

Housing Now Progress Update

Date: October 31, 2023

To: Board of Directors, CreateTO

From: Chief Executive Officer

Wards: All

SUMMARY

The Housing Now Initiative leverages City-owned land for the purpose of creating new mixed-use, mixed-income communities near transit. Housing Now is part of the City's HousingTO 2020-2030 Action Plan, Toronto's overall strategy to address a range of housing needs.

Since Housing Now began in January 2019, the City has included 22 locations across Toronto. These properties are estimated to produce over 16,000 new homes with approximately one-third being affordable rental homes. A further six sites are part of the Initiatives pipeline for preliminary due diligence.

Housing Now currently has development approvals for 10 properties. A ground-breaking ceremony was hosted for first project to hit the construction milestone at 5207 Dundas Street West in August 2023. This report provides 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.

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.

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 clear conditions of Draft Plan Approval, with a submission filed on a stand-alone Environmental Compliance application required for commencement of site servicing works. A combination of factors, including delays in project financing and seasonal considerations tied to winter mobilization, has resulted in the anticipated construction launch for Phase 1 to be pushed to Q1 2024. Management continues to work closely with the Proponents and the external financing partners at CMHC to expedite delivery of this priority project.

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 10, 2023. A ground-breaking ceremony for the project was held in August, with the Proponents mobilizing for shoring and excavation works.

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, has advanced a City-initiated update to the property's site-specific zoning by-law through direction received on Council Item CC2.1. The updated zoning package, which considers 11-storeys of additional height and 294 total rental homes, was adopted by the Planning and Housing Committee on October 26, 2023. Council will consider the final zoning report at its November 8 meeting, following publication of this report. The Proponents have concurrently advanced their financing application through CMHC and are expecting a funding commitment through a Letter of Intent.

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, including weekly meetings to proactively advance issues. In light of expected flexibility with CMHC and Federal Government changes regarding HST, Management is working to see how these deals can be brought to close. 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. 777 Victoria Park is targeted to deliver 589 total homes, including 254 affordable rental units. 705 Warden is targeted to deliver 600 total homes, including 250 affordable rental units.

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 Q1 2024. 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. The project is targeted to deliver 926 total homes, including 315 affordable rental cooperative units.

Parkdale Hub

The final zoning report for the Housing Now proposal known as Parkdale Hub was adopted at the October 26, 2023 meeting of the Planning and Housing Committee. Council will consider the report at its November 8 meeting, following publication of this report. The proposal seeks to deliver 231 total units of rental housing, together with a library and community space. The initial proposal has been amended to include 5 additional residential storeys and 60 homes in the projects west block. The proposal embodies the 'complete communities' mandate of the Housing Now Initiative, with a design that was informed through extensive community engagement. The proposal has been earmarked for delivery through a future Request for Proposals to the non-profit sector.

Block R6, Bayside

Term Sheet negotiations with Hines Canada are advancing for the Housing Now project located at 263 Queens Quay East (also known as Block R6, Bayside). These negotiations are advancing through weekly meetings, with consideration for existing development rights granted to Hines through the master Bayside Project Agreement, as well as program requirements of the Housing Now Initiative. The preliminary and

internal housing targets for this project consider a minimum of 325 total rental homes, including 199 affordable units.

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.

Notwithstanding the foregoing, the project partners are working to finalize zoning approvals for projects that are substantially advanced through the planning entitlements process, including:

- **Bloor-Islington:** Hydro One’s technical review process associated with the acquisition/easement over a portion of the Hydro Corridor for a new public road has concluded, with a Minister’s Order in Council expected by year-end. A final report to consider the Draft Plan of Subdivision and Zoning approvals for the project is anticipated by Q1 2024. This project is targeted to deliver 1,453 total homes, including 494 affordable rental units;
- **1631 Queen Street East:** The final zoning report for this project has been held until a suitable childcare replacement space has been found and servicing capacity challenges connected to this site are resolved. City Planning, Engineering Construction Services and the retained consultant team continue to investigate options to satisfy servicing infrastructure requirements. The final zoning report is anticipated in 2024 once a suitable replacement space and a servicing solution has been identified. This project is targeted to deliver 279 total homes, including 93 affordable rental units.

2023.EX9.3 – Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes

Management has also been engaged with its partners in the Deputy City Manager, Development and Growth Services’ office to respond to 2023.EX7.2 (Urgently Building More Affordable Homes), which identifies new housing targets and associated considerations for the Housing Now Initiative. The staff report on this item will be considered by the Executive Committee on October 31, 2023 through Item EX9.3. The report seeks to implement the City’s new HousingTO 2020-2030 Action Plan (HousingTO Plan) target of 65,000 rent-controlled homes, including 6,500 RGI, 41,000 affordable rental and 17,500 rent-controlled market units. Several significant policy changes are proposed through this report, including a harmonization of all housing programs to reflect the City’s income-based definition of affordable housing, as defined

in City of Toronto By-law 944-2021. The financial impact of this proposed policy change is under evaluation by Management, and could have significant impact on delivery of the Housing Now Initiative as currently structured.

In addition to the foregoing, there is a recommendation for the Deputy City Manager, Development and Growth Services, to advance a City-led development model at five 'housing ready' sites, including the Housing Now sites at 405 Sherbourne Street and 150 Queens Wharf Road. The direction seeks for the City to lead all aspects of the delivery of these sites under a 'public builder model', including undertaking all due diligence, and report back by Q3 2024 with a status update and to identify any tools and new approaches needed to expand this model to additional sites.

Portfolio Wide Risk Factors

On September 14, 2023, the Department of Finance Canada issued a news release regarding proposed legislation to enhance the existing GST New Residential Rental Property rebate on certain new purpose-built rental property. The proposed modifications aim to incentivize construction of new rental homes. Prior to issuance of this news release, the Ontario Minister of Municipal Affairs and Housing stated on social media that Ontario will also work with the federal government to ensure Ontario's portion of HST is removed from purpose-built rental housing as soon as possible.

Management is closely monitoring the implementation of HST rebates for new purpose-built rental projects and its associated positive impacts on the Housing Now portfolio. Despite the foregoing, Management also 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 Initiative's 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.

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SIGNATURE

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ATTACHMENTS

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