



60 Richmond Street East: Closing Report

Item 4
November 15, 2010
**Building & Investment
Committee**

To: Building & Investment Committee

Report: BIC: 2010-28

From: Chief Executive Officer

Date: September 30, 2010

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PURPOSE:

To provide the Building & Investment Committee a closure report for the development at 60 Richmond Street East.

RECOMMENDATION:

It is recommended that the Building Investment Committee receive this report for information.

REASONS FOR RECOMMENDATION:

Introduction



In 2007, the City of Toronto (the “City”) requested that Toronto Community Housing work with Unite Here, the union representing hospitality workers and the Co-operative Housing Federation of Toronto (“CHFT”) to develop a housing co-operative and training centre for their members on the property known as 60 Richmond Street East (“60 Richmond”), a surplus City site of 10,629 square feet.

To facilitate that, the City leased 60 Richmond to Toronto Community Housing pursuant to a long-term ground lease, expiring July 21, 2057. Toronto Community Housing has in turn leased the building to Local 75 (Hospitality Workers) Housing Co-operative Inc. The Co-op sub leases the commercial

space to the Hospitality Workers’ Training Centre to provide skills training related to working in front line positions in the hospitality sector. Tenants, Unite Here members, Toronto Community Housing tenants and others will be eligible for the training.

The original vision called for a housing co-operative for Unite Here members living in Regent Park. However, only a handful of Regent Park residents and members of Unite Here were identified who were interested in moving to 60 Richmond. There were several reasons contributing to this:

- fewer Unite Here members in Regent Park than was first believed;
- tenants had to give up their rights as Toronto Community Housing tenants to live in the co-op; and
- Only 9 parking spaces were available at 60 Richmond.

The criterion for applying was eventually opened up to include non Unite Here members who work in the hospitality sector and people interested in living in a housing co-operative. The result was a decrease in the number of Regent Park replacement units (from 59 to 47) and an increase in the Affordable Rental units (26 to 38). This enabled the co-op to recruit more Unite Here members in the Affordable units, but left an additional 12 Regent Park units to be replaced elsewhere.

BUILDING PROGRAM

The building was designed within the zoning and only involved a Committee of Adjustment application for 2 minor variances. The building is designed to LEED gold standards. It is a unique design with an irregular series of projecting volumes separated by recessed areas. A sixth floor amenity space opens out to a 10 storey high courtyard bringing light and air into the building through natural ventilation in the corridors.

Table 1: Basic building Program

Architect:	Teeple Architects
Construction Manager:	Bird Construction
Units:	85 (broken down below)
Height:	11 Storeys
Residential Gross Floor Area:	81,806 sq ft
Commercial Gross Floor Area:	2,852 sq ft
Parking:	9 at grade spaces including 1 Autosshare and 1 accessible space
Amenities:	Common room with kitchen, which provides a meeting space and opportunity for social gatherings, as well as an overflow room for the training centre Two outdoor amenity spaces including a community garden
Energy Efficient Features:	Highly insulated cement board cladding; energy recovery units and heat pumps in the units; a passive green roof; rainwater collection irrigates the gardens; 40% glazing and; a hybrid vehicle from Autosshare. The energy modeling for the building as designed should be 44.9% below M.N.E.C.B. standards for utility costs.

Table 2: The Sizes and programs

UNIT TYPE	1 BDRM	2 BDRM	3 BDRM	4 BDRM	TOTAL
Regent Park Replacement Units	13	14	16	4	47
Affordable Rental Units	20	10	8	0	38
TOTAL	33	24	24	4	85

FINANCIAL RESULTS:

At its meeting in August 2007 the Board approved a \$20.6 million budget for the project, exclusive of GST. The final projected budget as of September 2010 is estimated at \$22.3 million producing an overage of approximately \$1.4 million or 6.9%.

Table 3: Summary of the Final Cost of the Building

	Board Approved Budget	Per Square Foot Cost (projected at 91,678 sq ft)	Projected Budget	Per Square Foot Cost (final at 84,658 sq. ft.)
Land	705,000	7.69	280,000	3.31
Site	834,000	9.09	606,000	7.16
Hard	17,408,000	189.74	19,928,000	235.39
Soft	1,661,000	18.10	1,231,000	14.54
TOTAL	\$20,608,000	\$ 224.62	\$22,045,000	\$260.40

There were several reasons for the budget overage:

- general condition items related to delays such as additional temporary power, site staff and labour, cranes and hoisting, and utility charges (over \$1 million);
- demolition delays due to the building being bonded to the adjacent building resulting in time consuming handwork and more protection and repairs to the wall of 70 Richmond (\$60,000);
- The addition of drains for HRVs and resulting change to ERVs, issues in east stair and west stair pressurization ducts, no heating specified in corridors etc. – over \$670,000;
- additional layout time and the change to an adjustable girt system for the cement panel cladding to accommodate suite exhaust louver locations and maintain the panel joints from elevation to elevation (\$175,000); and
- accommodation of heritage sculptures from original building (\$30,000).

Sources of funds for this project were:

- Grants under the Affordable Housing Program and pre-development funding totaling \$3.68 million. This is an increase of \$1.82 million from the original allocation of \$1.711 million from the Pilot Project funding program and the \$150,000 in pre development funding;
- Financing, based on net operating income of the building, totaling \$8.64 million;
- The allocation of Toronto Community Housing equity contributions from Regent Park Redevelopment to off-site replacement units totaling \$4.02 million; and
- Toronto Community Housing equity in the amount of \$5.70 million (\$3.06 from the Corporate Debt Program and \$2.64 million in additional short term financing – see below Second Mortgage).

Security for Advances

Because Toronto Community Housing does not own the land, funds invested are secured by three leasehold mortgages:

- A First Leasehold Mortgage of \$8,642,500 is registered in an amount equal to Toronto Community Housing’s debt based on the project Net Operating Income

(NOI). The term is approximately 27 years (to May 11, 2037). The fixed interest rate is 4.88% and there are monthly payments of principal and interest. Effectively, Toronto Community Housing's debt with respect to 60 Richmond is being serviced by the Co-op.

- A Second Leasehold Mortgage supports \$3.06 million, being the balance of the funding allocated to this project by the board in the \$250 million bond issue. This amount is to be financed and recovered from market land development in future phases. This Mortgage has a 20 year term from the end of the first mortgage term to the end of the ground lease. Monthly payments of principal and interest commence once Toronto Community Housing's First Mortgage is paid out. If the co-op generates a surplus cash flow in any given year during the term of the First Mortgage, 50% of such surplus will be a payment toward principal of the Second Mortgage.
- The third mortgage is the amount equal to Toronto Community Housing's Regent Park equity investment of \$6.66 million. The terms are the same as the Toronto Community Housing's Second Mortgage except that Third Mortgage is forgiven if Toronto Community Housing gets land title to the property at or before the end of the term of the ground lease.

Table 4: Sources of funding and securities

Sources of Funding		Leasehold Mortgages	
Grants	\$3,681,000		
Long Term Debt (NOI)	\$8,642,500	First Mortgage	\$8,642,500
Long Term Debt (Corporate Debt)	\$3,060,000	Second Mortgage	\$3,060,000
TCHC Cash Equity (RP)	\$4,020,000	Third Mortgage	\$6,661,500
TCHC Cash Equity	\$2,641,500		
Total	\$22,045,000	Total	\$18,364,000

Reduction in Service Obligation

By agreement with the City, Toronto Community Housing's RGI service obligations and corresponding subsidy are reduced by 47 units. The co-op has in turn assumed these obligations. Toronto Community Housing's obligations under the municipal Affordable Housing Agreement and provincial Affordable Housing Program have been assigned to the Co-op.

SCHEDULE:

The building was completed on January 31, 2010, 7 months after the initial expected occupancy date of July 1, 2009. There were many reasons for this including: an extended and more complex demolition due to existing site conditions; delays with demolition and structural permits; the breaking down of the tower crane on 2 occasions; inadequate manpower from the formwork trade; weather became a factor when the roofing was pushed into the worst winter months due to the above delays; the City strike; co-ordination issues between mechanical and architectural drawings regarding exhaust vent boxes and grills; and mechanical/electrical interference issues with the change from HRVs to ERVs; omission of heating in corridors etc.

CURRENT STATUS:

Occupancy - The building is fully occupied with the exception of one Affordable Rental unit which is expected to be filled this month. There is a waiting list for the co-op.

Final Payments - There are a few items outstanding (balustrade in lobby, BAS wiring). The building is fairly easy to maintain with simple, sturdy finishes. There have been some deficiency issues but most of these have been resolved quickly. No more than a further \$30,000 to complete minor deficiency work is expected.

Environmental - LEED Certification is in progress. A third party review is underway. The application for certification will be submitted shortly.

Affordable Housing Program Funding - Toronto Community Housing has received \$769,950 from the Affordable Housing Program and \$150,000 in pre development funding. An additional \$691,000 is due in a lump sum payment under the Affordable Housing Program Wave 1, and \$941,000 in a lump sum payment under the Affordable Housing Program Pilot Project. Applications for such funds have been made to the City of Toronto and payment is expected shortly. The balance of Affordable Housing Payments applicable to this project are monthly payments.

Commercial Space – The training centre is not yet operational. Over half of the \$500,000 capital requirement has been committed through Section 37 money from the Sony Centre and the Co-Op is trying to find funding for the balance. They have requested that Toronto Community Housing lend the balance, which staff have declined.

THIRD PARTY RECOGNITION:

60 Richmond has been the recipient of four design awards and one sustainability award including:

- a 2007 Award of Excellence from Canadian Architect (“This project challenges the client to revise current thinking about affordable housing being quietly introduced into the city fabric, and will make a statement about being a living part of an ecological process in a building that stands out visually as an icon.”)
- a 2010 Ontario Association of Architects Design Excellence Award
- the People’s Choice 2010 Award from the PUG Awards
- a 2010 SAB award from Sustainable Architecture & Building Excellence in Canada (“a strong sense of social purpose while achieving the highest levels of architectural refinement and resolution”)
- a Gold from the Design Exchange Awards

The building has been published in 29 newspaper and magazine articles and blogs including: Architectural Record (American publication), the Toronto Star (Christopher Hume gave the building an A+), the Globe and Mail (“Building Soul Into Social Housing”), Corriere Canadese, Canadian Architect Magazine, the National Post (“A Revolution in 11 Storeys”), Spacing Toronto (“It has the gutsy but practical spirit of Toronto's best architecture...”) and the architect was interviewed for CBC Radio.

The feedback to date has been positive from the co-op and tenants (A tenant quote in the National Post – “I love it. I can walk to work. I don’t have to get up at 5:30 a.m. and get the bus.”)

LESSONS TO BE APPLIED:

Political – The local Councillor’s idea to involve Unite Here as a source of potential residents for a housing co-operative was challenging. There were insufficient numbers of Unite Here hospitality workers living in Regent Park and especially those interested in living in an off site location. It became an extremely challenging process for the staff and as a result the Regent Park phasing was bypassed to boost the numbers.

Relationships - Creating a development for a housing co-op requires more staff time and additional financial resources. Significantly more time was spent by TCHC staff (development, legal and financial) than on other Toronto Community Housing projects. It is expected that less operational time will be required however, as the building is turned over to the Co-op. New co-ops also require support to develop their Board and assist in the transition to a member Board. There are currently no programs to support this. Section 37 funds were allocated by the local Councillor to pay CHFT. Prior to that there was pressure to include the \$225,000 in the capital budget.

Building Automation Systems – The building is set up with a Building Automation System (BAS) to monitor utility and consumption patterns. This is an important part of TCHC’s corporate knowledge in operations, performance of building sustainability features and tenants’ behaviour. It has been agreed and documented by the leaseholder and TCHC’s Smart Buildings and Energy Management Department to monitor.

Design – 60 Richmond is a beautiful building that has received tremendous attention by the media and the public. The expense though is an issue particularly when the building is leased to another party.

Affordable Rental Units – At 60 Richmond the co-op rented the Affordable Rental units quite successfully. THCH needs to have a process to rent these units on future projects that includes a marketing space and appropriate resources.

Off Site Replacement Units – Many Regent Park tenants do not want to leave Regent Park especially if they have to give up their Toronto Community Housing “citizenship” to live in a co-op or if they require parking (60 Richmond acquired the Alternative Parking Standard and only has 9 spaces for 85 units). Tenants also stated that the location is far from the community and services of Regent Park and was deemed as less desirable. The retail in this area is also not as desirable for those on low incomes.

Ground Floor Space – More accountability should have been placed on Unite Here and the Co-op to find alternative funding sources earlier so that the training centre would not be empty at residential occupancy.

Construction Manager – Bird Construction performed well on this project. The quality of the construction is good and deficiencies are being handled in a timely fashion. They handled the schedule delays as well as could be expected. It is recommended that they be included in future Requests for Proposals.

Tenant Feedback - At this point, there is no formal way of collecting feedback from tenants after a building is occupied. Staff have initiated a process to design a post occupancy survey for tenants. The objective would be to obtain feedback which is useful to staff in future building design and in managing the existing building.



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