

Interim Update- Delivery of Affordable Rental Homes in Quayside- Phase 1

Date: March 31, 2025

To: Executive Committee

From: Deputy City Manager, Development and Growth Services

Wards: Ward 10 - Spadina-Fort York

SUMMARY

This report provides an interim update on the work done since the adoption of the Quayside Business Implementation Plan in 2022 to realize the significant housing objectives in Quayside-Phase 1.

In partnership with Waterfront Toronto (WT), Quayside Impact Limited Partnership (QILP), and Canada Mortgage and Housing Corporation (CMHC), the City has been able to:

- maximize the number of affordable rental homes and prioritize delivery of purpose-built rental homes;
- establish a delivery model that will result in the City retaining the ownership of land where affordable rental homes will be located in perpetuity;
- advance the funding and financing plan for the affordable rental housing component from the City, WT, and CMHC; and
- accelerate timelines to start construction in 2026 and have affordable rental homes reaching completion starting in late 2030.

With the softening of the condo market, the City, QILP, and WT have worked on an accelerated plan to maximize the number of affordable rental homes that can be delivered in the first phase, prioritizing the delivery of purpose-built rental homes on an expedited basis. As the result, it is estimated that approximately 550 affordable rental and 1,267 purpose-built rental homes will be delivered by 2030-31 (final home count dependant on final design). This is an improvement upon the number of affordable rental homes that were identified in the July 2024 re-zoning application, which was 458.

This report responds to a commitment under the federal Housing Accelerator Fund to provide an update on the delivery plan for the affordable rental homes in Quayside in April 2025.

RECOMMENDATIONS

The Deputy City Manager, Development and Growth Services recommends that:

1. Executive Committee receive this report for information.

FINANCIAL IMPACT

There are no new financial impacts arising from the recommendation of the report.

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

DECISION HISTORY

On July 19, 2022, City Council adopted EX34.11 "Quayside Business and Implementation Plan" (referred to as Quayside BIP). The Quayside BIP identified that approximately 23% of residential gross floor area (GFA) will be delivered as affordable rental housing, which includes Waterfront Toronto's previous obligation for 8,640 square metres of affordable housing from the adjacent Parkside/Monde development at 12 Bonnycastle Street. In addition, 5% of the total residential GFA was proposed as affordable ownership units, pending funding support. This equates to a minimum of 800 and maximum of 875 affordable rental units, and approximately 200 affordable ownership units across the development. The Quayside BIP also outlined infrastructure and parkland improvements, real estate transactions and phasing plans.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX34.11>

On December 13, 2023, City Council adopted Item MM13.27 "Federal Housing Accelerator Fund - Supporting Generational Transformation of Toronto's Housing System".

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM13.27>

On June 26 and 27, 2024, City Council adopted PH13.8 - Launching the Rental Housing Supply Program. The report included authorization for the Executive Director, Housing Secretariat to provide capital funding to projects listed in Confidential Attachment 1 to the report. This included up to \$44 million in capital funding to support delivery of affordable rental homes in Quayside Phase 1.

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

On July 24, 2024, City Council amended the former City of Toronto Zoning By-law 438-86 for development on Quayside Blocks 1 and 2. The rezoning addressed Phase 1 of Quayside development and built upon the master planning and implementing zoning for East Bayfront -West Precinct. The rezoning increased the permitted density up to

193,650 square metres of mixed-use development with up to 180,000 square metres of residential floor area, including 36,996 square metres of affordable rental housing. The rezoning also secured institutional, retail and community uses including a childcare facility and a central Privately-Owned Publicly Accessible Space (POPS).

<https://secure.toronto.ca/council/agenda-item.do?item=2024.TE15.5>

On November 13 and 14, 2024, City Council adopted EX18.2 - Build More Homes: Expanding Incentives for Purpose Built Rental Housing. Through this report, City Council endorsed the development of a new Purpose-built Rental Homes Incentives stream under the City's Rental Supply Housing Program to support 20,000 rental homes, including up to 16,000 purpose-built rental homes and at minimum 4,000 affordable rental homes through a deferral of development charges payable, and a 15 percent property tax reduction for 35 years. The report also authorized the Executive Director, Housing Secretariat to issue a call for applications and to approve these City benefits to up to 7,000 rental homes including at least 1,400 affordable rental homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX18.2>

On December 17 and 18, 2024, City Council adopted EX 19.2 Next Phase of Waterfront Revitalization - Update, which, among other things, endorsed a set of priority projects for the Next Phase of Waterfront Revitalization and tri-government funding including Quayside.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX19.2>

On December 17 and 18, 2024, City Council adopted CC24.16 - Advancing Phase One of the Purpose-built Rental Housing Incentives Stream. The report included an update from the Executive Director, Housing Secretariat on the Call for Applications and a summary of applications approved under the first phase of the Purpose-built Rental Homes Incentives stream under the City's Rental Supply Housing Program.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.CC24.16>

COMMENTS

Background

Quayside Business and Implementation Plan

The Quayside Business and Implementation Plan (BIP) adopted by Council in July 2022 provided the immediate and long-term roadmap for project approvals and addressed business and implementation planning issues to support WT's ability to advance the Quayside project in partnership with the City. Through the delivery of this project, the City will realize numerous economic and social benefits including a new sustainable, inclusive and integrated community with affordable rental housing, and new public assets. The Quayside BIP addressed project vision, infrastructure and parkland investment, real estate transactions required for block consolidation, and identification of affordable housing requirements.

Adopted in the BIP and secured in a subsequent Delivery and Funding Agreement with WT, the City is investing \$142M in infrastructure and parkland improvements to enable redevelopment, improve waterfront connectivity and create new public spaces. Through the Next Phase of Waterfront Revitalization, governments are also further investing in Quayside enabling infrastructure. In addition, the BIP identified that the land sale proceeds from the City and TPLC owned land in Block 3B will go towards funding affordable housing (capital investment).

Through the implementation of the project, the City will assume ownership of: the lands on which affordable rental homes will be constructed; improved waterfront streets including improvements to Queens Quay East, Small Street and Bonnycastle Street; improved Martin Goodman Trail connection; a realigned and enhanced multi-modal Parliament Street; a new Silo Park and an expanded Water's Edge Promenade. In 2022, it was estimated that, the value of the assets that will be delivered to the City at the end of the project is approximately \$900 million

Phase 1, Blocks 1 and 2 Rezoning

Numerous City approvals are required to advance the Quayside project in alignment with the BIP. These include land use planning approvals. The first land use planning approval was secured in July 2024 when Council amended the former City of Toronto Zoning By-law 438- 86 for development on Quayside Blocks 1 and 2.

The amended Zoning By-law increased the permitted density to permit 193,650 square metres of mixed-use development with up to 180,000 square metres of residential floor area, including a minimum of 36,996 square metres of affordable rental housing (approximately 2,811 total residential units, including a minimum of 458 affordable rental homes). The Zoning By-law Amendment (ZBLA) includes institutional, retail and community uses including a child care facility and a central Privately-Owned Publicly Accessible Space (POPS).

As secured through the ZBLA, the affordable housing will be provided through a dedication of sufficient land by the applicant (QILP) to the City. The land will be conveyed to the City and the affordable housing homes to be constructed on the land will remain affordable in perpetuity. The affordable rental homes will meet the City's Official Plan definition of affordable rental housing and will include a mix of sizes, including three-and four-bedroom homes.

The ZBLA conforms to the City's Official Plan, including the Central Waterfront Secondary Plan.

Anticipated Housing Outcomes

The City has established a requirement for delivery of at least 23% of residential gross floor area (GFA) as affordable rental homes. At the time of rezoning, the balance of the residential homes was proposed as condominiums.

City Council's direction to maximize affordable rental housing outcomes on public land and prioritize delivery of purpose-built rental housing, as well as the current market conditions impacting condo developments, has created an opportunity to switch majority

of condominiums in Phase 1 of the Quayside project to purpose-built rental homes while achieving the affordable rental housing outcomes directed by Council.

The following principles guide the delivery of housing in Quayside-Phase1:

- Prioritizing affordable and purpose-built rental homes;
- Public ownership of land where affordable rental homes are constructed;
- Partnership with the non-profit and Indigenous housing sector to deliver and operate affordable rental homes in perpetuity;
- Leveraging the expertise of QILP to design and build;
- Shared investment from all orders of government to advance common housing objectives and housing enabling infrastructure.

Overview of Housing Development in Phase 1

1) Accelerated Plan for affordable rental and purpose-built rental homes through a Housing Portfolio approach

The City, QILP and WT have worked on an accelerated plan to maximize the number of affordable rental homes that can be delivered in this phase, prioritize the delivery of purpose-built rental homes on an expedited basis, and start construction before the end of 2026. As the result, approximately 550 affordable rental and 1,267 purpose-built rental homes (final home count dependant on final design) will be delivered by 20230/31 in buildings 1B, 1C1, 1C2, 1C3 and 2 (as shown in blue in Figure 1 below).

- **Building 1B** will include approximately 170 affordable rental and 590 market purpose-built rental homes.
- **Buildings 1C1, 1C2 and 1C3** will include 100% affordable rental homes (ranging from 119 to 141 homes) with ground floor retail and an urban farm on the rooftop.
- **Building 2** will include approximately 670 market purpose-built rental homes.

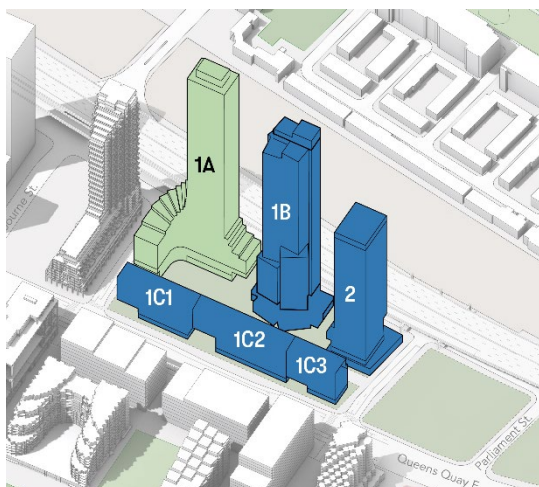


Figure 1 - Quayside Phase 1 Buildings

The development model for Quayside contemplates:

- Transfer of land / strata where affordable rental homes will be constructed on from QILP to the City prior to construction start.
- Land remains in the City's ownership and leased to non-profit and Indigenous housing provider(s) selected through a Request for Proposal (RFP) process.
- The affordable rental homes will be owned by the selected non-profit and Indigenous housing provider(s) for 99 years.

Delivering the ambitious housing outcomes planned for Quayside will require support, participation and investments from all orders of government. To-date, the following sources have been identified to support delivery of affordable and purpose-built rental homes in Quayside:

- Through 2022.EX34.11, City Council approved a range of financial incentives (waivers of fees for planning applications, building permits and parkland dedication, and exemption of development charges (DCs) and Community Benefit Charges) for affordable rental homes to be built in Quayside (in both phases 1 and 2).
- Through the Rental Housing Supply Program, the City has approved up to \$44 million in capital funding to support the delivery of affordable rental homes in Phase 1 (currently in the Housing Secretariat's 2025-2034 Capital Budget and Plan).
- The City has approved an indefinite DC deferral and a 15 percent property tax reduction for 35 years for the purpose-built rental homes to be developed by QILP.
- As identified in the Quayside Business and Implementation Plan, WT has also committed \$157M from land sale proceeds toward affordable rental homes in both phases, including all revenues from the sale of Block 3B (in Phase 2) which is made up of City and TPLC lands that will be re-invested in affordable housing (as capital funding).
- As part of ongoing collaboration with CMHC, QILP has been able to secure Apartment Construction Loan Program financing for the purpose-built rental homes planned for the Quayside - Phase 1 development.

Delivery of the affordable rental homes will rely on the selected non-profit and Indigenous housing providers' ability to secure additional construction funding and financing from CMHC through the Affordable Housing Fund, as well as any additional equity they can allocate to the capital funding stack.

2) Market Condominium Block - 1A

Block 1A, the final block of Quayside Phase 1 will be developed by QILP as market ownership condominium to be completed later. It does not include affordable rental homes and is not part of the accelerated plan.

Responding to Housing Accelerator Fund Commitments

In December 2023, the City entered into an agreement with CMHC under the federal government's Housing Accelerator Fund (HAF) that commits \$471.1 million in funding to support the City's efforts to eliminate barriers to building new housing, make a generational transformation of Toronto's housing system and increase housing affordability for residents.

Under the HAF, the City committed to advancing major development on Toronto's waterfront, including accelerating the delivery of purpose-built rental, and permanently affordable rental homes in Quayside through expedited planning approvals and a review of opportunities to increase density.

As noted above, in July 2024, Council adopted the Zoning By-Law Amendment application for the first phase of development at Quayside. This rezoning sets the stage for delivering the purpose-built rental and affordable homes in the first phase of the development and increased the permitted density to allow for taller buildings with reduced building footprints.

Based on the Quayside accelerated plan that has been developed by the City, WT, and QILP, the teams have initiated the funding and financing application process with CMHC. In March of 2025, the City of Toronto and the federal government announced \$2.55 billion in low-cost financing to unlock 4,831 rental homes in Toronto which included 1,267 purpose-built rental homes at Quayside-Phase 1 project.

This financing support responds to requests from Toronto City Council that the federal government provide the City with low-cost loans to support the delivery of a range of affordable and purpose-built rental homes.

Next Steps

The delivery model for the affordable rental homes in Quayside represents another step in implementing the "Public Developer" approach where the City is taking an intentional leadership role in bringing land, funding and financing, and non-profit and Indigenous housing partners together to maximize public benefit for generations to come.

High construction costs and interest rates, coupled with foreign trade risks and US--initiated tariff disputes, will continue to create uncertainties that will have direct and indirect impacts on the financial viability of construction projects overall. Ongoing collaboration with other orders of government will be critical to support the financial viability of this significant housing development project.

Staff will be reporting in Q2-2025 with a further update on delivery of affordable housing in Quayside Phase 1 including the financial impact of delivering affordable rental homes and any necessary authorities and approvals required to advance the project and ensure a 2026 construction start.

The City will also release an RFP concurrently to select qualified and experienced non-profit and Indigenous housing providers to work with the City and CMHC through the project's next steps.

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SIGNATURE

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