

# The Corporation of the City of Kawartha Lakes

## Council Report

Report Number HH2018-004

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**Date:** June 19<sup>th</sup>, 2018  
**Time:** 2:00 p.m.  
**Place:** Council Chambers

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**Ward Community Identifier:**

**Title:** KLH Housing Corporation: New Communities through Leveraging Older Homes – Part 3

**Description:** Creating new Affordable Housing developments through the sale of 27 older homes: Phase 2 – Bond East and Phase 2 – Lindsay Street North.

**Author and Title:** Hope Lee, Administrator/Manager of Housing

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**Recommendation(s):**

**That** Report HH2018-004, KLH Housing Corporation: New Communities through Leveraging Older Homes – Part 3, be received;

**That** subject to the necessary by-laws and agreements being forwarded to Council for approval, and the successful completion of such planning and development processes as the City may require, the proposed “New Communities through Leveraging Older Homes – Part 3” provided as Attachment A to Report HH2018-004 be approved, including the following project characteristics:

Phase 2 – Bond Street East, Lindsay

1. approval for the sale of eleven (11) single and semi-detached KLH Housing Corporation units transferred by the Province to KLH in 2001, specific properties as identified in Attachment A, and their replacement with eleven (11) newly constructed housing unit to be rented as Rent Geared to Income (RGI) units through a rent supplement agreement between the City and KLH;
2. approval for the completion of financing for cash flow and borrowing facilities in the City’s own name, with the City then lending the funds to KLH;
3. approval for the transfer of land to KLH;

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

4. approval that any and all fees, charges, levies or securities imposed or controlled by the City be waived or provided to KLH as municipal incentives as identified in Attachment A of Report HH2018-004 to support the development of the eleven (11) reconstructed and the five (5) additional units that will be created; and

Phase 2 – Lindsay Street North, Lindsay

1. approval for the sale of sixteen (16) single and semi-detached KLH Housing Corporation units transferred by the Province to KLH in 2001, specific properties as identified in Attachment A, and their replacement with sixteen (16) newly constructed housing unit to be rented as Rent Geared to Income (RGI) units through a rent supplement agreement between the City and KLH;
2. approval for the completion of financing for cash flow and borrowing facilities in the City's own name, with the City then lending the funds to KLH;
5. approval to provide the land through a 40 year lease between the City and KLH;
3. approval that any and all fees, charges, levies or securities imposed or controlled by the City be provided to KLH as municipal incentives as identified in Attachment A of Report HH2018-004 to support the development of the sixteen (16) reconstructed and the eight (8) additional units that will be created; and

**That** the CAO be authorized to approve any of the required municipal incentives needed to implement the projects outlined in Attachment A of Report HH2018-004.

## **Background:**

Since 2007, KLH has explored the feasibility and developed business plans to sell some, or all of their 16 single detached and 48 semi-detached units that are older, lack accessibility features and are less energy efficient. KLH would then reinvest the proceeds into new, more efficient multi-residential affordable housing in Lindsay, with the goal of increasing the overall supply of rental housing within the community.

Throughout 2013-2017, KLH sold 37 existing KLH homes in Lindsay (four of which were purchased by existing KLH tenants) and leveraged the proceeds to create 57 new units.

Part 1 included:

- a 29 unit new community at 1 Devan Court in Lindsay consisting of townhomes and stacked apartments
- 13-3 bedrooms, 2-2 bedrooms and 14-1 bedrooms
- 22 rented on a RGI model (18 provided through the City's rent supplement and 4 provided through the Ministry of Health)
- 7 rented at 80% of average market rent with a housing allowance available to tenants with incomes too low to afford the 80%
- a portion of the property was sold to Habitat on which they will create 5 affordable homeownership homes

Part 2 included:

- a 12 unit new community at 5 Bond East in Lindsay consisting of townhomes
  - 12-3 bedrooms
  - 9 rented on a RGI model (through a City rent supplement agreement)
  - 3 rented at 80% of average market rent with a housing allowance available to tenants with incomes too low to afford the 80%
- a 16 unit addition to 48 St Paul Street in Lindsay consisting of apartments
  - 9-1 bedrooms, 7-2 bedrooms
  - 10 rented on a RGI model (through a City rent supplement agreement)
  - 6 rented at 80% of average market rent with a housing allowance available to tenants with incomes too low to afford the 80%

Part 1 and 2 have provided a successful template for future regeneration initiatives.

The next and final phase for the older homes, Part 3, will use revenue from 27 sales to create 40 new units. KLH is proposing to create these new units through

two new developments, in Lindsay, through partnerships with the City of Kawartha Lakes.

Part 3 will include:

### **Phase 2 – Bond Street East (portion of Shaft Park)**

In discussion with Community Services, an opportunity to utilize a portion of Shaft Park for housing purposes was realized. This presented a favorable site for KLH being adjacent to the new development at 5 Bond Street East. Part of the 5 Bond Street project included KLH bringing Bond Street East to a municipal standard. Including another development on that road ensures that KLH will justify the road construction cost to the project. With the City's donation of a portion of Shaft adjacent to Bond Street East, KLH would be able to develop a new 16 unit community consisting of townhomes and stacked apartments. KLH worked with Community Services to identify the portion of Shaft Park that would be utilized to ensure that a park component was still retained as well as retaining a shoreline portion to continue the connectivity of the walking trails.

### **Phase 2 – Lindsay Street North (more northerly portion of 68 Lindsay St N)**

A portion of the property being utilized for new Human Services Offices and 24 units of affordable housing for the homeless population will remain undeveloped. KLH will develop the property to the north of the existing project, through a lease, while the City retains ownership. While the City could chose to donate that portion of land, like suggested for Shaft Park, the lease model would be consistent with the 24 units currently under construction. KLH would be able to develop a new 24 apartment building with amenity space on the ground floor for services and programming needs of the tenants who will occupy the units.

### **Rationale:**

The board approved KLH Business Plan for these projects, Attachment A, provides detail to support the recommendations of this report including:

- Housing need
- Sale of existing homes
- Proposed development site and target market
- Feasibility and potential benefits and risks
- Timeline
- Conceptual drawings for the overall site and site plan/elevations for the two developments

In addition to this report:

- Report RS2018-017, also being presented to Council on June 19, 2018, deals specially with the land lease for Phase 2 – North portion of Lindsay Street North
- Report RS2018-018, also being presented to Council on June 19, 2018, deals specially with the land transfer for Phase 2 – Bond Street East

### **Financial/Operation Impacts:**

These two new developments have the following financial characteristics:

- The proceeds from the sale of existing housing units would be the largest source of financing for the capital cost of the two developments (approximately \$5.4M in revenue from sales).
- The proposed financing model, whereby the City would be the lender to the KLH for construction and long-term financing, eliminates the need for CMHC mortgage insurance, thereby reducing the capital cost. No municipal tax support would be needed for debt servicing costs. Because the lender is not a bank or other such lender, no securities will be held against the property by another organization.
- Municipal in kind support through land donation, long term land lease, and exemption from paying fees, charges, levies or securities related to the development process reduce capital costs and in turn reduces the need for long-term debt financing and related annual debt servicing costs. Municipal incentives have been supported by the City in a variety of affordable housing projects since 2005 and further enhanced through the Affordable Housing Framework adopted by Council on December 12<sup>th</sup>, 2017 and revised Municipal Housing Facilities (MHF) By-law 2018-057.
- Both developments will be based on a financial model which will provide rental revenue to cover the debt payments and expenses without any increase to the KLH operating subsidy request to the City.
- A rent supplement agreement between KLH and the City will ensure that the RGI model is maintained in the twenty-seven (27) replacement units
- KLH would achieve lower operating and capital costs for the twenty-seven (27) replacement units as compared to the existing units to be replaced.
- The City will receive increased revenue from property tax once the units are developed

### **Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:**

The recommendations of this report directly support the Actions under Goal 2: An Exceptional Quality of Life in the City of Kawartha Lakes Strategic Plan 2016-2019, specifically 2.2.2 Enhance access to community and human/health services and 2.2.3 Increase the supply of affordable housing.

## **Review of Accessibility Implications of Any Development or Policy:**

Both developments will incorporate accessibility requirements and needs.

## **Servicing Implications:**

There are no servicing implications apparent at this time; however, servicing will be reviewed in detail through the development approval phases.

## **Consultations:**

KLH Housing Corporation  
Solicitor, City of Kawartha Lakes  
Treasurer, City of Kawartha Lakes

## **Attachments:**

Attachment A      KLH Housing Corp – New Communities through Leveraging Older Homes – Part 3 – Business Plan



Phase 3 -  
Regeneration - May 3

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**Department Head:** Rod Sutherland