



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Lawrence Heights Phases 2 and 3 – Initial Development Proposal

Date: October 5, 2020
To: Planning and Housing Committee
From: Executive Director, Housing Secretariat
Wards: Ward 8

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report contains financial information, supplied in confidence to the City of Toronto, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

On July 16, 2019, through Item No. PH7.4, "A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects", City Council adopted a new approvals framework for Toronto Community Housing ("TCHC") revitalization projects. As part of this new approvals framework, a stage gate process was established to provide the City with early and enhanced oversight of TCHC projects, and to ensure that these revitalizations support strategic city-building priorities.

In line with the new approvals framework, this report provides an outline of the project concept for Phases Two and Three of the Lawrence Heights revitalization (the "Initial Development Proposal"). It also summarizes issues and opportunities for achieving city-building goals, provides a record of engagement to-date, and outlines recommended next steps.

The Initial Development Proposal reflects the Lawrence Allen Secondary Plan, approved by City Council in November 2011 through Item No. NY11.24a. It includes the replacement of 636 social housing units plus the addition of an estimated 2,488 market rental and ownership homes and 130 affordable rental units. Other city-building objectives proposed to be achieved include: a new community hub with a public park, public school, daycare, community centre, and a new network of public streets and

infrastructure. Phases Two and Three are intended to be approved together, but will be constructed through a series of sub-phases, with the exact timing and configuration to be confirmed once a developer partner has been procured.

The project concept outlined in this report may change as pre-development work advances. There may be shifts in project design as a result of further review and evaluation through the planning application process, and also potentially as a result of changes in the market, construction costs or other factors. Furthermore, through the development review and community consultation processes, an appropriate zoning by-law amendment, plan of sub-division, site plan and built form will be identified, which will ultimately determine the final number of rental and ownership homes and amenities at the site.

Approval of the recommendations in this report will allow TCHC to proceed with a public Request for Proposal ("RFP") process to identify a development partner for the site. Following this process, and in line with the approvals framework, City staff, in consultation with TCHC, will report back to Council in 2021 with details of the TCHC-recommended development proposal, refined cost estimates, and to seek final approval for the project, including approval of the required planning applications.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council, in its capacity:

- a. as Shareholder of Toronto Community Housing Corporation ("TCHC"), pursuant to Section 7.4.1 (c) of the City's Shareholder Direction to TCHC, approve TCHC proceeding with the Initial Development Proposal outlined in this report as the project concept for the revitalization of TCHC's properties located in Lawrence Heights Phases 2 and 3 and outlined in Attachment 2; and
- b. as Service Manager under section 161(2) of the *Housing Services Act, 2011* ("HSA") consent to TCHC proceeding with the Initial Development Proposal outlined in this report as the project concept for the revitalization of Lawrence Heights Phases 2 and 3.

2. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety until such time as TCHC agrees that the confidential information may be disclosed to the public.

3. City Council request the Executive Director, Housing Secretariat to work with TCHC and explore all opportunities available to increase the number of affordable rental units on the site.

4. City Council authorize City staff, in consultation with TCHC, to submit an application for funding and financing consideration for affordable housing under the National Housing Strategy Co-Investment Fund and report to City Council on the progress in 2021 as part of the final report for consent to proceed with the revitalization project.

5. City Council direct the Executive Director, Housing Secretariat, in collaboration with the appropriate City divisions, CreateTO and TCHC, to report to Council by the third quarter of 2021 with details of the TCHC-recommended development proposal, refined cost estimates, and to seek final approval for the project, including approval of the required planning applications.

FINANCIAL IMPACT

Preliminary Cost Estimate

See Confidential Attachment 1 for a preliminary cost estimate for Phases 2-4.

2020 Financial Impact

There will be no financial impact to the City in 2020 as a result of approving the recommendations in this report.

Any costs to be incurred in 2020 will be fully funded through TCHC's 2020 capital and/or operating budgets.

Future Financial Impact to the City

The Lawrence Heights Phases 2 and 3 revitalization is necessary to address ageing buildings beyond economical repair.

It is estimated that the revitalization of Lawrence Heights Phases 2 and 3 will require approximately \$221.6 million gross and net in funding over a 13 year period beginning in 2023, and:

- Average annual funding of about \$17.7 million beginning in 2023, will cover the cost of the replacement of 636 TCHC units, approximately 130 net new affordable rental units, and construction of a comprehensive road network and new community amenities.
- Through the revitalization of Phases 2 and 3, TCHC will also realize cost avoidance of approximately \$51 million over a 10 year period. Should the revitalization be delayed the total cost avoidance amount would need to be added to TCHC's Capital Funding.

The cost estimates will be adjusted to reflect the results of the RFP process and the final built form determined through the planning and community consultation processes. The costs as presented have been already offset by the projected profits from the market development blocks. At each stage of the planning process, cost estimates will

need to be refined to reflect detailed construction documents and projected market profits.

These activities could result in changes to the estimated costs noted above, and City staff will report to Council in 2021 with further details and more specific financial implications once determined. Subject to Council approval of this report, staff will also pursue third-party sources of funds including funding and financing from other orders of government to support the project.

Future financial impacts related to the Rental Replacement and Affordable Housing Units will be included in TCHC's Development Capital Budget submission to the City and funding will be determined through the City's annual budget process.

The City's Approved 2011 Financial Strategy for Lawrence Heights includes the infrastructure costs summarized in this report. Those costs have been escalated in consultation with City Staff to 2020 dollars and have also been reviewed based on current design standards and requirements. These costs will be forecasted into the City's budget process and included in the 10 year capital plans for Water, Transportation, Park Forestry and Recreation, Children Services, etc. as outlined in the approved 2011 Financial Strategy – Lawrence Allen Secondary Plan.

The Lawrence Heights Phases 2 and 3 revitalization will be considered with other City priorities and evaluated with all new and enhanced requests with identification of a funding source.

Third-Party Funding and Financing Opportunities

TCHC revitalization projects are typically structured in a manner where the cost to replace the aged TCHC units is offset by the profits from the market development and the sale of TCHC land. To ensure the financial feasibility of a revitalization project, the right balance of new TCHC replacement and market homes is needed. As the scope of revitalization projects expands from replacing RGI homes to include other vital city building objectives, it necessary that additional approaches to funding be examined and integrated into the development plan.

To build additional net new affordable units and to respond to rising construction costs it will be necessary to review and consider all potential opportunities to reduce TCHC and City expenditures at Lawrence Heights. There are three key approaches that will be examined in the next phases of planning. These three approaches include:

- Pursuing funding from other levels of government.
- Investigating public-private partnerships to deliver affordable housing while minimizing upfront costs.
- Examining opportunities to increase projected profits in a manner that is in keeping with the secondary plan vision and continues to reflect best practices in community planning and design.

Outlined below is a more detailed description of the funding opportunities and the process of investigation and application for each.

1) Government Funding Programs

The Housing Secretariat will work with TCHC to try and secure funding for the construction of new affordable housing. This includes working with the Ministry of Municipal Affairs and Housing, the Ministry of Families, Children and Social Development, and the Canadian Mortgage and Housing Corporation (CMHC). Through CMHC, staff will pursue funding opportunities under the National Housing Strategy Co-Investment Fund which has been structured to encourage the construction of affordable housing.

2) Public-Private Partnerships

Innovative delivery models for affordable housing will be a core component of the Lawrence Heights Request for Proposal (RFP) for a Developer Partner. The review team will be looking for approaches that reduce the City's upfront costs to construct affordable housing. In advance of releasing the RFP, TCHC, the City and CreateTO will review these existing funding models, best practices and successfully implemented examples from elsewhere. This information will guide the language of the RFP and secure additional financial options and approaches for consideration by the City.

3) Increasing Development Profitability

Prior to releasing the RFP, staff from the City, TCHC and CreateTO will review the Secondary Plan and look for opportunities to increase the overall profitability of the revitalization. One possibility for off-setting the cost of any additional affordable rental units is through a thoughtful increase in market housing density. This would be done in a manner that would maintain the aspirations of the Secondary Plan and any recommendations would be fully vetted through a detailed review process.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with this program for review as part of the City's longer term planning and future budget process.

EQUITY IMPACT

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 centred on a human rights-based approach to housing. This 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.

Redeveloping existing social housing in Lawrence Heights and adding a range of housing options will increase the opportunity for low-and-moderate-income residents,

including those from priority groups such as women, seniors, Indigenous Peoples, Black people and People of Colour, to access safe, secure and adequate housing.

Access to good quality, safe, affordable housing is an important social determinant of health and also improves the social and economic status of individuals, families and communities. Good quality, affordable housing is also a cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region and country as a whole.

DECISION HISTORY

At its meeting held on January 30 and 31, 2019, City Council adopted Item No. EX1.1, "Implementing the "Housing Now" Initiative", directing the Deputy City Manager, Community and Social Services to report to Planning and Housing Committee by the second quarter of 2019 on a framework that provides that TCHC include net new affordable rental units as part of all new development projects on its lands.

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

At its meeting held on July 16, 17 and 18, 2019, City Council adopted Item No. PH7.4, "A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects". Through this report, the Planning and Housing Committee also directed the Deputy City Manager, Community and Social Services, to report to the September 17, 2019 meeting of the Planning and Housing Committee on an Initial Development Proposal for the revitalization of the Lawrence Heights community. This report responds to that direction.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH7.4>

At its meeting held on May 14 and 15, 2019, City Council adopted Item No. AU2.1, "Moving Forward Together: Opportunities to Address Broader City Priorities in Toronto Community Housing Corporation Revitalizations", and requested staff to report to the July 3, 2019 meeting of the Planning and Housing Committee on any options for city-building objectives that may be included in revitalizations that have yet to obtain planning approvals.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU2.1>

At its meeting held on November 27, 2012, City Council adopted Item No. NY20.34, "Final Report - Official Plan and Zoning By-law Amendment, Rental Housing Demolition and Subdivision Applications - 1-29 & 111-133 Bagot Court, 1-87 Bredonhill Court, 41-119 Varna Drive, 1-78 Cather Crescent, 1 Leila Lane, 1-11 & 15-45 Zachary Court and 215-251 Raneer Avenue TCHC's Lawrence Heights Phase 1 re-zoning and official plan amendment application".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.NY20.34>

At its meeting held on November 29, 2011, City Council adopted Item No. NY11.24, "Final Report - Lawrence-Allen Secondary Plan" which allowed Toronto Community Housing to move forward with the Lawrence Heights revitalization. The Secondary Plan

reflects years of input from tenants, area residents, neighbourhood organizations and the City of Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.NY11.24>

At its meeting held on November 29, 2011, City Council adopted Item No. NY11.24a, "Financial Strategy – Lawrence Allen Secondary Plan" which recommends a financial framework to phase-in the Lawrence Heights infrastructure project elements into the City's Capital Plan and Operating Budget in an orderly and affordable manner, so as to moderate the impacts to all taxpayers, while achieving the objectives of expediting this important redevelopment.

<https://www.toronto.ca/legdocs/mmis/2011/cc/bgrd/backgroundfile-42514.pdf>

COMMENTS

Site Context and Background

Lawrence Heights is a 100-acre community located south of Yorkdale subway station and north of the intersection of Lawrence Avenue West and Allen Road. The original Lawrence Heights development, constructed in the 1950s, consists of 1,208 rent-geared-to-income social housing units owned by TCHC. TCHC lands are interwoven with lands owned by the Toronto District School Board (TDSB) and the City of Toronto.

The development concept for Lawrence Heights Phases 2-3 is the approved Lawrence-Allen Secondary Plan and Map 32-7 (Attachment 2). The Secondary Plan provides clear direction on the preferred location of streets, blocks, open spaces and built form typologies. These are further described by the adopted transportation, servicing and built form studies listed in Attachment 3.

Through the revitalization, all existing TCHC rent-geared-to-income (RGI) units will be replaced with the same number of new TCHC RGI units. These TCHC rental units will be located throughout each phase of the revitalization and interspersed among additional new market and affordable rental units.

In consultation with the existing inter-divisional City and TCHC staff working group, it was determined that the original phasing as proposed in the 2011 Secondary Plan requires adjustment. As originally envisioned, Phases 2 and 4 were located on the east side of Allen Road, and Phase 3 was on the west side of Allen Road. Through the implementation of Phase 1, it has been determined that planning revitalization to proceed sequentially from north to south on the east side of the Allen will allow for more seamless development and a more balanced expenditure of public and private funds.

By conjoining revitalization phases on the east side of the Allen, the City and TCHC are able to pair significant social and rental housing investments with funding opportunities through private development. This change was reviewed from a servicing perspective and it has been determined to be without impact to the delivery of new infrastructure within and surrounding the community. All references to phasing in this report align with

this proposed amendment. Attachment 4 shows the original and proposed phasing plans.

Outlined below is an example of the unit distributions that align with the densities in the Secondary Plan. In addition to the overall density cap, City Council approved an overall unit cap when the Final Staff Report for the Secondary Plan was brought forward in 2011. This limits the total residential units in the Lawrence Heights Lands (shown on Secondary Plan Map 32-2) to 5,600 units, inclusive of the RGI replacement units. The overall unit cap is lower than what the overall density cap would allow in the Secondary Plan. The unit cap is expected to be reached once Phases 1 to 3 are fully built out.

Table 1. Phase Statistics

	Current Phase	Initial Development Proposal		Future Phase	Overall Total
	Phase 1	Phase 2	Phase 3	Phase 4*	Total
Market Units	848	692	1,796	1,587	4,923
TCHC RGI Units	255	347	289	317	1,208
Total Units	1,103	1,039	2,085	1,904	6,131*
Potential Net New Affordable Rental Units	N/A	30	100	100	230

**An Official Plan Amendment will be required in Phase 4 to achieve the additional 531 units above the 5600 unit caps*

As noted above, an Official Plan Amendment will be required in Phase 4 to achieve the proposed additional units above the overall unit cap. Once a developer partner is selected for Phases 2 and 3, TCHC will work with City staff and the developer to identify the planning approvals that will be required to achieve a built form that maximizes public benefits and city building objectives. Planning approvals for Phases 2 and 3 will include an Official Plan Amendment application, Zoning By-law Amendment application, Draft plan of subdivision, and a Rental Housing Demolition application.

Additional Affordable Rental Units

Although the Secondary Plan policies specifically exempt TCHC from having to construct additional net new affordable housing beyond the replacement housing on the Lawrence Heights lands, there are community building benefits and overall city-building goals that can be achieved by providing a mix of housing options. There is also some capacity to plan for new affordable units in the community.

As shown in Table 1, a total of 230 potential net new affordable rental units are proposed to be accommodated in new TCHC buildings in future phases of Lawrence Heights while keeping within the approved densities of the Secondary Plan.

In consideration of the financial shortfall in Phase 2 as well as the limited available residential density in part due to the proposed community amenities in the next phase, there is a discrete number of affordable units that can be accommodated in Phase 2. Phases 3 and 4 have greater opportunities to absorb affordable units for larger households by adding additional storeys to planned buildings.

The estimated costs associated with building these additional units is outlined in Confidential Attachment 1. Any new affordable rental units, including the proposed 230 units will require funding for incremental soft and hard costs.

Confidential Attachment 1 outlines a series of approaches that could potentially be used to achieve additional affordable housing. Following the approval of the Initial Development Proposal and the issuance of the RFP by TCHC, a working group of inter-divisional City, TCHC and CreateTO, the Housing Secretariat and TCHC to explore opportunities to maximize potential affordable housing units in the community.

Density and Built Form

Lawrence Heights Phases 2-3 consists of approximately 45 acres and includes a proposed mix of high-rise, mid-rise, and townhouse built forms. TCHC rental replacement and market buildings and townhouses will be distributed throughout each phase. High-rise towers are located primarily along Allen Road and near Lawrence West Station. Heights range from mid-rise buildings to townhouses to allow for transition to the surrounding neighbourhood areas.

In anticipation that the Lawrence Heights vision will be achieved over many years, the Secondary Plan includes provisions that provide implementation flexibility including permitting the redistribution of densities within the mid and higher development blocks. This flexibility is allowed while continuing to maintain strong protections from overlook and shadowing for the existing surrounding residential areas.

Community amenities including a new community centre and public school are co-located in Phase 2, centering around a public community park. Other facilities include a replacement seniors' building, new daycare, and new roads, infrastructure, and multiple neighbourhood parks.

Figures 1 to 3 below illustrate the public road network, block layout, and densities from the Secondary Plan and Urban Design Guidelines.

Figure 1. Secondary Plan Urban Design Guidelines Layout Diagram

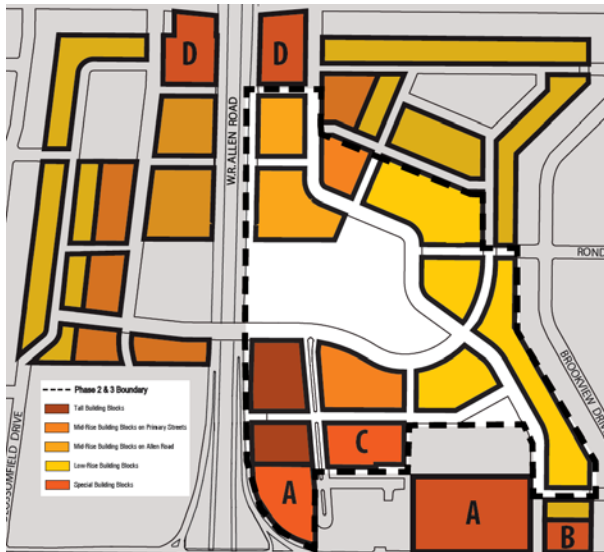


Figure 2. Phase 2 and 3 Boundary Shown on Secondary Plan Map 32-7 Building Type Areas in the Focus Area

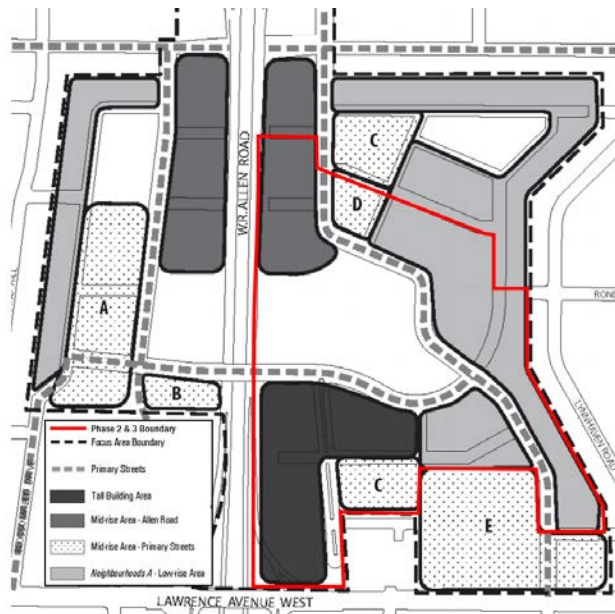
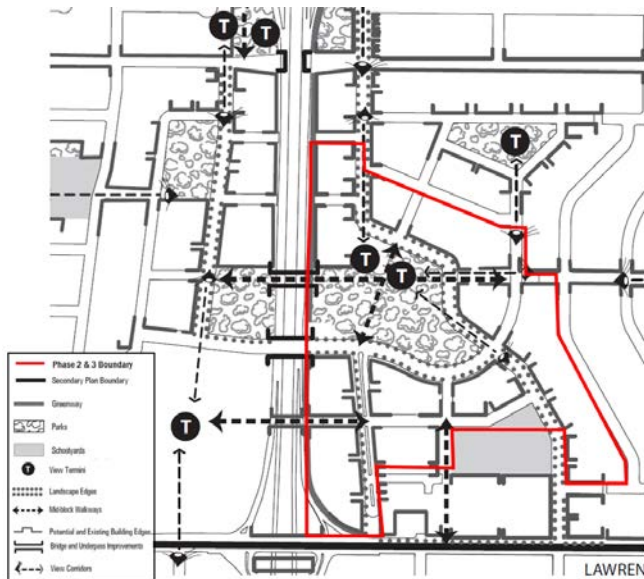


Figure 3. Phase 2 and 3 Boundary Shown on Secondary Plan Map 32-5 Public Realm Structure Plan



Tenant Benefits and Social Development

As part of enabling social transformation to complement the physical development agreements, tenant benefits are built directly into the footprint of redevelopment right from the developer selection process.

The developer agreement for Phase 1 of Lawrence Heights included benefits which focused on scholarships, training, and employment opportunities for TCHC tenants valued at a minimum of \$3.5 million. Lawrence Heights's Phase 2-3 will require a tenant benefit agreement with the developer partner which builds on the successes of Phase 1 and responds to or reflects tenant input, needs, and priorities for social development inclusive of community economic development.

Community and Stakeholder Engagement to-date

For over a decade, TCHC has been regularly engaging the local community regarding the Lawrence Heights revitalization project. This engagement has resulted in a Social Development Plan (SDP) for the community. The SDP identifies community priorities with a focus on the goals of building a collaborative and socially inclusive community within Lawrence Heights.

TCHC tenants, neighbours, community agencies, and other local stakeholders have participated continuously in meetings, events, tours, and workshops led by TCHC and the City since the Secondary Plan process began in 2008. This level of engagement is made possible by TCHC's Lawrence Heights Revitalization Team, based out of a site

office located in the Lawrence Heights community, and which focuses solely on revitalization engagement and tenant support.

Every year, TCHC also issues quarterly newsletters to Lawrence Heights tenants and organizes quarterly “Community Cafes” or roundtable meetings to provide development and construction updates and share information on opportunities for tenants to become involved. Additionally, TCHC provides revitalization updates at quarterly Lawrence Heights Inter-organizational Network (LHION) meetings and through an annual spring revitalization roadshow that visits dozens of community partners.

Targeted engagement activities have been designed to encourage specific groups, such as youth and seniors, to become involved in the revitalization process. This includes bi-annual seniors’ luncheon events and youth programs such as Revite NERDs (Neighbourhood Experts in Revitalization Developments), Outreach Kids, and 37 Kids. TCHC also organizes both short-term and ongoing tenant committees to focus on specific revitalization initiatives. Through these committees, tenants lead the design and implementation of community engagement processes for initiatives such as street naming, public art, and heritage preservation. Community barbeques, court intercepts, door-knocking, flyers, and informal daily conversations at the site office round out the multifaceted engagement strategy in Lawrence Heights.

In addition, elected officials from all three orders of government continue to be updated on the Lawrence Heights revitalization project. In particular, the ward Councillor has been briefed on the progress of the revitalization and supports moving forward with the developer procurement process to accelerate the development of Phases 2 and 3 as well as the introduction of additional affordable housing in the community. Councillor Colle is specifically interested in securing additional affordable housing for seniors in the community.

Conclusion

It is recommended that City Council endorse the Initial Development Proposal outlined in this report as a general concept for TCHC to issue an RFP to select a development partner for Phases 2 and 3 of the Lawrence Heights revitalization project. Through the RFP process, estimated costs will be further refined. As outlined in this report, staff will be required to report back to Council in 2021 with details of the TCHC-recommended development proposal, refined cost estimates, third-party sources of funding and to seek final approval for the project, prior to TCHC proceeding with the revitalization of Phases 2 and 3.

The revitalization of this community is necessary to replace existing TCHC properties that are need of replacement and beyond economic repair. The project also presents an opportunity to add a range of housing opportunities and amenity spaces to create an inclusive, mixed-tenure, mixed-use, complete community.

CONTACT

Nadia Lawrence, Housing Development Officer, 416- 392-8798,
Nadia.Lawrence@toronto.ca

Valesa Faria, Director, Housing Secretariat, 416-392-0602, Valesa.Faria@toronto.ca

SIGNATURE

Abigail Bond
Executive Director, Housing Secretariat

ATTACHMENTS

Confidential Attachment 1 – Preliminary Cost Estimates and Cash Flow Projection

Attachment 2 – Lawrence-Allen Secondary Plan Map 32-7

Attachment 3 – Lawrence-Allen Revitalization Studies and Reports

Attachment 4 – Phasing Plan