements: these articles from the Civil Code of Quebec are the main ones that indicate how and when tenant eviction is possible.

Art.1959. The lessor of a dwelling may evict the lessee to divide the dwelling, enlarge it substantially or change its destination.

Art.1960. A lessor wishing to repossess a dwelling or to evict a lessee shall notify him at least six months before the expiry of the lease in the case of a lease with a fixed term; if the term of the lease is six months or less, the notice is of one month.In the case of a lease with an indeterminate term, the notice shall be given six months before the date of repossession or eviction.

Art.1963. If the lessee refuses to vacate the dwelling, the lessor may repossess it with the authorization of the court.Application for authorization may be made only within one month after the refusal by the lessee; the lessor shall show the court that he truly intends to repossess the dwelling for the purpose mentioned in the notice and not as a pretext for other purposes.

Art.1965. The lessor shall pay an indemnity equal to three months' rent and reasonable moving expenses to the evicted lessee. If the lessee considers that the prejudice he sustains warrants a greater amount of damages, he may apply to the court for the fixing of the amount of the indemnity.The indemnity is payable at the expiry of the lease; the moving expenses are payable on presentation of vouchers.

Art.1970. A dwelling that has been the subject of a repossession or eviction may not, without the authorization of the court, be leased or used for a purpose other than that for which the right was exercised. If the court gives authorization to lease the dwelling, it fixes the rent.

Because the building(s) bought are already residential, there are few challenges related to planning bylaws. The only significant one is that because apartments were rented with a single lease, they cannot be divided to one lease by bedroom without entering rooming house regulations, which are much more restrictive.

The main legal issue resides with prior tenants. If they are not already students, the purchaser would have to wait for them to move out, or evict them. Right to maintain occupancy is very important in Quebec housing law and evicting tenants is not a practice that is socially accepted, even for a "good cause" such as renovating apartments for affordable student housing. This is an issue that is specific to Montreal due to not only the law but also building types; NASCO co-ops for example typically collectivize single-family houses and thus do not have to deal with non-student tenants.

Delivery times are typically very quick when purchasing existing residential buildings, except for the case of prior tenants. If no repairs are necessary, the building pays for itself from day one. If repairs are necessary, tenants must be displaced and this creates a period of financial loss because no rents are being paid.

PROJECT QUALITY

Project location can potentially be excellent, because significant amounts of residential buildings are available in central boroughs. In order to keep rents affordable in the downtown area, high-rise buildings could be purchased but this option will remain more expensive than other boroughs. Buildings with less than five stories in the city center will be too expensive per bedroom due to high land value. No high-rises apartment buildings in the downtown area were for sale by real estate brokers at the moment of researching for this study.

Residential conversion has a slightly positive impact on the housing market because it ensures lasting affordability for a part of the housing stock and social mixity for the sector. However, it is in effect only the

earmarking of a part of the rental market for a specific population. This can reduce access to different population, in this case non-students. If larger apartments are targeted by the project, this can have a significant negative impact because they are the most in demand in Montreal, by a variety of non-student households such as families as well. Furthermore, if smaller apartments are bought and reconfigured to collective living, this results in a net reduction of the number of rental apartments available.

Because the regular housing stock never includes collective spaces shared among multiple housing units, cooperative life would be dependent on significant investments in shared spaces. In addition, cooperative viability is affected by the size of buildings bought. Plexes are very small for self-management, whereas high-rises include lots of corridor space that offers low collective usability. If plexes or walk-ups are prioritized, they could hardly be close to one another. There is a risk, with this scenario, that collectivized buildings would be dispersed throughout the city, and this would make co-op management more difficult.

RISK ASSESSMENT

It is important to note that renovations are riskier than new construction - with contingencies recommended at 15% rather than 5%. However, if the building is in good condition and little to no repairs are needed, the financial risk is very low. The main risk with this scenario is the reputational and political complexity of acting on the existing rental markets where tenants are already present, as explained above. The second main risk is that of hidden defects, which could always happen with old buildings.

COMMERCIAL CONVERSION

DESCRIPTION

This scenario is similar in a residential conversion in that it aims to act on existing buildings. However, it excludes existing housing. By "commercial" we mean every non-residential use, which can include light industry, warehousing or even religious buildings. Some may even have historical value, due for example to the abundance of hospitals and churches currently becoming available in Montreal.

CHARACTERISTICS

FINANCIAL FEASIBILITY

As for residential conversion, the total cost of the project depends on the building that is chosen, and will vary on what is available. However, because a commercial use does not generate as much income as housing, land with commercial zoning - which must be re-zoned afterwards - is typically significantly cheaper per square foot than those where residential use is permitted.

Unlike residential re-use, however, a high level of construction work is invariably necessary to adapt the building to housing use. These can include substantial structural work and even decontamination, in the case for instance of industrial use. In such cases where major work is necessary, it is possible that the total project cost be higher than new construction. This is especially the case if the purchase price included unnecessary infrastructure related to the prior use. For many building types, such as automotive garages, it is actually more economical to demolish the existing structure and build a new construction.

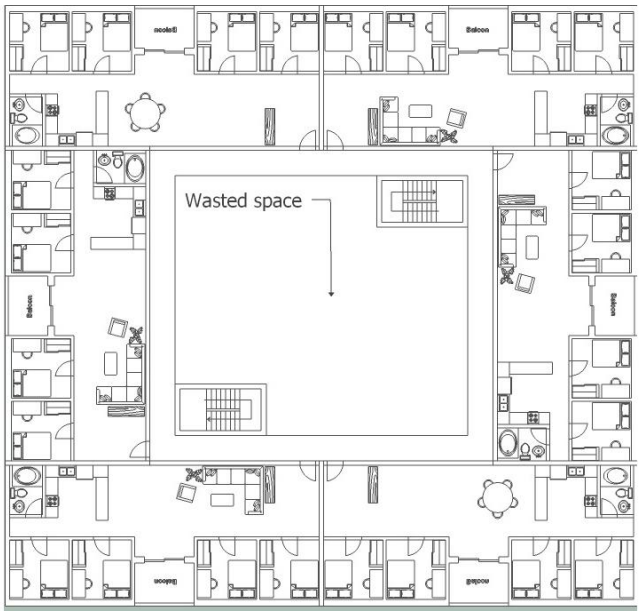


Figure : Typical wasted circulation space due to building width

TECHNICAL FEASIBILITY

The various and non-standard building shapes of non-residential buildings represent a potential for innovative architecture, however they also bring a high complexity, multiple risks and more often a loss of efficiency in use of floor space. For example, building widths often require more circulation space, which tenants will indirectly pay for without using. A good example exists in the multiple hospitals currently going on sale, which typically have around 30% of wasted circulation. The best solution to control costs is to stick as much as possible to the existing structure of the building, but this does not always create good living spaces.

In this scenario, there are multiple development challenges related most notably to planning bylaws. If land use planning for the lot aims for commercial or industrial use, it is not always possible to change it to residential use. Currently, many boroughs seek to maintain employment areas within their non-residential sectors, where most available (and affordable) commercial buildings are. Some mixed-use zoning types, such as those of commercial streets, require the presence of a commercial ground floor while authorizing housing above. Finally, the converted building must also respect modern building codes for residential use (fire and seismic safety, emergency exits, etc.) which can be an architectural challenge.

These technical hurdles, and in general higher project complexity, typically mean longer delivery times. A first phase of planning and municipal approval is required that can take 4-12 months or more. Construction work is 12-18 months if there are no bad surprises. However surprises are frequent in these projects and can cause delays and architectural changes, especially after construction has started.

PROJECT QUALITY

In this scenario, central locations are almost certainly impossible to attain because such buildings are not available in the city center. When they are, land value is based on the potential for high-rise new construction and not for more costly (and less profitable) reconversion. Buildings can be available in central boroughs but generally on their outskirts, i.e. near train tracks or industrial sectors and far from metro stations.

Commercial land redevelopment can have positive impacts on the local area, mostly revitalization due to the influx of new residents. Projects like this can begin positive cycles of urban repair in sectors that are often unstructured and inhospitable. However, zones where industrial activities remain can possibly cause land-use conflicts with housing, and thus reduce quality of life for tenants. Finally, land loss in employment zones is an issue in many boroughs.

Internal quality of projects in this scenario can be interesting, despite the architectural limits of conversion. There is the potential of finding a concrete building, which brings high structure and insulation quality. It must be mentioned that finding a new use for a concrete building is also an environmentally friendly choice. However, if conversion costs run too high it might become necessary to cut down on other aspects such as collective spaces and finishing materials.

RISK ASSESSMENT

This is certainly the most risky of the scenarios explored here. First, land that had non-residential use runs the risk of being contaminated, which can lead to significant costs. Second, construction costs are harder to control while being significantly higher than in residential conversion, which results in up to 15% higher project cost in contingency planning.

The bottom line is this : multiple private and nonprofit promoters that have recently finished conversion projects have acknowledged publicly or privately that those projects were not only a source of headaches, but also more expensive than new construction[9].

Notes

[9] Le Devoir, *Un chantier aux grands défis*. Valérie Gaudreau, September 10th.

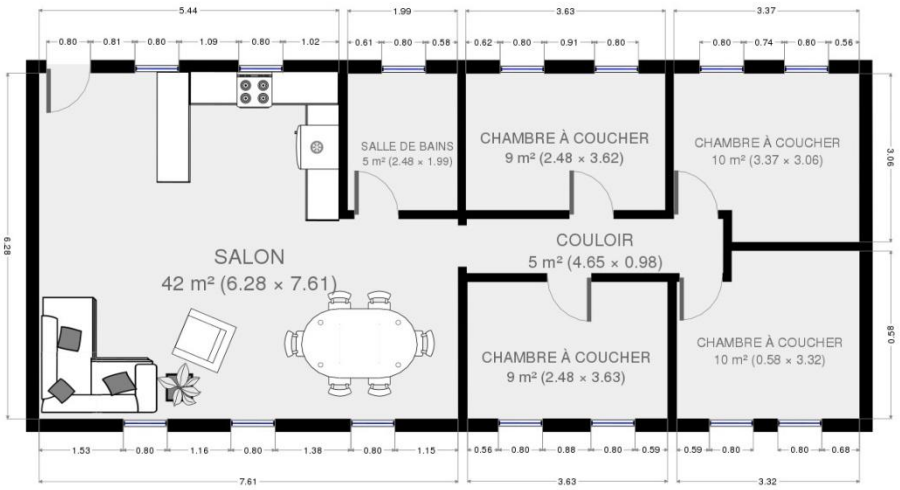


Figure : One potential apartment type from UTILE's typologies

NEW CONSTRUCTION

DESCRIPTION

This scenario implies the construction of a building from scratch on an empty (or emptied) piece of land. Since almost anything can be built this way, it is obviously the most flexible option. The characteristics below are based on an architectural model developed by UTILE that follows the research hypotheses above. It is important to note, however, that many different architectural models are possible; if they observe the same general parameters they will have the same general characteristics as listed below.

CHARACTERISTICS

The financial details of the model are appended, with only the most important traits listed here.

Appendix 3 New construction pro-forma

FINANCIAL FEASIBILITY

As mentioned earlier, new construction is typically more expensive than purchasing existing buildings, albeit with a better quality result due to new construction quality norms (for ex. better energy efficiency). Downpayment is usually from 30 to 33,5% of project total cost, while the rest of construction costs can be covered by a regular mortgage loan. It is possible with a Canadian Mortgage and Housing Corporation (CMHC) loan insurance on new rental construction to lower the required downpayment to 15% of project cost. However, CMHC insurance requires guarantees on borrower asset equivalent to 75% of loan amount to do so - which means that CSU would have to take upon itself a large part of the risk if the project were to fail.

A project of the target scale - around 100 rooms - is interesting because it allows economies of scale while requiring a lot size that can be found in central boroughs. The approximate total project cost is 6,7 M$ with construction costs at around 64,000$ per bedroom. Total project cost also includes all the "soft" costs such as architect, engineer fees, taxes, permits and financial fees. It is important to note that this project size is also close to being an upper limit due to the limited availability of lots large enough to build more than 100 rooms.

TECHNICAL FEASIBILITY

Within the limits of city regulations, this is the most flexible scenario, with a large variety of configurations possible. Due to this it is possible to create interesting interior spaces, adapted to student life and community living, at a lower extra cost than in conversion projects. For example, it becomes possible to plan and build multi-level apartments or rooftop gardens.

There are some development challenges nonetheless. For one, student housing is not a land use category that exists in planning documents. If the project design respects all aspects of planning regulations, there is no reason to distinguish student housing from regular housing. If derogations are asked from the city, however, the project would be approved on a case-by-case basis.

Typical project delays are 18 months between land purchase and building delivery. In the case where derogation requests are sent to the city, 4 to 12 months of extra delays are to be expected.

PROJECT QUALITY

In this scenario, the city center is pretty much off-limits. This is due to construction costs being significantly higher for high-rise, concrete construction, thus resulting in higher rents. The cheapest option for construction being woodframe construction, the project would be located in a 2-4 story neighborhood. Vacant lots of appropriate size are available in near-center neighborhoods such as Hochelaga, Verdun or Côte-des-Neiges.

New construction is also the development scenario with the most positive impacts on the housing market. Without removing commercial spaces, it creates new units of the most in-demand type of rental housing - large apartments. By taking land that could have been used for for-profit development and developing it to make affordable housing, speculation (and its social component, gentrification) is slowed as well. Local revitalization is possible depending on the context by bringing a significant amount of permanent residents to the neighborhood.

Symbolically, new construction is more powerful politically than conversion, especially residential conversion. It has a lasting impact on the city and it is possible to develop a building aesthetic that distinguishes it from other new (condo) constructions.

In terms of building quality, building from scratch brings exceptional freedom. Apartments can be built to suit collective use - for example, by making bedrooms smaller and collective spaces larger. Architectural design can be adapted to foster a sense of community and encourage involvement. It could be possible, for example, to build the project around a shared inner courtyard.

Due to modern building regulations, new constructions are inherently much more energy efficient than older, converted buildings, while often bringing in more natural light. It is also much simpler to integrate sustainability systems such as water reuse or passive heating.

Appendix 4 Apartment design and ground plan examples

RISK ASSESSMENT

New construction is as risky as any form of construction, but these risks are known and easier to control. As such, typical contingency planning requires only 5% of extra costs for unexpected problems. One specific potential hurdle is the city's right to refuse derogations that would be essential to a project, even if the exemption process is a common one for residential projects.

PARTICIPATION IN UTILE'S PILOT PROJECT

DESCRIPTION

ORIGIN

UTILE is already developing Montreal's first student housing co-operative, which is in advanced stages of planning. It is supported by multiple partners including a special student housing program created by the Government of Quebec for this project.

It aims both to answer local needs in Montreal and to demonstrate the feasibility and viability of UTILE's co-op model for subsequent projects.

FUNDING

Appendix 5 Pilot project pro-forma

The larger part of funding for the project comes from the Government of Quebec through the aforementionned program. Complimentary funding comes from the City of Montreal, with potential involvement of some of Montreal's universities. This allows the project to happen within UTILE's and students' expectations. However, supplemental funding is possible which would improve the project through elements not currently funded, such as:

- A collective kitchen shared by the entire community;
- A green roof/rooftop terrasse;
- Murals and public art work (could be made by art students);
- Improvement of the sustainability of the building (most environmental measures, even basic, are not admissible to regular funding);
- A collective garden and urban farming infrastructures.

OPPORTUNITY FOR PARTICIPATION

UTILE can welcome more partners into the project. As illustrated in the "minority equity" section below, funding groups can expect structural participation in the project, such as seats on the provisional committee, support member status and seating on the board of directors (within a number of seats). It is set to be delivered in 2016, or 2017 at the latest, with students from multiple universities. A complete financial document is attached.

CHARACTERISTICS

This project is a new construction that follows most of the parameters of such projects presented earlier. Its funding is slightly different, as is the project size.

FINANCIAL FEASIBILITY

Identical to a new construction building except the mortgage loan is guaranteed by the Quebec Government. With this support, it is possible to use the roughly 2,5M$ funding received to build more than 100 rooms, with the project currently planning 130.

TECHNICAL FEASIBILITY

Identical to the New construction scenario.

PROJECT QUALITY

UTILE has led multiple research projects around community living and how to support it through design. The objective of the pilot project is to adapt architectural and management elements to develop not just student housing, but an intentional community composed of students.

RISK ASSESSMENT

Identical to the New construction scenario with the additional risk linked to the down payment being made by the government and the city. Funding from private sources such as student groups is not exposed to such a risk.

FUNDING AND GOVERNANCE

FUNDING SCENARIOS

INTRODUCTION

Many different investment methods can be employed to support the development of a project, whatever the development scenario employed. To simplify the comparison of potential funding methods for the CSU, the following scenarios will be described and compared.

Scenario	Description
Equity	Direct investment as the downpayment of a project
Loan	Long-term loan used as quasi-equity that CSU recovers after time
Investment fund	Participation in a larger student co-op investment fund with multiple stakeholders to increase leverage of funds for future developments

After reviewing these funding scenarios, the following section will describe potential impacts on project governance and control of CSU investment.

EQUITY

DESCRIPTION

This investment method simply consists of directly giving hard money to the project. This direct financial support (similar to a grant) is presented first because it is the simplest investment method and will be used as reference for other scenarios.

CHARACTERISTICS

RENT AND PROJECT COST

The table below shows that 33,5% equity on a project can reach very affordable rent and compares two amortization scenarios, one with a 35-year mortgage and one with a 20-year mortgage.

Estimated financial parameters and rent for a 100 room project

Total project cost	Mortgage loan	Downpayment	Equity (%)	Monthly rent per bedroom (35 years, CMHC loan insurance)	Monthly rent per bedroom (20 years)
6 422 188 $	4 270 755 $	2 151 433 $	33,50%	360 $	416 $

LONG-TERM VIABILITY OF PROJECTS;

The project is completely financially autonomous upon delivery of the building - there is no recurrent financial support and operation costs and mortgage payments are both entirely covered by rents paid. The financial planning presented here includes all the necessary reserve funds and financial securities to cover pessimistic maintenance costs for the building and its furniture. After the amortization period (20 to 35 years), the project will be debt free.

GROWTH POTENTIAL FOR THE CO-OP MODEL;

The financial workings of real estate allow every building built to contribute to the development of more co-ops afterwards. The owner of the building, which can be the cooperative or another organisation, can proceed to mortgage refinancing after partial or total mortgage repayment in order to obtain funding from banks that could be used as a downpayment to develop new housing units.

However, it is important to note that the selection of the legal building owner is important if the project has an objective of developing new housing units based on the assets of the cooperative. The decision of refinancing will be taken by the owner of the building which can be either co-op members or a distinct organization. This question has led to the development of a specific property financing and property ownership model by UTILE (see next page).

FINANCIAL LEVERAGE

Mortgage loan funding allows the construction of a project worth 6,4 million dollars with a downpayment of 2,1 million dollars. No extra funding over time is necessary, and if a CMHC loan insurance is not chosen, there is no risk for CSU beyond the initial investment.

LOAN (QUASI-EQUITY)

DESCRIPTION

The downpayment needed to obtain a mortgage loan can also be in the form of a loan to the legal owner of the building. This loan can be secured by a second rank mortgage on the building if the rest of the funding comes from a first rank mortgage loan. First rank and second rank mortgages mean that if the building owner is unable to pay his mortgage payment and the mortgage creditor decides to sell the real estate property to pay back the outstanding loan, the money resulting from the sale will first pay the first rank mortgage holder. The second rank mortgage holder will then be paid with the money left over from the sale. As such, the loan method can be considered risky, but it offers the loaner the potential to recover their funds, which equity financing does not allow.

CHARACTERISTICS

RENT AND PROJECT COST

The amount of required downpayment is identical to the equity funding scenario, the only difference being the form of funding, which is a loan in this case. The loan (principal and interest) is paid back by mortgage refinancing after a certain number of years. Interest rate and duration of the quasi-equity loan therefore have an impact on rents because they change the speed at which the co-op must pay back the first rank mortgage in order to have sufficient net assets to obtain a mortgage refinancing large enough to repay the quasi-equity.

The UTILE model

The co-op type that UTILE intends to implement is a solidarity co-op, which allows a minority of support members to sit on the board in order to improve long-term viability of the project. The original element of the UTILE model is that the co-op, despite having total power over local life, would rent the building from a different nonprofit legal entity, in order to have the possibility to use the asset of the property to support development of more co-ops afterwards. Historically, Quebec housing cooperatives have never used their real estate assets in order to finance new cooperatives. It is therefore an important governance question which has different answers depending on the long-term objectives. UTILE has chosen the route used by many student housing co-ops in Europe and by NASCO Properties in the United States, which is to have a separate entity devoted to development possess the building, while significant control and freedom of governance is delegated to a local co-operative. This model ensures that every co-op built will continue to support the development of more co-ops on the long run.

Estimated financial parameters and rent for a 100 room project (loan funding)

Total project cost	Mortgage loan	Loan from CSU	Loan (%)	Monthly rent per bedroom - 4% internal rate of return (10 years loan duration)	Monthly rent per bedroom - 6% internal rate of return (10 years loan duration)
6 422 188 $	4 270 755 $	2 151 433 $	33,50%	416 $	425 $

LONG-TERM VIABILITY OF PROJECTS

As with equity funding, the project is completely financially autonomous upon delivery of the building. It is possible to pay back the down payment loan with mortgage refinancing after 10 years, or as little as seven at the cost of slightly higher rent (approximately 20-30$). The refinancing implies a new loan with an amortization period of at least 20 years starting from year 7 or 10, which increases the total duration of mortgage debt to the legal owner. The project can therefore be debt free only after 27 or 30 years, or more if the amortization period of the refinancing mortgage is longer.

GROWTH POTENTIAL FOR THE CO-OP MODEL

The down payment is refunded to the CSU after 7 or 10 years with interest which at least covers inflation rate. At this point, the CSU is entirely liberated of financial obligations related to the project. The CSU could then finance a new project and act in effect as a revolving fund.

FINANCIAL LEVERAGE

Like the equity scenario, the project benefits from mortgage financing to finance a larger project with a limited amount of downpayment. Unlike the equity scenario however, the down payment comes back to the CSU and can then be re-invested in new projects. In effect, this is a transfer of investment power from the project to the CSU.

INVESTMENT FUND

DESCRIPTION

In order to use the down payment money as a lever to access more capital, an investment fund can be implemented to have access to funding from institutional investors. Some of them, like union sponsored investment funds[10], have social investment objectives. They could be interested in investing in affordable student housing, especially if the investment fund already has a financial partner. Furthermore, the returns they expect from their investment is directly linked to the risks they take, making it difficult to fund affordable housing strictly with institutional fund investments.

Notes

[10] There are two union investment funds in Quebec: Fondaction CSN and Fonds de solidarité FTQ. Other partners could be interested like foundations and other cooperatives such as Desjardins.

However, a proactive partner like CSU could decrease the risk taken by other investors and therefore decrease the rate of return they would expect. This would be achieved by securing CSU investment with third rank mortgage while other investors take second rank mortgage and the mortgage loan creditor the first rank. CSU could also accept a lower return than expected on the financial market in order to meet the expected return of other financial partners while keeping rent affordable. Other social investment funds financed by multiple institutional partners exist in Montreal like the Fonds d'investissement de Montréal, which buys and improves existing apartment housing, and the Fiducie du chantier de l'économie sociale, which provides funding for social economy projects. UTILE is currently working on more complicated financial engineering scenarios in order to create even more co-ops in partnership with social-minded investors while keeping rents affordable. These financial models will be completed in the following year and could be communicated to the CSU.

CHARACTERISTICS

RENT AND PROJECT COST

In the scenario where institutional investors would simply match an investment of approximately 1,075 million dollars by the CSU, bringing the total fund to 2,15 million dollars, it would be possible to finance the creation of approximately 100 rooms and get the down payment back in 10 years. The approximate rent per room (without services) would be:

Estimated financial parameters and rent for a 100 room project (investment fund)

Total project cost	Mortgage loan	Investment from CSU	Investment from CSU (%)	Monthly rent per bedroom - 4% internal rate of return (10 years loan duration)	Monthly rent per bedroom - 6% internal rate of return (10 years loan duration)
6 422 188 $	4 270 755 $	1 075 716 $	16,75%	425 $	455 $

LONG-TERM VIABILITY OF PROJECTS

Identical to the loan funding scenario presented above.

GROWTH POTENTIAL FOR THE CO-OP MODEL;

This model has the potential of accelerating the development of new cooperative housing units, albeit at the cost of slightly higher rent.

FINANCIAL LEVERAGE

This funding scenario uses a double leverage effect, one from the mortgage financing (as in other scenarios) and another one from the capital brought in by other investors.

GOVERNANCE SCENARIOS

INTRODUCTION

Co-op autonomy is a strong value of the cooperative movement. However, UTILE's research and local co-op models show that some flexibility exists to insure a structural connection between the co-op and its funders, notably with the solidarity co-op model. In this short section, the participation of CSU in governance will be compared in scenarios where minority or majority funding would come from the CSU.

MINORITY FUNDING

DESCRIPTION

This scenario considers the case where most funds of a project come from another source than the CSU - for example in the case of public funding such as in UTILE's pilot project.

CHARACTERISTICS

It is legally impossible to earmark a portion of the rooms of a co-op to CSU members, due to anti-discrimination housing laws. However, multiple measures can be taken to ensure significant Concordia student representation in the building tenants. First and foremost, it is possible to allocate seats to Concordia students on the provisional committee, in order to ensure their representation within the co-op's first wave of residents. This of course is not an absolute guarantee that there will always be CSU members in the co-op. However, another benefit that can help with this question is to make room for the CSU in the co-op's governance. The solidarity co-op model allows support member status which allows participating institutions to maintain a permanent, institutional link by sitting on the board of the co-op. Because support member seats on the board are limited to three or four, their allocation can vary according to a project's specific partners, but being a student union it is likely that CSU's presence on the board would also benefit the co-op.

With these elements of participation, the CSU would maintain an institutionalized link with the co-op. Even if it wouldn't have control over the rest of the board's composition, it is likely that a positive spirit of cooperation would prevail between board members, including support members.

MAJORITY FUNDING

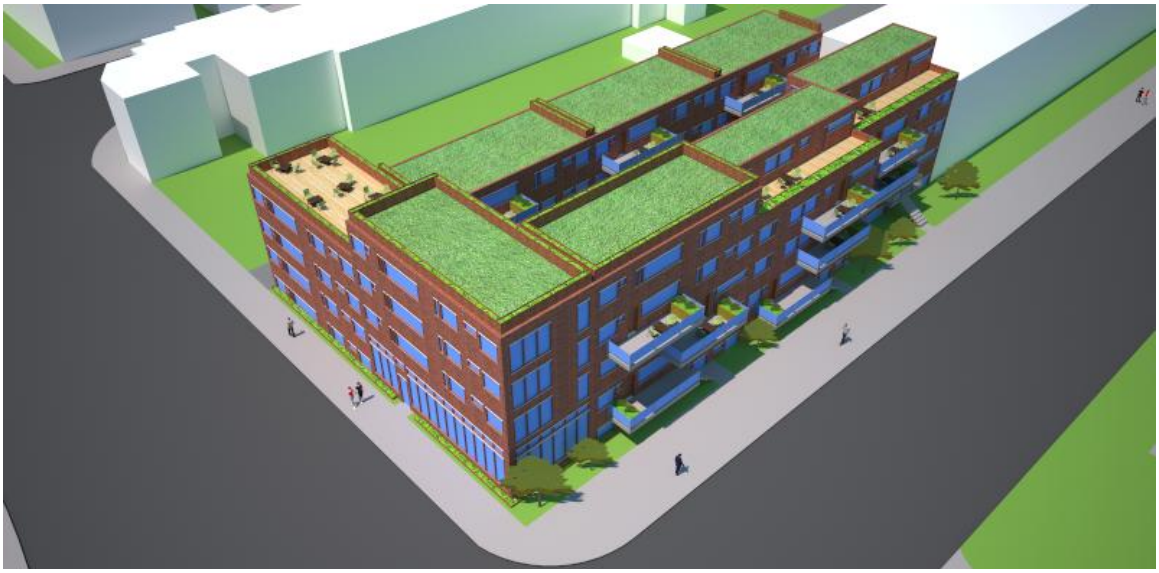
DESCRIPTION

In the scenario where most or all of the funding for a co-op project would be invested by the CSU, a higher level of participation in the project's governance would be possible. These elements are to be taken as general indications, which can vary on a case-by-case basis and in general are negotiable - much more so than architectural or financial considerations, for example.

CHARACTERISTICS

First of all, in the case where no other financial partners would oppose, or if their are none, it is technically feasible to build a Concordia-only co-op. This is because even if it is illegal for a housing provider to discriminate between rooms, it is technically possible for a co-op to choose its members amongst a specific sub-group of the population. UTILE does not necessarily recommend this option because mixing between campus groups is one of the benefits of student co-ops that traditional student housing cannot offer - however it does allows maximum benefits for Concordia students.

As in a minority funding scenario, provisional committee composition can be adjusted - up to 100% Concordia participation, with or without limiting co-op membership to Concordia. The CSU would also have significantly more control over co-op governance, which could include selecting other support members to participate on the board, such as student, community or neighborhood groups.



CONCLUSION

We are at a particular moment in the housing situation in the City of Montreal. First, there is a shortage of good quality affordable large apartments for families and students. Then, there is the massive development of luxury student housing, and finally, a shortage of public funding for affordable housing projects from all level of public institutions, from universities to the government itself. These circumstances combined allow for strong momentum for groups such as the Concordia Student Union to launch a project that would create important social benefits and make a strong symbolic statement - that students are taking matters into their own hands.

RECOMMENDED DEVELOPMENT METHOD

There are many ways for the CSU to develop student housing projects, each having advantages and disadvantages. The easiest is certainly to buy existing apartments. It is cheaper and there is no major construction risk if there is no major alteration to the building. On the other hand it is certainly the most risky politically - and the most dubious in terms of public interest - in that it requires reserving existing flats for students and, more controversially still, potentially evicting non-student tenants. Another limit of this model is the constraints of existing architectural models in Montreal and the lack of large apartments in close proximity to create a strong sense of community.

Another method is to acquire a non-residential building. This option is interesting mainly to have access to cheap land where the city doesn't allow residential use but could allow it due to the social nature of the project. However, a change of permitted land use is not automatic even in this case, and in many cases it is impossible. Another hurdle is the rigidity of existing buildings which were not initially made for housing. The conversion costs can be significant, and with acquisition costs and

wasted space taken into account, end up higher than building from scratch. However, building conversion can result in interesting architecture that combines modern day technology and historical elements. While often having the negative impact of reducing much-needed employment zones, this option has the social benefit of adding new apartment units to the Montreal rental housing stock. Still, the bottom line is that this method is the riskiest and does not provide a substantial reduction of cost.

Finally, it is possible for the Concordia Student Union to construct a new building. This option offers more flexibility than acquiring existing buildings in terms of architecture, because there is not the constraint of the existing structure. It has, like commercial conversion, the social benefit of adding new housing units while having the added value of not affecting employment zones. The cost of this kind of project is slightly higher, about 20% per bedroom, than acquiring existing apartments, thus bringing the rent to about 75% of current median rent per bedroom. However, the building would have lower service costs and would be significantly more energy and space efficient than the old apartment stock of Montreal. There are risks linked to the construction of a new building, like in cases of conversion, that need proper risk mitigation planning - which is standard in new construction. This option maximizes positive impacts on the city and has the potential to create a strong precedent - that of students participating in the revitalization of Montreal.

Because of all these considerations, **UTILE recommends new construction** as the most viable development method.

RECOMMENDED FUNDING METHOD

The Concordia Student Union has the possibility of acquiring or building hundreds of apartment units over time. As an example, with a 2,1 M$ investment (in the form of a grant or loan), it would be possible to acquire 128 existing bedrooms or build 100 new ones.

The best funding option depends on the aims of the Concordia Student Union. If there is an objective of maximizing the number of co-op units developed, then the loan or investment fund option is the best as it ensures the payback of the initial investment and allows for funding of new projects afterwards, due to the use of additional financial leverage. If the main objective is keeping rent as low as possible, then equity, or a very long term loan, is the best option as it limits the debt servicing of the coop to the minimum. It is a matter of identifying the desired equilibrium between development efficiency and affordability. Custom financial models can also be discussed further with UTILE.

In order to maximize the impact of every CSU dollar invested, **UTILE recommends considering a loan or investment method**, if they are compatible with the CSU's objectives.

OTHER SUGGESTIONS

It is important to note that even if examples exist elsewhere in Quebec and Canada, there is currently no student housing co-ops in Montreal. This is why UTILE's pilot project aims to demonstrate the viability of and the need for such an option. It will also generate substantial learning opportunities on how to improve further co-ops built in Montreal. As such, if CSU is interested in building student housing co-ops, **UTILE suggests that CSU participates, even symbolically, in its pilot project**. This would also further improve the project's quality.

Given the impact of UTILE's survey and subsequent market study in better understanding and measuring the student body's housing condition and needs, which was made possible thanks in part to the CSU, **UTILE suggests that CSU collects data annually on its members' living conditions**. This is an affordable and efficient way to inform and support the much-needed creation of student co-ops.

APPENDICES

UTILE's market study, 2014 (Executive Summary)
The Concordia Ghetto report (Executive Summary)
New construction pro-forma
Apartment design and ground plan examples
Pilot project pro-forma

AOÛT
2014

Étude de marché sur le logement étudiant abordable

Sommaire exécutif

Présenté à :

UTILE

Par :

Zins Beauchesne et associés
MARKETING ▪ DÉVELOPPEMENT ▪ INNOVATION

En partenariat avec :

Secrétariat à la région métropolitaine Québec

CADEUL

SSMU

ESU

UQÀM

1. Sommaire exécutif

Dans le cadre de ce mandat, l'Unité de travail pour l'implantation de logement étudiant (UTILE) a mandaté **Zins Beauchesne et associés** afin de réaliser une étude de marché visant à quantifier et qualifier la demande pour de nouveaux logements abordables destinés à la population étudiante universitaire. L'objectif principal de cette étude était d'une part, d'évaluer le nombre de nouvelles unités pouvant être absorbées sur l'île de Montréal et, d'autre part, de segmenter la demande afin d'en évaluer les différents sous marchés.

Pour atteindre ces objectifs, une analyse du marché locatif disponible à la population étudiante universitaire de Montréal a d'abord été réalisée. Celle-ci a permis de mettre en évidence la difficulté pour ce groupe de trouver un logement locatif abordable à Montréal. Cette difficulté est due en partie au faible nombre de places en résidences universitaires qui s'élève à seulement 5 209 pour un effectif étudiant de 191 450 personnes dans l'ensemble des universités montréalaises. Elle est également amplement tributaire au faible taux d'inoccupation sur le marché locatif primaire dans l'agglomération de Montréal dans les arrondissements et typologies où vit la population étudiante, une situation exacerbée par le très faible nombre de nouvelles unités locatives mises en chantier au cours des dernières années. Ainsi, il existe aujourd'hui une forte concurrence pour les logements locatifs disponibles, en particulier pour les grands appartements. Cela rend ainsi l'accès au logement difficile pour la population étudiante et a pour conséquence d'augmenter le prix des loyers. Pour répondre à la demande de cette population en matière de logement, plusieurs projets de résidences ciblant un marché de niche (p. ex. : Varcity 515) ont été ou sont présentement en développement, mais ces derniers ne répondent qu'à un petit segment du marché, à savoir le segment de la population étudiante le plus aisé. Les exemples de la Coopérative d'habitation L'Estudiantine à Sherbrooke ou encore de Keetwonen aux Pays-Bas montrent qu'il est possible de développer avec succès une offre de logements abordables pour les personnes aux études.

Afin de mieux comprendre la demande des universitaires en matière de logement et de mieux cibler leurs besoins par rapport au présent projet, un sondage a été réalisé auprès de 6 414 étudiants et étudiantes de l'Université McGill, de l'Université Concordia et de l'Université du Québec à Montréal (UQAM). À noter qu'un deuxième sondage a été réalisé en parallèle auprès de 4 992 répondants de l'Université Laval. Le sondage montréalais a permis de mettre en évidence que 79,8% de la population étudiante universitaire réside sur l'île de Montréal durant l'année scolaire et que 71,2% demeure à l'extérieur du domicile familial. La moitié de la population étudiante montréalaise loue un appartement ou un studio (49,2%). Au total ce sont plus de 85 000 universitaires qui sont locataires à l'extérieur du domicile familial en appartement ou en résidence dans la ville de Montréal. Leurs lieux de résidence se situent principalement dans les arrondissements Plateau-Mont-Royal (20,9%), Ville-Marie (15,1%) et Côte-des-Neiges-Notre-Dame-de-Grâce (9,1%), soit à proximité des institutions universitaires montréalaises. Notons que 20,6% de ceux qui habitent à l'extérieur du domicile familial durant l'année scolaire demeurent dans quatre autres arrondissements (Rosemont / La Petite-Patrie, Mercier /Hochelaga-Maisonneuve, Villeray / Saint-Michel / Parc-Extension, le Sud-Ouest). Ainsi, 65,7% de la population étudiante universitaire qui réside à l'extérieur du domicile familial sur l'île de Montréal se concentre dans sept arrondissements.

En moyenne, les universitaires qui demeurent dans un logement locatif (à l'exception des résidences) vivent dans un 3 ½ (21,9%), un 4 ½ (31,2 %) ou un 5 ½ et plus (29,5%). Afin de baisser leurs coûts de logement, ils et elles partagent souvent leur appartement avec d'autres personnes : 42,0% vivent avec une autre personne, 21,4% avec deux autres personnes, 10,6% avec trois autres personnes et 4,4% avec quatre autres personnes ou plus. Ils ne sont que 21,5% à vivre seuls.

Au final, d'après le sondage réalisé dans le cadre de cette étude, le loyer mensuel moyen payé par chambre par la population étudiante universitaire montréalaise s'élève à 629 $, tous types de logements confondus. Ce loyer inclut souvent l'eau chaude (59,9%), le chauffage (53,9%), l'électricité (39,1%) et parfois Internet (16,0%). En moyenne, elle paye 106 $ par mois pour l'un ou plusieurs de ces services lorsqu'ils ne sont pas inclus dans le coût du loyer.

En conclusion, cette étude confirme qu'un projet de logements abordables pour les universitaires tel qu'envisagé par l'UTILE peut répondre à un besoin. Les principales raisons qui expliquent cela sont :

- **Le contexte difficile sur le marché locatif montréalais** notamment dans les sept arrondissements où la population étudiante est la plus concentrée et où les taux d'inoccupation sont majoritairement inférieurs au seuil d'équilibre du marché de 3%;
- **Les caractéristiques du projet pilote de l'UTILE** qui constituent des facteurs clés de succès du projet, à savoir :
  - **Le loyer abordable** de 450 $ (contre 629 $ en moyenne pour la population étudianteà Montréal);
  - **La localisation de l'immeuble à proximité d'une institution universitaire;**
  - **L'intégration de services dans le coût du loyer;**
    - D'après le sondage réalisé dans le cadre de cette étude, les éléments les plus importants dans le choix d'un logement d'une personne au étude sont le prix du loyer (86,4%), la proximité des services (88,3%) et la proximité de l'université (77,7%).
- **Des prévisions optimistes de remplissage du projet pilote et de projets subséquents;**
  - Si l'on considère que le projet pilote attirera 1% des universitaires habitant un appartement, un studio ou une résidence universitaire dans les arrondissements Plateau-Mont-Royal, Ville-Marie, et Côte-des-Neiges-Notre-Dame-de-Grâce (soit 48 437 personnes), cela représenterait 484 personnes intéressées, soit bien plus que les 150 chambres prévues par le projet pilote**.** Si l'on considère des taux de pénétration de 5% et 10%, ce chiffre atteindrait respectivement 2 422 et 4 844 personnes.
  - Si l'on considère l'ensemble des étudiants et étudiantes universitaires habitant en appartement, studio ou résidence universitaire à travers les différents arrondissements de la ville de Montréal, avec un taux de 1%, le projet pilote pourrait intéresser 858 personnes. Si l'on considère des taux de pénétration de 5% et 10%, ce chiffre atteindrait respectivement 4 289 et 8 577 étudiants et étudiantes.
  - La demande serait donc importante pour le projet pilote et pour plusieurs projets subséquents.

HOJO
Housing & Job Bank

The Concordia Ghetto

A reality check for Montreal's Quartier Concordia

Alize Hand, Summer Intern 2014

Specialization in Urban Planning

Concordia University

August 19, 2014

Executive Summary

Quartier Concordia has recently become the target of research initiatives due to its reputation for substandard housing conditions and tenants' rights abuses by landlords. While the city of Montreal and Concordia University are working to revitalize and brand the area as "Quartier Concordia", the findings presented in this report suggest that addressing housing issues remains an essential component to revitalizing the area. In fact, the current state of housing and the unscrupulous practices of landlords indicate that "Concordia Ghetto" is a more accurate label for the area.

At least 11% of Quartier Concordia's housing stock has been the subject of tenant complaints. The strong disregard that landlords display towards tenant rights and housing policies have resulted in numerous housing problems that are reflected in the research presented in this report. The physical deterioration of the rental housing stock has created problematic housing conditions, such as bedbugs, faulty plumbing and mold. However, issues relating to the management of rental housing are three times more common than problematic living conditions.

Landlords and building managers exploit large numbers of international students living in Quartier Concordia by illegally collecting personal and financial information, such as SIN numbers, photocopies of passports and bank account information. Furthermore, the illegal collection of deposits, such as first and last month's rent, or security/damage deposits are also common.

In Quartier Concordia, the indifference toward tenant rights and housing policies is compounded by the large number of newly-arrived immigrants and international students who are unaware of their rights as tenants. Furthermore, provincial and municipal governing bodies, such as the Régie du logement and the city of Montreal, ought to clarify the content, improve the quality and increase the circulation of comprehensible housing laws that accurately cover the complexity of housing issues.

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Construction of new residential unit for student

Pro forma financial analysis

Last update

October 10th, 2014

DEVELOPMENT COSTS

Project characteristics

	Number of apartments	Number of bedrooms	Clear floor area
Apartment type			
2 bedrooms	0	0	500
3 bedrooms	10	30	750
4 bedrooms	10	40	1000
5 bedrooms	6	30	1250
6 bedrooms	0	0	1500
Studios	0	0	250
Total	26	100	

Number of months between land acquisition and consruction beginning	6
Duration of the construction site (month)	12
Land area (sq. ft)	10 000
Gross floor area per storey (sq.ft)	6 136
Communal space floor area (sq.ft)	2000
Number of storey (including mezzanine and semi-basement)	4,40
Total gross building floor area (sq.ft)	27 000
Construction costs ($/sq.ft)	130
Gross floor area per tenant (sq.ft)	270

Development costs

	Total	%	Cost per 1000 square feet
Building			
Land acquisition cost	1 012 500 $	16,42%	40 500 $
Clean-up costs	- $	0,00%	- $
Construction costs	3 510 000 $	56,94%	140 400 $
Provision for contingencies	175 500 $	2,85%	7 020 $
Total	4 698 000 $	76,21%	187 920 $
Profesional fees			
Architects and surveyor	145 931 $	2,37%	5 837 $
Engineers	97 808 $	1,59%	3 912 $
Legal costs	15 000 $	0,24%	600 $
Environmental assessment and geotechnical analyses	15 000 $	0,24%	600 $
Chartered appraiser and auditor	3 000 $	0,05%	120 $
File analyses and setup fees - mortgage loan	21 295 $	0,35%	852 $
Total	298 034 $	4,83%	11 921 $
Insurances	10 722 $	0,17%	429 $
Taxes and permets			
GST	254 527 $	4,13%	10 181 $
QST	507 781 $	8,24%	20 311 $
GST rebate for new rental housing (36%)	(91 630) $	-1,49%	(3 665) $
QST rebate for new rental housing (36%)	(182 801) $	-2,97%	(7 312) $
Interest on rebates (QST and GST)	17 742 $	0,29%	710 $
Duties on transfers	16 313 $	0,26%	653 $
School and municipal taxes	18 022 $	0,29%	721 $
Parking contribution	- $	0,00%	- $
Park fund contribution	61 500 $	1,00%	2 460 $
Construction permits	41 701 $	0,68%	1 668 $
Total	643 154 $	10,43%	25 726 $

Others			
Interim financing	203 650 $	3,30%	8 146 $
Furnitures and equipment	94 500 $	1,53%	3 780 $
Total	298 150 $	4,84%	11 926 $
Provision for contingencies on variable costs (5%)	77 143 $	1,25%	3 086 $
Sub-total	6 025 203 $		241 008 $
Reserve fund for rental losses	104 832 $	1,70%	4 193 $
Reserve fund for insurances	6 438 $	0,10%	258 $
Reserve fund for school and municipal taxes	28 250 $	0,46%	1 130 $
Total	139 520 $	2,26%	5 581 $
Total	6 164 723 $		246 589 $
Development fees	260 305 $		10 412 $
Provision for contingencies on development fees	13 015 $		521 $
Grand total	6 438 044 $		
Development cost per sqare feet	238,45 $		
Development cost per bedroom	64 380 $		257 522 $
Value on municipal assessment roll			
Land	615 000 $		
Building	- $		
Total	615 000 $		
Fair market value after development			
FMV	6 116 142 $		

Funding

	Total	%
Mortgage loan	4 281 299 $	67%
Interest rate	*4,31%*	
Term	*5*	
amortization period	*20*	
Loan to value ratio	*70%*	
Payment	*Equal monthly instalments*	
Second rank mortgage loan or equity	*2 156 745 $*	33,50%
Total	6 438 044 $	

Operating costs - income statement - year 1

Leases duration	12 months

Rent by bedroom and apartment type

	Total/year	Monthly/bedroom
2 bedrooms	- $	416 $
3 bedrooms	149 760 $	416 $
4 bedrooms	199 680 $	416 $
5 bedrooms	149 760 $	416 $
6 bedrooms	- $	416 $
Studios	- $	416 $
Gross operating income	499 200 $	
Vacancy and bad debt allowance	19 968 $	
Effective income	479 232 $	

Operating costs

	Total/yearly	Monthly/bedroom	Per sq.ft/yearly	%
Insurances	12 876 $	10,73 $	0,48 $	22,19%
Energy - communal area	3 200 $	2,67 $	0,12 $	5,51%
Maintenance	13 000 $	10,83 $	0,48 $	22,40%
Fire alarm				
Ventilation systems				
Snow-clearing				
Windows cleaning				
Rubbish				
Extermination				
Administration (5% of effective income)	23 962 $	19,97 $	0,89 $	41,29%
Salaries				
Financial audit				
Information technology, phone				
Resident caretaker	4 992 $	4,16 $	0,18 $	8,60%
Salary				
Equipments				
Total	58 030 $	48,36 $	2,15 $	100,00%
Net operating income before school and municipal taxes	421 202 $			

Cashflow

Years---»	Construction	1	2	3	4	5	6	7	8	9	10
Vacancy and bad debt allowance		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Gross operating income		499 200 $	511 680 $	524 472 $	534 961 $	545 661 $	553 846 $	562 153 $	570 586 $	579 144 $	587 832 $
Vacancy and bad debt allowance		19 968 $	20 467 $	20 979 $	21 398 $	21 826 $	22 154 $	22 486 $	22 823 $	23 166 $	23 513 $
Effective income		479 232 $	491 213 $	503 493 $	513 563 $	523 834 $	531 692 $	539 667 $	547 762 $	555 979 $	564 318 $
Operating costs before municipal and school taxes		58 030 $	59 190 $	60 374 $	61 280 $	62 199 $	63 132 $	64 079 $	65 040 $	66 016 $	67 006 $
Municipal and school taxes		56 605 $	57 664 $	58 744 $	59 845 $	60 969 $	62 115 $	63 284 $	64 476 $	65 693 $	66 933 $
Net operating income		364 597 $	374 359 $	384 375 $	392 438 $	400 666 $	406 445 $	412 304 $	418 246 $	424 270 $	430 379 $
Debt service		(319 782) $	(319 782) $	(319 782) $	(319 782) $	(368 071) $	(368 071) $	(368 071) $	(368 071) $	(368 071) $	(368 071) $
Cashflow		44 815 $	54 577 $	64 593 $	72 656 $	32 596 $	38 374 $	44 234 $	50 175 $	56 200 $	62 309 $
Outstanding principal balance	(4 281 299) $	(4 142 090) $	(3 996 880) $	(3 845 413) $	(3 687 416) $	(3 522 611) $	(3 350 702) $	(3 171 384) $	(2 984 337) $	(2 789 228) $	(2 585 711) $
Fair market value (FMV) of real estate asset	6 116 142 $	6 238 465 $	6 363 234 $	6 490 499 $	6 620 309 $	6 752 715 $	6 887 769 $	7 025 524 $	7 166 035 $	7 309 356 $	7 455 543 $
Loan to value (LTV) ratio	70%	66%	63%	59%	56%	52%	49%	45%	42%	38%	35%
Capitalisation rate based on FMV		5,96%	6,00%	6,04%	6,05%	6,05%	6,02%	5,99%	5,95%	5,92%	5,89%
Potential cashflow from mortgage refinancing		224 835 $	457 383 $	697 936 $	946 800 $	1 204 290 $	1 470 736 $	1 746 483 $	2 031 888 $	2 327 321 $	2 633 169 $

Cashflow and reserves

Year---»	Construction	1	2	3	4	5	6	7	8	9	10
Leveraged cash flow	(2 156 745) $	44 815 $	54 577 $	64 593 $	72 656 $	32 596 $	38 374 $	44 234 $	50 175 $	56 200 $	62 309 $
Cashflow (free and clear)	(6 438 044) $	364 597 $	374 359 $	384 375 $	392 438 $	400 666 $	406 445 $	412 304 $	418 246 $	424 270 $	430 379 $
Debt coverage ratio		1,14	1,17	1,20	1,23	1,09	1,10	1,12	1,14	1,15	1,17
Contribution to real estate reserve fund		20 000 $	20 000 $	20 000 $	20 000 $	20 000 $	20 000 $	20 000 $	20 000 $	20 000 $	20 000 $
Contribution to furniture reserve fund		11 813 $	11 813 $	11 813 $	11 813 $	11 813 $	11 813 $	11 813 $	11 813 $	11 813 $	11 813 $
Debt coverage ratio after contribution to reserve fund		1,04	1,07	1,10	1,13	1,00	1,02	1,03	1,05	1,07	1,08
Year end balance - Mortgage loan managment reserve fund		13 003 $	35 767 $	68 548 $	109 392 $	110 175 $	116 737 $	129 158 $	147 520 $	171 908 $	202 404 $
Cashflow after contribution to reserves	(2 156 745) $	13 003 $	22 764 $	32 781 $	40 844 $	783 $	6 562 $	12 421 $	18 363 $	24 387 $	30 496 $

Basic assumptions

Nomber of rooms	100	Monthly operating cost before municipal and school taxes per year	
Monthly rent per room	416 $	Year 1	48,36 $
Rent Yearly/bedroom	4 992 $	Year 2	102%
Rent year 1	100%	Year 3	102%
Rent year 2	102,5%	After year 4	102%
Rent year 3	102,5%	Loan to value ratio - initial mortgage loan	70%
Rent year 4	102,0%	First term interest rate - initial mortgage loan	4,31%
Rent year 5	102%	Fair market value average growth rate	2,00%
Rent after year 5	101,5%	Amortization period of initial mortgage loan	20
Development costs/room	64 380 $	Rate - Vacancy and bad debt allowance	4%
Gross income/gross floor area (sq. ft.)	18,49 $	Amortization period of mortgage loan refinancing	20
FMV/DC	95%	Interest rate - mortgage loan refinancing	5%
Municipal roll value/FMV - year 1	85%	LTV - mortgage loan refinancing	70%
Rate - Vacancy and bad debt allowance - year 1	25%	Second term interest rate - initial mortgage loan	6%
Rate - administration costs	5%		

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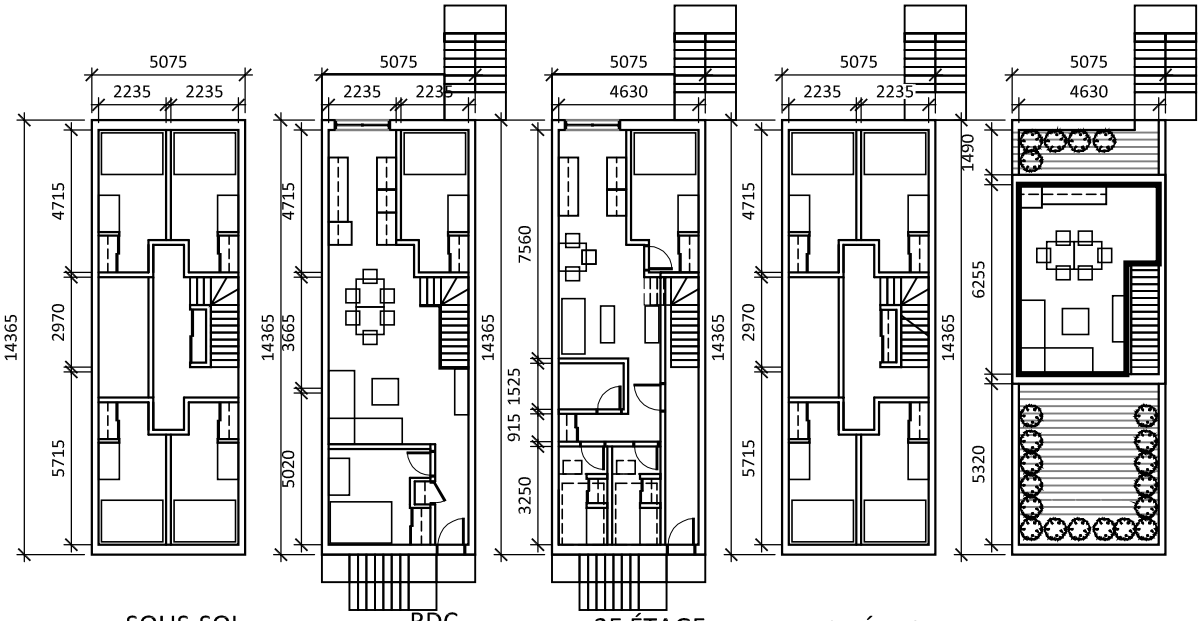
Construction of new student housing units

Examples of student apartment design and ground plan

Last update

October 10th, 2014



SOUS-SOL RDC 2E ÉTAGE 3E ÉTAGE MEZZANINE

PLANS MAISONS DE VILLE

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SCEAU:

PROJET:
MAISON DE VILLE
TYPIQUE

TITRE:
ESQUISSES V.2

RÉVISIONS	JOUR/MOIS/AN	No.
REVISION #1	JJ/MM/AA	01
REVISION #2	JJ/MM/AA	02
REVISION #3	JJ/MM/AA	03

DESSINÉ PAR:	No. PROJET:
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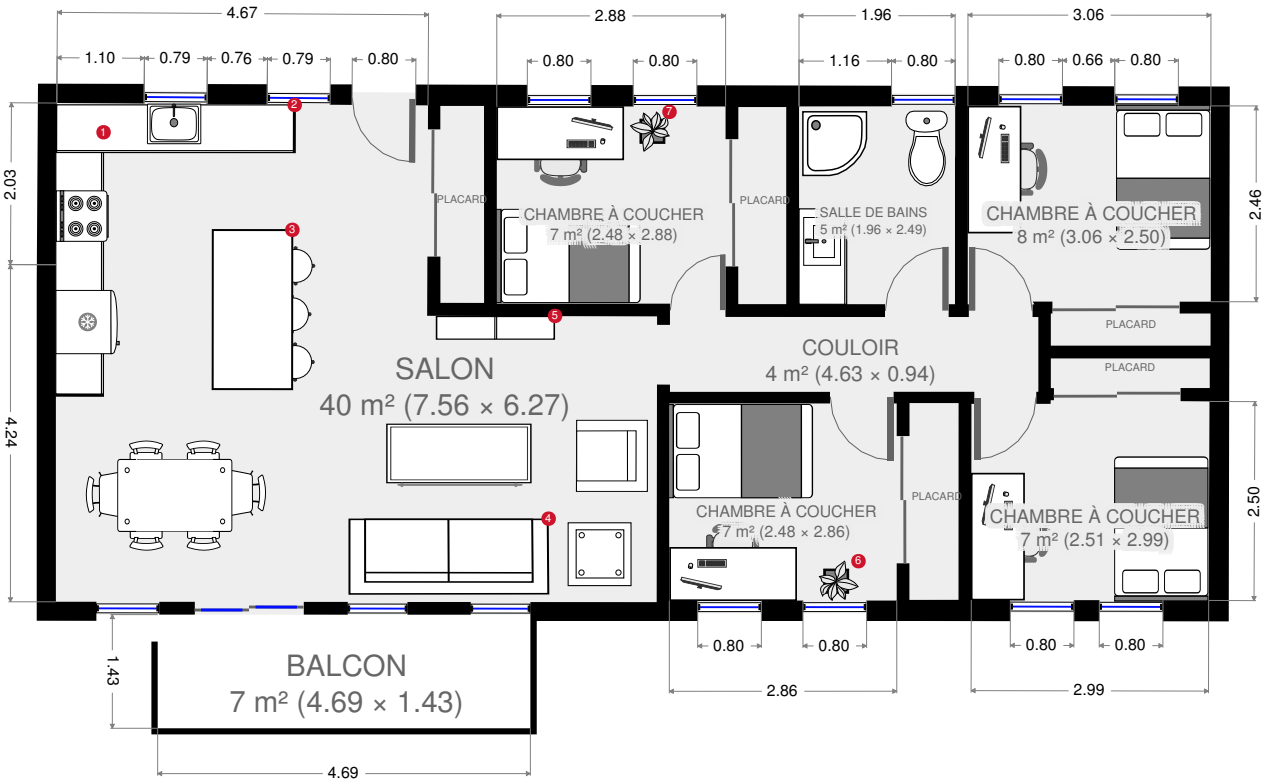

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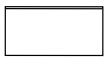
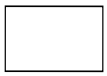
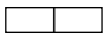
84	m²
1	Étage
6	Pièces
4	Chambres
1	S. de bain

1		Comptoir de cuisine	- Largeur: 3.30 m
2		Comptoir de cuisine	- Largeur: 3.00 m
3		Îlot de cuisine	- Largeur: 2.00 m
4		Canapé	- Largeur: 2.50 m
5		Bibliothèque	- Profondeur: 0.30 m
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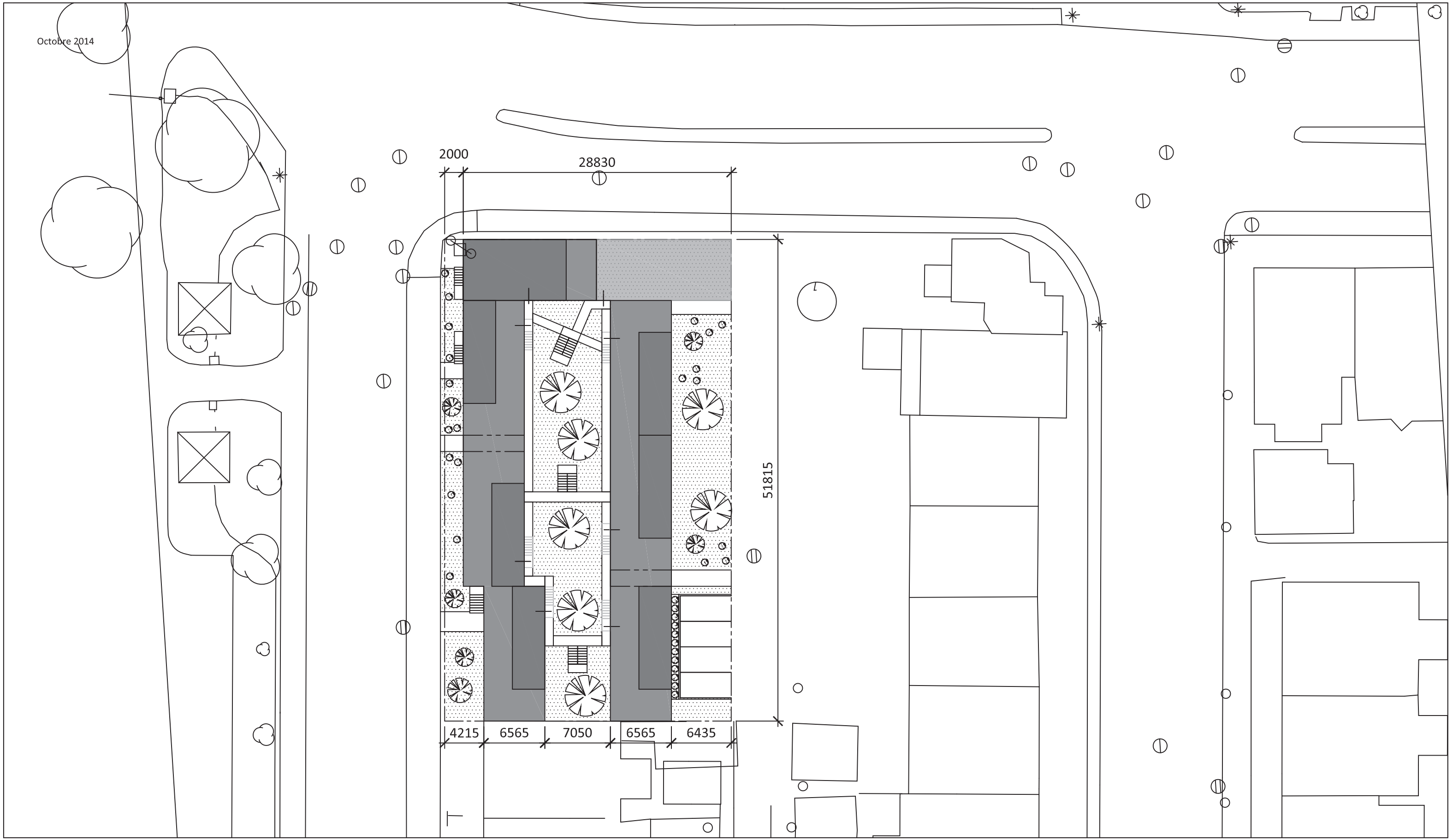
7		Plante	- Largeur: 0.50 m - Profondeur: 0.50 m

Octobre 2014



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Student housing pilot project

Pro forma financial analysis

Last update

October 10th, 2014

DEVELOPMENT COSTS

PROJECT CARACTERISTICS

	Number of apartments	Number of bedrooms	Clear floor area
Apartment type			
2 bedrooms	0	0	500
3 bedrooms	4	12	750
4 bedrooms	15	60	1000
5 bedrooms	0	0	1250
6 bedrooms	10	60	1500
Studios	0	0	250
Total	29	132	

Number of months between land acquisition and consruction beginning	6
Duration of the construction site (month)	12
Land area (sq. ft)	17 100
Gross floor area per storey (sq.ft)	7 955
Communal space floor area (sq.ft)	2000
Number of storey (including mezzanine and semi-basement)	4,40
Total gross building floor area (sq.ft)	35 000
Construction costs ($/sq.ft)	130
Gross floor area per tenant (sq.ft)	265

DEVELOPMENT COSTS

	Total	%	Cost per 1000 square feet
Building			
Land acquisition cost	1 312 500 $	16,84%	39 773 $
Clean-up costs	- $	0,00%	- $
Construction costs	4 550 000 $	58,38%	137 879 $
Provision for contingencies	227 500 $	2,92%	6 894 $
Total	6 090 000 $	78,13%	184 545 $
Profesional fees			
Architects and surveyor	185 789 $	2,38%	5 630 $
Engineers	122 433 $	1,57%	3 710 $
Legal costs	15 000 $	0,19%	455 $
Environmental assessment and geotechnical analyses	15 000 $	0,19%	455 $
Chartered appraiser and auditor	3 000 $	0,04%	91 $
File analyses and setup fees - mortgage loan	28 298 $	0,36%	858 $
Total	369 520 $	4,74%	11 198 $
Insurances	12 586 $	0,16%	381 $
Taxes and permets			
GST	328 226 $	4,21%	9 946 $
QST	654 811 $	8,40%	19 843 $
GST rebate for government funding (50%)	(164 113) $	-2,11%	(4 973) $
QST rebate for government funding (50%)	(327 405) $	-4,20%	(9 921) $
Interest on rebates (QST and GST)	27 279 $	0,35%	827 $
Duties on transfers	23 813 $	0,31%	722 $
School and municipal taxes	26 725 $	0,34%	810 $
Parking contribution	- $	0,00%	- $
Park fund contribution	91 200 $	1,17%	2 764 $
Construction permits	53 304 $	0,68%	1 615 $
Total	713 839 $	9,16%	21 631 $

Others			
Interim financing	223 920 $	2,87%	6 785 $
Furnitures and equipment	105 000 $	1,35%	3 182 $
Total	328 920 $	4,22%	9 967 $
Provision on variable costs (5%)	96 775 $	1,24%	2 933 $
Sub-total	7 611 641 $		230 656 $
Reserve fund for rental losses	139 709 $	1,79%	4 234 $
Reserve fund for insurances	7 989 $	0,10%	242 $
Reserve fund for school and municipal taxes	34 950 $	0,45%	1 059 $
Total	182 648 $	2,34%	5 535 $
Total	7 794 288 $		236 191 $
Development fees	206 055 $		6 244 $
Provision for contingencies on development fees	10 303 $		312 $
Grand total	8 010 647 $		
Development cost per sqare feet	228,88 $		
Development cost per bedroom	60 687 $		242 747 $
Value on municipal assessment roll			
Land	912 000 $		
Building	- $		
Total	912 000 $		
Fair market value after development			
FMV	7 610 114 $		

FUNDING

	Total	%
Mortgage loan	5 496 162 $	69%
Interest rate	*3,70%*	
Term	*5*	
amortization period	*20*	
Loan to value ratio	*72%*	
Payment	*Equal monthly instalments*	
Subsidies - Quebec Government and City of Montreal	*2 514 485 $*	31,39%
Total	8 010 647 $	

OPERATING COST

INCOME STATEMENT - YEAR 1

Leases duration	12 months

Rent by bedroom and apartment type

	Total/year	Monthly/bedroom
2 bedrooms	- $	420 $
3 bedrooms	60 480 $	420 $
4 bedrooms	302 400 $	420 $
5 bedrooms	- $	420 $
6 bedrooms	302 400 $	420 $
Studios	- $	420 $

Gross operating income	665 280 $
Vacancy and bad debt allowance	26 611 $
Effective income	638 669 $

Operating costs

	Total/yearly	Monthly/bedroom	Per sq.ft/yearly	%
Insurances	15 978 $	10,09 $	0,46 $	22,15%
Energy - communal area	3 200 $	2,02 $	0,09 $	4,44%
Maintenance	16 000 $	10,10 $	0,46 $	22,18%
Fire alarm				
Ventilation systems				
Snow-clearing				
Windows cleaning				
Rubbish				
Extermination				
Administration (5% of effective income)	31 933 $	20,16 $	0,91 $	44,26%
Salaries				
Financial audit				
Information technology, phone				
Resident caretaker	5 040 $	3,18 $	0,14 $	6,99%
Salary				
Equipments				
Total	72 151 $	45,55 $	2,06 $	100,00%

Net operating income before school and municipal taxes	566 517 $

CASHFLOW

Years---»	Construction	1	2	3	4	5	6	7	8	9	10
Vacancy and bad debt allowance		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Gross operating income		665 280 $	681 912 $	698 960 $	712 939 $	727 198 $	738 106 $	749 177 $	760 415 $	771 821 $	783 399 $
Vacancy and bad debt allowance		26 611 $	27 276 $	27 958 $	28 518 $	29 088 $	29 524 $	29 967 $	30 417 $	30 873 $	31 336 $
Effective income		638 669 $	654 636 $	671 001 $	684 421 $	698 110 $	708 582 $	719 210 $	729 998 $	740 948 $	752 063 $
Operating costs before municipal and school taxes		72 151 $	73 594 $	75 066 $	76 192 $	77 335 $	78 495 $	79 673 $	80 868 $	82 081 $	83 312 $
Municipal and school taxes		69 959 $	71 277 $	72 621 $	73 991 $	75 389 $	76 815 $	78 270 $	79 753 $	81 267 $	82 810 $
Net operating income		496 558 $	509 764 $	523 315 $	534 238 $	545 385 $	553 271 $	561 268 $	569 377 $	577 601 $	585 940 $
Debt service		(389 319) $	(389 319) $	(389 319) $	(389 319) $	(472 515) $	(472 515) $	(472 515) $	(472 515) $	(472 515) $	(472 515) $
Cashflow		107 239 $	120 445 $	133 995 $	144 919 $	72 871 $	80 757 $	88 753 $	96 863 $	105 086 $	113 426 $
Outstanding principal balance	(5 496 162) $	(5 305 773) $	(5 108 339) $	(4 903 600) $	(4 691 286) $	(4 471 117) $	(4 242 801) $	(4 006 037) $	(3 760 513) $	(3 505 905) $	(3 241 876) $
Fair market value (FMV) of real estate asset	7 610 114 $	7 762 316 $	7 917 563 $	8 075 914 $	8 237 432 $	8 402 181 $	8 570 225 $	8 741 629 $	8 916 462 $	9 094 791 $	9 276 687 $
Loan to value (LTV) ratio	72%	68%	65%	61%	57%	53%	50%	46%	42%	39%	35%
Capitalisation rate based on FMV		6,52%	6,57%	6,61%	6,62%	6,62%	6,58%	6,55%	6,51%	6,48%	6,44%
Potential cashflow from mortgage refinancing		127 849 $	433 955 $	749 539 $	1 074 916 $	1 410 410 $	1 756 356 $	2 113 103 $	2 481 010 $	2 860 448 $	3 251 804 $

Cashflow and reserves

Year---»	Construction	1	2	3	4	5	6	7	8	9	10
Leveraged cash flow	(2 514 485) $	107 239 $	120 445 $	133 995 $	144 919 $	72 871 $	80 757 $	88 753 $	96 863 $	105 086 $	113 426 $
Cashflow (free and clear)	(8 010 647) $	496 558 $	509 764 $	523 315 $	534 238 $	545 385 $	553 271 $	561 268 $	569 377 $	577 601 $	585 940 $
Debt coverage ratio		1,28	1,31	1,34	1,37	1,15	1,17	1,19	1,20	1,22	1,24
Contribution to real estate reserve fund		26 400 $	26 400 $	26 400 $	26 400 $	26 400 $	26 400 $	26 400 $	26 400 $	26 400 $	26 400 $
Contribution to furniture reserve fund		13 125 $	13 125 $	13 125 $	13 125 $	13 125 $	13 125 $	13 125 $	13 125 $	13 125 $	13 125 $
Debt coverage ratio after contribution to reserve fund		1,17	1,21	1,24	1,27	1,07	1,09	1,10	1,12	1,14	1,16
Year end balance - Mortgage loan managment reserve fund		67 714 $	148 634 $	243 104 $	348 498 $	381 844 $	423 075 $	472 304 $	529 641 $	595 203 $	669 104 $
Cashflow after contribution to reserves	(2 514 485) $	67 714 $	80 920 $	94 470 $	105 394 $	33 346 $	41 232 $	49 228 $	57 338 $	65 561 $	73 901 $

Basic assumptions

Nomber of rooms	132	Monthly operating cost before municipal and school taxes per year	
Monthly rent per room	420 $	Year 1	45,55 $
Rent Yearly/bedroom	5 040 $	Year 2	102%
Rent year 1	100%	Year 3	102%
Rent year 2	102,5%	After year 4	102%
Rent year 3	102,5%	LTV - initial mortgage loan	70%
Rent year 4	102,0%	First term interest rate - initial mortgage loan	3,70%
Rent year 5	102%	Average growth rate of the FMV	2,00%
Rent after year 5	101,5%	Amortization period of initial mortgage loan	20
Development costs/room	60 687 $	Rate - Vacancy and bad debt allowance	4%
Gross income/gross floor area (sq. ft.)	19,01 $	Amortization period of refinancing mortgage loan	20
FMV/DC	95%	Interest rate - refinancing mortgage loan	5%
Municipal roll value/FMV - year 1	85%	LTV - refinancing mortgage loan	70%
Rate - Vacancy and bad debt allowance - year 1	25%	Second term interest rate - initial mortgage loan	6%
Rate - administration costs	5%		