



REPORT FOR ACTION

Creating New Affordable Rental Homes and Long-Term Care For Seniors at 640 Lansdowne Avenue

Date: March 12, 2019
To: Executive Committee
From: Deputy City Manager, Community and Social Services & Deputy City Manager, Corporate Services
Wards: Ward 9 - Davenport

SUMMARY

The number of people in Toronto aged 65 and over is expected to almost double by 2041. This growing population of seniors will spur a demand for more affordable housing as well as long-term care homes to be developed specifically to address the evolving needs of seniors in our city.

In recognition of the growing urgency to provide both affordable rental and long-term care homes for seniors, at its meeting on May 22, 23 and 24, 2018, City Council requested the Director, Affordable Housing Office, in consultation with CreateTO, to include the opportunity for development of long-term care beds within the affordable housing development planned for a portion of the Toronto Transit Commission property at 640 Lansdowne Avenue.

On August 2, 2018, CreateTO, on behalf of the Affordable Housing Office, issued a Request for Proposals ("RFP") for Developing and Operating Affordable Housing Services at 640 Lansdowne Avenue. The RFP offered the one-third, Mixed Use designated portion of the site under a lease arrangement for 99 years at nominal rent to stimulate development of the site and ensure long-term affordability for seniors. The RFP closed on September 6, 2018 and four submissions were received.

Since September 2018, CreateTO and City staff have been in discussions with Magellan Community Charities, the proposed proponent, and this report recommends that the City enter into a Letter of Intent ("LOI"), outlining the terms and conditions of the lease and the City's Open Door incentives being provided for the up to 65 affordable rental homes being proposed.

The balance of the 640 Lansdowne Avenue site is zoned as Employment Lands and the development of the whole site will make the most of public investment in transit infrastructure in line with City Council direction in report *EX33.1 Implementation of the SmartTrack Stations Program and the Metrolinx Regional Express Rail Program* adopted by City Council on April 24, 25, 26 and 27, 2018.

RECOMMENDATIONS

The Deputy City Manager, Community and Social Services and the Deputy City Manager, Corporate Services recommend that:

1. City Council authorize the City to accept Letter of Intent from Magellan Community Charities ("Magellan") and to enter into a lease (the "Lease") for the portion of 640 Lansdowne Avenue (being Parts 1, 2 and 4 on Appendix "A") substantially on the terms and conditions outlined in Appendix "B", and on such other or amended terms and conditions acceptable to the Deputy City Manager, Corporate Services, or designate, and in a form satisfactory to the City Solicitor.
2. Council authorize the Deputy City Manager, Corporate Services to approve the lease, transfer or other form of property transaction with respect to the balance of the 640 Lansdowne Avenue site (being Part 3 on Appendix "A"), on terms and conditions satisfactory to the Deputy City Manager, Corporate Services, in consultation with the local Councillor, and to engage in discussions with Magellan to identify opportunities for it to participate in the development of the remainder of the site, provided that Magellan presents a proposal that is complementary to the affordable housing and long-term care uses on the designated Mixed Use portion of the site, and meets the development objectives articulated by the community.
3. City Council authorize the City to enter into such ancillary agreements with Magellan, for nominal consideration, as may be necessary to enable construction on Parts 1, 2 and 4 (see Appendix "A") (such as a tie-back or crane swing agreement) on such terms as may be acceptable to the Deputy City Manager, Corporate Services, or designate and in a form satisfactory to the City Solicitor.
4. City Council authorize the Deputy City Manager, Corporate Services, or designate, to administer and manage the Lease, including the provision of any amendments, assignments, consents, approvals, waivers, notices and notices of termination, provided that the Deputy City Manager, Corporate Services may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction.
5. City Council consider the Lease to be in the interests of the City.

6. City Council authorize the Director, Affordable Housing Office, to offer the Open Door incentives for the affordable rental housing component of the development for up to 65 homes to be developed at 640 Lansdowne Avenue.
7. City Council authorize an exemption from taxation for municipal and school purposes for up to 65 affordable rental housing units to be developed at 640 Lansdowne Avenue for the term of the municipal capital facility agreement, being 99 years.
8. City Council authorize that the affordable rental housing component of the development be exempt from the payment of development charges and that all planning, building permit and parkland dedication fees be waived.
9. City Council authorize the Director, Affordable Housing Office, to negotiate and execute, on behalf of the City, a municipal housing facility agreement (the City's "Contribution Agreement") with Magellan Community Housing, or such other corporation related to Magellan, formed to operate the affordable rental housing, to secure the financial assistance, being provided and to set out the terms of the development and operation of the up to 65 new affordable rental homes on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form satisfactory to the City Solicitor.
10. City Council authorize severally each of the Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration to execute, on behalf of the City, any security or financing documents required by Magellan or its related not for profit corporation operating the affordable housing units to secure construction and conventional financing and subsequent refinancing, including any postponement, tripartite, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing facility agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by Council.
11. City Council authorize severally each of the Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration to provide any consent necessary, pursuant to the Contribution Agreement to assign the Contribution Agreement and to negotiate and enter into any agreements or other documents required to effect such assignment on terms and conditions satisfactory to them and in a form satisfactory to the City Solicitor.
12. City Council request the Director, Affordable Housing Office to support Magellan or a related corporation's request for funding, from the National Housing Co-Investment Fund, including confirming availability of City incentives, as well as liaising with Canada Mortgage and Housing Corporation to facilitate the approval of funding for the new affordable housing project proposed at the site.

- 13. City Council authorize the Director, Affordable Housing Office to designate the affordable rental component of the property as alternative housing for the purpose of allowing all or part of the property relief from normal parking standards.
- 14. City Council authorize the Director, Affordable Housing Office and any other member of staff of whom it is requested, to enter into a non-disclosure or similar agreement with the Province of Ontario or federal government to allow information with respect to the project at 640 Lansdowne Avenue to be provided to City staff.

FINANCIAL IMPACT

This report proposes providing surplus Toronto Transit Commission-owned land for lease at nominal cost to Magellan to stimulate the development of up to 256 long-term care beds and up to 65 affordable rental homes at 640 Lansdowne Avenue.

This report also recommends that City Council, as part of the Open Door Program, allocate funding and financial incentives to support the creation of the 65 affordable rental homes to be developed at the site.

Land Value Contribution

The designated Mixed Use portion of the 640 Lansdowne Avenue site (Parts 1, 2, and 4 on Appendix A) will be offered under a 99-year lease agreement at nominal rent to incentivize the development of non-profit long-term care beds and affordable rental units for seniors.

This proposed transaction follows the City's Housing Now Initiative model whereby surplus City-owned land will be leveraged to stimulate the development of affordable rental housing while maintaining affordability over the long-term and ensuring ongoing public ownership of the lands.

Open Door Program Incentives

This report recommends that City Council as part of the Open Door Program allocate funding and financial incentives to support the creation of up to 65 affordable rental units at 640 Lansdowne Avenue.

This report is based on the best available data at this time. The total number of affordable homes will be determined based on the planning review and approval process.

This report proposes investments of approximately \$3.9 million in City incentives for up to 65 affordable rental homes over a 99 year-term, as summarized in Table 1.

The City's financial incentives include relief from development charges, building permit fees, planning application fees and parkland dedication fees as well as property taxes for municipal and school purposes starting from occupancy. The estimated contribution of \$3.9 million is not a direct capital payment as it represents the forgiveness of City levies and is thus foregone revenue to the City.

Open Door incentives are not provided on the long-term care portion of the site. The non-profit provider will be responsible for the payment of all municipal fees and charges for the long-term care portion of the development, including property taxes.

Table 1:

Affordable Rental Homes	Estimated Affordability Period	Estimated Development Charges*	Estimated Fees and Charges**	Estimated Net Present Value of Property Taxes***	Estimated Total Value of Incentives
65	99 Years	\$1,823,510	\$560,888	\$1,598,861	\$3,983,260

*calculated using November 2019 Rates as per EX33.3

**includes 2019 building permit fees of \$92,686, planning fees of \$143,202, and parkland dedication fees of \$325,000.

***calculated using 2018 Rates

The value of the annual property tax exemption is estimated at \$50,682 at 2018 rates. The net present value over the 99 year-term is estimated at \$1,598,861 captured under the City Incentives in the table above and summarized in greater detail below:

Table 2:

Property Tax	Annual	NPV- 99 Years
City	\$ 36,943	\$ 1,165,453
Education	\$ 13,558	\$ 427,701
City Building	\$ 181	\$ 5,707
Total:	\$ 50,682	\$ 1,598,861

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

EQUITY IMPACT STATEMENT

Accelerating the creation of affordable rental housing and support services for seniors, including long-term care, will increase the opportunity for low-and-moderate income and vulnerable individuals to access safe, adequate and well-maintained homes. This will

also assist in improving Toronto's economic and social well-being, and easing healthcare and social costs.

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 for seniors is also a goal of the City's Poverty Reduction Strategy and the Seniors 2.0 Strategy.

Adopting a transit-oriented development approach provides an opportunity to create complete communities with a range of housing options and increased local employment opportunities for low-and-moderate income individuals to live and work locally.

In addition, transit-oriented development increases ridership and transit revenues through supporting density, provides opportunities to make better use of existing infrastructure, and increases economic activities due to commercial and employment uses.

DECISION HISTORY

At its meeting on July 15, 1997 the Toronto Transit Commission declared certain properties including 640 Lansdowne Avenue surplus to its operational needs.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2002/Mar202002/Other/DisposalOfSurplus.jsp](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2002/Mar202002/Other/DisposalOfSurplus.jsp)

At its meeting on April 26, 27 and 28, 2017 City Council authorized the Director, Affordable Housing Office, to conduct the pre-development investigations and due diligence considered necessary to ensure successful affordable housing proposal calls with respect to three properties, including 640 Lansdowne Avenue.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.17>

At its meeting on May 22, 23 and 24, 2018 City Council approved Version 2.0 of the Toronto Seniors Strategy and requested the Director, Affordable Housing Office, in consultation with the Transition Lead, CreateTO, to include the opportunity for the development of a seniors continuum of care model in affordable housing development planned for 640 Lansdowne Avenue.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX34.2>

At its meeting on February 27, 2019 the Toronto Transit Commission Board approved the use of 640 Lansdowne Avenue for an affordable housing use and to enter into a long-term lease with the developer and operator.

[https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/February 27/index.jsp](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/February%2027/index.jsp)

COMMENTS

640 Lansdowne Avenue Site Context

640 Lansdowne Avenue has been owned by the Toronto Transit Commission ("TTC") since 1925 when the TTC took over operations from the Toronto Railway Company. The property was an active streetcar and bus facility until 1996. The property was declared surplus in 1997 and in 2004, the former garage building was demolished due to its deteriorated condition.

Since the early 2000's, the site has been used mainly for TTC and third-party outdoor storage. About one-third of the approximate four-acre site is currently zoned Mixed Use (including residential) and the remaining two-thirds is designated as Employment lands under the City's Official Plan, providing an opportunity for a mix of residential and employment uses.

A number of community meetings have been held over the years to discuss the status and future of the site. At these meetings, the community expressed a strong interest in appropriately scaled affordable housing for seniors, a park and seniors' and/or artists' spaces.

Subject to approval of this report, City staff will engage Magellan to discuss future development of the Employment lands portion of the site for uses complementary to the affordable housing and/or long-term care. The local Councillor will be consulted to ensure that any proposal presented meets the development objectives articulated by the community.

Site Developer Selection Process and Agreement

The TTC is retaining ownership of the 640 Lansdowne Avenue site. The City is to enter into the LOI and Lease as a third party, responsible for the ongoing management of the Lease.

The Magellan's proposed project includes plans for up to 65 affordable rental units and 256 long-term beds with operating funding committed by the Ministry of Health. It is proposed that both the long-term care beds and affordable rental units will be incorporated within the same facility.

To expedite the development process, CreateTO is currently working towards securing a Record of Site Condition required for future development of the site.

Developing Seniors Affordable Rental and Long-Term Care Homes

Addressing the housing needs of low-and-moderate income residents and supporting community-based non-profits in delivering housing are central themes in the City's 10-year Housing Opportunities Toronto Action Plan 2010-2020. By providing City

incentives, the threshold of affordability increases, and the long-term viability of community-based non-profit organizations is enhanced.

In Toronto Seniors Strategy Version 2.0, adopted by Council on May 22, 23 and 24, 2018, the urgent need for affordable housing options and services, including long-term care beds, was highlighted. The report indicated that over the past decade, more than 830 beds within the Toronto Central LHIN alone were removed from the system. Additionally, it was outlined that 60 per cent of all long-term care homes within the City of Toronto boundaries, accounting for 74 per cent of the beds, are subject to redevelopment. The Strategy also noted that among seniors surveyed, the top three concerns continued to be health, housing and transportation. As a result, Council requested that the Director, Affordable Housing Office, in consultation with the Transition Lead, CreateTO, include the opportunity for the development of a seniors' continuum of care model in the affordable housing development planned for 640 Lansdowne Avenue.

This report recommends exemptions and incentives consistent with non-profit housing to assist in the creation of up to 65 affordable rental homes for seniors at 640 Lansdowne Avenue.

Subject to Council approval of this transaction, the proposed proponent will enter into a municipal capital facility agreement (the City's "Contribution Agreement"), with the City to provide rents at or below 100% average market rents for 99 years. Deeper affordability may be achieved through available programs such as rent supplements, housing allowances, the National Housing Co-Investment Fund, and housing benefits.

Upon completion of the project, ongoing administration of the Contribution Agreement will be the responsibility of Shelter, Support and Housing Administration for the term of the agreement, including confirmation of levels of affordability, income thresholds and compliance with an approved tenant access plan.

The obligations under the Contribution Agreement are to be secured by a mortgage in favour of the City to protect the public investment. In the event of a default, the Contribution Agreement will also provide that the by-law providing the property tax exemption be repealed.

The transaction proposed in this report will activate the development of the 640 Lansdowne Avenue site. Approving this request will also contribute to adding a range of housing opportunities for seniors in close proximity to transit making travel and access to amenities, including healthcare, more accessible.

City-Wide Real Estate Model

CreateTO and the Affordable Housing Office, in consultation with TTC and Real Estate Services, have negotiated lease terms and provisions with the preferred proponent for a new ground lease for the site.

Surplus TTC properties are typically released through the City's property management process, which includes circulating the property to the City's Agencies and Divisions for consideration. Due to the environmental condition of 640 Lansdowne Avenue and resulting legal arrangements, the TTC will retain ownership of this property and will be the landlord for the affordable housing and long-term care leases arising out of this transaction. The City will manage the leases.

The proposed transaction has been developed within the new City-wide Real Estate Model to achieve key city building objectives, including unlocking the value of City assets through transit oriented development and the recommendations contained within the Toronto Seniors Strategy Version 2.0.

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ATTACHMENTS

Appendix A - Site Map and Parcel Identification
Appendix B - Major Terms and Conditions of Transaction
Appendix C - TTC Board Report – February 27, 2019

Appendix B – Major Terms and Conditions of Transaction

The following is a summary of the recommended major terms and conditions of the agreements with the Tenant:

Proposed	Terms and Conditions
Tenant	Magellan Community Charities
Landlord	City of Toronto and Toronto Transit Commission
Length of Term	99 years
Commencement Date	30 days after the last of the Landlord's and Tenant's conditions are either waived or satisfied, and expiring on the 99th anniversary of the day immediately preceding the Commencement Date.
Basic Rent	One dollar (\$1.00) per annum
Additional Rent	<p>Tenant is responsible for:</p> <ul style="list-style-type: none"> • Constructing, operating, maintaining, repairing, replacing, managing and administrating the property; • All taxes; • Cost of all utilities; and • Cost of all insurance, including all Landlord's insurance costs.
Use	Up to 65 purpose-built affordable rental housing units for seniors and approximately 256 long-term care beds
Termination	Within 42 months of the date of execution if the Tenant is in default of its obligation to have occupied and begun operating by such date.
Maintenance and Repair	<p>Tenant's full responsibility</p> <p>Landlord (TTC) has no ongoing obligation for property or development</p>

Proposed Lease	Terms and Conditions
Environmental	<p>Landlord to undertake comprehensive Risk Assessment and obtain a Certificate of Property Use and file a Record of Site Condition. (CreateTO completing on behalf of TTC)</p> <p>Tenant has full responsibility for implementing and complying with all obligations in the Risk Assessment, Certificate of Property Use (Risk Management Measures) and Record of Site Condition. (To be monitored by Corporate Services under the Deputy City Manager)</p> <p>Non-compliance with the requirements of the Certificate of Property Use constitutes a breach of the lease.</p>
Default of Obligations by Tenant	Corporate Services under the Deputy City Manager will be responsible for all matters if the tenant fails to meet any of its obligations under the lease