

The Corporation of the City of Kawartha Lakes

Committee of the Whole Report

Report Number HH2019-004

Date: February 12, 2019

Time: 1:00 p.m.

Place: Council Chambers

Ward Community Identifier:

Title: KLH Housing – Minden Housing Project

Description: New 21 unit rental housing development on Parkside Street in Minden

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

Recommendation(s):

That Report HH2019-004, KLH Housing – Minden Housing Project, 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 process that the Township of Minden Hills or the County of Haliburton may require, the proposal outlined in HH2019-004 by the Kawartha Lakes-Haliburton Housing Corporation (KLH Housing Corp) to develop twenty one (21) new rental housing units on Parkside Street in the Village of Minden, be approved;

That the City approves completion of financing for the cash flow and borrowing facilities outlined in Report HH2019-004 in the City's own name, with the City then lending the funds to the KLH Housing Corp for the new project being constructed on Parkside Street in the Village of Minden; and

That this recommendation be brought forward to Council for consideration at the next Regular Council Meeting.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

Kawartha Lakes-Haliburton Housing Corporation (KLH Housing) is an experienced housing provider (with the City of Kawartha Lakes as its sole shareholder) operating just over 700 units of housing in both the City and the County. For the past several years, KLH Housing has been developing new housing in response to long waiting list for financially assisted units and the overall need for market rental housing. This theme has been evident within KLH Housing's strategic planning and also helps to meet the City, the County and certain local municipalities within the service area to meet different housing goals and objectives they have.

KLH Housing, making use of municipally owned land, proposes to build Phase II on the Parkside Street site in Minden. Pinegrove Place, the Phase 1 development is now complete and targets the senior population with rents ranging from affordable market (80%) to above market (120%) based on the average market rent for the service area.

Phase II is based on a master plan for the site approved at the time of Phase I (2015-16) which came from the results of various studies and input from a project team and township staff. Official Plan and zoning amendments were also completed. Phase II is a three story apartment building which will include 21 units (9 one-bedroom, 9 two-bedroom, 3 three-bedroom) with gross floor area of just under 20,000 sq. ft. The building will have an elevator, four barrier free units and modest sized main floor common and laundry areas. The development will incorporate barrier free and energy efficient design options as much as possible with available funding. This will include looking toward construction that conforms to the majority of LEED standards such as low energy consumption, renewal materials and energy efficient electrical and mechanical systems.

Phase II, comprised of one, two and three bedroom units will offer rents similar to Phase 1 to a population that includes the homeless, families, singles, couples, seniors and those with physical disabilities. Eleven of the units (a mix of unit sizes) will be offered under the affordable market program which is 80% of the average market rent for the service area, or if occupied today would be approximately:

- \$700 for a one-bedroom
- \$850 for a two-bedroom
- \$1,000 for a three-bedroom

The other ten units (a mix of unit sizes) will be offered under the above market program which is 120% of the average market rent for the service area, or if occupied today would be approximately:

- \$1,050 for a one-bedroom
- \$1,250 for a two-bedroom
- \$1,400 for a three-bedroom

In addition, KLH Housing will work with the City to try and secure housing allowances or rent supplement funding in order to provide a percentage of households, who meet eligibility requirements, a deeper level of subsidy.

The development will be financially supported primarily through a KLH Housing Corp reserve contribution and a debenture. The mixed income model permits the above market rental income to help support the affordable and market rent units. The project has already received CMHC Seed Funding in the amount of \$41,250 to assist with studies, assessments, drawings and specifications.

The City is currently exploring with the province any potential to access some surplus Investment in Affordable Housing funding. The province is currently reviewing any unspent allocations from service managers from 2017-18 funding. This project is able to meet provincial deadlines to access some of this surplus and has been proposed to the province. It is anticipated that these reallocations would happen before March 31, 2019.

Since this project is located in the County of Haliburton and the Village of Minden, the municipal in kind incentives are provided through the County and the Township, not the City. The financial plan incorporates the following which have been approved:

- Cash contribution from the County
- Incentives from Minden Hills
 - Land donation
 - Site plan application fees
 - Parkland fees
 - Road entrance permit fees
 - Connection fees
 - Building permit fees

Once all the in kind incentives are calculated, the City will enter into a project specific municipal housing facilities by-law and agreement with the value of these incentives registered on title. Should KLH Housing Corp not continue to meet the requirements of the agreement (for example, cease to continue providing affordable rents), KLH Housing Corp would be obligated to reimburse the County and/or Minden Hills for the value of the incentives.

The financing model anticipates that the City would be the lender both for construction financing and long term financing similar to multiple other KLH Housing Corp projects completed since 2013. KLH Housing Corp would make all payments toward this financing to the City so no tax support is necessary. This approach to financing eliminates the requirements for CMHC mortgage insurance amongst other things thereby reducing the project capital cost by thousands of dollars.

Rationale:

Financially Assisted Waiting Lists

There are a total of 1,142 subsidized housing units in Kawartha Lakes and Haliburton (726 units in Lindsay, 181 units in the rest of CKL and 235 in the County). Information from the City's Housing Help Division shows that as of December 31st, 2018 there were 1,672 households waiting for one of those units (601 senior households, 373 households with dependents and 698 households without dependents). In 2018 only 98 of the 1,142 units vacated.

In Minden specifically there are currently 81 subsidized units and over 300 on the centralized waiting list awaiting one of those units. These households would automatically have the option to select these new units with their original application date.

Households Waiting for a subsidized unit in Minden

Unit size	Number of Households
1 Bedroom Unit	259
2 Bedroom Unit	47
3 Bedroom Unit	56

In Minden specifically there are currently 71 households on market waiting lists awaiting a market housing unit. While these households are on market lists for other housing units, they would be contacted, along with the broader public to apply for the new market units.

Households Waiting for a market unit in Minden

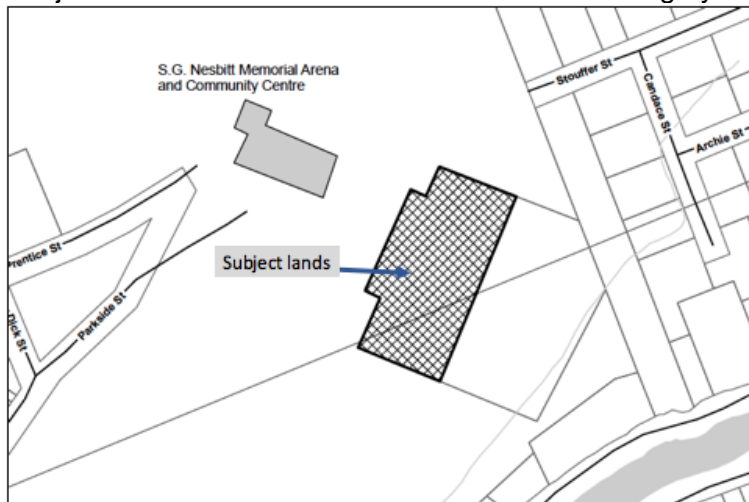
Unit size	Number of Households
1 Bedroom Unit	26
2 Bedroom Unit	33
Either 1 or 2 Bedroom Unit	12

Site Details

The site, which was owned and then approved for donation by the Township of Minden Hills to KLH Housing is approximately 2.5 acres in size. It is located 50 metres to the east of the S.G. Nesbitt Memorial Arena and Community Centre and is municipally known as Part of Lots 4 and 5, Concession A, Minden.

A portion of the subject lands were previously for parking, maintenance, storage and a skateboard facility. The remaining lands were undeveloped and partially accommodated a snowmobile and pedestrian trail.

Subject Lands Severed and Donated to KL Housing by the Township



Source: Municipal Planning Services, Planning Report, November 2015

Official Plan and Zoning Amendments

The Official Plan and zoning amendments for this site were initiated in October 2015 as a parallel process and were completed in February 2016. The planning approvals took into consideration Phase I and a potential Phase II development. The subject property was re-designated from “Parks and Open Space” to residential, Schedule ‘A-1’ Settlement Area of Minden with a site specific policy exception to permit a residential density of approximately 36 dwelling units per developable hectare.

The subject property was previously zoned CF—Community Facility Zone and required a zoning amendment to R2-Residential Type Two as the base zone with some site specific By-Law exceptions required.

Phase II will be built within the lands rezoned as part of the master plan for this site thereby no Official Plan or zoning changes to the subject lands identified in Phase 1 for Phase II are anticipated.

Development Details

The proposed Phase II development is a 3 storey, 21-unit apartment building comprised of one, two and three bedroom apartments. The gross floor area for the building is 19,752 sq. ft. The building will have an elevator and four barrier free units. A modest sized main floor common room and laundry area is proposed. The average size of the apartments will be:

- One-bedroom apartments – 600 sf ,
- Two-bedroom apartments – 810 sf,
- Two-bedroom with Den – 830 sf,
- Three-bedroom apartments – 1100 sf.

The proposed development will incorporate barrier free and energy efficient design options as much as possible with the available funding. This will include looking toward construction to conform to majority of LEED standards including low energy consumption, renewable materials, and energy efficient electrical and mechanical systems.

Copies of site and elevation drawings are included as appendices to this report.

Timeline

The proposed timeline illustrates the anticipated dates for project development with the approval of KLH Housing capital funds, the transfer of the lands and various municipal incentives from the Township of Minden Hills and the proposed capital contribution from the County of Haliburton.

Milestones	Date
Meeting with Township Planning to review options and approvals required for Phase II	August 2018
KLH Housing Board approves Business Plan including capital funding allocation	October 3, 2018
Township of Minden Hills approves transfer of lands and other municipal incentives	October 11, 2018
County of Haliburton approves capital contribution	October 24, 2018
Site plan application filed	November 2018
Business Plan to City of Kawartha Lakes	February 2019
Site plan approved, building permit application submitted	February 2019
Proposal call for general contractor	February

Milestones	Date
Building Permit Approved	March 2019
Construction Begins	April 2019
Construction Completed	May 2020
Tenants Move-In	June 2020

Other Alternatives Considered:

None

Financial/Operation Impacts:

Financial Considerations

Capital and operating budget estimates for the project have been prepared based on the preliminary design with a \$200/sq.ft construction cost estimate which will reflect the energy efficient approach to the building. Costs for development approvals were obtained using the Township's fee schedules. Contingency budgets were based on best practices as established by previous projects, known expenses and the CMHC.

For this cost efficient, three storey, 21 unit development, the all-in capital cost will require a City debenture of approximately \$2.9 million to support the project. The following equity contributions are considered: a \$252,000 cash donation from the County, just over \$1million from KLH Housing Corp reserves and in kind municipal contributions.

The proposed annual net rental revenues cover the projected operating cost with a small manageable deficit in years one and two, a break-even point in year three, rising to a surplus of approximately \$7,000 in year four and then approximately \$14,000 by year five. This trend of continual increases to the annual surplus is the result of utilizing a serial debenture (higher debt expense in the beginning that gradually decreases over time with an overall savings in interest) and demonstrates the project's long term vitality. It will provide opportunity for increased affordability targets in future years.

If successful in accessing surplus provincial investment in affordable housing funding, this project would have the ability to increase affordability targets immediately.

The financial model anticipates the following municipal incentives and support, of which the City, County and local municipalities have provided to KLH on several other other occasions now and of which the Affordable Housing Framework supports

- \$252,000 cash contribution from the County
- Donation of land
- Site Plan application fees and relief from any security
- Building Permit Fees
- Relief from Parkland Levy, servicing connection fees, etc. related to the new developments
- Debenture secured by the City, repaid by project revenue
- Cash flow throughout development and construction, as needed

Benefits of the Project

This project will assist to meet the County, the Township and the City of Kawartha Lakes (in their role as Service Manager) goal of increasing the new supply of affordable rental housing. The County of Haliburton has experienced a drop in rental supply in recent years. In order to meet the demand for affordable housing options and the housing needs of the population, the Township of Minden Hills has targeted the creation for 250 seniors and/or affordable housing units in the next 20 years. Minden Phase I senior's housing was completed in 2017, and Phase II suited to a range of household types, the two developments together create 33 units of new affordable and market rental housing in Minden. The property is well situated and close to a number of community services and amenities. The planning approvals for the site, which involved Official Plan and zoning amendments were completed as part of Phase I. Minden Phase II is well positioned to move to site plan submission and building permit over the next six months with construction targeted to start in the Spring of 2019.

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:

The development will incorporate both overall accessible design as well a number of units being barrier free.

Consultations:

TWC Consulting Inc
Chamberlain Architects

Attachments:

Appendix A – Minden Phase II Conception drawings



Attachment A Phase
2 Business Plan - addi

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