

groups, or the municipality itself. Such organizations participate in the overall affairs and financing of Twin Pines Apartments by holding preferred shares constituting the owner-equity in the projects of approximately 5 per cent of total capital costs. Preferred shares are usually acquired by local groups as payment for the land site of the project, but many other interested groups and individuals participate in the owner-equity financing.

49. Local construction costs and land values vary between communities, but to illustrate financing, the average total cost including land of several recent standard 11 suite fire-resistant buildings is \$70,000. The sources of the financing is as follows:

A 90% (approx.) CMHC 50 year amortized mortgage loan at 5½% interest	\$ 62,000
A 5% (approx.) Ontario Department of Welfare outright grant	4,000
5% (approx.) owner-equity capital, Twin Pines Apartments Limited)	4,000
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Total costs (approx.) 11 suite building	\$ 70,000

50. The factors which affect the achievement of the lowest possible end rents are: (a) the purchase of well located land at the lowest possible cost; (b) the establishment of the maximum municipal property tax rebate; (c) government controlled operating costs; and (d) the centralized services provided by the U.C.O. subsidiary.

51. U.C.O. believes that one of the basic requirements is to get the local municipal council to agree to a property tax rebate in full if possible, but at least limiting the tax to not more than \$25 per apartment per year, or \$275 per year for an 11 suite standard building.

52. End rents are approved and controlled by CMHC at actual carrying cost, based on actual requirements of each project, and allowing only for the potential dividend of not more than 5% on equity capital, i.e. \$4,000 equity for an 11 suite building.

53. In effecting economies, U.C.O. is able through its subsidiary to:

- (a) Provide staff engineering and architectural services at two-thirds of the cost of comparable outside services.
- (b) Provide staff construction services for the apartments at lower cost than outside contractors.
- (c) Supply some of the equipment for the apartments, such as refrigerators and stoves, at wholesale prices.
- (d) Provide the cost benefits achieved through volume purchasing.
- (e) Provide property management services and continuity of operations by experienced personnel.
- (f) Operate on one charter and corporate structure for any number of projects, using standard building designs that can be reused in various communities without reflecting monotonous similarity.

54. The Twin Pines approach also has the advantage, not available to sponsors of single projects, of equating small operating losses on some projects with small operating savings on others through a consolidated corporate structure, operating statement and balance sheet.

55. Twin Pines is considered a charitable sponsor under the National Housing Act by virtue of the offer to purchase it extends to each municipality for the project building at the remaining book value (approximately 10%