



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Housing Now Initiative - Annual Progress Report

Date: June 1, 2020

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a proposed or pending acquisition or disposition of land by the City of Toronto and CreateTO.

SUMMARY

Increasing the supply of affordable and market rental housing, while creating complete communities with new community facilities and increased access to transit, services and employment, is a key priority for the City of Toronto.

The Housing Now Initiative, approved by City Council on December 13, 2018, activated 11 City-owned sites (the "Phase One Sites") for the development of affordable housing within mixed-income, mixed-use and transit-oriented communities. In January 2019, Council approved the implementation strategy for the Housing Now Initiative which established the organizational structure, investments and financial impacts, authorities and estimated unit yields for the Phase One Sites.

Phase One of the Housing Now Initiative was initially estimated to create approximately 10,000 new residential units with approximately 3,700 affordable rental units. Based on work done to-date to advance the first four priority sites, Phase One is now estimated to create approximately 10,750 residential units, with 7,800 being purpose-built rental housing, including almost 3,900 affordable rental units. The Housing Now Initiative is also delivering the essential community infrastructure that will support future residents and communities across Toronto. The Phase One Sites will introduce new child care facilities, new or expanded public parks, community space, employment opportunities, improved public realm and new public streets will also be developed at these sites. Recognizing the urgent need to increase affordable rental housing options for residents, which has become more acute due to the COVID-19 pandemic, on May 28, 2020, City

Council approved an additional six sites (the "Phase Two Sites"). Phase Two is estimated to add an additional 1,455 to 1,710 new residential units, including approximately 1,060 to 1,240 purpose-built rental units with approximately 530 to 620 being affordable rental units.

This report provides Council with the first annual update on the Housing Now Initiative including the current status of the Phase One Sites. It highlights the early successes, lessons learned and provides the development status of the Phase One Sites. The report also recommends that Council authorize an estimated \$15,436,241 in Open Door incentives to support the creation of up to 200 additional affordable rental units to be delivered through Phase One of the Housing Now Initiative.

In addition, this report recommends enhancements to the Housing Now Initiative that will improve the lives of future residents of the sites. Some of these enhancements include limiting annual rent increases on market rental homes, maximizing the involvement of non-profit organizations to increase affordability, and through the market offering process, increasing the number of accessible homes plus incorporating universal design features to create housing that is suitable for everyone.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council authorize the Executive Director, Housing Secretariat to offer the Open Door incentives valued at \$15,436,241 over 99 years for up to 200 additional affordable rental housing units on the Phase One Sites (3,900 units in total), and to exempt the affordable rental housing, including any applicable ancillary and related, parking and amenity space from the payment of development charges and provide a waiver of all planning and building permit fees and parkland dedication fees.
2. City Council exempt the up to 200 additional affordable rental homes anticipated to be developed on the Phase One Sites, from taxation for municipal and school purposes for the term of the municipal housing facility agreement, with the property tax exemption having an estimated net present value of approximately \$5,836,458 over 99 years.
3. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the municipal housing facility agreement.
4. City Council direct the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO, to administer the market offering process for all Phase One Sites designated exclusively for non-profit participation, and to negotiate the leases, purchase agreements and other contracts with the successful non-profit development partners.
5. City Council request the Executive Director, Housing Secretariat and the Chief Executive Officer, CreateTO to explore options to maximize the involvement and participation of non-profit and co-operative housing organizations, including Indigenous groups and communities, in future market offerings for the Housing Now sites, and

provide greater consideration to submissions from non-profits that are financially viable, meet all other program requirements under the Housing Now Initiative and provide greater levels of affordability.

6. City Council request the Executive Director, Housing Secretariat and the Chief Executive Officer, CreateTO, to ensure that, in addition to requiring that Housing Now sites achieve a minimum of 20% accessible affordable rental units and 15% accessible market rental units plus fully barrier-free common areas, greater consideration is provided to future proposals that provide a greater number of accessible units, and include as many universal design features as possible in both in the market and affordable rental housing components of each site.

7. City Council direct the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, Create TO, to:

a. negotiate with proponents for future Housing Now sites to include limitations on annual rent increases for market renters, with annual increases in rent not to exceed the Provincial Guideline amount plus 2%, with a goal of achieving the lowest possible annual rent increases for market renters while maintaining the economic feasibility of each project, including securing the affordable rental housing targets established for the Housing Now Initiative;

b. include a process in the negotiated agreements with proponents, similar to the provincial Above Guideline Increase process under the Residential Tenancies Act, 2006, by which landlords of future Housing Now Initiative sites can apply to the Deputy City Manager, Corporate Services, for approval to impose additional limited rent increases in exceptional circumstances for costs incurred as a result of:

1. an extraordinary increase in property taxes (i.e. an increase greater than the guideline plus 50% of the guideline);
2. extraordinary or significant eligible capital expenses (including extraordinary or significant renovation, repair, replacement or new additions, the expected benefit of which extends for at least five years) with respect to the residential building/component; and
3. extraordinary operating costs as a result of new security service or an existing security service necessary to maintain the safety of renters.

c. seek approval from City Council for proposals that do not comply with the recommendations in 7(a) and 7(b) above; and

d. report to City Council immediately upon the conclusion of any market offering process that does not result in a viable bid.

8. City Council request the Executive Director, Housing Secretariat in consultation with the Chief Executive Officer, Create TO, to report to Council in the third quarter of 2021 with the second annual update on the Housing Now Initiative including outcomes of negotiations with proponents, status of all sites, and any recommended changes to ensure continued successful delivery of the program.

9. City Council authorize the public release of Confidential Attachment 1 following the closing of all lease and/or purchase transactions for sites approved under the Housing Now Initiative.

FINANCIAL IMPACT

Open Door Incentives

As part of its decision on January 31, 2019, City Council approved funding and financial incentives under the Open Door Program to support the creation of up to 3,700 affordable rental units in Phase One of the Housing Now Initiative.

Based on planning applications and determination of appropriate built form for the first four priority sites at 777 Victoria Park Avenue, 140 Merton Street, 50 Wilson Heights Boulevard and 705 Warden Avenue, incentives up to an additional 200 affordable homes are recommended.

The Net Present Value of the incentives to support up to 200 additional homes, including property tax exemptions over the 99-year affordability period, represents an additional City investment of approximately \$15.4 million as outlined in Table A below.

This is in addition to City investments of approximately \$280.3 million in Open Door incentives approved for the program by City Council through report Item No. EX1.1, "Implementing the Housing Now Initiative" in January 2019, and as outlined in Table C below.

Table A: Additional Open Door Incentives Proposed

Affordable Rental Homes	Estimated Affordability Period	Estimated Development Charges*	Estimated Planning Fees and Charges	Estimated Net Present Value of Property Taxes	Estimated Total
200	99	\$8,088,040	\$1,511,743	\$5,836,458	\$15,436,241

**calculated using November 2020 rates.*

Table B: Breakdown of Additional Annual and Net Present Value of Property Taxes

Property Tax	Annual	NPV: 99 Years
City	\$135,760	\$4,282,788
Education	\$ 47,250	\$1,490,597
City Building	\$1,999	\$63,073
Total:	\$185,009	\$5,836,458

**calculated using 2020 tax rates.*

Table C: Open Door Incentives Previously Approved by City Council in EX 1.1

Affordable Rental Homes	Estimated Affordability Period	Estimated Development Charges*	Estimated Fees and Charges	Estimated Net Present Value of Property Taxes	Estimated Total Value of Incentives
3,700	99 Years	\$150,000,000	\$26,162,394	\$104,164,803	\$280,327,197

*calculated using November 2020 rates.

City Building Fund

In January 2019, City Council approved an initial allocation of \$20,000,000 from the City Building Reserve Fund (XR1730) to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to fund due diligence, pre-development and marketing efforts required to prepare the 11 sites for market offering over a four-year period.

Below is a summary of costs incurred to date, and anticipated costs to the end of 2020:

Table D: Summary of Expenses, Proceeds and Account Balanced by end of 2020

Transactions Details		2019 Actual Expenses	2020 Anticipated Expenses	2020 Anticipated Proceeds	Total Projected Expenses and Proceeds (by Dec. 31. 2020)
Phase One	Consulting, Transaction & Infrastructure Costs	\$4,465,711	\$7,401,358		\$11,867,069
	Personnel Costs (CreateTO & City)	\$638,232	\$1,199,352		\$1,837,584
	Relocation Costs		\$226,880		\$226,880
	Other: Non-Profit Capacity Fund		\$200,000		\$200,000
	Proceeds: Deposit and Land Payment			-\$500,000	-\$500,000
Phase Two	Consulting, Transaction & Infrastructure Costs	\$0	\$1,950,000		\$1,950,000
	Personnel Costs (CreateTO & City)	\$0	\$231,000		\$231,000
	Relocation Costs				
	Proceeds				
Total		\$5,103,943	\$11,208,590	-\$500,000	\$15,812,533

Transactions Details	2019 Actual Expenses	2020 Anticipated Expenses	2020 Anticipated Proceeds	Total Projected Expenses and Proceeds (by Dec. 31, 2020)
Projected Balance of City Building Funds for Housing Now Initiative (by end of Dec. 31, 2020)				\$4,187,467

Proceeds from the Sale or Lease of Sites

As approved by Council on May 28, 2020 (re: CC21.3 "Creating New Affordable Housing Opportunities through Phase Two of the Housing Now Initiative"), proceeds from the sale or lease of any of the sites under the Housing Now Initiative are to be transferred to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to be used to offset costs directly related to implementing of the Housing Now Initiative.

Such costs include: preparing the properties for marketing as well as undertaking necessary environmental studies and remediation, market analyses, planning and other due diligence consultant studies; legal costs; overhead and administration costs; relocation and temporary lease costs; costs of on-site City programming requirements; costs of required on-or off-site infrastructure upgrades or improvements; funding shortfalls, etc. These expenses will be addressed in future years capital and operating budget cycles, with potential funding pressures to be offset by proceeds arising from revenues achieved through land transactions.

Negotiations with selected proponents for the first two Phase One sites are ongoing and staff will report on proceeds generated through the 2021 Budget Process, upon closing of the transactions.

Additional Costs

Any additional resource implications related to implementing the Housing Now Initiative, including additional pre-development and personnel costs, will be identified and presented to Council for consideration as part of the 2021 Budget Process.

Providing Rent Protection for Market Renters

The financial impact arising from the recommendations in this report will be determined and reported to Council in the third quarter of 2021. A preliminary cost assessment is provided in the Confidential Attachment to this report. Additionally, the cost and resources required to develop and administer City-initiated rent protection on market rental homes will be evaluated by staff and reported to City Council in 2021 as part of the annual Budget Process.

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

EQUITY IMPACT STATEMENT

The HousingTO 2020-2030 Action Plan envisions a city in which all residents have equal opportunity to develop to their full potential. The HousingTO 2020-2030 Action Plan is also centred on a human rights based approach to housing. This human rights based approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building inclusive, healthy, sustainable and liveable communities.

The Housing Now Initiative is one component of the HousingTO 2020-2030 Action Plan. Through the Housing Now Initiative, a range of new housing and important community assets such as child care facilities, space for community agencies, local parks and open spaces will be added to neighbourhoods across the city.

Creating new affordable housing within complete communities will increase the opportunity for lower-income and vulnerable individuals and families, as well as those from equity-seeking groups to access safe, healthy and adequate homes.

Adopting a transit-oriented development approach also provides an opportunity for individuals and families to live, work and play locally. Additionally, locating affordable housing near high-order transit services will reduce travel times and costs for low-and-moderate income households, and provide greater access to employment, educational opportunities and services.

DECISION HISTORY

On December 13, 2018, City Council adopted CC1.3 "Housing Now", which approved the activation of 11 City-owned 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 30 and 31, 2019, City Council adopted EX 1.1 "Implementing the "Housing Now" Initiative". This report provided recommendations on the organizational structure and processes to deliver the Housing Now Initiative, the proposed affordable housing program and the overall financial implications of the program.

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

On September 24, 2019, the Board of Directors of CreateTO adopted RA 8.2 "Housing Now Business Cases for 140 Merton Street, 50 Wilson Heights Boulevard, 705 Warden Avenue and 777 Victoria Park Avenue", which presented business cases and a recommended approach to the market offering process for the first four Housing Now properties.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.RA8.2>

On November 26 and 27, 2019, City Council adopted PH10.2 "Housing Now - 777 Victoria Park Avenue - Zoning Amendment - Final Report" which will facilitate the development of approximately 508 new residential units on the site, including at least 254 affordable rental units. Additionally, retail and community space, including a child care facility, will be provided at grade while the commuter parking use currently

provided on the site will be accommodated as part of a mix of below-grade resident, visitor and public parking.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH10.2>

On December 17 and 18, 2019, City Council adopted PH11.2 "Housing Now - 140 Merton Street - Zoning Amendment - Final Report" which will facilitate the development of approximately 180 new seniors-oriented rental units on the site with a minimum of 50% affordable units and a target of 100% affordable units. The Zoning By-law Amendment also requires the provision of 2,150 square metres of community service space.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.2>

On November 26 and 27, 2019, City Council adopted motion "Protecting Tenants from unfair rent increases in new builds - by Councillor Frances Nunziata, seconded by Councillor Brad Bradford" and requested the Province of Ontario to reinstate rules limiting rent increases, as prescribed in Sec. 120 (1) of the Ontario *Residential Tenancies Act, 2006*, for all new rental units occupied for residential purposes. City Council also requested the City Manager to report to the January 22, 2020, meeting of the Planning and Housing Committee on requiring that landlords in new developments, where incentives from the City of Toronto have been provided, be prevented from increasing rents by more than the Guideline, as prescribed in Sec. 120 (1) of the Ontario *Residential Tenancies Act, 2006*. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM12.33>

On February 12, 2020, the Planning and Housing Committee considered the application for the re-zoning and plan of subdivision for 705 Warden Avenue, and extended the public meeting until the June 2020 meeting of the Planning and Housing Committee. The Committee requested that staff look for opportunities to accommodate additional housing on the site. The updated development concept and recommended Zoning By-law amendment will facilitate approximately 600 housing units including 250 affordable rental units, a child care facility, an expansion to the Warden Hilltop Park, retail space as well as a new Toronto Transit Commission administration building. A statutory public meeting under the Planning Act is scheduled for the June 15, 2020 meeting of the Planning and Housing Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH13.2>

On February 26, 2020, City Council adopted PH13.1 "Housing Now - 50 Wilson Heights Boulevard - Zoning Amendment and Draft Plan of Subdivision - Final Report" which will facilitate the development of approximately 1,500 new residential units including approximately 500 affordable rental units on the site; and a range of commercial/retail uses, a child care facility and a community space for non-profit organizations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH13.1>

On May 28, 2020, City Council adopted CC21.3 "Creating New Affordable Housing Opportunities through Phase Two of the Housing Now Initiative" which approved adding an additional six (6) City-owned sites to the Housing Now Initiative to create new affordable and market rental housing within mixed-income, mixed-use, complete communities close to transit.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.3>

COMMENTS

Early Successes in Phase One of the Housing Now Initiative

1. Affordable Housing Program Targets Exceeded

One of the guiding principles of the Housing Now Initiative is to achieve the highest possible public benefits on City-owned sites, including maximizing the number of market and affordable rental units.

In 2019, City and CreateTO staff identified 140 Merton Street, 777 Victoria Park Avenue, 50 Wilson Heights Boulevard and 705 Warden Avenue as the first four of 11 priority sites to launch the Housing Now Initiative based on their readiness to advance to the market offering stage. These sites have now been through detailed due diligence, business case review and planning framework amendments.

Through the built-form review and planning process, the density of the first four sites was increased to add an additional 183 affordable rental units above the initial estimates in the January 2019 report, as outlined below:

Table E: Number of Affordable Rental Homes in Four Housing Now Priority Sites

Sites	2019 Estimates			2020 Estimates		
	Residential Units	Market Rental Units	Min. Affordable Units	Residential Units	Market Rental Units	Min. Affordable Units
50 Wilson Heights Blvd.	1,150	385	385	1,500	500	500
777 Victoria Park Ave.	450	225	225	508	254	254
140 Merton St.	150	75	75	180	90	90
705 Warden Ave.	450	225	225	600	350	250

* final tenure mix to be determined pending Council approval of recommended Zoning By-Law amendment for 705 Warden Avenue and outcome of marketing process.

2. Expedited Planning Process Developed

One of the principles of the Housing Now Initiative is to establish a market-ready development concept for each site prior to the market offering process. City-initiated Zoning By-law amendments provide certainty for the development community in preparing a response to the market offering by establishing built-form envelopes, and infrastructure requirements.

The City-initiated Zoning By-law Amendments and, where applicable, draft Plan of Subdivision also provide certainty for the City with respect to the range of community infrastructure that should be incorporated on each site to maximize public benefit in the context of a developer partnership on public land.

These expectations are set out in report Item No. EX1.1 as 'Development Requirements' and are built into the agreement to be signed between the City and the selected development partner (the "Project Agreement"). Together, the planning approvals and Project Agreement provide an expedited route to construction and occupancy.

City Planning, working with City divisions and agencies, has developed an approach to expedite the planning approvals process, which continues to be refined as projects advance. Each of the first four priority sites listed below resulted in a recommended Zoning By-law and draft Plan of Subdivision conditions in a Final Report to Planning and Housing Committee within 6 months (reflecting the target set out in the January 2019 report).

3. Progress Made on Securing Planning Approvals

Consistent with the Organizational Structure developed for the Housing Now Initiative, CreateTO has prepared submissions to the City based on the standard Development Application Checklist, for each of the priority sites.

In advance of each submission, City Planning and the commenting divisions and agencies worked closely with CreateTO and the team of consultants to ensure that all technical requirements and analysis were provided to minimize the requirements for re-submissions and to meet the expedited project timelines.

The list below provides an update on the planning process for the first four priority sites:

- **777 Victoria Park Avenue** - The final report and Zoning Bylaw Amendment were brought forward to Planning and Housing Committee on November 13, 2019 and adopted at City Council on November 27, 2019. No appeals to the Local Planning Appeal Tribunal (LPAT) were filed and the Zoning By-law Amendment for 777 Victoria Park Avenue is now in full force and effect.
- **140 Merton Street** - The final reports on the Zoning Bylaw Amendment and Alternations to Designated Heritage Property were brought forward to the Planning and Housing Committee on December 10, 2019 and adopted at City Council on December 17, 2019. No appeals of the Zoning By-law Amendment to the LPAT were filed and the Zoning Bylaw Amendment for 140 Merton Street is now in full force and effect.
- **50 Wilson Heights Boulevard** - The Zoning Bylaw Amendment and Draft Plan of Subdivision final reports were brought forward to the Planning and Housing Committee on February 12, 2020 and adopted by City Council on February 26, 2020. No appeals to the LPAT were filed and the Zoning By-law Amendment for 50 Wilson Heights Boulevard is now in full force and effect.

- **705 Warden Avenue** - The Zoning Bylaw Amendment and Draft Plan of Subdivision final report is being considered by the Planning and Housing Committee on June 15, 2020.

Progress on Remaining Phase One Sites - Concurrent with the work on the first four priority sites, City Planning and CreateTO are also working to complete due diligence, design concepts and planning applications for the next seven properties identified in Phase One of the Housing Now Initiative. Attachment 1 provides a visual presentation of progress on the Phase One sites and Attachment 2 provides updates on the remaining Phase One sites.

4. Advanced Market Offering and Developer Selection Processes

In 2019, the real estate firm, CBRE Limited, was retained by CreateTO to conduct the market offering process for the first three Housing Now Sites (50 Wilson Heights Boulevard, 777 Victoria Park Avenue and 705 Warden Avenue). The offering process was launched in October 2019, and closed on December 10, 2019.

Bids were accessed by a team of Housing Secretariat, CreateTO and CBRE staff. To ensure fairness and transparency in the process, a third-party fairness monitor was retained by CreateTO to oversee the evaluation process.

Of the three sites offered, bids on two were deemed feasible to proceed. Staff are currently working with the selected proponents to finalize negotiations, while the proponents concurrently conduct their due diligence work on the sites. The results of the negotiations will be announced over the upcoming weeks upon conclusion of negotiations and due diligence.

The third site, 705 Warden Avenue, did not advance through the selection process as the bids received were deemed unsatisfactory. At its meeting on February 12, 2020, the Planning and Housing Committee requested staff to review potential revisions to the development concept with the objective of providing additional housing opportunities on site in consultation with the local Councillor and community. The revised development concept was the subject of an Online Information Session held on May 13, 2020. This development concept is being considered by the Planning and Housing Committee on June 15, 2020.

5. Expediting Framework for Construction and Prioritizing Affordable Housing Delivery

Following the selection of successful proponents, a project charter will be developed for each site, outlining the roles and responsibilities of stakeholders, including various City divisions, CreateTO and the proponent, plus milestones to get to construction, completion and operation. The development of the affordable rental housing will also be prioritized in the development schedule and outlined in the Project Agreement to be signed with the selected development partners.

6. Additional City Building Objectives Achieved

The purpose of the Housing Now Initiative is to expedite the development of mixed-use, mixed-income communities on City-owned land close to transit. Through the Housing Now Initiative, the City's expectation is that these communities, be they individual buildings, or multi-phased subdivisions, reflect and implement the Official Plan's policies including the policies for community services and facilities, parkland, environmental performance, and, where appropriate, provision of non-residential space, new public roads and heritage preservation.

On the first four priority sites, the City will secure the following community services and facilities:

- three daycares providing 186 childcare spaces;
- two new, or expansions to public parks and community space;
- employment opportunities with a minimum of 1,300 square metres of retail and 16,800 square metres of office;
- Improved public realm through mid-block connections, outdoor social plazas and new public streets.

7. Non-Profit and Private Partnerships and Third-Party Investments

The existing framework for Housing Now requires that each proposal be assessed based on a range of criteria including but not limited to: qualifications of the proponents including development and operating experience; the resources that proponents are able to bring to the project; proposed operating model, including private/non-profit partnerships; affordability, accessibility and energy efficiency details, project design and long-term financial viability. Each proposal must also be evaluated to ensure that the highest public benefit is achieved.

Based on the first round of bids, the City has attracted bids that reflect strong private-non-profit partnerships and third-party capital, necessary to deliver the program.

8. Engagement with Local Councillors and Communities

City Planning Staff and CreateTO worked closely with local Councillors to lead consultations for the first four priority sites and two large public consultation sessions for the Bloor-Kipling/Bloor-Islington sites. Consultation materials including presentations, meeting materials and meeting summaries are available on CreateTO's project websites at www.createTO.ca/housingnow.

All consultation sessions have been well-attended, often attracting more than 200 participants. Where necessary, additional consultation sessions and meetings have been held on specific issues, for example commuter parking at 50 Wilson Heights Boulevard. Staff continue to refine and adapt consultation materials to provide clarity on the Housing Now Initiative.

As the period of physical distancing continues during the COVID-19 pandemic, staff are investigating how to engage with diverse communities through online/telephone means. The first example of this engagement was on May 13, 2020 for the updated development concept at 705 Warden Avenue. Details on that consultation approach are set out in the Final Report for 705 Warden Avenue, Item No. PH13.2, including how

effective engagement with the community, local Councillor and impacted stakeholders was achieved. This included an online community consultation session.

9. Advancing the HousingTO 2020-2030 Action Plan

In December 2019, City Council adopted the HousingTO 2020-2030 Action Plan which proposes a number of actions to address critical needs across the housing spectrum including affordable and market rental housing and homeownership.

The HousingTO 2020-2030 Action Plan establishes an ambitious goal of approving 40,000 affordable rental units, including 18,000 supportive housing units, by 2030 based on partnerships. Support from the Federal and Provincial governments, as well as the public and private is essential to meeting the City's goals.

Housing Now is one component of the HousingTO 2020-2030 Action Plan which calls for the creation of 10,000 affordable homes on City-owned lands. Through the two phases of Housing Now, along with the recently implemented Modular Housing Initiative, Council has now approved 45 per cent of that target.

Other ongoing initiatives to support the targets in the HousingTO 2020-2030 Action include

- scaling up the Open Door Affordable Housing Program to maximize affordable housing outcomes on private sites;
- supporting revitalization on lands owned by City agencies and corporations including Toronto Community Housing and Waterfront Toronto;
- co-locating affordable rental housing with the development of new City facilities (such as long-term care facilities, shelters, libraries and day care facilities);
- encouraging and incentivizing innovative housing solutions such as modular housing and laneway housing;
- developing a land acquisition strategy to assist the City in the strategic acquisition and expropriation of private land and expropriations where affordable housing is determined to be viable;
- adopting an inclusionary zoning Official Plan policy and implementing inclusionary zoning in consultation with the non-profit and private sector development industry; and
- working with the federal and provincial governments in increasing the supply of rental housing including affordable rental housing through the National Housing Strategy.

Lessons Learned, Potential Future Challenges and Other Considerations

1. Market Conditions

Due to the COVID-19 pandemic and resulting financial impacts, there may be a potential 'softening' of the market resulting in reduced interest from developers. However, it is anticipated that social-purpose investors, including non-profit developers, will have sustained interest in building and operating a range of housing, especially affordable and market rental housing.

If available and rapidly deployed, Federal stimulus funding for housing could also help sustain development. These investments would create job opportunities, helping the City to recover from the pandemic while at the same time, creating much-needed housing options for residents. To this end, the continued pace of approving zoned, construction-ready sites will enable the City to be well-positioned if stimulus funding is made available.

2. Maximizing housing opportunities in context

Options for how to deliver the maximum residential density on sites need to be more thoroughly explored earlier in the process. Various opportunities and approaches should be initially assessed to determine how a site's redevelopment can best respond to existing and planned contexts, and implement the Official Plan in support of complete communities, including community facilities and job-generating uses.

3. Infrastructure costs

Phase One Housing Now sites varied considerably in site typology. Some sites, such as 777 Victoria Park Avenue and 140 Merton Avenue, are infill sites with frontages on public streets. Other sites, such as 705 Warden Avenue and 50 Wilson Heights Boulevard, are larger development parcels that need to be subdivided into development blocks requiring significant investment in new municipal infrastructure such as site servicing and road construction to support future development.

Despite the City's ability to deliver expedited planning approvals for these larger development parcels, obligations to construct necessary municipal infrastructure add cost and complexity to these projects. This is contrasted with the 17-acre, six block Bloor-Kipling lands where the City, through its Six Points reconfiguration investment, is delivering the new infrastructure thereby removing a substantial cost to future development partners.

To this end, future potential sites that fall within the large parcel typology may not be suited for the Housing Now portfolio in the absence of City investment to provide municipal infrastructure, such as new roads, which will enable potential development partners to assign those project costs to elements contained within the building/development parcel, such as commercial or non-profit space or child cares.

4. Financial Feasibility & Cross Subsidization

Following the points made in section 3 above, at some sites it may be difficult to achieve the current affordability targets without additional City investments. In the absence of these investments, the number of affordable rental units plus depth of affordability may need to be reduced to make the projects financially viable. Staff will assess each site on a case-by-case basis as well as look at the Phase One and Phase Two sites holistically to determine the best portfolio approach to cross subsidize projects and maintain affordability targets. It is important to note that land value (i.e. what a developer would normally pay to the City to acquire land) is generally forgone in Housing Now transactions in exchange for affordability provisions and other City benefits. As a result,

there may be little 'excess' that can be drawn from the City's real estate equity to pay for additional needs (such as infrastructure costs or City program requirements).

5. Transit Expansion Projects

Due to the transit-oriented nature of Housing Now sites, some sites are dependent on Metrolinx plans for the construction of new transit infrastructure and the need for temporary staging. In Phase One, this list includes four sites: 770 and 805 Don Mills Road, 3933 Keele Street and 1250 Eglinton Avenue West, which combined, make up 42% of the affordable rental target identified to Council in January 2019.

In the case of 770 and 805 Don Mills Road, the yet-to-be finalized terminus of the Ontario Line and nature of the infrastructure (elevated vs. buried) has affected the ability for the City and CreateTO to finalize development concepts at these two locations. While coordination and design work is ongoing, timelines may be impacted by Metrolinx requirements.

6. Future Pipeline of Assets

Housing Now sites can generally be categorized as 'Ready Now', 'Ready Soon' or 'Ready Later'. The categories are based on types of planning approvals and existing or interim uses that need to be relocated or concluded prior to the start of construction. A central consideration when adding new sites to the existing Housing Now pipeline should be to maintain an appropriate distribution of sites across these three categories, with an emphasis on sites in the "Ready Now" category that can more readily deliver units to the market in the near term. Larger sites with a greater unit yield present the opportunity to meet the program-wide target; however present the challenge of new infrastructure needs, replacement of on-site City assets, and phasing of marketing and construction.

Recommended Program Enhancements

1. Providing Rent Protection for Market Renters

As highlighted in the City's HousingTO 2020-2030 Action Plan, the insufficient supply of rental housing in the city has created a very difficult situation for renters. With residential vacancy rates around 1.5% and rents rising faster than incomes, renters are increasingly at risk of having to pay unaffordable rents (over 30% of income) or being economically evicted through unreasonable annual increases.

The need to scale up the supply of affordable and market rental housing in the city, while helping residents find and maintain housing, is vital to strengthening the City's housing system. Increasing the supply of rental housing is also necessary to help stabilize rents over time.

The City currently protects renters in City-supported affordable rental units from Above Guideline Increases through provisions set out in the City's Contribution Agreements. Specifically, landlords are prohibited from increasing rents for existing renters during the

affordability period by more than the provincial Guideline increase, to an amount not to exceed the Average Market Rent for the project, as established by the City.

In mixed-income rental developments where the City contributes solely towards the delivery of the affordable rental portion, the same limits and protections do not apply to renters of market rental homes.

Provincial Legislation and Rent Increases

The Ontario *Residential Tenancies Act, 2006*, which came into effect on January 31, 2007, sets out the rights and responsibilities of landlords and tenants who rent residential properties. This includes matters related to increases in rent.

In May 2017, rent control legislation under the *Residential Tenancies Act, 2006* was expanded to include all rental units.

In November 2018, the Ontario government removed rent control on new purpose-built rental housing occupied after November 15, 2018, in an effort to further spur the development of purpose-built rental housing.

Currently, annual rent increases for a rental unit occupied prior to November 15, 2018, are limited to the established provincial Guideline increase which, over the past five years, has resulted in average rent increases of 1.74%. The 2020 Guideline increase limit is 2.2%.

Rental units occupied after November 15, 2018, are not limited to Guideline increases and as such, landlords of these units can impose unrestricted annual rent increases for existing renters.

Rent Increase Limits on Housing Now Sites

Recognizing the need to protect renters from unfair increases in rent, this report recommends a flexible approach to implementing rent protection in future Housing Now Initiative sites. The recommendations aim to protect future market renters from unfair annual increases while at the same time, balance the need to encourage interest in the development of new market rental housing, and ensure that projects get built and are financially viable and well-maintained over the 99-year term. In the absence of more substantive federal and provincial investments, the costs to build the affordable homes will need to be cross subsidized both by the investments of City land, and also from the revenues from the market homes (both rental and ownership). Without some flexibility beyond a Guideline increase, it may be difficult to stimulate the development of both the affordable and market rental housing at some sites.

It is proposed that staff negotiate with selected proponents on a site-by-site basis, with the objective of achieving annual increases closer to the provincial Guideline increase limit, but in no event, above the provincial Guideline limit plus 2% annually.

The upper limit of Guideline plus 2% would be considered for sites that are less financially viable including sites where market rents are lower and the cost to construct is high due to factors such as infrastructure costs or City program requirements.

Flexibility is important as sites under the Housing Now Initiative vary considerably in terms of size, site conditions, location, local rental market conditions, etc.

It should also be noted that in general, when projecting rent growth for the long term, multi-family investors typically underwrite a normal 2.5% to 3.5% growth in rents which account for periods of above-average growth and periods of below-average growth. This growth is necessary to maintain the residential units and manage increases in operating expenses over the lifecycle of units. The proposed flexible approach would help provide a level of certainty to ensure that buildings are well-maintained and suitable for renters needs over the long term.

Exceptional Increases to Maintain Safe, Good Quality Housing

It is recommended that staff implement a process in the negotiated agreements with proponents by which landlords of future Housing Now Initiative sites can apply to the Deputy City Manager, Corporate Services, for approval to impose additional rent increases but only for exceptional cases related to costs incurred for eligible capital expenditures, property taxes and security costs necessary to operate and maintain buildings in a good quality and safe condition over the 99-year term.

Additional annual increases in rent would only be considered if:

- a) the landlord has eligible capital expenses (extraordinary or significant renovation, repair, replacement or new additions, the expected benefit of which extends for at least five years) with respect to the residential building/component. Renters whose tenancies begin after the capital expenditure was completed cannot be included in this application. Also, landlords would be required to prove that building maintenance and upkeep were done, and that the capital expenses incurred were not a result of deferred maintenance. Actual proof of costs will also need to be provided for review and consideration;
- b) there has been an extraordinary increase in the cost for municipal taxes and charges for the residential building/component (an increase is extraordinary if it is greater than the guideline plus 50% of the guideline); and
- c) has incurred operating costs related to a new security service or increased operating costs of an existing security service necessary to maintain the safety of renters.

This report also recommends that staff provide an update to City Council in 2021 on the outcomes of limiting annual rent increases for renters, and any recommended program or policy change that may be necessary to support the continued success of the Housing Now Initiative.

Benefits of the Proposed Approach to Implementing Rent Protections

Attachment 3 outlines options considered by staff as they relate to implementing rent protection for renters in future Housing Now Initiative sites.

Based on an assessment of potential impacts, advice from CreateTO and an analysis of developer responses through Housing Now bids, staff are recommending Option #2 in

the table, which is Guideline + 2% as the maximum ceiling for annual rent increase on market rent units. Benefits of this approach include:

- More predictable range of annual increases for market renters;
- Flexibility for landlords to manage future capital costs and maintain the quality of homes;
- Maintaining interest from the non-profit and private sector development community for City housing initiatives; and
- Limited additional up-front funding needed (i.e. limited additional financial incentives or assurances from the City) to increase the supply of housing on City land.

This option is recommended after careful consideration of all the desired outcomes for the City. It is a balancing act between achieving reasonable protections for market renters, while ensuring that Housing Now sites remain financially viable, development interest is maintained, the market component continues to subsidize the affordable homes, and all homes are well-maintained in over the 99 year term.

Monitoring and Enforcement

At the current time, the administration for rent controlled units in Toronto is undertaken by the Provincial Landlord and Tenant Board.

Under the current Provincial arrangements, the annual market rent increase above the Provincial Guidelines would not be governed by the *Residential Tenancies Act, 2006* or the Landlord and Tenant Board. Rather, landlords will be contractually bound through legal agreements between the City and the landlord (e.g. land lease and/or Contribution Agreement). Should the landlord breach the terms of the applicable agreement, the City would exercise all remedies available to it pursuant to the agreement.

The City will need to establish its own monitoring and enforcement mechanisms, to appropriately manage City initiated rent controls and to ensure that landlords are abiding by the terms of their agreements.

The cost and resources required to develop and administer such City initiated rent protection on market rental homes will be evaluated by the Housing Secretariat and the Corporate Real Estate Management Division and reported to City Council in 2021 as part of the annual Budget Process.

2. Expanding Partnerships to Increase Affordability

Moving forward, staff will explore opportunities to further enhance affordability at each of the Housing Now sites. In order to increase the number of affordable rental homes and deepen affordability for low-and-moderate-income households, support from the federal and provincial governments, as well as non-profit and private organizations will also be needed.

In terms of increasing affordable for market renters, housing benefits (such as the Canada-Ontario Housing Benefit) could be layered on the market rental homes to make them more affordable for qualifying households.

In addition, layering housing benefits and funding for support services on the affordable rental units would deepen affordability and create new supporting housing opportunities for vulnerable and marginalized groups.

3. Enhancing Accessibility Requirements

About 15% of residents across Ontario have disabilities. Many Torontonians with disabilities have challenges finding appropriate housing due to a lack of accessible, affordable units and also face various physical, mental, and social and economic barriers, leading to increased risk of poverty.

Currently, there are about 450 people on the social housing waitlist waiting for a wheelchair accessible unit. As Toronto's population ages, the need for accessible units will increase.

The Housing Now Initiative aims to provide units that are safe, secure and accessible to a range of individuals. The Housing Now Initiative has also been designed to attract investments through the National Housing Strategy to make the projects financially viable.

Similar to CMHC's requirements for programs under the National Housing Strategy, the following standards are required for rental units being developed at the Housing Now sites:

- **Affordable Rental Units (to be eligible for Co-Investment Funding):**
A minimum of 20% of homes meet accessibility standards and common areas must be 'barrier-free'.
- **Market Rental Units (to be eligible for Rental Construction Financing Initiative funding):**
At least 10% of the homes must meet or exceed accessibility standards as regulated by the Ontario Building Code (OBC). The OBC requires that 15% of the units to be barrier free; and

In addition, access to the projects and all common areas must be barrier-free as regulated by the local codes or the 2015 National Building Code.

In recognition of the growing need for accessible homes, and to help Toronto's population age in place, moving forward, staff will explore ways to enhance current accessibility requirements for the Housing Now sites. This will need to be done in a meaningful way that does not compromise the delivery of the affordable housing due to unmanageable financial constraints while focusing on the principles of equity and inclusiveness.

For instance, focus will be placed on adding universal design features that would benefit future tenants and have minimal cost impacts e.g. installing lever-style door handles and faucets; using non-slip flooring; installing smooth, low thresholds; including good, non-glare lighting; installing windows with low sills etc.

Adding universal design features will help create housing that is suitable for everyone. This includes making housing accessible to those with disabilities and helping people, including seniors, stay in their homes as their circumstances change.

4. Supporting Indigenous Affordable Housing Development

The City of Toronto recognizes that safe, secure and affordable housing for Indigenous Peoples to be designed, developed, and operated by Indigenous Peoples is a cornerstone of the path to reconciliation and self-determination.

As part of the Housing Now Initiative, the dedication of sites for Indigenous housing projects, and the ownership of land to reflect the City's commitment to reconciliation and the commitment to support building capacity amongst Indigenous organizations, will be considered during the site analysis and selection processes.

5. Enhancing Participation from the Community Housing Sector

Staff will explore opportunities to further enhance participation from the community housing sector, including non-profits and co-operative housing providers, in the Housing Now Initiative. These includes providing greater consideration to submissions from non-profit organizations that are financial viable and able to meet all other requirements under the Housing Now program including affordability, energy efficiency, accessibility, etc.

Additionally, the 140 Merton Street site has been designated exclusively for non-profit and co-operative housing providers. A total of 180 seniors-oriented rental units with be developed at the site with a minimum of 50% affordable rental homes and up to 100% affordable rental homes, should there be additional investments from other orders of government and the non-profit sector, including housing benefits, to be applied to the project.

Staff will also identify a number of additional sites that will be marketed exclusively to the non-profit sector. Non-profit organizations are also permitted to bid on all Phase One and Phase Two Sites.

Conclusion and Next Steps

The City of Toronto has set an ambitious target of approving 40,000 affordable rental homes, including 18,000 supportive housing units, through the HousingTO 2020-2030 Action Plan. Of these 40,000 units, 10,000 are targeted to be built on City-owned land. Through Phases One and Two of the Housing Now Initiative, 45% of this target has now been met.

The Housing Now Initiative takes a holistic approach to city-building through the use of City-owned lands. The Initiative will stimulate the creation of complete communities with a range of new mixed-income housing in close proximity to transit and near jobs and services.

Programs that increase the supply of safe, secure, affordable housing, such as Housing Now, are of increase significance at this time due to the COVID-19 pandemic. The ongoing health crisis has quickly emphasized how access to a home is essential to one's health and well-being and that of society as a whole. Advancing Housing Now will create housing for a range of residents including but not limited to accessible housing for our growing seniors population, supportive housing for vulnerable residents, and affordable rental housing for low-and-medium-wage key workers in Toronto. Building housing for everyone in communities across Toronto will be crucial in filling the gaps exposed during the pandemic. At the same time, advancing Housing Now will also help stimulate job creation at a time when economic recovery is top of mind.

In the first year of the Housing Now Initiative, staff have made significant progress towards expediting the delivery of affordable housing. This includes undertaking pre-development work on most sites plus advancing the planning process on four sites within an accelerated timeframe. Staff are also close to finalizing negotiations with development partners for two sites, and are actively working to bring more site to the market before the end of 2020. Pre-development work on the Phase Two Sites will also begin this year.

Based on lessons learned and evolving needs of residents, staff have also recommended a number of enhancements to the Housing Now Initiative to increase affordability, help future renters maintain their homes and support a diverse range of housing needs. As the program matures, it will continue to be refined to ensure continuous improvement and ultimately, scale up the supply of affordable and market rental housing across the city.

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ATTACHMENTS

Confidential Attachment 1 - Estimated Cost of Rent Control Options
Attachment 1 - Housing Now Project Tracker
Attachment 2 - Phase One Sites Status Update
Attachment 3 - Considerations for Rent Increases on Market Rental Units