

### **Creating 600 Affordable Rental Homes at the West Don Lands and 27 Grosvenor/26 Grenville Sites**

**Date:** September 6, 2017  
**To:** Affordable Housing Committee, Executive Committee  
**From:** Director, Affordable Housing Office  
**Wards:** Wards 27 and 28

#### **SUMMARY**

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This report recommends that City Council approve proceeding with a unique opportunity to work with the Ontario Government as part of the development of Phase One of the Provincial Affordable Housing Lands Program, which will provide up to 600 much needed new affordable rental homes for Toronto residents.

The Ontario Government, as part of its Fair Housing Plan, has established a program to leverage provincial land assets to develop a mix of market housing and new, permanent, sustainable and affordable housing across the province.

The first phase of the provincial land program includes up to eight acres of land in the West Don Lands (Blocks 8/20 and 3W, 4W and 7W) and about one acre of land at 27 Grosvenor/26 Grenville Streets in Toronto. Thirty per cent of the residential Gross Floor Area (GFA) in these sites will be allocated to affordable rental housing which is estimated to create up to 600 affordable rental homes.

This fall, Infrastructure Ontario on behalf of the Ministry of Housing and Ministry of Infrastructure, through a broker-led process, will issue an offering of these prime downtown residential sites to private and not-for-profit organizations to develop approximately 2,000 market and affordable rental homes for Torontonians.

As the Phase One projects are in the pre-development stages and there is an interest in pre-planning the affordable components of the developments, this report recommends that the City pre-approve the Open Door Program's financial incentives to support the construction and operation of the new rental housing. It also recommends that City staff report to the Affordable Housing Committee In 2019 on the results of the first phase of the Provincial Land Program.

Open Door is a five-year initiative approved by City Council in July 2016. The program is designed to complement federal/provincial affordable housing initiatives and scale up

City efforts to achieve Toronto's targets of creating 5,000 affordable rental homes and 2,000 affordable ownership opportunities for low-and moderate-income residents by 2020.

## **RECOMMENDATIONS**

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The Director, Affordable Housing Office recommends that:

1. City Council authorize that the affordable housing to be constructed on the land now known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets, Toronto be exempt from the payment of development charges, building, planning and parkland dedication fees and charges.
2. City Council authorize an exemption from taxation for municipal and school purposes for the affordable housing to be constructed on the land now known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 26 Grosvenor/26 Grenville Streets, Toronto for the periods of affordability for each of the of time described in the chart in the Financial Impact section of this Report.
3. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the municipal capital facility agreement.
4. City Council authorize the Director, Affordable Housing Office, to negotiate and enter into, on behalf of the City, a municipal housing facility agreement, with the developers chosen through the broker led offering process for the development of the affordable housing to be constructed on the land now known as Blocks 8/20 and Blocks 3W/4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets, Toronto, or related corporations to secure the financial assistance being provided through the Open Door Program, setting out the terms of the operation of the new affordable rental housing, on terms and conditions satisfactory to the Director, Affordable Housing Office, in consultation with the Deputy City Manager, Chief Financial Officer and General Manager, Shelter, Support and Housing Administration, and in a form approved by the City Solicitor.
5. City Council authorize the Director, Affordable Housing Office, to execute, on behalf of the City, the municipal housing facility agreement, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by the applicants, or their related corporations to complete construction and conventional financing, where required.
6. 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.
7. City Council request the Director, Affordable Housing Office to report to the Affordable Housing Committee in 2019 on the results of the first phase of the Provincial Land Program in Toronto.

## FINANCIAL IMPACT

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This report recommends that City Council as part of the Open Door Program allocate financial incentives to support the creation of up to 600 affordable rental homes at three development sites: two development sites in the West Don Lands (WDL) and one development site at 27 Grosvenor/26 Grenville Streets.

The affordable housing plan proposes the investment of approximately \$27.9 million in City incentives (based on the City's 2017 fees, charges and tax relief estimates) for 600 affordable rental homes as summarized below.

Based on the City's 2017 fees, charges and tax relief estimates, this report proposes investment of approximately \$27.9 million in City incentives for 600 affordable rental homes as summarized below.

The Affordable Housing Office will report to Council in 2019 on the results of the first phase of the Provincial Land Program with updated number of affordable homes and the incentives amounts as this report is based on best available data at this time.

The City incentives for the 600 rental homes are within the approved five-year Open Door Program rental program plan. The financial incentives include relief from development charges, building permit, planning and parkland dedication fees as well as municipal property taxes. The estimated contribution of \$27.9 million is not a direct capital payment as it represents the forgiveness of City levies and is thus foregone revenue to the City.

	Site	Affordable Homes	Affordability Period	Fees and Charges	Net Present Value of Property Taxes	Total Value of incentives
1	West Don Lands	390	49 years	\$10,677,810	\$7,363,795	\$18,041,605
2	Grosvenor/Grenville	210	40 years	\$5,749,590	\$4,078,349	\$9,827,939
Total Phase 1		600	n/a	\$16,427,400	\$11,442,144	\$27,869,544

Municipal property tax relief for the West Don Lands site is recommended for the 49-year affordability term of the rental homes and the total value of the incentives includes an estimation of the net present value of a 49-year relief.

Municipal property tax relief for the Grosvenor/Grenville sites is recommended for the 40-year affordability term of the rental homes and the total value of the incentives includes an estimation of the net present value of a 40-year relief.

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

## **EQUITY IMPACT STATEMENT**

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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.

The new affordable homes realized through this opportunity provide a mix of housing opportunities for low- and moderate-income households, including singles, couples and families.

## **DECISION HISTORY**

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City Council on May 17-19, 2005 directed the Chief Planner and Waterfront Project Director that the City enter into a binding agreement with the Waterfront Toronto and the Province to secure the provisions of the West Don Lands Affordable Housing Delivery Strategy including reserving sufficient land that is serviced, remediated and free of charge, for the development of new, affordable rental units in an amount comprising at least 20 percent of the total residential units to be built in the West Don Lands. The City Council Decision can be found here:

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl001.pdf>

City Council on August 5 and 6, 2009 adopted EX33.47 Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020 as the plan to address Toronto's affordable housing challenges over 10 years. The City Council Decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.47>

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 City Council Decision can be found here:

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

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. The Open Door Program Staff report for action on Pre-Development Support for Three Affordable Housing Sites 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) A multi-year affordable housing investment plan to meet targets;
- b) A streamlined affordable housing incentives application process; and
- c) Expanded planning supports through the new Open Door Planning Service development application review process.

The City Council Decision is available here:

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

## COMMENTS

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City Council adopted the Open Door Program to support the creation of affordable rental and ownership homes for low and moderate income residents. At the same time City Council urged the federal and provincial governments to contribute surplus land to support the construction of affordable housing.

In April 2017, the Ontario Government, as part of its Fair Housing Plan, announced that it would establish a program to leverage provincial land assets to build more affordable housing across the province including the West Don Lands (Blocks 8/20 and 3W, 4W and 7W) and 27 Grosvenor/26 Grenville Streets in downtown Toronto.

Through the Phase One of the program, the Province will support the construction of new rental housing in mixed income developments. This will be accomplished through a process of either long-term land leases or sales with reduced land values. The offering process will commence in September 2017.

The two projects are in the pre-development stages and there is an interest by the City and the Province to pre-plan the inclusion of affordable housing as a component of the offering process to be issued by the Ontario Government this fall. The pre-determined Open Door eligibility will ensure that affordable housing is guaranteed to be included by the successful applicants.

The Provincial Affordable Housing Lands Program has been informed through a staff working group process involving staff from Infrastructure Ontario, The Ministry of Housing, The Ministry of Infrastructure and City staff from the City Manager's Office, Affordable Housing Office, City Planning, Shelter, Support & Housing Administration, Children's Services and Social Development and Finance Administration.

## **West Don Lands**

### *Proposal Summary*

The plan for the West Don Lands site proposes that 30% of the entire residential GFA be affordable rental housing (of which 5% will be accessible). This is expected to create up to 210 affordable homes in Blocks 8/20 and up to 180 homes in Blocks 3W, 4W and 7W for a total of some 390 affordable homes for low- and moderate-income households. Future residents are to be on or eligible to be on the City's waiting list for affordable/social housing.

The proposed development will be a mixed market and affordable development. The program calls for 50% of the affordable homes (across all bedroom types) rented at 100% of City wide average market rent (AMR), 40% of the affordable homes rented at 80% AMR, and 10% of the affordable homes rented at 40% AMR.

Average market rents per unit type are included in Attachment 1. The affordable rents will be updated to the year the development opens. In new developments where hydro is metered separately for each unit and residents are required to pay the hydro costs directly, the maximum monthly rents are set at AMR, less a hydro allowance, as determined and updated annually by the City.

The proposal document will provide for opportunities for non-for-profit organizations to work with the private sector to deepen the affordability levels through rent supplements and/or housing allowances.

It will be a requirement that the affordable homes development include a range of bedroom types, including 40% 1-bedroom, 40% 2-bedroom, 10% 3-bedroom and 10% 4-bedroom homes. The successful Proponent will be required to operate the affordable housing component as affordable for the duration of the lease term from the Province. As the Province will retain ownership of the lands, affordability in perpetuity is possible.

The Province will also require the new development to meet the Toronto Green Standards and qualify for LEED GOLD certification.

### *Planning Approvals*

Blocks 8/20 were included in the Phase 2 Plan of Subdivision for the West Don Lands. The Blocks have been zoned and serviced in accordance with the overall planning direction outlined in Council endorsed West Don Lands Precinct Plan (May 2005) and Block Plan and Design Guidelines (May 2011).

Blocks 3W, 4W and 7W will require the submission of the following development applications before projects can proceed: Plan of Subdivision, Zoning By-law Amendment and a Lifting of 'h'. As a result of eligibility for the Open Door Program City staff would look to expedite the approval processes to enable an early construction start.

In the development of the West Don Lands site, the Province will continue to work with Waterfront Toronto and the City, in consultation with the local community, to deliver on a range of public policy expectations, community services and facilities as envisioned in the Precinct Plan.

### *The Proposed Land Transaction*

The Province will offer the West Don Lands sites on a 49-year lease. The below market lease payments will assist in subsidizing the construction cost of up to 390 affordable rental homes.

### *The West Don Lands Affordable Housing Delivery Agreement*

In 2009 the City, Province and Waterfront Toronto entered into an agreement which required the Province to make lands available to accommodate 20% of the homes in the West Don Lands as affordable rental housing. The lands are required to be serviced, remediated and free of charge on a long term leased basis.

To satisfy the 2009 Agreement the province is proposing to provide 30% of the anticipated residential GFA for the proposed development blocks as affordable rental housing. City staff are recommending that the provincial affordable housing plan for the West Don Lands be approved as it will result in the following positive outcomes:

- Deliver new rental housing, including the construction of about 390 affordable homes ready for occupancy, while the 2009 Agreement required delivery of land only.
- Contribute to the joint vision of a mixed-income development by delivering deeper levels of subsidy to residents than required by the 2009 Agreement.
- Provide a much needed mix of affordable rental homes, including three and four bedroom homes for families.
- Provide an opportunity for private and non-profit partnerships constructing and/or operating affordable housing for a minimum 49 years.
- The sites will remain in public ownership over the long-term.

## **27 Grosvenor/26 Grenville Streets**

### *Proposal Summary*

The plan calls for 30% of the entire residential gross floor area on this site to be affordable rental housing (of which 5% will be accessible). This is intended to create up to 210 homes within a mixed-income rental development. These rental homes will remain affordable for a minimum of 40 years. Future residents will be on or be eligible to be on the City's waiting list for affordable/social housing.

The plan will outline the requirement for a mixed market and affordable residential development with 50% of the affordable homes (across all bedroom types) rented at 100% of City wide average market rent (AMR), 40% of the affordable homes (across all bedroom types) rented at 80% AMR, and the remaining affordable homes rented at 40% AMR.

Average market rents per unit type are included in Attachment 1. The affordable rents will be updated to the year the development opens. In new developments where hydro is metered separately for each unit and residents are required to pay the hydro costs directly, the maximum monthly rents are set at AMR, less a hydro allowance, as determined and updated annually by the City.

The offering process will provide opportunities for non-profit organizations to work with the private sector to deepen affordability levels through rent supplements and/or housing allowances.

The proposed development will also include a range of bedroom types with 40% of the affordable homes 1-bedroom, 40% 2-bedroom, and 20% 3-bedroom homes. These homes will remain affordable for a minimum of 40 years.

The Province will also require the new development to meet the Toronto Green Standards and qualify for LEED GOLD certification.

### *Planning Approvals*

The Grosvenor/Grenville sites would require an application for rezoning, site plan approvals and applications to the Committee of Adjustment (severance and minor variance). As a result of eligibility for the Open Door Program City staff would look to expedite the approval processes to provide for an early construction start. The applications will be subject to the planning process including public consultation and Council approval.

### *The Proposed Land Transaction*

The transaction structure for the Grosvenor/Grenville site is a land sale. The Province will leverage the high land value of the site through a below market land sale to assist in subsidizing the construction cost of up to 210 affordable homes at the Grosvenor/Grenville site.

## **Conclusion**

This report recommends approval of a comprehensive incentive package to complement the Provincial Affordable Housing Lands Program to deliver up to 600 affordable rental homes in downtown Toronto. This will assist in making affordable rental housing accessible to low- and moderate-income residents and will also improve the City's economic and social well-being.

This report is prepared in consultation with City Planning, Waterfront Secretariat, Shelter, Support & Housing Administration, Corporate Finance, Financial Planning, City Legal and Real Estate Services.

## **CONTACT**

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## **SIGNATURE**

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Sean Gadon  
Director  
Affordable Housing Office

## **ATTACHMENTS**

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Attachment 1 - Average Market Rents Per Unit Type  
Attachment 2 - Site Locations

## ATTACHMENT 1 - AVERAGE MARKET RENTS PER UNIT TYPE

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<b>Unit Type</b>	<b>100% AMR</b>	<b>80% AMR</b>	<b>40% AMR</b>
Bachelor	\$962	\$770	\$385
1-bedroom	\$1,137	\$910	\$455
2-bedroom	\$1,341	\$1,073	\$526
3+bedroom	\$1,544	\$1,235	\$618

Source: CMHC Rental Market Report Fall 2016

## ATTACHMENT 2 - SITE LOCATIONS

Figure 1- The West Don Lands Sites in Downtown Toronto



Source: CBRE Limited, Real Estate Brokerage

## ATTACHMENT 2 - SITE LOCATIONS

Figure 2- Grosvenor/Grenville Sites in Downtown Toronto



Source: CBRE Limited, Real Estate Brokerage