

Creating Affordable Rental Homes at the West Don Lands and 27 Grosvenor/26 Grenville Streets - Update

Date: April 12, 2019
To: Planning and Housing Committee
From: Director, Affordable Housing Office
Wards: Ward 13

SUMMARY

In October 2017 City Council approved Open Door incentives for the affordable rental housing to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets as part of the Provincial Affordable Housing Lands Program.

These sites include up to eight acres of land in the West Don Lands (Blocks 8/20 and 3W, 4W and 7W) and about one acre of land at 27 Grosvenor/26 Grenville Streets. Thirty percent of the residential Gross Floor Area (GFA) in these sites will be allocated to affordable rental housing which was originally estimated to create up to 600 affordable rental homes.

This report provides an update on the Provincial Affordable Housing Lands Program and recommends City Council approval of Open Door incentives for up to an additional 80 affordable rental homes to be created on the sites, including exemptions from payment of development charges, building, planning and parkland dedication fees and charges, and taxation for municipal and school purposes. It is anticipated that between 600 and 680 affordable homes will be created in total. Through the development review process and community consultation, an appropriate built form will be reached, which will ultimately determine the final number of affordable units.

In addition to the above, this report recommends that City Council approve an extension of residential property tax exemptions for the affordable homes in the West Don Lands from 49 to 99 years. The increased exemption of property taxes will ensure that the rental homes remain affordable for 99 years, providing a range of housing opportunities for lower and moderate income residents in the city.

RECOMMENDATIONS

The Director, Affordable Housing Office recommends that:

1. City Council authorize up to 80 additional affordable rental units to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets be exempt from the payment of development charges, building, planning and parkland dedication fees and charges.
2. City Council authorize an exemption from taxation for municipal and school purposes for the additional 80 affordable rental units to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets.
3. City Council authorize an extension of the exemption from taxation for municipal and school purposes for all of the affordable rental units to be constructed on the land known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands from 49 to 99 years as described in the chart in the Financial Impact section of this Report.
4. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the municipal capital facility agreement.
5. City Council authorize the Director, Affordable Housing Office to negotiate and enter into, on behalf of the City, a municipal housing facility agreement (the "Contribution Agreement"), with WDL 8 GP Inc., WDL 3/4/7 GP Inc., Choice Grosvenor/Grenville Inc., and Greenwin Grosvenor/Grenville Inc., the proponents chosen for the development of the affordable housing to be constructed on the lands known as Blocks 8/20 and Blocks 3W/4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets, respectively, setting out the terms of the operation of the new affordable rental housing, on terms and conditions satisfactory to the Director, Affordable Housing Office, in consultation with the Deputy City Manager, Community and Social Services, Chief Financial Officer and General Manager, Shelter, Support and Housing Administration, and in a form approved by the City Solicitor.
6. City Council authorize the Director, Affordable Housing Office to execute, on behalf of the City, the municipal housing facility agreement, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by the applicants, or their related corporations to complete construction and conventional financing, where required.
7. City Council authorize the City Solicitor to execute, postpone, confirm the status of, and discharge any City security documents registered as required by normal business practices.

FINANCIAL IMPACT

This report recommends that City Council, as part of the Open Door Program, allocate additional financial incentives to support the creation of up to 80 additional affordable rental homes at three development sites: two development sites in the West Don Lands (WDL) and one development site at 27 Grosvenor/26 Grenville Streets. These 80 affordable rental units are in addition to the 600 units previously approved by Council to receive Open Door incentives.

The City incentives recommended for the development of affordable rental homes outlined in this report are within the approved five-year Open Door Program rental program plan. These incentives include relief from development charges, building permit, planning and parkland dedication fees as well as municipal property taxes.

It is anticipated that between 600 and 680 affordable homes will be created. A range of units is provided given that the necessary development application(s) have either not yet been filed or are currently under review by staff. Through the development review process and community consultation, an appropriate built form will be reached, which will ultimately determine the final number of affordable units.

Staff recommend that City Council, through the Open Door Program, allocate additional financial incentives to extend the affordability period of the previously approved 390 affordable homes to be constructed on the West Don Lands by 50 years (from 49 to 99 years).

Based on the City's current applicable fees, charges and tax relief estimates, an additional investment of approximately \$14.3 million in City incentives is required to achieve this extension as detailed in the following sections of this report.

West Don Lands Sites

Municipal property tax relief for the West Don Lands sites is recommended for the 99-year affordability term of the rental homes. As outlined in Table A below, the 50-year extension to the tax exemption period for the originally approved 390 affordable homes represents an additional City investment of approximately \$2.1 million in waived property taxes.

Further, subject to the future submission of a development application for Blocks 3W, 4W and 7W and determination of appropriate built form for the subject lands, incentives for up to an additional 33 affordable homes are recommended. The Net Present Value of these incentives, including property tax exemptions over the 99-year affordability period represents an additional City investment of approximately \$2.3 million. Table D on page 5 provides details of the incentive amounts applicable to the development.

The total additional investment in City incentives required for the affordable housing development in the West Don Lands is approximately \$4.4 million. This is in addition to City investments of \$18.041 million in development incentives earlier approved for this purpose by City Council in its adoption of EX27.15 "Creating 600 Affordable Rental

Homes at the West Don Lands and 27 Grosvenor/26 Grenville Sites" at its meeting on October 2, 2017 as outlined in Table C below.

*Table A:
Additional Open Door Incentives Proposed*

	Estimated Number of Affordable Homes	Additional Affordability Period	Total Affordability Period	Estimated Additional Development Charges*	Estimated Additional Fees and Charges	Estimated Net Present Value of Property Taxes***	Estimated Additional Total Value of Incentives
1	390	50 years	99 years	n/a	n/a	\$2,131,776	\$2,131,776
2	33	99 years	99 years	\$1,037,250	\$307,045**	\$939,048	\$2,283,343
Total	423	-	99 years	\$1,037,250	\$307,045	\$3,070,824	\$4,415,119

*Calculated using November 2019 Rates as per EX33.3

**Includes 2019 building permit fees of \$44,369, planning fees of \$97,676, and parkland dedication fees of \$165,000

***Calculated using current (2018) property tax rates

*Table B:
Breakdown of Additional Annual and Net Present Value of Property Taxes*

Units	Additional Affordable Period (Yrs.)	Property Tax	City (2018 Tax Rate)	Education (2018 Tax Rate)	City Building (2018 Tax Rate)	Total
390	50	Annual	\$ 257,048	\$94,332	\$1,259	\$ 352,639
		NPV	\$1,553,909	\$570,258	\$7,610	\$2,131,776
33	99	Annual	\$21,698	\$7,963	\$106	\$29,767
		NPV	\$684,497	\$251,199	\$3,352	\$939,048

- Additional 50 years starts after previously approved 49-year term

*Table C:
Open Door incentives previously approved by City Council on October 2, 2017 in EX27.15*

Affordable Homes	Affordability Period	Estimated Fees and Charges	Net Present Value of Property Taxes	Total Value of Incentives
390	49	\$10,677,810	\$7,363,795	\$18,041,605

27 Grosvenor/26 Grenville Street Site

Subject to the development application review process for the site, incentives for up to an additional 47 affordable rental homes are recommended with a tax exemption period

of 40 years. This represents an additional City investment of approximately \$2.9 million as summarized in Table D.

This amount is also in addition to City investments of \$9.827 million in development incentives earlier approved for this project by City Council in its adoption of EX27.15 (See Table F).

*Table D:
Additional Open Door Incentives Proposed*

Affordable Homes	Additional Affordable Period	Total Affordable Period	Estimated Additional Development Charges*	Estimated Additional Fees and Charges**	Estimated Net Present Value of Property Taxes***	Estimated Additional Total Value of Incentives
47	n/a	40 years	\$1,471,470	\$411,621	\$978,787	\$2,861,877

*Calculated using November 2019 Rates as per EX33.3

**Includes 2019 building permit fees of \$62,972, 2019 planning fees of \$113,648, and parkland dedication fees of \$235,000

***Calculated using current (2018) property tax rates

*Table E:
Breakdown of Additional Annual and Net Present Value of Property Taxes*

Units	Affordable Period (Yrs.)	Property Tax	City (2018 Tax Rate)	Education (2018 Tax Rate)	City Building (2018 Tax Rate)	Total
47	40	<i>Annual</i>	\$30,866	\$11,327	\$151	\$42,345
		<i>NPV</i>	\$713,464	\$261,829	\$3,494	\$978,787

*Table F:
Open Door incentives previously approved by City Council on October 2, 2017 in EX27.15*

Affordable Homes	Affordability Period	Estimated Fees and Charges	Net Present Value of Property Taxes	Total Value of Incentives
210	40	\$5,749,590	\$4,078,349	\$9,827,939

The estimated additional City contribution of approximately \$14.3 million (\$11.4 million for West Don Lands and \$2.9 million for 27 Grosvenor/26 Grenville Streets) brings the total City contribution to approximately \$42 million. This amount is not a direct capital payment; however, it represents the forgiveness of City taxes and levies and is thus foregone revenue to the City.

Additionally, a tax exemption would have no net present impact to the City for the educational portion of taxes remitted to the Province.

Furthermore, the proponents' obligations under the Contribution Agreements will be secured by a mortgage in favour of the City to protect the public investment.

In the event of a default, the Contribution Agreement will also provide that the by-law providing the property tax exemption will be repealed.

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

EQUITY IMPACT STATEMENT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year Housing Opportunities Toronto Action Plan 2010-2020. The provision of new affordable housing is also a goal of the City's Poverty Reduction Strategy.

The new affordable housing created through this initiative will increase the opportunity for lower-income and vulnerable individuals and families to access safe, healthy and adequate homes. This will also assist in improving Toronto's economic and social well-being and easing health, justice and social costs.

DECISION HISTORY

City Council on May 17-19, 2005 directed the Chief Planner and Waterfront Project Director that the City enter into a binding agreement with the Waterfront Toronto and the Province to secure the provisions of the West Don Lands Affordable Housing Delivery Strategy including reserving sufficient land that is serviced, remediated and free of charge, for the development of new, affordable rental units in an amount comprising at least 20 percent of the total residential units to be built in the West Don Lands. The City Council Decision can be found here:

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050517/pof5rpt/cl001.pdf>

City Council on August 5 and 6, 2009 adopted EX33.47 "Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020" as the plan to address Toronto's affordable housing challenges over 10 years. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.47>

City Council on December 9 and 10, 2015 adopted EX10.18 "Affordable Housing Open Door Program" with amendments which detailed land, planning and financial actions aimed at enhancing the City's ability to deliver affordable housing and achieve its approved housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116). The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

City Council on July 12, 13, 14 and 15, 2016, adopted with amendments EX16.26 "Implementing the Open Door Affordable Housing Program" which provided financial and implementation details regarding the City's new initiative.

The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

City Council on October 2, 3 and 4, 2017 adopted EX27.15 "Creating 600 Affordable Rental Homes at the West Don Lands and 27 Grosvenor/26 Grenville Sites" authorizing that the affordable housing to be constructed on the lands known as Blocks 8/20 and Blocks 3W, 4W and 7W in the West Don Lands and 27 Grosvenor/26 Grenville Streets, Toronto be approved for Open Door incentives including exemption from the payment of development charges, building, planning and parkland dedication fees and charges, and property taxes for the affordability period. The City Council Decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.15>

COMMENTS

City Council adopted the Open Door Program in 2016 to support the creation of affordable rental and ownership homes for lower and moderate income residents. At the same time City Council urged the federal and provincial governments to contribute surplus land to support the construction of affordable housing.

In April 2017, the Ontario Government announced that it would establish a program to leverage provincial land assets to build more affordable housing across the province including the West Don Lands (Blocks 8/20 and 3W, 4W and 7W) and 27 Grosvenor/26 Grenville Streets in downtown Toronto.

The program is supporting the construction of new housing, including affordable rental and market rental units within mixed income and mixed-use developments. This is being accomplished through a combination of long-term land leases and sales with reduced land values. The Province's offering process occurred in September 2017 and the projects are now at various stages in the planning approval process.

To date, the implementation of the Provincial Affordable Housing Lands Program has been informed through a staff working group involving staff from Infrastructure Ontario, the Ministry of Housing and Municipal Affairs, the Ministry of Infrastructure and City staff from the Affordable Housing Office, City Planning, Legal Services, Real Estate Services, Shelter, Support & Housing Administration and Children's Services.

West Don Lands Development Update

Blocks 8 & 20

The successful proponent chosen by the province to develop the site, WDL 8 GP Inc., filed a revised Site Plan Application in April 2019 for Block 8, comprised of 238 affordable homes of various sizes and types located in three different buildings of 16,

16, and 26-storeys in height, respectively. Completion of Block 8 is anticipated in 2022. No formal applications have been submitted for Block 20 at this time.

Blocks 8/20 were included in the Phase 2 Plan of Subdivision for the West Don Lands. The Blocks have been zoned in accordance with the overall planning direction outlined in the Council endorsed West Don Lands Precinct Plan (May 2005) and Block Plan and Design Guidelines (May 2011).

Blocks 3W, 4W, and 7W

Pre-application discussions are in progress between the selected proponent and staff regarding the built form for Blocks 3W, 4W, and 7W and an application for rezoning/plan of subdivision is anticipated in Q2 of 2019. Construction is scheduled to begin in Q4 2020 and may be completed by 2023, subject to the timing of the necessary development applications being submitted and completion of the development review process. As part of the development review process, future public consultations will be organized by Community Planning in conjunction with the Ward Councillor.

The plan for the West Don Lands sites requires that 30% of the entire residential GFA be affordable rental housing (of which 5% will be accessible). The program further calls for 50% of the affordable homes (across all bedroom types) rented at 100% of City wide average market rent (AMR), 40% of the affordable homes rented at 80% AMR, and 10% of the affordable homes rented at 40% AMR.

Average market rents per unit type are included in Attachment 1. The affordable rents will be updated to the year the development opens. In new developments where hydro is metered separately for each unit and residents are required to pay the hydro costs directly, the maximum monthly rents are set at AMR, less a hydro allowance, as determined and updated annually by the City.

The affordable homes are required to include a range of bedroom types, including 40% 1-bedroom, 40% 2-bedroom, 10% 3-bedroom and 10% 4-bedroom homes. The Proponent will be required to operate the affordable housing component as affordable for the duration of the lease term from the Province.

27 Grosvenor/26 Grenville Streets Development Update

In March 2014, the Toronto Local Appeal Body granted approval to a combined minor variance and consent application for the lands at 27 Grosvenor/26 Grenville Streets (TLAB Case File Number 18 258367 S53 27 TLAB). The decision permitted the severance of lands subject to re-development from the lands to remain in provincial ownership at 25 Grosvenor Street. Subsequently, the proponent selected by the province, Choice Grosvenor/Grenville Inc. and Greenwin Grosvenor/Grenville Inc., submitted a combined Rezoning/Site Plan application that proposes a new mixed-use building consisting of two residential towers, 35 and 50 storeys in height, connected by an 11-storey podium. The applications are currently on circulation and under review by staff.

As currently submitted, a total of 844 residential rental units are proposed of which 257 would be affordable, which exceeds the 210 units originally anticipated for this site. Construction may begin in 2020 and be completed by 2022. The final number of rental homes (both market and affordable) will be determined through the development review process.

The plan will outline the requirement for a mixed market and affordable residential development with 50% of the affordable homes (across all bedroom types) rented at 100% of City wide average market rent (AMR), 40% of the affordable homes (across all bedroom types) rented at 80% AMR, and the remaining affordable homes rented at 40% AMR. Future residents will be on or be eligible to be on the City's waiting list for affordable/social housing.

Average market rents per unit type are included in Attachment 1. The affordable rents will be updated to the year the development opens. In new developments where hydro is metered separately for each unit and residents are required to pay the hydro costs directly, the maximum monthly rents are set at AMR, less a hydro allowance, as determined and updated annually by the City.

The proposed development will also include a range of bedroom types with 40% of the affordable homes 1-bedroom, 40% 2-bedroom, and 20% 3-bedroom homes. These homes will remain affordable for a minimum of 40 years. The transaction structure for the Grosvenor/Grenville site is a land sale.

The Province will also require the new development to meet the Toronto Green Standards and qualify for LEED GOLD certification.

Conclusion

This report provides an update on the Provincial Affordable Housing Lands Program and also recommends Open Door incentives for the up to 80 new affordable rental homes to be developed in the West Don Lands and 27 Grosvenor/26 Grenville Streets.

This report also recommends an extension of the affordability period and property tax exemptions for the West Don Lands affordable rental units from 49 years to 99 years.

Council approval of this report will assist in delivering up to 680 affordable rental homes in downtown Toronto, which will help make affordable rental housing accessible to lower and moderate income residents and will also improve the City's economic and social well-being.

This report was prepared in consultation with City Planning, Corporate Finance, Financial Planning and Legal Services.

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ATTACHMENTS

Attachment 1 - Average Market Rents Per Unit Type

ATTACHMENT 1 – RANGE OF AFFORDABLE RENTS BY UNIT TYPE

Unit Type	100% AMR	80% AMR	40% AMR
Bachelor	\$1,089	\$871	\$436
1-bedroom	\$1,270	\$1,016	\$508
2-bedroom	\$1,492	\$1,194	\$597
3-bedroom	\$1,664	\$1,331	\$666
4-bedroom	\$1,954	\$1,563	\$782

Source: CMHC Rental Market Report 2018