



STAFF REPORT ACTION REQUIRED

Results of the Request for Proposals to Develop and Operate Affordable Rental Housing at 200 Madison Avenue

Date:	August 19, 2015
To:	Affordable Housing Committee
From:	Director, Affordable Housing Office
Wards:	Ward 22 St Paul's
Reference Number:	AFS #21605

SUMMARY

Creating affordable housing opportunities for Toronto residents contributes to economic prosperity, job creation and meeting the City's equity objectives. Providing access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year *Housing Opportunities Action Plan 2010-2020*.

Following the announcement of the "Open Door" initiative on April 24, 2015 by the Mayor and the City's Housing Advocate, the City's Affordable Housing Office issued a Request for Proposals (RFP) for the City's surplus site at 200 Madison on May 29, 2015. The objective was to select the best possible proponent to build and operate high-quality, purpose-built affordable rental housing, while offering the best value for money.

This report outlines the RFP results and recommends Council approval of Madison View Homes Inc. as the successful proponent. The report also recommends that authority be granted to City staff to enter into the necessary agreements to fund and secure the construction and operation of the affordable rental housing at 200 Madison Avenue.

RECOMMENDATIONS

The Director, Affordable Housing Office recommends that:

1. City Council approve Madison View Homes Inc. as the successful proponent for the development of new affordable rental housing at 200 Madison Avenue.
2. City Council authorize the City to accept the Offer to Purchase from Madison View Homes Inc. for the property municipally known as 200 Madison Avenue and shown as Part 1 on Sketch No. PS-2015 (the "Property"), substantially on the terms and conditions outlined in Appendix "A" to this report.
3. City Council authorize each of the Chief Corporate Officer and the Director of Real Estate Services severally to accept the Offer to Purchase on behalf of the City.
4. City Council authorize the City Solicitor to complete the transaction on behalf of the City, including paying any necessary expenses, amending the closing, due diligence and other dates, and amending and waiving terms and conditions, on such terms as she considers reasonable.
5. City Council authorize the City to make or provide its consent as owner, to any regulatory applications by Madison View Homes Inc. and to grant a licence or licences to Madison View Homes Inc. for a term of up to forty-two (42) months from the date of the City's acceptance of the Offer, for the purposes of entering onto the Property to carry out environmental testing and monitoring and other pre-development activities and that the Director of Real Estate Services, or his designate, be authorized to execute the applications, consents and licences.
6. City Council grant authority to provide a licence or licences, at no cost, to Madison View Homes Inc. over City property at 255 Spadina Road (City Archives), for the time required, to provide access for the construction of a retaining wall to contain environmental contamination on the Property.
7. City Council authorize the Director, Affordable Housing Office to submit a request to the Ministry of Municipal Affairs and Housing for funding through the federal/provincial Investment in Affordable Housing for Ontario Program (Extension 2014-2020) – Rental Component, in the amount of \$11,890,000 to be used by Madison View Homes Inc. for the development of the affordable housing units on the Property.
8. City Council authorize the Director, Affordable Housing Office to negotiate and enter into a municipal housing facility agreement with Madison View Homes Inc. on terms and conditions satisfactory to the Director, Affordable Housing Office, and in a form approved by the City Solicitor.

9. City Council authorize the Director, Affordable Housing Office to execute, on behalf of the City, the municipal housing facility agreement, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by Madison View Homes Inc. to complete construction and conventional financing, where required.
10. City Council authorize the Director, Revenue Services to recommend an exemption from taxation for municipal and school purposes to the Municipal Property Assessment Corporation for the term of the municipal housing facility agreement.
11. City Council authorize that the development on the Property be exempt from the payment of development charges under existing Council policy.
12. City Council authorize the Director, Affordable Housing Office to provide capital funding in an amount not to exceed \$250,000 secured through a Section 45 Agreement from the developer of 7 Austin Terrace and deposited in the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to be used by Madison View Homes Inc. toward environmental clean-up should the cost of environmental remediation be demonstrated to exceed the budgeted estimate of \$1,500,000 million.
13. City Council authorize the Director, Affordable Housing Office to provide capital funding in an amount not to exceed \$500,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116), to be used by Madison View Homes Inc. should the cost of environmental remediation be demonstrated to exceed the budgeted estimate of \$1,500,000, and should the additional funding for clean-up identified in Recommendation 12 be insufficient.
14. City Council authorize the Director, Affordable Housing Office to execute and serve on behalf of the City a Re-conveyance Notice, in accordance with the terms of the agreement of purchase and sale if the need for such notice should arise.
15. City Council authorize the Director, Affordable Housing Office to designate the affordable housing project to be developed on the Property as social housing for the purpose of allowing all or part of the project relief from normal parking standards.

Implementation Points

Upon Council approval of this report, the City will enter into a Contribution Agreement and accept the Offer to Purchase with Madison View Homes Inc.

The Contribution Agreement and the Offer to Purchase set out the terms and conditions of City funding and incentives as well as the land conveyance, including reporting and marketing requirements, rent levels and tenant eligibility.

The City will provide its consent as owner of 200 Madison Avenue to any regulatory applications by Madison View Homes Inc. and grant a license or licences for a term up to forty-two (42) months from the date of the City's acceptance of the Offer to Purchase in order to allow Madison View Homes Inc. to carry out environmental testing and remediation and other required pre-development activities on the Property, and over City property at 255 Spadina Road (City Archives) to provide access to build the retaining wall required to contain any environmental contamination on the Property.

City staff will also submit the 200 Madison Avenue development to the Ontario Ministry of Municipal Affairs and Housing as eligible for capital funding from the federal/provincial Investment in Affordable Housing for Ontario Program (Extension 2014-2020) – Rental Component.

It will be the responsibility of Madison View Homes Inc. to satisfy any and all City, provincial and federal regulatory and program requirements, and to meet any other conditions prior to the start of construction, during construction and for the period of operation, including extensive environmental testing and remediation.

Financial Impact

The cost to build the affordable rental housing at 200 Madison is just under \$22 million, of which more than \$7,000,000 in capital funding will be provided by Madison View Homes Inc. by way of a \$2,200,000 cash equity contribution and \$4,800,000 in mortgage financing. The balance of the development cost will be satisfied by a combination of government funding and City financial incentives, as described below.

This report recommends an allocation of \$11,890,000 from the federal/provincial Investment in Affordable Housing for Ontario Program (Extension 2014-2020) – Rental Component. As well, funding up to \$250,000 obtained through a Section 45 agreement and up to \$500,000 from the Development Charges Reserve Fund for Subsidized Housing (XR-2116) will be made available to Madison View Homes Inc. only if it is demonstrated that the cost of environmental remediation of the Property exceeds the budgeted amount of \$1,500,000 (inclusive of HST).

The uncommitted balance in the Development Charges Reserve Fund for Subsidized Housing (XR-2116) is sufficient to support the recommendations in this report, and the funds secured through the Section 45 agreement have already been deposited in the Capital Revolving Reserve Fund for Affordable Housing (XR1058).

The 2016 and future years' Operating Budget for Shelter, Support & Housing Administration will be amended pending the timing requirements of the cash flows for the development of the project with a \$0 net impact.

The City is conveying the land at nominal cost to Madison View Homes Inc. to ensure the affordability level of the rents for the 50 years to which the proponent has committed.

The City is also providing nine rent supplements to Madison View Homes Inc. to increase the affordability level of the rents. In addition, at the City's option throughout the term of the Contribution Agreement, up to 25% of the units in the project could be made available to households receiving a housing allowance. In both cases, households are to be referred through the City's housing access system.

Summary of Proposed Funding for the Development of 200 Madison Avenue

	\$ millions	
Total Project Cost (incl. HST)		21.7
Developer Equity	2.2	
Developer Mortgage	<u>4.8</u>	
Developer Contribution		7.0
City Development Charges waiver/exemption	1.5	
Federal/Provincial Investment in Affordable Housing Program	11.9	
HST Rebate	<u>1.3</u>	
City/Other governments		<u>14.7</u>
Total Funding		21.7
Contingency for environmental clean-up (if it exceeds \$1.5m) (DC housing reserve and section 45 funds)		0.75
Other Indirect City Contributions:		
Estimated Land Value	6.1	
Net present value of property tax exemption over 50 years	<u>1.0</u>	
Indirect City Contribution	7.1	

The indirect contributions outlined above are consistent with City policy for assisting the development of affordable housing.

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

EQUITY IMPACT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year *Housing Opportunities Toronto Action Plan 2010-2020*. The provision of new affordable housing is also a goal of the City's Poverty Reduction Strategy.

The construction and operation of affordable rental homes at 200 Madison will provide a mix of housing opportunities for 82 lower-income households, including singles, couples

and families. Nine lower-income households will receive rent-geared-to-income assistance. The construction of these homes also promotes the city's employment related equity goals by requiring the developer to provide apprenticeship-training opportunities.

DECISION HISTORY

On June 10, 11, 12 and 13, 2014, City Council adopted the recommendations of the report from the General Manager, Shelter Support and Housing Administration and the Director Affordable Housing Office entitled *Investment in Affordable Housing Program Extension* approving the City's participation in this renewed federal/provincial affordable housing program and authorizing staff to enter into the required administrative agreement with the Ministry of Municipal Affairs and Housing

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.15>

On August 5 and 6, 2009, City Council adopted the recommendations to endorse Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020 as the plan to address Toronto's affordable housing challenges over 10 years.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.47>

On October 29 and 30, 2008, City Council approved the re-zoning of 200 Madison Avenue from an industrial to a residential use bringing the Zoning By-law in conformity with the Official Plan. The Area Specific Policy No. 264 requires a development to be of low to moderate scale with a height and massing that does not detract from Casa Loma and other specific features to the north of the site.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.TE19.13> and
<http://www.toronto.ca/legdocs/bylaws/2008/law1148.pdf>

On May 23, 24 and 25, 2007, City Council approved a proponent for the development of 200 Madison selected through an RFP and recommended submission of all project information to the Ministry of Municipal Affairs and Housing for funding under the Canada-Ontario Affordable Housing Program – Rental and Supportive Component.

<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-3173.pdf>

ISSUE BACKGROUND

The Site and Surrounding Community

200 Madison Avenue is located between Avenue Road and Bathurst, north of Dupont Street. The site is bounded by Macpherson Avenue to the south, the City of Toronto Archives to the west and north and a six-story condominium on Madison to the east.

The site is in an established low and high-rise residential area with some institutional and small-scale commercial/retail buildings. It offers excellent access to transit via the Dupont subway station and a number of bus routes.

The site was declared surplus 10 years ago to provide land for affordable housing. The proponent chosen through the previous RFP had to withdraw due to insufficient financial resources to construct, including the cost of environmental remediation.

Planning and Zoning Information

The Official Plan designates the site *Apartment Neighbourhoods*. A 2008 rezoning designated it R3 Z2.0 residential. Area Specific Policy No. 264 requires development to be of low-to moderate-scale with height and massing that does not detract from the prominence of the Escarpment, Casa Loma and Spadina House to the north.

The current site-specific planning approval allows for up to 82 units of housing in two buildings of five- and seven-storeys with a courtyard in the middle, a minimum landscaped open space of 33% of the area of the lot, and nine parking spaces.

Environmental Status

A 2009 Phase Two environmental site assessment revealed contamination in the soil and ground water in the westerly portion of the site. Remediation is required to remove petroleum hydrocarbons, volatile organic compounds (VOCs) and metal or polyaromatic hydrocarbons from affected soil. VOC chemical impacts and evidence of petroleum hydrocarbon residues must be removed from the ground water in the westerly part of the site, as well.

The soil, groundwater and sediment standards in the *Environmental Protection Act* have been updated since the Phase Two report was prepared. Remediation to obtain a Record of Site Condition will be the responsibility of Madison View Homes Inc.

Environmental Remediation

Given the environmental condition of the site and updated Ministry of the Environment standards there is a need for new environmental testing. Madison View Homes Inc. will undertake this work over the next year. Consistent with the information provided in the RFP, the cost of remediation has been estimated at \$1,500,000. All proponents were asked to use this figure in their capital budget submissions.

Madison View Homes Inc. will be responsible for identifying the actual cost of remediation, which will be reconciled as part of the final budget submission. In the event remediation costs are proven to exceed \$1,500,000, the City will make available up to an additional \$750,000 to complete the work, as noted in the Financial Implication section.

COMMENTS

The 200 Madison Avenue RFP was issued following the April 24, 2015 announcement of the “Open Door” initiative by Mayor Tory and City Housing Advocate Councillor Ana

Bailão. The announcement included a request that staff report to Council on new affordable housing efforts to:

- Work with non-profit and private sector housing providers to unlock opportunities on public land
- Fast track the planning approval process
- Expand City financial incentives and
- Challenge provincial and federal governments and private and non-profit developers to scale up their efforts to develop affordable rental housing for lower-income Torontonians.

Staff will report to the Affordable Housing Committee and Executive Committee later this year on the next steps.

Request for Proposals and Evaluation

In support of “Open Door”, the Affordable Housing Office issued the Request for Proposals seeking a developer and operator for 200 Madison Avenue on May 29, 2015. The RFP was available for downloading from the AHO website. An information session was held June 11 to explain the RFP to potential proponents and answer questions. By closing on July 31, 2015, eight proposals had been received from private and non-profit organizations.

Proposals were reviewed by an Evaluation Committee composed of staff from the Affordable Housing Office and Corporate Finance. They were also reviewed by City Planning and Shelter Support and Housing Administration whose input was used in the evaluation process. Madison View Homes Inc. was the highest scoring proposal and was selected unanimously for recommendation to Council.

The Successful Proposal

The Madison View Homes Inc. proposal best met the City's priorities as outlined in the RFP:

1) To build and operate high-quality, purpose-built, affordable rental housing

The owner of Madison View Homes Inc. through 873815 Ontario Limited (operating as Mahogany Management) and Deauville Place Inc. is an experienced developer that has been building affordable housing in Toronto and the GTA for more than 16 years. It has worked successfully with many non-profit community agencies.

At 200 Madison, Madison View Homes Inc. will work with a range of non-profit organizations, which will refer future residents and provide supports. They include: Community Living Toronto, LOFT Community Services, Vita Community Living Services, Bellwoods Centre for Community Living, Better Living Health & Community Services and WoodGreen Community Services. Office and community space at 200

Madison Avenue will be provided to these organizations for programming and recreational activities.

The building proposed for 200 Madison Avenue will be a maximum of six storeys. It would contain 82 affordable rental apartments: 45 one-bedroom, 27 two-bedroom and 10 three-bedroom. The proposed building will be subject to planning approvals. The RFP anticipated only minor adjustments to the existing zoning permissions and a minor variance process.

Determination of whether a Committee of Adjustment (minor variance) or Zoning By-law Amendment application process is required cannot be made until the proponent's building designs are more advanced and submitted for review. A Site Plan Approval application will be required and any Committee of Adjustment or Zoning By-law Amendment applications can be processed concurrently.

The affordability period is 50 years with rents set at an average of 77% average market rent. Based on today's levels, rents would be \$825 for a one-bedroom, \$973 for a two-bedroom and \$1,143 for a three-bedroom.

Rents at this level are affordable for households with an annual income between \$39,600 and \$54,864 and paying 30% of income for housing. Rents and income levels will be adjusted accordingly for occupancy expected in late 2018 or early 2019. Madison View Homes Inc. will submit a marketing plan acceptable to the City prior to completion of construction with all future residents chosen from, or eligible to be on, the City's housing access list.

2) To provide good value for the funding and incentives offered

Madison View Homes Inc. proposal offers good value for money by providing over \$7,000,000 in capital funding by way of \$2,200,000 in cash as an equity contribution and \$4,800,000 in mortgage financing, with the balance of project cost coming from the IAH program (\$11,890,000) and a development charges waiver as a municipal housing facility (\$1,500,000). The City will make available up to an additional \$750,000 on a contingent basis for environmental clean-up if the budgeted cost exceeds \$1,500,000.

The building is designed to match the neighbourhood context. Apartment sizes and layouts meet or exceed the Affordable Housing Office design guidelines included in the RFP. There is ample indoor and outdoor amenity space for programming and recreational opportunities. These factors, combined with high quality fixtures and finishes, represent good value for the funding and incentives offered.

3) To ensure that construction starts in a timely manner

The owner of Madison View Homes Inc. is experienced in undertaking soil and groundwater remediation. The organization has an excellent track record of completing developments on time and on budget.

Pre-development work will begin following Council approval of this report. Following a period of testing and monitoring, excavation and environmental remediation is expected to start in early 2016 - early 2017. The first residents are expected to move in, in late 2018 or early 2019.

Community Relations

As part of the RFP process, all proponents were made aware of community issues raised during the re-zoning process in 2009 and were provided with the Minutes of Settlement. Madison View Homes Inc. is aware of the issues and has addressed them in its proposal.

It will be the responsibility of Madison View Homes Inc. to work with City officials and the community to ensure the new affordable housing is an asset and fits into the neighbourhood. Madison View Homes Inc. will also be responsible to execute its community consultation and communications plan, engage the community and inform neighbours and stakeholders of site activities during all phases of the development and operation. As well, a construction management plan to address the impact of construction on neighbours is a requirement of an approved Site Plan.

CONCLUSION

This report outlines an important opportunity for City Council to provide new affordable housing for 82 households, while unlocking a city surplus property, providing for environmental remediation, and contributing to the City's poverty reduction and equity objectives.

Working with a range of non-profit organizations, Madison View Homes Inc. will provide long-term affordable rental homes for a full range of families with children, seniors and persons with physical disabilities and mental health challenges.

City staff will report later this year on direction from the Executive Committee to follow-up with the "Open Door" initiative announced by the Mayor and the City's Housing Advocate. This will also include reporting on additional sites for affordable housing development.

CONTACT

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SIGNATURE

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ATTACHMENTS

Appendix A - Terms and Conditions of the Offer to Purchase
Appendix B - Site Details 200 Madison Avenue