

**The Kawartha Lakes-Haliburton Housing Corporation
(KLH Housing)**

Part 3 Regeneration - Business Plan

Hamilton Street: 46-Unit Development

December 2019

Table of Contents

- Executive Summary 4
- Background..... 5
 - Table 1 Summary of New Development by KLH Housing 6
- Introduction – Regeneration Part 3..... 7
- The Team 7
 - Kawartha Lakes-Haliburton Housing Corporation (KLH Housing) 7
 - Housing Development Consultant 8
 - Architectural Firm 8
 - Construction Firm 8
 - Property Management..... 8
- Housing Needs 8
 - Vacancy Rates 8
 - Table 2 Vacancy Rates..... 9
 - Average Rents 9
 - Table 3 Average Rents..... 9
 - Table 4 Seniors Pension - CPP/OAS..... 10
 - Table 5 2019 Shelter Rates 10
 - Financially Assisted Waiting Lists..... 10
- Part 3 – Sale of 27 Homes 11
 - Existing Homes 11
 - Table 6 Detached and Semi-Detached..... 11
 - Table 7 Average Sale Prices Part 1 & 2 12
 - Requirement to Meet Service Level Standards (SLS)..... 12
 - Table 8 Household Income Limits 13
 - Table 9 High Need Levels 13
 - Table 10 2019 Market Rents 13
- Part 3 Rationale 14
 - Table 11 Number of Units by Bedroom Size 14
- Tenant Relocation..... 15
- Development Site..... 15
- Development Details 16

Zoning Considerations 17

Financial Considerations..... 17

 Proposed Rents..... 18

 Benefits to the City 18

Marketing Plan..... 18

Timeline 19

 Table 13 High Level Next Steps..... 19

Conclusion 19

Executive Summary

The Kawartha Lakes-Haliburton Housing Corporation (*herein KLH Housing*) wishes to continue with its successful portfolio regeneration plan of selling its older single and semi-detached homes and using the proceeds to increase the supply of newer energy efficient and accessible affordable housing units which provide a more strategic fit with the demands in the community.

The Regeneration Plan is being executed in three parts. Part 1, completed in 2015 at Devan Court in Lindsay, created 29 new units from the sale of 18 homes and Part 2, created 16 new units at 48 St. Paul occupied in 2018 while an additional 12 townhomes at 5 Bond Street East were occupied in early 2019. These two developments (Part 2), both in Lindsay, created 28 new units from 19 home sales.

This part (Part 3) will see the creation of an additional 46 apartments for seniors, singles, couples and small families on Hamilton Street in Lindsay with funding primarily through the sales of the remaining 27 homes. The new apartments should be completed by the summer of 2022.

In total, the regeneration plan of the singles and semis will result in a net increase of 39 affordable rental units (from 64 to 103 homes).

The project detailed in this business plan will complete KLH Housing's strategy to sell and leverage a total of 64 older homes. Although the maximum rent in all units will not exceed the average market rent for the area, it will create a mix of rents that will benefit a range of tenancies realizing that 27 units will be based on a rent-geared-to-income (RGI) model through a rent supplement agreement (replacement of the 27 subsidies in the homes being sold). It also anticipates the development will benefit from municipal incentives through the City's Municipal Housing Facilities By-law and Affordable Housing Incentive Policy. This will reduce upfront capital costs (rezoning application fees, building permit fees, development charges, parkland cash-in-lieu, exemption for site plan securities, etc.). This part also benefits from the donation of land from Kawartha Lakes.

The strengths of KLH's business plan for this proposed 46 unit development include:

- Primarily financed through the sale of existing older and less energy efficient KLH homes lacking in accessibility features;
- Create a new building that is energy efficient, and accessible;
- Partnership between Kawartha Lakes and KLH Housing assisting both to meet their goals of increasing the new supply of affordable housing in both the City's Strategic Plan and the Ten-Year Housing & Homelessness Plan.

Background

Kawartha Lakes is the Municipal Service Manager (SM) responsible for the administration of approximately 1,100 units of affordable housing located within the communities of Lindsay, Bobcaygeon, Fenelon Falls, Omemee, Haliburton, Wilberforce and Minden. The housing includes multi-residential, semi-detached and single detached dwellings. As the SM, Kawartha Lakes oversees nine housing corporations, six housing corporations under the *Housing Services Act* (HSA) and three housing corporations under Municipal Housing Facility Agreements. These providers include the Kawartha Lakes-Haliburton Housing Corporation (KLH Housing).

KLH Housing is the largest of the housing providers with 756 units in operation and another 21 under construction. Kawartha Lakes is its sole shareholder. The portfolio includes:

- market rent units (100% or more of the average for the area)
- affordable rental units (80% of the average for the area)
- rent geared to income (RGI) units (not to exceed 30% of the tenant's gross income)

Like many communities across Ontario, Kawartha Lakes has a shortfall of decent, affordable housing available to low and moderate-income households. Most of the new housing development being developed in the community is targeted to the ownership market and regrettably is priced well beyond the affordability threshold of most low and moderate-income households. It is necessary for community housing providers, such as KLH Housing, to step in and provide the much-needed affordable housing for low and moderate-income households.

While the HSA permits housing providers such as the KLH Housing to sell housing units, the law requires that the number of RGI households not be reduced.

A critical challenge to address this unmet demand is the lack of capital funding available from other levels of government. KLH Housing continues to play an active role in developing creative solutions to increase rental housing while maintaining the number of RGI units within its portfolio. Since 2007, KLH Housing has explored the feasibility and developed business plans to 16 single detached and 48 semi-detached units. These units are older with increasing capital repair requirements, lack accessibility features and are less energy efficient. KLH Housing 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 Housing began the implementation of its regeneration plan, by selling 37 existing KLH homes in Lindsay (four of which were purchased by existing KLH tenants) and used the proceeds to create 57 new units as follows:

Part 1 included a 29 unit new community at 1 Devan Court in Lindsay consisting of townhomes and stacked apartments. The project has 13-3 bedrooms, 2-2 bedrooms and 14-1 bedrooms:

- 22 units are RGI (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 access to a housing allowance for lower income tenants who cannot afford the 80%
- a portion of the property was sold to Habitat on which they have created 5 affordable homeownership homes

Part 2 included:

- a 12 unit townhome community at 5 Bond East in Lindsay which are all 3 bedroom units
 - 9 RGI units (through a City rent supplement agreement)
 - 3 rented at 80% of average market rent with access to a housing allowance for lower income tenants who cannot 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 access to a housing allowance for lower income tenants who cannot afford the 80%

Table 1 below summarizes the development activities of KLH Housing including the first two parts of the regeneration plan. Parts 1 and 2 have provided a successful template for future regeneration initiatives.

Table 1 Summary of New Development by KLH Housing

Occupancy Year	Location	Total # of Units	# Replacing Sales	Net New Units
2013	Haliburton (WP Phase 1)	24	0	24
2015	Lindsay (Devan Court)	29	18	11
2017	Minden (Pinegrove Place – Phase 1)	12	0	12

Occupancy Year	Location	Total # of Units	# Replacing Sales	Net New Units
2018	Lindsay (Flynn Gardens)	16	10	6
2019	Lindsay (Bond by the River)	12	9	3
2019	Lindsay (Housing & Office Space)	24	0	24
2019	Haliburton (WP Phase 2)	12	0	12
		108	37	71

KLH Housing also started construction on a new 21-unit apartment building in Minden in the fall of 2019 and is planning to start construction on a new 30-unit family apartment building in Fenelon Falls in 2021.

Introduction – Regeneration Part 3

This proposal to complete the regeneration plan is for a 46 unit building targeting seniors, singles, couples and small families on the site immediately to the south of the current KLH Housing building at 19 Hamilton Street, in Lindsay. The concept is for the 28 1-bedroom units, including 5 barrier free, 12 2-bedroom units and 6 3-bedroom units. The project will provide 46 units at 100% of CMHC average market rents (AMR).

The site is currently vacant and has been identified by the municipality for use as an affordable housing development. Significant equity will be provided through revenues from the sale of 27 scattered single and semi-detached homes being re-invested in the creation of new accessible, energy efficient housing. The financing for the project will also include forgiven fees and charges from Kawartha Lakes and a debenture.

The Team

Kawartha Lakes-Haliburton Housing Corporation (KLH Housing)

KLH Housing operates as a separate corporation from Kawartha Lakes (which is the municipal service manager responsible for delivering housing programs) under the *Business Corporation Act*, though the City of Kawartha Lakes is its sole shareholder. KLH Housing is governed by its own Board of Directors. KLH Housing’s mission is to provide a variety of good quality, safe, accessible, sustainable and affordable housing options for households in Kawartha Lakes and the County of Haliburton, with a priority

focus on low income, the homeless persons and people with special needs. KLH Housing currently operates over 750 rental units and has gained development expertise in the past six years with new housing developments completed in Dysart, Minden and Lindsay.

Housing Development Consultant

Tim Welch Consulting Inc. (TWC) will work with KLH Housing on budget preparation, business plan development, planning approvals and project coordination. TWC president Tim Welch will work closely with KLH Housing staff and government officials and other funding agencies as appropriate. Mr. Welch and his associates will lead the municipal planning approvals for this project and monitor its financial viability.

Tim Welch Consulting Inc. is a housing policy, research and development corporation located in Cambridge, Ontario. Mr. Welch possesses over thirty years of experience in affordable housing development and policy work and has worked with over 20 groups in the development of affordable housing projects under various government assistance programs, including the Canada - Ontario Affordable Housing Program (AHP) and the Investment in Affordable Housing Program (IAH). TWC has previously provided development consulting support for KLHHC on six of its recent affordable housing developments.

Architectural Firm

KLH Housing has contracted Ron Awde Architect to be the architect on this project. Ron Awde's office has significant experience in the design of both multi-residential and affordable housing developments. Ron Awde's office will work closely with both KLH Housing and TWC to ensure the successful completion of the proposed 46-unit development. Ron Awde architect has previously provided architect services on two recent KLH Housing affordable housing developments.

Construction Firm

No decision on the selection of a construction firm has been made at this time. A firm with experience in the construction of multi-residential developments will be selected through a competitive tender process.

Property Management

KLHHC will use their existing property management expertise of over 750 rental units to manage the proposed 46 new rental apartments.

Housing Needs

Vacancy Rates

Statistics compiled by CMHC and published in its Fall 2018 *Rental Market Report*, reveal that vacancy rates across apartment types for the City of Kawartha Lakes is at

1.5%, a figure which is considered to be an unacceptably low balance between the supply and demand (Table 2). A rental vacancy rate of 3% is considered balanced. This low vacancy rate and overall lack of rental supply is experienced daily as both low- and moderate-income households try to locate a rental opportunity.

Table 2 Vacancy Rates

Private Apartment Vacancy Rates (%) by Bedroom Type - Ontario –Kawartha Lakes (Non-CMA Centers)								
Centre	1-Bedroom		2-Bedroom		3-Bedroom		TOTAL	
	Oct 2017	Oct 2018	Oct 2017	Oct 2018	Oct 2017	Oct 2018	Oct 2017	Oct 2018
Kawartha Lakes CA	0.6	1.4	0.9	1.9	0.0	0.0	0.8	1.5
Ontario 10,000+	1.6	1.8	1.6	1.8	1.8	1.5	1.6	1.8

Source: CMHC Rental Market Report, Ontario (Fall 2018)

Average Rents

While CMHC has reported that average rents for purpose built rental units in Kawartha Lakes have decreased slightly over the last year, they are still not yet at an affordable level for many households including seniors receiving a basic pension. The average one bedroom rent is still 6.0% higher than three years ago (\$816 in 2015 and \$865 in 2018), for example.

A lack of supply and low vacancy rate contributes to the high rents relative to incomes. KLH Housing wishes to increase the stock of rental housing in order to both meet housing needs and increase rental housing supply. Table 3 shows Kawartha Lakes average rents below average rents in Ontario; however, they remain out of reach for moderate to low income households. In 2016, 51.6% of all renters in Kawartha Lakes were facing housing affordability challenges (spending 30% or more on housing costs).

Table 3 Average Rents

Private Apartment Average Rents (\$) by Bedroom Type - Ontario – Kawartha Lakes								
Centre	1-Bedroom		2-Bedroom		3-Bedroom+		Total	
	Oct 2017	Oct 2018	Oct 2017	Oct 2018	Oct 2017	Oct 2018	Oct 2017	Oct 2018
Kawartha Lakes CA	871	865	1075	1054	1246	1177	996	959
Ontario 10,000+	1,044	1105	1208	1266	1450	1500	1140	1208

Seniors whose only source of income is based on CPP/OAS (basic pension for a single senior) have to spend 60% of their income on renting an average one-bedroom apartment in the City of Kawartha Lakes.

Table 4 Seniors Pension - CPP/OAS

Benefit Programs	Single	Qualified Couple	
		Per Person	Couple
OAS - Old Age Security	586.66	586.66	1,173.32
GIS - Guaranteed Income Supplement	876.23	527.48	1,054.96
Total	1,462.89	1,114.14	2,288.28

Source: Canada Revenue Agency, 2018

The average Kawartha Lakes rent amounts also exceed what a typical household earning minimum wage or receiving benefits under Ontario Works (OW), or Ontario Disability Support Program (ODSP) could afford to pay in rent. Table 5 shows the 2019 shelter rates for households receiving OW and ODSP.

Table 5 2019 Shelter Rates

Ontario Works and ODSP Shelter Rates		
Case Type	OW	ODSP
Single	\$390	\$497
Couple	\$642	\$781
Single Parent + 1 child	\$642	\$781
Single Parent + 2 children	\$697	\$846
Couple + 1 child	\$697	\$846
Couple + 2 children	\$756	\$918

Financially Assisted Waiting Lists

There are a total of 1,142 subsidized housing units in Kawartha Lakes and Haliburton County (726 units in Lindsay, 181 units in the rest of CKL and 235 in the County). Information from the City's Housing Division shows that as of September 2019 there were 1,760 households waiting for one of those units (603 senior households, 405 households with dependents and 752 without dependents). In 2018 only 98 of the 1,142 units vacated. Average wait times range from 3-5 years.

There is a need for housing for all types of households in the SM area. However, Lindsay is the location of choice for the redevelopment of single, senior and family housing. The need for housing for all housing types is significantly greater in Lindsay than in other parts of the SM area. And the single and semi-detached homes being sold are in Lindsay so it is reasonable the new replacement rental homes should also be in Lindsay.

While Kawartha Lakes has been successful in accessing and delivering new affordable housing funding and rent assistance dollars available from the Federal and Provincial governments in the past few years, there continues to be a significant need for affordable housing in the Kawartha Lakes - Haliburton SM Area due to:

- gaps between social assistance shelter allowance rates/basic seniors pensions/minimum wage earnings and average rents;
- low vacancy rates; and
- limited multi-residential housing, which is generally more affordable, being built by the private sector.

Therefore KLH Housing, in partnership with governments and community organizations, continues to look for innovative ways to enhance and expand the supply of affordable housing. KLH Housing, in undertaking the leveraging, is choosing to create an increasing number of apartments catered to seniors to reflect the continuing growth in the percentage of this demographic in Kawartha Lakes.

Part 3 – Sale of 27 Homes

Existing Homes

In 2007, staff carried out an inventory assessment and building audit of all KLH housing stock, including its detached and semi-detached stock. Of these, 16 are single detached and 48 are semi-detached units as described in Table 6 below, with an average age of 50 years.

Table 6 Detached and Semi-Detached

Number of detached and semi-detached units by bedroom count					
	2-bedroom	3-bedroom	4-bedroom	5-bedroom	Total
Single detached units	2	14	0	0	16 units
Semi-detached units	10	24	10	4	48 units

Several key considerations were examined in determining the feasibility of selling the scattered housing units:

- The upgrades needed to the units if remaining in the portfolio;
- The amount of revenue the scattered homes could potentially provide if they were sold;
- The ability of tenants to purchase the home in which they live; and
- Maintaining service level standards under the Housing Services Act (HSA).

The target stock is averaging 50 years. Over the next five years, it was estimated that as much as \$20,000 per unit would be needed to carry out capital improvements (e.g., roofing, flooring, foundations, plumbing and electrical upgrades). It should be noted that none of the units under consideration for sale have any accessible features, nor would they be able to be easily added. There is concern about the potential costs to KLH Housing that might be generated by the Accessibility for Ontarians with Disabilities Act,

Built Environment Standard. It will be better for KLH Housing to focus on creating new accessible housing rather than undertaking costly renovations of existing homes which are over 50 years old.

To get a more precise value of the homes to be sold a professional appraisal reviewed a selection of KLH single and semi-detached properties in 2012 and again in 2015. The value of the units was assessed between \$145,000 to \$170,000. However, due to market conditions, average sale prices have increased. Table 7 reflects average sale prices of the 50 homes sold so far to finance Part 1 & 2 regeneration projects and now to be used as revenue for the Part 3 building. Average net sales revenue of \$260,000 per home has been used in the budget as a conservative average.

Table 7 Average Sale Prices Part 1 & 2

Home Sales between 2014-19		
Year	Number Sold	Average Sale
2014	7	\$155,714
2015	18	\$155,444
2016	7	\$187,849
2017	5	\$229,000
2018	4	\$241,447
2019	9	\$262,000

Requirement to Meet Service Level Standards (SLS)

When the Province transferred community housing responsibilities to municipal governments, there were a significant number of provincial rules regarding the administration of this housing as set out under the previous Social Housing Reform Act (SHRA), now the Housing Services Act (HSA). One such feature is the establishment of Service Level Standards (SLS) for each SM area. The SLS identify both the number of households in significant housing need who must be housed in the existing social housing stock and setting out the maximum income levels for those in need. This means that for each Service Manager area, there are a required number of households that are assisted under Regulation 370/11 of the Act. This regulation sets out for each service manager area:

- (a) The prescribed number of households whose income is not greater than the

- household income limit prescribed for the service area; and
- (b) The prescribed number of high-need households.

The household income levels and high need levels by bedroom for Kawartha Lakes are indicated below in Table 8 and Table 9 respectively.

Table 8 Household Income Limits

Household Income Limits under HSA			
1-bedroom	2-bedroom	3-bedroom	4+-bedroom
\$31,000	\$37,500	\$40,500	\$50,000

Table 9 High Need Levels

High Need under HSA			
1-bedroom	2-bedroom	3-bedroom	4+-bedroom
\$18,600	\$22,500	\$26,100	\$32,400

As stated in Regulation 367/11, Schedule 4 of the HSA, there are to be 871 households in Kawartha Lakes whose income level is no greater than the household income limits above and of those at least 522 are considered to be high need households.

In summary, Kawartha Lakes must ensure that all households' incomes are at or below the household income limit of Service Levels Standards upon initial occupancy. The single and semi units are all 100% RGI units. However at a certain point as the households situation improves and their income increases, it only does so to a market rent established for the type of unit. As 27 units are RGI should the income change for these households, their rent will change accordingly.

Table 10 2019 Market Rents

KLH 2019 Market Rents in Single/Semis		
2-bedroom	3-bedroom	4+-bedroom
\$1,100	\$1,304	\$1,304

The Ministry of Municipal Affairs and Housing (MMAH) has been very supportive of KLH's regeneration initiative. MMAH has shared the KLH Housing initiative as a successful model including connecting other housing providers/municipalities with KLH Housing to review the model and including the model as a best practice in a 2014 publication.

Part 3 Rationale

KLH is well underway in a multi-year initiative to use single and semi-detached homes in a creative way. Both KLH and Kawartha Lakes have endorsed the goal of selling off all of the homes, through various phases, with the objective of not only replacing the number of homes but also to increase the number of KLH Housing affordable homes. There are the additional benefits of the new housing stock being both accessible as well as more energy efficient than the homes being sold.

An important decision resulting from the sale of the homes is whether the replacement units should all be located in the community of Lindsay (as all of the homes being sold are located in Lindsay) and whether all of three bedroom family units must be replaced with new three bedroom homes.

It is worth noting that there are more two-bedroom family households on the waiting list as there are three and four bedroom households combined. And there are many more one bedroom households on the waiting list than two and three bedroom households combined. Therefore, it is reasonable to replace some of the homes being sold with a mixture of one bedroom, two bedroom and three bedroom units.

Part 1 and Part 2 sales (37 units) replaced 2 and 3 bedroom units as well as added one bedroom units (as will Part 3). The results of all three parts are illustrated in Table 11.

Table 11 Number of Units by Bedroom Size

Number of Units by Bedrooms Size											
1 bedroom		2 bedroom		3 bedroom		4 bedroom		5 bedroom		Total	
Sold	New	Sold	New	Sold	New	Sold	New	Sold	New	Sold	New
0	51	12	21	38	31	10	0	4	0	64	103

Given that more than half of the households on the waiting list are looking for housing in Lindsay, the sale of homes in Lindsay should not result in a decrease in the number of units in Lindsay.

Similarly, given the large percentage of the households on Kawartha Lakes waiting list are single or couple households, it is reasonable that a significant portion of the additional housing created due to leveraging of the homes be used to create one bedroom apartments which have the longest wait times (typically a five year wait for applicants). Since there are a high percentage of seniors, it is also reasonable to create some units specifically for seniors.

Tenant Relocation

The homes sold for Part 1 and Part 2 (37 homes in total) were identified in two specific ways:

1. If the tenant had the ability to purchase the home they were living in (secure their own mortgage) they were provided with the sale price (based on the last sale or the current market value less the real estate fees). In some cases these tenants were also eligible to receive down payment assistance through the City's Homeownership program funding (with the City giving them priority over other applicants and if funding was available at the time); and
2. When a home was vacated by a tenant.

There was a decision at the time that tenants would not be forced to move in order for the sale to occur.

There is the ability for a landlord to provide a tenant with 120 days' notice if the landlord has made the decision to sell the home.

For the remaining 27 homes that will be sold to leverage Part 3, the following tenant relocation plan is being followed:

1. The tenants who are currently in a 3 bedroom semi-detached two storey home were asked to transfer to one of the Bond units. Six of the tenants currently residing in the existing semi-detached homes moved into 5 Bond Street East, Lindsay. KLH Housing through the project budget covered the costs of these tenants to move including professional packing and moving costs and any reconnection charges (cable tv for example).
2. Tenants who are able to purchase their home continue to receive priority to Homeownership program funds (if and when available) and that the down payment assistance available be equal to that of a Habitat Partner family (\$50,000).
3. Other homes will continue to be sold as they are vacated as was completed in the first two phases.
4. Tenants who continue to live in homes will be transferred to the new units created by Part 3 if a unit of the appropriate size is available.

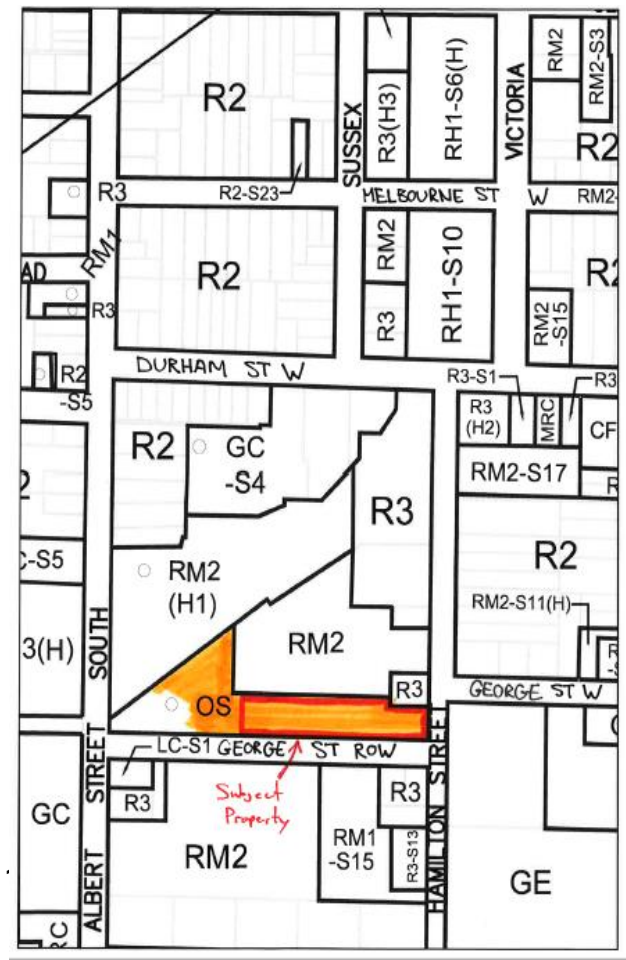
Development Site

The site for the proposed development is located south of 19 Hamilton Street North in Lindsay. The property is currently a vacant greenfield site that has been designated by the municipality as surplus land to be used for affordable residential housing. The site is

a total of 8,173 sq. m. with no current buildings on site and no environmental cleanup required. The site is directly south of a current 60 unit KLH Housing affordable housing building for seniors. The site is surrounded by low density residential and commercial properties. North of the site is the city centre which has grocery stores, restaurants, Lindsay Recreation Complex, Rose Memorial Hospital and numerous health and care facilities.

Development Details

The proposed three storey building to be built on the 8,173 square meter site will include 28, one bedroom units (five of which will be accessible/barrier free), 12 two bedroom units, and six three bedroom units. There will be 46 surface parking spaces which will include five accessible parking spaces. The ground floor will have a laundry room, common area, elevators, and 14 residential units including accessible units. The remaining units will be located on the second and third floors. Final design details have not yet been confirmed; however, details will be finalized as the development process unfolds. The proposed development will also incorporate energy efficient design options as much possible. Ideas for low energy consumption electrical/mechanical systems have been discussed as well as a desire to create efficiencies within the construction process. The project will not look for LEED certification but will look to integrate such concepts where possible.



Zoning Considerations

According to the City of Kawartha Lake's Growth Management Strategy (GMS): the proposal is within the Residential Intensification Area identified in the City's 2011 Growth Management Strategy. This should allow for the development of residential units on the site. Currently the site is zoned OS (i.e., *Open Space*) and this designation does not permit residential uses. The development will require an Official-Plan amendment, a Zoning By-Law amendment, and a Site-Plan Application to proceed.

A pre-consultation meeting for the original 26 unit proposal with City Planning and Engineering staff was held in January 2019. A follow-up meeting to discuss the new 46 unit proposal will be scheduled for December 2019 or January 2020.

Financial Considerations

Capital and Operating budgets for the 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 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.

Proposed Rents

The proposed rents include rent levels at 100% of CMHC's average market rent for 46 apartments (i.e., *the CMHC average but transferring RGI subsidies from the existing singles and semis to be sold through rent supplements in 26 of the units*). 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.

Benefits to the City

The most visible benefit to the City would 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

Marketing Plan

The proposed development will increase the residential rental stock in Lindsay. The target market for the new development is seniors, singles, couples and families with low to moderate income levels.

According to CMHC's 2018 data release, the vacancy rates in the City of Kawartha Lakes for one-bedroom units is 1.4% and for two bedroom units it is 1.9%. These figures are well below the 3% industry standard for vacancy rates in good standing. This means that there are minimal vacancies for rental housing.

The low rental vacancy rates and the significant waiting list for affordable housing has shown there is the urgent need for all unit sizes and this would help to ensure that the 46 units would be filled by the time of completion of the building.

Timeline

The proposed timeline offers preliminary estimates for project development. These are high level next steps and more detailed project schedules will be created following approval by Kawartha Lakes Council.

Table 13 High Level Next Steps

Description	Timeline
Business Plan approved by the Board	December 2019
Approval and support of the proposal by Kawartha Lakes Council	January 2020
Official Plan and rezoning approved	September 2020
Site Plan and Building Permit	December 2020
Construction Tenders	Late 2020
Construction	Spring 2021 – Spring 2022 (Approximately 14-Month Construction)
Occupancy	Summer 2022

Conclusion

Given the housing demands in Kawartha Lakes, this new development is a good opportunity to enhance and expand the supply of affordable rental housing in Lindsay through the leveraging of the existing KL Housing scattered single and semis portfolio. In keeping with Kawartha Lakes’ planning objectives, this project contributes to the “provision of a wide range of residential types and tenures to ensure access to all segments of the population” (Official Plan Environmental Action Plan). It’s also assists the City in meeting goals and objectives of the Strategic Plan, the 10-Year Housing and Homelessness Plan and the Affordable Housing Framework. It presents KLH with the opportunity to help create a mixed income community of rental housing meeting its vision, mission and goals. And lastly it allows residents in Lindsay and the City of Kawartha Lakes to have opportunities to live in new accessible, environmentally friendly and affordable units.