



REPORT FOR ACTION

Creating New Modular Supportive Housing at 11 Macey Avenue and 150 Harrison Street

Date: June 26, 2020

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat and Executive Director, Corporate Real Estate Management

Wards: 9 and 20

SUMMARY

In response to the ongoing COVID-19 pandemic and the urgent need to provide safe and secure accommodation for the City's homeless population, on April 30, 2020, Council approved the purchase and installation of 250 modular homes. The modular homes will be delivered in two phases with an initial 100 homes ("Phase One") ready for occupancy in the Fall and the remaining 150 homes ("Phase Two") ready for occupancy by April 2021. These modular homes will be used to provide permanent affordable housing with supports for individuals who are currently experiencing homelessness.

On April 30, 2020, City Council also authorized the Executive Director, Housing Secretariat to issue a Request for Proposals ("RFP") to select non-profit housing providers to operate the supportive housing to be developed in Phase One. The RFP has been issued and will close at the end of July 2020.

This report recommends Council approval for staff to enter into lease agreements with the selected non-profits that will be identified through the RFP process. Approval of the recommendations in this report will allow staff to meet the expedited timelines to have the Phase One modular homes fully staffed and ready for occupancy in the Fall.

By implementing modular supportive housing, the City is creating permanent housing solutions to help some of our most vulnerable and marginalized residents live in dignified housing with appropriate supports. During the ongoing COVID-19 pandemic, this life-saving initiative will provide individuals with safe spaces to exercise physical distancing and self-isolation. In the longer term, this approach will result in substantial cost savings to the public sector while improving the health and housing incomes of individuals who are currently within the shelter system. Advancing this initiative will also help build resilience within the City's housing and homeless systems.

The modular supportive homes created through this fiscally and socially responsible approach to housing and homelessness will also contribute to the targets set under the City's HousingTO 2020-2030 Action Plan. These targets include the approval of 40,000 new affordable rental units with 18,000 supportive homes (including 1,000 modular homes), and increasing housing stability for Toronto residents over the next ten years.

RECOMMENDATIONS

The Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management recommend that:

1. City Council declare the properties municipally known as 11 Macey Avenue and a portion of 150 Harrison Street (as outlined in Attachment 2) (the "Sites") surplus, with the intended manner of disposal to be by way of a long-term lease to successful non-profit housing providers, and direct staff to take all steps necessary to comply with the City's real estate disposal process set out in Municipal Code Chapter 213, Real Property, Sale of.
2. City Council authorize the City of Toronto to accept an offer to lease (the "Offer to Lease") from, and enter into a lease (the "Lease") with, the non-profit modular housing operator selected through the request for proposals process for 11 Macey Avenue (the "11 Macey Successful Proponent") and 150 Harrison Street (the "150 Harrison Successful Proponent"), substantially on the major terms and conditions set out in Attachment 3 of this report, 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.
3. City Council authorize severally the Deputy City Manager, Corporate Services and the Executive Director, Corporate Real Estate Management to accept the Offer to Lease from the 11 Macey Successful Proponent and from the 150 Harrison Successful Proponent on behalf of the City and to execute the Lease for 150 Harrison Street and the Lease for 11 Macey Avenue, and any ancillary agreements or documents, as required, on behalf of the City.
4. City Council authorize the Executive Director, Corporate Real Estate Management, or his/her designate, in consultation with the Executive Director, Housing Secretariat to administer and manage the Leases including the provision of any amendments, consents, approvals, waivers, notices, and notices of termination, provided that the Executive Director, Corporate Real Estate Management 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 Leases to be in the interests of the City.

FINANCIAL IMPACT

On April 30, 2020 (through Item No. CC20.6), City Council approved capital funding and financial incentives to deliver up to 250 homes in Phases One and Two of the modular housing initiative. The Phase One financial impact is outlined below:

1) Capital Funding of \$19 million, comprised of:

- \$11.5 million from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116); and
- \$7.5 million in contributions and interest-free financing/loan from Canada Mortgage and Housing Corporation ("CMHC").

2) Financial Incentives of approximately \$5.22 million, as summarized in Table 1 below:

Table 1 – City Financial Incentives

Affordable Rental Homes	Estimated Affordability Period	Estimated Development Charges*	Estimated Planning Fees and Charges**	Estimated Net Present Value of Property Taxes	Estimated Total Value of Incentives
Phase One (100 homes)	35	\$3,065,600	\$677,856	\$1,481,291	\$5,224,748

*calculated using November 2020 Rates

**includes estimated 2020 building permit fees of \$ \$60,995, planning fees of \$ \$116,861 and parkland dedication fees of \$500,000

The City's financial incentives include relief from development charges, building permit fees, planning application fees, parkland dedication fees, as well as property taxes for municipal and school purposes for the affordability period.

3) Non-profit Operator Contribution and Lease Arrangement

The non-profit operators for the modular sites will be required to contribute to the projects by way of lease payments over the 35-year lease term. These below-market rent leases payment will be supported through projected operating revenues.

The lease payments will assist the City in servicing the CMHC loan obligations outlined in #1 above. The non-profit operators selected for each of the modular buildings will be responsible for monthly lease payments over the lease term, as outlined below:

Address	Number of Homes	Monthly Lease Payment	Annual Lease Payment
11 Macey Avenue	56	\$5,850	\$70,200
150 Harrison Street	44	\$4,600	\$55,200

4) Support Services

Funding for the support services necessary to create supportive housing opportunities, are generally provided by the Province of Ontario and delivered by housing providers or another community agencies.

Operating funding for support services and housing benefits has been requested from the Province to support the new modular supportive homes to be created through this initiative.

Through the RFP process, proponents will also identify existing resources available to ensure that a range of services, for a range of needs onsite. Should any additional funding be required, staff will report to Council with recommendations to ensure a 24/7 staffing model at each site. This model will be based on appropriate levels of support to help tenants maintain their housing and successfully re-integrate into the community.

The Chief Financial Officer has reviewed this report and agrees with the Financial Impact information.

EQUITY IMPACT STATEMENT

The HousingTO 2020-2030 Action Plan envisions a city in which all residents have equal opportunity to develop to their full potential. The HousingTO 2020-2030 Action Plan is also centred on a human rights based approach to housing. This human rights based approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building inclusive, healthy, sustainable and liveable communities.

By implementing modular supportive housing, which is a key component of the HousingTO 2020-2030 Action Plan, the City is creating permanent housing solutions to help some of our most vulnerable and marginalized residents live in dignified housing with supports. During the COVID-19 pandemic, this initiative will save lives by providing individuals with safe spaces to exercise physical distancing and self-isolation.

In addition, this initiative will create housing opportunities for low-income and vulnerable individuals, as well as those from equity-seeking groups, including Indigenous and Black communities, to access safe, healthy and adequate homes.

Access to good quality, safe, affordable housing is an important determinant of health and also improves the social and economic status of an individual. Good quality, affordable housing is also the cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region and country as a whole.

DECISION HISTORY

At its meeting of April 30, 2020, City Council approved the purchase and installation of 250 modular homes to be used as supportive housing for homeless individuals within the City's shelter system as a direct response to the COVID-19 health emergency. Council also approved Open Door incentives for these supportive housing units and authorized the Executive Director, Housing Secretariat to issue an RFP and to select non-profit housing providers to operate the supportive housing units to be developed under Phase One of the modular supportive housing initiative.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC20.6>

At its meeting of February 26, 2020, City Council adopted PH13.5 – "Plan to Create Supportive Housing Opportunities", outlining plans to develop 600 supportive housing opportunities in 2020 and requested the Federal and Provincial Governments, as part of their 2020 Budgets, to commit to capital and operating funding to support the creation of 1,800 new units of supportive housing annually, in order to reduce homelessness in Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH13.5>

At its meeting of December 17 and 18, 2019, City Council, adopted with amendments, "HousingTO 2020-2030 Action Plan" as the framework to address Toronto's housing and homelessness challenges by 2030. This Plan includes a number of actions and targets to address critical needs across the housing spectrum including emergency shelters and transitional housing, social and supportive housing, market and affordable rental housing and homeownership. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of June 18 and 19, 2019, City Council adopted MM 8.49 – "Providing a Rapid Housing Response to Homelessness through a New Modular Supportive Housing Pilot Initiative". Council directed staff to report back on the development of a new modular supportive housing initiative. It called for interdivisional coordination to identify potential sites and to expedite the development of supportive housing. It also called for consultation with the Toronto Alliance to End Homelessness. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM8.49>

At its meeting of January 30 and 31, 2019 City Council adopted MM 2.9 – "Expanding Supportive Housing in Toronto". One aspect of the report called for an aggressive build plan for supportive and transitional housing. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM2.9>

At its meeting of March 26 and 27, 2018, City Council adopted CD 26.5 – "Emergency Shelter Services Update". Council set a target of creating 18,000 new units of supportive housing over the next 10 years, approximately 1,800 supportive units per year. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CD26.5>

COMMENTS

Phase One Modular Supportive Homes

The Phase One sites identified for modular supportive housing are:

- 11 Macey Avenue which will contain 56 modular homes; and
- 150 Harrison Street which will contain 44 modular homes

Each modular building is proposed to be three storeys high and will include an elevator. At least 25% of the modular homes will be fully accessible. Each building will also have communal amenity areas and shared facilities, including an office, lounge, laundry and commercial kitchen.

All modular homes will be self-contained studio apartments (approximately 350 square feet) each with its own bathroom and kitchenette. Each unit will also be fully-furnished with a bed, side tables and other furniture, plus appliances.

These high quality homes will be environmentally sustainable, compatible with the surrounding neighbourhood and provide deeply affordable rents at 60% average market rent (AMR).

Site Details – 150 Harrison Street & 11 Macey Avenue

Below is a description of each Phase One site and surrounding area. Location maps for each site are included as Attachments 1 and 2 in this report.

1) **150 Harrison Street (Ward 9 – Davenport)** is a vacant, City-owned property with street frontage on both Harrison Avenue, near the intersection of Dundas Street West and Dovercourt Road. It is the former site of the Toronto Police Service 14 Division. The surrounding area is comprised of a mix of uses including a Toronto Parking Authority lot to the east, semi-detached houses to the north and semi-detached houses to the west across Dovercourt Road. Also across the street to the west is the new 14 Division Police Station. In close proximity to this site, there are a number of walk-up apartments and townhouses. This site is well served by transit with 24-hour streetcar service on Dundas Street West and 24-hour bus service on Dovercourt Road, connecting the site to Ossington subway station.

2) **11 Macey Avenue (Ward 20 – Scarborough Southwest)** is a vacant, City-owned property with frontage on both Macey Avenue and St. Dunstan Drive. The site is just north of Danforth Avenue and approximately 400 metres from Victoria Park subway station. The property slopes down from east to west. The surrounding area is comprised of residential uses of differing scales and forms, including one and two storey detached houses, semi-detached houses, a sixplex and multiple 16-storey apartment buildings. In close proximity to this site are non-residential uses which include a three storey school located on Pharmacy Avenue. To the east of the site, across St. Dunstan Drive, is Madelaine Park.

Non-profit Operators and Tenant Selection

The Housing Secretariat has issued an RFP to select non-profit organizations to lease and operate the modular buildings. Successful proponents will be identified in early August, and will work with the City to get the modular homes ready for occupancy in October of this year.

Proponents will be evaluated based on their experience in successfully operating supportive housing for individuals who have experienced homelessness. This includes experience providing property management services as well as in delivering onsite support services for a range of needs, either directly or in partnership with other providers.

Offer to Lease and Lease

Once an operator is selected for each of 150 Harrison Street and 11 Macey Avenue, the City will negotiate and enter into an Offer to Lease with each operator. Once the conditions in the Offer to Lease are met for each site, a 35 year lease for each site will be entered into between the City and the operator for each site.

Support Services Plan

It is expected that future tenants of the modular buildings will need a range of on-site support services including but not limited to: a meal program; harm reduction and intervention services; and community support services such as education, employment, health and life skills.

As noted earlier, funding for support services has been requested from the Province. Through the RFP process, proponents will also identify existing resources available to ensure an integrated approach to providing services onsite.

Prior to occupancy, staff from the City's Shelter, Support and Housing Administration Division (SSHA) will work with the selected non-profit operators to develop a Tenant Access Plan. As part of this Access Plan, tenants will be referred from City-funded shelters, 24-hour drop-ins, eviction prevention programs, tenant relocation projects, or the Streets to Homes Program.

Standardized support services assessment tools will be used in the referral process to match tenants with the homes based on their needs and available services onsite. These assessment tools will be provided to the non-profit operators and any partner support service providers.

Conclusion

This report recommends Council approval for staff to enter into 35-year lease arrangements with the non-profit housing providers, to be selected through the RFP process, to operate the modular homes. Through the implementation of modular supportive housing, the City is expediting the delivery of safe and secure affordable housing necessary to support the homeless population during COVID-19. More specifically, these permanent, self-contained homes will help individuals within the emergency shelter system access safe and secure homes where they can self-isolate, practice physical distancing and improve their overall health and well-being.

This approach to transition people out of shelters and into permanent housing with supports will also result in substantial savings to the public sector. In fact, the cost to provide an emergency shelter bed was almost double the cost of providing a supportive housing unit pre-COVID-19, and now about three times the cost under the current COVID-19 health crisis.

There are additional savings to be realized by the public sector through providing permanent supportive housing opportunities through reduced use of hospitals, public safety systems and emergency services. For instance, the nationwide housing-first demonstration project, At Home/Chez Soi, found that \$10 invested in housing-first services resulted in an average reduction in costs of other services of \$9.60 for high-needs participants and \$3.42 for moderate-needs participants. Over a two-year period, every \$10 invested in housing-first services resulted in an average savings of \$21.72.¹

Reducing chronic homelessness by moving long-term shelter users into housing also frees up existing shelter beds and reduces pressures to expand shelter system capacity. This is particularly important during COVID-19 which has resulted in the need for a substantial expansion of the City's shelter system in order to provide space for physical distancing.

The significant social and economic benefits of providing permanent affordable housing with supports versus emergency shelter beds points to the need for all orders of government to shift focus and better align resources. Increased investments in affordable housing solutions will improve lives, strengthen communities, create employment opportunities and build resilience in our housing and homeless system necessary to emerge from the pandemic.

¹ <https://ontario.cmha.ca/news/cmha-recognizes-the-impact-of-supportive-housing-for-national-housing-day/>

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ATTACHMENTS

Attachment 1 – 11 Macey Avenue: Site Plan, Preliminary Renderings and Location Map/Draft Survey

Attachment 2 – 150 Harrison Street: Site Plan, Preliminary Renderings and Location Map/Draft Survey

Attachment 3 - Proposed Lease Terms and Conditions