



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Securing a Future for the Red Door Shelter

Date:	April 7, 2015
To:	Executive Committee
From:	General Manager, Shelter, Support and Housing Administration Chief Corporate Officer
Wards:	30
Reason for Confidential Information:	This report is about a proposed or pending land acquisition by the City or one of its agencies, boards, and commissions.
Reference Number:	

SUMMARY

In June 2014 City Council directed staff to undertake a series of actions to support the WoodGreen Red Door Family Shelter (Red Door) in its efforts to maintain shelter services for families through the redevelopment of the property at 875 Queen Street East.

This report provides City Council with an update on the work undertaken over the past eight months and a concrete plan to secure a future for Red Door at 875 Queen Street East. This is a significant accomplishment and will preserve much needed services to vulnerable homeless families and their children.

The report recommends Council approve the City purchasing in the new complex to be constructed at 875 Queen Street East approximately 20,000 square feet to be operated as a shelter by Red Door. The details of the proposed purchase are set out in the Confidential Attachments to this report. The report further seeks City Council authority to approve an adjustment to the 2015 – 2024 Capital Budget and Plan for Shelter Support and Housing Administration to add a new capital project for the purchase and acquisition of the shelter space at 875 Queen Street East.

It is also recommended that the City approve the capital funding for the purchase of the shelter space, which will be subject to a long-term below market lease to be negotiated with Red Door.

RECOMMENDATIONS

The General Manager, Shelter, Support & Housing Administration, and the Chief Corporate Officer recommend that:

1. City Council approve the Terms and Conditions of the Letter of Intent as set out in Confidential Attachment 1;
2. City Council authorize the General Manager of Shelter, Support and Housing Administration and the Chief Corporate Officer to undertake further negotiations with 875 Queen Lofts Inc. and to enter into a binding Agreement of Purchase and Sale for the shelter component to be constructed at 875 Queen Street East;
3. City Council authorize an amendment to Shelter, Support and Housing Administration's 2015 -2024 Capital Budget and Plan to add a new capital project for the purchase and acquisition of the shelter space referred to in Recommendation (2) above with cash flows as identified in Confidential Attachment 2 to the report to be fully funded by the Land Acquisition Reserve Fund - XR1012 ("LARF"), and further that this funding be treated as recoverable debt and repaid from the Shelter, Support and Housing Administration's Operating Budget to LARF over a 25 year period commencing in the year following completion of the purchase;
4. City Council authorize the General Manager, Shelter, Support and Housing Administration, and the Chief Corporate Officer to negotiate a long-term below market lease with WoodGreen Red Door Family Shelter for the operation of the shelter within the new complex;
5. City Council direct that Confidential Attachments 1 and 2 to this report remain confidential under the provisions of the *City of Toronto Act, 2006* as they relate to a proposed or pending land acquisition by the City or one of its agencies, boards, and commissions; and
6. City Council authorize the public release of the confidential information contained in Confidential Attachments 1 and 2 to this report following the closing of any purchase transaction.

Financial Impact

There are no financial implications for the 2015 Operating Budget resulting from this report. Subject to obtaining final planning approvals, the Developer is agreeing to incorporate space for the shelter within its residential development, to be provided on a stratified free-hold title basis to the City at a fixed purchase price as identified in Confidential Attachment I to this report. There is a further contribution of up to \$250,000 potentially through the City returning or providing relief from any Section 37

contribution required to be made by the Developer in respect of this development, subject to the satisfaction of the City Planning Division. The developer shall be solely responsible for any cost overruns, except for changes requested and authorized in writing by the Purchaser.

Red Door is a registered charity, and the shelter services it provides are funded under an Operating Agreement with the City of Toronto. Red Door does not have the financial capacity to purchase or fund the capital cost of the space without support from the City. For this reason, and in order to maintain the long term disposition of the shelter use at this location, it is recommended the City purchase the space and enter into a long-term lease with the Red Door. The purchase cost will be financed using uncommitted funds from the Land Acquisition Reserve Fund, and will be repaid from Shelter, Support and Housing Administration (SSHA) Division's Operating Budget over a 25 year period.

The new constructed shelter space would contain 94 beds, a reduction from the current level of 106 beds, which will be addressed by providing housing allowances within the 2015 Approved funding envelope, so that there is no reduction in service level.

The 2015 SSHA Operating funding for Red Door is \$2.56 million, or \$66.2 per diem per bed. The incremental impact of funding the capital cost of the purchase as indicated in the Confidential Attachment II of this report will be incorporated in SSHA's future year Operating Budget submissions.

SSHA and Real Estate Services staff will work with Red Door to identify and secure temporary accommodation for the shelter during the construction period. The financial implications, if any, associated with temporary accommodation will be included as part of future year budget processes.

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

Equity Impact

Effective operation of the shelter system is a critical element in the City's Poverty Reduction Strategy in ensuring that temporary emergency accommodation is available to a variety of equity seeking-groups, and that these vulnerable residents are assisted to move back into permanent housing as quickly as possible.

The Red Door organization and service are a valuable and essential part of the emergency shelter system's family sector. Red Door provides shelter and support to more than 500 families annually. These are vulnerable households in desperate need including women who are fleeing violence at home, families who are evicted, refugees, or young mothers who may have nowhere to go. The purchase of the property to house the shelter, as recommended in this report, will secure a long term future for Red Door and the residents they serve.

DECISION HISTORY

At the meeting of June 10 – 13, 2014 City Council adopted CD29.2, *City Support for Red Door Shelter*, which included the following recommendations:

1. City Council support the Red Door Shelter in its efforts should it seek to establish its new home within any development of the property, relocate to a new property on Queen Street East, or undertake to establish a title claim to the property;
2. City Council direct the City Manager and the Deputy City Managers to explore all mechanisms, including financial options, which can be used to maintain the continuity of the services provided by the Red Door Shelter on Queen Street East; and
3. City Council direct the City Manager to assist the Red Door Shelter in finding a temporary location should the redevelopment include the shelter at 875 Queen Street East.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD29.2>

ISSUE BACKGROUND

Red Door is a family shelter located at 875 Queen Street East in Ward 30. The shelter has 106 beds, representing 17 percent of permanent emergency beds in the family sector (10 percent when motel space is taken into account). The shelter provides service to families in housing crisis through an Operating Agreement with the City. In 2015, the City provided an annual operating subsidy of \$2.56 million to Red Door, which the shelter supplements through its own fundraising initiatives.

Red Door has leased space at its current location since 1982 and is well established in the local community. In 2010 the United Church, which owned the building, put the property up for sale. At that time, Red Door entered into an agreement with the United Church to purchase the property. Red Door was unsuccessful in securing the necessary financing to finalize the purchase. In an effort to secure the space, Red Door assigned its offer to purchase 875 Queen Street East to Rose & Thistle, an asset management company, on the understanding that a new condominium development on the site would include construction of a \$6 million shelter.

In November 2013, a court order placed properties owned by Rose & Thistle into receivership putting the future of Red Door in jeopardy. In mid-2014, the Receiver sold 875 Queen Street East to 875 Queen Lofts, Inc., which plans to develop residential condominiums on the site.

In 2014, strong community support for the continuation of the Red Door shelter in its present location was reflected in a petition signed by more than 50,000 people. At the meeting of June 10 – 13, 2014 in adopting CD29.2, *City Support for Red Door Shelter*, City Council affirmed its support for Red Door's efforts to remain at 875 Queen Street

East and directed City staff to explore all mechanisms, including financial options, to assist in achieving that objective.

Pursuant to Council's direction, a multi-divisional staff team has worked with Red Door, 875 Queen Lofts Inc. and the local Councillor to find a viable and sustainable solution to maintaining the shelter at 875 Queen Street East.

In recognition of the predicament of Red Door the property owner has entertained a willingness to incorporate a standalone shelter into the new development. After eight months of discussions with the City and Red Door, 875 Queen Lofts Inc. has submitted for Council's approval a Letter of Intent setting out the Terms and Conditions of the proposed sale to the City. The Letter of Intent is appended to this report in Confidential Attachment 1.

Some of the key terms and conditions of the proposed sale include:

- The construction of a new shelter of approximately 20,000 square feet with approximately 1,121 square feet of outdoor amenity space;
- The new shelter space would contain 94 beds in single family bedrooms; all bedrooms will have separate washroom facilities;
- The City would pay a fixed purchase price upon completion of the development;
- Red Door would be responsible to outfit the final building with furniture and equipment;
- 875 Queen Lofts Inc. will extend Red Door's lease for one year and then on a monthly basis until redevelopment commences; and
- The proposal is conditional on the following:
 - Council approval of terms in the Letter of Intent;
 - 875 Queen Lofts Inc. securing required planning approval;
 - 875 Queen Lofts Inc. obtaining financing and pre-sales for the residential development; and
 - A contribution of up to \$250,000 potentially through the City returning or providing relief from any Section 37 contribution required to be made by the Developer in respect of this development.

In February 2015, 875 Queen Lofts Inc. submitted a rezoning and site plan application to City Planning for a development complex at 875 Queen Street East consisting of

residential uses, retail and the shelter. City Planning staff will provide a preliminary report on this application to the Toronto and East York Community Council on April 14, 2015.

COMMENTS

The property owner, 875 Queen Lofts Inc., has indicated its intention to develop and construct a new shelter facility on a portion of 875 Queen Street East and convey the new shelter to the City through a Purchase and Sale Agreement based on terms and conditions outlined in the Letter of Intent in the Confidential Attachment to this report.

The Red Door staff and Board have been fully engaged in the discussions on reaching an agreement with the developer in this matter.

The Red Door has agreed with the proposal to incorporate the shelter in the new building at a service level of 94 beds. This small reduction from their current level of 106 beds will reflect improved living standards in the new shelter (e.g. unrelated families will not share rooms).

The City is proposing to provide Red Door with housing allowances to accommodate up to 12 households in other forms of temporary/transitional housing to maintain overall capacity. This will provide Red Door with flexibility and options in responding to the housing needs of its clients. It is also consistent with the Housing First principle that underlies the *2014-2019 Housing Stability Service Planning Framework* that is guiding the planning and delivery of the City's housing and homelessness services.

The approach outlined in this report recommends that the City purchase a purpose built shelter of approximately 20,000 square feet and built to the City's and Red Door's specifications. Red Door is a registered charity and the shelter services it provides are funded under an Operating Agreement with the City of Toronto. Red Door does not have the financial capacity to purchase or fund the capital cost of the space without support from the City. For this reason, and in order to maintain the long term disposition of the shelter use at this location, it is recommended that the City purchase the space and enter into a long-term lease with Red Door, rather than the alternative of providing a loan guarantee to Red Door, secured by a long-term funding commitment from the City. This arrangement would provide Red Door with a secure future while protecting the shelter facility as a City owned asset and social infrastructure for the long term.

The purchase of property will be funded from the Land Acquisition Reserve Fund (LARF) on the condition that the funds be repaid to the reserve through the SSHA annual Operating Budget.

The City's Real Estate Services Division has reviewed the proposed purchase price and confirms that it represents fair market value for that space at that location.

CONCLUSION

This report responds to the overwhelming support of the community and City Council in 2014 to save Red Door and maintain important services to homeless families and children.

The recommendations in this report represent a unique and innovative approach to provide a secure long-term home for the Red Door Shelter, in partnership with the City of Toronto and the developer of 875 Queen Street East.

CONTACTS

Gord Tanner, Acting Director
Hostel Services
Shelter, Support and Housing Administration
416-397-4210, gtanner@toronto.ca

Joe Casali, Director
Real Estate Services
416-392-7202, jcasali@toronto.ca

SIGNATURES

Phillip Abrahams
General Manager
Shelter, Support and Housing Administration

Josie Scioli
Chief Corporate Officer

CONFIDENTIAL ATTACHMENTS

1. Letter of Intent – Shelter Construction 875 Queen Street East, Toronto
2. Capital Cost and Financing Details