Charles Hastings Co-operative Inc. – Postponement of Registered Assisted Housing Agreement to the Prospective Lender's Mortgage

Date: June 12, 2019  
To: Planning and Housing Committee  
From: General Manager, Shelter, Support and Housing Administration  
Wards: Ward 11 - University-Rosedale

SUMMARY

This report recommends that City Council provide the necessary consents to enable Charles Hastings Co-operative Inc. (the Co-op) to secure freehold ownership of its property and continue to provide long-term affordable housing at 175 Elm Street, Ward 11.

Council authority is required to postpone the City's interest in a long-term Assisted Housing Agreement that would enable the Co-op to finance the purchase of its currently leased building and land and to perform necessary capital upgrades.

If the Co-op is unable to secure financing to purchase the property, the resulting lease costs may require the Co-op to increase rents for residents resulting in the potential loss of affordable housing.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. City Council consent pursuant to subsection 453.1(6) of the City of Toronto Act 2006:
   a. to the transfer of title from 175 Elm St. Developments Ltd to Charles Hastings Co-operative Inc. pursuant to the option to purchase under the lease between the parties; and
   b. to Charles Hastings Co-operative Inc. granting a mortgage or charge to First National Financial LP with respect to 175 Elm Street, Toronto to secure repayment of a loan on the terms and conditions described in the report dated June 12, 2019 from the General Manager, Shelter, Support & Housing Administration.
2. City Council direct the City Clerk to provide a certificate, in registerable form, to First National Financial LP pursuant to subsection 453.1(9) of the City of Toronto Act, 2006.

3. City Council authorize the General Manager, Shelter, Support and Housing Administration, to execute a Priority, Postponement and Standstill Agreement postponing the rights of the City under the Assisted Housing Agreement to the rights of the mortgagee and providing the City with an opportunity to cure any mortgage defaults or to locate a housing provider acceptable to the lender that will cure such defaults and operate the housing in accordance with the Assisted Housing Agreement, upon such terms and conditions as the General Manager may deem appropriate.

**FINANCIAL IMPACT**

There is no financial impact resulting from the adoption of the recommendations in this report.

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

**EQUITY IMPACT STATEMENT**

Affordable housing options are vital to the City's efforts to address poverty and serve a range of equity seeking groups including people experiencing homelessness, people living in poverty including the working poor and people receiving social assistance, youth, seniors, Aboriginal people, people with disabilities and other vulnerable groups. The recommendations in this report support the continued availability of affordable housing at the Co-operative housing project located at 175 Elm Street, Ward 11.

**DECISION HISTORY**

On May 24, 1983, a Planning Report was submitted to the Land Use Committee which included a recommendation that an assisted housing agreement be required for the 175 Elm Street development project. Land Use Committee Report No. 12, Clause 3 - St. Patrick and Elm Streets detailed the requirements of the assisted housing agreement and was approved by the Council of The Corporation of the City of Toronto on June 13, 1983.

**ISSUE BACKGROUND**

Charles Hastings Co-operative Inc. (the Co-op) is a Co-operative housing provider that was built in 1984 and has 91 rental units. The Co-op is funded and administered by the federal government and falls outside of the City's social housing administration role.
On October 6th, 1983, The Camrost Group Limited and The Camrost Group (Elm Street) Limited (collectively as Owners), the Co-op and the City entered into an Assisted Housing Agreement in return for greater density zoning.

Under the Assisted Housing Agreement the Owners and the Co-op agreed to construct and operate 175 Elm Street as 'Assisted Housing' as defined by The City of Toronto Act, 1975 (No.2) S.O. 1975, c.117, as amended. That legislation defined an assisted housing program as a program designed to provide housing accommodation at a rent below the current market rate in the area. This legislation has been repealed and replaced by s. 453.1 of the City of Toronto Act, 2006 ('COTA').

All 91 of the Co-op's rental units are currently below the Average Market Rent (AMR) as determined by the annual Canadian Mortgage and Housing Corporation (CMHC) survey, as well as being below the current market rents for the local area. In addition to affordable rents, the Co-op provides rent-geared-to-income (RGI) assistance to 15 households.

As part of its lease with the Owners, the Co-op has an option to purchase the property on November 1, 2019 following the first 35 years of the 50 year lease term. The Co-op has exercised its option to purchase and an Agreement of Purchase and Sale is effectively in place at a cost of $2,500,000 payable on closing. The Co-op has received a conditional offer of financing from First National LP to borrow $5,762,525 in order to purchase the land and building and to undertake capital repairs and renovations to their housing Co-operative. The loan would be subject to a floating interest rate and repayable over 10 year term. Repayment of the loan to the lender will be guaranteed by CMHC.

The agreements and the provisions of the City of Toronto Act, 2006 restrict the ability of the owner to transfer and the purchaser to grant a mortgage or charge over the housing accommodation without the prior consent of Council.

If the Co-op fails to close on the closing date, it would lose the right to secure ownership and would remain as a tenant of the property. This would result in the Co-op incurring increased monthly lease costs of $56,807 which would negatively impact the ability to continue to provide affordable housing.

COMMENTS

Council approval is required to enable Charles Hasting Co-operative Inc. to obtain the necessary financing to purchase freehold title to the land and building under an option to purchase, exercisable prior to the termination of the long-term lease.

Counsel for the CMHC and the lender have advised that as a condition to providing financing, the rights of the City under the Assisted Housing Agreement must be postponed (under the Priority, Postponement and Standstill Agreement) to the rights of the mortgagee under the mortgage or charge. Should the Co-op default on the mortgage, the Priority, Postponement and Standstill Agreement allows the City 45 days to take over the financing or find an organization to take over the financial and operating
responsibilities of the property; otherwise the lender may begin sale or foreclosure proceedings, and the Assisted Housing Agreement would be deleted from title.

By securing ownership of the building and land and making the necessary capital repairs to maintain the sustainability of the asset, the Co-operative will be able to continue to manage the property as affordable housing for the long-term.

**CONTACT**

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**SIGNATURE**

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Shelter, Support and Housing Administration