

Creating New Purpose-Built Affordable Rental Homes in R6 Bayside Waterfront District

Date: June 11, 2018
To: Affordable Housing Committee
From: Director, Affordable Housing Office
Deputy City Manager, Internal Corporate Services
Wards: Ward 28, Toronto Centre-Rosedale

SUMMARY

There is an interest in planning the second affordable rental housing site in the East Bayfront district in an effort to expedite development and to ensure the inclusion of a mix of housing opportunities for low-and-moderate income residents.

This report recommends that City Council approve proceeding with an opportunity to work with Waterfront Toronto as part of the development of the second affordable housing site identified as R6 in the Bayside neighbourhood (shown in Attachment 1). The development of R6 will provide approximately 215 much-needed purpose-built affordable rental homes in Toronto's Waterfront community.

Bayside is one of the first new neighbourhoods developed in the East Bayfront. It is comprised of public lands in which Waterfront Toronto has the lead in revitalizing. The Central Waterfront Secondary Plan, the East Bayfront Precinct Plan and the East Bayfront zoning by-law require that 20% of all residential units be affordable rental housing.

In 2010, City Council granted authority for the City, as owner of the Bayside Lands, to enter into a Land Development Agreement (LDA) with the Hines Canada Management Company II ULC (Hines) for the development of the Bayside Lands. The LDA set out the terms and conditions under which the City and Hines were to work together in ensuring the development of affordable rental housing in Bayside. Under the agreement, Hines has a right of first refusal to develop R6, and if exercised, the City has the discretion to accept or reject any offer. This report seeks authority to pursue a competitive proposal call process in collaboration with Waterfront Toronto for the affordable housing on R6, and in accordance with the terms and conditions of the LDA.

Building on the success of phase one of the Bayside affordable housing development, as well as the recently implemented Provincial Lands Program model which facilitated affordable housing development through reduced land value, this report recommends that Council authorize the Director, Affordable Housing, in collaboration with Waterfront Toronto, to issue a competitive proposal call for development of the City-owned site under a 99-year lease arrangement at below-market value. The reduced land value lease will assist in realizing the development of approximately 215 affordable rental units which will be operated by a non-profit housing provider over the term of the lease.

Further to the above, this report also recommends that Council pre-approve the Open Door Program's financial incentives for the new affordable rental housing units.

Council approval of the recommendations in this report will allow staff to move ahead with the next steps towards the development of R6.

RECOMMENDATIONS

The Director, Affordable Housing Office recommends that:

1. City Council authorize the Director, Affordable Housing Office, in consultation with Waterfront Toronto, to offer the City-owned lands, known as R6 Bayside, the second affordable housing site in the East Bayfront district, for lease for a 99 year term, at below-market rent, through a competitive proposal call in order to stimulate purpose-built rental housing, including approximately 215 new affordable rental homes at the site to be operated by a non-profit housing provider.
2. City Council authorize the Director, Affordable Housing Office to offer the incentives to build affordable rental housing that are offered through the Open Door Program to the Proponents responding to the competitive proposal call to be issued pursuant to recommendation #1, for approximately 215 new affordable rental housing units.
3. City Council approve the transfer of \$6,901,768.40 in capital funding from Section 37 funds account (XR-2026-3700759) to the Capital Revolving Fund for Affordable Housing (XR 1058) to be invested in the development of approximately 215 affordable rental homes on the R6 site.
4. Upon Council approval of the transfer of the \$6,901,768.40 in Section 37 funds, to the Capital Revolving Fund for Affordable Housing (XR 1058), City Council authorize the Director, Affordable Housing Office to use up to a maximum of \$1,000,000 exclusive of HST and disbursements, for pre-development work including but not limited to negotiating and entering into contracts to retain the services of architects, development consultants, cost consultants, appraisers, and such other professionals deemed appropriate to inform the City's decisions with respect to development on the site, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form approved by the City Solicitor.

5. City Council request the Director, Affordable Housing Office to report to City Council in 2019 on the results of negotiations with respect to the development of the affordable rental in R6.

FINANCIAL IMPACT

In addition to authorizing a capital contribution of \$6,901,768 from Section 37 funds, this report recommends that City Council, as part of the Open Door Program, allocate financial incentives to support the creation of approximately 215 affordable rental homes for R6 in Bayside.

The City incentives for approximately 215 affordable rental homes are consistent with the City's Open Door Program. The financial incentives include relief from development charges, building permit, planning and parkland dedication fees as well as municipal property taxes, and are estimated at \$11.98 million (based on the City's 2018 fees, charges and tax relief estimates).

A list of incentives and contributions is summarized below:

R6 Bayside Development		
City Contribution	Estimated Value of Contribution (Per Unit)	Estimated Total Support (215 Units)
Section 37 Funds for Affordable Housing	\$32,101	\$6,901,768
*City Incentives (Development Charges, Planning and Building Fees, Tax Exemption)	\$55,740	\$11,984,103
Total:	\$87,841	\$18,885,871

*City Incentives are estimates

In keeping with City policy to achieve affordable rents, this report also recommends City Council exempt 215 affordable rental housing units at the R6 Bayside development from property taxes for 99 years, which is included in the estimated \$11.98 million in City incentives noted above.

The value of the annual property tax exemption is estimated at \$180,850 at current 2018 rates. The net present value (NPV) over the 99-year term is estimated at \$5.70 million as summarized below:

Property Tax	Annual	NPV: 99 Years
<i>City</i>	\$ 131,826	\$ 4,158,702
<i>Education</i>	\$ 48,378	\$ 1,526,172
<i>City Building</i>	\$ 646	\$ 20,365
Total:	\$ 180,850	\$ 5,705,239

The estimated contribution of \$5.70 million is not a direct capital payment as it represents the forgiveness of City levies and is thus foregone revenue to the City.

The Affordable Housing Office will report to Council in 2019 detailing the response of the proposed development with an updated number of affordable homes and the incentives amounts, as this report is based on best available data at this time.

The Interim 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 and of the Official Plan.

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

DECISION HISTORY

City Council on April 24, 25, 26 and 27, 2018, adopted with amendments EX33.3 authorizing the Director, Affordable Housing Office, in consultation with the Chief Financial Officer, to administer the City Purpose-built Rental Development Charges Rebate Program. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.3>

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 City Council Decision can be found here:

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

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 June 10, 2014 adopted EX42.16 Implementing Innovative Affordable Housing in the East Bayfront without amendments which granted authority for staff to proceed with the development of 80 affordable rental units within a condominium building in the first affordable housing site in Bayfront in partnership with Hines and Artscape. Council also approved the designation of R6 as the second affordable housing site in Bayside on the Concept Plan. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.16>

Council at its meeting of July 16, 17, 18, and 19, 2013 adopted the report Inventory of New Affordable Housing Opportunities 2015 – 2019 in which Waterfront Toronto identified the Bayside Pilot project as it priority should new federal-provincial funding be made available. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.35>

City Council on August 25, 2010 granted authority for the City, as lessor of the City-owned Sites to enter into ground leases with Hines and granted authority for the City to give Hines a Right of First Offer and Right of First Refusal to develop one or both of the two City-owned Sites. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX46.33>

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>

COMMENTS

Open Door 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.

City Council adopted the Open Door Program to support the creation of affordable rental and ownership homes for low-and-moderate income residents. The pre-determined Open Door eligibility will ensure that affordable rental housing is guaranteed to be included by the successful developer for the R6 Bayside site.

East Bayfront Affordable Housing Delivery Agreement

Waterfront Toronto and the City entered into The East Bayfront Affordable Housing Delivery Agreement in March 2013. The agreement sets out the principles and approach of how to achieve the shared objectives of delivering affordable housing on publicly owned land in the East Bayfront, consistent with the policies of the Central Waterfront Secondary Plan and the provisions of the East Bayfront Zoning By-law.

Bayside R6

The intent of the East Bayfront Affordable Housing Delivery Agreement, as it applies to Bayside, is that 20% of the dwelling units in the district be comprised of affordable rental housing units. The Agreement recognizes that larger unit sizes may result in a lower percentage of affordable rental housing units, which is acceptable as long as the gross floor area of the affordable rental housing is not less than 20% of the gross floor area of the total number of dwelling units.

It is expected, based on numbers currently available, that a minimum of 215 units on R6, together with the 80 units currently under development on R3/R4, will fulfil the objective for Bayside. Future residents for these affordable rental units are to be on or eligible to be on the City's waiting list for affordable/social housing.

The proposal to be issued will call for at least 50% of the affordable homes (across all bedroom types) to be rented at or below 100% of City wide average market rent (AMR) and at least 10% of the affordable homes to be rented at 40% AMR. Deeper affordability may be achieved through an equity contribution by the operator, secured by way of the National Housing Co-Investment Fund.

There will also be a requirement that the affordable housing development include a range of bedroom types, including 1-bedroom, 2-bedroom, 3-bedroom and some 4-bedroom units.

Further, the City will require the new development to meet the Toronto Green Standards and qualify for LEED GOLD certification and that unit sizes be based on the City' Growing Up: Planning for Children in New Vertical Communities Guidelines.

East Bayfront – Land and Project Management Agreements

In 2010, the City Council granted authority for the City, as owner of the Bayside Lands, to enter into an "umbrella" LDA with Hines. The LDA applies to the Bayside site and sets out the parameters for all future transactions between the City and Hines or its site developer. Waterfront Toronto, as master developer of the East Bayfront, also entered

into a Project Agreement (PA) with Hines for the development of various sites within the Bayside Lands.

It was pursuant to the LDA that the City worked with Hines and its development partner, Tridel, to develop the 80 units of affordable housing currently under construction within the building envelope of the Aquavista condominium on the lands known as R3/R4, just to the west of R6.

The LDA also provided for the possible involvement of Hines in the development of R6 setting out two scenarios for that involvement. One involves Hines making a proposal, to develop R6, to Waterfront Toronto, which, if it agrees with the proposal, will recommend the proposal to the City for consideration. The City has the discretion to accept or reject this proposal.

Secondly, if the City issues a competitive proposal call for R6 that results in the City receiving a proposal it is willing to accept, Hines must be given notice and details of the proposal. Hines then has 30 days to give notice that it will submit a proposal that will match or better the City's proposal. A further 60 days must be given to Hines to submit the proposal.

The Director, Affordable Housing Office, in consultation with Waterfront Toronto, will work with Hines, should Hines exercise its right of first refusal, and in keeping with the terms and conditions of the LDA and PA.

Planning Approvals

Prior to issuing the proposal call to select a development partner, staff from Waterfront Toronto, City Planning, Waterfront Secretariat, Real Estate Services and the Affordable Housing Office will work to determine the exact number of rental housing units that can be accommodated in R6, including the minimum number of affordable rental units required in order to ensure that the affordable housing requirement will be met.

The Proposed Land Transaction

The City will offer the R6 Bayside site on a 99-year lease at nominal rates. The below-market lease arrangement will assist in incentivizing the construction of approximately 215 affordable rental homes to be operated by a non-profit housing provider.

Conclusion

This report recommends approval of a comprehensive incentive package to stimulate the development of purpose-built rental housing in the Bayfront Waterfront district including approximately 215 affordable rental homes. 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 was prepared in consultation with City Planning (Strategic Initiatives, Policy & Analysis, Community Planning and the Waterfront Secretariat), Waterfront Toronto, Corporate Finance, Financial Planning, City Legal and City Real Estate Services.

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ATTACHMENTS

Attachment 1 - Bayside Concept Plan

ATTACHMENT 1 - SITE LOCATION

Figure 1- Bayside Concept Plan

