



**Terra Lumina**  
Life Lease Housing

# Development Insights

Presented By: Simon Davie, Director of Development



# WHY LIFE LEASE?

- Retain ownership of land
- Generate revenue for Society
- Utilize seniors equity in community
- Create housing stock
  - Safe community
  - Downsizing options
  - Simple
  - Affordable
  - Equity retention



# SOCIAL PURPOSE REAL ESTATE

Using land and development as  
powerful tools to create community  
benefit



# How

## **Plan well, build your team and manage risks**

Risk – the possibility of something happening that impacts your objectives. It is a chance to either make a gain or loss.

### **Key risk consideration:**

- Development
- Cost
- Approvals
- Time
- Land
- Financing
- Construction



# Catherine Gardens – Vernon

# Schubert Centre Society

## Objective

- Society to retain ownership of land and generate revenue to help sustain and support Schubert Centre Society.
- build units in Vernon to utilize land and reputation in the community and provide opportunity for seniors to downsize and stay in community

## Strengths

- owned ½ a good site in Vernon adjacent to 1200 member seniors' centre and a “park”
- well respected and have municipal support

## Issues

- no government funding
- lack of development expertise and no significant cash assets
- land purchase of park and significant blasting

## Solution

- life lease project, allowed to access seniors equity
- brought in resources, created a development partnership with Terra Lumina Life Lease and Yellowridge Design Build, through a Limited Partnership arrangement to design, market and build units
- Shared development risk

## Catherine Gardens – Vernon - Schubert Centre Society



# Catherine Gardens – Vernon - Schubert Centre Society

## Development

- early risk money by TLL then CMHC
- TLL created legal structure and documents
- Rezoned then pre-sold 50% of units
- TLL & builder deferred most fees to come from proceeds of sales – sell LP shares back for \$1 after sales completion and payment

## Cost

- used Design-build approach.
- Builder took on design costs once comfortable with business plan

## Approvals

- Council supported purchase of City land
- rezoned land - required 3 affordable rental units

## Time

- Presales took longer than expected. Mitigated with no land cost – builder held price – market flat – consulting part of LP

# Catherine Gardens – Vernon - Schubert Centre Society

## Land

- owned ½ site – bought unused slope of park
- significant blasting

## Financing

- LP provided \$3.8M cash and land equity pre first advance to satisfy QS
- required \$3.6M personal guarantees by TLL & YCL
- CMHC provided early PDF – patient waited to post completion
- went to conventional lenders – Canadian Western Bank
- negotiated 12 month window to retire construction mortgage

## Construction

- used most of contingency – blasting, owner upgrades, design improvement
- architect worked for developer first then builder – some “grey” in design omissions that became change orders



# Catherine Gardens – Vernon - Schubert Centre Society

## Revenue Generation

### Development

- Equity Participants earned a return on investment
- Small profit at the end of the project is shared
- Development partners sell interest in project back to Schubert Centre for \$1

### Operations

- On lease turnover 5% of Entry fee is retained by Schubert Centre – release costs from here
- Ongoing management
- Realize increase in real estate market by increasing release entry fees (purchase price)
- Increase in membership at Schubert Centre and provision of services to residents
- Further establishes non-profit's reputation and work in community

# LIFE LEASE DEVELOPMENTS COMPARED TO MARKET DEVELOPMENTS

## vs Market project

### Costs

Land	Lower – often already owned and paid for
Soft	Similar
Construction	Similar
Marketing and Sales	Similar or slightly lower
Other	Tax same, profit may be slightly lower

### Finance

Equity	Opposite - land rich and cash poor
Sales	Similar or slightly lower
Debt	Similar requirements - Covenant can be an issue

### Operations

Revenue	Similar
Expenses	Generally the same



# CLOSING THOUGHTS

- Be clear on your objectives
- Understand your appetite for risk and need for control
- Each project is unique – do your due diligence
- Well located sites with no carrying costs are GOLDEN
- Development expertise is essential
- Complete and well done design is excellent cost control
- Cost effective to manage risk early
- Use fixed pricing where possible
- Profit should follow risk
- Do not underestimate your community power

**SOCIAL PURPOSE REAL ESTATE DEVELOPMENTS ARE LIKE ANY OTHER REAL ESTATE DEVELOPMENTS -  
IF THEY DO NOT MAKE GOOD BUSINESS SENSE YOU SHOULD NOT DO THEM**