Providing Property Tax Exemptions for New Affordable Rental Homes in the West Don Lands

Date: February 19, 2015
To: Affordable Housing Committee
From: Director of Affordable Housing Office
Ward: 28
Reference Number: AFS #20356

SUMMARY

The City of Toronto has partnered with the province to host the 2015 Pan Am/Parapan Games. The City and its residents will benefit from a number of legacy initiatives, including affordable housing in the West Don Lands.

Construction is almost complete for two buildings which will house athletes during the games, this summer. After the games, the buildings will then be retrofitted to provide a total of 253 affordable housing units with occupancy scheduled for the spring of 2016.

Two non-profit organizations, Wigwamen Incorporated and Fred Victor Centre, were selected by Infrastructure Ontario in 2012 and received capital funding under a provincial Affordable Housing Program. They also received relief from City development fees and charges.

Consistent with City policy, this report recommends that City Council exempt Wigwamen Incorporated and Fred Victor Centre from property taxes for 25 years for the affordable rental housing developments at 745 Front Street East and 20 Palace Street in the West Don Lands. An exemption from property taxes will allow Wigwamen and Fred Victor to offer more affordable rents. Both buildings will have a range of one- to four-bedroom units and will be home to a mix of residents, including people of aboriginal heritage, persons with disabilities, persons with mental health issues, veterans, newcomers and Sports Canada carded athletes.
RECOMMENDATIONS

The Director of the Affordable Housing Office recommends that:

1. City Council exempt from taxation for municipal and school purposes, Wigwamen Incorporated for its non-profit development currently municipally known as 745 Front Street East for 25 years.

2. City Council exempt from taxation for municipal and school purposes, Fred Victor Centre for its non-profit development currently municipally known as 20 Palace Street for 25 years.

3. City Council grant authority to the Director, Affordable Housing Office, to enter into the municipal capital facility agreements with Wigwamen Incorporated and Fred Victor Centre to secure the tax exemption, on terms and conditions acceptable to the City Solicitor with Wigwamen Incorporated and Fred Victor.

4. City Council grant authority to and direct the Director, Affordable Housing Office, on behalf of the City, to negotiate and enter into any amendments to or discharges or postponements of the municipal capital facility agreements, the City’s securities therefore as well as any other documents or agreements required to enact this tax exemption on terms and conditions satisfactory to the Director, Affordable Housing Office, and in a form approved by the City Solicitor.

5. City Council grant authority to cancel or refund any taxes paid from the by-law exempting the property from taxation.

6. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

In keeping with City policy, this report recommends that Wigwamen Incorporated and Fred Victor Centre be exempt from property taxes, for municipal and school purposes, for 25 years for affordable rental housing at 745 Front Street East and 20 Palace Street Street, respectively.

The net present value of this exemption for Wigwamen Incorporated is $1,726,559 which is approximately $135,063 per year with the municipal share being approximately $1,243,123 or $97,245 per year. The net present value of this exemption for Fred Victor Centre is $1,290,957 which is approximately $100,987 per year with the municipal share being approximately $929,489 or $72,711 per year.
A tax exemption would have no net impact to the City for the education portion of taxes that are remitted to the Province.

Development charges and planning and building fees of $1,306,207 have been waived for Wigwamen and $967,783 for Fred Victor.

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

**Equity Impact Statement**

The exemptions recommended in this report will assist in providing greater access to affordable rental housing to disadvantaged and lower-income segments of Toronto’s population, including people of aboriginal heritage, newcomers, veterans, persons with mental health issues and persons with disabilities. Increasing the opportunities for these people to access affordable housing will improve their economic and social well-being.

Lack of access to affordable housing is a barrier to disadvantaged and lower-income people living in Toronto. This initiative addresses this barrier by providing a City incentive in partnership with the non-profit sector to create new affordable rental homes for 253 households of up to 700 adults and children.

The impact of this initiative will be monitored for the 25-year period of the Contribution Agreements that Wigwamen Incorporated and Fred Victor Centre have signed with the City. These agreements require that the housing remain affordable for 25 years at no more than 80% of CMHC’s average market rents.

**ISSUE BACKGROUND**

Wigwamen Incorporated and Fred Victor Centre have requested property tax exemptions for affordable rental housing at 745 Front Street East and 20 Palace Street, respectively, to achieve more affordable rents for residents. Upon Council approval, the Contribution Agreements with the City will be amended obligating them to provide rents that average for the building to at or below 80% of average market rents for the term of the tax exemption or 25 years. The obligations under the Contribution Agreements will be secured by mortgages in favour of the City to protect the public investment.

Wigwamen and Fred Victor received capital funding from the province. This funding comes with obligations consistent with the Canada-Ontario Affordable Housing Program. They also received relief from development fees and charges from the City and these contributions, together with the tax exemption with be secured through a municipal capital facility agreement.
The Wigwamen development will be a 12-storey apartment building with 145 affordable homes comprised of 58 one-bedroom, 58 two-bedroom, 23 three-bedroom and six four-bedroom units with 31 fully accessible and 29 being rent-g geared-to-income. The accessible units will be managed with March of Dimes and 10 units of supportive housing will be managed with Accommodation, Information and Support Inc.

The Fred Victor development will be a 10-storey apartment building with 108 affordable homes comprised of 43 one-bedroom, 45 two-bedroom, 16 three-bedroom and four four-bedroom units with 12 fully accessible. The accessible units will be managed by PACE Independent Living and 26 units of supportive housing will be managed by LOFT Community Services.

This housing will be one of the legacies of the 2015 Pan Am/Parapan Games and will contribute to the City’s requirement that 20% of housing in the West Don Lands be affordable and to the creation of a mixed-income community there.

Both organizations are experienced providers of affordable housing with solid track records.

**COMMENTS**

This report seeks approval to exempt Wigwamen Incorporated’s 145 affordable rental homes at 745 Front Street East and Fred Victor Centre’s 108 affordable rental homes at 20 Palace Street from taxation for municipal and school purposes for 25 years.

Approving this request will allow the level of affordability of the rents to be increased. Staff are also considering opportunities through the federal-provincial Investment in Affordable Housing for Ontario (2014 Extension) program to provide a deeper level or rent assistance to a number of units for a period of time through housing allowances. This assistance will help support housing access to low-income households including the disabled, newcomers, aboriginal households and the homeless.

Construction is almost complete for both buildings. After their use during the 2015 Pan AM Games, the two buildings will be retrofitted for occupancy as affordable rental housing in the spring of 2016. Capital funding for the developments has been provided by the government of Ontario. The City worked with Infrastructure Ontario and Waterfront Toronto to select these non-profit housing corporations, including providing design guidelines for the housing.
The City has waived development charges and planning fees pursuant to existing policy for non-profit affordable housing. Upon approval of the recommendations in this report, the exemption would be secured through a mortgage with the City obligating Wigwamen and Fred Victor to provide affordable housing for 25 years.

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**SIGNATURE**

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