

## **877 Yonge Street - Long-term Lease Agreement to deliver Affordable Rental Homes with Support Services**

**Date:** May 6, 2021

**To:** Planning and Housing Committee

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

**Wards:** Ward 11 University-Rosedale

### **SUMMARY**

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At its meeting of October 27, 2020 City Council adopted Item No. MM25.32 - "Implementation of the Federal Rapid Housing Initiative" and authorized staff to enter into an agreement with Canada Mortgage and Housing Corporation to secure \$203.3 million in federal capital funding to create new permanent, affordable rental homes for people experiencing homelessness. In accordance with the Rapid Housing Initiative ("RHI") program requirements, the City is investing its funding allocation to develop modular housing and acquire buildings in various wards across the city, and ensure that the new homes are ready for occupancy within twelve months.

On December 16, 2020, City Council adopted Item PH19.11 - "Emergency Housing Action" and authorized staff to implement a plan a plan for the City to accelerate 150 new supportive housing opportunities within 8 to 10 weeks, and a further 510 housing opportunities within 10 to 12 weeks thereafter for people experiencing homelessness, based on the availability of funding for supportive services. A total of 127 units at 877 Yonge Street will be renovated and prepared for occupancy beginning in June 2021 as part of the Emergency Housing Action plan.

The property located at 877 Yonge Street (the "Subject Property") was recently acquired by the City using RHI funding. The Subject Property includes a 15-storey building that was formerly operated as a 232-unit seniors' residence. The Subject Property is currently undergoing interior renovations and alterations to create up to 252 permanent, self-contained units which will provide affordable rental housing with wraparound support services for people experiencing homelessness or those at risk of homelessness, women, Indigenous and racialized people, and seniors.

Staff have identified St. Clare's Multifaith Housing Society (the "Tenant") as a suitable non-profit operator for the residential portion of the Subject Property (the "Leased

Premises") based on a number of factors including, but not limited, to: the Tenant's extensive experience operating affordable rental housing with support services; the Tenant's property and tenancy management expertise; the range of partnership arrangements that will ensure the delivery of wraparound health and social supports for tenants onsite and; the Tenant's experience working in the local community.

This report recommends Council's approval for the City to enter into a nominal lease agreement with St. Clare's Multifaith Housing Society for a term of 50 years less a day for the Leased Premises (the "Lease"). Through this arrangement, the Leased Premises will be operated as safe, secure, permanent affordable rental homes with supports for a range of tenants, including vulnerable and marginalized residents from equity-deserving groups.

## **RECOMMENDATIONS**

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

1. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat, to negotiate and execute, on behalf of the City, a nominal lease agreement (the "Lease") for a term of 50 years less a day for the residential portion of 877 Yonge Street with St. Clare's Multifaith Housing Society ("the Tenant") substantially on the major terms and conditions set out in Attachment 1 and on such other or amended terms and conditions acceptable to the Executive Director, Corporate Real Estate Management, and in a form satisfactory to the City Solicitor, and to execute the Lease, any ancillary agreements or documents, as required, on behalf of the City.
2. City Council consider the Lease to be in the interests of the City.
3. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute on behalf of the City, a municipal housing facility agreement (the City's "Contribution Agreement") with the Tenant 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.
4. City Council authorize the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration to negotiate and enter into any agreements with the Tenant, for any operating funding that may be available, including, but not limited to rent supplement or grant funding agreements, on terms and conditions agreed to by the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration and in a form approved by the City Solicitor.
5. 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, any security or financing documents required by the Tenant to secure the financing necessary for the capital requirements of the Leased Premises as well as

any 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.

## **FINANCIAL IMPACT**

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The Lease will provide the Tenant with an area of approximately 171,498 square feet of City-owned residential space at nominal rent for a term of 50 years less a day, for the operation of affordable rental housing with support services.

The opportunity cost of the Lease, expressed in net present value terms, is approximately \$127 million, for the term of 50 years less a day (using a discount rate of 5 percent, the Canada Mortgage and Housing Corporation average market rent for a one-bedroom unit and annual 2.5 percent increase).

The Tenant will be responsible for all operating costs associated with the Leased Premises. As well, Open Door incentives of up to \$59.083 million for 800 rental units has been pre-approved for the property through Item MM25.32: "Implementation of the Federal Rapid Housing Initiative". The incentives exempts the property from the payment of residential property taxes during the lease term.

### *Capital Funding*

The acquisition, renovation and other associated of the Subject Property are fully funded through the Housing Secretariat's 2021-2030 Capital Budget & Plan under the Rapid Housing Initiative Project (WBS CAF005-03-54). Of the 252 self-contained units that could be created at the property, 127 units are currently being renovated under the Emergency Housing Action plan and occupation of these units will begin in June. Renovation of the remaining 102 to 125 units will be completed by December 2021 as part of the Rapid Housing Initiative scope of work.

The Tenant will be responsible for its proportionate share of capital expenses related to the Subject Property during the lease term.

### *Operating Funding for Support Services*

Funding for the support services necessary to create supportive housing opportunities are generally provided by the Province of Ontario and delivered by housing providers or other community agencies.

The Province has recently agreed to provide operating funding in 2021 to support the new supportive homes to be created through the RHI program.

By working with a range of non-profit service providers, the Tenant will supplement this funding through various other programs to ensure a 24/7 staffing model and a robust

range of support services onsite. This model will be based on appropriate levels of support to help tenants achieve and maintain housing stability in the long term.

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

## **EQUITY IMPACT STATEMENT**

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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 healthy, inclusive and sustainable communities.

Creating new affordable housing with support services at the Subject Property will increase the opportunity for structurally 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**

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At its meeting of May 5, 2021, City Council adopted Item PH22.9, "Rapid Housing Initiative - 222 Spadina Avenue and 877 Yonge Street", and agreed to request that the Minister of Municipal Affairs and Housing make a Minister's Zoning Orders, pursuant to Section 47 of the Planning Act for 877 Yonge Street to provide zoning relief for the minimum required vehicle and bicycle parking spaces.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH22.9>

At its meeting of December 16, 17 and 18, 2020, City Council adopted Item PH19.11 - "Emergency Housing Action" and authorized staff to implement a plan a plan for the City to accelerate 150 new supportive housing opportunities within 8 to 10 weeks, and a further 510 housing opportunities within 10 to 12 weeks for people experiencing homelessness, based on the availability of funding for supportive services.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH19.11>

At its meeting of October 27, 2020, City Council adopted Item MM25.32 - "Implementation of the Federal Rapid Housing Initiative", authorizing staff to enter into an agreement with Canada Mortgage and Housing Corporation to secure the City's allocation of \$203.3 million through this program; and identify projects that can be made available for occupancy within twelve (12) months, in accordance with the terms and

conditions of the Rapid Housing Initiative (RHI). The City Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.32>

At its meeting of September 30, 2020, City Council adopted, with amendments, Item No. PH16.8, "Addressing Housing and Homelessness in Toronto through Intergovernmental Partnership", which described the advocacy the City was undertaking to secure additional investment from both the Provincial and Federal governments. The report also outlined the City's 24-Month COVID-19 Housing and Homelessness Recovery Response Plan aimed at providing dignified, stable permanent housing options for 3,000 people experiencing chronic homelessness within the shelter system, with the support of the Federal and Provincial governments. The City Council decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.8>

At its meeting of December 17 and 18, 2019, City Council adopted, with amendments, Item No. PH11.5, "HousingTO 2020-2030 Action Plan" and its recommended actions as a strategic framework to guide the City's programs, policies and investments on housing and homelessness needs over the next ten years. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of December 17 and 18, 2019, City Council adopted report PH11.5 - HousingTO 2020-2030 Action Plan as the framework to address Toronto's housing and homelessness challenges by 2030. This Plan includes a number of actions and targets to address critical needs across the housing spectrum including emergency shelters and transitional housing, social and supportive housing, market and affordable rental housing and home ownership. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of June 18 and 19, 2019, City Council adopted MM8.49 - Providing a Rapid Housing Response to Homelessness through a New Modular Supportive Housing Pilot Initiative. Council directed staff to report back on the development of a new modular supportive housing initiative. It call for interdivisional coordination to identify potential sites and to expedite the development of supporting housing. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM8.49>

At its meeting of January 30 and 31, 2019 City Council adopted MM2.9 - Expanding Supportive Housing in Toronto. This report called for an aggressive plan for building supportive and transitional housing. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM2.9>

At its meeting of March 26 and 27, 2018, City Council adopted CD26.5 - Emergency Shelter Services Update. Council set a target of creating 18,000 new units of supportive housing over the next 10 years, approximately 1,800 units per year. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CD26.5>

## COMMENTS

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### **Federal Rapid Housing Initiative**

The federal government announced the RHI program in September 2020. Through the RHI program, the federal government is investing \$1 billion nationally to support the creation of over 4,700 new permanent affordable rental homes to help people exit chronic homelessness. Utilizing its \$203 million allocation, the City is on track to deliver approximately 540 new permanent supportive housing units in various wards across the City through the acquisition and renovations/conversions of properties and the development of modular housing.

### **Site Context - 877 Yonge Street**

The City has recently acquired the Subject Property, which includes a 15-storey mixed-use building located at 877 Yonge Street. The Subject Property is located on the east side of Yonge Street, north of Davenport Road and was formerly operated as a seniors' residence, with commercial retail space on the ground floor and outdoor amenity area on the second floor.

The Leased Premises currently contains 232 units, consisting of 120 one-bedroom units, 34 studio units and 78 dwelling rooms. Through renovations, up to 252 self-contained units could be created. The final number of units will be confirmed upon completion of design and other due diligence work.

As previously mentioned, 127 units are currently being renovated under the Emergency Housing Action plan and occupancy will begin in June. Renovations to the remaining 102 to 125 units will be completed by December 2021 as part of the Rapid Housing Initiative scope of work.

The renovations to be undertaken by the City will also ensure that there is appropriate amenity, administration and programming space for residents and support services staff.

The City, through Corporate Real Estate Management, will operate, maintain and manage the commercial space and tenants located on the ground floor of the Subject Property.

### **Non-Profit Operator Selection**

Through Item PH19.11, City Council authorized staff to work with the Toronto Alliance to End Homelessness (TAEH) and Indigenous partners to engage the non-profit sector and select suitable operators, subject to operating funding, to operate the all new affordable homes prior to occupancy, through a non-competitive process for an initial two-year term, and subsequently conduct a competitive process to select operators for longer term operation of the properties. Non-profit groups with operating funding and extensive supportive housing management experience were prioritized in accordance with Council direction.

Through extensive work with TAEH and its member organizations, and based on the selection criteria mentioned earlier in this report, St. Clare's Multifaith Housing Society was identified as the preferred operator/Tenant for the Leased Premises.

The Tenant is a charitable organization that provides affordable, mixed-income housing at a number of properties in downtown Toronto. The Tenant supports people who have experienced homelessness by providing them with access to dignified, permanent affordable homes.

### *Lease Term*

Through Item PH19.11, Council authorized that staff enter into a lease with suitable non-profit operators for up to two (2) years, and subsequently issue a formal request for proposals to select a long-term operator.

The Leased Premises will be declared surplus by way of Delegated Authority contained in Article 1 of the City of Toronto Municipal Code Chapter 213, Real Property.

This report recommends that instead of the 2-year lease term, Council authorize a lease term of 50 years less a day. Staff are making this recommendation based on a number of factors including but not limited to:

- **Proven Experience** - The Tenant has extensive experience operating affordable and supportive housing;
- **Financial and Operating Capacity** - The Tenant has the operating and financial capacity to appropriately manage the Leased Premises over the lease term;
- **Strong Asset Management Plan** - A longer term lease would help the City and Tenant to formalize a long-term capital repair plan for the building, including establishing a dedicated reserve fund, to ensure that the asset is well maintained over its useful life.
- **Funding to successfully operate Supportive Housing** - A longer lease term provides predictability and would help the Tenant secure long-term operating funding and partnership arrangements with a range of support service providers and funders; and
- **Non-profit Sector Collaboration** - The proposed operating model was developed by the City, in collaboration with the non-profit sector, and pools resources to ensure a robust range of wraparound supports onsite.

### *Support Services to be provided at the Leased Premises*

In collaboration with its support service partners, the Tenant will provide 24/7 on-site staffing plus deliver a range of supports services to help residents achieve housing stability improve their overall health and wellbeing.

The support services will include mental health and substance use support, connection to primary care, harm reduction and relapse prevention, support to daily living activities, and connections with community supports such as: volunteer and employment opportunities, food security programs, and income assistance programs.

### *Selection of Future Tenants*

The Leased Premises will provide homes to a range of tenants and incomes. Safe, secure, permanent homes and wraparound support services will be provided onsite for people experiencing or those at risk of homelessness, seniors, women, people with disabilities, Indigenous peoples and racialized individuals.

Future tenants of the Leased Premises will be identified through the City's Coordinated Access process. Coordinated Access is a consistent community-wide approach to assessing, prioritizing and connecting people experiencing homelessness to housing and supports. Tenants for these units will be identified using a prioritization-based approach to connect people to this permanent housing opportunity.

The City will coordinate the tenant identification process in partnership with street outreach, shelter, 24-hour respite, and hotel/motel program providers. Staff will work with the Tenant and its partner agencies to ensure that tenants are connected with supports that best meet their needs. Additionally, a common assessment tool will be used to determine the types and levels of supports that tenants need to be successful in their new homes long term.

## **CONCLUSION**

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This report recommends Council approval for staff to enter into a lease arrangement with the Tenant for a term of 50 years less a day for the Leased Premises. Through this arrangement, and with the help of the federal and provincial governments and the non-profit sector, the City will be increasing access to safe and secure affordable housing with wraparound support services for people experiencing homelessness and housing instability.

Investments in permanent affordable housing with support services will not only improve outcomes for our most vulnerable and marginalized residents, it will also strengthen communities, create employment opportunities and reduce cost for the public sector through the reduced use of emergency services, healthcare and the justice system. Moreover, investments in affordable and supportive housing will help build resilience in our housing and health systems and support our city's recovery from the COVID-19 pandemic.



## CONTACT

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## SIGNATURE

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Abigail Bond  
Executive Director, Housing Secretariat

Patrick Matozzo  
Executive Director, Corporate Real Estate Management

## ATTACHMENTS

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Attachment 1: Proposed Lease Terms and Conditions

Attachment 2: Location Map - 877 Yonge Street