Community Renewal Company

On behalf of:

United Way Perth-Huron

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Presented by:

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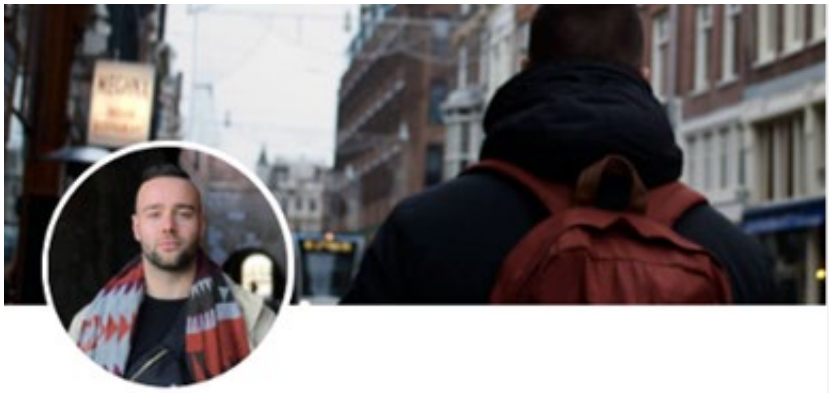

Nick van der Velde

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Local Ecosystem | Housing

- A rise in housing costs of both rental and ownership stock, which continues to rapidly appreciate year-over-year;

- A rise in applications for Rent-Geared to Income ("RGI") housing, which continues to grow year-over-year;

- Decreased availability of rental units in Southern Ontario, especially due to migration from other regions such as the Greater Toronto Area ("GTA") and overall immigration (at least pre-COVID) which has resulted in shrinking the housing supply, decreased rental vacancy rates and higher rental prices;
    - 1.6% in Stratford (Oct 2020)

- Regional long-term strategies for achieving new affordable housing seem to be inadequate for meeting current and projected demands;

- The very limited supply of new affordable housing units built in the past decade compared to demographic changes and emerging needs.

Local Ecosystem | Access to Services

- Studies indicate that geographic isolation impacts rural communities, as residents experience gaps in social and health services delivery;
    - Inconsistent, unpredictable or absent;

- Indication that the community is experiencing increased mental health challenges;
    - Huron County OPP is experiencing a 50% increase of calls related to mental health since 2014;
    - Not to mention the impacts of COVID-19 pandemic on the local ecosystem and its residents;

- Systematically, studies indicate that the systems related to mental health (and addiction) experience friction and challenges revolving the following components:
    - Wait times, barriers to access, fragmentation of service delivery, funding, uneven quality and a lack of data.

System Challenges

- Municipalities and social housing corporations often have the knowledge and resources to advance large capital projects, but find themselves with limited staff capacity and instead focus current resources on maintaining current housing stock;

- Proponents experience funding procurement challenges due to timing of available capital programs;

- Especially in rural communities, residential developers tend to pass on affordable housing projects, as the economies of scale and available financial margins are not attractive enough;

- With low interest rates and rising rental rates, residential developers and builders can build 'luxury' housing projects with lower risk and more attractive returns on investment, compared to affordable development projects. It seems there is little "market" incentive to build affordable rental projects.

Community champions are called forward to intervene and create creative solutions to catalyze construction of new affordable rental supply, address the rising challenges of the housing ecosystem, and accompany community to design, implement, and operate sustainable housing solutions.

Problem Statement

In short, and honouring the categories of housing priorities and human service priorities, the following may be concluded:

1. There is a real need **to develop a significant amount of new affordable rental supply in both Huron and Perth Counties;**

2. **Supportive Housing is needed** as identified by local nonprofit agencies for the most vulnerable in both communities to ensure individuals can keep their homes and have the opportunity to thrive in community;

3. An **innovate social service access model is required** to mitigate the social service delivery and access gap that exists in both communities.

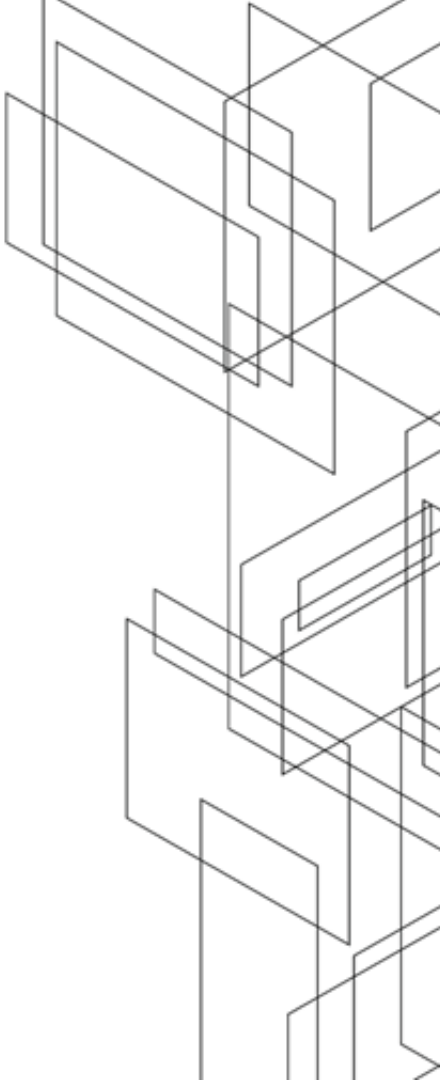
Community Based Feasibility Assessment

Conditions	Present	Missing
Community Need	• Critical issues being experienced across the region • Many task forces and working groups in both counties • Previous efforts to develop solutions that involved cross-organizational collaboration	• Lack clear and resonant narrative for broader community participation innovative solutions • Limited resources for local organizations to act quickly • Lack of working group working across both Perth and Huron regions
Leadership Buy-In	• There are a few people and organizations trusted across regions • Previous collaborative community projects demonstrated successful bold leadership in the community	•There is no clear opportunity to get capital, operations and land through key partnership(s)
Money & Assets	• Innovative finance mechanisms have been identified that can enable new sources of funds, notably from the local community • Municipality willing to be a funding and land partner • CFDC willing to provide financing	• Focus groups identified that local government resources are limited • Attempts to attract external resources have not been successful • Local stakeholders do not want another funding competitor
Incubation Partner	• United Way Perth-Huron is recognized as local leader with experience of incubating projects • Focus groups acknowledge the need for this CDC entity to operate across both regions;	• No Working Group for this project • No staff lead allocated • Broad community support needed to mitigate risks
Qualified Team	• The community pointed to local and external builders for development and construction partners • Curiosity in leveraging, social innovations and innovators from outside the region to increase capacity of local talent	• Gap in partnership brokers • Attracting the right talent may be costly

Mission & Purpose

The Community Renewal Company ("CRC") facilitates and activates place-based community renewal projects through multi-sector partnerships that accelerate local access to affordable housing and social service providers in the Perth-Huron regions.

We want to fill a void in the development of high need projects in our community. The CRC is willing to take the risk for these efforts including liability of financing and delivering on community renewal projects.



Business Case

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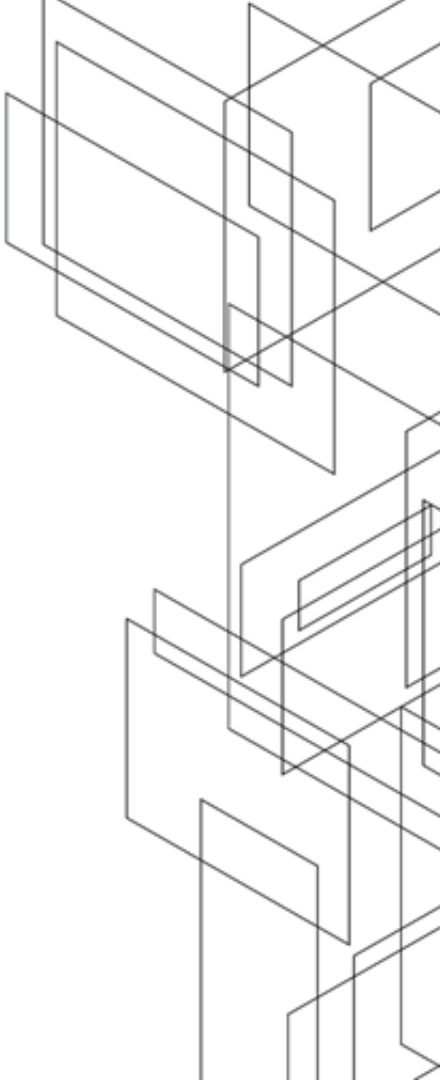
Models Explored

Model		Summary
A	Community Renewal Company	• High Cost; • High Local Collaboration; • Decreased Bureaucracy; • Diversified Revenues; • Access to Non-traditional Funding Procurement; • Slow (er) Moving.
B	**Internal Program/Entity**	• Increased Bureaucracy; • Centralized Leadership; • Less Expensive than 'Model A'; • Access to Non-traditional Funding Procurement; • Perceived Risk of Duplication & Associated Negative Optics.
C	**External Party**	• Lower Collaboration; • Most Cost-Effective Model out of 'Model A, B and C'; • Less Direct Management of Process; • Risk of Misalignment to Community Values / Project Needs.

Model Selection & Why

Model		Evaluation Criteria
B	Internal Program/Entity	• Mission Alignment • Incubation Experience • Asset Management • Cost-Effective Scaling • Liability and Risk • Community Support • Team Approach



Recommendation

It is in the **professional opinion of the consulting team that United Way Perth-Huron becomes the incubation partner** for the Community Renewal Company.

- **Mission aligned infrastructure** - United Way Perth-Huron started in 1959, has operational history and experience, and is mission aligned to strategic goals of the CRC;
- **Incubation Experience** - The United Way Perth-Huron has prior experience with both incubation and capital projects that require development and construction. A prime example would be the Community Food Centre;
- **Asset Management** - Has an existing balance sheet that displays multiple current assets, including cash, pledges received, land, building and various office equipment, hardware and software which can be leveraged to access long-term, patient finance;
- **Cost Effective Scaling** – United Way demonstrates operational excellence and consistent levels of fundraising through grants, donations and continue operational funding;
- **Liability and Risk** – United Way demonstrates innovative leadership that is willing to explore solutions to tackle the big, audacious challenges experience by the community including poverty, homelessness, mental health, domestic violence, hunger and social isolation;
- **Community Support** - Is one of the only organizations that provides services to both Perth and Huron County, which demonstrates an ability to navigate the fractional nature in service delivery in both regions;
- **Team Approach** – Has indicated a willing to invest in a new full-time position (starting September) within their organization to launch the Community Renewal Company in 2021;
- **Social Capital / Community Opinion** - Past Interview participants and focus groups at the local level indicated that United Way Perth-Huron would be an ideal partner.

Service Model

Convening

- Bringing together stakeholders in communities and around projects.

Support

- Providing support services to groups leading the development of projects.

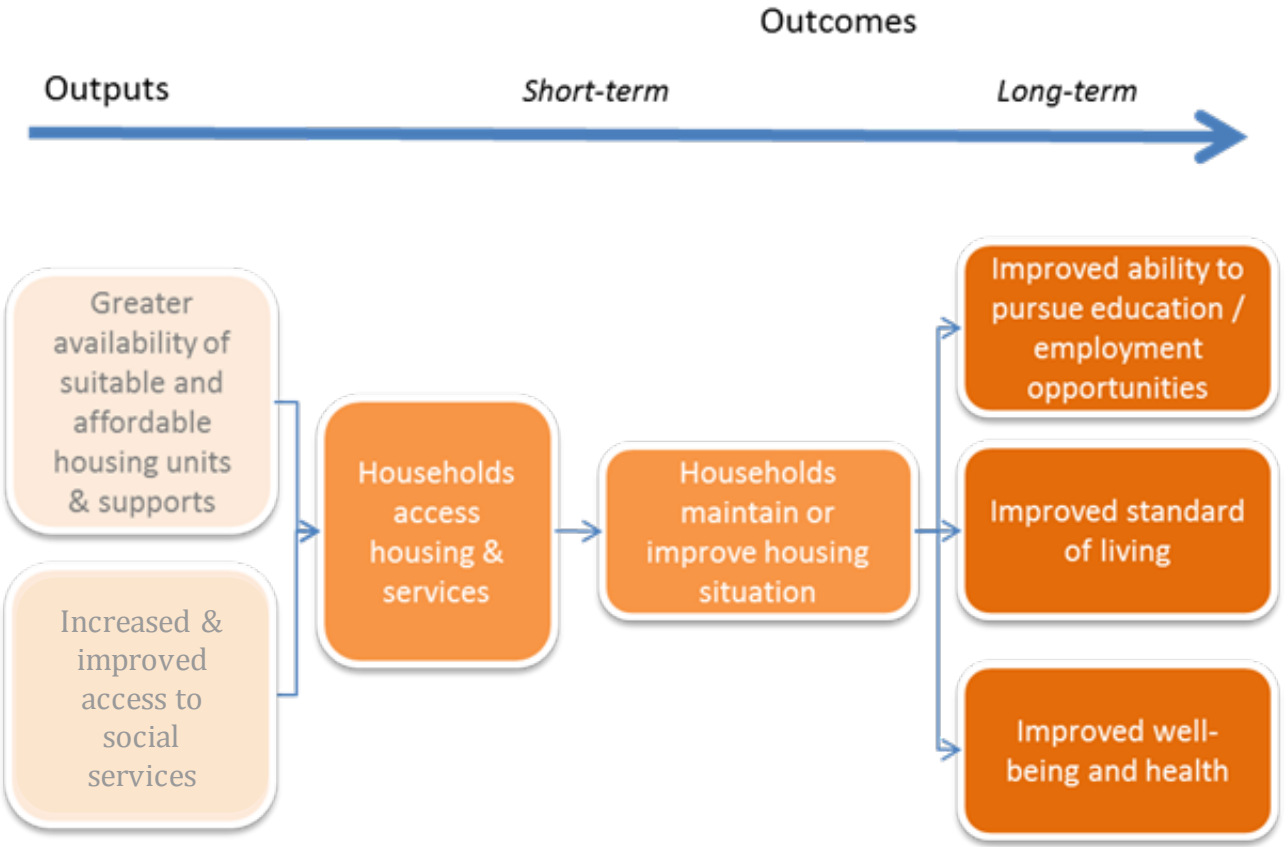
Development

- Moving projects across concept, design, due-diligence, development and construction phases.

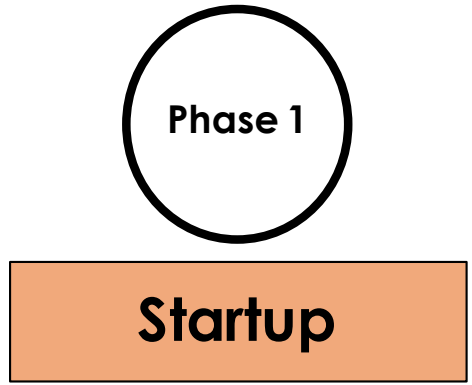
Management

- Operating completed projects with ongoing building and program management.

Impact Model

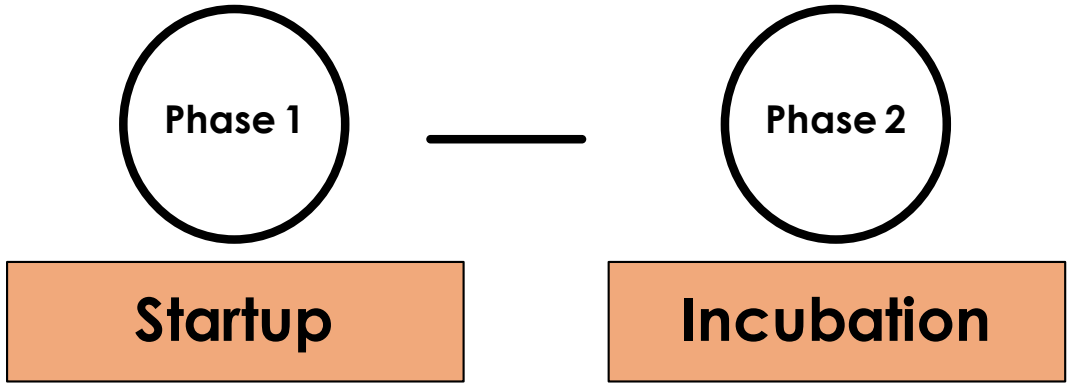


Evolution of the Model



Moving from business case towards implementation. This phase is outlined in the first year work plan.

Evolution of the Model



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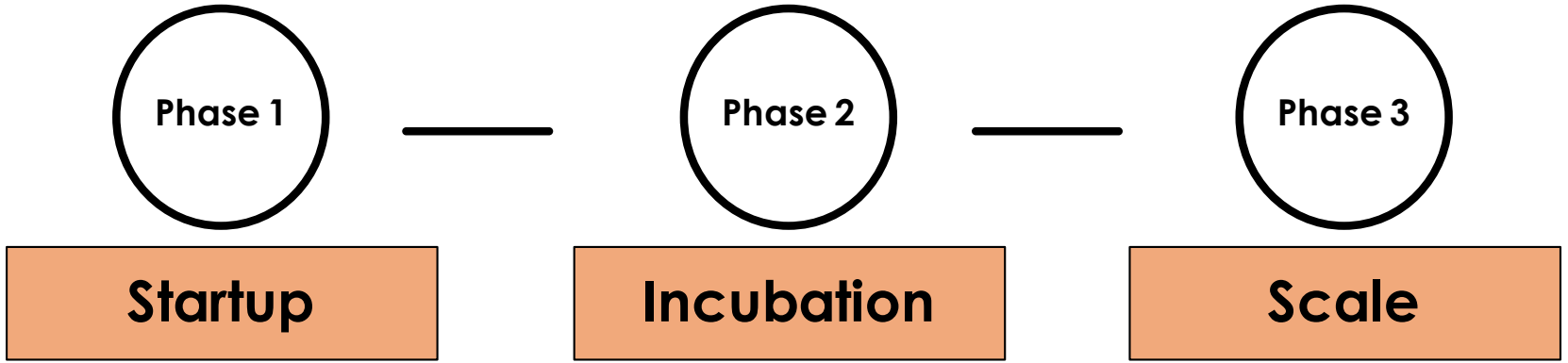
After the first year of operations, Incubating Organization will have a sense of what is working well and not. This phase should last 1-3 years.

Evolution of the Model



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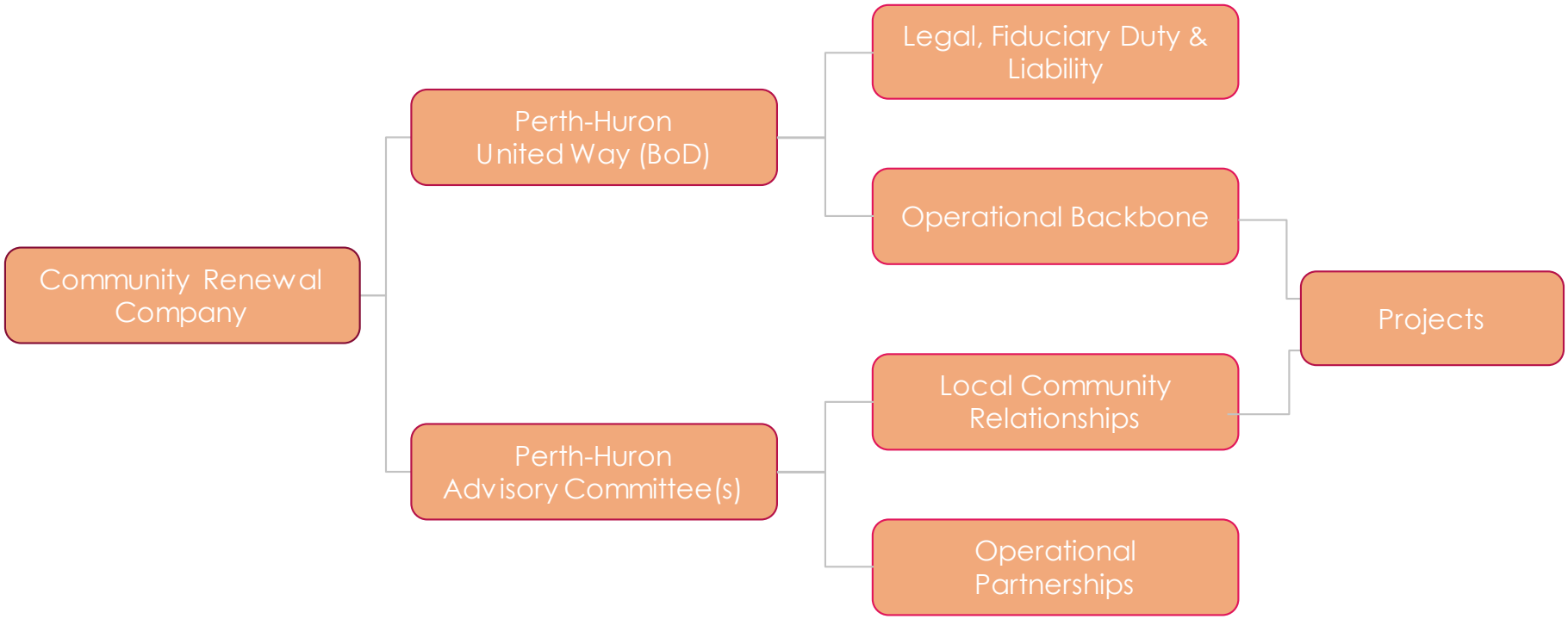
Following incubation, the CRC can become a Program of Incubating Organization or be setting up as an Enterprise.

Startup

- **Communications**
  a. Clear brand and pitch deck to support community engagement
  b. Supporting New and Existing Advisory Committees
  c. Cultivate community and partner support
- **Hiring**
  a. Finalize Job Description
  b. Create a Hiring Committee
- **Project Development**
  a. Prioritize project and property opportunities
  b. Structure financial model per project
  c. Preparation of documents for funders and financers
- **Funding & Financing**
  a. Meetings with Funders and Financers such as: Canadian Mortgage and Housing Corporation, Vancity Community Investment Bank, Tapestry Community Capital, etc.
  b. Develop a social finance product strategy
  c. Write grant applications

Incubation


Community Renewal Company
Perth-Huron United Way (BoD)
Perth-Huron Advisory Committee(s)
Legal, Fiduciary Duty & Liability
Operational Backbone
Local Community Relationships
Operational Partnerships
Projects

Demonstration Projects

Disclaimer

These demonstration projects providers a useful narrative that can speak to the intentions, efforts and possible impacts of a community renewal company.

It is important to note, that the demonstration projects are unaudited and provide a high-level analysis that serve an illustrative purpose only. It is up to the community renewal company and/or the incubation partner and its constituents to research, audit and confirm all projects, all cost categories and forecasted dollar values and overall capital need. While efforts have been made by the consulting team to ensure projects reflect real-world marketing condition and construction cost, these projects are hypothetical and do not necessarily reflect projects planned to be commences by the CRC. Actual results may vary from forecast and the amount of the variation may be material and significant enough to impact individual projects, the entire real estate portfolio and the operations of the CRC itself.

Intention - Intention is to illustrate several demonstration projects, test their financial viability and select 2-4 to actively pursue as a CRC. Projects are modelled conservatively. It is likely we can expect decrease cost and reduce forecasted deficits.

Detailed financials available in the Business Case.

Location Matrix

The consulting team in conjunction with United Way Perth-Huron explored 40 different land and property opportunities in the Perth-Huron regions. Opportunities were evaluated using pre-assessment questions:

1. Can we get the building/land at no cost, low cost or at reasonable cost?

2. Are there symptoms of NIMBY-ism? If so, can we alleviate these symptoms?

3. Do we have a general understanding of the local community needs? Do they match the opportunity?

4. Are community partners likely to endorse?

5. Is current zoning aligned with the project's intention and end-goal? If no, can we efficiently (cost & time) rezone the property?

6. Are we reasonably confident that there are no significant structural / environmental issues related to the property based on the information we have access to?

Demonstration Project #1

Affordable Housing Development

- 17,860 f^2 of total gross space;
- New development;
- Featuring 24 one-bedrooms @ 500 f^2, and;
- 5 two-bedrooms units @ 600 f^2;
- Monthly rent charges are set at $702 for a one-bedroom and $754 for a two-bedroom;
- Development would be located in the Goderich community;
- Partnership with financial institution is possible, hence acquiring this land at no cost is a possibility.

High-Level Financial Overview

Total Capital Cost:	$8.85M
Total Possible Contributions	$1,301M
Philanthropic Fundraising requirement:	$3.012M
Required Financing:	$4.5M
Annual Operating Revenue:	$250,919
Annual Operating Expenditures:	$250,919
Operational Viability =	Break-even

Demonstration Project #1

Comparable Project

- Lakeshore Lofts;
- Located in Mississauga, ON;
- Expected to open late 2021;
- Owned and operated by Indwell;
- 62 one-bedroom and 6 bachelors;
- Commercial tenants on ground floor – The Compass Food Bank.

Indwell

Demonstration Project #2

Supportive Housing Development

- 8,625 f^2 of total gross space;
- New development;
- Featuring 15 one-bedrooms @ 500 f^2
- Monthly rent charges are set at $702 for a one-bedroom;
- Development would be located in the Stratford community;
- This model will require 1.5 FTE staff to offer baseline tenant support service and tenant engagement;
- High-acuity support will have to be part of this project's operational model;
- High-acuity models have to rely on partnership with Ministry of Health or local health providers or other third-parties to cover the annual operating deficit of this property.

High-Level Financial Overview

Total Capital Cost:	$4.238M
Total Possible Contributions	$663,577
Philanthropic Fundraising requirement:	$3.575M
Required Financing:	$0
Annual Operating Revenue:	$128,178
Annual Operating Expenditures:	$230,678
Annual Surplus (Deficit)	($102,500)
Operational Viability =	Deficit

Annual deficit likely to be higher due to additional high-acuity supports required for this model.

Demonstration Project #2

Comparable Project

- Parkdale Landing;
- Located in Hamilton, ON;
- Owned and operated by Indwell;
- Opened in 2018;
- 57 studio and one-bedroom units;
- Enhanced supports;
- Ongoing Financial Support by:
    - Ministry of Health

Indwell

Demonstration Project #3

Community Hub

- 2,000f^2 of total gross space – 1,800 f^2 of leasable space;
- Retrofit of existing space;
- Lease;
- Development would be located in the Milverton community.

High-Level Financial Overview

Total Capital Cost:	$564,080
Total Possible Contributions	$564,080
Philanthropic Fundraising requirement:	$0
Required Financing:	$0
Annual Operating Revenue:	$20,355
Annual Operating Expenditures:	$20,355
Annual Surplus (Deficit)	-
Operational Viability =	Break-even

Demonstration Project #3

Comparable Project

- The common roof Collingwood;
- Community Hub;
- Located in Collingwood, ON;
- Owned and operated by the New Path Foundation;
- 7,500 f^2;
- Opened April 2020;
- Local Rotary club came forward to create legacy in the community – raised initial $200,000;
- Estimated Total Capital Cost, including land: $2.2M;
- Three partners came together for $100,000 buy-in each;
- Purchase property from former Rotarian;
- Three partner tenants, two part-time tenants;
- Situated on four aces for future growth / expansion.

Demonstration Project #4

Community Hub + Affordable Housing

- 29,940f^2 of total gross space;
- 12,000f^2 for the community hub;
- 17,940f^2 for the affordable housing units;
- Featuring a mixture of 24 one bedroom @ 500 f^2 and 6 two-bedroom units @ 600 f^2
- Monthly rent charges are set at $702 for a one-bedroom and $754 for a two-bedroom;
- Development would be located in the Listowel community.

High-Level Financial Overview

Total Capital Cost:	$16M
Total possible Contributions	$2,008M
Philanthropic Fundraising requirement:	$7,450M
Required Financing:	$6,543M
Annual Operating Revenue:	$385,303
Annual Operating Expenditures:	$396,939
Annual Surplus (Deficit)	($11,636)
Operational Viability =	Deficit

Demonstration Project #4

Comparable Project

- KDS Cambridge;
- Located in Ottawa, ON;
- Constructed by CAHDCO;
- Daughter company of Centretown Citizen Ottawa Corporation;
- Operated by King's Daughters and Sons;
- Mixed income;
- 58 units;
- Studio and one-bedrooms;
- Total Project Cost: $15.6M;
- Estimated annual revenue: $312,000 per annum.

Centretown Citizens Ottawa Corporation
housing the community since 1974

Financials

- **Pre-Development Capital** - **In total, $2.611M in pre-development capital is required** to move the desired projects forward in the due-diligence and design stages prior to accepting land donations or purchasing the land (if that would be required). Development capital includes soft costs, site and legal costs;

- **Total Contributions** – Excluding the value of land, **the total contributions** in the form of fees waived and donations that were integrated into the financial model **are $4.538M** including rezoning application fees, local development charges, property appraisal, appliances and HST rebate during construction;

- **Total Philanthropic Fundraising Requirement** – **A total of $14.037M** is required to lower the project specific financing need. Lowering the specific project financing need will allow for the operational model to be able to take on the repayment of the stipulated financing requirement debt load;

- **Financing Need*** – **The CRC will need $11.08M dollars in the form of patient capital** to move the desired projects forward into the development and construction phase. Patient capital in this scenario refers to an amortization schedule of 50 years at 1.5% interest. It is likely that funders will require stress testing at 3% or higher.

- **On-going Operational Funding Need** – The total **ongoing operational funding need would be $114,136 per annum** to cover the specific deficits of the supportive housing and community hub + affordable housing projects.

**Will be reduced by total development capital of $2.611M.*

Financials

Start-up Budget			
Community Renewal Company			**Notes**
Start-up of Organization	$	68,750	Incorporation Fee, FFE, Contingency
On-going operational Funding		1,010,259	To cover operating deficit of CRC in the first three years
Total	**$**	**1,079,009**	**This is required to start the organization**
Pre-Development Budget			
Pre-Development Budget		2,611,585	Required to advance all four projects forward into due-diligence and design phase
Total Start-up Needs	**$**	**3,690,594**	
Long-Term Financial Needs			
Contributions		4,538,173	Required from municipalities and other local partners and potential donors
Fundraising Requirement		14,037,816	Philanthropic fundraising requirement
Financing Need		8,468,836	Likely to be patient capital amortized over 50 years. This amount will be decreased by the development budget of $2.611M as raised in the start-up phases.
On-going Operational Funding		114,136	To cover housing supports and community hub model per annum
		27,158,961	
Grand-Total Capital Need	**$**	**30,849,555**	**Start up + Pre-Development + Long-Term Financial Needs**

Capital Stacking

- Land Donation;
- Rezoning Application Waived;
- Local Development Charges Waived;
- Equity Contribution;
- Appraisal of Property and Building to be Constructed (Contribution);
- Contributions of Appliances (Washer/Dryer/Stove);
- Co-investment Funding (CMHC);
- Rebate of Site Servicing Holdback;
- Release of Ontario Hydro;
- CMHC Seed Funding;
- HST Rebates throughout Construction;
- Donations;
- Other Investment Vehicles;
- Fundraising.

Community Capital Case Study

BY THE NUMBERS

$2M

invested by

67

community supporters to build

71

affordable housing units as of 2019

The MOUNT COMMUNITY CENTRE

Tapestry COMMUNITY CAPITAL

Risk Assessment

Risk	Mitigation
Incubation partner managing too many projects and does not provide adequate support to CRC	Allocate staffing with primary responsibility on CRC project and clear accountabilities to drive forward
Too much focus on governance and not enough attention on startup phase as a working group	Ensure people involved align with the CRC Mission and Principles with clear expectations for involvement
Incubation partner lacks operational processes or capacity to support key functions of CRC	Source support from Advisory committee/community partners;
Do not land on a clear, cohesive and concise plan; possibly too broad, fragmented and/or ambiguous	Allocate sufficient time to complete process; ensure the scope is manageable for a startup phase
Too many projects and too much unpredictability to focus on small amount of projects spreads staff resources	Be honest about quality over quantity, and place educated "bets" on high probability projects
Messaging is confusing, not compelling to stakeholders / communities, and hinders necessary buy-in	Leverage local communications experts (possibly in-kind/partner) to support strong campaign
Unable to rally enough community support for a high probability project and encounter significant delays	Although 1 year work plan, plan in 6 month intervals for resources to ensure strong community engagement
Unable to procure necessary community capital; or project manager not a good fit for CRC	Get support from external community finance expert; manage HR appropriately to find suitable replacement
Advisory committee/incubation partner have too many divergent perspectives and slow agile decision making	Ensure minimal bureaucratic processes, while ensuring good facilitation of community partners and dialogue
Due to low project output or community pushback, evaluation deemed unsuccessful	Include learning journeys for stakeholders to gain better understanding of needs and leverage points

Recommendation

Recommended Next Steps

Prior Phases	Continue	Stop
Feasibility Study	Yes	
Business Case	Yes	
Approve budget for consultants and staffing 2021-2022 - **Completed**	Yes	
United Way Perth-Huron agrees to become the Incubating Organization	BOD approval received on June 8, 2021	
Begin implementation of first 12-24 months work plan/ Strategic Plan	Check-In with BOD	
Phase 1: Capacity Building	**Continue**	**Stop**
Advisory Committee Formation		Can't find members
Hiring of Director (contract period)		Can't find suitable candidate
Select First Project (development & construction)		Financials/Support not there
Deploy a social finance product		Can't access Community Capital/Targets
Funding Procurement (grants, financing)		Can't access Capital/Financing

How can you be involved?

- Connect with United Way team to present to your organization, community and/or project team;
- Support Advisory Committees;
- Identify land and properties that can support development of housing and social service hubs;
- Share the job posting with your networks to help find the right leader for the CRC.

Discussion

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