



**STAFF REPORT  
ACTION REQUIRED**

**Affordable Housing – Funding Recommendations  
Request for Proposals 9155-06-7380 and TCHC**

<b>Date:</b>	April 3, 2007
<b>To:</b>	Affordable Housing Committee
<b>From:</b>	Deputy City Manger Director, Purchasing & Materials Management Chief Corporate Officer
<b>Wards:</b>	11, 14, 17, 18, 20, 21, 22, 28, 29, & 35
<b>ReferenceNumber:</b>	P:\2007\Internal Services\pmmd\gm07017pmmd (AFS #3802)

**SUMMARY**

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This report is for Council approval of 10 affordable housing developments which will result in approximately 800 new affordable homes in the City of Toronto. The approval includes eight affordable housing developments, with approximately 600 units, selected from proposals submitted in response to a Request for Proposals (“RFP”) issued by the City, and 200 units in two Toronto Community Housing Corporation (“TCHC”) developments. All 10 are assisted under a joint program between the City, the province of Ontario and the government of Canada.

Federal and provincial capital funding of \$70,000 per unit is available under the Canada-Ontario Affordable Housing Program – Rental and Supportive (“the Program”). City of Toronto support is in accordance with existing affordable housing policies and programs. This report recommends that the City administer the projects for terms ranging from 25 to 50 years. Contributions from the City include waiver of development fees and charges, exemption from property taxes, the lease of two City properties and 110 rent supplements as requested by the proponents responding to the RFP.

An Administration Fee is paid to the City by the province, under the terms of an Administration Agreement with the province. The fee is accounted for in the 2007 Affordable Housing Office Budget Submission.

## RECOMMENDATIONS

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The Director of Purchasing & Materials Management, Chief Corporate Officer and Deputy City Manager responsible for the Affordable Housing Office recommend that:

1. City Council approve the following affordable housing projects selected through the RFP and recommend submission of all project information to the Ministry of Municipal Affairs and Housing for consideration as projects to be funded under the Canada-Ontario Affordable Housing Program – Rental and Supportive Component (“the Program”):
  - a. West Toronto Support Services for Senior Citizens and the Disabled Inc. at 2335-2337 St. Clair Avenue West;
  - b. Parkdale Activity - Recreation Centre (Toronto) at 194 Dowling Avenue;
  - c. St. Clair West Affordable Housing (Ossington) Group Incorporated at 1120 Ossington Avenue;
  - d. St. Clare’s Multifaith Housing Society at 48 Abell Street (to be assigned a new municipal address on the future extension of Sudbury Street);
  - e. WoodGreen Community Housing Inc. at 270 Donlands Avenue;
  - f. St Clare’s Multifaith Housing Society at 200 Madison Avenue;
  - g. 873815 Ontario Limited, at 201-213 Vaughan Road; and
  - h. 544 Birchmount Holdings Limited at 544 Birchmount Road.
2. City Council approve the following affordable housing projects of the Toronto Community Housing Corporation and recommend submission of all project information to the Ministry of Municipal Affairs and Housing for consideration as projects to be funded under the Program:
  - a. 88 Carleton Street; and
  - b. 501 Adelaide Street East.
3. The Deputy City Manager responsible for the Affordable Housing Office be authorized and directed to submit the list of recommended projects, and any other documentation, to the Province of Ontario for consideration by the Ministry of Municipal Affairs and Housing, as required by the Program.
4. Authority be granted to exempt the listed projects from taxation for municipal and school purposes for the term of the municipal capital facility agreement.
5. Authority be granted for exempting all projects not subject to a waiver under the *Development Charges Act*, from payment of development charges.
6. Authority be granted to designate the listed projects as social housing accommodation, allowing all or part of the project relief from normal parking standards, where applicable.

7. Authority be granted to enter into a municipal capital facility agreement and such other agreements, licences, security and documents, with the recommended proponents of each of the listed projects, or to an other entity associated and controlled by it and acceptable to the Director of Affordable Housing Development, to provide for the development and operation of affordable housing, on such terms and conditions as the Director Affordable Housing Development considers appropriate and in a form approved by the City Solicitor.
8. The Director, Affordable Housing Office Development be authorized and directed, on behalf of the City, to execute municipal capital facility agreements and such other agreements and documents deemed necessary, on terms and conditions satisfactory to the Director, Affordable Housing Development and in a form approved by the City Solicitor.
9. Authority be granted to enter into leases of the City owned properties at 200 Madison Avenue and 194 Dowling Avenue, for the purpose of developing the affordable housing projects and any ancillary uses, substantially on the terms and conditions outlined in Appendix 2 to this report and in a form acceptable to the City Solicitor, such grant by way of below market rent being in the interest of the municipality.
10. The City solicitor be authorized to complete the lease transactions for 200 Madison Avenue and 194 Dowling Avenue on behalf of the City, including payment of any necessary expenses and amending the commencement date of the lease and any other dates to such earlier or later dates and on such terms and conditions as she may from time to time consider reasonable.
11. The Chief Corporate Officer shall administer and manage the leases for 200 Madison Avenue and 194 Dowling Avenue, including the provision of any consents, approvals, waiver notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
12. Authority be granted for the City to make or provide its consent as owner to any regulatory applications by the proponents of the projects at 200 Madison Avenue and 194 Dowling Avenue, and to grant licences for the purposes of entering onto the City owned properties to carry out pre-development activities, and that the Director, Real Estate Services, or his designate be authorized to execute the applications, consents and licences.
13. That St. Clare's Multifaith Housing Society be permitted to further encumber its existing housing projects at 25 Leonard Street and 38 Pears Avenue, in order to make funds available for the two projects being proposed by it under the Program, on such terms and conditions satisfactory to the General Manager Shelter, Support and Housing Administration in his sole discretion and in a form approved by the City Solicitor.

## Financial Impact

The funding sources to build the 800 units (10 projects) in this report under the Program are set out below and detailed in Appendices 1 and 6.

Direct capital assistance for the construction of the 800 units from all orders of government is:

<b>Government Assistance - Capital</b>	<b>Amount</b>
Affordable Housing Program federal contribution	\$ 21,466,200
Affordable Housing Program provincial contribution	\$ 35,023,800
Minimum Expected PST and GST rebates	\$ 4,032,000
Municipal Development Fees and Charges at current rates	\$ 5,519,000
Value of City Land (two projects) for mortgage purposes with development proposed, plus contribution to cost of demolition and environmental reports	\$ 2,513,000
	\$ 68,554,000 total

Private equity and mortgage financing must be obtained as set out below:

<b>Proponent Contributions - Capital</b>	<b>Approximate Amount</b>
Minimum Proponent Equity	\$ 38,000,000
Minimum Private First Mortgage Financing	\$ 53,000,000
	\$ 91,000,000 total

Therefore the total capital cost is approximately \$160m. from all sources.

Rent supplements and property tax exemptions will support the annual operating costs of the projects after construction. The current Net Present Values of these two supports are estimated as follows:

<b>Government Assistance – Operating</b>	<b>Estimated Amount</b>
Net Present Value of Rent Supplements (excluding TCHC)	\$ 13,900,000
Net Present Value of Property Tax Exemptions	\$ 8,286,000
	\$ 22,186,000 total

The Administration Agreement with the province set out the terms and rate of an Administration Fee paid to the City for the costs of delivering the Program, including selecting projects and monitoring affordability for the term of the Contribution Agreement with the recommended proponents. For the units recommended in this report, the funding received from the province is as follows:

<b>Provincial Administration Fee Paid to City</b>	<b>Amount</b>
\$100,000 for program participation plus 1.3% of federal and provincial funds above 50 units	\$ 788,870

The detailed budget implications for the current year will be reported to Budget Committee in mid 2007 and any future year budget implications associated with these projects will be reported and included in future year program budgets as development proceeds and housing units occupied.

The Deputy City Manager and Chief Financial Officer have reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

In January 2006 Council adopted Clause 18 of Report 1 of the Policy and Finance Committee - the 2006 Action Plan for Affordable Housing Development (“the Action Plan”, <Q:\2006\Standing\Policy\Clauses\200601-018.pfc.doc>) which outlines the resources, priorities and timing to guide the City in its annual objective of 1,000 homes. A major element of the Action Plan was the assignment of funding made available to the City under the Program. One component of the Program funding was the issuance of an RFP for approximately 600 homes. A second component was the target of 200 units of Program funding for TCHC new development. This report sets out the results of the RFP and identifies two TCHC projects for funding, totalling approximately 800 units.

## **ISSUE BACKGROUND**

Appendix A to the Action Plan contained an extensive outline of the RFP selection process, evaluation criteria, and special provisions for mental health allocations and for the ability to choose projects to receive additional Program funding that may become available at a later date. The Action Plan also set out the strategy that 200 units would be expected by the non-profit sector on City sites provided under lease and 400 units from the private and non-profit sector on other sites offered by proponents.

The Affordable Housing Office used the selection process set out in the Action Plan as the basis to prepare an RFP that was issued by Purchasing & Materials Management as Request for Proposals No. 9155-06-7380 for Development of Affordable Housing on December 6, 2006. The RFP closed on January 30, 2007.

TCHC has now identified their intended use of the 200 units set aside in the Action Plan.

## **COMMENTS**

### **The Affordable Housing Program**

On August 31, 2005 the City entered into a Memorandum of Understanding to work with the federal and provincial governments to create new affordable housing under the terms of a new Canada-Ontario Affordable Housing Agreement (“AHP”).

The AHP has four components: Rental and Supportive, Rent Supplement/Housing Allowance, Northern Housing and Homeownership. This report deals with allocations made to the City by the province under the Rental and Supportive component.

The Program Guidelines for the Rental and Supportive component were published by the province in May 2006. Earlier versions of the provincial programs for affordable housing were called “Pilot” and “Strong Starts”, under which Council approved 19 projects.

Key elements of the new Rental and Supportive framework are as follows:

- Municipal control over the selection, administration and facilitation of proposed affordable housing developments;
- Municipal participation in the funding is encouraged, to assist with achieving project viability and long-term affordable rents;
- Total federal-provincial funding for capital costs is \$70,000 per unit, up from \$29,000;
- The provincial portion of the assistance (\$43,400 per unit) is not paid out during construction, but flows as a monthly “Affordability Payment” over 20 years, after the project is constructed. The payment is equal to the principal and interest costs of servicing a mortgage in the amount of the provincial assistance;
- The federal portion of the assistance (\$26,600 per unit) will be paid out during construction as a capital grant;
- With the increased capital, the average rent for a project, as a whole, is required to be no higher than 80% of Average Market Rent (“AMR”) instead of 100%;
- First mortgage financing must be arranged through the two lenders of the Ontario Mortgage and Housing Initiative. This provides lower interest rates than would normally be available on the commercial market;
- CMHC mortgage insurance (mandatory) will be based upon actual total project cost, including land, increasing the size of the private mortgage that can be obtained; and
- A single agreement signed with the City (the “Contribution Agreement”) will set out all financial contributions and the requirements for tenant selection and rent levels. Previous programs required separate agreements with the provincial government and the City. The length of time a Contribution Agreement will be in force ranges from 25 to 50 years less a day.

With this increased level of funding and lower rents, the Program is targeted towards persons living with mental illness, victims of domestic violence, individuals with a dual diagnosis (with provincially-set targets) and the working poor.

## **The City's Request for Proposals**

The RFP required proponents to provide a range of rents from low levels affordable to those on the waiting list to AMR. (AMR of older existing housing is currently \$897 for a one bedroom apartment). Given the level of Program funding, there is more opportunity to house those on the waiting list or with significant housing needs.

Additional City criteria in the RFP required energy efficiency measures from the Toronto Green Development Standard and a costing out the installation and maintenance of full in-unit sprinkler systems.

Finally there was a goal, as set out in the Action Plan that the unit mix of projects selected attempt to meet the types of units to serve the households on the waiting list. Therefore, even though the federal/provincial capital assistance is per unit regardless of size, two and three bedroom unit were encouraged.

Three City owned sites were offered for lease (50 year less a day) to non-profit corporations. The sites were 194 Dowling Avenue, 200 Madison Avenue and 2 Bicknell Avenue. In addition to a nominal rent, capital funding (\$66,000 to \$150,000) is provided by the City to assist with demolition and environmental clean-up of the sites.

After the RFP was issued in early December by posting on the City's web site, two information meetings were held by staff. The meetings included a presentation on the new features of the Rental and Supportive component of the AHP and questions and answers. They were well attended and a questions/answer consolidation was issued as an addendum to the RFP on December 21.

## **Fairness Monitor and the RFP Process**

The Affordable Housing Office hired an external Fairness Monitor to ensure the fair application of City purchasing policies and to monitor the evaluation and award processes for all affordable housing RFPs. The Fairness Monitor's activities and advice supplement, but did not replace or duplicate staff responsibilities for managing the RFP.

P1 Consulting was the Fairness Monitor. Rob Lowry of that firm worked with staff on all stages of the processes from drafting of the text of the RFP through to the final selection of projects. The Fairness Monitor's report on this RFP is attached as Appendix 4. Section 2 of that report sets out the workings of the selection process and is not repeated here.

All Affordable Housing Office staff involved in the selection process were bound by a written Code of Conduct. In addition to attending a briefing by the Fairness Monitor on conflict of interest and confidentiality, staff were required to act according to and sign the Code of Conduct attached as Appendix 5.

Some of the selection meetings were monitored by staff from the Ministry of Municipal Affairs and Housing and Purchasing & Materials Management.

## The Criteria

The RFP invited development proposals from Proponents with the expertise necessary to develop and manage Affordable Housing that:

1. is financially viable over the long term, is well constructed using materials and construction methods intended to maximize life-cycle performance and represents good value for the money;
2. is targeted to client groups identified in this RFP, is well managed and meets tenants' needs;
3. is developed in an expeditious manner and contributes to city-building objectives as set out in the Official Plan;
4. meets the Canada-Ontario Affordable Housing Program requirements and City policies as outlined in this RFP; and
5. has a well defined community engagement plan.

The RFP listed and discussed in detail the selection criteria, summarized as follows:

Stage One: PMMD process requirements and RFP technical requirements Pass or Fail.

### Stage Two:

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|--|------------------|
| 1. Executive Summary                       | 2 points         |
| 2. Proponent Qualifications                | 13 points        |
| 3. Financial Viability and Value for Money | 35 points        |
| 4. Management and Support Services Plan    | 25 points        |
| 5. Development Plan                        | <u>25 points</u> |
|  | 100 points total |

### Stage Three:

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|---|------------------|
| 6. Meeting City Priorities and Program Requirements | 10 points        |
| 7. Community Consultation and Communications Plan   | <u>20 points</u> |
|   | 30 points total  |

The selection process occurred in three stages:

Stage One: PMMD staff received the proposals at closing and performed the review of the process mandatory requirements. The evaluation team performed the review of technical mandatory requirements set out in Appendix J to the RFP. Of the 27 proposals received (listed in Appendix 3) two proposals failed to meet the technical mandatory requirements, which disqualified the proposals.

Stage Two: The 25 proposals (offering 1546 units) were then scored on selection criteria 1 through 5 listed above, to obtain a short list. Short-listed proposals were then evaluated by the financial consultant and City Planning.

Stage Three: After the financial and planning analysis was received, short-listed proposals were further evaluated using additional criteria 6 and 7.



## Results and Comments

The final analysis by the selection team resulted in the list of recommended projects detailed, as proposed, in Appendix 1, for a total of 607 units. The eight projects are in eight different wards, distributed east-west. Of the total, 183 units will be delivered by the private sector and 624 units by the non-profit sector. Proposed rents range from 31% to 100% of AMR and are distributed across the range. Tenants of the new developments will be selected from a range of income groups, from low to moderate.

There will be refinements to the projects as they move to the construction stage as a result of conditions of planning approvals, first mortgage approvals, rationing of the available rent supplement units, redistribution of supportive units according to provincial requirements, final design drawings and finalization of construction contracts. The Contribution Agreement provides that the City must approve all details of the development before the start of construction and the flowing of the Program funding. This agreement also sets out terms and conditions related to flow of funds, insurance, rents, tenant selection and reporting requirements. For the two City sites, an additional level of control is provided as the City will enter into a land lease with conditions.

Financial pro formas for each project have a built in construction contingency at or above industry standards. Each project will be monitored closely to ensure that the scope and cost of the project is in compliance with the approved proposal. In the event of unforeseen delays to the projected start of construction of a project, or unanticipated site conditions, there is a risk that construction costs may exceed even the contingency built into the proposed budget. In this event, staff will report to Council and identify a source of funding, once the status of City affordable housing reserve funds is fully known.

The new projects provide opportunity to house “Street to Homes” clients. Placement procedures will be tailored to provide referral agreements that can assist in the implementation of Council’s “From Street to Homes” strategy, as appropriate.

Proposals are recommended on two of the three City sites offered in the RFP. The terms and conditions of the lease for these two sites, totalling 111 units, are set out in Appendix 2. The single proposal for the third City site (2 Bicknell Avenue) scored low when evaluated against the selection criteria and is not recommended. The Affordable Housing Office will undertake a development review of the property and will outline the options for consideration by the Property Management Committee.

One recommended project (St Clare’s Multifaith Housing Society at 48 Abell Street) is part of the January 10, 2007 Ontario Municipal Board interim decision on three development applications in the West Queen West Triangle. City Council instructed the City Solicitor to pursue an appeal to Divisional Court and Section 43 review pursuant to the *Ontario Municipal Board Act* of the OMB interim decision. The issues raised by the City in those proceedings do not relate to the affordable housing elements. The appeal and review proceedings relate mainly to height, massing and mix of uses. It is City Planning staff’s opinion that the affordable housing component can be accommodated in the development regardless of the outcome of the appeal and/or review proceedings.

Furthermore, the time lines which relate to the appeal and the review can be accommodated in the requisite Contribution Agreement with the City.

### **Financial Analysis and Value for Money**

In addition to a review by the evaluation team, an independent financial analysis of short-listed proposals was conducted by N. Barry Lyon Consultants Limited. The firm was previously selected through an RFP process (No. 9155-06-7153) to provide independent financial and cost analysis on Affordable Housing procurements.

The financial consultant compared stated capital costs for each short-listed proposal with industry standards, tested whether proposals were financially viable over the term of the Contribution Agreement by reviewing operating budgets, mortgage costs and reserve funding and other calculations, and evaluated proposals to establish if they could meet specific CMHC underwriting criteria for mortgage insurance (mandatory under the Program). The information was available during Stage Three of the selection process outlined above.

In addition, to comply with Council's direction on Affordable Housing project reporting, the financial consultant calculated the net present value of assistance provided versus the rent savings delivered over the life of the agreement. This calculates the ratio of the reduction in rent from the economic rent that would have to be charged if the new units were to be constructed without government support, versus the total financial support to be provided.

All projects recommended for funding in this report will return more savings in rent over the life of their agreements than government contributions provided.

### **TCHC Projects – Off Site Regent Park**

As part of its off-site Regent Park development plan, TCHC is to construct two new affordable housing projects. An 80 unit project at 88 Carlton Street with 60 units targeted for Program funding is scheduled to start construction in May. A second project with 180 units at 501 Adelaide Street East has advanced to the stage where construction can start in September. The funding for the project is mixed, with 140 units targeted for funding under the current affordable housing Program.

The Action Plan approved the 200 units of Program funding for housing developed by TCHC, but not identified by site. These projects are now advanced enough to recommend site-specific Program funding to the province.

These projects will complete the TCHC 200 unit allocation of Program funding set out in the Action Plan.

### **Fair Wage Policy**

The Fair Wage Office has reported that the recommended firms (Appendix 1) have indicated that they have reviewed and understand the Fair Wages Policy and Labour Trades requirements and have agreed to comply fully.

Proponents' scores by criteria, price comparison and a staff analysis of the evaluation results for the RFP can be provided in an in-camera presentation if requested by the Committee Members.

## **CONCLUSION**

The proposals recommended for funding in this report were selected by applying the criteria previously approved by Council. Staff acted under a performance Code of Conduct and the entire process was monitored by an outside consultant to ensure fairness.

All projects recommended for funding provide reductions in rents greater than the government contributions provided.

Two TCHC projects are nearing the construction stage and a request to the province for specific Program funding commitment is appropriate at this time.

## **CONTACT**

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## **SIGNATURES**

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Chief Corporate Officer

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Sue Corke  
Deputy City Manager

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Lou Pagano, P. Eng.  
Director  
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## **ATTACHMENTS**

- Appendix 1 Summary of Recommended Projects from the RFP
- Appendix 2 Major Terms and Conditions – Lease of City Land
- Appendix 3 Responses to the RFP
- Appendix 4 Report from the Fairness Monitor Consultant
- Appendix 5 Code of Conduct for Members of the RFP Selection Team
- Appendix 6 Summary of TCHC Recommended Projects