Financing – 25 Leonard Phase 1

Capital Costs

1. Building Acquisition	2,100,000
2. Construction/Renovations (includes appliances)	1,875,000
3. Municipal Fees & Charges	180,000
4. Soft Costs	330,000
5. Financing & Carrying Costs	220,000
6. GST (net)	95,000
7. Capitalized Operating Reserve	200,000

Total Capital Costs **($100,000 per unit)** **5,000,000**

(Appraised Value (Inc. renovations) ($62,000 per unit) 3,100,000)

Financing

Mortgages

1. First Mortgage	(55% of value)	1,700,000
2. Second Mortgage (CAIC)	(10% of value)	300,000
3. City loan for Catholic School Levies		65,000

Total Mortgages **2,065,000**

Grants & Equity

3. Federal Government - SCPI	2,250,000
4. City of Toronto - Mayor's Homelessness Fund	275,000
5. City of Toronto - Waive Fee & Charges	120,000
6. GST Rebate	net
7. Provincial Sales Tax Grant	102,000
8. Provincial Sales Tax Rebate	56,000
9. Fundraising	100,000
10. In-Kind Contributions	32,000

Total Grants & Equity
2,935,000

Total Financing
$5,000,000
Other Grants or Assistance

1. Rent Supplement (5 years)

---

25 Leonard

Prior to the development of 25 Leonard, all social housing projects in Ontario had been financed with one government insured loan. This program was discontinued in 1995. 25 Leonard became the template for a new approach to social housing financing for projects developed after 1995. a more complicated one at that - one that required 10 sources of funds three loans and seven grants and/or contributions) instead of single source funder

Land
All projects need a site. Unless the government provides free land, a deposit is required to secure the land. St. Clare's was an initiative of social justice activists; none of who owned a house, car or anything else suitable for security. Negotiating a $50,000 line of credit from a local credit union for the refundable deposit was a challenge in these circumstances. With a small loan from a supporting group we were able to obtain a line of credit. Once the line of credit was secured, we could look for a site. We got lucky; 25 Leonard was a vacant commercial building in a good location with some attractive features so we took the plunge. Our offer was signed back in the fall of 1999.

Financing
In 1999, St. Clare's not a good credit risk – we had no track record, no equity and no money in the bank, but we had to find $5 million to buy the building ($2.1 million) and pay for the renovations (($2.9 million).

Charitable Status
Fortunately St. Clare's had attained charitable status, which not only added to our legitimacy but also qualified us for grants from foundations the provincial sales tax rebate and an exemption from paying municipal taxes.

Income
Our model was to house people who were homeless or living in a shelter; in other words those for whom even affordable housing is not an option. Our tenants only source of income was social assistance therefore rent could only be the shelter component of social assistance which is barely enough for St. Clare's to cover operating costs let alone make mortgage payments on the debt that would be required to purchase and renovate the building. The City agreed to provide rent supplements, but only for five years. The time-limited rent supplements gave us a stream of payments we could use to negotiate and ultimately support a mortgage.

Mortgages
First National agreed to provide financing of $1.7 million based on 55% of the completed project's appraised value of $3.1 million. The payback period was ten years, which dramatically increased the mortgage payments making a break-even budget challenging, but not impossible.

First National's other requirement was that $200,000 - a capitalized operating reserve - be retained by First National to be used to make mortgage payments if we ran into difficulty. Capitalized operating reserves are commonly used for supportive housing projects in the United States, but are rare in Canada. This arrangement gave the lender the additional security they needed in order to lend to an organization without a track record.

The problem was that this now left us $200,000 short so we needed additional financing. The Canadian Alternative Investment Co-op (CAIC), a faith sponsored social financier, provided a $300,000 second mortgage – 10% of the project's value – amortized over ten years. The financing was done on strictly commercial lending terms, with no concessions to our mission or charitable status.

The City of Toronto came to the aid of St Clare's with a final piece of financing: an interest-free loan to cover the Catholic School Board levies which were introduced just before we were ready to start construction and threatened to derail the financing which we had put together.

Government Grants
Although we were very successful in securing conventional financing, the project still needed a major infusion of capital grants to proceed. In the spring of 2000, the federal government announced the Supporting Community Partnerships Initiatives (SCPI) funding. It came just in time for us to apply. We received $2.1 million. The City made further contributions with a $275,000 grant from the Mayor's Homelessness Fund and waived municipal fees and charges.

The Provincial government provided a $2,000 per unit grant ($200,000) and rebated the PST paid on construction material, as we were a charity.

Fundraising and In-kind Donations
In addition to donations from foundations and individuals ($100,000), several of our consultants (McCarthy Tétrault, Levitt Goodman and Urban Strategies) reduced their fees to help make the project viable.

Municipal Taxes
Because St. Clare's is a charitable organization and our tenants were referred to us by social agencies, we were able to get 25 Leonard exempted from paying municipal taxes by the Municipal Property Assessment Corporation (MPAC). This tax exemption was critical in order to make the operating budget break-even.