Essential Spaces

Real (Estate) Solutions for Community Needs

October 2024

United Way Greater Toronto | University of Toronto | Infrastructure Institute | School of Cities

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As the largest non-government funder of community services in the GTA, United Way Greater Toronto reinforces a crucial community safety net to support people living in poverty. United Way's network of agencies and initiatives in neighbourhoods across Peel, Toronto and York Region works to ensure that everyone has access to the programs and services they need to thrive. Mobilizing community support, United Way's work is rooted in groundbreaking research, strategic leadership, local advocacy and cross-sectoral partnerships committed to building a more equitable region and lasting solutions to the GTA's greatest challenges.

unitedwaygt.org

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Foreword

Maybe you've heard that the local food bank or settlement house is being priced out of the neighbourhood and might have to move. Or noticed your once busy community hub suddenly shuttered, a sign of thanks, apology and goodbye in the window. It's a cautionary tale playing out across the region and around the country, in real time. Our community service spaces are in danger of disappearing. The fact is that with today's volatile real estate market, it's not only housing that has become unaffordable. A full 70% of community service organizations across the GTA studied rent their premises. At a time when costs have exploded, jumping as high as 57% over the last decade. It means the vital connective tissue that holds our neighbourhoods together, that provides essential services – from mental health counseling to afterschool programming – and that offers crucial public space for residents to connect and engage, is under threat. Just when the stakes have never been higher and those needs never greater – when one in four families is living in poverty and the region is poised for growth.

Essential Spaces: Real (Estate) Solutions for Community Needs, a partnership between United Way Greater Toronto and the Infrastructure Institute at the School of Cities, University of Toronto brings the rigour of social science research, data collection and mapping to bear in examining this concerning trend. The report literally maps out community real estate holdings across Peel, Toronto and York Region, where they show up in relation to community needs and structural inequities experienced today and projected for the future. It frankly assesses the risks confronting the sector, while also showcasing the creative and innovative responses of individual community service organizations leveraging spaces, whether owned or leased, for community benefit. And importantly, it identifies opportunities for action, so that we, from wherever we stand, can work together to intervene. Before it's too late.

The report reminds us of the extraordinary value of community space and services – how they truly are community assets supporting us through the most trying of times. It gives us hope that different approaches to community real estate, both leasing and ownership, can be fundamental tools in developing the right solutions and it offers the evidence base for us to take concrete steps right now. So that the food bank and the settlement house and the counseling program and the community hub continue to be there when we need them. In your neighbourhoods and ours.

We've seen how the story ends if we do nothing, but we also know that if we leverage the power of public, private and civic sectors, philanthropy, academia and novel partnerships across the board, we can overcome this community crisis of space and instead build community resilience and equity into the bricks and mortar of our region's neighbourhoods, ensuring the long-term security and vitality of local community services and spaces for generations to come.

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Family Service Toronto, image by Infrastructure Institute

Executive Summary

Bathurst Finch Hub, image by Infrastructure Institute

The Greater Toronto Area (GTA) relies on the community services sector to ensure the well-being of its residents. Agencies provide critical services ranging from after-school care to shelters and food banks while also undertaking preventative and systems change approaches to address underlying root causes of poverty and related issues. The spaces from which agencies operate vary in size, tenure and access and are sustained through diverse revenue streams and partnerships. With significant anticipated population growth and densification affecting neighbourhood change and impacting an increasingly volatile commercial real estate market, agencies are going beyond their capacities to meet growing community needs in spaces that are often unsuitable and unaffordable[1]. Despite the important social safety net provided by community and social service agencies, little research has been conducted to understand the space-related needs and risks affecting the sector.

This research examines the current spatial distribution of owned and leased community and social service agency spaces in Peel, Toronto and York Region in relation to community needs to assess sector strengths and vulnerabilities.

The dataset utilized in this analysis is an initial compilation of community service agency spaces and does not comprehensively capture all organizations. Data reflects a subset of agencies, capturing only those charities who self-report to the CRA against select CRA categories understood as community and social services (See Appendix B for more details).

An interactive map was created to visualize community assets in relation to an equity index developed for this analysis that combines several key indicators, including residents living in low income households and unaffordable housing. The mapping component is supplemented by six qualitative case studies capturing agencies' experiences with space access and management.

1 Infrastructure Institute, 2022

This research also explores tenure, or an agency's legal relationship to its space, differentiating between ***community-owned real estate (CORE) and community-leased real estate (CLRE)***, to understand the impact of tenure on agency and sector stability. CORE refers to spaces that are owned and operated by community agencies while CLRE refers to spaces leased by the sector either within the commercial real estate market or through non-market lease agreements with government, corporate or nonprofit partners. Due to data limitations, this report does not disaggregate data by CLRE model. So, while the trends overall capture sustainability challenges connected to leasing, there are instances where agencies are finding sustainability by leasing from supportive partners.

Community-Owned Real Estate (CORE) refers to spaces that are owned and operated by community agencies.

Community-Leased Real Estate (CLRE) refers to spaces leased by the sector either within the commercial real estate market or through non-market lease agreements with government, corporate or nonprofit partners.

Used broadly, ***community real estate*** refers to community-oriented models that deepen long-term sustainability of the community services sector for dedicated and lasting community benefit. Models include direct agency space ownership as well as provision of flexible and long-term leases to agencies, generated through partnerships with governments, public institutions and the private sector.

The findings are a testimony to the sector's capacity to meet needs despite growing spatial, financial and social challenges. As a whole, the data reveals agencies across the region are mainly clustered in areas of greatest need and close to major intersections and transit stations.

The research also highlights several gaps in service access, namely in parts of the 905, in Brampton and Mississauga (in Peel Region), where needs are more dispersed and in the less-populated townships of Caledon (in Peel Region), East Gwillimbury, Georgina, King and Whitchurch-Stouffville (in York Region). In Peel Region, these gaps result from widely dispersed settlement patterns of middle to high-need areas that are not in proximity to the clusters of agencies near higher-need areas. In York Region, many of its towns and townships have relatively lower populations, which lack the population threshold to sustain a service center.

Across the GTA, including in Peel and York Region, while investment in new transit infrastructure provides an opportunity to mitigate existing gaps by increasing accessibility and promoting agency space redevelopment, it may also push out and uproot existing agencies if planning policies and zoning by-laws are not intentional about preserving service spaces as land values rise.

A considerable risk for agencies who rent space is also evident in the findings. The vast majority of community and social service agency spaces included in the study are leased (70%), with less than a quarter (24%) owned. In examining occupancy costs, almost one third of agencies have unhealthy occupancy cost percentages, and among them, 60% are CLRE. Occupancy costs for CLRE have outpaced those for CORE over the past 10 years, rising on average 10% higher, with the most significant increases for lessees in the City of Toronto. For agencies unable to balance these often unpredictable cost increases in their operating budgets, displacement or closure is inevitable.

Ownership & Operational Model Matrix

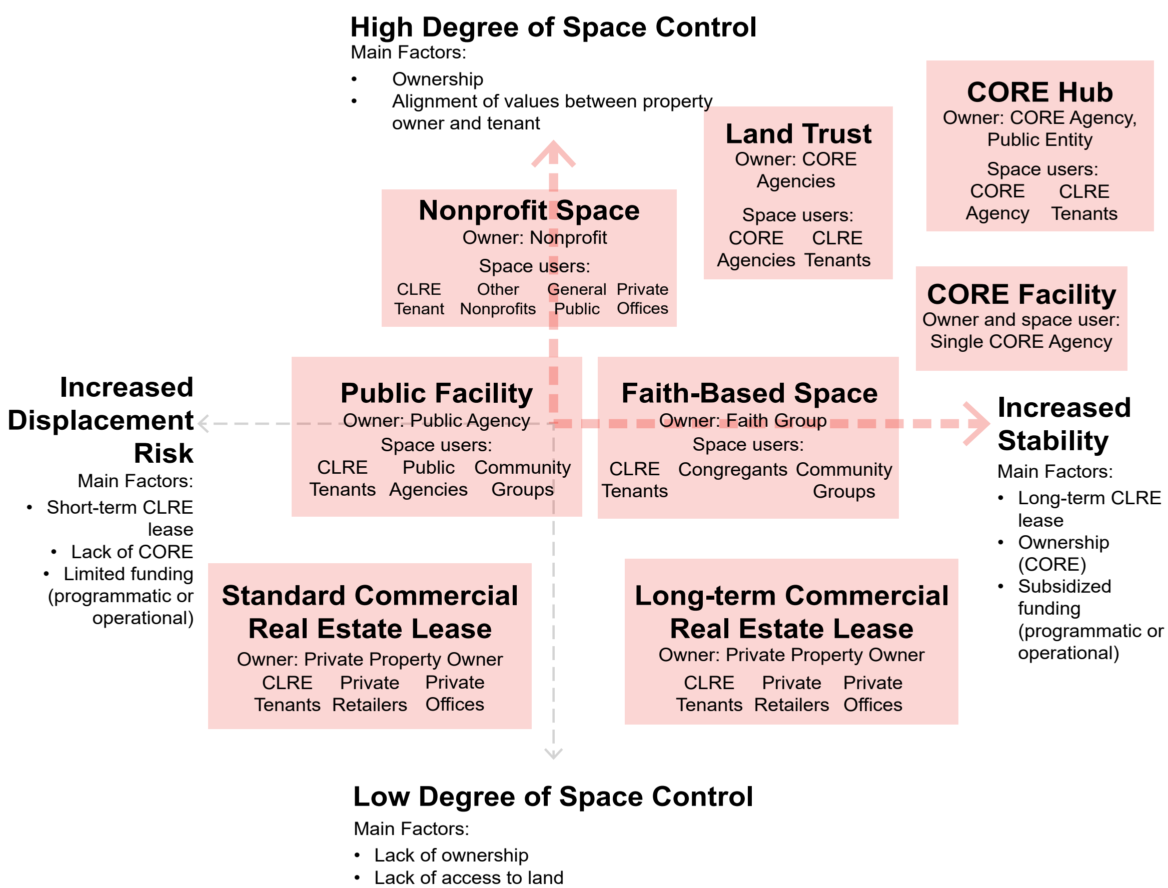

Figure 1: Ownership & Operational Model Matrix

Ownership can bring benefits of location security, control over space and wealth generation. Nonetheless, it is not without challenges and risks. Occupancy costs as a proportion to overall revenues for CORE are typically higher than their counterparts who rent. Beyond the steep upfront costs required to acquire or develop new CORE, additional challenges exist, like securing available adequate space/land and acquiring a skilled team with nonprofit real estate development expertise who can steer the project to realize anticipated outcomes.

Moreover, pursuing CORE for Indigenous-led community and social service agencies requires a different approach as their relationship to land is different than other agencies. Reconciliation requires real estate interventions that treat Indigenous organizations as distinct. Commitments to reconciliation are missing if Indigenous-led organizations are expected to purchase land or a building by the same fundraising processes open to all agencies.

Because ownership is risky and not for everyone, exploring arrangements that make CLRE more favourable for agencies is as important as securing more CORE. Beyond traditional ownership and leasing models, creative partnerships that bring agencies together with mission-aligned private developers, property owners, local governments, or other nonprofit agencies are integral to increasing the prominence of agency

Agency Assessment of CLRE or CORE

CLRE

Advantages

- Lower occupancy costs on average than ownership
- Minimal or no responsibility over maintenance and new renovations
- Lower financial barrier to access new spaces
- Greater flexibility in organizational changes

Risks

- Rent increases are beholden to market fluctuations and may increase drastically each year
- Property owner may decide not to renew lease, displacing the current CLRE tenant
- Lack of control over maintenance and upkeep
- Lack of control over physical changes to space

Measures minimizing risk

- Tenancy in mission-aligned community owned space
- Tenancy in a public facility, faith-space, or other nonprofit owned space
- Long-term lease agreement
- Below market-rate rent
- Support from municipal partners and funders

Better suited for agencies that:

- Are smaller and newer
- Have limited staff and board capacity or interest in pursuing real estate development
- Have unpredictable revenue sources

CORE

Advantages

- Neighbourhood stability
- Increased control over space
- Opportunity to build equity
- Potential for new revenue streams (i.e. from leasing space)
- Potential to provide CLRE options for other agencies

Risks

- High upfront capital costs
- For agencies building new CORE: delayed approval process may strain resources and capacity
- Mortgage payments in a high-interest rate environment may be costly
- Additional resources required for upkeep and maintenance and management of tenants (where applicable)
- Reduced service capacity during construction period

Measures minimizing risk

- Having ownership of a property in an area with high development potential
- Staff and board members with expertise in real estate development
- Financial resources to bring professional expertise to guide the development process, from pre-development to construction and operations
- Support from public, private, or other nonprofit partners
- Entering a mutually beneficial development partnership

Better suited for agencies that:

- Are larger and have a considerable record of delivering services
- Have owned and/or managed property for a long time
- Have stable funding sources (government or other)
- Have longer-standing relationships with public bodies
- Have expertise with real estate development
- Have expertise with long-term operations and maintenance

Figure 2: Agency Assessment of CLRE or CORE

spaces. Many of the best space arrangements for the sector can be found in the top right quadrant of the Ownership & Operational Matrix (a non-exhaustive list), which provide the highest degree of space control and stability (see Figure 1).

A CORE hub model, whether the space is owned by a community agency or a public entity, can provide lasting stability to agencies through ownership or long-term leases, as the space itself is dedicated to community benefit and responsive to agency and service user needs. Leasing space from other public facilities, nonprofits or faith-based spaces can also provide security and lower-cost rents as these owners are not profit seeking organizations. While leasing from the private sector is not always ideal, there are examples of private developers partnering with agencies to co-develop land or offering stable long-term leases.

In summary, strengthening the sector requires supporting sector capacity to pursue CORE while increasing the stability of CLRE spaces through creative non-market leasing and ownership models, especially to address neighbourhoods with service gaps and intensifying neighbourhoods likely to undergo change. Additional research and knowledge mobilization around innovative community and social finance tools and socially-driven development structures suitable to more stable community space acquisition and development—both CORE and CLRE–can further enhance sector capacity in this area.

Lastly, critical to building up the sector is identifying appropriate CORE and CLRE models best suited to distinct scenarios and circumstances. Figure 2 summarizes advantages and risks of ownership and leasing models.

Recommendations

The present research has informed five recommendations directed at key parties including each tier of government, academics, sector convenors, funders and the development industry.

Recommendation 1: Build sector knowledge of the benefits of CORE and the conditions under which CORE is most suitable

Academic Institutions and Sector Convenors: Provide free or low-cost training and skill building opportunities to community and social service sector agency leadership, including board members, to enhance sector knowledge around the possibilities and market risks of CORE, including different CORE arrangements and models, key steps and milestones of the development process (pre-development, construction and operations) and available financing tools (e.g., grant and loan programs) and impact investment products (e.g., community and social impact bonds).

Public Agencies, Academic Institutions and Researchers: Invest in collective research to support the development and growth of innovative community finance tools, public benefit funds and socially-driven development structures such as community land trusts and community hubs with potential to accelerate CORE development[2]. Lead knowledge mobilization activities highlighting how these social finance tools, funds and development structures can lower barriers to entry for CORE while supporting broader social impact goals around community-wealth building and long-term sustainability of the community services sector.

Sector Convenors: Convene and broker partnerships with social purpose and nonprofit real estate development companies with the requisite skills and expertise to steward community and social service organizations

2 Ontario Nonprofit Network, 2020

through their real estate development projects. Likewise, establish partnerships with the academic and social finance sectors and provide opportunities for community services sector leaders to learn from them about how innovative community and social finance tools and models can be leveraged for CORE and sustainable CLRE development.

Recommendation 2: Enhance and streamline access to funding and finances for agencies demonstrating optimal conditions for CORE development

Funders, including Government (all-tiers): Provide and/or develop grants, funding and low-cost financing tools that target specific stages of the development process. This includes funding for the early stages of development (e.g., exploration of acquisition, pre-development costs and land acquisition) and low-cost patient capital loans for later construction stages.

Provincial and Municipal Governments: Develop social impact investment products for approved community services sector real estate projects to help raise adequate capital. In particular, prioritize approved projects that also meet green building targets, already in line with many public objectives, where high-efficiency design generates long-term cost-saving benefits. Despite global market volatility, investors remain confident in these products when backed by a credible public body[3].

Funders, including Government (all-tiers): Remove unnecessary conditions to grants and financing impeding agencies from accessing available funding opportunities, including requirements for secured long-term (20+ years) funding and reserve fund limits. In instances where requirements cannot be removed, create new grants and financing vehicles catered towards agencies that do not meet these requirements.

Funders: Identify opportunities to raise capital for the various stages in a CORE development project. This includes donations or social impact investment products in the form of funds or bonds directed to specific projects that return social value. In addition to traditional means of communication and networking, digital platforms can help reach new value-aligned donors and investors.

Recommendation 3: Prioritize land provision and long-term funding for Indigenous CORE

Government (all-tiers): Identify opportunities to expand real estate ownership for Indigenous agencies through disposition of publicly-owned lands. Additionally, prioritize Indigenous uptake of incentives and tools named in the other recommendations in this report, through stand-alone processes, to accelerate Indigenous-led CORE projects.

Funders, including Government (all-tiers): Create a consistent, dedicated funding stream for Indigenous agencies for CORE development and operations that is separate from other funding. Having dedicated funding for Indigenous agencies demonstrates a commitment to reconciliation by treating Indigenous needs as exceptional.

Recommendation 4: Incentivize the protection of existing and the development of new agency spaces–both CLRE and CORE–alongside infrastructure investment

Provincial and Municipal Governments: Create a coordinated regulatory framework with mechanisms that reinvest rising land values resulting from new transit investments towards the building and operations of social

3 City of Toronto, 2023

infrastructure. The appropriate mechanisms may be a combination of density bonuses, infrastructure levies, development charges or issuing of bonds.

Provincial and Municipal Governments: Mandate new development proposals include community space provisions in transit-oriented development, major transit station areas, and new priority transit corridors. This may include provisions in Official Plan or Secondary Plan policies and/or zoning by-laws.

Government (all-tiers): Require nonprofit and community partnerships on all public land development RFPs, federal, provincial and municipal. This will maximize public benefits of mixed-use development on publicly-owned lands.

Provincial Government: Establish rental replacement policies that require developers to replace affordable commercial space rented by an identified nonprofit agency in new development projects. Policies could be similar to existing Rental Replacement By-laws[4].

Municipal Governments: Incentivize long-term partnerships by waiving fees and awarding tax-free statuses to owners leasing or partnering with agencies, including in anticipated transit-oriented development areas. Tax incentives are an effective way of encouraging property owners to lease to community and social service agencies by making it more financially appealing than renting to a private commercial tenant.

Municipal Governments: Expand or create new programs in collaboration with the community services sector to protect agency spaces and enhance long-term tenancy stability. This includes leasing publicly-owned and managed spaces to eligible agencies for long-term, non-market rents, including in areas where future transit investment is planned.

Recommendation 5: Establish partnerships with mission-aligned organizations to build new CORE and support non-market CLRE

Sector Convenors: Support partnership development through convening and brokering activities that bring together interested parties across sectors to explore imminent and future opportunities that can distribute risks of CORE across several partners and/or provide long-term viable CLRE options. Recognize the importance of defining clear governance structures and timelines, especially relevant for development of joint spaces.

Agencies pursuing CORE: Build new spaces under community ownership models that provide opportunities to offer long-term non-market leases and shared community spaces to other agencies. This includes purpose-built community hubs, community land trusts, and other ownership models generally belonging in the top-right quadrant of the Ownership & Operational Model Matrix (see Figure 1). This helps stabilize smaller agencies financially, enhances collaboration, and maximizes resource use. Providing access to shared facilities can also support capacity building and operational efficiency and foster more resilient and sustainable community service infrastructure.

CORE Agencies: Leverage existing equity towards new CORE development, for your own or other agencies. In a covenant partnership model, the equity from existing CORE can be leveraged to provide a loan guarantee for another, likely smaller, organization.

Provincial and Municipal Governments: Develop surplus or underutilized publicly-owned land in partnership with the community services sector to ensure long term benefits accrue to the community through CORE development and operations and/or provision of low-cost and long-term CLRE agreements. Incentivize CORE and/or non-market and

4 United Way, 2023

long-term CLRE development on publicly-owned lands by fast-tracking and waiving fees for development approvals containing social benefit.

Provincial and Municipal Governments: Align and enhance policies and programs for community space provision and operations, particularly for agencies operating in the outer areas of the 905. This may include a minimum allocation of space or designating uses in Official Plans or Secondary Plans, or targeting funding tools (including funding for operating costs) and incentives listed in recommendation 2 towards municipalities experiencing gaps.

Municipal Governments: Encourage developers to partner with community and social service organizations as part of the new Community Benefits Charge to enable affordable CORE and non-market CLRE development.

Developers (for profit and nonprofit) and Community Service Agencies: Establish development partnerships with community and social service agencies where mutually beneficial CORE and CLRE spatial and financial arrangements can be struck[5]. Partnerships can be used to pool land and financial resources with fast-tracked approvals, overcoming obstacles that one partner cannot face alone.

Public Agencies and Government (all-tiers): Develop a comprehensive public database listing lease opportunities in CORE properties, faith-based spaces and public facilities. Such a database can help streamline the search process and facilitate matchmaking for community and social service organizations seeking non-market, long-term leases.

5 Geva & Siemiatycki, 2023

1.0 Introduction

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1.0 Introduction

Community and social service agencies operate at the frontlines of our cities, providing critical, timely and culturally responsive programs and services to residents in need. With more than one in four families across the GTA living in poverty, the need is high[1]. From after-school activities, health clinics and settlement services for newcomers to housing supports, employment assistance and spaces for community engagement and leadership, community and social service agencies are called upon to fill critical gaps in a deteriorating social safety net. Intersecting challenges, such as housing unaffordability and food insecurity, are placing extraordinary pressures on residents, and increasing demands on agencies.

In addition to grappling with growing and increasingly complex service demands, staffing and volunteer shortages, and rising operating costs, agencies now face a volatile commercial real estate market, driven by regional growth, redevelopment, and intensification. As a result, agencies are struggling to secure suitable and stable spaces for their operations: 50-60% of nonprofits surveyed in a 2022 study reported being in spaces that are not keeping up to agency and service user needs[2]. Further, all respondents to the Ontario Nonprofit Network's 2023 State of the Sector survey reported facing higher costs and expenses than the previous two years[3].

There is limited research examining space-related challenges facing the nonprofit sector, and even less identifying evidence-based solutions to mitigate these risks. This report makes a novel contribution to the literature by digging into trends in the distribution and tenure of community and social service agency spaces across Peel, Toronto and York Region.

The goal of the research is threefold:

I. to understand the current distribution of leased and owned community and social service agency spaces in relation to existing community needs and structural inequities,

II. to provide an assessment of space-related risks (e.g., displacement and closures) facing the community services sector in relation to neighbourhood change and future community needs, and

III. to identify opportunities and cross-sector solutions (e.g., shared ownership and innovative partnership models) to mitigate space-related risks and strengthen long-term sector sustainability.

The organizations examined in this research are a subset of registered charities delivering community services in Peel, Toronto and York Region. Collectively, program delivery spaces are referred to as "agency spaces". The report explores trends within two subcategories of agency spaces:

Community-Owned Real Estate (CORE) refers to spaces that are owned and operated by community agencies.

Community-Leased Real Estate (CLRE) refers to spaces leased by the sector either within the commercial real estate market or through non-market lease agreements with government, corporate or nonprofit partners.

1 Canada Revenue Agency T1FF Taxfiler data, 2022
2 Infrastructure Institute, 2022
3 Ontario Nonprofit Network, 2023

Inn from the Cold, image by Infrastructure Institute

Used broadly, the term **community real estate** refers to community-oriented models that deepen long-term sustainability of the community services sector for dedicated and lasting community benefit. Models include direct agency space ownership as well as provision of flexible and long-term leases to agencies, generated through partnerships with governments, public institutions and the private sector.

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2.0 Approach

This research takes a mixed methods approach, relying on both quantitative and qualitative methods to develop:

1. Spatial analysis and an interactive map of agency spaces included in the study, both CORE and CLRE, in Peel, Toronto and York Region, including an equity analysis examining the location of spaces in relation to existing and future community needs and opportunities.
2. Six case studies featuring agency experiences with space-related challenges and opportunities.
3. Initial recommendations to help mitigate space-related risks facing the sector.

Mapping Agency Spaces

We collected data and created maps showing the current distribution of community and social service spaces across the region vis-à-vis current and future neighbourhood needs.

Data on the location of spaces came from two sources: the Canada Revenue Agency (CRA) and Findhelp | 211. Agencies included in this study are limited to registered charities who self-report to the CRA and provide at least one of the following services:

- Career development
- Community health services
- Educational supports
- Provision of free meals/food
- Free distribution of goods
- Housing supports
- Professional services for structurally disadvantaged groups
- Settlement services
- Other community services

To complete our data analysis we identified the categories and subcategories in CRA's T3010 form that correspond to the services listed above; cross-referenced and joined CRA data with Findhelp | 211's community services list to capture spaces of agencies with multiple locations; conducted a matching exercise providing a list of agency spaces for mapping and analysis; and determined tenure by examining CRA data and property assessment rolls at each respective municipal archive.

The dataset utilized in this analysis is an initial compilation of community service agency spaces and does not comprehensively capture all organizations. Data reflects a subset of agencies, capturing only those charities who self-report to the CRA against the categories described above. Community service agencies who have made errors in their self-reported service categories or who reported only against a primary category not captured in this study may be excluded, despite offering services across the categories included in this analysis.

Critical to the mapping process was development of an equity index combining seven indicators to understand community needs. The index classifies need across census tracts (CTs) into quintiles, with Q1 representing lowest need and Q5 highest need.

Indicators Used to Form Equity Index

- **% of Low Income Housing by Low-Income Measure (LIM)**
- **% of Low Income Households by Market Basket Measure (MBM)**
- **% of Renters in Core Housing Need**
- **% of Renters in Unaffordable Housing**
- **% of Short-term Workers**
- **% of Working Poor**
- **% of Youth Not in Employment, Education, or Training (NEET)**

Further details on the selection criteria of agency spaces and data limitations are discussed in Appendix A: Criteria for Site Selection. For a full description of the methodology used see Appendix B: Methodology. For further details on the equity variables and data sources included in the equity index, see Appendix C: Equity Indicators.

Agency Case Studies

The report includes six case studies profiling agencies' experiences with CORE and/or CLRE, including identification of real estate risks and opportunities impacting each organization's ability to meet community demand. The full case studies, which can be found in Appendix E, feature the following locations:

Bathurst-Finch Hub
Toronto

Family Service Toronto
Toronto

Inn From the Cold, Newmarket
York Region

Krasman Centre, Richmond Hill
York Region

Miziwe Biik, Toronto
Toronto

St. Leonard's Place, Brampton
Peel Region

Recommendations

There is no single or simple solution to address the space-related risks facing agencies uncovered through this research. As a starting point, this report identifies five recommendations to ensure the sector can continue to meet community demand for services where they are most needed, in spaces that are dignified, appropriate, affordable and self-sustaining.

2.0

3.0 Findings

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3.0 Findings

Nine high-level findings have been identified based on analysis using the interactive map (https://schoolofcities.github.io/essential-spaces/map) created to observe the distribution of included CORE and CLRE assets across Peel, Toronto and York Region as well as insights from the case studies:

Bathurst Finch Hub, image by Infrastructure Institute

Organization Characteristics

1. The majority of agency spaces (70%) are leased (CLRE). Less than a quarter (24%) are owned (CORE).
2. The majority of organizations (66%) operate only one service location; single-location agencies have the highest proportion of CORE at 32%.

Spatial Trends

3. Agency spaces are strongly correlated with population density and community need.
4. Agency spaces tend to cluster around major intersections, transit stations and urban cores, increasing accessibility of services.
5. Areas of highest need generally have a higher percentage of CLRE at 78% compared to lower-need areas (68%).

Occupancy Costs

6. Occupancy costs as a proportion to total revenues are higher for CORE than CLRE (including market and non-market leases). Almost a third of agencies have unhealthy occupancy cost percentages.
7. Over a 10-year period, increases to occupancy costs for CLRE have outpaced increases for CORE by 10%.

Social Barriers

8. Stigma fuelled by prejudice, discrimination and racism limits agencies' access to space, particularly for leased spaces.

Space Stability

9. Spaces developed under community ownership models provide increased stability for both CORE and CLRE agencies.

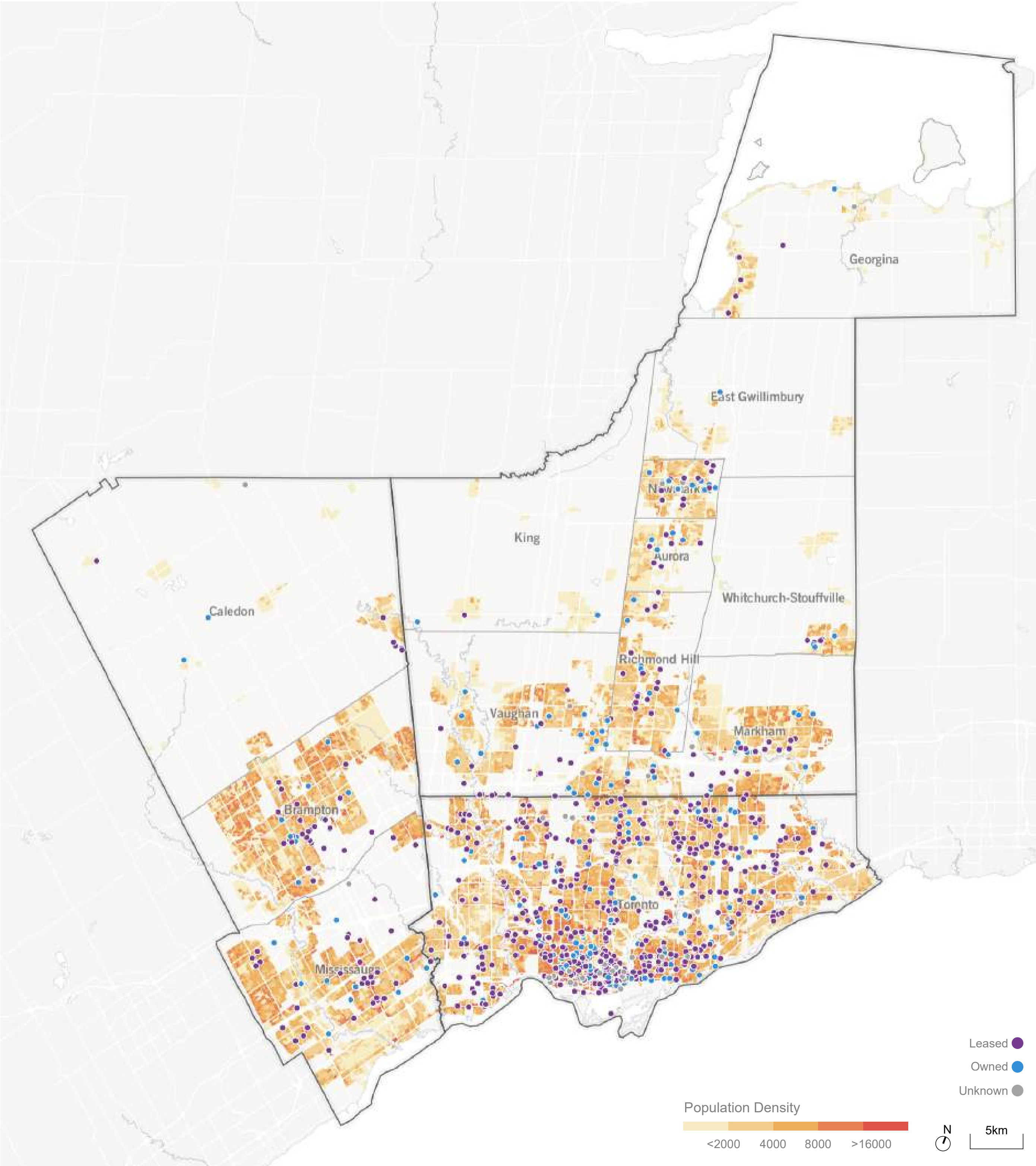

Figure 3: Map of agency spaces included in this study overlaid with population density

3.0 Organization Characteristics

1. The majority of agency spaces (70%) are leased (CLRE). Less than a quarter (24%) are owned (CORE).

Of the agency spaces included in this study, 70% are CLRE and 24% are CORE.

Looking proportionally, York Region has the highest percentage of owned spaces, at nearly 30%. This is followed by Toronto at 23% and Peel Region at 19% CORE.

Agency Spaces Tenure Breakdown

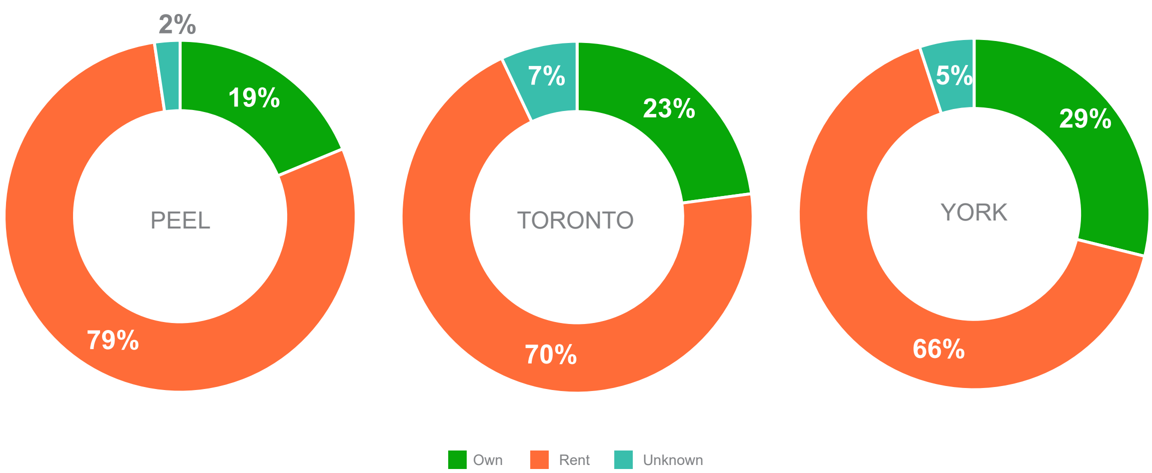

Figure 4: Percentage of agency spaces included in this study by tenure and region

2. The majority of organizations (66%) operate only one service location; single-location agencies have the highest proportion of CORE at 32%.

The community services sector is characterized by agencies with a single location: 66% of all agencies included in this study operate out of a single location. Agencies with two to three locations is the next largest cohort, representing 16% of all agencies.

Organizations with fewer locations are more likely to have a larger ownership share of their spaces. Among agencies operating one, two, or three- sites, 32% of locations are owned and 68% leased (see Table 6).The ownership percentage drops by half to 16% of all spaces for agencies with ten or more locations, demonstrating that organizations with more service locations are more likely to rent their sites.

Single location	2-3 locations	4-9 locations	10+ locations	TOTAL
66%	16%	14%	4%	100%

Table 1: Breakdown of agencies by number of locations

Breakdown of Agencies by Number of Locations

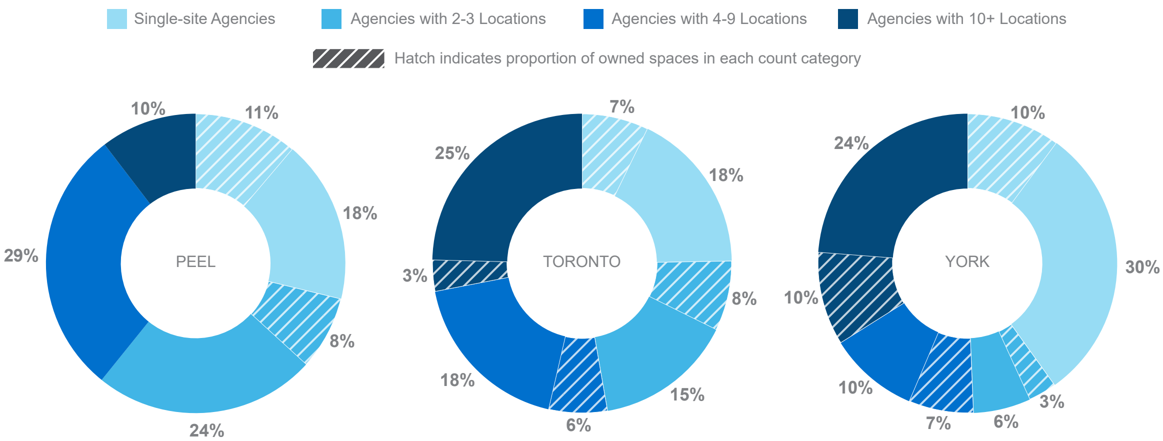

Figure 5: Tenure of regions organized by location count

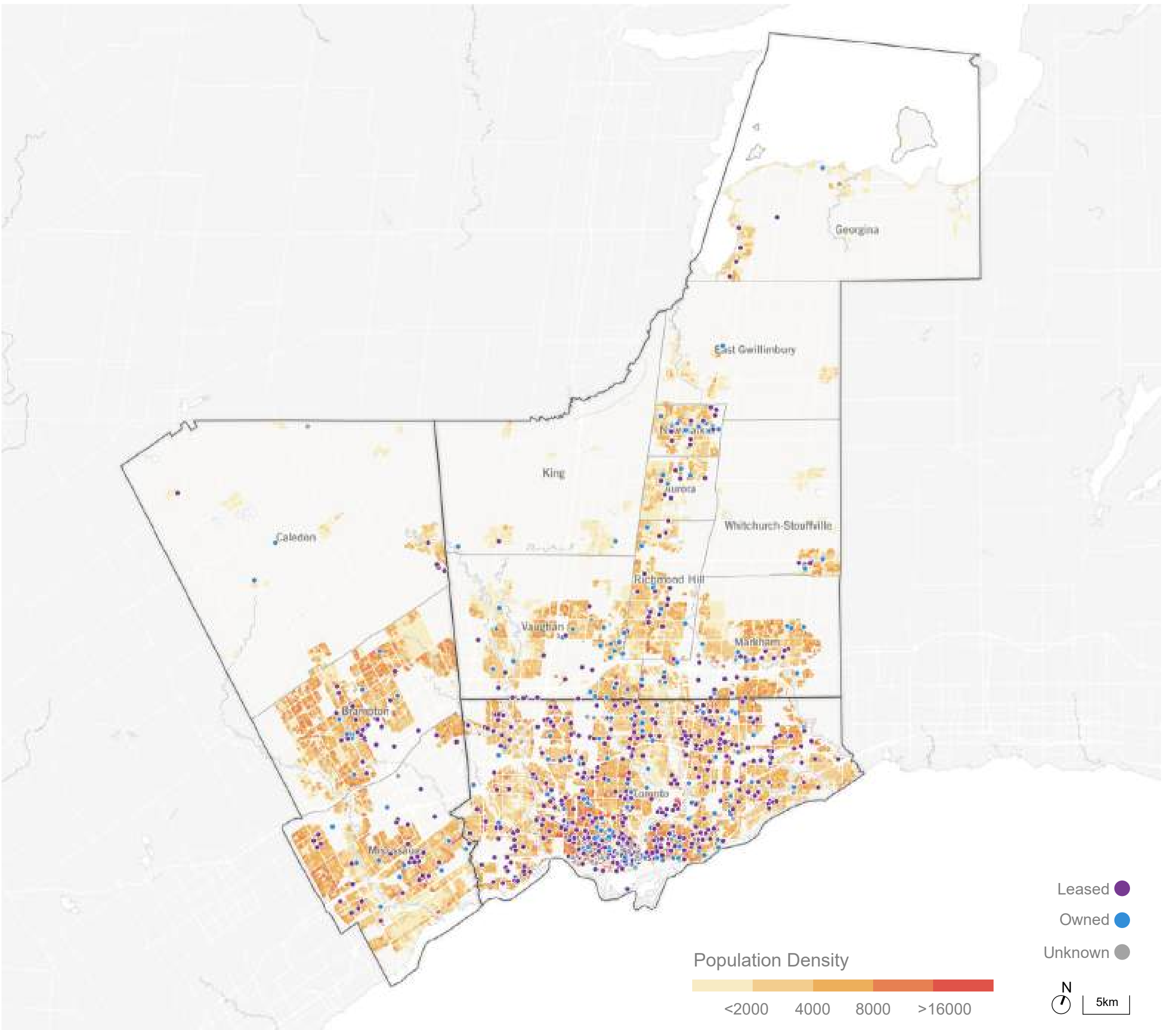

Figure 6: Map of agency spaces included in this study overlaid with population density

3.0

3.0 Spatial Trends

3. Agency spaces are strongly correlated with population density and community need.

Areas with higher population densities, including areas near major intersections and downtown cores, host more agency spaces (see Figure 6). Rarely are there any agencies found in areas with a population density of under 1000 residents/km2, indicating minimum user thresholds as a potential factor in determining an agency's location.

More importantly, the research shows agencies are located where need for services is high: agency spaces are generally well-aligned with high-need populations, where Q1 represents areas least in need and Q5 represents areas most in need on the equity index. Notwithstanding the number of agencies serving each region, this analysis shows that higher-need census tracts on average have more agency locations.

Towns and townships in the 905 that lack density (Caledon, King, Georgina and East Gwillimbury) have significantly fewer agency locations but are also among areas with lower needs.

The data reveals some misalignment of agency space locations and populations in medium to high areas of need in Peel Region. The spatial analysis reveals gaps in some Q5 and Q3 census tracts, which are spread over broader tracts of land away from major transit stations and intersections. (see Figure 7)

In Toronto, the data shows more agency spaces in Q1 and Q2 census tracts compared to Q3 and Q4. The exact reason for this discrepancy requires further research. It may be that agencies in lower need areas are more established and have remained in their spaces through neighbourhood change processes shifting commnity needs over time.

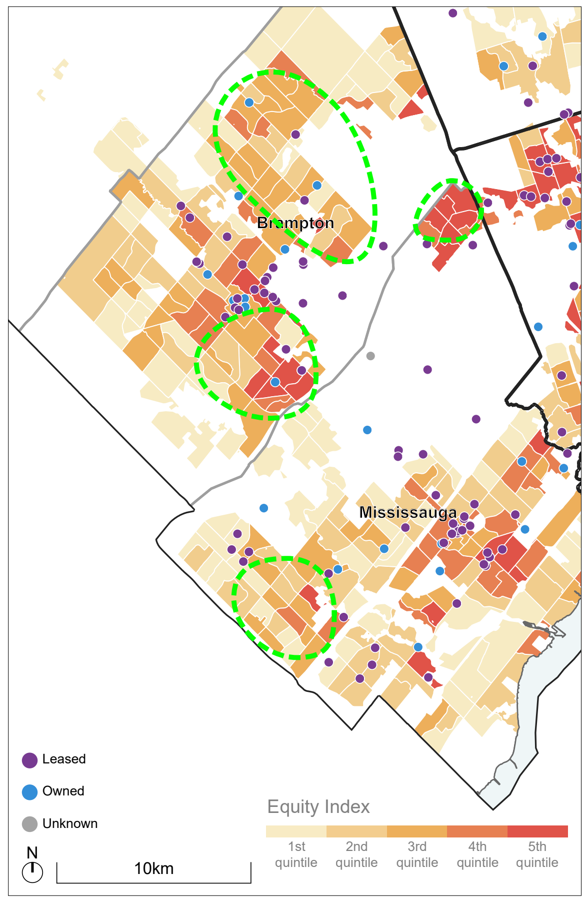

Figure 7: Map of agency spaces included in this study overlaid on equity index show gaps against agency spaces

		Peel	Toronto	York	Total Average
Overall Average		3.15	17.11	5.73	10.91
Equity Index Organized by Quintile	**Q1 (least in need)**	1.23	17.21	4.01	7.13
	Q2	2.29	18.32	5.12	9.00
	Q3	3.72	14.56	6.14	9.69
	Q4	6.29	15.92	6.66	12.32
	Q5 (most in need)	5.24	19.10	9.36	16.46

Table 2: Average number of agency spaces in or near a census tract (within 800m radius)

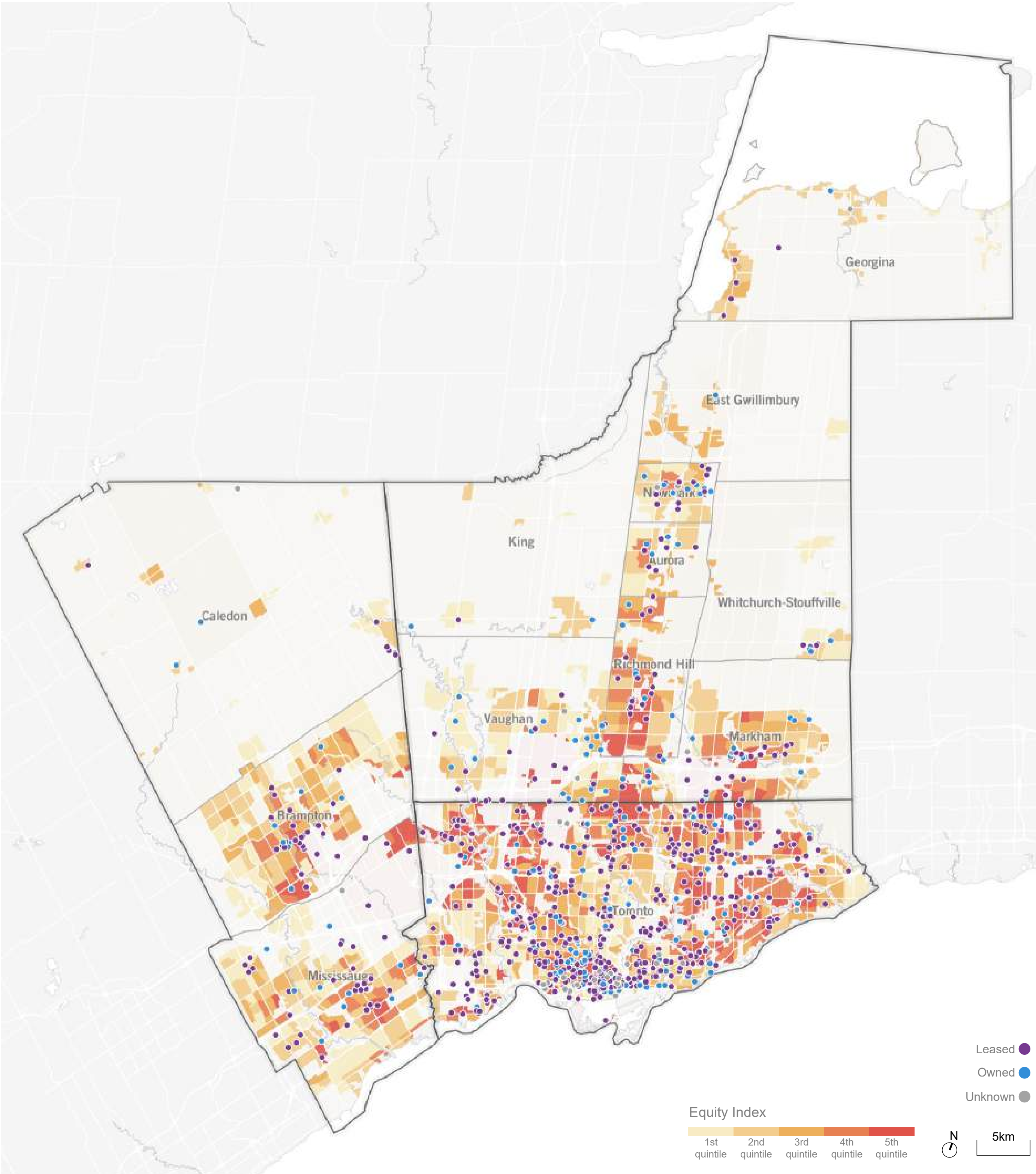

Figure 8: Map of agency spaces included in this study overlaid on equity index

4. Agency spaces tend to cluster around major intersections, transit stations and urban cores, increasing accessibility of services.

Agency spaces are generally found near major transit stations and major intersections (presumably with transit stops), enhancing service user accessibility. Agencies tend to form clusters in these areas. Around 30% of all agency spaces included in this study can be found within walkable distances to existing transit stations.

Less populous areas and areas lacking transit infrastructure have the opposite pattern, with more spatially dispersed agencies. This can be seen prominently in select areas in Vaughan and the Towns of Caledon, Georgina, East Gwillimbury and King. In spatially dispersed and less populous areas that may not have enough of a population threshold to justify the need for new service locations, creative solutions such as virtual, hybrid and mobile services can extend the reach of existing agencies.

When looking at future growth, the data finds that 25% of CLRE agencies are located within 800m of a future major transit station. While this may be positive from a service user access perspective, infrastructure development raises concerns of displacement. As new transit infrastructure generates additional investment and real estate development, it can lead to rising land values[1] and gentrification[2], often accompanied by drastic increases to rents[3].

	Existing Transit	Future Transit
CORE	25%	17%
CLRE	27%	25%
OVERALL	**27.6%**	**23.9%**

Table 3: Percent of agency spaces included in this study near transit stations (800m radius)

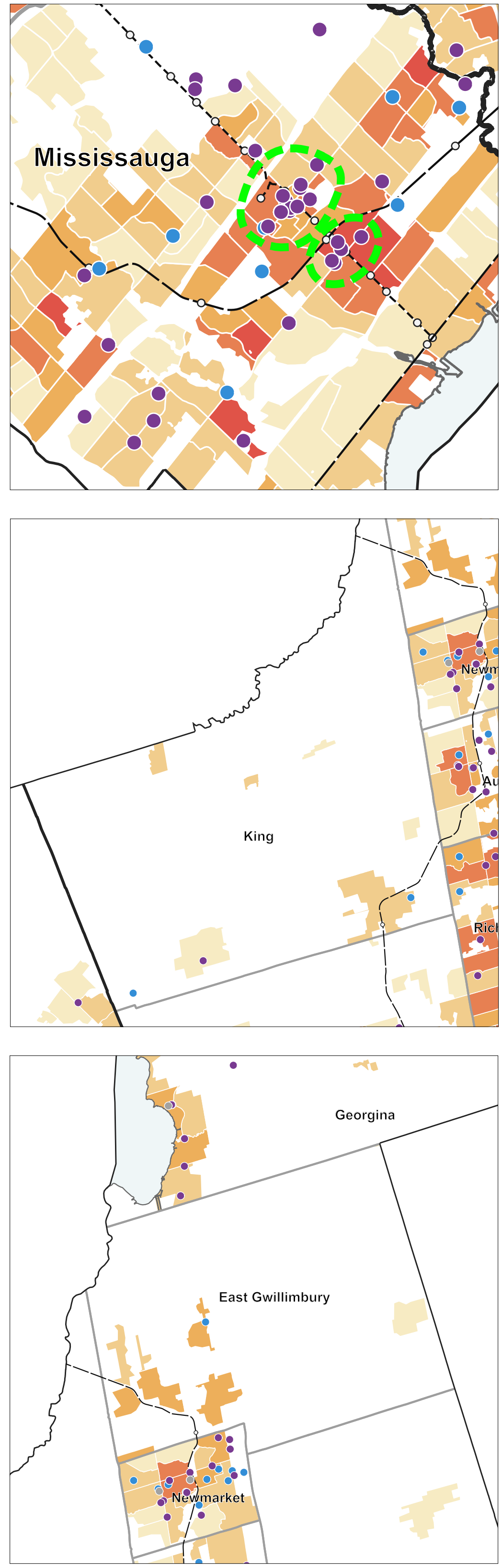

Figure 9: Cluster pattern of agency spaces included in this study in large municipalities vs. dispersed agency spaces in smaller municipalities overlaid on equity index

1 Saxe & Miller, 2016
2 Siemiatycki, Fagan & Arku, 2023
3 Dong, 2017

5. Areas of highest need generally have a higher percentage of CLRE at 78% compared to lower-need areas (68%).

CLRE has a positive correlation with high-need areas (Q5), where 70-80% of agency spaces are leased. This suggests increased precarity, highlighting a potential displacement risk for agencies in neighbourhoods where services are needed most.

The three regions vary in their proportion of leased-to-owned agency spaces. Of the three regions, York has the most CORE at 29% and the least CLRE at 67%. York also has the largest variation between the amount of CLRE in low-need and high-need areas, increasing from around 50% in Q1 and Q2 to almost 70% in Q5.

While Peel has a significantly higher proportion of leased to owned spaces in comparison to York Region, it displays less variation between the amount of CLRE in low-need (69% in Q1) to high-need (79% in Q5) areas.

Toronto has the highest proportion of CLRE among the three regions at 80%. This number remains consistent throughout the entire city regardless of whether an area is low or high-need, and likely reflects Toronto's higher land and real estate development costs. Etobicoke holds the largest proportion of CLRE in Toronto at almost 90%. Upcoming transit expansion slated for the area raises concerns about commercial and residential displacement in the face of rising land and property values[4,5].

4 Palamarchuk, 2021

5 Adamopoulos, 2024

Occupancy Costs

6. Occupancy costs as a proportion to total revenues are higher for CORE than CLRE (including market and non-market leases). Almost a third of agencies have unhealthy occupancy cost percentages.

Typically, single-site agencies who own their spaces pay a higher proportion in occupancy costs (encompassing rent, mortgage, maintenance and utilities) than those who lease (see Figure 11). This has been relatively consistent over the past ten years, with the exception of Peel Region in 2021, which has slightly lower occupancy cost proportions for CORE than CLRE.

Over the past ten years, occupancy costs as a proportion to total revenues have decreased in Peel, Toronto and York Region to a greater extent for CORE than for CLRE. This may be a natural result of reduced mortgage principle and suggests increasing stability with long-term ownership.

The proportion of occupancy costs to overall revenues in Peel and York Region has decreased for both rented and owned spaces over the past 10 years. Proportionate decreases over time do not necessarily mean lower rent or mortgage payments, but rather that revenues have outpaced occupancy costs.

Toronto is the only region where occupancy costs for rented spaces continue to grow in relation to overall revenues, indicating an expensive real estate market where growing costs for CLRE can be expected.

		Peel	Toronto	York	Total
Overall Percentage		72%	80%	54%	73%
Equity Index Organized by Quintile	**Q1 (least in need)**	69%	82%	48%	68%
	Q2	75%	78%	51%	69%
	Q3	72%	80%	55%	74%
	Q4	70%	80%	61%	75%
	Q5 (most in need)	79%	79%	69%	78%

Table 4: Percent of CLRE in or near a census tract by equity index

3.0

This analysis can also be used to examine whether agencies fall within a healthy occupancy cost threshold, understood by most guidelines as no more than 10% of revenues[6]. Substantially, almost a third of single-site agencies spend more than 10% of their revenues on occupancy costs, falling into an unhealthy range. More telling, 60% of these are rented spaces, exposing a precarious outlook for CLRE.

While this analysis is limited to single-site agencies (due to data availability), this data can be extrapolated to the broader sector as single-site agencies comprise a significant portion (66%) of the total number of agencies.

6 iGMS, 2024; Adventures in CRE, 2014; CBC Capital Advisors, 2024

Single-Site CLRE Agencies: Median Occupancy Costs as a Percentage of Total Revenues

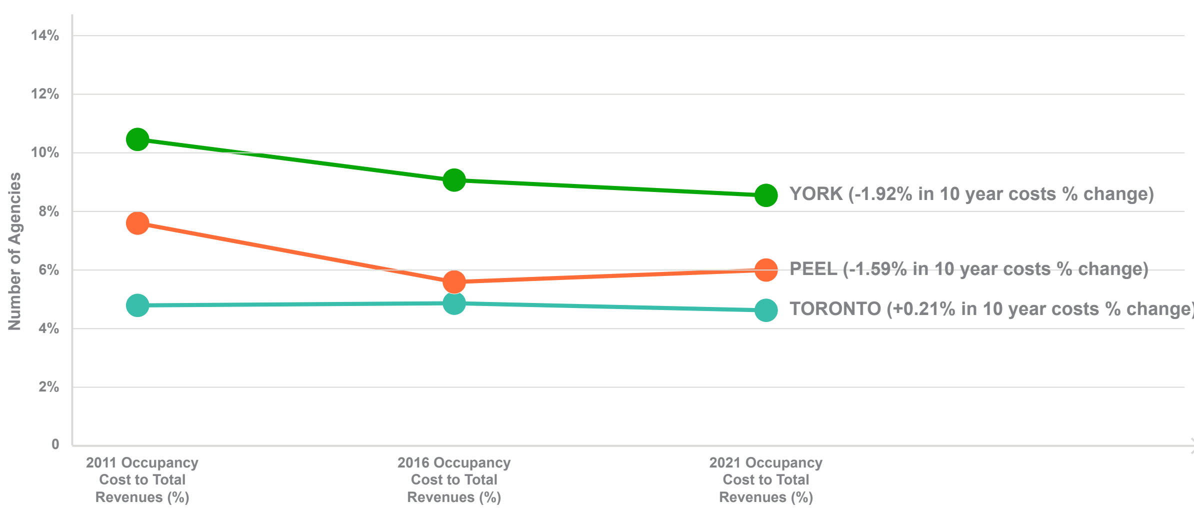

Figure 10: Occupancy costs as a proportion of total revenues

Single-Site CORE Agencies: Median Occupancy Costs as a Percentage of Total Revenues

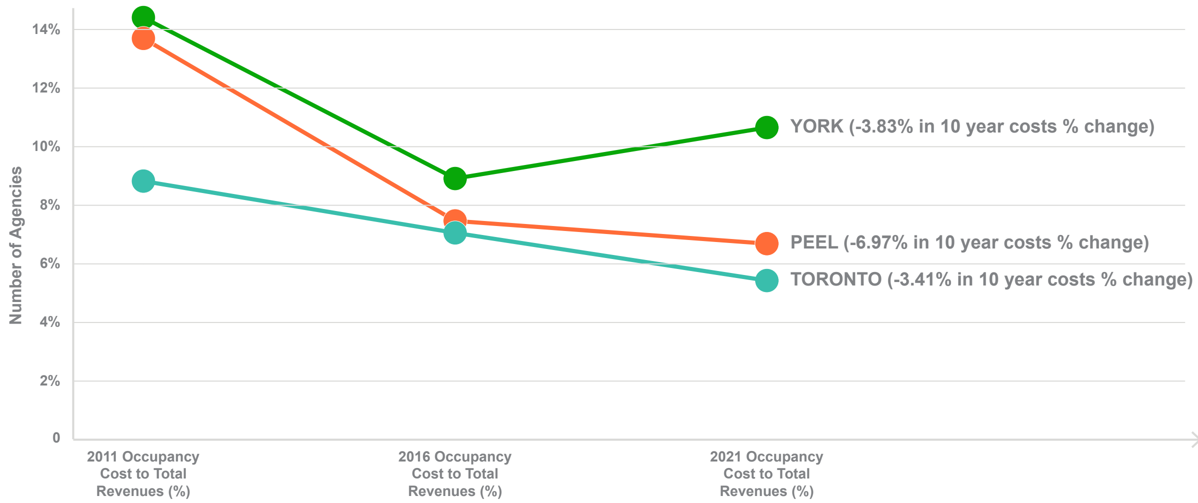

Figure 11: Occupancy costs as a proportion of total revenues

Agencies Organized by Occupancy Cost Percentage

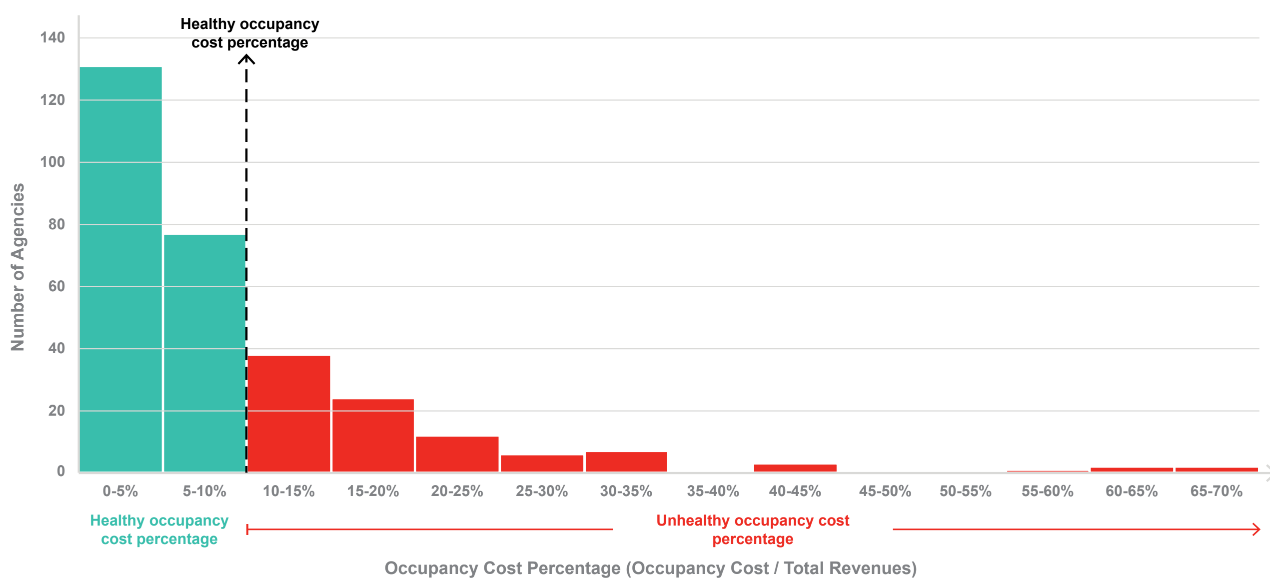

Figure 12: Breakdown of agencies by occupancy cost percentage

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7. Over a 10-year period, increases to occupancy costs for CLRE have outpaced increases for CORE by 10%.

While costs have decreased proportionately in relation to revenues over time, the dollar amount spent on occupancy costs has continued to increase for both CORE and CLRE over the past ten years. Between 2011 and 2021, occupancy costs for single-site CLRE in Peel, Toronto and York Region increased by an average of 26%, with the most exceptional increase of 57% experienced in Toronto. Increases between 2016 and 2021 are nominal in part due to pandemic requirements forcing many agencies to temporarily close in person locations and broader pandemic impacts on the commercial real estate market, including higher commercial vacancy rates[7].

In comparison to cost increases for CLRE, occupancy costs for single-site CORE spaces across the region have increased at a slower pace over the same timeframe, averaging 16% higher compared to ten years ago.

Similar to CLRE increases, the largest growth in CORE occupancy costs is in Toronto, where costs increased by 50%.

CORE occupancy costs in York Region increased on average by 18%, higher than increases for CLRE in the Region. However, there are notable variations across the lower-tier municipalities. Aurora, King, and Vaughan experienced decreases to CORE occupancy costs at rates of 25%, 56% and 48% respectively (see Appendix H).

Peel Region agencies across all three of its municipalities also benefited from decreases to CORE occupancy costs over the past ten years: the highest decrease was in Brampton at 29%, followed by Caledon at 18% and Mississauga at 14% (see Appendix H).

With a slower rate of growth for CORE occupancy costs, this analysis suggests ownership can provide more predictability around cost increases than leasing, particularly in areas of the 905.

7 Timolien, Harold & Chaa, 2024

Average Occupancy Costs Of Single-Site Agencies Who Rent Space

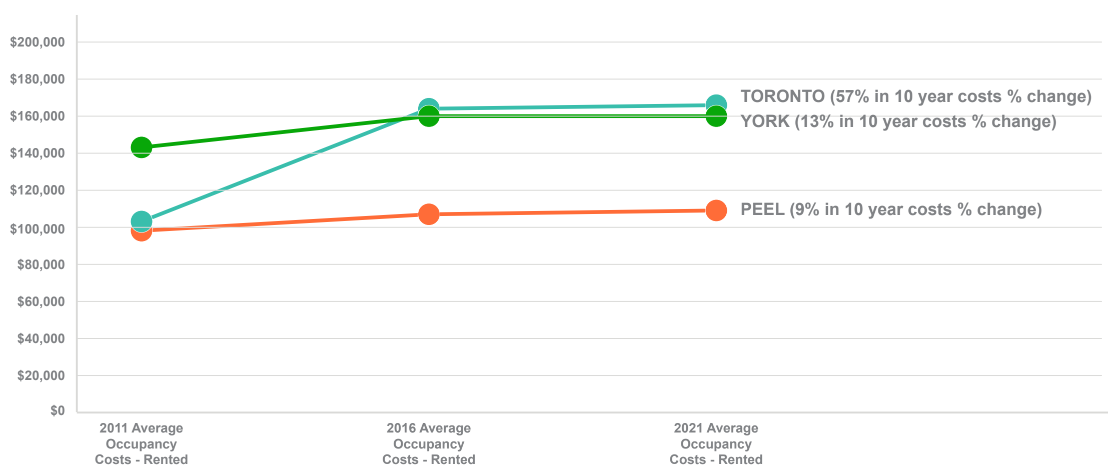

Figure 13: Changes in occupancy costs of rented single-site agencies (CLRE)

Average Occupancy Costs Of Single-Site Agencies Who Own Their Space

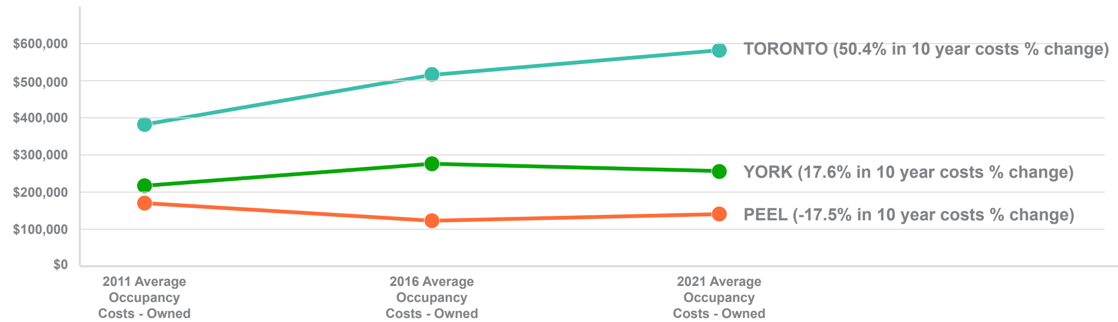

Figure 14: Changes in occupancy costs of owned single-site agencies (CORE)

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Social Barriers

8. Stigma fuelled by prejudice, discrimination and racism limits agencies' access to space, particularly for leased spaces.

Case study interviewees spoke of difficulties leasing from private property owners due to stigma associated with their services and service users. Property owners routinely reject lease applications from agencies for being an "incompatible use" of the space. NIMBYism is another often cited challenge.

Space Stability

9. Spaces developed under community ownership models provide increased stability for both CORE and CLRE agencies.

Case study interviewees noted broad-reaching benefits of CORE models that integrate non-market and stable CLRE opportunities for community sector partners. Purpose-built CORE spaces tend to be designed intentionally around service user-needs, making flexibility and reciprocal partnership a shared value between property owner and lessee.

Several of the agencies featured in this report's six case studies are ensuring the benefits of their owned spaces accrue to agencies, service users and residents beyond their purview:

- Family Service Toronto, a large agency with long term ownership of their site, leveraged their property into a development partnership with a private developer to build a new space co-located with residential units and providing CLRE spaces.
- St. Leonard's Place Peel, an agency with long-term ownership of their site, has gradually expanded their facility over decades to meet growing community needs.
- Miziwe Biik, who attained ownership of their primary site 20 years ago, will be expanding their ownership portfolio with a new Indigenous hub in partnership with Anishnawbe Health Toronto.
- Unison Health, who has a land lease and owns the Bathurst-Finch Hub building on a former TDSB site, provides stable CLRE spaces to partner agencies, many of whom have remained in the hub since moving in.
- Inn from the Cold, who currently rents in an inadequate one-storey facility, will make the transition to ownership in late 2025, increasing service capacity with a more suitable and sustainable space.

3.0 Case Studies

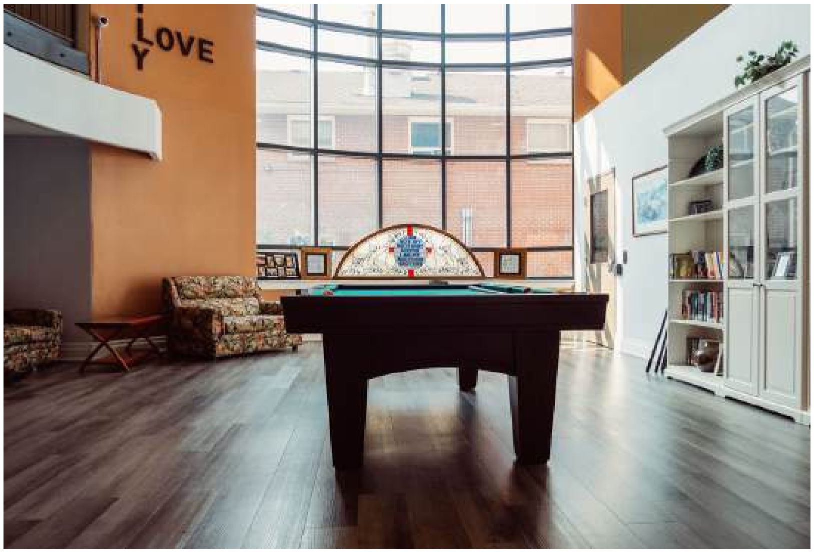
Bathurst-Finch Hub
Toronto

Family Service Toronto
Toronto

Inn from the Cold, Newmarket
York Region

Krasman Centre, Richmond Hill
York Region

Miziwe Biik
Toronto



St. Leonard's Place, Brampton
Peel Region

3.0 Bathurst-Finch Hub

Location
540 Finch Ave West, North York

Region
Toronto

Years in Operation
11 years, opened in 2013

Ownership Model
Land lease

Service Type
Settlement services
Family services (counseling for women experiencing abuse)
Employment services
Social services
Health clinic
Legal services for landlord and tenants
Social assistance
Employment standards
Family law
Emergency advice for domestic violence

Description
The result of an agreement between Unison Health and Community Services (Unison) and the Toronto District School Board (TDSB) that delivers a wide range of services through over 10 individual organizations that share the site for their operations. Unison, a community health centre, acts as the lead agency while the hub partner organizations offer complimentary services, making the hub "a one-stop-shop for social services."

Lessons Learned
- A land lease agreement can result in lower operating costs and allow the lead agency to provide more cost-effective leases to its partners (based on a comparison of Unison Health's experience operating both the Bathurst-Finch Hub and the Jane Street Hub, a leased space).
- The hub model, when under nonprofit ownership and where capital costs are funded, can provide consistent and affordable spaces that community service organizations may otherwise struggle to acquire.
- Ownership models enhance an agency's capacity to adapt to the needs of service users and partners given flexibility to make changes to the building itself.
- The hub model provides long-term stability to partner organizations.
- A community needs assessment identifying community needs is critical to informing the right mix of programs and services to be made available in a hub model.

Family Service Toronto

Location
355 Church Street, Toronto

Region
Toronto

Years in Operation
110 years, began as the Neighbourhood Workers Association in 1914

Ownership Model
Owned by the Agency

Service Type
Counseling services
Settlement services
Mental health support
HIV/AIDS support
Seniors support
Grief support
Family support
Community development
Development services

Description

Family Service Toronto (FST) owns three levels of office space in the podium of a 33-storey mixed use development with at-grade retail completed in 2018. FST operates its main counseling and central administrative office from the third level while its partner organizations offer an array of other community services out of the second level. Above the podium are 28 storeys containing 350 residential units. Prior to redevelopment, counseling and 2SLGBTQ+ services were this location’s primary role, making the location in Toronto’s Church Wellesley Village ideal.

Lessons Learned

- The benefits of CORE can accrue to community services agencies leasing in a sector-owned CORE site by providing affordable and welcoming spaces to organizations struggling to lease in the commercial market while ensuring the future financial viability of the CORE agency itself.
- Innovative development partnerships with the private sector can provide huge benefits as long as the community service agency can remain in control of how their space is designed and used.
- For agencies with existing CORE, the sale of air rights to a value-aligned private sector development partner can return positive financial outcomes.
- Policy tools, like MPAC tax-free status for property owners that lease to nonprofits, can be used to increase sustainable CLRE.

3.0 Inn From the Cold

Location
Current: 510 Penrose Street, Newmarket
Upcoming: 17046 Yonge Street, Newmarket

Region
York

Years in Operation
20 years, opened in 2004

Ownership Model
Currently renting Penrose Avenue location where the lease ends in October 2024

Service Type
Shelter
Community meals
Support services

Description

From a single-story building in Newmarket, Inn From the Cold (IFTC) provides shelter space with wrap-around supports and five transitional housing beds. The agency also offers a range of housing supports and Drop-By programs at both its central and satellite locations. Since 2013, IFTC has operated a social enterprise, Eat Inn Catering—a kitchen training program that provides participants with valuable skills for the food industry.

IFTC began as a warming centre created by local volunteers at the Old Town Hall in 2004, opening on nights when temperatures dropped below -15°C. After two years, the organization moved to its current leased location. Now, IFTC is set to expand further with the construction of a three-story, 16,000 sq ft transitional and emergency housing development at 17046 Yonge Street, which will provide 44 beds and offer year-round shelter services.

Lessons Learned

- Property ownership makes applications for construction funding more desirable to funders. The ability to purchase a site is integral to securing construction financing. Achieving that initial capital is a large undertaking for a nonprofit organization.
- A carefully curated board of experienced development-adjacent professionals can increase organizational capacity and readiness to pursue a CORE development project.
- Purpose-built development allows agencies to design spaces intentionally suited to the needs of their service users.

Krasman Centre

Location

10121 Yonge Street, Richmond Hill

Region

York

Years in Operation

26 years, opened in 1998

Ownership Model

Rented Space

Service Type

Peer support programs

Wellness and recovery programs

Description

The goal of the Krasman Centre is to serve as a physical hub and resource for the community of psychiatric survivors and their families and friends serving York Region (Richmond Hill main location) and South Simcoe (Alliston satellite location) of the Central Local Health Integration Network.

After initially operating in a City-owned space that was later reclaimed by the municipality, Krasman Centre relocated to a smaller, less suitable location in Richmond Hill, where they are now contending with local opposition. As they continue their search for a more appropriate facility, they are exploring the possibility of purchasing a unit within a larger building to secure a stable, long-term presence.

Lessons Learned

- Stigmatization towards social service organizations and the people they serve limits the options available for CLRE.
- CLRE located in high density and transit-accessible areas is ideal to enhance service accessibility.

3.0 Miziwe Biik

Location
167 Gerrard Street East, Toronto

Region
Toronto

Years in Operation
33 years, established in 1991

Ownership Model
Land lease

Service Type
Employment services
Training programs
Student support

Description

Miziwe Biik provides services to the Aboriginal* peoples in the Greater Toronto Area; to work with employers to secure job opportunities; to deliver federal and provincial programs; and, promote Aboriginal* entrepreneurship and the development of Aboriginal* economies. Miziwe Biik works with individuals, other agencies and groups to provide these services and achieve their mission.

In the near future, Miziwe Biik intends to expand operations in the Block 10 West Donlands redevelopment, a mixed-use block development in Toronto's Canary District that prioritizes Indigenous values and principles. The project is being carried out by a partnership between Anishnawbe Health Toronto, Dream Unlimited, Kilmer Group and Tricon Residential.

*First Nations status and non-status, Inuit, and Metis

Lessons Learned

- For true reconciliation, Indigenous agencies should receive real estate assets without typical fundraising and land purchase processes. The establishment of Indigenous-owned CORE can reflect meaningful progress toward reconciliation only if it is supported with dedicated resources and recognition of Indigenous rights.
- Land appreciation is especially beneficial to nonprofits as it gives them equity to leverage in the event that government funding decreases or stops.

St. Leonard's Place

Location
1105 Queen Street East, Brampton

Region
Peel

Years in Operation
53 years, opened in 1971

Ownership Model
Owned by the agency

Service Type
Shelter with wrap around supports
Seniors community services
Life skills programs

Description

For over 40 years, SLPP has provided supportive housing with intensive case management and a multidisciplinary care team. The 117-bed facility is supported by volunteers from diverse professions, including health care, fostering innovative solutions. SLPP's approach centers on equipping individuals with the skills needed for independent living, empowering them to transition into their own homes and move beyond homelessness.

The 2.5-acre site was donated by Bramalea Limited to Sir Robert Williams in 1971 to establish St. Leonard's Place Peel. Initially beds were provided for 21 men serving federal parole but residential expansions that occurred in 1987 and 2000 nearly doubled the agency's capacity and allowed it to provide services to people facing homelessness also. In 2007, another 24 rooms and a professional kitchen were added and, in 2012, two additional floors increased capacity by another 21 beds.

Lessons Learned

- Before pursuing a new site, agencies with existing land can explore feasibility of expanding on their existing site through vertical and/or horizontal additions.
- Even for organizations with equity to borrow against, forgivable loans are a strong factor in motivating agencies to pursue development as debt of any kind is very risky for a nonprofit organization.
- Legacy organizations with owned sites or that have completed redevelopment over several decades are very advantaged. Costs have risen significantly over time, making expansion and redevelopment even of existing CORE sites costly.

3.0 Ownership & Operational Model Matrix

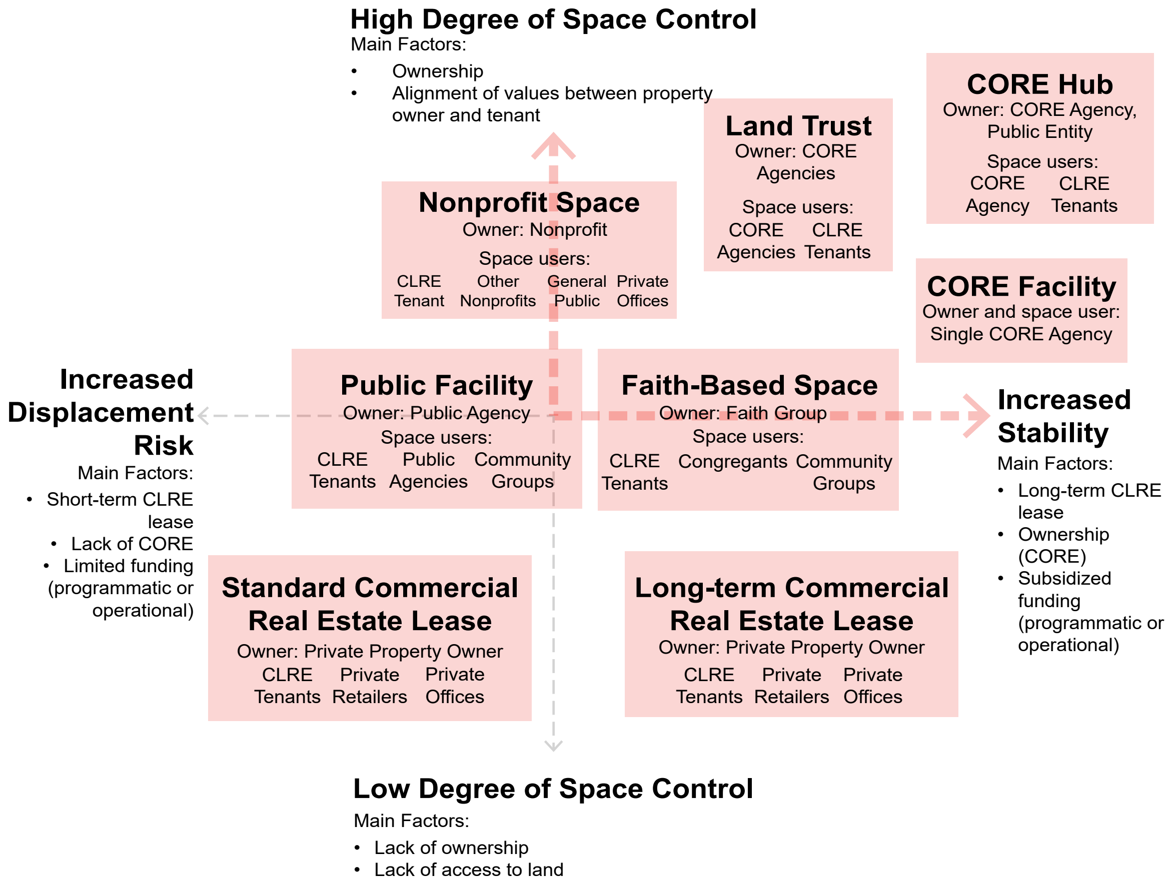


Figure 12: Ownership & Operational Model Matrix

The types of space arrangements agencies operate within are illustrated in the Ownership & Operational Model Matrix above, a non-exhaustive visualization of the spaces in which CLRE and CORE carry out their services. The matrix demonstrates how different CLRE and CORE arrangements offer varying degrees of space stability and space control based on ownership, lease-length and degree of shared values with a property owner.

The degree of stability is impacted not only by tenure but also by length and cost of leasing and operational funding. Leasing is not inherently negative. A long-term lease in the commercial real estate market, for example, goes a long way to increasing stability and predictability of costs. Alternatively, a CORE agency or government partner might be able to provide long-term, non-market leases.

Alongside cost and long-term stability, control of space is another critical operational factor. Agencies who own can more easily make changes to their spaces. Largely, degree of space control is influenced by tenure and the alignment of a tenant to the values and mission of the property owner.

The upper right quadrant of the matrix reflects community ownership models that provide the largest degree of security for both CORE and CLRE spaces. Community ownership is beneficial not only for the organizations operating the facilities, but for the broader community, by providing non-market spaces to community organizations. Additionally, arrangements like a community hub space or community land trust offer optimal space control as they are typically constructed with the intention of sharing space and keeping critical community service spaces out of speculative markets[8].

Conversely, space arrangements with the largest degree of displacement risk and least space control are those found in the bottom left quadrant, namely leases under a typical private commercial agreement. CLRE in these spaces are beholden to rental cost increases subject to market fluctuations and any changes to their space must be approved by the property owner, who may not share the same values.

Other types of space arrangements provide varying degrees of space control and stability, including a CLRE tenancy with a public facility, a faith-based building or another nonprofit owned space. These may provide more stability than a private commercial lease, as they are nonprofit-driven, may come with subsidized rent or a definitive lease length, and may be more amenable to accommodating changing space requirements. However, these spaces are often accountable to other competing standards and governing bodies whose administration may be prioritized over an agency's space needs when resources become scarce.

St. Leonard's Place, image by Infrastructure Institute

8 Ontario Nonprofit Network, 2018

3.0

Assessing an appropriate ownership and operational model

With only 24% CORE spaces across the region, building CORE is one obvious anti-displacement and space control strategy with strong growth potential. Ownership provides a pathway to long-term equity, which can be leveraged for further future development, can provide operational stability and control and can reduce some of the challenges associated with stigma and NIMBYism.

However, ownership is not without its risks. Pursuing CORE requires high upfront capital and real estate expertise. Once complete, it risks closure if debt (mortgage), tenant management, and capital repairs are not managed well. Best practices to optimize long-term operational cost savings may include additional investment to design energy efficient buildings, adding onto the already expensive upfront costs. Many of the CORE agencies interviewed notably shared some characteristics that made them well-poised to pursue CORE, including the long term ownership of an asset, having previous real estate expertise, steady funding sources, or having entered a mutually beneficial development partnership.

Because of these risks, leasing remains most suitable for many agencies, with benefits of lower occupancy costs and fewer maintenance responsibilities. It is also favourable for organizations with unpredictable revenue sources or limited real estate expertise.

In summary, both new CORE and CLRE opportunities are needed to strengthen the sector. Figure 8 has summarizes the high-level advantages, risks and measures minimizing these risks, as well as the suitability of each tenure for distinct types of agencies.

Agency Assessment of CLRE or CORE

CLRE

Advantages

- Lower occupancy costs on average than ownership
- Minimal or no responsibility over maintenance and new renovations
- Lower financial barrier to access new spaces
- Greater flexibility in organizational changes

Risks

- Rent increases are beholden to market fluctuations and may increase drastically each year
- Property owner may decide not to renew lease, displacing the current CLRE tenant
- Lack of control over maintenance and upkeep
- Lack of control over physical changes to space

Measures minimizing risk

- Tenancy in mission-aligned community owned space
- Tenancy in a public facility, faith-space, or other nonprofit owned space
- Long-term lease agreement
- Below market-rate rent
- Support from municipal partners and funders

Better suited for agencies that:

- Are smaller and newer
- Have limited staff and board capacity or interest in pursuing real estate development
- Have unpredictable revenue sources

CORE

Advantages

- Neighbourhood stability
- Increased control over space
- Opportunity to build equity
- Potential for new revenue streams (i.e. from leasing space)
- Potential to provide CLRE options for other agencies

Risks

- High upfront capital costs
- For agencies building new CORE: delayed approval process may strain resources and capacity
- Mortgage payments in a high-interest rate environment may be costly
- Additional resources required for upkeep and maintenance and management of tenants (where applicable)
- Reduced service capacity during construction period

Measures minimizing risk

- Having ownership of a property in an area with high development potential
- Staff and board members with expertise in real estate development
- Financial resources to bring professional expertise to guide the development process, from pre-development to construction and operations
- Support from public, private, or other nonprofit partners
- Entering a mutually beneficial development partnership

Better suited for agencies that:

- Are larger and have a considerable record of delivering services
- Have owned and/or managed property for a long time
- Have stable funding sources (government or other)
- Have longer-standing relationships with public bodies
- Have expertise with real estate development
- Have expertise with long-term operations and maintenance

Figure 8: Agency Assessment of CLRE or CORE

4.0 Successes & Challenges

Introduction 1.0

Approach 2.0

Findings 3.0

Successes & Challenges 4.0

Recommendations 5.0

References 6.0

Appendices 7.0

4.0 Successes

Success 1. Community and social service agencies are meeting residents where they are.

The community services sector is highly responsive to need: agencies are located in communities where need is high, typically in easily accessible areas near transit and urban cores.

Success 2. Diverse partnership and tenure models, both CORE and CLRE, are enhancing agency stability.

There is no one right or best tenure option for agencies. Diverse models exist and innovative community ownership and cross-sector models are being tested and explored across the region, with a focus on expanding access to CORE and non-market CLRE spaces.

Success 3. Agencies themselves are taking a lead role in enhancing sector sustainability.

Community service agencies are not afraid of innovation and change. On the contrary, agencies are operating in new ways, maximizing assets and partnerships to develop CORE and non-market CLRE opportunities. In some cases, CORE agencies are leasing back to community, generating revenues while providing sustainable spaces to their sector peers.

Challenges

Challenge 1: There are gaps in service distribution for neighbourhoods in the 905 with more dispersed needs.

The analysis reveals spatial misalignments between agency spaces and populations in two areas. The first is the spreading of medium to high-need areas across vast portions of Peel Region (most notably the outer parts Brampton and Mississauga) , where neighbourhoods cover broad tracts of land that extend past the concentrated clusters of agency spaces typically found at major intersections or major transit stops. The second is the dispersed nature of agency spaces in less populous areas that may not have enough of a population or need threshold to support more spaces.

Challenge 2: Increasing and unpredictable costs of leasing are overburdening agencies.

Increased costs of leasing coupled with higher rates of CLRE sites in higher-need neighbourhoods raise concerns about these agencies' long-term sustainability.

Challenge 3: The costs and risks of ownership are high and likely out of reach for many agencies.

The financial barriers of ownership in addition to challenges associated with finding an appropriate site are steep hurdles to overcome. While ownership comes with the opportunity for increased stability, it is not without risk, especially in a high-interest rate environment. Any real estate development project, even social purpose projects, risks foreclosure if debt (i.e., development financing and/or mortgage), funds for operations and capital improvements and other responsibilities of ownership are not managed well.

Challenge 4: Infrastructure investment will increase displacement pressures on agencies and the residents they support.

Geographic proximity to service users is essential to service delivery. While transit expansion might enhance access to existing agency spaces, transit-oriented development processes are typically accompanied by rising land values and housing costs, which can push both residents and agencies out of their existing neighbourhoods. The challenges faced are twofold: i) the displacement of agencies due to rising rents and occupancy costs, and ii) the displacement of service users, which may then require an agency to relocate to meet service users where they are.

Challenge 5: Stigma associated with populations served limits available spaces to lease.

Community and social service agencies often serve stigmatized populations, making leasing from or partnering with a typical private commercial property owner difficult. Prejudice and discrimination, including racism, can severely limit leasing opportunities available to agencies, who are told their services are an "incompatible use". NIMBYism is cited as a common barrier for agencies seeking to expand services with an additional location or relocate due to growing space needs. In these cases, ownership, including CORE agencies leasing back to others with shared values in the sector, can provide a sustainable and humane alternative.

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5.0 Recommendations

Recommendation 1: Build sector knowledge of the benefits of CORE and the conditions under which CORE is most suitable

Academic Institutions and Sector Convenors: Provide free or low-cost training and skill building opportunities to community and social service sector agency leadership, including board members, to enhance sector knowledge around the possibilities and market risks of CORE, including different CORE arrangements and models, key steps and milestones of the development process (pre-development, construction and operations) and available financing tools (e.g., grant and loan programs) and impact investment products (e.g., community and social impact bonds).

Examples

The Infrastructure Institute's Groundwork Program provides two-streams of organizational capacity training for nonprofit organizations and their board leadership interested in Social Purpose Real Estate (SPRE)[1].

The Scale Collaborative trains nonprofits on how to create and/or purchase social enterprises that help expand their organizational mission and diversify their streams of income, leaving them less vulnerable to public funding shortages and shifting political priorities[2].

1 Infrastructure Institute, n.d.
2 Scale Collaborative, n.d.

Public Agencies, Academic Institutions and Researchers: Invest in collective research to support the development and growth of innovative community finance tools, public benefit funds and socially-driven development structures such as community land trusts and community hubs with potential to accelerate CORE development[3]. Lead knowledge mobilization activities highlighting how these social finance tools, funds and development structures can lower barriers to entry for CORE while supporting broader social impact goals around community-wealth building and long-term sustainability of the community services sector.

Sector Convenors: Convene and broker partnerships with social purpose and nonprofit real estate development companies with the requisite skills and expertise to steward community and social service organizations through their real estate development projects. Likewise, establish partnerships with the academic and social finance sectors and provide opportunities for community services sector leaders to learn from them about how innovative community and social finance tools and models can be leveraged for CORE and sustainable CLRE development.

Recommendation 2: Enhance and streamline access to funding and finances for agencies demonstrating optimal conditions for CORE development

Funders, including Government (all-tiers): Provide and/or develop grants, funding and low-cost financing tools that target specific stages of the development process. This includes funding for the early stages of development (e.g., exploration of acquisition, pre-development costs and land acquisition) and low-cost patient capital loans for later construction stages.

3 Ontario Nonprofit Network, 2020

Example

The Nonprofit Finance Fund's Building Equitable Assets for Communities and Nonprofits (BEACoN) project provides technical assistance and flexible, low-cost capital loans for all development stages (from planning to acquisition and construction) or renovation, for projects aiming to foster community wealth and power through community-centred asset ownership[4].

4 Nonprofit Finance Fund, n.d.

Provincial and Municipal Governments: Develop social impact investment products for approved community services sector real estate projects to help raise adequate capital. In particular, prioritize approved projects that also meet green building targets, already in line with many public objectives, where high-efficiency design generates long-term cost-saving benefits. Despite global market volatility, investors remain confident in these products when backed by a credible public body[5].

5 City of Toronto, 2023

Example

City of Toronto remains the only city in the country to have established a Social Debenture Program issuing social bonds to fund council-approved capital projects and capital repairs for community centres, social housing, and shelters. Their latest issuance was for $215 million with a 20-year maturity and a coupon interest rate of 4.55%. The project was very well received with a total of 25 Canadian and international investors.

Funders, including Government (all-tiers): Remove unnecessary conditions to grants and financing impeding agencies from accessing available funding opportunities, including requirements for secured long-term (20+ years) funding and reserve fund limits. In instances where requirements cannot be removed, create new grants and financing vehicles catered towards agencies that do not meet these requirements.

Example

Major philanthropic organizations like the Open Society Foundations, Kresge Foundation and Ford Foundation have adopted inclusive grantmaking and social impact investing approaches that embed diversity, equity, and inclusion (DEI) into their fund designs, distribution and evaluation processes[6,7,8].

6 Open Society Foundations, 2021
7 Kresge Foundation, n.d
8 Ford Foundation, n.d.

Funders: Identify opportunities to raise capital for the various stages in a CORE development project. This includes donations or social impact investment products in the form of funds or bonds directed to specific projects that return social value. In addition to traditional means of communication and networking, digital platforms can help reach new value-aligned donors and investors.

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Examples

ioby (In Our Backyards) is a crowdfunding platform specifically designed for community projects. It allows organizations to raise donations and investment capital for various stages of community development projects[9]. It also provides fundraisers with connections to their networks of urban planners, community organizers, communications professionals, and others who can support project implementation.

SvX designs and manages funds that are targeted towards a particular community or ecosystem. They've used their platform to raise capital funds towards impact-minded development projects with goals to overcome social inequity and ensure long-term sustainability. This includes the TAS LP3 closed-end diversified real estate fund with a 10-year life, which has been used to invest in the GTHA market with the goal of achieving a broad range of impact objectives[10].

9 ioby (In Our Backyards), n.d
10 SVX, 2021

Recommendation 3: Prioritize land provision and long-term funding for Indigenous CORE

Government (all-tiers): Identify opportunities to expand real estate ownership for Indigenous agencies through disposition of publicly-owned lands. Additionally, prioritize Indigenous uptake of incentives and tools named in the other recommendations in this report, through stand-alone processes, to accelerate Indigenous-led CORE projects.

Funders, including Government (all-tiers): Create a consistent, dedicated funding stream for Indigenous agencies for CORE development and operations that is separate from other funding. Having dedicated funding for Indigenous agencies demonstrates a commitment to reconciliation by treating Indigenous needs as exceptional.

Recommendation 4: Incentivize the protection of existing and the development of new agency spaces–both CLRE and CORE–alongside infrastructure investment

Provincial and Municipal Governments: Create a coordinated regulatory framework with mechanisms that reinvest rising land values resulting from new transit investments towards the building and operations of social infrastructure. The appropriate mechanisms may be a combination of density bonuses, infrastructure levies, development charges or issuing of bonds.

Provincial and Municipal Governments: Mandate new development proposals include community space provisions in transit-oriented development, major transit station areas, and new priority transit corridors. This may include provisions in Official Plan or Secondary Plan policies and/or zoning by-laws.

Government (all-tiers): Require nonprofit and community partnerships on all public land development RFPs, federal, provincial and municipal. This will maximize public benefits of mixed-use development on publicly-owned lands.

Provincial Government: Establish rental replacement policies that require developers to replace affordable commercial space rented by an identified nonprofit agency in new development projects. Policies could be similar to existing Rental Replacement By-laws[11].

11 United Way, 2023

Municipal Governments: Incentivize long-term partnerships by waiving fees and awarding tax-free statuses to owners leasing or partnering with agencies, including in anticipated transit-oriented development areas. Tax incentives are an effective way of encouraging property owners to lease to community and social service agencies by making it more financially appealing than renting to a private commercial tenant.

Example

Family Service Toronto (FST) benefits from a tax-free status given by MPAC based on the condition of leasing only to mission-aligned nonprofits. The tax savings outweigh what could be earned by renting at market-rate in their situation (see more detail in Appendix E).

Municipal Governments: Expand or create new programs in collaboration with the community services sector to protect agency spaces and enhance long-term tenancy stability. This includes leasing publicly-owned and managed spaces to eligible agencies for long-term, non-market rents, including in areas where future transit investment is planned**.**

Example

The Community Space Tenancy program in Toronto leases City-owned or City-managed spaces to eligible nonprofit organizations at a below-market rent. Organizations hold short-term agreements with the City to deliver direct programs to local neighbourhoods that meet specific community needs.

Recommendation 5: Establish partnerships with mission-aligned organizations to build new CORE and support non-market CLRE

Sector Convenors: Support partnership development through convening and brokering activities that bring together interested parties across sectors to explore imminent and future opportunities that can distribute risks of CORE across several partners and/or provide long-term viable CLRE options. Recognize the importance of defining clear governance structures and timelines, especially relevant for development of joint spaces.

Agencies pursuing CORE: Build new spaces under community ownership models that provide opportunities to offer long-term non-market leases and shared community spaces to other agencies. This includes purpose-built community hubs, community land trusts, and other ownership models generally belonging in the top-right quadrant of the Ownership & Operational Model Matrix (see Figure 1). This helps stabilize smaller agencies financially, enhances collaboration, and maximizes resource use. Providing access to shared facilities can also support capacity building and operational efficiency and foster more resilient and sustainable community service infrastructure.

CORE Agencies: Leverage existing equity towards new CORE development, for your own or other agencies. In a covenant partnership model, the equity from existing CORE can be leveraged to provide a loan guarantee for another, likely smaller, organization.

Provincial and Municipal Governments: Develop surplus or underutilized publicly-owned land in partnership with the community services sector to ensure long term benefits accrue to the community through CORE development and operations and/or provision of low-cost and long-term CLRE agreements. Incentivize CORE and/or non-market and

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long-term CLRE development on publicly-owned lands by fast-tracking and waiving fees for development approvals containing social benefit.

Provincial and Municipal Governments: Align and enhance policies and programs for community space provision and operations, particularly for agencies operating in the outer areas of the 905. This may include a minimum allocation of space or designating uses in Official Plans or Secondary Plans, or targeting funding tools (including funding for operating costs) and incentives listed in recommendation 2 towards municipalities experiencing gaps.

Municipal Governments: Encourage developers to partner with community and social service organizations as part of the new Community Benefits Charge to enable affordable CORE and non-market CLRE development.

Developers (for profit and nonprofit) and Community Service Agencies: Establish development partnerships with community and social service agencies where mutually beneficial CORE and CLRE spatial and financial arrangements can be struck[12]. Partnerships can be used to pool land and financial resources with fast-tracked approvals, overcoming obstacles that one partner cannot face alone.

12 Geva & Siemiatycki, 2023

Miziwe Biik, image by Infrastructure Institute

Examples

Family Service Toronto's Church Street office is co-located with a condominium, a creative mixed-use outcome of a development partnership with a private developer (Tridel).

The Bathurst-Finch hub, which is an agency hub that emerged out of a partnership between Unison Health and the Toronto District School Board (TDSB), provides long-term stability to CLRE agencies who prefer to lease.

Public Agencies and Government (all-tiers): Develop a comprehensive public database listing lease opportunities in CORE properties, faith-based spaces and public facilities. Such a database can help streamline the search process and facilitate matchmaking for community and social service organizations seeking non-market, long-term leases.

Examples

3rd Sector Propertiesis a property management organization that supports charities and nonprofits in the UK by providing access to affordable property and space solutions[13].

SpaceFinder, developed by ArtsBuild Ontario, is a free matchmaking tool that connects artists and creative spaces by allowing venue owners to list their spaces and users to find suitable locations for their needs[14].

13 3rd Sector Properties, n.d.
14 Arts Build Ontario, n.d.

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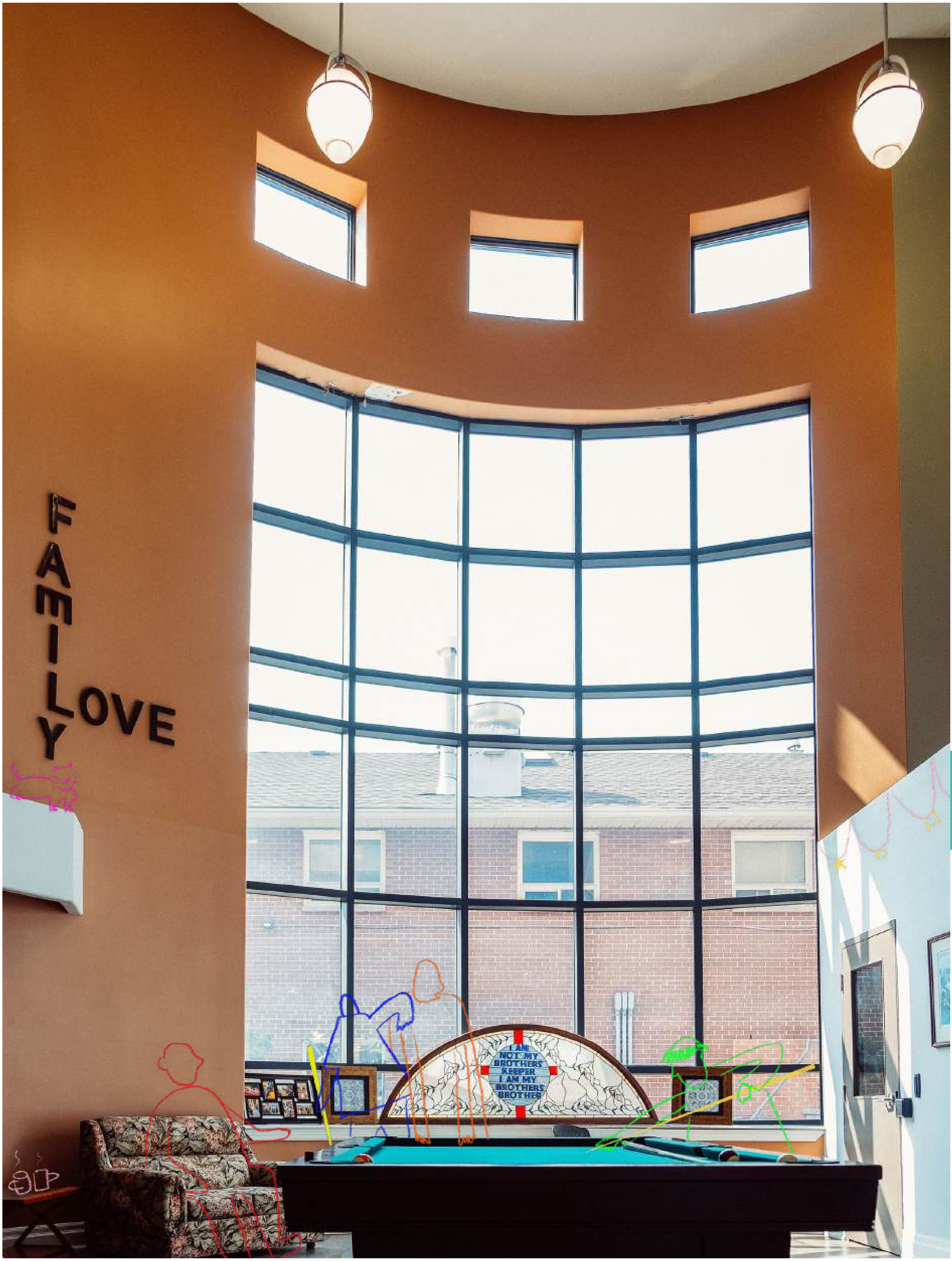

St. Leonard's Place, image by Infrastructure Institute

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The appendices for this report are currently in progress and will be updated shortly. Please check back for the final version, which will be included in this report soon.

Family Service Toronto, image by Infrastructure Institute

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