

# Essential Spaces



## Real (Estate) Solutions for Community Needs

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Executive Summary

October 2024

# Land Acknowledgement

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United Way Greater Toronto, the Infrastructure Institute, and School of Cities humbly acknowledge they operate on the traditional territory of many Indigenous nations, such as the Wendat, Anishnaabeg, and Haudenosaunee. We recognize and uphold the rights of Indigenous communities, acknowledging the ancestral and unceded territories of the Inuit, Métis and First Nations peoples throughout Turtle Island. Tkaronto is home to a growing community of urban Indigenous peoples, including those from the Inuit, Métis and First Nations. We recognize that the Greater Toronto Area is covered by several treaties, such as Treaty 13 with the Mississaugas of the Credit First Nation and the Williams Treaties with seven First Nations, including the Chippewas of Georgina Island. We respect Indigenous teachings and commit fully to improving our relations with Indigenous peoples and acting on our responsibilities in Truth and Reconciliation and the United Nations Declaration on the Rights of Indigenous Peoples.

# Research Team

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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](http://unitedwaygt.org)



The Infrastructure Institute is a training, advisory and interdisciplinary research hub at the University of Toronto's School of Cities. Our vision is to build local and global expertise in infrastructure planning, decision-making, and delivery. The Infrastructure Institute will transform the status quo of infrastructure delivery, refine public-private partnerships and propose innovations in project financing and funding tools. Our engagement work involves public presentations, exhibitions and events. We build awareness on current urban issues, convene discussion, and mobilize change.

[infrastructureinstitute.ca](http://infrastructureinstitute.ca)



The School of Cities is a unique multidisciplinary hub for urban research, education, and engagement creating new and just ways for cities and their residents to thrive. Based at the University of Toronto and in a fast-growing, culturally diverse, and economically dynamic urban region, the School of Cities supports leading scholars, practitioners, and community members spanning disciplines and lived experiences to co-create new understandings, policies, and practices.

[schoolofcities.utoronto.ca](http://schoolofcities.utoronto.ca)

# 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<sup>1</sup>. 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.

<sup>1</sup> Infrastructure Institute, 2022

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 full report 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.

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

**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.

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.

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

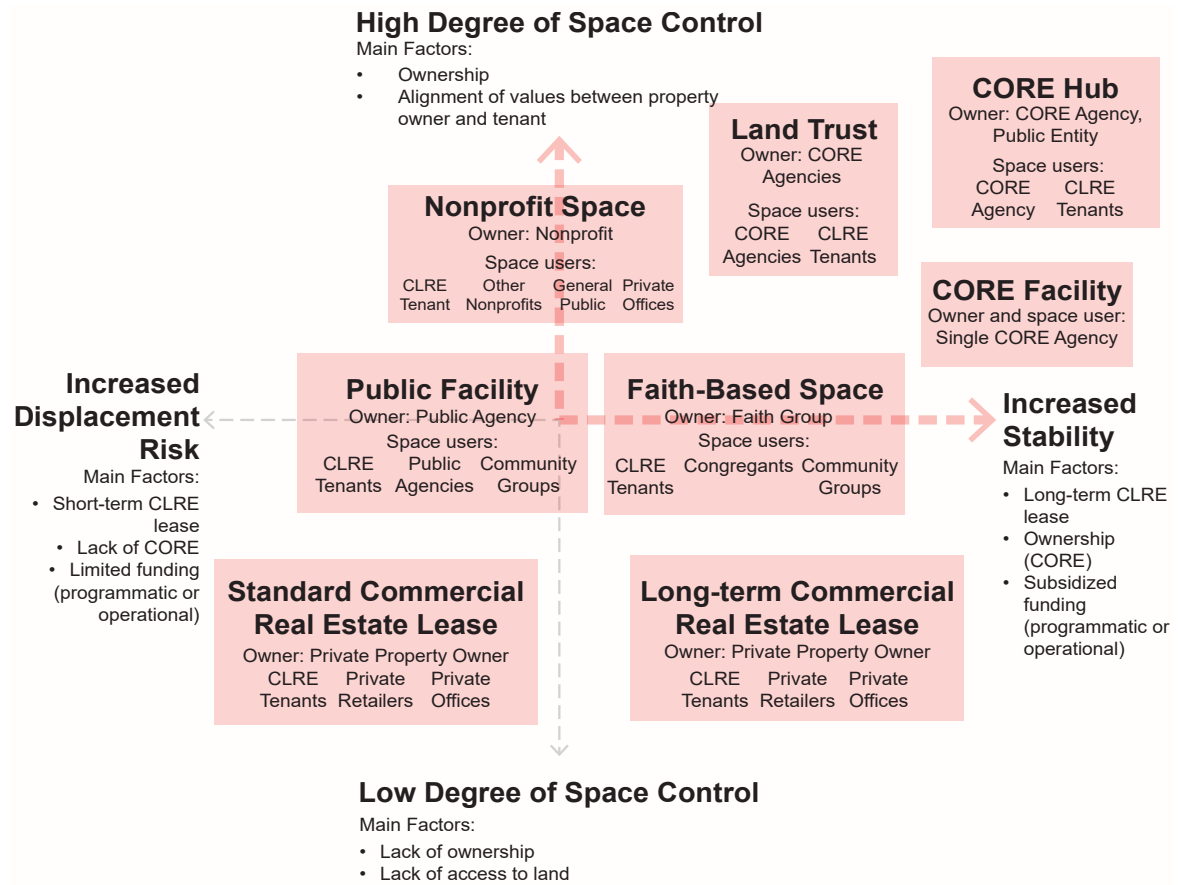


Figure 1: Ownership & Operational Model Matrix

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

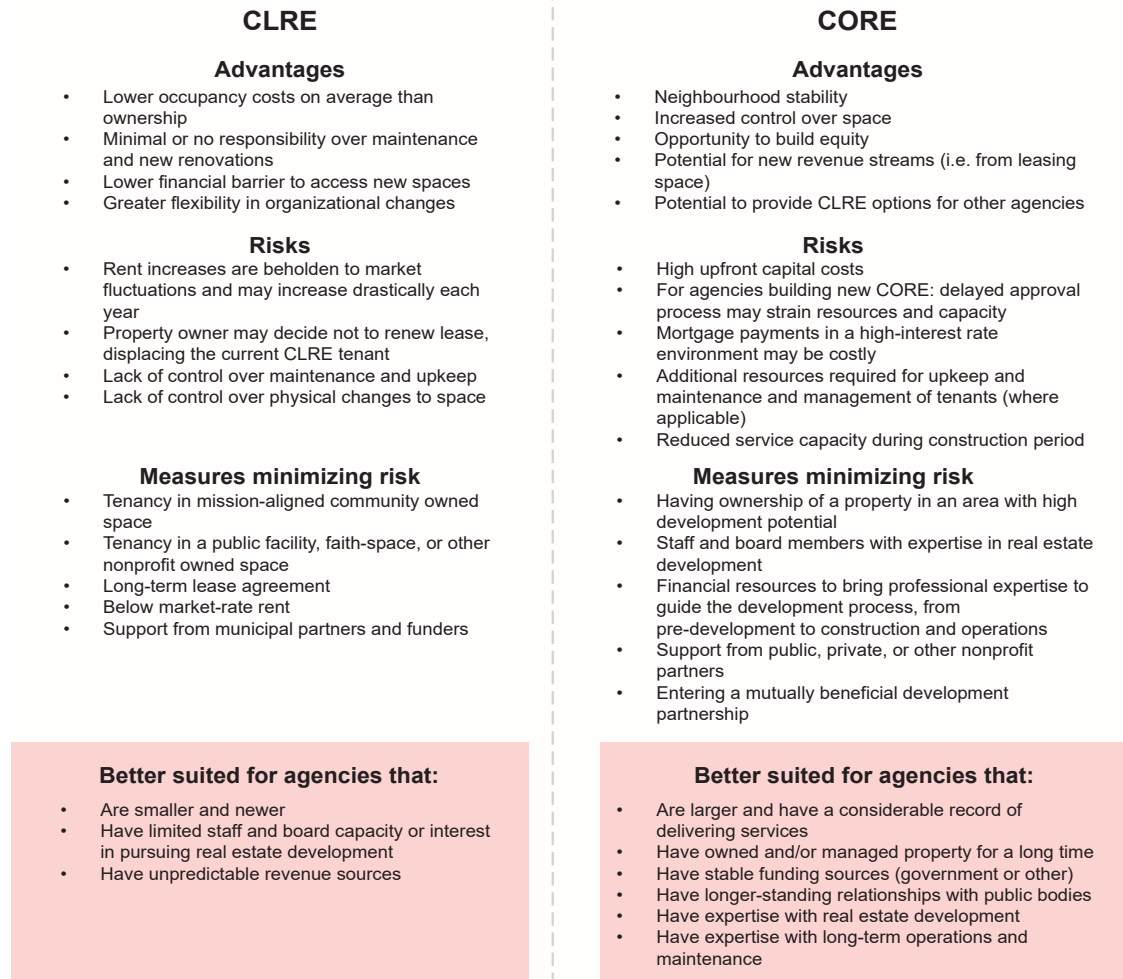


Figure 2: Agency Assessment of CLRE or CORE

spaces. Many of the best space arrangements for the sector can be found in the top right quadrant of the Ownership & Operational Model 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<sup>2</sup>. 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

<sup>2</sup> 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<sup>3</sup>.

### **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

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<sup>3</sup> 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<sup>4</sup>.

**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

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<sup>4</sup> 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<sup>5</sup>. 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.

<sup>5</sup> Geva & Siemiatycki, 2023



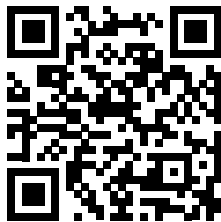
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Read the full report here

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