REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENTS

Housing Now Business Case for 2444 Eglinton Avenue East

Date: February 22, 2021
To: Board of Directors, CreateTO
From: Vice President, Development
Wards: 21

REASON FOR CONFIDENTIAL INFORMATION

The confidential attachments 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 business case and market offering for the Phase 2 Housing Now site located at 2444 Eglinton Avenue East.

This 2.8 acre site is located on the north side of Eglinton Avenue East just east of Kennedy Road and is directly north of the Kennedy mobility hub, a significant hub of transit infrastructure investments.

Since December of 2020, CreateTO staff have been working with the consultant team on preparing a development concept for this site in order to advance the development and market offering process.

Throughout Q1 and Q2 of 2021 CreateTO staff will continue to work with City staff including the Housing Secretariat's office, the local Councillor, the community, and other key stakeholders in order to gain consensus on a development concept that can be brought to market.

At the December 2020 CreateTO Board meeting, CreateTO staff brought forward a plan responding to a request made by the Board earlier in the year regarding initiating a pilot of an alternative approach to achieving planning approvals to support the development of Housing Now sites. The Board was informed that the Housing Secretariat, City

Planning, and CreateTO staff had selected this site as the Housing Now pilot site that would be offered to the development community based on a City and CreateTO endorsed reference concept plan and would allow the successful proponent to go through their own zoning process and obtain planning approvals directly. CreateTO will undertake sufficient due diligence prior to going to market to identify and mitigate potential risks and to provide more certainty to the development community regarding achievable thresholds for density and built-form for the developer proponents.

A current version of the draft reference concept plan with site statistics can be found in Confidential Attachment 1.

The intent is to bring this site to market in May of 2021. Following the market offering process, CreateTO staff will report to the CreateTO Board on the proponent selection, prior to finalizing lease agreements. The CreateTO Board will review for approval, the terms and conditions for the proposed agreements with the successful proponent. The lease agreements will be executed prior to the completion of the planning approvals process by the developer proponent.

RECOMMENDATIONS

The Vice President, Development recommends that the Board of Directors:

1. Endorse the business case for 2444 Eglinton Avenue East as presented in Confidential Attachment 2, 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:

    a) Release to market 2444 Eglinton Avenue East in the second quarter of 2021, including entering into agreements conditional on approval by relevant City authorities;
    b) Retain the services of a fairness monitor to oversee and ensure an open, fair and transparent market offering process;
    c) Retain the services of a broker to engage the market and lead the market offering process with CreateTO staff;

2. Authorize the public release of the information in Confidential Attachments 1 and 2 following the execution of the agreements and at the discretion of the Chief Executive Officer, CreateTO.

FINANCIAL IMPACT

There is no additional financial impact to CreateTO arising out of the recommendations in this report. Resources required to support this project are being allocated from the current staffing complement and are part of the approved operating budget.

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.

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 approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, inclusive and sustainable communities.

The Housing Now Initiative is a key program under the HousingTO 2020-2030 Action Plan aimed at creating new affordable rental housing within mixed-income, transit rich, complete communities. Creating new affordable housing through the Housing Now Initiative 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. More housing opportunities for essential workers and families will also be created through the Housing Now Initiative.

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 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 July 9, 2019, the CreateTO Board directed the Chief Executive Officer, CreateTO to include the following as part of the Housing Now business case:

a. a summary of the results of the community consultation, with local councillor input;
b. the planning context;
c. context on City Building initiatives;
d. a breakdown of levels of affordability and proposed terms of the transaction; and
e. how the business case addresses maximum attainability of affordable units.

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. 2444 Eglinton Avenue East was named as one of the Phase Two sites.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.3

On June 29, 2020, City Council adopted PH14.3 "Housing Now Initiative - Annual Progress Report", which approved enhancements to the Housing Now Initiative that will improve the lives of future residents of the sites.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.3

On December 4, 2020, the CreateTO Board adopted the report, Housing Now Progress - Update, which notified the Board that 2444 Eglinton Avenue East had been selected by the Housing Secretariat, City Planning and CreateTO as the pilot site to go to market in advance of a zoning submission. As part of the pilot, the successful developer proponent would undertake the zoning approvals directly.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.RA19.5

COMMENTS

Business Case Preparation Process
The business case reflects the emerging staff recommended reference concept plan, and provides an analysis of the project's financial feasibility, including recommendations on the number of affordable housing units and city building components such as those related to the Toronto Green Standard (TGS), Community Benefits Framework requirements and universal accessible design standards.

CreateTO has engaged/or will engage the following consultants to undertake due diligence on the site and inform the reference concept plan prior to taking the site out to the market:

-Architect
-Landscape architect
-Environmental/geotechnical/hydrogeological consultants
-Traffic and civil engineers
-Land Surveyor
-Archaeological Consultant

-Electro Magnetic field survey and Rail safety consultant
-Residential Market study consultant
-Land appraiser

CreateTO submitted preliminary design concepts to City staff for review and discussion beginning in December 2020. CreateTO and City staff will continue to work together with the local councillor and the community on finalizing a reference concept plan that balances stakeholders' feedback with technical and site programming considerations prior to taking the site to the market.

Summary of Development Concept

The draft reference concept plan consists of three tall buildings with base podiums distributed across the 2.8 acre site. All buildings will share a two level below grade parking garage. The current development concept complies with the Rail safety requirements related to horizontal and vertical separation and will include the provision of a crash wall adjacent to the rail line. The approach to use a crash wall provides more flexibility on the site to place towers efficiently in the triangular shaped parcel.

There will be the inclusion of several large outdoor publicly accessible open spaces that will serve as amenity for the residents and the broader community. Parks, Forestry and Recreation have advised that an on-site parkland dedication is not required at this location given the existing park space to the north.

The emerging draft reference concept plan (see Confidential Attachment 1) reflects preliminary comments received through the review process with City staff from December 2020 to-date. The draft reference concept plan identifies opportunities to optimize City-owned land for the creation of affordable housing and a mixed-income, livable community at this location. The concept includes a mix of scale and built form that are contextually appropriate for the site located directly north of the Kennedy Mobility Hub. The mobility hub includes the Kennedy subway station, Kennedy bus terminal servicing several bus routes, the Kennedy GO Station, the terminus station for the Eglinton Crosstown LRT and a stop for the planned Scarborough subway expansion.

Currently the unit count in the draft reference concept plan for total rental units is exceeding the 400 units previously reported.

CreateTO staff will continue to refine the reference concept plan through further reviews with City staff. In addition to items identified by staff, principles of the final recommended development concepts will be highlighted in directions and requirements of the marketing process.

Financial Feasibility

The financial plan for the site which identifies the feasibility of the project from a development point of view as well as equity requirements are outlined in Confidential Attachments 2.

The financial models reflect market research prepared by Urbanation and cost estimates from Altus' 2021 Canadian Cost Guide for the site. The Urbanation market research provides details about absorption rates, sales prices and rental rates along with the appropriate unit mix and sizes. The Altus 2021 Canadian Cost Guide provides information regarding construction costs. Additional information will be collected during due diligence regarding site specific costs and environmental costs.

The financial analysis also assumes that Canada Mortgage and Housing Corporation (CMHC) financing using the Rental Construction Financing Initiative program will be used to provide long-term, low-cost financing at interest rates and terms well below those available in the market. This financial assumption is central to the analysis related to supporting the affordable and market rental housing as part of the Housing Now initiative.

Prior to the market offering, the retained broker will provide their financial analysis in order to confirm the CreateTO analysis outlined in Confidential Attachment 2.

CreateTO will also conduct a land appraisal for the site prior to going to market to help inform the market offering process.

Proceeding with Market Offering Through Brokerage Firm and Fairness Monitor

CreateTO will retain a qualified broker of record to support the marketing of the site. Through a Request for Proposal (RFP) process, CreateTO will select an experienced broker that has a proven track record and success in marketing affordable rental projects. The expectation is that the bid period for the market offering will be eight to ten weeks from the date that the market offering is released.

CreateTO will also retain the services of a fairness monitor prior to the market offering process to ensure the entire process is open, fair and transparent.

The Selection Committee will consist of staff from CreateTO and the Housing Secretariat. Criteria for selection will include:

1. Experience in developing rental housing;
2. Experience in operating rental housing;
3. Strength of proposed partnerships with non-profit organizations;
4. Proposed level and depth of affordability;
5. Ability to exceed the minimum required affordable rental housing;
6. Proposed financial and funding plan;
7. Commitment to annual rent increases for in-situ market renters, with annual increases in rent not to exceed the Provincial Guideline amount plus two percent, with a goal of achieving the lowest possible annual rent increases for in-situ market renters;
8. Demonstrated ability to execute financially, and ability to complete the project on schedule;
9. Inclusion of supportive housing units;
10. Ability to meet the development performance expectations and design development principles related to the reference concept plan; and
11. Community benefits framework commitments.

The selected proponent and proposed lease terms will be presented to the Board and to Senior City Staff for approval prior to final award.

Maximizing Affordability

Bidders will be incentivized to maximize affordability through the scoring process. Maximizing affordability may include increasing the number of affordable units and/or providing deeper rent affordability and the inclusion of supportive housing units. Greater consideration will also be given to proposals that include partnerships, in particular equity partnerships, with non-profit operators. The ability for the bidder to target units to vulnerable and marginalized populations requiring deeper levels of affordability (e.g. seniors, Black people, Indigenous Peoples, essential workers, artists, chronically homeless).

Planning Approvals

At the December 2020 CreateTO Board meeting, CreateTO staff brought forward a plan responding to a request made by the Board earlier in the year regarding initiating a pilot of an alternative approach to achieving planning approvals to support the development of Housing Now sites. These sites will proceed to market to the development community without approvals in place to allow the successful developer proponent to go through this process and obtain these approvals directly.

The Housing Secretariat, City Planning, and CreateTO identified 2444 Eglinton Avenue East as a good candidate to test the alternative approach to planning approvals.

As stated in the December 2020 report to the Board, the pilot would be used to assess if this approach shortens the overall timelines for the ultimate delivery of constructed and occupied affordable housing units. Through the pilot, CreateTO would also try to assess the following:

1) Regulatory Risks: what is the impact on market interest on Housing Now sites when the developer, and not City/CreateTO, will carry the risk of an appeal of the zoning by-law?

2) Financing: how is access to CMHC financing affected by a developer-led, rather than City-led re-zoning process, when financing is contingent on zoned sites?

3) Financial savings: does the approach result in any financial savings to the City?

4) Quality: is the quality of the application equal with re-zoning that would be prepared and reviewed collaboratively with CreateTO and City Planning?

Although 2444 Eglinton Avenue East will not follow the typical Housing Now City-led rezoning process to achieve its planning approvals, staff will still be undertaking all appropriate due diligence work to ensure that there is enough certainty on the reference concept plan to inform the market offering and to reduce risk for the future bidders. All due diligence materials will be made available to proponents via an electronic data room made available through the bidding process.

The successful proponent will then undertake the zoning by-law amendment and other planning approvals required to enable their final development concept. This will provide the developers with more flexibility into the final plans, while still benefitting from the due diligence work completed by CreateTO.

The reference concept plan prepared by CreateTO and accepted in principle by City Planning will form the basis for site organisation, heights and density and will provide the proponent with clarity on what is achievable. CreateTO has worked closely with City Planning staff to ensure the draft reference concept plan maximizes the development potential and possible density on this site.

The business case reflects the current reference concept plan which has been informed by the reviews by City staff to date. It is the intent that the market offering will include the overall design principles and design direction that will be mandated, while enabling a developer proponent some flexibility to demonstrate how these are best achieved through their proposal.

Community Engagement

CreateTO and City staff will hold a community meeting for the site prior to market launch, currently planned for April 2021. CreateTO has retained Swerhun Inc. as the Housing Now Phase Two community facilitator of record to lead these community consultations. The community meeting in April will be held virtually and consist of brief presentations on the Housing Now Initiative (to introduce this community to the Initiative) and the reference concept plan and provide an opportunity for a question-and-answer session. The Housing Now Initiative first piloted virtual engagement in May 2020, and has been able to reach local and city-wide audiences to provide feedback on proposals for each site.

CreateTO and City staff will continue to engage the local City Councillor and community members until the developer proponent is awarded the site. At this point, the developer proponent will lead the community engagement process as part of the City's standard planning approvals process.

Community Services and Facilities

Community services and facilities for this site were identified based on consultation with various City divisions and through the City’s Strategic Planning and Management Committee (SPMC) in August and September 2020. Through this process, the need for programmatic space was not identified. In December of 2020, Children’s Services Division indicated interest in exploring the potential for integrating a child care facility within the development if feasible. Poor site access and visibility were contributing factors for not locating any other additional community services at this location. The area is currently served by the Kennedy/Eglinton Public Library and by the Don Montgomery Community Recreation Centre which is located directly southeast of this site. Future plans for the Don Montgomery Community Centre offer opportunities for co-locating other community services and facilities as may be identified at a later date.

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 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% from 2019 levels into the five year horizon. In either scenario, the focus remains on the recovery of employment and the inflow of immigration to Toronto.

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1: Housing Now 2444 Eglinton Avenue East Site Plan and Statistics
Confidential Attachment 2: Business Case Summary