

Advancing the Construction of Affordable Rental Homes at 777 Victoria Park Avenue

Date: June 26, 2024

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat

Wards: 20 – Scarborough Southwest

REASON FOR CONFIDENTIAL INFORMATION

This report deals with a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City.

Attachment 1 to this report contains financial information, supplied in confidence to the City of Toronto and CreateTO, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

SUMMARY

The Housing Now Initiative is a signature affordable housing program in Toronto and across Canada. It is also a key housing supply program to support the City's [HousingTO 2020-2030 Action Plan](#), [Housing Action Plan 2022-2026](#), and [City of Toronto's Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes report](#). Through the Housing Now Initiative, City-owned lands are leveraged for the purpose of creating new mixed-use, mixed-income communities with maximized affordable housing outcomes.

To-date, the City has identified 22 sites and committed substantial land value, capital funding and financial incentives to the program, making it one of the most significant municipal financial investments in housing underway today. There are also 4 additional pipeline sites that have been identified for pr-development due-diligence. The site at 777 Victoria Park Avenue was among the original sites included in the program.

Like many of the Housing Now Sites, 777 Victoria Park Avenue experienced project slow downs resulting from the COVID-19 pandemic, unprecedented escalation in construction costs, changes to federal and provincial housing policy, and steep increases in interest rates. As an example, construction costs have increased by over

63% (more than 20% year-over-year) since 2019, making Toronto the most expensive city in Canada to build high-rise residential.

Recently, however, shifts in Toronto's residential market, stable interest rates, and the introduction of new inter-governmental program and policy changes have resulted in a window of opportunity for the delivery of purpose built and affordable rental homes.

The 777 Victoria Park site will include a range of rental homes, retail and community space at grade and a new purpose-built childcare facility. Importantly the land will remain in public ownership in perpetuity. Subject to Committee of Adjustment approval, the site will deliver 705 rental homes including:

- 256 new affordable rental homes (rents at average of 80% City of Toronto's average market rent)
- 449 new rent-controlled market homes (with annual rent increases limited at Provincial guideline+2%).

Similar to the *Housing Now Initiative - 2023 Progress Update* (April 13, 2023), this report makes a number of recommendations to City Council to help 'unstick' the Housing Now project at 777 Victoria Park Avenue to quickly realize a significant amount of new affordable rental homes.

RECOMMENDATIONS

The Executive Director, Housing Secretariat, recommends that:

1. City Council adopt the instructions to staff as set out in Confidential Attachment 1, for the site at 777 Victoria Park Avenue.
2. City Council direct that Confidential Attachment 1 to the report from the Executive Director, Housing Secretariat remain confidential in its entirety as it: outlines a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the City; and contains financial information, supplied in confidence to the City of Toronto and CreateTO, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

FINANCIAL IMPACT

The financial impact of the proposed transaction is outlined in Confidential Attachment 1 to this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as contained in the Financial Impact Section.

EQUITY IMPACT STATEMENT

The HousingTO 2020-2030 Action Plan (HousingTO Plan) envisions a city in which all residents have equal opportunity to develop to their full potential. The HousingTO 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 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 and other racialized people, seniors, women, people with disabilities and members of the 2SLGBTQ+ 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, 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.

DECISION HISTORY

On June 26, 2024, City Council adopted PH13.8, the Launching the Rental Housing Supply Program report. The Report recommendations transforms the City's Open Door Affordable Rental Housing Program to support the City in achieving its goal of creating 65,000 rent-controlled homes including 6,500 rent-geared-to-income (RGI) homes by 2030.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.8>

On November 8, 2023, City Council adopted CC1.3, the Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes report. The report outlines several recommended actions, and highlights initiatives underway, which will make a generational change to transform and strengthen Toronto's housing system and expedite delivery of the HousingTO and Housing Action Plan targets, including the delivery of 65,000 rent-controlled, affordable and rent-geared-to-income homes. including the delivery of 65,000 rent-controlled homes:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.3>

On May 10, 2023, City Council adopted item PH3.6, "Housing Now Progress Update" which included an approach that responds to the changes in the development and financing markets over the past two years to ensures the delivery of affordable housing units for the Housing Now projects at 140 Merton Street, 50 Wilson Heights Boulevard and 5207 Dundas Street West.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.PH3.6>

At its meeting 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, implementing more permissive land use planning policies and regulations, increasing housing opportunities within neighbourhoods, updating the Open Door program, and developing a publicly available affordable housing dashboard, among other key actions items.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC2.1>

At its meeting on November 9, 2021, City Council adopted with amendments "Housing Now Initiative - Annual Progress Update and Launch of Phase Three Sites" which provided an update on the status of the 21 sites under the program, added an additional; 7 'pipeline' sites, and made some amendments to the program.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH28.2>

On February 2, 2021, Council adopted EX20.7, the Community Benefits Frameworks applicable to Housing Now.

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

At its meeting on June 29, 2020, City Council adopted PH14.3 with amendments "Housing Now Initiative – Annual Progress Report" which outlined early successes in the Housing Now Initiative, updated on progress on the 11 sites under Phase One. Program enhancements were recommended in response including providing rent protection for market renters, expanding partnerships to increase affordability, enhancing accessibility requirements, supporting Indigenous communities, and enhancing participation of the community housing sector.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.3>

At its meeting on May 28, 2020, City Council adopted CC21.3 "Creating New Affordable Housing Opportunities through Phase Two of the Housing Now Initiative" which introduced six new sites for development into new affordable and market rental housing. This report also outlined the delivery framework for the Housing Now initiative, and the affordable housing targets expected on the sites.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.3>

On November 26, 2019, Council adopted PH10.2 "Housing Now - 777 Victoria Park Avenue - Zoning Amendment - Final Report" to facilitate the development of mixed residential development with affordable housing, a childcare and community space.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.PH10.2>

At its meeting 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>

At its meeting 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>

COMMENTS

Background

On January 31, 2019, City Council approved a signature affordable housing initiative, "Housing Now," to leverage and optimize the use of City-owned land for the purpose of creating new mixed-use, mixed-income communities. 777 Victoria Park Avenue was among the original sites included under the program.

The 777 Victoria Park Ave site was rezoned in October 2019 and included approvals for 508 new residential units on the site (254 affordable, 254 market rental homes) over 41,000 square metres of proposed development between two buildings (11 and 23 storeys).

The proposed development also includes a range of city-building components including:

- A 330 square metre childcare facility with associated outdoor play space of 347 square metres;
- A 430 square metre community use facility;
- 301 square metres of additional non-residential uses (retail/commercial space) adjacent to the subway entrance: and
- The relocation of the TTC Passenger Pick-Up and Drop-Off (PPUDO) currently located at 777 Victoria Park Avenue, to 781 Victoria Park Avenue, located immediately north of the site.

Importantly, like many Housing Now sites, the land remains in public ownership, with the land leased through a 99-year lease.

In January 2020, following a market offering process, the CreateTO Board of Directors approved the selection of 2501882 Ontario Limited (the Proponent) for the development of the site. On March 8, 2021, the CreateTO Board of Directors approved the Ground Lease and the Project Agreement for 777 Victoria Park Avenue.

As the Proponent continued to advance their design, several economic factors impacted the development's economic profile and ability to be realized. Like the challenges that have stalled many housing projects in Toronto over the last few years, 777 Victoria Park Ave has experienced project slow downs and uncertainty resulting from the COVID-19 pandemic, changes to federal and provincial housing policy and programs, unprecedented increases in construction costs, and steep increases in financing interest rates.

CreateTO and City staff have worked collaboratively with the Proponent to identify strategies to advance this project forward, including pursuing opportunities for additional

density as per City Council direction. As such, the Proponent has proposed changes to the height, density and built form that would result in an additional 195 rental units (an additional 2 affordable rental units, and 193 rent-controlled units), bolstering the project's financial viability. On May 15, 2024, the Proponent's development received favourable comments for the revisions at the Design Review Panel. City Planning has since confirmed that these changes are considered minor variances, and approvals are being sought from the Committee of Adjustment meeting, pending Council approval of this report.

Currently, the project has a renewed window of viability due to updated City policy and programs, provincially implemented exemptions, and new federal funding and financing tools. Similar to the approach taken with other Housing Now priority sites through City Council adopted Item 2023.PH3.6, "Housing Now Progress Update" (May 2023), Confidential Attachment #1 outlines a series of site specific program changes that respond to the changes in the development and financing markets and ensures the delivery of significant affordable housing outcomes on City-owned land.

CONTACT

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1 - 777 Victoria Park - Business Case Summary