

Accelerating Affordable Rental Housing

Effective Solutions - Principles and Case Studies

This report was prepared by the **ULI Toronto Affordable Housing Leadership Council**, offering a private developer perspective on solutions for accelerating affordable rental housing in the Greater Toronto Area.

August 2024



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Acknowledgements

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The Council

The ULI Toronto Affordable Housing Leadership Council is a forum for real estate developers to work together to find practical solutions that can cumulatively move the needle on the critical shortage of affordable rental housing in the Greater Toronto Area in this current environment.

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Part 1

Introduction

Our Context

Canada's housing landscape has reached a critical crossroads. A growing number of reports and strategies have called for collective action to address our country and region's deepening housing challenges. There is no shortage of studies illustrating the need, the urgency, and the potential consequences of inaction, especially given today's challenging macro-economic environment.

In response, seventeen (17) Canadian development community members¹ came together to rise to the challenge. While there is work to be done along the entire housing continuum, we see the urgent need to create more affordable² rental housing. There is an opportunity for private developers to make a material contribution to the solution.

¹ The seventeen development organizations work across Canada; however, are focused on development in the Greater Toronto Area.

² For the purposes of this report, we use the current City of Toronto affordable rental definition: "Housing where the total monthly shelter cost is at or below the lesser of the average City of Toronto rent, by dwelling unit type, as reported annually by the Canada Mortgage and Housing Corporation, or 30% of the before-tax monthly income of renter households in the City of Toronto." The solutions and assumptions presented in this report are based on the Toronto context and must be adapted to other specific local market and policy contexts.

This Report

This report presents a suite of case studies of inspiring models of creative mixed-use projects that integrate affordable rental housing with other tenures and uses.

Equipped with successful examples of past affordable rental housing development projects, this report offers lessons to support the creation of more affordable rental housing projects in partnership with the non-profit sector and all levels of government.

Creating the Conditions for Success

We analyzed our most promising examples of affordable rental housing development to identify common success factors. These success factors are the conditions that made these projects possible.

These principles provide a starting point for designing and implementing interventions to support affordable rental housing development. The principles were used as evaluation criteria to consider the types of interventions that could have the most promising impact and could be used to meaningfully accelerate affordable rental housing.

Principles for Effective Solutions

Solutions to advance private developer involvement in affordable rental housing creation should...

- ① **Bring all relevant stakeholders to the table to align incentives and efforts**

The most impactful and innovative projects have a thread in common—they leverage contributions from three levels of government and allow for-profit and non-profit developers to do more together. Solutions born of collaborative efforts between all levels of government will be most effective and replicable.
- ② **Consider market conditions and timing of incentives**

For housing programs and incentives to work, they must create feasible projects within the current market conditions. Effective solutions adjust to current economic realities.

In addition, timing is of utmost importance. The ability to move quickly and secure incentives at the right time can make a project work. Considering the speed and timing of programs can result in greater uptake and impact.
- ③ **Design with transparency, consistency, and clarity in mind**

Providing clear requirements and criteria for eligibility can go a long way in increasing a program's uptake and effectiveness. Infusing predictability and transparency into application processes and program use helps make projects more viable. Interventions that offer well-defined expectations help bring more stability to the development environment.
- ④ **Set the stage for successful partnerships between developers and non-profits**

Articulating a partnership model that can lay out roles, goals, and risk profiles builds the path for successful partnerships. With any development project, the calculation of risk is an important ongoing process. When more than one partner is involved, it becomes vital that all partners have a shared understanding of each other's motivations, goals, and thresholds for risk. This shared understanding enables partners to collaborate with trust and leverage each others' strengths to ensure mutual benefit.

Looking to our Most Promising Case Studies

These case studies can be used to:

- Serve as inspiration for what mixed-income developments can look like;
- Generate lessons and reflections on what worked well in the past and how barriers were overcome; and
- Identify recurring success criteria that could be adopted for more widespread uptake and replication.

Non-Profit & Private Housing Partnership Models

These projects were chosen based on their successes in including a proportion of affordable rental units within their developments. Each example incorporates a unique private-non-profit partnership model. Through these collaborative approaches, non-profit partners help bring deeper affordability and resident service, while private sector partners bring scale and speed to the development process.



RioCan REIT, Context, & Toronto Community Housing

1050-1060 Eastern Avenue



Daniels, BGO, & WoodGreen Community Services

25 Nicholas Avenue



Aspen Ridge Homes, Larco Investments, & Ismaili Council of Canada

844 Don Mills Road



Greenwin, Canadian Mental Health Association, & Toronto Community Housing

121 Parkway Forest Drive



Dream, Tricon, Kilmer, WoodGreen Community Services, Wigwamen, Performing Arts Lodge, Artscape, & COSTI

West Don Lands & Canary Landing



TAS, BGO, Toronto Public Library, The Redwood & Non-Profit Housing Provider

299 Campbell Avenue

Looking to our Most Promising Case Studies

The Daniels Corporation, BGO, & WoodGreen Community Services

25 Nicholas Avenue



When it came to building a 346-unit project at 25 Nicholas Avenue, The Daniels Corporation approached the City of Toronto's Housing Secretariat to explore what opportunities were available to support the integration of affordable units. They learned about an incentive available to non-profit organizations looking to build housing.

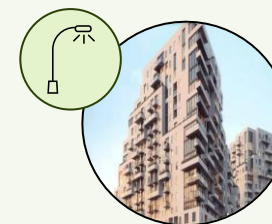
Daniels approached WoodGreen Community Services to deliver affordable units for their Homeward Bound program, geared towards supporting single-parent households. Through the City's incentive program, the partners were able to secure a property tax waiver for the period of affordability and a per-unit contribution from the City of Toronto and Government of Ontario.

*With this combination of financing and the support of their partner, BGO, Daniels was able to adjust their financial assumptions to ensure the integration of **34 affordable units** was a viable option.*

This case study demonstrates the importance of government incentives as a key lever to promote similar partnerships in the sector.

RioCan REIT, Context & Toronto Community Housing

1050-1060 Eastern Avenue



1050-1060 Eastern Avenue is a project led by RioCan and Context. The project includes 770 residential units and 16,443 square feet of ground-floor retail space. The community offers mixed-use, mixed-income spaces, with 138 units owned and operated by Toronto Community Housing and an additional 76 units at 80% of median market rent.

To make the project financially viable, the development team leveraged the Open Door program (City of Toronto) and the Rental Construction Financing Initiative (CMHC; since renamed the Apartment Construction Loan Program). Navigating the different requirements and timelines for approval for each program added additional complexity to the project. The absence of a streamlined municipal approvals process made the project less economical.

The project partners attribute their success to leveraging their individual and shared expertise in condominium, rental, and commercial development.

Every day that we didn't get approvals and that we couldn't tender was a day that the project was becoming less economical. Things came through just in time; we awarded the tenders and got pricing in a way that allowed us to proceed, but we learned time kills these complicated projects. When you have so many different components, there's a limited window in which all of your assumptions are valid. As you lose time, costs can increase, and you can lose your moment. Time is the most important thing – these complicated projects work under a specific set of circumstances that are very time-dependent – if you don't hit your moment, it won't work.

Looking to our Most Promising Case Studies

Greenwin, Canadian Mental Health Association & Toronto Community Housing

121 Parkway Forest Drive

In 2004, Greenwin built a 232-unit rental housing development, incorporating an Ontario Early Learning Centre. Thanks to a federal-provincial housing pilot program, the project was able to achieve rents of 100% of average market rent across the entire building. Of the 232 units, 39 are leased to non-profit organizations that can deliver even deeper levels of affordability.

Greenwin's interest in creating housing that is attainable by a broad spectrum of community members was only one factor at play in the success and ultimate viability of this project. The stars aligned to bring this project to bear in the following ways:

- *Greenwin already owned the land*
- *Access to a federal-provincial pilot funding program for affordable housing (a per-unit contribution)*
- *The City of Toronto waived property taxes and development permit fees*
- *Construction costs were almost one-quarter of today's costs**

***Construction Costs in Perspective**

The incentives and economic conditions available allowed Greenwin to build the project at a construction cost of almost 20% below average at the time. This would represent approximately one-quarter of today's per-square-foot construction costs.

"If the pilot program hadn't been in place, we would have built a condo at that time. A market rental at that time wouldn't have been [possible] in that area since the costs relative to rents were too high. The project was more economical to go ahead with the affordable than to not, because of the benefits they gave. It was the incentives that did it."



TAS, BGO, Toronto Public Library, The Redwood & Non-Profit Housing Provider

299 Campbell Avenue

With their mid-rise purpose-built rental project at 299 Campbell Ave well underway, TAS sought to add an affordable housing component in line with their evolving social impact framework.

Through working with their partner, BentallGreenOak (BGO), the Toronto Public Library, two non-profit housing operators, and the City of Toronto's Open Door Program, the project team was able to designate ten (10) units as affordable. The units are leased and operated by Redwood and another non-profit housing provider, who operate these units at rent-geared-to-income levels.

This affordable housing commitment was viable in large part due to favourable economic conditions.

Moving forward, the TAS approach involves implementing their social impact framework into their model from the start. In doing so, decisions around affordable housing and other social-purpose real estate components are accounted for from the visioning stage.

Looking to our Most Promising Case Studies

Aspen Ridge Homes, Larco Investments & Ismaili Council of Canada

844 Don Mills Road



At 844 Don Mills Road, Aspen Ridge Homes and Larco Investments partnered with the Ismaili Council of Canada to develop Generations, a multi-generational project with 390 affordable units for seniors and families, 122 long-term care beds, and a childcare facility. This project was negotiated as part of an employment conversion for a broader mixed-use community, with this affordable housing component accounting for 7% of the total land.

The process required significant trust, collaboration and initiative from all partners. The Ismaili Council of Canada leveraged its network to recruit a development partner for the project (Larco Investments) and fundraise for the project.

Aspen Ridge Homes leveraged its expertise in navigating the housing development process to undertake the employment conversion and secure the development approvals.

This project was a success due to the collaboration and commitment from both the private and non-profit players. Both groups leveraged their unique capabilities to deliver hundreds of units of affordable housing.

Dream, Tricon, Kilmer, WoodGreen Community Services, Wigwamen, Performing Arts Lodge, Artscape & COSTI

West Don Lands & Canary Landing



In their Canary Landing and West Don Lands projects, Dream, Tricon, and Kilmer are building a large-scale rental project with 30% of units at below-market rents (at different thresholds of affordability).

Their projects required collaboration and partnership from all levels of government:

- *CMHC financed the project through RCFi;*
- *The Government of Ontario contributed the land through a land lease at a modest price; and*
- *The City of Toronto waived property taxes and development charges on all affordable units.*

To fund the project, the development team worked closely with CMHC to understand and design the project program to meet RCFi needs. While the project successfully leveraged this funding, a less experienced team with fewer resources to dedicate may struggle to understand and meet the program's complex requirements.

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