

Tenancy Update: Beech Hall Housing Co-operative and Alexandra Park Housing Co-operative

Date: October 17, 2024

To: Planning and Housing Committee

From: Executive Director, Corporate Real Estate Management & Executive Director, Housing Secretariat

Wards: 5 – York South-Weston, 10 – Spadina-Fort York

SUMMARY

On June 26, 2024, through PH13.9 - Community Housing Sector Modernization and Growth Strategy, City Council approved a new Policy Framework for Ground Leases with Community Housing Providers ("Policy Framework"). This Policy Framework provides a guide for the City when making decisions to renew, amend, or enter into new ground lease agreements with Community Housing Providers which operate a vital part of Toronto's affordable housing stock.

Staff were directed to report back by October 30, 2024 to Planning and Housing Committee on the status of lease negotiations with the Beech Hall Housing Co-operative ("Beech Hall") and Alexandra Park Housing Co-operative ("Alexandra Park") and, should it be necessary, make recommendations to extend the current lease arrangements until such time as new leases are finalized.

Beech Hall is a collection of 16 two-storey walk-up apartment buildings providing 128-units to low-income seniors (aged 55 or over) at 2 Humber Boulevard (Ward 5 – York South-Weston) in the community of Mount Dennis. In 1980, Beech Hall entered into a 45-year ground lease agreement with the former Borough of York, which is set to expire on January 3, 2025. The recommendations in this report would result in Beech Hall continuing to occupy its premises while negotiations for a new lease agreement and a new operating agreement are concluded.

Alexandra Park is composed of 104-units in four low-rise apartment buildings and 39 townhouses providing housing for low-income individuals and families at 25 Eden Place (10 – Spadina-Fort York). On April 1, 1972, Alexandra Park entered into an agreement with the City to build in the Alexandra Park redevelopment area. On February 1, 1974, the building was substantially completed and the City and the Alexandra Park entered into a 50-year lease agreement, which expired on January 31, 2024. Alexandra Park continues to occupy its premises while negotiations for a new lease agreement and a new operating agreement are concluded.

This report provides an update on the current status and next steps of lease negotiations with Beech Hall and Alexandra Park, and requests Council's authority to extend current leases by up to one year.

RECOMMENDATIONS

The Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management recommend that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat, to extend the lease agreements, on the existing terms and conditions, with Alexandra Park Housing Co-operative and Beech Hall Housing Co-operative, by up to one year, if necessary, to allow adequate time for the negotiation of the terms of the new lease agreements and operating agreements.
2. City Council direct the Executive Director, Housing Secretariat to report to Planning and Housing Committee in 2025, following the execution of new lease agreements with Alexandra Park Housing Co-operative and Beech Hall Housing Co-operative, with recommendations to secure exemptions from taxation for municipal and school purposes for Alexandra Park Housing Co-operative and Beech Hall Housing Co-operative, in accordance with the Municipal Housing Facility By-Law.

FINANCIAL IMPACT

There are no financial impacts associated with this report.

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

DECISION HISTORY

On December 17, 2019, City Council adopted Item PH11.5 – HousingTO 2020-2030 Action Plan and its recommended actions as a strategic framework to guide the City's efforts on housing and homelessness needs over the next 10 years. The plan committed to protecting affordability of existing non-profit and cooperative housing by renegotiating operating agreements and negotiating new long-term leases with non-profit and co-operative housing providers occupying land leased from the City.
<https://secure.toronto.ca/council/agenda-item.do?item=2019.PH11.5>

On December 14, 2022, City Council adopted Item 2022.CC2.1 – 2023 Housing Action Plan, which directed staff to develop a Housing Action Plan for the 2022-2026 term of Council to enable both market, non-market and hybrid housing production in order to

achieve or exceed the provincial housing target of 285,000 new homes over the next 10 years. This plan is to include community housing intensification plans with specific targets that support and grow existing co-op and non-profit rental homes and add capacity for the sectors to be able to operate the new homes.

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

On March 30, 2023, City Council adopted Item MM5.4 – Securing a Long-Term Future for Tenants at the Beech Hall Housing Co-operative, which directed staff to develop a policy framework to guide the renewal of ground leases with non-profit housing providers (including co-ops) on City-owned land, to support their long-term financial and operating viability. It also directed staff to work collaboratively with the Co-operative Housing Federation of Toronto, Ontario Non-Profit Housing Association, and Canada Mortgage Housing Corporation in supporting the long-term sustainability of non-profit and co-operative housing developments which are subject to expiring long-term leases on public land.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM5.4>

On June 26, 2024 City Council adopted Item PH13.9 – Community Housing Sector Modernization and Growth Strategy, which recommended a new strategy to protect the city's existing Community Housing stock through preserving the assets as well as maintaining affordability; creating net new community housing that will support the City in achieving its target of approving 65,000 rent-controlled homes by 2030; and improving access to housing opportunities for low-and-moderate-income households, particularly Indigenous residents and those from equity-deserving groups. The strategy proposed a new policy framework to guide lease arrangements and ensure a consistent approach for both the City and Community Housing Providers as it relates to new leases, extensions, and renewals.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH13.9>

EQUITY IMPACT STATEMENT

The City envisions Toronto as a place where families and individuals live in safe, good quality, and affordable housing with respect and dignity and where people have equal opportunities to succeed. The City's vision for housing, as set out in the HousingTO 2020-2030 Action Plan, was developed as a people-centred plan with the objective of improving housing outcomes for current and future residents.

Community housing provides housing options that are essential to support low- and moderate income households, including Indigenous Peoples, Black and other racialized residents, seniors, people with disabilities, lower income key workers, women and gender-diverse people to live in Toronto. Preserving affordable rental homes at Beech Hall and Alexandra Park through lease extension agreements is consistent with the City's vision under the HousingTO Action Plan 2020-2030.

COMMENTS

Policy Framework for Ground Leases

On June 26, 2024, City Council adopted PH13.9 - Community Housing Sector Modernization and Growth Strategy, which recommended a new strategy to protect the City's existing Community Housing stock. A number of Community Housing Providers, which are comprised of non-profit housing organizations, non-profit housing co-operatives and Indigenous housing providers, operate buildings on land leased from the City and need a lease extension, renewal or a new lease in order to continue to operate. The strategy proposed a new policy framework to guide lease and operating agreement arrangements to ensure a consistent approach for both the City and Community Housing Providers as it relates to the ongoing relationship with the City.

Through this new strategy, Housing Secretariat and Corporate Real Estate Management staff will work with Community Housing Providers to negotiate new long-term leases designed to maintain affordable housing charges and continue the process of upgrading existing housing assets, while recognizing individual Community Housing Provider's governance structure and existing mandates. In return for long-term and nominal rate leases, Community Housing Providers will enter into operating agreements (in addition to a new lease) with the City that commits the individual Community Housing Provider to preserving affordability and maintaining existing properties in a state of good repair.

This Policy Framework is a key component of the Community Housing Sector Modernization and Growth Strategy and will support delivery of the HousingTO Action Plan 2020-2030.

Progress on New Lease Agreements & Operating Agreements

The City has initiated discussions with Beech Hall and Alexandra Park to develop new leases and operating agreements. The terms of the new lease are set out in the City's Policy Framework for Ground Leases in PH13.9 - Community Housing Sector Modernization and Growth Strategy Attachment 2. A new operating agreement with the City is also required and will include requirements for annual reporting and affordability levels. The operating agreement will aim to assist Beech Hall and Alexandra Park in achieving their long-term objectives while recognizing their governance structure and existing mandate.

While the foregoing is negotiated, the City will work with Beech Hall and Alexandra Park to ensure the appropriate pathway to continued occupation at these sites such as an extending agreement or using the existing overholding provisions contained in the current leases.

To support the development of new leases and operating agreements, building condition assessments ("BCA") and Capital Reserve Studies ("CSR") are being procured by the City to identify the current and future capital need projections for the building assets owned by Beech Hall and Alexandra Park and funding required to

maintain them in a state of good repair. As a part of the process to develop operating agreements, the City will review investments required to address unfunded capital repair needs, and where applicable, identify potential access to Provincial and Federal capital programs including the current Canada-Ontario Community Housing Initiative (“COCHI”), or other programs under CMHC’s National Housing Strategy. Given that capital requirements vary by housing provider, it is important to understand Beech Hall’s and Alexandra Park’s current capital position to develop agreements that ensure their viability to effectively preserve affordable, good quality housing over the long-term.

Once the lease and related operating agreements with Beech Hall and Alexandra Park are finalized and approved by City Council, City staff will report to the Planning and Housing Committee in 2025 with recommendations to provide financial relief through a property tax exemption. Under Section 252 of the City of Toronto Act, 2006 and the City’s Municipal Housing Facility By-law, City Council has the authority to enter into agreements for the provision of municipal housing facilities and to provide financial assistance in the form of a property tax exemption to housing designated as a municipal housing facility. This provides the City with a mechanism to maintain housing affordability for the housing co-operative’s residents in exchange for nominal rent leases, and provides an opportunity for Community Housing Providers to relieve existing and emerging operating and capital costs while strengthening their objectives to maintain housing affordability for current and future residents.

City staff from the Corporate Real Estate Management and Housing Secretariat divisions, in collaboration with Legal Services, are committed to finalize negotiations with both Co-op Boards on an expedited basis. Additional meetings have been scheduled in October 2024 to review next steps in the negotiation process, including draft term sheets and operating agreement requirements. Completed BCA reports are estimated to be finalized in November.

The preservation of existing affordable rental housing options is a viable, cost-effective approach consistent with the HousingTO 2020-2030 Action Plan. By building on this established relationship with Beech Hall Housing Co-operative and Alexandra Park Housing Co-operative, the City can ensure that public investment in affordable housing is preserved for current and future residents while informing the City’s process to negotiate new leases with other Community Housing Providers who similarly operate housing on leased City land.

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SIGNATURE

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