



Urgently Building More Affordable Homes – Q2 2024 Update

Item 10

May 28, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-57

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: President and Chief Executive Officer
Chief Development Officer (Acting)

Date: May 15, 2024

PURPOSE:

This report provides the Building Investment, Finance and Audit Committee ("BIFAC") and the Board of Directors (the "Board") information related to the City of Toronto's (the "City") progress on the Generational Transformation of Toronto's Housing System, and TCHC's 2024 workplan and framework in response to the City's initiative to achieve a city wide target of 65,000 new rent-controlled homes, comprising of 6,500 rent-geared-to-income ("RGI"), 41,000 affordable rental and 17,500 rent-controlled market units.

This report has been prepared to update the Board of Directors on Staff's 2024 workplan, and provide the Board with a recommended approach to TCHC's role and position within the City's Housing mandate.

The recommendations captured in this report will ensure that TCHC's Development work furthers the City's newly established housing targets and allows for TCHC to be well positioned to continue to meaningfully contribute to the delivery of net new housing for the City of Toronto.

RECOMMENDATIONS:

It is recommended that the BIFAC approve the following recommendations and recommend that the Board of Directors:

1. authorize the commencement of initial due-diligence work to assess the viability of twelve (12) potential housing sites with a total spending authority of up to \$650,000.00; and
2. authorize the President and Chief Executive Officer and the Chief Development Officer (Acting) or their designates to work with the City Manager and the Deputy City Manager, Development and Growth Services, or their designates, in support of the implementation of TCHC's workplan and development approach to assist the City in achieving its housing target.

REASONS FOR RECOMMENDATIONS:

Background:

At its meeting of February 15, 2023, the Board of Directors (TCHC:2024-07), received information on the City of Toronto's (the "City") progress on the Generational Transformation of Toronto's Housing System, and approved the implementation of a number of measures to support the City in achieving its updated target of approving 65,000 new rent-controlled homes, comprising of 6,500 rent-geared-to-income ("RGI"), 41,000 affordable rental and 17,500 rent-controlled market.

It was initially anticipated that the City would bring a report to Council in April 2024 with a prioritized list of housing sites and recommendations, including any financial implications, to advance appropriate sites for housing purposes, along with recommendations on the alignment of strategic plans and governance models. This report was pushed back to June 2024. TCHC staff expect to see a draft report before the June Council date for review and comment.

The following report outlines TCHC's objectives and position as it relates to the opportunity to support the City in delivering the Urgently Building More Homes mandate.

Public Builder Model

The City has expressed preference for a public builder model and the retention of publicly owned land in the delivery of housing, which TCHC has a strong history in partnering with the private sector to redevelop and re-envision social housing communities proven to create complete vibrant mixed

income communities, secure benefits for tenants, and leverage private sector investment to offset project costs for replacement RGI homes and new affordable homes. This overall approach to revitalization continues to be aligned with the City's Public Building Model and now includes an increased priority on delivering net new rental housing and the retention of public land, as part of that process.

TCHC's existing redevelopment model has been at the forefront of the TCHC Housing Ready sites including Alexandra Park, Lawrence Heights Phases 2/3, Regent Park Phases 4/5, and Firgrove. TCHC staff will continue this approach in some manner for all seven Housing Ready sites which will prioritize the public retention of land and consider the land sale (where appropriate) to support the public housing component of the project. This is with a continued focus to create equitable communities with a diversity of housing options for the City. In addition to replacing existing TCHC units and introducing new market housing (where appropriate), TCHC will be focused on increasing the total number of rental units in each property. Depending on the outcome of initial financial forecasting, new rental units may be public or privately owned, rent controlled market rental or affordable units.

2024 Workplan Overview

TCHC staff continue to work collaboratively with the City to identify opportunities to create net new housing within the two streams of housing (Housing Ready & Potential Housing Sites) sites focused on under the Urgently Building More Homes Mandate. The following sections identify the recommended actions development staff will undertake in 2024 to further increase housing opportunities for Toronto residents and deliver that work in an accelerated manner to match the urgent need for new housing.

Housing Ready Sites

Housing Ready sites identified in the City's report, considered by City Council at its meeting of November 8, 2023¹, were further categorized as High Priority, Rezoned, and Sites with Initial Approvals. Seven of TCHC's active revitalization phases and buildings were included in the list contained in that report and are detailed in Table 1.

¹ [Report EX9.3 - Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes](#)

Table 1: Housing Ready Projected Units

#	Project	Category	RGI	AFF	Total
1	Regent Park Phase 4 (1a)	High Priority	137	137	274
2	Firgrove	Rezoned	236	107	343
3	Alexandra Park Phase 2b	Rezoned	95	TBD	95
4	Alexandra Park Phase 2c	Rezoned	121	TBD	121
5	Regent Park Phase 5c,5d	Rezoned	333	10	343
6	Regent Park Phase 5g,5h	Rezoned	163	490	653
7a	Lawrence Heights Phase 2	Initial	347	30	377
7b	Lawrence Heights Phase 3	Approvals	289	100	389
	Total		1,721	874	2,595

Staff are continuing to meet with the City to discuss ways to accelerate the implementation of the above existing revitalization projects and identify opportunities for net new public housing units. Notable 2024 targeted milestones are identified below, fulsome reporting for each of the below sites is expected to be brought to the Board later in 2024.

Firgrove (Rezoned) – The rezoning for Firgrove was completed in 2022 and sub-division approval was secured in 2023. This is a Housing Ready site that has an approved Initial Development Proposal for 236 rent-geared to income, 107 affordable and 667 market units. The Plan consists of 2 new TCHC Housing Blocks and 4 non-TCHC Housing Blocks. Staff are working closely with the Housing Secretariat to plan the next steps to initiate development on the 1st TCHC Block and to determine an approach for the delivery of the non-TCHC housing Blocks including:

- The release of a Request for Proposals to secure design consultants for the 1st TCHC building
- The release of an Request for Proposals (“RFP”) to secure engineering consultants to proceed with the sub-division construction (roads and infrastructure)
- The release of a Request for Expressions of Interest (“RFEOI”) for partner interest on the non-TCHC housing blocks (summer 2024). This will inform the delivery model and ultimate mix of housing types on the site.

Lawrence Heights Phase 2 (Initial Approvals) – The Initial Development Proposal (“IDP”) for Lawrence Heights Phase 2 included provision for 347 rent geared to income, 30 affordable and 692 market units. Since that approval was obtained, the area has been designated by the City as a Protected Major Transit Station Area (PMTSA) with corresponding minimum densities that now exceed the densities contemplated in the existing IDP approvals. TCHC and the City are working to determine how that additional density is to be allocated from an affordability, ownership and configuration perspective. Key upcoming activities include:

- The release of an RFP to secure engineering consultants to proceed with the subdivision approval for Phase 2, including the design of City-funded roads and infrastructure, to accommodate a new community centre and several blocks of housing while protecting for overall increase in density from the existing secondary plan;
- The relocation of 102 tenant households and the demolition of eight existing buildings to accelerate construction of the new community centre and necessary road realignment; and
- The release of an RFP for a developer partner for the construction of new market, affordable and RGI rental units as well as TCHC’s replacement units and new market condo units (Fall 2024).

Swansea Mews (Potential Housing Site) - TCHC is continuing discussions with the City to formalize the process for demolition of the vacant buildings onsite. An RFP was issued in Q4 2023 to retain a contractor to carry out the abatement and demolition work. The award and contract will be finalized in Q2 2024. Key upcoming activities include:

- TCHC and the City’s working group will begin reviewing the draft IDP in May 2024 to revision the future Swansea Mews lands.

Potential Housing Sites

In accordance with the report considered by the Board of Directors at its meeting of February 2024 (TCHC:2024-07), staff have continued to advance early due diligence investigations for new potential housing sites. A prioritized list of infill and redevelopment sites has been identified which shows an initial capacity to add net new housing. Confidential Attachment 1 provides further detail on the identified shortlist of potential housing sites and the additional

studies and analysis required to demonstrate their physical, social, and financial viability. Spending authority to support this next level of due diligence is outlined in the Confidential Attachment.

Following the next stage of the due diligence process, sites that continue to meet the objectives of the City's Housing mandate and align with TCHC's development approach will be brought forward to the Initial Development Plan (IDP) Process outlined in Figure 1.

Figure 1:



IDP Process

As set out in [City Report 2019.PH7.4](#) TCHC revitalization and infill projects will seek approval through a stage-gated process. TCHC staff are recommending that, based on the outcomes of the next stage of due diligence for the shortlisted potential sites, a consolidated IDP report be prepared for the most advanced sites that meet the City's and TCHC's criteria. A single report with multiple potential sites will allow for a more streamlined approach to discuss the various housing typologies, ownership models, and funding requirements being undertaken and proposed by TCHC in response to the City's Urgently Building More Homes mandate and reduce the upfront initial approvals process for each site individually.

The IDP will provide an overview of the potential densities, unit mixes, tenures, financing and net costs for the development and request approval and an allocation of funds to proceed with a rezoning. The IDP report will be brought to the Board for approval before proceeding to Council and will outline TCHC resources required to implement the projects including staffing, tenant engagement requirements and administrative costs.

TCHC's Development Approach and Guiding Principles

Within the City's new Housing mandate, TCHC has a unique opportunity to play a critical role in the development of new housing across the City of Toronto. As such, TCHC will seek to position itself in a manner that builds off

the success of the past and reimagines its development model to ensure a sustainable long-term strategy to develop, operate and maintain complete communities with a range of housing affordability and tenure.

Overall Objectives

TCHC staff identified the following development principles to help guide future discussions with the City's working group which aim to better position the Corporation to meaningfully contribute to the City's Housing objectives.

The overall intent of the guiding principles is to provide TCHC Staff with clear direction and ability to model the viability of future housing sites, with a long-term goal of developing a model that could serve as the basis for future TCHC redevelopment or infill projects. The below development principles and Next Steps will be further refined through collaboration with the City's Urgently Building More Homes working group and are anticipated to evolve based on future discussion and direction by the City.

1. **Leverage the value of publicly owned land:** TCHC's public land holdings remains one of the most valuable assets when it comes to delivering housing. Continuing to leverage land, while also looking to prioritize public ownership, will further contribute to the housing objectives of the City and will include increasing planned and future densities for affordable housing, increasing amenities and services for tenants and where appropriate leveraging the value of land to fund TCHC housing construction and to ensure the creation of complete and equitable communities with a range of housing options.

Next Step: TCHC will work with the City to determine ways to continue to leverage TCHC's land while responding to the objective of adding more RGI, rental controlled market and affordable housing across the city. This will be done by looking to maximize the social and economic benefits for the City, TCHC, and our tenants within Housing Ready and the Potential Housing sites identified.

2. **Re-balance TCHC's rental mix:** TCHC's current housing portfolio sits at approximately 86% Rent Geared to Income (RGI) and 14% Affordable Rental. This deeply affordable housing stock is an important resource in high demand as a result of the City's Housing crisis and it can also create operational challenges for TCHC and has the potential

to impact the overall quality of housing and life for tenants. Additionally, it creates significant immediate and long-term financial pressures for TCHC, and for the City which requires significant subsidization and support for TCHC's operational costs to maintain its housing stock that cannot be offset from existing rental revenue. As new housing supply is being constructed there is an opportunity to create a more balanced rental mix within TCHC buildings which would provide greater financial sustainability for TCHC and increase mixed income communities, in addition to unlocking greater opportunities for TCHC to secure low-cost financing and provide a greater level of certainty while modelling new project sites.

Next Step: TCHC is committed to maintaining and rebuilding RGI units throughout its portfolio. Staff will work in collaboration with the City to investigate a sustainable portfolio wide approach to balance its housing mix with future development. This will be done with an aim to further a long term financially sustainable portfolio and create a greater mix of families across socioeconomic groups proven to foster complete communities. As new units are constructed across the portfolio, Staff will need to work with the City to determine a potential approach to thoughtfully shift the overall TCHC portfolio with a lower overall proportion of RGI units while maintaining the current number of RGI units.

- 3. Kickoff Sites within Revitalization Communities:** TCHC's revitalization sites provide the greatest opportunity for increased housing supply. However, the upfront master planning, partnership agreements, and relocation process can greatly impact TCHC's ability to deliver housing within the urgent timeframes needed, given today's housing crisis.

Next Step: Staff will look to bring forth a jump start approach to larger revitalization projects whereby a single building site with minimal or no relocation requirements would be the initial focus of the revitalization prior to, or concurrently with a larger master planning project. This would allow for the delivery of upfront housing at an accelerated

timeframe while the larger long-term strategy of the revitalization was developed.

Additionally, the ability to develop an initial building would better position TCHC's relocation process and aid in its ability to relocate tenants for the future revitalization plan within their existing community and limit displacement offsite. The initial kickoff buildings would need to introduce new housing opportunities while also offset future relocation requirements. Potentially targeting a balanced mix of new housing and housing for relocated TCHC households.

4. **Assess Replacement Requirements:** TCHC, similar to other development organizations, has replacement obligations with the City of Toronto by which redevelopment projects are typically approved. These requirements pertain to the like-for-like replacement of housing units (size, number of bedrooms, grade related, etc.), replacement of unit affordability (RGI for RGI), fixed affordability (no ability to change level of affordability for the lifespan of the unit), etc.. Meeting these requirements, as well as other priorities such as the increased need for more housing and the creation of mixed income complete communities, is challenging.

Next Step: TCHC staff will look to engage with the City to review replacement obligations on a project by project basis, looking for flexibilities that can improve viability but don't compromise the overall replacement objectives. This review may point to new ways to achieve the overall intent of the rental replacement requirements and unlock new ways of creating mixed-income, diverse, and complete communities and help make the projects more financially viable.

Key Considerations

With this report TCHC is looking to position itself and develop guiding principles by which TCHC staff can evaluate and assess future infill or redevelopment projects. The recommendations in this report could change based on future consultations with City staff and/or direction from upcoming Council reports.

Furthermore, future direction and definition of the 'Public Builder Model' released by the City may contribute to a change in mandate and guiding principles. Staff expect to bring a report back to the Board in Q3 2024 should there be changes to the above development approach or updates arising from the City's forthcoming Council report.

FINANCIAL IMPLICATIONS:

This report recommends \$650,000 of new spending to proceed with more advanced due diligence analysis on the recommended sites. The budget for this work will be supported through the Development Division's approved 2024 Budget and does not represent a new cost for TCHC, as such there are no new financial implications from this report. The full budget allocation is made available by the unrelated deferrals of other planned consulting initiatives. Deferred work is planned to be moved into 2025 regardless of this work and will be included in next year's budget submission.

Going forward, Staff expect that future work related to the 65k homes mandate will be supported through funding from the City. The analysis being undertaken is still preliminary and as projects progress, there may be implications associated with staffing, consulting and construction costs. These will be captured in future Board reporting as the work progresses for inclusion in yearly budget approval processes.

NEXT STEPS:

Staff will continue the delivery of its Housing Ready sites and take on the next stage of due diligence work for the identified Potential Housing sites. The impacts and opportunities associated with implementing the above recommendations in this report will be brought back to BIFAC and the Board for consideration.

SIGNATURES:

"Sean Baird"

Sean Baird
President and Chief Executive Officer

“Jessica Hawes”

Jessica Hawes
Chief Development Officer (Acting)

Confidential Attachment 1: Potential Housing Sites Workplan

Reason for Confidential Attachment: This document deals with matters that the Board is permitted consider in a closed meeting including but not limited to commercial and financial information that belongs to TCHC and has monetary or potential monetary value.

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