



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Implementing Innovative Affordable Housing in the  
East Bayfront**

<b>Date:</b>	May 9, 2014
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager John Livey, Cluster B Deputy City Manager Brenda Patterson, Cluster A Deputy City Manager and Chief Financial Officer Roberto Rossini
<b>Wards:</b>	<b>Ward 28 Toronto Centre-Rosedale</b>
<b>Reason for Confidential Information:</b>	There is proprietary financial information contained in the Confidential Attachment. This report involves the security of property belonging to the City or one of its agencies, boards or commissions.
<b>Reference Number:</b>	AFS 19172

**SUMMARY**

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This report recommends that Council approve the development of a City-owned block of land within the Bayside district of East Bayfront for an innovative pilot project integrating affordable housing with market residential housing, retail and commercial parking uses.

The recommendations in this report are time sensitive as the Land Development Agreement approved by Council between Hines and the City requires a decision on the affordable housing component by June 16, 2014. The marketing of the condominium development is also dependent on the decision by Council as this information is required prior to the pre-sale of the condominiums.

In August, 2010 Council granted Hines Canada Management Company ULC ("Hines") a right of first offer to develop two City-owned sites for affordable housing within the Bayside waterfront district. In November 2013, staff was directed to report back to Council on the result of negotiations with Hines and its residential development partner Tridel Corporation ("Tridel") on the feasibility of an affordable housing pilot project on the Bayside site known as R3R4 and now being Block 3 on Plan 66M-2514 ("Block 3").

The Hines/Tridel development proposal for Block 3 includes the development of 80 affordable rental housing units to be owned by the City (the "Bayside Non-Profit") within the same building that will contain market condominium units, retail and parking. To support this development, this report recommends entering into agreements with the developers and Toronto Artscape Inc. (Artscape), the recommended non-profit chosen through a competitive Proposal Call to lease and operate the affordable housing. The report also seeks authority to provide the required City funding to assist the Bayside Non-Profit with the completion of the East Bayfront project. See Design Elevation included as Attachment 8.

Upon Council approval of the Pilot project, the second affordable housing site in Bayside will be the site designated as R6 on the Concept Plan (Attachment 6). In the event that Council does not proceed with the pilot project, then A1 and A2 on the Concept Plan will be the affordable housing sites but would be developed in later phases of the East Bayfront.

The recommendations in this report provide for funding of \$26 million for the Bayside Pilot. The City would provide \$7,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR 2116) and up to \$7,000,000 in interim funding from the Capital Revolving Reserve Fund for Affordable Housing (XR-1058) which Artscape would then repay when it obtains a mortgage.

Some \$12,000,000 would come from the Investment in Affordable Housing program upon the Province signing a cost-sharing agreement with Ottawa. In the event that this does not occur, the \$12,000,000 would come from the Development Charges Reserve Fund for Subsidized Housing (XR 2116).

The Bayside initiative provides an innovative opportunity to build and operate 80 permanent affordable rental homes in the same building as the new condominium. This project will set a precedent for integrating a diverse mix of individuals and families into a new waterfront community. It also provides a unique and timely opportunity to lever government investments in affordable housing in partnership with well-established private sector and non-profit partners. As a result of the Proposal Call issued by the Affordable Housing Office, Toronto Artscape Inc. is recommended as the successful non-profit proponent.

This housing initiative fulfills three key City objectives:

- Supports the Official Plan goal by mixing housing tenure and affordability in large residential developments
- Supports the Central Waterfront Secondary Plan and zoning by-law requirement of 20% affordable rental housing, and
- Supports the Housing Opportunities Toronto – An Affordable Action Plan 2010-2020 objective of providing affordable housing on the waterfront.

## **RECOMMENDATIONS**

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The Deputy City Manager Cluster A, the Deputy City Manager Cluster B, and the Deputy City Manager Cluster C and Chief Financial Officer recommend that:

### **The Hines/Tridel Transaction**

1. City Council authorize the City to proceed with the development of 80 units of affordable rental housing that will make up the Bayside Non-Profit and, the Director, Affordable Housing Office to execute, on behalf of the City, the Bayside Pilot Project Agreement, the Development Management Agreement and the Construction Contract, substantially on the terms and conditions summarized in Attachments 1, 2 and 3 respectively and the Confidential Attachment (Attachment 5);
2. City Council authorize the Director, Affordable Housing Office to issue requests for proposals (RFPs) to obtain the services of a project manager and such other professionals deemed advisable to represent the City in construction related matters, to a maximum cost of \$200,000 exclusive of HST and disbursements, from the Development Charges Reserve Fund for Subsidized Housing (XR 2116) and within the proposed capital budget as set out in Recommendation 13 and execute agreements on terms and conditions satisfactory to the Director, Affordable Housing Office and approved by the City Solicitor;
3. City Council authorize the Director, Affordable Housing Office to retain the services of Robins Appleby for \$100,000, exclusive of HST and disbursements, from the Development Charges Reserve Fund for Subsidized Housing (XR 2116) and within the proposed capital funding as set out in Recommendation 13, to assist with the negotiations and drafting of all agreements with Hines and Tridel for the Bayside Non-Profit on such terms and conditions as the Director, Affordable Housing Office deems advisable and as approved by the City Solicitor;
4. City Council authorize the City, as vendor, to enter into an Agreement of Purchase and Sale (APS) with Hines, or its designate, as purchaser, for the sale of Block 3 (save and except the strata parcel of land designated for the Bayside Non-Profit), substantially in accordance with the terms and conditions contained in EX46.33 adopted by Council in August 2010, as if Block 3 was a development site for sale, together with such other terms and conditions deemed appropriate by the Deputy City Manager whose responsibilities include Waterfront Revitalization in consultation with the Chief Corporate Officer and in form satisfactory to the City Solicitor;
5. City Council confirm all of the requirements contained in the recommendations of EX46.33 adopted by Council in August 2010 with respect to the Agreement of Purchase and Sale with Hines, with the additional requirement that closing under the APS shall be conditional upon the initial strata plan approved under the Bayside Pilot Project Agreement having been registered on title to Block 3 and the APS having been amended, if required, in accordance with the terms and conditions of the

- Bayside Pilot Project Agreement, including a transfer to a not for profit corporation, incorporated by it for nominal consideration, such transfer being in the interest of the City;
6. City Council authorize the City to enter into a new agreement of purchase and sale between the City, as vendor, and Hines for the sale of the strata parcel designated for the Bayside Non-Profit (for the consideration set out in the agreement of purchase and sale) to Hines, at a later date, if required under the Bayside Pilot Project Agreement, on the same terms as set out in Recommendation 5;
  7. City Council authorize the City, as transferor or transferee, to enter into such re-conveyances of land for nominal consideration as may be necessary when the final strata plan is registered on title in accordance with the Bayside Pilot Project Agreement, to legally identify the Bayside Non-Profit property and the property developed by Hines for condominiums with commercial and retail areas;
  8. City Council authorize the City to enter into any ancillary agreements, including license, encroachment, easement, cost sharing or other agreements, documents or instruments ("Ancillary Agreements") contemplated under the Bayside Pilot Project Agreement, the Development Management Agreement, the Construction Contract, or the agreement of purchase and sale, on terms and conditions deemed appropriate by the Director, Affordable Housing Office or Deputy City Manager whose responsibilities include Waterfront Revitalization in consultation with the Chief Corporate Officer, and in a form satisfactory to the City Solicitor;

### **Financial Authorities**

9. City Council authorize the Director, Affordable Housing Office to submit a request to the Ministry of Municipal Affairs and Housing for funding for the City through the Canada-Ontario Investment in Affordable Housing Program – Rental Component 2014-2019 for the Bayside Non-Profit, in the amount of \$12,000,000;
10. City Council authorize the Director, Affordable Housing Office to negotiate and execute, on behalf of the City, the agreements and security required by the Province to obtain the funding set out in Recommendation 9 on such terms and conditions deemed reasonable by the Director, Affordable Housing Office and in a form approved by the City Solicitor;
11. City Council authorize the Director, Affordable Housing Office to approve the acceptance of the Federal/Provincial program funding received from the Province, in accordance with the request to be made under Recommendation 9;
12. City Council authorize the Director, Affordable Housing Office in the event that Recommendations 9, 10 and 11 are unable to be implemented, to provide capital funding of \$12,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116), towards the development costs of the Bayside Non-Profit;

13. City Council authorize the Director, Affordable Housing Office to provide capital funding of \$7,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116) to be used to complete the development of the Bayside Non-Profit;
14. City Council authorize the Director, Affordable Housing Office to provide capital funding up to \$7,000,000 from the Capital Revolving Reserve Fund for Affordable Housing (XR-1058), to be used for the development of the Bayside Non-Profit and to be repaid by Artscape to XR-1058 upon entering into the lease;
15. City Council authorize the Director, Affordable Housing Office to access up to \$1,200,000 from the Development Charges Reserve Fund for Subsidized Housing (XR 2116) on a temporary basis during construction to address any cash flow issues that may arise as a result of the timing of advances from the Federal/Provincial program;

#### **The Non-Profit Operator Transaction**

16. City Council authorize the Director, Affordable Housing Office to approve Toronto Artscape Inc. as the successful proponent under the Request for Proposals issued to select the operator of the Bayside Non-Profit;
17. City Council authorize the Director, Affordable Housing Office to negotiate and enter into an offer to lease, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form approved by the City Solicitor;
18. City Council authorize the Director, Affordable Housing Office to direct the contribution, as set out in Recommendation 14, payable by Toronto Artscape to be paid to the Capital Revolving Fund for Affordable Housing (XR1058);
19. City Council authorize the Director, Affordable Housing Office to assign the funding and security for the Federal/Provincial program obtained by the City to Toronto Artscape Inc. on terms and conditions deemed reasonable by the Director, Affordable Housing Office and in a form approved by the City Solicitor;
20. City Council authorize the Director, Affordable Housing Office to provide Toronto Artscape Inc. with a grant of up to \$150,000 from the Development Charges Reserve Fund for Subsidized Housing (XR 2116) for start up costs, being part of the funds in Recommendation 13, on terms and conditions satisfactory to the Director, Affordable Housing Office and approved by the City Solicitor;
21. City Council authorize the Director, Affordable Housing Office to negotiate and enter into a municipal capital facility agreement with Toronto Artscape Inc. on such terms and conditions satisfactory to the Director, Affordable Housing Office and in a form approved by the City Solicitor;

22. City Council authorize the City, as landlord, to enter into a lease with Artscape for the operation of the Bayside Non-Profit, substantially on the terms and conditions outlined in Attachment 4 and in a form acceptable to the City Solicitor, such grant by way of below market rent being in the interest of the City;
23. City Council authorize the Director, Affordable Housing Office to conduct a reserve fund study on the Bayside Non-Profit and to retain such professionals as are necessary to assess the operating pro forma and the contribution required of Toronto Artscape Inc. all to ensure financial viability of the Bayside Non-Profit;
24. City Council authorize the Director, Revenue Services to recommend to the Municipal Property Assessment Corporation an exemption from taxation for municipal and school purposes for the Bayside Non-Profit;
25. City Council authorize the Director, Affordable Housing Office to approve the waiving of all development charges and planning fees with respect to the affordable housing units to be located in the Bayside Pilot Project;
26. City Council authorize the Director, Affordable Housing Office to designate the Bayside Non-Profit as social housing for the purpose of allowing all or part of the project relief from normal parking standards;

#### **Delegated and General Authorities**

27. City Council authorize the Director, Affordable Housing Office to execute a municipal housing facility agreement, all other documents, security, consents, waivers and Ancillary Agreements with respect to the lease and operation of the Bayside Non-Profit by Toronto Artscape Inc., on behalf of the City;
28. City Council authorize the Director, Affordable Housing Office to execute, on behalf of the City, all funding agreements with the Province, assignments, security or financing documentation required by the City, the Province or Toronto Artscape Inc.'s lenders, when and as required;
29. City Council authorize the Director, Affordable Housing Office to make all decisions, including any necessary elections, waivers, approvals, consents and notices, on behalf of the City during the pre and post construction and construction phases of the Bayside Non-Profit in accordance with the project agreements set out in Recommendation 1 and any other agreements or documentation entered into as a result of those agreements;
30. City Council authorize the City Solicitor to complete the lease transaction on behalf of the City, including payment of any necessary expenses, establishing and amending the commencement date of the lease and any other dates to such dates and on such terms and conditions as she may from time to time consider reasonable;

31. City Council authorize the Chief Corporate Officer to administer and manage the lease for the Bayside Non-Profit 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;
32. City Council confirm the delegated authorities contained in EX46.33 adopted by Council at its meeting in August 2010 with respect to the negotiation, execution and delivery of the Agreement of Purchase and Sale and Ancillary Agreement contemplated under the Agreement of Purchase and Sale;
33. City Council authorize the Director of the Affordable Housing Office to report back through the future-years' operating budget process or directly to Budget Committee with the cash flow requirements to fund the construction of the 80 units of affordable housing by including the required cash flow in the Operating Budget for Shelter, Support and Housing Administration; and
34. City Council authorize the City Clerk to release the information in the Confidential Attachment (Attachment 5) upon the completion of the development of the publicly-owned lands in East Bayfront as determined by the Deputy City Manager whose responsibilities include Waterfront Revitalization.

## **Implementation Points**

The Bayside Pilot Project Agreement, the Development Management Agreement and the Construction Contract and Agreement of Purchase and Sale for the land on which the condominium will be built will be entered into with the developers, allowing Tridel to begin marketing the condominiums in early summer 2014. Formalizing the details of the Bayside Non-Profit in advance of the marketing is required in order for these details to be summarized for the marketing and sale of the condominium.

The Affordable Housing Office will work with Hines/Tridel and Artscape to finalize detailed design drawings and proceed with construction.

The City will enter into an Offer to Lease with Toronto Artscape Inc. setting out the terms and conditions under which the parties will enter into the lease and municipal capital facility for the Bayside Non-Profit, upon completion of construction in approximately three years.

Upon confirmation of Federal/Provincial Investment in Affordable Housing program funding the City will enter into an Administrative Agreement with the Province to deliver the program and also submit the Bayside pilot as a project to be funded.

## **Financial Impact**

The cost to build the Bayside Non-Profit is \$26,000,000, of which financing for up to \$7,000,000 will be assumed by Artscape upon completion of construction. A detailed cost breakdown of the Bayside Non-Profit project is included in the Confidential Attachment (Attachment 5).

This report recommends that a portion of the construction funding be provided for the Bayside Non-Profit by approving an allocation of \$12,000,000 from the Federal/Provincial Investment in Affordable Housing (IAH) 2014-2019 program.

The IAH 2014-2019 Program was announced in the 2013 Federal budget. IAH agreements have already been signed between Ottawa and a number of the provinces. Ontario is expected to confirm its participation following the election.

The City of Toronto's allocation under the IAH will be consistent with the funding allocation received between 2011 and 2014; however, as the renewed program is for five years, the City's allocation will be greater than before. A companion report on IAH allocations is before the Executive Committee for consideration.

In the event that IAH funding is not forthcoming, this report recommends providing available capital funding of \$12,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116).

This report also recommends capital funding of \$7,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR-2116) to be provided as a funding source to complete the development of the Bayside Non-Profit.

To ensure the ongoing viability of the affordable housing component of this project, Artscape will be required to repay the City up to \$7,000,000 of the construction costs. Artscape will mortgage its leasehold interest in the project based on a final operating budget and a reserve fund study on the affordable housing prior to completion of the construction. It is expected that Artscape will be able to service a mortgage of up to \$7,000,000 at rents set at 80% of average market rents.

As Artscape will not be able to mortgage its leasehold interest until construction is completed up to \$7,000,000 from the Capital Revolving Fund for Affordable Housing (XR-1058) (CRF) is recommended as an advance that will allow Artscape to meet its financial obligations. When Artscape mortgages its leasehold interest and the final draw of the Federal/Provincial funding is received up to \$7,000,000 will be repaid to the Capital Revolving Fund (XR-1058).

The uncommitted balance in the Development Charges Reserve Fund for Subsidized Housing (XR-2116) and the Capital Revolving Fund for Affordable Housing (XR-1058) is sufficient to support the recommendations included in this report.



The City is providing the land for the affordable housing and it has been readied for development through agreements with Waterfront Toronto.

To address cash flow requirements, the Director, Affordable Housing Office also requires authority to access up to \$1,200,000 from the Development Charge Reserve Fund for Subsidized Housing (XR-2116) on a temporary basis as 10% of the IAH funding will not be available to the City until after completion of the Bayside Non-Profit. Subject to the renewal of the IAH, these funds will be wholly repaid upon completion of the Bayside Non-Profit from the IAH (2014-2019) allocation.

<b>Summary of Proposed Funding for the Pilot Project</b>	
Federal/Provincial IAH (2014-2019) funding	\$12,000,000
City funding from the Development Charges Reserve Fund for Subsidized Housing (XR2116)	\$7,000,000
Interim financing from the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to be assumed by the non-profit operator upon completion of construction	\$7,000,000
<b>Total Capital Funding</b>	<b>\$26,000,000</b>

<b>Summary of Indirect City Contributions</b>	
Waived City Fees and Development Charges (2016 rates)	\$1,610,385
Estimated Land Value (per financial consultant)	\$4,900,000
Net Present Value of Property Tax Waiver (50 years)	\$1,146,615
<b>Total Value of Indirect City Contributions</b>	<b>\$7,657,000</b>

<b>Total Funding and Indirect City Contributions</b>	
Total Capital Funding	\$26,000,000
Total Value of Indirect City Contributions	\$ 7,657,000
<b>Grand Total</b>	<b>\$33,657,000</b>

The indirect city contributions outlined above are consistent with existing City policy for assisting the development of affordable housing.

The City will assume the financial responsibility imposed by the Reciprocal Agreement to cost share the monthly financial obligations for maintenance, repair and capital replacement of shared use areas with the other components making up the building. These responsibilities will be assumed by Artscape upon assuming the lease.

Factors that contribute to the reduction in the construction and operating costs of this affordable housing project include:

- No provincial and municipal Land Transfer Tax, as the City retains ownership of the land during construction and leases to Artscape
- Lower rate of HST available to the City
- Provision of the land, readied for development through agreements with Waterfront Toronto
- Relief from the cost of broadband installation which is also covered by agreements with Waterfront Toronto
- Potential reduction in the number of parking spaces from 40 through a Variance from the Committee of Adjustment that will result in reduced capital costs.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees 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 2010-2020.

The development of new affordable rental housing in the East Bayfront is consistent with and advances Official Plan policies to provide a mix of income and housing tenures in the Waterfront and throughout the city.

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

## **DECISION HISTORY**

On August 5 and 6, 2009, City Council adopted the recommendations to 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 its priority should new Federal/Provincial funding be made available.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.35>

Council at its meeting of November 12 and 13, 2013 adopted the report "Implementation of Affordable Housing Pilot Project in East Bayfront" and approved in principle capital funding of \$15 million and authorized staff to pursue negotiations with Hines and Tridel for affordable housing on Block R3R4.

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-62488.pdf>

## **ISSUE BACKGROUND**

The East Bayfront Zoning By-law stipulates that at least 20% of the residential housing be affordable rental housing units. The Bayside Land Development Agreement between and the City and Hines originally designated two sites, A1 and A2, located at the most easterly end of Bayside, for affordable housing. These two sites were projected to be the last to be developed as the build out will run west to east.

In 2010 when Council endorsed the original concept plan for Bayside, it requested staff to work with Waterfront Toronto to explore options to develop affordable rental housing in the first Phase. As a result, Hines agreed with the City and Waterfront Toronto to designate the more westerly R3R4 sites in the earlier Phase 1 for an affordable rental pilot project, subject to staff negotiating a business deal satisfactory to it and subject to Council approval.

## **COMMENTS**

The Affordable Housing Office, Waterfront Secretariat, City Planning and Legal staff, and Waterfront Toronto have worked with Hines/Tridel to finalize a proposal and the City has conducted due diligence activities throughout the negotiations. N. Barry Lyon Consultants Limited was retained to provide financial advisory services and the law firm of Robins Appleby was retained to assist with the negotiations with Hines and Tridel.

### **1. The Rental Housing Initiative**

Planning staff have determined that the Block 3 site should contain 80 affordable rental housing units in order to ensure that both affordable rental housing sites will accommodate sufficient units to meet the Zoning By-law's 20% requirement. This is an increase of nine units over the preliminary estimate of 71 units set out in the report Council approved in November 2013.

The proposal comprises 32 one-bedroom, 32 two-bedroom and 16 three-bedroom apartments (for families with children) operating independently, but within a mixed-use building that also contains 260 market condominiums and retail space at grade. The building will be fully accessible with five per cent of the apartments barrier-free.

To be eligible for Federal/Provincial funding, rents in the Bayside Non-Profit will be 80% average market rent, including heat, hydro and hot water. Eighty percent average market rent for a one-bedroom is currently \$828, for a two bedroom \$980 and for a three bedroom \$1,190 per month. Rents at this level are affordable for families, couples and singles with an annual household income between \$40,000 and \$57,000. Rents and income requirements will be adjusted accordingly for occupancy expected in 2018-2019.

The Bayside Non-Profit will be located on the second to ninth floors with north city views and west waterfront views. It will have its own entrance, hallways, elevators, management office and rooftop amenity space, together with car and bicycle parking and lockers in a shared underground area.

The building will be built in accordance with the Affordable Housing Office's Affordable Rental Housing Design Guidelines and best practices to provide modest, durable and accessible housing. High-quality durable features will reduce long-term maintenance costs. The high-efficiency electrical and mechanical systems required for Waterfront Toronto's specified LEED Gold certification will also reduce operating costs.

The final capital cost is \$26,000,000 plus indirect City contributions of \$7,657,000 for a total cost of \$33,657,000. This represents a total cost to the City of approximately \$325,000 per unit. This is in line with the estimated capital cost approved by Council in the November 2013 report as it includes an additional nine units for a total of 80 (see chart below).

**Bayside Comparison of Capital Costs – Preliminary to Final Budget**

<b>November 2013 Preliminary Budget</b>	<b>Final 2014 Budget</b>	<b>Difference</b>
\$22.5 million	\$26.0 million	\$3.5 million

*Details of Difference*

71 units	80 units	\$2.9 million
Negotiations yet to be completed on construction contract	Fixed price contracts negotiated. Miscellaneous cost increases	\$ 0.6 million
<b>Total Difference</b>		<b>\$3.5 million</b>

The total capital cost includes the fixed-price construction contract, a development management fee, all soft costs, including design, legal and financial, project management and consultants, a start-up grant for Artscape, as well as a contingency fund. These costs are detailed in the Confidential Attachment (Attachment 5).

Hines/Tridel and the City have agreed on the terms of the transaction being recommended to Council. The affordable housing will be built at the same time as the market condominium and retail components. Subject to Council approval of this report, construction will commence when sales of the adjoining condominium have met the target required by the developer in order to proceed. It is anticipated that construction would start in 2016 and be completed in 2018-2019.

In the event that construction does not proceed as contemplated by June 2016, and Hines/Tridel does not elect to extend the termination date for up to a further 12 months, the transaction terminates. The consequence of the termination would result in the City having paid soft costs without the development proceeding and the strata parcel of land designated for the Bayside Non-Profit being transferred to the Site Developer on the same terms and conditions as the balance of Block 3. Furthermore, the affordable housing reverts to the A1A2 sites to be developed in a later phase of Bayside.

## **2. Capital Funding**

Capital funding will be provided through a combination of Federal/Provincial and City sources. The City will have to provide interim financing during the construction period, which will be paid back by Artscape when it takes out mortgage financing upon the signing of the lease at occupancy. The funding proposed from all orders of government is:

a. **Federal/Provincial Investment in Affordable Housing (2014-2019):** \$12,000,000

The IAH 2014-2019 was announced in the 2013 Federal budget. IAH agreements have already been signed between Ottawa and a number of provinces and Ontario is expected to confirm its participation following the election.

It is anticipated that the City of Toronto's allocation under the IAH will be greater than the \$108 million received between 2011 and 2014 as the program renewal is for five years (2014-2019).

In the event that IAH funding is not forthcoming, this report recommends providing available capital funding of \$12,000,000 from the Development Charges Reserve Fund for Subsidized Housing (XR2116).

b. **City funding:** \$7,000,000 from the Development Charges Reserve Fund for Subsidized Housing XR-2116.

c. **Interim financing** by the City up to \$7,000,000 from the Capital Revolving Reserve Fund for Affordable Housing (XR-1058). Artscape will repay up to \$7 million.

## **3. The Non-Profit Housing Operator**

The Affordable Housing Office issued a request for proposals for non-profit or co-operative housing organizations with an excellent track record managing affordable housing, to lease

and operate the Bayside Non-Profit for a period of 50 years. The proposal call was issued March 21, 2014 and closed April 23, 2014.

Four proposals were received. A selection team comprised of two senior staff from the Affordable Housing Office, two staff from Waterfront Toronto and a representative from each of Hines and Tridel reviewed the proposals.

After reviewing and scoring the proposals, the selection team unanimously recommended Toronto Artscape Inc. as the operator of the Bayside Non-Profit.

Artscape will be required to obtain mortgage financing for the maximum amount that the operating pro forma will support. A preliminary operating pro forma, prepared by the City's financial consultant indicates that rental income in the Bayside Non-Profit could support a mortgage of up to \$7,000,000.

The Affordable Housing Office will undertake a re-assessment of the operating pro forma within one year prior to occupancy in order to determine a precise amount for the non-profit mortgage financing contribution.

## **CONCLUSION**

The Bayside Non-Profit is a pioneering initiative that will provide 80 permanent affordable rental homes on the waterfront constructed within a mixed-use building located in the East Bayfront.

The Pilot Project will assist in implementing several key City planning and housing objectives by integrating a diverse mix of individuals and families into a new Toronto community.

The scale and scope of this initiative provides an unprecedented opportunity to create affordable housing in Toronto with available affordable housing funding in partnership with the private and non-profit housing sectors and will set a precedent for future opportunities in the City.

## **CONTACTS:**

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## **SIGNATURE**

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John Livey, Deputy City Manager, Cluster B

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Brenda Patterson, Deputy City Manager, Cluster A

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Roberto Rossini, Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- Attachment 1 - Summary of Bayside Pilot Project Agreement;
- Attachment 2 - Summary of Development Management Agreement;
- Attachment 3 - Summary of Construction Contract
- Attachment 4 - Summary of City Lease to Non-Profit
- Attachment 5 - Confidential Attachment
- Attachment 6 - Concept Plan
- Attachment 7 - Reference Plan
- Attachment 8 - Design Elevation