



**STAFF REPORT
ACTION REQUIRED**

**Affordable Housing Contributions for Build Toronto's
5131 Sheppard Avenue East**

Date:	September 9, 2016
To:	Executive Committee
From:	Director, Affordable Housing Office
Wards:	Ward 42 Scarborough-Rouge River
Reference Number:	AFS #23014

SUMMARY

This report makes recommendations to implement City Council's 2013 direction to deliver 30% of the homes at the surplus City site at 5131 Sheppard Avenue East as affordable housing. The affordable housing plan for this site was developed in collaboration with Build Toronto and the developer, The Daniels Corporation and Diamondcorp, which has purchased the surplus City site.

Financial contributions are proposed to be made from the federal and provincial governments, Build Toronto and the City. Program funding is recommended to come from the new federal/provincial Social Infrastructure Fund and the City's Home Ownership Assistance Program.

The funds will be delivered as down-payment assistance loans to enable up to 102 eligible purchasers to buy one of the estimated 340 new homes to be built. The affordable homes will be distributed throughout the development.

5131 Sheppard Avenue East is east of Markham Road on the south side of Sheppard Avenue East in Ward 42 Scarborough-Rouge River.

RECOMMENDATIONS

The Director, Affordable Housing Office, recommends that:

1. City Council approve the allocation of up to \$2.55 million from the Development Charges Reserve Fund for Subsidized Housing (XR2116) for up to 102 down-payment assistance loans of \$25,000.00 to eligible purchasers of housing to be

developed on the property currently known as 5131 Sheppard Avenue East, under the terms of the City's *Home Ownership Assistance Program*;

2. City Council authorize the Director, Affordable Housing Office, to negotiate, enter into and execute, on behalf of the City, all affordable housing funding agreements, and any security, financing or other documents required with Build Toronto, the affordable housing developer, and any other party deemed necessary to facilitate the funding detailed in this report, on terms and conditions satisfactory to the Director, Affordable Housing Office, in consultation with the Deputy City Manager & Chief Financial Officer, and in a form approved by the City Solicitor; and
3. Council grant authority to the City Solicitor to execute, postpone, confirm the status of, and discharge any City security documents registered as required by normal business practices.

Financial Impact

This report recommends that City Council allocate funding for up to 102 homes at 5131 Sheppard Avenue East, in the form of down payment assistance loans, as summarized below.

5131 Sheppard Avenue East The Daniels Corporation / Diamondcorp / Build Toronto	Value of Loan Per Unit	Total Support (102 units)
City (XR2116) - HOAP	\$25,000	\$2,550,000
Federal / Provincial - SIF/IAH	\$35,000	\$3,570,000
Build Toronto	\$15,686	\$1,600,000
Total	\$75,686	\$7,720,000

City funding is provided under the terms of the City's *Home Ownership Assistance Program*, described in this report. It is recommended that \$25,000 for each home be provided from the HOAP for a total of up to \$2.55 million. The HOAP is funded from the Development Charges Reserve Fund for Subsidized Housing (XR2116) and funds are provided as down-payment assistance loans for eligible lower-income purchasers.

The federal/provincial funding is provided from the *Social Infrastructure Fund (SIF) – Homeownership Component*. Council has provided delegated authority to the Director, Affordable Housing Office, to make allocations from the SIF. The Director proposes to provide up to \$3.57 million for up to 102 affordable ownership homes. Similar to the HOAP funding, SIF funds are delivered as down-payment assistance loans to eligible lower-income purchasers. The SIF component of the loans are in an amount of up to 10% of a home's purchase price.

Build Toronto will contribute \$1.6M, which will be combined with the above program funds to provide larger down payment assistance loans, thereby deepening affordability and making home ownership more accessible for lower-income households.

The combined funding from the three sources will be registered on title of the affordable homes as no-payment, no-interest second mortgage loans. The loans will be repaid to the City with a share of appreciation in the value of the home when the original purchaser sells or refinances their home. The funds are then returned to the relevant City accounts and will be reused under the affordable ownership programs to assist future purchasers.

The uncommitted balance in the Development Charges Reserve Fund for Subsidized Housing (XR2116) is sufficient to support the recommendations of this report. There is also sufficient SIF funding available.

Depending on the timing requirements of the cash flows, currently forecast for 2017, the future years' Operating Budget submissions for Shelter, Support and Housing Administration will include SIF funding and DCRF funding with a \$0 net impact.

The Deputy City Manager & Chief Financial Officer have 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 contained in this report address this by delivering federal, provincial and city investments, in partnership with the development sector, to create up to 102 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 rental and ownership homes and supports the City's poverty reduction strategy.

DECISION HISTORY

City Council on July 12, 13, 14 and 15, 2016, adopted with amendments EX16.26 *Implementing the Open Door Affordable Housing Program* which provided financial and implementation details regarding the City's new initiative. Open Door aims to scale-up affordable housing development to better meet Council's annual targets of 1,000 new affordable rental homes and 400 new affordable ownership homes. Implementation matters addressed in the report include:

- a multi-year affordable housing investment plan to meet targets;
- a streamlined affordable housing incentives application process, and;
- expanded planning supports through the new Open Door Planning Service development application review process.

The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

City Council on July 12, 13, 14 and 15, 2016, adopted EX16.50 as amended *Request for Investment in Affordable Housing Program Delivery* to enable the City to participate in and benefit from the new federal/provincial Social Infrastructure Fund (SIF). The City has been allocated \$154.3 million through the SIF program for 2016 and 2017 to fund new affordable housing initiatives and repairs to existing social housing. The SIF is part of the federal government's plan to invest in infrastructure, including affordable and social housing, over the next 10 years. The Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.50>

City Council on July 12, 13, 14 and 15, 2016, adopted three items approving affordable housing contributions to Build Toronto developments:

1. 30 Tippet Road (Ward 10) EX16.28
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.28>
2. 2 Bicknell Avenue (Ward 12) EX16.29
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.29>
3. 505 Richmond Street West (Ward 20) EX16.31
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.31>

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). City Council also increased the City's target for new affordable ownership homes from 200 homes annually to 400, and extended HOAP funding to developers delivering affordable homes on public lands. The report also informed Council of Build Toronto's 5131 Sheppard Avenue East property as an upcoming affordable housing opportunity. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

City Council on July 16, 17, 18 and 19, 2013 adopted GM23.8 *Transfer of Properties to Build Toronto - Second Quarter 2013*, which recommended that a number of City properties be declared surplus for the purposes of transfer to Build Toronto, including 5131 Sheppard Avenue East. The City's terms and conditions of the transfer included that Build Toronto address the affordable housing interest in the Property by securing 30% of the future residential development on the site as affordable housing, and that the City's Affordable Housing Office prioritize available municipal, provincial and federal investments to assist in achieving the affordable housing. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM23.8>

City Council on May 11 and 12, 2010, adopted EX43.26 *Standardizing Support for New Assisted Ownership Housing Opportunities*, implementing a policy framework for the City funding to the Housing Ownership Assistance Program (HOAP), including eligibility criteria and the terms and conditions of the related second mortgage loans. City Council allocated \$2 million annually from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116) for the program. The Council Decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.26>

BACKGROUND

The surplus City property at 5131 Sheppard Avenue East was approved for transfer to Build Toronto in 2013. The developer has entered into an agreement to purchase the 3.6 acre site from Build Toronto and has worked in collaboration with Build Toronto and the Affordable Housing Office to deliver up to 102 affordable ownership homes (approximately 30% of those to be built). The developer will be submitting a Committee of Adjustment and Site Plan application for the site in September 2016 and the construction of a mix of townhouses and apartments is expected to begin in 2017.

In 2010, Build Toronto entered into a Memorandum of Understanding with the City regarding the development of affordable housing on surplus City sites. The MOU set targets for affordable ownership and rental homes and will be updated to reflect the results of the City-Wide Real Estate Review, currently underway.

COMMENTS

This report outlines the affordable housing program for 5131 Sheppard Avenue East and recommends funding for up to 102 affordable ownership homes. These homes will be delivered under the City's housing programs and secured by agreements with the developer and Build Toronto.

To deliver the affordable ownership homes it is proposed that up to 102 down-payment assistance loans be provided to eligible purchasers using funding from the federal/provincial SIF, the City's HOAP and Build Toronto. The combined funding will assist in providing the homes at more affordable prices to eligible lower-income families and individuals. SIF funding is valued at 10% of the home's price, for an approximate total SIF contribution of \$3.57 million. The City's HOAP funding is \$25,000 per home, for a total of up to \$2.55 million. In addition, Build Toronto will provide \$1.6 million or \$15,686 per home.

Each home will have the combined funding secured by a "silent" no-payment mortgage and the loan will be paid back to the City with a share of any capital appreciation, when the home is resold or refinanced. Given the value of the assistance, it is proposed that the loans not have a forgiveness date after which the mortgage would no longer be payable if the purchaser remained in the home.

The maximum household income to be eligible for the loans is set under the SIF program at \$88,900 and the loans will be applied to homes with market values currently estimated at between \$290,000 and \$370,000. The homes range from one-bedroom townhouses to one and two-bedroom apartments.

CONCLUSIONS

This affordable housing delivery plan represents another example of a successful partnership between the City, Build Toronto, and the private development sector. It also demonstrates the effectiveness of the City's Open Door program in accelerating the creation of affordable housing and fulfills the City's condition that 30% of the residential development on the site be affordable.

Build Toronto continues to work with the Affordable Housing Office to identify properties, funding sources and financial strategies to deliver new affordable housing opportunities for Torontonians.

CONTACT

Erik Hunter
Manager, Policy and Partnerships
Affordable Housing Office
Phone: 416-397-4251
Fax: 416-392-4219
Email: ehunter@toronto.ca

SIGNATURE

Sean Gadon, Director, Affordable Housing Office