

Housing Now Business Case for 405 Sherbourne Street

Date: April 27, 2021

To: Board of Directors, CreateTO

From: Vice President, Development

Wards: 13

REASON FOR CONFIDENTIAL INFORMATION

The confidential attachments to this report relate to (i) a proposed or pending disposition of land by the City, and (ii) a position, plan, procedure, criteria or instruction to be applied to negotiations carried on or to be carried on by or on behalf of the City.

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 405 Sherbourne Street.

This 0.73 acre site is currently an existing Toronto Parking Authority surface parking lot, located on the east side of Sherbourne Street between Carlton Street and Bloor Street. It is in close proximity to the Line 2 (Sherbourne Station) and the 506 Carlton Streetcar. The site is located within the Cabbagetown Northwest Heritage Conservation District.

CreateTO staff retained a consultant team to prepare a development concept for this site in order to advance the City initiated rezoning and market offering process. CreateTO staff worked with City staff including City Planning, the Housing Secretariat's office, the local Councillor, the local community in order to gain consensus on a development for the rezoning. .

The final development concept includes a 25-storey building with a total of 266 residential units and 1800 square feet of community use space on the ground floor. The built form has been designed to maximize the opportunity for new affordable rental on the site, while meeting the policies of the Heritage Conservation District through the design of the podium. The concept optimizes the dimensions of the site to provide a

through-block connection for pedestrians and vehicles to contribute to the public realm and circulation around the site.

The intent is to bring this site to market in July of 2021 to the non-profit housing community through the Housing Secretariat. Following the market offering process, CreateTO staff will report to the CreateTO Board on the proponent selection, prior to the Housing Secretariat finalizing legal agreements. .

RECOMMENDATIONS

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

1. Endorse the business case for 405 Sherbourne Street as presented in 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:

- a) Release to market 405 Sherbourne Street 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;

2. Authorize the public release of the information in Confidential Attachments 1 and 2 following the completion of the transactions contemplated in the business case and at the discretion of the Chief Executive Officer, CreateTO.

FINANCIAL IMPACT

There is no additional financial impact to CreateTO arising from 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.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.RA7.4>

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. 405 Sherbourne Street 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 February 2, 2021 Council adopted the Community Benefits Frameworks applicable to Housing Now.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX20.7>

COMMENTS

Business Case Preparation Process

The business case reflects the final development concept submitted through the City-initiated re-zoning process, and provides an analysis of the project's financial feasibility, including recommendations on affordable housing units and city building components.

CreateTO retained the following consultant disciplines to undertake due diligence on the site and to develop the concept that formed the basis of the City-initiated re-zoning application as well as to inform the market offering:

- Architect
- Landscape architect
- Heritage architect
- Environmental/geotechnical/hydrogeological consultants
- Traffic and civil engineers
- Land Surveyor
- Archaeological consultant
- Residential Market study consultant
- Land Appraiser

CreateTO made the first re-zoning submission on March 9, 2021 and in line with the Housing Now Initiative's accelerated review timelines, City staff provided comments and the second submission was made on April 16, 2021. The final submission is targeted for the mid May 2021.

Planning Approvals

As this site is located within the Cabbagetown Northwest Heritage Conservation District, Heritage Planning staff will bring a report on the development to the Toronto Preservation Board on June 16, 2021. The final zoning by-law amendment will be brought to the Planning and Housing Committee on June 28, 2021 for the statutory public meeting and to City Council for final approval on July 14 and 15, 2021.

Summary of Development Concept

The proposed concept consists of a 25 storey building with a four story base podium. The built form has been designed to maximize the opportunity for new affordable rental on the site, while meeting the policies of the Heritage Conservation District through the design of the podium. The concept optimizes the dimensions of the site to provide a through-block connection (Sherbourne Green) for pedestrians and vehicles to contribute to the public realm and circulation around the site. The building's underground parking lot will have approximately 67 parking spaces approximately 267 bicycle parking spaces contained in the ground floor and mezzanine levels of the building. The proposal includes an optional dedicated elevator for public use in the event a shared commercial and residential parking model is explored through the Site Plan Application stage. The development concept complies with the Tall Building Design Guidelines and meets the intent of the policies of the Cabbagetown Northwest Heritage Conservation District Guidelines.

The proposal includes an improved public realm and a publicly accessible open space along the north side of the site. In addition the proposal includes 1800 square feet of ground floor, plus mezzanine community use space.

The total unit yield in the development concept is 266 rental with a minimum of 89 units of affordable rental. The 266 total unit count is 66 units in excess of the original target, and was arrived at through collaborative work and analysis between CreateTO City Planning and the consultant team, reflecting the policies and intent of the Downtown Plan. The market offering will target the inclusion of 50% of the units to be affordable rental.

Financial Feasibility

The financial plan for the site which identifies the feasibility of the project from a developer point of view as well as developer equity requirements is outlined in Confidential Attachment 1. The business case reflects the development plans included in the second resubmission to the City. CreateTO staff have worked closely with City Planning staff to ensure that density is maximized in a sensitive and appropriate form on the site. It is the intent that the market offering will reflect the zoned development concept.

The financial model reflects 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.

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.

CreateTO engaged Real Estate Services of the Corporate Real Estate Management division to conduct a land appraisal for the site prior to going to market to help inform the market offering process. The result of the appraisal is included in Confidential Attachment 1.

Proceeding with Market Offering Through Housing Secretariat

The City of Toronto Housing Secretariat will market the site to the non-profit housing community under the direction of a fairness monitor to ensure a open, fair and transparent process. A non-profit housing provider will be selected through this Request for Proposal (RFP) process.

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

1. Experience in developing and operating rental housing;
2. Proposed number of rental housing units, affordable rental housing units, depth of affordability, and inclusion of supportive housing units;
3. Proposed financial and funding plan;
4. Demonstrated ability to execute and complete the project on schedule;
5. Commitment to City Building components including exceeding minimum requirements on energy and carbon targets and number of jobs and social procurement dollars reflected in the community benefits framework commitment.

The selected proponent and term sheet reflecting the proponent's commitments 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. The ability for the proponent 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) will also be evaluated.

Community Engagement

CreateTO and City staff held two virtual Heritage stakeholder meetings and two virtual community consultation meetings for the site to seek feedback related to the site organization and building design. The 405 Sherbourne Street was the second consultation process undertaken for Housing Now during the Covid-19 period. To facilitate community engagement the following steps were taken:

- -site reel - introduce the site and context;
- -a combination of online/hard copy materials to ensure equity of access and participation in the consultation process.

The Heritage stakeholder meetings took place in October, 2020 and March, 2021. Both Heritage stakeholder meetings were attended by representatives of the Heritage Housing Now Business Cases for 405 Sherbourne Street

Conservation District Committee, the Toronto East York Preservation Panel and the Toronto Preservation Board as well as staff from CreateTO and City Planning including Heritage Planning. The first community meeting took place in November 2020 and was attended by approximately 70 individuals. The second community meeting took place on April 1, 2021 and was attended by approximately 45 individuals. Both of the community meetings were facilitated by Swerhun Inc.

Note that all materials related to consultation were posted on the CreateTO 405 Sherbourne Street project webpage at www.createto.ca/405sherbourne. Summary of feedback received from the community consultation process can be found in Attachment 2.

As the site proceeds through the City's zoning approvals process, the public has two additional opportunities to provide feedback on the final development concept: at the June 16th meeting of the Toronto Preservation Board meeting and at the June 28th meeting of the Planning and Housing Committee, which will serve as the statutory public meeting under the *Planning Act*. The developer proponent will be required to host a community engagement session during the Site Plan Application stage and present their proposal to the City's Design Review Panel.

Community Services and Facilities

Community services and facilities for Housing Now sites are identified based on consultation with various City divisions and through the City's Strategic Planning and Management Committee (SPMC). This site was on the SPMC agenda in July and September 2020. Through this process, the need for a community use space was identified. The size of the community use space that can be accommodated while still maximizing housing is 1800 square feet on the ground floor plus a mezzanine. The exact tenant for the community space will be determined closer to construction and occupancy of the building in consultation with the City's Social Development and Finance Administration Division.

City Building Components

The Housing Now development at 405 Sherbourne will deliver on multiple City Building Components alongside the affordable housing units generated including:

- A commitment to Toronto Green Standards Version 3 Tier 2 (greater consideration will also be given to proposals that give consideration to higher levels of energy performance) in an effort to meet the TransformTO targets of net zero by 2050;
- The inclusion of Growing Up Guidelines as well as commitments around accessible units and universal design barrier free common areas;
- The inclusion of a 1800 square foot ground floor plus a mezzanine for community use space;
- Improved public realm and publically accessible open space along the north side of the site (Sherbourne Green);
- A commitment to workforce development and social procurement through the inclusion of a Community Benefits Framework, including a 10% EQUITY target in construction

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 land 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.

CONTACT

Chantelle Burgess, Manager, Development, (416) 981-3778, cburgess@createto.ca

Valesa Faria, Director, Housing Secretariat, City of Toronto, (416) 392-0602, valesa.faria@toronto.ca

SIGNATURE

Salima Rawji
Vice President, Development

ATTACHMENTS

Attachment 1: Housing Now 405 Sherbourne Development Concept and Renderings

Attachment 2: Community Consultation Summary

Attachment 3: Project Timeline

Confidential Attachment 1: Business Case Summary

Confidential Attachment 2: Proposed Transaction Terms