

## **Housing Now Business Case for 158 Borough Drive**

**Date:** March 30, 2022

**To:** Board of Directors, CreateTO

**From:** Chief Executive Officer

**Wards:** 21

### **REASON FOR CONFIDENTIAL INFORMATION**

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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**

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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 158 Borough Drive.

This 1.57 acre site is an underutilized property which is currently improved with a structured parking facility serving the Scarborough Civic Centre. The site is located on the north side of Borough Drive, immediately southeast of the Scarborough Civic Centre and Public Health Annex. The site is within walking distance of the future Scarborough Centre subway station, which includes the proposed Durham-Scarborough Bus Rapid Transit Terminal.

CreateTO staff retained a consulting 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 bring forward the development concept appended to this report.

The final development concept includes a 27 and 42-storey building above a 6-storey base podium which can achieve approximately 687 residential units and a 62-child daycare facility of approximately 8,500 square feet on the ground level. The built form has been designed to maximize the opportunity for new market and affordable housing

on the site. The concept animates the site and enhances the public realm, allowing for new pedestrian connections from Borough Drive and Town Centre Court to Albert Campbell Square and the broader Civic Centre precinct.

The intent is to bring this site to market in 2022 to the development community through a real estate brokerage. Following the market offering process, CreateTO staff will report to the CreateTO Board on the proponent selection, and prior to finalization of legal agreements.

## **RECOMMENDATIONS**

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The Chief Executive Officer recommends that the Board of Directors:

1. Endorse the business case for 158 Borough Drive as presented in Confidential Attachment 1, and, subject to further approvals required by the Deputy City Manager, Corporate Services, the Deputy City Manager, Community and Social Services, the Chief Financial Officer and Treasurer and the Executive Director, Housing Secretariat, direct the Chief Executive Officer, CreateTO to:

- a) Release to market 158 Borough Drive, 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. Adopt the Confidential Instructions to Staff in Confidential Attachment #1;

3. Authorize the public release of the information in Confidential Attachments 1 and 2 at the conclusion of the Housing Now program, and at the discretion of the Chief Executive Officer, CreateTO.

## **FINANCIAL IMPACT**

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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 human resource costs are being recovered by CreateTO from the City's Housing Secretariat in line with current City approved budgets.

## **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 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**

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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. 158 Borough Drive 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 November 9<sup>th</sup>, 2021 City Council considered and adopted, with amendments, PH28.2 "Housing Now Initiative - Annual Progress Update and Launch of Phase Three Sites."

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

On March 25<sup>th</sup>, 2022 Planning and Housing Committee adopted, without amendment, PH32.1 "Housing Now – 140, 150, 156, 158 and 160 Borough Drive – City Initiated Official Plan Amendment and Zoning By-law Amendment - Final Report." It will be considered by City Council on April 6<sup>th</sup>, 2022.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.PH32.1>

## COMMENTS

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### **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 Official Plan and re-zoning application, as well as to inform the market offering:

- Architect
- Landscape architect
- Wind Consultant
- Environmental/geotechnical/hydrogeological consultants
- Traffic and civil engineers

- Land Surveyor
- Residential Market study consultant
- Land Appraiser

CreateTO made the first Official Plan amendment and re-zoning submission on June 24<sup>th</sup>, 2021. In line with the Housing Now initiative's accelerated review timelines, City staff provided comments, with the second and final submission filed on November 15<sup>th</sup>, 2021.

### **Planning Approvals**

The final Official Plan and zoning by-law amendment for 158 Borough Drive was adopted by Planning and Housing Committee on March 25<sup>th</sup>, 2022, and will proceed to City Council for final approval on April 6<sup>th</sup>, 2022. The Official Plan and Zoning By-law amendment will be submitted as a Bill to be brought forward to Council.

### **Summary of Development Concept**

The proposed concept consists of 27 and 42-storey towers above a 6-storey base podium. The built form has been designed to maximize the opportunity for new market and affordable housing on the site.

At its March 11<sup>th</sup>, 2021 meeting, the Design Review Panel provided feedback on the proposed tower massing and density, with consideration for a signature building at the intersection of Borough Drive and Town Centre Court. The Panel further commented on an enhanced public realm to stitch the subject site to the broader community. Through consideration of inputs from the Design Review Panel and the City's Tall Building Guidelines, a landmark design has been achieved. A site specific resolution has enabled a strong public realm which will enhance active mobility and local connections. In collaboration with City colleagues and Deputy Mayor Thompson, the current optimization of the site has been achieved.

The building's underground parking lot will have consideration for the new standards adopted through city-wide by-law 89-2022, which eliminates minimum parking requirements for most land uses. Approximately 645 bicycle parking spaces can be accommodated in the P1 and ground floor levels of the building. The development concept complies with the Tall Building Design Guidelines.

The proposal includes an enhanced public realm and publicly accessible open space along all frontages of the site. A child care facility accommodating 62 spaces has been considered on the ground floor of the building, together with approximately 3,000 sq.ft. of associated outdoor play space dedicated to meet licensing requirements.

The total unit yield in the final development will vary based on suite mix and layouts, but can achieve upwards of 687 dwelling units, with a minimum requirement of 33% affordable rental housing units. The proposed unit count can exceed the original target established for this site by over 285 units (an increase of +70%). This density has been achieved through collaborative work and analysis between CreateTO, City Planning and

the consulting team, and reflects the policies and intent of the Scarborough Centre Secondary Plan (which is currently under review).

### **Shared Facilities and Access**

To enable future development at 158 Borough Drive, an existing Shared Facilities Agreement (“SFA”) will require amendment. The SFA will allow for shared use of an existing driveway access located on the west side of the proposal. The existing driveway currently provides access to loading docks, parking and waste collection facilities servicing the neighbouring Civic Centre lands. To allow for efficient access and site circulation, the primary vehicular ingress/egress to the future development will be directed via this existing Civic Centre driveway. Legal counsel is currently advancing amendments to the SFA to accommodate future joint use, maintenance and cost sharing.

### **Scarborough Civic Centre Parking**

The future development at 158 Borough Drive has also been designed to conceptually accommodate for a commercial parking component that would utilize visitor parking stalls otherwise required to be built by the developer. Such a shared visitor/commercial parking component would optimize the efficient use of parking stalls through peak and non-peak hours, and be fully integrated within the proposed development. A shared visitor/commercial parking component could help to serve displaced parking spaces associated with the Scarborough Civic Centre office building. The needs associated with a shared visitor/commercial parking component will be secured within the Project Agreement and Land Lease, in consultation with the Corporate Real Estate Management Division.

### **Toronto Green Standard**

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 passive house design. “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 158 Borough Drive to incorporate the necessary building envelope and mechanical system elements to comply. The conceptual design package for 158 Borough was developed with consideration for the necessary building envelope elements.

## **Business Case**

The business case for the site identifies the financials of the project from a developer point of view, as outlined in Confidential Attachment 1. The business case reflects development plans supported by City Staff, and is consistent with the zoning amendments enacted by Council. 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.

## **Proceeding with Market Offering Through CBRE**

The commercial brokerage, CBRE, was retained by CreateTO through a competitive procurement process. CBRE will market the site to the development industry and non-profit sector under the direction of a fairness monitor to ensure an open, fair and transparent process. A development partner will be selected through this market offering 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 and depth of affordability;
3. Proposed financial and funding plan;
4. Demonstrated ability to execute and complete the project on schedule;
5. Commitment to City Building components including, but not limited to: exceeding minimum requirements on energy and carbon targets and commitments required under the Community Benefits Framework obligation including social procurement dollar value and the number of equity jobs in construction that exceed the 10% threshold.

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 competitive 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, people of colour, 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 6,700 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 Deputy Mayor Thompson's newsletter; and via CreateTO's social media channels.

The first community meeting took place April 19, 2021 and was attended by approximately 100 members of the public. The second community meeting took place on July 24, 2021 and was attended by approximately 100 individuals. Both of the community meetings were facilitated by Swerhun Inc., now known as Third Party Public.

Note that all materials related to consultation are posted on the CreateTO 158 Borough Drive project webpage at [www.createto.ca/158borough](http://www.createto.ca/158borough). Summary of feedback received from the community consultation process can be found in Attachment 2.

In addition to the two community consultation meetings and the statutory public meeting, CreateTO Staff met with members of a working group struck by Deputy Mayor Thompson on September 9, 2021.

Members of the public had an additional opportunity to provide feedback on the final development concept at the March 25<sup>th</sup>, 2022 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.

### **City Building Components**

The Housing Now development at 158 Borough Drive 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 2040;
- 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 non-residential ground floor space to accommodate a 62-child daycare facility, as well as 3,000 sq.ft. of associated outdoor play space. The total land value contribution towards the child care facility is \$7.7M;
- Improved public realm and publicly accessible open space along all frontages 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 increasing construction costs, anticipation of rapid escalation in interest rates due to high inflation and general economic 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 trends to settle. 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.

It is also important to note that the Scarborough Centre submarket has not seen any recent construction starts, despite planning approvals and land transactions for several proximate high-density residential sites. The lack of new construction starts in the Scarborough Centre submarket presents an added layer of uncertainty and risk.

## **CONTACT**

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## **SIGNATURE**

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Vic Gupta  
Chief Executive Officer

## **ATTACHMENTS**

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Attachment 1: Housing Now 158 Borough Drive 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