

Providing Property Tax Exemptions for New Affordable Rental Homes at 55 & 57 Humewood Drive

Date: March 8, 2017
To: Affordable Housing Committee
From: Director, Affordable Housing Office
Wards: Ward 21 - St. Paul's

SUMMARY

Consistent with City policy, this report recommends that City Council exempt eight new affordable rental homes at 55 and 57 Humewood Drive in Ward 21 - St. Paul's, currently owned and operated by Humewood House, from property taxes for 50 years. The exemption will allow for more affordable rents for lower-income households consisting of young formerly homeless mothers and their children.

RECOMMENDATIONS

The Director, Affordable Housing Office, recommends that:

1. City Council exempt the eight new affordable housing units being converted at 55 and 57 Humewood Drive from taxation for municipal and school purposes for the term of fifty years from the date of first occupancy by the lower-income households, for which the units are intended.
2. City Council authorize the City Solicitor to execute, postpone, confirm the status of and discharge any City security documents registered as required by normal business practices.
3. City Council authorize City staff to cancel or refund any taxes paid from the by-law exempting the property from taxation.

FINANCIAL IMPACT

As this initiative is being funded by the federal-provincial Investment in Affordable Housing (2014) Extension Program, rents must remain at or below 80% of average market rents.

In keeping with City policy, this report recommends that City Council exempt eight new affordable rental homes at 55 and 57 Humewood Drive in Ward 21 - St. Paul's, currently owned and operated by Humewood House, from property taxes for 50 years.

The value of the annual property tax exemption at this property is estimated at \$6,112 at current rates. The net present value of this property exemption over the 50 year-term is estimated at \$157,276, with a further breakdown summarized below:

Property Tax	Annual	NPV- 50 Years
City	\$4,416	\$113,625
Education	\$1,670	\$42,978
Transit	\$26	\$673
Total:	\$6,112	\$157,276

A tax exemption would have no net present impact to the City for the educational portion of taxes remitted to the Province.

Development charges and planning and building fees have been waived for Humewood House in the amount of \$129,447. A summary of all incentives and City, federal, and provincial contributions is summarized below:

55 & 57 Humewood Drive		
Affordable Rental Homes	Value of Contribution Per Unit	Total Support (8 Units)
City Incentives (Development Charges, Planning and Building Fees, Tax Exemption)	\$ 35,840.38	\$ 286,723
City Funding for Land Purchase (XQ1106)	\$298,436.75	\$2,387,494
Federal/Provincial (IAH-E)	\$150,000	\$1,200,000
	\$484,277.13	\$3,874,217

*Select City Incentives only apply to net new units created within existing building shell

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

EQUITY IMPACT STATEMENT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year Housing Opportunities Toronto Action Plan 2010-2020. The

provision of new affordable housing is also a goal of the City's Poverty Reduction Strategy.

Providing property tax exemptions for eight affordable rental homes at 55 and 57 Humewood Drive will assist in making affordable housing more accessible to disadvantaged and lower-income families. This will improve their economic and social well-being.

DECISION HISTORY

At its meeting of October 15, 2016, City Council adopted CD14.14 "Update on the settlement with Christie Gardens" where Council authorized interim funding from the Social Housing Stabilization Reserve Fund, to permit Humewood House to complete the purchase of 55 and 57 Humewood Drive in advance of the settlement funds being received by the City from Christie Gardens Apartments and Care Inc.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD14.14>

At its meeting of July 12, 13, 14 and 15, 2016, City Council adopted CD13.2 "Authorization to Amend Christie Gardens' Social Housing Agreement" where Council authorized funding for the purchase of 55 and 57 Humewood Drive by the non-profit organization Humewood House for the purpose of expanding their existing transitional housing and support services program in the neighbourhood.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD13.2>

ISSUE BACKGROUND

Humewood House, located at 40 Humewood Drive, provides comprehensive supports and services to pregnant and parenting at-risk youth, ages 13 to 25, and their children. These young families face multiple barriers accessing safe and affordable housing. The organization provides wrap-around services including pre- and post-natal residential services, life skills, child care, educational programming and counselling, as well as transitional housing.

Located across the street from Humewood House's main facility, 55 and 57 Humewood Drive is a fourplex building that requires extensive renovations and upgrades to building systems that are at the end of their life cycles.

Humewood House will maintain the property as affordable rental housing by upgrading and modernizing building systems and converting it into eight self-contained apartments on two floors.

The property acquisition closed on October 21, 2016, transferring ownership to Humewood House. Planning approvals have been secured and a building permit has been issued. Renovations will start in March and be completed by the end of 2017.

Humewood House will develop an access plan acceptable to the City, to select the buildings' tenants, young homeless or formerly homeless mothers and their children. A total of \$1.2 million in federal-provincial funding from the Investment in Affordable Housing (2014) Extension has been approved by the Ministry of Housing for the renovations. Humewood House has also received relief from development fees and charges from the City, consistent with City policy for affordable rental housing. In addition, the City will provide eight rent supplements to increase affordability for the low-income single mothers.

These contributions, together with the recommended exemption from property taxes, were secured by a municipal capital facility agreement (a Contribution Agreement) dated November 14, 2016. An amendment to the Contribution Agreement will be made to reflect an extended affordability term of 50 years. As authority for the tax exemption had not yet been obtained, the agreement made the tax exemption conditional upon obtaining Council approval for the exemption.

COMMENTS

Addressing the housing needs of lower-income residents and supporting community based non-profits in delivering housing are central themes in the City's 10-year housing plan: Housing Opportunities Toronto 2010-2020. By providing City incentives, the threshold of affordability increases, and the long-term viability of community based non-profit organizations is enhanced.

This report recommends exemption from property taxes consistent for non-profit housing for the eight affordable homes at 55 and 57 Humewood Drive. Upon approval, Humewood House will enter into a Contribution Agreement, a municipal capital facility agreement, with the City to provide rents at or below 80% average market rents for 50 years. The obligations under the Contribution Agreement will be secured by a mortgage in favour of the City to protect the public investment.

In the event of a default, the Contribution Agreement will provide that the by-law providing the property tax exemption be repealed.

Approving this request will contribute to greater affordability for residents. The City will monitor the development for the 50-year Contribution Agreement to ensure the obligations of the agreement continue to be met.

Revenue Services, Shelter, Support and Housing Administration, Corporate Finance, Financial Planning, and City Legal divisions have been consulted in the preparation of this report.

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SIGNATURE

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