

Single Room Occupancy

Research and Discussion Paper

SRO: A New Frontier or A Step to the Rear?

Prepared for

Ministry of Housing, Recreation and Consumer Services

British Columbia Housing Management Commission

*This report is to be used for the purposes
of discussion and is not an approved
policy document.*

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- documenting the existing stock in British Columbia;
- providing an analysis of known preservation techniques in both the United States and Canada; and
- providing recommendations on policy and program options for the Government of British Columbia.

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The opinions and recommendations presented in this discussion and policy paper belong strictly to the authors who take sole responsibility for them.

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Executive Summary

Developing a Single Room Occupancy (SRO) housing policy presents an uncomfortable dilemma. Essential in preventing absolute shelterlessness, SROs are the reality that separates the homeless from the shelterless.

SROs are not considered to be affordable or adequate housing and therefore, using public monies for their acquisition, operation and management may be questioned. The licensed establishments that are often located at grade further complicate matters, given that their monetary value may be of little or no community benefit or public value.

However, in most cases, people are living in substandard living conditions and public and private investment should be made to upgrade them. But, with the current fiscal restraints of government and the withdrawal of the federal government from most housing programs, public funding may not be readily available.

The dilemma that exists is apparent.

The following research examines some of the complex issues surrounding SROs and in the process:

1.0 Document the Existing SRO Housing Stock

SROs are located in virtually every city and municipality of the Province of British Columbia, however, they are often not considered to be part of the low-cost rental housing stock, except in the larger centres.

There has been a steady decline in the number of SRO units in the Province during the last decade due to development pressures and closure due to poor building conditions, the age of the structures, neglect and fire.

This first section will focus on SRO units, however, there will also be some analysis of motels.

2.0 Documents Existing Preservation Techniques and New SROs

The analysis of the existing preservation schemes promotes public investment in the non-profit operation of SROs.

Traditionally, civic governments have taken a lead role in the protection of this housing stock in the United States, utilizing restrictive legislation. Most of the analysis of the preservation techniques is taken from the American experience.

It is apparent from the activities regarding SROs in both Canada and the United States that non-profit organizations are taking a lead role in the promotion of this housing stock as a means for providing shelter.

3.0 Drafts Preliminary SRO Policies and Program

Draft policies are presented in the third major section of the report and were for the most part, based on the precedents set in SRO involvement by the local, and provincial governments and non-profit organizations.

Draft program options are also explored and a recommended SRO program was devised and it is thought to provide the most feasible scenario for the acquisition, renovation and operation of SROs in British Columbia with partnerships of local and provincial governments and non-profit organizations.

Introduction

It was not until the destruction of SRO units during the urban renewal schemes of the 1970s that their merits were reassessed by advocates, academics and politicians and became recognized as the "safety net" preventing absolute homelessness in the cities of Canada and the United States. It was acknowledged that it was

the homeless crisis of the early 1980s that sparked widespread concern about the loss of SRO hotels (Hoch and Slayton, 1989,175)

There were thousands of SRO units lost in the larger American and Canadian cities in a relatively short period of time, due mainly to urban renewal programs and redevelopment pressures. With little low-rent replacement housing, the numbers of homeless people increased dramatically, most noticeably in the American experience.

Beginning in the 1970s,

- *New York lost 30,385 units, 60% of its stock, in 160 buildings;*
- *San Francisco lost 5,723 units, 17.7 % of it's stock;*
- *Seattle lost 15,000 units;*
- *San Diego lost 1,247 units, 26% of its stock;*
- *Portland lost 1,700 units; and*
- *Cincinnati lost 42% of its stock.*

(Source: Hoch and Slayton, 1989, 175)

In many cases, these units were replaced with non-housing uses because their inner city locations were well suited to more commercial uses and as land values increased, more profitable market activities were more desirable. In many other cases, the units were lost to fire or closed due to condemnation.

In Canada, have been much more fortunate. Thanks to excellent public housing programs, and relatively well planned urban development, much of our SRO stock has been saved. These are just some of the reasons why our homeless and shelterless population is nowhere near that of the United States.

However, we have duplicated some of the most recent U.S. policies that have contributed to homelessness including the withdrawal of federal funding programs, deinstitutionalization and poorly planned inner city development schemes.

Over the last decade, Canadian community advocates, academics and politicians have realized that, in order to prevent shelterlessness, SROs need to be preserved for low-income people.

It has also been recognized that in the absence of or diminished supply of new affordable housing, SROs can be an essential component of an overall strategy to end shelterlessness.

However, we must maintain that SROs are not the answer to homelessness and should never be accepted as the permanent solution.

SRO Characteristics

In the majority of cases

- SRO hotels are commercial activities;

which are

- owned and operated by individuals and private companies; and
- considered to be market rental housing, because their rental rates are set at what the market will bear, usually on a monthly basis.

SROs function more as a residential hybrid that combines aspects of hotel and apartment organization (Hoch and Slayton, 1989, 249)

Description

A typical SRO unit in B.C. consists of about 100 square feet of living space. In most instances, SRO units are not equipped with washroom or cooking facilities, although they may have a sink. The facilities are usually communal and located on each floor. It is generally observed that if an SRO unit has either a small bathroom or kitchen or both, the rent of that unit is very high for the quality of the unit. A small unit that is self-contained is commonly referred to as a bachelor or studio suite.

Until 1989, tenants of SRO units were not covered by the *Residential Tenancy Act*, the Provincial legislation that protects the rights of tenants and renters. SRO tenants were considered to be guests, regardless of length of tenancy therefore they held none of the legal rights that renters were granted under the Act.

Distinctions

■ *Single Room Occupancy Unit*

The definitions for Single Room Occupancy (SRO) units vary greatly, from residential hotels to rooming houses. Generally, in B.C., residential hotels have licensed establishments at-grade and rooming or lodging houses do not. For the sake of convenience, both classifications will be referred to as SRO units throughout the report, however, distinctions will be made where it is deemed necessary by the authors.

There are various other building types and forms which are comparable to SROs, which include:

■ *Motel Unit*

In most instances, motels differ from hotels by the fact that they will have a parking area and usually no licensed establishment at grade. Also, the rooms are usually equipped with a bathroom and in some cases, a kitchen. Motels are often distinct developments located on commercial strips or highways so that they are accessible to people with vehicles.

■ *Hostel/Dorm Units*

Very similar to SRO or rooming house unit, however, in many cases, there will be 2-4 beds per unit with communal washroom facilities and no cooking facilities. Hostel and dorm units are targeted to tourists and the travellers. Often, SRO hotels will be converted to hostel units because with four beds per unit, an operator can generate more revenue.

■ *Self-Contained Unit*

A self-contained unit is one in which there are washroom and cooking facilities contained within the unit. Generally, apartments units are considered to be self-contained, however, SROs can be self-contained, but very rarely.

Affordability

SROs are often mistaken for affordable housing which is a further complicated characteristic. It is commonly accepted that

- housing is considered to be affordable if its annual cost does not exceed 30% of a household's annual gross income

In general, SRO units rent at a greater cost per square foot per unit than most other rental housing.

Currently, in the City of Vancouver, a 100 square foot SRO unit would rent for the equivalent of the monthly shelter component of GAIN which is \$325.00 per month or \$3.25 per square foot. In Downtown Vancouver, the average October 1993 rent for a one bedroom apartment was \$663 or approximately \$1.00 per square foot. This rental cost per square foot variance is less in the cities and municipalities outside of Vancouver, but the general premise is the same.

Unfortunately, what makes SROs appear to be affordable rental housing is their lower than average total monthly rent which starts at \$325.00 per month. In most cases, even this amount is greater than 30% of a tenants monthly income.

As there are often no or limited cooking facilities in SROs, nutrition is generally more difficult to maintain and/or more costly than for residents of units with cooking facilities.

Residents

SRO units are often classified as low-income housing, because the majority of people living in them are on limited incomes, social assistance or working for low wages. Also, these units are usually inhabited by single low-income people for three main reasons:

- the unit sizes only accommodate single occupants;
- units are often located in areas that have other services and networks that are desirable for persons of low income; and
- they are the only housing resource that a single person with a limited single income can afford without subsidy.

Government itself has played a role in this phenomenon as, among other things, government housing programs have traditionally funded and subsidized families, the disabled and seniors while neglecting low income single people under the age of 55.

BCHMC has responded to this in downtown Vancouver by allowing a special category of "Downtown Seniors" with a threshold of 45 years and a more flexible definition of "disabled".

Increasingly, people with special needs are living in SROs. The Provincial Commission on Housing Options defined special needs as people with physical disabilities, chronic mental illness, chronic drug and alcohol abuse and HIV positive/AIDS, the homeless and hard-to-house or those at risk of becoming homeless (Provincial Commission on Housing Options, 1992)

Today, SROs have become a standard housing resource for fixed and low-income singles and those people with special needs. However, in Canada, most people living in SROs can be considered to be relatively homeless by definition.

Definition of homelessness and shelterless

Homelessness has several definitions and for the purposes of this report, the United Nations definition will be utilized.

- ***Absolute homelessness or shelterlessness referring to individuals living on the streets with no physical shelter; and***
- ***Relative homelessness referring to people living in spaces that do not meet basic health and safety standards, which, according to the United Nations include protection from the elements, access to safe water and sanitation, security of tenure and personal safety...and affordability***

(Source: Hulchanski et al.,1991,7)

The distinction between persons who are homeless and shelterless is important when considering that SROs are the last resource for those who would otherwise be absolutely without shelter.

Inventory of Stock

Introduction

In order to gain a representation of how much SRO stock exists and where it is located, this inventory attempts to:

- document the existing stock of SRO units of several cities and municipalities in British Columbia; and
- document the amount of stock that has been lost or gained in these locations where this information has been made available.

Net Gain/Loss

The data of the change in the amount of SRO stock documents a net loss or gain in the amount of low-income housing available in a community as it may contribute to an understanding of the dynamics of the stock. Where available, the cause of a loss of stock will be given.

In most instances, the data regarding the amount of SRO housing existing and the net loss or gain of units is unattainable which is attributed to the fact that the definition and classifications of residential hotels or SRO units are not available in given locations, or that this data is not available or has not been recorded. This is most often the case in the smaller and suburban municipalities where SRO hotels or motels are not considered to play a major role in the provision of housing to lower income people.

General Observations

Although there are no reliable statistics, given all of the information available, it has been estimated that

- *there are between 13-15,000 SRO hotel and motel units in the Province of British Columbia that primarily serve a residential population;*
- *the typical population of SRO hotels appears to be single males between the ages of 20-50;*
- *it is likely that there is significant residential displacement exists in the peak tourist season months between May and September;*
- *the majority of SRO residents are income assistance recipients;*
- *it is a noticeable trend that SROs are increasingly providing shelter to persons with special needs or those at-risk;*

Vancouver

Units

As of August 1992, the City of Vancouver documented **7,431 SRO hotel units** in the downtown core (City of Vancouver, 1993,1).

This number is only significant when it is looked at in relationship to the number of SRO units that existed in previous years which are as follows:

- *in 1985, there were approximately 10,150 SRO units;*
- *in 1989, the City estimated that there were almost 9,000 units;*
(Source: DERA, 1988, 6)
- *in 1991, there were approximately 7,500 units.*

(Source: Vancouver, 1993, 12)

Using these statistics, it is evident that there has been a dramatic decrease in the number of SRO units in the City.

In the past seven years, there has been a loss of **2,719 SRO units** in Vancouver or almost 400 units per year.

These units have been mostly lost to conversion to uses other than residential, demolition, fire and closure due to health and building code violations.

Residents

In a 1990 Survey undertaken by the Downtown Eastside Residents Association (DERA), the typical hotel resident was described as:

a Caucasian male who lives alone and is possibly disabled. He is 45 years or older and a recipient of social assistance, with a monthly income of less than \$580.00 (DERA,1990,5)

A noticeable trend in the residential population of the Downtown Area is that the typical hotel resident is younger. In the 1988 Survey by DERA, the typical resident was 51 years old (DERA,1988,6). This trend may be partially explained by the lack of public housing programs that target single persons below the age of 45.

Victoria

Units

The City of Victoria has a relatively small stock of SRO hotel units. In total, there are five residential hotels with approximately 214 units rented monthly in the off peak tourist season. In the summer months, this number usually decreases to 188 units as some of the units are converted to tourist use (Personal communications, 1993).

As the host of the 1994 Commonwealth Games, the City of Victoria faces a greater risk of tenant displacement as owners of hotels that want to capitalize on the increase in tourists to the City convert their units from residential to tourist. Already it is evident that owners of hotels and motels in Victoria evict tenants or do not rent rooms on a residential basis for extended periods of time during the peak tourist seasons so that they are able to take advantage of the higher rental rates attainable by targeting tourists.

The City of Victoria does not have a Standards of Maintenance by-law,

however, there is definitely a need for one given some of the existing conditions which are deplorable and unliveable. As Victoria has such a small stock, inspection and enforcement of this type of by-law may not be a great expense and inspections conducted in conjunction with the fire department may be relatively convenient.

A sprinkler requirement for existing SRO units should be enacted in Victoria because of the existence of perilous fire escape situations in Victoria area SROs.

It is also evident that SROs are sheltering many people with mental illnesses without support services. This should be investigated and a non-profit society that has experience and knowledge of this population should consider a lease with a civic or provincial acquisition.

There is at least one SRO residential hotel with over 80 units in Victoria known to be threatened by redevelopment.

Residents

In Victoria, the tenants of SRO hotel units tend to be single men between the ages of 20-50 and on income assistance. A recent survey conducted by the Victoria Street Community Association, with over 200 residents of the downtown community found that:

- *42% were live in hotels or rooming houses;*
- *84 % of hotel tenants were social assistance recipients (12)*
- *66% were male with the average age being 30;*
- *the median income is \$580.00 per month (10)*

(Source: VSCA, 1993,10)

Regional Cities and Municipalities

In British Columbia's regional cities and municipalities there are not large stocks of SRO hotels or rooming houses, but, the stock that does exist displays similar characteristics and dynamics as presented previously.

Most of the existing hotel and motel stock is used as tourist accommodation. In the non-peak tourist seasons (October - April), it is used as housing by local low-income residents and in the peak tourist season (May-September) it is used by tourists. It is not clear where people live in the summer months when the hotels and motels are used by tourists, but it can be assumed that many live out of doors, on the street or that they squat in abandoned buildings.

Nanaimo

Units

The City of Nanaimo has approximately **52 units** in six hotels that provide residential accommodation. In the summer, this number decreases to about 40 units as some units are converted for tourist use. It is unknown whether residents are evicted or turned away when this conversion takes place, however, it is likely that residential displacement exists (City of Nanaimo, 1993).

A City Spaces/Lannon and Associates report of October 1993 determined that,

the acquisition of an existing rooming house with minor renovations was considered to be the most appropriate approach for providing supportive housing for those people considered to be homeless or at-risk of being homeless (City Spaces, 1993, 5).

Prince George

Units

Prince George has a stock of **348 units** in approximately 15 hotels and motels that provide residential accommodations to number of low income people in the winter months (City of Prince George, 1990,14). The units were mostly found to be poorly maintained and in older building with the average age of units being 43 years. The City has no Standards of Maintenance by-law that would help to enforce standards for quality of life.

Residents

The *1990 Housing Survey* (City of Prince George,1990) found that fixed or low income people, mostly single older men whose primary source of income was GAIN or old-age pension live in SRO type accommodation. At the time of the survey, the rents per unit per month ranged from \$160-\$400 which have increased since that time.

The residential population of these units appeared to be fairly stable as evidenced with length of residency reported to the surveyors in years. However, it was reported that in the summer, some units were used by tourists and transient working people, mostly forestry workers, who require temporary accommodation.

In Prince George, a need for more and better quality units that serve the residential population was documented, however, if renovated or constructed, it was recommended that the units contain bathroom and kitchen facilities.

The survey also concluded that for an increase in this kind of residential stock a

private development would not be able to supply this type of accommodation without some form of social supplement, either in the construction phase or to residents' income (City of Prince George, 1990, 17)

Also, that

it might be more economic to convert an existing building rather than construct a new one (City of Prince George, 1990, 17)

This need was also exacerbated by the loss of 40 units in the Canada and McDonald Hotels when they were demolished and replaced by a new courthouse (Personal Communications, 1993). No fees or replacement units were contributed for this demolition and the City could prevent the decrease in this housing stock in the future by implementing demolition controls or fees in lieu of contributions.

In the *Final Report of the Housing Needs Research Project City of Prince George*, CitySpaces Consulting Ltd. suggested that for homeless adults, consideration may be given to "an emergency hostel in combination with supported housing in downtown" and that

(t)his might be achieved through the acquisition of an existing hotel or rooming house but, given the condition and size of existing residential properties, it is more likely to be a new build or renovation of another type of property (City Spaces, 1990, 1-11)

Given the poor condition of the existing stock and the need for more units for the single elderly, the City of Prince George may consider a partnership with more senior levels of government and non-profit operators to upgrade and rehabilitate an existing hotel or motel.

Kelowna

Units

A recent telephone survey of hotels and motels in Kelowna by the non-profit Society of Hope indicated that there are approximately 400 units in hotels and motels known to have residential tenants (Personal Communications, 1993).

Motels and hotels in Kelowna also provide residential accommodations in the winter months when it is not peak tourist season, although, the winter rates for motel accommodations appear to be higher than most other locations in the province. A survey of hotels/motels completed by the Society of Hope also indicates that rental rates range from \$175-\$1000 per month with the average rate being approximately \$450 per month. This could be due to the housing shortage in Kelowna resulting from the increased development pressures of the land and housing market.

Residents

Personal communications with community groups and community development workers with the Ministry of Social Services indicates that there are some families living in the motel units, but the majority of tenants are single men and single women.

It appears there are more single elderly women looking for accommodations in Kelowna than other regional centres.

Non-profit groups have indicated a need for more singles rental accommodations and are looking to the SRO model as a potential housing form. However, it was found that they consider SROs to be self-contained but for single people and therefore, it is believed they are looking to a model for small bachelor or studio units.

Kamloops

Units

Officials at the City of Kamloops have also reported hotels that are known to provide residential accommodations but again they are seasonal. Estimates by City Planners indicate that there may be in the range of **250-300 units** however, there is no documentation on the particulars of this stock in this location (Personal Communications, 1993).

A new SRO is currently being constructed and is due to open in the spring of this year. It is 52 units and because of its location and characteristics, housing advocates and planners indicate that it will be used as permanent housing by older men in the City.

Residents

Residents of Kamloops SROs are similar to those in other interior cities - mostly single elderly men on income assistance.

Other Municipalities

There have also been indications from other municipalities that people are living in hotel and motel accommodation, but mostly in the winter months when these rooms are not in demand for tourist uses and the vacancy rates decline.

Also, some municipalities such as Smithers have reported a marked increase in the number of homeless and shelterless people since the loss of hotel and motel units due to fire. Anti-poverty and housing groups in these municipalities are indicating that the loss of these units could be the only reason for this increase and are looking at the potential of constructing new accommodations as replacement housing.

Preservation and Replacement of SRO Hotels

Introduction

The loss of SRO units through destruction, conversion and fire has resulted in a serious loss of low-cost housing stock in urban areas and it has undeniably contributed to the increased numbers of homeless people.

This section of the research will:

- document various preservation techniques that have been employed for SRO hotels in selected cities, with concentration on restrictive covenants such as anti-demolition and anti-conversion ordinances; and
- explore several attempts utilized in encouraging the replacement and/or upgrading of SROs by the offering of developer incentives or government funding.

Preservation

The preservation of SRO hotels by government, non-profit agencies and community groups has evolved over the past two decades. Many of the preservation techniques for SRO hotels come from the United States, where protection of this vital housing stock has been employed since the urban renewal schemes of the 1960s and 1970s.

Preservation techniques have, for the most part, been Municipal or Civic initiatives because the regulatory responsibility of SROs rests with local governments.

Preservation of SROs is important for many reasons, but fundamentally,

(it) prevents the loss of permanent low-rent SRO units while reducing the number of displacees who would end up on the streets or in emergency shelters (Hoch and Slayton, 1989, 238)

Restrictive Covenants

The two main restrictive covenants utilized to protect the SRO hotel stock from demolition and conversion to tourist use are:

- anti-conversion by-laws; and
- anti-demolition by-laws.

One common characteristic of these by-laws (or ordinances) is that they are

usually preceded by adoption of a temporary moratorium on conversion or demolition of SRO hotels during which time the city (will) inventory the existing SRO housing stock and design a new ordinance (Hoch and Slayton, 1989, 249)

Hoch and Slayton have also summarized the general purposes of SRO ordinances as:

- *outlawing the conversion or demolition in SRO hotels covered by the ordinance unless a permit by the city is awarded;*
- *requiring the property owner, in exchange for permits, to provide either replacement housing or pay a fee equivalent to the replacement cost of such housing in to a city fund dedicated to the construction of low-income housing;*
- *providing guaranteed occupancy in replacement units; and*
- *ensuring that displacees receive adequate relocation assistance*

(Source: Hoch and Slayton, 1989, 249)

The cities of New York, Seattle and San Francisco have all legislated restrictive covenants to protect their SRO stock. Often, this is politically

undesirable to local government because it may appear to be anti-development, however, these cities have demonstrated considerable flexibility in providing concessions to developers and the private market.

Economics

The struggle for the preservation of SRO units is inherently economic in nature. In developing policy and programs, there is always an underlying struggle between the need for upgrading substandard SRO units while keeping the rents low. Unfortunately, without restrictive by-laws, the undesirable results of this tension are usually the eviction of tenants as housing costs escalate due to upgrading and conversion to tourist use, or low income people living in substandard housing at rents that are unaffordable.

In Vancouver and other cities where affordable housing shortages are critical due to lack of supply and development pressures, and where tourism is a large component of the economy, these tensions are usually the most pronounced. Perhaps nothing better exemplifies the precarious existence of people living in SRO housing than when cities are selected to host to one of the most disruptive of activities to rental housing - hallmark events.

Hallmark Events

Hallmark events are those events that are held in cities that attract large numbers of people for relatively short periods of time. Examples are the Winter and Summer Olympics and World Expositions. This latter type event was held in Vancouver in 1986.

It was prior to Expo that the evictions of hundreds of people occurred in the Downtown Eastside and Downtown South neighbourhoods, and unfortunately, the negative impacts of this event on its adjacent residential communities still lingers. In many cases, private operators of SROs hotels upgraded their rooms hoping to reap large profits by providing accommodations to the thousands of tourists that were arriving in the city

and in the process, evicted long-term residential tenants.

Unfortunately, Vancouver is not the only city with the negative outcomes of these large events. Community groups in Toronto were alarmed when that City recently bid for the Olympics. Current cities facing this problem are Atlanta, Georgia, and to a degree, Victoria, B.C., host of the 1994 Commonwealth Games.

These negative consequences could, to a certain extent be eliminated by the use of moratoriums to outlaw conversion. However, governments reluctantly implement these policies because they are labelled as regulatory and assumed to interfere with the workings of the private market. The public sector has responded to evictions and demolitions through providing relocation and housing registry services by nonprofit agencies who are familiar with the residents and housing stock in communities where displacement exists. In Vancouver, there is also a \$1000.00 per unit demolition fee charged on multi-unit housing which funds relocation services. Although they are useful and effective in advocacy, relocation and monitors of the housing stock, these services are reactive rather than preventative.

Differences between the United States and Canada

In the American experience, it has been stated that

saving SROs can work immediately and effectively to deal with the most important need, that of affordable, secure and private housing (Hoch and Slayton, 1989, 238)

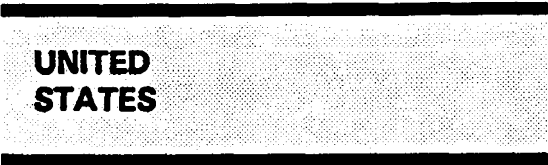
In the United States, the Department of Housing and Urban Development (HUD) uses the definition of homelessness that refers to

people in the streets who, in seeking shelter, have no alternative but to obtain it from a private or public agency. Homeless people are distinguished from those who have permanent shelter even though that shelter may be physically inadequate. They are also distinguished from those living in overcrowded conditions (Hulchanski, 1991, 6

By definition,

- in the United States, people living in SROs are not considered to be homeless even though they may live in inadequate shelter.
- in Canada, people living in SROs are considered to be relatively homeless as this shelter is for the most part, not adequate.

This important distinction between Canada and the United States is most evident in the differing funding and subsidy policies and programs between the two countries which are documented in the following section.



Federal

Section 8 Moderate Rehabilitation Single Room Occupancy Assistance Program

Goals

As stated in a funding application, HUDs goals for the program are as follows:

- residential stability;
- increased skill level and/or income; and
- greater self-determination.

There is no analysis available as to whether the goals of the program have been satisfactorily attained, but in their program applications, applicants are required to establish specific measurable objectives for the three goals. Also, applicants are required to monitor the progress of meeting these objectives which must be submitted to HUD byway of annual progress reports.

Program

In 1987, Section 441 of the *Stewart B. McKinney Homeless Assistance Act* authorized the *Section 8 Moderate Rehabilitation Single Room Occupancy Assistance Program* (HUD,1993,1).

Section 8 works in conjunction with the moderate rehabilitation of residential buildings, so that,

- once a building is renovated, rental assistance payments are made to the owners in order that the rents remain low.

These rental payments are the difference between 30% of the tenant's income and the unit's market rent.

Rental assistance payments for SROs under the Section 8 program are committed for a ten year period and are intended to indirectly compensate the owner for the renovation/rehabilitation and maintenance costs of the building in exchange for lower rents.

To be eligible for Section 8 subsidy, units must receive a minimum \$3000 worth of renovation work. (HUD, 1993,1)

A prorated amount of work must also be completed on the common areas or systems (mechanical/elevating) and this work must meet the housing quality standards which are set by HUD.

Since the program began in 1988,

- \$351 Million has been provided for the assistance of over 8000 units.

In 1993,

- \$115 Million was allocated to the Section 8 program; and
- it is estimated that this amount will assist approximately 2000 units over the 10 years of the assisted period.

The *McKinney Act* requires that homeless people be given first priority for the occupancy of SRO units and to achieve this requirement, an application for Section 8 assistance will only be accepted where there is at least a 50% occupancy rate in a building. It is projected that these vacant units will be rehabilitated for homeless people.

Also, policy dictates that for the 50% of the units that are occupied, existing tenants are always given first priority when the rehabilitation is completed to ensure that the units are not converted for use by another income group and that existing tenants are not displaced. It is unknown if the tenants are given relocation allowances or assistance while their units are being renovated. However, even with these policies in place, there is no assurance that operators are adhering to them.

Section 8 is a subsidy program which is comparable to the Provincial Rent Supplement Program used in British Columbia for newly constructed and existing market rental units with the major difference being that the Rent Supplement Subsidy Program does not apply to SRO units in B.C.

Conclusions

The subsidy of SRO units is important in that

- it encourages private owners to undertake renovations while maintaining low rents; and
- it indirectly subsidizes SRO operations.

However, by subsidizing SRO units, government is essentially accepting inferior housing stock. This can also be a reaction to the lack of new construction of affordable housing. Therefore, if the government of B.C. considers SRO rent subsidy payments, they should only be granted in non-profit operations.

Civic Experiences

■ **Portland, Oregon**

In Portland, Oregon, the preservation of SRO housing began in 1977 when a store operator, wanting to protect her business, purchased the building it was located in which happened to be the Estate Hotel. She obtained a mortgage through a local bank and received a low interest rehabilitation loan from the Portland Development Commission (PDC) with a guarantee of keeping the rents of the units low. The successful renovation of this 159 unit hotel resulted in the Burnside Consortium - a group of merchants, community organizers and residents interested in protecting their inner-city neighbourhood.

In the early 1980s, the State of Oregon lead the lobby efforts to have the Federal Section 8 program apply to SROs and this allowed Portland to run an SRO Demonstration program which saw the rehabilitation of 247 SRO units (Hoch and Slayton,1989,246).

Chapter 33.510 of Title 33, Planning and Zoning in the Central City Plan District, Section 33.510.110 entitled *Single Room Occupancy (SRO) Housing and Shelter Beds*, Ordinance 165376 limits the number of SRO and shelter beds in the inner city district.

This ordinance resulted from the Clark Shiels Agreement dated May 5, 1987, which was made between the social service agencies and the business community, represented by Don Clark and Roger Shiels, a consultant who represented the property owners in the Downtown District.

The preservation of the low-cost SRO housing stock in Portland succeeded as a community development initiative also and

crucial to the success of (the) collaborative efforts was the perception by public officials, bureaucrats, owners and advocates that the hotel renovations were a contribution to a community rather than just improvements to the low-income housing stock (Hoch and Slayton, 1989, 246)

The efforts to preserve SRO housing in Portland have been described as "exemplary" because

public agencies collaborated with neighbourhood organizations and SRO owners to protect the integrity of the low-income residential community of the single poor near downtown (Hoch and Slayton, 1989, 248)

Central City Concern

Central City Concern (CCC) is one of the largest non-profit housing organizations in the United States and one of Oregon State's largest drug and alcohol treatment agencies.

Central City Concern also owns, manages or has under construction 980 SRO housing units. Many of these units are dedicated to special needs populations, with tenants participating in treatment programs in the buildings.

CCC also hires people from its community and approximately 75% of its 190 employees have lived in units operated by the organization or gone through their treatment programs.

Portland Development Commission (PDC)

The Portland Development Commission (PDC) is a local redevelopment agency that receives the majority of its funding from tax increment financing and its activities include funding, loans and development initiatives.

Alder House

In the early 1980s, within the City's policy for preserving low income housing, the SRO Demonstration Project began - the first of its kind in the United States. With the use of Federal Funds, 247 living units were rehabilitated for one-third of the cost of needed to build new units or rehabilitate existing units under traditional federal programs. (12 Point Plan, 16)

In September of 1992, a newly constructed 131 unit SRO was completed in the City of Portland. Renting for between \$245-\$275 per month, these 196 square foot units were deemed to be affordable to persons on income assistance or those with incomes in the range of \$5.00 per hour. The majority of the units in this development are only equipped with bathrooms and therefore, residents are required to utilize restaurants and other services to eat. There is amenity space provided within the building including a library/meeting room and lounge and snack area.

Located on land owned by the First Presbyterian Church of Portland, Alder House was built and leased back to the non-profit Downtown Community Housing Inc (DCHI), which qualified for a 10 year property tax exemption for the building improvements.

In 1985, the State of Oregon passed legislation that permitted property tax exemption for low-income housing that was owned or leased by non-profits who could demonstrate that the savings from the exemption would benefit renters by reduced rents.

■ **San Francisco, California**

Recently, San Francisco's absolute homeless population was estimated to be in the range of 10,000 people (San Francisco Chronicle, Oct 6, 1993).

As stated previously, the destruction of SRO units is an identifiable cause of homelessness and the City of San Francisco, during the urban renewal of the 1970s, was no exception.

In November 1979, an interim moratorium on the demolition and conversion of residential hotels was established by the City of San Francisco pending the adoption of more permanent and comprehensive controls through legislation (City of San Francisco, 1988,8).

A report commissioned by the City determined that

between 1975 and 1979, 5,723 of the existing 32,214 SRO units were lost in the City, 15% of the total stock, due to demolition and conversion - a loss of 1,200 units per year

The report also concluded that

(h)otel conversion was found to have potential serious social and economic impacts on the lower income population living in residential hotels (City of San Francisco, 1988,8).

As a result of the report findings, the City of San Francisco legislated an anti-conversion and anti-demolition ordinance.

San Francisco Residential Hotel Unit Conversion and Demolition Ordinance

Purpose

Under Chapter 41 of the Administration Code, the stated purpose of the ordinance is to:

benefit the general public by minimizing adverse impact on the housing supply and on displaced low income, elderly and disabled persons resulting from the loss of residential hotel units through their conversion and demolition (City of San Francisco, 1990,1).

This purpose is to be achieved by the ordinance through:

- establishing the status of residential hotel units;
- regulating the demolition and conversion of residential hotels units to other uses;and
- appropriate administrative and judicial remedies for those owners and operators who are found to be non-compliant.

The regulation of SROs through the anti-demolition and anti-conversion ordinance is the single most important factor in the preservation of the residential hotel stock in San Francisco.

The ordinance is slowing the losses in the number of units lost to other uses as is evidenced by the fact that

Between 1981 and 1988, only 2 residential hotels with a total of 109 units were lost through the conversion to tourist use and the one-to-one replacement requirement of the ordinance was satisfied by the rehabilitation of 72 units and in-lieu-of payments of \$550,000 (City of San Francisco,1988,1)

Amendments for Tourist Use

In 1987, the ordinance was amended to permit up to 25% of the residential stock to be converted to tourist use through the months of May to September as there was found to be a lack of moderately priced tourist accommodations. A hearing procedure was also included in the by-law for owners and operators who exceeded this limit.

This example demonstrates the flexibility of the ordinance and the compromises that can be reached between the public and private sector when it comes to residential accommodation.

Developer Contributions

Positive outcomes of the ordinance have also resulted in private sector contributions. In one case in the early 1980s, in exchange for permits, the developers of two luxury hotels in the Tenderloin neighbourhood agreed to pay \$270,000 per year over the next twenty years for subsidizing rents in the low-income neighbourhoods surrounding their projects. In addition, each hotel development contributed a \$200,000 over a four year period to community groups providing health care, seniors activities, food and job training and opportunities (Ontario Ministry of Housing, 1986, 28).

Non-profit Ownership and Operation

In recent years, public funding and subsidy of SROs has increased with non-profit organizations assuming the responsibility of day-to-day operations and provision of support services to the residents. One of the other programs used is Shelter plus Care, a federal program that combines operational and support funding and is used in some SROs.

Effectively, non-profit SROs with support services have partially contributed to the stabilization of the residential population of hotels and in turn, the community.

San Francisco has approximately 2,000 units in some 20 residential hotels

that are operated by non-profit groups, some of which operate both SROs and self-contained units. The City of San Francisco has also encouraged the development of community based sponsor groups for SRO housing projects because these organizations know the community needs, characteristics and dynamics and are skilled in operating supportive housing and the delivery of services to those with special needs.

The role of non-profit operated SROs is to promote community and individual stability through the encouragement of long-term tenancy.

Non-profits SROs can achieve residential stability through:

- very good hotel management and operation;
- enhanced support services;
- tenant status for residents; and
- strict tenant selection.

In the State of California, tenancy and tenant rights are established when a person has occupied the same unit for 28 consecutive days (Personal Communications, 1993) which operators can avoid by

- charging weekly rates;
- moving people around into different units when the end of the qualifying period is approaching; or
- evicting people.

This leads to a cycle of eviction and relocation, which contributes to a more transient population and instability within hotels and communities.

To encourage tenant interaction and sense of community hotels, most non-profit operations remove one or two rooms per floor during renovations and add communal kitchens and lounges.

Also, businesses tend to locate in retail spaces at-grade of non-profit run hotels because the enhanced staffing and more stable residential population promotes better business climates.

In the United States, non-profit run hotels have strict tenant selection guidelines which allow them to select the best tenants which indirectly forces the for profit operators to improve their hotel conditions and lower their rents in order to compete for tenants. One of the criticisms that has resulted from non-profit operations is that sometimes their tenant selection criteria is too rigid and that they can turn away the hardest to house. This may indirectly force private operators to upgrade their facilities in order to attract better tenants.

Most non-profits operate their hotels through their own organizations, however, several groups have created the Caritas Management Company, a for-profit company that manages housing buildings, including SROs.

Tenderloin Neighbourhood Development Corporation (TNDC)

The TNDC is one of the larger non-profit groups that purchases and operates SRO hotels in the inner-city Tenderloin district, an area which contains the majority of the City's SRO stock.

The TNDC is one of the largest non-profit housing organizations in the City and it has 338 SRO units in three buildings.

The smallest hotel TNDC owns is the 40 unit Atari. Some features of this hotel are:

- resident manager;
- communal kitchens on each floor;
- security problem because of undesirable pedestrian traffic; and
- strict tenant selection and management practices for security reasons.

Security services were the greatest expense to the operations of the hotel and because of the hotel size, it was deemed to be more economical to have a resident manager.

It was concluded from this hotel operation that

- smaller hotels, because of the high per unit management and operation costs may not be as appropriate for housing special needs and at-risk persons as larger hotels that can benefit from economies of scale.

The other hotel operated by TNDC is the 211 room Civic Centre Residence (CCR) that houses the disabled, seniors and single parent families. It is not uncommon in the Tenderloin district to find families with children occupying SRO units in both private and non-profit operated hotels. The CCR was well staffed and able to provide emergency services when homeless families are involved. Because the CCR has 24 hour staffing, security does not appear to be a concern and is also bolstered by the provision of amenity spaces in the lobby of the building. Tenants that utilize these spaces act as part of the security net because they can alert management to strangers.

The one main drawback to the CCR is that it is tied into a cafeteria service that is extremely expensive and inappropriate for the needs of most of the residents. There is only one common kitchen in the basement of the building in the laundry room. TNDC would like to alter this arrangement, however, eradicating the cafeteria service would activate clauses in the legal arrangements that would see the organization pay in the magnitude of \$20,000 per tenant.

Senator Hotel

The Community Housing Partnership (CHP) is one organization which presents an impressive model. Formed through a coalition of homeless groups, CHP buys hotels in the Tenderloin District, renovates them and provides support services to the tenants. The Senator Hotel development successfully expanded upon this process by adding a employment component for homeless people. In the development of the Senator Hotel, CHP was able to apprentice homeless people during the construction phase which provided them with employment skills and experience and a wage.

In addition, the Senator has another unique strategy to encourage individual stability and independence. Residents of the hotel have a variety of in-house supports but, as their need for supportive housing decreases and their independence increases, support services are decreased and transferred to another hotel to serve a new set of residents. This strategy reverses traditional models of moving residents to new accommodations as they become more independent.

State and Emergency Funding

One of the other contributing factors to the increase in SRO operation by non-profits in the Bay area is the funding that has been available through the Federal Emergency Management Agency (FEMA). After the 1989 Loma Prieta earthquake in San Francisco, there was a great supply of disaster funding available from FEMA that non-profit groups were eligible to receive for the renovation, and seismic retrofit of buildings that survived the earthquake, and for new construction of those that did not.

One non-profit development corporation taking advantage of this available funding is the Tenants and Owners Development Corporation (TODCO), which is building new SRO units in the Sixth Street Corridor, a low income area in Downtown San Francisco. After the 1989 Loma Prieta Earthquake, this neighbourhood was designated a "redevelopment area" as it had sustained significant damage which permitted the area to qualify for Federal and State emergency and disaster funding.

Construction on TODCO's first project, the 140-unit Knox SRO, began in the summer of 1993 and was classified as earthquake-replacement housing as it is located on a site of a destroyed residential hotel. There are strict regulatory limitations on this because of this classification and therefore, TODCO believes this project will not represent a complete "New SRO" prototype. An example of this is that the Knox SRO will house people that were displaced in the 1989 earthquake as a condition of its State funding. But, it is recognized that few people meeting this requirement may be found in the community by the date of occupancy.

■ **Oakland, California**

Oakland, California lost of approximately 1,200 SRO units after the Loma Prieta earthquake and the Aztec Hotel was one of the hotels renovated with funding from FEMA. It is slated to house persons with mental illness and others at-risk. The authors toured the Aztec Hotel as part of an SRO Conference in February 1993 and the resulting information is their personal account of the project.

Aztec Hotel

The Aztec is located in one of the most depressed areas of Oakland where there is a very high crime rate, few housing units and very few services. Site selection appears to have been based on funding criteria rather than tenant needs.

Acquisition and Renovation Funding

The State of California Department of Housing and Community Development provided acquisition and rehabilitation funding and the City of Oakland Office of Community Development provided acquisition financing.

The majority of the funding for renovations to the project was allocated from Federal Emergency Management Authority because the building had suffered earthquake damage. Each funding agency has its owned parameters and requirements for funding and in the case of this project, it was indicated that

- new construction was not permitted;
- the project must have suffered earthquake damage; and
- there could neither be an increase or decrease in the number of units.

Renovations

There was no attempt to involve prospective tenants in aspects of the design or support services and the manifestations of this lack of involvement are extremely evident in the building.

The most noticeable design flaw of the Aztec Hotel is the use of brightly coloured paint, carpet and tiles that were intended to promote "pleasant and bright rooms and corridors" (Personal Communications, 1993). However, there are so many colours utilized and in such uncoordinated combinations that there is an almost hallucinogenic effect. This is most evident in the washrooms where the colours are reflected in the mirrors and brighter lighting. For those tenants that suffer from mental illness, the colour schemes could prove to be very uncomfortable and effectively diminish liveability.

Some of the more disturbing aspects of the building are:

- units in the Aztec Hotel are in the 70 square foot range without washroom or kitchen facilities;
- some of the beds had to be sized down so that they would fit into the room;
- no sinks in the rooms because the Architect feared that there would be flooding;
- no built in closets so valuable floor area is wasted on the armoire-type closets;
- separate mens and womens communal washrooms located on each floor, but there is an inherent lack of privacy due to poor design;
- poor security system; and
- poor fire escape system.

The unit sizes are completely unliveable and when the bed and armoire are added to the rooms, there will be no space for personal belongings.

There is another element to the design that appears to be well intentioned

but illustrates the lack of options that were explored. As mentioned above, there are no sinks in the units as the architects feared the residents would leave the taps running and cause flooding and damage. However, it was apparent that the architects did not explore options, like spring loaded faucets that would shut off if the taps were left on.

Also, the Aztec has been looked at by private developers as a model for investment opportunities. One in particular was of the opinion that an SRO modelled after the Aztec could be profitable in the private market. Inexpensive materials, lack of appliances, plumbing and fixtures in the units, the size of the units and the lack of twenty-four hour staffing add to the attractiveness of the Aztec SRO model.

Aztec Hotel Tenants Support Program

The ongoing support services of the hotel are funded by the Alameda County Mental Health Services to provide support and community building for the tenants. This program was not implemented until tenant move-in and there is no communication or involvement with the residents prior to this.

One of the stated goals of the support program is to

provide a full range of comprehensive support services geared to enable tenants to maintain a stable and independent life
(Personal Communications, 1993)

However, it is expected that this goal may not be fulfilled given the nature of the support program. In the Aztec

- **it is mandatory for the tenants to purchase the meal package with their rooms;**

This is the greatest problem as most of the tenants receive income assistance of approximately \$600 per month and room and board costs \$525 at the hotel. This leaves the majority of tenants with \$75 per month for other expenses. Residents's lifestyles are dictated by the hours of the

kitchen which does little to promote independence, nor do the following hotel features:

- cafeteria-like eating area;
- myriad of rules governing guests and visitors; and
- no individual mailboxes so management is in charge of mail.

The Aztec is a response to the growing problem of homelessness and deinstitutionalization but its goals of providing stability and promoting independence are hampered by poorly thought out design and support programs within the hotel.

It was projected that the Aztec Hotel would "service people with psychiatric histories/disabilities who (were) coming out of institutional settings and homelessness". Unfortunately, the Aztec has, by all accounts, replicated all of the negative aspects from the very institutions people have moved from and in the process created an institutional SRO.

■ **New York, New York**

Beginning in the 1970s, New York lost approximately 30,385 SRO units and in 1986, there were approximately 64,000 legal SRO units existing.
(City of New York, 1986,i-1)

For several decades, city regulations made it illegal to create new SRO units in New York and this restriction combined with the demolition and conversion of SROs that began in the 1970s, lead to rapidly declining numbers of units.

In response, the Mayor's Office of SRO Housing was created in 1973 and initiated several incentive programs including low-cost loans and tax incentives for owners to upgrade and retain their SROs for low-income people. When these initiatives showed only lukewarm response and success, and with the numbers of homeless people increasing rapidly, the City was forced to re-examine its position and an interim moratorium was imposed on the conversion, alteration and demolition of SRO units.

Mayors Office of SRO Housing of New York

The purpose of the Mayor's Office of SRO Housing was to:

- coordinate social services; and
- to deal with enforcement of building codes and by-laws.

Loan Program

In the early 1980s, the SRO Loan program was initiated by the Mayor's Office, and under this program,

- loans to a maximum of \$5,000.00 per unit were made to owners of SROs with very attractive repayment terms; and
- loan terms could be up to a maximum of 20 years with an interest rate of 1%.

For owners to qualify, an affidavit of a loan rejection from a bank was required. As incentive for owners to take advantage of this Loan Program, an SRO Tax Benefit Program existed in which owners were exempted from the increases in assessed property valuation that was attributable to the reasonable costs of improvements and taxes were abated for rehabilitation expenses.

Only after several years did the SRO Loan Program begin to reach its annual funding allocation of \$1 Million. Some of the reasons given for the sluggish response to the program were that the loan process was overly complicated and time consuming and that the rents of eligible units could not be restructured.

Tax Incentives

New York City also considered allowing substantial property tax incentives for the non-profit operators of SRO hotels.

In 1986, the following three property tax revisions were under consideration by the City:

- complete property tax exemption be available for hotels wholly-owned by non-profit organizations and that house low income people;
- privately owned and non-profit operated SRO hotels be made eligible for property tax exemptions; and
- tax exemption and abatements be available for SRO units that have been rehabilitated.

Moratorium

New York City enacted Local Law Fifty-Nine in August 1985 which imposed an eighteen month moratorium as it was recognized that

the intervention of City government (was) necessary to protect such housing stock by imposing a moratorium on conversions, alterations and demolitions of single room occupancy multiple dwellings (City of New York, 1986,1-7)

During the term of the moratorium, the Mayor's Office was to

arrange for the preparation of a study to determine the best means of making available SRO dwelling units and other housing for low income people (City of New York, 1986,1-1)

When completed, the study recommended regulatory measures to retain and enhance the existing stock, and options for owners buy-out schemes. In 1987, in response to the study the City

- passed a five year moratorium on the demolition, conversion or alteration of SRO hotels; with
- provisions for owners to convert existing units.

Owners who wished to convert their units could make contributions of between \$35-\$45,000 per unit to the SRO Housing Development Fund that was established by the Commission on Housing Preservation and Development. Proceeds of the fund would be utilized to build replacement housing.

Strict penalties were included in the legislation for owners who were non-compliant or who harassed tenants to get them to vacate units, but it is unknown how well enforcement of the regulations was conducted to ensure effectiveness.

The moratorium legislation (was) the clearest testimony to the city's commitment to save the low-income single room housing which remains (City of New York, 1986, 1-7)

The Heights

In 1986, the first SRO hotel specifically designated for and by homeless people was developed by the non-profit Committee for the Heights Inwood Homeless (CHIH), an organization of homeless and poor from the Washington Heights neighbourhood of New York City, using funds raised through the moratorium. Particulars on this development were documented by the Community Service Society, in The Heights: A Community Housing Strategy, 1986.

"The Heights", a 55 unit new SRO building was the achievement of a complex public/private initiative to provide housing for homeless people.

Financing

The development financing for the Heights came from four different sources including private and public lenders.

Community Preservation Corporation Loan (CPC)	295,000 11.37% at 15 years
New York City-Housing Preservation and Development Participation Loan Program	366,000 1% at 30 years
Housing and Community Renewal Special Needs Housing Grant	282,000
Tax Syndication Proceeds	300,000

The financing is unique for several reasons but most importantly because, the project received a long term loan at conventional interest rates. The Community Preservation Corporation (CPC) is a consortium of 34 private banks in New York that are mandated to finance low and moderate income housing developments.

The loan from CPC in conjunction with the loan from the City allowed the project to reduce the debt servicing and the total operating costs. The risk to CPC was also minimized because of its first position in the mortgage and the guaranteed operating subsidy from the Section 8 program.

The Heights is owned as a limited partnership including the non-profit CHIH and a private developer. In the U.S. limited partnerships tend to be utilized because of the tax advantages available. This limited partnership permitted the project to be syndicated (investors took an equity position for tax benefits) and the funds from syndication were used in the development of the project.

The Section 8 funding provided by HUD was crucial for the ongoing operating costs of the project. Without the Section 8 subsidy, the

operating costs along with the debt servicing would have made the rents unaffordable to homeless people. Tenants of the Heights pay 30% of their income in rent and the remaining amount is received through the Section 8 rent subsidy program.

The furnishings for the hotel were mostly acquired through donation from the Mayor's Office of SRO Housing and from the donations accumulated by the Mayor's Voluntary Action Center. Also, a major hotel donated many of the hard furnishings such as desks, bureaus, chairs and mirrors. These donations substantially reduced the project costs.

Because of its complicated financing structure, "The Heights" SRO project is the exception rather than the rule because it is difficult to duplicate and transfer this model. But this does demonstrate the complex financing schemes that are sometimes needed to make SROs viable operations, and that SROs can be feasible investments in the private sector. Also, that replacement fees can be used by local governments and non-profit groups to create more housing.

CANADA

Quebec

The provincial government of Quebec, through its housing Commission, Societe de Habitation de Quebec (SHDQ), has a cost sharing program with participating municipal governments that provides capital funding for the renovation of housing units, including SROs. The cities of Montreal and Quebec City have differing approaches to the preservation of SRO units, but they both utilize the partnership program with the provincial government.

■ Montreal

The Province of Quebec and the City of Montreal have entered into a cost sharing partnership to encourage the renovation of low-cost housing while maintaining low rents. Under the Rental Housing Renovation Program, building owners are eligible for a grant of up to 90% of the cost of work being completed on the units which is cost shared, 90% by the Province and 10% by the Municipality.

Rooming House Acquisition Program

The City of Montreal has an aggressive acquisition and renovation program that has contributed to the operation of over 1000 units. However, one should be aware the Montreal stock is vastly superior to anywhere else in Canada and that it is an important part of the City's heritage (Personal Communications, 1993).

Societe d'habitation et de developpement de Montreal (SHDM) in partnership with the City of Montreal renovated a 52 unit rooming house that opened in the fall of 1991 under the Rooming House Acquisition Program.

Project

Built in 1875, the building was acquired for \$800,000.00 or \$15,628.00 per unit. No major renovations had been completed to the building since its construction, therefore, SHDM projected extensive renovations including:

- new floor plan for each floor;
- replacement of all mechanical systems, including plumbing, heating and electrical;
- replacement of washrooms;
- installation of common laundry facilities, security systems and sprinkler system; and
- replacement of the roof.

It was projected that these upgrades would cost approximately \$18,200 per unit or \$946,000.00. which was funded by the City of Montreal.

The total cost for acquisition and upgrade of this Montreal SRO was approximately \$1,746,400.00 or \$33,585.00 per unit.

During renovation, existing tenants were relocated into other units which was subsidized by the provincial and municipal governments.

It was projected that rents after the renovations would increase by no more than 10% and that a non-profit group would assume management of the project, including rent collection, maintenance and support services. It was not clear from the information given if this ongoing management would be subsidized by government.

SHDM retained ownership of the property and has responsibility for paying the insurance and taxes and servicing the debt.

Non-profit Management

SHDM encourages non-profit organizations to manage special needs buildings and as part of its Mission Statement, one of its principals is

providing management of a real estate stock so as to improve tenants' quality of living by favouring those with modest incomes, and those with special needs. For some buildings having a more specialized vocation, the SHDM encourages management by non-profit organizations representing the community (SHDM,1993,3)

Ontario

In 1986, the Ministry of Housing established the Ontario Task Force on Roomers, Boarders and Lodgers. The resulting report of this task force, entitled A Place to Call Home: Housing Solutions for Low-Income Singles in Ontario, is one of the most comprehensive document available in Canada regarding SROs.

It was documented in the report that

the most expensive and wasteful way to produce housing for lower-income single people would be to build it (Ontario Ministry of Housing,1986,vii)

The Task Force was urged to look at other ways of providing housing or improve the existing stock and one of the tools the Ministry of Housing used was legislated.

Bill 11 - Rental Housing Protection Act

In 1986, the Ontario Legislature passed Bill 11 which was basically intended to protect and preserve the existing rental housing stock in the Province against

- demolition;
- conversion;
- displacement due to renovation; or
- severance for the purpose of sale.

(Source: Ontario Ministry of Housing, 1986, 136)

Following the typical characteristics of anti-conversion and anti-demolition presented previously, this Bill was passed for a two year period while a more comprehensive plan for the protection of this stock was created.

In 1986, there were approximately 184,000 SRO or rooming house units in Ontario (Ontario Ministry of Housing, 1986, 139)

■ **Ottawa**

The City of Ottawa's non-profit Housing Corporation, City Living manages close to 4,000 units. In 1987, this corporation, in conjunction with CMHC constructed a new 55 unit SRO.

Bronson Avenue Rooming House

Project

The Bronson Avenue project has 55 SRO units complete with kitchenette facilities. There are communal washrooms, laundry facilities, and amenity spaces.

The policy guidelines for the operation of SROs (rooming houses) by the

corporation are based on the following:

- maintain a supply of affordable housing for low income single persons;
- ensure that City Living Rooming houses meet sound property management standards;
- maintain healthy and secure living environment; and
- maintain a liaison with the neighbourhood and community support services for purposes of consultation and referral.

(Source: Oberlander, 1987, 10)

The target group for the project were:

- low-income single under the age of 50, including transient men and women;
- those who are self-sufficient;
- marginally employed; and
- preference to applicants from Ottawa;

Additional criteria were:

- ability to share close living quarters with other people;
- proof of income; and
- over the age of 18.

Funding

Funding for the Bronson Avenue project was obtained through the Rental Supply Program of Canada Mortgage and Housing Corporation which included a 15 year interest free construction loan for \$391,020, which was conditional on the City of Ottawa contributing 20% of the capital costs, or \$662,400.

Conclusions

From the above examinations of SRO preservation techniques and particular projects, it is clear that local governments and non-profit community organizations have taken lead roles, however, there are vast opportunities for more senior levels of government and the private sector to become more involved in these activities.

British Columbia

■ **Vancouver**

Although the City of Vancouver does not utilize restrictive covenants to protect its SRO housing stock, or have moratoriums on conversion or demolition, it has instituted policies, objectives and strategies regarding SROs.

The current policies of the City of Vancouver that exist with regards to SROs are:

- *to maintain, upgrade and increase the stock of core-need housing in the Downtown;*
- *one-to-one replacement of SRO units in the Downtown South, (City of Vancouver, May 16, 1991);*

The principles adopted with regard to SROs are:

- *developing new social housing, constructing non-subsidized SRO replacement projects and retaining and upgrading the existing SRO stock in Downtown South, as required in the absence of new replacement housing, with priority given to housing the existing long-term Downtown South residents (City of Vancouver, May 16, 1991)*

The actions the City of Vancouver has directed are:

- *to monitor the non-conforming SRO hotels in the Downtown Eastside and Downtown South and report to Council on acquisitions which are consistent with Council objectives and policies for the area and is required to secure the residential accommodation (City of Vancouver, May 16, 1991)*

And, the city has also proposed density incentive programs (density bonusing) to help retain or place SRO units in one downtown neighbourhood, but to date, there have been no examples that can be cited.

Standards of Maintenance By-law

The City of Vancouver has also made progress in the area of bringing SROs up to the City's Standards of Maintenance Bylaws. Changes made to enforcement practices have reduced the chances of hotels being closed due to non-compliance.

Instead of forcing the closure of sub-standard hotels, the City now has a 60 day period in which owners of subject SROs can undertake required repairs.

If these requirements are not met, the City will undertake the work and bill the landlord. The owners of one hotel in the Downtown Eastside were billed for repairs after they did not fulfil repair requirements within the sixty

day period granted in the bylaw.

The Standards and Maintenance bylaw is probably the single best example of a retention ordinance available as it provides for an ongoing inspection of accommodations based on liveability.

With proper inspection and enforcement, the Standards or Maintenance by-law can significantly extend the life of an SRO and ensure that living conditions are acceptable to a set standard. This is further enhanced when coupled with rent review or rent control mechanisms, but currently, no tools exist to ensure that rents don't increase after the renovations.

Seismic Upgrading

Also, to facilitate the upgrading of SRO units by private owners, the City's Housing and Properties Department put forth recommendations that were adopted by council in July 1993, so that

the interim standards for SRO seismic upgrading for existing SRO hotels be similar to standards required for artists/live-work studios, whereby a structural survey may be permitted instead of a structural analysis, if floors and beams are substantially connected to walls and columns (City of Vancouver, 1993, 1)

The report to council indicates that under the existing standards, owners are discouraged from undertaking structural rehabilitation because upgrades require a building permit and they can trigger seismic upgrades as set under the Building By-law. The upgrading requirements are tied to the assessment values of the improvements which are usually quite low, because of their age and condition. Therefore, even modest upgrades trigger expensive structural analysis and seismic retrofitting. The City estimated that to carry out a full upgrade, including seismic, would be in the range of \$40-\$60,000 per unit for SROs. Again, there are no guarantees that rents will not increase after renovations and upgrading.

City staff have been looking at approaches to seismic upgrading and their

work with the Applied Technology Council (ATC) of California may lead to acceptance of upgrading standards that may be less expensive than those currently employed and potentially, changes to the Vancouver Building By-Law.

Municipalities in the Province may wish to monitor the City of Vancouver's work with regard to seismic requirements and any changes made to the Vancouver Building By-Law may want to be considered by the British Columbia Building Code (BCBC).

Rehabilitation Program

Recently, the Housing and Properties department examined the feasibility of a City-funded rehabilitation incentive program in which a grant or loan would be made to owners for the renovation of SRO units (City of Vancouver, 1993, 6). It was anticipated that this program would work in conjunction with the federal government which had sponsored a similar program until 1994.

However, it was determined that this type of City-sponsored program would be impractical for several reasons. Firstly, although funds could be recovered through loans, this was not an appropriate use of public money and secondly, the Vancouver Charter does not permit the City to give loans or grants to individuals or private companies that own SROs and it was not apparent if there could be a change to the Charter. Thirdly, the department was concerned about the downloading of federal government activities, specifically the federal Residential Rehabilitation Assistance Program (RRAP) and that if the City were to assume full financial responsibility of this program, there would be no reason for more senior levels of government to make contributions.

Civic Initiatives

To date the City of Vancouver has completed extensive renovations to two projects as a direct result of City policies. The Gresham Hotel, a 41 unit SRO and the Old Continental Hotel were both re-opened in 1993 in the Downtown South neighbourhood of the City.

Gresham Hotel

Renovation

The approximate renovation cost for the Gresham Hotel was \$1.63 Million and the site was purchased in 1990 for \$1.9 Million. Therefore, the 41 units had a total capital cost of approximately \$3,530,000. or a per unit cost of \$86,000. This per unit cost is very close to the Maximum Unit Price set under the BCHMC non-profit housing program for self-contained units (City of Vancouver, 1991,3)

The most evident reasons why the Gresham project costs were so high were the:

- land cost; and
- cost of the seismic upgrade.

The units are not self-contained and, therefore, may not considered to be satisfactory housing and because of their size and the fact that they are not subsidized, they cannot be considered to be affordable either. The other major drawback about the Gresham is that it is located on the second storey and the only access is by stair, therefore, it is inaccessible to people with disabilities and mobility difficulties.

Operation

The Gresham Hotel does not provide specialized support services, because the residents must be capable of independent living.

In the operation of the Gresham

- the rooms rent for the equivalent of the shelter portion of a persons income assistance (\$325) which is the current market rate for SROs;
- there is no operational subsidy or funding from the provincial government and no provincial funding was used in the renovation; and
- no subsidy for the SRO units is required as the operational funding is projected to be recovered by the revenues from the retail spaces at-grade.

On the whole, the Gresham can be considered to be a quality project, but expensive. The future appreciation of the land value will over time, justify its purchase. Also, the commercial uses at grade enhance the streetscape, intensify the site use and provide revenue to subsidize the operations of the rooms.

Old Continental

The City owned and operated Old Continental Hotel on Granville Street was recently renovated by the City and when it opened in the fall of 1993, it provided 87 housekeeping units and 21 rooms for emergency uses.

One of the unique features of the recent renovations to the Old Continental Hotel is that the General Contractor hired for the work hired local street youth through a pre-employment and lifeskills training program called Tradeworks. This renovation did provide community benefit in terms of employment opportunities in the process of reintroducing low income rental housing to the market.

Conclusions

The City of Vancouver has commendably demonstrated its commitment to the replacement, acquisition and operation of SRO hotels as low-income housing stock through its activities, policies, directives and code relaxations. Also, the Housing and Properties department, through its examination of rehabilitation schemes has indicated its willingness to work in conjunction with more senior levels of government. Although the City has not decided to utilize non-profit groups for operations, it has indicated that it may in the future.

■ **Kamloops**

New SRO - Private Developer

In the City of Kamloops, a newly constructed 52 unit hotel is scheduled to open in the Spring of 1994. The original development application for this project proposed a hotel with communal bathrooms and no amenities. The City planning department was able to reject the proposal as it was not consistent with its by-laws. However, the developer responded with a revised proposal including 52 rooms with private bathrooms and a restaurant at grade. The City's definition of Hotel was sufficiently loose that the City was not able to reject the proposal, however it has amended the definition to dissuade this type of development in the future.

The total unit size in this development is 175 square feet - 137.5 square feet of living space and 36.5 square feet of washroom space. The total construction cost of the development was \$850,000.00, excluding the land cost which was not available.

One other difficulty of the development is that it is located one block away from a liquor store and adult video store. The City planning department and community activists are certainly worried about future difficulties associated with this development.

There is no provincial government funding or involvement with this project, however, it is anticipated that the residents of the hotel will be receiving

income assistance from the Ministry of Social Services.

Conclusion

This section has only provided a cursory overview on selected cities in the United States and Canada, because they were found to provide insights that could benefit the provincial situation. **This is not to preclude other examples.** There are a myriad of developments in Canada that were not cited due to report constraints, greater familiarity with Canadian programs and the more accessible nature of the material.

Licensed Establishments

Introduction

Licensed establishments are an identifiable source of substantial revenue and it has been suggested that government and/or non-profit organizations explore the operation of pubs to generate revenue that could be utilized for the ongoing management and operations of the hotel rooms above grade.

Aside from moral, philosophical and social arguments, the case can be made from strictly an economic point of view that revenue from pub operations would be more than sufficient to maintain and operate SRO units at a relatively high standard. As these high pub revenues have been identified as the major attraction to the acquisition and operation of SRO hotels in the market, the consideration must be given to their operation by government and non-profits that may be interested in acquiring SROs.

This section of the report will discuss the

- acquisition and operation of SROs with pubs and will focus on the City of Vancouver, because it has the largest stock of SROs with licensed establishments in the Province and information and economic analysis has already been compiled.

■ Vancouver

In February, 1992, a report went to Vancouver City Council regarding the feasibility of the City acquiring and operating non-conforming hotels and rooming houses in the Downtown Eastside and Downtown South neighbourhoods. Non-conforming hotels are those which fail to meet one or more of the following criteria:

- the provision of a minimum of 20 rooms to the travelling public;
- the provision of restaurant and banquet facilities; or
- a public lobby.

(Source: City of Vancouver, 1992,3)

At the date of the City's report, there were **33 nonconforming SRO hotels with pubs with a total of 2,488 rooms and 6,206 pub seats** in Vancouver (City of Vancouver, 1992,2).

Some of these hotels and pub operations are small with between 20-35 rooms and 75-100 pub seats. However, the majority of the pubs and seats are located in the larger hotels of the City, with averages of 75 units.

Revenues

In a City report, it was recognized that

(p)ub revenue is the prime motivation for purchases, and the main determinant of price (City of Vancouver, 1992,7).

In an economic analysis, the City of Vancouver also determined that

pub revenues were generally in excess of 65% of the total income of SRO hotel operations, including the pub and rooms (City of Vancouver, 1992,7).

In one case, they found that the pub revenue was 95% of the total income

and in some cases, negative room incomes were shown. As there is a moratorium on the supply of Class "A" liquor licenses, the demand has created an artificially price of existing licenses and they have been valued up to \$1 Million. For non-profit organizations and governments that are not interested in acquisition of the pubs, there is little or no justification for purchasing an overvalued license which will have no use for if pub operations are discontinued.

City of Vancouver staff also reported that

(t)here is no compelling reason for the City to purchase SRO hotels with pubs. The City could consider the purchase and renovation of SRO hotels without pubs.(City of Vancouver, 1992,3)

This conclusion was logically derived and is based on the premise that the existing SRO stock needed to be preserved and that limited resources should be applied to those SROs at the greatest risk which are those operations without pubs. The report goes on to state that:

SROs with pubs are viable investments because of profitable pub revenues. The room conditions are generally marginal, but the rooms are not under pressure for closure or demolition, because of the owner's need to maintain them in order to continue qualifying, under grandfather status, for the liquor license (City of Vancouver, 1992,2)

Although the City's position is defensible, a case-by-case analysis can uncover exceptions.

Demolition

In Vancouver, there are several examples that indicate that the SROs with pubs are safe only as long as their value is greater than the potential value generated from redevelopment. The Burrard, the Castle and the Vanport Hotels were all demolished for various redevelopment opportunities. In addition, three residential hotels - two with pubs - were demolished for the

construction of the Price Waterhouse development at Hastings and Seymour Street. In the mid 1980s, the Alcazar, complete with pub, and several other hotels were razed to make way for the BC Hydro development. Given these examples, it is evident that a pub can be a deterrent to demolition, but it is not a guarantee nor a perfect defense in the retention of housing stock.

Conversion

In 1987, the Ambassador Hotel, a very large SRO hotel with a long-term tenant base and a very popular pub was demolished along with the Orillia Apartments to make way for an office tower. Again, the pub did not influence the loss of housing. However, more importantly, several hotels with pubs, including the Ambassador, the Patricia, the Metropole, the Rainier and the Marble Arch evicted close to 1,000 tenants prior to Expo '86. All of these hotels have large pubs with approximately 1,000 seats in total. It is probable that the pubs acted as a catalyst in the conversion of these hotels from residential to tourist use and that the revenues from the pubs were utilized to undertake renovations to the rooms.

Based on the previous examples, it is clearly evident that existence of pubs do not prevent the loss of units just because of the value or requirements of the liquor license. Also, hotels with pubs may operate rooms to fulfil liquor license requirement, but these rooms may not be residential.

Hostels

There are two hotels currently in Vancouver, one with a pub, the other without, that have been converted to backpacker hotels. These operations cater to the budget tourist trade. Typically, long-term residential tenants are displaced when their units are converted to hostel operations. Units are advertised internationally and attract mostly youth or travellers with limited resources.

The units typically accommodate four people per room at \$25.00 per person per night. This provides a substantially better return than renting the same room to a long term resident at \$325.00 per month as there is no

significant difference in overhead.

The incidence of conversion of SRO stock to hostel is common. There is currently an international hostelling operation looking for 100 units to lease in the downtown core of Vancouver. (Personal Communications, 1994)

Seasonal Conversion

Hotels with pubs may also contribute to the dynamics of the seasonal conversion of residential hotels to tourist uses. As the micro-economy of a community changes so do the options available to hotels operators and pubs provide added flexibility.

Recently, an informal room to room survey of the Hotel California indicated that approximately 50% of the persons contacted were young males from out of province. (Green and Stannard, 1993) They were living in the Hotel California because they are employed in the construction industry that is in the middle of a local escalation as a result of a recent upzoning of the neighbourhood. As they are employed, they are able to pay rents well above the shelter component that most residents are able to pay which results in the units being excluded from the available low-income housing stock for local residents.

Community Impact

In specific cases, pubs negatively impact the local residents housing options. Pubs that are frequented by drug dealers and other criminal elements may very well endanger the safety of the upstairs residents. In addition, pubs that feature adult entertainment may often eliminate residential units for dressing rooms. Some hotels also reserve rooms for prostitution purposes in which they charge an "hourly" rate. And, in some cases, the at-grade nightclubs are so loud that the landlords are forced to close entire floors of residential units above the bar because the noise level is unliveable. In one situation, this has eliminated twenty units from the residential stock.

Also, the pubs often negatively impact the image of the community and

can contribute to the labelling of neighbourhoods as "Skid Row". Well managed pubs could to some degree eliminate this, especially if the establishments are run in a respectable manner with other features such as restaurants, or like neighbourhood pubs.

Neighbourhood Pubs

Currently, the majority of the pubs in Vancouver are large with most in the 250-325 seat range, primarily due to their historic use large numbers of primary resource industry workers. Due to changes in the economy, this use has changed also and industry analysts have confirmed that these large scale Class "A" pubs will not be the larger profit makers in the future.

In order to maintain the profitability, pubs will have to downscale to more personal sizes and the recent trend appears to be neighbourhood pubs.

Neighbourhood pubs generally serve pub fare and may have several entertainment uses such as televisions, pool tables, jukeboxes and dart boards. The number of seats will most likely decrease as atmospheres become more personal and interactive, and the serving of alcohol may be relegated to a secondary use as food operations become more profitable.

Training and employment opportunities certainly lend themselves well to these operations and even though this trend may take several years to develop, it is certain to come.

Management Agreements

Liquor control regulations only permit of the pubs and the rooms as a package and the rooms can not be legally separated from the pub. This is the reason the rooms of the Portland Hotel are under a 10 year Management Contract between the owner and a non-profit, rather than a lease.

BCHMC is currently exploring alternatives to handling the difficulties with management agreements.

Non-Profit Operations

Some pubs are currently operated by non-profit societies, such as the Archimedes Club operated by the BC Taxi Association, the Army, Navy, Air Force Veterans Association and the most common being the Royal Canadian Legions. One other operation deserving mention is the Picasso Cafe, a non-profit licensed restaurant.

Royal Canadian Legions

Royal Canadian Legions (herein referred to as "Legions") are operated as non-profit organizations. For all intents and purposes, they function as licensed establishments by serving beer and hard liquor, however, in order to enter a Legion, one must be a member or be signed in by a member. It is this distinction, and their status as non-profits, that distinguish Legions from other licensed establishments.

Personal communications with operators of Legions in Vancouver indicate that the operations run on a break even basis, where expenses are just covered by revenues. However, Legions do fulfil a social purpose for Legion members, their families and guests and this appears to be the prime motivation for maintaining the operations.

Indications were also that the Legions that make money are not necessarily the ones that are licensed. For instance, the Shalom Branch does not have a liquor licence and is reported to be one of the better fundraisers in the Pacific Command.

Picasso Cafe

Picasso Cafe is owned and operated by the non-profit Option Youth Society and the Picasso Cafe Job Training and Employment Program combines re-employment training, lifeskills and work experience for street youth in the operation of a restaurant. Picasso is also a licensed establishment and serving liquor is part of its training program.

A pub or licensed restaurant at grade of an SRO could provide a unique opportunity for training of employable people on income assistance based on the Picasso Cafe model. Also, revenues generated from a non-profit pub operation could be used for the management and operations of the rooms thereby eliminating the requirement for government subsidy.

Cursory discussions with the Bartenders Union indicate a willingness to combine training programs with non-profit pub and hotel operations.

Provincial licensed establishment

Liquor licenses are granted by the provincial government in the cities and municipalities of British Columbia, except in the City of Vancouver. Currently, the provincial government through Crown Corporations holds liquor licenses and some examples are:

- B.C. Ferries Corporation on routes from Victoria to Seattle and North from Port Hardy;
- Pacific National Exhibition; and
- B.C. Pavilion Corporation.

The political ramifications of a provincially owned and leased or managed operation at grade of a hotel may be minimal and could be significantly diminished if alcohol is the secondary feature.

Also, the potential revenues generated by lease or operation could be utilized in the operation and management of the rooms which may in some cases create economies of scale with staffing requirements.

Also, a pub or licensed operation could provide significant community benefits in terms of employment opportunities and training.

Provincial SRO Involvement

Introduction

To date, the involvement of the provincial Ministry of Housing, Recreation and Consumer Services with SRO hotels has been supportive and encouraging and has considerable potential if incorporated as a major component in an overall strategy to end homelessness and shelterlessness.

In the Report of the Provincial Commission on Housing Options, *New Directions In Affordability*, it was recognized that,

(a) an important component of any long-term solution is the preservation, rehabilitation and replacement of existing housing for people for are most vulnerable to becoming homeless (Provincial Commission on Housing Options, 1992, 88)

It was also suggested that partnerships between the Ministry, other provincial Ministries, local governments and community organizations be initiated or continued to undertake activities such as

sharing the costs of land or building purchase, providing start-up project funding for new or existing non-profit societies, arranging long-term leases or providing funding for ongoing social and health support services (Provincial Commission on Housing Options, 1992, 90)

The following three cases illustrate and summarize past and current provincial government and non-profit involvement with SRO hotels. These cases can be considered precedent setting for future SRO policy and program initiatives. It should be mentioned that these cases have resulted from particular demands and are not recommended to be directly duplicated

in other communities. Future initiatives should be adapted to the particular circumstances in which they are to be implemented.

- **Portland Hotel**
DERA
412 Carrall Street
Vancouver, B.C.
70 units

In 1989, a non-profit society, the Downtown Eastside Residents Association (DERA) entered into a 10 year management contract with private owners of a 75 unit SRO in the Downtown Eastside neighbourhood of Vancouver. Under the management contract, the Society became responsible for the operations of the rooms, while the owner retained operations of the pub at-grade.

The then provincial Ministry of Housing and Social Services, through British Columbia Housing Management Commission, provided a capital grant of \$150,000.00 to the Society for physical renovations to the building, excluding the pub portion. These renovations included the conversion of one unit per floor into cooking facilities which resulted in the reduction of units from 75 to 70, and the renovation of the lobby and amenity space at-grade.

The Portland Hotel houses the hardest-to-house population in Canada's poorest urban neighbourhood which requires high support staff levels, which are funded by grants from provincial support ministries and through the room rental revenues. The Ministry of Housing does not provide operating funding for the housing staff, although this is currently under review.

In this particular case, the hotel had been virtually vacant for several months and was only catering to the prostitution trade in the area. Rooms were rented as "hourly's" to prostitutes and their customers which was not contributing positively to the neighbourhoods character or to the stock of housing in the community. DERA identified the opportunity to contribute

70 units to the affordable housing stock in the community. A positive response was obtained from the owners who had no interest in operating the hotel rooms and from BCHMC which contributed the capital funding for renovations.

DERA is now trying to have the Management Contract assigned to the newly formed Portland Hotel Society and BCHMC has approved a \$60,000.00 capital grant to this Society for further repairs to the physical plant of the building which are desperately needed. Operational subsidy is also under consideration given the high support staffing costs, the poor physical state of the building and the ongoing maintenance requirements.

- **Hotel California**
Neighbourhood Enterprises Working (NEW) Society
1156 Granville Street
Vancouver, B.C.
132 Units

This 132 unit SRO is located in the Downtown South neighbourhood of Vancouver. The non-profit Neighbourhood Enterprises Working (NEW) Society is currently preparing to enter into a 15 year agreement with the owners of the building to manage the hotel rooms. As in the Portland case, the owners will retain operations of the pub located at-grade.

By signing this agreement and taking over the operations of the rooms, the NEW Society and BCHMC will be effectively adding approximately 30 rooms to the existing SRO stock, because currently, the Hotel California operators are renting out some of the rooms as tourist.

BCHMC has committed a \$600,000.00 start-up grant to the society, \$400,000.00 for necessary renovations and the remaining \$200,000.00 for a replacement reserve fund. BCHMC may also be providing a direct operating subsidy on a per unit per month basis until the Society can operate without requiring the subsidy. The elimination of this subsidy may come through the implementation of the Palmer Place Tourist Strategy which is presented below.

Palmer Place Tourist Strategy

The Palmer Place Tourist Component (herein referred to as the Tourist Component) involves retaining thirty rooms that are currently being rented as tourist and continuing to operate them on this basis. Effectively, this would eliminate the net increase in the number of residential rooms, but it is projected that its implementation would provide a substantial amount of operating income. Enough revenue could be generated to eliminate the need for an ongoing operating subsidy. There is also the potential for the non-profit to become more self-reliant with a non-governmental source of income in addition to the rental income from the residential units.

- **Gorge Motel**
Victoria Street Community Association (VSCA)
260 Gorge Road East
Victoria, B.C.
16 Units

In November 1992, the Ministry of Health and the then Ministry of Municipal Affairs, Recreation and Housing were approached by the non-profit Victoria Street Community Association to purchase the old Suncrest Motel on Gorge Road in Victoria. This 16-unit motel had been vacant for several years and was on the market. The Motel was purchased by BCHMC for \$722,500.00. The total budget for the project was \$1,143,400.

The total cost per unit at the Gorge Motel works out to be approximately \$71,463.00. The 1993 Maximum Unit Price for new construction of wood frame 1 bedroom units in Victoria is \$87,500. In comparison with the cost for construction of new units, the renovation cost for this motel was \$16,037 under MUP.

One of the unique features of the General Contract was that the Contractor agreed to hire street people from the local community to work on the

renovations. It was also suggested that the contractor had agreed to donate the profit portion of his fees (estimated to be about \$30,000) back to the non-profit group that was going to assume management of the Motel.

Over 100 people filled out applications to live in the Gorge Motel and it was projected that one third of the occupants would be women, one third native and one third from the mental health community. The Gorge will also be targeting single adults - that group which is often not targeted by traditional government housing programs. These tenant projections were determined by a tenant selection and resident housing advisory committee approximately three months before occupancy and reflect the predominant needs the residents of the downtown area recognize. As of January 1, 1994, the Motel had a conditional occupancy permit and the residents had moved in. The rents of the units are equivalent to the shelter component of GAIN and there is no ongoing operational subsidy. There is one funded support worker in the Motel, but it is a basic goal of the VSCA to have the project tenant operated through the encouragement of a tenant committee.

Draft Provincial SRO Policies

Based on the importance of the SRO housing stock in providing low cost shelter and the prevention of homelessness, the following policies have been drafted based on past provincial and local government SRO involvement with recommendations that the Ministry of Housing, Recreation and Consumer Services give consideration to their adoption.

It is recommended that the Province of British Columbia:

- discourage the demolition of SRO units unless there is a one-to-one replacement with self-contained units or pay-in-lieu fees;
- discourage the construction of new SRO units by withholding funding of new construction for proposals that do not include self-contained units;
- encourage the retention of SRO units as low-income housing stock;
- facilitate the rehabilitation of SRO units for residential uses by low-income people;
- facilitate the operation of SRO units by non-profit organizations or public bodies;

- provide capital grants for non-profit or public SRO upgrading and subsidy for operations;
- discourage the conversion of existing SRO residential units to tourist or other use;
- encourage training and employment opportunities for homeless people and those at-risk of being homeless in the construction and rehabilitation of SRO units and in the ongoing SRO operations;
- not provide a direct subsidy to tenants of SROs but rather subsidize operational functions in those hotels operated by non-profit or public organizations;
- encourage tenant organizations in hotels operated by non-profit organizations;
- ensure that during housing renovation, existing tenants are adequately relocated into appropriate temporary accommodations and that they assume the right of first refusal on the renovated units.

Proposed SRO Program

Introduction

In the absence of new federal money for self-contained units, it may be desirable to utilize hotel and motel stock for housing. However, if this stock is to be rehabilitated, units should be completed with washroom and kitchen facilities where possible and the quality of material standards set for self-contained units should apply to SRO units, especially if public money is used. Also, a program should be able to respond to local dynamics and characteristics and yet be generally transferable to a variety of communities.

After discussions with representatives of local and provincial governments and non-profit groups and following from the recommendations of the Provincial Commission on Housing Options, a **Proposed SRO Program** for the Province of British Columbia has been developed.

Acquisition, Capital Expenditure and Lease Partnerships

The program utilizes a partnerships between local and provincial governments and the non-profit sector. The components and activities incorporated in this program are as follows:

- **Local Government**

It is recommended that the Provincial government encourage the

City or local municipality to acquire existing SRO hotel or motel.

The feasibility of local government purchase of SRO hotel or motel sites was justified in Vancouver in a report to Council from the Housing and Properties Department dated November 18, 1991, it was stated that

Land value appreciation over the long term is considered an appropriate return for ...investment in the land (7)

There is no identifiable reason why this would differ dramatically in the other municipalities of British Columbia.

Also, this is consistent with the recent changes to Bill 20, under Section 945 of the Municipal Act that now states,

(a) Community Plan must include housing policies of the local government respecting affordable housing, rental housing and special needs housing (Province of British Columbia, 1993, 1)

The Housing and Properties department in the City of Vancouver has also been directed by Council to look for suitable SRO sites for purchase and they have also indicated a willingness to enter into partnership with more senior levels of government who could provide capital funding for renovations and ongoing operational funding or subsidy of non-profit operation (Personal communications, 1993).

■ **Provincial Government**

It is recommended that:

- **the provincial government provide capital for the physical renovation of the asset with funding from their Homeless budget;**
- **where possible, the renovations to publicly held hotels and motels will include pre-employment and job training components that include equity targets.**

There may be also an opportunity to involve the trade unions and private sector here through innovative fundraising. Also, by utilizing employment training programs, there is the potential to involve several provincial line Ministries including the Ministry of Employment and Investment, including the BC 21 initiative and the Ministry of Skills, Training and Labour.

- **if applicable, renovation monies could also be obtained through federal programs like the Residential Rehabilitation Assistance Program (RRAP);**
- **individual SRO units should not receive a direct subsidy, however operational subsidy by provincial government ministries should be considered for non-profit management.**

Depending on the residential make-up of the building, other provincial ministries or their agencies could provide operational funding for support staffing services.

■ **Non-Profit Sector**

It is recommended that if an SRO project is developed that

- **a community based non-profit organization operate the units through a lease with the city/municipality with ongoing operational funding from the appropriate provincial ministry/agency or through an Inter-ministerial committee.**

Non-profit organizations and residents of communities should be involved in all possible aspects of SRO hotel/motel development, whether it is from selecting potential sites to employment and training components.

In all of the communities contacted there were non-profit organizations willing to explore the option of developing SRO hotels or motels.

In most cases, non-profits are most familiar with target groups or potential residents and their needs. And given the previous case studies, it is clear that

the importance of local community development efforts..is not mainly due to the scale of their impacts, but rather to the quality of their innovations (and what) frequently appears insignificant measured against a quantitative scale can, because of its unique treatment of a difficult problem, offer an important practical alternative(Hoch and Slayton, 1989,253)

Stipulation

- *except under special circumstances (like a heritage designation) should the acquisition, soft and renovation costs per SRO unit exceed the Maximum Unit Price (MUP) set for various areas by BCHMC under the Non-Profit housing program;*

It is beyond the scope of this paper to set the maximum dollar amount that

should be expended on renovations, but, assessment on a case-by-case basis may be more desirable than an across the board maximum as the conditions of units will vary. Alternatively, maximum amounts per renovations could be set like MUPs in the non-profit program.

Consideration must be given to the construction of new units if the renovation costs approach the MUPs as set under the non-profit program by BCHMC. Otherwise, the renovation expenditure is difficult to justify as it can be argued that new units could be constructed with better facilities and a longer working life.

Some projected benefits of the program are as follows:

- would potentially not require indemnity from province;
- local governments already engage in long-term leases with non-profits on non-market housing;
- stabilize residential communities;
- publicly held asset;
- may reduce hotel rates if private operators have to compete for tenants;
- tighter quality control;
- community benefits; and
- better management for tenants.

Draft Provincial SRO Program Options

The examples and cases put forth in the preceding sections have been considered in the following section and options are presented that could be considered as opposed to the program presented previously.

One prerequisite of any provincial government program for SROs is that it must be flexible enough to be transferable and applicable to communities with differing housing conditions and dynamics if it is to be effective.

Capital Expenditures

- Dedicate capital to establish a provincial SRO acquisition fund;
- Provide rehabilitation funding to SROs that are operated by non-profit or public agencies.

Standards and Maintenance

- Encourage jurisdictions under the Municipal Act to enact and enforce Standards of Maintenance by-laws so that living conditions are improved and that units are not lost through neglect;
- Provide cost sharing capital grants for the installation of sprinkler systems in hotels and motels.

Operational Subsidies

- Provide operational subsidies for housing staff to hotels operated by non-profit societies. Subsidy rates should be determined based upon the revenue shortfalls of housing expenses and staffing levels;
- Provincial housing Ministry could purchase SRO hotels with provincial support Ministries providing support staff and operations by non-profit organizations. The value as a asset over the long term would justify the purchase by the government, while providing shelter for core-needy persons in the absence of new social housing.

Licensed Establishments

- facilitate and/or guarantee long-term room lease between hotel/pub owner and non-profit operator;
- purchases an SRO with pub at grade, lease the licensed establishment to private owners or non-profit organization for operation.;

Qualifications:

- *there should be identifiable community benefit if a pub is operated by a non-profit organization, like pre-employment training and employment opportunities;*
- *revenue from pub lease can be used to subsidize purchase expenses and ongoing management and operation of rooms;*
- *lease permits the owner the option of not renewing with operator if government agency or non-profit decides to take over operation in the future.*

Conclusions

One of the most noticeable trends with regards to SRO hotels is that new construction of this type of housing is on the increase for low and fixed income single people. Recently, the American cities of San Diego, San Francisco and Portland have all seen the construction of new SRO hotels by non-profit groups and private developers to be used as permanent housing that in most cases, have units that are smaller than existing units.

During the course of the research for this report, it was learned that a new SRO hotel was being constructed by a private developer in Kamloops, B.C. Although it is being constructed as a hotel, it is projected that the owner will be renting the rooms on a monthly basis to single, elderly men on income assistance. This trend towards the construction of new SRO accommodation appears to be partly in response to the lack of government subsidized and funded housing for single people. Unfortunately, these new units are being built without kitchens and in some cases in the United States, with communal washrooms.

Stemming from the decrease of government funding of seniors housing programs and lack of any singles housing program, the supply of housing will be increasingly left to private market developers. And, with the recent trend towards the decrease in unit sizes, the quality of life for single people living in SROs will also decrease.

We are fortunate to have been able to preserve much of our SRO stock in British Columbia after seeing the resulting increase in homelessness in the United States after much of their stock was demolished in the urban renewal schemes of the 1970s. We are also in a position to prevent the recent American and Canadian trend of newly constructed SRO units that do not contain bathroom or cooking facilities, thereby limiting independence and lowering living standards.

We are at a pivotal period in British Columbia where the quality of life for low and fixed income people is being deteriorated by decreasing housing standards, budgetary restraints and lack of affordable housing.

However, it is not too late to stop this trend, and if we don't, our homeless population will continue to increase as people are forced to live in units that do not have proper living components, or on the street as there are no other resources.

If public money is to be used to upgrade hotel or motel units for low income people, extensive rehabilitation should include, where possible, the renovation from SRO to self-contained units. Also, unique opportunities exist for residents to be employed and trained in the construction and renovation of hotels and motels.

Locally based non-profit groups remain the best operators of SRO hotels and motels because of their familiarity with the characteristics of the target population. Future projects should be evaluated on a case-by-case basis and capital expenditure on renovation or construction should **never** exceed or come within reach of the Maximum Unit Price (MUP) under the Provincial non-profit program guidelines set by BCHMC. **It is entirely unacceptable** to construct or renovate SROs with an expenditure that could construct new self-contained units.

Lowering housing standards is not a solution to homelessness and risks creating a greater problem in the future. As previously discussed, some American cities have lowered standards to build SROs or relied on room revenues without subsidy. The effect has been that these rooms are still not affordable to those on limited or fixed income.

The Province of British Columbia would be wise to reject an across the board position on SROs. In general, SROs are too expensive and inadequate to be a major component of a government housing strategy. However, SRO units are the reality that separates the homeless from the shelterless and their preservation is a required component of a strategy to end shelterlessness. But, SROs should be maintained rather than constructed because they can be considered to be inadequate if not

complete with kitchen and washroom facilities.

Changes to the Municipal By-laws that would include Standards of Maintenance by-laws are often the superior solution in terms of successful retention and cost efficiency. And in all instances, the viability of SRO acquisition and must be evaluated on a case-by-case basis.

Finally, a provincial SRO policy or program should not compete with established or future funding for non-profit self-contained units. In reality, there should not be an SRO policy but a commitment to end homelessness. SROs, as one component of that commitment should be examined on a case-by-case, site-by-site and community-by-community basis.

In some cases, SROs are the only or best alternative and in other instances, self-contained units are the best solution. Wherever possible, the province should enter into inter-ministerial partnerships as well as joint ventures with municipalities, trade unions, non-profits and the private sector.

In all cases, SROs must be seen as a step away from shelterlessness with the ultimate goal of every citizen in the province being affordably, adequately and accessibly housed.

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