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BARRISTERS + SOLICITORS

Session #510

The New Non-Profit
Why Non Profit is Not Non-Entrepreneurial

John Fox
Robins Appleby LLP

Daniel Bragagnolo
First National Financial LP

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Artscape Inc.

November 5, 2016

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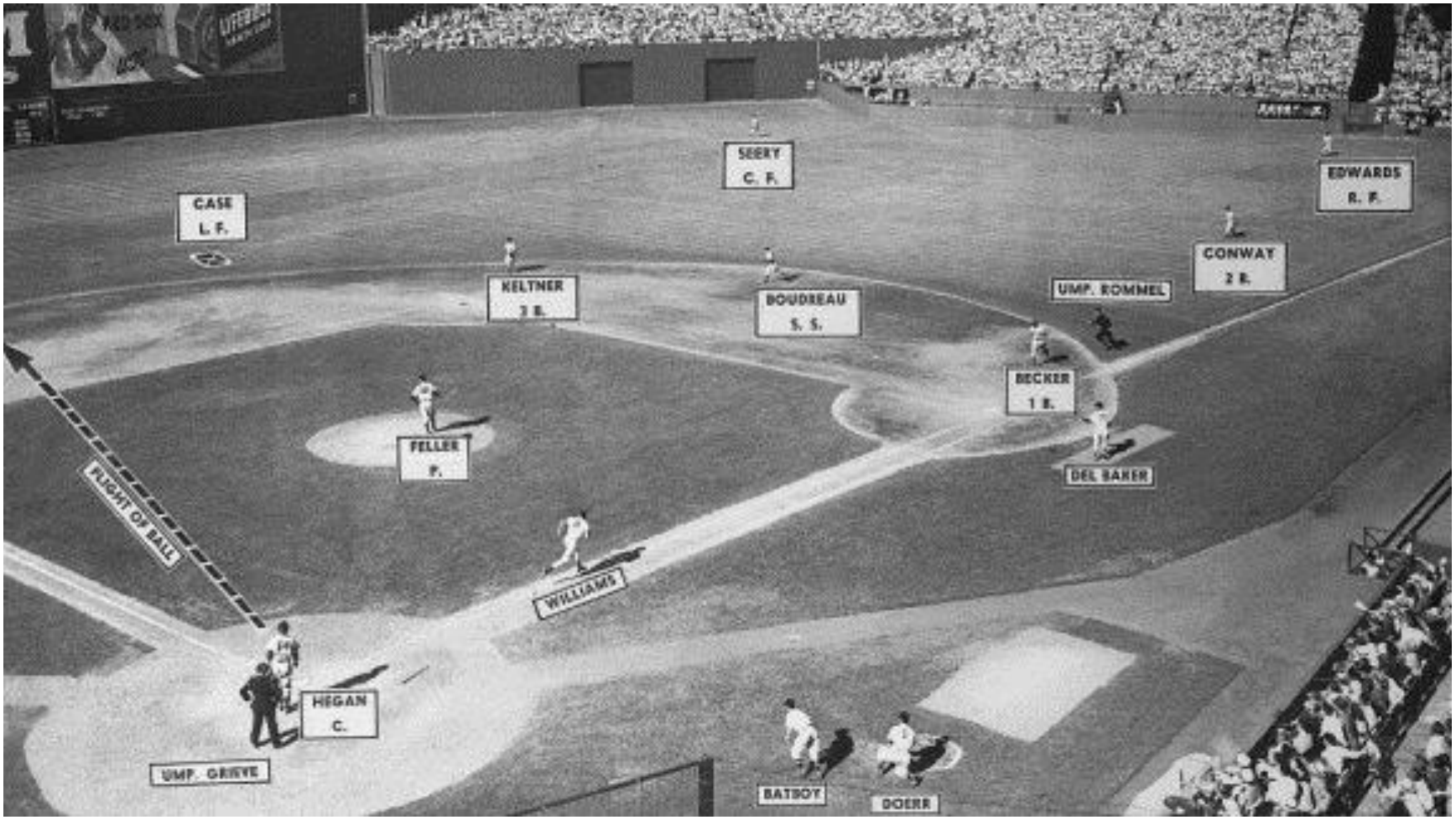

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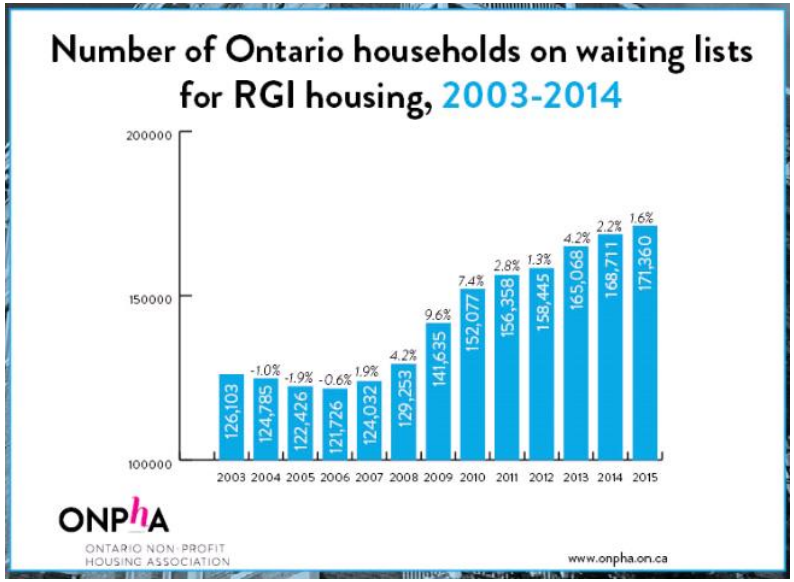
Not-for-Profits At the Centre

1. Operating Agreements coming to an end.
2. More people on the wait list then ever.



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Non-Profits at the Centre

3. Governments are aligned.

- The Province's Long Term Affordable Housing Strategy - March 2016

"An increased number of financially viable non-profit/co-op housing providers and new net units created
– *Ontario Long Term Affordable Housing Strategy, March 2016, p. 15.*

- The Federal Budget - The Feds are back in housing

All Canadians need and deserve housing that is safe, adequate and affordable. Without it, Canadians feel less secure and that makes it harder to accomplish every other goal-from raising healthy children to pursuing education, jobs and opportunity.

  - Increases funds for affordable housing

- The City of Toronto – Open Door Policy – November 2015

The city is eager to seize proposed provincial powers to require builders to include affordable housing units in all new residential projects, Mayor John Tory said Monday. (March 14, 2016)

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Not-for-Profits at the Centre

4. Private Sector actively involved in providing Affordable Housing, both through capital grants and through rent supps.

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The New Non-Profit - Agenda

1. **Introduction**: Non-Profits at the Centre of the Melee (John)

2. **Respecting your DNA** – Case Studies in Non-Profit Entrepreneurship (LoriAnn)

3. **Restructuring Existing Assets**: How the Private Sector will look at it. (Daniel)

4. **Legal Framework and the Redevelopment Team** (John)

5. **Questions**!(?)

Presentation to ONPHA: The New Non-Profit Why Non Profit is Not Non-Entrepreneurial

LoriAnn Girvan, Chief Operating Officer

ARTSCAPE

Mission: WHY WE EXIST

Artscape is a not-for-profit urban development organization that makes space
for creativity and
transforms communities.

Artscape Properties

In Operation

1. Artscape West Queen West
2. Parkdale Arts & Cultural Centre
3. Artscape Gibraltar Point
4. Artscape Distillery Studios
5. Artscape Wychwood Barns
6. Artscape Triangle Lofts
7. Daniels Spectrum
8. Artscape Youngplace
9. Artscape Lofts at 210 Simcoe
10. Artscape Sandbox
11. Artscape Lofts at PACE

In Development

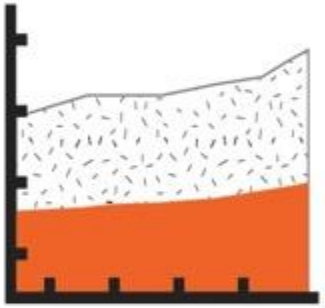
12. Artscape Bayside Lofts
13. Artscape Weston Hub
14. Artscape Launchpad
15. Artscape Lofts at Waterworks

By the Numbers

2,678
PEOPLE
Working and/or living in Artscape properties

149
ORGANIZATIONS
Housed in Artscape buildings

58% LOWER
On average, rental rates for artists and not-for-profit organizations are 58% lower than gross average rates for commercial spaces in downtown and midtown



*Accurate as of June 2015

$3.6M
IN SAVINGS
Passed on to Artscape artists and organizations on commercial & residential occupancy costs in 2015

42 VENUES
Number of public venues (performance spaces, galleries, etc.) in Artscape's portfolio

190,000
ATTENDEES
Number of people who attended exhibitions & performances at Artscape buildings in 2015

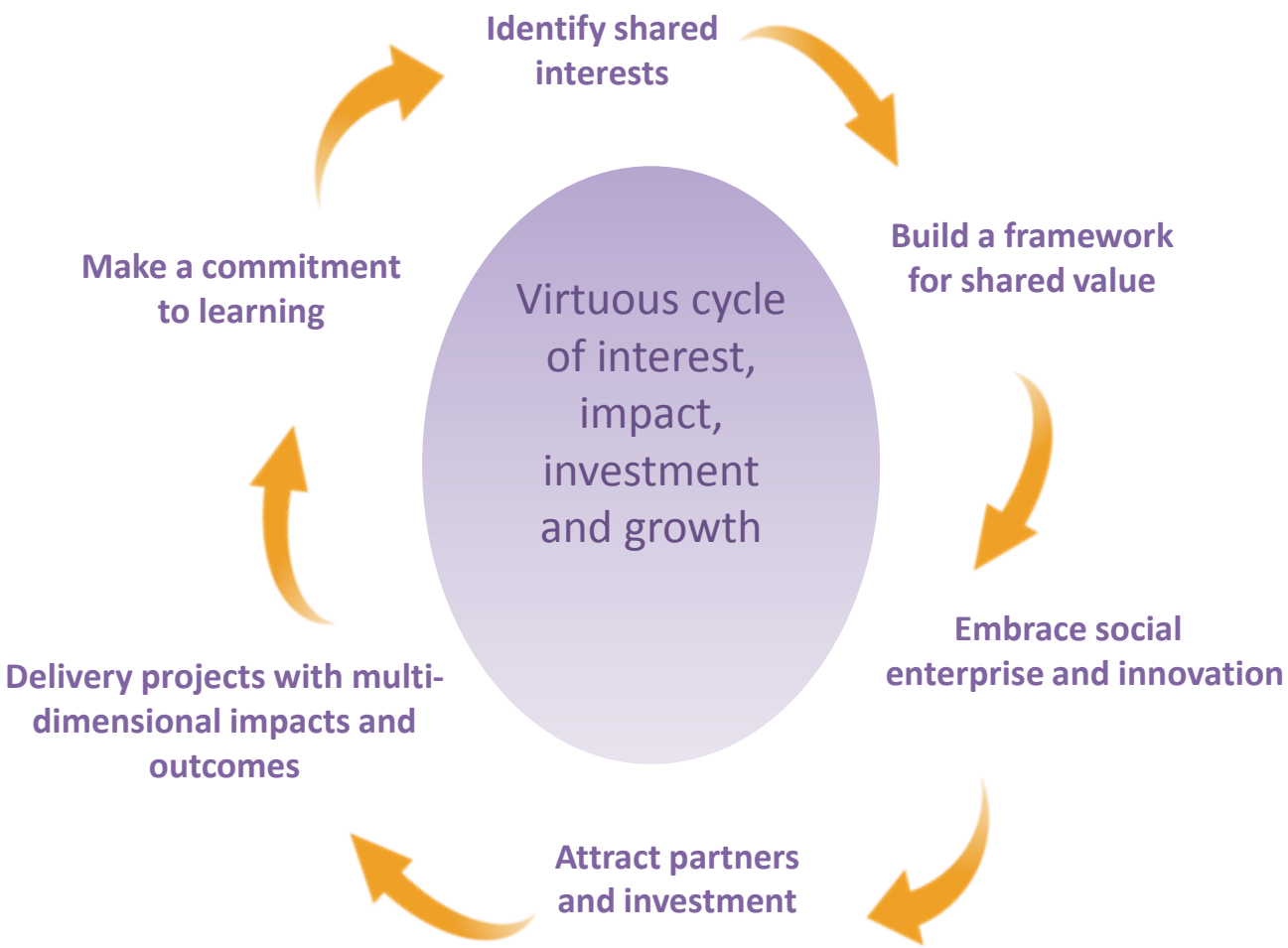
417
VOLUNTEERS
Number of people who volunteered for Artscape in 2015 (including 195 senior-level volunteers)

Traditional Approach: Arts + Culture as a Need

The Problem	The Solution
Space needs of artists	Affordable space projects for artists

Identify a need → Get a grant → Deliver a program

Understanding Your Value Add: Arts + Culture as an Asset



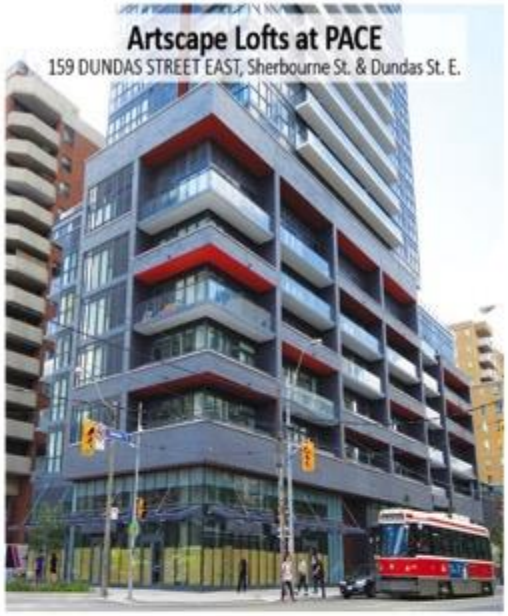
INNOVATIONS IN AFFORDABILITY

Space Types	COMMERCIAL (studios, offices, retail)				RESIDENTIAL (live/work)			PUBLIC VENUES*
Affordability Type	Below Market & Affordable			Market	RGI	Below Market & Affordable	Market	Below Market
Term	Hourly	Short	Long					
PROPERTIES IN OPERATION								
Artscape Distillery Studios			▣					T
Artscape Gibraltar Point		▣	▣					A T
Artscape Triangle Lofts		▣				▣ ⊙		A
Artscape West Queen West					▣	▣	▣	
Artscape Wychwood Barns		▣	▣		▣			A T
Artscape Youngplace	▣	▣	▣ ⊙	⊙				A T
Daniels Spectrum		▣	▣					A T
Parkdale Arts & Cultural Centre			▣			▣		T
Theatre Passe Muraille								T
PROPERTIES IN DEVELOPMENT								
Artscape Launchpad	▣	▣	▣					tbd
Artscape Jarvis Lofts						⊙		
Artscape Simcoe Lofts						▣ ⊙		
Artscape Sandbox	▣	▣						A
Artscape Weston Village	▣	▣	▣			▣		tbd
Bayside Lofts						▣		

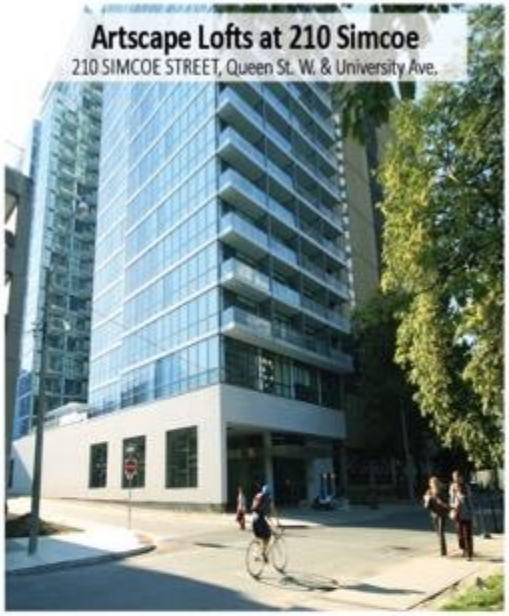
THE DISTILLERY DISTRICT

Artist Live/Work Projects

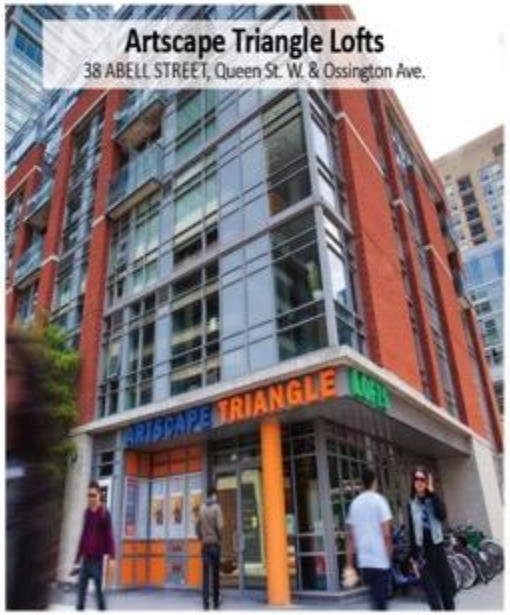
Our residential and live/work projects are the result of unique partnerships with the development and non-profit communities, which creates below-market opportunities for artists and their families, providing a base for creative and professional development and contributing to the diversity and vitality of neighbourhoods across the city.



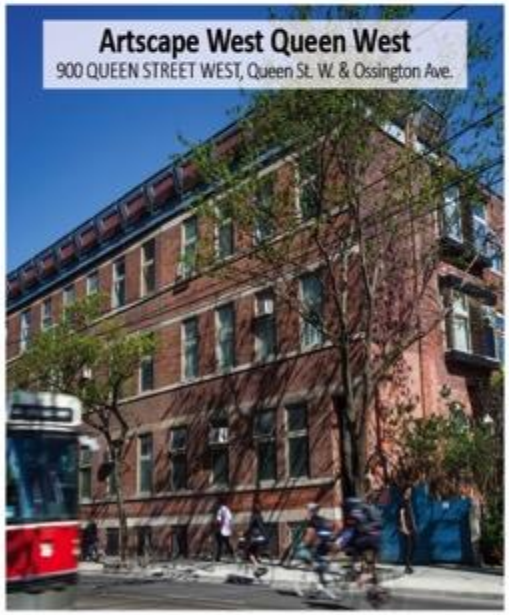
Artscape Lofts at PACE
159 DUNDAS STREET EAST, Sherbourne St. & Dundas St. E.



Artscape Lofts at 210 Simcoe
210 SIMCOE STREET, Queen St. W. & University Ave.



Artscape Triangle Lofts
38 ABELL STREET, Queen St. W. & Ossington Ave.



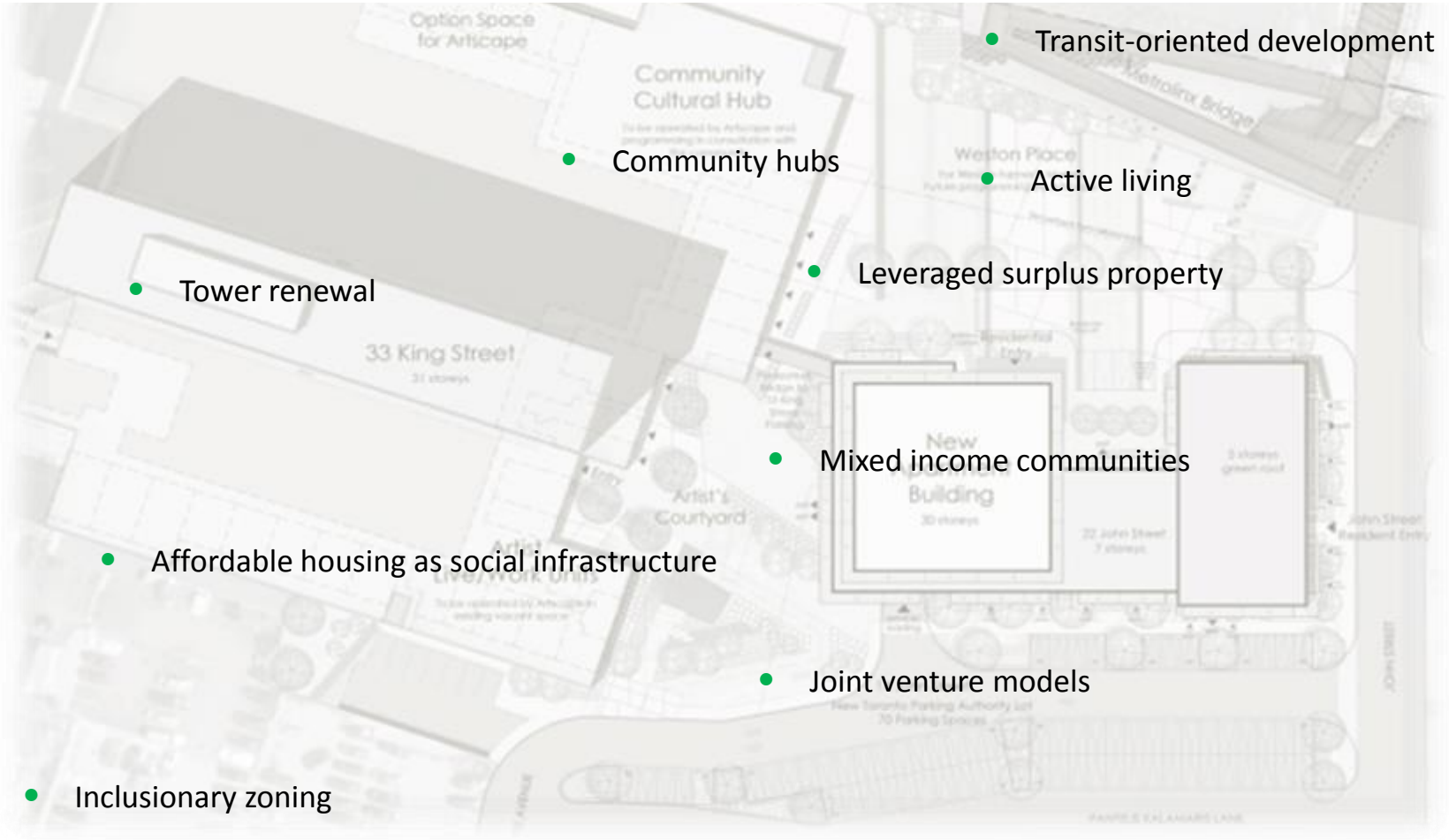
Artscape West Queen West
900 QUEEN STREET WEST, Queen St. W. & Ossington Ave.

DANIELS SPECTRUM

Rooted in Regent Park.

Open to the World.

Social Purpose Real Estate: Policies, Resources, Markets



- Transit-oriented development
- Community hubs
- Active living
- Leveraged surplus property
- Tower renewal
- Mixed income communities
- Affordable housing as social infrastructure
- Joint venture models
- Inclusionary zoning

Social Purpose Real Estate: Policies, Resources, Markets

- Transit-oriented development
- Mixed income communities
- Affordable housing as social infrastructure
- Community hubs
- Active living

- Fast-tracking approvals
- Leveraging public lands
- Joint venture models
- Inclusionary zoning
- Tower renewal and portfolio models
- Federal two-year investment in social infrastructure

- High cost land and development in GTA
- Condos as secondary rental
- Shallow affordability without subsidy
- Financing and zoning still use-based
- Siloed resources – accessibility, energy

- Capital challenges: predevt. and patient financing
- Impact on operational sustainability
- Risk averse culture embedded
- Need outpaces resources

WESTON COMMUNITY CULTURAL HUB

WESTON COMMUNITY CULTURAL HUB

Redevelopment of a parking lot site and underutlized commercial space in a tower at 33 John Street,

26 Rental units and 8,500 community cultural hub – long term lease
City of Toronto, Rockport Group, Toronto Parking Authority (TPA), and Artscape

ARTSCAPE BAYSIDE LOFTS

80 affordable rental homes awarded via RFP

City of Toronto, Hines Management Company, Tridel Corporation, Waterfront Toronto
Architect: Arquitectonica
Queens Quay and Lower Sherbourne Street
Projected Opening: 2018/2019

WATERWORKS REVITALIZATION

Redevelopment of industrial heritage site at 505 Richmond Street West

Build Toronto, City of Toronto, MOD Developments and Woodcliffe Landmark Properties, YMCA, Artscape

15 Affordable Homeownership Units integrated with market-rate condos, YMCA, food hall, park expansion.

Projected Opening: 2020

Artscape Launchpad

"providing art and design professionals with the tools, training, resources and mentorship to build sustainable businesses"

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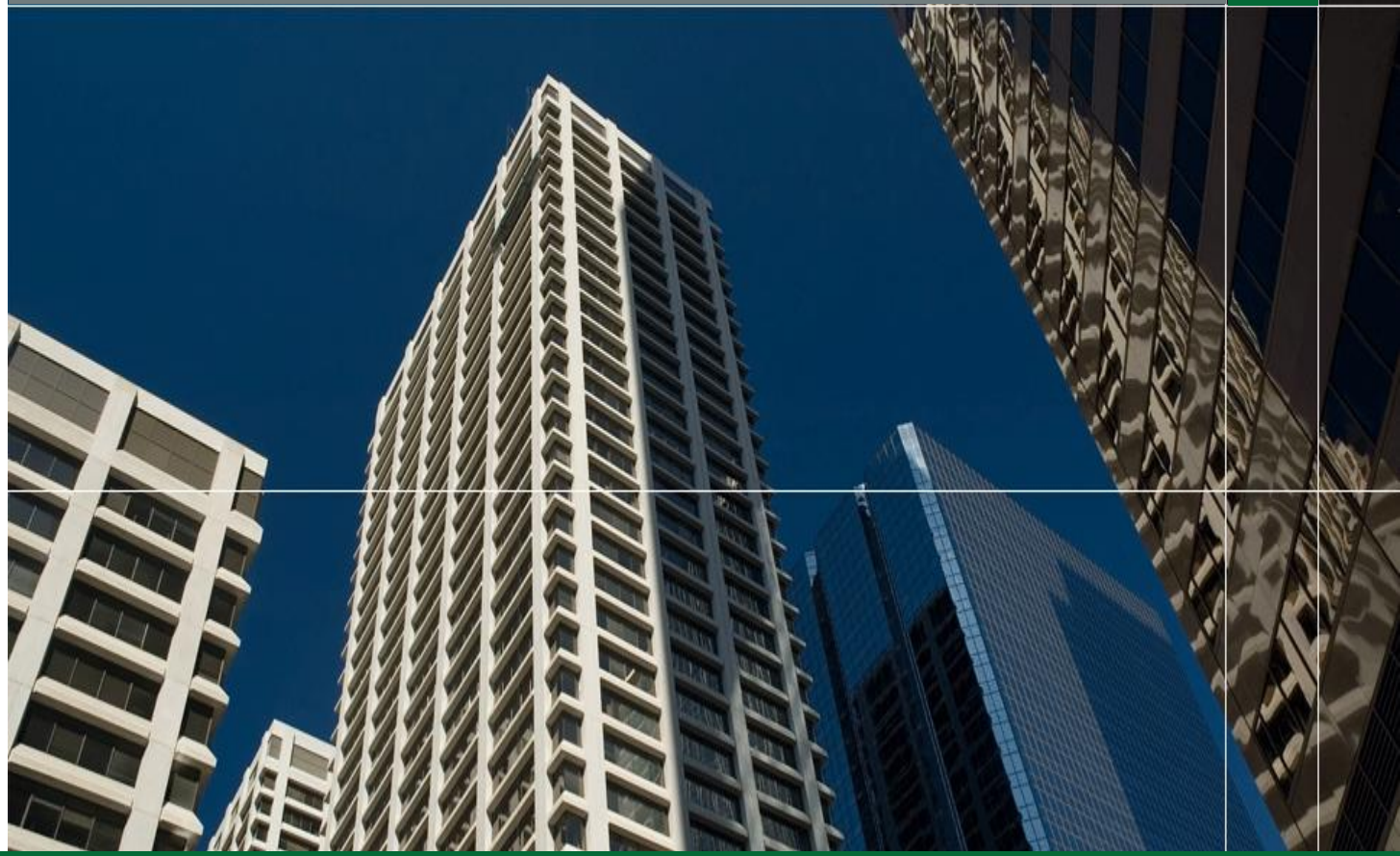
OPPORTUNITIES IN AFFORDABLE HOUSING



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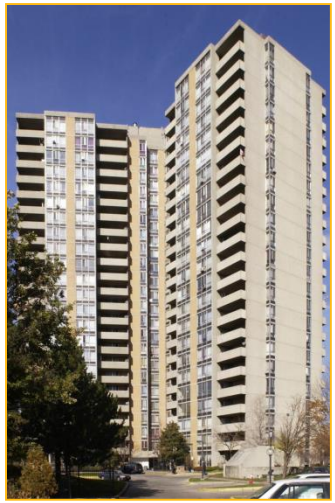
PROCESS: CASE STUDIES



- Completed federal operating agreement
- Required a non-course loan
- Loan request $16-18M
- Progressive 5-7 year capital plan
  - Parking Garage
  - Windows
  - Mechanical Systems/Elevators

- Exited federal operating agreement early
- Paid off existing debt and used additional equity to fund construction planning costs
- Goal is to build over 90 units on existing site

TAKE OUT FINANCING

CMHC Take-out Evaluation

- **Loan estimate based on CMHC underwriting criteria**
- **Stress test**
- **Assists in higher LTC loans**

Why you should care about CMHC

- Higher Amortization Options (new construction 40 year am)
- Provides the lowest interest rates
- Reduced guarantees required or zero guarantees for low leverage loans
- Guaranteed renewals
- Wide range of markets

DETERMINING LENDING CAPACITY

- Underwrite income in place at the time of the application
  - This includes:
    - Tenant rent
    - Laundry & parking revenue
    - RGI subsidies & rent supplements
    - Possibly other grants and subsidies
- Expenses are a mix of actual and industry standard
- Overall value is a function of the NOI: Typically capitalization rate

REQUIRED INFORMATION: INITIAL ANALYSIS

- **Current Rent Roll**
  - Inclusive of all rents paid by the tenant
  - Rent subsidies and description of agreements

- **Financial Statements**
  - Previous 2-3 years

- **Explanation of any extraneous expenses**
  - Example: R&M is typically around $800-1200 per unit per year
  - Remove one time capital expenditures

- **Description of the organization's assets and experience**
  - Experience of the board
  - Does the board or entity own any other properties

MARKET TRENDS: CONSTRUCTION

Affordable Housing Construction

Affordability Criteria

- **Level 1:** Majority of Rents Below 80th Percentile of Market
- **Level 2:** Majority of Rents Below 65th Percentile of Market
- **Level 3**: Projects Receiving Funding Under Federal-Provincial Housing Initiatives (other projects may be considered)

Toronto Guidelines

1 Bedroom		
Level 1	Level 2	Level 3
$1,200	$1,089	$1,000

2 Bedroom		
Level 1	Level 2	Level 3
$1,386	$1,250	$1,174

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The New Non-Profit
The Legal Framework

November 5, 2016

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Legal Framework – Today's Topics

1. Partnering and Collaborations in Real Estate
2. Redevelopment Team
3. Responding to Requests for Proposal

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Partnerships/Collaborations In Real Estate – Why Do It?

Partnering and Collaborations can allow for real estate development that would otherwise be impossible.

- What do they have in common: Vision. Shared vision is critical.
- The NFP can be the source of Vision or just part of the implementation. Each partner sees value in the contributions of the other.
- Pool talents to be able to leverage combined assets, skills and knowledge to achieve your goal.
- Financial reasons – create value you could not create on your own (ie. expand the pie)
- Risk Management – Spread the risk

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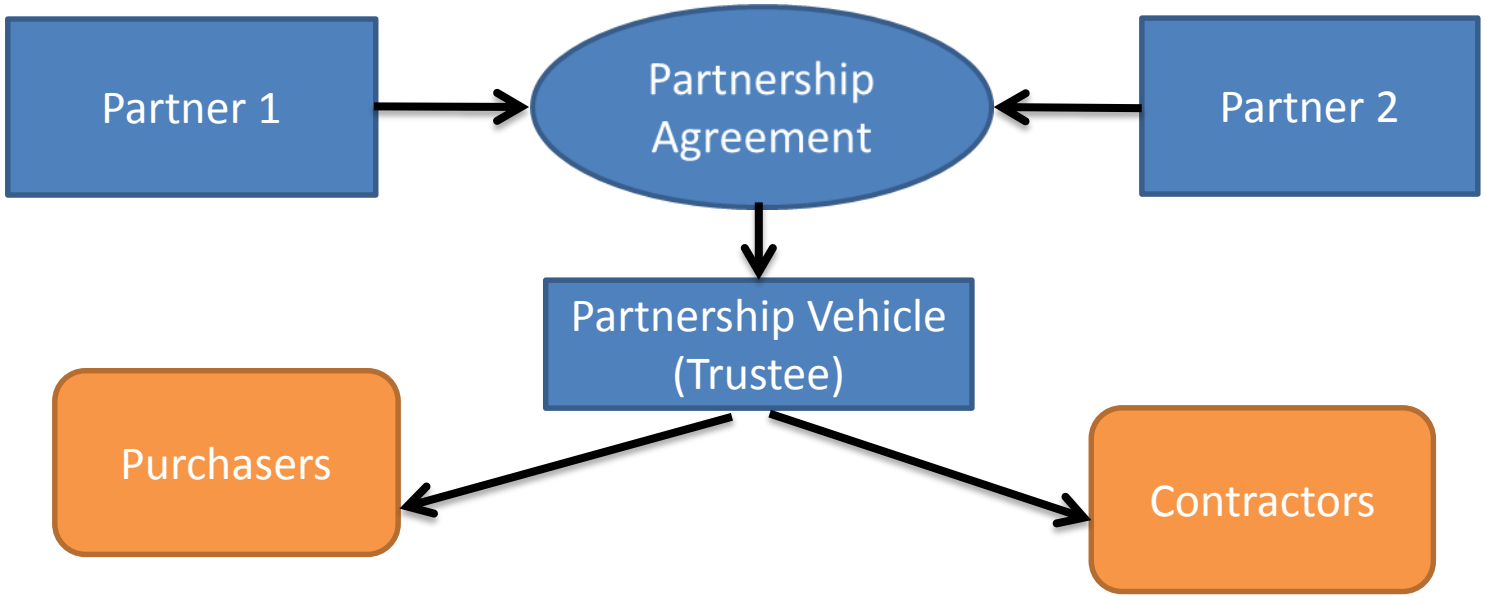
Partnerships/Collaborations in Real Estate – The Basic Legal Form

Partnerships tend to follow a basic format:



Collaborations are Predominantly Contractual

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Partnership Example: Regent Park Phase 2

- Regent Park: Phase 2
- Profits are split between the private developer and Toronto Community Housing
- Also multiple collaborations, such as MLSE fields

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Collaboration Example: Weston Hub

A Multi – Party Collaboration:

- Artscape
- City of Toronto
- Rockport
- Toronto Parking Authority

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Development Team

The Development Team

- Size Depends on complexity of the work contemplated and requirements of any regulatory approvals.
- Some roles may be handled internally depending on expertise.
- There are differing views as to when to engage your builder (to be discussed below).

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Development Team

Core	Function
Architect	Drafts Conceptual plans and ultimately working drawings
Project Lawyer	Corporate structure/ Liability protection/ risk management/ contracting/ planning approvals
Financial Analysis/Accountant	Pro Forma Analysis/ Corporate Structure
Finance Broker	Obtain Financing/ Should be familiar with alternative financing arrangements
Builder	Construction and Feasibility
Project Manager	Absent internal expertise an experienced manager with development experience. The “Owner’s Representative”.

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Development Team

As Needed	Function
Surveyor	Identifies extent of title/ reference plans etc.
Cost Consultant/ Quantity Surveyor	Certifies progress draws to the Bank
Planner	Identifies requried planning variances and prepares municipal applications
Traffic Consultant	If required by planning approvals – Identifies impact on traffic patterns
Noise Consultant	If required by planning approvals – Identifies noise levels at nearby homes;
Shadow Study Consultant (etc.)	If required by planning approvals – Identifies shadow impacts of a large building.

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Requests For Proposals

1. Big Picture first - Take the time to understand the Procuring Agency's overall intent. Good RFPs tell a story and you want to provide a good ending.
2. Small Print too - Respond to every point in the order the Procuring Agency put addressed it.
3. All that Legal stuff - Is it a tender or an RFP? (Or, who was Ron Engineering anyway and what's a Contract "A"? Eh?)
4. Make sure its complete.

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