

Payment of Pre-development Expenses – Block 31 Railway Lands

Date:	June 7, 2013
To:	Affordable Housing Committee Executive Committee
From:	Director, Affordable Housing Office
Wards:	20, Trinity Spadina
Reference Number:	AFS 17578

SUMMARY

City Council, at its meeting of November 27, 2012, directed the Director, Affordable Housing Office, to report to the Affordable Housing Committee to seek authority to reimburse Toronto Community Housing (TCH) for up to \$1.5 million for pre-development costs incurred while acting in the capacity of the City's agent on Block 31 in the Railway Lands, and to identify a funding source.

This report provides information on the pre-development work undertaken by TCH on Block 31 and recommends reimbursement in the amount of \$1,405,705 from the Capital Revolving Reserve Fund for Affordable Housing (XR 1058).

RECOMMENDATION

The Director of the Affordable Housing Office recommends that City Council authorize funding of \$1,405,705 from the Capital Revolving Reserve Fund for Affordable Housing (XR 1058) to reimburse Toronto Community Housing for costs incurred by it while acting as the City's agent in the pre-development of Block 31 in the Railway Lands.

Financial Impact

This report recommends the allocation of \$1,405,705 from the Capital Revolving Reserve Fund (CRRF) for Affordable Housing XR1058 to Toronto Community Housing as reimbursement for pre-development costs on Block 31 of the Railway Lands. The \$1,405,705 is comprised of \$737,873 previously committed but unallocated funds from Section 37 contributions for pre-development work on the Railway Lands and \$667,832 in uncommitted funds. This would leave an uncommitted balance of \$7,784,368 in the CRRF.

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

DECISION HISTORY

At its meeting held, April 12, 13, and 14, 2005, City Council adopted Report No. 4, Clause No. 36 of the Policy and Finance Committee which approved Toronto Community Housing Corporation as agent for the City to conduct due diligence, feasibility site plan and other pre-development studies required to develop affordable housing on the City's Block 31, 32, 36, 18AB of the Railway Lands.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050412/pof4rpt/cl036.pdf>

At its meeting held December 5, 6 and 7, 2005, City Council adopted Report No. 10, Clause 21, approving pre-development funding be advanced to TCHC and directing staff to enter into an agreement with TCHC, recognizing its mandate and role as the developer of the property, on behalf of the City.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051205/pof10rpt/cl021.pdf>

On August 4, 2009, the Director of Community Planning, Toronto and East York District, reported to the Toronto and East York Community Council on the re-zoning application and preliminary report submitted by TCH regarding 419 Fort York Blvd (Block 31 Railway Lands West).

<http://www.toronto.ca/legdocs/mmis/2009/te/bgrd/backgroundfile-23177.pdf>

On October 3, 2011, Executive Committee referred Item EX11.14 "Release of Blocks 31 and 18AB in the Railway Lands (Item AH3.2)" to the City Manager to report back in conjunction with the Chief Corporate Officer within six months providing further information on the plans for the future disposition of Blocks 31 and 18AB.

(September 13, 2011) Letter - Release of Blocks 31 and 18AB in the Railway Lands.

<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-41195.pdf>

On November 27, 2012, City Council adopted EX24.15 as amended, which authorized and directed the Deputy City Manager, Cluster "A" to assume management of Block 31 of the Railways Lands and the Adjacent Lands and develop a plan for the delivery of the community facilities and affordable housing on this property.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX24.15>

On April 3, 2013, City Council approved a Notice of Motion from Councillor Milczyn, MM32.13, to authorize the Chief Corporate Officer to advance \$200,000 in capital funds, approved by Council in November 2012, to Build Toronto to carry out, on the City's behalf, demolition, environmental testing or other property-related work on Block 31. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.MM32.13>

ISSUE BACKGROUND

In April 2005, City Council appointed TCH as its agent to develop Blocks 31, 32, 36 and 18AB in the Railway Lands. Later that year, Council confirmed its intention that TCHC act as the City's agent in the development of the affordable housing blocks in the Railway Lands. Funds previously allocated for pre-development activity in the Railway Lands were advanced to TCH.

Since then, TCH has successfully developed 427 affordable rental homes on Block 32 with the support of federal/provincial funding. Under the terms of a joint venture with Context Developments TCH is currently constructing market home ownership condominium apartments on Block 36 south.

In June 2011, TCH informed the City that it was not in a position to proceed with the development of Block 31, the proposed site for two elementary schools, a community centre, a day care and affordable housing. This decision was reached as there was no federal/provincial affordable housing funding available and TCH concluded that it did not have the financial capacity to complete the development itself.

On November 27, 2012, Council adopted a new strategy for Block 31 which would secure the public facilities and provide for the development of one affordable ownership building at the site. At the same meeting, Council directed the Director, Affordable Housing Office, to report on TCH's request for reimbursement of its costs incurred as the City's previous agent in the pre-development of the site.

COMMENTS

Toronto Community Housing, acting as agent for the City, incurred costs in its pre-development work on Block 31. These costs include building design, architectural and engineering fees, legal fees, land surveys, soil and environmental investigation work, planning application fees and project administration costs amounting to \$1,405,705 in unpaid expenses. The City has been provided with the documentation, satisfactory to it, substantiating TCH's claim for expenses incurred in development activities.

A portion of the work TCH undertook will be used to develop a new plan for Block 31. This includes the geotechnical soils study, the Phase One environmental study, archeological resource assessment and initial design work with the School Boards and

other City Divisions. However, some technical work will also need to be updated given that a substantial period of time has elapsed.

The work was undertaken on behalf of the City and the expenses were incurred by TCH as agent for the City. As no federal/provincial housing funds were available for the start of this project, the expected source of payment of these expenses did not materialize. It would be inappropriate for the City to have TCH assume the burden of these expenses, given the circumstances under which they were incurred and the reason why there are not funds allocated for reimbursement.

Currently, the Capital Revolving Reserve Fund (CRRF) for Affordable Housing has an uncommitted balance of \$8.452 million. The CRRF was established in 1999 to provide project development assistance for purposes such as those outlined in this report and is the proposed source of funding for reimbursing TCH for the pre-development costs.

CONTACT

Sean Gadon, Director
Affordable Housing Office
Tel. No. (416) 338-1143
E-mail: sgadon@toronto.ca

SIGNATURE

Sean Gadon, Director
Affordable Housing Office