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HOUSING DEVELOPMENT 101 LEVERAGING PRIVATE SECTOR CAPACITY

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What is the Private Sector – Common Concepts



Private Sector vs. Public Sector



What is the Private Sector – A Definition

“the part of the national economy that is not under direct government control”

- For-Profit Developers
- Non-Profit Developers
- Sometimes Side-by-Side



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What is the Private Sector – Spot the Public Building (Hint: All Regent Buildings)



The Non-Profit Sector – Still Private

- Initiate Development – Be the Developer
 - Explore Options for expansion
 - Offering Development Services
- Catalyze Development (Example: Rockport/Artscape)





Agenda – Leveraging Private Sector Capacity

Tackling some Concepts that might hold you back.

- Development Team
- Partnering
- Construction Contracting



Development Team

The Development Team

- Size Depends on complexity of the work contemplated and requirements of any regulatory approvals.
- Some roles may be handled internally depending on internal expertise.
- There are differing views as to when to engage your builder (to be discussed below).



Development Team

Core	Function
Architect	Drafts Conceptual plans and ultimately working drawings
Project Lawyer	Corporate structure/ Liability protection/ risk management/ contracting/ planning approvals
Financial Analysis/Accountant	Pro Forma Analysis/ Corporate Structure
Finance Broker	Obtain Financing/ Should be familiar with alternative financing arrangements
Builder	Construction and Feasibility
Project Manager	Absent internal expertise an experienced manager with development experience. The “Owner’s Representative”.



Development Team

As Needed	Function
Surveyor	Identifies extent of title/ reference plans etc.
Cost Consultant/ Quantity Surveyor	Certifies progress draws to the Bank
Planner	Identifies required planning variances and prepares municipal applications
Traffic Consultant	If required by planning approvals – Identifies impact on traffic patterns
Noise Consultant	If required by planning approvals – Identifies noise levels at nearby homes;
Shadow Study Consultant (etc.)	If required by planning approvals – Identifies shadow impacts of a large building.

Partnerships in Real Estate – The Law Part

- “P” Partnership – a legal arrangement
- “p” partnership – working together
- Which of these is a Partnership?



Aquavista (Tridel/Arstcape)



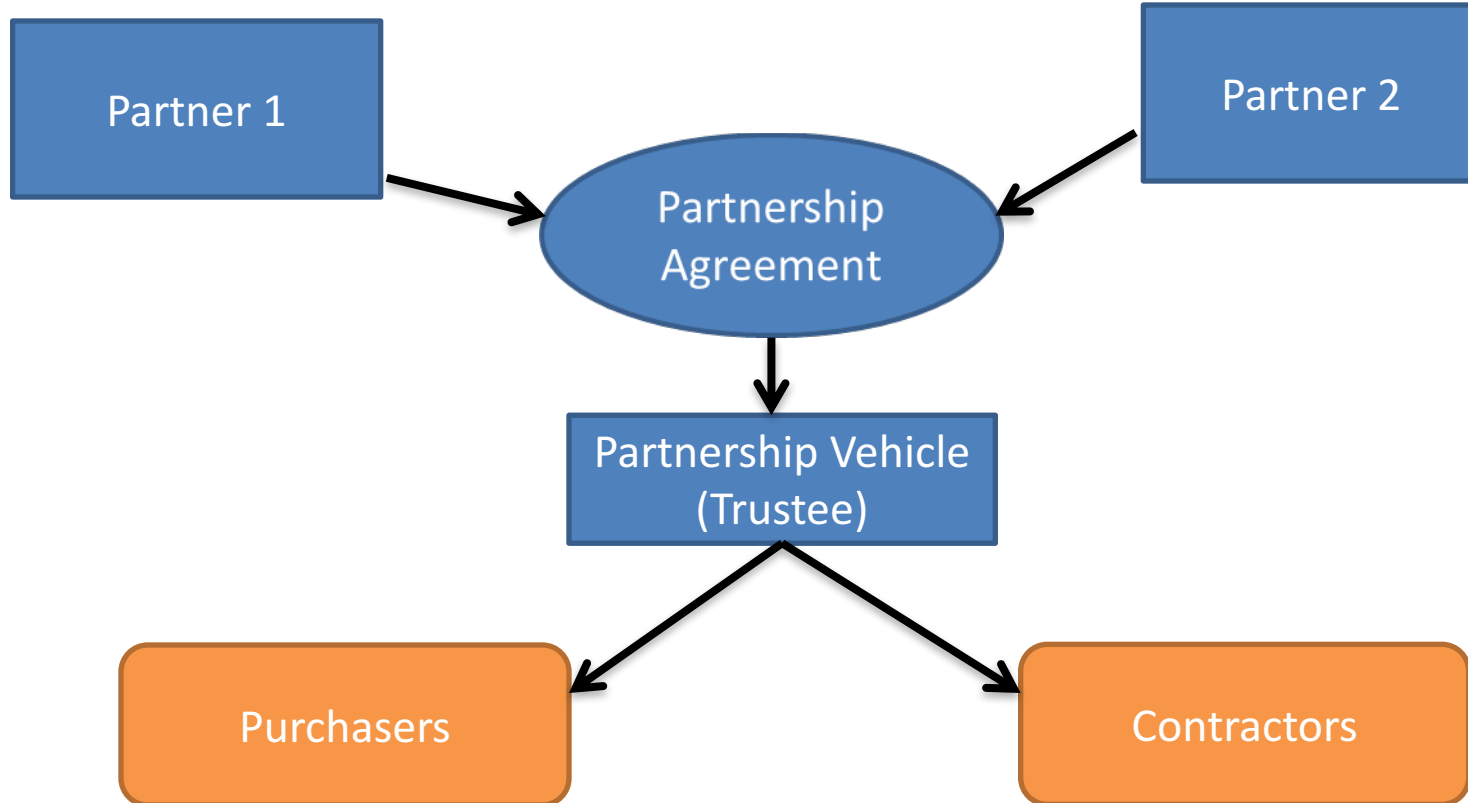
One Park West (TCH/Daniels)

Partnerships in Real Estate – Why do it?

- Pool talents to be able to leverage combined assets, skills and knowledge to achieve your goal.
- Financial reasons – create value you could not create on your own (ie. expand the pie)
- Mutual Respect - Each partner sees value in the contributions of the other.
- Risk Management – Spread the risk
- Values – A shared purpose at partnership level.

Partnerships in Real Estate – The Basic form

Partnerships tend to follow a basic format:



Partnerships in Real Estate – The Agreement

- The Partnership Agreement establishes:
 - Land Value (and transfer if required)
 - Proportionate share of ownership
 - Equity Investment (get credit for advance work)
 - Responsibilities of the partners
 - May differ according to expertise
 - May include fees
 - Management of the Partnership
 - Typically a committee with set responsibilities
 - Distribution of Proceeds

Partnerships in Real Estate – The Agreement

- Key items to remember:
 - Understand the role you are playing in the partnership.
 - Understand how the money flows:
 - Value of land
 - Fees
 - Distribution of Proceeds
 - Its all negotiable
 - Proceeds, for example, can “waterfall”.
 - Partner may retain some unilateral rights



Construction Contracting

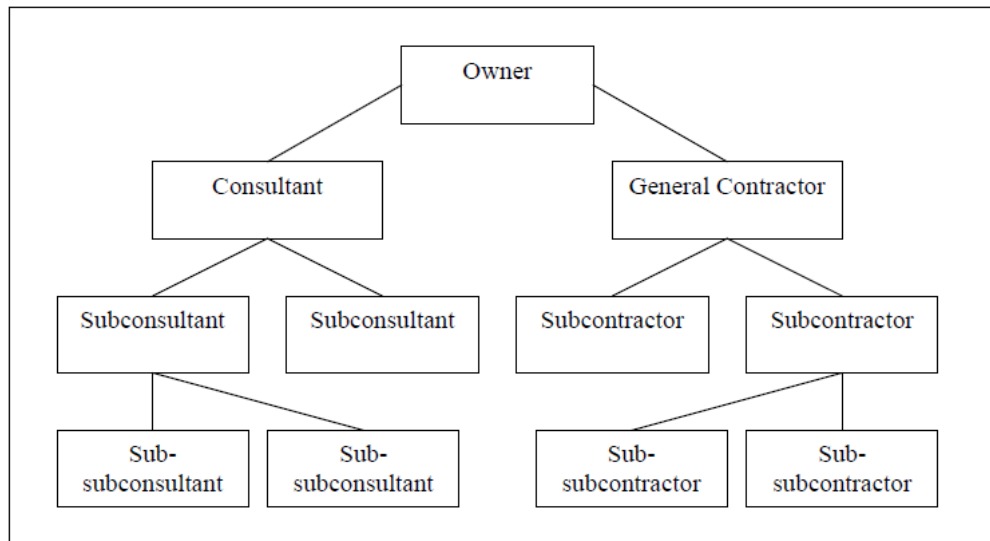
Types of Construction Contracts:

- Stipulated Price (CCDC2)
- Classic Construction Management (CCDC5A)
- “At-Risk” Construction Management (CCDC5B)
- Design Build (CCDC 14)

Construction Contracting

Stipulated Price

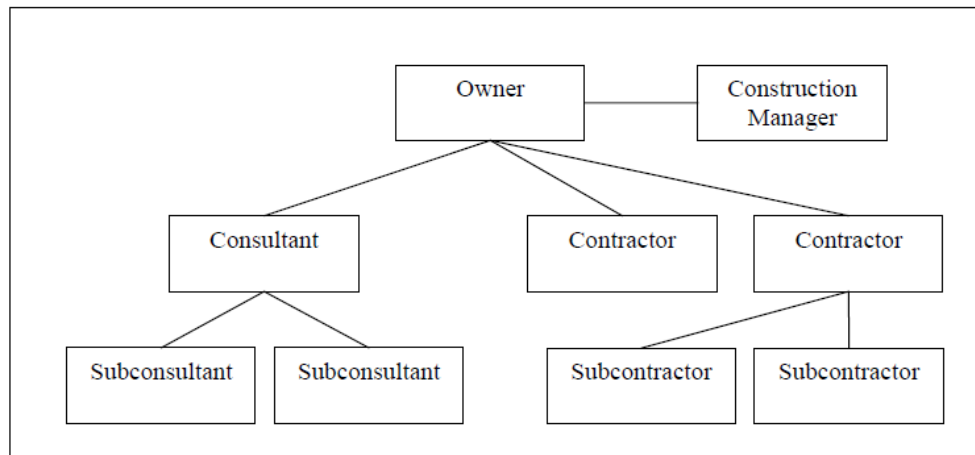
- Procure Builder when drawings fully formed
- Trade pricing risk is transferred to the Builder
- One Price (subject to Change Orders) etc.



Construction Contracting

Classic Construction Management

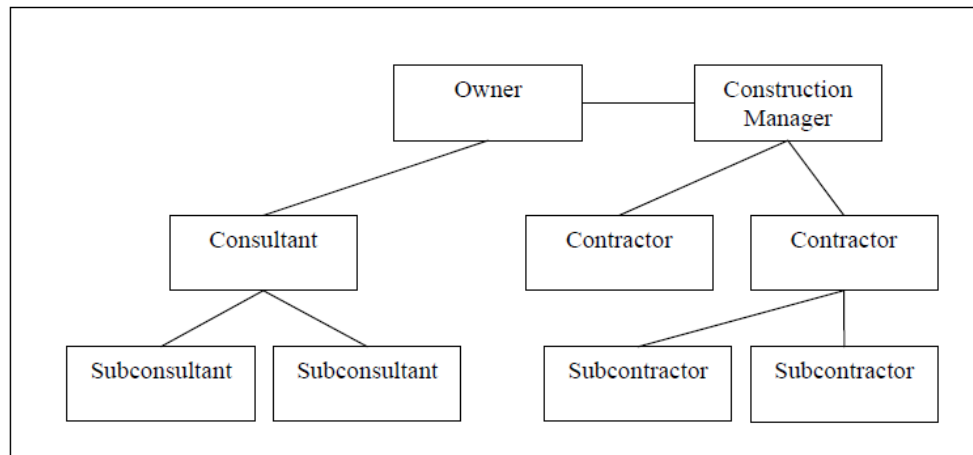
- Procure Builder at the beginning based on experience and fee. Becomes part of the team.
- Price Control is in the procurement of sub contracts.
- Generally, a faster model because construction can start before drawings complete.
- Greater admin burden on Owner



Construction Contracting

“At-Risk” Construction Management

- Procure Builder at the beginning based on experience and fee. Becomes part of the team.
- Price Control is in the procurement of sub contracts.
- Still a faster model than Stipulated Price.
- Builder remains on site for warranties.
- Contemplates setting a guaranteed Maximum Price.



Construction Contracting

Key Considerations when deciding:

1. How important is speed?
2. How far along am I on design? Am I building something novel? How much construction expertise do I need at the outset?
3. How much control do I want as Owner over the budget and schedule of the project?
4. How much administration do I want to take on?
5. How important is cost certainty – even if I am paying for it.
6. How comfortable am I with being responsible for Health and Safety Risks?
7. How am I protected if the General Contractor (or a major sub-trade) fails?




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