



Developing Supportive Housing in Toronto: Experiences, Challenges and Ideas

Report from the TAEH Development Working Group

Compiled and written by Joy Connelly

April 2019



© The Toronto Alliance to End Homelessness

CONTACT:

Daphna Nussbaum

Toronto Alliance to End Homelessness

daphna.nussbaum@taeh.ca

416.783.8749

Toronto Alliance to End Homelessness

The Toronto Alliance to End Homelessness is a community-based collective impact initiative that recognizes the critical importance of working in a new way towards a common goal of ending homelessness. This includes working with all levels of government, particularly the City of Toronto to achieve our vision. For more information, visit taeh.ca.



Funding for this project generously provided by Maytree
and trusted by the Parkdale Community Land Trust

Table of Contents

Introduction	1
Executive Summary: Ideas for the City and the Sector	3
The Interviews at a Glance	6
Case Studies	7
“We have rent supplements, but no place to put them”	8
“With all the delays and uncertainty, the developer just walked away”	10
“We want the City to work <i>with</i> us to make this development work”	13
“We feel as if we’re walking into a headwind”	15
“Our goal is no more housing losses”	19
“If you don’t have land or equity, you’re not in today’s solution”	22
Ideas for the City of Toronto	25
Ideas for the Sector	28
About the Toronto Alliance to End Homelessness Development Working Group	32

Introduction

In March 2018, City Council committed itself to a target of creating 18,000 new supportive housing units – 1,800 per year – over the next ten years.¹

The TAEH Development Working Group is a working group of primarily non-profit, alternative and supportive housing providers who collectively have experience and expertise in non-profit housing development and management. We represent a significant portfolio of land holdings, have missions aligned to the goal of ending homelessness, have best practices to scale-up, and bring a host of resources to the table to help the City make due on its commitment - and we're eager to do this.

So what is the plan to make this target a reality? And how can the City of Toronto and the Toronto Alliance to End Homelessness (TAEH) work together to facilitate new supportive housing development and help meet this target?

To begin to answer these questions, the TAEH Development Working Group commissioned interviews with supportive housing providers with recent development experience. The aim of the interviews was to develop case studies to illustrate the challenges of creating new supportive housing² – and in particular the challenges associated with municipal approvals processes – and provide a foundation for a charrette to be coordinated by the Affordable Housing Office in Spring 2019.

Between January 3 and January 16, Joy Connelly and Melissa Goldstein interviewed senior staff from eight supportive housing providers.

This report represents the results of these interviews.

The interviews generated exceptionally rich conversations. The aim of this report was to try to capture not only the development stories, but also the ideas these conversations generated. The report includes:

- A few numbers gathered from the interviews. Additional project details have been compiled by the Parkdale Neighbourhood Land Trust (PNLT) but have not been analyzed for this report.

1 Emergency Shelter Services - Update, City Council Decision, March 26 and 27, 2018. "City Council adopted the target of the creation of 18,000 new supportive housing units, 1,800 units per year, over the next 10 years to help people transition out of the shelter system and into permanent housing." <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CD26.5>

2 For the purposes of this report, supportive housing is defined as deeply affordable housing combined with supports.

- Recommendations for the City and the supportive housing sector generated during the interviews. In some cases, examples have been added to contribute to TAEH's discussion.
- Six case studies³ designed to "tell the development story," summarize the gains and losses, the lessons learned and the questions raised by the experience. In all cases, these stories represent an abbreviated version of events, and many more details could have been included.

3 A seventh interview was designed to generate background information rather than a specific development story. An eighth interview described a project at the very early stages.

Executive Summary:

Ideas for the City and the Sector

How can the City of Toronto and the Toronto Alliance to End Homelessness (TAEH) work together to facilitate new supportive housing development? And how can the City achieve its target of creating 18,000 new supportive housing units over the next ten years?

To answer these questions, the TAEH Development Working Group commissioned interviews with eight supportive housing providers with recent development experience. Here are the recommendations and questions arising from these interviews:

Commit all City divisions to facilitating new supportive housing development

The City has embraced an “all of government approach” to creating affordable housing through its new Housing and Planning Committee, and Housing Now initiative. To enable the City to meet its annual target of 1,800 new supportive housing units, we need the City to take a similar approach:

- Recognize the creation of perpetually affordable housing – accessible to people on OW and ODSP who need support – as a City priority in all City divisions.
- Ensure delivery targets for new supportive housing are included in the Toronto Housing Plan 2020-2030.
- Commit capital funding and rent supplements in the City budget for new supportive housing.
- Make supportive housing a priority for all city-owned sites (see below).
- Consider an “official trouble-shooter” position to advance supportive housing.

Streamline municipal planning approvals

The Housing Now initiative calls for dedicated staff from the City Planning Division to fast-track municipal planning approvals. We are seeking a similar approach for supportive housing on other sites that:

- Starts with the question, “How can we make this project work?”
- Streamlines approvals to keep costs down, recognizing that in recent years construction costs were increasing by 1% per month. (For example, the cost of one 36-unit project increased by 30% during the 2.5 years it took to get the necessary approvals).
- Accepts that innovative supportive housing models do not always match the definitions set out in Toronto’s Official Plan or Zoning By-law. Let us recognize that

“residential is residential,” regardless of the characteristics of the people being housed or the provider’s support model.

Co-ordinate City funding programs with federal and provincial funding programs

- **Take full advantage of provincial supportive housing funding.**
Among the eight supportive housing providers interviewed, over 150 health-funded rent supplements and three full-time support staff lay fallow because of delays in housing approvals. In some cases, these subsidies may need to be returned in the year they were approved. We recommend that the City co-ordinate its work with the Ministry of Health and LHINs (or any successor organization) to take full advantage of these significant subsidies.
- **Align Housing Now, Open Door and NHS Co-Investment Fund approvals.**
In our experience, the applications for both the NHS Co-Investment Fund and Open Door have been very costly for providers to prepare – costs that either reduce affordability or increase public costs.

The City has already taken a welcomed first step towards coordinating Housing Now and NHS funding approvals. Is it possible to extend this work to other affordable and supportive housing sites? Some possibilities:

- Replacing the annual RFP for proponents seeking relief from fees, charges and taxes (but not land or direct funding) with an ongoing system of delegated administrative approval to qualified non-profit applicants. For example, we understand that in Ottawa, verification of non-profit or charitable status is sufficient to access relief from charges and fees for affordable housing developments.
 - Building on the Parkdale Rooming House Acquisition Pilot, the City should establish a city-wide funding program to facilitate acquisition of existing affordable rental housing by non-profits.
 - Coordinating any municipal funding approvals with the Co-Investment Fund’s continuous intake process.
 - Consulting and partnering with TAEH members to ensure the best use of the new Non-Profit Housing Capacity Fund.
- **Facilitate the development of supportive housing on City-owned sites.**
Effective use of City sites such as the eleven Housing Now sites, combined with Ministry of Health rent supplements, will be crucial to achieving the City’s supportive housing targets.

We recommend:

- o Capitalizing on supportive housing's commitment to maintaining perpetual affordability and ending homelessness. Set aside a portion of units on each Housing Now site for supportive housing. Give preference to for-profit developers that partner with supportive housing owners and operators.
- o Stacking operational and capital funding from federal homelessness and provincial health programs to create maximum affordability. Remember that most supportive housing units are bachelor or micro-units with no parking requirements.
- o Consulting with TAEH members to ensure the best use of the new Non-Profit Capacity Fund. Strengthen the sector.

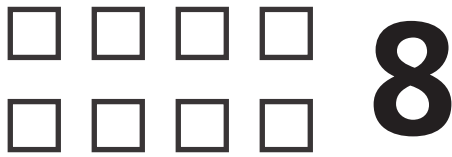
Strengthen the supportive housing sector

Supportive housing providers recognize that we must strengthen our own development capacity. Some ideas we'd like to explore:

- Building or acquiring larger mixed supportive/market buildings, learning from developments in New York City and Peel Region.
- Making more effective use of the sector's asset value and total revenue stream to increase borrowing capacity, rationalize the portfolio, intensify existing sites, reduce risks and increase asset management expertise.
- Strengthening the sector's collective development capacity, learning from such models as the Calgary Homeless Foundation and HomeSpace Society (formerly Calgary Community Land Trust Society); Ottawa's Cahdco; Vancouver's Community Land Trust Foundation; and the US Corporation for Supportive Housing.
- Creating an affordable housing revolving fund supported by a combination of philanthropy and patient capital investment.

The Interviews at a Glance

Number of organizations profiled:



Number of projects profiled: **9**



1

under construction



2

lost or abandoned



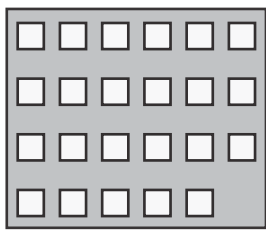
1

approved and ready to go



5

stalled or at serious risk



Number of units or rooms first proposed in these developments

478+



Number of units under construction or approved

58

Number of projects with successful Open Door proposals: **2**



Number of projects required or likely to require:



Official Plan & Zoning By-law Amendment:

7



A minor variance:

2

Number of projects proposed:

YONGE ST.

West of Yonge:

3

SCARBOROUGH

In Scarborough:

3

ETOBICOKE, YORK, NY, EY

In Etobicoke, York, North York or East York:

0

Number of projects owned and led by a private sector developer:

5

Number of projects supported by an independent development consultant:

2

Case Studies



“ We have rent supplements, but no place to put them ”

The challenge:

To increase the supply of supportive housing and make effective use of Ministry of Health-funded rent supplements at a time of exceptionally low vacancy rates.

The players and their roles:

The owners/developers: Experienced private sector supportive housing developers responsible for managing the entire development process, including obtaining planning approvals, funding and financing.

The supportive housing provider: would lease units from the owner, fill vacancies and provide supports to tenants.

City of Toronto, Affordable Housing Office: Manages the Open Door program.

Ministry of Health and Long-Term Care (MOHLTC): Provides rent supplements and support funding for agencies serving people with mental health issues.

The development experience:

In 2014, a developer with three properties — two adjacent to each other — on a major Scarborough street approached the supportive housing provider.

The provider was very interested. It had worked successfully with the developers in the past to create another residential site. The proposed sites were conveniently located close to each other on a mixed-use street, and could add much-needed units to their portfolio. One site could accommodate 56 bachelor apartments for high support tenants, and the other could accommodate 68 bachelor apartments for tenants requiring low support.

If the project proceeded, the provider would enter into a head lease with the owners and would operate supportive housing in partnership with another mental health support organization providing specialized supports. It would also sign a support/referral agreement with two mental health hospitals to provide support to ALC patients and those with complex needs.

The developer owned the sites and had completed environmental studies and architectural drawings. However, their application to the Open Door program was denied because “they weren’t far enough along.” Now the sites are in limbo.

What went right? What went wrong?

For the supportive housing provider, this project offered a rare opportunity to create 124 self-contained supportive housing units, without contributing any equity or assuming any risk.

It was also an opportunity to make effective use of rent supplements from the Ministry of Health. In Toronto’s tight rental market, where landlords can pick and choose their tenants, it has been increasingly challenging to find any accommodation for people with mental health issues, even with rent subsidies.

However, the project’s success depended on developers willing to assume the costs of acquiring and carrying the site, engaging consultants and shepherding the project through the development process. Early confirmation of waived fees and charges can help mitigate that risk.

The question:

Supportive housing providers’ access to Ministry of Health subsidies makes them a valuable ally in Toronto’s efforts to end homelessness, but their ability to use those subsidies is increasingly reliant on the availability of new supportive housing.

How can the City mitigate development risks and shorten the development process to ensure the continued willingness of private sector developers to offer sites to supportive housing providers?

“ With all the delays and uncertainty, the developer just walked away ”

The challenge:

To find a new Scarborough location for a short-term residential beds program and supported self-contained units.

The players and their roles:

The owner/developer: An experienced private sector developer willing to design a building that would meet the supportive housing provider’s needs.

The supportive housing provider: would enter into a head lease with the owner and operate the program.

City of Toronto:

- Community Planner, City Planning Division
- Toronto Building
- The Councillor: overall, supportive of the project.

The development experience:

For the past seven to eight years the housing provider has been seeking an alternative location for its short-term residential beds program in Scarborough. This 13-bed program, along with an office and common space, operates in a privately-owned rental building. The office and common space are located on the ground floor and the 13 beds/units are scattered throughout the building. This model has presented problems for the provider, their clients, and the other tenants living in the building. By relocating to their own purpose-built building, the provider sought to enhance supports to its own clients without the complications of neighbours who are not its clients.

Over the years, the provider had worked with several private developers. The developer for this proposal had land and was willing to design a building that would meet the provider’s needs. The challenge: finding a definition in the zoning by-law acceptable to the planner that best reflected the proposal.

The short-term residential beds program offers accommodation and intensive supports for up to 30 days. It’s an important element in Toronto’s response to homelessness, funded entirely

through provincial funds. But there is no zoning definition for this use. It's not a crisis care shelter or municipal shelter, as defined by the City's zoning by-law. It doesn't fit the definition of short-term rental, which is designed for rooms or units within owner-occupied homes. It doesn't fit the definitions for long-term accommodations such as residential care homes, group homes or ordinary residential units. The City tried to fit them within the definitions for personal care facilities and for dwelling units, but neither definition entirely worked.

However, this was not the only problem the provider has encountered. For example, in 2015, the provider worked with a private developer who owned a site on a major Scarborough road. The site would accommodate not only the provider's 13 short-term residential beds, but also 20 self-contained supportive housing units and offices for support staff working in Scarborough. The site was on a TTC artery, and was close to shopping and other services.

The provider met with the local Councillor, who was supportive of the project provided there was clear, transparent communication with both his office and the community. The provider also worked closely with the developer to submit a design for a preliminary project review. The Planning Division found that the proposed use was not permitted, the proposed 10 parking spaces fell short of the required 27, and that the proposed laundry facilities could not be located in the basement.

The developer amended the proposal in an attempt to meet the design-related requirements. But this process took over a year, and the issues related to use had still not been resolved. Meanwhile, the developer revisited his financial analysis and found that, given the delays, the project would need additional funding to proceed. The Open Door program was expected to call for proposals within a few months. But given the over six-month wait to hear a decision, with no certainty of success, the developer decided to walk away from the project.

What went right? What went wrong?

The provider offers an established and much-needed program and is able to marshal housing allowances needed to make a development economically viable. The provider found the process a great learning experience, but a time-consuming one. It is now issuing an RFP for a development consultant to assist on future projects.

The roadblocks:

- Defining a use that works for both the provider and for the City. The provider is not necessarily calling for a definition tailored specifically to its model. Rather, it is seeking the City's understanding of what it does to help find a definition that will work. (For example, in its current location the provider is deemed the tenant, and short-term

residents are its guests.) And given that zoning by-laws have not been fully harmonized across Toronto, the provider needs a definition that will work in Scarborough.

- A slow planning approvals process undermined the project's viability.
- Benefits, such as the waiver of fees and charges and other assistance, are available only once a year through the Open Door program, with a six-month delay between the application and a decision.

The question:

The delays in obtaining planning approvals and the uncertainty associated with the Open Door program led to the loss of this site. How could these approvals be streamlined?

“ We want the City to work *with* us to make this development work ”

The challenge:

To gain planning approval to permit 30 - 35 deeply affordable self-contained homes above a three-storey commercial building on a main street.

The players and their roles:

The owner/developer:

- Has a pre-existing business relationship with the supportive housing provider.
- Owns a three-storey building, including main floor restaurant, and is seeking planning permission to build an additional three storeys above the existing building.
- Responsible for gaining all municipal approvals, obtaining financing, design and construction.
- Will partner with the supportive housing provider to create a training/employment program for tenants within the restaurant.

The supportive housing provider: will lease housing units from the owner (head lease), fill vacancies and provide supports to tenants.

City of Toronto:

- Community Planner, City Planning Division
- Shelter, Support & Housing Division: supports project. Prepared to provide housing allowances
- Local Councillor: supports the project

The development experience:

The provider has a long-standing relationship with a small private-sector developer, and currently leases two rooming houses from him to provide transitional housing for 37 women. These rooming houses were renovated to a good standard, and are well run, without any neighbourhood complaints.

In 2016, the developer approached the provider with a proposal to create 30 - 35 micro-units – self-contained units with a bathroom, bedroom and kitchenette and small living area – above an existing three-storey building on an arterial road. The developer owned the site and

was in the process of developing a restaurant on the ground floor. The developer planned to integrate the restaurant with the provider's employment program to train and hire tenants and clients. By 2018, the developer had opened the restaurant, retained an architect and developed conceptual drawings for a three-storey addition above the existing building. The street is a mixed-use street now being intensified, with a number of mid-rise buildings under construction or completed. The site is close to transit and shops.

However, the initial meeting with the local planning office was not encouraging. According to the developer, the planner said, "he could not support the proposal," citing concerns about parking and accommodating the turning radius for garbage trucks. The developer's impression was that the planner was not willing to work with him to find solutions that would meet the City's needs while allowing the project to proceed.

Gaining support from the Planning Division is the gateway to any other public support: a successful application to the Open Door Program (including any available funding), waived fees and charges, advice from the Affordable Housing Office or funding through the National Housing Strategy.

"This is a private sector developer with a track record, and yet we're stuck. If affordable housing is a priority, if partnerships are where it's at, then why won't the City work with us to make this development work?"

What went right? What went wrong?

This is a project that appears to be entirely viable:

- The developer owns the site, has a proven capacity to carry out the design and construction of the project, and is confident the new units would be financially viable based on the revenues projected.
- The provider has the organizational capacity to manage the units and has assurances that housing allowances will be available to subsidize rents.
- The Councillor was enthusiastically supportive.

The only roadblock so far has been the Planning Division's reluctance to work with the developer to accommodate the building.

The question:

What could the City of Toronto have done to help make this project work?

Should the local planner be THE gateway to all further municipal support? If not, how should the City identify which projects advance the public interest and should be facilitated?

“ We feel as if we’re walking into a headwind ”

The opportunity:

To harness a supportive housing provider’s equity to replace 30 rooms in shared housing with 39 (later reduced to 30) new self-contained, accessible supportive housing units.

The players and their roles:

The supportive housing provider: Owner, proponent and equity contributor.

Project architect: Responsible for designing the building and coordinating planning approvals. An engineering firm was also a consultant to the project.

City Divisions:

- City Planning Division
- Affordable Housing Office
- CreateTO
- Fire Services, Municipal Licensing and Standards

Funders:

- CMHC - \$50,000 Seed Funding
- Ministry of Health and Long-Term Care - Operating and support funding
- City of Toronto: Waiver of Charges and Fees (denied)

The development experience:

In its early years, the provider was a pioneer in developing shared houses for people with mental illness. But in recent years, the shortcomings of these homes in supporting mental health recovery have become clear:

- Accessibility had become an issue for an aging tenant population, and the houses were not easy to retrofit.
- A tenant survey revealed a growing dissatisfaction with shared housing.
- Only 6% of people on the Access Point waiting list said they were willing to accept shared housing.
- In addition, Toronto Fire Services’ and/or Municipal Licensing & Standards’ strict enforcement of the Fire Code was resulting in the sudden loss of rooms in these houses. These losses abruptly displaced tenants, reduced the supply of affordable housing

and threatened the financial viability of the houses as rental revenue and subsidies were lost. Houses that once received rents and subsidies for five rooms now received revenues for only three.

The solution: Sell six houses and use the funds to replace these units with self-contained, accessible apartments. The provider owns a property on a major arterial road close to services and transit. The building's original architect was available, had confirmed the existing two-storey building could carry the load of an additional four storeys, and proposed using cross-laminate timber construction – a widely used approach in Europe that would allow building components to be manufactured off site and assembled quickly on site.

In 2016, initial costing demonstrated that the sale of six shared houses, combined with the savings from shifting the provider's support offices from a commercial rental building to the site, could not only cover the entire cost of replacing the 30 rooms that were sold, but also fund nine new units. All that was required from the City was a waiver of development charges and fees.

The provider's Board approved the business case. The Toronto Central Local Health Integration Network supported the concept. The Ministry of Health gave their enthusiastic consent to the development. And the provider met with the Affordable Housing Office and was urged to move quickly to obtain planning approvals.

However, in 2017, the provider was met with three challenges. First, they learned that they could only access a waiver of charges and fees through an Open Door Program RFP – a change from the former procedure, and the annual application deadline was almost upon them. Second, they were unable to secure the local planner's support for the Official Plan Amendment and Zoning Amendment required for the project to proceed: in a pre-application meeting, the planners stated that they did not support the project and they raised many concerns about set-backs on two sides of the building, the location of primary windows, waste management, and insufficient amenity space and parking. Third, they were unable to secure the support of the local Councillor.

The provider's staff and architects scrambled to prepare an Open Door application in time to meet the impending deadline, spending \$90,000 to complete the necessary studies for a project that would not be financially viable unless its Open Door application was approved. After a six-month wait, they learned their proposal had been denied, chiefly because they did not have planning support.

Over the course of the year, the architects revised their plans to meet the City's requirements for a 45-degree plane on the building's south side, and a set-back above the third floor on the north side. These changes reduced the number of new units from 39 to 30. They also responded

to concerns about waste pick-up, shadows on neighbouring properties (although the building was north of these properties), bicycle parking and amenity space.

By March 2018, the provider thought they had met all of the planners' requirements. However, the planners continued to have concerns. Their requests included removing the building's existing wall, and reducing the size of units to widen the laneway by 16 inches; additional sound buffering for a fourth-floor patio; and in particular, addressing the "window overlook" of the proposed addition on the City-owned child care centre next door. The provider approached CreateTO to ask whether the City would consent to a shorter distancing requirement – a move that would not affect the child care centre, but could affect future development potential on the site. However, the policy of CreateTO is to seek financial compensation for any lost development potential affecting the market value of the site. The provider and their architects encouraged them to take into account the fact that the child care centre was built over a subway line that would make excavation for a larger building impossible. The provider was willing to fund an engineer study, but was told any assessment would need to be done by CreateTO.

The project is now stalled, chiefly because the City planners see an 11-metre distance as the ideal distance between residential windows, which would require a 5.5-metre distance between the windows and the property line. The distance between the building and the property line facing the city-owned childcare centre is 3.8 metres.

What went right? What went wrong?

This is a story about challenges and losses:

- Multiple planning requirements that reduced the number and quality of units that could be created – even as much larger buildings were being created on the same block.
- A three-year process, diverting 20% of the provider's Manager of Property Services' time, and 10% of their Financial Analyst's time.
- A competitive once-a-year window to apply for waived fees and charges, with a six-month wait for a decision and no access to AHO staff during that time.
- A competitive process that prioritizes numerical targets of affordable units (that are only affordable for a limited time) over perpetual affordability, deep affordability, social benefits and potential public cost savings.
- A CreateTO mandate that prioritizes the maximization of the revenue potential of public property over facilitating affordable housing development and reducing homelessness.

- \$90,000 in consulting fees to prepare the Open Door proposal and pay for engineering advice, with the planning applications dependent on the pro bono contribution of the architects.
- Disappointed tenants who were looking forward to living in their own, self-contained apartment.

Despite an arduous process, there were some intangible gains for the provider:

- A new awareness of the value of their portfolio: a \$60 million asset, much of it mortgage-free, that can be leveraged to renew and expand their portfolio.
- A strengthened relationship with the Ministry of Health. The Ministry is now excited by the potential to re-use assets to create more housing accessible to people with complex needs.
- Increased internal capacity, and in particular, the in-house capacity required to revise financial projections with every change in the architectural plans.
- Learning the limits to its capacity. The provider does not have staff to dedicate to project management, developing polished proposals, or navigating the City's bureaucracy.
- A firm resolve that the status quo isn't acceptable. Shared housing is no longer a best practice and rooms are extremely vulnerable to closures. These assets need to be repurposed to create housing that meets today's needs.

The question:

Most of Toronto's supportive housing is located on small downtown sites. The sites are typically exceptionally well served by transit and other services. Many are mortgage-free.

As the cost of land rises, how can the City make the most effective use of these sites to increase the supply of supportive housing – and particularly accessible housing – required by our aging population?

How can the City and its agencies such as CreateTO adapt their requirements to facilitate the creation of deeply affordable housing?

“ Our goal is no more housing losses ”

The challenge:

Finding the tools to preserve affordable housing stock within an approvals process geared to new development.

The players and their roles:

Owner and developer: a non-profit organization founded to protect affordability, diversity and equity by bringing land into non-profit ownership.

Housing operator: a local supportive housing provider.

Development consultant: responsible for navigating development process. An architect was responsible for assessing sites.

Funding:

- Seed funding from a major foundation
- Ministry of Health and Long-Term Care: provided housing allowances and support funding
- CMHC: approached for Seed Funding (denied)

City of Toronto:

- Affordable Housing Office
- Shelter, Support and Housing Administration Division
- Local Councillor: supported the project

The development experience:

In 2016, a study of a neighbourhood's rooming house stock showed that 28 rooming house conversions had displaced 347 vulnerable residents over the past ten years, with another 59 buildings housing 818 people at imminent risk.

To forestall further losses, a local organization began to seek ways to purchase at-risk buildings to keep them affordable in perpetuity. Their first attempt was a 17-room house up for sale. Most of the tenants were on OW or ODSP; many had been homeless. The organization saw the opportunity to renovate the units to improve building safety, rationalize the unit layout, add six to eleven new units, and preserve affordability through Ministry of Health housing allowances, with management and support provided by a local supportive housing provider.

In February 2017, the organization entered into a no-obligation Letter of Intent with the vendor, with six months to conduct their due diligence and obtain funding and financing.

The organization's architects found the building was in good condition and that the site could accommodate a total of 32 self-contained apartments. Since redevelopment on this scale, and particularly the increase in gross floor area, would require Committee of Adjustment approval, the organization decided to minimize the number of planning approvals needed. A modified plan called for the renovation of the existing 17 rooms and adding only six self-contained units.

However, feedback from the Affordable Housing Office and CMHC was discouraging. Although the AHO was sympathetic to the cause, they saw no mechanism for providing access to Ontario Renovates or other IAH funding within the six-month window. An effort to access Section 37 funds also proved unsuccessful – in part because of outstanding questions about the project's feasibility, but also because there was not enough time to obtain Council approval. And CMHC declined Seed Funding because the project would require other government funding, including IAH funding, to complete the project. In June 2017, the organization deemed the project unfeasible and withdrew from the Letter of Intent.

In the meantime, the organization had successfully applied to the Ministry of Health for rent supplements and support funding, and offered to rent the entire building. The vendor agreed. The tenants could continue to stay at low rents, but the funds were enriching the landlord rather than building equity for further development.

Through this experience, the organization strengthened its own development capacity and its understanding of the AHO's role. But it also learned it needed to gear its governance and staff structure to the realities of development, engage the support of an experienced development consultant, and align site selection with timelines that would work with the City.

In the fall of 2017, it identified and analyzed six sites for sale, and met three times with the AHO. The organization understood that the Open Door program was the sole gateway to funding. Upon learning the Open Door RFP would be issued in March 2018, it timed conditional offers on the four most viable sites to match the application date. The offers provided for six months to waive the conditions. One vendor did not accept the price. The other three were interested, but none were willing to tie up their property for six months.

The organization did not submit an Open Door application. But it did submit an open letter to the AHO and the local Councillor outlining the challenges. It also proposed a pilot program that would pre-authorize funding to allow non-profit purchasers to participate in the housing market. In July 2018, AHO staff responded with a proposal for a rooming house acquisition program that would facilitate quick access to Ontario Renovates funds for pre-authorized groups.

AHO said the RFP would be issued in October 2018 and, based on that commitment, the organization secured a site through a conditional offer. However, in October it learned the AHO instead planned a pre-qualification process, followed by a second RFP. The pre-qualification RFP was issued on December 27, 2018. Meanwhile, the organization withdrew its conditional offer, and its supportive housing partner is holding onto the 20 housing allowances allocated to the project through Homes for Good.

What went right? What went wrong?

Through this process, the organization identified many ways to strengthen its own development capacity, such as streamlining its own feasibility analysis, as well as clarifying and strengthening the role of its Board and Acquisitions Committee and its relationships with its operating partners.

It also recognized that to be successful it needed to:

- Prioritize sites that do not need significant renovations or redevelopment.
- Align project timelines with those of government funding programs.
- Retain an experienced development consultant with a broad knowledge of available funding sources.
- Have immediate access to capital to secure sites and to hire architects, planners, cost consultants and other experts.
- Advocate for changes to government funding programs that would facilitate rooming house acquisitions.
- If necessary, seek external sources of financing pending the delivery of program funding.

The losses: of the four sites pursued, all have been sold – one to Akelius. Some tenants were evicted or have left. Rents on vacant units have doubled.

The question:

Most of Toronto's non-profit rooming house and scattered house portfolio was acquired when federal and provincial funding allocations enabled non-profit organizations to participate in the real estate market.

What changes to funding programs and the municipal approvals process are needed to permit housing acquisitions today?

“ If you don't have land or equity, you're not in today's solution ”

The opportunity:

An under-used church property adjacent to a small non-profit housing development, and the opportunity to create 36 new affordable apartments.

The players and their roles:

The owners and operators: a large established multi-service agency.

Development support:

- An architectural firm to design the building, and coordinate the site plan and permit approvals.
- A consulting firm to complete and submit to the Open Door Program.
- A development consulting firm to remodel the financial viability of the project, complete the complex application to the NHS Co-Investment Fund.
- Capitalized pre-development consulting costs and project management services .

City of Toronto:

- Affordable Housing Office's Open Door Program: provided \$150,000/unit IAH grant, waived fees and charges.
- Community Planner, City Planning Division: coordinated site plan approvals.
- Local Councillor: supported the development.

CMHC:

- Co-Investment Fund: application approved for a \$1.9 million grant, \$6 million capital loan contribution and mortgage insurance for a 50-year loan (10-year fixed rate).

The development experience:

Five years ago, the agency purchased an under-used church property for about \$770,000 drawn from the agency's own reserves. It also assumed ownership of an adjacent 29-unit seniors' building originally owned and operated by a non-profit led by the church next door.

The capacity to purchase the land made every other step in the process possible. In November 2015, the agency began the process of securing planning approvals to permit

the demolition of the church and the construction of a five-storey apartment building. The building would contain 35 one-bedroom apartments for low- and moderate-income seniors, with an additional unit built into the adjacent building. A breezeway would join the two buildings, and common space would be provided on site for both buildings. An on-site parent-child drop-in centre would be accommodated in alternative City space during the redevelopment before returning to a purpose-built space once the building was completed.

With the help of a planning lawyer, the agency shepherded the proposal through the planning approvals process. It supported its application with a robust community engagement strategy, including a door-knocking campaign that had proven successful in the development of other agency housing. A generally positive community meeting was held in June 2016, and the planning application was approved in March 2017. A revised site plan was approved on July 17, 2018.

In March 2017, the agency submitted a business plan through the Open Door program, and was awarded \$150,000/unit in IAH funding — a total of \$5.4 million — as well as waived charges and fees valued at \$1.44 million, for a total public investment of \$6.84 million. In February 2018 the agency also received property tax exemptions valued at \$0.48 million over 25 years.

However, in the 2.5 years required to obtain planning approvals, Open Door funding, site plan approval and municipal permits, construction costs for the project had escalated by over 30% of the original cost. To close the gap, the agency applied for funding offered through the National Housing Strategy Co-investment Fund. To navigate this new and complex process, the agency worked with a development consultant to develop the application, now in its final stages of approval, which will make it one of the first to be approved for this program in the GTA.

What went right? What went wrong?

Success depended on:

- The availability of alternative capital dollars to purchase the property. Without this up-front money, the project would not have been able to secure any additional funding.
- A partnership with financing and development consultants to remodel the current project based on escalating construction costs, and to submit the complex NHS application. The fees for these services were capitalized and will be repaid over the next decade.
- Early acquisition of the property — a permanent asset — at approximately one-third of its current value.

The challenges:

- An unprecedented escalation in construction costs during the two years required to gain municipal approvals. Despite obtaining the maximum funding available from both the City and the NHS program, this project still only provides housing at 80% of Average Market Rent. The agency is now exploring rent supplements for the new units.
- The complexity of the Co-Investment Fund's application process – considerably more complicated than an application to a private-sector lender. Despite the considerable in-house expertise of the agency, it could not have completed the application without the help of a seasoned project development consulting firm.
- A requirement of CMHC's loan fund to provide a Letter of Credit for the construction term equivalent to 15% of project costs, tying up cash needed for other operational and capital activities.

The questions:

This agency was able to use operating surpluses to purchase a site from a non-profit vendor. But not every non-profit group can access sufficient equity to secure land. What is the most effective way to provide “up-front” money for new development that could then be re-invested as successful projects proceed?

During a two-year municipal approvals process, the project's construction costs escalated by approximately 30%. In this environment, what can the City do to streamline its approvals process? And what else could the City do to ensure promising proposals continue to be accessible to low-income people leaving homelessness?

The agency had to complete two separate applications for two levels of government funding, draining resources and delaying the start of construction. What could the City do to coordinate its funding applications with those from other levels of government?

What does this case illustrate about the capacity enhancements the non-profit sector needs to participate in the development of new affordable housing in Toronto?

Ideas for the City of Toronto

Commit all City divisions to facilitating new supportive housing development

“Every department – Planning, AHO, MLS, CreateTO – needs to align its thinking with the City’s mandate to create affordable housing that serves everyone. We’re doing it under Housing Now. Now we need to do it for all affordable housing.”

The City has embraced an “all of government approach” to creating affordable housing through its new Housing and Planning Committee and Housing Now initiative. To enable the City to meet its annual target of 1,800 new supportive housing units, we need the City to take a similar approach:

- Recognize the creation of perpetually affordable housing – accessible to people on OW and ODSP who need support – as a City priority in all City divisions
- Ensure delivery targets for new supportive housing are included in the Toronto Housing Plan 2020-2030.
- Commit capital funding and rent supplements in the City budget for new supportive housing.
- Make supportive housing a priority for all city-owned sites (see below).
- Consider an “official trouble-shooter” position to advance supportive housing.

Streamline municipal planning approvals

“We need to relax the planning guidelines to let small projects proceed. Our project has been mothballed on account of 1.3 meters.”

“We’re getting our priorities wrong. We’re being asked for concessions to create a turning radius for garbage trucks. This on a commercial street where they’ve been picking up garbage for decades.”

The Housing Now initiative calls for dedicated staff from the City Planning Division to fast-track municipal planning approvals. We are seeking a similar approach for supportive housing on other sites that:

- Starts with the question, “How can we make this project work?”
- Streamlines approvals to keep costs down, recognizing that in recent years construction costs were increasing by 1% per month. (For example, the cost of one 36-unit project increased by 30% during the 2.5-years it took to get the necessary approvals).

- Accepts that innovative supportive housing models do not always match the definitions set out in Toronto’s Official Plan or Zoning By-law. Let us recognize that “residential is residential,” regardless of the characteristics of the people being housed or the provider’s support model.

Co-ordinate City funding programs with federal and provincial funding programs

“In our case it was a two-month wait to get the opportunity to apply [to Open Door] and then there would be a six-month wait to hear back. The developer thought it was too long to wait without any certainty. So, he decided to either sell or move on with another plan.”

“Lawyers. Planners. Consultants. It can cost hundreds of thousands of dollars to pay for these upfront costs for Open Door, and then there are more costs for the Co-Investment Fund. And all the costs get pushed onto the operating side. Either we lose affordability – or the public pays.”

- **Take full advantage of provincial supportive housing funding.**
Among the eight supportive housing providers interviewed, over 150 health-funded rent supplements and three full-time support staff lay fallow because of delays in housing approvals. In some cases, these subsidies may need to be returned in the year they were approved. We recommend that the City co-ordinate its work with the Ministry of Health and LHINs (or any successor organization) to take full advantage of these significant subsidies.
- **Align Housing Now, Open Door and NHS Co-Investment Fund approvals.**
In our experience, the applications for both the NHS Co-Investment Fund and Open Door have been very costly for providers to prepare – costs that either reduce affordability or increase public costs.

The City has already taken a welcome first step towards coordinating Housing Now and NHS funding approvals. Is it possible to extend this work to other affordable and supportive housing sites? Some possibilities:

- o Replacing the annual RFP for proponents seeking relief from fees, charges and taxes (but not land or direct funding) with an ongoing system of delegated administrative approval to qualified non-profit applicants. For example we understand that in Ottawa, verification of non-profit or charitable status is sufficient to access relief from charges and fees for affordable housing developments.
- o Building on the Parkdale Rooming House Acquisition Pilot, the City should establish a City-wide funding program to facilitate acquisition of existing affordable rental housing by non-profits.

- o Coordinating any municipal funding approvals with the Co-investment Fund's continuous intake process.
- o Consulting and partnering with TAEH members to ensure the best use of the new Non-Profit Housing Capacity Fund.
- **Facilitate the development of supportive housing on City-owned sites.**

Effective use of City sites such as the eleven Housing Now sites, combined with Ministry of Health rent supplements, will be crucial to achieving the City's supportive housing targets. We recommend:

 - o Capitalizing on supportive housing's commitment to maintaining perpetual affordability and ending homelessness. Set aside a portion of units on each Housing Now site for supportive housing. Give preference to for-profit developers that partner with supportive housing owners and operators.
 - o Stacking operational and capital funding from federal homelessness and provincial health programs to create maximum affordability. Remember that most supportive housing units are bachelor or micro-units with no parking requirements.
 - o Consulting with TAEH members to ensure the best use of the new Non-Profit Capacity Fund.

Ideas for the Sector

During the interviews, we heard comments about the strengths and weaknesses of the sector as supportive housing developers or development partners.

The sector's strengths:

- A mission-driven commitment to perpetual affordability, serving Toronto's most vulnerable and balancing a business approach with tenant stability.
- Access to MOHLTC rent supplements at a time when housing allowances allocated through the City are stretched.
- A viable business model to attract partnerships with private developers of micro-units. Providers can offer long-term commitment to rents of \$1,000+ per unit, can sign head leases that relieve the owner from the work of filling vacancies, providing support, preventing evictions.
- Connections to potential donor funds.
- A growing understanding of how the City's planning process works.
- A growing interest in working differently together in realizing common goals.
- A growing entrepreneurial spirit

Within the sector, some providers can also contribute:

- Significant real estate assets in downtown locations, and increasing interest in leveraging those assets to renew and expand the supply of supportive housing.
- Operating reserves to contribute equity to projects.
- Long-established and positive relationships with the local Councillor.
- Ongoing partnerships with private sector developers who assume the risk of development.

The sector's challenges:

- The escalating costs of developable land, leading to an increased reliance on publicly owned sites or on intensifying existing non-profit sites.
- Unprecedented cost escalation in construction costs disadvantages any proponent required to go through a prolonged funding or planning approvals process.
- The scale of providers - most providers, as well as projects, are small, making it difficult to attract interest from major developers. And small projects are as time-consuming and costly for development consultants, architects and other consultants as a large project.

- Inexperience with development in today's context. Providers need to partner with developers, but are not always in a position to be an equal partner or to hold the developer accountable. This also be impacted by the organization's size.
- Unfamiliarity with municipal processes, particularly for organizations funded exclusively through the health sector.
- Lack of in-house capacity necessary to successfully shepherd projects through approvals and applications processes.
- Lack of quick access to the funds necessary to secure property in the real estate market.
- Lack of funds necessary to pay for up-front development costs.

Some ideas to explore

"There are only a handful of organizations that have the money, staff and knowledge to do this kind of work. How do we create a thriving non-profit sector that's more than just a handful? How can we get the players together? We all want the same things. We all have various community assets."

"The days of the single agency developer are gone. We need an umbrella to develop on behalf of supportive housing."

"It's instructive to look at Options for Homes. They have created thousands of units. They have continuous development, large sites, and a secure capital fund that they can tap whenever they need it, and so can attract a large development partner like Delterra."

Build Council support for perpetually affordable housing

- Demonstrate non-profit housing's value as owners committed to perpetual affordability, and as operators who can address the needs of vulnerable populations.
- Ensure the goal of perpetual affordability is entrenched in all relevant housing policies: Toronto Housing Plan 2020-2030, the mandate of CreateTO and the City's disposal of the eleven Housing Now sites, TTC lands, Inclusionary Zoning, etc.

Increase the scale of projects

- Consider building or acquiring larger mixed supportive/market buildings, learning from developments in New York City and Peel Region. (For an example, see [Breaking Ground's portfolio](#) including buildings of over 400 units.) Large buildings enable providers to offer 24/7 staffing, more staff and more specialized staff.

Make more effective use of the sector's portfolio

- Apply for a CMHC Sector Transformation grant to develop a plan that would allow more effective leveraging of properties now owned by the supportive housing sector. Benefits sought:
 - Increased borrowing capacity
 - Opportunities to rationalize the portfolio. For example, shared houses that are no longer serving tenants well could be sold to purchase more accessible apartment buildings
 - Opportunities for intensification
 - Reduced risks. Major capital work can be funded through shared operating revenues
 - Greater asset management expertise
 - Identity of individual agencies as housing and support providers preserved
- Learn from REITs (Real Estate Investment Trusts). They don't have capital reserves. They can fund major capital repairs through operations because they work on a portfolio basis, and work at scale.

Strengthen the sector's collective development capacity

Fill the gap in development capacity, especially for small-scale development, by working collectively, learning from such models as:

- **Calgary Homeless Foundation (CHF) and HomeSpace Society (formerly Calgary Community Land Trust Society)**, a charitable real estate developer, owner and property manager. In 2016, the newly formed HomeSpace assumed responsibility for owning and managing 360 units developed through CHF, and provided development, construction, and building management for eight to ten additional projects funded through the RESOLVE fund, a \$74 million housing fund raised jointly by nine agencies and matched by government funds (see below).
- **Cahdco**, a non-profit real estate development corporation founded and funded by the 1600-unit Centretown Citizens Ottawa Corporation. Provides consulting services to non-profit housing developments, including Ottawa Salus and the Youth Services Bureau.
- **Vancouver's Community Land Trust Foundation**, a non-profit society serving as the real estate development arm of the Co-operative Housing Federation of BC. The land trust has acquired 12 City-owned sites to develop over 1500 affordable housing units, partnering with co-op and supportive housing providers to operate the buildings once they are completed. The land trust also helps existing co-ops access expertise and financing to renew their buildings.

- **Corporation for Supportive Housing (US).** Founded in 1991, funded by Pew Charitable Trusts, Robert Wood Johnson Foundation and the Ford Foundation. It provides services in 48 states, including: training & education; specialty loan products for project initiation, land acquisition, predevelopment, and bridge loans; consulting, facilitation, resources; policy reform.

Create an affordable housing revolving fund

Create a sector-controlled affordable housing revolving fund supported by a combination of philanthropy and patient investment. The fund would be used for up-front costs, repaid through long-term financing when projects go forward.

About the Toronto Alliance to End Homelessness Development Working Group

Purpose

To identify resources, strategies and solutions that will spur the acquisition, development and renovation of quality, rental housing stock accessible* to individuals experiencing chronic homelessness and high acuity in Toronto. The group will seek to foster an environment in which groups and organizations are able to maximize opportunities to increase this stock. This includes, but is not limited to, advancing policy and procedural changes at the municipal level, increasing collaboration to leverage opportunities at all government levels and creating a shared learning environment to accelerate capacity building.

The Toronto Alliance to End Homelessness (TAEH) is committed to being an active catalyst for change in relation to the development of desperately needed affordable and supportive housing solutions for people experiencing chronic and episodic homelessness in the city of Toronto. In doing so, TAEH fundamentally supports all opportunities to successfully retain existing affordable housing stock and to secure, develop and/or renovate new affordable housing stock that would be directed to alleviating the experience of homelessness amongst Torontonians.

Given the existing affordable housing crisis in Toronto, TAEH has a particular interest in lending its support to viable “deeply affordable” housing retention and development efforts that could be mobilized as quickly as possible.

** “Accessible” means that ultimately, the tenant contributes no more than 30% of their monthly gross income or the shelter allowance component of social assistance towards rent.*



www.taeh.ca