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Affordability and Choice Today (ACT) Demonstration Project

Conversion of an Existing Institutional Building to 58 Affordable/Accessible Housing Apartments for Seniors and Disabled Adults in the Regional Municipality of York (Ontario)

FINAL REPORT

December 2005

PREPARED BY

The Regional Municipality of York

TOWN OF NEWMARKET, ONTARIO

Program Partners:

Federation of Canadian Municipalities
Fédération canadienne des municipalités

CHRA ACHRU

Association canadienne des constructeurs d'habitations
Canadian Home Builders' Association

CMHC SCHL
Canada

PREFACE

The project documented in this report received a grant under the Affordability and Choice Today (ACT) program. ACT is a housing regulatory reform initiative sponsored by Canada Mortgage and Housing Corporation and jointly managed with the Federation of Canadian Municipalities (program administrator), the Canadian Home Builders' Association and the Canadian Housing and Renewal Association.

ACT, launched in 1990, encourages housing affordability and choice through regulatory reform. The United Nations Centre for Human Settlements recognized ACT in 1998 as one of the top global best practices for improving the living environment.

Over the years, ACT has created an impressive body of knowledge others can use to facilitate regulatory change in their communities. Projects range from innovative housing forms, secondary suites and streamlined approval procedures to NIMBY, alternative development and renovation standards, and more. ACT projects contribute in many ways to sustainable development. They have also served to enhance working relationships between local governments, the building industry and non-profit organizations.

In summary, ACT promotes regulatory reform through:

- its database of solutions, which others may borrow from and adapt freely to meet their needs (see Web site address below).
- grants to local governments, builders, developers, architects, non-profit organizations and others across Canada to help facilitate the development of innovative solutions.
- other means of promoting regulatory solutions, such as workshops that highlight ACT solutions and address specific regulatory barriers.

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DISCLAIMER

This project was partially funded by the ACT Program. The contents, views and editorial quality of this report are the responsibility of the author(s), and the ACT Program and its partners accept no responsibility for them or any consequences arising from the reader's use of the information, materials or techniques described herein.

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PROJECT OVERVIEW

The Issue

When the province withdrew its funding support for social housing development in Ontario in 1995, the Region of York Housing Corporation (renamed Housing York Inc.) and the Regional Municipality of York (York Region) recognized the growing need for an increased supply of wheel-chair accessible affordable rental housing.

In September 1996, the Region retained a consultant to review the feasibility and cost effectiveness of redeveloping an underutilized Regionally owned and operated long term care institutional building built in the early 1950's.

The study highlighted an opportunity for converting the underutilized vacant east wing of a health care facility to affordable, self-contained, rental apartments for seniors and adults with disabilities. In addition, the independent living housing proposal offered a unique fit for a variety of health support services to be closely linked with the adjacent long term care facility for the tenants as needed.

This project investigated avenues to bring down the total capital budget to a point where below market rents are sustainable without direct capital contributions and on-going operating subsidies by utilizing municipal contributions (land and building) and waiving of development fees and streamlined approvals.

The Plan

In October 1997, the Region approved redevelopment plans for the health care facility plus the development plans for converting the vacant east wing of the facility into affordable rental housing.

In June 1999, Housing York Inc. was awarded an ACT grant to defray the costs related to the project entitled, "Conversion of Existing Institutional Building to Affordable / Accessible Housing for Seniors and Disabled Adults."

The following key steps were carried out for this project:

- Feasibility study of the future use of the vacant institutional building space
- Focus group with stakeholders in the community to discuss redevelopment options for affordable housing
- Seek the required municipal and Regional approvals and agreements
- Procure services from an architectural firm to prepare drawings and specifications for construction tendering purposes
- Prepare preliminary capital and operating budgets
- Explore external capital funding opportunities when the estimated construction costs escalate beyond York Region's approved capital budget envelop
- Apply and receive capital funding allocation from Federal and Provincial governments for this housing initiative
- Complete the extensive renovations for 58 self-contained apartments plus amenity space in a non-combustible building envelop
- Tenant selection and building occupancy in early 2004
- Official opening celebration held on September 14, 2004

The Project Team

With this ACT initiative, creative and co-operative partnerships between the Region as team leader, Housing York Inc., the local municipality, federal and provincial governments and design consultants provided expertise for this unique building conversion from institutional to residential use.

The Results

In September 2004, the tenants, municipal, regional, provincial and federal official stakeholders for the project gathered in the outdoor garden area to celebrate the official opening of the new 58 apartment project, known as "Armitage Gardens" located in the Town of Newmarket.

The $8.4 million project capital cost included the construction costs, professional fees and a project contingency to totally renovate the interior and exterior of an existing vacant institutional building of 64,500 sq. ft. and convert it to 52 one-bedroom and 6 two-bedroom self contained, air conditioned residential apartments and ample amenity space. The apartments range in size from 600-800 sq. ft. The building is also sprinklered to enhance life safety of the residents.

The two storey building and suites are wheelchair accessible including 2 elevators, and 26 apartments have a number of special features modified for disabled adults including roll-in showers, lowered kitchen counters, side-by-side door refrigerators, front control stoves and in-suite storage areas.

In addition, the alternative community living program (ACLP) funded by the Provincial Ministry of Health, offers excellent supportive health services to tenants in 26 of the apartments. The tenants are able to direct their own care and remain independent in the community.

The market rents for the initial rent-up of the apartments range from $773-$900 per month including utilities. The majority of the residents (52 units) are receiving rent supplement funding based on the applicant's household income with the balance of the apartments (6 units) at market rent.

This ACT project was not successful in its original mandate to bring down the total capital budget to a point where below market rents are sustainable without direct capital contributions and on-going operating subsidies. Armitage Gardens did succeed in creating much needed affordable rental housing in York Region coupled with a unique support living service program for the frail senior residents that greatly enhanced their sense of well-being and independence.

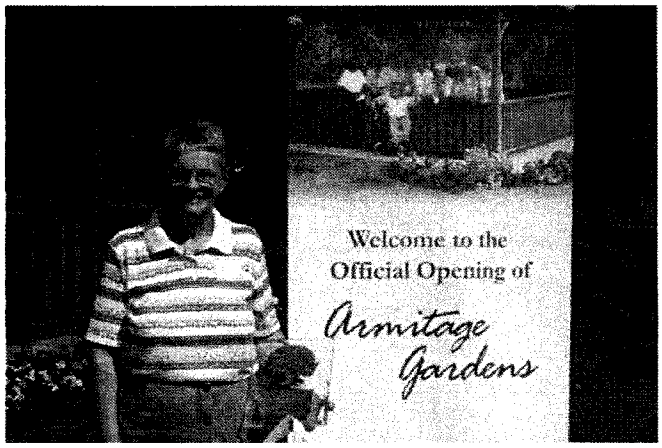


Figure 1: Resident of Armitage Gardens at Official Opening

1.0 PROJECT DESCRIPTION

In September 2004, the official opening of Armitage Gardens apartments was celebrated in the Town of Newmarket, marking a milestone in the successful conversion of an existing institutional building to affordable, accessible apartments for seniors and disabled adults.

This report chronicles the project to revitalize a vacant and underutilized portion of a building into 58 affordable rental apartments in order to provide affordability, choice and quality housing in the Regional Municipality of York (Region).

1.1 Context

The Regional Municipality of York is the seventh largest municipality in Canada and one of the fastest growing, lies directly north of the City of Toronto with a population of approximately 870,000.

Changing demographics include a growing senior population, rapid urbanization and rising population have presented many challenges in ensuring the housing needs of all residents are met.

The Region has been an active participant, since the late 1980's, in developing affordable rental housing through new construction. This project is the Region's first opportunity to complete a large-scale building conversion.

Many of the Region's major initiatives are linked to the housing supply issue. For example, the provision of a wide variety of housing is key to the Region's approach to growth management. Likewise, housing intensification and housing choice is very much related to the Region's Transit, Economic Development and Human Service Strategies.

In June 2002, the Region enacted a Housing Supply Strategy that identifies a number of action areas. The strategy focuses on practical steps that can be taken together with the community partners to increase housing choices.

As a Consolidated Municipal Service Manager, the Region is responsible for Social Housing including the administration of over 6000 social housing units devolved from the Province in 2001-02. In addition, the Region owns 27 social housing projects totaling 1753 units managed by its municipal housing corporation, Housing York Inc.

For adults with disabilities and seniors with limited financial resources, the Region's rental housing marketplace has limited options.

1.2 Objectives

The objectives of this ACT project are:

- To convert and renovate an old underutilized institutional building into much needed affordable rental housing.
- Increase housing choices by designing accessible living environments to accommodate seniors and disabled adults.
- Create financial innovations by utilizing contributions through land and building, streamlined municipal approvals and waiving of fees to reduce the project capital cost to a point where below market rents are sustainable without significant capital funding and on-going subsidies.

1.3 Consultation and Co-operation

In 1997, the Region approved the redevelopment plan of an existing health care facility in the Town of Newmarket. A feasibility study recommended the conversion of a vacant wing of the institution to construct affordable and accessible rental housing apartments.

A local advisory committee met with members of the community for input on the proposal. The community supported the proposal to convert the vacant institutional space to residential use. The community did not support demolition of the existing building.

A project team was formed from in-house Regional staff with expertise in project and property management, finance plus a project architect. Additional staff resources from various disciplines were added to the team throughout the project implementation.

The synergies developed by the team members, coupled with dedication and commitment to this innovative housing initiative, were critical to the completion of the project.

1.4 Project Activities

In the initial phase of the project, the team completed a market survey, reviewed the current waiting list for assisted housing, prepared preliminary plans/drawings for 58 apartments plus amenity space and completed an engineering/mechanical analysis and preliminary costing.

The land component for this project was arranged through a long-term, nominal rent land lease from York Region to Housing York Inc. The cost savings associated with this land transaction to the total project budget is estimated to be $250,000 and reduced the on-going operating costs. In addition, the York Region exempted development charges for this affordable housing project in the amount of $390,000 that directly offsetting costs in the capital budget.

The prescribed municipal approvals and building applications processes are designed for new construction types. This large scale atypical building conversion application started with an existing building footprint and included a minor site plan amendment. The Town accepted the community's support of the building conversion from the pre-application meeting. The municipal building permit application process required circulation of preliminary architectural drawings to reconfigure the complete interior of the building followed by the approval of the tender documents to the fire, traffic/ engineering departments resulting in the issuance of the building permit.

The objective to streamline the municipal approvals was not successful due to the complexity of the building conversion and the expanded scope of worked required to meet all municipal approvals and building permit requirements. The nominal time saved was not critical to the project development schedule. The important component of the municipal approvals was the reduction of the building permit fees by $50,000 that directly offset costs in the project capital budget and the goodwill extended by the Town of Newmarket during the municipal approvals/ building permit processes and construction phase.

Additional capital cost savings of approximately $100,000 was realized as all the underground site servicing (water, hydro, gas) was in place for the new apartments from the existing vacant building envelop.

All cost savings realized during the development phase of the housing project directly offset the total capital costs. Unfortunately, construction costs in Ontario escalated sharply from the project concept phase to the tendering of the construction. As the new building design scope of work expanded to include all the building code requirements for a non-combustible structure, the quantity surveyor cost estimates increased significantly. In order to limit York Region funding allocation, external sources of capital and operating funds were sought.

York Region's approach to the financing for this project was a layered collaborative approach that included the following:

- York Region's equity contribution of nearly $26,000 per apartment unit ($1.5 million) in the form of a grant;
- York Region has a AAA credit rating and therefore was able to supply a $3 million debenture for 20 years at favourable financing rates;
- The debenture payments are made annually for 20 years from the net operating income generated by the project;
- Federal Government supplied $1.84 million from its RRAP conversion program which facilitates the conversion of non-residential space to residential use;
- The Federal and Provincial governments supplied a further $1.56 million under the Community Rental housing Program which promotes the development of affordable rental housing;
- The Provincial Ministry of Health & Long Term Care allocated $500,000 as a special initiative to enhance accessibility features throughout the building common areas and 26 of the apartments being served by the ACLP eg. automatic door openers, assistive devices etc.;
- The first year operating budget was approximately $525,000. Tenant rent payments were about $300,000 with the remaining $225,000 being supplied by the Provincial Rent Supplement Program; and
- York Region cash flowed, interest-free, all advances during the construction phase.

The $8.4 million project capital cost included the construction costs, professional fees and a project contingency to totally renovate the existing vacant building of 64,500 sq. ft. and convert it to 52 one- bedroom and 6 two-bedroom self-contained, air-conditioned residential apartments, interior amenity space and mature outdoor garden area.

The two storey building is wheelchair accessible, includes an elevator in the north and south lobbies, and 26 apartments have a number of special features added for disabled adults including roll-in showers, lowered kitchen counters, side-by-side door refrigerators, front control stoves and an in-suite storage area.

The final working drawings and specifications were completed with special attention to the wheelchair accessible features throughout the common areas, apartment suites and exterior amenities and then tendered.

Appendix B is a site plan identifying the location of the apartment building and outdoor garden area for the enjoyment of the tenants.

Wherever possible, original building components were reused in the new construction e.g. stairwells, hallway handrails.

A focal point of this project is an original

treed garden area that was rejuvenated during construction by adding walking paths, improved lighting, privacy fencing and a covered gazebo to be used as a central meeting place for the residents. See Figure 6.

The construction phase of this project was 14 months and included the demolition of the original interior, building 58 apartments and amenity space, and installing two elevators.

During the construction phase there were the inevitable surprises associated with extensive renovations including unforeseen asbestos abatement in a small area of the building and under-slab soil problems. These issues were successfully resolved.

1.5 Rent-Up and Moving In

The rent-up phase of the 58 apartments was completed by staff over a number of months. This included an on-site "open house" of model suites. Prospective tenants were selected from the Region's waiting list for assisted housing, based on their date of application. In February 2004, the first tenants moved into Armitage Gardens.

The market rents for the initial rent-up of the apartments range from $773-$900 per month including utilities. The majority of the residents are receiving rent supplement funding based on the applicant's household income with the balance of the apartments being rented at market rates as directed by York Region Council.

1.6 Official Opening

The planning for the official opening of Armitage Gardens apartments was co-coordinated with our funding partners from the local municipality and the provincial and federal levels of governments. This event took place in the outdoor garden in September 2004 and was well attended by the tenants, municipal, regional, provincial and federal stakeholders.

1.7 Project Impact

This successful building conversion/ renovation model has created much needed affordable rental housing in York Region. In addition, the waiting lists for both assisted and supportive housing have been reduced.

This unique development opportunity allows frail seniors and disabled adults to age in place and maximize their independence in a safe and supportive environment. Spouses and family members with different levels of health needs benefit from the close proximity of the apartments to the long-term health care facility.

Although this project was successful in offsetting some of the capital costs, it has not been successful in bringing the capital costs to a point where below market rents are sustainable without direct capital contributions. With the on-going Federal government RRAP funding for building conversions and the introduction of the Community Rental Housing Program, across the country, municipalities and social housing providers are eligible to apply for capital funding to undertake affordable housing projects similar to Armitage Gardens for a variety of client types other than seniors.

"Armitage Gardens is allowing me to live independently in a lovely apartment overlooking the garden"

A Resident of Armitage Gardens

1.8 Key Lessons Learned

In the project evaluation process, members of the team recommended the following helpful hints and key lessons to help move the project forward; lessons that would be similar in other communities undertaking a building conversion for residential use:

Complete a comprehensive feasibility study of the subject building.

Establish an overall communication plan for the project for the various internal and external team members and stakeholders.

Take into account in the project development schedule sources of funding from various organization/levels of government and the accompanying allocation cycles and commitment dates.

Regular meetings of team members involved in the various phases of the project is essential e.g. technical, administrative and property management, etc.) to monitor the project's progress, provide timely decision-making and assign tasks as required.

The construction contract to include specific considerations for a building conversion project. e.g. process to resolve unforeseen (site) conditions.

Hire the professional services of a quantity surveyor to provide a detailed construction cost estimate at the preliminary and tender document stages.

Ensure time is allotted for a thorough technical review of the working drawings and specifications by a third party, technical expert, before the tender process.

The construction contingency in the capital budget for conversion projects should be higher (10-15%) than for a new construction project (5-7%) due to unforeseen site conditions that are impossible to identify prior to renovating the building structure.

During the demolition phase, the unforeseen asbestos in a section of the building and under slab soil problems created construction delays.

Provide ample planning time for the rent-up of the apartments in order to ensure a smooth move-in for the new tenants.

Construction deficiencies will likely not be completed before occupancy. Plan with staff for a transition period from the construction to property management phase, to coordinate outstanding items with the contractor.

The warranty periods detailed in the construction contract must be monitored to ensure identified warranty items are rectified by the contractor.

The planning for the official opening must be coordinated with the various funding partners.

Figure 2: Common Lounge Area for Tenants

2.0 REGULATORY REFORM INITIATIVES AND IMPACT ON AFFORDABILITY, CHOICE AND QUALITY

A factor leading to the success of the Armitage Gardens affordable rental housing project was the many partnerships that strongly supported the development potential of a housing conversion option in the revitalization plan of a health care facility. The vacant and under utilized facility's east wing offered a unique opportunity to revitalize a building in an established community for the housing needs of seniors and persons with disabilities complemented by a supportive living program.

Instead of working within a new construction approach typical of affordable rental housing projects in Ontario, the team sought out an innovative approach to promote the revitalization of an existing building with close proximity to health services for seniors.

The Region recognized that this challenging project was meeting an urgent housing need and was very committed to champion the project's success.

In addition, this housing initiative offered a unique opportunity to link-up with a variety of ACLP health support services offered in the adjacent long term care facility for the tenants.

This project demonstrates the critical importance of co-operative and coordinated efforts over an extended period of time, on the part of the team to achieve a common goal.

This project also promotes York Region's mandate to encourage more efficient and effective use of urban space through the reuse of underutilized older buildings.

This ACT project serves as an example of how a municipality can work with a committed team of stakeholders and community partners to facilitate the successful conversion of an institutional building to affordable/accessible housing for seniors and disabled persons.

The reasons for undertaking a building conversion versus new construction include the availability of a low or no-cost land component, a high level of community and municipal support, the appropriate built form for the resident type (low-rise building with ground related access for supported living units in a non-combustible structure), access to existing underground services, the availability of funding opportunities for a building conversion and the challenge of revitalizing a vacant building in the centre of a thriving community.

Components of this project are transferable (key lessons learned) to other areas across Canada, where institutional buildings that are no longer functional can be revitalized for affordable housing. Other municipalities have already shown interest in this conversion success story.

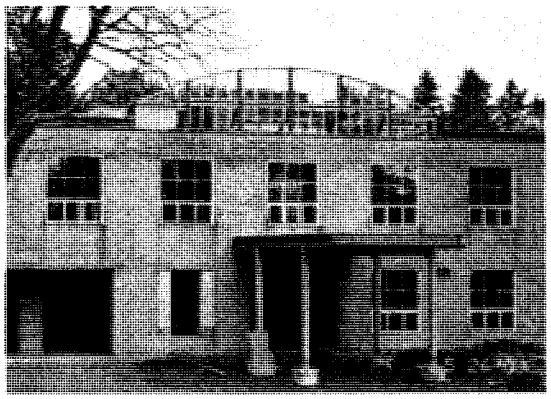


Figure 3: Building Exterior Prior to Renovation

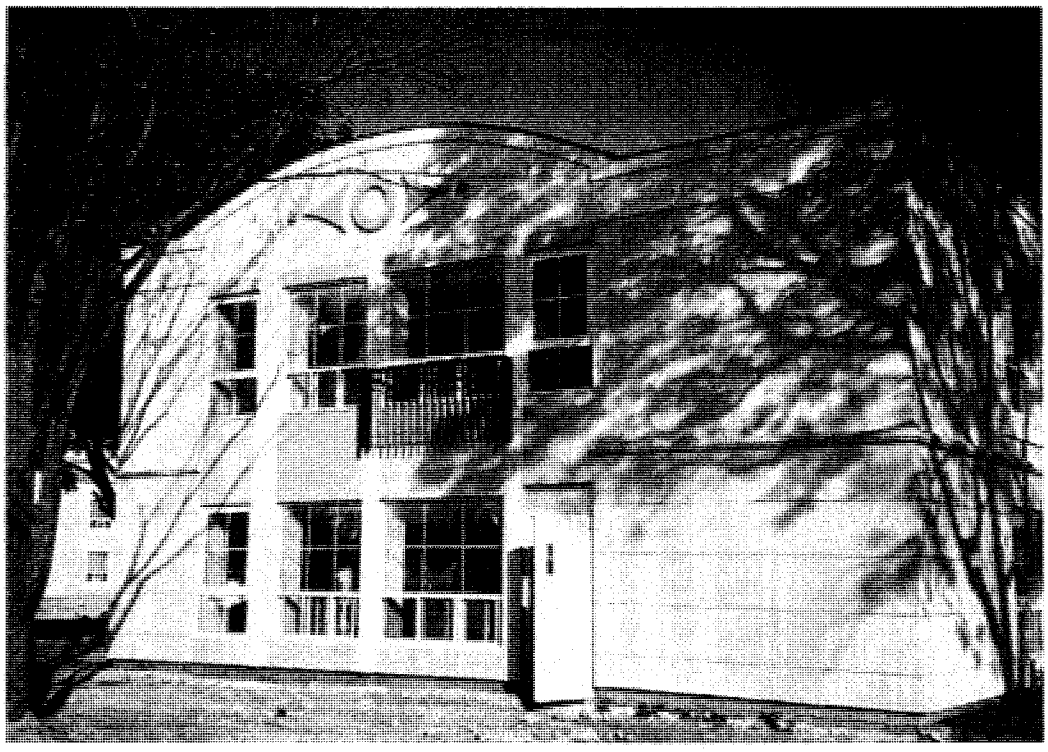


Figure 4: Building Exterior After Renovation

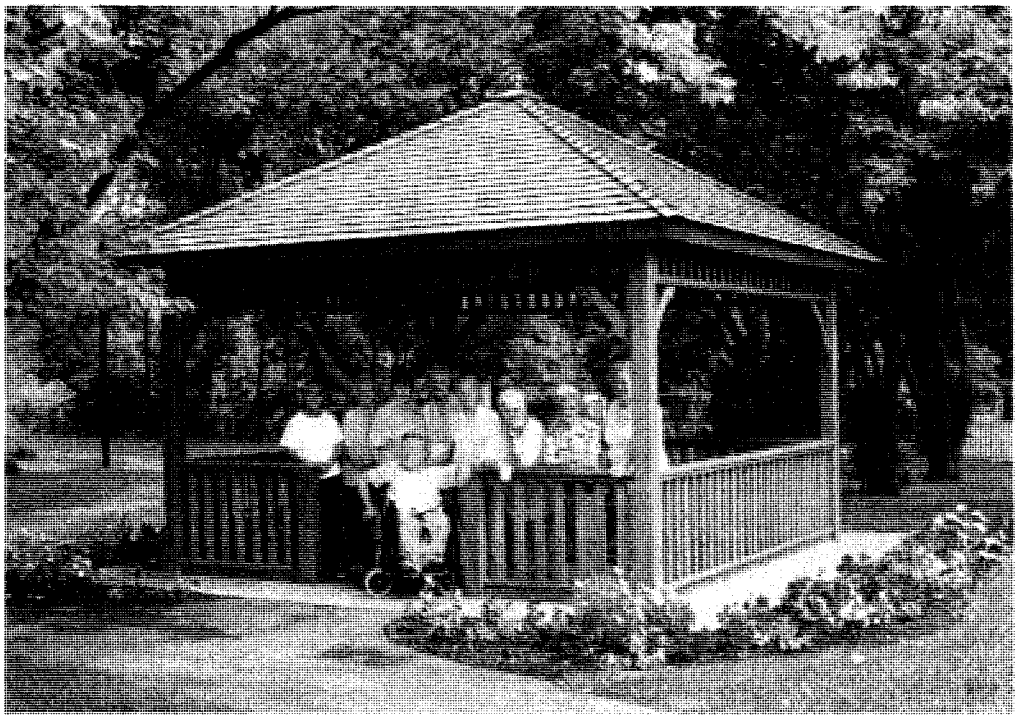


Figure 5: Residents Meeting in the Garden

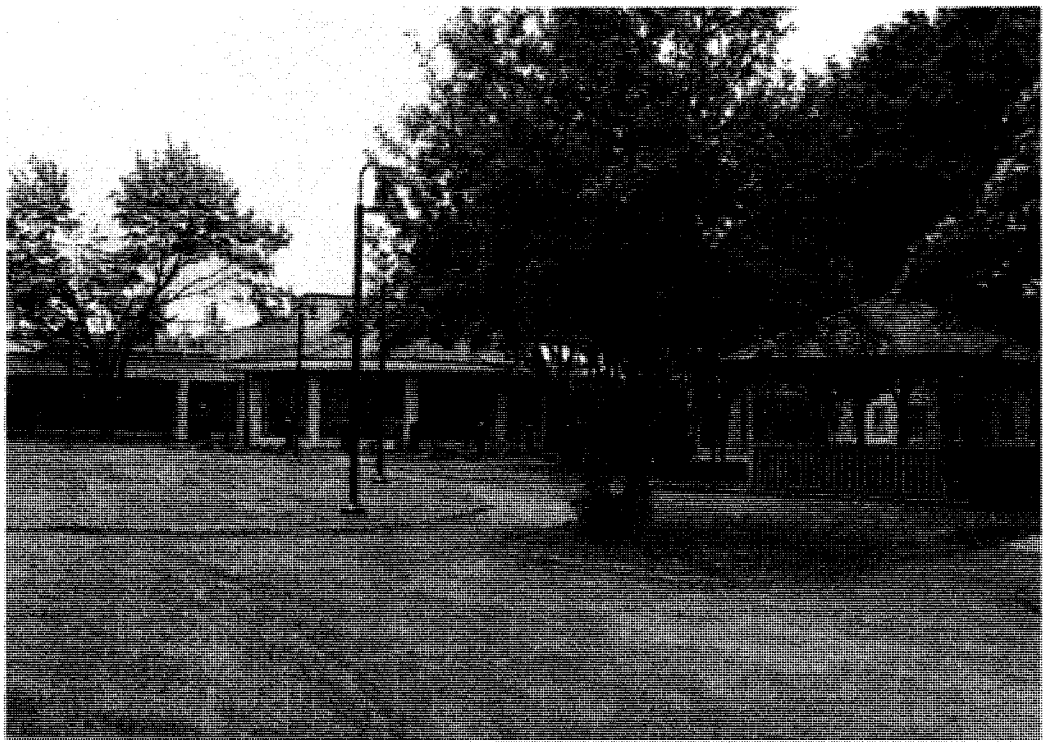


Figure 6: View of the Garden with New Walking Paths and Lighting

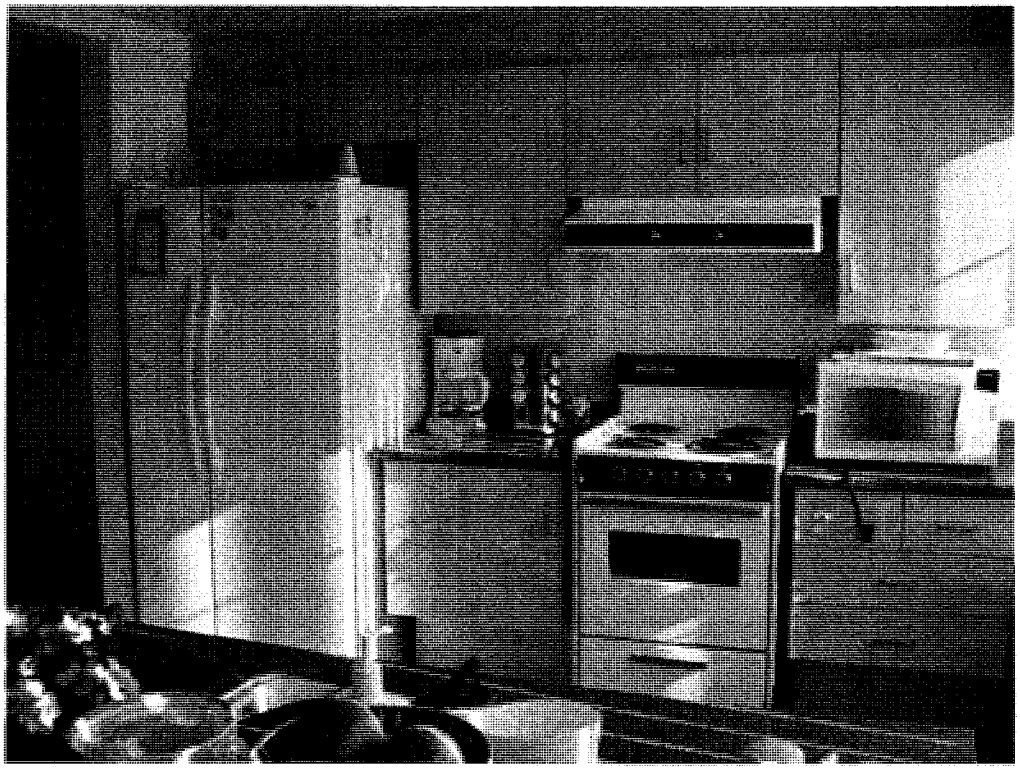


Figure 7: Kitchen in a Wheelchair Accessible Apartment

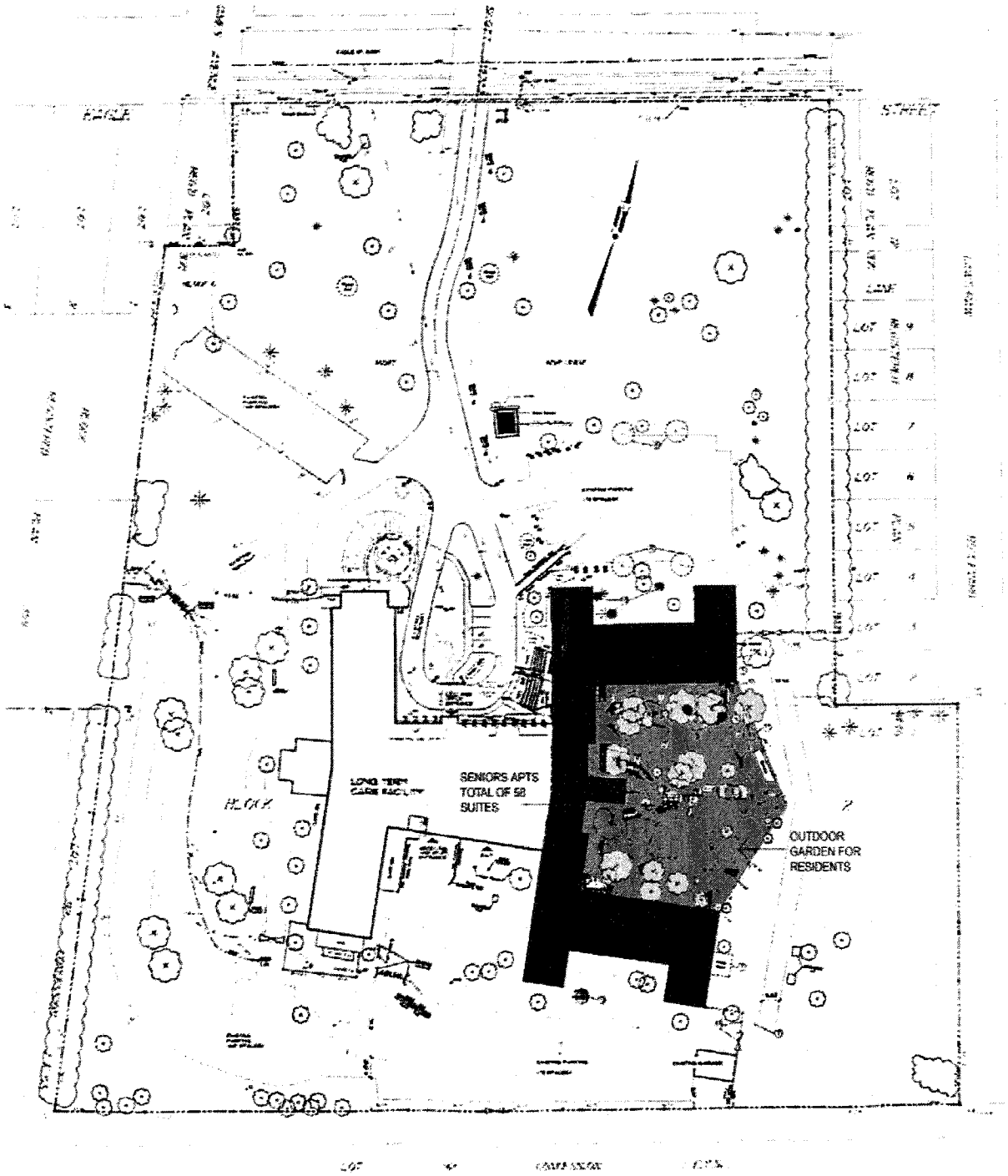
APPENDICES

APPENDIX "A"
Construction Costs and Funding Sources

Construction Costs:

Land - Long Term Lease Agreement between Housing York Inc. and the Regional Municipality of York for the 58 apartments known as "Armitage Gardens"	0
Legal services, project development and construction management services provided by Region staff	0
Building Permit (partial fee), Architectural Service Contract, Mortgage Brokerage Fee	$ 677,000
Construction – Renovation/Conversion (64,500 sq.ft.) includes appliances, amenity space furniture, landscaping and goods and services	$ 7,754,702
Total Capital Cost	**$ 8,431,702**

Funding Sources:

Federal Government RRAP Contribution	$ 1,841,000
Provincial Ministry of Health and Long Term Care funding for accessibility features	$ 500,000
Community Rental Housing Program Funding	$ 1,566,000
York Region Equity Contribution	$ 1,500,000
ACT Funding	$ 20,000
Amount financed through York Region debenture (20 years) that is repaid annually by the tenant rents and the rent supplement program	$ 3,004,702
Total Funding	**$ 8,431,702**

APPENDIX "B"
Site Plan Identifying Location of Armitage Gardens Apartments