

# The Corporation of the City of Kawartha Lakes

## Council Report

Report Number RS2018-019

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**Date:** June 19, 2018  
**Time:** 2:00 p.m.  
**Place:** Council Chambers

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**Ward Community Identifier: 10**

**Title: Proposed Lease Agreement between the City of Kawartha Lakes and Kawartha Lakes Haliburton Housing Corporation**

**Author and Title: Robyn Carlson, City Solicitor and Acting Manager of Realty Services**

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### Recommendations:

**That** Report RS2018-019, **Proposed Lease Agreement between the City of Kawartha Lakes and Kawartha Lakes Haliburton Housing Corporation**, be received;

**That** the southern portion of 68 Lindsay Street North, legally described as LT 4 E LINDSAY ST NO RIVER, 5 E LINDSAY ST N RIVER, 6 E LINDSAY ST N RIVER, 7 E LINDSAY ST N RIVER, 8 E LINDSAY ST N RIVER, 9 E LINDSAY ST N RIVER, 10 E LINDSAY ST N RIVER, 11 E LINDSAY ST N RIVER, 12 E LINDSAY ST N RIVER, 13 E LINDSAY ST N RIVER, 14 E LINDSAY ST N RIVER PL 12P; PT LT 15 E LINDSAY ST N RIVER, 16 E LINDSAY ST N RIVER, 17 EAST LINDSAY ST N RIVER PL 12P; PT LT 1 N/S QUEEN ST, 2 N/S QUEEN ST, 3 N/S QUEEN ST, 4 N/S QUEEN ST PL 15P; PT LT 4 W/S CAROLINE ST, 5 W/S CAROLINE ST, 6 W/S CAROLINE ST, 7 W/S CAROLINE ST, 8 W/S CAROLINE ST, 9 W/S CAROLINE ST, 10 W/S CAROLINE ST, 11 W/S CAROLINE ST, 12 W/S CAROLINE ST, 13 W/S CAROLINE ST, 14 W/S CAROLINE ST, 15 W/S CAROLINE ST, 16 W/S CAROLINE ST, 17 W/S CAROLINE ST, 18 W/S CAROLINE ST PL 12P PT 4, 5 57R5191 & PT 6 57R8136, in the Geographic Town of Lindsay, City of Kawartha Lakes, being property proposed to be occupied by an affordable housing development and more particularly illustrated in Appendix A be declared surplus to municipal needs and disposed of by long term lease to the Kawartha Lakes Haliburton Housing Corporation; and

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

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

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

**That** the Mayor and Clerk be authorized to execute the Lease Agreement attached as Appendix B on behalf of the City of Kawartha Lakes, being a Lease Agreement with Kawartha Lakes Haliburton Housing Corporation for the purpose of leasing affordable housing space within City property located at 68 Lindsay Street North, Lindsay.

## **Background:**

The proposed Lease Agreement was discussed by the Land Management Committee on May 14, 2018 and it was the recommendation of the Committee that the terms of the proposed Lease Agreement be approved.

Public Notice advertising the potential long-term lease of the subject property was completed by newspaper circulation in the Kawartha Lakes This Week on the 24<sup>th</sup> and 31<sup>st</sup> days of May and 7<sup>th</sup> day of June, 2018. In addition a “Potential Surplus Property” sign was posted on the subject property for the three week period corresponding with the newspaper circulation.

The purpose of this report is to provide Council with an opportunity to consider the terms of the proposed Lease Agreement and for Council to provide direction required to execute this Agreement. The proposed Lease Agreement is attached at Appendix B.

## **Rationale:**

The affordable housing building and grounds are interconnected with the City offices, and the entire asset is owned by the City.

This will be the first lease entered into between the City and KLHHC. In all other cases, KLHHC is the property owner of its affordable housing developments. This financial model, as more specifically described in the Financial Impacts section below, was chosen due to the dual nature of the development (as one of the two buildings on the property is City administrative space) and in order to gain administrative efficiencies: as an example, the City could determine and allocate a portion of the operating costs and charge them to KLHHC, creating administrative entries in the background and requiring KLHHC to seek the portion not covered by rents as municipal subsidy through the City. Rents could be set at the affordable rate, however, based on the approved tenant population (the homeless); they could not afford that rent and therefore require a municipal subsidy from the City. This would require a rent supplement agreement between the City and KLHHC, resulting in reconciliations and payments between the market rent and what the tenant has the ability to pay.

## **Other Alternatives Considered:**

None.

## **Financial and Operational Impacts:**

The associated construction costs (including the cost of obtaining a Record of Site Condition pursuant to the Ontario *Environmental Protection Act*, R.S.O.

1990, c. E. 19, as amended) were the cost of the City. The ongoing capital costs and eventual demolition will be the cost of the City.

The lease provides for all building and ground expenses, both operational and capital, as an expense to the City. This will include day to day maintenance, cleaning, utility and property tax. KLHHC expenses will be limited to tenant related maintenance inside the units (damages, unit restoration following a vacancy, etc.) and property insurance.

That base cost to the City is estimated at \$11.72 per square foot, totaling \$234,400 per annum.<sup>1</sup> The total cost, including both base cost and operating/additional cost is \$14.84 per square foot, and total \$296,806.35 per annum. It is estimated that the base costs will escalate at 1.5% per year. It is estimated that the operating and maintenance costs will escalate at 3% per year. It is unknown at this time how revenues will fluctuate over time.

The lease payment from KLHHC to the City is calculated as follows: the rental income which KLHHC receives from its sub-tenants less the expenses KLHHC incurs for maintenance inside the tenant units.

The municipal subsidy (annual cost to the City) is equal to the difference between \$296,806.35 and the subtenants rents' paid (less KLHHC expenses). This second figure is estimated by Human Services as being equal to or lesser than \$200,736.00 (see discussion in paragraph below). Accordingly, the annual cost to the City is estimated at, at least, \$96,070.35.

Sub-tenants will pay below market rent based on the maximum shelter benefit level for a tenant receiving social assistance and 30% for any other income sources. It is expected that the majority of the 24 units will be occupied by the individuals in receipt of social assistance. This would mean that tenants' rents would be somewhere between \$384.00 and \$489.00 per month (the current maximum shelter for a single person on either Ontario Works or Ontario Disability Support Program). Based on this assumption, KLH would anticipate receiving annual revenue of \$110,592.00 to \$140,832.00 (based on 2018 shelter rates). The most rental revenue that KLH would ever receive is based on 80% of the average market rent (the maximum allowed to be charged in order to receive the capital funding) is \$200,736.00 (\$697.00 based on 2018 rates). The expenses that KLH will incur for maintenance inside the units are impossible to estimate. There is no way to predict how many times the unit will turnover and need restored or the condition of the unit as it becomes vacant.

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<sup>1</sup> Base cost is based on the initial capital costs of the building plus property development and improvements over the term of the lease, estimated at \$12M. The cost of financing on a 20 year amortization is also considered and forms part of the base rent costs. From year 21 to year 40, base cost will be reduced by the cost of financing, however the City during this portion of the lease should expect to be paying more for capital repairs than it had for the first 20 years of the lease.

The lease payment established will continue throughout the 40 year term of the lease. The 40 year term matches the affordability period commitment made in gaining approval for the federal/provincial funding through the Investment in Affordable Housing 2014 Extension, Social Infrastructure Fund and Home for Good.

### **Relationship of Recommendations to the 2016-2019 Strategic Plan:**

The recommendations in this report, to surplus and gift the lease of land for affordable housing, are in line with Goal 2 of the Council Adopted Strategic Plan: An Exceptional Quality of Life.

The City of Kawartha Lakes is the Municipal Service Manager (SM) for housing and homelessness programs and services for both the City of Kawartha Lakes and the County of Haliburton as mandated by the Province of Ontario through the Housing Services Act. In addition to goals and objectives of the Council approved (February 2014) 10 Year Housing and Homelessness Plan, a requirement of the Act, and more the recently the adoption of the Affordable Housing Framework by Council in December 2017, gifting land to our own initiatives is in line with the strategic enabler of “Responsible Fiscal Resource Management”.

### **Accessibility Implications:**

The Accessibility Committee has reviewed and have had input into the site plan and engineering drawings for the building for this portion of the site, during the site plan stage of the development process, in accordance with section 29 of the *Ontario Accessibility for Ontarians with Disabilities Act, 2005*, S.O. 2005, c. 11.

### **Servicing Implications:**

The proposed development has undergone a Site Plan process and has been designed to be on full municipal services: water and sewer, with on-site stormwater management facilities. This property was zoned for the proposed use and therefore included in the capacity for the Colborne Street Sanitary Pump Station (now Rivera Park Sanitary Pump Station, currently under construction). Adequate water and sanitary servicing capacity exists to service this development.

### **Consultations:**

Land Management Committee:

- CAO

- Director of Community Services
- Director of Development Services
- Director of Engineering and Corporate Assets
- Director of Public Works
- Manager of Corporate Assets
- Land Use Planner, Large Developments

Director of Human Services

President, KLHHC

Manager of Building and Housing

### **Attachments:**

Appendix A – Location of Proposed Housing Building and Parking



Appendix A - Site  
Plan (Affordable Hou:

Appendix B – Proposed Lease Agreement



Appendix B -  
Proposed Lease Agre

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**Department Head: Robyn Carlson**

**Department File: L17-18-RS037**