Securing Affordable Ownership Housing at 505 Richmond Street West

**SUMMARY**

This report recommends an innovative affordable ownership housing initiative between Toronto Artscape ("Artscape"), the City of Toronto, Build Toronto and the condominium Developer MOD Developments Downtown Properties Inc. and 505 Richmond Inc. (the "Developer") in Ward 20, Trinity Spadina. Fifteen affordable ownership homes will be funded to provide housing for lower-income arts workers and their families. The homes will be incorporated into the condominium development at 505 Richmond Street West, a surplus City of Toronto property transferred to Build Toronto in 2011.

This report seeks authority for the City to enter into an affordable housing agreement with Artscape, Build Toronto, and the Developer whereby 15 homes will be sold at below-market value. Both Build Toronto and the City will provide contributions to make the homes affordable to eligible lower-income households through Artscape's long-term affordable ownership housing program.

Affordable housing program funding is recommended to come from the federal/provincial Investment in Affordable Housing Program (IAH) and the City's Home Ownership Assistance Program (HOAP), with additional financial contributions from Build Toronto. The IAH provides loans valued at up to 10% of a home's purchase price and the HOAP provides loans of $25,000 per home. To secure the long-term affordability of the units, Artscape will ensure that when a family sells the home, the funding remains with the unit to assist the next eligible Artscape household to purchase the home.
The new building is between Spadina Avenue and Bathurst Street on the south side of Richmond Street West. The Artscape homes will be clustered together within the building to foster community.

**RECOMMENDATIONS**

The Director, Affordable Housing Office, recommends that:

1. City Council authorize the City to enter into an agreement with Artscape, Build Toronto, the Developer and any other party deemed necessary, to secure the purchase and financing of the Artscape Units at below market value.

2. City Council authorize the City to be a party to the agreements of purchase and sale contemplated to be entered into for the Artscape Units as a contingent transferee, in order to ensure the benefit of the Artscape Units is secured for the intended purposes, in the event Artscape or its assignee is not able to complete the transactions.

3. City Council authorize the City to assign its interests in the Artscape Units to another not for profit housing provider, chosen by the Director, Affordable Housing Office to give effect to the intended purpose of the Artscape Units as affordable housing, or to an arm's length purchaser at fair market value if no agreement can be made with a suitable not for profit, on terms and conditions determined by him and in a form approved by the City solicitor prior to the closing date with the Developer, with the intention that there are no financial consequences to the City having been a party to the agreements of purchase and sale for the Artscape Units.

4. City Council authorize the proceeds of the assignment of an agreement of purchase and sale for a Artscape Unit at fair market value to be paid to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) after payment of all expenses incurred in making the assignment of any of the Artscape Units.

5. City Council approve allocation up to $375,000.00 in financial assistance from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) for up to 15 down payment assistance loans ($25,000 per unit maximum) for delivery by Artscape, under the terms of the City's Home Ownership Assistance Program.

6. City Council approve a change to the terms of the City's Home Ownership Assistance Program so that the down payment assistance loans no longer be forgivable after twenty years, but be repayable on sale of the home.

7. City Council authorize the Director, Affordable Housing Office to negotiate and execute, on behalf of the City, the agreement referred to Recommendation 1 and the agreements with Artscape to secure the funding referred to in
Recommendations 5 and 6, as well as any documents, agreements, or security required to give effect to the foregoing on terms and conditions determined by the Director, Affordable Housing Office and in a form approved by the City Solicitor.

8. City Council authorize and direct the City Solicitor to execute the agreements of purchase and sale for the Artscape Units, together with any documents or agreement relating to an assignment or a re-sale transaction that may occur as a result of entering into that agreement, and to amend and to waive any terms and conditions on behalf of the City, on such terms as she considers reasonable.

9. Council grant authority to the City Solicitor to execute any documents required to register security for the funding referred to in Recommendations 5 and 6 and to postpone, confirm the status of, and discharge security, as required by normal business practices.

10. City Council waive the restrictions of Section 2.4(a) of Build Toronto's Shareholder Direction solely for this transaction on terms and conditions satisfactory to the City Manager and in a form approved by the City Solicitor, in order to permit Build Toronto to facilitate the acquisition at below market value by Toronto Artscape of 15 affordable housing units at 505 Richmond Street West, Toronto through funds provided by an affiliate of Build Toronto.

Financial Impact

This report recommends City Council allocate affordable housing funding for 15 homes at 505 Richmond Street West, as summarized below.

<table>
<thead>
<tr>
<th>505 Richmond Street West</th>
<th>Value of Loan Per Unit</th>
<th>Total Support (15 Units)</th>
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<tbody>
<tr>
<td>Artscape / Build Toronto</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City (XR2116)</td>
<td>$25,000</td>
<td>$375,000</td>
</tr>
<tr>
<td>Build Toronto Contribution</td>
<td>$55,550</td>
<td>$758,250</td>
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<tr>
<td>Build Toronto Land</td>
<td>$49,928</td>
<td>$748,920</td>
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<tr>
<td>Federal/Provincial (IAH)</td>
<td>$35,750</td>
<td>$536,250</td>
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<td></td>
<td>$161,228</td>
<td>$2,418,420</td>
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</table>

The funding for affordable housing projects is cash flowed through the Operating Budget for Shelter, Support and Housing Administration (SSHA). Future year operating budget submissions will include the necessary IAH and DCRF funding for the advancement of the project based on project implementation schedule and construction timelines.

Contributions to the 15 homes are proposed from the federal/provincial Investment in Affordable Housing Program – Homeownership Component (IAH) and the City's Home Ownership Assistance Program (HOAP).

It is recommended that a total of $375,000 be provided from the HOAP. The HOAP is funded from the Development Charges Reserve Fund for Subsidized Housing (XR2116).
and funds are provided as $25,000 down-payment assistance loans for eligible lower-income purchasers.

This funding can be provided from the $2 million annually Council has approved for the program.

Council has provided delegated authority to the Director, Affordable Housing Office, to make allocations from the IAH. The Director proposes to provide up to $536,250.00 for up to 15 affordable ownership homes. Similar to the HOAP, IAH funds are delivered as down-payment assistance loans to eligible lower-income purchasers. Loans are in an amount up to 10% of the purchase price of the home.

The programs are applied together to deepen affordability for purchasers and make home ownership more accessible for lower-income households.

In accordance with the HOAP, the terms and conditions of the loans include:
- Maximum eligible unit sales price of $693,524, based on the Provincial definition.
- Eligible purchasers have maximum incomes meeting Provincial affordability threshold, currently $88,900 annually.
- The loans are registered as second mortgages on title of individual purchasers' homes.
- Loans from the IAH can be up to 10% of the purchase price.
- Loans are interest and payment-free but a share of capital appreciation is returned to the program on resale.

A change to the terms of the City's Home Ownership Assistance Program is recommended so that the down payment assistance loans no longer be forgivable after 20 years, but be repayable on sale of the home so that they may be used to assist additional purchasers through the program.

The uncommitted balance in the Development Charges Reserve Fund for Subsidized Housing (XR2116) is sufficient to support these recommendations. The sufficiency of the reserve is reviewed regularly by the Affordable Housing Office and on an annual basis as part of the City's operating budget process. There is also sufficient IAH funding available.

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

**Equity Impact**

Lack of access to safe, secure, affordable housing in complete communities is a barrier to lower-income Toronto residents. The recommendations in this report address this by delivering federal, provincial and city investments, in partnership with the non-profit and private development sectors, to create 15 affordable ownership homes.
Providing affordable housing serves equity-seeking groups such as lower-income residents, women, seniors, persons with disabilities, Aboriginal people, individuals with mental health issues and other vulnerable groups.

This initiative will contribute toward achieving the City's Housing Opportunities Toronto 10-year targets for new affordable ownership homes.

**DECISION HISTORY**

At its meeting of May 11 and 12, 2010, Council adopted Standardizing City Support for New Assisted Ownership Housing Opportunities that recommended creation of the Home Ownership Assistance Program funded by $2 million annually from the City's Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). The Council decision can be found here: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.26

On November 29, 30 and December 1, 2011, City Council adopted GM9.10, Transfer of Properties to Build Toronto and Declaration of Surplus - Fourth Quarter 2011, as amended, and among other matters, declared surplus the property municipally known as 497 Richmond Street West (and also having the convenience addresses of 505 and 511 Richmond Street West, 60 Brant Street and 17 Maud Street, collectively the "Property") with the intended method of disposal to be by way of transfer to Build Toronto, on an “as is” basis, for nominal consideration. The Decision Document is available at the following web link: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM9.10

On July 16, 17, 18 and 19, 2013, City Council adopted Item GM23.9 Transfer of 497 Richmond Street West to Build Toronto and approved terms of transfer for a stratified portion of the Property, being limited to 47.5 metres above grade, to Build Toronto. In addition, City Council authorized the City to enter into various other agreements in relation to that portion of the Property municipally known as 60 Brant Street as further described therein, including a Reciprocal Agreement, Relocation Agreement, and a long term lease agreement with Eva's Initiatives for Homeless Youth (“Eva's”). The Decision Document is available at the following web link: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM23.9

City Council on September 30, October 1 and 2, 2015, adopted EX8.15 505 Richmond Street West - Proposed YMCA Centre to support in principle 505 Richmond Street West as an appropriate site for a new YMCA facility. The Council decision can be found here: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.15

City Council on December 9 and 10, 2015 adopted EX10.18 Affordable Housing Open Door Program with amendments which detailed land, planning and financial actions aimed at enhancing the City's ability to deliver affordable housing and achieve its approved housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City’s
Development Charges Reserve Fund for Subsidized Housing (XR2116). The report informed Council of Build Toronto's 505 Richmond Street West property as an affordable housing pilot project opportunity. Staff will report further on financial and administrative implications of the Open Door Program to the June 20, 2016 Affordable Housing Committee, June 28, 2016 Executive Committee, and July 12, 13 and 14, 2016 City Council. The December 2015 City Council Decision document can be found here: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18

BACKGROUND

The surplus City property at 505 Richmond Street West was transferred to Build Toronto in 2011. Since that time, Eva's Initiatives for Homeless Youth ("Eva's") has taken on a long-term lease for an existing building on a portion of the site, with renovation to be funded by Eva's and Build Toronto. City Council has also funded and endorsed a proposed new YMCA Centre on the site. Build Toronto has sold the site to the Developer which plans to develop a multi-storey mixed-use building which will contain the YMCA.

Build Toronto has worked with Artscape, the Affordable Housing Office, and the Developer, in consultation with the Ward Councillor, Joe Cressy, to deliver 15 affordable ownership homes. Through Build Toronto's contributions, the homes will be provided to Artscape at a fixed below-market purchase price. The City will enter into an agreement with Artscape, Build Toronto, and the Developer to secure the purchase and financing of the Artscape Units at below-market value.

In 2010, Build Toronto entered into a Memorandum of Understanding (MOU) with the City of Toronto regarding the development of affordable housing on the surplus City sites. The MOU set targets for affordable ownership and rental homes and will be updated in 2016 under the Open Door Program and the City-Wide Real Estate Review. Build Toronto continues to work with the Affordable Housing Office to identify properties, funding sources and financial strategies to deliver affordable housing.

COMMENTS

This report outlines the affordable housing program for 505 Richmond Street West and recommends funding 15 affordable homes. This housing will be delivered under the City’s housing programs and secured by agreements with Build Toronto and the Developer which has purchased the site from Build Toronto.

To deliver the affordable ownership homes it is proposed that up to 15 loans from the IAH be provided to eligible purchasers. As per the provincial guidelines, the maximum eligible house price of $693,524 and household income under the program is currently $88,900 and the loans are valued at 10% of the home’s price, for an approximate IAH funding total for the 15 homes of $536,250.
This report also recommends that loans of $25,000 per home, for a total of up to $375,000, be made available from the City’s HOAP. In addition to the federal/provincial and City investments, Build Toronto, through its mandate to support affordable housing will provide a capital contribution of $758,250 and a land value contribution of $748,920, totalling $1,507,170.

In exchange for the government supports, the price of each of the 15 one-bedroom apartments is effectively reduced to $200,000 per home. Each home will have the combined City, Build Toronto and federal/provincial contributions secured by a "silent" no-interest/no-payment second mortgage. As in the past, Artscape will administer the mortgages under a funding agreement with the City.

Unique to its approach to affordable home ownership, Artscape will also ensure the affordability of the homes is maintained from one purchaser to the next by managing the resale process. Each successive purchaser of an Artscape Unit will be selected from a pre-approved list of eligible buyers managed by Artscape. The funding secured by the second mortgage remains with the home, and grows with each resale, providing affordability over the long term.

CONCLUSIONS

This initiative builds on the more-than 10-year partnership between the City and Artscape to deliver affordable housing under federal/provincial rental and ownership programs, the HOAP and through Section 37 and 45 arrangements.

It also demonstrates the effectiveness of the City's Open Door program in accelerating the creation of affordable housing and represents another example of a successful partnership between the City, Build Toronto, private Developers and the non-profit sector.

CONTACT

Erik Hunter
Manager, Policy and Partnerships
Affordable Housing Office
Phone: 416-397-4151
Fax: 416-392-4219
Email: ehunter@toronto.ca

SIGNATURE

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Sean Gadon
Director, Affordable Housing Office