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ACT Solutions

Financing Conversion of an Institutional Building to Affordable, Accessible Apartments Regional Municipality of York, Ontario

Issue

When the Ontario government withdrew funding for social housing development in 1995, York Region recognized the growing need for more wheelchair accessible, affordable rental housing.

In September 1996, the Region hired a consultant to review the feasibility and cost effectiveness of redeveloping an underutilized Regionally owned and operated long-term care facility, built in the early 1950s, to residential use.

The study recommended converting the building's vacant east wing to affordable, self-contained rental apartments for seniors and persons with disabilities. The adjoining long-term care facility could provide residential support services to enhance independent living.

The study also investigated the possibility of sustaining below market rents without direct capital

contributions or on-going operational subsidies from the public purse. A Regional capital contribution (land and building), waived development fees and streamlined approvals figured prominently in this proposal.

Plan

As part of York's redevelopment initiative, the Region received an ACT grant to develop an innovative financing model and streamline its approval process for such conversions.

As recommended in the 1996 study, the Region would contribute land and waive development charges. Housing York Inc. would finance capital costs through a long-term mortgage or debenturing with the Region. The monthly market rental income from about 65 per cent of the units would cover all capital and ongoing operating costs for all units, including the 35 per cent that would be below market.



Entrance to Armitage Gardens, York Region's first large-scale conversion.

Source: Housing York Inc

Project team

Regional Municipality of York (York Region)
Housing York Inc. (Region's non-profit housing corporation)
Town of Newmarket

Results

At a capital cost of \$8.4 million, York Region completely renovated and converted the 5,990 m² (64,500 sq ft) building, now called Armitage Gardens, to create 52 one-bedroom and six two-bedroom apartments.

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Suites range in size from 55 to 74 m² (600 to 800 sq ft) and rented initially at \$773 to \$900 a month, including utilities.

This project, the Region's first large-scale building conversion, officially opened in September 2004.

York provided a saving of \$250,000 through a no-fee long-term lease on municipally owned land to Housing York Inc. It also waived development charges, providing a further saving of \$390,000, and it provided interest-free cash advances for the entire construction phase. The Town of Newmarket reduced municipal fees by about \$50,000.

Capital funding for the conversion came from these sources:

- York Region debenture \$3 million (repayment is from operating income);
- York Region equity contribution \$1.5 million;
- Federal RRAP Conversion program \$1.84 million;
- Federal and Provincial Community Rental Housing Program \$1.56 million; and
- Provincial Health and Long Term Care \$500,000.

The project team was unable to bring capital costs to a point where below market rents could be sustained without direct capital contributions and on-going operating subsidies.

Likewise, the goal of streamlining municipal approvals for this type of project was not realized. This was due the complexity of the building conversion and the expanded scope of work required to meet building code requirements.

The first year operating budget was about \$525,000 with rents contributing \$300,000 of that amount; the rest came from the Ontario Rent Supplement Program.

In its final report, the project team summarized key lessons that could benefit others undertaking conversion projects:

- Complete a comprehensive feasibility study.
- Establish a communication plan for all stakeholders.
- Allot time for a thorough review of the working drawings and specifications by a third party technical expert before the tender process.
- Provide a capital contingency of about 5 to 10 per cent higher than for new construction to cover unforeseen circumstances.

A building conversion makes more sense than new construction, the team concluded, when land is available at low or no-cost and the structure to be converted is an appropriate building type.

Related reports

Conversion of an Existing Institutional Building to 58 Affordable/Accessible Housing Apartments for Seniors and Persons with Disabilities in the Regional Municipality of York (Ontario) (Regional Municipality of York, Ontario, 2005).

This report is available from the ACT website. See "ACT projects & solutions".

Contact

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Residents socialize in the multi-purpose meeting and dining room.

Source: Housing York Inc

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