

Housing Now Business Case for 150 Queens Wharf Road

Date: November 5, 2021

To: Board of Directors, CreateTO

From: Vice President, Development

Wards: 10

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 150 Queens Wharf Road.

This 0.38 acre site is currently vacant land and represents the last remaining undeveloped site in the railway lands. The site is located on the north side of Fort York Boulevard, south of the Union Station Rail Corridor and east of Bathurst Street. Immediately west of the subject site is the future Lower Garrison Creek Park. The site is within easy walking distance of both surface transit and cycling networks. The 150 Queens Wharf Road development will further benefit from Metrolinx's planned Spadina-Front Station, a part of their GO Regional Express Rail Expansion Program as a new stop on the GO Transit Barrie line, to be located at the southwest corner of Front Street and Spadina Avenue.

CreateTO staff retained a consultant team to prepare the requisite due diligence work including 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, the local Councillor, and the local community in order to gain consensus on a development concept.

The final development concept includes a 29-storey building with a total of 282 residential units and a minimum of 3,229 square feet of non-residential space on the ground floor designated for an EarlyON center. The built form has been designed to maximize the opportunity for new market and affordable rental housing on the site. The concept animates the site enhancing the public realm and allowing for a pedestrian connection from Queens Wharf Road to the future Lower Garrison Creek Park.

The intent is to bring this site to market in Q1 2022 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 150 Queens Wharf Road 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 150 Queens Wharf Road in the first quarter of 2022, 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. 150 Queens Wharf Road 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>

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

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

On October 18th, 2021 Planning and Housing Committee adopted without amendment PH 27.1 "Housing Now - 150 Queens Wharf Road - Zoning Amendment - Final Report." It will be considered by council on November 9th – 10th, 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH27.1>

On October 28th, 2021 Planning and Housing Committee considered and adopted without amendment PH28.2 "Housing Now Initiative - Annual Progress Update and Launch of Phase Three Sites."

It will be considered by council on November 9th – 10th, 2021.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH28.2>

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
- Rail Safety Consultant
- 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 June 4th, 2021 and in line with the Housing Now Initiative's accelerated review timelines, City staff provided comments and the second submission was made on July 19th, 2021. The final submission was made on September 7th 2021.

Planning Approvals

The final zoning by-law amendment for 150 Queens Wharf Road was adopted by Planning and Housing Committee on October 18th, 2021 for the statutory public meeting and will proceed to City Council for approval on November 9th – 10th, 2021. The Zoning By-law will be submitted as a Bill to be brought forward to Council once the servicing matters are resolved per recommendation 3 in the Housing Now – 150 Queens Wharf Road – Zoning Amendment – Final Report.

Summary of Development Concept

The proposed concept consists of a 29-storey building with an 8-storey base podium. The built form has been designed to maximize the opportunity for new market and affordable rental housing on the site. CreateTO's original development concept proposed a 22-storey building. Design Review Panel provided feedback on the architectural view corridor from the Bathurst Street Bridge looking east and recommended removal of the podium at the northwest corner of the building. Through consideration of inputs from the Design Review Panel, Tall Building Guidelines and park setback requests balance was achieved. A site specific resolution enabled a strong hybrid of a grounded tower at the northwest corner and podium on the south and east face of the building. This architectural enhancement further maximized the size and efficiency of the tower floorplate. In collaboration with city colleagues and Councillor Cressy's leadership the height of the building increased to 29-storeys. Ultimately, the combination of maximizing the size and efficiency of the tower floor plate and increasing the height of the building maximized the amount of market and affordable residential units in the proposed development concept.

The concept animates and enhances the existing public realm while allowing for a pedestrian connection from Queens Wharf Road to the future Lower Garrison Creek Park. The building's underground parking lot will have approximately 67 parking spaces. Approximately 339 bicycle parking spaces will be located in the P1, P2 and ground floor levels of the building. The development concept complies with the Tall Building Design Guidelines and the Railway Lands West Secondary Plan.

The proposal includes an improved public realm and publicly accessible open space along the south side of the site. A minimum of 3,229 sqft of non-residential space on the ground floor of the building is required for use as an EarlyON Center, and additional outdoor community space along the north edge of the building is anticipated to be used by the EarlyON Center. EarlyON Child and Family Centres operations are wholly funded

by the provincial and federal governments. They offer free, high-quality programs for families and children from birth to six years old.

The total unit yield in the development concept is 282 rental units with a minimum of 94 units of affordable rental. The 282 total unit count is 82 units in excess of the original target set for this Phase 2 Housing Now site, 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 be structured to encourage the outcome of up to 50% of the units to be affordable rental.

Shared Facilities and Access

In order to enable future development on Block 36, a Shared Facilities Agreement was originally executed between Block 36N (150 Queens Wharf Road) and Block 36S (Library District Condo). The Shared Facilities Agreement allows shared uses of multiple driveway units and drive aisle units, all on the Block 36S lands. Therefore, to allow for efficient access and site circulation, service vehicle egress to Queens Wharf Road will be via the existing Library District Condominium's (170 Fort York Blvd) open paved courtyard immediately to the south of the site; as per shared access permitted under the Shared Facilities Agreement. In addition the vehicular access to 150 Queens Wharf Road underground parking garage will be via the existing parking ramp to Library District Condominium parking garage and facilitated through knockout panels located at both P1 and P2 levels. These knock-out panel units that allow access from the Drive Aisle Units to Block 36N were included in the Block 36S Condo Declaration. City legal is currently working towards acquiring the knock-out panels from the developer of the Library District Condominium. Closing of that transaction is expected in November 2021.

The portion of Queens Wharf Road north of Fort York Boulevard is owned by Toronto Community Housing and has not yet been assumed by the City of Toronto. As a result, Toronto Community Housing Corporation has granted permission for the proposed municipal service (storm, sanitary and water) connections at 150 Queens Wharf Road into their infrastructure in accordance with the City of Toronto approved design.

Toronto Green Standards

While proponents will be required to design to at least Tier 2 Version 4 of the Toronto Green Standards, it is the intention to challenge bidders to achieve Tier 4 Version 4 and passive house design to achieve zero carbon emissions. "Passive House" is considered the most rigorous energy-based standard in the design and construction industry today. Consuming up to 90% less heating and cooling energy than conventional buildings, the Passive House high-performance building standard is the only internationally recognized, proven, science-based energy standard in construction able to deliver this level of performance. The following five principles are central to Passive House design and construction: 1) super-insulated envelopes, 2) airtight construction, 3) high-performance glazing, 4) thermal-bridge-free detailing, and 5) heat recovery ventilation.

To achieve passive house design the successful bidder will be encouraged to design the building at 150 Queens Wharf Road to incorporate the following features:

- Simple building massing with less complicated perimeter articulation - more efficient for high-performance building envelope, thicker insulation and mitigating air infiltration
- Minimum exterior wall area to minimize heat gains and losses
- Repeating floor footprint and layouts encourages repetitive & efficient ventilation air distribution e.g. air source heat pumps for heating/cooling
- Repetitive wall & window modularity encourages prefabrication, panellization to minimize gaps and seals, improve airtightness to minimize heat gains and losses
- Smaller, high performance windows & glazed doors: triple glazing, 30% window to wall ratio
- Minimizing of thermal bridges: smaller, thermally isolated balconies on west and east sides of tower only; Juliet-type balconies aligned with envelope on all other facades
- Ground floor transformer location to suit substantive low-carbon electric power provision

CreateTO has met with the Federation of Canadian Municipalities (FCM) Green Municipal Fund for Sustainable Affordable Housing to investigate potential financing and grant opportunities to help cover any capital cost or operational premiums for building net zero buildings. The outcome of these discussions as well as any financing programs available to support Proponents will be made available in the electronic data room during the market offering process.

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 approved plans from the City. CreateTO staff have worked closely with City Planning staff to ensure that the height and density for the site has been maximized in an appropriate and sensitive manner. 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 Cushman & Wakefield 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 Housing Secretariat will market the site to the non-profit housing community under the direction of a fairness monitor to ensure an 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 community consultation meetings for the site to seek feedback related to the site organization and building design. To facilitate community engagement the following steps were taken:

- Production of a site reel video to introduce the site and context;
- Distribution and promotion of a combination of hard copy/online materials to ensure equity of access and participation in the consultation process including mailed notices to residents and businesses surrounding the site (approximately 7,500 notices mailed); emails sent to local organizations and individuals that signed up for

updates on the Housing Now website; information on the project webpage, in Councillor Joe Cressy's newsletter; and via CreateTO's social media channels.

The first community meeting took place March 8 2021 and was attended by approximately 100 members of the public. The second community meeting took place on July 12, 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 150 Queens Wharf Road project webpage at www.createto.ca/150queenswharfroad. Summary of feedback received from the community consultation process can be found in Attachment 2.

Members of the public had an additional opportunity to provide feedback on the final development concept at the October 18, 2021 meeting of the Planning and Housing Committee, which served 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.

In addition to the two community consultation meetings and the statutory public meeting, CreateTO Staff met with Library District Condominium's (170 Fort York Boulevard) board members to review proposed building design as well as proposed site circulation and access as permitted under the Shared Facilities Agreement.

Community Facilities and Services

Community facilities and Services for Housing Now sites are identified based on consultation with various City divisions and through the City's Strategic Property Management Committee (SPMC). This site was on the SPMC agenda September 16, 2020. Through this process, the need for an EarlyON Center was identified by Children's Services. The amount of non-residential space that can be accommodated, while maximizing the number of residential units is 3,305 square feet on the ground floor plus 2,454 square feet of outdoor community space on the north edge of the building. It is anticipated that the community space will be occupied as an EarlyON Center and will be funded utilising Section 37 contributions. The total Section 37 contribution towards the EarlyON Center is \$2,229,493.00.

City Building Components

The Housing Now development at 150 Queens Wharf Road will deliver on multiple city-building components alongside the affordable housing units generated including:

- A commitment to Toronto Green Standards Version 4 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 on market units as well as commitments around accessible units and universal design barrier free common areas;

- The inclusion of a minimum of 3,229 square feet non-residential space on the ground floor to be used as an EarlyON Center;
- Improved public realm and publically accessible open space along the south side of the site;
- A commitment to workforce development and social procurement through the inclusion of a Community Benefits Framework, including a commitment to achieve a 10% equity hires 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 opportunities, 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 volatile interest rates, unprecedented construction cost escalation and the return to rental rates from the lows experienced during the height of the COVID-19 pandemic. In either scenario, the focus remains on the recovery of employment and the inflow of immigration to Toronto.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: Housing Now 150 Queens Wharf Road 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