

Property Report

ROI Capital™
Real Estate Asset Management
roicapital.ca

1 866 764-3863

▲ 5.3%

Biggest one-week REIT gainer: Partners
» CIBC

▼ 5.0%

Biggest one-week REIT decliner: InterRent
» CIBC

▲ 10.7%

Ottawa's average office vacancy rate in Q4 of 2013, up from 8.5% in Q2.
» Colliers International

\$23

Ottawa's average downtown rent rate per square foot in Q4 of 2013.
» Colliers International

NEIGHBOURHOOD DENSITY

Mid-rise buildings challenge Toronto developers, city

Skyscrapers aren't for everyone. But builders find that specializing in a shorter alternative is not for the faint of heart

BRENDA DALGLISH

Despite the 2013 condo sales slump in Toronto, Jordan Morassutti sold 65 per cent of the 104 units in North Drive Investment Inc.'s first mid-rise condo project, overlooking High Park, in the past six months.

North Drive attributes strong sales partly to the site's highly desirable location on the west side of the park near Bloor West Village, immediately adjacent to the High Park subway station.

The building also has many of the mid-rise features that appeal to buyers: generous terraces and outdoor spaces, 22 unique floor plans, location in a character neighborhood with an active street life that will be enhanced by the condo building's 3,500 square feet of retail space.

"There's tremendous demand for this type of project," Mr. Morassutti, a North Drive founding partner, said of the 11-storey project.

"We have two kinds of buyers. There are downsizers who've lived in the area for some time and upsizers who are coming from condos in places like the Entertainment District or Bloor Street. They're accustomed to condo living but they've outgrown their 500-square-foot units and like the character of Bloor West Village."

Despite his enthusiasm, which is shared by Toronto's chief planner Jennifer Keesmaat, developers complain they face many new counterproductive, city-imposed obstacles that threaten the fragile economics of mid-rise. They say new mid-rise policy guidelines are too often are treated by planning staff as strict rules and that lack of flexibility makes it unnecessarily difficult to build projects that serve the city's best interests.

"They [the planning department] say they want to help solve the problems and they're kind of nibbling around the edges," said Les Mallins, president of Streetcar Developments. "But it's not enough. It's easier to get approval to build another high-rise in Liberty Village than it is to do one of ours."

Toronto defines mid-rise as being between four and 11 storeys. Yet the fixed costs of mid-rise development – the design and approval process along with the building's mechanical systems – are not much less than for high-rise development, which can spread the expense over several hundred units. Unfortunately, mid-rise projects may have 100 units, or less.



North Drive Investments is joining other developers now experimenting with mid-rise condo buildings. The High Park is in a choice location between Toronto's largest park and a character neighbourhood. NORTH DRIVE INVESTMENTS

“It's easier to get approval to build another high-rise in Liberty Village than it is to do one of ours.”

Les Mallins
President,
Streetcar Developments

"We call it the Oreo cookie problem," Mr. Mallins added. "The problem is that there are so many fixed costs in any given building, from the mechanical systems on the roof and all the design and infrastructure costs at the bottom. But we have to make our money from the residential floors in the middle, whether you have 10 floors or 50."

Despite those economic challenges, Ms. Keesmaat is promoting mid-rise development as a people-friendly solution that the city believes can house about half of the 500,000 new inhabitants the city is expecting by 2031.

"It is an important part of building sustainable neighbourhoods along streets that in many cases are underutilized," she said. "It gently inserts more density and allows retail to flourish which benefits all residents in the neighbourhood."

Mid-rise complements public transit and makes more efficient use of the city's existing sewer and water infrastructure. City guidelines encourage the use of

stepped setbacks on higher floors to open up streets to sunlight and create more people-friendly neighbourhoods than the concrete-and-glass canyons that cast shadows across downtown.

Toronto approved the avenues and mid-rise study in 2010, which contains policies that are now guiding mid-rise development.

Since then there has been rapid growth in the number of mid-rise applications the city is receiving, with 2013 expected to be the biggest year ever. In all, 58 projects have been approved since July of 2010, Ms. Keesmaat said. But most of the projects under construction were approved before 2008, prior to the new policies taking effect.

"It's not for the faint of heart, but we're seeing a lot of developers showing interest right now," said independent real estate consultant Barry Lyon.

"I'd say it's more experimental interest. Because investment interest [in high-rise condos] is slowing down, developers are trying out this kind of project, but I

wouldn't say they're committed yet."

Mr. Mallins, who Mr. Lyon describes as one of the city's mid-rise veterans with 16 Streetcar mid-rise buildings along Queen Street in the past decade before the guidelines came into effect, is frustrated by the lack of flexibility. "They were supposed to be guidelines, not hard-and-fast rules, but once they're written down on paper, city planners don't want to deviate from them," Mr. Mallins said. Streetcar is now working on five mid-rises, two along Carlaw Street just north of Queen Street East in Leslieville and three on Queen West by Gladstone Avenue.

In one case, Streetcar responded to residents of townhouses on a street beside a Carlaw project by including a few townhouses, in keeping with the scale of their street, to transition from the 11-storey height of the main building to existing residents' townhouses. Although the city eventually agreed to the idea, it took a great deal of time, effort and expense, he said.

Waste disposal areas are another example because they can affect residents with noise, smells and other problems if they aren't handled properly, he said. Sometimes even a slight change from the guidelines, for instance by angling an entrance by even just a couple of feet, might create a better outcome for future residents, Mr. Mallins said.

But negotiating the change will be time consuming or even impossible if the city planner overseeing the proposal is afraid of being held accountable for allowing any deviation from the formal guidelines, he said. If planning staff insist on sticking to the guidelines, or even if they just inordinately delay the process, it can impair a project's success.

In the long term Mr. Mallins said he fears the new restrictions will create cookie-cutter buildings that discourage the very character and vibrancy the city wants to achieve with mid-rise.

The planning department is aware of concerns with the guidelines, Ms. Keesmaat said. Planning guidelines are never perfect and are always evolving, she said, promising the city will undertake a review and assessment of the guidelines this year and make changes if necessary.

"Do the economics concern us?" she said. "Yes and no. We're seeing some very successful mid-rise projects being built these days."

Special to The Globe and Mail