

Open Door Incentives to Support 856 Affordable Rental Homes

Date: November 16, 2023

To: Planning & Housing Committee

From: Executive Director, Housing Secretariat

Wards: All

SUMMARY

The Open Door Affordable Rental Housing ("Open Door") program is a key program under the HousingTO 2020-2030 Action Plan ("HousingTO") that offers capital funding and/or financial incentives to support non-profit and private sector housing developers to create new affordable rental housing for low- and moderate-income households. These new homes are critical to help the City meet its target of approving 65,000 rent-controlled homes by 2030, including 41,000 affordable rental homes.

Since 2016, Housing Secretariat has released an annual Open Door call for applications to allocate grant funding to support eligible projects. Due to a series of legislative, policy, and budgetary changes a call for applications was not released in 2023. The adoption of Bill 23, More Homes Built Faster Act ("Bill 23") by the Government of Ontario in November 2022 has significantly changed the impact of the benefits offered through the City program, reducing the ability to negotiate and secure long-term affordability on new affordable rental projects, because equivalent benefits are now provided automatically with less requirements. Bill 23 has also eliminated the City's ability to collect anticipated and budgeted development charges revenues for housing services, representing a \$120 million per year impact to the City's housing programs and the loss of a primary funding tool to deliver funding through the Open Door Program.

On November 8 and 9, City Council adopted EX9.3, titled "Generational Transformation of Toronto's Housing System to Urgently Build More Homes" which revised the City's housing targets and included direction that staff report back to City Council in Q1 2024 with recommendations to revise the Open Door program to support the City's new housing targets.

Throughout 2023, Housing Secretariat staff have continued to support Indigenous, non-profit and private sector development partners with moving affordable housing projects forward. To ensure these projects can move forward, this report recommends approval of City financial incentives for 19 affordable housing projects to support the creation of

856 new affordable rental homes. 17 of these projects are led by non-profit housing partners and 2 projects are private sector led. The estimated value of City incentives on waivers and exemptions to development charges, parkland dedication, planning fees, building fees, and property tax is \$65,813,467.

City Council's approval of the recommendations in this report will support continued progress on urgently needed new affordable homes while staff continue due diligence and consultation on Open Door program changes necessitated by Bill 23, which will be brought forward in Q1 2024 in response to Council's request.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council authorize the affordable rental homes located within the developments described in Table 1 in the Financial Impact section of this Report to be eligible for waivers of fees for planning application, building permit, parkland dedication and development charges exemptions, unless already paid or exempted by provincial legislation.
2. City Council authorize an exemption from taxation for municipal and school purposes under the terms of the Open Door Affordable Rental Housing Program for the affordable rental homes located within the developments and for the periods of time described in Table 2 in the Financial Impact section of this Report.
3. City Council authorize the Controller to cancel or refund any taxes paid after the effective date of the exemption from taxation for municipal and school purposes as set out in the applicable municipal housing facility agreement (the City's Contribution Agreement).
4. 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"), or amendments to existing Contribution Agreements, where applicable, with the appropriate legal entities for the developments listed in Table 1 and 2 in the Financial Impact section of this Report, or related entities, to secure the financial assistance and to set out the terms of the development and operation of the new affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat, in consultation with the Chief Financial Officer & Treasurer, and in a form approved by the City Solicitor.
5. City Council authorize the Executive Director, Housing Secretariat, on behalf of the City, to execute any security or financing documents, or any other documents required to facilitate the development, including any documents required by the developers of the developments described in Table 1 in the Financial Impact section of this Report, or their related corporations, to complete pre-development activities, construction and secure conventional financing, where required, 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

This report recommends that City Council authorize financial incentives through the Open Door Affordable Housing Program. No pre-development or development grants or funding are proposed through this report.

City financial incentives offered through the Open Door Program include relief from development charges, building permit and planning application fees, parkland dedication fees, and relief from municipal property taxes for the affordability period.

This report recommends financial incentives for 856 affordable rental homes to be created through 19 affordable and mixed-income housing developments. These incentives are required for a variety of reasons, including projects previously approved by City Council that require approval of additional affordable units or extensions to affordability periods. This report also recommends Open Door incentives be approved for several new developments in the initial planning stage. This provides early certainty to projects and provides an initial foundation to begin building other project funding and financing upon.

The value of City incentives recommended in this report is \$ \$65,813,467 reflecting an average City contribution of \$76,885 per affordable rental home. These incentives are not a direct payment from the City but rather foregone revenues in the form of waivers or exemptions to planning fees, building permit fees, development charge, parkland dedication and property tax.

The estimated value of incentives is based on current rates. The value of City incentives provided may fluctuate depending on the timing of development applications, and may vary if some projects are otherwise determined to be eligible for parkland dedication and development charge exemptions for non-profit housing developments under the recent changes to the *Development Charges Act, 1997* and the *Planning Act* through Bill 23, which will be assessed during the development review process.

Details of incentive values per project are provided in Table 1 below.

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

Table 1: Summary of financial incentives for proposed developments

No.	Organization / Company Name	Project Address	Ward	Affordable Homes	Estimated Fees & Charges Exemptions	Estimated NPV of Property Tax Exemption
1	The Learning Enrichment Foundation	1240, 1246, 1250 Weston Rd.	5	97	\$4,351,994	\$3,163,850
2	Reena Inc. (1)	165 Elm Ridge Dr.	8	5	\$341,026	\$226,421
				25 (previously approved)	Previously approved	\$313,384
3	873815 Ontario Limited (Mahogany Management)	1552 Weston Rd.	5	2 new for a total of 50 (48 previously approved)	\$157,138	\$50,026
4	Parkdale Queen West Community Health Centre	1229 Queen St. W	4	20 new for a total of 76 (56 previously approved)	\$1,046,884	\$743,341
5	The Neighbourhood Land Trust	128 Havelock St.	9	10	\$501,475	\$321,752
6	Greenwin Inc.	630 College Street	11	47	\$2,295,106	\$1,681,163
7	Society of Saint Vincent De Paul Toronto Central Council	21 Windsor St.	3	102	\$4,526,167	\$2,431,860
8	Madison Community Services	118 Havelock St.	9	15	\$724,467	\$438,480
9	Houselink and Mainstay Community Housing	140 The Queensway	3	4 new for a total of 38 (34 previously approved)	\$243,209	\$136,549
10	Eastern Avenue (Rental) GP Inc. and Eastern Avenue (Rental) LP (2)	153-185 Eastern Avenue	13	256	\$13,132,208	\$7,335,214

No.	Organization / Company Name	Project Address	Ward	Affordable Homes	Estimated Fees & Charges Exemptions	Estimated NPV of Property Tax Exemption
11	Good Shepherd Refuge Social Ministries	1731 Lawrence Avenue East	21	19 new units for a total of 95 (76 previously approved)	\$889,131	\$555,408
12	Jean Tweed Treatment Centre	455 Palmerston Blvd.	11	2 new units for a total of 10 (8 previously approved)	\$85,502	\$42,837
13	Community Living Toronto	1712 Ellesmere Road	24	140	\$7,230,665	\$3,969,525
14	Parkdale Activity-Recreation Centre (Toronto)	1499 Queen Street West	4	30	\$1,368,244	\$715,253
15	The Neighbourhood Land Trust (3)	6 Shipman Street	4	2	\$89,178	\$63,369
16	The Neighbourhood Land Trust and Parkdale Neighbourhood Land Trust	22 Maynard Avenue	4	9 new units for a total of 45 (36 previously approved)	\$456,371	\$267,994
17	Glen Park Co-operative Homes Inc.	2495 Eglinton Avenue East	20	4	\$255,242	\$97,303
18	Parkdale United Church Foundation Incorporated	171 Dunn Avenue/1337 and 1339 King Street West	4	92	\$4,088,239	\$1,970,516
19	Margaret's Housing and Community Services (4)	13-15, 17-19 Winchester	13	35 (previously approved)	Previously approved	\$467,172
Total				856	\$40,822,050	\$24,991,417
					\$65,813,467	

(1) The value of property tax exemptions for Reena Inc. shows the 99-year value for 5 units from Table 1 and the value for additional years for 25 units to correct Chart E in PH34.8 (adopted June 15 and 16, 2022) which presented a 40-year affordability period, rather than 99 years. This correction ensures that property tax exemptions are accounted for all 111 units for 99 years.

(2) 153-185 Eastern Avenue is subject to City staff confirming that the proponent will provide enhanced housing outcomes above what is required under the terms of their current Provincial Contribution Agreement. City staff will report back to City Council with a status update on this project.

(3) 6 Shipman Street was previously approved for property tax exemption for a period of 25 years through Council item 2021.PH29.5. This report requests for council approval to extend affordability period and the tax exemption period from 25 to 99 years, which is what the proponent committed to provide. This report also requests for council approval for planning and building fee incentives for the enhanced housing outcomes.

(4) 13-15, 17-19 Winchester was previously approved with Open Door incentives. This report requests for council approval to extend affordability period as well as tax exemption period from 25 to 99 years, which is what the proponent committed to provide.

Municipal property tax relief is recommended for the affordability term of the rental homes. The value of annual property tax exemptions associated with these projects is estimated at \$981,910 at current 2023 rates. The net present value (NPV) over the various agreement terms of the developments (from 40 years to 99 years), included in Table 2 below, is estimated at \$24,991,417.00. Ongoing municipal property tax exemption is conditional on successful proponents' compliance with the terms and conditions of the City's Contribution Agreement over the affordability period.

Table 2: Summary of municipal property tax relief for proposed developments

No	Organization / Company name	Affordability Period (years)	Property Tax	City	Education	City Building	Total
1	The Learning Enrichment Foundation	99	Annual	\$76,177	\$23,030	\$1,083	\$100,290
			NPV	\$2,403,153	\$726,532	\$34,166	\$3,163,85
2	Reena Inc. (1)	99	Annual	\$5,452	\$1,648	\$78	\$7,177
			NPV	\$171,981	\$51,994	\$2,445	\$226,421
			Annual	\$2,704	\$404	\$32	\$3,139
			NPV	\$245,422	\$64,631	\$3,331	\$313,384
3	873815 Ontario Limited (Mahogany Management)	40	Annual	\$1,644	\$497	\$23	\$2,164
			NPV	\$37,998	\$11,488	\$540	\$50,026

No	Organization / Company name	Affordability Period (years)	Property Tax	City	Education	City Building	Total
4	Parkdale Queen West Community Health Centre	40	Annual	\$17,898	\$5,411	\$254	\$23,563
			NPV	\$564,617	\$170,697	\$8,027	\$743,341
5	The Neighbourhood Land Trust (128 Havelock)	99	Annual	\$7,747	\$2,342	\$110	\$10,199
			NPV	\$244,392	\$73,886	\$3,475	\$321,752
6	Greenwin Inc.	99	Annual	\$40,478	\$12,237	\$575	\$53,291
			NPV	\$1,276,954	\$386,054	\$18,155	\$1,681,163
7	Society of Saint Vincent De Paul Toronto Central Council	50	Annual	\$71,791	\$21,704	\$1,021	\$94,515
			NPV	\$1,847,158	\$558,441	\$26,261	\$2,431,860
8	Madison Community Services	99	Annual	\$10,557	\$3,192	\$150	\$13,899
			NPV	\$333,055	\$100,691	\$4,735	\$438,480
9	Houselink and Mainstay Community Housing	99	Annual	\$3,288	\$994	\$47	\$4,328
			NPV	\$103,718	\$31,357	\$1,475	\$136,549
10	Eastern Avenue (Rental) GP inc. (2)	40	Annual	\$241,040	\$72,872	\$3,427	\$317,339
			NPV	\$5,571,578	\$1,684,424	\$79,212	\$7,335,214
11	Good Shepherd Refuge Social Ministries	99	Annual	\$13,373	\$4,043	\$190	\$17,606
			NPV	\$421,869	\$127,541	\$5,998	\$555,408
12	Jean Tweed Treatment Centre	40	Annual	\$1,408	\$426	\$20	\$1,853
			NPV	\$32,538	\$9,837	\$463	\$42,837
13	Community Living Toronto	40	Annual	\$130,441	\$39,436	\$1,855	\$171,731
			NPV	\$3,015,116	\$911,543	\$42,866	\$3,969,525
14	Parkdale Activity-Recreation Centre (Toronto)	50	Annual	\$21,115	\$6,384	\$300	\$27,799
			NPV	\$543,282	\$164,247	\$7,724	\$715,253

No	Organization / Company name	Affordability Period (years)	Property Tax	City	Education	City Building	Total
15	The Neighbourhood Land Trust ((3))	99	Annual	\$1,526	\$461	\$22	\$2,009
			NPV	\$48,133	\$14,552	\$684	\$63,369
16	The Neighbourhood Land Trust (22 Maynard)	99	Annual	\$6,453	\$1,951	\$92	\$8,495
			NPV	\$203,559	\$61,541	\$2,894	\$267,994
17	Glen Park Co-operative Homes Inc.	40	Annual	\$3,197	\$967	\$45	\$4,210
			NPV	\$73,908	\$22,344	\$1,051	\$97,303
18	Parkdale United Church Foundation Inc.	40	Annual	\$64,752	\$19,576	\$921	\$85,249
			NPV	\$1,496,737	\$452,500	\$21,279	\$1,970,516
19	Margaret's Housing and Community Services (4)	99	Annual	\$25,106	\$7,590	\$357	\$33,054
			NPV	\$354,848	\$107,279	\$5,045	\$467,172
Total			Annual	\$746,147	\$ 225,165	\$10,602	\$ 981,910
			NPV	\$18,990,016	\$5,731,579	\$269,826	\$24,991,417

See footnotes to Table 1.

EQUITY IMPACT

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 Open Door Program 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 will increase the opportunity for structurally vulnerable and marginalized individuals, including Indigenous Peoples, Black and other racialized people, seniors, women, people with disabilities and members of the 2SLGBTQ+ community to access safe, healthy and adequate homes.

Safe, adequate affordable housing is an important determinant of health. It is also the cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region, province and country as a whole.

It is also important to note that the City utilizes property tax exemptions as a tool in its strategy to secure affordable units in new housing developments. Households residing in the homes/units that are property tax exempt do not pay property taxes directly or indirectly through rent. The Canada Revenue Agency has advised the City that tenants paying rent in affordable units are not eligible for The Ontario Energy and Property Tax component of the Ontario Trillium Benefit (OTB) (administered by the Canada Revenue Agency) which seeks to help low-to-moderate income Ontarians pay for energy costs, sales, and property taxes. As such, those living in affordable housing projects, including those in the projects recommended in this staff report, will be ineligible for the Ontario Energy and Property Tax Credit component of the OTB.

DECISION HISTORY

At its meeting of November 8 and 9, 2023, City Council adopted Item No. EX9.3, "Generational Transformation of Toronto's Housing System to Urgently Build More Homes," which updated the City's HousingTO 2020-2030 Action Plan targets and introduced a series of new actions across to advance a systemic shift in Toronto's housing system to build more non-market homes affordable to residents on low to moderate incomes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

At its meeting on March 21, 2023, the Executive Committee adopted "2023 Housing Action Plan" which provided a workplan to support delivery of the Housing Action Plan, and to meet or exceed the provincial delivery target of 285,000 new homes over the next 10 years.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX3.1>

At its meeting of September 30, 2020, City Council adopted with amendments "Improving Outcomes for Toronto Residents through Implementation of HousingTO 2020-2030" which provided a detailed Implementation Plan for the actions in the HousingTO Action Plan. The Open Door program is a key program supporting delivery of the HousingTO 2020-2030 Action Plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.5>

At its meeting of December 17 and 18, 2019, City Council, adopted with amendments, "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 homeownership. The City Council Decision can be found here:

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

At its meeting of July 12, 13, 14 and 15, 2016, City Council adopted with amendments EX16.26 "Implementing the Open Door Affordable Housing Program" which provided

financial and implementation details regarding the Program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

At its meeting of December 9 and 10, 2015, City Council adopted EX10.18 "Affordable Housing Open Door Program", with amendments, which detailed land, planning and financial actions to enhance the City's ability to deliver affordable housing and achieve its housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

City Council has approved the following previous Open Door Program annual reports which summarize approved projects, grant funding and incentives provided through the program each year:

1) At its meeting of June 15, 2022, City Council adopted item PH34.8 – Open Door Program 2021 Call for Applications Results: Support 919 Affordable Rental and Supportive Homes".

<https://secure.toronto.ca/council/agenda-item.do?item=2022.PH34.8>

2) At its meeting of March 10, 2021, PH21.4 "Open Door Program 2020 Call for Applications Results: Support for 971 New Affordable Rental Homes".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH21.4>

3) At its meeting of October 2 and 3, 2019, PH8.3 "Open Door Program Call for Applications 2019: Support for 651 New Affordable Rental Homes".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH8.3>

4) At its meeting of July 23, 24, 25, 26, 27 and 30, 2018, EX36.27

"Creating 606 Affordable and 422 Mid-Range Rental Homes in Toronto - Results of the 2018 Open Door Call for Applications"

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX36.27>

5) At its meeting of October 2, 3 and 4, 2017, EX27.14 "Creating 298 Affordable Rental Homes in Toronto - Results of the 2017 Open Door Call for Applications".

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.14>

COMMENTS

Open Door Affordable Housing Program

The City's HousingTO 2020-2030 Action Plan proposes a number of actions to address critical needs across the full housing continuum - from homelessness to rental and ownership housing. On November 8 and 9, 2023, City Council updated its targets in the HousingTO Plan, now to creating 65,000 new rent-controlled rental homes by 2030,

including 41,000 affordable rental homes, 17,500 market rent-controlled homes, and at least 6,5000 rent-geared-to-income homes.

The Open Door Program is one of the key programs the City offers to increase the supply of new affordable rental housing under the HousingTO Plan. Under that plan, Open Door is targeted to provide financial incentives for 20,000 affordable rental and supportive housing projects. Since its launch in 2016, a total 3,194 affordable rental homes have been approved through the Program. This does not include instances where the City has layered on Open Door incentives to affordable rental housing units delivered via other programs such as Housing Now or the Rapid Housing Initiative.

The Open Door program is foundational to achieving the vast majority of affordable rental housing outcomes in the City.

Open Door Program in 2023

Typically, Housing Secretariat releases an annual call for applications to allocate grant funding and incentives to eligible projects. Due to a series of legislative, policy, and funding changes a call was not released for funding in 2023. This includes the adoption of Bill 23, More Homes Built Faster Act ("Bill 23") by the Government of Ontario in November 2022. Bill 23 enacts extensive changes to the policy-led planning and land development system under which municipalities in Ontario work, including changes to the City's development charges, community benefits charge and parkland levies that will result in an estimated \$230 million annual (or 20%) loss in revenues for the City. Of this overall \$230 million in lost revenues, an estimated \$120 million accounts for losses in housing-related revenues which is required to fund housing programs. This has been the primary funding tool to deliver funding through the Open Door Program. Bill 23 has significantly changed the suite of benefits that can be offered by the City through the program, reducing the City's ability to achieve and secure long-term affordability on new affordable rental projects.

In addition to the legislative changes outlined in Bill 23, the Province is also consulting on changes to other related provincial plans, policies and regulations, including most recently through Bill 134 which proposes revised definition of an affordable residential unit. Both the federal and provincial governments have also recently made tax policy changes which remove the HST on new rental housing construction. Staff have also consistently reported to Council on the challenging economic environment for the construction of new rental housing, in EX9.3, EX3.1, and PH3.6.

On November 8 and 9, City Council adopted EX9.3, titled "Generational Transformation of Toronto's Housing System to urgently Build More Homes" which revised the City's housing targets and included direction that staff report back to City Council in Q1 2024 with recommendations to revise the Open Door program to support the City's new housing targets. Staff began analysis and internal consultation in early 2023 on revising the Open Door program in light of the changed legislative, policy, and housing market context impacting rental housing delivery.

Recommended Interim Approval of Open Door Incentives to Advance More Affordable Rental Homes

Throughout 2023, Housing Secretariat staff have continued to support Indigenous, non-profit and private development partners with moving affordable housing projects forward. While no call for applications for grant funding has been released in 2023, affordable housing development partners require Open Door financial incentives to be able to continue delivery of projects. The projects recommended for approval of Open Door incentives in this report are at various stages of the development process, and approval of incentives is intended to remove barriers to project progress, ranging from waiver of planning application fees, through development charge exemptions for projects nearing the building permit stage.

This report recommends approval of City financial incentives for 19 affordable housing projects to support the creation of 856 new affordable rental homes. The estimated value of City incentives on waivers and exemptions to development charges, parkland dedication, planning fees, building fees, and property tax is \$65,813,467.

Of the 19 projects recommended in this report, 17 are led by non-profit partners with two led by private sector developers. Many projects recommended for approval received prior City support to apply for federal Rapid Housing Initiative funding in March 2023, however were unsuccessful in receiving funding. This outcome is largely reflective of the significant demand for the Rapid Housing Initiative nationwide rather than the strengths of any particular projects from Toronto. Adoption of the recommendations in this report will enable the Housing Secretariat to continue supporting these proponent-led projects and would improve their readiness to seek federal or provincial funding through any future housing programs including any additional rounds of the Rapid Housing Initiative.

Conclusion

Adoption of the recommendations in this report will support the continued advancement of 856 new affordable rental homes and further progress towards Council's recently updated and ambitious HousingTO target of creating 65,000 rent-controlled homes by 2030. Staff will report back to Council in Q1 2024 with proposed changes to the Open Door program that will support progress towards this goal and other priorities identified by Council to create a systemic shift in Toronto's housing system to build more non-market affordable homes.

CONTACT

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SIGNATURE

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