

Providing Property Tax Exemptions for New Affordable Rental Homes at 10 York Street

Date: March 8, 2017
To: Affordable Housing Committee
From: Director, Affordable Housing Office
Wards: Ward 20- Trinity-Spadina

SUMMARY

Consistent with City policy, this report recommends City Council exempt 12 new affordable rental homes at 10 York Street, Ward 20 Trinity-Spadina, to be owned and operated by Naismith Housing Co-operative Inc. ("Naismith Housing") from property taxes for 50 years. The exemption will allow Naismith Housing to provide more affordable rents to lower-income households.

10 York Street is a former City surplus site sold by Build Toronto to Tridel for the construction of a 725 unit residential condominium. Tridel will be providing to the City 12 new affordable rental homes within the new development.

RECOMMENDATIONS

The Director, Affordable Housing Office, recommends that:

1. City Council exempt the 12 new affordable housing units being developed at 10 York Street from taxation for municipal and school purposes for a term of fifty (50) years from the date Naismith Housing Co-operative Inc., or its successor corporation, takes title to the 12 units.
2. City Council authorize the Director, Affordable Housing Office, to negotiate, enter into and execute the municipal capital facility agreement with Naismith Housing Co-operative Inc. or its successor corporation, to ensure the creation of affordable rental units with at or below 80 percent of average market rents for the first 25 years, and at or below 100 percent of average market rents for the next 25 years, and any security, financing or other documents required, as well as any amendments thereto on terms and conditions acceptable to the Director, Affordable Housing Office, and in a form satisfactory to the City Solicitor.

3. City Council authorize the Director, Housing Stability Services, Shelter, Support and Housing Administration to execute consents as required to allow encumbrances on title to the property at 10 York Street, and transfer of the property at 10 York Street, from time to time.
4. City Council authorize City staff to cancel or refund any taxes paid from the by-law exempting the property from taxation.

FINANCIAL IMPACT

In keeping with City policy, this report recommends City Council exempt 12 affordable rental homes in the condominium building at 10 York Street, Ward 20 Trinity-Spadina, to be operated by Naismith Housing, from property taxes for 50 years.

The value of the annual property tax exemption at this property is estimated at \$10,128 at current rates. The net present value of this property exemption over the 50 year-term is estimated at \$260,606, further breakdown is summarized below:

Property Tax	Annual	NPV- 50 Years
City	\$7,317	\$188,276
Education	\$2,768	\$71,215
Transit	\$43	\$1,115
Total:	\$10,128.00	\$260,606

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

The City has previously waived development charges and planning and building fees of \$169,860 for Naismith Housing. A summary of all incentives and City, federal, and provincial contributions is summarized below:

10 York Street		
Affordable Rental Homes	Value of Contribution Per Unit	Total Support (12 Units)
City Incentives (Development Charges, Planning and Building Fees, Tax Exemption)	\$35,872.17	\$430,466
City Funding (Section 37)	\$433,333.33	\$5,200,000
	\$469,205.5	\$5,630,466

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 12 affordable rental homes at 10 York Street will assist in making affordable housing more accessible to lower-income people. This will improve their economic and social well-being.

DECISION HISTORY

At its meeting of May 7, 8, 9 and 10, 2013, City Council adopted TE23.5 "Final Report - 120 to 130 Harbour Street and 10 York Street - City-Initiated Official Plan Amendment to Allow Condominium Registered Rental Units" where Council amended the Official Plan, for the lands at 120 to 130 Harbour Street, 10 York Street to permit condominium registered affordable rental housing units at this location.

<http://www.toronto.ca/legdocs/mmis/2013/te/bqrd/backgroundfile-56839.pdf>

At its meeting of November 27, 28 and 29, 2012, City Council adopted TE20.8 "Final Report - 120 to 130 Harbour Street and 10 York Street - Official Plan Amendment and Zoning Amendment Applications" where Council required the owner to provide as a Section 37 benefit 12 units in the condominium develop to be provided as affordable rental housing units, and where Council requested the Chief Planner and Executive Director, City Planning Division to commence a City-Initiated Official Plan Amendment (OPA) process for the lands at 120 to 130 Harbour Street and 10 York Street for the purpose of permitting at this location the condominium registered affordable rental housing units, and for securing these units as a Section 37 benefit.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.TE20.8>

ISSUE BACKGROUND

Section 37 contributions of \$5.2 million from developments at 120 and 130 Harbour Street and 10 York Street were negotiated to secure affordable rental housing as a community benefit, at the request of the local Councillor. The local Councillor also requested that the affordable housing be in the form of a built contribution within the 725 unit residential condominium to be built by Tridel through the surplus property sale facilitated by Build Toronto.

A series of meetings were held with City Planning, the Affordable Housing Office, City Legal, the Councillor's office, and representatives of Tridel, the developer of 10 York Street, in order to determine the number and type of units to be provided and the financial and legal terms.

As a result, 12 units comprised of seven two-bedroom units and five one-bedroom units will constitute the affordable housing contribution. The units are scattered through the building from the ninth to the thirteenth floors.

The 12 units are to be conveyed to Naismith Housing Co-operative Inc, a new non-profit housing formed by the Co-operative Housing Federation of Toronto. The new co-operative has a founding Board of Directors of individuals experienced in property management and co-operative housing.

It is anticipated that the first six units will be completed and ready for occupancy in late 2017, and the second six units completed and ready for occupancy in mid-2018.

COMMENTS

Extending existing City incentives such as development charges and property tax exemptions to encourage housing developers to integrate affordable rental housing into new market condominiums is one of the recommendations in the City's 10-year housing plan: Housing Opportunities Toronto 2010-2020.

This report recommends exemption from property taxes for the 12 new affordable rental homes at 10 York Street. Staff have been working with representatives of Naismith Housing to ensure the new affordable housing will be well managed over the long-term and that there will be a fair and open access plan to select new and ongoing residents who will all be members of the new co-operative.

The comprehensive access plan developed by the Co-operative Housing Federation of Toronto (CHFT) and approved by the City has the following key elements:

- The affordable housing units will be targeted toward low-income individuals and families working in downtown Toronto, such as hospital workers, teaching assistants, day care workers, hospitality workers and others;
- Information meetings conducted by CHFT will be advertised online on the City's Housing Hub, the CHFT web site and in print advertisements. Applications will be available at these meetings;
- CHFT will conduct all due diligence on applications to ensure income verification is complete and all supporting documentation is provided to ensure affordable housing is targeted to those who need it;
- As it is anticipated that there will be considerable interest in the Naismith Housing, a lottery, supervised by City staff, will then be held to ensure an open and transparent process for selecting resident members; and
- Ongoing administration of vacancies would be addressed through a similar lottery.

Upon approval of the property tax exemptions, Naismith Housing will enter into a Contribution Agreement, a form of municipal capital facility agreement, with the City. The Contribution Agreement will outline the terms and conditions of resident selection as outlined above, reporting requirements and obligate Naismith Housing to provide the affordable housing at or below 80% average market rents for the first 25 years of the tax exemption, and below 100% for the balance of the 50 year-term. The obligations under the Contribution Agreement will be secured by a mortgage in favour of the City to protect the public investment.

Based on current levels, rents set at 80% would be \$910 for a one-bedroom and \$1,073 for a two-bedroom apartment for the first 25 years and adjusted annually based on Canada Mortgage and Housing Corporation ("CMHC") average market rents. Rents at this level are affordable for households with an annual income between approximately \$40,000-\$55,000 and paying 30% of their income for housing. Similarly, rents charged in years 26-50 will be guided by CMHC average market rents levels in affect at the time.

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

Approving this request will contribute to greater housing affordability for low-income residents. The City will monitor these homes during the 50 years of the Contribution Agreement to be entered into by Naismith Housing to ensure the obligations 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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