

## **Implementation of Affordable Housing Pilot Project in East Bayfront**

<b>Date:</b>	October 9, 2013
<b>To:</b>	Affordable Housing Committee Executive Committee
<b>From:</b>	Director, Affordable Housing Office Director, Strategic Initiatives, Policy & Analysis, City Planning
<b>Wards:</b>	<b>Ward 28 Toronto Centre-Rosedale</b>
<b>Reference Number:</b>	AFS - 18268

### **SUMMARY**

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Bayside is one of the first new neighbourhoods to be developed in the East Bayfront. It is comprised of public lands in which Waterfront Toronto has the lead in revitalizing. The Central Waterfront Secondary Plan, the East Bayfront Precinct Plan and the East Bayfront zoning by-law require that 20% of all residential units be affordable rental housing or that land sufficient to construct such housing be provided at the same time as the development of the market housing.

In 2010, Council approved entering into agreements with Hines Canada Management Company ULC (Hines) for the development of the Bayside lands. The Land Development Agreement sets out the terms and conditions under which the City and Hines/Tridel are to work together to develop an affordable housing pilot project as one portion of the larger affordable housing requirements, on two sites located at the eastern end of Bayside, which may not be ready for development for possibly as long as 10-15 years. At the time, Council requested that options be pursued to expedite the building of a portion of the affordable housing by having it located in the earlier Phase 1 development located at the west end of Bayside.

In accordance with the terms of that Agreement, the City has received a preliminary proposal for an estimated 71 affordable rental apartments in a market condominium on the R3R4 site, a building which would also include a commercial component. This proposal has the benefit of allowing for the construction of a portion of the affordable rental

housing at the same time as, and integrated with, the market housing. This pilot project would represent the first step to fulfilling Council's policy of providing 20% affordable housing in Bayside.

While the preliminary proposal, presented by Hines and its residential development partner, Tridel Corporation (Tridel), is only an outline with an estimated number of units and cost, the Land Development Agreement directs the City to approve an allocation of funds for the preliminary proposal in 2013. By approving this report, Council will provide an in principle approval for capital funding required by Hines and Tridel to negotiate a definitive proposal with the City, which will be the subject of a report to Council in May 2014. At that time the final number of units, within a range of 70 – 75 will be specified; as well, the complete capital costs and details of the transaction will be outlined.

## **RECOMMENDATIONS**

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The Director, Affordable Housing Office and the Director, Strategic Initiatives, Policy & Analysis, City Planning recommend that:

1. Council authorize staff to pursue further discussions with Hines and Tridel with the goal of determining the feasibility of proceeding with the pilot project and working with all parties to finalize a definitive proposal for Council's consideration, in accordance with the terms of the Land Development Agreement between the City and Hines Canada Management Company II ULC dated June 28, 2012;
2. Council approve in principle capital funding of \$15 million for the construction of approximately 71 affordable rental homes with total costs estimated at \$22.5 million in the Bayside Development which includes \$7.5 million in equity and mortgage financing from a non-profit owner operator; and
3. The Director, Affordable Housing Office, report to Council in 2014 prior to the deadline established in the Land Development Agreement between the City and Hines, dated June 28, 2012, as amended, recommending a course(s) of action with respect to the definitive proposal submitted by Hines/Tridel, including recommendations with respect to:
  - a) proceeding with the pilot project (based on negotiations with Hines and/or Tridel and an independent financial review to verify the reasonableness of proposed costs, to review the design to identify possible cost reductions and to engage in other due diligence activities and actions as the Director deems necessary);
  - b) confirming the availability of funding from the federal/provincial Investment in Affordable Housing program 2014-2019 and/or any funds required from the Capital Revolving Reserve Fund for Affordable Housing

(XR 1058) and the Development Charges Reserve Fund for Subsidized Housing (XR 2116);

- c) obtaining approval to negotiate and enter into an agreement of purchase and sale with Hines/Tridel or such other agreement(s) deemed necessary for the completion of the pilot project;
- d) retaining the services of professionals such as architects, project managers, and/or quantity surveyors, as required to oversee the completion of the project;
- e) confirming the selection of a non-profit owner and/or operator; and
- f) such other actions that are deemed necessary to complete the transaction as contemplated by the report.

### Financial Implications

This report recommends proceeding with developing an affordable housing pilot project in the Bayside district of the Central Waterfront by approving in principle an allocation of up to \$15 million in funding from the federal/provincial Investment in Affordable Housing 2014-2019 program and, as may be required, by providing additional funding from the appropriate City reserve funds. The Federal Government has renewed the Program and is working with the Province to negotiate a bi-lateral agreement to match Federal/Provincial funding from 2014 to 2019. This is a standard agreement which is expected to be finalized by the spring of 2014.

The balance of the funding to complete the project, currently estimated at \$7.5 million, will be provided by the non-profit corporation chosen to lease or own and operate the project, with funding to be provided by the non-profit by mortgaging its interest in the project and by providing an equity contribution.

<b>Proposed Funds for the Pilot Project</b>	
<b>Federal/Provincial and/or City funding</b>	\$15,000,000
<b>Additional funds contributed by Non Profit Owner/Operator</b>	
CMHC insured mortgage financing from non-profit owner	\$ 7,000,000
Equity Contribution from non-profit owner	\$ 500,000
<b>Total Project funding</b>	<b>\$ 22,500,000</b>

The Deputy City Manager and Chief Financial Officer have reviewed this report and agree with the financial impact information.

## **EQUITY IMPACT**

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year Housing Opportunities Toronto action plan.

The development of new affordable rental housing in the East Bayfront provides the opportunity to create an important income and housing tenure mix of residents in a new community.

The Bayside initiative will ensure access to lower-income households and will provide much needed housing to members of the City of Toronto's priority groups.

## **DECISION HISTORY**

Council on August 5 and 6, 2009, adopted City Council endorse "Housing Opportunities Toronto: An Affordable Housing Action Plan 2010 - 2020" as the plan to address Toronto's affordable housing challenges over 10 years  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.47>

Council at its meeting of August 25, 26 and 27, 2010 granted authority for the City, as owner of the Bayside Lands, to enter into a Land Development Agreement (LDA) with Hines.  
<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=3292>

Council at its meeting of July 16, 17, 18, and 19, 2013 adopted the report Inventory of New Affordable Housing Opportunities 2015 – 2019 in which Waterfront Toronto identified the Bayside Pilot project as it priority should new federal-provincial funding be made available.  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.35>

## **ISSUE BACKGROUND**

The East Bayfront Precinct Plan contemplates that at least 20% of the residential units developed be affordable rental housing units. Council directed that an affordable housing agreement be entered into with Waterfront Toronto prior to residential development occurring on Waterfront Toronto lands on East Bayfront. The City's Affordable Housing Delivery Agreement in East Bayfront with Waterfront Toronto provides for Waterfront Toronto to deliver land ready for development equivalent to 20% of the residential units in Bayside. Underlying this Agreement is the assumption that public sources of funding

would be sought to build and subsidize the rents of the affordable housing on these dedicated lands. The Bayside Agreement between Waterfront Toronto and Hines/Tridel originally designated two sites, A1 and A2, located on the eastern portion of Bayside, for affordable housing. These two sites in Phase 2 are projected to be the last to be developed as the build out will run west to east.

As part of Council's approval of the Bayside transaction, it requested that staff work with Waterfront Toronto to explore options to develop the affordable rental housing at an earlier stage, preferably commensurate with the building of the first market housing. As a result, Hines and Tridel agreed with the City and Waterfront Toronto to designate the more western R3R4 sites in the earlier Phase 1 for an affordable rental pilot project, subject to the City approving funding.

## **COMMENTS**

The marketing of the first phase of market condominiums on the western portion of Bayside (R1 and R2 sites) is underway and plans are firming up for the second phase on the R3R4 site. According to the Land Development Agreement, in order for the pilot project to proceed, the City must approve the funding for the affordable housing on R3R4 in 2013.

### *Outline of the Proposal*

The preliminary proposal received from Hines and Tridel contemplates the building of an estimated 71 affordable rental homes within the market condominium planned for the R3R4 site. The affordable housing will be comprised of 33 one-bedroom, 27 two bedroom and 11 three bedroom units built to a modest and durable standard according to the Affordable Housing Office's design guidelines. The number of units will be confirmed in the staff report back in 2014 and should be between 70 and 75.

The estimated capital cost was determined by Hines/Tridel to be \$22,528,600 or \$312,897 per unit. The price does not include a cost for land which is a public contribution to the creation of affordable housing at this site. The price also does not include development charges or planning fees for the affordable rental housing component, from which the project would be exempt because of the City's non-profit fee exemption policy

Upon adoption of the recommendations in this report, staff will pursue further negotiations with Hines and Tridel and conduct its own due diligence of the proposal as outlined in Recommendation Three, which will result in a definitive proposal from Hines on which staff will report in 2014.

### *Federal/Provincial Investment in Affordable Housing program (2014-2019)*

In July, 2013, Council approved *Inventory of New Affordable Housing Opportunities 2015-2019* in which Bayside was identified by Waterfront Toronto as a priority for future federal-provincial funding. In this regard, the federal government announced earlier this year the renewal of the Investment in Affordable Housing Program from 2014 to 2019.

Upon the provincial government entering into a bilateral housing agreement with the federal government, the city will receive a funding allocation.

*Selection of a Non-profit or Co-operative Owner/Operator*

Upon the adoption of the recommendations in this report, staff will also conduct a competitive process to select a non-profit or co-operative organization that will enter into a legal agreement with the City that outlines the terms and conditions for the operation of the affordable rental housing. The owner/operator will provide an equity contribution and be responsible for arranging mortgage financing for its share of the capital costs of the affordable rental homes. The owner/operator will also be responsible for tenant selection and all aspects of property management for the affordable rental housing. Tenants will be selected from households on or eligible to be on the Housing Connections waiting list. Rents will be at or below 80% of average market rent as determined by Canada Mortgage and Housing Corporation.

*Final commitment on terms, conditions and pricing*

In accordance with the terms and conditions of the Land Development Agreement, final commitment on the terms, conditions and pricing will be required of the City by May 31, 2014. In the event Council does not approve the definitive proposal by that date, the affordable rental housing will default to the A1 and A2 sites. As these eastern most blocks are to come on stream later in the East Bayfront development process it could be another 10 to 15 years before the affordable housing opportunity would be available, despite the urgent need for this housing now.

Upon the pilot project proceeding in Phase 1 on the R3/R4 site, the City and Waterfront Toronto will need to ensure that sufficient land is set aside in Phase 2 to complete the full 20% affordable housing requirement in Bayside. In addition to the 71 affordable housing units in the Pilot, approximately 255 additional affordable housing units are to be accommodated in Phase 2.

## **CONCLUSION**

The Bayside pilot project contributes to Council's goal of ensuring that 20% of the total residential housing be provided as affordable rental housing in the Central Waterfront. Approval of funding for this pilot project in the early phases of Bayside will ensure that affordable rental housing is built on the East Bayfront along with market condominiums and contribute to the building of a new mixed-income neighbourhood on the Waterfront.

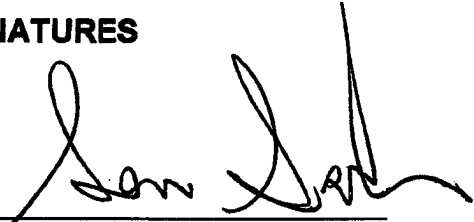
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## SIGNATURES



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