25 Leonard – Phase 2

DEVELOPMENT:

After purchasing 25 Leonard, we discovered the original owner planned to add additional floors to the building; the internal supporting columns protruded through the roof, and the elevator machine room was in the basement. We knew adding floors was possible, but it was not until the City of Toronto issued a Request for Proposals (RFP) in 2003 that we seriously considered the idea.

The City's RFP was frustrating; the funding was intended for the private sector to build affordable rental housing. There were no rent supplements available and the funding from the federal/provincial Pilot Program was only $29,000 per unit; not nearly enough to develop housing for the homeless, unless of course we could find $1.8 million to cover the balance of the costs. Regardless, more affordable housing was needed, and we decided to work with the constraints of the available funding.

As it turns out, finding the money was relatively easy compared to the challenges of actually getting the housing built. (see financing section)

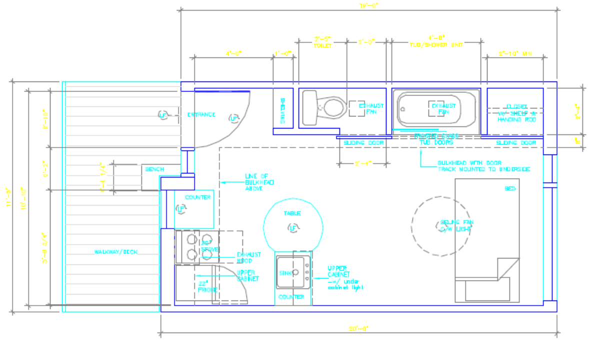
We proposed to build 26 pre-fabricated units in a factory and lift them into place using a crane. It was a simple idea, and the City approved funding in the fall of 2003.

The next step was the Committee of Adjustment approval. We undertook a comprehensive community consultation engaging neighbours and stakeholders. The project was approved in July 2004.

Once again, Alex Tedesco at Levitt Goodman Architects (now LGA Architectural Partners) was responsible for the design. We acknowledged the units were on the roof by having exterior walkways that provided green space as well as vistas over the City. There were numerous technical issues. We had to keep the total height below the limit for high buildings. Exceeding the height limit would have made us subject to a different part of the building code and increase costs. Because of the Fire Code, we couldn't build the new units out of wood, and had to use light-weight steel. It was a great design and the project won a City of Toronto Design award.

The unit are compact; they were designed to fit on a truck and the key dimensions were the maximum sizes permitted by the Ministry of Transportation: 14 feet by 26 feet. The units are small: 210 square feet, but livable. We provided some built-in furniture and all units had a full kitchen with a 24 inch stove and two-door full-height refrigerator. The bathtub and toilets were hidden away behind pocket doors to save space.

Pre-fabricating the units made lots of sense. Building the units in a factory would be faster and improve the quality of construction. There would be significantly less inconvenience to the tenants as most of the work would be done off-site. Still, there was a lot of preparation; almost half the cost was preparing the roof, including raising the elevator and stair shafts, bring the services to the roof level and building a grid for the prefab units to sit on.



There are challenges using pre-fab construction; one of the biggest being that the units are built off-site and the lender (including the City) won't advance funding unless the units are on site. (Which is one of the reasons why St. Clare's had to provide most of the funding for the project.) The second challenge is that the factory is often some distance from the site, making it difficult to do inspections during construction. We got lucky, Dineen Construction willing to give us a fixed price contract. Dineen hired the sub-trades including the trade responsible for building the pre-fab units.

Construction started in the spring of 2005. When the pre-fab units are about 20% complete, the contractor went bankrupt. Dineen was able to ransom the unfinished units which were delivered to the site and placed on the roof at the end of September 2005. Dineen then finished the units. It took over six months to complete the work and the units were ready for occupancy in April 2006.

Lessons

Pre-fabricated housing is a very risky.

1. The proponent needs to have sufficient financial resources to pay the off-site sub-trade to build the pre-fab units.
2. A fixed price-construction contract is essential to ensure that the units are built as specified.
3. A 10% contingency should be included in the budget

FINANCING:

In 2005, St. Clare's added two floors, increasing the number of units at 25 Leonard from 51 to 77

25 Leonard was occupied and operational by 2000. By 2004 St. Clare's had established a track record of paying on time and was generating an operating surplus, more importantly, the rent supplement funding was extended for an additional fifteen years giving First National the security they needed to extend the payback period.

Our established reputation and improved financial position allowed us to finance Phase 2 at 25 Leonard by increasing the first mortgage and receiving with six grants and/or contributions.

Refinancing 25 Leonard's First Mortgage
St. Clare's restructured the financing at 25 Leonard to fund the construction of Phase 2. By extending the payback period to 25 years, we were able to increase the mortgage by $1.4 million. First National also refunded the capitalized operating reserve providing an additional $200,000. Combined these two sources provided the $1,600,000 needed for the development of Phase 2. Moreover the monthly mortgage payments for Phase 1 actually went down.

In addition to the restructured first mortgage, St. Clare's accessed a number of grants to complete the financing for the project.

Affordable Housing Program (AHP) Pilot Program
St. Clare's received a grant of $25,000 per unit from the federal government and $4,000 per unit from the provincial government ($754,000).

Community Sponsored Partnerships Initiative (SCPI)
We received a $125,000 grant from SCPI to refurbish the elevator. The grant was used to refurbish and raise the height of the elevator by two floors to provide access to the new units.

City of Toronto
The City waived municipal fees and charges and provided a $419,000 loan at 3% from the Capital Revolving Fund.

CMHC Project Development Funding (PDF)
Because the project would house low income tenants CMHC converted $35,000 of their $100,000 PDF loan into a grant.
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