



First Unitarian Development Proposal



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Joni Mitchell sang about paving paradise, and putting up a parking lot. What if we could take that parking lot and turn it into affordable homes for indigenous people, a showpiece development for sustainability, a revenue stream to support future generations, and a philanthropy fund for good in the community? We can do that together, and this proposal outlines how.



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Introduction

First Unitarian has long stood for justice, for community, and for sustainability in Ottawa. Over the past six months, Cahdco and Theia Partners have been working with First U in a consulting arrangement, looking at whether there is a viable development opportunity that could deliver affordable housing and also create a revenue stream for the congregation, ensuring long-term financial sustainability; The answer to that question is an emphatic yes, and we want to continue to work with you to bring this amazing opportunity to life.

When it comes to looking at development opportunities for the Campus, First U has the opportunity to live their values, and transform a largely vacant, likely slightly contaminated, area of the campus into a showpiece for sustainability, a revenue stream that can be partially used for philanthropy, and much needed affordable housing. Both Cahdco and Theia Partners have experience with similar mandates with faith groups; unfortunately, for most faith groups, the answer is typically that the group must choose between their desire for non-profit housing, and the desire to create a revenue stream.

What is so exciting about the First U site is that it is absolutely possible to create a full-spectrum of affordable housing, and meet (and exceed) minimum revenue thresholds. First U has the opportunity to be a showcase of groups working together offering viable solutions in a housing crisis. While initially a consulting engagement, we are so excited to

see this innovative project come to life that we have put forward this proposal to be your full development partners to bring this to fruition.

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One of the best parts of working with First U has been the continuous challenge to create more social and environmental good with the project. Reconciliation in particular has been an emerging theme, with a challenge to think about how this project could tangibly help efforts of reconciliation with our indigenous community. Cahdco and Theia have engaged with Ontario Aboriginal Housing Services (OAHS) to be the long-term owner/operator of the non-profit building, delivering much needed housing to indigenous community members.

In this proposal, Cahdco, Theia Partners and Ontario Aboriginal Housing Services outline a development partnership proposal to move beyond conceptual thinking, and into implementation, demonstrating leadership in the City, and establishing a model for other faith and community groups.



WHO IS CAHDCO

Cahdco is a mission-based, non-profit corporation, and sister to Centretown Citizens Ottawa Corporation (CCOC). Cahdco creates and promotes housing for low and moderate-income people in order to achieve social equity. Cahdco creates affordable rental housing and home ownership through its housing development and construction management consultancy services to the non-profit sector. Cahdco offers consulting services to a wide range of non-profit groups, helping them to create social purpose real estate.

WHO IS THEIA PARTNERS

Theia is a real estate development company, rooted in strong values around inclusion, sustainability, and affordability. Theia's track record includes both market and affordable housing, along with zero-carbon district energy development. The leadership of Theia has extensive experience working hand-in-hand with faith groups in leveraging real estate towards missional objectives.

WHO IS ONTARIO ABORIGINAL HOUSING SERVICES

OAHS is Ontario Aboriginal Housing Services which is a non-profit housing provider with a focus on the Indigenous community. Ontario Aboriginal Housing Services is a non-profit with a mandate to provide safe and affordable housing to urban and rural First Nation, Inuit and Métis people living off-Reserve in Ontario. Our vision is to lead the design, development and delivery of a sustainable and culturally appropriate continuum of housing that promotes excellence in the community and organizational infrastructures.

The Proposal

As presented out to the congregation, the proposal is for a two-building solution. The first building is approximately 50 units, 4- storey affordable housing solution that is non-profit owned and managed. The land would be provided by First U at no-cost to Ontario Aboriginal Housing Services as owner/operator, with no ongoing revenue stream. OAHS would be able to leverage the opportunity to provide units at vastly lower rents than the market could for comparable housing.

The second building would be a 16-storey market affordable building, aimed at balancing affordability and the desire to create a revenue stream for the Church. The intention for this building is to use the CMHC Rental Construction Financing Initiative program, with the majority of the units in the building meeting or exceeding CMHC's definition of affordable housing in Ottawa. Theia Partners would be the developer and manager of this building, with First U being the majority owner in a Limited Partnership structure. To create as broad a spectrum as possible of residents in the two buildings, 10% of the units would be rented at a premium (e.g. using suites with exemplary views), to cross subsidize another 10% of the units to generate better affordability. This building would generate approximately \$300,000 of annual revenue for the congregation upon stabilization, growing close to \$500,000 by year five.

Different development options were studied in the consulting phase, including putting all of the units into one taller building. Upon further examination, the two-building solution was preferred due to the following benefits:

- **It enables deeper affordability:** low-rise wood frame construction is covered under a different part of the Building Code (Part 9) and is less expensive to build. These cost savings in construction can translate to deeper affordability;
- **Simplifies partnerships:** generally, non-profits prefer this model, creating a simple partnership between a non-profit and the congregation, as opposed to tripartite relationships;
- **Simplified financing:** a key element of any development project is getting financing. It is significantly easier and more straightforward for all parties to get separate financing for two different buildings; and
- **Higher financial return:** two buildings creates a higher return for the Church through a simplified partnership structure.



The Objectives we were provided by First U for a redevelopment were ambitious:

- The delivery of affordable housing on-site
- A high-level building environmental standard
- The improvement of greenspace on campus
- A healthy revenue stream
- A tangible step towards reconciliation

At first-glance, the list of objectives seemed hopelessly ambitious. Remarkably, this proposal delivers strong results on all of those objectives.

WHY HOUSING?

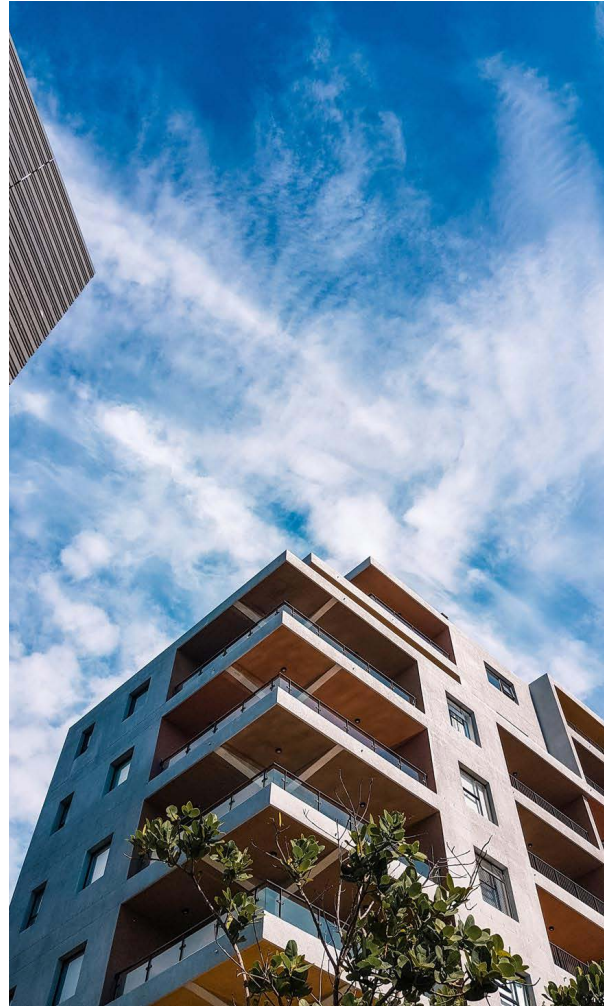
Ottawa has declared a housing emergency. With over 12,000 people on the centralized waitlist for affordable housing, and only 100 affordable units delivered each year, it is expected that the housing emergency is likely to get worse before it gets better. Very low-vacancy rates in purpose-built rentals

The average price for a single-family home is now over \$700,000 in Ottawa – increasingly an impossible dream, even for single young professionals.

has been a long-term trend in the National Capital Region, placing consistent pressure on rents and limiting the availability of quality housing for renters.

The impact of the pandemic has had a major impact on for-sale housing affordability, putting it beyond the reach of many households. The average price for a single-family home is now over \$700,000 in Ottawa – increasingly an impossible dream, even for single young professionals.

While First U cannot single-handedly solve the housing crisis in Ottawa, it can provide much needed housing, and address a full-spectrum of affordable housing: from deeply affordable units for those on ODSP, to young teachers and nurses who are priced out of buying a home. Maybe just as importantly, First U can provide a model for other community and faith groups, demonstrating action and leadership in an area where talk is common, but progress is slim.





WHY ABORIGINAL HOUSING?

Canada has a shameful history related to First Nations. The legacy of that history is a disproportionate level of poverty and inadequate housing. Providing safe, high-quality, culturally appropriate off-reserve housing for First Nations with low and moderate incomes is a fundamental requirement of reconciliation. High-quality housing, that is environmentally sustainable, close to the River, on LRT and is sensitively designed provides a foundation for success for indigenous community members in Ottawa.

WHY REVENUE?

First U has a long history of being proactive long-term thinkers. It was long-term thinking that led to having a generous campus in the first place. It was long-term thinking that enabled Unitarian House to be structured for success. First U is on solid financial footing, but with an aging congregation and an aging facility. Thinking long-term, leveraging under-utilized parts of the campus to supplement congregation finances, can help ensure a presence in the community far into the future, being advocates for justice, tolerance, and sustainability.

We were tasked with providing a development program that achieved at least \$100,000 in annual revenue. The intention behind this revenue was to help diversify the revenue stream for the congregation. The majority of the major-givers in the congregation are generally over 60 years old. There are also a host of improvements and repairs that are desired in the main congregation building as that building ages, that will require potentially significant investment.

Moving beyond financial sustainability of the congregation, First U has a desire to be a force for good in the community. Reconciliation, affordable housing and sustainability are just a few of the causes we have heard a passion for during our engagement. Converting under-utilized parking into grants and support for people and organizations engaged in these worthy causes is a compelling narrative and an example of wise stewardship for greater good.

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SUSTAINABILITY

First U has always stated that it is a non-negotiable that any development be an example of environmental responsibility. Fortunately, the site lends itself to a low-carbon lifestyle, and is ripe for appropriate, transit-oriented, intensification. Ottawa is slated for very significant population growth over the next 20 years, with much debate as to whether Ottawa should sprawl out or utilize smart densification to avoid moving the urban-growth-boundary. A significant part of Ottawa's strategy to reduce pressure for sprawl is to intensify around transit stations. Our proposal creates as many

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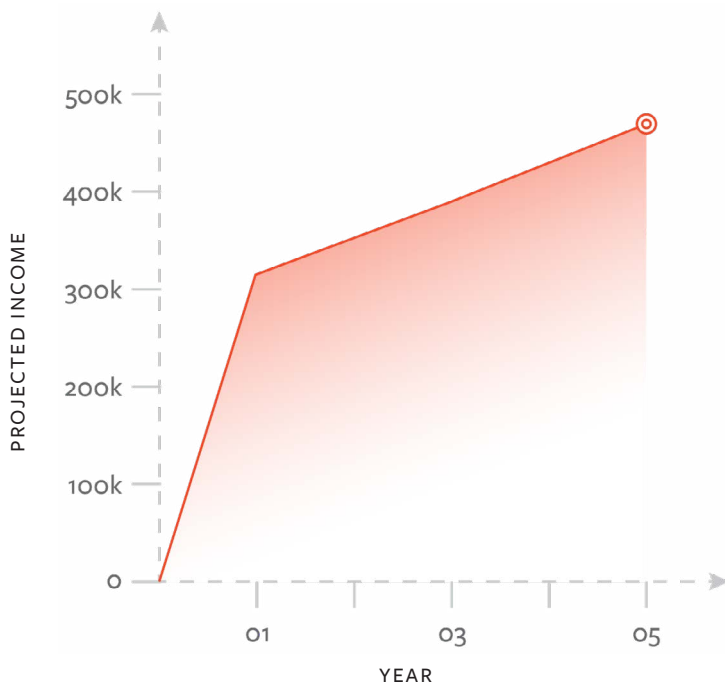
Both Cahdco and Theia have established histories of excellence in sustainability, with track records of leading-edge low-carbon buildings. Although no true detailed design work has commenced, Theia, Cahdco and Ontario Aboriginal Housing Services would commit to the buildings being ultra-low carbon, energy efficient and showpieces of sustainability. We have heard the enthusiasm for wood buildings, and have committed to a full-exploration to try to make that work on this site. Remarkably, both Cahdco and Theia have real-world, and recent, experience executing on zero-carbon district energy systems, a rarity in North America, and would explore the applicability of a similar approach at First U.

Sustainability includes environmental and social objectives. On the social side, affordable housing is but one component, with reconciliation being the other major pillar.

REVENUE & COSTS

Part of the objective of partial redevelopment of the First U campus is to create a sustainable revenue stream. The non-profit affordable housing building is not intended to generate any revenue, with the land being provided at effectively no-cost to OAHS. The market building is modelled to create the following revenue for First U:

Projected Revenue for First U



STABILIZATION	ANNUAL REVENUE
at Year 1 of Stabilization	\$320,000
at Year 3	\$395,000;
at Year 5	\$470,000

No revenue would be provided to the congregation during the master planning, rezoning or construction phases. Revenue would not start flowing to the Church until construction of the market building is completed and the building is 90% occupied.

It is not intended that First U would need to provide any funds for the development beyond the land. OAHS, with the assistance of Cahdco if required, would be responsible for finding funding for the non-profit building development. With the high-quality site, the innovative model, and OAHS and Cahdco's deep expertise, we feel confident that those funds will be procured (however, until the site is secured, it is not possible to apply for government funding).

For the market building, Theia Partners would provide the funds required to build the building, using a mix of equity and loans. Theia Partners would have to provide the guarantee for the loans, effectively providing assurances to the lenders that they would be paid back regardless of how the project was proceeding. It is anticipated that the project will cost approximately \$90 million, but with the risk associated with development, construction, and guaranteeing loans being Theia's responsibility. Theia would ultimately participate as a minority-owner of the building, and will collect a profit share with the congregation in exchange for the risk, time and money required to build the market building.

GOVERNANCE & OWNERSHIP

For the Ontario Aboriginal Housing Services non-profit building, the land for the building would be severed from the First U campus, and donated for \$1 in order to make the building as deeply affordable as possible. This donation would be in the form of a fee-simple transfer to OAHS.

For the market building, a new Limited Partnership (LP) would be created to hold the land. Creating an LP isolates the congregation from any risk associated with development. The land for the market building would be severed and transferred into the LP. First U would own a strong majority of shares in the LP (ranging from approximately 75% to 82% dependant on final project details including size of land parcel, financing arrangements, a formal appraisal, and total project cost), with Theia holding the remainder of the shares. The day-to-day management of the development and operation of the building would be conducted by a General Partnership (GP), managed by Theia Partners. The GP would not own the building, and would only collect a fee and a share of surplus

cash-flow in-line with standard-market LP/GP split of surplus cash flow (typically 70% in favour of the LP).

Theia, Ontario Aboriginal Housing Services and Cahdco would work in cooperation together, supported by a qualified consultant team, to ensure a unified master plan and public realm, and collaborate on a rezoning application and site-plan.

We are proposing that we would continue to work with the redevelopment subcommittee as a regular liaison between the congregation and the development team. A regular series of meetings would be set-up to ensure the congregation is kept fully informed on the development progress. A master planning charrette would be held early in the process to secure input from the congregation and community members. Appendix B of this proposal provides further details about what the master concept planning process entails.

Ultimately, Ontario Aboriginal Housing Services, would be responsible for:

- the design
- finance
- construction
- management of the non-profit building

Theia would be responsible for:

- The design
- Finance
- Construction
- Management of the market building.



Timelines & Next Steps

There is an ancient proverb that states the best time to build a tree is 20 years ago, the next-best time is today. We are keen to work together to establish much-needed housing, and create a source of revenue for good causes, and we are eager to start as soon as the congregation is ready. Development is a long and slow process, with five or more years standing between approval of a concept and the development of actual homes.

- 01** **Step one** is the approval of our proposal with a high-level letter of intent signed by all parties to proceed. Proposed timeline of May 2022;
- 02** **Step two** is work from the development team to lead up to a charrette on the best possible location for two buildings on the site. It must be recognized that the location of those buildings will never have unanimous support, as inherently they involve a series of trade-offs. The key would be to commit to making progress, and empowering the subcommittee to approve an ultimate location and master concept plan. Proposed timeline of September 2022;
- 03** **Step three** is full legal agreements based on the approved master concept plan. Proposed timeline of November 2022;
- 04** **Step four** is the creation of a rezoning submission to the City of Ottawa with concurrent site plan application. Proposed timeline of submission April 2023.
- 05** **Step five** is financing and detailed construction drawings by the development team through most of 2023 and into early 2024.
- 06** **Step six** is construction of both buildings, with the non-profit affordable aiming slated to be completed first. Proposed timeline of construction is 2024 through 2026.
- 07** **Step seven** is building occupancy and ultimately stabilization late 2027.
- 08** **Step eight** is the commencement of distribution of funds, the building of community and the ongoing operation of beautiful, sustainable homes.

FAQ's

A development of this size, complexity and with this level of intended innovation, will continue to have a series of questions throughout the entire process. We are early days together, and some of the questions can only be answered through going through the process.

Some of the common questions include:

What will be done about parking & traffic?

The great thing about this site is the proximity to LRT. A full multi-modal transportation plan will be put in place to reduce the reliance on the automobile as much as possible. There will be some requirement for parking. It is likely that there would be a small number (e.g. 5) surface parking spots for accessibility reasons and deliveries, but any of the remaining spots would be underground parking.

We view this redevelopment as a perfect opportunity to improve the pedestrian experience on the site, with improved sidewalks and cross walks, traffic calming installations, and improved bicycle infrastructure.

Why so much revenue? Why not reduce it and improve affordability?

Given the size of the overall project (approximately \$100m development project, the vast majority funded by the development partners), the returns are modest. Any lender for the market building will require a minimum debt-service coverage ratio – in simple terms, banks (including CMHC) will look to ensure that a minimum surplus is created. The reason for this minimum surplus is to protect against any surprises (high-vacancy, tenants unable to pay rents, unexpected repairs). This minimum surplus dictates a minimum cash flow to the congregation. The good news is that the congregation can do whatever it would like with the surplus funds, including using it to subsidize rents.

Can we have a playground & other amenities?

The development partners have committed to providing a playground if desired as part of the development. Other amenities could be discussed and negotiated.

Do we risk negative public perceptions, either by doing development, or by having two separate buildings?

Leadership is never easy, and bold innovative projects are never without their critics. However, there are lots of good examples of faith groups redeveloping their site with both market and affordable housing without attracting negative attention. Leaving parking lots vacant, across from an LRT site, during a housing emergency is likely just as great (or greater) public relations liability. Similarly, there are a lot of examples in the City of Ottawa of non-profit buildings next to market buildings, without it creating a stigma or ghettoization. Some of the recent non-profit buildings are some of the nicest designed buildings in the City.

Why not more units in the non-profit building?

There is a preferred size of development for non-profit development that relates both to financing and operations. There are not many examples in Ottawa of successful non-profit high-rise development projects with hundreds of units. The proposed size is well within the sweet spot for financing and operations, and represents a viable project.

What risks does the congregation take?

Using the proposed structure, the congregation limits their risk significantly. The congregation takes on no loans, signs no guarantees, and takes no management responsibility. The risks are limited to providing the land for the development projects.

Conclusion

We are excited about the potential to create much needed housing at First U, on LRT, while providing a revenue stream long-into the future. Conditions are advantageous to create a true showpiece development, demonstrating that First U is willing to take bold action, guided by strong values.

Theia, OAHS and Cahdco are willing, able and accomplished partners who share your values and are ready to move beyond the ‘report-writing’ phase, and into the implementation phase. We look forward to your response.

Sincerely,

The Cahdco, Ontario Aboriginal Housing Services & Theia Team



APPENDIX A:

Key Terms of Letter of Intent

A full Letter of Intent would be drafted by the Parties, but we would expect the following key terms to be included:

- An intention to create a two-building development program on the First U campus;
- An intention to provide the OAHS parcel at \$1 with no ongoing revenue stream in exchange for a commitment to provide affordable and indigenous housing;
- An intention to transfer a development parcel suitable for midrise development in exchange for Limited Partnership Shares, facilitating the development of a midrise market building led by Theia Partners;
- An intention to demonstrate a revenue stream of approximately \$300,000 at full building stabilization back to First U;
- An intention that Theia/Cahdco would lead and fund a master concept plan process to be completed by November 1, 2022, and approved by First U to enable subsequent severance, rezoning, and ultimately development;
- An intention that the redevelopment reflect a high-level of environmental performance;
- An intention that the Parties would work on full legal agreements concurrently with the development of the Master Concept Plan;

In the event that a final binding legal agreement could not be completed by the Parties for May 31, 2023, reasonable costs for master concept plan development would be reimbursed by First Unitarian to Theia.

APPENDIX B:

Master Concept Planning

First U has expressed strong interest in a master concept plan as a prerequisite for moving ahead. In the initial consulting engagement, we were advised to work with Site C as the location for redevelopment. As the consultation with the congregation has unfolded, there is a renewed flexibility to determining appropriate placement of the buildings, and also an appetite for incorporating other elements (pedestrian network, playground, outdoor meeting space) into an overall plan.

While it would be an easy exercise to put forward three options for the location of the two buildings, we believe at this stage of discussion a much deeper dive is required to fully ensure development viability, and ultimately to lay the foundation for a successful rezoning and site plan application.

A thorough and accurate master concept plan would require the following team members:

- Planner/architect;
- Biologist;
- Civil Engineer (site servicing);
- Transportation engineer (with an emphasis on sustainable transportation);
- Energy/sustainability consultant.

It would also require the participation of the ultimate operators of the midrise and low-rise buildings (in this proposal, Theia and OAHS), to ensure the site plan meets the full range of requirements for a successful program.

The master concept plan would include the following:

- A thorough review of Official Plan, Secondary Plan;
- Consultation with the neighbours and key influencers;
- Development of Guiding Principles;
- Review of existing servicing and determining any servicing limitations;
- A review of existing transportation network and determining any limitations related to transportation issues (i.e. turning radii for fire trucks, requirements for multiple exits, minimum road width allowances etc);
- Charrette with the congregation, development team, design team, and community leaders;
- Development of a site plan identifying buildings, transportation network, servicing corridors, playground and ancillary uses;
- Creation of a site rendering;
- Presentation out to First U for approval.

We anticipate that this would be a four-to-six month process, with an approximate cost of \$75,000. This proposal states that Theia would fund this exercise, with an LOI in-place, with First U to reimburse if the project does not move forward in the timelines identified in the LOI.

Thank you!

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