Affordable Housing – Lease of City-Owned Site and Incentives to TCHC for 60 Richmond Street East

Date: May 31, 2007
To: Affordable Housing Committee
From: Sue Corke, Deputy City Manager
Wards: 28 Toronto Centre-Rosedale
Reference Number: P:\2007\Cluster A\AHO\TCHC-60 Richmond Street East (AFS-3805)

SUMMARY

This report seeks authority to enter into a 50-year less a day lease with the Toronto Community Housing Corporation (“TCHC”) for the city-owned site at 60 Richmond Street East (“the Property”). Council at its meeting of January 31, February 1 and 2, 2006 approved the Property be made available to TCHC for affordable housing development. The Affordable Housing Office and Facilities and Real Estate have completed negotiations with TCHC and recommend a lease substantially on the terms and conditions listed in Appendix 1 attached to this report. By entering into this lease with the City, TCHC will be able to proceed to build an affordable housing development on the site. The site will house 85 households, primarily families relocating from Regent Park, which is being revitalized.

This report also recommends that Council authorize the exemption of property taxes for a period of twenty-five years, the waiving of applicable municipal fees and charges, and the granting of $150,000 in pre-development funding.

RECOMMENDATIONS

The Chief Corporate Officer and the Deputy City Manager responsible for Affordable Housing Office recommend that:

1. Council grant authority to enter into a 50-year less a day lease with TCHC for the city-owned property at 60 Richmond Street East for the purpose of developing an affordable housing project and any ancillary uses at a nominal rent, substantially
on the terms and conditions outlined in Appendix 1 to this report and in a form acceptable to the City Solicitor;

2. The City Solicitor be authorized to complete the lease transaction for 60 Richmond Street East on behalf of the City, including payment of necessary expenses and amending the commencement date of the lease and any other dates to such earlier or later date and on such terms and conditions as she may from time to time consider reasonable;

3. The Chief Corporate Officer be authorized to administer and manage the lease including the provision of any consents, approvals, waiver notices and notices of termination provided that the Chief Corporate Officer may, at any time, refer consideration of such matters (including their content) to City Council for its determination and direction;

4. Council grant authority to exempt the Property from taxation for municipal and school purposes for twenty-five years, the term of the municipal capital facility agreement;

5. Council grant authority to exempt the Property from payment of development charges and applicable planning fees and charges;

6. Council grant authority to provide one hundred and fifty thousand dollars ($150,000) as pre-development funding to assist with the cost of environmental sustainability and design consultants from the Mayor’s Homelessness Initiative Reserve Fund on such terms and conditions satisfactory to the Director of Development, Affordable Housing Office and in a form approved by the City Solicitor;

7. Council grant authority to designate the Property as social housing accommodation, allowing all or part of the project relief from normal parking standards, where applicable;

8. Council grant authority to enter into a municipal capital facility agreement and such other agreements, licences, security, documents, with the recommended proponent to provide for the development and operation of affordable housing, on such terms and conditions as the Director of Development, Affordable Housing Office considers appropriate and in a form approved by the City Solicitor; and

9. The Director of Development, Affordable Housing Office be authorized and directed, on behalf of the City, to execute the municipal capital facility agreement and such other agreements and documents deemed necessary, on terms and conditions satisfactory to the Director of Development, Affordable Housing Office and in a form approved by the City Solicitor;
Financial Impact

The public benefit resulting from the proposed leasing of the city-owned site at 60 Richmond Street East to TCHC at a nominal rate is the creation of 85 new units of affordable housing. These new units will allow the redevelopment of Regent Park to proceed by providing relocation units for existing Regent Park tenants. The Property is currently being used for a shelter funded by the city. In April 2007, Real Estate Services appraised the Property at an estimated value of $3,250,000.

This report is recommending the exemption of property taxes for twenty-five years which is equivalent to an NPV of $1,030,354. The proposed waiver of development charges and applicable municipal fees is estimated at $665,043. Pre-development funds of $150,000 are recommended for environmental sustainability and design consultants from the Mayor’s Homelessness Initiative Reserve Fund. These funds are part of the unallocated monies of $900,000 committed in the Mayor’s Fund for pre-development work of housing projects on city-owned lands.

TCHC has been approved by the Ministry of Municipal Affairs and Housing under the Affordable Housing Program Pilot Program for $29,000 per unit in forgivable loan funds for 59 units. The remaining monies necessary to develop the project will be provided by TCHC through equity and financing as listed below.

<table>
<thead>
<tr>
<th>Capital Funding</th>
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<tbody>
<tr>
<td>Canada-Ontario AHP Pilot Program Fund</td>
<td>$1,711,000</td>
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<tr>
<td>Waived development charges and fees</td>
<td>$665,043</td>
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<tr>
<td>Value of City Land</td>
<td>$3,250,000</td>
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<tr>
<td>Pre-development funds from Mayor’s Fund</td>
<td>$150,000</td>
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<tr>
<td>TCHC equity and financing</td>
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<td><strong>Total funding</strong></td>
<td>$23,783,273</td>
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<th>Other City Contributions</th>
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<tr>
<td>25 year NPV of Property Tax Exemption</td>
<td>$1,030,354</td>
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The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.
DECISION HISTORY

Council at its meeting of January 31, February 1 and 2, 2006, Clause 18 of Report No. 1 of the Policy and Finance Committee, approved, as part of the Affordable Housing Action Plan recommendation (11a), that “this property be made available at nominal cost to TCHC for the purposes of being developed for off-site housing to support the redevelopment of Regent Park”.

Further the report requested that the Deputy City Manager report back to the Affordable Housing Committee on TCHC’s progress on developing a partnership with a community based non-profit or co-operative housing provider that would be involved in the development of the project on the site. This housing provider was to help TCHC meet the needs of low-income downtown workers, particularly hotel workers.

ISSUE BACKGROUND

As part of the revitalization of Regent Park, TCHC needs to secure sites outside of Regent Park to relocate tenants. Council has committed to assisting TCHC in this process by identifying any suitable city sites in the vicinity. 60 Richmond Street East was identified as being suitable in that it is within the relocation area specified by TCHC and the current shelter use of the Property was designated as temporary. Hostel Services have known since 2002 when the shelter use began, that they would have to relocate should the Property be proposed for the future redevelopment of the site as affordable housing.

The 60 Richmond Shelter is closing on May 31, 2007. The City’s Family Residence Housing team has been working closely with Dixon Hall to ensure that shelter users will transition successfully into housing and or other shelter programs including linking shelter users with housing allowances under the Canada-Ontario Toronto Housing Allowance Program. In the fall of 2007 a new 60 bed mixed adult shelter will be opening at 1161 Caledonia, which will be operated by Fred Victor Centre.

TCHC, as directed, has formed a partnership with the Co-operative Housing Federation of Toronto (CHFT) and UNITE HERE, a union for hospitality workers. This partnership allows for UNITE to refer prospective tenants to the project that are downtown hotel workers, preferably currently living in Regent Park. CHFT is assisting in the setting up a co-operative for the development after occupancy. Tenants may choose to join the co-operative or not. Membership will mean that they become active participants in the management of the project.

COMMENTS

Council has committed itself on several occasions to assist with the redevelopment of Regent Park through various means. This report recommends assisting TCHC with the redevelopment by leasing them a nearby city-owned site for the relocation of Regent Park tenants. The current shelter use of the Property is in the process of closing down and
assistance is being provided to shelter users to help them move into housing or other shelters. A new 60 bed shelter is opening this fall.

This report also recommends granting the exemption of property taxes for twenty-five years, the waiving of development charges and applicable planning fees and $150,000 in pre-development funding to TCHC to aid in development of the new affordable housing.

Subject to Council authorizing the lease of the Property to TCHC, the lease will commence July 23, 2007 and demolition will start soon afterwards. This will allow for the development of 85 new affordable housing units in a 12-storey building.

CONTACT

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SIGNATURE

_______________________________  ______________________
Sue Corke                     Bruce Bowes
Deputy City Manager           Chief Corporate Officer

ATTACHMENTS

Appendix 1   Major Terms and Conditions of the Lease with TCHC
Location Map
Appendix 1

Major Terms and Conditions
Lease with the Toronto Community Housing Corporation (TCHC) (the “Tenant”) for 60 Richmond Street East, Toronto

(1) Property: 60 Richmond Street East, Toronto, ON briefly, legally described as being: PIN 21402-0082 Lots 1 and 2 and Part of Lot 3 Plan 22A, City of Toronto

Assessment Roll No: 1904-06-4-570-00600

(2) Area:

Approximately 1,029 square metres or 11,076 square feet.

(3) Term:

Fifty years less a day from July 23, 2007, or such other date that is mutually agreed to by the parties.

(4) Use:

The Tenant shall only use the Property as affordable rental housing accommodation and ancillary facilities in accordance with the requirements of the Landlord under the City’s Municipal Funding Agreement and the lease.

(5) Rent:

The basic rent shall be the current market rent for the highest and best use of the Property, as if vacant, as of the time when the Landlord invokes its right to receive payment and to be agreed to by the Landlord and the Tenant. If the Landlord and the Tenant cannot reach agreement, then the rent shall be determined by arbitration.

Provided the Tenant is not in default of the Lease Agreement and/or the Municipal Funding Agreement, the Landlord shall waive the basic market rent, such below market rent constituting a grant within the meaning of the Municipal Act, but which grant, being in the best interests of the Municipality.
Additional Rent:

The tenant accepts the property “as is” and will be responsible for all costs associated with the demolition of existing structure, and construction, maintenance and repair of all structures. The Tenant acknowledges and agrees this Lease is completely carefree net lease to the Landlord, and the Tenant shall pay all charges, impositions, costs and expenses of every nature and kind whatsoever relating to the Property including, without limitation, the costs of utilities, insurance and all taxes. The Tenant shall at its sole cost be responsible for all capital construction and operating expenses including any subsequent repairs, replacements and maintenance of any component in relation to new construction buildings throughout the entire Term.

Insurance:

The Tenant shall obtain adequate insurance of all types in an amount and form satisfactory to the City Solicitor and/or Chief Financial Officer, with the City of Toronto shown as an additional insured and loss payee.

Default:

If the Tenant is in default of the Lease Agreement and/or the Municipal Funding Agreement and fails to rectify any default within the specified time, the Landlord shall have access to the remedies as set out in the lease including and not limited to, re-entry, reletting and/or termination and enforcing of market rent. It would constitute an event of default of both the Lease Agreement and the Municipal Funding Agreement if construction of the Project was not completed within pre-determined time frames.

Assignment:

The Tenant shall not assign all or part of the Property without obtaining prior written consent of the Landlord, which consent shall not be unreasonably or arbitrarily withheld or delayed.

Other:

Any other terms required by the City’s Affordable Housing Office, Real Estate Services and the City Solicitor.
Staff report for action on a lease with TCHC for 60 Richmond St. East