

Creating Affordable Rental Homes at the West Don Lands - Update

Date: November 24, 2020
To: Planning and Housing Committee
From: Executive Director, Housing Secretariat
Wards: Wards 10 & 13

SUMMARY

In October 2017, City Council approved Open Door Program incentives for up to 390 affordable rental housing units to be constructed on the eight-acre site known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands under the Provincial Affordable Housing Lands Program.

In May 2019, City Council approved Open Door Program incentives for an additional 33 affordable rental units, plus an extension of the affordability period from 49 to 99 years.

This report provides an update on the Provincial Affordable Housing Lands Program and recommends City Council approval of Open Door Program incentives for up to an additional 275 affordable rental units at the Blocks 3W, 4W, and 7W and Block 20. This includes exemptions from payment of development charges, building, planning and parkland dedication fees and charges, and taxation for municipal and school purposes for the affordable homes.

At the present time, it is anticipated that up to 698 affordable rental units in total will be created in the West Don Lands through the Provincial Lands Affordable Housing Program, with 10% of all affordable units to be three-bedroom and 10% to be four-bedroom units.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council authorize that up to 275 additional affordable rental units to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands be exempt from the payment of development charges, building permit, planning application and parkland dedication fees and charges.

2. City Council authorize an exemption from taxation for municipal and school purposes for the additional 275 affordable rental units to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands for a period of 99 years.
3. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the tax exemption.
4. City Council authorize the Executive Director, Housing Secretariat to negotiate and enter into, on behalf of the City, a municipal housing facility agreement(s) with WDL 3/4/7 LP, by its general manager WDL 3/4/7 GP Inc., WDL 8 LP, by its general manager WDL 8 GP Inc. and/or its affiliates, to secure the financial incentives being provided through the Open Door Program on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.

FINANCIAL IMPACT

New Proposed Incentives

This report recommends that City Council, as part of the Open Door Program, allocate financial incentives to support the creation of up to 275 additional affordable rental homes at Blocks 8/20 and Block 3W, 4W, and 7W in the West Don Lands.

These 275 rental units are in addition to the 423 units previously approved by Council via EX27.15 on October 2, 3 and 4, 2017, and PH5.3 on May 14, 2019 to receive Open Door incentives, for a total of up to 698 affordable rental units.

The City incentives for the affordable rental homes recommended by this report are within the approved ten-year Open Door Program financial plan for the implementation of the HousingTO 2020 – 2030 Action Plan. The incentives include relief from development charges, building permit, planning and parkland dedication fees as well as municipal property taxes for affordable units.

Based on the City's current applicable fees, charges and tax relief estimates, this report proposes an additional investment of approximately \$22.27 million in City incentives and as summarized in Chart A below.

Chart A: Additional Open Door Incentives Proposed

Affordable Homes	Total Affordability Period	Estimated Additional Development Charges*	Estimated Additional Fees and Charges**	Estimated Net Present Value of Property Taxes***	Estimated Additional Total Value of Incentives
275	99	\$12,101,375	\$2,040,040	\$8,129,908	\$22,271,323

*Calculated using November 2020 rates

**Includes Building Permit fees of \$339,796, Planning application fees of \$325,244, and Parkland Dedication fees of \$1,375,000

***Calculated using current (2020) property tax rates

The value of the annual property tax exemption is estimated at \$257,709 at 2020 rates. The net present value over the 99 year-term is estimated at \$8,129,908 as summarized in Chart B below.

Chart B: Property Tax Breakdown of Fees

Property Tax	Annual	NPV: 99 Years
City	\$189,179	\$5,967,993
Education	\$65,748	\$2,074,150
City Building	\$2,782	\$87,765
Total	\$257,709	\$8,129,908

Summary of Previously Approved Incentives for the West Don Lands

Chart C details the incentives approved by City Council in October 2017 through item EX27.15.

Chart C:

Affordable Homes	Affordability Period	Estimated Fees and Charges	Net Present Value of Property Taxes	Total Value of Incentives
390	49	\$10,677,810	\$7,363,795	\$18,041,605

Chart D details the incentives approved by City Council in May 2019 through item PH5.3.

Chart D:

	Affordable Homes	Additional Affordability Period	Total Affordability Period	Estimated Additional Development Charges	Estimated Additional Fees and Charges	Estimated Net Present Value of Property Taxes	Estimated Additional Value of Incentives
1	390	50 years	99 years	n/a	n/a	\$2,131,776	\$2,131,776
2	33	99 years	99 years	\$1,037,250	\$307,045	\$939,048	\$2,283,343
Total	423	-	99 years	\$1,037,250	\$307,045	\$3,070,824	\$4,415,119

The estimated additional City contribution of \$22.27 million brings the total City contribution for affordable housing in the West Don Lands to date to \$44.79 million (nominal). This is not a direct capital payment as it represents the forgiveness of City taxes and levies and is thus foregone revenue to the City.

A tax exemption would have no net present impact to the City for the educational portion of taxes remitted to the Province.

The Chief Financial Officer and Treasurer has been advised of the financial impacts associated with the development of the West Don Lands to be considered along with other priorities during the 2021 Budget Process.

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 approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, inclusive, sustainable and liveable communities.

Creating new affordable housing, including deeply affordable housing, will increase the opportunity for low-income, vulnerable and marginalized individuals, including Indigenous Peoples, seniors, women, the LGBTQS2+ community, Black people, and People of Colour to access and maintain safe, healthy and adequate homes.

Access to safe, secure, affordable housing is an important social determinant of health. It improves the social and economic status of individuals, families and communities. 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

City Council on May 17-19, 2005 directed the Chief Planner and Executive Director and Waterfront Project Director that the City enter into a binding agreement with the Waterfront Toronto and the Province to secure the provisions of the West Don Lands Affordable Housing Delivery Strategy including reserving sufficient land that is serviced, remediated and free of charge, for the development of new, affordable rental units in an amount comprising at least 20 percent of the total residential units to be built in the West Don Lands. The City Council Decision can be found here:

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl001.pdf>

City Council on December 9 and 10, 2015 adopted EX10.18 "Affordable Housing Open Door Program" with amendments which detailed land, planning and financial actions aimed at enhancing the City's ability to deliver affordable housing and achieve its approved housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116). The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

City Council on July 12, 13, 14 and 15, 2016, adopted with amendments EX16.26 "Implementing the Open Door Affordable Housing Program" which provided financial and implementation details regarding the City's new initiative. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

City Council on October 2, 3 and 4, 2017 adopted EX27.15 "Creating 600 Affordable Rental Homes at the West Don Lands and 27 Grosvenor/26 Grenville Sites" authorizing that the affordable housing to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets, Toronto be approved for Open Door incentives including exemption from the payment of development charges, building, planning and parkland dedication fees and charges, and property taxes for the affordability period. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.15>

City Council on May 14, 2019, adopted PH5.3, "Creating Affordable Rental Homes at the West Don Lands and 27 Grosvenor/26 Grenville Streets – Update", authorizing Open Door incentives including exemption from the payment of development charges, building, planning and parkland dedication fees and charges, and property taxes for the affordability period for an additional 80 affordable homes on the Provincial Lands Affordable Housing Program sites. This included 33 additional affordable homes at Blocks 3W, 4W and 7W in the West Don Lands. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH5.3>

On October 15, 2020, Toronto and East York Community Council directed the Director of Community Planning, in consultation with relevant City divisions, to report directly to the October 27, 2020 meeting of City Council on information requested by Community Council, and did not endorse the recommendations of the staff Final Report to approve the Zoning By-law amendment and lifting of the "(h)" applications to permit the two 9-13 storey buildings and one 11-storey building. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TE19.5>

On October 27, 28, and 30, 2020, in response to Ministerial Zoning Orders 594/20 and 596/20, pertaining to West Don Lands Blocks 20 and Blocks 3W, 4W, and 7W, respectively, City Council authorized the Chief Planner and Executive Director, City Planning and City Solicitor to work with the owner and partner developer to implement such mechanisms and/or determine agreement(s) to be entered into to secure various community benefits and infrastructure to support a complete community. City Council did not adopt the report or Bills for Blocks 3W, 4W, and 7W. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TE19.5>

COMMENTS

Provincial Lands Affordable Housing Program Background

City Council adopted the Open Door Program in 2016 to support the creation of affordable rental homes for lower-and-moderate income residents. At the same time, City Council urged the federal and provincial governments to contribute surplus land to support the construction of affordable housing.

In April 2017, the Ontario Government established the Provincial Affordable Housing Lands Program to leverage provincial land assets to build more affordable housing across the Province, including the West Don Lands (Blocks 8/20 and 3W, 4W and 7W) and 27 Grosvenor/26 Grenville Streets in downtown Toronto.

The program is supporting the construction of new housing, including affordable rental and market rental units within mixed income and mixed-use developments. This is being accomplished through a combination of long-term land leases and sales with reduced land values. The Province's land offering process occurred in September 2017 and the projects are now at various stages in the planning approval process.

To date, the implementation of the Provincial Affordable Housing Lands Program has been informed through an Intergovernmental staff working group involving staff from Infrastructure Ontario, the Ministry of Housing and Municipal Affairs, the Ministry of Infrastructure and City staff from the Housing Secretariat, City Planning, Legal Services, Real Estate Services, Shelter, Support & Housing Administration and Children's Services. The Intergovernmental staff team has also been meeting regularly with the selected developer consortium, Dream/Kilmer/Tricon, to discuss and resolve issues in a timely manner.

The program requires that 30% of the entire residential GFA be affordable rental housing (of which 5% will be accessible). The program further calls for 50% of the affordable homes (across all bedroom types) to be rented at 100% of City-wide average market rent (AMR), 40% of the affordable homes to be rented at 80% AMR, and 10% of the affordable homes rented at 40% AMR. Future residents will be on or be eligible to be on the City's waiting list for affordable/social housing.

Average market rents per unit type are included in Attachment 1. The affordable rents will be updated to the year the development opens. In developments where hydro is metered separately for each unit and residents are required to pay the hydro costs directly, the maximum monthly rents are set at AMR, less a hydro allowance, as determined and updated annually by the City.

The affordable homes are required to include a range of bedroom types, with a focus on family-friendly affordable housing, including 40% 1-bedroom, 40% 2-bedroom, 10% 3-bedroom and 10% 4-bedroom homes. The Proponent will be required to operate the

affordable housing component as affordable for the duration of the 99 year lease with the Province under the terms of the City's Contribution Agreement.

The Province also requires the new development to meet the Toronto Green Standards and qualify for LEED GOLD certification.

West Don Lands – Blocks 8 and 20

Blocks 8/20 were included in the Phase 2 Plan of Subdivision for the West Don Lands, and zoned in accordance with the overall planning direction outlined in the Council endorsed West Don Lands Precinct Plan (May 2005) and Block Plan and Design Guidelines (May 2011).

The successful proponent chosen by the Province to develop Blocks 8 and 20 was issued a revised Notice of Approved Conditions (NOAC) in October 2019 for Block 8, which will result in the development of 231 affordable homes located in three different buildings of 16, 16, and 26-storeys in height, respectively. A revised NOAC for Block 8 is anticipated to be issued in the coming weeks. Completion of Block 8 is anticipated in 2022.

At the time of the Phase 2 Plan of Subdivision, Block 20 was zoned at 15 and 24 metres in height to permit a district energy and parking structure. An application for rezoning was received for Block 20 in June 2020. Before completion of the review of this application, the Minister of Municipal Affairs and Housing issued Ministerial Zoning Order 594/20, enacting zoning for this site. The permitted zoning for this site now includes two towers at 153 and 115 metres in height. Based on the requirements in the Province's lease with the applicant for 30% of gross floor area to be affordable housing, it is estimated that this block would contain up to 210 affordable rental units.

West Don Lands – Blocks 3W, 4W, and 7W

Blocks 3W, 4W, and 7W were also included in the Phase 2 Plan of Subdivision for the West Don Lands and included in the Provincial Lands Affordable Housing Program. In October, 2019, an application for rezoning and lifting of the "H" symbol was submitted.

At its meeting on October 15, 2020, Toronto East York Community Council requested the Director, Community Planning, Toronto and East York Community Council, in consultation with relevant City divisions, to report directly to the October 27, 2020 meeting of City Council with additional information about the application.

On October 22, 2020, the Minister of Municipal Affairs and Housing issued Ministerial Zoning Order 596/20, enacting the zoning proposed for this site (including height, setbacks, etc.) under the active rezoning application. The staff report which was sent to City Council for information was never adopted, as the Ministerial Zoning Order superseded City Council's direction, and it not subject to appeal.

On October 27, 2020, staff reported to City Council with a supplementary report addressing the impacts of the Ministerial Zoning Order. City Council directed the Chief Planner and Executive Director, City Planning, and the City Solicitor to work with the

owner and partner developer to implement mechanisms and/or determine agreement(s) to be entered into to secure community benefits and infrastructure; to initiate appropriate discussions respecting the Ministerial Zoning Order; and to request such amendments to the Order as may be necessary to clarify and implement the contemplated development.

The development of Blocks 3W, 4W, and 7W (373 Front Street East and 90 Mill Street) will result in the creation of 257 affordable rental homes. It is anticipated that construction will begin in 2021 and be completed in 2024.

Conclusion

This report provides an update on the Provincial Affordable Housing Lands Program and recommends Open Door Program incentives for the new affordable rental homes to be developed in the West Don Lands. This update was anticipated as the recent completion of the year-long rezoning process for Blocks 3W, 4W, and 7W resolved built-form and urban design matters, allowing for additional affordable units. However, this rezoning process for Block 3W, 4W, and 7W was not completed, as the Final Report and zoning Bills were not adopted by City Council before the Province issued a Ministerial Zoning Order.

In the case of Block 20, the Ministerial Zoning Order was also enacted before the City-led rezoning process could be completed. As a site covered under the Provincial Lands Affordable Housing Program, the enactment of a Ministerial Zoning Order for Block 20 has necessitated authorization of Open Door incentives for a further 210 affordable units.

City Council approval of the recommendations in this report will support the delivery of up to 698 affordable rental homes in the West Don Lands, in addition to the up to 257 affordable rental homes at 27 Grosvenor/26 Grenville approved in the previous Provincial Lands Affordable Housing reports. The new homes to be created will provide more affordable, accessible and good quality homes for lower-and moderate-income residents.

This report is prepared in consultation with City Planning, Corporate Finance, Financial Planning and Legal Services.

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Average Market Rents Per Unit Type