

# Scaling Up Joint Ventures between Social Housing Providers and Private Sector Builders

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The findings presented in this report were gathered through background research and interviews with representatives from non-profit organizations and private development corporations.

Please see Appendix C for a full list of participants.

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# Executive Summary

In recent years, federal, provincial and municipal governments have committed more resources to build new non-profit housing, to expand mixed-income residential developments, and to renovate the existing social housing stock.

Additional capital funding, the establishment of a long-term National Housing Strategy, and incentive programs from provincial and local governments are all being brought to bear.

Of particular importance to future collaborative efforts between non-profit housing providers and private sector companies is the federal announcement in March 2017 of the creation of a National Housing Fund. Among other things, this Fund will support greater collaboration and investment in housing via a new “co-investment fund” to pool resources among many housing partners, including governments, the private sector and community organizations, to prioritize large-scale community renewal projects. The National Housing Fund also opens up the possibility of other collaborative arrangements for project renovation, non-profit housing development, etc.

To date, the literature on operational co-investment arrangements in Canada from which to derive lessons learned for future co-investment arrangements has been limited. The importance of the kind of research and reporting presented here has heightened.

Much of the new non-profit housing built over the past decade has been undertaken by single entities working in relative isolation, whether non-profit organizations, municipalities, or province housing agencies. However there is growing interest in using collaborative arrangements (called here “collaborations”) between private sector and non-profit organizations to address the shortage of housing that lower- and middle-income households can afford.

While collaborations alone will not resolve the challenges of housing affordability in Canada, they are an important potential tool to address the problem. Moreover, there now appears to be increased openness to undertaking collaborations both in Ontario and in other parts of Canada.

For example, a report by Tim Welch Consulting and the GTA Housing Action Lab in 2016 established that between \$350-400 million of existing non-profit housing assets could be leveraged for undertaking new residential developments and renovation projects in a collaborative fashion. At the same time, the report found that many of those who own such assets remain uncertain about exactly what is involved in moving forward to development, as well as being cautious about undertaking additional risks they see in doing so.

To help promote the wider use of collaborations, this report includes a review of good practices based on projects to date in different parts of Canada. It also includes results of interviews with key stakeholders who have direct experience in collaborations or who are interested in undertaking such activities.



## Key findings from this research include the following:

- ▶ Both non-profit housing providers and private sector companies have significant assets and expertise to bring to the table in undertaking collaborative developments. They will ideally begin their respective approaches to exploring new ventures with a realistic inventory or at least an understanding of what they have to offer.
- ▶ Discussions on risk/benefit sharing agreements and roles of each respective organization in the collaboration need to occur early in the development process, ideally before or in the early stages of due diligence. There may be opportunities for third-party “match-makers” trusted by both participants to facilitate initial approaches between providers and companies and to flesh out the basis for collaboration.
- ▶ Potential benefits for private sector companies typically include enhanced political support and expedited development approvals, obtaining additional height and density approvals for developments and possibly financial incentives as well.
- ▶ Non-profit organizations generally benefit by obtaining capital for repairing existing units or obtaining additional units for their portfolios.
- ▶ Both private and non-profit organizations benefit from having lower land costs.
- ▶ Each participant also has important contributions to make to management of project development, whether through construction and renovation expertise and experience, established long-term relationships with existing occupants, or other success factors.
- ▶ Arrangements for developing land in particular have the potential to increase risks for both participants and need to be approached with appropriate care.
- ▶ The role non-profit organizations play in a given collaboration depends on their previous development experience and appetite for risk. Those with little development experience or a low appetite for risk tend to engage in design-build agreements while those with more experience and a higher risk appetite engage more actively in the design and development processes.
- ▶ Fairness, trustworthiness and transparency are the top attributes for both non-profit and private sector stakeholders. Non-profit stakeholders often look for private developers to provide equity as a sign of their commitment to the development. Private developers, often rate the ability to make decisions in a timely manner and to stick with them, as well as respecting the agreed-upon roles of each organization much higher than previous development experience.
- ▶ No two collaborations are exactly the same due to each development having a unique combination of site-specific characteristics. In this context, standard development agreement templates used for private sector venture may not be particularly beneficial. Typically, negotiations for risk/benefit sharing leading up to a development are undertaken between the collaboration partners or are facilitated by a neutral third-party organization.

Although much of the research reflected in this report is based on collaborations undertaken to date in the Greater Toronto and Hamilton Area, most of the findings are potentially applicable across Canada. Some examples of collaborative developments elsewhere in the country, including Calgary, Ottawa, Vancouver and Winnipeg are also included here with contact information for participants.



## 1.0 Introduction

The 2016 and 2017 federal Budgets provided additional funding for the renovation and redevelopment of existing social housing sites and constructing new affordable housing.

In addition, the 2017 federal budget allocated \$5 billion for a National Housing Fund, a key component of implementing the federal government's National Housing Strategy. A major element of this fund is intended support for a "co-investment fund" to pool resources among many housing partners, including governments, the private sector and community organizations, to prioritize large-scale community renewal projects.

Similarly, provincial governments have been making available increasing funds for a range of housing affordability initiatives. Activist municipal councils, notably in the Greater Toronto Area, but also in Calgary, Edmonton, Vancouver and Montreal are also playing an increasing role in developing and implementing housing solutions.

In order to make the most effective use of these additional funds, and to move toward mixed-income, mixed-use communities, there is a need for new approaches and strategies by those interested in building government-funded housing. One such approach is to utilize the combined experience and resources of non-profit housing providers and the private development industry through short- and long-term collaboration arrangements.

In recent years there has been a growing emphasis on using collaborative arrangements to undertake municipal infrastructure initiatives. Much of the research on such arrangements in Canada has focused on the use of Public-Private Partnerships (PPPs) to build new transportation and network infrastructure. There has been comparatively little information on how non-profit housing organizations could collaborate with others to create new non-profit housing and/or to redevelop and regenerate existing sites of social housing<sup>1</sup>.

Moreover, when information is available on this topic, it tends to focus on roles and incentives that municipalities should provide to facilitate new affordable housing. There is little information on the best practices to facilitate collaborative efforts between non-profit housing organizations and private sector developers/organizations. Despite the limited information available on collaborations within the Canadian context, encouraging their use is one of the potential goals of the newly created National Housing Fund and the National Housing Strategy.

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1. It should be noted that while there is more information on such collaborations within the United States, due to differences in housing programs and tax rules the nature and resources used vary considerably from the Canadian context.



This report seeks to provide a better understanding of the mechanics that underline successful collaborations. In particular, it examines the following themes:

- How to determine project management arrangements between non-profit housing providers, private sector developers, and, where appropriate, municipal governments;
- How to settle upon equitable sharing of benefits/proceeds from development or redevelopment of the community;
- How to manage risk mitigation and risk-sharing arrangements over the course of the project;
- How to reduce start-up time and facilitate scaling up redevelopment and development projects, recognizing that each will be in several respects unique;
- How to facilitate non-profit housing providers and private developers to build and sustain more productive working relationships that permit projects that are larger scale to be undertaken or that pursue continuing collaborations over a number of developments, rather than one-off projects that make up the majority of joint collaborations;
- How to determine respective roles in community visioning, planning and ongoing consultation as development proceeds; and
- What types of income mix, physical form mix and mix of uses work best.

## 1.1 Research Method

Our research began with a comprehensive literature review to explore the key elements which comprise successful collaborations regardless of jurisdiction.

To determine the relevancy of the literature and provide insights into the operational requirements of participants, interviews were conducted with key members of non-profit housing providers, private sector associations and companies, municipal governments and, in Ontario, municipal Service Managers. The results of these interviews and the literature review are then distilled into key recommendations to help address the key barriers that hinder non-profit housing – private sector collaborations.

The organizations, representatives of which were interviewed are listed in Appendix C.

## 1.2 Key Definitions

Below are some key definitions which will be used at various points in the report:

### **Affordable Rental Housing**

Refers to non-profit housing built since 2000, typically with capital funding assistance from government housing programs, with monthly rents that are at or below the average market rents for their areas.

### **Co-operative Housing**

While built using many of the same government programs, co-operative housing is distinct from other social housing in that the households who live in the development are members of a co-operative corporation that owns the building/property.



### **Social Housing**

Housing constructed between 1950 and 1995 under a variety of programs administered by the provincial and/or federal governments which provided rent-geared-to-income and average market rent units. Social housing built up until the mid-1970s was mostly built and operated directly by the Province of Ontario while the social housing built from the late 1970s until 1995 was sponsored largely by community groups (e.g. faith groups, service clubs, co-operative organizations and municipalities etc.).

### **Service Manager**

Also known as a Consolidated Municipal Service Manager, these government organizations are service delivery agents for social assistance, childcare and affordable and social housing. Forty-seven municipal organizations are designated as Service Managers and may be Cities, Regional Municipalities, Counties, or District Social Service Administration Boards, depending on the local circumstances. Service Managers are found only in Ontario.

### **Private Sector**

For the purposes of this paper, the private sector refers to any organization whose primary purpose is to generate a profit from its activities. This may include home builders, developers, and property management companies. In addition, private sector industry associations may become engaged in facilitating public-private collaborations.

### **Rent-Geared-to-Income (RGI) or Rent Subsidy**

Refers to housing that is subsidized wherein the rent paid by tenants reflects their actual income (paying approximately 30% of their income). The difference between rent paid and the actual rent of the dwelling unit is paid to a housing provider from a Service Manager, sometimes through other Ontario government Ministries for supportive housing, or in some cases, the housing provider itself.





## 2.0 What are Collaborative Housing Developments?

### 2.1 Defining Collaborative Housing Developments

The phrase “collaboration” is used in this paper to define a broad range of arrangements or agreements among non-profit housing providers and private sector developers working together to create new housing. Although the word “partnerships” is often used in similar situations, the latter may also refer to legal arrangements between different organizations for purposes other than housing. While the term “Public-Private Partnerships” is frequently mentioned in the literature and media, it describes the legal agreement between a level of government and a private sector partner(s)<sup>2</sup>.

In general, the aim of such arrangements is to utilize the strengths of all organizations including:

- ▶ The expertise, experience and scale that the private sector can provide is often needed to take on complex and risky projects;
- ▶ The private sector’s established discipline and track record, particularly in the development of capital and operating budgets, are welcomed by commercial lenders and private investors;
- ▶ The private sector can be more cost-effective due to their knowledge and expertise in developing;
- ▶ Collaboration may be more palatable to municipal governments that are concerned about taking on additional risk themselves;
- ▶ There is significant community support for mixed-income and mixed-tenure housing developments, particularly if the development or redevelopment is larger in scale;
- ▶ The non-profit housing sector can bring resources to projects such as land, equity, political capital, possible municipal incentives and potentially faster development approval times; and
- ▶ The non-profit housing sector may be familiar with aspects of the housing market that the private sector is not (Witwer, 2007; Black, 2012).

Collaboration between non-profit housing organizations and private sector organizations can take a wide range of forms. For example, short term or project-specific collaborations tend to occur on an ad-hoc basis and utilize the existing staff, resources and organizational structures of the parties involved. These collaborations may end with the completion of the project or may continue until a specified or unspecified time (e.g. long-term lease, management of a building etc.).

In contrast, longer-term collaborations often involve the creation of a new organization to set and guide policies to manage a broad set of objectives. In a long-term collaboration, an organization would seek to create a program(s) to facilitate the ongoing creation of new affordable housing. Examples of long-term partnerships include housing land trusts or agreements focused on a particular geographic area.

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2. This is distinctly different from the collaborations between non-profit housing providers (even though some non-profit corporations may have municipalities as their sole shareholder) and private sector organizations discussed in this paper as a level of government is not formally a part to the arrangement. Nevertheless, government support may be necessary to ensure the success of the housing affordability goals of non-profit housing – private sector collaborations.



As the majority of these partnerships will occur on an ad-hoc or project-by-project basis, this report will not go into great detail about them.



#### Collaboration Example 457 Young St, Winnipeg, MB

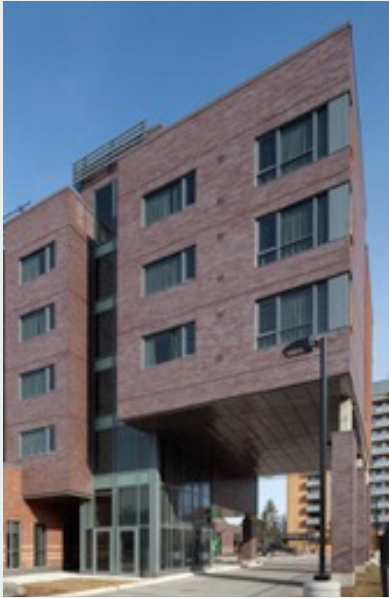
Working with the University of Winnipeg's Educational Housing Corporation, Kinkora Developments Ltd. purchased and renovated an abandoned apartment building in Winnipeg's inner city into 23 units of affordable housing for low-income post-secondary students. In this collaboration, Kinkora was responsible purchasing the building, overseeing its rehabilitation and providing building maintenance and other operation services once occupied. In turn, the arms-length housing corporation was responsible for selecting tenants and providing subsidies to ensure that the units were affordable for households. Funding for the project was provided by all three levels of government as well as equity from Kinkora.

As noted above, collaborations may occur at various stages of the housing life cycle including:

- ▶ program and policy development;
- ▶ building/asset creation and construction;
- ▶ asset regeneration (e.g. Regent Park, Alexandra Park etc.); and
- ▶ ongoing management of the building/asset (CMHC, 2008).

In addition to these factors, the type of collaboration used is also determined by the characteristics and experience of each partner. This includes each partner's appetite for risk, scale of project and previous development experience among others. The following provides a brief typology of collaboration types which can and have been used to construct new housing:

**Design-Build:** In this scenario, a private organization is typically responsible for the overall design of the building, obtaining development approvals (although in some design-build scenarios the non-profit may be responsible for undertaking development approvals) and construction while the non-profit housing organization owns and operates the project upon completion. The benefit for non-profit housing organization in this arrangement is that all of the deliverable aspects of the project (e.g. total cost, timelines) are known. If there is a cost increase due to delays or problems with design etc., they are borne by the private sector.



**Design-Build Example**  
**Richmond Hill Hub, 10415 Yonge St,  
Richmond Hill, ON**

This 202 unit apartment building which includes a community hub and social enterprise space was constructed under a design-build collaboration between York Region Housing and Van Mar Constructors. Under this approach, Van Mar was responsible for obtaining a suitable property and all required development approvals, the design of the building and site works and constructing the building and site works to the approved drawings. York Region Housing provided capital funding for the building as well as input on the design and building specifications (e.g. finishes, unit layouts etc.). Once completed, York Region Housing assumed ownership and operation upon completion.

**Operation and Maintenance Contract:** While there are a number of variations, the common feature of this type of collaboration is that a non-profit housing organization engages another organization (a private company, non-profit or consortium) to manage the operations and maintenance activities of an asset(s). The simplest of these management contracts involve the private operator paying a fixed fee for performing specific tasks. In more complex arrangements, the undertaking may involve performance-based measures the private partner must meet.



**Operating and Maintenance Example**  
**Norton Lake Residence, 1155 Queen St E,  
Brampton, ON**

The Norton Lake Residence is a 200 unit, 25-storey affordable rental building in Brampton for singles, families and senior households. The building also includes a 3,800ft<sup>2</sup> common room and other multi-purpose rooms for tenants and visitors. While owned by the Region of Peel, the building is operated and maintained by Pathway Housing and Support Services. Pathways was the successful respondent of an RFP (issued by the Region) for operating the building. As part of its agreement with the Region, Pathways is required to operate on a break-even basis and to maintain the building to Region standards.

**Design-Build-Finance:** Projects constructed with this collaboration involve private partners designing, building and providing financing during construction. The repayment of construction financing occurs after construction has been completed through a variety of methods. As noted above, this is often referred to as a turnkey development.



### Collaboration Example **Turnkey Development, 250 Davenport, Toronto, ON**

Like many other of Toronto's apartment buildings built in the post-war era, Toronto Community Housing's (TCH) high-rise at 250 Davenport Road was constructed using the "tower in the park" design principles. As a result, almost two-thirds of the site was comprised of open space. Facing significant capital repairs to the apartment building and 11 townhouses on the site, TCH sold a portion of this open space to Diamond Corp. and Metropia who are planning to construct market townhouse and condo apartment units. Proceeds from this land sale will be used to undertake capital repairs on the existing apartment building and replace the 11 townhouses which were in poor physical condition.

**Design-Build-Finance-Maintain:** This model of collaboration involves multiple private organizations coming together to create a consortium to design, construct, finance and maintain the facility. While the consortium provides some maintenance activities for facility or asset, they are typically limited in scope with the majority of the operating/property management responsibilities retained by the non-profit housing provider. The benefit of this approach is that the consortium provides a fully integrated approach that considers the entire life-cost of the project/asset which is typically absent from the above mentioned approaches.



### Design-Build-Finance-Maintain Example **Single Room Occupancy Hotel Renovations, Vancouver, BC**

Supported by the Government of Canada and the Province of British Columbia, the SRO renovation project sought to renovate 13 buildings to preserve and improve this form of affordable housing in Vancouver. After analyzing different collaborative methods, the Design-Build-Finance and Maintain was chosen as it provided greater cost savings (approximately \$5.2 million) due to lower construction, financing and long-term operating and maintenance costs (PPP Canada, 2013). Under this model, the private partner was responsible for arranging project financing, designing and building the project asset and maintaining the assets over the life of the project. In return the federal and provincial government provided capital funding and performance payments in exchange for maintaining and operating the assets to previously negotiated standards.





**Design-Build-Finance-Operate-Maintain:** Under this approach, the non-profit organization builds off the previous model by also asking private or other non-profit sector actors to operate the asset in question over a period of time. In Canada, this model has typically been used on transportation (e.g. road, transit etc.) and community (e.g. arenas, community centres) infrastructure. However, this type of collaboration has recently been used for a housing development in the GTA.



#### Design-Build-Finance-Operate-Maintain Example Bayside Non-Profit Housing, Toronto, ON

Bayside Non-Profit Housing is an arms-length corporation created by the City of Toronto to own 80 units of affordable housing in Hines/Tridal's Aquavista development. Hines and Tridal designed the units (which are incorporated into the Aquavista) and are in the process of constructing them. The 80 units are leased and operated by Toronto Artscape Inc. for a 50 year period. Artscape was chosen by the City through a competitive RFP process in 2014. Funding was provided through a variety of means including IAH and other capital funds from the City of Toronto.

**Joint Venture:** This is an association of two or more people (either individuals, corporations or other entities) engaged in a business venture, traditionally for-profit. Today a joint venture typically implies a limited liability company (an "LLC") and less frequently a limited partnership (an "LP"), usually entered into for a single project and for a finite period of time.

The most compelling reason for non-profit and for-profit organizations to enter into joint ventures is that each party brings something to the relationship that the other party needs, can't easily do or get without the other party, and which will make the resulting entity stronger than either party acting alone.

If one or the other partner feels it can pull off the project alone, or if there is no goodwill or future favour to gain between the partners, there will be little impetus for the joint venture.



#### Collaboration Example Joint Venture between Municipal Non-Profit Corporation and For-Profit Developer, Alexandra Park, Toronto, ON

This multi-phase redevelopment of TCHC's Alexandra Park is being undertaken by TCHC and the Tridel Corporation. In exchange for selling portions of the existing site to Tridel (who will construct more than 1,500 market units), TCHC will replace 333 of its existing RGI Rental Units and refurbish an additional 473 existing RGI Rental Units. Proceeds from the sale of land will also go towards constructing new amenities such as a public park, larger community centre and create new connector streets through the site. An additional 5,700m<sup>2</sup> of retail space will also be added.



#### Collaboration Example

### **Joint Venture, Private Rental Developer and Non-Profit Corporation – Artscape Weston Hub – Artscape and Rockport Group, Toronto, ON**

In conjunction with the Rockport Group's 350 unit rental development, Artscape is helping to transform vacant ground floor space in the podium of an adjacent high-rise apartment building into indoor programming space and 26 affordable housing units. An adjacent outdoor programming space will also be programmed by Artscape as well as its tenants and partners. Artscape will have legal and financial responsibility for the operations and managements of these facilities.



#### Collaboration Example

### **Joint Venture based on Joint Development of the same site – Unionville Home Society Redevelopment – Unionville Home Society, Housing York Inc. & Minto Group, Markham, ON**

The Unionville Home Society redevelopment involves the construction of a 250 unit affordable rental building for seniors by York Housing Inc., the creation of 170-220 market townhouses by Minto Group and an addition of 100 assisted living beds and capital repairs to Unionville's existing long-term care buildings. The collaboration began when Unionville expressed a need to sell a portion of its existing land to help pay for capital repairs to its existing buildings. Minto was chosen for its competitive bid and willingness to work with Unionville and other partners in redeveloping the site. Under the agreement with Unionville and York Housing Inc., Minto is responsible for obtaining all of the planning approvals from the City of Markham and York Region and has facilitated community outreach in the form of design charettes for local residents. The Region is currently exploring the feasibility of retaining Minto to design and construct the proposed apartment building.



#### Collaboration Example

### Joint Venture based on Mixed-Tenure and Mixed-Use Development of the Same Site - 288 E. Hastings, Vancouver, BC

This 12-storey mixed-use building with retail on the ground floor and 172 rental dwelling units was constructed through a collaboration between BC Housing, Wall Financial, the City of Vancouver and Streethome. While BC Housing purchased the site, Wall Financial obtained development approvals and oversaw construction of the building. Of the 172 dwelling units, 104 are owned by BC Housing with 34 rented at social assistance rates and 70 at average market rates. The remaining 69 apartment units are owned by Wall Financial and are rented at market rates. Streethome provides grants towards the 34 apartments whose rents are at shelter rates. The City of Vancouver provided a number of incentives including an expedited approvals process, waiver of development charges and \$10,000 in capital funding per door.



#### Collaboration Example

### Non-Profit Joint Venture – Alice Bissett Place, Calgary, AB

Alice Bissett Place is a 3-story building located in the community of Inglewood. It has 114 suites consisting of bachelor, one-bedroom, two-bedroom and three-bedroom townhouse units. The building boasts energy efficient solar panels, beautifully landscaped exterior and 12 fully accessible units. Development of Alice Bissett Place was completed in 2009, and came to be as a result of a joint venture partnership between the Calgary Home Builders Foundation, the Calgary Homeless Foundation and Horizon Housing Society. David Bissett, along with his wife Leslie, donated to the construction of the building, which is named after David Bissett's Mother, Alice. In 2013, Alice Bissett Place was awarded Building of the Year (101+ units) by the Calgary Residential Rental Association (CRRRA). Candidates were evaluated on several criteria including building upkeep and cleanliness, curb appeal, lighting, renovations and security.

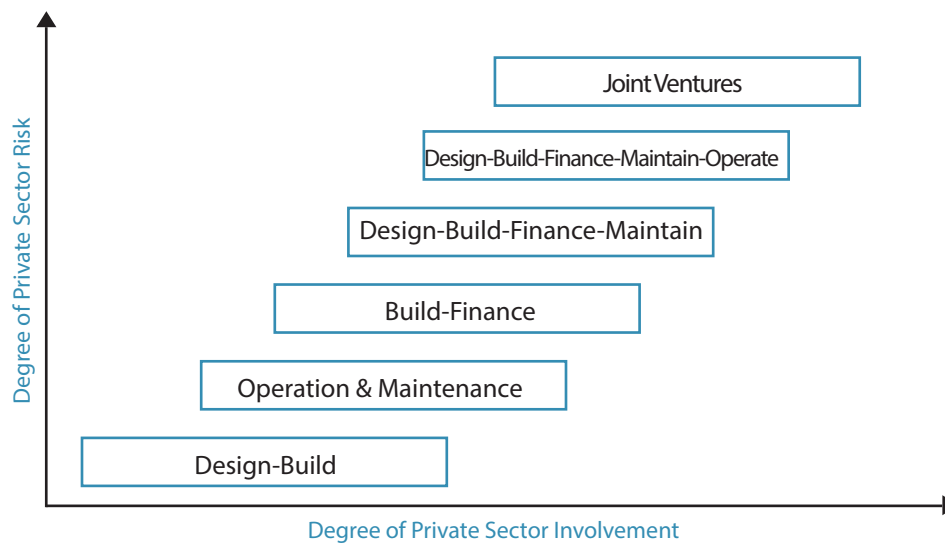


#### Collaboration Example

### Non-Profit Joint Venture - Bob Ward Residence, Calgary, AB

Bob Ward Residence is a 3-story affordable housing residence located in the community of Glamorgan. It consists of 61 suites containing bachelor, one-bedroom and two-bedroom units, as well as a four-bedroom unit. Bob Ward Residence was developed by a Joint Venture Partnership between the Calgary Home Builders Foundation, the Calgary Homeless Foundation, and Horizon Housing Society in 2003.

Chart I.1 – Types of Possible Collaborations



Source: Amended from Canadian Centre for Public-Private Partnerships

## 2.2 Key Actors in Collaborative Housing Developments

The creation of new affordable and market housing within Ontario is influenced by a significant number of key actors ranging from the Federal government to individual developers and non-profit groups. In order to promote collaborations it is necessary to understand each actors' role in the construction of new housing.





Figure I – Key Actors in the Housing Sector



### Policy and Administration Sector

- **Government of Canada:** In addition to directly administering funding support for on-reserve First Nations housing, the federal government provides funding through social housing operating agreements and housing and homelessness programs, mortgage loan insurance, research grants and housing programs through the Canada Mortgage and Housing Corporation (CMHC).
- **Provincial Government:** The Ministry of Housing develops policy and oversees the Housing Services Act (HSA) and the Residential Tenancies Act. The Ministry also sets out the administrative framework and provides capital funding for new affordable housing programs such as the Investment in Affordable Housing Program and the more recent Social Infrastructure Fund. The Ministry of Municipal Affairs is responsible for the Planning Act which includes requirements that Municipal policies shall include the provision of a range of affordable ownership and rental housing<sup>3</sup>. Other ministries fund and administer some supportive housing for groups like the frail elderly and developmentally disabled. The Housing Services Corporation, established under the HSA, delivers province-wide programs and services to the social housing sector, while the Ontario Financing Authority and Infrastructure Ontario provide mortgage refinancing support and low-cost lending for the sector.
- **Municipal Governments:** Consolidated Municipal Service Managers (e.g. cities, regional governments, District Social Services Administration Boards or counties) are responsible for local housing policy, funding and administration of housing and homelessness programs under the Housing Services Act. Local governments are also responsible for planning policies, project approvals and building permits, and servicing new developments.

3. In December 2016, the Provincial Government passed the Promoting Affordable Housing Act which contained a provision for Inclusionary zoning for affordable housing in Ontario. Inclusionary zoning should be fully implemented at some point in 2017, although local municipal implementation rules have yet to be finalized.



### Advocacy Sector

There are a broad range of housing sector intermediaries. Industry and sector associations (e.g. BILD, the Federation of Rental-Housing Providers of Ontario and the Ontario Non-Profit Housing Association, for example) represent their members and undertake policy and advocacy work.

### Housing and Development Sector

- ▶ **Non-Profit Housing Developers and Operators:** Municipal non-profit corporations (e.g. Toronto Community Housing) and private non-profit corporations (e.g. independent community agencies, cultural organizations or faith-based groups) manage housing portfolios and provide affordable rental housing for low income tenants, whereas co-operative housing is owned and managed by resident members of a co-operative corporation. Some non-profit organizations also sell housing with various supports that offer the housing at below market prices or with below market mortgages.
- ▶ **Residential Developers:** Residential developers are generally involved in all aspects of a project, purchasing land, arranging financing, hiring architects and planners, securing building permits and zoning approvals, hiring and overseeing construction, and leasing, renting or selling the new units.
- ▶ **Private Rental Owners and Operators:** Private owners and operators of residential properties can include developers, property management companies or Real Estate Investment Trusts (REITs). They generate revenues through rents, which must exceed the costs of maintaining properties and paying down mortgage debts.
- ▶ **Financial Institutions and Investors:** Mortgage brokers, chartered banks and institutional investors such as pension funds raise money, provide loans or make investments in projects. Typically, a project will require term loans to buy the land, construction financing to build the property, and longer-term mortgage financing that is paid off over 25 to 35 years. Long-term financing for new affordable housing for longer than 25 years is typically provided with Canada Mortgage and Housing Corporation (CMHC) mortgage insurance. CMHC mortgage insurance usually results in lower mortgage rates for the housing developer.
- ▶ **Professional experts:** Private sector architects, planners and engineering firms play a vital role in the residential development process, along with members of the legal profession.



## 3.0 Lessons Learned and Best Practices for Collaborative Housing Developments

### 3.1 Mechanisms for Initiating Collaborations

#### 3.1.1 Inventorying Assets and Liabilities

An essential starting point for undertaking successful collaborations is for non-profit corporations to determine what they have to offer in undertaking future projects, whether land, buildings, contacts, expertise in tenant relations, or other types of “hard” and “soft” assets. Such an inventory is just a starting point, but is essential for success in negotiations. It should also be balanced with a statement of liabilities, whether outstanding repairs, funds owing to suppliers, or others. This kind of information is essential to have but is just a contribution to the development of a vision for the future and a successful venture. In brief, the overall aim is to turn liabilities into assets, not to dwell on the former! Similarly, private sector companies need to have a firm grasp of what they can afford to bring to a new venture of this kind in relation to other commitments. Do they want to be a full partner with a provider, or are they simply interested in obtaining a standard contract to undertake work for them?

#### 3.1.2 Request for Proposals

According to the individuals interviewed there were at least four ways in which their collaboration was initiated. Request for Proposals or RFPs was one of the most common. Using this strategy, non-profit organizations created a document which outlined their needs, resources being provided (e.g. land, capital etc.) and expectations regarding the proposed collaboration (e.g. costs, roles of partners, sharing of risks and benefits etc.). By responding, the private sector organization agrees to the stipulations contained in the RFP regarding its role and responsibilities. A number of non-profit housing providers used this approach. Toronto Community Housing (TCH) has undertaken a number of proposal calls in the past decade looking for collaborators on redeveloping a number of its older sites and has modified its approach in subsequent proposal calls based on learnings from earlier collaborations.

#### 3.1.3 Planning Permissions/Processes

Within Toronto, a number of non-profit private sector collaborations were initiated through the Section 37 process. Under Section 37 of the Ontario Planning Act, private sector developers devoted a portion of dwelling units for affordable ownership or rental housing in exchange for height and/or density increases. For example, Artscape was able to secure 68 units in Urbancorp’s Triangle Lofts development and another 19 units in a separate project in the City of Toronto. The number of units provided varies due to a wide range of factors including the size of the development and the extent of other benefits



provided through the Section 37 agreement. Closely related to Section 37 agreements are lands that have site specific zoning designations which require affordable housing. Under this arrangement, private developers must ensure that a designated proportion of new residential units are set aside to be affordable.

### **3.1.4 Direct Communication**

Among the simplest methods was approaching the prospective party to offer up a collaboration. For its Distillery District project, Artscape approached the owner of the buildings and offered to fill some of their units which had been vacant for a long period of time. Similarly, Great Gulf approached non-profit group Kehilla Residential Programme to operate the designated affordable housing units in one of their new developments. While neither organization was familiar with each in the former example, both parties had some previous knowledge of each other in the latter.

## **3.2 Nature of Collaborations**

There was a range of collaboration types among the developments reviewed and individuals interviewed for this study. In general, organizations with little development experience and with low appetites for risk had a tendency to choose design-build partnerships. Under this arrangement (as noted earlier in Section 2.4) the majority, if not all aspects of design, development approvals and construction are handled by the private sector party. Typically the non-profit housing organization will set out some key design issues such as durability of materials and, in many cases, energy efficiency goals. Upon completion, the dwelling units or building is then turned over to the non-profit provider to operate. This kind of collaboration is also referred to as a turnkey agreement.

On the other hand, non-profit housing providers with more development experience and appetites for higher risk chose a more involved collaboration. Using this approach, non-profit housing providers share more risk. Toronto Community Housing, for example typically requests a portion of the sales revenue from new condominiums units on its redeveloped sites but it also faces more risk if the planning approvals it is collaborating on don't provide the number of new units anticipated. The consequence is that it may result in lower revenues and therefore a lower number of new affordable housing units than originally anticipated.

## **3.3 Benefits/Advantages of Collaborations**

Non-profit housing and private venture collaborations would not exist if both parties did not receive some sort of benefit(s) from the arrangement. Based on the interviews conducted for this study, three key advantages were discussed: access to land and other resources, reduced risks during design and construction phases and getting to know different markets.

### **3.3.1 Access to Land and Other Resources**

Access to land and other resources is in many cases one of the key drivers for initiating a collaboration. For the private sector, such collaborations can provide land for a new residential or mixed use development in addition to other resources such as deferred development charges or other municipal fees. From the perspective of the non-profit housing providers, collaborations can provide capital to replace or undertake repairs to existing units and to create new affordable housing units for its clientele. For example,



the redevelopment of the Unionville Home Society's property in Markham was kick-started when Minto Group Inc. purchased a portion of the site to construct market priced townhouses:

The Unionville project was a long time coming but they [Unionville] needed to have a compelling business case in order to move forward. While they may have land, we are facing the same kind of financial constraints in trying to build new affordable housing. We were approached by the Unionville organization a while ago [but] things only started moving in the right direction when Minto became involved and provided the capital needed in make their capital repairs.

In the City of Toronto collaborations can also provide an opportunity for private sector developers to provide a community benefit of new affordable housing under Section 37 bonusing provisions. With the recent passage of inclusionary zoning provisions under the Planning Act, collaborations with non-profit organizations may be an increasing approach for private sector developers to meet the inclusionary zoning requirements. At the moment, the Province is consulting with municipalities, the development and housing sector and other relevant stakeholders to comment on the proposed regulation and provide suggestions for the regulations of Bill 7, the Promoting Affordable Housing Act (2016).

### **3.3.2 Reducing Risks**

For non-profit housing providers, collaborating with private developers can also substantially reduce the risks experienced during the pre-development stages. Allowing a private developer to find and purchase a suitable property for a new affordable housing development helped reduce land costs in some cases. Having a fixed price for the design and construction of a development also helps to provide political support for non-profit housing organizations seeking to build new affordable housing by transferring the risk of cost overages to the private collaborator. Such was the case for one municipally owned non-profit housing provider:

Our private sector partner was instrumental in reducing the costs and delays related to purchasing land and getting development approvals. The former was particularly important for us because they [the private sector partner] purchased the land for the project. If we were to purchase it, the land could have been much more expensive because once the land owner hears that the government is involved, the price increases.

As many non-profit organizations do not have sufficient experience to undertake new development, collaborations also reduced the risks of delays during project design and development approvals processes. In many of the partnerships reviewed for this project, private sector collaborators managed the design team prior to and during construction in addition to overseeing the planning and building permit applications to the local municipality.

On the other hand, collaborating with a non-profit housing organization to provide affordable housing can help provide political goodwill/support for the development and help fast track the approvals processes:

In some cases developers are seeing us [a non-profit organization] as a way to get political approvals and other benefits for different projects in different areas of the city.



Having TCH as a partner made the planning process significantly easier. Even though our development involved the creation of 1,000 units, the local councilor was quite supportive, and there were no appeals to the OMB. TCH helped work with 127 residents to ensure that the development met their needs.

Collaboration can also help support development proposals that are in excess of existing height and density regulations.

### 3.3.3 New Markets

Some of the organizations interviewed for this study also noted that collaborations helped them become more familiar with different residential markets. In particular, because of their collaboration with non-profit housing providers, private sector developers were able to gain the knowledge needed to build and operate rental developments. Their experience with affordable housing providers also led to opportunities to build for and partner with other providers in Ontario. In some cases, the ability to obtain municipal incentives and reduced land costs reduced the risks of building in an untested/emerging neighbourhood.

## 3.4 Assigning Benefits and Risks in Collaborations

In the collaborations examined for this study there were two different methods used to help split and/or assign risks and benefits to the different collaborators involved. In general, these benefit and sharing agreements delineated the tasks each collaborator was responsible for and outlined how the profits/benefits and costs were allocated between collaborators. While each project was unique, the assignment of benefits, risks and tasks was undertaken at the early stages of development prior to the development of detailed design work. Of note is that because each project is different, none of the individuals interviewed felt that a template risk/benefit sharing agreement provided by the Service Manager would be helpful. Some interviewees did note that having the Service Manager provide guidance, particularly when a non-profit provider was inexperienced would help speed up the process.

Among the most prevalent of tools to assign benefits and risk was the use of Request for Proposals to outline an organization's expectations and to delineate the tasks, risks and benefits that each collaborator would be undertaking in the collaboration. Before publishing the RFP, the organization releasing it conducts internal reviews (including other successful collaborations) to see how risk was mitigated and managed and if its objectives were being met. While there may be some give-and-take once a suitable collaborator is chosen, the changes made are generally minor in nature. As noted earlier, the RFP outlines which tasks each collaborator is responsible for.

When no RFP was issued, benefit and risk sharing documents were either negotiated between collaborators or created by a third party organization. With the latter, cost sharing agreements are created by a neutral outside organization to determine the total cost and each collaborator's portion of the development costs. Typically, a third party is used to provide a neutral perspective to negotiations to provide a fair agreement and reduce the potential for conflict during this and further stages of the development process or if any of the collaborators is not experienced in these kind of situations. In contrast, direct negotiations between collaborators occur when all applicable parties have sufficient experience in developing such agreements.



It is important to note that when assigning roles and responsibilities, each party needs to be fully aware of their own capabilities and capacity to undertake these prescribed activities. In one case, the inability of a non-profit provider to undertake their portion of the due diligence activities on a development led to considerable delays and frustration for all involved parties.

### 3.5 Suitable Characteristics in Private Sector Collaborators

Overall, the most important characteristic of private sector collaborators was their reputation and willingness to work with and respect the needs of the non-profit provider. In particular, non-profit providers were looking for private builders who had a reputation of well-built developments, fairness and trustworthiness and respect for their organization's key goals. One non-profit organization explained in detail what they searched for in a suitable private sector partner:

...do they appreciate the lead time needed to get [community] engagement, are they open to change in plans, putting some skin in the game (money, land, discounted construction costs), their record of property management. A lot of for-profit partners don't appreciate the cost and time spent on community engagement however we are starting to see a shift to a long-range city-building lens from some of them.

The concept of putting "skin in the game" was one echoed by a number of the non-profit providers interviewed for this study. While there were financial implications from these statements, it was also a signal that the private collaborator was committed to the collaboration and would do their best to make the project succeed.

The importance of previously working with non-profit providers varied among those interviewed with some stating that it did not matter while others noted that it was important.

The importance of a private partner to collaborate on the design of the proposed development also varied among the non-profit providers interviewed for this study. For groups that had little design and development experience there was little desire to provide more than feedback on the proposed development. In contrast, those that were experienced in both areas tended to express a desire to collaborate and contribute to the final design of the project.

#### Collaboration Example: Putting Skin in the Game – Guelph, ON

ARQI R & D Inc. is a private sector developer collaborating with the Wellington Dufferin Guelph chapter of Habitat for Humanity on the forthcoming redevelopment of a 13 acre city of Guelph brownfield site.

Both the developer ARQI and Habitat responded to a 2016 proposal call from the City of Guelph about redeveloping the vacant site on Beverly Street and through facilitated support from the City of Guelph, all parties have signed a memorandum of understanding about the vision for a "holistic urban village" which should see a mixture of a few hundred residential homes combined with retail and small business ventures. The Habitat homes, as well as other affordable housing, will be integrated throughout the various multi-residential buildings proposed on the site rather than having stand-alone buildings.





Similarly, the desired scale of development varied amongst the non-profit organizations represented in this study. Rather than trying to achieve a suitable profit, non-profit organizations were looking at achieving a development that best maximized their economies of scale from a capital and operations perspective:

We try to get the best efficiency possible with public funds available and operating costs. Trying to hit that sweet spot, 202 units is the largest in our portfolio but is difficult for operations to manage; We are looking at a maximum of 120 units generally and 5 to 6-storeys in height as that seems to be the max from an operations point of view. The scale of project also depends on housing needs at the location and time.

Rather than scale, the most important characteristic of the proposed development from the non-profit provider perspective was its viability from a capital and operating budget perspective.

### 3.6 Suitable Characteristics in Non-Profit Collaborators

When asked, private sector developers indicated that the most important trait or characteristic a non-profit partner could have was their reputation and organizational traits. Much like their non-profit counterparts, private developers also valued fairness and trustworthiness. In addition, private developers also valued the ability of their collaborator's respective boards to make decisions in a timely manner, maintaining their position on key decisions clearly known and to respect the ability to undertake their agreed upon tasks (e.g. design, development approvals, construction etc.). Some private developers noted that the time needed to make crucial decisions was prolonged due to the tendency for some board's to be overly bureaucratic and their inability to make timely decisions.

On the other hand, developers noted that the experience of non-profit providers in developing multi-residential or mixed-use developments was not very important. This is largely because private sector developers expressed a desire to construct all of the proposed affordable and market units.

As the replacement of existing or provision of new affordable dwelling units was often identified as a lost leader, private developers also stressed the importance of accessing municipal incentives and capital funding to offset these costs. The most common of these were waivers for development charges and other municipal fees (e.g. building permit, site plan application fees etc.), the contribution of land and/or capital funding from federal/provincial affordable housing programs. In addition, a number of private developers expressed that the expedited planning approvals provided by some municipalities was an important carrot for helping their collaboration work.

When reviewing the suitability of a collaboration, the location of land and the potential for redevelopment had varying degrees of importance among the private sector developers interviewed. For some private developers, working with a non-profit provider would be feasible only if the land was large enough and in a good location (e.g. proximity to transit, services etc.) to make the project financially feasible:

Would need 200,000 sq. ft. minimum [to make the redevelopment of a single site work] unless it was in a neighbourhood where higher prices can be secured, such as Yorkville. It must make sense from marketing point of view.





There was greater flexibility for sites when working with a non-profit provider that had multiple sites as there were more opportunities for leveraging and redevelopment. Few of the private sector individuals interviewed for this paper were opposed to the mixture of market and affordable units in a development. However, private sector organizations open to mixing incomes stressed that an open and honest dialogue about the number and placement of the affordable units needed to occur in the early stages of the due diligence phase of the collaboration. The need for this conversation is on account of purchasers being more cautious about buying a dwelling in a mixed income development compared to one that is solely market. As a result, private developers need to account how this may impact the price of market units and the project's overall marketing strategy.

### 3.7 Suitable Role for Regional and Municipal Governments

The primary role of regional and municipal governments according to both non-profit and private sector organizations is to remove the barriers that make the process of constructing collaborative housing developments difficult. One of the barriers which came up frequently from those interviewed was expediting the approvals process. In light of increasing regulations (and resulting costs) that new developments must adhere to, fast tracking development applications was an important tool for ensuring the viability and affordability of these developments.

Another role that Service Managers and municipalities can play is that of an advocate and a source of information and/or facilitation services. This could include publishing the resources that are available for collaborative housing developments, creating a database on non-profit housing providers and private developers who are interested in collaborations<sup>4</sup> and providing facilitation services during various phases of the project<sup>5</sup>. Some municipalities are already implementing processes to provide such services. For example, the City of Toronto's Affordable Housing Office was noted as being an important advocate in helping secure resources and educate private developers on the different tools that can be used in collaborations. In Peel Region, a grant program is being used to help identify and build capacity for non-profit's who are interested in building new affordable housing.

Among social housing providers and sector organizations interviewed (and to a lesser extent among the private sector builder/developers interviewed) providing examples of successful social housing-private sector collaborations were seen to be important in promoting greater comfort/re-assurance in entering into a collaboration. The role of housing sector advocacy organizations, as well as municipal governments were seen to play an important role in this outreach.

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4. This database could include providers interested in owning and managing affordable units secured through Section 37 or other height and density bonusing agreements and those who are interested in redeveloping existing sites or constructing new developments in the GTHA.

5. A municipality and a developer may also choose to engage a third-party development consultant, a model often used in the past. There may also be a role for a match-making service to seek out participants in joint ventures and/or public-private partnerships.



## 4.0 Summary of Lessons Learned

Key lessons learned are summarized below:

### Sharing Benefits/Risk

Most of the projects reviewed as well as the individuals interviewed for this project noted that benefit and risk sharing agreements were discussed and finalized before planning approvals were filed. The way in which such agreements were created depended on the development experience and comfort level of the organizations involved. For organizations with less development experience and a lower appetite for risk, such documents were typically created and released to private developers through a Request for Proposal.

Private sector organizations felt that using their knowledge, particularly related to the financing, development approvals and other aspects of building new multi-residential and mixed-use buildings, could be useful to a non-profit organization with little tolerance for risk, particularly in a turnkey arrangement. In contrast, organizations with more development experience and a larger appetite for risk, discussions over how risk and benefits were shared either occurred through a neutral third party or between partners directly. There was one instance of a municipality helping the non-profit and private developer negotiate a deal.

Due to the diverse context of each development, individuals interviewed felt that a standard template would not be particularly helpful for this particular activity.

### Project Management/Roles of Organizations

The role of the private sector organization depends in part on the development experience of the non-profit organization and the type of collaboration being used. For design-build collaborations or where the non-profit organization had little development experience, each partner's roles are typically as follows:

Private Sector Partner	Non-profit Partner
<ol style="list-style-type: none"><li>1. Coordinate and oversee design of project</li><li>2. Obtain Development Approvals (e.g. planning amendments, site plan, building permit etc.)</li><li>3. Obtain construction and mortgage financing</li><li>4. Manage construction process</li></ol>	<ol style="list-style-type: none"><li>1. Provide input on design (e.g. unit layout, finishes, energy efficiency etc.)</li><li>2. Obtain benefits from municipality or other government (e.g. expedited approvals, fee and development charge waivers etc.)</li><li>3. Manage rent up and ongoing operation of affordable units</li></ol>



Non-profit providers with greater development experience were generally more active than their less experienced peers during the design stage of the development and had the following roles:

Private Sector Partner	Non-profit Partner
1. Provide input on design and development size	1. Hire architect and related consultants
2. Assist in obtaining development approvals	2. Facilitate community consultations
3. Obtain construction and mortgage financing	3. Manage development approvals process
4. Manage construction process	4. Obtain benefits from municipality or other government (e.g. expedited approvals, fee and development charge waivers etc.)
	5. Manage rent up and ongoing operation of units

It is important to note that each project and organization is different and the roles for each organization will depend on their respective strengths and the unique circumstances of the project in question. As such, discussions on the role each organization will have during the various stages of the project should occur as early as possible in the collaboration.

## Ideal Characteristics in Partners

For non-profit providers, the most important characteristics in a private sector partner was their trustworthiness, fairness and attitude towards the project and the goals of the non-profit provider themselves. A key theme among the non-profit providers interviewed was the concept of the private developer putting some sort of equity into the collaboration to help show their commitment in making the partnership succeed. There was some variation in the importance of a private developer having experience in working with non-profit providers on previous collaborations.

Similarly, private developers also indicated that the most important characteristics of non-profit organizations was fairness, trustworthiness, the ability to make decisions in a timely and to respect the ability to undertake their agreed upon tasks. Previous development experience was not important as private developers expressed a preference of undertaking and managing the due diligence, design, planning approvals and construction processes.

## Roles of Regional and Municipal Governments

Regional (including those designated as the Service Manager) and municipal governments play an important role in helping to support and promote the use of non-profit – private sector collaborations. Based on the feedback from those interviewed, the following recommendations are made to help reduce start-up times, facilitate collaborations and other aspects of this approach:



- ▶ **Provide incentives:** Providing incentives such as development charge/municipal fee waivers and expedited approvals is an important tool for encouraging private sector organizations to collaborate with non-profit providers in new developments. While some lower and upper tier municipalities provide these incentives, others do not.
- ▶ **Ensure incentives are visible:** Incentives should be readily apparent to all interested parties to help identify the contribution that including affordable housing and in particular non-profit providers can bring in a collaboration. Outlining the incentives a non-profit provider can bring to the table can also help speed up the process of assigning risks and benefits during the early stages of a collaboration.
- ▶ **Providing political support:** One of the most important factors in determining the success of a social housing – private sector collaboration was political support for the proposed development. Those interviewed for this report noted that the lack of political support, particularly for sites in low-density and established residential areas added as many as four to five years to the development approvals process. Such delays not only increase development costs but can also lead to fatigue from one or more of the collaborators and the viability of the development itself.
- ▶ **Act as promoters/facilitators of collaborations:** Municipalities and in particular Service Managers could undertake activities to help promote social housing – private sector collaborations. To help promote collaborations, Service Managers could research which social housing providers may be suitable and or interested in undertaking this work. Service Managers could also promote collaborations by publishing best practices and case study literature to outline the success stories in their jurisdiction and across Ontario. To help facilitate collaborations, Service Managers and municipalities could provide mediation services to create risk and benefit sharing agreements and resolve other items if they occur during the design and construction phases of the collaboration.
- ▶ **Assure transparency of respective financial commitments and obligations:** There are bound to be public and even legal consequences of failed, aborted, or disputatious ventures of whatever kind. Hence, it is incumbent upon governments having jurisdiction over the sites under development to ensure that all arrangements regarding land, development rights, and ultimate disposition of units and profits between the participants are open to public scrutiny. This is most appropriately done following completion of negotiations and at regular intervals as the project proceeds.

## Role of Advocacy Groups

One potential resource for constructing new affordable housing is the value of existing social housing and co-operative housing properties in the GTA. Based on an analysis by TWC and the GTA Housing Lab, there is approximately \$350-400 million in existing assets that could be leveraged for new collaborative housing developments. To help encourage these collaborations it is recommended that advocacy groups take a more active role in educating the demographic they represent. This may include the following actions:

- ▶ Undertake studies in conjunction with Service Managers to identify which non-profit groups could or are interested in collaborating with private sector organizations;
- ▶ Provide outreach to non-profit and private sector organizations with regular updates/publications on new collaborations and case studies highlighting successful developments. Additional outreach could occur through workshops and information sessions during conferences (e.g. ONPHA Conference, CHRA Conference, BILD etc.)



## Conclusion

Collaborations between non-profit organizations and private developers can be used to build more affordable and mixed-income housing in Canada.

This study sought to illuminate the mechanics of how successful collaborations worked and how those lessons learned may be transferred to future collaborations between non-profit and private sector organizations. While there is much learning along the way in a collaboration, both the private sector and non-profit providers who have partnered have found the experience a positive one.



# Appendices

## Appendix A: Works Cited

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## Appendix B – Literature Review

To help inform and complement the interviews undertaken with key private and non-profit stakeholders, a literature review of the collaborative process was undertaken. The key findings from this review on the characteristics of successful collaborations are as follows.

### **BI: Principles for Collaborations**

Studies by Corrigan et al (2005) and Cote & Tam (2013) identified ten principles that may be applied to the non-profit housing provider and development corporation partnership:

1. Prepare properly for [non-profit housing/private sector] collaborations;
2. Create a shared vision;
3. Understand your partners and key players;
4. Be clear on the risks and rewards for all parties;
5. Establish a clear and rational decision-making process;
6. Make sure all parties do their homework;
7. Secure consistent and coordinated leadership;
8. Communicate early and often;
9. Negotiate a fair deal structure; and
10. Build trust as a core value.

The following section will examine these concepts in greater detail and use examples of affordable housing projects whenever feasible.

#### **BI.1: Suitability of Collaboration Type**

The variation in collaboration types reflects the reality that not all non-profit housing sector organizations have similar capacities for risk and that the complexity of each project differs. Prior to undertaking a project, it is recommended that non-profit housing providers undertake due diligence not only to see which collaboration type is most suitable but if a collaboration is appropriate. This is particularly the case for affordable housing as many social housing providers have existing developments/land which are characterized by distinct operating agreements/requirements as well as organizational capacities.

In general, the process of determining whether a collaboration is suitable for an organization begins by examining the scope of the project (Canadian Council for Public-Private Partnerships, 2011).





Activities to be undertaken when determining project scope is determined by undertaking an analysis of the following elements:

- Organizational needs. In the case of a non-profit housing organization, looking at the needs of current residents as well as in the general community;
- Identify possible solutions to meet these needs;
- Discuss and rank possible solutions and selecting a preferred option; and
- Develop preliminary designs and budgets.

If the decision is made to proceed with the project as envisioned, the next task is to determine the organization's comfort level in collaborating with a private sector group and what type of collaboration should be pursued. Some key questions (Housing Services Corporation, 2012) to ask and reflect upon include:

- What are the tangible benefits and risks that a collaboration could create;
- Will it be a short and project specific collaboration or over multiple-developments;
- What kind of experience does the non-profit organization have in developing/building new housing;
- What are the benefits and risks of each collaboration type;
- Is a collaboration the most effective and efficient method to drive a project forward; and
- Will a collaboration increase the ability to leverage funds from a range of sources?

If a collaboration is determined to be an appropriate method, a non-profit housing organization's next task is to find a suitable collaborator or vice versa. Collaborations can be instigated from either interested party and/or could be brokered by a third party.

## **B2: Creating a Shared Vision of the Project**

The way in which a project's vision is determined depends on a broad range of factors including the scale of the development and the type of collaboration being used. In some cases, a non-profit housing provider may have already determined a vision before seeking a partner and may want to transfer only the risk of designing and building the development. On the other hand, some projects may not have a firm vision of what their development will look like until after the collaborators have been identified.

Regardless of collaboration type and situation, the literature notes the visioning process should include public participation, support of elected officials, cooperation of neighbours and insight from business leaders (Burkland et al, 2016). For example, although the vision of the Woodward's redevelopment in Vancouver, BC had been determined prior to releasing the Request for Qualifications and Proposals to private sector consortiums, it had been shaped through extensive consultations with the public, local leaders, municipal staff and council (Urban Land Institute, 2014). For smaller developments, such as the addition of units to an existing building, tenants and neighbours should be consulted to determine their feedback and concerns with the project.

On a broader level, Municipal Service Managers and advocacy groups should work together to create an environment that encourages investment in the creation and the management of affordable housing through non-profit housing and private sector collaborations. Both Service Managers and advocacy groups should actively seek out and



maintain strong partnerships with industry leaders in order to build community capacity. Similarly, they should also raise awareness on affordable housing issues to mobilize support at the grassroots level (Moskalyk, 2008).

### **B3: Outlining the 'Road Map' of the Collaboration**

While outlining the vision of the project, it is also necessary for all involved parties in the collaboration to agree upon a process or 'road map' that will be followed during the duration of the collaboration. The purpose of the road map is to (Fraser & Kick, 2007; Burkland et al, 2016):

- ▶ Define the process in which decisions are made, implemented and assessed;
- ▶ Outline and formalize the responsibilities of each collaborator for the duration of the collaboration; and
- ▶ Determine the milestones and deadlines for the project.

There are a number of benefits to road maps including reducing costs by sharing information and streamlining activities, improving the efficiency and transparency of decision making and ensuring the project's progress can be assessed easily. While discussions regarding these items should occur early in the process, the exact timing will differ based on the characteristics of each project. For example, much of the decision making and responsibilities will be determined (and typically outlined in an RFP) before choosing a collaborator in a design-build scenario. In other cases, such arrangements may occur after choosing a collaborator through a memorandum of understanding.

### **B4: Fairness**

While fairness should be present during all stages of the collaboration, its need is most apparent when determining and assigning risks and benefits between collaborators. Corrigan et. al. (2005) provides the following tips for collaborations when creating risk/benefit agreements:

- ▶ Discussions regarding the sharing of risks and benefits should begin early on to ensure that proper due diligence can occur, conflicts are resolved as soon as possible and that all parties are knowledgeable and comfortable with the arrangement prior to the creation of a legal document;
- ▶ When a legal document is created, it should be circulated to all applicable collaborators with sufficient time for review and feedback;
- ▶ All partners should hire competent legal and technical council to review legal documents;
- ▶ Legal counsel and the overall documentation process should not drive the outcome of the agreement or the vision of the collaboration;
- ▶ Allow sufficient time for final negotiations and documentation. If faced with an immovable deadline forced compromises may result; and
- ▶ Understand that compromise is necessary for achieving a fair result and is not a sign of weakness.

### **B5: Communication**

Consistent communication between all stakeholders within the collaboration as well as in the community is essential to ensuring that support is maintained throughout the entirety of the project. Communication between collaborators is essential for a number of reasons including the exchange of information, ideas and needs, creating opportunities for public, neighbourhood and (where appropriate) existing resident involvement and creating



a more efficient decision-making and conflict resolution process. Case studies have shown that successful collaborations tend to have a well-structured and comprehensive communication plan to relay information in a timely and reliable manner. It is also necessary to ensure that communication with community stakeholders occurs not only during the visioning process. Maintaining public support throughout the entirety of the collaboration requires that decision-making processes are transparent and that updates are provided as the project progresses.

#### **B6: Trust**

To be successful, collaborations require a foundation of trust between all collaborators and stakeholders. Given the complexity of many collaborations and projects, trust is required to facilitate decision making and undertake financial or other risks in the project, particularly when changes to the project are required or unforeseen challenges arise. Without trust, the benefits of a collaboration may be lost due to the increased time to undertake decisions or failing to complete the project. From a larger perspective, trust and additional capacity building between the non-profit housing providers and private sector can help encourage future collaborations for creating affordable housing by providing examples and templates that could be used for future projects (Witwer, 2007).

The process of building trust first begins when a Request for Qualifications and/or Request for Proposals is issued by the non-profit housing organization to evaluate the references, track records, resource capacity and core values of private sector organizations. Once a private sector collaborator is selected, trust should be reinforced through each side's realization of expected responsibilities. Throughout the project, trust is reinforced and strengthened through a number of activities including:

- ▶ An open and well-structured communication plan between all collaborators;
- ▶ Having a performance schedule to document the commitments and responsibilities of each party;
- ▶ Providing regular updates of the performance schedule to highlight how progress is being made or delayed; and
- ▶ Negotiating a fair agreement on the risks and benefits to be shared by the partners (Corrigan et al, 2005; Burkland, 2016).



## Appendix C – Organizations Interviewed

- Artscape
- City of Toronto
- Co-operative Housing Federation of Canada
- Daniels Corp.
- FRAM Building Group
- Habitat for Humanity GTA
- Kehilla Residential Programme
- Options for Homes
- New Horizon Homes
- Region of Durham
- Region of Peel
- Region of York
- Roxborough Park Inc.
- Tricon Capital
- Tridel



## Appendix D – Private Sector Questionnaire

1. What is your experience in collaborating with social housing providers in constructing new developments? (Specific projects)
  - a. Could you please provide some information on the development itself (e.g. size, number of units, location)
2. What was the nature of the partnership (e.g. turn-key, etc)?
3. How did the collaboration happen? Were you approached by the social housing provider or did your organization initiate discussions?
4. How well did the collaboration work?
5. How were challenges and concerns dealt with or addressed? (e.g. what were the methods used to communicate concerns to the social housing collaborator?)
6. What forms of risk management or sharing were agreed upon?
  - a. Was there a formal agreement?
  - b. If there was a formal agreement, were you able to carry out your activities/ responsibilities without unexpected involvement by the social housing provider?
  - c. If problems such as new unexpected costs, due to soil issues or planning approval requirements, arose during development how were they resolved?
7. How did you negotiate your organization's share of the benefits from this development?
  - a. Was there a formal process?
  - b. At what stage in the development process did these negotiations or talks occur?
  - c. What were the pros and cons of this process?
  - d. What were the benefits being asked for?
  - e. Did you require your firm be the only builder/architect for creating new housing on the site?
8. How was the scope of the development determined? (e.g. built form, number of affordable units provided etc.)?
  - a. Did the social housing provider set out their requirements initially or did your firm propose a scenario?
  - b. How were the interests of your firm and the social housing provider balanced?
  - c. How did mixing incomes affect the development from your perspective?
9. What role, if any, did the local municipality play in facilitating a previous or ongoing development with social housing providers?
10. What were some of the challenges that hindered or delayed the development's design/construction?
11. When approaching or being approached by a social housing provider, what are some of the key features or attributes of that social housing provider which would make it attractive for collaboration?



12. How important are each of these attributes in a social housing partner?
  - a. (Scale of 1 to 5, with 5 being most important)
  - b. land availability
  - c. scale of development
  - d. location of site
  - e. access to capital funding
  - f. access to municipal incentives
  - g. organizational traits/ social housing providers development experience 5 most important
  - h. other, please specify: \_\_\_\_\_
13. How do the risks and challenges of partnering with a social housing provider on a development differ from that of a development undertaken only by your firm or with another development partner?
  - a. At what stage in the development should these items be settled?
14. From your perspective, are there any particular deal-breakers or must-have's that had to be included in previous or future developments?
15. Would you consider undertaking another collaboration with a social housing provider in the future?
  - a. If so, what would you do differently?
  - b. Would you consider working with a social housing provider that has only one site?
  - c. Alternatively, would you only consider working with a provider that had multiple sites in order to give economies of scale to the collaboration process?
  - d. Would you require your firm be the only builder/architect for creating new housing on a future collaboration?
16. What role or actions could municipalities undertake to make it easier for private-social housing partnerships to occur?
17. Would you find it helpful to have a template or draft Memo of Understanding as a basis for collaborating with a social housing provider?



## Appendix E – Non-profit Questionnaire

1. What is your experience in collaborating with a private sector developer to construct new housing? (Specific projects)
2. What was the nature of the partnership (e.g. turn-key, etc)?
3. How did the collaboration happen? Were you approached by the developer or did your organization do outreach to find a suitable developer with whom to partner?
4. What concerns did your organization have before entering into the partnership with the private sector developer?
5. How well did the collaboration work?
6. How were challenges and concerns dealt with or addressed? (e.g. what were the methods used to communicate concerns to the private development housing collaborator?)
7. What forms of risk management or sharing were agreed upon?  
Was there a formal agreement?
  - a. If there was a formal agreement, were you able to carry out your activities/ responsibilities without unexpected changes by the developer?
  - b. If problems such as new unexpected costs, due to soil issues or planning approval requirements, arose during development how were they resolved?
8. How did you negotiate your organization's share of the benefits from this development?
  - a. Was there a formal process?
  - b. At what stage in the development process did these negotiations or talks occur?
9. What were the pros and cons of this process?
10. What were the benefits being asked for?
11. What was the response he private sector partners to a mixed income building or site, if proposed?
12. How was the scope of the development determined? (e.g. built form, number of affordable units provided etc.)?
  - a. Did the private developer set out their requirements initially or did your organization propose a scenario?
  - b. How were the interests of your organizations and your private sector partner balanced during the design of the development?
  - c. How did mixing incomes affect the development from your perspective?
13. What role, if any, did the local municipality play in facilitating a previous or ongoing development with social housing providers?
14. What were some of the challenges that hindered or delayed the development's design?
  - a. How were they resolved?



15. When approaching or being approached by a private developer, what are some of the key features or attributes of that developer which would make it attractive for collaboration?
16. How important are each of these attributes in a private sector partner?
  - a. (Scale of 1 to 5, with 5 being most important)
  - b. Reputation
  - c. experience with other affordable housing providers
  - d. willingness to collaborate on design
  - e. willingness to integrate affordable units throughout the development
  - f. scale of development
  - g. other, please specify:
17. How do the risks and challenges of partnering with a private developer differ from that of a development undertaken only by your organization or with another development partner?
  - a. At what stage in the development should these items be settled?
18. From your perspective, are there any particular deal-breakers or must have's that had to be included in previous or future developments?
19. Would you consider undertaking another collaboration with a private developer in the future?
  - a. If so, what would you do differently?
  - b. Would you consider collaborating with a private developer that would pay to intensify your site but would not create new non-profit housing?
  - c. Are you comfortable with the private developer hiring the architect and being the builder and for new affordable housing units?
  - d. Do you have a preference for affordable and market units to be mixed throughout the development or have the affordable units in a single building?
20. What role or actions could municipalities undertake to make it easier for private-social housing partnerships to occur?
21. Would you find it helpful to have a template or draft Memo of Understanding as a basis for collaborating with a private developer?