



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Housing Now Business Cases for 140 Merton Street, 50 Wilson Heights Boulevard, 705 Warden Avenue and 777 Victoria Park Avenue

Date: September 19, 2019

To: Board of Directors, CreateTO

From: Chief Executive Officer

Wards: Wards 6, 12 & 20

REASON FOR CONFIDENTIAL INFORMATION

The attachments to this report is about a plan to be applied to any negotiations carried on or to be carried on by or on behalf of the Board of Directors of CreateTO, and contain financial information that belongs to the Board of Directors of CreateTO and has monetary value or potential monetary value.

SUMMARY

On January 31, 2019, City Council approved a signature affordable housing initiative, "Housing Now," to leverage City-owned land for the purpose of creating new mixed-use, mixed-income communities. Through the initiative, 11 properties were identified for development, with the potential to create a total of 10,000 new residential units. City Council set development targets for these properties of at least one-third affordable rental, one-third market rental, and no more than one-third ownership housing.

The Housing Now initiative is coordinated through a Steering Committee comprised of senior staff from the Housing Secretariat, City Planning and CreateTO. The first four properties deemed most ready for market offering by the Steering Committee are: 140 Merton St., 777 Victoria Park Ave, 705 Warden Ave., and 50 Wilson Heights Blvd.

On January 31, 2019 Council delegated approval of the business case and market offering process for each property to the Deputy City Manager, Corporate Services and the Chief Financial Officer and Treasurer provided that the Executive Director, Housing Secretariat and the Board of Directors of CreateTO concur with the proposed business case and market offering process.

This report recommends the CreateTO Board of Directors endorse the business cases market offering process for the first four properties.

The recommended approach leverages City contributions and partnerships with experienced housing developers and operators to deliver affordable housing and complete communities at key locations in the city. The priority four sites leverage approximately \$100 million in land value and \$71 million in incentives to create over 1,900 new rental units - half of which will be affordable. The City's contributions in the first four sites are estimated to attract and leverage over \$750 million in third party investment and development activity.

The recommended creation of a Reserve Account will enable the City to capture any value generated from individual sites and cross-subsidize across the portfolio.

Following the market offering process, City and CreateTO staff will report to the CreateTO Board prior to finalizing sale or lease agreements. The CreateTO Board will review for approval the terms and conditions for the proposed agreements with the successful proponents.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors:

1. Endorse the business cases as presented in Attachment 1 and Confidential Attachments 1 and 2 of this report, and, subject to further approvals required by the Deputy City Manager, Corporate Services and the Chief Financial Officer and Treasurer, direct CreateTO management to:

- Proceed to market with the first four sites (140 Merton Street, 50 Wilson Heights Boulevard, 705 Warden Avenue, 777 Victoria Park) in the fourth quarter 2019 including entering into agreements conditional on approval by relevant City authorities;
- Utilize brokerage services to effectively engage the market;
- Maximize affordability within the context of project feasibility;
- Maintain consistency with staff-recommended development permissions and concept plans;
- Work with the Chief Financial Officer and Treasurer to establish a Reserve Account to cross-subsidize across the portfolio, where possible;
- Include additional community benefits, where possible;
- Work with the Chief Financial Officer and Treasurer and relevant City divisions to address capital funding for community infrastructure and other City Building requirements; and
- Continue to engage with local Councillors and community members regarding project updates.

2. The Board direct that the information in Confidential Attachments 1 and 2 remain confidential at this time, as they relate to a plan to be applied to any negotiations carried

on or to be carried on by or on behalf of the Board of Directors of CreateTO, and direct that the information be made public at the discretion of the Chief Executive Officer following the execution of the agreements.

3. The Board direct that the information in Confidential Attachments 3 remain confidential in its entirety as it contains financial information that belongs to the Board of Directors of CreateTO and has monetary value or potential monetary value.

FINANCIAL IMPACT

There is no additional financial impact on CreateTO. CreateTO's program administration are being performed through existing CreateTO resources. Due diligence, marketing and partial human resource costs are being recovered by CreateTO from the Housing Secretariat.

DECISION HISTORY

On December 13, 2018, City Council adopted the Housing Now Initiative by approving the activation of the 11 sites for the development of affordable housing as part of creating mixed-income, mixed-use and transit oriented communities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.3>

On January 31, 2019, Council approved an action plan, resources and program requirements for the Housing Now initiative.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX1.1>

On July 9, 2019, the CreateTO Board directed the Chief Executive Officer, CreateTO to include the following as part of the Housing Now business case:

- a. a summary of the results of the community consultation, with local councillor input;
- b. the planning context;
- c. context on City Building initiatives;
- d. a breakdown of levels of affordability and proposed terms of the transaction; and
- e. how the business case addresses maximum attainability of affordable units.

COMMENTS

Business Case Preparation Process

The business cases reflect emerging staff recommended development concepts, including community and Councillor input, and provide an analysis of the project's financial feasibility.

Development Concepts

CreateTO has engaged architects, landscape architects, environmental/geotechnical consultants and traffic and civil engineers to undertake due diligence and advance development concepts on the four priority sites. CreateTO formally submitted architectural plans and environmental, servicing, grading and transportation analysis for City staff review in July 2019.

The emerging development concepts (see Attachment 1) reflect comments received through this inter-divisional review process and numerous meetings with City staff since the beginning of 2019. In addition, the development concepts have been presented and refined through two rounds of public open houses (June and September 2019) as well as additional community consultation activities (outlined below and Attachment 2).

The emerging development concepts identify opportunities to optimize City-owned land for the creation of affordable housing and mixed-use, mixed-income, livable communities. The concepts reflect a mix of uses, scale and built form that are contextually appropriate to each distinct site.

Staff will continue to refine the development concepts through a second round of inter-divisional review this fall. City staff will present final recommended development concepts and related recommendations to amend relevant zoning and planning frameworks to Planning and Housing Committee and City Council at the end of 2019. In addition to features identified in the staff reports, principles of the final recommended development concepts will also be highlighted in directions and requirements of the marketing process.

Financial Feasibility

The financial plan for each site which identifies the feasibility of each project from a development point of view as well as the cash flow requirements is outlined in Confidential Attachments 1 and 2.

Financial models reflect market research prepared by Urbanation and cost estimates from Altus' 2019 Canadian Cost Guide for the first four sites. The Urbanation market research provides details about absorption rates, sales prices and rental rates along with the appropriate unit mix. The Altus 2019 Canadian Cost Guide provided information regarding construction costs. Additional information was collected during due diligence regarding site specific costs and environmental costs.

In addition our broker, CBRE has provided their financial analysis which are in-line with the CreateTO analysis outlined in Confidential Attachment 2.

CreateTO also retained Cushman and Wakefield to conduct appraisals of the sites.

Discussions with Canada Mortgage Housing Corporation (CMHC) have informed the business cases. Consideration has been made with respect to the timing and availability of funding and financing, including through National Co-Investment Fund and the Rental Construction Financing programs. These programs provide long-term, low-cost financing at interest rates and terms well below those available in the market. The federal funding and financing programs are very important in supporting the affordable and market rental housing created as part of the Housing Now Initiative. While

CreateTO has been working with CMHC underwriters to determine the best CMHC program and expected financing terms for each project, it will be the responsibility of the selected proponents to apply and qualify for CMHC financing.

Proceeding with Market Offering Through Brokerage Firm

CreateTO has retained CBRE as the broker of record to support the marketing of the first four sites. CBRE's experience includes success in marketing the affordable rental project at the West Don Lands. The bid period will be six weeks from the date that the RFP is released.

Bidders will be required to submit two bids. One bid must include CMHC financing and the second bid must include conventional financing (debt, equity and/or grants) without CMHC financing. The successful proponent will be required to demonstrate that they have the ability to execute on their financing plan.

The Selection Committee will consist of CreateTO, the Housing Secretariat and City staff. Criteria for selection will include:

1. Experience in developing rental housing;
2. Experience in operating rental housing;
3. Strength of proposed partnerships with non-profit organizations;
4. Proposed level and depth of affordability;
5. Proposed financial and funding plan;
6. Commitment to develop based on approved City planning permissions;
7. Demonstrated ability to execute financial close and complete the project on schedule.

City Council directions approved on January 30, 2019:

A) Applicable to all Housing Now sites:

- 1) Provide greater consideration to:
 - more units of affordable housing;
 - deeper levels of affordability;
 - ownership and/or operation of affordable units by non-profits through partnership in the development or as recipients of a transfer of the affordable units;
 - measures and commitments on tenant protections, related to evictions and rent control, as part of their submissions for the Housing Now initiative particularly on smaller sites;
 - inclusion of supportive housing units;
 - affordable housing for Artists;
 - available mechanisms to ensure no units could be converted to short term rentals; and
 - community benefits agreements for larger sites.

2) Direct that the new affordable units target four sites identified in the Housing Now initiative, to be owned and operated by the not-for-profit and/or co-operative housing sectors, with enhanced consideration given to not-for-profit and/or co-operative housing proponents for all eleven Housing Now sites.

3) Direct that new supportive housing units (which requires supplemental staffing) be included in as many as possible, but target at least one, of the sites identified in the Housing Now initiative, and that enhanced consideration be given to submissions that include new supportive housing for all eleven Housing Now sites.

B) Applicable specifically to 140 Merton Street:

1) Request the Director, Real Estate Services and the Director, Affordable Housing Office to work with Senior Peoples' Resources in North Toronto Incorporated, consistent with Council's previous decision on June 26, 2018, in Item GM28.21, to expedite identification and securing of a suitable location and facility for the temporary relocation of their operations as part of the redevelopment of 140 Merton Street, in order to provide new permanent affordable rental housing for seniors, and to facilitate the design and provision of some 30,000 square feet of community space, including approximately 12,000 square feet set aside for the operations of Senior Peoples' Resources in North Toronto Incorporated.

The selected party and proposed lease and sale terms will be presented to the Board and to Senior City Staff for approval.

The timeline for project delivery is expected to proceed as outlined in Attachment 3.

Parameters for transaction terms are outlined in Attachment 4.

Maximizing Affordability

Bidders will be incentivized to maximize affordability through the scoring process. Maximizing affordability may include increasing the number of affordable units and/or providing deeper rent affordability. Consideration will also be given for proposals that include partnerships with non-profit operators. The ability for the bidder to target units to vulnerable populations requiring deeper levels of affordability (e.g. seniors, chronically homeless) will also be given consideration.

Planning Approvals

At the upcoming meetings of Planning and Housing Committee scheduled for November and December 2019, City staff will present the required official plan and zoning by-law amendments and draft plans of subdivision that are required to enable the development concepts to proceed for City Council approval. The business cases reflect the current development concepts informed through the community consultation process and review by City staff. Final directions regarding amended zoning permissions and policy frameworks will be available to inform final negotiations.

Establishing a Reserve Account

The creation of a Reserve Account will enable the City to capture any residual value generated from lease payments, or land sales, where appropriate. The Reserve Account will be used to re-invest this value across the portfolio.

The Reserve Account will enable cross-subsidization in order to ensure project feasibility across the portfolio. Funds could also be used to broaden affordability, deepen affordability and to support City Building priorities on Housing Now sites (e.g. new community service facilities).

Decisions with respect to spending of funds in the Reserve Account will be made by the Executive Director of the Housing Secretariat, the Deputy City Manager of Corporate Services and the Deputy City Manager and Chief Financial Officer. CreateTO will continue to work with City Finance and relevant City divisions to address capital funding for community infrastructure and other City Building requirements.

Ongoing Community Engagement

In June, CreateTO and City staff led community meetings for the four priority sites. The community meetings functioned as open houses with presentations and question-and-answer sessions partway through the meeting. Staff presented and sought feedback on the preliminary development concept as well as the overall Housing Now Initiative. CreateTO's consultant team provided a summary of all feedback which is available online on the CreateTO website.

City staff conducted additional engagement activities in July and August to address questions raised by stakeholders and further publicize the Housing Now Initiative. These events included working groups and roundtables led by local Councillors.

In September, CreateTO and City staff led a second round of community meetings for the four priority sites. Staff presented updated development concepts, provided further information regarding the Housing Now Initiative and addressed outstanding questions among community stakeholders.

The timing, location and number of attendees for each meeting are identified in Attachment 2.

CreateTO and City staff will continue to engage with local City Councillors and community members in advance of the Planning and Housing Committee and City Council's consideration of recommended rezoning and throughout the marketing, site plan application and development processes.

CONTACT

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SIGNATURE

Brian Johnston
Chief Executive Officer

ATTACHMENTS

Attachment 1: Housing Now Priority Sites Development Concepts
Attachment 2: Community Consultation Summary
Attachment 3: 2019 Four Priority Sites Timeline
Attachment 4: Transaction Terms
Confidential Attachment 1: Development Funding Sources Estimate
Confidential Attachment 2: Financial Feasibility Plan Estimate & Contribution Summary
Confidential Attachment 3: Confidential Memo to the Board from the CEO

Attachment 1: Housing Now Priority Sites Development Concepts

Development Concept	140 Merton Non-Profit Offering	777 Victoria Park	705 Warden	50 Wilson Heights*
Height/Floor Space Index (FSI)	18 storeys 4.4 FSI	Building A: 23 storeys Building B: 11 storeys 4.46 FSI	Building A: 7 storeys/2.93 FSI Building B: 8 storeys/2.87 FSI Building C: 18 storeys/3.93 FSI	Block 1 – 12 storeys Block 2 – 16 storeys (3 buildings) Block 3 – 11 storeys Block 4 – 2 storeys 3.52 FSI
Total Units	180 units	508 units	466 units	1,236 units
Total Rental Units	180 units	508 units	466 units	824 units
Total Affordable Rental Units	90 units	254 units	233 units	412 units
Unit Mix Forecast	1 bedroom: 144 units 2 bedroom: 36 units 3 bedroom: n/a	1 bedroom: 279 units 2 bedroom: 181 units 3 bedroom: 48 units	1 bedroom: 294 units 2 bedroom: 122 units 3 bedroom: 50 units	1 bedroom: 681 units 2 bedroom: 432 units 3 bedroom: 123 units
Parking Stalls/Parking Levels	45 parking stalls/1 level	230 parking stalls/2 levels	232 parking stalls/2 levels	593 parking stalls/2 levels
Community Space GCA	SPRINT: 13,347 ft ² Additional Community Space: 10,072 ft ²	Child Care Centre and Community Space: 17,374 ft ²	Child Care Centre: 7,696 ft ²	Child Care Centre and Community Space: 20,599 ft ²
Commercial Space GCA	n/a	4,661 ft ²	5,759 ft ²	56,891 ft ²
Residential GCA	165,989 ft ²	413,465 ft ²	374,509 ft ²	673,681 ft ²

Development Concept	140 Merton Non-Profit Offering	777 Victoria Park	705 Warden	50 Wilson Heights*
Non-Residential GCA	23,418 ft ²	22,035 ft ²	13,455 ft ²	77,490 ft ²
City-Building Highlights	<ul style="list-style-type: none"> - Non-profit operated - Heritage conservation - Midblock connection from Balliol Street to Beltline trail - 7 minute walk to Davisville Station 	<ul style="list-style-type: none"> - New child care center - Public realm improvements - 1 minute walk to Victoria Park Station 	<ul style="list-style-type: none"> - New child care center - Expanded public park - 3 minute walk to Warden Station 	<ul style="list-style-type: none"> - New child care center - New public park - Transit Access: 2 minute walk to Wilson Station
Official Plan Land Use Designation	Mixed Use Area	Mixed Use	Mixed Use & Apartment Neighbourhoods	Mixed Use & Other Open Space Areas
Secondary Plan / Site and Area Specific Policy	Yonge-Eglinton	n/a	Warden Woods	Tippett Road Area Regeneration Study

*For 50 Wilson Heights, discussions are underway with the TTC regarding the future of the existing bus lane. The Development Concept will be further refined to reflect the outcome of these discussions.

Attachment 2: Community Consultation Summary

Project Address / Meeting Type	Meeting Date	Meeting Location	Number of Attendees
777 Victoria Park Ave.			
Open House #1	June 10, 2019	Seicho-No-Ie Toronto Centre, 662 Victoria Park Ave.	125
Ward 19 Consultation	July 29, 2019	Maryland Park, 19 Maryland Blvd.	35
757 Victoria Park consultation	August 20, 2019	757 Victoria Park Ave.	50
Crescent Town Pop-Up	August 22, 2019	Crescent Town Club – 2A The Market Place	100
Ward 20 Roundtable	August 22, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	40
Open House #2	September 9, 2019	Seicho-No-Ie Toronto Centre, 662 Victoria Park Ave.	225
SUPPORT: - Support and interest in living in an affordable housing unit - Include ownership units within the development - Incorporating commercial, retail and community uses - Improvements to pedestrian experience/safety		CONCERNS: - Loss of commuter parking on site - Limited school capacity in the area - Proposed building height and massing/tall building impacts - Infrastructure stress from increased population	
50 Wilson Heights Blvd.			
Open House #1	June 12, 2019	Beth David B'nai Israel Beth Am, 55 Yeomans Road	65
Parking Working Group	August 11, 2019	Beth David B'nai Israel Beth Am, 55 Yeomans Road	13

Project Address / Meeting Type	Meeting Date	Meeting Location	Number of Attendees
Open House #2	September 16, 2019	Church of the Resurrection, 1 Tippett Road	182
SUPPORT: - Deeply affordable and accessible housing - Designated space for youth programming - Incorporating commercial and retail uses - An accessible park and open space		CONCERNS: - Loss of commuter parking on site - Construction impacts within the community - Unsafe and busy road conditions - Limited school capacity in the area - Proposed building height and massing	
705 Warden Ave.			
Open House #1	June 13, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	160
Ward 20 Roundtable	August 22, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	40
Pop-Up Consultation	August 28, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	40
Open House #2	September 12, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	250
SUPPORT: - Some support and interest in affordable housing - Include ownership units within the development - Incorporating commercial, retail and community uses - Programing in the expanded park		CONCERNS: - Possible impacts on property values and crime in the area - Some opposition to the site's inclusion in Housing Now - Proposed building height and massing - Parking availability in the area (for the community centre) - Pedestrian and cycling safety - Lack of accessibility at Warden Station	

Project Address / Meeting Type	Meeting Date	Meeting Location	Number of Attendees
140 Merton St.			
Stakeholder Meeting	June 17, 2019	Northern District Library, 40 Orchard View Blvd.	20
Open House #1	June 20, 2019	North Toronto Memorial Community Centre, 200 Eglinton Ave. W.	54
Open House #2	September 10, 2019	Glebe Road United Church, 20 Glebe Road East	80
SUPPORT: <ul style="list-style-type: none"> - Housing Now (overall initiative) - Proposed building height and massing - Seniors Rental and Community Space - Non-profit operator - Pedestrian connection to Mt. Pleasant Cemetery - Programing and celebrating a heritage building - Potential coffee shop or retail at grade 		CONCERNS: <ul style="list-style-type: none"> - Affordability levels for Seniors on fixed incomes - Greater heights could yield more affordable units - Project feasibility for non-profits - Accessible units for disabled individuals - Unit Mix needs to be appropriate to non-profits 	

Attachment 3: 2019 Four Priority Sites Timeline

Timeline						
Site	Business Case	Planning Approvals	Market Offering	Bid Review and Shortlisting, Negotiations and Transaction Closing	Site Plan Application	Construction Start
140 Merton	Q3 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q4 2020
777 Victoria Park	Q3 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q4 2020
705 Warden	Q3 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q4 2020
50 Wilson Heights	Q3 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q4 2020

Attachment 4: Transaction Terms

Transaction Terms	140 Merton Non-profit Offering	777 Victoria Park	705 Warden	50 Wilson Heights
Affordable Rental Units	Encourage bidders to target up to 100% affordable units.			Target 33% of residential unit count.
Market Rental Units	Residual of total residential unit count and number of affordable units.			Target 33% of residential unit count.
Condo Ownership Units	No ownership units.			Target 33% of residential unit count.
Rent Level for Affordable Units	Target average equal to 80% of City of Toronto Average Median Rent (AMR) annually.			
Bedroom Mix	Target as per Development Concept.			
Community Space				
Commercial Space				
Parking				
Heritage Conservation	Conserve heritage features.	Not applicable.		
Unit Accessibility	Per CMHC requirements.			
Energy Efficiency	Toronto Green Standard V3 Tier 2			
Leasehold Term	99 years			
Target Head Lessee	Non-profit operator.	To be determined.		
Land Lease Payments	Lease payment upfront or annual.			
Land Lease Escalation	To be negotiated.			
Land Sale (for Condo component)	Not applicable.			Bidder to submit best offer on price per square foot of saleable GFA.

Transaction Terms	140 Merton Non-profit Offering	777 Victoria Park	705 Warden	50 Wilson Heights
Assignment/Sales	Right to assign or sell with landlord (City) consent.			
Building Condition	Must maintain in state of good repair for entire term.			