



UNIVERSITY OF  
TORONTO



Infrastructure  
Institute

# Social Purpose Real Estate: Case Study



# Case Background

- Redeveloping publicly owned land is key to achieving Canada's goal of building 3.5 million new homes in complete communities nationwide by 2031. It has been identified as a prime opportunity by local, provincial and the federal government.
- This surface parking lot (pictured on right) is publicly owned and located on a main street in a large Canadian city.
- It is surrounded by mid-rise, mixed use buildings with retail on the main floor and offices or housing up above. The neighbourhood off the main street is mainly single family homes.
- A neighbourhood facility needs assessment has identified the need for new housing, including affordable, deeply affordable and family sized units.
- The facility needs assessment also identified the need for a new school, library, recreation centre and fire station to support the growing community





# Deciding What to Build

- Your government development agency has been assigned with redeveloping the site.
- How would you decide what to build in terms of building height, the mix of housing types, and whether it should be market or non-market housing? What factors would you consider.
- Would you consider building a creative mixed use building that includes a large public sector use like a school, library or recreation centre? Or stick with the more conventional formula of retail with housing up above



# The Creative Mixed Use Library + Housing

- Your agency decides that a library with 75 affordable housing up above in a mid rise is the ideal size and mix of uses for the site.
- What are the benefits of this proposal that you would present to the library board to obtain their support.
- What are the key risks of this creative mixed use building model, and how would you address them?



# The Creative Mixed Use Ownership Model

- How would you propose that the ownership of the mixed-use building is structured?
- Would you propose that the library is a tenant in the building, or that they have strata ownership (like a condo) of their portion of the building? What are the trade-offs of each option.
- Would you propose to own and operate the affordable housing units through your development agency, lease the units to be operated by a non-profit housing provider, establish a co-op, or sell them to a non-profit housing operator?





# The Project Agreement

- It has been decided that a strata condo structure will be used where both parties in the building (the library and the housing) each own their own portion of the building. This requires a project agreement to manage the relationship and the operations and maintenance of the shared spaces.
- Identify the key elements of the partnership and the operations and maintenance of the building that should be set out in the project agreement?
- Beyond the partnership agreement, what steps would you take to build trust in the relationship between the library and the selected housing provider?
- Are there any ways that you would build flexibility into the project agreement for changes to the building design or uses over time?



# Lining up government funding

- In order for the project to be built with the library and the affordable housing units up above, the project needs a \$12 million contribution from each of the municipal, provincial and federal governments. With \$36 million in public funding plus the contribution of the public land at no cost, the rest of the project can be financed through a loan repaid from the rents.
- What arguments would you put forward to each order of government to obtain support for funding the project?
- Would you request an additional \$5 million from government to construct the building to the highest environmental standards, which will lead to lower operating costs? If so what case would you put forward?



# Making Math Work

- It is clear after running the initial pro-forma analysis that the number of affordable housing units does not cover the cost of the building.
- Discuss the following options, and their potential trade-offs:
  1. Would you consider increasing the height of the building to add units?
  2. Would you add market rental units to the mix of affordable housing units to offset some of the cost.
  3. Reduce the affordability of a portion of the housing units from being rent geared to income, to being 80% of average market rent in the city.





# Explaining the project to the public

- To make the funding work, the housing portion of the project has now been increased in size to 120 units. In the lead up to the final vote on the project, you are asked to make a public presentation.
- How would you explain the merits of developing a creative mixed use project to the public?
- How would you respond to neighbours concerned about shadows from the new building and the inclusion of affordable housing units at the site?





**Post-Script: Mixed use libraries  
with affordable housing up  
above are increasingly  
common across North America**

