

Toronto Community Housing



Urgently Building More Affordable Homes – TCHC Next Steps

Item 7

January 25, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-07

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

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

Date: January 16, 2024

PURPOSE:

The purpose of this report is to provide the Building Investment, Finance and Audit Committee ("BIFAC") and the Board of Directors (the "Board") information on the City of Toronto's (the "City") progress on the Generational Transformation of Toronto's Housing System, and to seek the BIFAC and the Board's approval of TCHC undertaking the necessary next steps to assist in the City's initiative, to create a plan, timeline, and an implementation framework for the City to achieve its new 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.

RECOMMENDATIONS:

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

1. Work with the Deputy City Manager, Development and Growth Services, in support of Recommendation 5 in Item 2023.EX7.2, to undertake the development of complete communities on TCHC lands and properties through revitalization, redevelopment or stand-alone

developments on existing sites, and create a model that includes TCHC staff and Board members to initiate and carry out this work;

2. Authorize the President and Chief Executive Officer and the Chief Development Officer 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 Recommendations 6 in Item 2023.EX9.3, to advance early due diligence work on the list of potential housing sites outlined in the Confidential Attachment to the City's Council Report, in order to report back by the end of the second quarter of 2024, with a prioritized list and recommendations, including any financial implications, to advance appropriate sites for housing purposes;
3. Request that the President and Chief Executive Officer, or their designate, continue to work with the City's Deputy City Manager, Development and Growth Services, in support of Recommendation 17 in Item 2023.EX9.3, and explore options to enhance the financial viability of Toronto Community Housing Corporation in-flight and planned revitalization and infill projects, including exploring both public and private options for financing, while delivering a wider range of net new rent-controlled affordable, rent-geared-to-income and market rental homes and other City-building uses;
4. Request that the President and Chief Executive Officer, or their designate, work with the City's Deputy City Manager, Development and Growth Services, in support of Recommendation 26 in Item 2023.EX9.3, to report back to the Executive Committee by the second quarter of 2024 on a strategy to accelerate the implementation of the Lawrence Heights Revitalization Phases II and III;
5. Authorize the President and Chief Executive Officer and the Chief Development Officer, or their designates, to work with the City Manager and the Deputy City Manager, Development and Growth Services, in support of the implementation of Recommendations 1 and 3 in Item 2023.EX10.2, to update TCHC's current strategic plan mandated by its shareholder direction and amend section 4.1.2(c) of TCHC's shareholder direction to facilitate and identify opportunities for enhanced alignment to support delivery of the City's housing plans and

targets; and

6. Request the Chief Development Officer to report back on the opportunities and impacts associated with the implementation of the above recommendations including potential long-term outcomes on staffing impacts, unit type mixes, financial implications, etc.

BACKGROUND:

On September 6, 2023, Council adopted recommendations in support of an initiative led by the City to achieve the construction of 65,000 new rent controlled homes comprising of 6,500 RGI, 41,000 Affordable, and 17,500 rent-controlled market homes ([City Report 2023.EX7.2](#)). This item made recommendations to add an additional 25,000 homes to the existing target of 40,000 homes within the City's housing plan and directed public agencies, including TCHC, to work with the City led by the Deputy City Manager, Development and Growth, to develop an overall plan for delivery.

On October 31, 2023 the Deputy City Manager, Development and Growth, brought forth an initial report back to the City's Executive Committee which was approved and subsequently adopted by Council at its November 8, 2023 meeting ([City Report 2023.EX9.3](#)). This report contextualized the additional units and how they fit with the City's overall Housing Action Plan and established a pipeline of housing delivery across all levels of government, corporations, and agencies. Additionally, the report laid out an alignment of overall priorities for those parties who deliver housing or maintain existing public lands and identified TCHC as a key partner in delivering housing. The specific recommendations directed at TCHC are summarized in Attachment 1.

TCHC staff worked in collaboration with the Deputy City Manager, Development and Growth, and other City agencies to support City Report 2023.EX9.3 and are now looking to initiate the necessary next steps identified in the recommendations of the report.

On December 5, 2023, the Deputy City Manager, Development and Growth, brought forth an updated report to the City's Executive Committee which was approved and subsequently adopted by Council at its December 14, 2023 meeting ([City Report 2023.EX10.2](#)). This report focused on the interim process to facilitate the delivery of the housing pipeline identified in City

Report 2023.EX9.3 for the City, TCHC and CreateTO, and provided further recommendations directed at TCHC as summarized in Attachment 1.

Following this report to BIFAC and the Board, TCHC will look to work with the Deputy City Manager, Corporate Services, Development and Growth Services, CreateTO, and the Housing Secretariat to recommend alterations and alignment with our strategic plans, development delivery and operational models. The outcomes of this work will feed back to the City in anticipation of a Q2 and Q3 2024 report back to City Council.

REASONS FOR RECOMMENDATIONS:

This report has been prepared to facilitate alignment between TCHC's Board of Directors and City of Toronto Council directives with respect to the City's Housing Plan as it relates to TCHC's ongoing Development work and strategic plan update. The report also captures directions from the City which would result in a change of practice or direction for TCHC.

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.

IN SUMMARY

TCHC already actively plans and facilitates revitalization and development on TCHC lands. The recommendations of this report are directing staff to proceed with the following expanded or accelerated work items to align with the City's Housing Action Plan, including:

- Accelerate the due diligence review of TCHC properties to further inform the City's pipeline for new housing sites;
- Include infill opportunities as a core part of Development's ongoing site identification and portfolio review;
- Further examine the built form, financing opportunities, and the mix of affordability levels/tenure of new housing on TCHC properties, with a focus on enhancing the financial viability of inflight and planned revitalization and infill projects;
- Continue with the implementation of existing revitalization projects while identifying opportunities for net new public housing units; and
- Examine a variety of revitalization models that include a greater mix of housing affordability and prioritize the retention of public land.

EXCELERATION OF TCHC'S DEVELOPMENT WORK TO URGENTLY BUILD NEW AFFORDABLE HOUSING

Over the past 20 years, with support from the City of Toronto, TCHC's Development Division has been partnering to replace existing aged rental housing units, deliver new affordable units, and to unlock land for new market housing units. TCHC's focus on community revitalization is to create complete vibrant communities, achieve design excellence in construction, secure benefits for tenants, and leverage private sector investment to offset project costs. TCHC will be building on this experience to further the City's housing targets.

In the immediate term, in alignment with City Report 2023.EX9.3, TCHC's Development work will focus on the identification of new sites for the City's housing pipeline and continue with the delivery of inflight and not-inflight projects. These areas of work will proceed with an aim of increasing housing opportunities for Toronto residents and delivering that work in an accelerated manner to match the urgent need for new housing in Toronto.

It is important to note that while TCHC staff continue to look at ways to accelerate timelines and assess its ability to add net new housing throughout our inflight, not-inflight, and potential new site portfolio, there are potential constraints that can impact TCHC's ability to accelerate the housing demands seen across the City of Toronto. TCHC's existing obligations for revitalization sites and preliminary new site considerations are detailed in Attachment 2.

In response to the City's Urgently Building More Homes mandate, TCHC was able to provide preliminary sites for the City based on its previously undertaken investigation work. These preliminary sites have shown to have an initial capacity to support additional housing, but require further study to confirm feasibility. Staff's ongoing work related to identifying potential new sites for revitalization or infill opportunities is further detailed below in this report as it relates to Recommendation 2 below (from recommendation 6 in City Report 2023.EX9.3).

In addition to the identification of new sites, TCHC staff will continue to focus on the implementation of inflight projects with a goal of increasing the total number of net new units for affordable housing and improving overall financial viability. Inflight projects include Regent Park, Lawrence Heights Phase 1, Alexandra Park, and Don Summerville.

For not-inflight projects, staff will be working closely with the City to develop project delivery models to align with City priorities and to meet TCHC's replacement and net new housing needs. Not-inflight projects include Lawrence Heights Phase 2, Swansea Mews and Firgrove¹.

OVERVIEW OF BOARD RECOMMENDATIONS AND IDENTIFICATION OF TCHC'S NEXT STEPS

Through its prior decisions, City Council has adopted recommendations that identify TCHC as a key contributor in the City's housing targets objective. As such, the following recommendations, approved by City Council as part of its adoption of Items 2023.EX9.3 and 2023.EX10.2, direct TCHC to work with the City to respond to the matters and report back to the City's Executive Committee and Council on actions undertaken. A summary of the relevant recommendations to this report are provided below.

#1 Recommendation to TCHC Board (*City Item 2023.EX7.2, Recommendation 5*)

City Council, as Shareholder, request the Board of Directors of Toronto Community Housing Corporation to work with the Deputy City Manager, Development and Growth Services to undertake the development of complete communities on Toronto Community Housing Corporation lands and properties through revitalization, redevelopment or stand-alone developments on existing sites; and create a model that includes staff and Toronto Community Housing Corporation Board members to initiate and carry out this work.

Next Steps for TCHC:

Development staff, in collaboration with other TCHC divisions such as Operations, Finance, Legal and Facilities Management, will continue the ongoing site review process which involves investigating the expansion of sites that are underutilized, planning for the replacement for buildings that are reaching end of life, examining proposed partnerships with adjoining landowners and working with the City to identify sites that are adjacent to other City building initiatives that could be reconstructed as part of a larger area vision.

¹ Inflight projects have approval to proceed by the Board. Not inflight projects have an approval step pending such as City/Board approvals, secured funding and/or required partners in place.

#2 Recommendation to TCHC Board (*City Item 2023.EX9.3, Recommendation 6*)

City Council direct the Deputy City Manager, Development and Growth Services, in consultation with appropriate Divisions Heads, CreateTO, and Toronto Community Housing Corporation, to advance early due diligence work on the list of potential housing sites outlined in Confidential Attachment 1 of City Item EX9.3, and report back by end of Q2 2024, with a prioritized list and recommendations, including any financial implications, to advance appropriate sites for housing purposes.

Next Steps for TCHC:

TCHC staff will continue to work with the City and CreateTO to advance due diligence work on TCHC's potential housing sites. Development expects that this work will happen as part of the existing approvals framework for TCHC Revitalization sites, which gives the TCHC Board and City oversight over the development process and decision making at key points in the process. Key steps for this work are anticipated to include:

1. **Site identification** will be undertaken through a due-diligence review (including built form, urban conditions, community readiness, financial feasibility, and operational impact) working with the Housing Secretariat and CreateTO.
2. **Initial Development Proposal ("IDP")** will be prepared for TCHC Board and City Council approval (as per the approvals framework for TCHC Revitalizations set out in [City Report 2019.PH7.4](#)). The IDP will outline, project proforma, building form options, unit tenures and mixes, costs, delivery approach, etc.
3. **Community engagement and planning approvals** will start with capturing community feedback (including needed services and amenities, tenant economic development priorities, and design considerations). Once a clear vision is established, the entitlement process will be undertaken including Official Plan Amendments, Rezoning, Permitting, etc., and all required partners or delivery agents (private and/or public sector) will be selected/identified.
4. **Construction Implementation** will commence including tendering, costs confirmation, tenant economic benefit delivery, construction and then occupancy.

In the immediate term, staff are working to further complete internal feasibility and due diligence reviews including cross-departmental analysis of the

identified sites and the potential identification of new sites, which have yet to be reviewed. TCHC, along with support from CreateTO, have begun expanding TCHC's site assessment analysis to a portfolio wide investigation to identify additional potential new sites that could have the capacity to further contribute to the City's housing targets.

This work will also look to establish the preferred tenure of the future net new housing and will include determining (with the City as our Shareholder and housing delivery lead), how best and if any future redevelopment can support a balanced mix of unit types for the specific community and for TCHC.

This due diligence work will continue throughout 2024, with a report back expected to be brought to the City's Executive Committee by the end of Q2 2024.

#3 Recommendation to TCHC Board (*City Item 2023.EX9.3, Recommendation 17*)

City Council request the Board of Directors of Toronto Community Housing Corporation to request the President and Chief Executive Officer, Toronto Community Housing Corporation, as part of a continued effort, to work with the City's Deputy City Manager, Development and Growth Services and explore options to enhance the financial viability of Toronto Community Housing Corporation in-flight and planned revitalization and infill projects, including exploring both public and private options for financing, while delivering a wider range of net new rent-controlled affordable, RGI and market rental homes and other city-building uses.

Next Steps for TCHC:

The City's report identifies the various tools needed to create and ensure the long-term financial viability of RGI and affordable rental projects. By unlocking additional funding opportunities, simplifying replacement requirements, and identifying a wider range of financial incentives, TCHC could have a larger impact on the City's housing objectives by enabling TCHC to deliver a wider range of new housing options throughout its portfolio.

TCHC staff will work collaboratively with the City to undertake a full review of the revitalization program to identify and support opportunities to improve the financial viability and financing/funding opportunities, identify and minimize procedural and legislative red tape, and align the development planning procedures and financing assumptions with the City. Once this review is

completed, TCHC and the City will work to update the 10-year rolling capital Revitalization Plan based on the outcomes of the full review of the TCHC revitalization program. As mentioned in City Report 2023.EX9.3, this work will take place with City staff as part of a report back to Council for the 2025 budgeting process.

#5 Recommendation to TCHC Board (*City Item 2023.EX10.2, Recommendations 1 & 3*)

Item 10.2 Recommendation 1 – City Council amend section 4.1.2(c) of the Toronto Community Housing Corporation Shareholder Direction to authorize Toronto Community Housing Corporation to facilitate the creation of complete communities across the Toronto Community Housing Corporation housing portfolio, through the development and intensification of its lands and buildings, including prioritizing the delivery of net new rent-geared-to-income (RGI), affordable and market rent-controlled homes, in addition to replacement of existing RGI homes, to support delivery of the City of Toronto's housing plans and targets; and direct the City Solicitor to prepare such amendment and submit the appropriate bills to Council.

Item 10.2 Recommendation 3 – City Council request the Boards of Directors of Toronto Community Housing Corporation and CreateTO, to direct their respective Chief Executive officers, to ensure that the public retention of all sites designated for housing purposes is a top strategic priority, and work with the Deputy City Manager, Development and Growth Services to ensure alignment of their respective Strategic Plans with the City's housing plans and targets, as described in Recommendations 1 (in the City's Item EX10.2), by Q3 2024.

Next Steps for TCHC:

TCHC is dedicated to ensuring that our strategic plan and developmental functions are in harmony with the City's housing objectives. Through this process, TCHC's 2020-2023 interim strategic priorities will come under review, with specific attention to Goal #6, which is focused on "Working with the City of Toronto to expeditiously deliver on Tenants First directives and commitments." Staff will work collaboratively with the Deputy City Manager to more closely align the goals of our interim priorities to meet the emergent needs of the City's housing system.

Finally, it is worth noting that, at this pivotal juncture, TCHC is initiating a new four-year strategic plan that provides an opportunity to embed the City's

housing goals within its new operational framework. This process is being undertaken in concert with the guidance and collaborative oversight of the City, through the Deputy City Manager, Development and Growth Services.

The Deputy City Manager's role is critical as it ensures that TCHC's strategic planning is in lockstep with the City's overarching housing strategy, particularly in light of the Deputy City Manager's coordination across various City divisions. The TCHC Board of Directors will be engaged in the development and approval of TCHC's 2025-2029 Strategic Plan.

IMPLICATIONS AND RISK:

As per Recommendation 6 of this report, the Chief Development Officer (Acting) will bring a report back to BIFAC and the Board on the assessed opportunity and impacts associated with the implementation of the above recommendations including potential long-term outcomes on staffing, unit type mixes, financial implications, etc.

In the interim, TCHC's Development team is well positioned to undertake the initial due diligence work requested of the City. Through this initial work, additional impacts and opportunities brought on by the recommended directives from the City as it relates to TCHC's existing mandate and current practices will become more clear, and will form the basis of the report back to BIFAC and the Board.

FINANCIAL IMPLICATIONS:

Some budget to support the initial due diligence work to investigate potential new housing sites across TCHC's portfolio has been included in our 2024 budget submission to the City. Once that budget has been spent, for work to continue additional funding will be required from the City.

Development staff will continue to work closely with TCHC's Finance team, including the Chief Financial Officer & Treasurer, as it relates to actioning the above next steps outlined in this report. It is anticipated that financial implications could arise from adjustments to TCHC's delivery model such as changes to the sale/ownership of lands or mix of affordability levels delivered. Any financial implications that arise through TCHC's involvement to action the City's recommendations will be brought to BIFAC and the Board for approval.

NEXT STEPS:

Staff will continue due diligence work to review, identify and analyze potential housing sites. Prior to the Q2 2024 Council report back, TCHC staff will provide information to BIFAC and the Board that identifies TCHC housing sites that strongly display an ability to add housing capacity that would contribute to the City's housing targets.

Staff will work to identify areas of alignment within our Strategic Plan and governance model, in preparation for the Q2 and Q3 Council report backs.

Finally, TCHC staff will work in collaboration with the City to explore various financing models and identify funding opportunities and incentives that could enhance the financial viability of projects across our portfolio.

The impacts and opportunities associated with implementing the recommendations in this report will be brought back to BIFAC and the Board for consideration.

SIGNATURES:

"Tom Hunter"

Tom Hunter
Interim President and Chief Executive Officer

and

"Jessica Hawes"

Jessica Hawes
Chief Development Officer (Acting)

ATTACHMENTS:

1. 2023.EX9.3 and 2023.EX10.2 Recommendation Reference Table
2. Existing Site Obligations and New Site Constraints

STAFF CONTACT:

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TCHC BIFAC Report Rec. #	Item EX9.3		Item EX10.2	
	EX9.3 Rec. #	Recommendation Language	EX10.2 Rec. #	Recommendation Language
#2	#6	City Council direct the Deputy City Manager, Development and Growth Services, in consultation with appropriate Divisions Heads, CreateTO, and Toronto Community Housing Corporation, to advance early due diligence work on the list of potential housing sites outlined in Confidential Attachment 1, and report back by end of Q2 2024, with a prioritized list and recommendations, including any financial implications, to advance appropriate sites for housing purposes.	n/a	n/a

TCHC BIFAC Report Rec. #	Item EX9.3		Item EX10.2	
	EX9.3 Rec. #	Recommendation Language	EX10.2 Rec. #	Recommendation Language
#3	#17	City Council request the Board of Directors of Toronto Community Housing Corporation to request the President and Chief Executive Officer, Toronto Community Housing Corporation, as part of a continued effort, to work with the City's Deputy City Manager, Development and Growth Services and explore options to enhance the financial viability of Toronto Community Housing Corporation in-flight and planned revitalization and infill projects, including exploring both public and private options for financing, while delivering a wider range of net new rent-controlled affordable, RGI and market rental homes and other city-building uses.	n/a	n/a
#4	#26	City Council request the Board of Directors of Toronto Community Housing Corporation to request the President and Chief Executive Officer, Toronto Community Housing Corporation to work with the City's Deputy City Manager, Development and Growth Services to report back to the Executive Committee by the second quarter 2024 on a strategy to accelerate the implementation of the Lawrence Heights Revitalization Phases II and III.	n/a	n/a

TCHC BIFAC Report Rec. #	Item EX9.3		Item EX10.2	
	EX9.3 Rec. #	Recommendation Language	EX10.2 Rec. #	Recommendation Language
#5	#15	City Council request the Board of Directors of Toronto Community Housing Corporation to direct the President and Chief Executive Officer, Toronto Community Housing Corporation, in collaboration with the Deputy City Manager, Development and Growth Services, to review the board's current strategic plan mandated by its shareholder direction and identify opportunities for enhanced alignment to support delivery of the City's housing plans and targets.	#1	City Council amend section 4.1.2(c) of the Toronto Community Housing Corporation Shareholder Direction to authorize Toronto Community Housing Corporation to facilitate the creation of complete communities across the Toronto Community Housing Corporation housing portfolio, through the development and intensification of its lands and buildings, including prioritizing the delivery of net new rent-geared-to-income (RGI), affordable and market rent-controlled homes, in addition to replacement of existing RGI homes, to support delivery of the City of Toronto's housing plans and targets; and direct the City Solicitor to prepare such amendment and submit the appropriate bills to Council.
	#16	City Council request the Deputy City Manager, Development and Growth Services, in collaboration with appropriate Division Heads, the Chief Executive Officer, CreateTO, and the Chief Executive Officer, Toronto Community Housing Corporation to report to the December 5, 2023, meeting of the Executive Committee, with recommendations to ensure alignment of the strategic plan of Toronto Community Housing Corporation and mandate of CreateTO, with the City's housing plans and targets.	#3	City Council request the Boards of Directors of Toronto Community Housing Corporation and CreateTO, to direct their respective Chief Executive officers, to ensure that the public retention of all sites designated for housing purposes is a top strategic priority, and work with the Deputy City Manager, Development and Growth Services to ensure alignment of their respective Strategic Plans with the City's housing plans and targets, as described in Recommendations 1 and 2 (in EX10.2), by Q3 2024.

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Attachment 2

Inflight and Not-Inflight Revitalization Planning Obligations

TCHC revitalization sites are often subject to conditions of approval and agreements made with the City that can impact the ability to increase the number of net new units above and beyond its replacement obligations.

Demolished units are generally required to be replaced like-for-like or as determined in the TRAIP, and/or IDP, OPA/Zoning approvals process. These replacement requirements can often pre-dictate the size, bed type, tenure, and affordability requirement by which TCHC is mandated to rebuild. This is an important requirement that ensures that the City’s overall housing stock remains the same over time.

When TCHC is planning and designing the build out of a revitalization project, these replacement requirements can also unintentionally impact built form and intensification opportunities in the following ways:

- Can create challenges with meeting the needs of returning tenants and responding to their changing family compositions and needs throughout the full revitalization timeline.
- Can extend delivery timing due to requirements like zero displacement which can add significant complexity to the process.
- A reduction of the total number of net new units that can be built due to built form and intensification limitations.
- Ability to leverage financing can be reduced making projects more challenging to implement.
- Can affect construction sequencing of market and replacement housing.

Potential New Sites / Infill Constraints and Considerations

In addition to the replacement requirements that revitalization sites are subject to, potential new sites can come with its own set of considerations as staff engage in due diligence efforts to determine a site's capacity for new housing units either through redevelopment or infill opportunities.

In addition to urban analysis, operational constraints, and community requirements, the below list highlights some of the other considerations / factors that need to be considered when determining the readiness or feasibility of Potential New Sites.

- **Market Conditions** - Total construction costs and projected profits are subject to market changes due to inflations, cost escalation, interest rates adjustments, material supplies, market demand, market saturation, unit sales and market absorption rates.
- **Levels of Affordability** - Wherever possible, the opportunity to create mix income buildings within the existing and future developments should be pursued as a redevelopment priority.
- **Delivery Structure** - Each Revitalization /New Site will have a different financial/agreement structure that will be determined through engagement with the City and CreateTO.
- **Project Approvals and Timeline for Delivery** - TCHC is subject to an Approval Framework which can take 12 – 18 months for initial approvals. For many sites an OPA/Rezoning would be required following the initial approvals. Estimated timelines towards a secured rezoning OPA (through normal approvals) is 18-24 months including pre-development design and procurement process.

TCHC staff will continue to work with the Deputy City Manager and Housing Secretariat to weigh and assess the financial and social impacts of these considerations as existing and new TCHC sites are assessed for their potential to add net new housing.