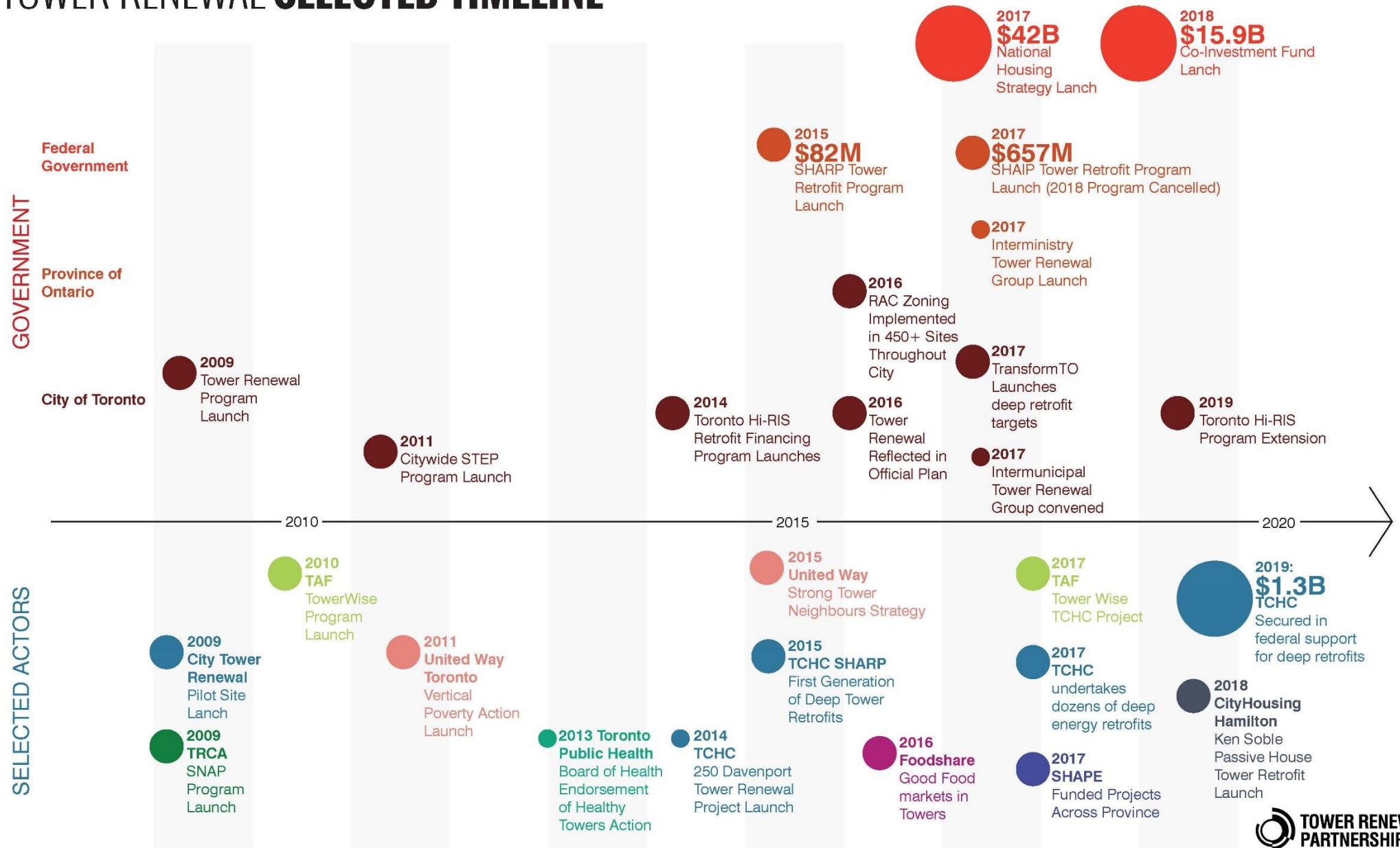




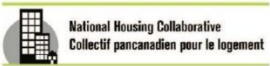
# **AFFORDABILITY AND RESILIENCE: THE CHALLENGE OF TOWER RENEWAL IN PRIVATE RENTAL APARTMENT BUILDINGS**



# TOWER RENEWAL **SELECTED** TIMELINE



# TOWER RENEWAL **ADVISORY NETWORK**







# Affordability & Resilience: A Towering Problem

TORONTO, ON

ULI ADVISORY SERVICES

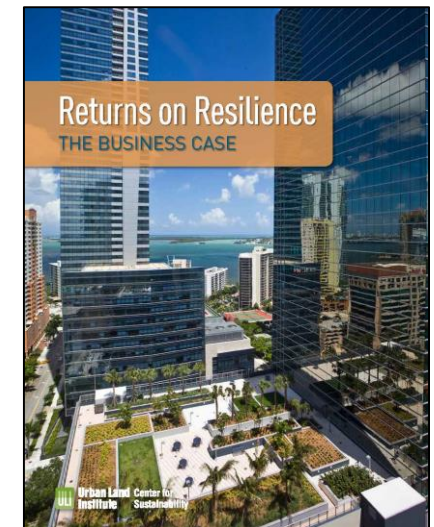
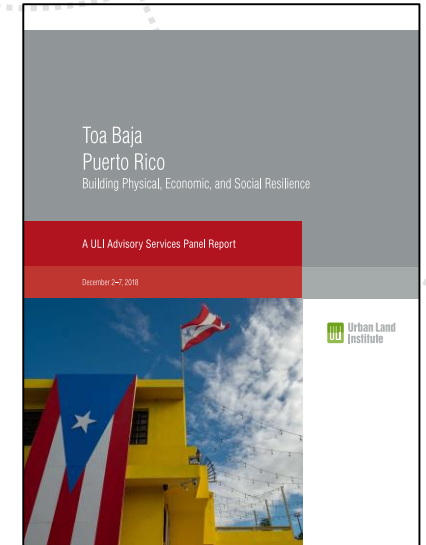
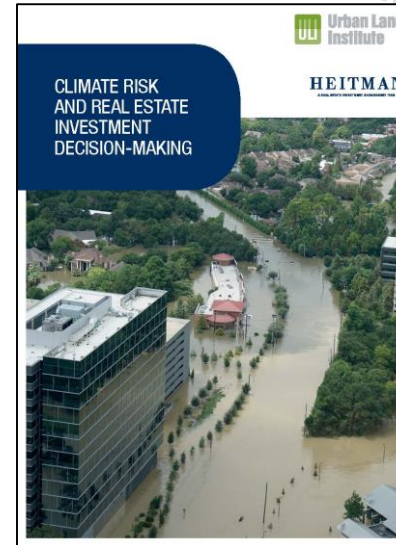
FEBRUARY 23-28, 2020



# About the Urban Land Institute

**ULI Mission:** to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide

- A multi-disciplinary membership organization with more than 47,000 members in private enterprise and public service
- What the Urban Land Institute does:
  - Conducts Research
  - Provides a forum for sharing of **best practices**
  - Writes, edits, and publishes **books** and **magazines**
  - Organizes and conducts **meetings**
  - Directs outreach programs
  - Conducts **Advisory Service Panels**



## ADVISORY SERVICE PANELS

Since 1947, ULI's Advisory Services Program have helped more than 700 communities find independent, strategic, and practical solutions for the most challenging land use issues.

# Thank you to our hosts!

---



## Thank you Stakeholders!

Andrea Adams • Palmira Almeida • Derek Ballantyne • Nathaniel Baum-Snow • Paul Bedford • Abigail Bond • Rosalyn Brown • Daryl Chong • Pelino Colaiacovo • Randy Daiter • Alex Dow • Judy Duncan • Jordan Eizegna • Robert Fiorino • Derek Goring • Ken Greenberg • Cynthia Hamlin • Sherri Hanley • Craig Hatt • Sharlene Henry • Margaret Herd • Sharon Hill • David Hulchanski • Joanna Jackson • Will Johnston • Richard Joy • Les Klein • Gregg Lintern • Gobal Mailwaganam • Laura McDonough • Rob McMonagle • Ana Maria Medina • Robert Mitchell • Mwarigha • Mark Noskiewicz • Evan Pawliuk • Sheila Penny • Bryan Purcell • Lauren Rodgers • Cyndi Rottenberg-Walker • Craig Ruttan • Alexandra Rybak • Ed Sajecki • Eric Stein • Ravi Subramaniam • Greg Suttor • Garrett Turcott • Mike Williams • Agnieszka Wloch • Leslie Woo



# Our Approach

## AFFORDABILITY

Adam Smith, considered to be the father of modern economics, said that, "Wealth is not the measure of the total amount of money one possesses, but a measure of the goods and services to which one has access."

We learn a measure of affordability from a monetary perspective, but that's not the most important measure. The most important measure for affordability is the cost to opportunity. Unaffordability reduces your access to opportunities.

We need to maximize choices and access to opportunities, and where choices already exist, we need to protect them.

# ULI Panelists, Staff, and Advisors

Selected for their subject matter expertise to provide **objective, volunteer** recommendations

## **Jim Heid (Panel Chair)**

Urban Green LLC  
Healdsburg, California

## **Bradford Dockser**

Green Generation  
Bethesda, MD

## **Billy Grayson**

Center for Sustainability and  
Economic Performance  
Urban Land Institute  
Washington, DC

## **Purnima Kapur**

Urbanism Advisors  
New York, NY

## **Bill Lashbrook**

Retired – Formerly PNC Real Estate  
Hopewell, NJ

## **Laura London**

Arlington Partnership for  
Affordable Housing  
Arlington, VA

## **Elizabeth Propp**

The Community Preservation  
Corporation  
New York, NY

## **ULI Staff**

### ***Deb Kerson Bilek***

*Vice President, Advisory Services*

### ***Monika Henn***

*Manager, Greenprint Center for Building  
Performance*

### ***Michaela Kadonoff***

*Senior Associate, Meeting & Events*

## **ULI Advisors**

### ***Mark Guslits***

*Principal, Mark Guslits & Associates  
Faculty, George Brown College*

### ***Laurie Payne***

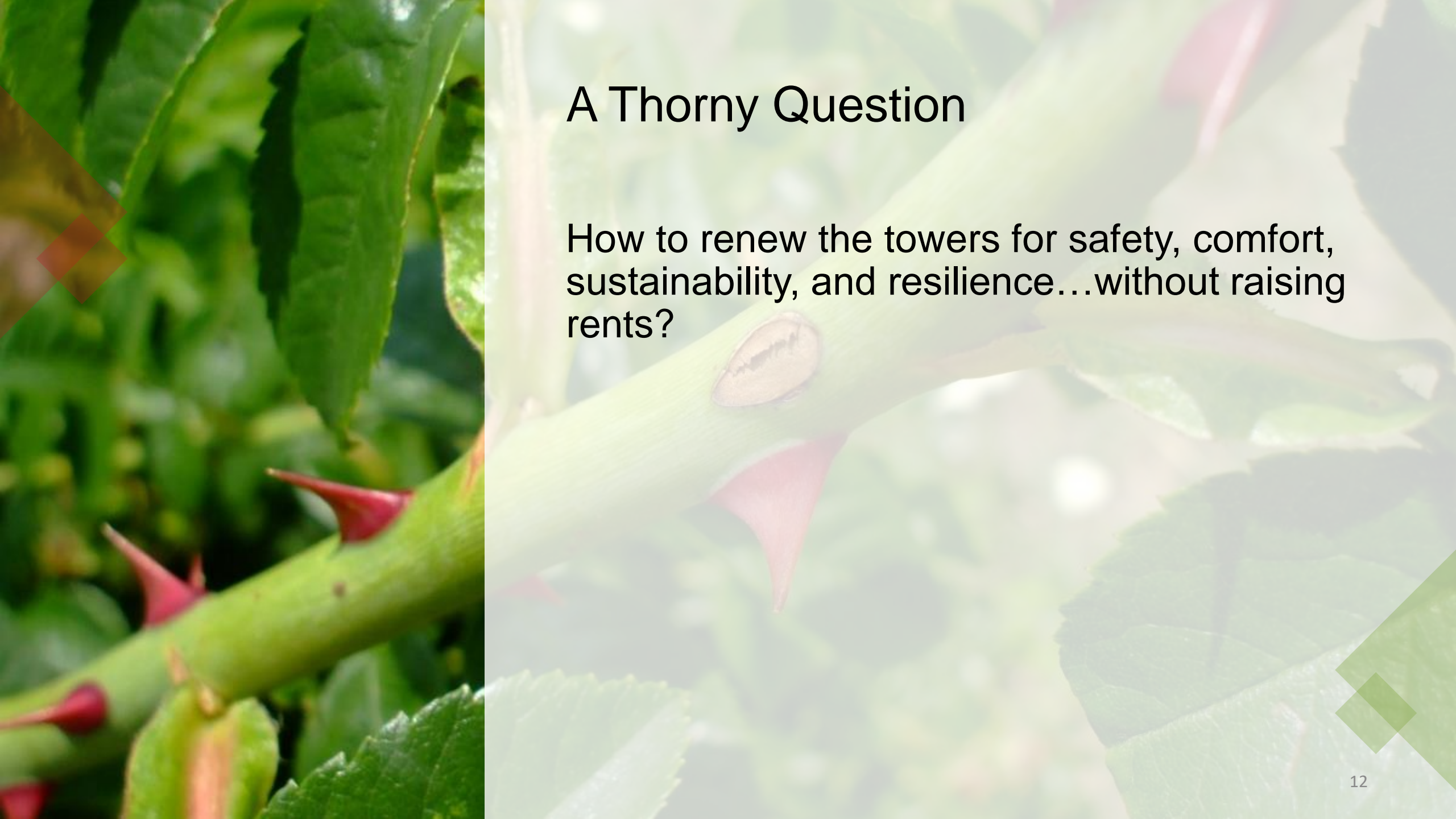
*Vice President, Development  
DiamondCorp*



# The Panel Process: 4 Days On Site

- Day 1 – Site Visit and Sponsor Briefing
- Day 2 – 45+ Stakeholder Interviews
- Day 3 – Deliberations
- Day 4 – Editing and Presentation Preparation
- Today – Delivery!





# A Thorny Question

How to renew the towers for safety, comfort, sustainability, and resilience...without raising rents?

Real Estate News, Renting Toronto / September 26, 2019

## Beware Toronto Renters – Things Are About To Get Worse!

by Jenny Febbraro



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## Early Observations

A 1% vacancy rate is NOT economic success



# Early Observations

650 Parliament is just the tip of the iceberg!





# Early Observations

If you want different results, you need to look at things differently

# Reframing the Question

- Who 'owns' the Towers?
- Is tower renewal Toronto's de facto housing strategy?
- Is resilience a 'hardware only' issue?
- How might we look at things differently?





# Who Owns the Towers?



# WHO OWNS THE TOWERS?

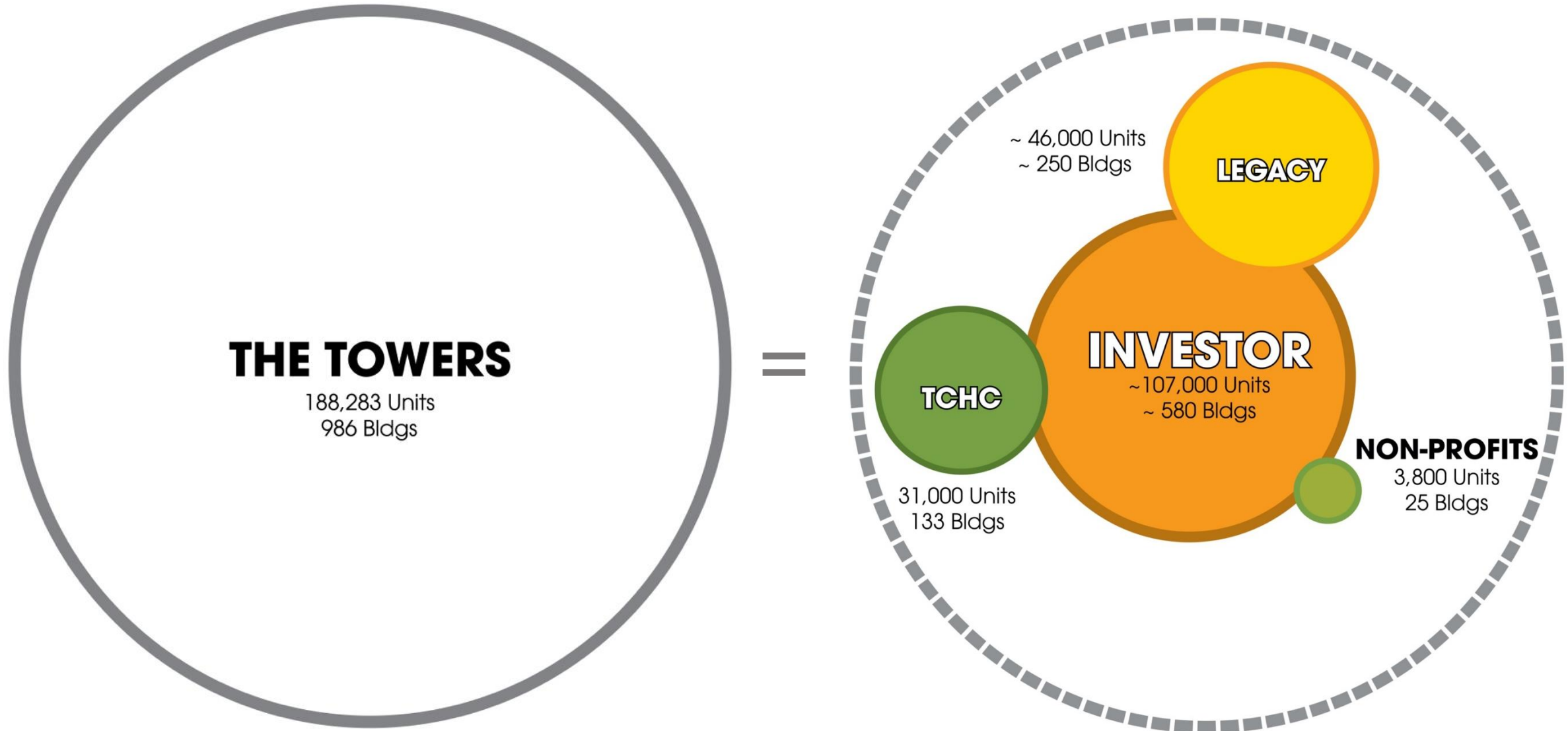


## THE TOWERS

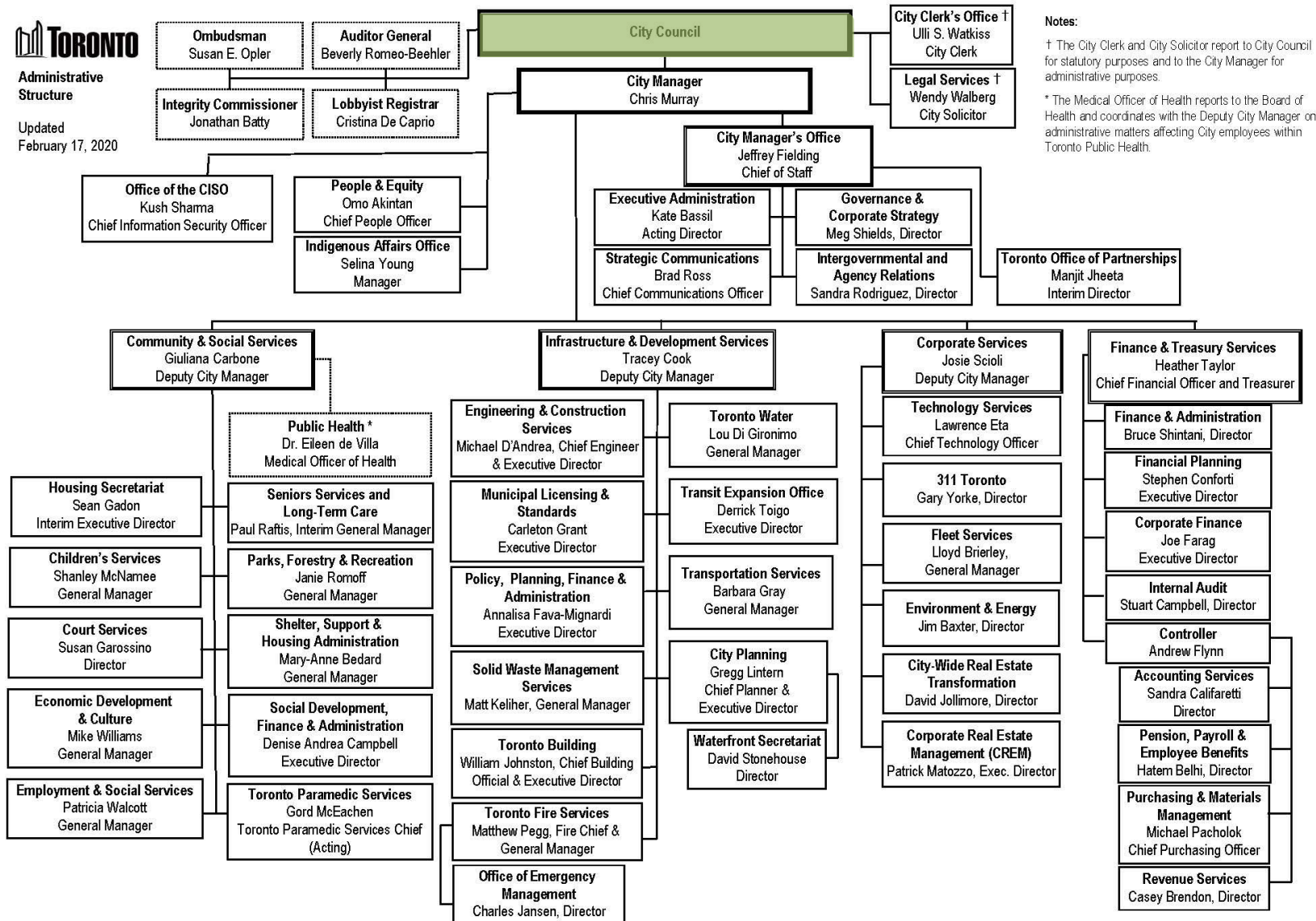
188,283 Units  
986 Bldgs

- 400,000 residents
- 13% population

# WHO OWNS THE TOWERS?

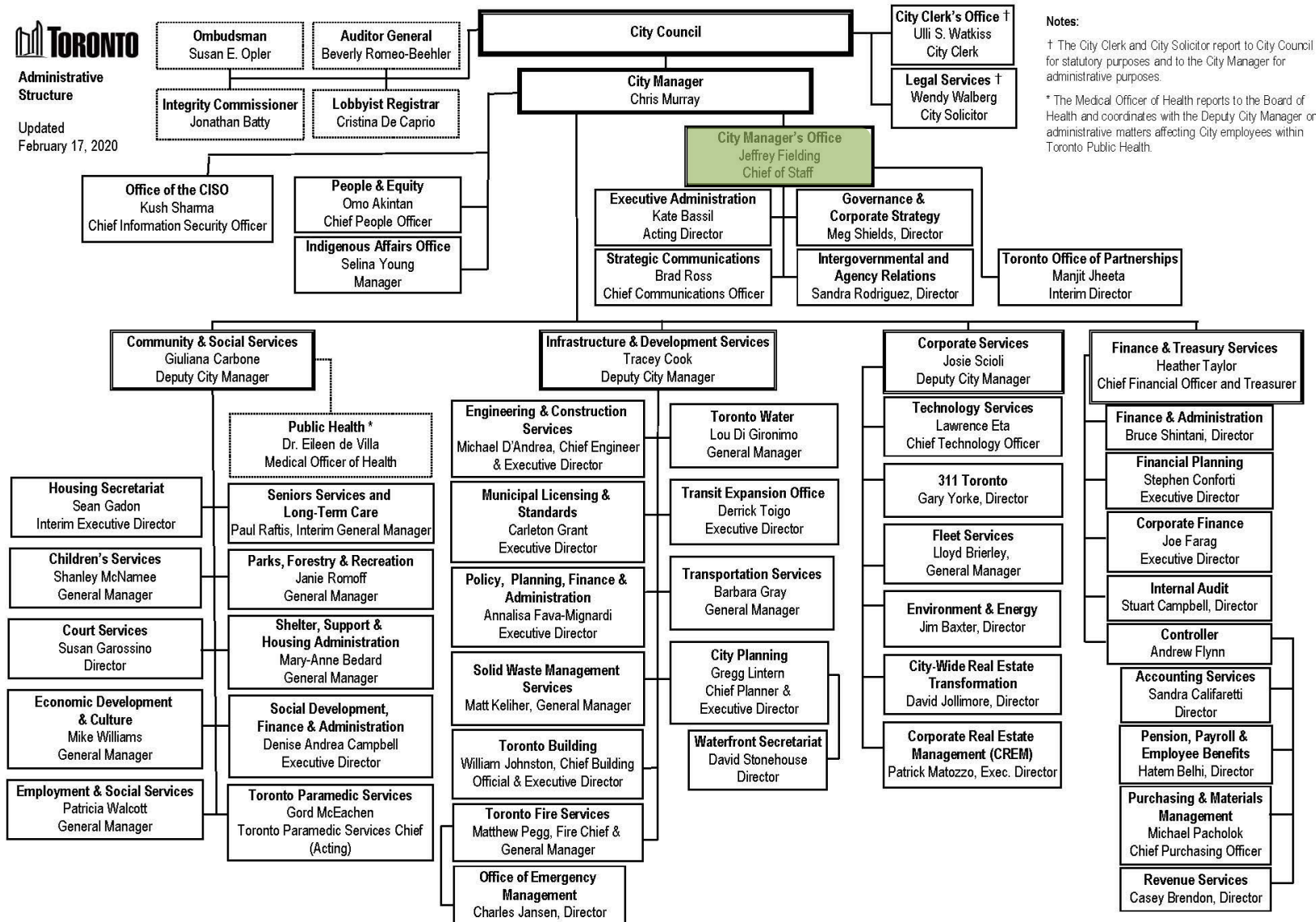


# WHO OWNS THE TOWERS?

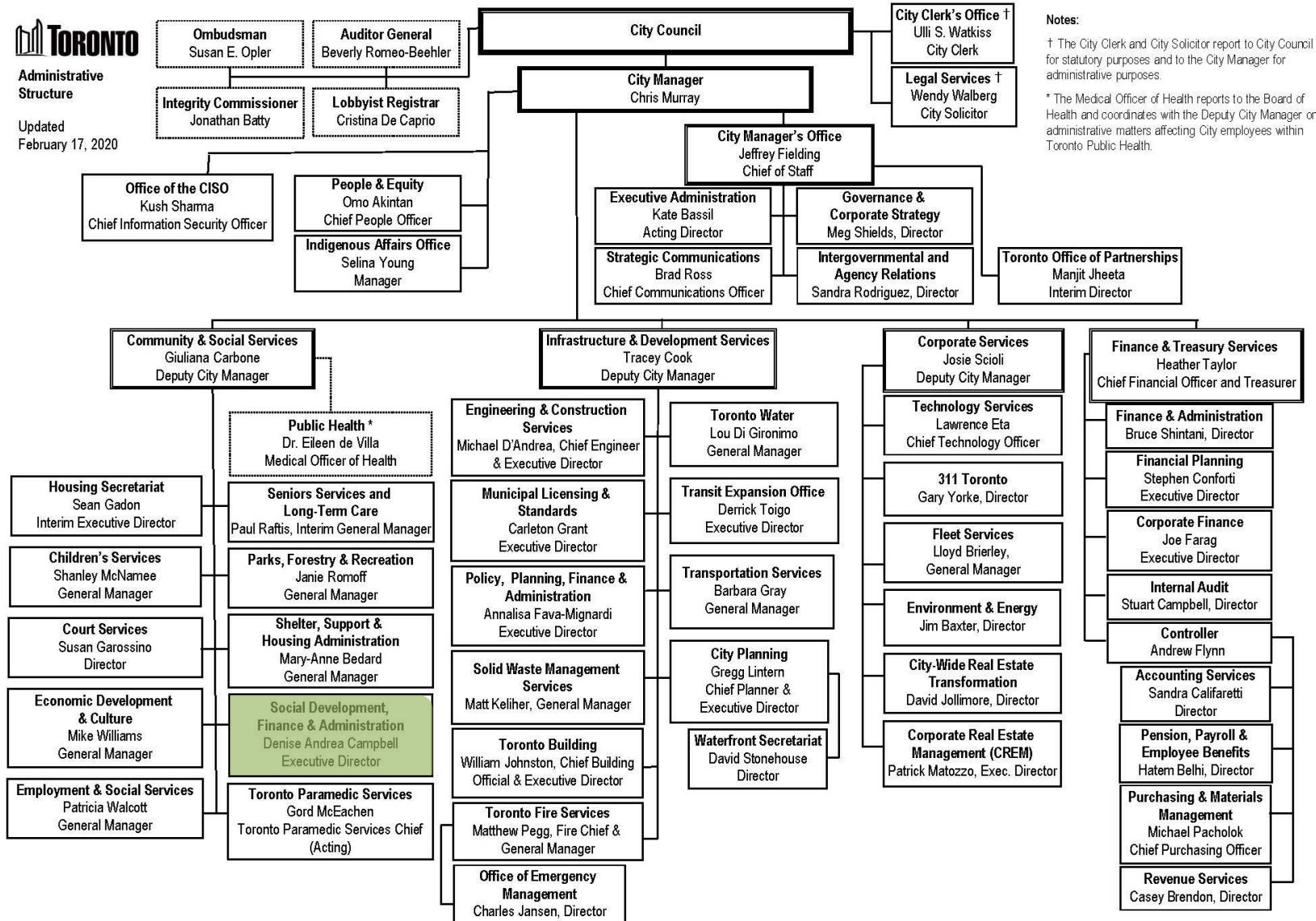




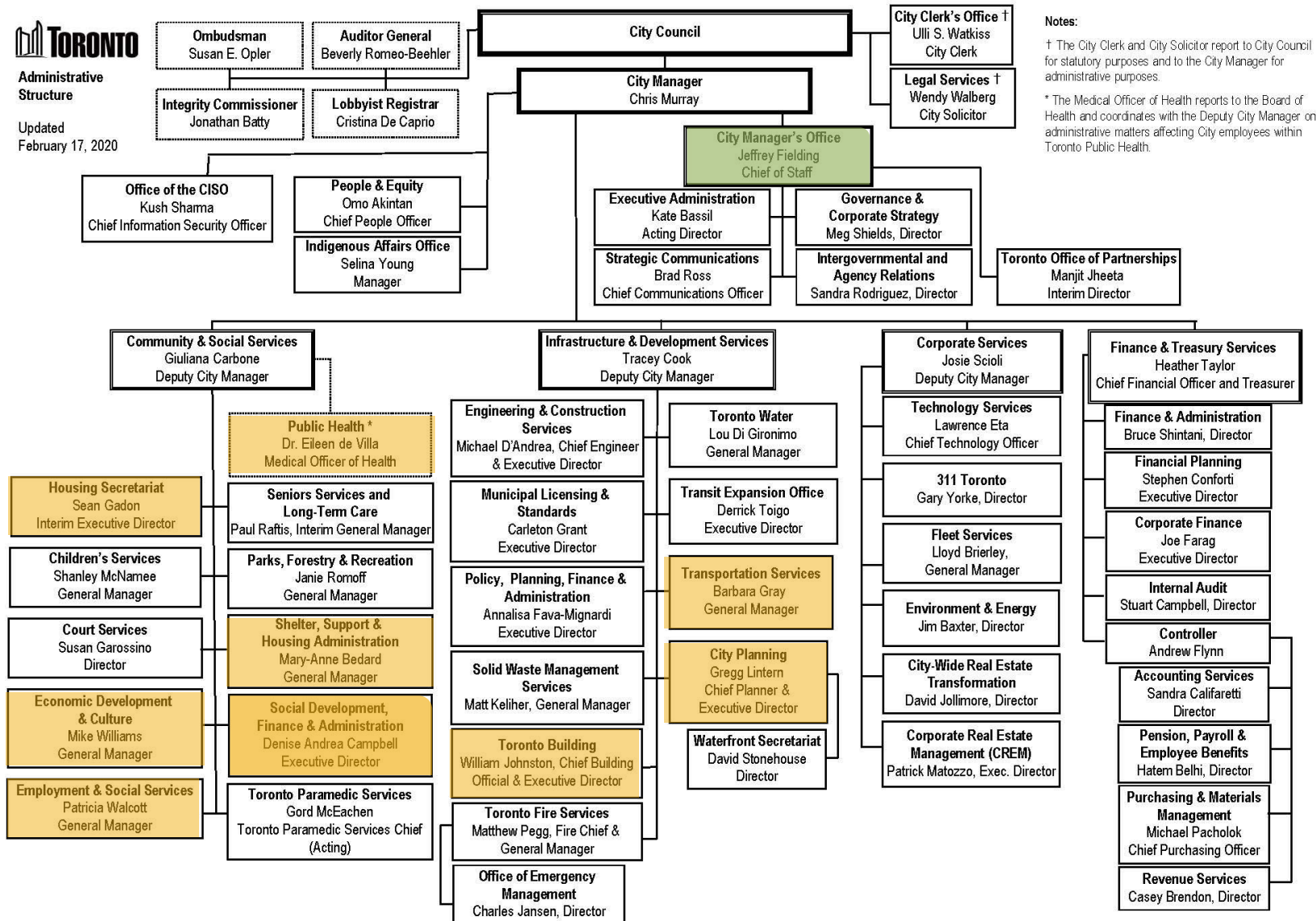
# WHO OWNS THE TOWERS?



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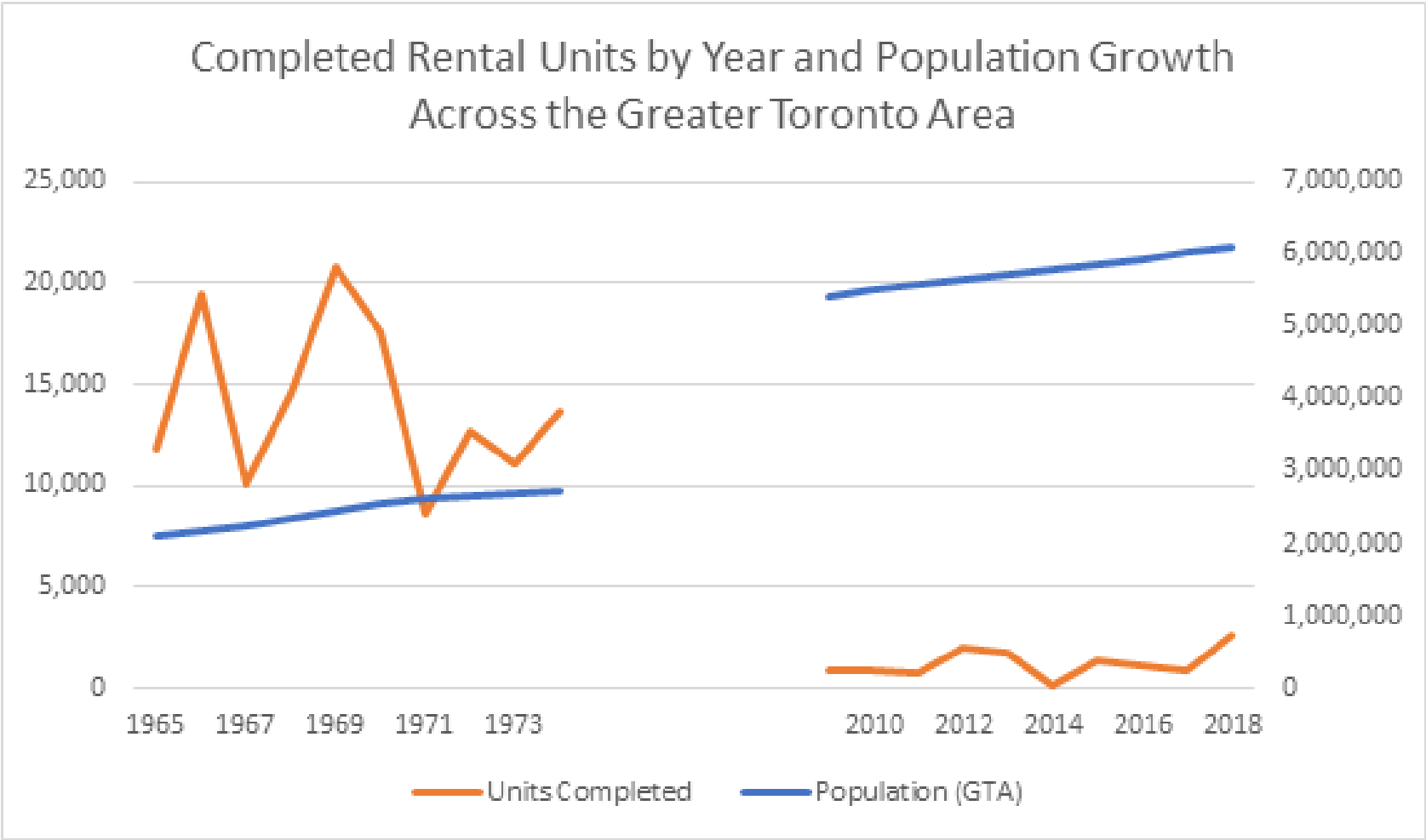
# WHO OWNS THE TOWERS?





# Tower Renewal ≠ Housing Strategy

# A Mismatch in Population Growth and Housing Production



# Towers are NOT the Affordable Housing Solution

Towers as de facto affordable housing solution is not sustainable

Agree on the problem: engage all stakeholders in consensus building and planning

- Agree on need for housing, especially affordable housing
- Agree that this is a city-wide issue and requires a holistic solution
- Aspirational as well as realistic





# Increase Housing Supply

Remove barriers to housing production

- Process changes: shorter, predictable, less expensive
  - Make the Approval Process Shorter
  - Make the Process Predictable
    - Move from ad-hoc Site-by-Site negotiation through engaging in a neighborhood planning process that sets expectations of community benefits.
- Reduce the cost of housing development
  - Right size parking requirements near transit nodes
  - Allow adequate density in appropriate locations
  - Range of housing options including mid-rise buildings
- Reduce Tax and other Financial barriers

To build a better Toronto by positively shaping growth together.



**Building** is active, staff-empowering and future-oriented. It also anchors the DRP in the City's bricks and mortar.

A **better Toronto** is the shared goal that aligns all stakeholders.

**Better** acknowledges the site-by-site nature of the improvements and how the process achieves the City's policy framework.

**Growth** is how we build a better Toronto. It connotes continual change and broad objectives (economic growth, population growth, smarter infrastructure, etc.).

To **positively shape** requires creativity and implies a shared, collaborative project.

**Together** means stakeholders working collaboratively towards a shared goal.

*Source: KPMG End-to-End Review of the Development Review Process  
City of Toronto Final Report*

# High Barriers to Rental Development

Strong demand at many price points presents opportunity

- Rental units in condos are not a substitute for dedicated rental stock
  - Can be sold or used by owner at any time
  - Not sized for families
- Planning/approval process is very costly/lengthy
  - Favors development of high-rise, luxury condos to accelerate payback
- Developer equity requirements are higher for rental
  - No down payments to supplement developer equity
- Harmonized Sales Tax (HST) on rental development is high, increases bias toward condos
  - HST is paid by condo buyers (not developers) and tax rate is lower

# Making Rental Construction More Attractive

Public and private

- Review HST for condo v. rental
- Develop financial tools to increase construction loan proceeds
  - Potential for CMHC to provide credit enhancement to increase size of construction loans
- Reduction in planning lead times will make rental returns more attractive
- Mid-rise typology delivers more quickly which increases returns
  - If required per zoning land prices will adjust





# Identify and Plan Sites

Near- and medium-term opportunities

## Public

- Identify all vacant/underutilized city-owned sites appropriate for residential development

## Nonprofit

- Mission-based organizations have underutilized sites that can house program and housing

## Transit

- Include housing at stations currently under development
- Landbank around future transit nodes for workforce housing

## Private Towers

- Create neighborhood master plans that are plug-and-play for developers of infill residential and other uses

# Make Inclusionary Zoning Program More Robust

Housing Strategy should include multiple options to achieve affordability

- Create city-wide inclusionary program tailored to different markets and density/transit contexts
  - Market economic feasibility study to understand what each sub-market/geography can bear in terms of affordability
  - Create a menu of options (lower percentage of units at deeper affordability vs. higher percentage of units at moderate incomes)
- Address needs of different user groups (families as well as single and special needs populations)

# Make Inclusionary Zoning Program More Robust

Housing Strategy should include multiple options and strategies to achieve affordability

- For mid-value and low-value locations, create lower cost financing tools (CMHC)
- In lower value/higher percentage affordability context, gap/soft financing and/or property tax abatements (not permanent) will be needed for economic feasibility.
- Ensure long-term affordability: 40-50 years minimum; permanent preferred

	Boston	Chicago	District of Columbia	San Francisco	Seattle*	Existing NYC Voluntary IH Program	New NYC MIH Program
Year Adopted	2000	2003	2006	2002	2001	1987 (R10) 2005 (IHDA)	2016
Program Type	Voluntary	Voluntary	Mandatory	Mandatory	Voluntary	Voluntary	Mandatory
Duration of Affordability	50 years	30 or 99 years	Permanent	Permanent	50 years	Permanent	Permanent
Set Aside (%)	15%	10%	Varies	12% onsite 20% offsite	5%	4-5% (R10) 20% (IHDA)	20 to 30% onsite 25 to 35% offsite
Income Targets (AMI)	<70 to 100%	≤60 to 100%	<50 to 80%	≤55 to 90%	80 to 100%	< 80%**	Basic options at average of 60% and/or 80%; additional options at average of 40% and/or 115%

*Inclusionary Zoning Programs in Major US Cities, as researched by the New York City Planning Department*





# Software Before Hardware

# Resilience & Livability

Capitalize on the spaces in between

- Reclaim and animate disused spaces between towers
- Expand and integrate the public realm
- Proactive and positive
- Collaborative organizational approach
  - New “TEDs” – Tower Enhancement Districts
  - Tower residents, tower owners, city, social service professionals, business, and institutions
- People-focused and place-based
- Facilities and facilitators
- Strategic and intentional



*Thorncliffe Park Tandoor Oven*



# Tower Enhancement Districts (“TEDs”)

Accelerate positive change in the spaces in between



*Community Engagement Meeting, Arlington, VA*

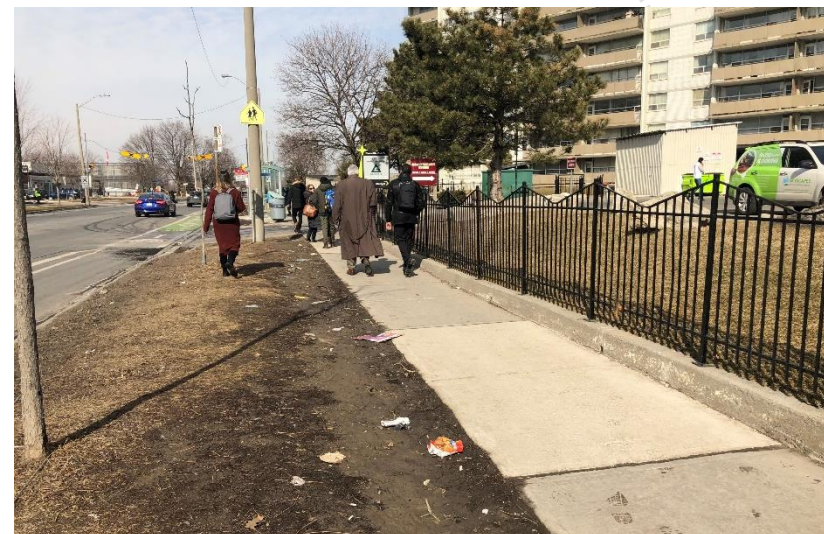
- Tower Enhancement District
  - Adapt and combine models – business improvement associations and residential master plan communities
- Participants – tenants, owners, social service providers, city, local institutions, businesses
- Funding
  - City grant and/or tax improvement sources (seed funds)
  - Tower owner parcel tax
  - NGOs
  - Philanthropy – corporate, civic, individual
  - Local business resources
- Initiate now with minimal cost first steps
- Resilient, perpetual community organization



# Reclaim the Spaces in Between

Create more places to congregate and lead full lives

- Target disused, disjointed spaces
  - Study current usage patterns to pinpoint solutions
  - Smaller scale/varied uses (parklets, active gardens)
- Indoors & outdoors
  - Both freestanding and adjoining
  - Both enclosed or open
  - Redeploy any community space inside towers
- Aesthetic renewal
  - Brighten identity of towers and neighborhoods
  - Color, scale, shape – add enriching layers
- Obtain detailed surveys of open space ownership – e.g. parcel edges, rights of way



# Animate the Spaces to Foster Community Resilience

Learn, grow, enjoy, strengthen, and support each other

- Better variety of spaces → better opportunities
- Employment, education, enjoyment
  - Training, language and literacy, finance and budgeting, job readiness, technology, counseling, tutoring
  - Small businesses
  - More office and meeting space
  - Social and recreational (night market, outdoor cooking, arts, clubs, play, and exercise)
  - Emergency preparedness support – heating and cooling shelters
  - Food – preparation & distribution, eating, urban agriculture
- House temporary exhibits and demonstrations of resilient technologies and materials, in open space



*Thorncliffe Park Women's Committee*



# Place-Based Organization

Frame the vision of local community resilience

- Develop a rubric for organizing in tower communities
  - Address full cycle of needs (not just crisis)
- Grassroots assessment of community needs and values
- Define pillars of resilience
  - Wellness, employment, opportunity, household stability
- Articulate tower community resilience goals, and integrate among city tools and plans
  - RAC (Residential Apartment Commercial) zone opened a tremendous opportunity in community hands
  - Heighten tenant awareness of RAC zoning and methods to add new uses (permitting, construction)
  - Accelerate extension of Enhancing Our Streets & Public Realm programs into tower places (street art & furniture, biodiversity, graffiti removal, complete streets)



*Raczone.ca*



# Intelligent Communication

Share technical data and success stories

- Communication messaging
  - Promote success stories, share ingredients of success
  - Promote culture of working together to deliver results
  - Orient tenants to sustainability-driven changes around them
  - Liaise with sustainability and construction activities across City
- Resources
  - Tenants – crowdsource ideas for positive transformation
    - Engage youth (resiliency over the long term)
  - Design & city planning community
    - U. of T. – lab, seminar, studio, thesis, pilot, practicum, design competition, research
  - Global community of tower neighborhoods
    - Eastern Europe, Britain, around North America & beyond
    - Integrated insights – technical, social, financial, political
- Institutional memory – long term process and solutions



*Various Communication structures Across Community Resilience organizations*



# How Might We Look at Things Differently?

# Refining the Mission and Level-Setting Expectations

## The mission of Tower Renewal is to make every tower:

- Safe
- Resilient
- Accessible
- Affordable
- A better place to live
- Part of Toronto's climate solution

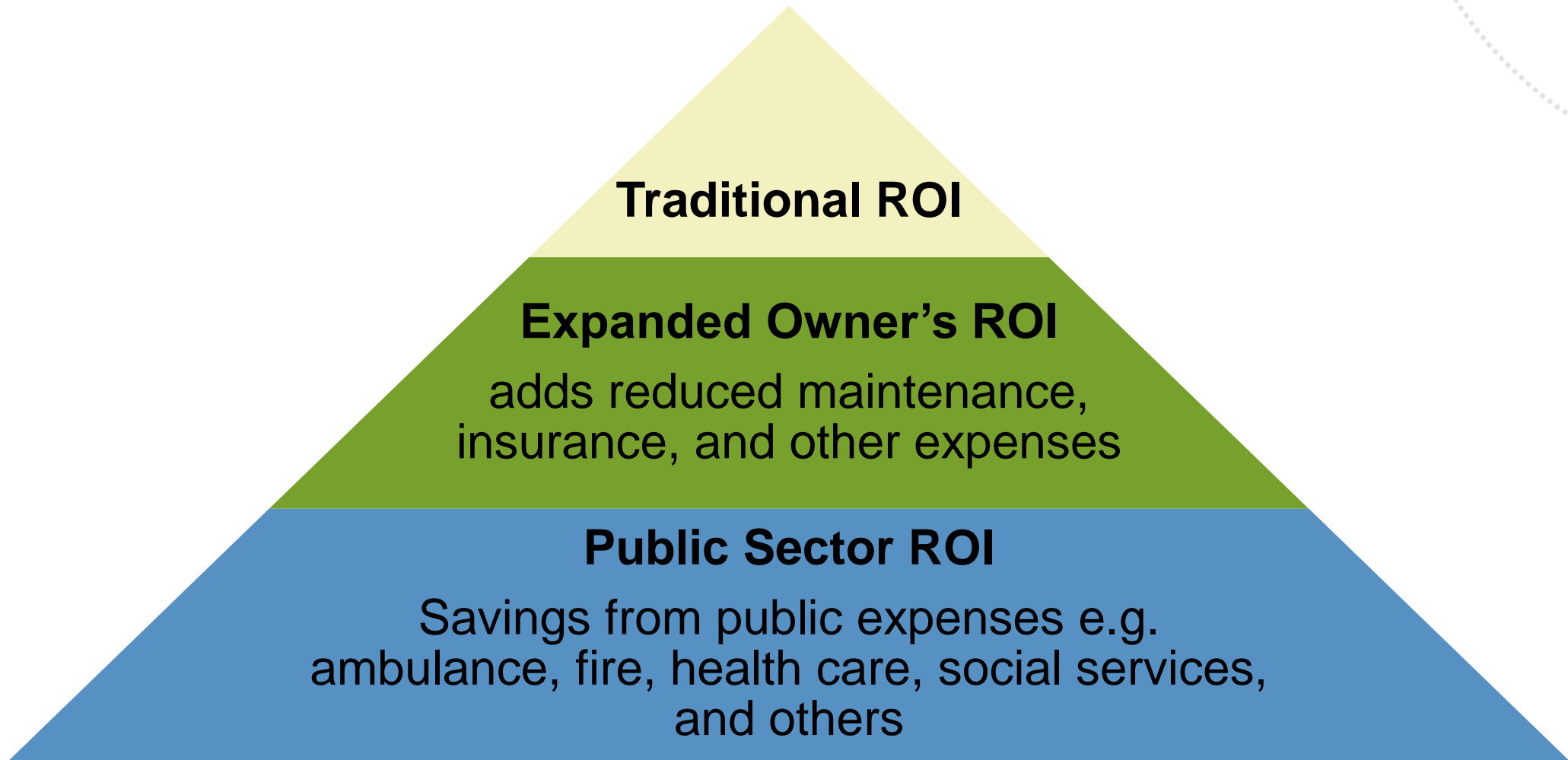
## What are the priorities?

- Affordable, but not very resilient, safe, or sustainable?
- Sustainable, but not very resilient, safe, or affordable?
- A little sustainable, a little resilient, and not as affordable?

Toronto can HAVE IT ALL...but to achieve goals in a way that makes business sense, the public sector will need to invest in these projects.



# A Better Way to Look at Return on Investment (ROI)



# Old vs. new ROI (representative numbers)

Retrofit cost (200 doors): \$26 million assuming \$134,000/door

	Old ROI Calculation	New ROI Calculation
Annual energy savings	\$150,000	\$150,000
Rebates (one time)	\$250,000	\$250,000
Annual additional rent	\$200,000	n/a
Annual maintenance	n/a	<b>\$100,000</b>
Annual insurance savings	n/a	<b>\$75,000</b>
Avoided non-insurable incident	n/a	<b>\$1,000,000</b>
Annual avoided emergency, fire, and life services	n/a	<b>\$100,000</b>
Improved annual health outcomes for residents	n/a	<b>\$50,000</b>
Annual preserved affordable housing benefit (100 units @\$1,000/mo)	n/a	<b>\$1,200,000</b>
Annual incremental tax revenue from healthy & productive residents	n/a	<b>\$50,000</b>
<b>Total Annual Value</b>	<b>\$350,000</b>	<b>\$2.73M</b>
<b>Payback</b>	<b>73.3 years</b>	<b>&lt;9.5 years</b>

# Accelerate Tower Renewal with a Big Public Tower Retrofit Program, Starting NOW

- Launch program in a more public way, with a commitment to TCHC's 131 towers by 2030
- Set your employment goal – how many new workers will you need?
- Set your materials goal – how much will you buy?
- Be transparent in your progress – everything online, available for owners, tenants, city officials, and the public





# Jump Start Private Tower Retrofit with a Pilot Program

- Offer a generous grant for the first 10 early adopters. Match dollar-for-dollar retrofits over \$2 million
- Pick projects that are multi-measure, have the biggest impact on resilience and the deepest improvements in energy efficiency
- Announce 10 pilot participants at ULI Spring Meeting
  - (May 12-14 in Toronto)
- Commence pilot projects in 2021

**Pilots are a roadmap for how to cost-effectively execute deep retrofits.**



# The Policy and Timeline – A New Action Plan for ALL Towers

## Immediate Action: Enhance Safety and Conditions

Owner assurance it complies with applicable code

Create public energy benchmarking program

Annual asset maintenance plan and mandatory audit

## Year 2: Create Energy Plans and Path Forward

Audits completed, Owners start cost-effective retrofits where payback is 5 years or less

## Year 5: Verify Completion of Audit Recommendations

Phase I retrofit plans implemented, penalties levied for non-compliance

## Year 6: Accelerate Deep Retrofit Uptake

Phase II energy audits (>5 year ROI) to identify new opportunities

Ensure towers are on track to achieve City's climate goals of 65% reduction (1990) levels by 2030

## FINAL OUTCOME

▪All towers up to safety code, deep resilience and sustainability retrofits, compliance with city goals.

Many towers will maintain current affordability, with significant gains in accessibility



## Paying For It

Incentivizing higher levels of affordability and accessibility

- For owners willing to go above and beyond 5-year payback investments, government funding would require additional affordability, resilience, and accessibility requirements:
  - Caps on rent increases for apartments that turn over (maintaining long-term affordability)
  - Additional funding for a deeper investment in resilience, accessibility, and safety (than would be made without funding)

**With deeper investments in sustainability, accessibility, resilience, and safety that may not have a specific ROI to the owner, the city should provide financial support recognizing the value of these priorities to the city.**

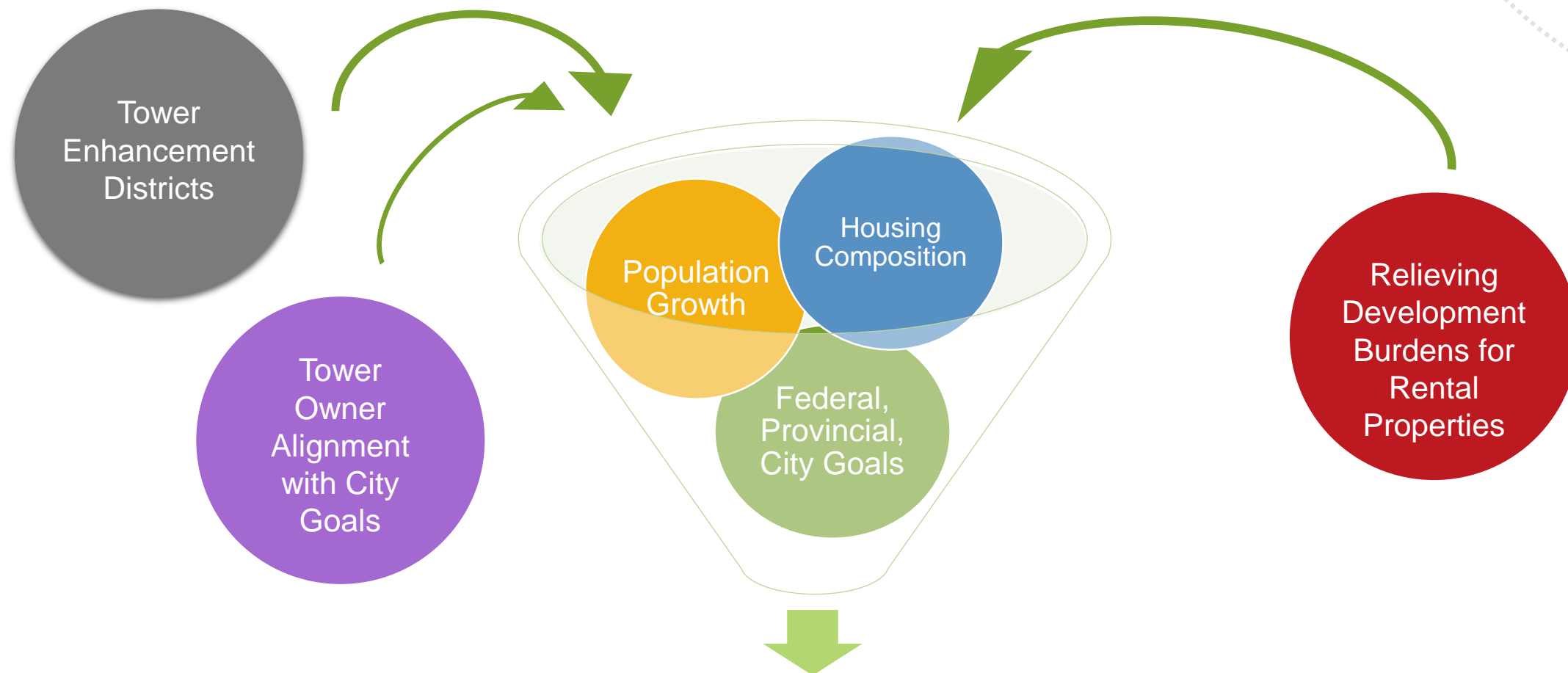


# District Level Sustainability and Resilience will Require Deeper Investment



# It's Not About Solving Problems Individually

It's about addressing them holistically to generate....



...Better Long-Lasting Solutions



# Tower Renewal Strategy

The Towers are a gift!

- Use the TCHC program as the learning platform
- Develop a skilled workforce
- Contribute to local economy
- Become the **world's example of Tower Renewal**





“By 2030, everyone in Canada has a home that they can afford and that meets their needs.”

- Evan Siddall President and CEO,  
Canada Mortgage and Housing Corporation 11/22/19

# What Needs to Happen Now

Overcome inertia; the consequences of delay are costly and becoming more evident

- Align and focus City attention on housing challenges
  - Empower City Manager's office with authority and oversight for Tower Renewal Program
- Launch private sector tower retrofit pilot program
- Accelerate public sector tower retrofit program
- Empower and Create Regional Housing Planning Effort with a 30-year focus
  - Inclusionary Housing
  - Healthy vacancy equilibrium in rental housing
- Rental apartment emphasis – fill “missing middle”
  - Renewal and new construction
  - Tower owner engagement and alignment with City goals



# Q A

## Thank You!

*<http://www.uli.org/advisoryservices>*