

**REPORT FOR ACTION WITH
CONFIDENTIAL ATTACHMENT****Housing Now Business Case Update for
705 Warden Avenue**

Date: July 8, 2020

To: Board of Directors, CreateTO

From: Chief Executive Officer

Wards: 20

REASON FOR CONFIDENTIAL INFORMATION

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

SUMMARY

This report recommends that the CreateTO Board of Directors endorse the revised business case and market offering for 705 Warden Avenue.

In February 2020, the Planning and Housing Committee ("PHC") considered a Final Report on the 705 Warden Housing Now site. PHC requested the Chief Planner and Executive Director, City Planning, in consultation with the Chief Executive Officer, CreateTO and the Executive Director, Housing Secretariat, to review potential revisions to the development concept with the objective of providing additional housing opportunities on the site. The Committee also directed staff to consult with the Ward Councillor and local community on this matter and report back to the PHC.

In response to PHC's request, City staff and CreateTO prepared an updated development concept, which was presented to the community in an online public information session on May 13, 2020. The updated development concept permits 60,000 square metres of development, which would include up to 600 residential units, an increase of 100 residential units from what was originally proposed. Of the potential 600 units, 250 would be affordable residential units delivered through the Housing Now Initiative. A Supplementary Report on this updated development concept was considered and adopted by the Planning and Housing Committee at its meeting on June 15, 2020.

City Council (June 29, 2020) adopted the proposed Zoning By-law Amendment, intention to approve the Draft Plan of Subdivision.

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

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors:

1. Endorse the revisions to the business case for 705 Warden Ave as presented in Attachment 1 and Confidential Attachment 1, and, subject to further approvals required by the Deputy City Manager, Corporate Services, the Chief Financial Officer and Treasurer and the Executive Director, Housing Secretariat, direct CreateTO management to:

- Proceed in accordance with previously CreateTO Board approved recommendations from September 2019 referenced in Attachment 5;
- Market 705 Warden Avenue in the third quarter 2020 including entering into agreements conditional on approval by relevant City authorities; and
- Include limitations on annual rent increases for market renters, with annual increases in rent not to exceed the Provincial Guideline amount plus 2 percent, with a goal of achieving the lowest possible annual rent increases for market renters while maintaining the economic feasibility of the project.

2. Direct that the information in Confidential Attachment 1 remain confidential at this time, as they relate to a plan to be applied to any negotiations carried on or to be carried on by or on behalf of the Board of Directors of CreateTO; contains financial information that belongs to the Board of Directors of CreateTO; and has monetary value or potential monetary value, and direct that the information be made public at the discretion of the Chief Executive Officer following the execution of the agreements.

FINANCIAL IMPACT

There is no additional financial impact on CreateTO. CreateTO's program administration are being performed through existing CreateTO resources, including two (2) positions currently fully funded through the Housing Now Initiative.

Due diligence, marketing and partial human resource costs are being recovered by CreateTO from the City's Housing Secretariat in line with current City approved budgets.

DECISION HISTORY

On September 24, 2019, CreateTO Board endorsed the business cases as presented, and directed CreateTO management to proceed to market with the first four sites in the fourth quarter of 2019.

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

On November 25, 2019, CreateTO Board received a Housing Now update

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.RA9.5>

On January 27, 2020, CreateTO Board Directed the Chief Executive Officer, CreateTO to report back to the Board of Directors of CreateTO regarding 705 Warden Avenue.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.RA10.2>

On February 12, 2020 Planning and Housing Committee adjourned the statutory public meeting under the Planning Act for the Zoning By-law Amendment and Draft Plan of Subdivision for a portion of 705 Warden Avenue until June 11, 2020.

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

On June 15, 2020 Planning and Housing Committee recommends that City Council amend Zoning By-law, be advised of the intention to approve the Draft Plan of Subdivision and to engage City partners and the development partner to advance the detail design of Development Requirements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.2>

On June 29, 2020 City Council adopted the Zoning By-law Amendment, approval of the Draft Plan of Subdivision and to engage City partners and the development partner to advance the detail design of Development Requirements and to secure the delivery of the development requirements on terms, including details and timing, in a Lease Agreement with the development partner.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.2>

COMMENTS

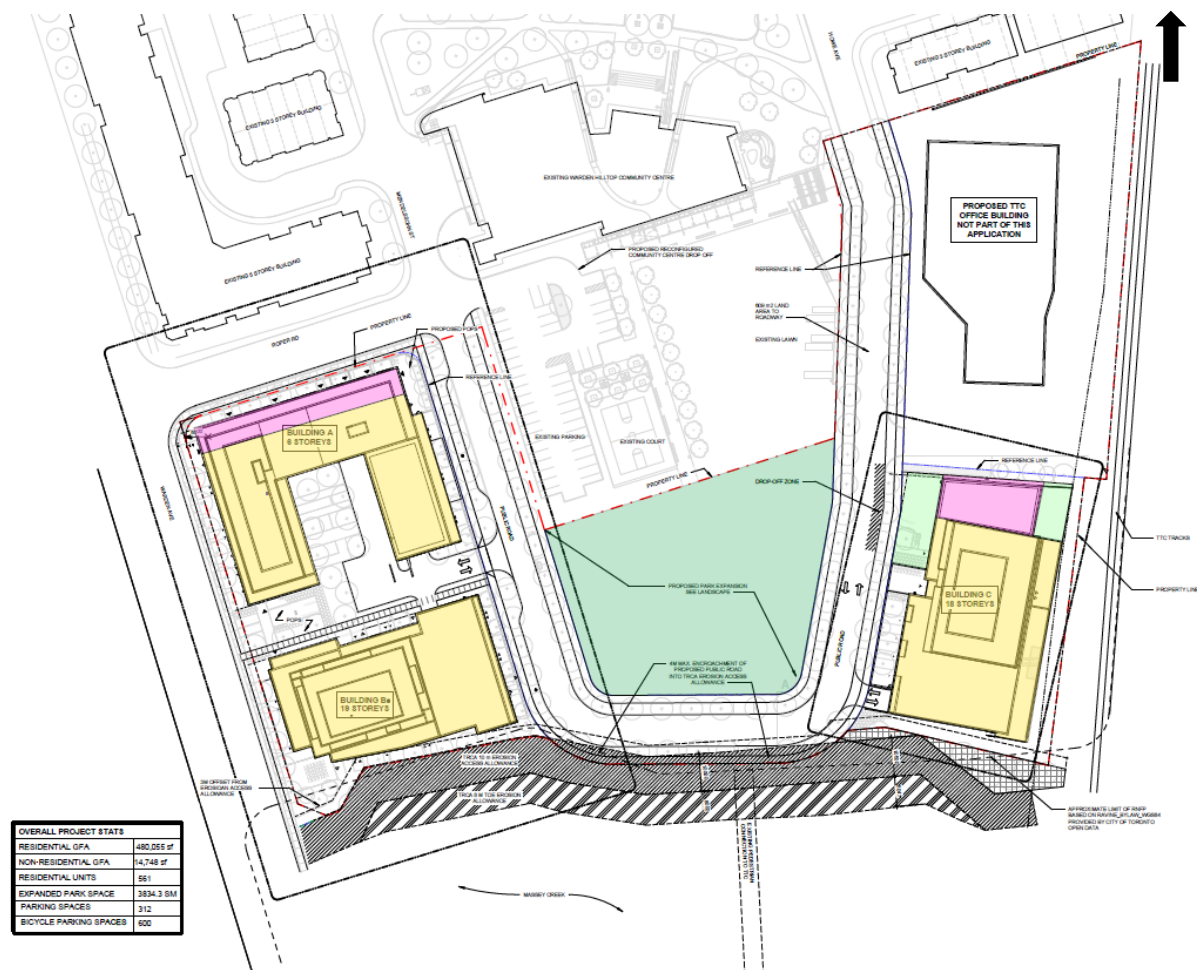
Summary of New Development Concept

The below chart was presented as part of the Supplementary Report approved by City Council June 29, 2020 (PH14.2a). Table 1, below, provides a comparison of the development concepts from the report that went to February 2020 Planning and Housing Committee and the updated development concept that was adopted by City Council on June 29, 2020. Further detail on the updated development concept is provided in Attachment 1. A summary of the community consultation activities can be found in Attachment 2.

Table 1: Updates to the Development Concept, excerpt from PH14.2

	January Report - PH13.2	Updated Concept
Housing	• 500 Units • 250 affordable rental • 250 market rental	• Up to 600 units • 250 affordable rental • Up to 350 market (with a minimum number of 250 market rental units, final tenure mix to be determined through market offering)
Built Form	• Two midrise buildings (Building A - 9 storeys, Building B - 11 storeys) • One tall building (Building C - 18 storeys) • TTC administrative building • Retail on Warden Avenue/Roper Road	• One midrise building (Building A - 6 storeys) • One tall building (Building B - 19 storeys) • One tall building (Building C - 18 storeys) • TTC administrative building • Retail on Warden Avenue/Roper Road
City-Building	• 62 space licensed child care centre • expansion and improvements to the Warden Hilltop Park • improved parking for the Warden Hilltop Community Recreation Centre • new public street • pedestrian pathway and slope restoration adjacent to Massey Creek	

Figure 1: 705 Warden - Updated Development Concept Site Plan



Financial Analysis

The financial plan and feasibility analysis from a development point of view as well as the cash flow requirements are set out in Confidential Attachments 1 and 2.

Current Market Conditions

The current land market is in a state of uncertainty due to economic and immigration impacts resulting from the COVID-19 pandemic. Some developers have continued to move forward to capture opportunity, while others sit on the side line and wait for certainty on the longer term economic and immigration impacts of Covid-19. At the moment, there is also uncertainty as it relates to pricing - some developers believing pricing will hold in strong locations others anticipating discounts in the order of 10 to 15% with pre Covid-19 pricing levels to resume by late 2021, early 2022. In either scenario, the focus remains on the recovery of employment and the inflow of

immigration to Toronto. The marketing of land sites has picked up over the month of June as those that had planned sales for Q2 held back and have started to re-enter the market. Recent discussions with CBRE confirm the trend of increased sites being released to the market as we progress through 2020. Given the increased activity post Labour Day, CreateTO is looking to launch the marketing of 705 Warden as soon as possible to avoid cannibalization by other opportunities that may arise.

CONTACT

Don Logie, Senior Vice President, Development, (416) 981-2896, dlogie@createto.ca

Abigail Bond, Executive Director, Housing Secretariat, City of Toronto, (416) 338-1143, abigail.bond@toronto.ca

SIGNATURE

Brian Johnston
Chief Executive Officer

ATTACHMENTS

Attachment 1: Housing Now 705 Warden Concept Revision Comparison
Attachment 2: Community Consultation Summary
Attachment 3: 2020 705 Warden Timeline
Attachment 4: Transaction Terms
Attachment 5: Sept 2019 CreateTO Board Approved Recommendations
Confidential Attachment 1: Financial Feasibility Plan

Attachment 1: Housing Now 705 Warden Concept Revision Comparison

Development Concept	February 2020 PHC	June 2020 PHC & City Council Adopted
Height/Floor Space Index (FSI)	Building A: 7 storeys/2.93 FSI Building B: 8 storeys/2.87 FSI Building C: 18 storeys/3.93 FSI	Building A: 6 storeys/2.78 FSI Building B: 19 storeys/5.91FSI Building C: 18 storeys/4.72 FSI
Total Units	466 units	600 units
Total Rental Units	466 units	N/A
Minimum Market Rental Units	N/A	250 units
Maximum Market Units	N/A	350 units
Potential Owned Units	N/A	100 units
Total Targeted Affordable Rental Units	233 units	250 units (minimum required)
Unit Mix Forecast	1 bedroom: 294 units 2 bedroom: 122 units 3 bedroom: 50 units	1 bedroom: 331 units 2 bedroom: 168 units 3 bedroom: 62 units
Parking Stalls/Parking Levels	232 parking stalls/2 levels	312 parking stalls/2 levels (approximately, will be determined by final unit count)

Development Concept	February 2020 PHC	June 2020 PHC & City Council Adopted
Community Space GFA	Child Care Centre: 7,696 ft ²	Child Care Centre: 9,009 ft ²
Commercial Space GFA	5,759 ft ²	5,759 ft ²
Residential GFA	374,509 ft ²	480,005 ft ²
Non-Residential GFA	13,455 ft ²	14,748 ft ²
City-Building Highlights	- New child care center 62 licensed spaces - Expanded public park 3,834 sm - 3 minute walk to Warden Station -Improved parking for Warden Hilltop Rec Centre -New Public street -Pedestrian pathway and slope -Restoration adjacent to Massey Creek	- New child care center 62 licensed spaces - Expanded public park 3,834 sm - 3 minute walk to Warden Station -Improved parking for Warden Hilltop Rec Centre -New Public street -Pedestrian pathway and slope -Restoration adjacent to Massey Creek
Official Plan Land Use Designation	Mixed Use & Apartment Neighbourhoods	Mixed Use & Apartment Neighbourhoods
Secondary Plan / Site and Area Specific Policy	Warden Woods	Warden Woods

Attachment 2: Community Consultation Summary

Project Address / Meeting Type	Meeting Date	Meeting Location	Number of Attendees
705 Warden Ave.			
Open House #1	June 13, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	160
Ward 20 Roundtable	August 22, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	40
Pop-Up Consultation	August 28, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	40
Open House #2	September 12, 2019	Warden Hilltop Community Centre, 25 Mendelssohn St.	250
Public Information Session	May 13, 2020	Virtual Meeting Room Online	250 +
SUPPORT: - Some support and interest in increase of affordable housing - Include ownership units within the development - Incorporating commercial, retail and community uses - Programing in the expanded park - Support for the City organizing an online information session and advancing affordable housing initiatives despite the physical distancing context		CONCERNS: - Possible impacts on property values and crime in the area - Some opposition to the site's inclusion in Housing Now - Proposed building height and massing - Parking availability in the area (for the community centre) - Pedestrian and cycling safety - Lack of accessibility at Warden Station - Concern about retail viability and capacity of local schools - Need to improve TTC subway service to accommodate new residents - Impacts from construction activity on the surrounding area	

Attachment 3: 705 Warden Timeline

Timeline						
Site	Planning Approvals	Revised Business Case	Market Offering	Bid Review and Shortlisting, Negotiations and Transaction Closing	Site Plan Application	Construction Start
705 Warden	Q2 2020	Q3 2020	Q3 2020	Q1 2021	Q2/Q3 2021	Q1/Q2 2022

Note: These timelines are consistent with the June 2020 CreateTO Board Housing Now Update. The dates represent a 12-18 month construction start delay to the CreateTO Board approved Business plan from September 2019.

Attachment 4: Transaction Terms

Transaction Terms	
Affordable Rental Units	Target 250 Affordable Units
Market Rental Units	Minimum of 250 to a maximum of 350 market rental units
Condo Ownership Units	Potential for 100 Condo Ownership Units
Rent Level for Affordable Units	Target average equal to 80% of City of Toronto Average Median Rent (AMR) annually.
Targeted Affordable Unit Bedroom Mix (%of respective unit type)	Target mix of 1BR 40%, 2BR 40%, 3 +BR 20%, Units are to be spread throughout the development, where appropriate.
Depth of Affordability (across all unit types)	Average rents across all affordable units in each site not to exceed 80% of the AMR for Toronto as determined by CMHC annually, with no individual unit rented at over 100% AMR; and a minimum of 10% of units to be rented at 40% AMR.
Market Rent Increases	Annual increases in rent not to exceed the Provincial Guideline amount plus 2 percent, with a goal of achieving the lowest possible annual rent increases for market renters while maintaining the economic feasibility of the project.
Heritage Conservation	Not applicable.
Unit Accessibility and Universal Design	Minimum of 20 percent accessible affordable rental units and 15 percent accessible market rental units plus fully barrier-free common areas, with greater consideration provided to 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.

Transaction Terms	
Energy Efficiency	Toronto Green Standard V3 Tier 2 and a minimum 25% decrease in energy consumption and Greenhouse Gas emissions over the most recent national building and energy codes.
Leasehold Term	99 years
Target Head Lessee	To be determined.
Land Lease Payments	Lease payment upfront or annual.
Land Lease Escalation	To be negotiated.
Land Sale (for Condo component)	Bidder to submit best offer on price per square foot of saleable GFA if choosing to include ownership units.
Assignment/Sales	Right to assign or sell with landlord (City) consent.
Building Condition	Must maintain in state of good repair for entire term.
Community Benefit Opportunities	Provide social procurement and/or local employment opportunities with match making support from the City of Toronto Social Development Finance and Administration division.
Community Space	The City of Toronto will hold a 99 year lease to operate childcare within the 9,009 sf space, which will be built out to the satisfaction of the City of Toronto.
Maximizing Non-Profit Participation	Greater consideration will be provided 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.

Attachment 5: Sept 2019 CreateTO Board Approved Recommendations

- 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.