

Acquisition of New Affordable Rental Housing at 1555-1575 Queen Street East (Don Summerville)

Date: May 6, 2021

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat and Executive Director, Corporate Real Estate Management

Wards: Ward 14 Toronto-Danforth

SUMMARY

The Don Summerville complex is comprised of two six-storey apartment buildings that are at the end of their useful life and in need of replacement. The buildings contain a total of 120 rent-geared-to-income units owned and operated by Toronto Community Housing Corporation ("TCHC"). The complex is located in the Leslieville/Beach area with good access to transit, retail, parks and Lake Ontario, making it a desirable location for a new mixed-income, mixed-use community.

At its meeting of July 16 and 17, 2019, City Council adopted, with amendments, Item No. PH7.4, "A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects", which outlined an initial development proposal for the Don Summerville buildings. The redevelopment plan proposes a unique revitalization model to intensify the site and create a mixed-income, mixed-use, and mixed tenure community. The tenures will be mixed within each of the three new buildings, helping to create an inclusive and well-integrated community.

On July 28, 2020, through Item No. TE16.5, "1555-1575 Queen Street East - Official Plan and Zoning Amendment, Part Lot Control, and Rental Housing Demolition and Conversion - Final Report", Council approved, with amendments and conditions, the final development proposal for the site. Through revitalization, a total of 766 residential units will be developed, consisting of 120 replacement rent-geared-to-income units, 100 affordable rental units, 188 market rental units, and 363 market condominium units. The project will also include retail space and new indoor and outdoor amenity spaces. Almost 29% of the total residential units created through the revitalization, including the rent-geared-to-income and the affordable rental units, will be allocated for the provision of affordable housing.

As part of report PH7.4, Council approved funding to support the acquisition of 32 residential units to be purchased and owned by the City, for the purpose of providing permanently affordable rental housing. The 32 affordable rental units (included in the total 100 affordable rental units to be developed onsite) will be operated by a non-profit co-operative housing provider, to be selected through a request for proposal process. Council also directed staff to report back to obtain the authorities required to advance the purchase transaction and the request for proposal process.

This report responds to Council's request. City staff have negotiated the terms of an agreement of purchase and sale, subject to Council approval, and the report seeks authorization for the City to finalize the transaction. This report also recommends Council approval for staff to undertake a competitive process to select a non-profit co-operative housing provider to lease and operate the City's 32 affordable rental units for a 99-year term.

RECOMMENDATIONS

The Executive Director, Housing Secretariat and Executive Director, Corporate Real Estate Management recommend that:

1. City Council authorize the City of Toronto to enter into an Agreement of Purchase and Sale (the "Agreement") with RC Ashbridge Inc. to acquire 32 units at 1555 - 1575 Queen Street East (the "Property") substantially on the terms outlined in Attachment 1 to this report, and on such other or amended terms and conditions as may be acceptable to the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor.
2. City Council authorize the Executive Director, Corporate Real Estate Management, to execute the Agreement and any ancillary agreements and documents under the Agreement on behalf of the City of Toronto.
3. City Council authorize the Executive Director, Corporate Real Estate Management, to administer and manage the transaction in consultation with the Executive Director, Housing Secretariat, including the provision of any consents, approvals, waivers, and notices, provided that they may, at any time, refer consideration of any such matters (including their content) to City Council for consideration and direction.
4. City Council declare surplus the 32 units at the property municipally known as 1555 - 1575 Queen Street East, effective as of the date the City acquires ownership of the 32 units at 1555 - 1575 Queen Street East, with the intended manner of disposal to be by way of a long term lease to a not for profit affordable rental housing provider and direct staff to take all steps necessary to comply with the City's real estate disposal process set out in Municipal Code Chapter 213, Real Property, Sale of.
5. City Council authorize and direct the appropriate City officials to undertake a competitive process for the selection of a not for profit affordable rental housing provider

to operate affordable rental housing at the 32 units at 1555 - 1575 Queen Street East for a minimum period of at least 99 years, under a long term lease with the City.

6. City Council authorize the Executive Director, Housing Secretariat, to:

a) negotiate, enter into, and execute on behalf of the City, a project development agreement, with RC Ashbridge Inc. and Toronto Community Housing Corporation, and a shared facilities agreement on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor; and

b) negotiate, enter into, and execute on behalf of the City, a municipal housing facility agreement (the "Contribution Agreement"), with the selected not for profit affordable rental housing provider, or a related corporation, to secure the financial assistance provided by the City in the acquisition of the units and to set out the terms of the operation of the new affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor; and

c) execute, on behalf of the City, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by the selected not for profit affordable rental housing provider, or a related corporation or its mortgagee(s) to complete the acquisition financing and any subsequent refinancing, where and when required during the term of the municipal housing facility agreement.

7. City Council authorize severally each of the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration to execute, on behalf of the City, consents, approvals, agreements or other documents that are ancillary to any security or financing documents required by the selected not for profit affordable rental housing provider, or a related corporation, of the site to secure conventional financing and subsequent refinancing, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing facility agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by City Council.

8. City Council authorize the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration to provide any consent necessary to transfer or encumber the site and to negotiate and enter into any agreements or other documents required to effect any future transfer or assignment of the site and the associated legal agreements with the City to another legal entity, on terms and conditions satisfactory to them and in a form approved by the City Solicitor.

FINANCIAL IMPACT

Pursuant to the recommendations in report PH7.4 - "A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects" adopted by Council at its meeting of July 16, 2019, this report seeks Council authority for the City to acquire 32 residential units located at 1555-1575 Queen Street East, for the purpose of providing permanently affordable rental housing. It also recommends Council approval for staff to undertake a competitive process to select a non-profit co-operative housing provider to lease and operate the City's 32 affordable rental units for a 99-year term.

At that meeting, Council approved funding of up to \$6 million from the Capital Revolving Reserve Fund for Affordable Housing (XR-1058), to support the acquisition of the 32 residential units to be owned by the City and operated by a non-profit co-operative housing provider post-construction. Open Door incentives totalling \$2.47 million for the 32 units were also approved by Council through Item No. PH7.4.

The amounts approved by Council in July 2019 are sufficient to complete the transactions in this report. Therefore, there is no additional/new financial impact to the City arising from the recommendations in this report.

Furthermore, in accordance with Council direction, the selected non-profit will be required to repay the amount required for the purchase upon entering into a lease agreement with the City. This equity contribution by the non-profit operator will be recovered through rents collected over the term of the lease.

Increasing housing supply and affordability in Toronto is a priority initiative for the City. The acquisition and redevelopment of the housing units at 1555 -1575 Queen Street East contributes to the implementation of the HousingTO 2020 - 2030 Action Plan which is the City's overarching plan to increasing housing supply and affordability in Toronto. Implementation of the plan is however highly dependent on partnership and co-investment with the federal and provincial governments.

The Chief Financial Officer and Treasurer has been advised of the associated with this program to be considered along with other priorities in future budget processes.

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 also 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.

The revitalization of TCHC communities supports the HousingTO 2020-2030 Action Plan and TCHC's objectives for creating good quality, accessible homes within vibrant communities. Redeveloping existing social housing and leveraging City land to build

additional affordable housing will improve the quality of housing for current TCHC tenants as well as increase the opportunity for vulnerable and marginalized individuals, including Indigenous Peoples, Black people, people of colour, seniors, women, and members of the LGBTQ2S+ community, to access safe, healthy and adequate homes.

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

DECISION HISTORY

On July 28, 2020, City Council adopted, with amendments, TE16.5 - 1555-1575 Queen Street East - Official Plan and Zoning Amendment, Part Lot Control, and Rental Housing Demolition and Conversion - Final Report, providing approvals for the final development proposal, subject to conditions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TE16.5>

On July 16, 2019, City Council adopted, with amendments, PH7.4 - A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects, which outlined a revised development proposal for Don Summerville including a range of housing opportunities within a mixed-income, mixed-used, integrated community.

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

On July 3, 2019, through report PH7.4 -A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects, the Planning and Housing Committee directed the Deputy City Manager, Community and Social Services, to report directly to City Council at the meeting of July 16 and 17, 2019 on a revised development proposal for the Don Summerville revitalization.

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

On May 14, 2019, through report AU2.1 - Moving Forward Together: Opportunities to Address Broader City Priorities in Toronto Community Housing Corporation Revitalizations, City Council requested that the Executive Director, Housing Secretariat, in consultation with CreateTO, report to the July 3, 2019 meeting of the Planning and Housing Committee on any options for city-building objectives that may be included on revitalizations that have yet to obtain planning approvals.

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

On April 30, 2019, the Planning and Housing Committee deferred report PH5.5 - A New Approvals Framework for Toronto Community Housing Corporation Revitalization Projects to the July 3, 2019 meeting of the Planning and Housing Committee in recognition of the Auditor General's report on TCHC revitalizations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH5.5>

On January 30, 2019, through report EX1.1 - Implementing the "Housing Now" Initiative, City Council directed the Deputy City Manager, Community and Social Services to report back to Planning and Housing Committee by the second quarter of 2019 on a framework that provides that TCHC includes 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>

COMMENTS

Existing Site Context

The Don Summerville complex is located at 1555 and 1575 Queen Street East at Coxwell Avenue. It is a 3.3 acre site consisting of two six-storey apartment buildings built in 1969. The two buildings contain a total of 120 units with a mix of one (32%), two (28%) and three (40%) bedrooms. The community is located in the Leslieville/Beach area with good access to transit, retail, parks and Lake Ontario, making it a desirable location for development.

Proposed Revitalization

The revitalization of Don Summerville will be achieved through the sale of a portion of the land at the western end of the site and the retention of a portion in public ownership. Through the sale of a portion of the site, TCHC will be able to replace all of its current units plus add some net new affordable rental units to the site. The new homes will improve accessibility and provide good quality housing for current and future residents.

The final development application, approved by Council on July 28, 2020, proposes revitalization of the site to include a 10 storey residential building to be owned by TCHC, and a 17 storey and 16 storey mixed-use building, containing approximately 766 residential units collectively, with a variety of housing tenures including rent-geared-to-income, affordable rental, market rental, and condominiums. The proposed development will include 100 net new affordable rental units and 120 replacement rent-geared-to-income units. The project will also include new retail and indoor and outdoor amenity spaces.

Affordable Rental Housing

As noted above, through the revitalization of Don Summerville, 100 net new affordable rental homes will be created. Of the 100 affordable rental units:

50 units will be permanently affordable, including:

- 32 units to be purchased and owned by the City, and leased to and operated by a non-profit co-operative housing provider; and
- 18 units to be located within the TCHC building; and
- 50 units will be owned and operated by TCHC's development partner Context Developments and maintained as affordable rental housing for a minimum of

forty (40) years, with rents for any one unit during the first thirty (30) years of the affordability period not to exceed 80% of Average Market Rent.

These affordable rental homes will contain a mix of 1, 2, 3 and 4-bedroom units, providing a range of housing opportunities for singles and families. Prior to the completion of construction, the housing operators will be required to develop an access plan in consultation with City staff, outlining how future residents will be identified and selected. The City will approve, monitor and enforce the access plan for the homes through a Contribution Agreement between the City of Toronto and the operators.

A number of the new affordable rental homes will also be provided to households in receipt of a monthly housing benefit from the City. The housing benefit will reduce the monthly cost of the homes for qualifying households, further improving the affordability of the homes.

The 32 homes that will be owned by the City and operated by a non-profit co-operative housing provider will be comprised of the following:

26 will be apartments on the third floor of a low rise rental building fronting Queen Street East, made up of:

- 16 – 1-bedroom units;
- 4 – 2-bedroom units;
- 5 – 3-bedroom units;
- 1 – 4-bedroom unit;

Six will be townhouses with at-grade access at the base of a 17 storey condominium building on the west of the site, made up of:

- 4 – 1-bedroom units;
- 2 – 3-bedroom units.

Project Delivery Model

The Housing Secretariat and TCHC are jointly working to oversee delivery of the revitalization in collaboration with other City divisions.

The Executive Director, Housing Secretariat has also implemented an inter-divisional governance model to oversee the revitalization. This includes frequent meetings and liaising with the City Councillor, TCHC, Context (developer) and various City divisions to proactively identify and resolve issues.

Project Milestones and Development Schedule

Since approval of the initial development proposal by City Council in July 2019, significant progress has been made to advance the Don Summerville revitalization project.

Key milestones achieved to-date include:

- Various tenant and community meetings were held in coordination with the local Councillor;
- The final planning report was approved by Council in July 2020;
- TCHC's Tenant Relocation and Implementation Plan was approved by the City; and
- TCHC commenced the tenant relocation process and completed the draw process to match tenants with relocation units.

Demolition is anticipated to begin in September 2021, with full construction to start in 2022. Completion of construction and initial occupancy are expected to be achieved in late 2024.

Request for Proposals to Select a Non-Profit Co-operative Housing Operator

In 2022, the Housing Secretariat, in consultation with the Corporate Real Estate Management Division, will issue a request for proposals to select an experienced non-profit co-operative housing provider to operate the 32 affordable rental units that will be owned by the City. The homes will be provided to the co-operative housing operator under a 99 year lease arrangement. Approval to enter into the lease will be the subject of a future report to Council.

Of the 32 City-owned units, 17 will be operated with rents-g geared-to-income, providing deeply subsidized housing for residents outside of TCHC.

Conclusion

The Don Summerville revitalization project will transform two aging TCHC buildings into a new well-designed, mixed-income, mixed-use development with range of housing opportunities and new retail and amenity spaces. The development will also include a significant amount of rental housing with a large component at affordable levels, helping the City to meet the objectives and targets set out in the HousingTO 2020-2030 Action Plan.

To help advance this project, staff have concluded negotiations for the purchase of the 32 City units on the terms as detailed in Attachment 1. Based on the terms and conditions agreed to by the City and the developer, staff consider the proposed agreement to be fair and reasonable, and are recommending approval of this property acquisition by Council.

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ATTACHMENTS

Attachment 1 – Summary of Agreement of Purchase and Sale Terms