

Modernization of 389 Church Street

Date: January 10, 2018
To: Executive Committee
From: Director, Affordable Housing Office
General Manager, Shelter, Support and Housing Administration
Wards: Ward 27 - Toronto Centre-Rosedale

SUMMARY

This report seeks funding authority for the modernization of an under used building at 389 Church Street ("the Property"), owned by Toronto Community Housing Corporation (TCHC) and recommends approval of a combination of City funding, together with capital funding from the Province of Ontario's Home For Good program.

On December 11, 2017, the TCHC Board approved in principal the modernization and financing requirements to facilitate the transformation of 389 Church Street into self-contained affordable housing and authorized the Chief Executive Officer to execute the necessary agreements to implement the modernization program and transfer the building to a non-profit housing provider.

Operating funding will also be provided annually, once the modernization is complete, from the Home For Good program for comprehensive staff supports and housing subsidies.

The report also seeks authority for the Affordable Housing Office, in consultation with TCHC and Shelter, Support and Housing Administration, to issue a request for proposals seeking a qualified non-profit housing provider who, upon completion of the modernization, will own 389 Church Street and operate the 120 affordable rental homes with supports for women. The operator will also assume the TCHC Home for Good loan and be the recipient of the provincial affordability payments.

Approval of the recommendations in this report support the objectives of providing affordable housing, reducing emergency shelter use and reducing the financial pressures impacting TCHC. It also fulfills the commitment to assist 69 former female residents to return to 389 Church Street under the terms of the tenant relocation plan.

RECOMMENDATIONS

The Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration, recommend that:

1. City Council authorize the Director, Affordable Housing Office to provide funding in the form of a capital grant by way of a forgivable loan in the amount of \$8,800,000 from the Social Housing Stabilization Reserve (XQ1106), \$1,738,000 from the Section 37 Reserve Fund (XR3026) and \$3,700,000 from the Development Charges Reserve Fund (XR2116) to Toronto Community Housing Corporation or a related corporation, to fund the construction activities at 389 Church Street.
2. City Council authorize that the development at 389 Church Street be exempt from the payment of development charges and be exempt from the payment of planning and parkland dedication fees and building permits under existing City policy.
3. City Council exempt the new affordable housing units to be developed at 389 Church Street from taxation for municipal and school purposes for the term of the municipal capital facility agreement.
4. City Council authorize the Director, Affordable Housing Office to submit a request to the Ministry of Housing for funding through the Province of Ontario's Home For Good program, in the amount of \$17,850,000 to be used by Toronto Community Housing Corporation to pay the construction loan for the development of the affordable housing units at 389 Church Street.
5. City Council authorize the Director, Affordable Housing Office to negotiate, enter into, and execute on behalf of the City, a municipal housing facility agreement (the City's Contribution Agreement), with Toronto Community Housing Corporation, to secure the financial assistance, being provided and to set out the terms of the development and operation of the new affordable rental housing, on terms and conditions satisfactory to the Director, Affordable Housing Office and the General Manager of Shelter, Support and Housing Administration in a form approved by the City Solicitor.
6. City Council authorize the Director, Affordable Housing Office to execute, on behalf of the City, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by Toronto Community Housing Corporation, a related corporation or the assignee of the municipal capital facility agreement or its mortgagee(s) to complete construction and conventional financing and subsequent refinancing, where and when required during the term of the municipal housing facility agreement.
7. City Council authorize the City Solicitor to execute, on behalf of the City, any postponement, confirmation of status, discharge or consent documents relating to the security given to secure the Contribution Agreement entered into with Toronto Community Housing Corporation, a related corporation, or the assignee of the municipal

capital facility agreement, for the construction and operation of affordable rental housing at 389 Church Street, Toronto, as required by normal business practices.

8. City Council delegate authority to the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to approve the Affordability Payment Schedule and any updates required under the Home for Good program.

9. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to allocate an amount, not to exceed \$350,000, of the capital funding, for which authority is being sought in Recommendation #1, to the Fred Victor Centre for relocation costs to be incurred by it as a result of the modernization of 389 Church Street.

10. City Council authorize the Director, Affordable Housing Office, in consultation with Toronto Community Housing Corporation and Shelter, Support and Housing Administration, to issue a competitive proposal call to non-profit housing with supports providers and to select the most qualified proponent to own and operate 389 Church Street, under transfer from Toronto Community Housing Corporation and in accordance with the Home for Good operating funding program guidelines.

11. City Council authorize the Director, Affordable Housing Office to negotiate and enter into, on behalf of the City, an assignment of the municipal capital facility agreement, to be entered into by Toronto Community Housing Corporation to the non-profit selected through the competitive proposal to be issued by the City.

12. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to make the necessary budget adjustments to the Approved 2018 City Operating Budget for Shelter, Support and Housing Administration, to utilize and spend (net \$0) affordable housing funding from the capital and operating allocation from the Home For Good Program, with future year requests subject to Council approval through the annual budget process.

13. City Council authorize the General Manager, Shelter, Support and Housing Administration to provide as required such Service Manager consents pursuant to the Housing Services Act (HSA), 2011 as may be necessary to carry out the foregoing recommendations.

Implementation Points

The design drawings and specifications for this modernization project are in the final stages of completion. To meet the construction timelines under Home For Good program, TCHC and the City will work together to ensure the interior demolition work can commence before the spring of 2018.

The City has entered into a Transfer Payment Agreement with the province and \$17.85 million in capital funding has been secured for the 389 Church Street project. The

capital component of the Home For Good program will be delivered as monthly affordability payments over 20 years once the project is completed in 2019.

Subject to Council approval, a request for proposal will be issued by the Affordable Housing Office, in consultation Toronto Community Housing Corporation and Shelter, Support and Housing Administration, in 2018 to secure a long-term non-profit housing with support owner/operator for the property.

FINANCIAL IMPACT

This report recommends the capital funding required to complete the modernization at 389 Church Street. The projected capital cost to complete the project is \$34.6 million.

Capital funding of \$10.538 million is committed to this initiative, and available, in XQ1106, the Social Housing Stabilization Reserve and in XR3026, the Section 37 Reserve Fund. Council previously authorized \$500,000 as an increase to the 2017 Approved SSHA Operating Budget for pre-development work currently in progress. \$3.7 million is also available in the Development Charges Reserve Fund XR2116 for this project.

\$17,850,000 in capital funding through the Province of Ontario's Home for Good program has been secured for the 389 Church Street modernization project. Operating funding for support staffing and housing subsidies is also available through the provincial Home For Good program.

The capital funding requested in this report is outlined below:

Capital Funding		
Funding Source	Value of Contribution Per Unit	Total Support (120 Units)
City Funding from the Social Housing Stabilization Reserve XQ1106	\$73,333	\$8,800,000
City Funding from the Section 37 Reserve XR3026	\$14,483	\$1,738,000
Pre-Development Funding (SSHA 2017 Operating Budget)	\$4,167	\$500,000
City Funding from the Development Charges Reserve Fund XR2116	\$30,833	\$3,700,000
Provincial Funding from Home For Good Program (Affordability Payments)*	\$148,750	\$17,850,000
Toronto Community Housing Take Out Mortgage Financing	\$16,717	\$2,006,002
Total	\$288,283	\$34,594,002

* HFG funding was submitted for 119 units. Design drawings have increased project to 120 units

The capital component of the Home For Good program will be delivered as monthly affordability payments over 20 years once the project is completed, projected to be in 2019. In other words, the program covers the principal and interest payments on a mortgage of \$17.85 million.

Prior to construction, TCHC with the concurrence of the City, will secure construction financing of \$19.856 million to augment the total capital budget of \$34.6 million. \$17.85 million of the construction financing will be repaid through provincial affordability payments which will begin at occupancy and the balance of \$2.0 million will be serviced through operating rental revenue. The capital budget will provide for interest during the construction phase.

Following completion and upon a transfer of the building to a non-profit housing provider, the provider will assume TCHC's financing and repay TCHC \$19.856 million.

In addition, operating funding will be provided annually, contingent on program renewal, from the Home For Good program for housing supports and housing subsidies. Both sources of provincial funding will start in Q3 2019 when the construction is scheduled to be completed and occupancy permitted. A portion of the operating funding and rents charged by the non-profit operator will be used to pay the share of the mortgage that will be required over and above the funded amount of \$17.85 million.

Tenants will be assessed for eligibility and provided with other assistance available through the Home For Good program (i.e., housing subsidies and comprehensive staff supports). The funding will start when the construction is completed and occupancy permitted.

Operating models completed and reviewed by TCHC and City Staff shows a positive net operating income post-construction. Staff are confident that the project will be sustainable in the long term.

Under existing City policy, the project is exempt from City Planning and Toronto Buildings fees. The building already benefits from a property tax exemption that can be assigned by TCHC. The estimated value of City incentives for this project is \$3,848,090 or approximately \$32,067 a unit.

City Incentives For 389 Church Street		
Affordable Rental Homes	Value of Contribution (Per Unit)	Total Support (120 Units)
City Incentives (Waivers of Development Charges, Planning and Building Fees, Property Tax Exemption)	\$ 32,067	\$3,848,090
Total	\$32,067	\$3,848,090

**Property Tax Exemption is based on 20 year affordability term to match Federal/ Provincial Funding.

The value of the annual property tax exemption is estimated at \$96,407 at current 2017 rates. The net present value over a 20 year-term, included in the table above, is estimated at \$1,434,290 as summarized below:

Property Tax	Annual	NPV- 20 Years
City	\$69,982	\$1,041,158
Education	\$26,082	\$388,028
City Building	\$343	\$5,104
Total:	\$96,407	\$1,434,290

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

The Acting 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 Housing Opportunities Toronto Action Plan 2010-2020 and the Housing Stability Service Planning Framework. Providing new affordable housing is also a goal of the City's Poverty Reduction Strategy. The modernization of 389 Church Street will provide housing opportunities with support for women and assist the City in ensuring that long-term affordability targets are maintained.

DECISION HISTORY

At its meeting on December 11, 2017, Toronto Community Housing Board of Directors adopted TCHC 2016-60 "Possible Renovation of 389 Church St", providing agreement, in principle, to the City's Affordable Housing Office for their funding proposal to help Toronto Community Housing revitalize 389 Church Street and transfer the renovated 120 unit supportive housing facility to a supportive housing provider.
<https://www.torontohousing.ca/events/Documents/Board/December%2011,%202017/Item%209%20-%20Possible%20Renovation%20of%20389%20Church%20St.pdf>

At its meeting on November 7, 8 and 9, 2017, City Council adopted EX28.10 "Home for Good Program Implementation Plan", authorizing the operating budget adjustments necessary to implement the Home For Good provincial housing program, and authorizing the General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office, to utilize the allowable administrative component of the City's operating allocation to hire a project team to deliver the objectives of the new housing program.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.10>

At its meeting on October 2, 3 and 4, 2017, City Council adopted EX27.17 "Authority for the City to Take Part in Province's Home for Good Program - \$90 Million Allocated to Toronto", authorizing the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office to enter into necessary agreements to participate in the Home for Good provincial housing program, including the allocation earmarked for 389 Church Street.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.17>

At its meeting on April 26, 27 and 28, 2017, City Council adopted E24.13 "Providing New Housing Opportunities at 389 Church Street" where Council authorized the Director, Affordable Housing Office to execute on behalf of the City agreements to fund TCHC \$500,000 in pre-development funding to commence due diligence and design work.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.13>

At its meeting on September 30, 2015, City Council adopted EX8.10 "Next Steps in the Modernization of 389 Church Street" where Council authorized the General Manager, SSHA to report through the 2016 budget process on the City's portion of the capital investments required for the project and work with TCHC and other agencies to relocate tenants at 389 Church Street for the purposes of redevelopment.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.10>

At its meeting on July 7, 8, and 9, 2015, City Council adopted EX7.17 "Under One Roof - A Housing Solution for Women and Children at 389 Church Street" where Council approved the renovation of 389 Church Street over time to create permanent affordable housing with the interim provision of up to eight floors for transitional housing and shelter services for women and children from the WoodGreen Red Door Shelter and the YWCA Beatrice House, and authorized the General Manager SSHA, to undertake due diligence and report to Executive Committee in the fall on next steps and capital budget requirements and sources of capital and operating funds required to undertake the initiative.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX7.17>

BACKGROUND

The property at 389 Church Street is a vacant underutilized 13-storey TCHC building on the north-east corner of Church and Granby Streets just south of Carlton Street in Ward 27 Toronto Centre-Rosedale.

The building was constructed in the early 1970s on a shared living model with the interior of the building designed with clusters of sleeping units and shared kitchens and washrooms. The building has fallen into considerable disrepair with over \$4.0 million in capital repair backlogs, and the living model is no longer appropriate to meet the needs of residents.

In preparation for the modernization, TCHC has relocated 69 female residents to other accommodation within their portfolio. Residents have a right to return when the modernization is completed. The Fred Victor shelter program for women was relocated from the building at the beginning of January 2018.

Providing Funding for the Modernization

The catalyst for the modernization at 389 Church Street is a combination of City capital and provincial capital and operating Home For Good program funding.

The provincial program is aimed at assisting people who are experiencing homelessness to secure and maintain housing with the appropriate supports. The program is targeted specifically at those who are chronically homeless, homeless youth, Indigenous people who are homeless, and/or people leaving institutional care into homelessness.

The City was successful in securing \$90,086,805 in capital and operating funding from the new provincial Home For Good supportive housing program from October 2017 to March 2020. The new program will assist the City in its goal of reducing homelessness and shelter occupancy pressures by creating up to 2,000 new housing with supports opportunities for people who are homeless in Toronto.

Capital Component

The Home For Good program provides capital support through monthly affordability payments that flow through the City, intended to cover the mortgage payments for the funded amount, thereby assisting in obtaining mortgage financing, as the payments are guaranteed. Projects receive up to \$150,000 per unit and must remain affordable for a minimum of 20 years.

Operating Component

Though the Home For Good program, all capital projects are provided with operating funding in the form of a housing subsidy (housing allowances and/or rent supplements) as well as support services to assist eligible tenants to live in permanent housing independently with the supports provided. This housing subsidy bridges the gap between what a tenant can afford based on their Ontario Works or the Ontario Disability Support Program shelter allowance and the 80% average market rent the program requires.

The operating funding to be provided is estimated at \$1.5 million annually. Housing supports will total approximately \$1.1 million with average funding at \$7,000 per unit for 60 units and \$10,500 per unit for the balance of 60 units, as it is anticipated that there will be a mix of needs among tenants. Ongoing operational support will be leveraged through federal/ provincial housing programs.

Housing subsidies will approximately total \$400,000 annually and will be finalized closer to occupancy. If returning tenants bring rent supplements back with them, fewer additional housing subsidies will be required.

COMMENTS

The modernization plan for 389 Church Street provides for the demolition of the interior dormitory style configuration and the construction of 120 new self-contained one and two-bedroom units.

The work includes the extensive removal and replacement of all major building components including provisions to meet modern building, fire, mechanical, electrical and accessibility requirements.

Accessibility will be enhanced by the addition of a new elevator. The exterior wheelchair ramp will be extended and all exterior windows systems will be replaced to increase energy efficiency and resident comfort.

Role of Toronto Community Housing Corporation

TCHC has retained a design team led by Hilditch Architects to determine the extent of the architectural, engineering and structural work required to modernize the building.

To mitigate risk and control costs, TCHC and City staff along with the consultant team have built in design and construction contingencies following industry best practices.

A cost consultant was also hired to estimate full capital requirements. The cost to construct estimate is based on design guidelines and requirements provided by TCHC in consultation with the City's Affordable Housing Office. Two rounds of costings have been completed to refine the budget based on building specifications.

Upon completion of the working drawings and specifications, TCHC will undergo a procurement process to secure and enter into a Construction Management Contract. This construction approach is beneficial as it allows for more competitive pricing from construction trades, enables a faster construction start, and allows for more control over cost and time.

As proposed in this report, TCHC will undertake the modernization and, as the overall project manager, will hire the consultants and contractors necessary to complete the modernization.

Direct funding from city reserves and budget allocation will provide up front capital in the amount of \$14.738 million. TCHC will secure the necessary construction financing that will be required to complete the modernization in the amount of \$19.856 million, to be paid out as a mortgage payment by the Home For Good program to a total of \$17.85 million and a \$2.006 million residual to be mortgaged by TCHC.

Selection of a Non-Profit Owner/Operator

In 2018 a proposal call will be issued by the City, Affordable Housing Office, in consultation with Toronto Community Housing Corporation and Shelter, Support and Housing Administration, for a non-profit owner/operator for the building.

The Request for Proposals will set out the need for the owner/operator to have the experience in operating programs for vulnerable women and a demonstrated ability to own and manage the building and provide the appropriate resident services and supports, consistent with the Home for Good operating program guidelines. It will also confirm the access plan requirements and referrals of eligible women who are experiencing homelessness.

Should an appropriate non-profit housing provider be found, the non-profit housing provider would be required to make a capital payment to TCHC, in full for the modernization costs and operate the building as affordable housing for a minimum of 20 years to match the affordability term in the Home For Good program.

The Home For Good Contribution Agreement would be made assignable by the City, to the non-profit housing provider in order to enable them to secure a mortgage against the guaranteed provincial funding and transfer affordability requirements to the group over the term of the agreement. TCHC would transfer title to the property.

CONCLUSION

This report provides the recommendations to approve the final plans and funding required to proceed with the modernization of the TCHC building at 389 Church Street.

Upon approval of this report, the City will enter into a Contribution Agreement with TCHC to proceed with the interior demolition and construction in the spring of 2018.

The Affordable Housing Office, in consultation with Toronto Community Housing Corporation and Shelter, Support and Housing Administration Shelter, Support and Housing Administration, will also undertake the process of identifying a long-term non-profit owner/operator.

The modernization is proposed to be completed by Q3 2019, at which time eligible former residents will be provided the opportunity to return and new affordable housing with support opportunities will be available to other women experiencing homelessness.

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