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Options for Homes' new Weston project, rendering for the Initial Rezoning application.

Developers eye new models for affordable urban housing

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This fall, Options for Homes, the 23-year-old affordable ownership developer, will launch its latest venture – a 230-unit, 21-storey condo tower in the Weston Village area. At least 10 per cent of the apartments are earmarked as three-bedroom suites.

Options, which helps buyers top up their down payments by 15 per cent and takes a share of the capital gain when the unit is resold, has several more projects in the planning pipeline, as well as 640 units under construction, a record for the company.

The company's traditional buyers have been families with modest incomes. But according to chief executive Heather Tremain, demand has shot up, including among people who, not long ago, might have been able to transition from renting to owning – but now find themselves priced out of the market.

"There is more opportunity for us, unfortunately," she says.

In fact, Options is pushing to step up its development pipeline to about 1,000 units a year, up from about 200 now. And it's not alone.

In response to the escalating housing crises in Toronto and Vancouver, a handful of other non-traditional development entities have entered this space, seeking innovative ways to serve the tens of thousands of urbanites looking for affordable housing options, some geared at buyers and others at tenants. They join more established outfits, such as Habitat for Humanity and the Kehilla Residential Program, which is operated by the United Jewish Appeal.

Both Daniels Corp. and Tridel Enterprises Inc. have established rent-to-ownership mortgage subsidy programs targeted at those Toronto Community Housing residents who could be in a position to purchase condos in the two builders' Regent Park and Alexandra Park redevelopment projects. (The number of tenants who have done so remains modest, however.) Other high-rise builders will soon be required to set aside affordable units in their buildings as part of the province's new inclusionary zoning legislation, passed last December.

The other notable new player is the New Market Fund, among whose partners is Derek Ballantyne, the former head of Toronto Community Housing Corp. (TCHC). He was the architect of the agency's ambitious strategy for leveraging its landholdings to attract private developers and capital to rebuild crumbling, subsidized apartments. Mr. Ballantyne oversaw the $1-billion revitalization of Regent Park before former mayor Rob Ford decided to jettison the agency's top executives.

As a managing director, Mr. Ballantyne is scouting around for opportunities to co-invest in for-profit rental buildings geared to low- to middle-income tenants. New Market set up an equity investment fund, which closed two months ago with $25-million in its war chest. The fund's backers include six charities and non-profits looking to add some social impact investments to their endowment fund portfolios.

New Market's approach is to invest 7- to 11-per cent of the equity required, and retains its ownership stake in the project for up to a decade. The idea is to partner with non-profits who want to invest their assets but wish to off-load the development risk to a partner with experience in this sector.

According to Mr. Ballantyne, $11-million has been placed to date in four Vancouver-area apartment projects geared at low- to moderate-income tenants. The projects, comprising 364 units in all, are located in mixed-income areas and include other non-profit partners, including BC Housing. But Mr. Ballantyne is now actively scouting around for similar opportunities in Ontario, and likely the GTA. He adds that New Market expects to begin raising money for a second fund in early 2018.

While the cost of developable land is often the most formidable impediment to such projects, both Ms. Tremain and Mr. Ballantyne see opportunities for new projects.

"As much as it is a challenging landscape price-wise, there are still places where these kinds of models can work," says Ms. Tremain. Indeed, two forthcoming Options buildings will be next to GO stations in Toronto and Milton.

As the City of Toronto and Queen's Park bicker over crumbling TCHC buildings and the federal Liberals look to reassert a presence in affordable housing after a long absence, experts say the climate strongly favours players such as New Market and Options that draw on innovative financing models.

"These alternative approaches will certainly be part of the housing supply side of the equation," Mr. Ballantyne says.

“There’s a huge growth potential,” adds Michelle German, senior manager for policy and partnerships at Evergreen. She points to a Canadian Urban Institute study released earlier this year that estimates there are about 200,000 middle-income rental households in the Toronto region who would fit the profile of the sort of buyer organizations that Options targets.

The report recommends a handful of policy moves – including the establishment of a $250-million fund to provide construction loan financing for builders and the provision of municipal land – as a means of spurring the construction of 10,000 new affordable ownership units within the next five years.

Ms. German points out that there’s a link between such proposals and the market segment that Mr. Ballantyne is focusing on with the New Market fund.

Mr. Ballantyne adds that demand for affordable rental apartments has spiked largely because so many middle-income families and individuals have written off the prospect of buying a house or apartment and are clogging up the traditionally more fluid rental sector.

As Ms. German observes: “People aren’t going to let go of [their] rental unless they can move up” to an affordable condo.