

Finalizing Plans for New Supportive Homes at 13-15 and 17-19 Winchester Street

Date: November 14, 2017
To: Executive Committee
From: Director Affordable Housing Office
General Manager, Shelter, Support and Housing Administration
Wards: Ward 28 Toronto Centre-Rosedale

SUMMARY

This report provides the results of the due diligence conducted by the Affordable Housing Office and Margaret's Housing and Community Support Services Inc. (Margaret's) to complete the modernization of the buildings at 13-15 and 17-19 Winchester Street (the "Winchester Properties") to be leased from Toronto Community Housing Corporation (TCHC) into 35 new self-contained apartments.

This report also recommends the capital and operating funding necessary to proceed with the interior demolition and modernization. Funding recommended includes capital and operating funding from the provincial Home For Good (HFG) program, and City funding sources. Margaret's will also make a financial contribution.

RECOMMENDATIONS

The Director Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration recommend that:

1. City Council authorize the Director, Affordable Housing Office, to request the Ministry of Housing to issue a Conditional Letter of Commitment for funding through the Home For Good Program in the amount of \$5,250,000 to be used by Margaret's Housing and Community Support Services Inc., or a related corporation, for the development of the affordable housing units at 13-15 and 17-19 Winchester Street.
2. City Council authorize the Director, Affordable Housing Office, to submit a request to the Ministry of Housing for funding through the Home For Good Program in the amount of \$5,250,000 to be used by Margaret's Housing and Community Support Services Inc., or a related corporation for the development of the affordable housing units at 13-15 and 17-19 Winchester Street.

3. City Council authorize the Director, Affordable Housing Office, to provide capital funding from the Development Charges Reserve Fund for Subsidized Housing (XR1116) to Margaret's Housing and Community Support Services Inc., or a related corporation, in an amount not to exceed \$2,500,000 to fund the expenses of modernization of 13-15 and 17-19 Winchester Street.
4. City Council authorize the General Manager, Shelter, Support and Housing Administration to provide as required such Service Manager consents pursuant to the Housing Services Act as may be necessary to carry out the foregoing recommendations.
5. City Council authorize the Director, Affordable Housing Office, in consultation with Shelter, Support and Housing Administration to:
 - a. negotiate, enter into, and execute on behalf of the City, a municipal housing facility agreement, the City's "Contribution Agreement", with Margaret's Housing and Community Support Services Inc., or a related corporation, to secure the financial assistance, being provided and to set out the terms of the development and operation of the new affordable rental housing, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form approved by the City Solicitor; and
 - b. execute, on behalf of the City, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by Margaret's Housing and Community Support Services Inc., or a related corporation or its mortgagee(s) to complete construction and conventional financing and subsequent refinancing, where and when required during the term of the municipal.
6. City Council authorize the City Solicitor to execute, on behalf of the City, any postponement, confirmation of status, discharge or consent documents relating to the security given to secure the Contribution Agreement entered into with Margaret's Housing and Community Support Services Inc., or a related corporation, for the construction of operation of affordable rental housing at 13-15 and 17-19 Winchester Street as required by normal business practices.
7. City Council exempt the 35 new affordable housing units to be developed at 13-15 and 17-19 Winchester Street from taxation for municipal and school purposes for the term of the municipal capital facility agreement.
8. City Council authorize that the development on the Property be exempt from the payment of development charges and be exempt from the payment of planning and park dedication fees and building permits under existing City policy.
9. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to make the necessary budget adjustments to the 2018 City Operating Budget for Shelter, Support and Housing Administration, to utilize and spend (net \$0) affordable housing funding

from the capital and operating allocation from the Home For Good Program, with future year requests subject to Council approval through the annual budget process.

10. City Council delegate authority to the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to approve the Affordability Payment Schedule and any updates required under the Home for Good Program.

FINANCIAL IMPACT

The projected capital cost to undertake and complete the modernization of the Winchester Properties is \$12,085,391.

The capital funding includes: \$5,250,000 of provincial Home For Good Program funding; \$3,878,520 of City funding for capital grants by way of forgivable loans and incentives comprised of: \$200,000 from the Capital Revolving Fund for Affordable Housing (XR 1058) in pre-development funding, \$2,500,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116) and \$1,178,520 in City Incentives; Canada Mortgage and Housing Administration SEED funding of \$50,000; an HST rebate of \$856,871; and financing to be secured by Margaret's in the amount of \$2,050,000. The funding requested in this report is outlined below:

13-15 and 17-19 Winchester Street - Capital Funding		
Affordable Rental Homes	Value of Contribution Per Unit	Total Support (35 Units)
Pre-development funding from the CRF (XR 1058) Previously approved	\$5,714	\$200,000
City Incentives (Development Charges, Planning and Building Fees, Tax exemption)	\$33,672	\$1,178,520
City Funding from the DCRF (XR-2116)	\$71,429	\$2,500,000
Provincial Funding from Home For Good (see note below)	\$150,000	\$5,250,000
Total City/ Province Contribution:	\$260,815	\$9,128,520
Margaret's Contribution	\$84,482	\$2,956,871
Total Capital Cost	\$345,297	\$12,085,391

Note: The capital component of the HFG program will be delivered as monthly affordability payments over 20 years once the project is completed, projected to be in 2019.

Tenants will be assessed for eligibility and provided with other assistance available through the HFG program (i.e., housing allowances and comprehensive staff supports). The funding will start when the construction is completed and occupancy permitted.

In keeping with City policy to achieve affordable rents, this report also recommends City Council exempt 35 affordable rental housing units at 13-15 and 17-19 Winchester Street from property taxes for 25 years.

The value of the annual property tax exemption is estimated at \$21,761 at current 2017 rates. The net present value over the 25 year-term is estimated at \$378,924, captured under the City Incentives in the table above and summarized in greater detail below:

Property Tax	Annual	NPV- 25 Years
City	\$15,796	\$275,063
Education	\$5,887	\$102,513
Transit	\$78	\$1,348
Total:	\$21,761	\$378,924

The Interim 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 Housing Opportunities Toronto Action Plan 2010-2020 and the 2014-2019 Housing Stability Service Plan. Providing new affordable housing is also a goal of the City's Poverty Reduction Strategy. The modernization of 13-15 and 17-19 Winchester Street will provide a mix of housing opportunities for a diverse group of lower-income Toronto residents and assist the City in ensuring that long-term affordability targets are maintained.

DECISION HISTORY

City Council at its meeting of July 4, 5, 6 and 7, 2017 adopted EX26.17 "Providing New Affordable Housing Opportunities at 13-15 and 17-19 Winchester Street", authorizing the Director, Affordable Housing Office to negotiate, enter into and execute on behalf of the City a pre-development funding agreement in the amount of \$200,000 with Margaret's Housing and Community Support Services Inc. to undertake due diligence work in relation to the modernization of 13-15 and 17-19 Winchester Street. Council directed the Director, Affordable Housing Office to report back in the fourth quarter of 2017 on the project status, the operating and capital budgets required to complete the modernization and the funding details. In addition, Council authorized the General Manager, Shelter Support and Housing Administration to approve a Tenant Relocation

and Assistance Implementation Plan to be developed by TCHC for the remaining tenants living in the properties.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.17>

City Council at its meeting of October 2, 3 and 4 2017 adopted EX27.17 "Authority for the City to Take Part in Province's Home for Good Program - \$90 Million Allocated to Toronto", authorizing the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to enter into a Transfer Payment Agreement for operating and capital funding and to write and submit the required Take-Up Plan to the Ministry of Housing outlining the forecasted number of recipients in 2017-18 and 2018-19, the types of supports to be made available and forecasted operating and capital expenditures and report back to the Executive Committee in October 2017 on the capital and operating components of the Home for Good Program and on the resources required to administer the program utilizing up to 10 percent of the operating allocation and up to five percent of the capital allocation, including the need for additional new temporary staff to administer and deliver the program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.17>

On November 7, 8 and 9 Council adopted EX28.10 "Home for Good Program Implementation Plan", authorizing an increase to the Approved City Operating Budget for Shelter, Support and Housing Administration of \$2,140,188 gross, \$0 net for 2017, with a future year impact of \$20,496,974 gross, \$0 net for 2018; \$24,475,715 gross, \$0 net for 2019; and \$6,118,929 gross, \$0 net for 2020, to be funded from the City's allocation of the Ontario Ministry of Housing Home for Good Program, with future year requests subject to Council approval through the annual budget process; and authorize an increase to the Approved City Operating Budget for the Affordable Housing Office of \$22,500 gross, \$0 net for 2017, with a future year impact of \$1,732,500 gross, \$0 net for 2018; with monthly affordability payments for completed capital projects commencing in 2019 over 20 years from a total capital allocation to the City of \$35,100,000, \$0 net; to be funded from the City's allocation of the Ontario Ministry of Housing Home for Good Program, to be transferred upon receipt to the Capital Revolving Fund for Affordable Housing (XR1058), with future year staffing requests subject to Council approval through the annual budget process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.10>

ISSUE BACKGROUND

The Home For Good Program

The City was successful in securing \$90,086,805 in capital and operating funding from the new provincial Home For Good supportive housing program from October 2017 to March 2020. The new program will assist the City in its goal of reducing homelessness and shelter occupancy pressures by creating or maintaining up to 2,000 new units with supports for people who are homeless in Toronto.

Capital Component

The Home For Good supportive housing program provides capital support through monthly affordability payments that flow through the City and reduce the amount of mortgage financing that is required. They are advanced monthly over a 20-year period. Approved capital projects receive up to \$150,000 per unit and must remain affordable for a minimum of 20 years.

Operating Component

All capital projects are provided with operating funding in the form of housing allowances and/or rent supplements as well as support services to assist tenants live independently with the supports provided. This assistance bridges the gap between what a tenant can pay at Ontario Works or the Ontario Disability Support Program shelter allowances and the 80% average market rent the program requires.

COMMENTS

This report provides an update on the due diligence undertaken by the City, Toronto Community Housing Corporation (TCHC) and Margaret's to finalize the design, capital requirements and operating plan for the modernization of the Winchester Properties. This undertaking complements the work of the Mayor's Task Force on TCHC and the Tenants First projects while addressing the City's goal of reducing occupancy in the shelter system by providing more appropriate affordable housing with supports.

The Winchester Properties are semi-detached houses built between 1878 and 1880 and listed on the City's Inventory of Heritage Properties. The buildings are part of the Cabbagetown Northwest Heritage Conservation District. They were acquired by the City of Toronto in the 1970's to be operated as low-income housing for a mix of residents and are now owned by TCHC. The buildings are now in a poor state of repair, have reached the end of their life-cycle and require a complete modernization to meet current fire, building and accessibility requirements.

The modernization plan developed by Margaret's in consultation with the Affordable Housing Office and TCHC calls for the conversion of the existing properties into 35 self-contained apartments.

Margaret's will be responsible for ongoing property management and receiving referrals of eligible residents from women's emergency shelters and 24-hour drop-ins in accordance with Home For Good program guidelines. Margaret's will operate the buildings through a long-term nominal rent lease with TCHC.

Margaret's is an experienced provider of supports to chronically homeless women through its multi-service programming including drop-in services, crisis care and transitional and permanent housing. They have developed a comprehensive plan for the modernization of the Winchester Properties, including an operating plan to assist low-

income women to gain independence through self-contained living with comprehensive supports to daily living.

Capital Funding

Capital funding, in the amount of \$12,085,391 will be provided through a combination of federal, provincial and City sources and mortgage financing provided by Margaret's. The funding proposed from all orders of government is:

1.	Federal - CMHC Seed funding	\$50,000
	Federal HST rebate	\$856,871
2.	Provincial - Home For Good Funding	\$5,250,000
3.	City - Pre-development funding from the the Capital Revolving Fund (previously approved)	\$200,000
	City - capital funding from the Development Charges Reserve Fund	\$2,500,000
	City - Incentives	\$1,178,520

The balance of funding required, approximately \$2,050,000 will be contributed by Margaret's in the form of mortgage financing.

Operating Funding

Once the building is ready for occupancy, the City will provide tenant support (i.e., housing allowances and staff supports) through the operating component of the Homes for Good program.

CONCLUSION

The approval of this report will set in motion an important supportive housing initiative that has been several years in the planning stages.

The modernization of the properties on Winchester Street is made possible with a combination of available funding sources and the creative power of TCHC, the City of Toronto, the province of Ontario and Margaret's.

Upon completion in late 2019, the 35 new self-contained homes in these buildings will provide long-term supportive and affordable housing to low-income women in Toronto.

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