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

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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?
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?

- 400,000 residents
- 13% population
WHO OWNS THE TOWERS?

THE TOWERS
188,283 Units
986 Bldgs

=  

INVESTOR
~107,000 Units
~580 Bldgs

LEGACY
~46,000 Units
~250 Bldgs

TCHC
31,000 Units
133 Bldgs

NON-PROFITS
3,800 Units
25 Bldgs
WHO OWNS THE TOWERS?
WHO OWNS THE TOWERS?

City Council
  City Manager
    Chris Murray
    City Manager’s Office
      Jeffrey Fielding
      Chief of Staff
  Governance & Corporate Strategy
    Kate Boulton
    Acting Director
  Strategic Communications
    Chad Ross
    Chief Communications Officer
  Legal Services
    Cindy Wadsworth
    City Solicitor
  City Clerk’s Office
    Liz S. Walkus
    City Clerk
  Toronto Office of Partnerships
    Mary Janejez
    Interim Director
  Toronto Water
    Lee Di Gregorio
    General Manager
  Transit Expansion Office
    Derrick Toews
    Executive Director
  Transportation Services
    Barbara Gray
    General Manager
  City Planning
    Greg Lower
    Chief Planner & Executive Director
  Waterfront Secretariat
    David Stonehouse
    Director
  Corporate Services
    Jodie Sozi
    Deputy City Manager
  Technology Services
    Lawrence Eta
    Chief Technology Officer
  311 Toronto
    Gary Yorka
    Director
  Fleet Services
    Lloyd Howley
    General Manager
  Environment & Energy
    Jim Basker
    Director
  City-Wide Real Estate Transformation
    David Joffre
    Director
  Corporate Real Estate Management (CREM)
    Paolo Mantzoukas
    Exec. Director
  Finance & Administration
    Louise Steeha
    Director
  Financial Planning
    Stephen Conforti
    Executive Director
  Corporate Finance
    Joe Farag
    Executive Director
  Internal Audit
    Stuart Campbell
    Director
  Controller
    Andrew Fyten
    Director
  Accounting Services
    Sandra Contafarri
    Director
  Pension, Payroll & Employee Benefits
    Helen Bell
    Director
  Purchasing & Materials Management
    Michael Pacholski
    Chief Purchasing Officer
  Revenue Services
    Casey Brandon
    Director

Engineering & Construction Services
  Michael D’Alessandro
  Chief Engineer & Executive Director

Municipal Licensing & Standards
  Carleton Grant
  Executive Director

Policy, Planning, Finance & Administration
  Anna Maria Fava-Mignardi
  Executive Director

Solid Waste Management Services
  Matt Koethe
  General Manager

Toronto Water
  Lee Di Gregorio
  General Manager

Transportation Services
  Barbara Gray
  General Manager

City Planning
  Greg Lower
  Chief Planner & Executive Director

Waterfront Secretariat
  David Stonehouse
  Director

Toronto Water
  Lee Di Gregorio
  General Manager

Toronto Fire Services
  Matthew Pegg
  Fire Chief & General Manager

Office of Emergency Management
  Charles Janzen
  Director

Toronto Paramedic Services
  Gord McDonnell
  Toronto Paramedic Services Chief (Acting)

Social Development, Finance & Administration
  Denise Amadeo Campbell
  Executive Director

Shelter, Support & Housing Administration
  Mary Anne Boddy
  General Manager

Housing Secretariat
  Sean Gadan
  Interim Executive Director

Children’s Services
  Shirley McFarlane
  General Manager

Economic Development & Culture
  Mike Williams
  General Manager

Employment & Social Services
  Patricia Wadsworth
  General Manager

Toronto Public Services
  Gord McDonnell
  Toronto Public Services Chief (Acting)

Parks, Forestry & Recreation
  John Faroom
  General Manager

Seniors Services and Long-Term Care
  Paul Rashnoff
  Interim General Manager

Public Health
  Dr. Eleonore de Vente
  Medical Officer of Health

Community & Social Services
  Girolama Carbonara
  Deputy City Manager

Infrastructure & Development Services
  Tracey Cook
  Deputy City Manager

Toronto Office of Partnerships
  Mary Janejez
  Interim Director

Notes:
† The City Clerk and City Solicitor report to City Council for statutory purposes and to the City Manager for administrative purposes.
* The Medical Officer of Health reports to the Board of Health and coordinators with the Deputy City Manager on administrative matters affecting City employees within Toronto Public Health.
Tower Renewal ≠ Housing Strategy
A Mismatch in Population Growth and Housing Production

Completed Rental Units by Year and Population Growth Across the Greater Toronto Area

- Units Completed
- Population (GTA)
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
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

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

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

<table>
<thead>
<tr>
<th>Year Adopted</th>
<th>Boston</th>
<th>Chicago</th>
<th>District of Columbia</th>
<th>San Francisco</th>
<th>Seattle*</th>
<th>Existing NYC Voluntary IHO Program</th>
<th>New NYC MIH Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Type</td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Mandatory</td>
<td>Mandatory</td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Duration of Affordability</td>
<td>50 years</td>
<td>30 or 99 years</td>
<td>Permanent</td>
<td>Permanent</td>
<td>50 years</td>
<td>Permanent</td>
<td>Permanent</td>
</tr>
<tr>
<td>Set Aside (%)</td>
<td>15%</td>
<td>10%</td>
<td>Varies</td>
<td>12% onsite 20% offsite</td>
<td>5%</td>
<td>4-5% (R10) 20% (IHDA)</td>
<td>20 to 30% onsite 25 to 35% offsite</td>
</tr>
<tr>
<td>Income Targets (AMI)</td>
<td>&lt;70 to 100%</td>
<td>≤60 to 100%</td>
<td>&lt;50 to 80%</td>
<td>≤55 to 90%</td>
<td>80 to 100%</td>
<td>&lt; 80%**</td>
<td>Basic options at average of 60% and/or 80%; additional options at average of 40% and/or 115%</td>
</tr>
</tbody>
</table>

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

- 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
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)

Traditional ROI

Expanded Owner’s ROI
adds reduced maintenance, insurance, and other expenses

Public Sector ROI
Savings from public expenses e.g. ambulance, fire, health care, social services, and others
## Old vs. new ROI (representative numbers)

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

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

<table>
<thead>
<tr>
<th>Immediate Action: Enhance Safety and Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner assurance it complies with applicable code</td>
</tr>
</tbody>
</table>

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….

Tower Enhancement Districts

Tower Owner Alignment with City Goals

Population Growth

Housing Composition

Federal, Provincial, City Goals

Relieving Development Burdens for Rental Properties

…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
Thank You!
http://www.uli.org/advisoryservices