

The Corporation of the City of Kawartha Lakes

Committee of the Whole Report

Report Number HH2020-001

Meeting Date: January 14, 2020

Title: KLH Housing – Development Updates

Description: Updates on the following KLH Housing Developments – Lindsay Street North, Hamilton Park and 106 Murray St., Fenelon Falls

Author and Title: Hope Lee, Manager, Human Services (Housing)

Recommendation(s):

That Report HH2020-001, KLH Housing – Development Updates, be received;

That the Lindsay Street North development originally proposed within HH2019-001 be deferred with an amended proposal brought back to Council following the successful removal of the additional soils;

That subject to the necessary by-laws and agreement being forwarded to Council for approval, and the successful completion of such planning and development processes as the City may require, the amended proposal for Hamilton Park, Lindsay by the Kawartha Lakes-Haliburton Housing Corporation (KLH Housing) be approved with the following revisions as described in Report HH2020-001:

1. The proceeds from the sale of twenty seven (27) single and semi-detached KLH Housing units transferred by the Province to KLH Housing in 2001, with their specific addresses identified within the Existing Homes section of Attachment A of Report HH2020-001, be used to fund their replacement with twenty seven (27) newly constructed housing units to be rented as Rent-Geared-to-Income (RGI) through a rent supplement agreement between the City and KLH Housing; and
2. 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 Housing; and

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

3. The in kind municipal incentives proposed in Report HH2020-001 to support the project on Hamilton Park in Lindsay within which the twenty seven (27) reconstructed and nineteen (19) additional units will be created;

That the City's Chief Administrative Officer be authorized to approve relief from any of the required fees and charges as in kind municipal support, needed to implement the Hamilton Park project;

That a By-law authorizing the City to execute a Municipal Housing Facilities Agreement with KLH Housing for Minden Phase 2, substantially in the form and included as Attachment C to Report HH2020-001, be forwarded to Council for adoption; and

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

Background:

At the Council Meeting of February 5, 2019, Council adopted the following resolutions:

CR2019-094

That Report 2019-001, **KLH Housing – Phase 2 Lindsay Street North**, be received;

That subject to the necessary by-laws and agreement being forwarded to council for approval, and the successful completion of such planning and development processes as the City may require, the proposal by the Kawartha Lakes-Haliburton Housing Corporation (KLH Housing) for reconstruction of eleven (11) of its older single and semi-detached housing units be approved, including the following project characteristics as described in Report HH2019-001;

1. The sale of eleven (11) single and semi-detached KLH Housing units transferred by the Province to KLH Housing in 2001, with their specific addresses identified within the Existing Homes section of Report HH2019-001, and their replacement with eleven (11) newly constructed housing units to be rented as Rent-Geared-to-Income (RGI) through a rent supplement agreement between the City and KLH Housing; and
2. The completion of financing for cash flow and borrow facilities in the City's own name, with the City then lending the funds to KLH Housing; and
3. The in kind municipal incentives proposed in Report HH2019-001 to support the project within which the eleven (11) reconstructed and five (5) additional units will be created; and

That the City's Chief Administrative Officer be authorized to approve relief from any of the required fees and charges as in kind municipal support, needed to implement the project.

Carried

CR2019-095

That Report 2019-002, **KLH Housing – Hamilton Park**, be received;

That subject to the necessary by-laws and agreement being forwarded to council for approval, and the successful completion of such planning and development processes as the City may require, the proposal by the Kawartha Lakes-Haliburton Housing Corporation (KLH Housing) for reconstruction of sixteen (16) of its older single and semi-detached

housing units be approved, including the following project characteristics as described in Report HH2019-002;

1. The sale of sixteen (16) single and semi-detached KLH Housing units transferred by the Province to KLH Housing in 2001, with their specific addresses identified within the Existing Homes section of Report HH2019-002, and their replacement with sixteen (16) newly constructed housing units to be rented as Rent-Geared-to-Income (RGI) through a rent supplement agreement between the City and KLH Housing; and
2. The completion of financing for cash flow and borrow facilities in the City's own name, with the City then lending the funds to KLH Housing; and
3. The in kind municipal incentives proposed in Report HH2019-002 to support the project within which the sixteen (16) reconstructed and ten (10) additional units will be created; and

That the City's Chief Administrative Officer be authorized to approve relief from any of the required fees and charges as in kind municipal support, needed to implement the project.

Carried

At the Council Meeting of February 19, 2019, Council adopted the following resolutions:

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; and

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.

Carried

That Report HH2019-005, **KLH Housing – Fenelon 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 processes as the City may require, the proposal outlined in HH2019-005 by the Kawartha Lakes Haliburton Housing Corporation (KLH Housing Corp) to develop thirty (30) new rental housing units at 106 Murray Street in Fenelon Falls, be approved;

That the completion of financing for cash flow and borrowing facilities in the City's own name, with City then lending the funds to KLH Housing Corp for the new development as outlined in Report HH2019-005, be approved;

That the in kind municipal incentives proposed in Report HH2019-005 to support the development of the thirty (30) new units, be approved; and

That the City's Chief Administrative Officer be authorized to approve relief from any of the required fees and charges as in kind support, needed to implement the new development.

Carried

This report provides for the following:

1. An amendment to the resolution for HH2019-001 (Lindsay Street North)
2. An amendment to the resolution for HH2019-002 (Hamilton Park)
3. Authorization for the municipal housing facilities by-law for HH2019-004 (Minden Phase 2)
4. An update for HH2019-005 (106 Murray, Fenelon)

Rationale:

1. Lindsay Street North development (Report HH2019-001)

The original intent to complete the regeneration of the remaining twenty seven (27) single and semi-detached KLH Housing units transferred by the Province to KLH Housing in 2001 used two sites; Lindsay Street North and Hamilton Park.

It has now been confirmed that the task to further test and create a plan to remove the additional soils on the Lindsay North site will extend well into 2020. In order to not delay the regeneration of the remaining 27 homes, KLH Housing has amended the original development on the Hamilton Park property to complete the regeneration using Hamilton Park solely (see Item 2 below for further details).

KLH Housing will still identify the Lindsay Street North lease opportunity for a future development including a different site plan and a different financial plan. KLH Housing will begin exploring these opportunities later in 2020 with an expectation of having an amended business plan ready by early 2021.

2. Hamilton Park (Report HH2019-002)

The amended Hamilton Park development will use the remaining 27 homes that KLH Housing will sell to create a 46 unit apartment building with 28-1, 12-2 and 6-3 bedroom units. This will become the third and final part of the regenerating the 64 single and semi-detached homes. All 46 apartments at Hamilton Park will have affordable rents with 27 of them being rent geared to income replacing those subsidies previously provided in the 27 homes (a provincial requirement).

Other than the amendments above and their financial impacts, the development and business plan approach are the same as previously approved including:

- The in-kind contribution of land from the City
- Proceeds from the sale of older existing units
- CMHC Seed Funding
- In kind municipal incentives including the waiver of any fees, charges and securities controlled directly or indirectly by the municipality
- City as the lender both for construction financing and long term debt

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 not continue to meet the requirements of the agreement (for example, cease to continue providing affordable rents), KLH Housing would be obligated to reimburse the City for the value of the incentives.

The full details of the development can be found in the KLH Housing business plan included as Attachment A. A proposed site plan is included as Attachment B.

3. Minden Phase 2 (Report HH2019-004)

With this development now under construction, all municipal in-kind incentives have been calculated. The City (in its Service Manager capacity) now needs to enter into a project specific municipal housing facilities by-law and agreement (MHFA) with the value of these incentives registered on title. Should KLH Housing not continue to meet the requirements of the agreement (for example, cease to continue providing affordable rents), KLH Housing would be obligated to reimburse the County and/or Minden Hills for the value of the incentives. The agreement and by-law are included as Attachment C to this report.

In addition to the MHFA, the City has also entered in contribution agreements (CA) with KLH Housing applicable to the federal/provincial funding allocated to this project by the Service Manager. The CAs similar to the MHFA provides the requirements KLH Housing must continue to meet. These agreements are also registered on title and should KLH Housing cease to provide any of the requirements they would be obligated to reimburse a pro-rated portion back to the Service Manager. They include:

- Investment in Affordable Housing 2014 Extension, Rental Housing Component (Year 6): \$116,299
- Ontario Priorities Housing Initiative, Rental Housing Component (Year 1): \$772,065
- Canada-Ontario Community Housing Initiative, Rental Housing Component (Year 1): \$31,906

This development is anticipated to be ready for occupancy late 2020 or early 2021.

4. 106 Murray Street, Fenelon (Report HH2019-005)

This property has recently received a zoning amendment to permit the use KLH Housing intended for it when purchased. The zoning amendment permits a mixed occupancy rather than just seniors and the addition of 3 bedrooms.

With this step completed, KLH Housing had intended to work through the next steps aiming toward occupancy later in 2021. While KLH Housing will still work through site plan approvals and to a point toward a building permit and construction tender, the construction start and occupancy will be delayed. The timing of this delay will be driven by approvals by Council for the reconstruction of Murray Street. This road reconstruction project was originally expected to occur in 2020, however, it was removed from the 2020 Capital Budget. The reconstruction project includes servicing work which the City must complete before KLH Housing can complete construction on the building. Once KL Council approves the capital project for the road, KLH Housing will resume steps to obtain the building permit and construction of the building.

Financial/Operation Impacts:

Capital and Operating budgets for the Hamilton Park project have been prepared based on a 46 unit construction budget with a \$235/square foot construction cost estimate. With the cost-efficient construction of the three-story building, the contribution from the City in the form of a surplus land donation, \$7 million in KLH Housing equity through the sale of 27 scattered singles and semis, \$595,202 grant to offset development charges, a further \$65,549 in city fee forgiveness, CMHC seed funding estimated to be \$25,000 and an approximate \$4.83 million mortgage, the project will operate very close to a break even basis in the first few years, with surpluses occurring in years following that.

In order to achieve a break even position over the first few years, some savings from a completed mortgage (Red Pine in 2021) is identified. On average annually around \$44,000 will be needed over the first five years. This will be identified from just over \$140,000 annually in savings from that mortgage being paid off.

By applying the proceeds from the sale of 27 single/semi-detached units, there will be a net gain of 19 units.

The financial model anticipates the following municipal incentives and support, the majority of which the City has provided to KLH Housing on multiple occasions now and of which the Affordable Housing Incentive Policy supports:

- Development Charges;
- Building Permit Fees;
- Relief from Parkland cash-in-lieu, servicing connection fees, DAAP fees, etc. related to the new development;
- Debenture secured by the City, repaid by KLH through rental revenue; and
- Cash flow throughout development and construction, as needed.

The proposed rents at Hamilton Park include rent levels at 100% of CMHC's average market rent for 46 apartments. Further, it is important to note that the most current CMHC average market rents (AMR) available are from the fall 2018 report. The rents will be updated when the 2019 AMR's are published in the near future. Rental charges will include utilities. With the requirements of the Housing Services Act requiring no reduction in the number of RGI units, 27 of the units will be rented on an RGI basis, essentially transferring the RGI subsidy payments from the existing single and semi-detached homes being sold into these new apartment units.

The most visible benefit to the City will be the addition of 46 new affordable and accessible rental apartments, supporting the housing objective of the City's strategic plan. The development will assist in revitalization of the neighborhood and repurposing of a portion of open space not actively used. It will add well maintained, safe and affordable, mixed income rental housing to the community.

Financially the City will see the following:

1. Increased property tax revenue from the new 46-units created
2. KLH's operating and capital request to the City annually will not be impacted by the repairs needed for the 27 older units
3. Rent supplement expenses annually for the 27 replacement RGI units of approximately \$220,000, which is less than the expenses related to the older stock which KLH Housing would be seeking within subsidy requests to Kawartha Lakes

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:

Each development will incorporate universal design standards and a number of units with barrier free design.

Consultations:

TWC Consulting Inc

Attachments:

Attachment A KLH Housing – Regeneration Part 3 Business Plan



Attachment A -
Dec2019 Business Pla

Attachment B KLH Housing – Hamilton Proposed Site Plan



Attachment C -
Proposed Site Plan.pc

Attachment C Municipal Housing Facilities By-law and Agreement



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