



**STAFF REPORT
ACTION REQUIRED**

**Securing Affordable Housing at 10, 11, 25 and 30
Ordnance Street and 45 Strachan Avenue**

Date:	February 19, 2015
To:	Affordable Housing Committee
From:	Director, Affordable Housing Office
Wards:	19 Trinity-Spadina
Reference Number:	AFS #20398

SUMMARY

This report recommends an innovative affordable ownership housing initiative between Habitat for Humanity, Greater Toronto Area ("Habitat"), the City of Toronto, and Build Toronto. Twenty-five new affordable ownership homes by Habitat will be secured and funded to provide housing for lower-income Toronto families. The homes will be incorporated into the multi-building condominium development at 10, 11, 25, and 30 Ordnance Street and 45 Strachan Avenue (the "Ordnance Triangle").

10, 11, and 25 Ordnance Street and 45 Strachan Avenue were surplus City of Toronto properties that were transferred to Build Toronto in 2011. This report seeks authority for the City to enter into an affordable housing agreement with Habitat, Build Toronto, and the developer whereby 25 units will be sold at below market value. Both Build Toronto and the City will provide funding and when combined with Habitat's contributions, the partnership will make the homes affordable to eligible lower-income Toronto families.

City funding for the Habitat homes is recommended to come from the federal/provincial Investment in Affordable Housing Program (IAH) and the City of Toronto's Home Ownership Assistance Program (HOAP). Under the IAH guidelines, Habitat is eligible for \$50,000 per home in loan funding and the HOAP provides \$25,000 per home. If the Habitat family sells the home within 20 years, the loans are repaid to the City with a share of appreciation and the funds go on to help subsequent eligible purchasers.

Under the City's affordable housing action plan *Housing Opportunities Toronto, 2010-2020 (HOT)*, Build Toronto sites are prioritized for affordable housing funding and incentives. Affordable home ownership housing is a priority of HOT, which sets a target

of 200 new affordable ownership homes annually. This initiative is consistent with the City's previous work with Habitat on small scale affordable housing for families.

RECOMMENDATIONS

The Director of the Affordable Housing Office recommends that:

1. City Council authorize the City to enter into an agreement with Habitat for Humanity Greater Toronto Area, Build Toronto, the developer and any other party deemed necessary, to secure the purchase and financing of the Habitat Units at below market value.
2. City Council authorize the City to be a party to the agreements of purchase and sale contemplated to be entered into for the Habitat Units as a contingent transferee, in order to ensure the benefit of the Habitat Units is secured for the intended purposes, in the event Habitat or its assignee is not able to complete the transactions.
3. City Council authorize the City to assign its interests in the Habitat Units to another not for profit housing provider, chosen by the Director, Affordable Housing Office to give effect to the intended purpose of the Habitat Units as affordable housing, or to an arm's length purchaser at fair market value if no agreement can be made with a suitable not for profit, on terms and conditions determined by him and in a form satisfactory to the City solicitor prior to the closing date with the developer, with the intention that there are no financial consequences to the City having been a party to the agreements of purchase and sale for the Habitat Units.
4. City Council authorize the proceeds of the assignment of an agreement of purchase and sale for a Habitat Unit at fair market value to be paid to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) after payment of all expenses incurred in making the assignment of any of the Habitat Units.
5. City Council approve up to \$625,000.00 in financial assistance from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) for Habitat for Humanity Greater Toronto Area, in the form of a grant by way of forgivable loan for the Habitat Units under the terms of the City's Home Ownership Assistance Program.
6. City Council authorize the Director, Affordable Housing Office to provide up to \$1,250,000.00 from the federal/provincial Investment in Affordable Housing Program Extension – Homeownership Component, in the form of grants by way of forgivable loans, for down payment assistance loans to lower-income purchasers, on the properties known as 10, 11, 25, and 30 Ordance Street and 45 Strachan Avenue.
7. City Council authorize the Director, Affordable Housing Office to negotiate and execute, on behalf of the City, the agreement referred to Recommendation 1 and the agreements with Habitat to secure the funding referred to in Recommendations 5 and

6, as well as any documents, agreements, or security required to give effect to the foregoing on terms and conditions determined by the Director, Affordable Housing Office and in a form approved by the City Solicitor.

8. City Council authorize and direct the City Solicitor to execute the agreements of purchase and sale for the Habitat Units, together with any documents or agreement relating to an assignment or a re-sale transaction that may occur as a result of entering into that agreement, and to amend and to waive any terms and conditions on behalf of the City, on such terms as she considers reasonable.
9. Council grant authority to the City Solicitor to execute any documents required to register security for the funding referred to in Recommendations 5 and 6 and to postpone, confirm the status of, and discharge security, as required by normal business practices.
10. Council increase the 2015 Approved Operating Budget for Shelter, Support and Housing Administration (SSHA) by \$1,250,000.00 gross \$0 net, fully funded from IAH, to provide funding for the affordable housing initiatives recommended in this report.

Financial Impact

This report recommends that City Council allocate affordable housing funding to Habitat for Humanity, Greater Toronto Area for 25 homes at 10, 11, 25, and 30 Ordnance Street and 45 Strachan Avenue.

It is recommended that up to \$50,000 per home for a total of \$1,250,000.00 be provided from the federal/provincial Investment in Affordable Housing Program – Homeownership Component. This funding would be provided in the form of a down-payment assistance loan directly to Habitat's lower-income families. The 2015 Approved Operating Budget for SSHA will be increased by this amount.

It is recommended that up to \$25,000 per home, for a total of \$625,000.00, be provided from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) under the terms of the City's Home Ownership Assistance Program (HOAP). This funding can be provided from the \$2 million annually that Council has previously approved for HOAP and which is included in the 2015 Approved Operating Budget for SSHA. The uncommitted balance in the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) is sufficient to support the recommendations in this report. The sufficiency of the reserve is reviewed annually as part of the City's operating budget process. HOAP funding also contributes to the purchaser's down payment but will first be made available to Habitat for Humanity to assist with the group's up-front costs.

Under both programs the loans are repaid to the City with a share of appreciation if the Habitat family sells the home within 20 years. The funds returning to the City are then available to help additional eligible purchasers.

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

EQUITY IMPACT

Lack of access to safe, secure, affordable housing is a barrier to lower-income Toronto residents, one of the City's priority groups. The recommendations in this report address this barrier by providing City funding in partnership with the non-profit developer Habitat for Humanity to create new affordable ownership homes for lower-income residents.

Results of the City's affordable ownership programs are measured and reported by the Affordable Housing Office through its annual budget and the results of proposal calls under the Home Ownership Assistance Program (HOAP).

DECISION HISTORY

At its meeting on August 25, 26, 27 and 28, 2014, City Council adopted TE34.97, *10, 11, 25 and 30 Ordinance Street and 45 Strachan Avenue - Affordable Housing Plan* which outlined the intended approach to affordable housing on the site with specific funding allocations to be reported to City Council at a future date. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.TE34.97>

At its meeting on December 11, 2014, City Council adopted Item CC2.6 *10, 11, 25, and 30 Ordinance Street and 45 Strachan Avenue - Zoning By-law Amendment Application* which provided new zoning for the sites. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CC2.6>

At its meeting of June 10, 11, 12 and 13, 2014, Council adopted EX42.15 *Investment in Affordable Housing Program Extension* which outlined funding allocations for the extension of the federal/provincial Investment in Affordable Housing program. Council approved 52 percent of the new funding for operating programs and 48 percent for capital programs, including affordable rental and ownership housing. The program extension is for the period of April 1, 2014 to March 31, 2020. The decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.15>

At its meeting of May 11 and 12, 2010, Council adopted *Standardizing City Support for New Assisted Ownership Housing Opportunities* that recommended creation of the Home Ownership Assistance Program funded by \$2 million annually from the City's Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.26>

Since the creation of the Home Ownership Assistance Program two competitive proposal calls have been issued, making available \$8.5 million to provide assistance to some 700 households. The related Council decisions can be found here:

- <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.36>
- <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX46.18>

At its meeting on July 8, 9, 10 and 11, 2014, City Council also adopted GM31.6 *Build Toronto Progress*. This item addresses various matters related to the progress that Build Toronto has achieved, including the delivery of affordable housing on its properties. 10, 11, and 25, Ordnance Street and 45 Strachan Avenue were among the properties listed as having potential for affordable housing development. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.GM31.6>

At its meeting on November 29, 30 and December 1, 2011, City Council adopted GM9.10, *Transfer of Properties to Build Toronto and Declaration of Surplus - Fourth Quarter 2011*, which recommended that eleven properties be declared surplus for the purposes of transfer to Build Toronto including 10, 11, and 25 Ordnance Street and 45 Strachan Avenue. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM9.10>

ISSUE BACKGROUND

The surplus City properties at 10, 11, 25, and 30 Ordnance Street and 45 Strachan Avenue were transferred to Build Toronto in 2011. Build Toronto has since entered into a joint venture partnership to develop the properties as multi-residential buildings.

Build Toronto has worked with Habitat for Humanity, the Affordable Housing Office, and their joint venture development partner, in consultation with the Ward Councillor, to deliver 25 affordable ownership homes within the Ordnance Triangle redevelopment. Build Toronto's Board of Directors approved a contribution of up to \$60,000 per unit or \$1.5 million, which in addition to the City's funding described below, will enable the homes to be provided to Habitat at a fixed below-market purchase price. The City will enter into an agreement with Habitat, Build Toronto, and the developer to secure the purchase and financing of the Habitat Units at below market value.

In 2010, Build Toronto entered into a Memorandum of Understanding (MOU) with the City of Toronto regarding the development of affordable housing on the surplus sites the City provides to Build Toronto. The MOU sets targets for affordable ownership and rental homes over five years. Build Toronto continues to work with the Affordable Housing Office to identify additional properties, funding sources and financial strategies to deliver affordable housing in Build Toronto's portfolio.

The City recently signed a program delivery agreement with the Province under the federal/provincial Investment in Affordable Housing Program (IAH). The program runs between April 1, 2014 and March 31, 2020. As in the past, the program includes a

Homeownership Component that provides down-payment assistance loans to eligible households. This report recommends that up to \$50,000 per home, for a total of \$1,250,000.00, be provided from the IAH for the Habitat homes in the Ordnance Triangle.

City Council established the Home Ownership Assistance Program (HOAP) in 2010 with \$2 million annually from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) to support non-profit affordable ownership developments and eligible lower-income purchasers. This report recommends that \$25,000 per home, for a total of up to \$625,000.00, in HOAP funding be provided for these 25 Habitat homes.

HOAP and IAH funding will assist Habitat in providing the homes at more affordable prices to eligible lower-income families. Each of the 25 Habitat homes will have \$75,000 in combined HOAP and IAH funding secured by a "silent" no-payment mortgage. The mortgage is forgiven after 20 years but, if within that time the home is resold, the loan must be paid back to the City with a share of any capital appreciation. As with previous HOAP and IAH funding arrangements, Habitat will administer the mortgages under a funding agreement with the City.

COMMENTS

Habitat for Humanity has a strong track record providing affordable ownership housing in the City of Toronto and internationally. For more than a decade, the City has worked in partnership with Habitat to deliver affordable housing under federal/provincial down-payment assistance programs and the HOAP. The City has also provided a number of smaller, lower-density surplus sites to Habitat over the years. This initiative is consistent with the City's previous work with Habitat on small scale family housing developments.

The 25 Habitat homes will be scattered within the proposed buildings at the Ordnance Triangle. The homes will be selected by the developer and Habitat prior to the sales and marketing process for each development phase, with a focus on family-sized homes.

CONTACT

Erik Hunter, Manager, Policy and Partnerships
Affordable Housing Office
Phone: 416-397-4251
Fax: 416-392-4219
Email: ehunter@toronto.ca

SIGNATURE

Sean Gadon, Director, Affordable Housing Office