

An aerial photograph of the Downsview Airport area in Toronto. The runway and taxiway are prominent in the center, surrounded by green fields and some industrial or parking areas. In the background, the dense urban landscape of Toronto is visible, with the city skyline and the CN Tower on the horizon under a cloudy sky.

# DOWNSVIEW AIRPORT LANDS CITY OF THE FUTURE

DDXI Part I - Team 9

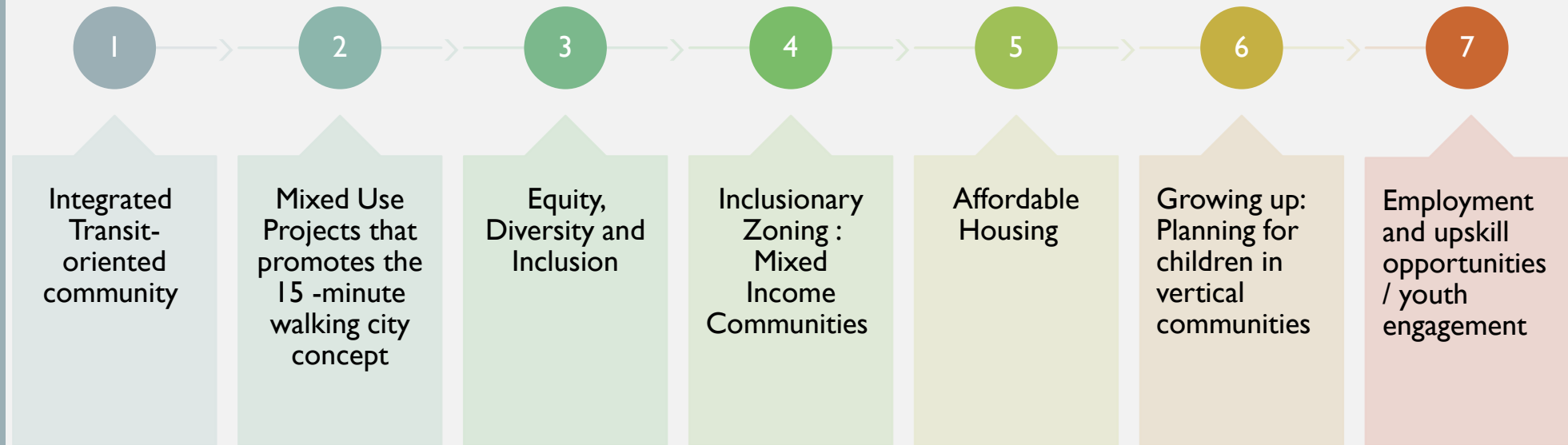
# VISION



First Phase  
Development  
that curates the

**Sustainable  
Intergenerational  
city**

of Downsview



## Project Mandate

The project mandate is three pronged, and is focused on future development, community growth, and financial returns. This development will act as a catalyst for growth in the Downsview area, and will allow for growing families to thrive while creating a long-term investment that achieves the 5.7% targeted return.



# MARKET STUDY



## Household Income

\$ 57,611

19% households are Low Income



## Home ownership

48%



## Unemployment Rate

7.9%



## Median Age

40.3



## Change in Population

2011-2016 (+1.1%)



## Household size

2.67



## Education level

19.8% Bachelors or Higher



## Unaffordable housing

33.5%

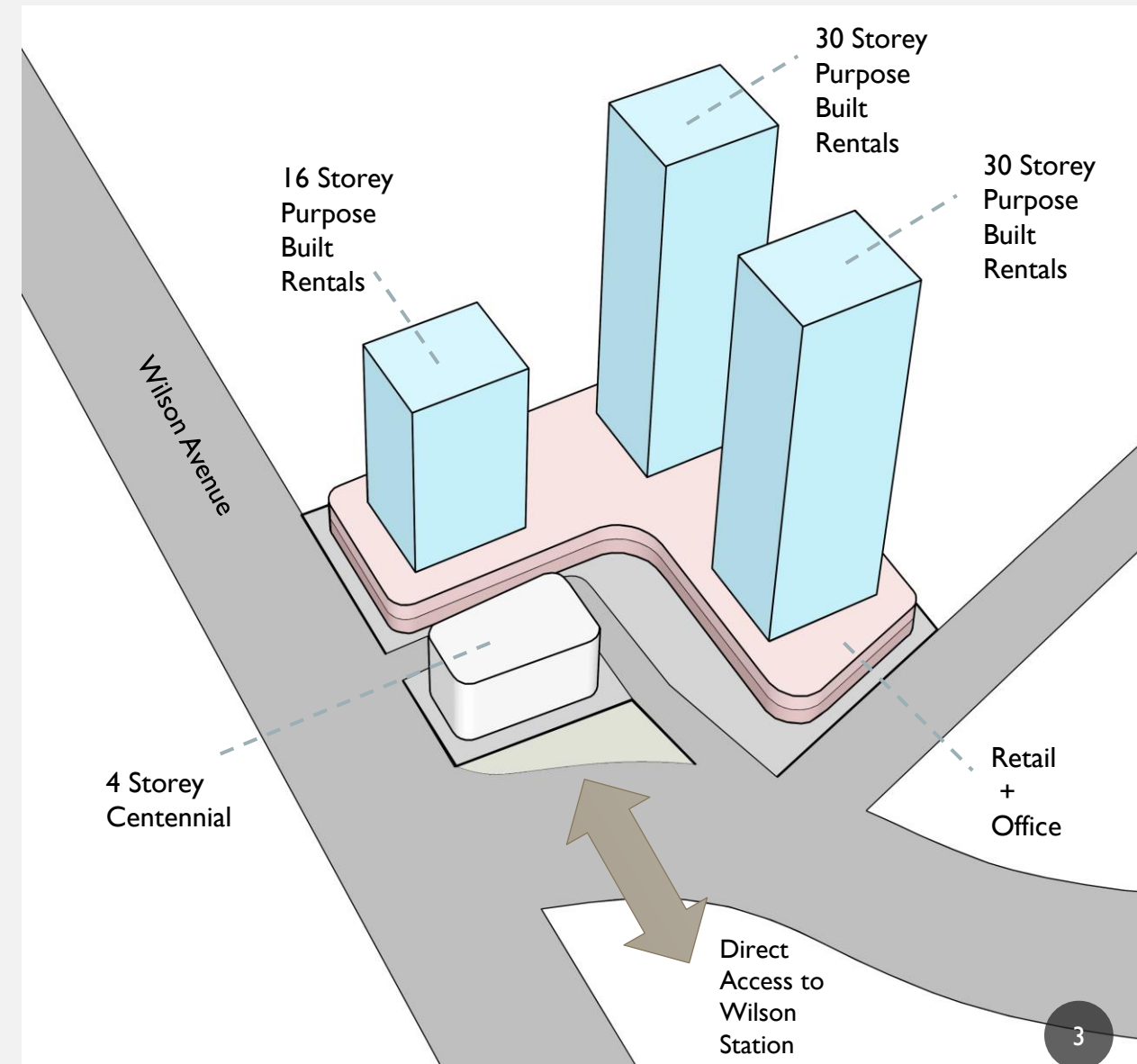
# DEVELOPMENT CONCEPT

A MIXED USE DEVELOPMENT PROJECT THAT EMBRACES ALL NEEDS OF ITS TENANTS

Development Facts	
Purpose built Rentals	4,88,589 Sqft
Retail	52,218 Sqft
Office	13,054 Sqft
Amenities	40,795 Sqft
Community Centre	32160 Sqft

**669** Total Purpose Built Rental Units

<b>30%</b>	<b>50%</b>	<b>15%</b>	<b>5%</b>
1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom



# DEVELOPMENT TIMELINE

Design Phase  
9 Month

Leasing  
6 Month

Construction Phase  
3 Years

Operation



Inspirational Activities Pictures



Inspirational Wilson Towers



# HIGHEST AND BEST USE

High demand for rental stock.

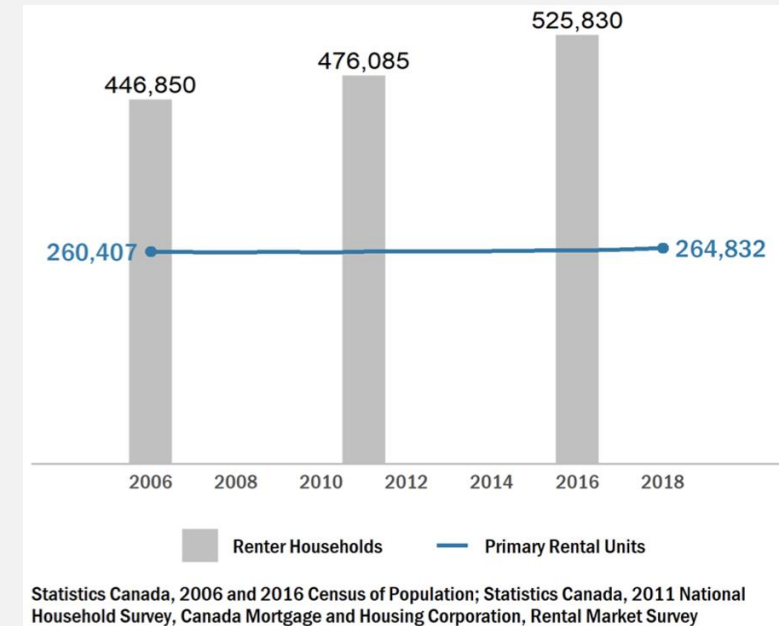
Low Vacancy rates driving rents higher.

Lease up time brief due to housing shortages.

- Units market quicker and more efficiently
- Reduction in overall project costs
- Long-term return on investment
- Stable cash flows

**LEVERED IRR**  
**15.4%**

**NPV**  
**\$ 64 M**



## Demand Supply in Rental Market

PRIMARY RENTAL MARKET (by bedroom type)			
Bachelor	One bedroom	Two bedroom	Three or more bedrooms
5.5%	4.0%	2.6%	2.2%
Vacancy Rate	Vacancy Rate	Vacancy Rate	Vacancy Rate
\$1,202	\$1,417	\$1,622	\$1,837
Avg. Rent	Avg. Rent	Avg. Rent	Avg. Rent

# RATIONALE

## Market Positioning

- Rental living in a premium location of Toronto with great access to transit, green spaces and cultural amenities

## Pricing Program

- Blend of sub-market rentals and market rentals.
- A lottery system would be used to fill those units.
- We have also considered affordability for the remaining units. They will be priced competitively when compared to neighbourhood averages.

## Development

- The development process will also be quicker for purpose-built rentals.
- The area has seen a positive change in population growth, as immigration levels have continued to rise.
- There is currently a supply shortage, with only 2.1 months of inventory left if housing sales continue at this rate.

## Secured Returns

- Housing as a hedge against inflation

## Impact Investing

- Securing financial returns with the aim of creating a positive difference.

## Suggested Partners



# EQUITY

20% of all Unit Mix

## SUPPORTIVE HOUSING UNITS

Housing that is designed to support specific populations, specifically seniors, and people with mental health issues, cognitive, intellectual and physical disabilities.

Neighbourhood residents with families that are actively engaged in the process of learning new skills to be more employable.

# DIVERSITY

20% of 2 BED and 3 BED

## INCLUSIONARY DESIGN

### *Senior And Children*

Inclusive design for seniors and children within all spaces and avoiding isolated facilities.

Danish Designs to remove the stigma of old age.

### *Ethnicity*

Unbiased lottery system allocation of **all units** to add to the existing rich ethnic background of the neighbourhood.

# INCLUSION

20% of all Unit Mix

## AFFORDABLE HOUSING

Rents would adhere to City of Toronto Affordable Rental Housing Guidelines.

Units would be scattered throughout the development unless a clustered distribution of a few units is more efficient for special needs tenants.





# COMMUNITY CONSIDERATION

## Generating Employment

- Retail and office establishments will generate jobs
- Creation of a college in partnership with Centennial College. This will allow the community to upskill and increase their employability.
- These initiatives will boost the employment rate of the community.

## Transit-oriented community

- 47 current walk score , adding to the score to ensure high walkability
- 42 current bike score adding to the score to ensure high bike ability via creation of 8m wide sidewalks, and bike paths.
- A transit-oriented community created through access to Wilson and Sheppard West subway stations and adequate density around the transit nodes.
- A symbiotic relationship seen through adding density benefiting the TTC, and improved accessibility for residents.



# COMMUNITY CONSIDERATION

## Centennial College

Centennial College will be allocated a standalone building at a discounted rent to expand on their current program offering.

## Neighborhood Scholarship Fund

1.2 % of Effective Gross Income will be allocated to a scholarship fund to subsidize tuition cost for students from local neighborhood to increase education levels.





# FINANCIAL ANALYSIS

## Development Costs

Land	\$32 Million
Hard Costs	\$269 Per SqFt
Soft Costs	\$81 Per SqFt
Total	\$339,468,581

## Fund Sources

Equity	40%
Debt	60%

## Financial Assumptions

- 20% Affordable Housing as per CMHC guidelines
- 80% Market Rent Units
- Financing secured at 3.75%, 10 Year Term from CMHC

NPV

\$65 M

Unlevered IRR

5.35%

Levered IRR

12.5%

- Market Calculated = TREB \* 2% growth annually
- IRR achieved through Disposition
- Leveraged IRR 12.5%,
- 6.8% above PSP Target Returns of 5.7%



THANK YOU FOR YOUR TIME!

# APPENDIX - FINANCIAL ANALYSIS

Project Assumptions					Development Assumptions				Rent Roll Assumptions		
Property Information					Development Costs				Market Rate		
Gross Floor Area	969,781	Sq ft	Unit Type	No of Units	Rental Rates	Hard Costs	Cost per Sq ft	Area (Sq Ft)	1 Bedroom	195	1,753
Leasable Floor Area	676,561	Sq ft	1 Bedroom	244	\$ 1,753	Construction Residential & Amenities	\$275	651,531	2 Bedrooms	270	2,132
Residential Leasable Area	488,589	Sq ft	2 Bedrooms	337	\$ 2,132	Construction Retail	\$215	65,272	3 Bedrooms	53	2,350
Retail Leasable Area	52,218	Sq ft	3 Bedrooms	67	\$ 2,350	Construction Office	\$300	16,318	4 Bedroom	17	2,500
Office Leasable Area	13,054	Sq ft	4 Bedroom	21	\$ 2,500	Construction Centennial College	\$400	32,160	Total Monthly Revenue		\$ 1,092,839
Useable Parking Area	122,700	Sq ft	Parking Spaces	533	\$ 120	Parking	\$180	204,500	Average Market Rate Per Unit		\$ 2,043
Common Area	293,220	Sq ft				Contingency	5.0%	12,388,695	Affordable Rental Units		
			Avg. Unit Size (Sq ft)	731		Total Hard Costs	\$269 Per Sqft	\$ 260,841,996	Unit Type	No. of Units	Rental Rates
Above Grade Area	765,281	Sq ft	Total Units	669		Soft Costs			1 Bedroom	49	964
Below Grade Area	204,500	Sq ft	Monthly Rent	\$ 1,355,190		Arch & Engineering	5.0%	13,042,100	2 Bedrooms	67	1,173
			Rent / Unit	\$ 2,027		Development Charges	10.0%	26,084,200	3 Bedrooms	13	1,293
Total Project Value			Rent/ Sq Ft	\$ 1,855		Marketing and Leasing	3.0%	7,825,260	4 Bedroom	4	1,375
Cap Rate	3.50%		Affordable Units	20%		Property Tax and Insurance	2.0%	1,100,000	Total Monthly Revenue		\$ 149,071
Construction Term	36 Months					Permits		500,000	Revenue Forecast		
LTC	60%					Legal Fee	1.0%	2,608,420	Apartments - Market Rate	390,871	13,114,074
Loan Value	\$ 223,695,761					Project Management Fee	3.0%	7,825,260	Apartments - Affordable	97,718	1,788,851
Loan Interest Rate	3.75%					Loan Commitment Fees	1.5% (Loan Value)	3,355,436	Centennial College	24,120	4,341,600
Construction Interest Expense	\$ 16,777,182					Technical Reports and Other Costs	1.0%	2,608,420	Retail	52,218	1,566,528
Equity	\$ 149,130,508					Contingency	5.0%	13,042,100	Office Space	13,054	261,088
Total Development Cost ( Excluding Land )	\$ 339,468,581					Total Soft Costs	\$81 Per Sqft	\$ 78,626,585	Parking	122,700	767,520
Land Residual	\$ 33,082,000					Total Development Costs	\$350 Per Sqft	\$ 339,468,581	Total Annual Revenue	700,681	\$ 21,839,661
Scholarship, Bursary Fund	\$ 275,688										
Total Cost	\$ 372,826,269										

Sensitivity Analysis																				
Leveraged IRR		Development Costs per Sq Ft					Leveraged IRR		Development Costs per Sq Ft					Leveraged IRR		Residential Vacancy Rates (Market Rent)				
Disposition Cap Rates		\$390	\$370	\$350	\$330	\$310	Avg. Market Rent		\$390	\$370	\$350	\$330	\$310	Avg. Market Rent		7%	5%	3%	2%	1%
	5.5%	5.3%	6.1%	6.9%	7.8%	8.7%		\$ 1,839	9.9%	10.7%	11.5%	12.3%	13.2%		\$ 1,839	11.1%	11.3%	11.5%	11.6%	11.7%
	4.5%	7.8%	8.5%	9.3%	10.2%	11.1%		\$ 1,941	10.4%	11.2%	12.0%	12.8%	13.7%		\$ 1,941	11.6%	11.8%	12.0%	12.1%	12.2%
	3.5%	10.9%	11.7%	12.5%	13.3%	14.2%		\$ 2,043	10.9%	11.7%	12.5%	13.3%	14.2%		\$ 2,043	12.1%	12.3%	12.5%	12.6%	12.7%
	3.0%	12.9%	13.6%	14.4%	15.3%	16.2%		\$ 2,145	11.4%	12.1%	12.9%	13.8%	14.7%		\$ 2,145	12.5%	12.7%	12.9%	13.0%	13.1%
	2.5%	15.3%	16.0%	16.8%	17.7%	18.6%		\$ 2,247	11.8%	12.6%	13.4%	14.3%	15.2%		\$ 2,247	13.0%	13.2%	13.4%	13.5%	13.6%

## APPENDIX – PRO FORMA CASH FLOW

Year	1	2	3	4	5	6	7	8	9	10	11
Inflation Factor	1	1.02	1.0404	1.0612	1.0824	1.1041	1.1262	1.1487	1.1717	1.1951	1.2190
Alpha Developments - Cash Flow Projections		30%	45%	25%							
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Planning/ Zoning	Construction Period	Construction Period	Construction/ Lease-up	Handover	Operations	Operations	Operations	Operations	Operations	Sale
Gross Potential Rent Revenue											
Apartments - Market Rate					14,195,095	14,478,997	14,768,577	15,063,949	15,365,228	15,672,532	15,985,983
Apartments - Affordable					1,936,310	1,975,036	2,014,537	2,054,827	2,095,924	2,137,843	2,180,599
Centennial College					4,699,487	4,793,477	4,889,347	4,987,134	5,086,876	5,188,614	5,292,386
Retail					1,695,660	1,729,573	1,764,165	1,799,448	1,835,437	1,872,146	1,909,589
Office					282,610	288,262	294,027	299,908	305,906	312,024	318,265
Parking					830,788	847,404	864,352	881,639	899,272	917,257	935,603
Total Potential Revenue					\$ 23,639,951	\$ 24,112,750	\$ 24,595,005	\$ 25,086,905	\$ 25,588,643	\$ 26,100,416	\$ 26,622,425
Vacancy											
(-) Apartments - Market Rent	3%				(425,853)	(434,370)	(443,057)	(451,918)	(460,957)	(470,176)	(479,579)
(-) Apartments - Affordable	3%				(58,089)	(59,251)	(60,436)	(61,645)	(62,878)	(64,135)	(65,418)
(-) Retail	5%				(84,783)	(86,479)	(88,208)	(89,972)	(91,772)	(93,607)	(95,479)
(-) Office	5%				(14,131)	(14,413)	(14,701)	(14,995)	(15,295)	(15,601)	(15,913)
(-) Parking	10%				(83,079)	(84,740)	(86,435)	(88,164)	(89,927)	(91,726)	(93,560)
Total Vacancy					\$ (665,935)	\$ (679,253)	\$ (692,838)	\$ (706,695)	\$ (720,829)	\$ (735,246)	\$ (749,950)
Effective Gross Income					\$ 22,974,017	\$ 23,433,497	\$ 23,902,167	\$ 24,380,210	\$ 24,867,815	\$ 25,365,171	\$ 25,872,474
Expenses & Capital Costs											
(-) Operating Expenses @ 30%	30%				(6,892,205)	(7,030,049)	(7,170,650)	(7,314,063)	(7,460,344)	(7,609,551)	(7,761,742)
(-) Scholarship / Bursary Fund					(298,414)	(304,382)	(310,470)	(316,679)	(323,013)	(329,473)	(336,062)
(-) Capital Reserve	2%				(459,480)	(468,670)	(478,043)	(487,604)	(497,356)	(507,303)	(517,449)
(-) Leasing Costs	3%				(689,221)	(703,005)	(717,065)	(731,406)	(746,034)	(760,955)	(776,174)
(-) Tenant Improvements	1%				(229,740)	(234,335)	(239,022)	(243,802)	(248,678)	(253,652)	(258,725)
(-) Free Rent					(2,225,919)					(2,457,595)	
Total Expenses					\$ (10,794,979)	\$ (8,740,441)	\$ (8,915,250)	\$ (9,093,555)	\$ (9,275,426)	\$ (11,918,529)	\$ (9,650,153)
Net Operating Income (NOI)					\$ 12,179,038	\$ 14,693,056	\$ 14,986,917	\$ 15,286,656	\$ 15,592,389	\$ 13,446,642	\$ 16,222,321
Proceeds From Sale	3.5%									\$ 463,494,890	
Unlevered Cash Flow	5%	\$ (149,130,508)	\$ (67,108,728)	\$ (100,663,093)	\$ (55,923,940)	\$ 12,179,038	\$ 14,693,056	\$ 14,986,917	\$ 15,286,656	\$ 15,592,389	\$ 476,941,531
(-) Interest			(2,516,577)	(6,291,443)	(8,388,591)	(8,294,588)	(8,084,508)	(7,866,414)	(7,639,999)	(7,404,946)	(7,160,925)
(-) Principal					(5,506,488)	(5,716,568)	(5,934,662)	(6,161,077)	(6,396,131)	(6,640,151)	
(-) Mortgage Balance										(187,340,683)	
Levered Cash Flow	12.5%	\$ (149,130,508)	\$ (2,516,577)	\$ (6,291,443)	\$ (8,388,591)	\$ (1,622,039)	\$ 891,980	\$ 1,185,841	\$ 1,485,579	\$ 1,791,312	\$ 463,140,455
Discount Rate	8%										
NPV	\$64,970,872										