TORONTO CITY CLERK

Consolidated Clause in Policy and Finance Committee Report 7, which was considered by City Council on July 19, 20, 21 and 26, 2005.

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Regent Park Revitalization - Financial Strategy (Ward 28)

City Council on July 19, 20, 21 and 26, 2005, adopted this Clause without amendment.

The Policy and Finance Committee recommends that:

(1) City Council adopt the staff recommendations contained in the Recommendations Section of the report (June 27, 2005) from the City Manager and the Deputy City Manager and Chief Financial Officer; and

(2) in the future, when reporting on the City's contributions, the value of prospective relocation land sites and the prospective value of any additional property tax exemptions also be included.

The Policy and Finance Committee submits the report (June 27, 2005) from the City Manager and the Deputy City Manager and Chief Financial Officer:

Purpose:

The purpose of this report is to seek Council authority to provide the Toronto Community Housing Corporation (TCHC) with a grant equivalent in amount to the development charges revenues collected from the market units to be built within Regent Park. The report also provides a summary of the City's contributions to the redevelopment initiative to date and the financial assistance to be sought from other orders of government within the context of the Canada-Ontario-Toronto Framework Agreement and other federal and provincial funding initiatives.

Financial Implications and Impact Statement:

The Regent Park Revitalization plan is estimated to cost $561 million over an eleven-year time frame. The TCHC has identified internal funding sources comprising revenues from sale or lease of excess land, reinvestment of operating savings, equity contributions and long-term debt totalling $417 million. The TCHC is seeking government contributions to offset the remaining funding gap of $144 million. These government contributions are to be applied towards the construction of replacement housing, new affordable housing, public infrastructure, community facilities, and a district energy system.

To date, Council has approved a number of City financial contributions totalling $22 million to reduce the funding gap. These previously approved contributions include the provision of property tax, building permit and planning fees exemptions and the conveyance of City owned land for nominal consideration.

The TCHC has requested that the City provide additional funding in the amount of $14 million in the form of grants equal to the development charges that will be collected for the market units built within the new Regent Park community. These grants would be timed to lag slightly behind the actual collection of the development charge revenues so that the City's contribution will not exceed the actual development charges collected. The City's grant expenditures are expected to commence in 2007 and would be spread thereafter over the eleven year anticipated development schedule. These expenditures will have a minimal impact on tax and water rates. The Deputy City Manager and Chief Financial Officer and City Solicitor will report back on a detailed implementation plan for the proposed development charge equivalent grant program.

With the proposed financial contributions from the City, as outlined in this report, the funding gap would be reduced to $108 million. The net residual funding gap would be presented for consideration in upcoming discussions of the proposed Canada-Ontario-Toronto Framework Agreement and other federal and provincial initiatives.

There are no financial implications in 2005 arising from the recommendations in this report.

Recommendations:

It is recommended that:

(1) Council approve, in principle, the provision of grants to the Toronto Community Housing Corporation in an amount equivalent to the net development charges collected from the Regent Park redevelopment;

(2) the grants be utilized to fund in part, the public infrastructure and community facilities to be built by the Toronto Community Housing Corporation as outlined in the body of this report;

(3) the Deputy City Manager and Chief Financial Officer and the City Solicitor report back on the detailed implementation and legislative mechanism for the proposed grant back program to the Toronto Community Housing Corporation;

(4) the proposed Regent Park funding plan as outlined in this report be considered within the context of the framework agreement between the governments of Canada, Ontario and the City; and

(5) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto

Background:

The Toronto Community Housing Corporation has proposed the redevelopment of Regent Park, a 70 acre neighbourhood which includes 2,083 rent-geared-to-income (RGI) social housing units in eastern downtown Toronto. The redevelopment proposal for Regent Park includes the reintroduction of public streets in the neighbourhood, creation of new City parks, full replacement of social housing units and RGI subsidies, development of private sector market housing, affordable housing, and provision for a mix of land uses and building types.

In 2003, Council directed City staff to consider the redevelopment of Regent Park a priority and to undertake a number of steps to facilitate the redevelopment, including an investigation of methods within the City's powers to provide funding assistance, such as property tax exemption, access to lower cost financing and funding infrastructure improvements from development charges.

Following on such direction, the Chief Financial Officer and Treasurer prepared a report titled "Regent Park Revitalization Financing Issues" which was adopted by Council at its meeting held on January 27-29, 2004. The report recommended that:

(1) City Council support the request to exempt from property taxes the new rent-geared-to-income housing units within the Regent Park revitalization plan area for a period of fifteen-years as those units are developed, under provisions of the City's Municipal Housing Project Facilities By-law.

(2) City staff be directed to incorporate, to the extent permitted under the Development Charges Act, the infrastructure requirements for the Regent Park redevelopment in the City's review of its development charges by-law in 2004;

(3) the provincial and federal governments be requested to provide financial support for the costs of the infrastructure within the Regent Park Redevelopment Initiative that cannot be funded by development charges.

Council has since undertaken other actions facilitating the redevelopment, including approving the sale or lease of land in Regent Park, approving the closure and surplus declaration of certain streets in South Regent Park, and transferring the property at 30 Regent Street (former 51 Division Police station) to TCHC at nominal cost for the purpose of providing housing accommodation primarily for persons with low to moderate incomes.

At its meeting of February 16, 2005, Council adopted Official Plan and Zoning By-law amendments to permit the phased redevelopment of Regent Park. The City Clerk has given notice of adoption of the Official Plan and Zoning By-law Amendments as required by the *Planning Act.* Council, at this same meeting, adopted the following recommendation:

> "It is recommended that the funding for new affordable housing to be constructed in conjunction with replacement of Regent Park housing be addressed in the context of a financial strategy for the redevelopment when reported upon through the Policy and Finance Committee, by the Chief Administrative Officer and the Chief Financial Officer and Treasurer in the 2nd quarter of 2005."

This report addresses the above noted recommendation.

At its meeting of April 12-14, 2005, Council received a report from the Chief Administrative Officer concerning a Tri-Partite Framework Agreement between Toronto, Ontario and Canada. The report noted that the first focus of this agreement is proposed to be the Regent Park Revitalization, which presents an opportunity to model implementation of federal, provincial and city objectives for sustainable urban development.

During the same meeting on April 12-14, 2005, Council conditionally approved a Draft Plan of Subdivision for Regent Park. Concurrently, TCHC is initiating the project management necessary to start design and building the first phase.

Comments:

Development Financing Plan:

The Regent Park Revitalization plan is estimated to cost of $561 million. Costs are summarized within five major categories including: Social Housing Replacement, Affordable housing, Public Infrastructure, Community Facilities, and District Energy. Table 1 provides a summary of these costs which are further discussed below.

Table 1
Regent Park Development Costs Summary

Items		Estimated $ (millions)
1.	Social Housing Replacement	
	- Demolition	8.9
	- Environmental Remediation	3.0
	- Construction (2,083 TCHC units)	325.0
	- Development Management	31.7
	- Relocation	10.4
	- Interim Financing	39.4
	Sub-Total Social Housing Replacement	418.4
2.	Affordable Housing	46.0
3.	Public Infrastructure	27.0
4.	Community Facilities	19.5
5.	District Energy System	50.0
Total Development Costs		560.9

(1) Social Housing Replacement:

TCHC's redevelopment pro forma for Regent Park includes significant costs related to the reconstruction of 2,083 social housing units. Costs include demolition of the existing buildings, environmental remediation of the land, development management, interim financing, tenant relocation, and construction of new units, to a total of approximately $418 million.

(2) Affordable Housing:

TCHC and the City recognize the merits of providing a mix of housing types spanning the range of social, affordable and market housing units to be constructed. This full range of housing opportunities is seen as a key success factor in the Regent Park revitialization initiative.

The TCHC proposes 300 affordable homeownership units and 700 affordable rental units within or in proximity to the Regent Park community. The provision of such affordable housing would be in addition to the replacement of all social housing units.

The estimated additional cost of providing the affordable housing units is $46 million. The costs are attributable to the land and the amount of subsidies required on a per unit basis to bring the market prices or rents of the finished units down to the level of the City's affordable rents/prices, which are based on the average market rents by unit type for the City of Toronto as surveyed by the Canada Mortgage and Housing Corporation (CMHC).

For Regent Park, or land in proximity to Regent Park, land costs for new affordable housing is estimated to be $6 million, while the average subsidy required is estimated to be $40,000 per unit for the 1,000 affordable rental and ownership units, or $40 million in total subsidy costs.

(3) Public Infrastructure:

In addition to providing an entirely new housing stock, the redevelopment of Regent Park contemplates significant investment in infrastructure. These include the re-introduction of streets in the historic grid pattern, new sidewalks, upgraded sewers, water supply system, stormwater management, parks, streetscaping and lighting. The TCHC has set aggressive sustainability targets for the redevelopment of Regent Park, including significant energy consumption reduction (60 percent) and green house gas emission reductions (80 percent). Achieving these reductions requires additional investments in infrastructure. TCHC has estimated that the infrastructure improvements will cost approximately $27 million.

(4) Community Services and Facilities:

Other infrastructure costs fall under the category of community services and facilities, which in the case of the redevelopment initiative includes recreation, community service and child care facilities. TCHC has estimated community facilities costs to be $19.5 million.

(5) District Energy System/Facilities:

The Regent Park redevelopment initiative includes provision for a district energy system to serve the redeveloped community. The system is integral to future operating cost savings and as a potential revenue source. The district energy system would also meet broader sustainability objectives, and is considered to be consistent with the federal government's environmental initiative to meet Kyoto Accord principles. The cost of the system includes the capital cost of $37 million to construct the plant and an additional $13 million in enhanced energy reduction and building initiatives to encourage use of the system for a total maximum cost of $50 million.

Proposed Funding Plan:

The funding of the replacement of the social housing in Regent Park is based on an approach of increasing the site density to allow for market based housing to be included in the new community. The resulting land sales for the market housing together with operational savings to be achieved over the long term from a more efficient social housing stock, TCHC equity, debt financing, and contributions from the City substantially funds the social housing replacement costs. The TCHC plan acknowledges an overall project shortfall for related infrastructure features and seeks other government contributions from available grant programs and other sources. Table 2 provides a summary of the funding plan which is discussed in greater detail below.

Table 2
Proposed Funding Sources ($ millions)

Category	TCHC	City	Fed/Prov	Total
1. Social Housing Replacement				
Recovery of Remediation Costs (OHC)	2.9			
Partial recovery of demolition costs	5.7			
Reinvestment of TCHC operating savings	90.1			
Sale/lease of excess land (GFA)	106.6			
TCHC Equity contribution	30.0			
Confirmed Grants	0.4			
Financed long-term TCHC debt (max.)	162.5			
Property Tax Exemption (social housing units)		13.4		
Land (30 Regent Street)		2.6		
Planning and Bldg. Fee Exemption (social housing units)		3.7		
Sub-Total	398.2	19.7	0.5	418.4
2. New Affordable Housing				
TCHC Equity (land contribution)	6.0			
Fee waivers, DC exemption		8.0		
Federal/Provincial Grants			32.0	
Sub-Total	6.0	8.0	32.0	46.0
3. Public Infrastructure				
Grant equivalent to development charges		13.8		
Federal/Provincial Grants			13.2	
Sub-Total	0	13.8	13.2	27.0

Category	TCHC	City	Fed/Prov	Total
4. Community Facilities				
Development Charge credit		2.0		
Federal/Provincial Grants			17.5	
Sub-Total	0	2.0	17.5	19.5
5. District Energy				
TCHC Equity	13.0			
Federal Grants			37.0	
Sub-Total	13.0	0	37.0	50.0
Total Contributions	417.2	43.5	100.2	560.9

Proposed Funding Sources – Subject to Further Approvals:

(1) Social Housing Replacement Funding:

The TCHC proposes to recover most of the social housing replacement costs through sale and lease of excess land, reinvestment of operating savings, partial recovery of demolition costs, and recovery of remediation costs. Additionally, TCHC will contribute $30 million of equity to the project and finance about $163 million through long-term debt, with a resulting estimated funding shortfall of approximately $20.2 million.

The City, as sole shareholder of the TCHC, has pledged support of the revitalization initiative by committing to a number of financial contributions to offset the social housing replacement costs. Contributions that the City has previously committed include:

(a) Exemption from property taxes on the new social housing units within Regent Park adopted by Council at its meeting in January 2004. The exemption was proposed to take effect as the units are built and last for a period of fifteen years. The value of the exemption, in terms of forgone property tax revenue to the City is estimated at $13.4 million.
(b) Conveyance of 30 Regent Street, the former 51 Division Police Station site, to the TCHC for nominal consideration, to be developed as part of the social housing replacement inventory and for production of new affordable housing. The transfer of the property to TCHC was completed in February 2005. The value of this property, in terms of forgone revenue to the City, is estimated at $2.6 million.
(c) Exemption of new non-profit housing from planning fees and building fees. Staff estimates the value of these exemptions at $3.7 million, based on the 2005 fee schedule and on the expected scale of development in Regent Park for the social housing replacement units.

The sum of City contributions toward social housing replacement is estimated to be $19.7 million, leaving a funding shortfall for the RGI replacement cost category of $0.5 million.

(2) New Affordable Housing Funding:

After many years of absence from involvement with new affordable housing, the federal and provincial governments are now actively investing in a range of affordable housing initiatives. These housing initiatives have a strong potential to support the City's objective of creating new affordable housing as a part of the revitalization of Regent Park.

Late last year the Ontario Minister of Public Infrastructure Renewal notified the City of an allocation of 531 units under the federal/provincial affordable housing pilot program. The allocation of these units to a variety of projects, including funding of new units in the first phase of Regent Park, is proposed in a separate report currently before the Community Services Committee and the Policy and Finance Committee.

On April 29, 2005, the federal and provincial governments reached a new agreement to provide $602 million in funding for new affordable housing between 2005 and 2009. The program details and municipal allocations for these funds are expected to be known later this summer or early fall. In the meantime, the Minister of Labour and Housing, the Honourable Joe Fontana, has also written to Mayor Miller to indicate that the Affordable Housing Initiative would be an appropriate mechanism to fund new affordable housing in Regent Park.

Most recently as part of the 2005 federal budget, the federal government has committed to invest an additional $1.6 billion in affordable housing across the country in the next two years. Minister Fontana has specifically noted that this money will be used to support new and innovative neighbourhood revitalization initiatives and community capacity building in neighbourhoods such as Regent Park.

In addition to these external funding sources the City of Toronto is also well positioned to financially support the creation of new housing as a component of the revitalization of Regent Park. There are opportunities to extend financial support through the existing Capital Revolving Fund for Affordable Housing and by exempting new affordable rental housing from a range of City fees and charges. The estimated value fees and charges incentives for the proposed 1,000 affordable homeownership and rental units is $8 million. The remaining funding shortfall of $32 million would need to be addressed by other government funding initiatives.

The federal, provincial and municipal funding sources outlined above demonstrate that there are a range of investment options available to support the creation of an additional 700 affordable rental and 300 ownership homes in Regent Park. The specific details and timing of these investments will be the subject of project specific reports to Council as the revitalization process unfolds.

(3) Public Infrastructure Funding:

In a previous report, Council directed the Chief Financial Officer and Treasurer to incorporate, to the extent permitted under the *Development Charges Act*, the infrastructure requirements for the Regent Park redevelopment initiative, in the City's review of its development charges by-law in 2004.

The City's new development charges by-law was adopted in June 2004. However, it was determined that much of the infrastructure to be provided in Regent Park would be considered local in nature and accordingly would be the responsibility of the developer, in this case the TCHC. As such, virtually all infrastructure associated with the redevelopment would not be eligible for funding from development charges.

Based on the number of market oriented development units proposed by TCHC and the development charge quantum established in the new Development Charge By-law adopted by Council in June, 2004, it is estimated that the Regent Park redevelopment will generate $16 million in gross development charge revenue. This estimate takes into account the exemption for the replacement of the social housing units and the policy to waive charges for new affordable units when an agreement is entered into with the City.

TCHC has proposed that this amount be established as the value of the City's contribution towards the on-site infrastructure required for the Regent Park project. It is estimated that the TCHC will be entitled to receive $2 million of this amount in credits as the proposed development plan incorporates community facilities that would otherwise be constructed through development charge funding.

TCHC has proposed that the remaining net development charge amount of approximately $14 million be contributed by the City in the form of a credit or grant. Staff recommend that a grant be made to TCHC on the basis that the project will achieve Council objectives and it has been strongly endorsed as a Council priority.

This grant should be phased to ensure that the amounts provided equal the actual amounts of development charges collected. The actual timing and amounts of development charges collected will depend on the absorption of the project's market units. Therefore, it is proposed that the grants back to the TCHC lag behind the actual collections of the charges by a full year as shown in Table 3.

It is further proposed that certain matters be resolved between the City and TCHC prior to advancing any grants to the TCHC. For example, the City will want to ensure that where rent is being charged to community groups for the use of publicly funded facilities, that no such component of the rent relates to the recovery of the publicly funded portion of the construction of the facility. It is recommended that the Chief Financial Officer and the City Solicitor report back on the detailed implementation and legislative mechanism for the proposed grant-back program to TCHC.

Table 3
Forecast Timing of Development Charge Grants to TCHC
($ millions)

Year	Estimated development charges revenue (Net of eligible credits)	Estimated Grant to TCHC
2006	2.0	
2007		2.0
2008	2.4	
2009		2.4
2010	2.5	
2011		2.5
2012	2.7	
2013		2.7
2014	1.4	
2015		1.4
2016	2.8	
2017		2.8
Total:	13.8	13.8

A remaining $13.2 million funding shortfall exists and it is proposed that it be addressed by other government funding initiatives.

(4) Community Facilities Funding

As noted in the above discussion on development charges, the TCHC will be entitled to receive $2 million of this amount in credits as the proposed development plan incorporates community facilities that would otherwise be constructed through development charge funding.

A remaining $17.5 million funding shortfall exists and it is proposed that it be addressed by other government funding initiatives

(5) District Energy Funding:

The Regent Park Revitalization is the subject of a comprehensive sustainability study, funded in part through a Federation of Canadian Municipalities (FCM) Green Funds. The most significant cost of the sustainability measures is the proposed district energy system and associated building incentives estimated to cost $50 million. The TCHC has proposed to contribute $13 million in enhanced energy reduction and building initiatives. The remaining cost for the capital plant of $37 million would need to be addressed by government funding initiatives.

The TCHC is in the process of applying to the FCM Green Fund for $3 million of the total capital cost of $12 million for an initial phase of the proposed district energy plant. The TCHC proposes contributing $13 million towards district energy in the form of incentives for developers to connect their buildings to the energy system and insurance premiums against the risk of retrofitting the buildings to conventional systems should the emerging technologies of the district energy system fail to adequately perform.

The resulting district energy funding shortfall would be $34-37 million. It is proposed that the TCHC and City of Toronto seek additional funding for the district energy plant and the other costs for sustainability measures. Funding may be available for energy efficient street lighting, water conservation, etc.

The recently tabled federal budget included several programs aimed at reducing energy use and green-house gas emissions and sustainable infrastructure including the Clean Fund, enriched FCM funds, which will be pursued to fund the shortfall.

Potential Participation by the Federal and Provincial Governments:

With the adoption the recommendations of this report, the City will be contributing $44 million to the Regent Redevelopment initiative. These City contributions would reduce the total shortfall from $144 million to about $100 million. For the redevelopment to proceed to completion, additional funding will be needed as redevelopment proceeds over the next 12 to 15 years.

As a ground-breaking sustainable development, the Regent Park Revitalization will implement many of the policy initiatives of the federal and provincial governments. As the first focus of the proposed Canada-Ontario-Toronto Tripartite Framework Agreement, the Regent Park Revitalization would be subject of a collaborative partnership and combined vision and objectives making it a priority for funding.

The residual funding gap after City approved and recommended contributions for the Regent Park Revitalization is about $100 million. The revitalization has a number of components that could be eligible for provincial and federal funding as discussed in this report. The TCHC and City staff are investigating sources of funding and enlisting the assistance of federal and provincial staff to identify other sources of funding.

Conclusion:

The Regent Park revitalization initiative is a large capital intensive undertaking for the TCHC. The costs of providing the Social Housing Replacement, new Affordable Housing, Public Infrastructure, Community Facilities, and District Energy system amount to $561 million. With the adoption of this report, funding sources from the TCHC and the City total $461 million, leaving a funding gap of about $100 million. The participation and partnership with the federal and provincial governments through existing and proposed funding programs and frameworks is being requested to complete the revitalization initiative.

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Mike O'Gorman addressed the Policy and Finance Committee respecting the aforementioned matter.