



Regent Park Phases 4-5 Pre-Development Spending

Authority

Item 2E

October 7, 2021

Board of Directors

Report: TCHC:2021-54

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee (“BIFAC”)

Date: September 2, 2021

PURPOSE:

The purpose of this report is to seek the Board’s approval for additional spending authority for the pre-development costs associated with the Regent Park Revitalization of Phases 4-5 to complete the work related to the master planning and rezoning process.

RECOMMENDATIONS:

It is recommended that Board for approve the following recommendations:

1. Authorize additional spending authority of \$2,649,200 to complete Phases 4-5 master planning, rezoning, and operational costs as described in this report;
2. Authorize the Acting Chief Development Officer to execute an Interim Cost Sharing Agreement whereby TCHC will contribute 75% and Tridel will contribute 25% of the total costs on an as-incurred basis, in form satisfactory to the General Counsel and Corporate Secretary and the Acting Chief Development Officer; and

3. Authorize the appropriate staff to take the necessary actions, incur capital commitments, and execute any and all documents as may be necessary, including negotiation and execution of such documents as may be required to give effect to the above recommendations.

BIFAC

This report was received by the BIFAC on September 2, 2021.

REASONS FOR RECOMMENDATIONS:

Background

At its December 15, 2020 meeting, the Board approved the selection of Tridel Builders Inc. (“Tridel”) as the developer partner and their construction management company, Deltera, for the Regent Park Revitalization of Phases 4 and 5 (TCHC:2020-89). The Board approved a spending authority of up to \$1 million for legal, consulting, relocation, tenant engagement and any other internal TCHC costs (see Attachment 1).

TCHC and Tridel have since decided to review the existing Phases 4 and 5 master plan to explore opportunities for increased density through a rezoning of the lands. This process is anticipated to achieve both increased revenues to TCHC as well as incorporate a number of important project elements not contemplated in the 2014 zoning for the site. These elements include new affordable rental housing (in addition to the rent-gear-to-income (“RGI”) and market housing already in the plan), a new Toronto Public Library, and additional community space for the Regent Park community. The \$1 million approved in December 2020 for pre-development reflected TCHC’s portion of expenses based on assumptions in Tridel’s proposal, including an assumption of no rezoning prior to development.

In spring 2021, TCHC and Tridel began the process of selecting a consultant team to assist with the rezoning and master planning process through an RFP process. The selected team consists of a consortium of firms with expertise in community planning, urban design, sustainability, landscape architecture and community engagement. They will be supported by additional consultants including civil, structural, and acoustical engineers, retail, transportation, geotechnical, hydrogeological, environmental, indigenous consultants, and other consultants as may be

required to complete the rezoning process. The current schedule contemplates a first rezoning submission in December 2021, a number of resubmissions and final Council approval in 2023.

In addition to the direct expenses associated with the master planning process, there will be ongoing operating and tenant engagement expenses required to carry the project through the rezoning and completion of an anchor business plan. These expenses include security costs for existing Phases 4 and 5 buildings (these buildings will have low tenancy levels leading up to relocation and demolition, and require enhanced security to maintain tenant safety) and enhanced tenant engagement to support the rezoning process. Again, these expenses were not anticipated and included in the December 2020 Board report, as a rezoning and the related delay to first construction was not contemplated at that time.

Agreements and Cost Sharing for Rezoning

At this point, Tridel and TCHC have entered into a binding Memorandum of Understanding (“MOU”), which provides they will enter into definitive agreements for the joint venture including the Agreement of Purchase and Sale for the market lands, the partnership agreement between the new TCHC subsidiary and the Tridel subsidiary that will construct and market the condominiums, and a development cost sharing agreement for project pre-development expenses.

The MOU also contemplates that the parties may also contribute to any rezoning pre-development expenses, on the basis that the partnership will commit to contributing 50% of any rezoning pre-development expenses and TCHC will contribute 50% of such expenses, on an as incurred basis. Accordingly, TCHC will be responsible for 75% of the rezoning pre-development expenses. It is proposed that either TCHC or Tridel will enter into the consulting agreements for the rezoning pre-development expenses. Tridel has agreed to pay 50% of those expenses pending execution of the partnership agreement. Upon execution of the partnership agreement, TCHC will reimburse Tridel for its portion (50%) of the partnership’s expenditures. TCHC will finalize an interim cost sharing agreement with Tridel for the rezoning pre-development expenses prior to expending any expenses beyond the \$1M approved in the 2020 Board report.

Phases 4 and 5 Pre-development Budget

Table 1 presents a summary of the anticipated budget for pre-development costs and the associated increase to the budget reflecting expenses until mid-2023. As noted above, TCHC will be responsible for 50% of the rezoning expenses and the partnership will carry the other 50%, bringing TCHC's total to 75% of these costs.

TCHC will also incur predevelopment costs not subject to the cost sharing arrangements contemplated in the Memorandum of Understanding and will be responsible for 100% of these costs. These expenses include outside legal costs for agreements, enhanced security expenses for Phases 4 and 5 lands, and tenant relocation expenses.

Table 1: Pre-Development Budget	Budget
Current Budget, August 2021 (see Attachment 2)	\$ 4,529,300
TCHC 100% Pre-Development Costs	\$ 1,009,000
TCHC Shared Costs, 75%	\$ 2,640,200
Tridel Shared Costs, 25%	\$ 880,100
Board Approved Budget, December 2020	\$ 1,000,000
Recommended Additional Expenditures*	\$ 2,649,200

* Recommended Additional Expenditures = Current Budget – Tridel Shared Costs – Board Approved Budget, December 2020

Next Steps

Staff will continue to work towards the rezoning submission for December 2021, and will work with the consultants and community to create the new master plan for Phases 4 and 5 of the revitalization.

IMPLICATIONS AND RISKS:

Financial Risk

The pre-development consultant team budget outlined in Attachment 2 includes estimates of consultant fees made by TCHC's developer partner, Tridel, that are not yet retained.

Consultant fees presented in Attachment 2 assume a two year process for seeking rezoning approval from the City. In the event that the application is not approved by Council, costs associated with re-initiating the master

planning process and lengthened redevelopment timelines would result in additional expenses for the project.

The \$2.649 million in funds will satisfy TCHC's obligation to fund pre-development costs for the project until mid-2023. It is anticipated that an anchor business plan will be brought to the TCHC Board for approval in early 2023 towards the end of the master planning process.

Upon execution of the definitive agreements in December 2021, TCHC will receive \$1 million in deposits from Tridel. Upon launch of marketing, expected in mid-2023, TCHC will receive a further \$1 million in deposits.

Planning Risk

The budget outlined in Attachment 2 assumes that Council will approve the rezoning application for the Regent Park Phases 4 and 5 lands, and that there will be no appeal of the application to the Local Planning Appeal Tribunal ("LPAT"), such that the zoning will be final and binding by summer 2023. TCHC and Tridel have had multiple conversations with the ward councillor, Kristyn Wong-Tam, who is in support of reimagining the 2014 plan for the Phases 4 and 5 lands. In the event that the application is not approved by Council, some of the planning and engagement work relating to developing the Phases 4 and 5 lands will likely have to be re-done.

Strategic and Reputational Risk

A key component of the revitalization is the support of Regent Park residents. The project cannot succeed without community support. The master planning consultant team contains a highly respected community engagement consultant, and TCHC and Tridel will work closely with the community to ensure resident voices are heard and the master plan design is tailored to meet the needs of the Regent Park community based on their input.

By approving this increase to the pre-development budget, staff will be able to continue their commitment to work towards the tight timelines associated with the Phases 4 and 5 rezoning process, as well as to fulfil our goal of getting TCHC tenants into new housing as soon as possible.

SIGNATURE:

“Kelly Skeith”

Kelly Skeith
Acting Chief Development Officer

ATTACHMENTS:

1. Resolution for Regent Park Phases 4-5 Developer Partner (TCHC:2020-89)
2. Pre-Development Budget Breakdown

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