



**STAFF REPORT
ACTION REQUIRED**

Authorization to Amend Christie Gardens' Social Housing Agreement

Date:	June 9, 2016
To:	Community Development and Recreation Committee
From:	General Manager, Shelter, Support and Housing Administration
Wards:	Ward 21 - St. Paul's
Reference Number:	

SUMMARY

Christie Gardens Apartments and Care Inc. ("Christie Gardens") has requested revisions to its Social Housing Agreement with the City with respect to the social housing building located at 600 Melita Crescent. This report recommends approval of the acceptance of \$5,500,000 from Christie Gardens as a one-time payment in settlement of its obligation to provide rent geared-to-income (RGI) assistance under the terms of an existing Social Housing Agreement (SHA). Approval would direct \$1,000,000 of the proceeds to the Housing Allowance Reserve Fund (XQ1112) with the residual of \$4,500,000 directed to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to be invested in affordable housing in Ward 21 St. Paul's, in consultation with the ward councillor. This will help create and preserve more affordable housing in the same ward where there is a reduction in RGI units through the changes to Christie Gardens' existing SHA.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. City Council approve the acceptance of \$5,500,000 from Christie Gardens as a one-time payment in settlement of Christie Gardens' obligation to provide rent geared-to-income (RGI) assistance under the terms of an existing Social Housing Agreement (the "Christie Gardens Settlement");

2. City Council direct the settlement amount of \$5,500,000 be transferred as outlined below to the following reserve funds:
 - a. \$1,000,000 as a one-time contribution to the Housing Allowance Reserve Fund (XQ1112) with the 2016 Approved Operating Budget for Shelter, Support and Housing Administration to be amended to that effect by \$1,000,000 gross, \$0 net; and
 - b. The residual of \$4,500,000 as a one-time contribution to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) with the 2016 Approved Operating Budget for Shelter, Support and Housing Administration to be amended to that effect by \$4,500,000 gross, \$0 net;
3. City Council direct the General Manager, Shelter, Support and Housing Administration, to reallocate or redirect settlement funds received from Christie Gardens for housing allowances and social or affordable housing purposes as outlined below:
 - a. \$1,000,000 from the Housing Allowance Reserve Fund (XQ1112) to be allocated to housing allowances, with the 2016 Approved Operating Budget for Shelter, Support and Housing Administration to be amended to that effect by \$1,000,000 gross, \$0 net;
 - b. Up to \$2,500,000 from the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to support the purchase and closing costs of the YWCA property at 55-57 Humewood Drive by the non-profit organization known as Humewood House, with the 2016 Approved Operating Budget for Shelter, Support and Housing Administration to be amended to that effect by approximately \$2,500,000 gross, \$0 net; and
 - c. Consistent with the City's five-year affordable housing capital investment planning, the residual to be invested in new affordable rental housing in Ward 21 St. Paul's, in consultation with the ward councillor, through a business case in the 2017 or subsequent years Operating Budget(s) for Shelter, Support and Housing Administration to include the residual of approximately \$2,000,000 gross, \$0 net;
4. City Council authorize the Director, Affordable Housing Office, in consultation with the Acting General Manager, Shelter, Support and Housing Administration, to allocate up to \$2,500,000 derived from the Christie Gardens Settlement to the non-profit organization Humewood House, or a related corporation to fund the purchase of 55-57 Humewood Drive from the YWCA, for the purpose of expanding Humewood House's program to empower vulnerable young pregnant and parenting women to make positive life choices for themselves and their children;

5. City Council authorize the Director, Affordable Housing Office, in consultation with the Acting General Manager, Shelter, Support and Housing Administration, to negotiate, on behalf of the City an agreement and any subsequent amendments thereto, to secure the City's contribution towards the purchase of 55-57 Humewood by Humewood House, or a related corporation, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form acceptable to the City Solicitor;
6. City Council authorize the Director, Affordable Housing Office, to execute, on behalf of the City, the agreement, any amendments thereto, security or financing documents or any other documents required to facilitate the funding of the purchase of 55-57 Humewood Drive by Humewood House or a related corporation; and
7. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the City Solicitor, to enter into an amended Social Housing Agreement with Christie Gardens based on the terms and conditions set out in the attached "Appendix A" in a form satisfactory to the General Manager, Shelter, Support and Housing Administration, and City Solicitor.

Financial Impact

If approved by City Council, the terms of the amended Social Housing Agreement will result in the City receiving a lump sum payment of \$5,500,000 which will be transferred as outlined below to the Housing Allowance Reserve Fund (XQ1112) and the Capital Revolving Reserve Fund for Affordable Housing (XR1058) by amending the 2016 Approved Operating Budget for Shelter, Support and Housing Administration (SSHA) by \$5,500,000 gross, \$0 net.

SSHA is seeking authority to allocate \$1,000,000 derived from the Christie Gardens settlement from the Housing Allowance Reserve Fund (XQ1112) for housing allowances, with the 2016 Approved Operating Budget for SSHA to be amended to that effect by \$1,000,000 gross, \$0 net.

SSHA in consultation with the Affordable Housing Office is seeking authority to allocate up to \$2,500,000 derived from the Christie Gardens settlement from the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to support the purchase and closing costs for the non-profit organization Humewood House to purchase the YWCA property at 55-57 Humewood Drive, with the 2016 Approved Operating Budget for SSHA to be amended to that effect by \$2,500,000 gross, \$0 net.

The YWCA has agreed in principle to a sale price of \$2,300,000. In addition, up to \$200,000 will be necessary for closing costs, for a total of \$2,500,000 to allow the continuance of the social purpose of the property at 55-57 Humewood Drive. This transaction would allow Humewood House to expand its program in Ward 21 to

empower vulnerable young pregnant and parenting women to make positive life choices for themselves and their children. Among other conditions of funding, Humewood House will be required to provide the City with a business case for the operation of 55-57 Humewood and an agreement of purchase and sale with the YWCA, satisfactory to the Director, Affordable Housing Office, in consultation with the General Manager, Shelter, Support and Housing Administration.

The 2017 Outlook for SSHA shows a net operating pressure of \$18.6 million stemming from pressures in Social Housing, which in the absence of other sources of revenue, will translate to an additional property tax rate increase (residential) of 0.7%.

The terms of the amended agreement release Christie Gardens from its obligation to provide RGI assistance to 54 households until 2079. Christie Gardens has agreed to continue providing RGI assistance to 29 households currently receiving RGI assistance. SSHA staff have estimated that the discounted net present value of the additional RGI assistance that Christie Gardens would have been required to provide under the Social Housing Agreement is approximately \$9,000,000.

The allocation of \$1,000,000 to the Housing Allowance Reserve Fund will provide funds to extend the City's housing allowance programs and will assist additional households to remain in their homes. This will help to offset the eventual loss of the 25 subsidized units at Christie Gardens and meets the intent of the original agreement to provide rent assistance.

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

Equity Impact

Housing allowances, social housing and affordable housing contribute significantly to the availability of affordable housing options and are vital to the City's efforts to address poverty. They serve a range of equity seeking groups including people experiencing homelessness, people living in poverty including the working poor and people receiving social assistance, youth, seniors, Aboriginal people, people with disabilities and other vulnerable groups. The recommendations in this report support the creation of new housing allowances and affordable housing to replace the social housing being lost through a revised Social Housing Agreement.

ISSUE BACKGROUND

Christie Gardens is a private non-profit organization that owns and operates a high rise building at 600 Melita Crescent. This building contains 217 social housing units and 84 life lease units for seniors.

In 1983, Christie Gardens entered into an agreement with Canada Mortgage & Housing Corporation to build and operate a social housing project on land leased from the City at 600 Melita Crescent.

In 2002, City Council authorized the sale of the land at 600 Melita Crescent to Christie Gardens. Christie Gardens completed construction of an 84 unit life lease facility and entered into a Social Housing Agreement with the City. The Social Housing Agreement (SHA) required Christie Gardens to provide RGI assistance to 54 eligible households selected from the Centralized Waiting List until 2079.

In October 2013, SSHA staff met with Christie Gardens to discuss their failure to provide RGI assistance to the required number of eligible households under their SHA. At that time Christie Gardens indicated their desire to terminate the SHA. They offered a cash payment of \$2,100,000 for a full release from the SHA. After a number of discussions with SSHA and City Planning staff Christie Gardens increased their cash payment offer to \$5,000,000 and agreed to certain revisions to the existing SHA. In addition, Christie Gardens has agreed to pay penalties provided in the existing SHA for not providing RGI assistance to the required number of households of \$500,000.

Humewood House, located at 40 Humewood Drive in Toronto, is a non-profit organization whose mandate is to empower young pregnant and parenting women to make positive life choices for themselves and their children. Since 1912, Humewood House has helped Toronto's most vulnerable single parents and their children make their way in the world. In addition to helping young women give birth to healthy babies and transition into motherhood, Humewood House helps them plan and build goals for their future. The organization offers pre and post-natal residential services, transitional housing, life skills, childcare, a high school program and counselling all delivered by highly qualified and dedicated staff in a safe and caring environment.

Last year alone Humewood House helped 550 young women and their children by providing much-needed information, programs and services including:

- a safe home to 50 young women and their babies
- quality child care for 27 infants under 18 months
- individual counselling to 24 young families
- high school programming for 61 young mothers
- young parent resource programs for 55 mothers and 68 children at 1900 Sheppard Avenue
- scholarships for 21 young women to realize their post-secondary education goals
- vital support to over 1,000 adults and 850 children through their food bank and donation services.

Given the close proximity to Humewood House's existing property at 40 Humewood Drive, a unique opportunity exists for the organization to purchase the property at 55-57 Humewood Drive from the YWCA to expand their existing services which includes the provision of transitional housing. The existing building is a four plex with 16 rent-geared-

to-income (RGI) units, each with a shared kitchen, bath and common areas. Facilitating this purchase would provide a social benefit to the City with the continuation of affordable housing for vulnerable residents.

For the YWCA, the sale of this property will increase efficiency, reduce expenses, vacancy losses and allow the corporation to intensify their support services at another site. All tenants will be relocated to an RGI subsidized unit, with tenant relocation measures in place to protect the interests of tenants.

COMMENTS

Christie Gardens will ensure the ongoing provision of the 217 units as non-profit rental housing and will enter into a revised Social Housing Agreement with a term of 25 years. During this term Christie Gardens will not be entitled to apply to the City of Toronto to change the rental housing status of the 217 units. The major terms and conditions of the revised SHA are set out in the attached Appendix A.

SSHA staff have estimated the discounted net present value of the RGI assistance that Christie Gardens would have been required to provide under the SHA to be approximately \$9,000,000.

SSHA is recommending the acceptance of the \$5,500,000 one-time payment offered by Christie Gardens. While it is less than the discounted net present value of the future cash flows that would be received under the original agreement there are three primary reasons for accepting the lump sum:

1. Accepting the one-time payment removes the risk and uncertainty inherent in a long-term payment stream that will be dependent on Christie Gardens' ability to make these payments over a 63-year period.
2. Christie Gardens has agreed to provide affordable rental housing to senior households with household income below the median household income in the City for 25 years and continue to provide RGI assistance to the 29 households currently receiving RGI assistance.
3. The funds received as a one-time payment can be used immediately to enhance services by replenishing the Housing Allowance Reserve Fund with \$1 million for housing allowances and by providing the residual of \$4.5 million to be invested in affordable housing in Ward 21 St. Paul's, in consultation with the ward councillor, including the provision of up to \$2,500,000 to support the purchase of 55-57 Humewood Drive by Humewood House, to provide services for pregnant and parenting women, and by investing the residual of approximately \$2,000,000 in new affordable housing in Ward 21 St. Paul's. Should the purchase of by Humewood House not go through, the full residual of \$4.5 million will remain in the Capital Revolving Fund – Affordable Housing be invested in new affordable housing in Ward 21.

4. As outlined in recommendation five of the report, the Director of the Affordable Housing Office, in consultation with the General Manager, Shelter, Support and Housing Administration, is to negotiate on behalf of the City an agreement and any subsequent amendments required, to secure the City's contribution toward the purchase of 55-57 Humewood Drive by Humewood House, or a related corporation, on terms and conditions satisfactory to the Director of the Affordable Housing Office and acceptable to the City Solicitor.
5. Under the terms and conditions, Humewood House will provide a business plan to the City, to the satisfaction of the Director, Affordable Housing Office, to secure affordable rental housing for up to 16 women and their young babies with support and management services to be provided by Humewood House. The project business plan will also provide further details on the organization, a building condition report, a plan for any proposed renovations, a draft operating budget, a management plan and a community engagement strategy.

A number of initiatives are currently underway transforming how social and affordable housing is administered and delivered within the province and City. These include the Province moving towards a more flexible service level standard and including a portable housing benefit. The revised SHA will result in a loss of 25 RGI units from the overall social housing system. However, it is recommended that the one-time payment be used to create both housing allowances and affordable rental housing in the local community thus replacing the lost RGI units while maintaining the original spirit and intent of Christie Gardens' SHA. Combined, this approach maintains and enhances the availability of a range of affordable housing options in Ward 21.

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SIGNATURE

Rob Cressman
Acting General Manager
Shelter, Support and Housing Administration

ATTACHMENT

Appendix A: Major Terms and Conditions of Amended Social Housing Agreement

Appendix A
Major Terms and Conditions of Amended Social Housing Agreement

Christie Gardens will:

1. Pay a one-time payment of \$5,000,000 to the City of Toronto.
2. Pay all outstanding penalties for failure to provide RGI assistance to the minimum number of eligible households (estimated to be approximately \$500,000).
3. Continue to provide RGI assistance to the 29 households currently receiving RGI assistance until their tenancies are terminated or until they cease to qualify for RGI assistance.
4. Ensure that rents for the 217 social housing units are affordable and rental rates are set at amounts no greater than the amount required to finance, operate and maintain the units without profit. These units will be rented primarily to households with low to moderate incomes not exceeding the median household income for all households in the City of Toronto.
5. Notwithstanding # 4, the City agrees that at the time of entering into a lease for a new occupant, Christie Gardens may accept up to 10% of new tenant households whose incomes exceed the median household income established for that calendar year.
6. Failure to comply with this requirement will result in Christie Gardens becoming liable to pay a penalty in an amount to be negotiated.
7. Seek the revised median household income from the City annually and before housing any households that are subject to this requirement.
8. Not sell or transfer the housing project or any of the 217 social housing units without the consent of the City.
9. Will not apply to change the use of the 217 social housing units as rental housing units, or apply to convert them to any non-rental housing purpose, including life-lease or condominium, or demolish them without replacement prior to the amended termination date of the Social Housing Agreement.
10. Provide annual reports to verify compliance, in a form satisfactory to the General Manager, Shelter, Support and Housing Administration.

The City will:

1. Release Christie Gardens from its obligation to provide RGI assistance to 54 households.
2. Release Christie Gardens from its obligation to select new tenants from the Centralized Waiting List.

The revised agreement will be for a term of twenty-five years from the effective date of the revisions.