Step-By-Step Guide to Developing Affordable Housing

Sustainable Housing Initiative

ECOH Webinar - May 2020

SUSTAINABLE HOUSING INITIATIVE

Alberta Rural Development Network

Thursday, May 21, 2020

ALBERTA RURAL DEVELOPMENT NETWORK

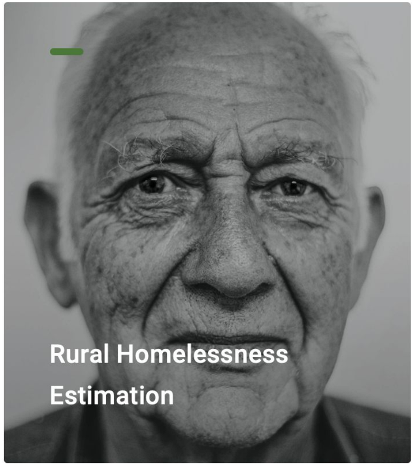
ARDN is a not-for-profit group that offers community-social development services on a cost-recovery basis.

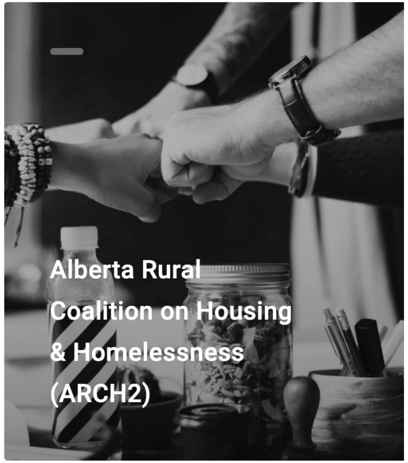
We provide:

- **Innovative tools and resources**
- **Expertise & capacity building**
- **Advocate & amplify the rural voice**
- **Help Access funding**

Alberta Rural Development Network

ARDN's INITIATIVES





WHAT WE HEARD FROM RURAL COMMUNITIES IN 2015

"We can't do this **alone**"

"We need affordable housing. We are **ready and willing**- we just need to know how."

"What are the steps?"

"It's **nearly impossible** to build affordable housing in rural communities"

"How do we engage governments **effectively**?"

SUSTAINABLE HOUSING INITIATIVE (SHI)

Redefining how people think, feel about, and create affordable housing

Supporting communities in their effort to build affordable housing that will be financially sustainable.

www.housingredfined.ca

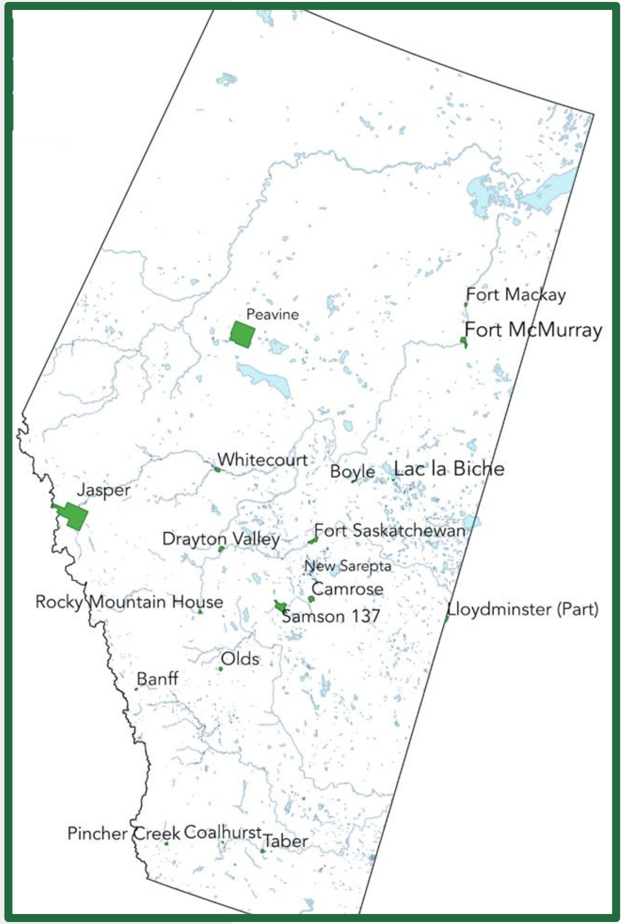
Create a **model** for developing affordable housing

Redefine how people feel about affordable housing

Create **financially sustainable** projects

SHI SUSTAINABLE HOUSING INITIATIVE

COMMUNITIES **WE HAVE WORKED WITH IN ALBERTA**



Apart from these, the Sustainable Housing Initiative (SHI) also has projects in **Ontario and is actively supporting communities across Canada**

SUSTAINABLE HOUSING INITIATIVE

THE COURTYARD PROJECT
YWCA BANFF

A **21,000 square foot**, 3-story project that will feature **33 affordable housing units** and **house ~78 people**.

YWCA Banff Courtyard conceptual renderings

33 AFFORDABLE RENTAL UNITS

12 studio apartments
9 one bedroom apartments
6 two bedroom apartments
6 four bedroom apartments

PROPOSED AFFORDABLE HOUSING PROJECT WHITECOURT

A **41,905 square foot** mixed-unit project that will **house up to 64+ people**. This project will have a second-hand store, daycare, common area, and admin space to offset operational costs.

Whitecourt, AB Entrance

42 MIXED MARKET UNITS

20 second stage/transitional units
12 affordable rental units
10 market rental units

OUR PROCESS

PHASE 1
Pre-development Feasibility Module

Understanding the need and proving viability

PHASE 2
Design Module

Visualizing the project and creating impact

PHASE 3
Securing Funding and Financing

Paying for the project

SUSTAINABLE HOUSING INITIATIVE


Step-By-Step Guide
to Developing
Affordable Housing

NATIONAL ADVISORY COMMITTEE (NAC)

- **Lynda Cuppens**
  Executive Director, Capital Initiatives, Ministry of Seniors and Housing, Government of Alberta, AB
- **Omar Dominguez**
  Strategic Advisor, Vancity Community Foundation (VCF), Impact Real Estate, BC
- **Melissa Estable**
  Manager, Co-operative Housing Development, Cooperative Housing Federation of Canada, ON
- **Kaitlyn Gillis**
  Wellbeing + Sustainability Specialist, Stantec, AB
- **Bernice Gonzalez**
  Regional Planner & Development Officer, County of Vermilion River, Kitscoty, AB
- **Caroline Hachem-Vermette**
  Assistant Prof, EVDS, Solar Energy and Community Design Lab, University of Calgary, AB
- **Vaughan Hoy**
  Principal, Architect AAA, AIBC, B.Arch(Hon), AB
- **Graeme Hussey**
  Director of Housing Development, CCOC & President, Cahdco, ON
- **Joseph Kiss**
  Senior Vice President - Modular Solutions, Horizon North Logistics Inc., AB
- **Peter Silverstone**
  Professor, Department of Psychiatry, University of Alberta, AB
- **Jason Takerer**
  Senior Specialist (Research), Canada Mortgage and Housing Corp., ON
- **Bethany Woytkiw**
  Support Services, Capital Region Housing, Edmonton, AB
- **Cliff Youdale**
  VP Asset Management, Ottawa Housing Corporation, Ottawa, ON
- **Darby Young**
  Principal Accessibility Strategist, Level Playing Field Inc., Calgary, AB

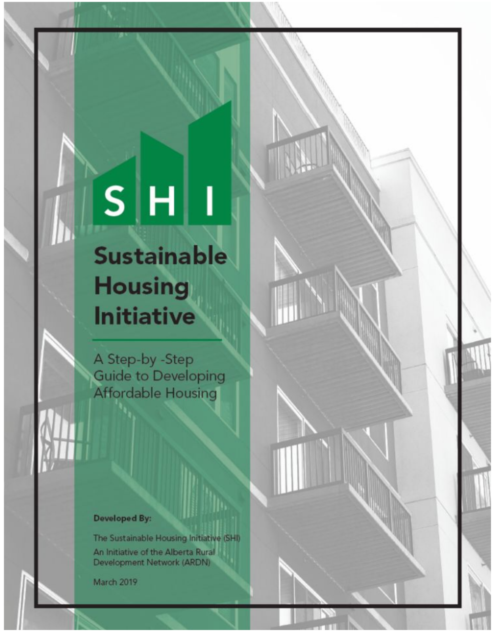
SUSTAINABLE HOUSING INITIATIVE

STEP-BY-STEP
GUIDE TO
DEVELOPING AFFORDABLE HOUSING

Developed for anyone in Canada!

ARDN provides:

- **Consulting** for pre-development
- Help **access potential funding**
- Project management and **underwriting**
- Provide overall **project consultation and plan development**



Request your free copy at **housingredefined.ca**

Available in **English** and **French**

Step-By-Step Guide to Developing Affordable Housing

INTRODUCTION & OUTLINE

LEGAL DISCLAIMER

ARDN developed this Step By Step Guide On Developing Affordable Housing as a **reference tool for communities.** Housing development is a complex process involving many stakeholders, so **we encourage your organization to contact ARDN for advice and support early on in the process.** Unless ARDN is contacted by interested organizations prior to developing affordable housing and ARDN endorses the method being followed through explicit written consent, communities that develop housing using this guide cannot use ARDN's name in their reports, nor will ARDN be held responsible for the outcomes, including but not limited to the data collection, analysis, interpretations or recommendations.

SUSTAINABLE HOUSING INITIATIVE

ACKNOWLE-DGEMENTS

The development of this Guide was funded in part by the **Government of Canada's Homelessness Partnering Strategy's Innovative Solutions to Homelessness,** and the **Canada Mortgage and Housing Corporation's Innovation Fund**. The ARDN is grateful for their support, without which this project would not have been possible.

The ARDN also gratefully acknowledges the contribution of **all those who provided their expertise, guidance, feedback and time** in the development of this document.

SUSTAINABLE HOUSING INITIATIVE

PURPOSE OF THE GUIDE

The purpose of this Guide is to be a **resource** for individuals and groups **who want to develop, build, and operate affordable rental housing.** The guide is for individuals and organizations who:

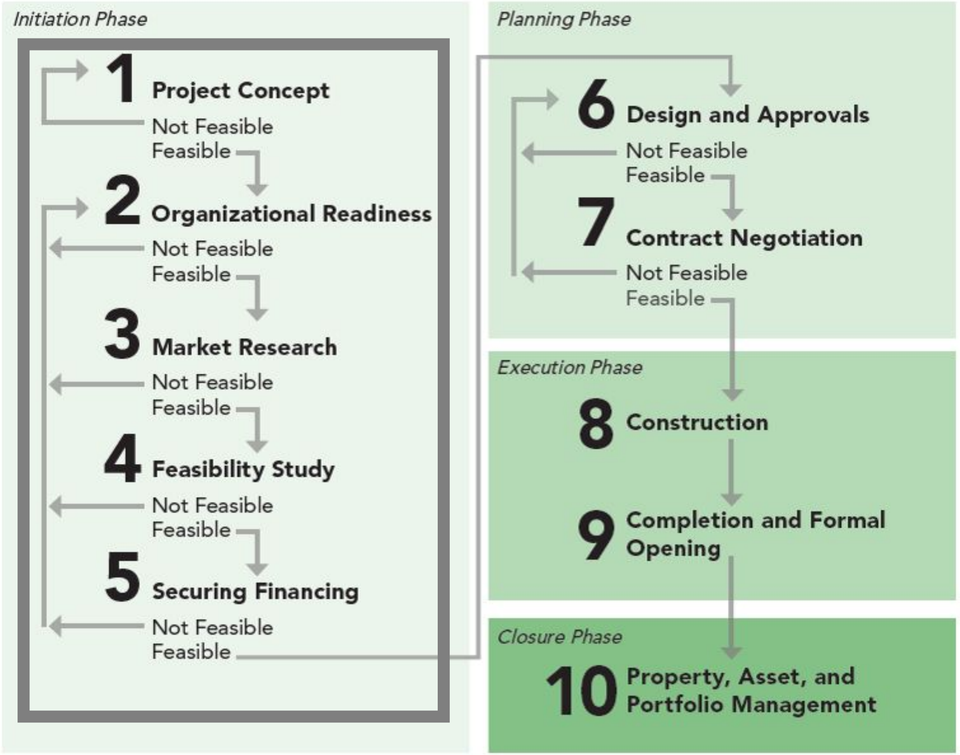
- Want to develop affordable housing but don't know where to start;
- Have land or an idea for a project but aren't sure what steps to take;
- Are looking for ways to utilize their available land inventory;
- Want to help families who can't afford the cost of housing; and
- Are trying to respond to market pressures or meet specific housing needs.

SUSTAINABLE HOUSING INITIATIVE

STEP-BY-STEP GUIDE TO **DEVELOPING AFFORDABLE HOUSING**

How the guide is organized

Phase 1 to 3



SUSTAINABLE HOUSING INITIATIVE

Step-By-Step Guide to Developing Affordable Housing

PROJECT CONCEPT

WORKSHEET #1
IMPORTANCE OF DEVELOPING A PROJECT CONCEPT

Developing a project concept is kind of like getting ready to buy a car

SUSTAINABLE HOUSING INITIATIVE

QUESTION No. 1

Who are we going to provide housing for (seniors, families, youth, women, Emergency shelter, second stage shelter, transitional housing, Co-op housing, affordable rental, affordable ownership)?

Example:
Affordable rental housing for individuals and young families.

SUSTAINABLE HOUSING INITIATIVE

QUESTION No. 2

What do we envision the new project will be?

<u>Example:</u>
Number of units: *25 units*

Type of units:
Affordable Units: 6x Studio, 5x One Bed, 5x Two Beds.
Market Units: 5x One Bed, 4x Three Beds

Size of units: *Affordable Units: Studio - 310 sq.ft, One Bed - 465 sq.ft, Two Beds - 620 sq.ft.*
Market Units: One Bed - 465 sq.ft, Three Beds - 775 sq.ft

Commercial space:
No commercial units in this development

Office space:
No office spaces in this development

Common space:
No common spaces in this development

Number of storeys:
Two Storeys

Accessibility considerations:
3 accessible units

Other details:
As applicable

SUSTAINABLE HOUSING INITIATIVE

QUESTION No. 3 & 4

Where will the new development be located, do we own land (have you had it appraised?), or is there land available (have you spoken to a real estate agent, do you have a list of potential properties?), and do we have cash to purchase it (have you gone to the bank to discuss potential mortgage financing?)

Example:
We own a parcel of land that was gifted to us by the town, which has been appraised at $1m

---

When do we want the building to be built by?

Example:
By May 2024, ~4 years from now

SUSTAINABLE HOUSING INITIATIVE

FINDING SUITABLE LAND

It is recommended to consider the following factors:

- *Size of the proposed development*
- *Parking requirements*
- *Proximity to amenities (i.e. grocery store, transit, health services, etc.)*
- *If the property is in line with the community's Municipal Development Plan, and/or Land-Use Bylaw, or will it require rezoning*
- *Development constraints (i.e. contamination)*
- *How this property relates to adjacent properties*
- *A reasonable purchase price that makes the project feasible*

SUSTAINABLE HOUSING INITIATIVE

QUESTION No. 5

What are the main reasons we have decided to explore developing affordable housing? Are there other organizations addressing this housing need in our community?

Example:
We have observed a need for housing in our community. We have very low vacancies, and waiting lists for affordable housing. We have an organization in our community providing seniors housing and some affordable housing but the units are all over 15 years+ old and in disrepair, and there is a shortage of housing.

SHI SUSTAINABLE HOUSING INITIATIVE

QUESTION No. 6

How have we identified the need, and is there a need for a new development?

Example:
Waiting lists for housing, many families and individuals accessing support services. We also have a needs assessment from 5 years ago identifying a large need for affordable housing, which needs to be updated.

SUSTAINABLE HOUSING INITIATIVE

Step-By-Step Guide to Developing Affordable Housing

ORGANIZATIONAL READINESS

WORKSHEET # 2
ASSESSING ORGANIZATIONAL READINESS

It is critical to ensure your organization is ready to undertake the development and the risk that comes with it

1. Organizational Structure
2. Board and Team Development
3. Project Planning & Management
4. Financial Management & Capacity
5. Final Assessment

SUSTAINABLE HOUSING INITIATIVE

ORGANIZATIONAL READINESS ASSESSMENT

What is your organization's mission, objectives, and strategic priorities?

Starting on the next page are a series of questions broken down into sections (each section relating to a different part of organizational readiness) that will help you gauge if your organization is prepared to take on an affordable housing project. The questions will be scored and a scoring matrix is provided at the end of each section to gauge your organization's readiness for that section. At the end of each section is a final scoring matrix to add up the total score and gauge overall organizational readiness.

IMPORTANT: WHEN SCORING, IF THE QUESTION IS NOT APPLICABLE FOR YOUR ORGANIZATION - ANSWER "YES" AND COMMENT WHY IT IS NOT APPLICABLE.

1. ORGANIZATIONAL STRUCTURE		Yes	No	Need to Address
Corporation Status	Is the organization incorporated & nonprofit status intact (if appl.)?			
	Are you in good standing with relevant government bodies?			
	Have you made all required tax filings?			
	If you are going to use a single-purpose entity or other new entity for development, has it been created? (If not relevant answer yes)			
Corporate Planning	Do you have a strategic plan or mission that identifies housing development as a key activity?			
Membership	Is the membership active and in support of housing activities?			
	Does the organization reach out to recruit low-income beneficiaries as members?			
	Has the organization made efforts to recruit members with relevant professional skills?			
Corporate Management Structure	Are the corporate lines of authority for development activities clear?			
	Does management have the ability to manage additional activities?			
	Are policies & procedures in place governing development activities?			
	Are personnel policies and performance appraisal systems in place?			
	Does the organization have a conflict of interest policy governing employees and development activities, particularly in procurement of contract services and the award of housing units for occupancy?			
Corporate Liability	Does the organization have adequate liability insurance?			
	Does the organizational structure separate housing development from other corporate activities? e.g., development subsidiary, independent development entities, separate portfolio management entity, or other legal firewalls?			
	TOTAL SCORE:			

LEGEND	"Yes" – 1 point "No" with a mitigation strategy – 0.5 points "No" – 0 point
15 points	We are fully ready to take on housing development
12 to 14 points	We are ready to take on many kinds of development
9 to 11 points	We can do limited development, but need to grow
6 to 10 points	We need to develop capacity in this area
0 to 5 points	We're not ready

SCORING CRITERIA

LEGEND	"Yes" – 1 point "No" with a mitigation strategy – 0.5 points "No" – 0 point
15 points	We are fully ready to take on housing development
12 to 14 points	We are ready to take on many kinds of development
9 to 11 points	We can do limited development, but need to grow
6 to 10 points	We need to develop capacity in this area
0 to 5 points	We're not ready

SUSTAINABLE HOUSING INITIATIVE

ASSESSMENT OF PROJECT IMPACT

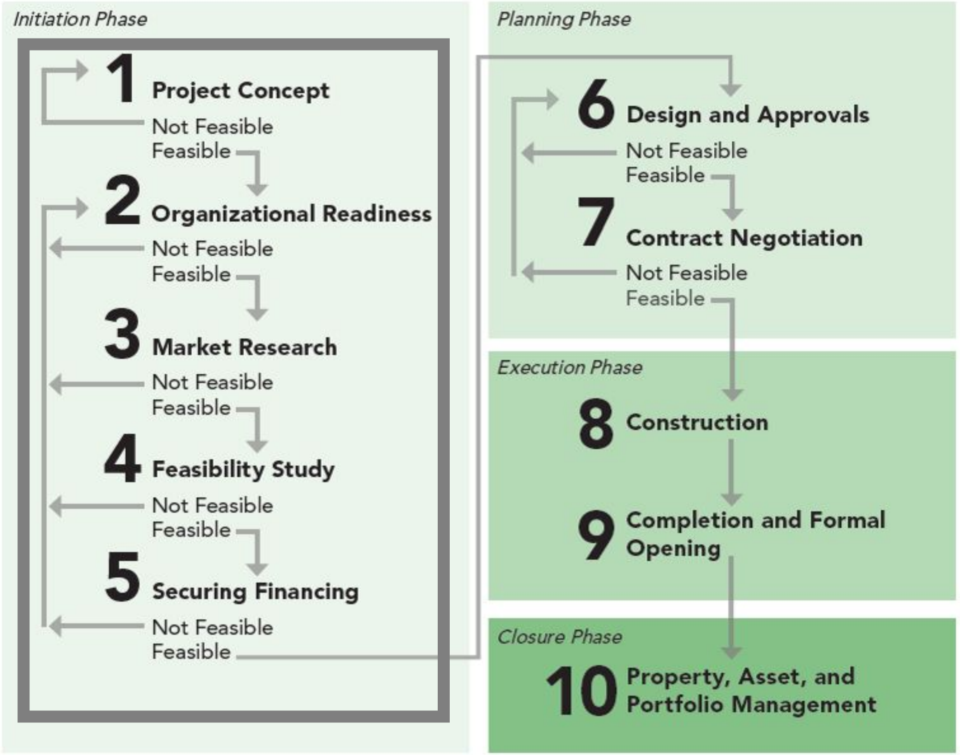
Summarize what the **overall impact of taking on an affordable housing development** will be on your organization?

SUSTAINABLE HOUSING INITIATIVE

STEP-BY-STEP GUIDE TO **DEVELOPING AFFORDABLE HOUSING**

Guide Organization

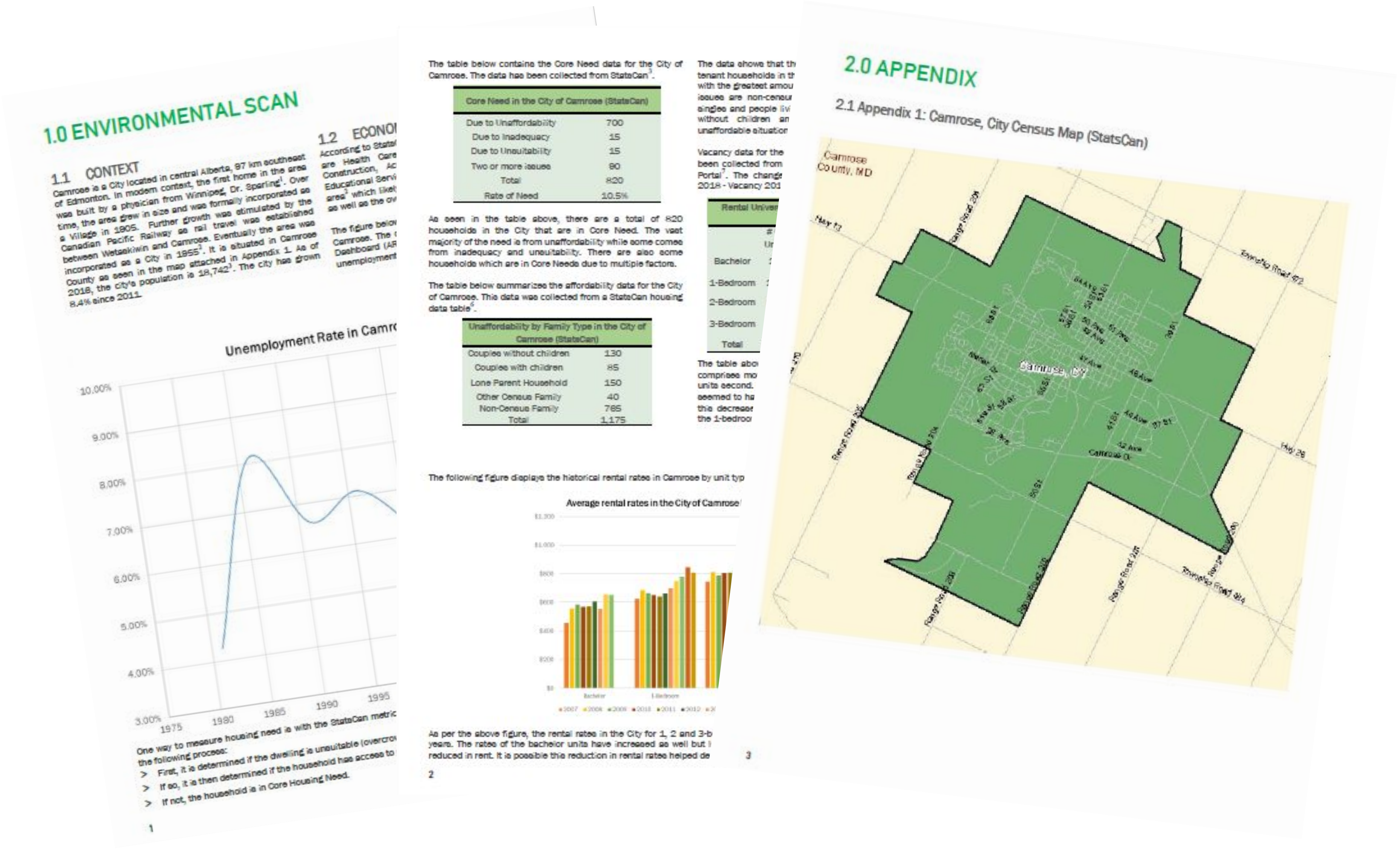
Phase 1 to 3



SUSTAINABLE HOUSING INITIATIVE

Step-By-Step Guide to Developing Affordable Housing

MARKET RESEARCH



1.0 ENVIRONMENTAL SCAN

1.1 CONTEXT

Camrose is a City located in central Alberta, 97 km southeast of Edmonton. In modern context, the first home in the area was built by a physician from Winnipeg, Dr. Sparling[1]. Over time, the area grew in size and was formally incorporated as a Village in 1905. Further growth was stimulated by the Canadian Pacific Railway as rail travel was established between Wetaskiwin and Camrose. Eventually the area was incorporated as a City in 1955[1]. It is situated in Camrose County as seen in the map attached in Appendix 1. As of 2016, the city's population is 18,742[1]. The city has grown 8.4% since 2011.

1.2 ECONO

According to Statis
are Health Care
Construction, Ac
Educational Servi
area[2] which likel
as well as the ov

The figure belov
Camrose. The
Dashboard (AR
unemployment

Unemployment Rate in Camr

One way to measure housing need is with the StatsCan metric
the following process:

> First, it is determined if the dwelling is unsuitable (overcrov
> If so, it is then determined if the household has access to
> If not, the household is in Core Housing Need.

1

The table below contains the Core Need data for the City of Camrose. The data has been collected from StatsCan[3].

Core Need in the City of Camrose (StatsCan)	
Due to Unaffordability	700
Due to Inadequacy	15
Due to Unsuitability	15
Two or more issues	90
Total	820
Rate of Need	10.5%

As seen in the table above, there are a total of 820 households in the City that are in Core Need. The vast majority of the need is from unaffordability while some comes from inadequacy and unsuitability. There are also some households which are in Core Needs due to multiple factors.

The table below summarizes the affordability data for the City of Camrose. This data was collected from a StatsCan housing data table[4].

Unaffordability by Family Type in the City of Camrose (StatsCan)	
Couples without children	130
Couples with children	85
Lone Parent Household	150
Other Census Family	40
Non-Census Family	765
Total	1,175

The following figure displays the historical rental rates in Camrose by unit typ

Average rental rates in the City of Camrose

As per the above figure, the rental rates in the City for 1, 2 and 3-b
years. The rates of the bachelor units have increased as well but l
reduced in rent. It is possible this reduction in rental rates helped de

2

The data shows that th
tenant households in th
with the greatest amou
issues are non-censu
singles and people liv
without children an
unaffordable situation

Vacancy data for the
been collected from
Portal[7]. The change
2018 - Vacancy 201

Rental Univer	
	# Ur
Bachelor	
1-Bedroom	
2-Bedroom	
3-Bedroom	
Total	

The table abo
comprises mo
units second.
seemed to ha
this decrease
the 1-bedroo

3

2.0 APPENDIX

2.1 Appendix 1: Camrose, City Census Map (StatsCan)

NEEDS & DEMAND ASSESSMENT

- **StatsCan Data** (population, income, housing costs etc.)
- **Rent & Vacancy data**, either from CMHC or another source more local to the region
- **Affordability thresholds** as defined by local, provincial or federal government
- **Waiting lists** for affordable and/or social housing
- **Strategic Plan** for the local municipality
- **Health data** from the appropriate source given your location. The relevant data from this source is: population projections, deaths, births etc.
- **Information provided** by the local community, especially those working in **social services**
- Local municipal **land use planning information**
- **Research reports** that talk about population projections and housing needs specific to your target group.

SUSTAINABLE HOUSING INITIATIVE

STUDY AREA & REGIONAL CONTEXT

- Location of the Community
- The Local Economy
- The Local Housing Situation
- Population
- Mobility Status
- Population Growth and Age Distributions
- Distribution of Household Types
- Household Income
- Industrial Mix and Fields of Study

SUSTAINABLE HOUSING INITIATIVE

HOUSING SUPPLY & DEMAND ANALYSIS

- Owner and Renter Proportions
- Structure Types in the Community
- Rent and Vacancy Rates
- Income Thresholds for Affordability

SUSTAINABLE HOUSING INITIATIVE

HOUSING GAP ANALYSIS

- Housing Suitability
- Housing Affordability
- Gap Analysis / Core Needs Estimation

SUSTAINABLE HOUSING INITIATIVE

Step-By-Step Guide to Developing Affordable Housing

PROJECT FEASIBILITY

PROJECT FEASIBILITY

There are various types of feasibility analysis that need to be considered:

- Community Feasibility
- Options Feasibility
- Land Feasibility
- Financial Feasibility

The **"Building Program"** of a project refers to how many units there will be and which type of units they will be. It also describes the square footage of units, the rent per unit, and the rent per square foot of units.

TYPE OF UNIT	BEDROOM TYPE	NUMBER OF UNITS	SF PER UNIT	RENT PER UNIT	RENT PER SF	TOTAL RENT	TOTAL SF	NUMBER OF MODULES
Affordable Units	Studio	6	310	$680.00	$2.19	$4,080.00	1,860	12
	One Bedroom	5	645	$780.00	$1.68	$3,900.00	2,325	15
	Two Bedroom	5	620	$990.40	$1.60	$4,952.00	3,100	20
	Subtotal	**16**			**$5.47**	**$12,932.00**	**7,285**	**47**
Market Units	One Bedroom	5	465	$975.00	$2.10	$4,875.00	2,325	15
	Three Bedroom	4	775	$1,399.00	$1.81	$5,596.00	3,100	20
	Subtotal	**9**			**$3.90**	**$10,471.00**	**5,425**	**35**
	Total	**25**				**$23,403.00**	**12,710**	**82**

SQUARE FOOTAGE OF INTERNALS AND EXTERNALS	
Total Square Footage of Units	12,710
Total Including Stairs and Corridors	14,023
Total Number of Modules	82.00
SF for Leasable Units	12,710
Gross Residential SF	13,818
Stairs & Corridors & Administration & Reception	1,313
Total Square Footage of Building	15,131
Parking Stalls	25
Parking and Curbing SF	2,775

The table on the left describes some totals for the building. **"SF for Leasable Units"** is the same as the Total Square Footage of Units. It is the amount of square footage that can generate revenue by being rented. **"Gross Residential SF"** adds the square footage of leasable units with parts of the building that cannot be leased, like gaps between rooms. Adding Gross Residential to the square footage of things like stairways and corridors gives us the total square footage of the building. For parking, 1 stall per unit is assumed.

SOFT COSTS	% OF TOTAL	COST	COMMENTS
Cost of Land	18.88%	$1,000,000.00	
Consultants (Arch. & Eng.)	3.48%	$184,391.89	6% of relevant costs
Others (GeoTech/Traffic/Enviro/Well Building)	1.29%	$68,453.13	
Pre-Development Costs	1.13%	$60,000.00	To be Confirmed
Marketing	0.02%	$1,250.00	To be Confirmed
Financing Fees	1.98%	$104,905.23	
Project Management Fee	0.87%	$46,174.13	To be Confirmed
Development Permit	0.01%	$500.00	To be Confirmed
Building Permits	0.15%	$8,000.00	To be Confirmed
Legal	0.38%	$20,000.00	
Contingency	3.86%	$204,666.81	5% of Relevant Costs
Insurance	0.19%	$10,000.00	To be Confirmed
Taxes	3.68%	$194,920.77	Estimated
Demolition	0.00%	-	Site Dependent
Appraisal	0.09%	$5,000.00	
Off site Levies	0.00%	-	Site Dependent
Transformer	0.47%	$25,000.00	To be Confirmed
ARDN Total Fee	1.18%	$62,500.00	$2,500.00 per Door
TOTAL SOFT LESS LAND	**18.80%**	**$995,761.97**	

HARD COSTS			% OF TOTAL	COST
General Conditions Cost	4.00%	of Hard Constr. & Parking	1.86%	$98,524.56
Winter Conditions			0.28%	$15,000.00
Hard Construction Costs	$150.00	per SF	42.84%	$2,269,657.75
Net Zero Implementation	$35.00	per SF	10.00%	$529,586.81
Foundation and Services	$35.00	per SF	3.65%	$193,456.37
Landscaping and Sidewalks	$5.32	per SF	1.52%	$80,497.19
Hard Surface Parking and Curbing	$15.00	per SF	0.79%	$41,625.00
Construction Management Fee	3.00%	of Hard Constr. & Parking	1.39%	$73,793.42
TOTAL HARD COST			**62.33%**	**$3,302,247,10**

TOTAL DEVELOPMENT COSTS	**$5,298,003.08**	**$350.14**	**per SF**

The **"Tabulation of Costs"** is a breakdown of the costs of the project. There are two main categories: soft costs and hard costs. Soft costs are costs related to the development but not actually construction work, whereas hard costs are costs directly related to construction. We have used averages in this example to reflect approximate costs.

There are different methods that can be used to estimate the cost of your project.

One is to see the cost of similar developments and use that information to estimate the cost of your project. Another method is to use available resources which present ranges and estimates on the costs of different types of projects. An example is the Altus Cost Guide published by Altus Group. Note that these costs often do not include soft costs, required infrastructure development, permit fees, offsite levies etc. It is possible to substantiate some of this missing information by adding costs based on specific quotes or estimated ranges.

Affordable: Average % Below Market Rate	20%
Market: Average % Below Market Rate	0%

The **“Rent Roll”** is a description of the rental revenues of the project. As certain units are discounted from market rates, the table below lets you change how heavily discounted you want something to be.

CALCULATION OF MONTHLY RENT

TYPE OF STRUCTURE	UNIT TYPE	NUMBER OF UNITS	RENT PER SF	RENT PER UNIT	RENT PER SPACE	TOTAL RENT
Affordable Units	Studio	-	$ -	$ -	$ -	$ -
	One Bedroom	-	$ -	$ -	$ -	$ -
	Two Bedroom	-	$ -	$ -	$ -	$ -
	Subtotals	**-**	$ -	$ -	$ -	$ -
Market Units	One Bedroom	-	$ -	$ -	$ -	$ -
	Two Bedroom	-	$ -	$ -	$ -	$ -
	Subtotals	**-**	$ -	$ -	$ -	$ -

OVERALL MONTHLY RENT	
Annualized	$ -
Total Number of Units	$ -
Residential Size (SF)	$ -
Rent per SF	$ -

SUSTAINABLE HOUSING INITIATIVE

PROJECTED OPERATING STATEMENT - REVENUE

RESIDENTIAL INCOME	25 UNITS	VACANCY RATE	UNIT/ MONTH	PER SF
Residential Revenues	$280,836	0%	$936	$22.10
Laundry	$ -		$ -	$ -
Interior Parking	$ -		$ -	$ -
Exterior Parking	$ -		$ -	$ -
Miscellaneous Income	$ -		$ -	$ -
Other Income	$ -		$ -	$ -
Potential Gross Income	**$ 280,836**			
Vacancy Loss: Res Revenues	-$11,037	3.93%		
Vacancy Loss: Laundry	$ -	0.00%		
Vacancy Loss: Parking	$ -	0.00%		
Vacancy Loss: Other Income	$ -	0.00%		
Vacancy Loss: Bad Debts	-$4,213	1.50%		
Total Loss due to Vacancy	**-$15,249**			
Effective Gross Income (EGI)	**$265,587**			

The **"Operating Statement"** breaks down the revenues and costs related to operating the building. Rents are an example of operating revenue and salaries are an example of operating expenses.

SUSTAINABLE HOUSING INITIATIVE

PROJECTED OPERATING STATEMENT - EXPENSES

RESIDENTIAL INCOME	25 UNITS	% OF EGI	UNIT/YEAR	PER SF
Taxes	$ -	0.00%	$ -	$ -
Insurance	$5,550	2.09%	$222	$0.44
Backup for Heat & Electricity	$13,875	5.22%	$555	$1.09
Water & Sewer	$19,500	7.34%	$780	$1.53
Electricity	$ -	0.00%	$ -	$ -
Heat	$ -	0.00%	$ -	$ -
Maintenance & Repairs	$23,750	8.94%	$950	$1.87
Superintendent	$15,000	5.65%	$600	$1.18
Management Fees	$10,623	4.00%	$425	$0.84
General & Admin	$2,656	1.00%	$106	$0.21
Replacement Reserve	$5,312	2.00%	$212	$0.42
Housekeeping	$ -	0.00%	$ -	$ -
Direct Operating Costs	$ -	0.00%	$ -	$ -
Advertising and Promotion	$1,250	0.47%	$50	$0.10
Garbage/Snow/Landscaping	$2,500	0.94%	$100	$0.20
Wages & Benefits (Property Manager)	$50,000	18.83%	$2,000	$3.93
Professional Fees	$ -	0.00%	$ -	$ -
Elevator(s)	$ -	0.00%	$ -	$ -
Miscellaneous	$ -	0.00%	$ -	$ -
Total Expenses	**$150,016**	**56.48%**	**$6,001**	**$11.80**
Total Expenses as % of EGI	**56.5%**			
Total Expenses as % of PGI	**53.4%**			
Res. Net Operating Income (NOI)	**$115,571**		**$4,623**	**$9.09**

SUSTAINABLE HOUSING INITIATIVE

PROJECT COST	
Land Cost	$1,000,000
Construction Costs (hard costs)	$3,302,241
Construction Costs (soft costs)	$995,762
TOTAL PROJECT COST	**$5,298,003**

EQUITY AVAILABLE		
Land Value (if owned)	$1,000,000	18.88%
Required Contribution	-	0.00%
Provincial Government Loan	-	0.00%
Federak Government Grant	$853,458	16.11%
Federal Government Loan	-	0.00%
Proponent Equity	$500,000	9.44%
0% Loan	-	0.00%
Municipal Grant	$500,000	9.44%
TOTAL EQUITY AVAILABLE	**$2,853,458**	53.86%

Required Contribution	$1,062,721

MORTGAGE FINANCING		
Total Project Cost	$5,298,003	
Total Equity Available	$3,916,179	
Financing Required	$1,381,824	0.00%
LTC	26.08%	
Interest Rate	4.50%	
Amortization	20	
Annual Debt Payment	$104,905	

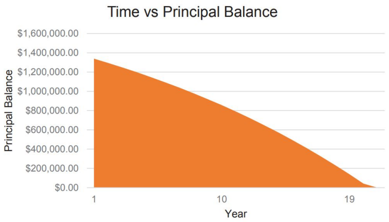
The **"Capital Budget"** breaks down how the project is funded. There are two main sources: Equity and Debt. Equity is funds provided by government, grants, the client, or other sources not requiring payments. Debt is usually a bank loan or loans from other lending organizations. If you have available equity for the project such as land or cash, insert the values below.

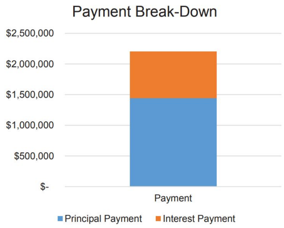
The amount of debt that a project should take on is an important discussion and will both determine the feasibility of the project as well as the eligibility of funding. While it is tempting to ask for the majority of the project costs from funders, it is unlikely to happen and does not convey the image of a sustainable project. Funders are more likely to fund a project which shows that it is sustainable without an overly large contribution. This means that, all else equal, a project which can support 50% of its development cost as debt is more attractive to funders than a project which can only support 5% of its development cost as debt.

Increasing the amount of debt that your project can carry is a function of various other metrics such as rent, construction costs, operational costs etc. The project should be revised and reformed to ensure that the most amount of debt possible can be supported. As an example, for previous ARDN housing projects, the goal has been to see projects require less than 30% of its total development cost in capital funding. The remaining 70% should be allocated between guaranteed equity sources and debt.

FINANCIAL RATIOS	
Debt/Yield in Year 1	8.36%
Debt/Equity in Year 1	0.35
LTV in Year 1	68.75%
Debt/Yield in Year 11	20.51%
Debt/Equity in Year 11	0.18
LTV in Year 11	28.03%

MORTGAGE DETAILS	
Mortgage Amount	$1,381,824
Number of Payments	20
Total Principal Payment	$1,443,321
Total Interest Payment	$759,688
Total Cost	$2,203,009





MORTGAGE SCHEDULE

YEAR	STARTING BALANCE	PAYMENT	INTEREST PAID	PRINCIPAL PAID	NEW BALANCE
0	$1,381,824.00	$104,905.21	$62,182.08	$42,723.13	$1,339,100.87
1	$1,339,100.87	$104,905.21	$60,259.54	$44,645.67	$1,294,455.20
2	$1,294,455.20	$104,905.21	$58,250.54	$46,654.73	$1,247,800.47
3	$1,247,800.47	$104,905.21	$56,151.02	$48,754.19	$1,199,046.28
4	$1,199,046.28	$104,905.21	$53,957.08	$50,948.13	$1,148,098.15
5	$1,148,098.15	$104,905.21	$51,664.42	$53,240.79	$1,094,857.36
6	$1,094,857.36	$104,905.21	$49,268.58	$55,636.63	$1,039,220.73
7	$1,039,220.73	$104,905.21	$46,764.93	$58,140.28	$981,080.45
8	$981,090.45	$104,905.21	$44,148.62	$60,756.59	$920,323.86
9	$920,323.86	$104,905.21	$41,414.57	$63,490.64	$856,833.22
10	$856,833.22	$104,905.21	$38,557.49	$66,347.72	$790,485.51
11	$790,485.51	$104,905.21	$35,571.85	$69,333.36	$721,152.14
12	$721,152.14	$104,905.21	$32,451.85	$72,453.36	$648,698.78
13	$648,698.78	$104,905.21	$29,191.44	$75,713.77	$572,985.01
14	$572,985.01	$104,905.21	$25,784.33	$79,120.89	$493,864.13
15	$493,864.13	$104,905.21	$22,223.89	$82,681.33	$411,182.80
16	$411,182.80	$104,905.21	$18,503.23	$86,401.98	$324,780.82
17	$324,780.82	$104,905.21	$14,615.14	$90,290.07	$234,490.74
18	$234,490.74	$104,905.21	$10,552.08	$94,353.13	$140,137.61
19	$140,137.61	$104,905.21	$6,306.19	$98,599.02	$41,538.60
20	$41,538.60	$104,905.21	$1,869.24	$103,035.97	$ -

The **"Mortgage Summary"** provides financial information regarding the mortgage for the modeled project based on all of the information and assumptions inputted into the model. It provides some financial ratios as well as a break-down of the mortgage in terms of interest vs principal payments.

VACANCY	VACANCY LOSS	EGI	SURPLUS	DCR IN YEAR 1
7.73%	-$21,702.16	$254,921.30	$0.00	1.00
AVG	-$11,036.85	$265,586.61	$10,665.31	1.10
0.0%	$ -	$276,623.46	$20,929.58	1.20
2.0%	-$5,616.72	$271,006.74	$15,706.03	1.15
4.0%	-$11,233.44	$265,390.02	$10,482.48	1.10
6.0%	-$16,850.16	$259,773.30	$5,258.94	1.05
8.0%	-$22,466.88	$254,156.58	$35.39	1.00
10.0%	-$28,083.60	$248,539.86	-$5,188.16	0.95
12.0%	-$33,700.32	$242,923.14	-$10,411.71	0.90
14.0%	-$39,371.04	$237,306.42	-$15,635.26	0.85
16.0%	-$44,933.76	$231,689.70	-$20,858.81	0.80
18.0%	-$50,550.48	$226,072.98	-$26,082.36	0.75
20.0%	-$56,167.20	$220,456.26	-$31,305.91	0.70
22.0%	-$61,783.92	$214,829.54	-$36,529.46	0.65
24.0%	-$67,400.64	$209,222.82	-$41,753.01	0.60
26.0%	-$73,017.36	$203,606.10	-$46,976.56	0.55
28.0%	-$78,634.08	$197,989.38	-$52,200.11	0.50
30.0%	-$84,867.52	$192,372.66	-$57,423.66	0.45
32.0%	-$89,867.52	$186,755.94	-$62,647.21	0.40
34.0%	-$95,848.24	$181,139.22	-$67,870.76	0.35
36.0%	-$101,100.96	$175,522.50	-$73,094.31	0.30
38.0%	-$106,717.68	$169,905.78	-$78,317.86	0.25
40.0%	-$112,334.40	$164,289.06	-$83,541.41	0.20
42.0%	-$117,951.12	$158,672.34	-$88,764.96	0.15
44.0%	-$123,567.84	$153,055.62	-$93,988.51	0.10
46.0%	-$129,184.56	$147,438.90	-$99,212.06	0.05
48.0%	-$134,801.28	$141,822.18	-$104,435.61	0.00
50.0%	-$140,418.00	$136,205.46	-$109,659.16	0.05

A **"Sensitivity Analysis"** should be done when you want to know how a value changes when a related value changes. For example, how well does your project cover its debt obligations as project costs increase.

Here we do a sensitivity analysis of DCR by vacancy. This analysis will tell us how well we can cover debt obligations at different levels of vacancy. In the table on the left, the top left number is the "break-even point" and describes the value of the metric at which the DCR is 1.

REVENUE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Residential Revenues	$280,836.00	$287,856.90	$295,053.32	$302,429.66	$309,990.40
Potential Gross Income (PGI)	**$280,836.00**	**$287,856.90**	**$295,053.32**	**$302,429.66**	**$309,990.40**
Vacancy Loss: Res. Revenues	$(11,036.85)	$(11,312.78)	$(11,595.60)	$(11,885.49)	$(12,182.62)
Vacancy Loss? Bad Debts	$(4,212.54)	$(4,317,85)	$(4,425.80)	$(4,536.44)	$(4,649.86)
Total Vacancy Loss	**$(15,249.39)**	**$(15,630.63)**	**$(16,021.40)**	**$(16,421.93)**	**$(16,832.48)**
Effective Gross Income (EGI)	**$265,586.61**	**$272,226.27**	**$279,031.93**	**$286,007.73**	**$293,157.92**

OPERATING EXPENSE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Taxes	$ -	$ -	$ -	$ -	$ -
Insurance	$5,550.00	$5,688.75	$5,830.97	$5,976.74	$6,126.16
Backup for Heat & Electricity	$13,857.00	$14,221.88	$14,577.42	$14,941.86	$15,315.40
Water & Sewer	$19,500.00	$19,987.50	$20,487.19	$20,999.37	$21,524.35
Electricity	$ -	$ -	$ -	$ -	$ -
Heat	$ -	$ -	$ -	$ -	$ -
Maintenance & Repairs	$23,750.00	$24,343.75	$24,952.34	$25,576.15	$26,215.56
Superintendent	$15,000.00	$15,375.00	$15,759.38	$16,153.36	$16,557.19
Management Fees	$10,623.46	$10,889.05	$11,161.28	$11,440.31	$11,726.32
Superintendent	$2,655.87	$2,722.26	$2,790.32	$2,860.08	$2,931.58
Replacement Reserve	$5,311.73	$5,444.53	$5,580.64	$5,720.15	$5,862.16
Housekeeping	$ -	$ -	$ -	$ -	$ -
Direct Operating Costs	$ -	$ -	$ -	$ -	$ -
Advertising and Promotion	$1,250.00	$1,281.25	$1,313.28	$1,346.11	$1,379.77
Garbage/Snow/Landscaping	$2,500.00	$2,562.50	$22,626.56	$2,962.23	$2,759.53
Wages & Benefits (Property Manager)	$50,000.00	$51,250.00	$52,531.25	$53,844.53	$55,490.64
Professional Fees	$ -	$ -	$ -	$ -	$ -
Elevators(s)	$ -	$ -	$ -	$ -	$ -
Miscellaneous	$ -	$ -	$ -	$ -	$ -
Total Expenses	**$150,016.06**	**$153,766.46**	**$157,610.63**	**$161,550.89**	**$165,589.66**
Total Expenses as % of EGI	**56.48%**	**56.48%**	**56.48%**	**56.48%**	**56.48%**
Total Expenses as % of PGI	**53.42%**	**53.42%**	**53.42%**	**53.42%**	**53.42%**
Res. Net Operating Income (NOI)	**$115,570.54**	**$118,459.81**	**$121,421.30**	**$123,456.83**	**$127,568.25**
Annual Debt Payment	**$104,905.23**	**$104,905.23**	**$104,905.23**	**$104,905.23**	**$104,905.23**
Debt Coverage Ratio (DCR)	**1.10**	**1.13**	**1.16**	**1.19**	**1.22**
Surplus	**$10,665.31**	**$13,554.57**	**$16,516.07**	**$19,551.60**	**$22,663.02**
Asset Value	**$2,009,922.48**	**$2,060,170.55**	**$2,111,674.81**	**$2,164,466.68**	**$2,217,578.35**

The **“proforma”** is a projection into the significant future that demonstrates the long-term feasibility and strength of the development. It is effectively an operating statement from the first year of operations to a later year of operations, typically covering a 25 or 50 year span. In addition to the details from the operating statement, the proforma also includes:

- **The Debt Coverage Ratio (DCR):** This is determined by dividing the Net Operating Income (NOI) by debt payments and it tells the reader whether or not the revenues are covering debt expenses.
- **The Cash Flow:** This is NOI minus the debt payments. It is the amount of cash left on hand at year end.
- **Asset Value:** This describes what the development is worth by year end.
- **The Total Accumulated Replacement Reserve:** The amount of money put aside for building maintenance. Calculated by adding all previous reserve contributions to the new year’s reserve contribution.
- **The Total Ending Surplus:** The cumulative cash on hand. This is calculated by adding cash flows from all previous years to the current year’s cash flow.
- **The Ending Reserve and Surplus:** The sum of the accumulated reserve and the total ending surplus. The Growth in Revenues and Expenses: Describes the assumed growth of revenues and expenses.

Client Name	Sample Financial Model
Project Details	-
Contract Number	-
Version	-
Data	February 8, 2019

PROGRAM SUMMARY

Total Units	25
Total Square Footage of Units	12,710
Total Number of Modules	82
Gross Residential SF	13,818
Total SF of Building	15,131

UNIT TYPE SUMMARY

Affordable Units	Studio	6
	One Bedroom	5
	Two Bedroom	5
	Total	**16**
Market Units	One Bedroom	5
	Three Bedroom	4
	Total	**9**

COSTS SUMMARY	
Total Soft Cost	$995,761,97
Total Hard Cost	$3,302,241.10
Total Development Cost	$5,298,003.08
Cost of Land	$1,000,000.00

CAPITAL SUMMARY	
Total Project Cost	$5,298,003
Proponent Equity Including Land	$1,500,000
Required Contribution	$1,062,721
Provincial Government Loan	-
Federal Government Grant	$853,458
Federal Government Loan	-
0% Loan	-
Municipal Grant	$500,000
Financing Required	**$1,381,824**
Loan to Cost	**26.08%**

RENT ROLL SUMMARY*	
Overall Monthly Rent	$23,403.00
Annualized	$280,836.00
Rent per SF	$1.84

OPERATING SUMMARY*	
Potential Gross Income	$280,836
Effective Gross Income	$265,587
Operating Expenses	$150,016
Operating Expense Ratio	56.48%
Net Income	$115,571
DCR	1.10
Surplus	$10,665

* Calculated on an annualized basis

SUSTAINABLE HOUSING INITIATIVE

Step-By-Step Guide to Developing Affordable Housing

BUSINESS CASE

STEP ONE
STATING THE CORPORATE PROFILE

Corporate Profile

- History
- Mandate (Mission, Vision, Values)
- Organizational chart

SHI SUSTAINABLE HOUSING INITIATIVE

STEP TWO
STATING THE PORTFOLIO PROFILE

Portfolio Profile

- Operations
- Programs

SUSTAINABLE HOUSING INITIATIVE

STEP THREE
PROVIDING INSTITUTIONAL CONTEXT

Institutional Context

- Role in Providing Housing
- Stakeholder Relationships

SUSTAINABLE HOUSING INITIATIVE

STEP FOUR
PLAN DEVELOPMENT

Plan Development

- What work has been done? Who did it?
- What is to be done next?

SUSTAINABLE HOUSING INITIATIVE

STEP FIVE
ENVIRONMENTAL SCAN

Environmental Scan

- Housing Need Context
- Affordable Housing Continuum

SUSTAINABLE HOUSING INITIATIVE

STEP SIX
FINANCIAL PLAN & FORECASTS

Financial Plan and Forecasts

- Building Program Breakdown
- Project Cost Breakdown
- Capital Budget Breakdown
- Proforma

Interest rate of *x%* amortized over *x years* with debt coverage ratio (DCR) of *x* with a replacement reserve of *x% (~$x yearly)* of effective gross income (EGI) and showing *~$x* in positive cashflow in the first year with increase on the DCR and cash flow year over year. At year 10 we project the DCR will have improved to *~x* with *~$x* in positive cashflow.

SUSTAINABLE HOUSING INITIATIVE

STEP SIX
FINANCIAL PLAN & FORECASTS (CONT.)

- **For interest rate go to:**
  Capital Budget Sheet, Cell B50
- **For amortization go to:**
  Capital Budget Sheet, Cell B51
- **For DCR go to:**
  Year 1 - 5 Sheet, Cell B40
- **For replacement reserve % go to:**
  Operating Budget Sheet, Cell C39
- **For replacement reserve $ go to:**
  Operating Budget Sheet, Cell B39
- **For Cash Flow go to:**
  Year 1 – 5 Sheet, Cell B41
- **For Year 10 DCR go to:**
  Year 6-10 Sheet, Cell F40
- **For Year 10 Cash Flow go to:**
  Year 6 – 10 Sheet, Cell F41

SUSTAINABLE HOUSING INITIATIVE

STEP SEVEN
CONCLUSION

- **Reiterate the opportunity,** highlight the key strengths of your plan, **summarize your vision,** and **remind the reader why your project will be successful.**

- **Identify a clear call to action** depending on the target audience; if it is for funders to read, the call to action is request for the funding required to move the project forward, and the return on investment.

SUSTAINABLE HOUSING INITIATIVE

FINAL STEP
EXECUTIVE SUMMARY

- The most important reason to include an executive summary is that **in many cases, it is the only thing the reader will read.**
- **Summarize each section in the same order** in which the items are presented within the full business case.
- Think about your core strengths. Ask yourself **what differentiates your project** from the hundreds of other affordable housing projects.

SUSTAINABLE HOUSING INITIATIVE

STEP-BY-STEP GUIDE TO **DEVELOPING AFFORDABLE HOUSING**

Guide Organization

Phase 1 to 3

SUSTAINABLE HOUSING INITIATIVE

SHI Workshops Across Canada

- Prince Rupert
- Halifax
- Ottawa
- Lethbridge
- Winnipeg
- Yellowknife
- Quebec City

We are conducting workshops across Canada that takes a hands-on approach to the Guide to better inform communities and organizations.

This workshop uses the Guide to lead groups through the affordable housing process for a specific, attendee-chosen, project.

Keep an eye out for SHI workshops across Canada!

Alberta Rural Development Network

SUSTAINABLE HOUSING INITIATIVE

POSSIBLE NEXT STEPS **FOR YOU**

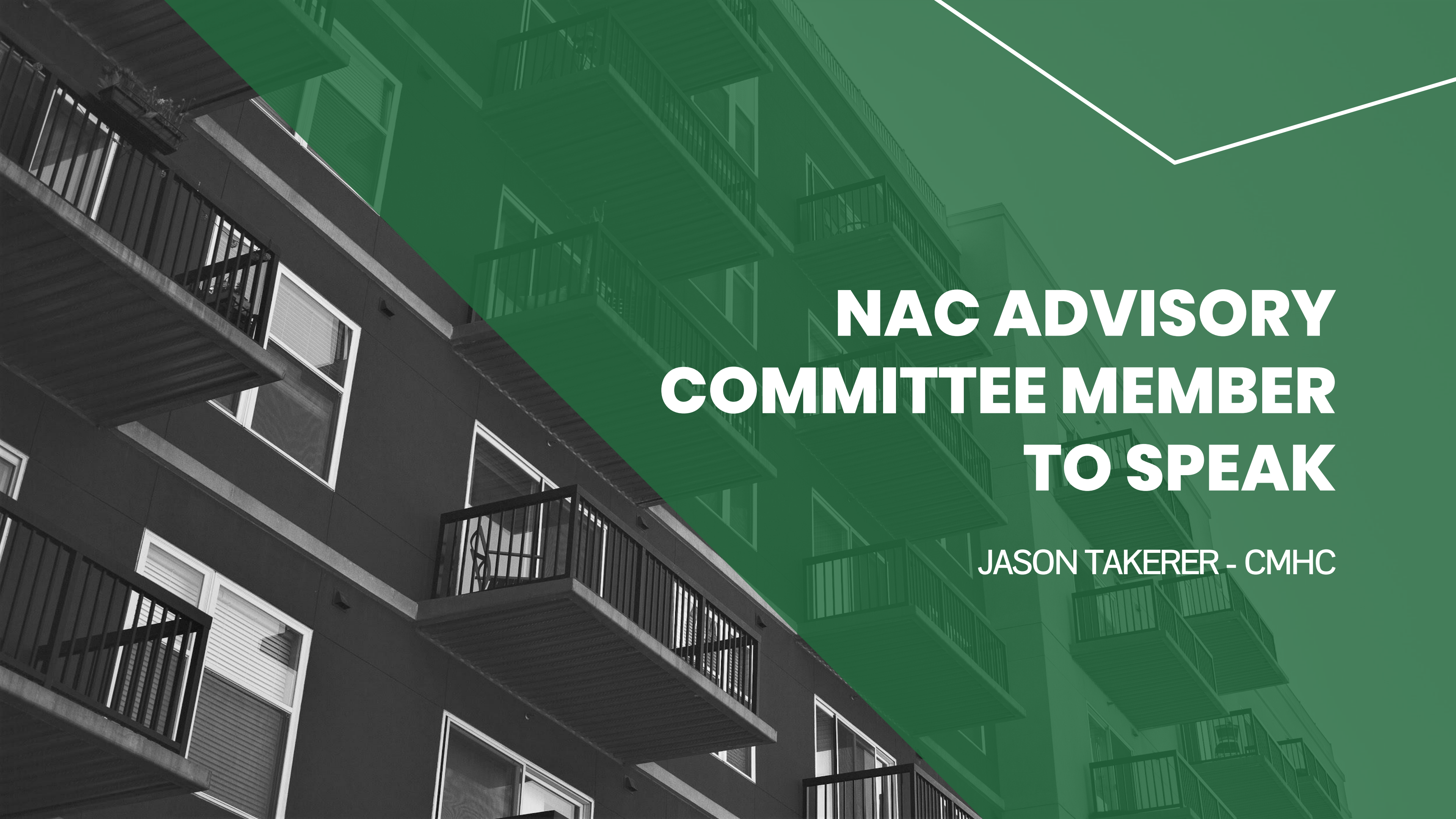
- Project Concept
- Organization Readiness Assessment
- Needs Assessment
- Financial Analysis
- Business Case

Visit our website **housingredefined.ca** to request access to our Step-By-Step Guide to Developing Affordable Housing.

Follow the guide to start developing your own project. **If you do not have the capacity then connect with the SHI to help you find a way** to complete all pre-development work and access funding.

Alberta Rural Development Network

SUSTAINABLE HOUSING INITIATIVE



NAC ADVISORY COMMITTEE MEMBER TO SPEAK

JASON TAKERER - CMHC

THANK YOU

Zain Abedin
Director
Community Development
zaina@ardn.ca
780.893.3457

Asad Bhatti
Manager
Capital Funding
asadb@ardn.ca
780.802.6706

SUSTAINABLE HOUSING INITIATIVE

Alberta Rural Development Network