

Re: RA8.2

Housing Now – Business Case Overview

Presentation to the CreateTO Board of Directors – September 24, 2019

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Housing Now Program Overview

1. Governance and Approvals
2. Business Case Approach and Timing
3. Project Delivery Model
4. Recommendations

Housing Now Business Cases

Sites: 140 Merton Street, 50 Wilson Heights Boulevard, 705 Warden Avenue and 777 Victoria Park Avenue

1. Business Case Overviews: Property Profiles, Development Concepts, Community Engagement
2. Project Milestones and Timeline
3. Reserve Account
4. Bid Process and Transaction Terms


City Council has delegated authority for Housing Now business cases and transaction approvals:

City of Toronto Executives

Chief Financial Officer
Deputy City Manager, Corporate Services
Executive Director, Housing Secretariat

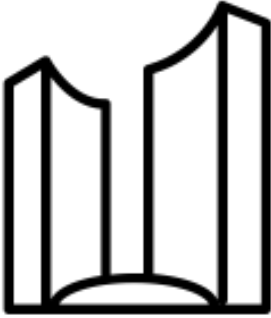
- 1.) Approve Business Cases and Market Offering*
- 2.) Approve Transactions/Transfers*

CreateTO Board



- 1.) Endorse Business Cases & Market Offering
- 2.) Endorse Transactions/Transfers

City Council

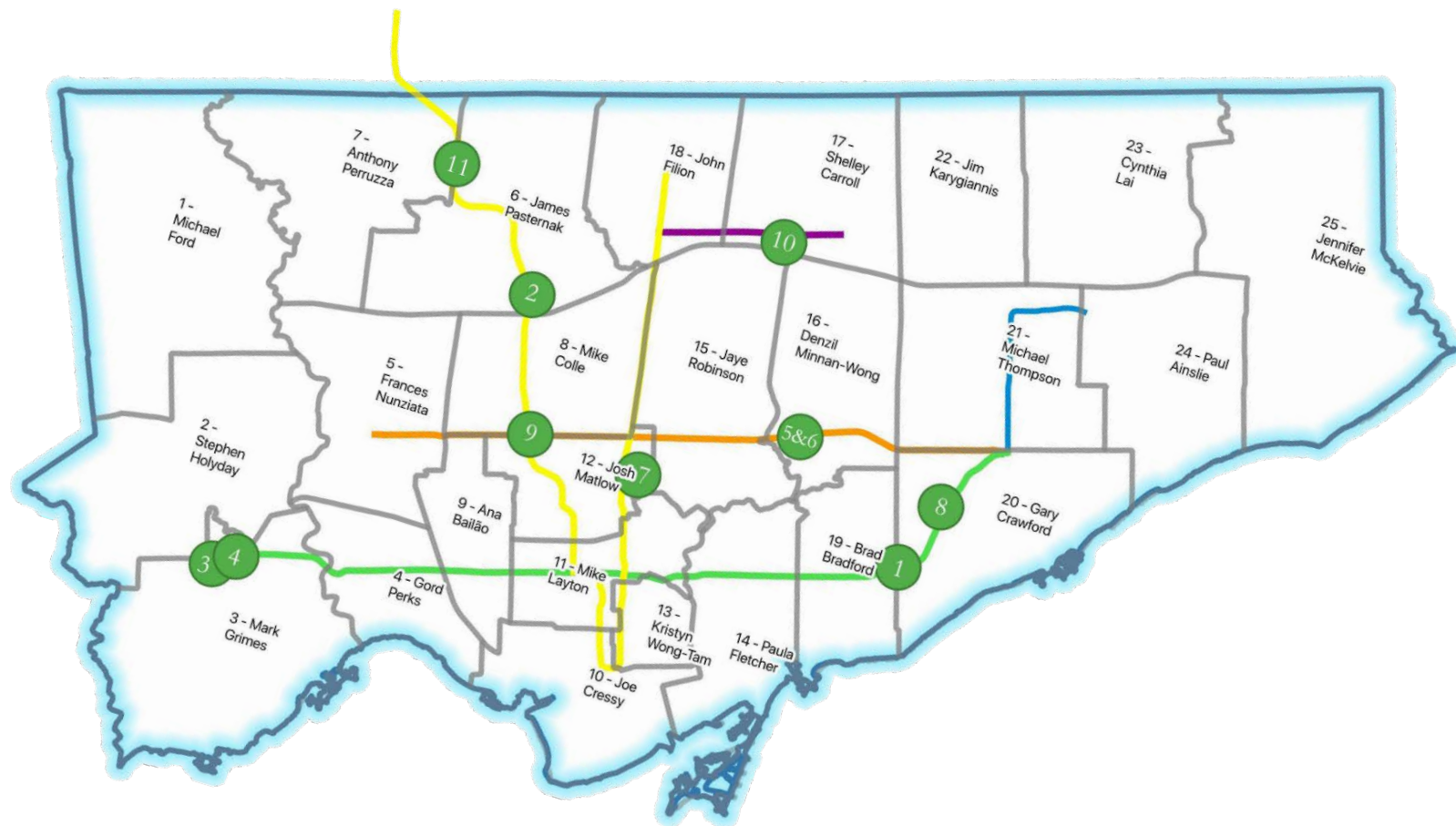


- 1.) Approve Zoning By-Law Amendments
- 2.) Approve Other Planning Instruments, if required (i.e. Official Plan Amendments)

*See recommendations Approved by City Council at its meeting on January 30th, 2019 (#4, #29, #31): <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX1.1>

Business cases have been prioritized to expedite sites most ready for market offering:

#	Address	Ward	Business Case Date
7	140 Merton Street	12	September 2019
1	777 Victoria Park	20	September 2019
2	50 Wilson Heights	6	September 2019
8	705 Warden Ave	20	September 2019
4	Bloor/Islington	3	February 2020
3	3741 Bloor Street West	3	February 2020
5	805 Don Mills	16	February 2020
6	770 Don Mills	16	February 2020
9	1250 Eglinton Ave W	8	June 2020
10	251 Esther Shiner	17	June 2020
11	3933 Keele Street	6	June 2020





Community Consultation: 705 Warden Avenue

Business cases are developed through stakeholder engagement, market analysis and planning context approved by City Council.

STAKEHOLDER ENGAGEMENT

- Community engagement
- Local Councillor input
- Coordination with City Planning & Housing Secretariat
- Market sounding with industry
- Engagement with CMHC

BUSINESS CASES

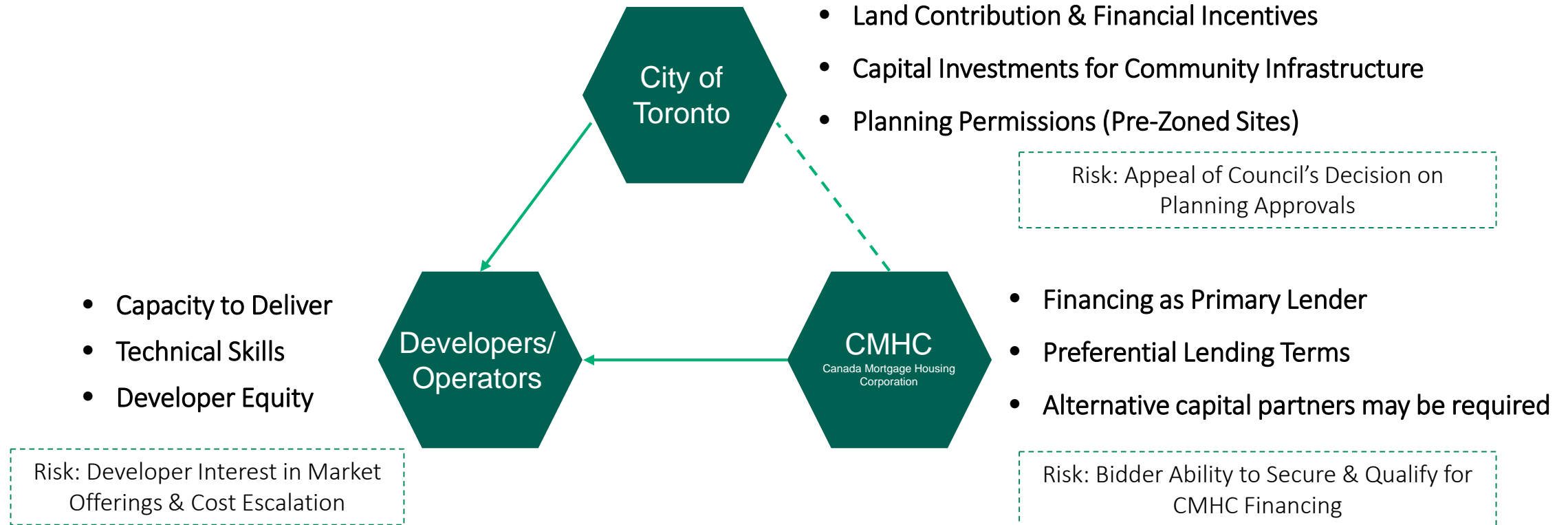
- Reflect emerging staff recommended development concepts
- Maximize affordability program
- Identify City Building/public benefits
- Project/financial feasibility analysis
- Establish market offering strategy
- Formulate key transaction terms

NEXT STEP: MARKET OFFERING & PROJECT DELIVERY



Community Consultation: 50 Wilson Heights

Successful projects will depend on investments from primary stakeholders:



CreateTO Business Case Endorsement

Recommendations:

- Endorse business cases as presented;
- 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.

Business Case Approval

City Council delegated approval to Deputy City Manager, Corporate Services and the Chief Financial Officer and Treasurer.

Housing Now Business Cases



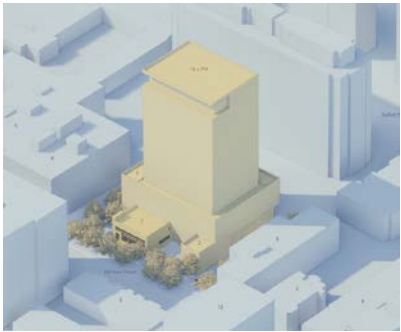
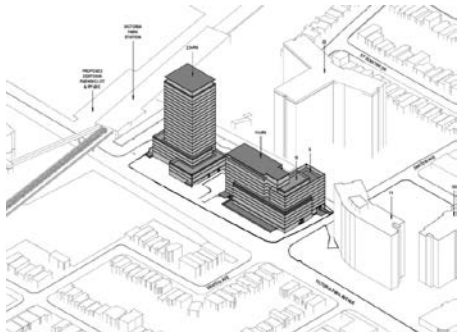
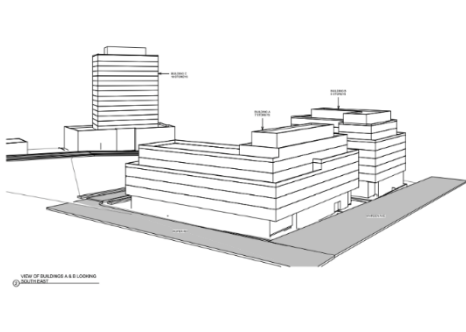

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City Building Highlights and Public Benefits:

- Mixed-Use, Transit Oriented Development (all sites within 7 minute walk of subway station)
- New Rental Supply: 1,978 new rental units with 989 affordable rental units
- New Community Space: Over 70,000 square feet
- Long-Term Land Lease (City of Toronto retains land ownership of rental component)
- Land Value Fully Invested (no revenue generated)

Property Profile	140 Merton	777 Victoria Park	705 Warden	50 Wilson Heights
Intersection	Merton St. & Yonge St.	Victoria Park Ave. & Denton Ave.	Warden Ave. & St Clair Ave. E	Wilson Ave. & Allen Rd.
Ward	12 – Councillor Josh Matlow	20 – Councillor Gary Crawford	20 – Councillor Gary Crawford	6 – Councillor James Pasternak
Site Size	0.84 acres	2.06 acres	7.14 acres	8.00 acres
Ownership	City of Toronto	City of Toronto	City of Toronto	City of Toronto
Current Use	Office/Industrial	Parking Lot	Parking Lot	Parking Lot
Current Occupant	SPRINT Seniors Care	TTC	TTC	TTC
Official Plan	Mixed Use Area	Mixed Use	Mixed Use & Apartment Neighbourhoods	Mixed Use & Other Open Space Areas
Secondary Plan	Yonge-Eglinton	n/a	Warden Woods	Tippett Road Area Regeneration Study
Transit Access	7 minute walk to Davisville Station	1 minute walk to Victoria Park Station	3 minute walk to Warden Station	2 minute walk to Wilson Station

Business cases reflect emerging staff recommended development concepts, including community and Councillor input.

Development Concept	140 Merton	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	967,676 ft ²
Non-Residential GCA	23,418 ft ²	22,035 ft ²	13,455 ft ²	77,490 ft ²
Concept Drawing				



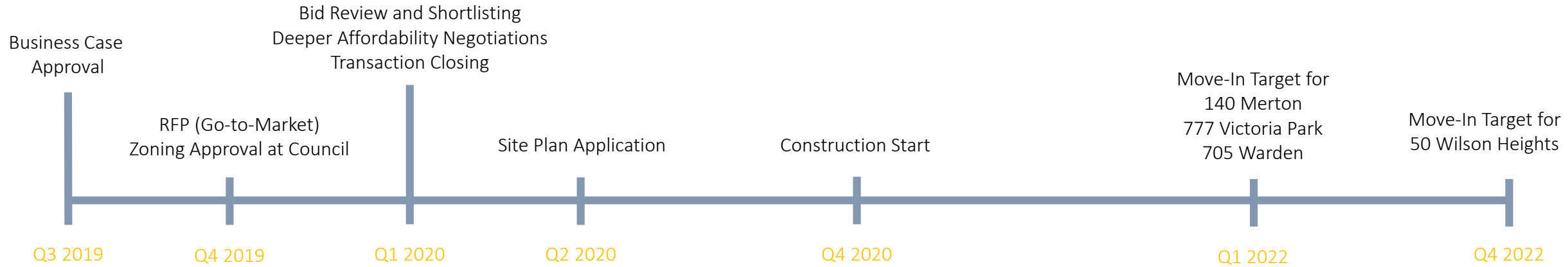
Community Consultation: 777 Victoria Park



Community Consultation: 140 Merton

Community Engagement	140 Merton	777 Victoria Park	705 Warden	50 Wilson Heights
Community Pop-Up (Date)	Davisville Station (June 4 th)	Victoria Park Station (May 28 th)	Warden Station (June 5 th)	Wilson Station (May 30 th)
Public Open House #1 Attendees (Date)	54 attendees (June 20 th)	125 attendees (June 10 th)	160 attendees (June 13 th)	65 attendees (June 12 th)
Public Open House #2 Attendees (Date)	80 attendees (September 10 th)	225 attendees (September 9 th)	250 attendees (September 12 th)	182 attendees (September 16 th)
Other Engagements (Date)	<ul style="list-style-type: none"> Stakeholder Meeting: (June 17th) 	<ul style="list-style-type: none"> Ward 19 Consultation: 35 attendees (August 20th) 757 Victoria Park Consultation: 50 attendees (August 20th) Crescent Town Pop-Up: 100 attendees (August 22nd) Ward 20 Roundtable: 40 attendees (August 22nd) 	<ul style="list-style-type: none"> Ward 20 Roundtable: 40 attendees (August 22nd) Pop-Up Consultation: 40 attendees (August 28th) 	<ul style="list-style-type: none"> Parking Working Group: (August 11th)

Four Priority Site Milestones



Project Specific Milestones

- 140 Merton:
SPRINT
Relocation
- 50 Wilson Heights:
Subdivision
Registration
- 705 Warden:
Subdivision
Registration
- 140 Merton:
Demolition/
Heritage
Conservation
Start

With or without CMHC financing, cross-subsidization across the HN portfolio will be critical. Creation of a City “Reserve Account” will enable profitable projects to cross-subsidize marginal projects.

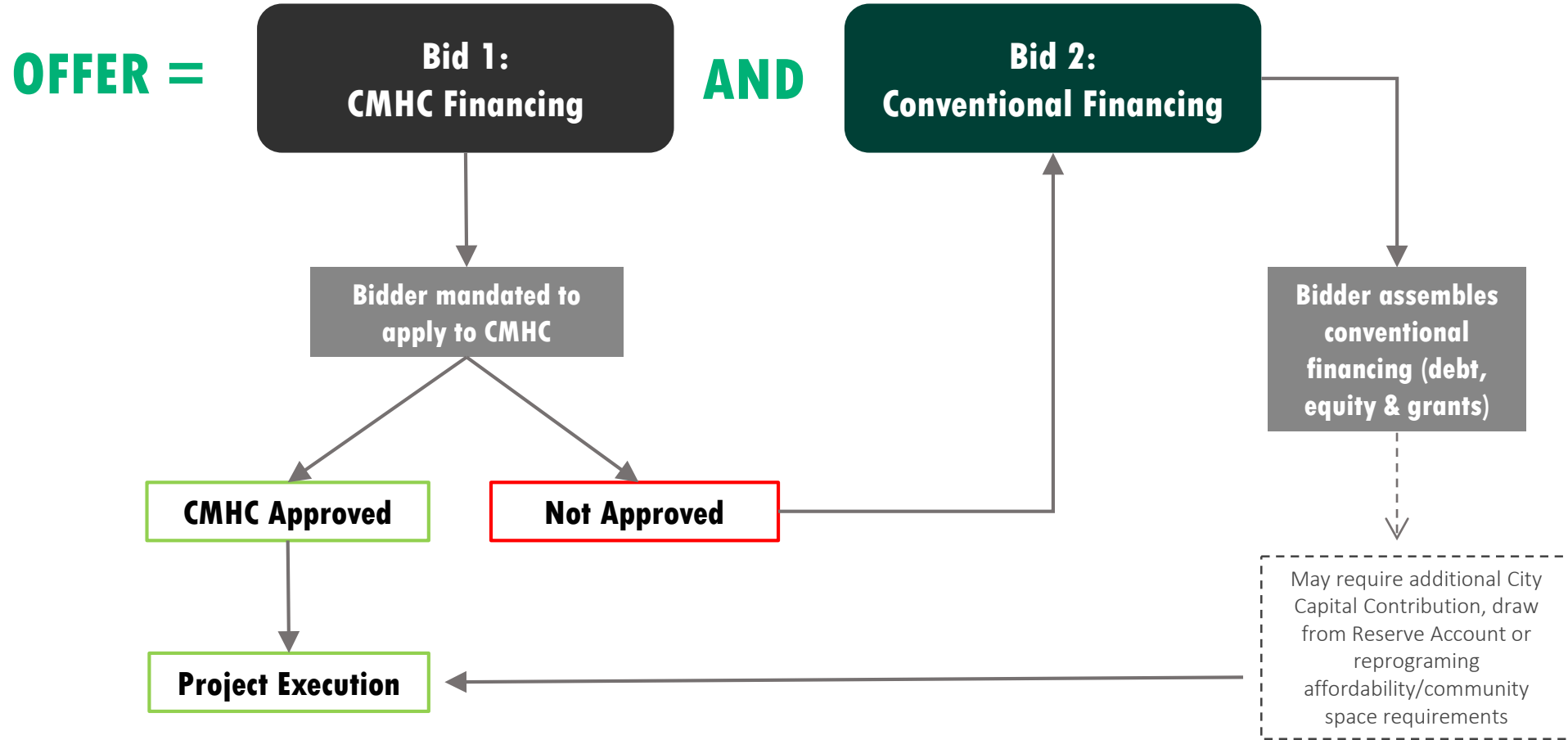


The creation of a **Reserve Account** will enable the City to capture any residual value and re-invest this value in the following initiatives:

- **Cross Subsidize Housing Now Portfolio:** Utilize surplus capital to fill gaps in marginal projects
- **Broaden Affordability:** Ability to increase the number of affordable units
- **Deepen Affordability:** Reduce the rents to enable lower income tenants
- **Support City Building Priorities:** Fund City Building projects on Housing Now sites

Decisions with respect to spending of funds in the Reserve Account will be made by the Housing Now City of Toronto Executives.

Prospective RFP bidders will be required to submit two bids to mitigate financing risk:



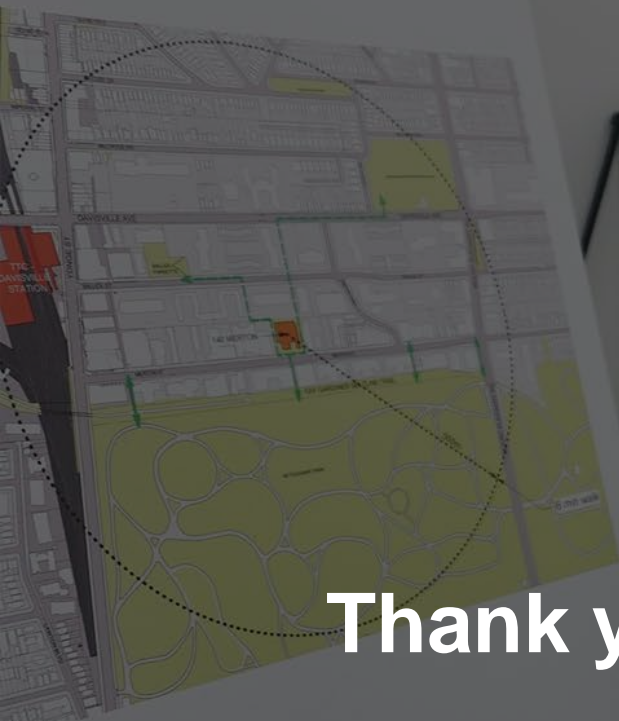
Note: City will reserve right to intervene at any given time to ensure project delivery, if the need arises.

Transaction Terms	140 Merton	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 (for Rental component)	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.
Assignment/Sales	Right to assign or sell with landlord (City) consent.			
Building Condition	Must maintain in state of good repair for entire term.			

Successful projects will depend on managing and mitigating key risks:

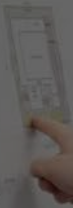
Key Risks	Mitigating Measures
Financing	<ol style="list-style-type: none"> 1. Underwriting Support: working with CMHC underwriters in advance to build support for financial requirements 2. City Funding Pool: create “reserve account” of surplus revenues from profitable projects to cross-subsidize unprofitable projects 3. Project Re-engineering: if projects are not financially feasible, project requirements will be adjusted or City can contribute capital
Maximizing Affordability	<ol style="list-style-type: none"> 1. Planning Controls: maximizing height/density based on City & Provincial regulations, in consultation with City Planning 2. Utilize Excess Cash once all projects are deemed viable, “reserve account” will be fully leveraged to maximise the number of affordable units and then deepen the level of affordability 3. Rent Protections for Market Tenants: request proponents to submit reasonable measures to limit rent increases on tenants
Developer Interest in Market Offerings	<ol style="list-style-type: none"> 1. Communication: open house with developers and non-profits to provide clarity on incentives and RFP process 2. Planning Approvals: pre-zoned properties to provide less risk and greater project certainty 3. Financial Structure: planning a financial structure that enables long term project sustainability and reasonable rates of returns

ALL SITE CONTEXT



Thank you

DETAILED SITE PLAN



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Additional context for the RFP process includes:

1. RFP designed and issued via CreateTO, with input from Housing Secretariat
2. Brokerage services may be leveraged to manage the RFP process (at CreateTO discretion)
3. Bid period to be 6 weeks from the date the offering memorandum (RFP) is released
4. Bidders will be asked to submit their proposals with and without CMHC Financing/Funding
5. Criteria for selection will be based on: experience developing or managing similar projects, level/depth of affordability proposed, financial and funding plan, ability to execute, plus additional considerations directed by City Council^[1]
6. Bidders to be provided with Confidential Investment Memorandum which provides key City information (i.e. property description, proposed development specifications, affordable housing requirements, proposed zoning bylaw, potential CMHC financing benefits, etc.)
7. Selection committee to consist of CreateTO, City staff and Housing Secretariat