



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Potential Acquisition of 450 Pape Avenue**

<b>Date:</b>	May 24, 2016
<b>To:</b>	City Council
<b>From:</b>	Chief Corporate Officer and Director, Affordable Housing Office
<b>Wards:</b>	Ward 30 – Toronto-Danforth
<b>Reason for Confidential Information:</b>	This report is about a proposed or pending land acquisition by the City or one of its agencies, boards, and commissions.
<b>Reference Number:</b>	P:/2016/Internal Services/RE/Cc16023re (AFS # 23147)

**SUMMARY**

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The purpose of this report is to present preliminary cost estimates and funding information associated with the acquisition and renovation of 450 Pape Avenue for the purpose of creating affordable rental housing.

This report was requested by City Council and seeks Council direction on the acquisition and renovation of 450 Pape Avenue based on the information as outlined herein and in Attachment 1 – Confidential Information.

**RECOMMENDATIONS**

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**The Chief Corporate Officer and the Director, Affordable Housing Office recommend that:**

1. City Council authorize the Chief Corporate Officer, in consultation with the Director of Affordable Housing, to negotiate, and the City to enter into an Agreement of Purchase and Sale for 450 Pape Avenue (the "Property") with the owner of the Property, for a purchase price not to exceed the fair market value as outlined in Attachment 1 – Confidential Information, and a closing date not to extend beyond June 9, 2017 (the "Outside Closing Date"), together with such other terms and

conditions deemed satisfactory to the Chief Corporate Officer, in consultation with the Director of Affordable Housing, and in form satisfactory to the City Solicitor.

2. City Council authorize each of the Chief Corporate Officer or the Director of Real Estate Services severally to execute and deliver the Agreement of Purchase and Sale and all documents related to this transaction on behalf of the City.
3. City Council authorize the Chief Corporate Officer to administer and manage the transaction, in consultation with the Director, Affordable Housing Office, including the provision of any consents, approvals, waivers and notices, provided that she may, at any time, refer consideration of any such matters (including their content) to City Council for its consideration and direction.
4. City Council authorize the City Solicitor to complete the acquisition on behalf of the City including making payment of any necessary expenses, amending closing, due diligence and other dates not to extend beyond the Outside Closing Date, and on such terms and conditions as the City Solicitor may from time to time consider reasonable.
5. City Council authorize the public release of the Confidential Information in Attachment 1 upon the completion of the acquisition of the Property, should the City decide to proceed with the acquisition of the Property for the purpose of creating affordable housing units.
6. City Council authorize that the appropriate City officials be directed to take the necessary action to give effect thereto.

## **Financial Impact**

### **Acquisition:**

The cost to acquire the Property at the identified purchase price is outlined in Attachment 1 – Confidential Information.

There is \$500,000 in funding available in the Capital Revolving Fund for Affordable Housing (XR1058) from Section 37 funding received for new affordable housing in Ward 30 – Toronto-Danforth. These funds could contribute to the acquisition of 450 Pape Avenue, as outlined herein and in Attachment 1 – Confidential Information. Funding for the remaining acquisition costs are available from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116).

### **Renovation & Construction:**

Preliminary review of the costs to renovate and build a 28-unit housing complex are estimated to be about \$6.7 million. This estimate was based on a review of the Building Condition Assessment (BCA) completed by the City in 2010. The interior of the existing building has been demolished since the BCA was completed, and no other work completed. It can be assumed that the property is in worse condition today than it was in 2010.

Based on the 2010 BCA, with the costs converted into today's dollars, the estimated cost to repair the building envelope, roof and site are about \$1.2 million. Should the City proceed with this acquisition, an updated BCA would be required, which generally takes 90 days to complete. An updated BCA may indicate a higher cost.

Preliminary estimates by Staff have suggested that the cost to renovate the existing building, or design and construct a 28 unit three storey housing complex would cost about \$5.5 million. It is important to note that actual final costs to renovate the interior or demolish the non-heritage part of the building and construct new will depend on the final design.

Social infrastructure funding announced in the 2016 Federal Budget is anticipated later in 2016 and could provide for the renovation and reconstruction of 450 Pape Avenue, as outlined herein and in Attachment 1 – Confidential Information.

The Deputy City Manager & 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 goal of the City's 10-year *Housing Opportunities Toronto Action Plan 2010-2020* and supports the City's *TO Prosperity: Toronto Poverty Reduction Strategy*.

Should Council proceed with the purchase and renovation of 450 Pape Avenue, the new affordable units will provide affordable housing opportunities for equity-seeking groups such as homeless people, aboriginal peoples, victims of domestic violence, youth and lower-income individuals in need of affordable housing.

## **DECISION HISTORY**

At its meeting of March 31 and April 1, 2016, City Council adopted, *Potential Purchase of 450 Pape Avenue for Affordable Rental Housing - by Councillor Paula Fletcher, seconded by Councillor Ana Bailão*. This report directs Real Estate Services and the Affordable Housing Office to undertake the necessary due diligence required to make a conditional offer on 450 Pape Avenue and identify potential funding sources for the purchase and renovations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.MM17.30>

At its meeting of February 2, 2011, the Affordable Housing Committee was provided with information on, *450 Pape Avenue Purchase Update*. An analysis of the cost to purchase and renovate determined it would not be cost-effective or financially supportable under the City's current affordable housing initiatives to pursue the acquisition. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.AH1.4>

At its meeting of August 25, 26 and 27, 2010, City Council adopted *450 Pape Avenue: Potential for Acquisition for Housing*. City Council authorized Real Estate Services to make an offer to purchase 450 Pape Avenue for conversion to affordable housing at no more than the appraised value of the property and subject to the satisfactory results of a building and site condition survey.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX46.17>

## **ISSUE BACKGROUND**

In August 2010, Council approved the purchase of 450 Pape for conversion to affordable housing, at a maximum purchase price of \$1.9 million, conditional on a satisfactory BCA. At that time, the BCA and renovation estimates raised questions about costs, risks and overall affordability.

The total capital cost to purchase and renovate the building into 19 apartments was approximately \$6.9 million in 2010 dollars. The modest size of the building and the restrictions associated with its historical designation reduced opportunities for efficiencies and economies of scale during renovations at that time.

## **COMMENTS**

The Property contains a historically-designated house under By-law No. 34-2011 built in 1899, and a newer 1960's addition. The historical designated portion limits the building's development potential. The Property was owned by the Salvation Army since 1930 and used for a number of non-profit community services until it was sold in 2011. The Property was purchased by Eracon Holdings Ltd. in May 2015 for \$2,300,000 when the previous owner went into bankruptcy.

Eracon Holdings Ltd. proposes to convert the existing three-storey building with a two storey annex building to an apartment building that would contain 28 dwelling units. Third and fourth story additions are also proposed on the annex building. This proposal was submitted to the City Planning Division under two separate development applications: a site plan application (File No. 15 225050 STE 30 SA) and a minor variance application (File No. A1078/15TEY). Both development applications are currently under review.

The site plan application was submitted on September 18, 2015 with all the required plans and consultant studies. Those plans and studies were circulated to commenting divisions. Comments were received, compiled, and sent out to Eracon Holdings Ltd. requesting revisions to their proposal. At the time of this writing, a resubmission of revised plans and/or consultant studies has not yet been received.

The minor variance application was submitted on October 27, 2015. A hearing was held with the Committee of Adjustment on January 20, 2016 where the Committee deferred their decision on the minor variance application to a future hearing date. That future hearing date has not yet been scheduled.

As per the owner's representatives, no renovations have been made to the Property since the City's BCA was completed in 2010, but the interior of the original house and addition have been demolished. Based on the information provided in the 2010 BCA, the Property appears to be in in poor physical condition.

While the Property is listed on the MLS for \$1 (refer to Appendix "A" for the MLS Listing) the owner's representatives have indicated they would not entertain an offer of less than the amount shown in Attachment 1 – Confidential Information.

## **CONTACT**

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Sean Gadon, Director, Affordable Housing Office; Tel: (416) 338-1143

E-Mail: [sgadon@toronto.ca](mailto:sgadon@toronto.ca)

## **SIGNATURE**

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Josie Scioli  
Chief Corporate Officer

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Sean Gadon  
Director, Affordable Housing Office

## **ATTACHMENTS**

Appendix "A" – MLS Listing

Appendix "B" – Location Map

Attachment 1 – Confidential Information

## Appendix "A" – Terms and Conditions

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	<b>450 Pape Ave</b> <b>Toronto Ontario M4K3P7</b> Toronto E01 North Riverdale Toronto 120-23-R SPIS: N For: Sale Taxes: \$35,207.34 / 2015 / Annual Last Status: New Legal: Ptl7-8P1587Eer20039Er4054 As Per Deed <span style="float: right;"><b>DOM: 20</b></span>	<b>List: \$1.00</b> <b>For Sale</b>
	Investment <span style="margin-left: 100px;">Occup: Vacant</span> <span style="margin-left: 100px;">Lease Term: /</span> Retail <span style="margin-left: 100px;">Freestanding: Y SPIS: N</span> <span style="margin-left: 100px;">Holdover: 180</span> Possession: Immediate <span style="margin-left: 100px;">Com Cndo Fee:</span> Dir/Cross St: Pape/Danforth	
MLS#: E3435967 <span style="margin-left: 100px;">Sellers: Eracon Holdings (Pape) Ltd</span> <span style="float: right;">Contact After Exp: N</span> PIN#: <span style="margin-left: 300px;">ARN#:</span>		
Total Area: 25,220 Sq Ft Ofc/Apt Area: Indust Area: Retail Area: Apx Age: Volts: Amps: Zoning: R2Z0.6 Truck Level: Grade Level: Drive-In: Double Man: Clear Height: Sprinklers: Heat: Other Phys Hdcp-Eqp:	Survey: Lot/Bldg/Unit/Dim: 130 x 194 Feet Lot Lot Irreg: Bay Size: %Bldg: Washrooms: Water: Municipal Water Supply: Sewers: San+Storm Avail A/C: N Utilities: A Garage Type: None Park Spaces: #Tri Spc: Energy Cert: Cert Level: GreenPIS:	Soil Test: Out Storage: Rail: Crane: Basement: Y Elevator: None UFFI: Assessment: Chattels: N LLBO: Days Open: Hours Open: Employees: Seats: Area Infl:
Bus/Bldg Name: <span style="margin-left: 200px;">For Year:</span> <span style="float: right;">Financial Stmt: N</span> Actual/Estimated: Taxes: <span style="margin-left: 100px;">Heat:</span> <span style="margin-left: 100px;">Gross Inc/Sales:</span> <span style="float: right;">EstValueInv At Cost:</span> Insur: <span style="margin-left: 100px;">Hydro:</span> <span style="margin-left: 100px;">-Vacancy Allow:</span> <span style="float: right;">Com Area Upcharge:</span> Mgmt: <span style="margin-left: 100px;">Water:</span> <span style="margin-left: 100px;">-Operating Exp:</span> <span style="float: right;">% Rent:</span> Maint: <span style="margin-left: 100px;">Other:</span> <span style="margin-left: 100px;">=NetIncB4Debt:</span>		
Client Remks: Excellent Development Opportunity In The Heart Of Riverdale. Contact Listing Agent For Further Details. Extras: Brkage Remks:		
SUTTON WEST REALTY INC., BROKERAGE Ph: 416-236-6000 Fax: 416-236-7266 5415 Dundas St W Suite #300 Toronto M9B1B5 MATTHEW A. PRINGLE, Salesperson 416-236-6000 Contract Date: 3/11/2016 <span style="margin-left: 100px;">Condition:</span> <span style="float: right;">Ad: Y</span> Expiry Date: 6/11/2016 <span style="margin-left: 100px;">Cond Expiry:</span> <span style="float: right;">Escape:</span> Last Update: 3/17/2016 <span style="margin-left: 100px;">CB Comm: 2.0%</span> <span style="float: right;">Original: \$1.00</span>		

## Appendix "B" – Location Map

