



# OWN Housing Literacy Series: “What Really Works in Creating Affordable Housing?”



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## Building Seniors’ Life Lease Apartments Speaker: Deirdre Gibson, President, Gibson and Associates

In May 2011, a new life lease seniors building, **Bethel Green**, was listed on **Toronto’s Doors Open**, which celebrates buildings of architectural excellence and community interest. Bethel Green is a charming four-storey building that includes a redeveloped and smaller Bethel Baptist Church and 19 life lease apartments for seniors, and fits into its quiet residential area beautifully. Unable to tour in May, we contacted Bethel Baptist Church to request a private tour and the minister referred us to Deirdre Gibson, their development consultant and project manager, and also the architectural firm of Robert Reimers Architect Ltd. Since few of us understood the concept of life leasing we decided that we should first ask Deirdre to come and explain how life leases are developed, funded and managed. Deirdre has over 25 years’ experience in designing different kinds of community-based not-for-profit housing. She happily accepted our invitation and brought along the architect, Robert Reimers.

Using a PowerPoint presentation, Deirdre first showed pictures of several life lease projects in Toronto and then went on to explain the concept. Contrary to what the name implies, life lease is **not** a lease, and as a result, is not governed by the Residential Tenancies Act (2006), and it is **not** related to your life. Rather, it is both **a financial tool** to raise the equity needed for the construction of a building and **a contract** between the purchaser of a specific unit in a building and the sponsor of the project (a church or other not-for-profit). One significant feature that distinguishes a life lease unit from a condominium is that a condo cannot enforce an age limit.

As defined by Canada Mortgage and Housing (CMHC), life lease projects provide older individuals and couples—usually 55 years or older—with affordable housing that comes with a life-time right to occupy a unit and have access to communal facilities and services and also the assurance that their neighbours will be in the same age group. Purchasers acquire a life lease unit through a single upfront payment, similar to when buying a house or condo, varying in amount according to such factors as life expectancy and the redemption value of the unit. Purchasers are also responsible for paying a modest monthly fee to cover the cost of management and upkeep plus taxes.

The contract between sponsor and purchaser is the key. Life lease arrangements are subject to **contract law** rather than to the Condominium Act (1998) or the Residential Tenancies Act (2006). The contract is a legally binding definition of rights and obligations, and specifies such things as governance, conditions of occupancy, and resale—especially how much of the purchase price will be returned at the time of resale and to whom the unit may be sold. In addition, the contract spells out the terms of use, payment schedule and resale process. Finally, it sets out the all-important rules for living together, which should establish a balance among the individual household, the other households and the sponsor, and reflect the not-for-profit sponsor's long-term vision for the community. Since a "life lease" is a contract, there is no standard way that it is organized. Purchasers must carefully review the individual documents, ask lots of questions and discuss it with their advisors, lawyers and family.

Deirdre gave examples of five ways that different life lease contracts are used to establish resale conditions that will return some, or all, of the purchase price back to the purchaser (or the estate). When a unit becomes available, the sponsor will usually assist in the resale process, confirming the current price and drawing on its waiting list. In Ontario the most common agreement uses a shared-equity approach between the not-for-profit sponsor and the purchaser, based on the resale price being at current market value. The sponsor charges a fee for this service that is usually equivalent to using a real estate agent; the senior receives back not only their initial purchase price but also most of the increased value.

In the second part of her presentation, Deirdre looked at life leasing from the perspective of the sponsoring not-for-profit organization. The first step in getting something built is to identify a site. The next is to put together a team of volunteers to assume (or, if the organization already owns the land, continue) the leadership role and assemble an array of professionals covering every aspect of the building project. For example, to get started, a community-based sponsor will need to engage a development consultant, a solicitor and an architect, and should ensure that they have the support of their elected representatives to government.

We asked, “How does using a life lease approach contribute to affordability?” Deirdre explained that a not-for-profit group usually sets **social objectives** they want to achieve, and does not need to generate a financial dividend for shareholders. The sponsor must plan to cover all costs just like a condo developer—to pay permits and fees, buy the bricks etc. But by engaging future residents early in the process, they can reduce administration, marketing and financing costs to the benefit of all.

Throughout her presentation and the Q & A period that followed, Deirdre skillfully fielded numerous questions and managed to fill in many details. At one point, she welcomed Edna Beange, an OWN member and president of Stay At Home In Leaside, the life lease building where she resides, to speak about how her building is managed. Deirdre then continued with her central message: Life leases are not for everyone, but they do provide an affordable housing alternative for seniors who want to buy into a community of like-minded people of their own age and have accumulated sufficient equity (usually in the form of a house) to be able to enter into a purchase agreement. At the same time, the life lease model is an effective financial tool for not-for-profits seeking a way to build more affordable housing without mortgaging their future. However, as Deirdre stressed repeatedly, of the 135 life lease projects, totaling over 9,000 units, that have been built in Ontario to date, each is different from every other. Because there is no single formula, not-for-profits need to develop a detailed plan before they start to build, and individuals considering the purchase of a life lease unit must read the contract with the utmost care. Deirdre recommends purchasers use a lawyer familiar with life lease contract law (not a general or real estate lawyer) before signing on the dotted line.

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