Red Door Shelter Update

Date:       June 3, 2014
To:         City Council
From:       General Manager, Shelter, Support and Housing Administration
Wards:      30
Reference Number:

SUMMARY

This report provides information on the City's actions to assist the Woodgreen Red Door Shelter ("Red Door") in securing a permanent, long term shelter facility in order to provide service to families experiencing homelessness in the City of Toronto. The property that the shelter currently leases is under the control of a Receiver, and an offer to purchase has been made on the property at 875 Queen Street East. The Deputy City Manager, as well as staff from Shelter, Support and Housing Administration (SSHA), City Legal and Corporate Finance have been working with Red Door in order to help ensure that the service is maintained, either as part of a new development on site, or in another location in the surrounding neighbourhood.

The sale of the property is expected to close shortly. The purchaser has met with City staff and representatives of Red Door to discuss options for including the shelter in their planned redevelopment of the site. City staff have been working with Red Door on a business plan that will support the purchase of a portion of the redeveloped site for use as a shelter. To support this effort Red Door has developed a capital fundraising campaign to contribute to redevelopment efforts at 875 Queen Street East. The plan also contemplates a modest increase in the City's operating subsidy, as well as a mortgage secured through a City loan guarantee to finance the remainder of the purchase price.

The Deputy City Manager and staff from SSHA and Corporate Finance will continue to work with Red Door and the purchaser over the coming months in establishing a viable business plan. Any requirement for a loan guarantee or increased operating funding will be reported to Council in 2015.
Financial Impact

This report is for information purposes to update City Council on the actions being taken to assist Red Door, as well as the potential solutions under consideration. At this time, there are no financial implications for the 2014 Approved Operating Budget for Shelter Support and Housing Administration, as the 2014 Operating (per diem) funding for the Red Door Shelter of $2.56 million was approved by City Council on April 1, 2014 and remains unchanged.

Any actions required by the City to support the long term redevelopment of Red Door that may result in financial implications will be reported to City Council through the appropriate Standing Committee. It is likely that an increase in operating subsidy would be necessary to support the shelter's cost to pay for a mortgage. In addition, it is likely the City will be requested to provide a capital loan guarantee on behalf of Red Door to its lender.

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

DECISION HISTORY

The City of Toronto is the Consolidated Municipal Service Manager (CMSM) for housing and homelessness services, as designated by the provincial Housing Services Act. In this capacity, the City provides program funding to community agencies for shelter services.

Part of the City's responsibility in this role is to ensure suitable levels of service for homeless individuals and to maintain an accessible shelter system through the monitoring of occupancy levels and ensuring the existence of an adequate number of shelter beds.

The 2014-2019 Housing Stability Service Planning Framework outlines SSHA's commitment to maintaining a strong shelter system.


Recently Red Door has launched a public campaign to save their shelter, with the local ward Councillor lending her support through a letter to Community Development and Recreation Committee on May 22, 2014, which Council is currently considering.


ISSUE BACKGROUND

Red Door Shelter is a 106 bed emergency family shelter located at 875 Queen St. East in a building formerly leased from the Woodgreen United Church. Red Door has a contract with the City to provide this service and the City pays a per diem to the shelter for days of service. Per diem funding from the City of $2.56 million annually is augmented by
Red Door's fundraising. The shelter is almost fully utilized with an occupancy rate of 96-99%.

It is the City's understanding that in 2010 the United Church, which owned the building in which the shelter is located, put the property up for sale. At that time, Red Door entered into a purchase agreement with the United Church to purchase 875 Queen Street for $4.25 million. The City is informed that Red Door made an initial deposit of $50,000, but it was not successful in securing the necessary financing to finalize the purchase. In order to secure their space, Red Door assigned their offer to purchase 875 Queen Street to Rose & Thistle, an asset management company, on the promise that the shelter would have a space in the new development. Red Door negotiated a draft agreement directly with one of the principals of Rose & Thistle for the replacement of the shelter and not with Rose & Thistle directly. The agreement was never executed, however, the terms of the draft agreement included the building of a $6 million shelter as part of a new condominium development at the site with an obligation for Red Door to pay a discounted price of $4.2 million at the end of 10 years.

In November 2013, a court order placed properties owned by Rose & Thistle into receivership, placing the future of the Red Door Shelter into uncertainty. The property has an offer to purchase which is due to close imminently. The purchaser has been engaged in discussion with the City and Red Door Shelter on options for the inclusion of the shelter in their planned redevelopment of the site.

COMMENTS

Since the plight of the shelter has been made public, there has been an outpouring of support from both the neighbouring community and across the city in support of the shelter. The Board of Red Door has reviewed many options but its preferred option is to remain at its current location. Moving a shelter into a new community is never a simple process, and the community support that the shelter enjoys on Queen Street is a major reason for trying to stay at the current location.

City staff have been working with Red Door and the purchaser on options to include the shelter in the redevelopment at 875 Queen Street East. After reviewing the space needs of the shelter and a preliminary business plan for the redeveloped site, the purchaser has presented a proposal to Red Door to include the shelter in the redeveloped site. Based on discussions with the purchaser, it is estimated that replacement space between 15,000 and 20,000 square feet with construction costs of $280.00 per square foot would require Red Door obtain capital financing of $4.6 million to $6.2 million. All parties are aware that any development at the site will be subject to the normal planning approvals.

City staff have also been working with Red Door to develop a business plan that considers the one-time capital cost associated with the proposed redevelopment of the shelter, as well as the on-going operational costs. The business plan looks at a variety of
options including number of shelter beds, opportunities to consolidate rented administration space in the new space and reduced operating costs.

The business plan identifies the need for additional operating subsidies to support the capital cost of the new facility, and Red Door’s need for a City loan guarantee to the lender on behalf of the shelter. In assessing the request for a City loan guarantee the City will require evidence that Red Door will be able to sustain and increase their levels of fundraising, diversify their income and find efficiencies to support all future financial obligations. City staff will continue to review all documents and the impacts on the viability for the shelter as discussions proceed. Once the sale closes, the purchaser will issue a letter of understanding that will detail the basic terms of the transaction, costing and conditions for the protection of both parties. The City will review the terms before final approval of any proposal.

The purchaser has provided an initial timeline for the redevelopment at 875 Queen Street East to take between three and four years, subject to planning and building permit approvals. Under the current proposal, construction would start in late 2015 and the shelter would be required to provide a 10% financial deposit. The balance of the capital funding would be required in 2017. As these details are still to be confirmed following the purchase of the property. City staff will report to Council on the impacts of the project and seek authority for any financing arrangements.

It is the intent of Red Door to continue operating during the redevelopment to ensure continuity of service for families experiencing homelessness. City staff will work with Red Door to identify an appropriate site to facilitate a temporary relocation.

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SIGNATURE

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