



**STAFF REPORT
ACTION REQUIRED**

Finalizing Construction Costs for 239 Affordable Rental Homes

Date:	May 6, 2009
To:	Affordable Housing Committee
From:	Deputy City Manager Sue Corke
Wards:	14 , 17 , 18
Reference Number:	AFS-9853

SUMMARY

At its meeting on February 23-25, 2009, Council was informed that a number of approved affordable housing developments might require additional financial assistance once their tender prices were known. Three such developments have recently completed construction tendering processes and have confirmed their final construction pricing.

The tender processes now provide cost certainty to start and complete the developments. These developments are recognized as city capital projects and are eligible for development charge funding. This report recommends funding of \$745,341 from the Development Charges Reserve Fund – Shelters/Housing (XR2107), and \$2,969,659 from the Capital Revolving Reserve Fund (XR1058), to assist the respective proponents in proceeding with construction.

The construction of these three developments will create approximately 600 person years of employment and upon completion provide housing for up to 374 Toronto residents.

The affordable housing developments are:

- Parkdale Activity-Recreation Centre – 194 Dowling Avenue: 29 homes
- St. Clair West Affordable Housing Group – 1120 Ossington Avenue: 20 homes
- St. Clare’s Multifaith Housing Society – 48 Abell Avenue (now known by new address of 180 Sudbury Street): 190 homes

RECOMMENDATIONS

The Deputy City Manager responsible for the Affordable Housing Office recommends that:

1. authority be granted to provide capital funding of \$150,624 from the Development Charges Reserve Fund and \$1,389,376 from the Capital Revolving Fund to Parkdale Activity - Recreation Centre (Toronto), as a grant by way of forgivable loan, to be used to complete construction of the affordable housing project at 194 Dowling Avenue;
2. authority be granted to provide capital funding of \$97,475 from the Development Charges Reserve Fund and \$577,525 from the Capital Revolving Reserve Fund to St. Clair West Affordable Housing (Ossington) Group Incorporated, as a grant by way of forgivable loan, to be used to complete construction of the affordable housing project at 1120 Ossington Avenue;
3. authority be granted to provide capital funding of \$497,242 from the Development Charges Reserve Fund and \$1,002,758 from the Capital Revolving Reserve Fund to St. Clare's Multifaith Housing Society, as a grant by way of forgivable loan, to be used to complete construction of the affordable housing project at 48 Abell Avenue (now know by the new municipal address of 180 Sudbury Street);
4. authority be granted to assign nine City rent supplements to St. Clair West Affordable Housing (Ossington) Group Incorporated;
5. authority be granted for the City to enter into an amendment of the Contribution Agreements with Parkdale Activity - Recreation Centre (Toronto), St. Clair West Affordable Housing (Ossington) Group Incorporated, and St. Clare's Multifaith Housing Society to include the increased funding, on terms and conditions satisfactory to the Director and in a form approved by the City Solicitor;
6. the Director of the Affordable Housing Office be authorized and directed, on behalf of the City, to execute the amending agreements and any other documentation to give effect to these recommendations.

Financial Impact

The three affordable housing developments that are the subject of this report, and are outlined in the Appendix, were identified in the 2008 Development Charge Background Study and Addendum, and are eligible for development charge funding.

This report recommends the allocation of \$745,341 from the Development Charges Reserve Fund – Shelters/ Housing (XR2107) through grants to the Parkdale Activity - Recreation Centre (Toronto), St. Clair West Affordable Housing (Ossington) Group Incorporated, and St. Clare’s Multifaith Housing Society for the development of affordable housing. After these draws, the uncommitted balance in the Development Charges Reserve Fund – Shelters/Housing will be \$5,077,716.

This report recommends the allocation of \$2,969,659 from the Capital Revolving Reserve Fund through grants by way of forgivable loans to the Parkdale Activity - Recreation Centre (Toronto), St. Clair West Affordable Housing (Ossington) Group Incorporated, and St. Clair Multifaith Housing Society for the development of affordable housing. After these draws, the uncommitted balance in the Capital Revolving Reserve Fund will be \$1,630,341.

The 2009 Operating Budget for Shelter, Support and Housing Administration will be adjusted to accommodate the draws for these housing projects.

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

DECISION HISTORY

Toronto City Council has previously considered the affordable housing matters addressed in this report through the reports and decisions outlined below:

At its meeting on February 23-25, 2009, Council approved the report *Completing Affordable Homes with Investments from the Canada-Ontario-Toronto Affordable Housing Program*. As noted above in the Summary section, this report informed Council that some non-profit proponents might have difficulty completing their developments within currently approved budgets, and may need further assistance. The Decision Document from this meeting is available at:

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-02-23-cc31-dd.htm>

At its meeting of May 23-25, 2007, Council approved the report *Affordable Housing – Funding Recommendations Request for Proposals 9155-06-7380 and TCHC*. This report recommended that the eight affordable housing projects selected through the RFP be submitted to the Ministry of Municipal Affairs and Housing for funding under the AHP. The report recommended funding for the three developments which are the subject of this report, and also provided the original allocation of the rent supplements addressed here. The Decision Document from this meeting is available at:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-05-23-cc08-dd.pdf>

The three affordable housing developments that are the subject of this report were identified in the 2008 Development Charge Background Study as committed City of Toronto infrastructure costs and are eligible for development charge funding. The

Background Study including the list of committed projects is available at:
http://www.toronto.ca/finance/dev_charges_bylaw_review/index.htm

ISSUE BACKGROUND

Each of the three affordable housing developments outlined in this report have completed their planning approvals, architectural design, are in the process of finalizing their Building Permits, and have each completed a competitive construction tender process. There have been, however, some unanticipated changes to their scope of work which has increased the overall capital costs of each development. In addition, despite predictions that construction pricing is declining, tender prices for each of the three developments, based on competitive processes, are still higher than estimated.

The three projects are ready to start construction and must do so in order to complete their projects within the deadlines set by the province. They have now finalized their capital budgets and have fixed construction prices. This provides certainty that with additional financial support the developments will be completed on budget. Each project represents good value for money and has been designed to keep costs low. Background and details on the funding requests are provided below.

Parkdale Activity - Recreation Centre (Toronto)
194 Dowling Avenue (29 homes) Ward 14 Parkdale-High Park

Several factors have led to higher than expected development costs for this project: unanticipated structural consolidation work due to a fire and subsequent neglect of the building before the City acquired it through expropriation; designation of the building under the Ontario Heritage Act has increased the project's complexity and will require more expensive materials, construction processes, and specialized expertise that will prolong the construction timetable and increase the overall construction costs. It is recommended that PARC be provided with \$150,624 from the Development Charges Reserve Fund and \$1,389,376 from the Capital Revolving Reserve Fund to meet their construction requirements.

St. Clair West Affordable Housing (Ossington) Group Incorporated
1120 Ossington Avenue (20 homes) Ward 17 Davenport

Greater than expected, market-wide increases in construction costs since Council approval in 2007, particularly for small projects with no economy of scale, have increased the overall project's budget. It is recommended that the St. Clair West Affordable Housing Group be provided with \$97,475 from the Development Charges Reserve Fund and \$577,525 from the Capital Revolving Reserve Fund to meet their requirements.

This report also recommends the approval of nine rent supplements for this development which are remaining from the original Council approval of developments in May 2007.

St. Clare's Multifaith Housing Society

48 Abell Street (now known as 180 Sudbury Street) (190 homes) Ward 18 Davenport

Since the original Council approval of this development, additional costs have arisen as a result of new planning requirements which were not anticipated by the group at the time of their original proposal. These include contributing to the cost of a road extension, requirements for workshop space for artists, an enclosed mechanical penthouse, and step-backs on the first five floors of the building. These changes have increased the size of the building by 8,200 square feet. As well, capital requirements have increased due to the rise in the interest rate for fixed, long-term financing. It is recommended that the St. Clare's Multifaith Housing Society be provided with \$497,242 from the Development Charges Reserve Fund and \$1,002,758 from the Capital Revolving Reserve Fund to meet their requirements.

COMMENTS

This report confirms the construction costs of three Council-approved affordable housing developments. It recommends that the projects' proponents draw upon the City's Development Charge Reserve Fund – Shelters/Housing and Capital Revolving Reserve Fund for the additional funding needed to complete their developments.

The additional funding proposed will permit the housing sponsors to execute construction contracts and deliver these developments within the Affordable Housing Program funding deadlines.

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SIGNATURE

Sue Corke
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ATTACHMENT

Summary of Existing and Recommended Funding

APPENDIX

The chart below summarizes the additional funding proposed by this report as well as the funding and other contributions previously allocated to the three projects in May 2007.

Summary of Existing and Recommended Funding

Proponent name	Parkdale Activity Recreation Centre	St. Clair West Affordable Housing Group	St. Clair Multifaith Housing Society
Project address	194 Dowling Ave.	1120 Ossington Ave.	48 Abell Ave. (now 180 Sudbury St.)
Ward number	14	17	18
Number of units	29	20	190
Affordable Housing Program funding, approved May 2007	\$2,030,000 (29 units x \$70,000)	\$1,400,000 (20 units x \$70,000)	\$13,300,000 (190 units x \$70,000)
City contributions (fees and charges waivers, net present value of property taxes for term of agreements) approved May 2007	\$918,416	\$594,337	\$3,031,869
Recommended Development Charges Reserve – Shelters/Housing funding (new funding)	\$150,624	\$97,475	\$497,242
Recommended Capital Revolving Reserve Fund for Affordable Housing funding (new funding)	\$1,389,376	\$577,525	\$1,002,758
Totals	\$4,488,416	\$2,669,337	\$17,831,869