

Housing Now Progress Update

Date: July 10, 2023

To: Board of Directors, CreateTO

From: Chief Executive Officer

Wards: All

SUMMARY

On January 30, 2019, City Council approved a signature affordable housing program, the "Housing Now Initiative," to leverage City-owned land for the purpose of creating new mixed-use, mixed-income communities near transit. Through the Initiative, 11 properties were initially identified for development, with the potential to create a total of 10,000 new residential units.

On May 28, 2020, Council approved the addition of six more sites to the Housing Now Initiative with the potential to create 1,455 to 1,700 additional residential units.

On November 9th and 10th, 2021 City Council endorsed the addition of four Phase Three sites to the Initiative. These sites are estimated to add between 1,150 and 1,400 net new homes. A further six Pipeline Sites were also endorsed by Council for preliminary due diligence.

On May 10, 2023, City Council endorsed the addition of Parkdale Hub as a Phase Three site of the Initiative and approved the renegotiated business terms for three priority sites advancing to construction in 2023.

The Housing Now Initiative is coordinated through a Steering Committee, representing the project partners comprising senior staff from the Housing Secretariat, City Planning and CreateTO. The purpose of this report is to provide the CreateTO Board of Directors with a broad status update on the progress made to-date on activating the 22 properties and future pipeline sites.

RECOMMENDATIONS

The Chief Executive Officer recommends that the Board of Directors of CreateTO receive this report for information.

FINANCIAL IMPACT

There is no additional financial impact to CreateTO arising from the recommendations in this report. Resources required to support this initiative 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 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 the Housing Now Initiative by approving the activation of 11 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, 2019, Council approved an action plan, resources and program requirements for the Housing Now Initiative.

<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, Council approved the creation of new affordable housing opportunities through Phase Two of the Housing Now Initiative.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.3>

On June 29, 2020, Council received the Housing Now Initiative- Annual Progress Report.
<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#>

On July 14, 2021, City Council requested CreateTO to require the application of the Toronto Green Standard Version 4, Tier 2 for all development agreements, including the Housing Now Initiative.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH25.17>

On Oct 28, 2021, Planning and Housing Committee received the Housing Now Initiative- Annual Progress Report.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH28.2>

On September 13, 2021, the CreateTO Board of Directors received a broad update on the financial status of the Housing Now portfolio.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.RA24.8>

On Nov 12, 2021, Council approved the creation of new affordable housing opportunities through Phase Three of the Housing Now Initiative and received the Housing Now Annual Update
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH28.2>

On July 19, 2022, City Council approved the provision of delegated authorities to the Deputy City Manager, Corporate Services to advance all housing programs, projects and initiatives including Housing Now during the Council election recess.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.PH35.21>

On December 14, 2022, City Council directed the City Manager to develop a Housing Action Plan for the 2022-2026 term of Council. The Plan includes a range of actions to increase the supply of housing, including reviewing delivery targets for Housing Now sites.
<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC2.1>

On May 10, 2023, City Council endorsed a comprehensive update to the Housing Now Initiative. This includes renegotiated business terms for three priority sites where construction is slated to advance in 2023. Additional program flexibilities have also been introduced to help unstick Housing Now projects that can be quickly activated.
<https://secure.toronto.ca/council/agenda-item.do?item=2023.PH3.6>

COMMENTS

Status Update - Three Priority Housing Now Sites

On May 10, 2023, City Council adopted renegotiated business terms for three priority Housing Now projects located at 50 Wilson Heights Boulevard, Bloor-Kipling Block 1 (5207 Dundas Street West) and 140 Merton Street. While the Proponent teams have been diligently advancing entitlements and their financing applications through CMHC, significant cost inflation in construction and financing have substantially reduced the respective proponent's projected returns from their original proposals. The Council-adopted terms for the market sites at 50 Wilson Heights and Bloor-Kipling Block 1 have been reviewed and discussed with a fairness monitor who oversaw the original market offering process. The fairness monitor concluded that there were no fairness concerns with amending the original terms due to these global market factors.

50 Wilson Heights Boulevard

This Housing Now site will lead to the delivery of 1,484 new residential homes, including 520 affordable rental homes, 520 market rental homes, and 444 market condominium homes. The project includes a new childcare centre, commercial space, a park and a community space for non-profit organizations. The proponent continues to advance clearance of Draft Plan of Subdivision conditions, with progress made on early works, including subcontractor relocation of a lighting substation. Subdivision works remain targeted for October 2023 following completion of the Westgate Sewer. The financing package for Phase 1 of this project has undergone final review by CMHC's external partner, CMLS Financial, with Credit Committee review targeted for July 26th and a Letter of Intent expected shortly thereafter. This marks a significant milestone for this project, which has withstood a difficult macroeconomic environment through the global pandemic.

Bloor-Kipling Block 1 (5207 Dundas Street West)

This Housing Now site will lead to the delivery of 725 new residential homes, including 218 affordable rental homes. A City-initiated zoning by-law amendment to enable an increase in density for this project was adopted by Council on May 10th, 2023. The proponent's financing package is under review by CMHC, while the proponent has simultaneously submitted a dewatering and stand-alone shoring permit to enable remediation and excavation works to commence this summer. A full building permit application is targeted for July 14th. Rapid movement on this file from the date of bid selection in April 2021, to the anticipated ground-breaking this summer, has been a successful demonstration of the Housing Now partnership model's resilience through challenging global market conditions.

140 Merton Street

The site at 140 Merton Street will be the first non-profit developed Housing Now site led by an Indigenous organization and will be dedicated to providing housing options for Indigenous elders and other seniors. The proponent team, led by Missanabie Cree First Nation and EllisDon Community Builders, are working with the Housing Secretariat to advance a City-initiated zoning by-law amendment in response to Council direction

received through Item CC2.1. This rezoning submission is expected for July. Concurrently, the development partners continue to work with the Housing Secretariat to refine the financing package in preparation for a submission to CMHC's Co-Investment program with refreshed numbers to reflect the targeted additional density.

Status Update – Three Additional Contracted Housing Now Sites

777 Victoria Park & 705 Warden Avenue

Negotiations with the selected proponents at 777 Victoria Park and 705 Warden Avenue are ongoing. This includes consideration of the business terms agreed to at the time of bid submission, as well as new conditional tools and flexibilities that were introduced to the Housing Now Initiative through the 2023 Annual Update Report. These negotiations are grounded in fairness principles as informed through a third-party monitor retained at the time of market offering. Management is also working with the financing partners at CMHC to explore potential solutions within constrained proformas.

2444 Eglinton Avenue East

At its meeting on April 14, 2023, the CreateTO Board endorsed the Term Sheet and Memorandum of Understanding for the Housing Now project at 2444 Eglinton Avenue East. This is the first site within the Housing Now Initiative to consider co-operative rental housing tenure and is proposed to be one of the largest co-operative housing developments the Province has ever seen. The proponent team are targeting to proceed with planning entitlements and community engagement by Q4 of this year. The project is well positioned to benefit from a new \$1.5B Co-operative Housing Development Program announced through the Federal Government's 2022 budget. The program remains under development, with no further details beyond a commitment to \$500M in program-wide funding and a further \$1B in potential loans. Project risks include rapidly escalating costs within an already constrained proforma.

2023 Annual Update Report – Future Market Launches

On May 10, 2023, City Council endorsed a comprehensive update to the Housing Now Initiative through the 2023 Annual Update Report. This included recommendations to help 'unstick' Housing Now projects that can be quickly activated. To advance these sites, a more focused geographic lens has been recommended, including greater flexibility in tenure, suite mix and suite types in Toronto's most challenging housing markets. Financial grants/contributions have also been endorsed by Council, subject to provincial reimbursement of Housing Services revenue losses from changes to the *Development Charges Act*, brought forward by the Provincial government through Bill 23, the *More Homes Built Faster Act*. The financial impact of these changes to the City is estimated at \$1.2B over 10 years. In the event that the provincial government does not provide or commit to a multi-year reimbursement of lost revenues beginning in 2023, the City will not be able to advance any future Housing Now sites, including zoned sites earmarked to proceed in 2023/2024.

Portfolio Wide Risk Factors

CreateTO continues to monitor key risk factors that could significantly impact the ability to implement the Housing Now Initiative as currently structured. These risk factors include:

- Availability and timing of debt financing and appropriate loan to cost ratios of the CMHC Rental Construction Financing Initiative;
- Volatility in interest rates; and,
- Rapid escalation in construction pricing.

The project partners are working to move the Initiative as expeditiously as possible and to help mitigate the above risk factors. This includes negotiations on an intergovernmental Memorandum of Understanding with the Initiatives key funding partners at the CMHC, being led by the Housing Secretariat and management. The MOU is seeking to establish standardized and favourable underwriting practices to be applied to Housing Now projects, together with grant funding contributions per affordable door. Management have also commenced engagement with the Mayor-elect and will be working closely to understand any new priorities.

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SIGNATURE

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CreateTO

ATTACHMENTS

Attachment 1 - Housing Now Milestone Report
Attachment 2 - Housing Now Unit Tracker