



STAFF REPORT ACTION REQUIRED

450 Pape Avenue: Source of Funding for Acquisition – Supplementary Report

Date:	August 24, 2010
To:	City Council
From:	Sue Corke, Deputy City Manager
Wards:	30, Toronto - Danforth
Reference Number:	AFS #12805

SUMMARY

This report responds to direction from the Executive Committee on August 16, 2010 to identify a source of City funding to purchase the Salvation Army property at 450 Pape Avenue for affordable housing.

Funding for the purchase of this property is available through a loan from the Land Acquisition Reserve Fund, which will be repaid from future affordable housing funding sources such as the Canada-Ontario Affordable Housing Program, once funding becomes available.

It is recommended that up to \$1,900,000 be approved for the acquisition of the property, subject to the results of a formal appraisal. Furthermore that up to \$274,000.00 be approved to cover the closing costs, including HST (prior to the municipal rebate) and Provincial Land Transfer Tax.

In addition funding will be required to maintain or renovate the building, which is currently configured as a rooming house. Rehabilitation of the building would be an eligible expense under the Canada-Ontario Affordable Housing Program and maintenance costs prior to construction are proposed to be absorbed by the Shelter, Support and Housing Administration Division.

RECOMMENDATIONS

The Deputy City Manager responsible for the Affordable Housing Office recommends that:

1. Council approve up to \$1,900,000.00 in the form of a loan from the Land Acquisition Reserve Fund for the acquisition of 450 Pape Avenue from the Salvation Army.
2. Council approve up to \$275,000.00 (with \$213,560 to be refunded as a Municipal HST Rebate) in the form of a loan from the Land Acquisition Reserve Fund for the closing costs associated with the acquisition of 450 Pape Avenue from the Salvation Army, with the repayment of eligible rebates to the Land Acquisition Reserve Fund.
3. Council approve the repayment of the loans from the Land Acquisition Reserve Fund with funds from future affordable housing funding sources and that the Director of the Affordable Housing Office report back within 12 months on the specific source of the funds.
4. The City solicitor be authorized to complete the purchase transaction on behalf of the City, including amending the closing or other dates to earlier or later date(s) and on such terms and conditions as she may from time to time consider reasonable.
5. The appropriate City Officials be authorized and directed to take the necessary action to give effect hereto.

Financial Impact

This report recommends that City Council approve up to \$1,900,000.00 to purchase the property and \$274,000.00 for the closing costs including HST and land transfer tax as a loan from the Land Acquisition Reserve Fund for the purchase of 450 Pape Avenue, to be paid back once future affordable housing funding becomes available. The final purchase price will be determined after an appraisal and through the purchase process as coordinated by Real Estate Services. The following chart shows the upset financial impact for the city, and the impact after the eligible HST rebate is refunded to the city.

Purchase Price:	\$1,900,000.00
HST (non-refundable)	\$33,440.00
Provincial Land Transfer Tax/s	\$27,000.00
total after HST rebate:	\$1,960,440.00
HST (refundable)	\$213,560.00
total upset request for closing:	\$2,174,000.00

The amount above does not include funding to renovate the building, which cannot begin until affordable housing funding has been identified. Carrying costs associated with maintaining the property until the construct begins (such as security, HVAC, maintenance, insurance, and property taxes) are estimated to be roughly \$50,000.00 per year, and will be absorbed in the 2010 and future-year Operating Budgets for Shelter, Support and Housing Administration.

Funds are available for the purchase of this property from the Land Acquisition Reserve Fund. The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Statement

An equity impact analysis is not applicable at the current time.

DECISION HISTORY

At its meeting on August 16, 2010, the Executive Committee recommended that, subject to the satisfactory results of a building and site condition survey, the Director of Real Estate Services be authorized to make an offer to purchase 450 Pape Avenue for conversion to affordable housing at no more than the appraised value of the property. Staff were requested to identify a source of funding to pay for the property and report this information directly to City Council at its August 25 and 26, 2010 meeting.

It was also recommended that future affordable housing funds be set aside for 450 Pape Avenue and that, upon acquisition, Toronto Community Housing Corporation partner with the Toronto Arts Council or another arts organization, and the Co-operative Housing Federation of Toronto, to operate the site as non-profit co-operative housing for artists.

August 16, 2010 Executive Committee Decision Document:

<http://www.toronto.ca/legdocs/mmis/2010/ex/decisions/2010-08-16-ex46-dd.htm>

COMMENTS

This report recommends the initial source of City funding to support the acquisition of the Salvation Army property at 450 Pape Avenue be the Land Acquisition Reserve Fund. It is proposed that these funds be used to provide an interim loan for the acquisition, to be paid back using future affordable housing funding such as Canada-Ontario Affordable Housing Program funding, once new program funding becomes available. The chief financial officer was consulted in the preparation of this report.

The interim loan is proposed to have an upset limit of \$2,174,000.00, based on the recent market listing and estimated closing costs, but the value of the property will be confirmed by a formal appraisal through the City's Real Estate Services Division. The appraisal process has been initiated by Real Estate Services and will take approximately four to six weeks.

The loan from the Land Acquisition Reserve Fund does not include funding to renovate the building, which would be an eligible expense under the federal/provincial affordable housing program. At this time there is no unallocated Canada-Ontario Affordable Housing Program funding available to the city that would support the acquisition/rehabilitation of the site. Information on the renewal of the Affordable Housing Program is anticipated in late 2010 or early 2011.

The loan from the Land Acquisition Reserve Fund also does it include funding to maintain the building prior to redevelopment. These costs would be absorbed by Shelter, Support and Housing Administration Division and are estimated to be \$50,000.00 annually.

The appraisal and building condition assessment by Real Estate Services will determine the building's current state of repair and note any major work that might be necessary. These matters will be reflected as part of any offer to purchase the property.

CONTACT

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SIGNATURE

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