



Council Report

Report Number HH2020-004

Meeting Date: December 15, 2020

Title: A Place Called Home (APCH) - Redevelopment

Description: Recommended financial and in-kind relief to support and expedite APCH's redevelopment project at 64 Lindsay Street South.

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

Recommendation(s):

That Report HH2020-004, A Place Called Home (APCH) - Redevelopment, be received;

That the A Place Called Home (APCH) redevelopment project at 64 Lindsay Street South in Lindsay, as outlined in Report HH2020-004, be endorsed as a priority housing and emergency shelter project in the City of Kawartha Lakes;

That the City provides the following financial support to this redevelopment project:

1. One-time capital funding of \$1,500,000 through the provincial Phase 2, Social Services Relief Funding (SSRF) planning allocation;
2. One-time capital funding of \$264,410 through the provincial Year 2, Ontario Priorities Housing Initiative (OPHI) Rental Component Funding;
3. One-time capital funding of up to \$212,104 through the City's Developing Opportunities for Ontario Renters DOOR Reserve to offset applicable Development Charges and Demolition/Building Permit fees;

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

4. Annual financial contributions required to provide rent supplement funding for a period of ten (10) years, for the five new affordable housing units, starting in 2022 and funded through the operating budget; and
5. Cash flow assistance during the construction phase of the project not to exceed five hundred thousand dollars (\$500,000), with payment terms and conditions identified in an executed funding agreement;

That the Chief Administrative Officer be authorized to approve relief from any and all required municipal fees and charges, as in-kind municipal support, needed to implement the project;

That the redevelopment project as outlined in Report HH2020-004 be exempt from the City's site plan approval process; and

THAT the Director of Human Services and the Manager of Housing be authorized to execute necessary agreements including contribution agreements, loan agreements and rent supplement agreements to implement this redevelopment project.

Background:

During the September 1, 2020 Committee of the Whole (COW) meeting, staff provided a verbal update of the homelessness and emergency shelter situation.

One of the most impacted program areas for vulnerable populations in Kawartha Lakes because of the pandemic situation is the emergency shelter and homeless population. Since 2016 there has been a concentrated effort to know the homeless persons in the service area, Kawartha Lakes and the County of Haliburton (KL-H). This work was kick started through the 20,000 Homes Campaign with a registry week (August 2016) and has been ongoing ever since through the City's Homelessness By Name List and a Coordinated Access System with multiple committed community partners.

In order to provide shelter to those who are homeless and have no other safe option available, the KL-H service area has one 19 bed emergency shelter supplemented with some overflow to local motels. Pre-pandemic the shelter was at 100% occupancy serving approximately 100 unique individuals annually. As the first emergency orders occurred in March, it was quite evident that it was unsafe to continue to provide emergency shelter within the current physical buildings due to its congregate setting. The result was to rely solely on the motel system.

Two further impacts of the pandemic for homeless persons were 1) the reduced ability for some to couch surf (public health requirements and emergency orders along with some generalized fears) and 2) getting unsheltered people inside wherever possible (to address provincial direction and keep these individuals safe).

The pandemic has increased the number of homeless individuals and significantly changed where they are sheltered. As of December 31, 2019 there were 81 people experiencing homeless in our service area. Today there are 133.

Motels have become the interim emergency shelter, as A Place Called Home cannot currently operate at their existing property due to their congregate model and pandemic related public health requirements. APCH is currently supporting 50 individuals within 40 motel rooms. Food must be delivered to each motel room, including staples and prepackaged meals. Another struggle is that motels in the area are not centrally located and therefore pose ongoing transportation struggles and additional expenses. The existing emergency shelter property at 64 Lindsay St. S. is central to all programs and services, almost directly in the downtown Lindsay core.

The update during the September COW meeting also included details of a business case process staff were proceeding with in order to secure provincial funding to assist A Place Called Home to redevelop their existing property.

In order to continue to offer those in our community who become homeless a safe temporary place to stay, APCH has plans to redevelop on their existing site. If they can't proceed to do this, our community will lose valuable shelter capacity. At best, without this redevelopment, capacity would be reduced to 10 beds from 19 beds. A project to reconfigure the existing building for this lower capacity would also include significant renovations and expense.

Rebuilding this shelter is a priority focus of the municipal recovery strategy, and the City's Housing and Homelessness Plan.

The plan is to demolish one of three existing buildings on the property (the one closest to Lindsay St. S.) and to rebuild the emergency shelter at this location to its pre-pandemic capacity while meeting public health guidance for safe private shelter bedrooms. Public health has already been consulted and provided reference materials which have been incorporated in the design phases. The rebuilding of the shelter will also provide an opportunity to make access to shelter beds fully accessible, unlike the previous shelter operations.

In addition to the new shelter building, the remaining buildings will be left on the site with one transformed to create new permanent rental housing. This is creating five more affordable housing units to house people from the By Name List.

Design plans are attached as Appendix A.

The City has and continues to have a strong public private partnership with A Place Called Home (APCH), the owners and operators of the emergency shelter. The emergency shelter is a critical part of our housing and homelessness system. It is important to continue this partnership and to utilize already owned land. The shelter has been and will continue to be available to all demographics. Harm reduction and practicing low barrier shelter approaches minimize those that traditionally might not be welcome in some shelters.

In order to continue to provide emergency shelter in the interim, APCH has entered into a longer-term agreement with a Lindsay motel. APCH staff are occupying one of the rooms themselves so staff can be on site with shelter stayers. The City is supporting this model through 100% provincial funding including the Social Services Relief Fund (Phase 1 and 2) and the Community Homelessness Partnering Initiative (CHPI). This interim shelter at motels will continue until the redevelopment is completed.

Rationale:

Social Services Relief Fund (SSRF) Phase 2

In July, the province announced a second phase of SSRF for Service Managers and in August the City received its planning allocation; \$1,750,249 for 2020-21. Allocating this funding is done by submitting a business case to the Ministry where an inter-ministerial team will make recommendations. Business cases from the Service Manager were required by September 11, 2020. No municipal cost share is required for the SSRF.

Although this continues to be an extension of CHPI, the guidelines were amended to include a capital component including acquisition, rehabilitation, repairs and new construction.

Realizing the needs of the emergency shelter, the business case submitted by the City included a request within the capital component to assist APCH to redevelop the emergency shelter and a smaller request within the operating component to help continue to support the interim motel system.

In October, the City was informed that the business case submitted was approved (Appendix B).

The approved business case contemplated that \$1.5M of the SSRF be committed to the APCH capital redevelopment. The remaining \$250,000 will be allocated to the operating component and used to assist with the interim motel costs.

This funding commitment requires meeting extremely aggressive timelines. A contribution agreement between APCH and the City must be signed by January 31, 2021, construction must start no later than April 30, 2021 and be completed no later than December 31, 2021.

Ontario Priorities Housing Initiative (OPHI)

One investment component of the Province's Community Housing Renewal Strategy (April 2019) is the Ontario Priorities Housing Initiative (OPHI). OPHI is a cost shared program between the Province and the Federal government. The Federal funding is part of the overall National Housing Strategy. OPHI, which is a very similar program to the now completed Investment in Affordable Housing Program (IAH), allows Service Managers to allocate transferred funds towards capital programs such as Rental Housing development, homeownership and Ontario Renovates.

The City has received \$421,000 for the 2020-21 funding year.

Staff recommend that the balance remaining uncommitted, \$264,410 be provided to the APCH redevelopment. This funding would be provided through the rental component and would assist toward the renovation costs of the 4-1 bedroom and 1-4 bedroom affordable housing units being created.

This funding would require a contribution agreement to be signed between APCH and the City no later than December 31, 2020, construction must start no later than March 31, 2021 and construction must be completed within 2 years.

Municipal Grants and Incentives

Like other more recent affordable housing developments and the Affordable Housing Target Program, staff recommend that the City assist APCH with the fees and charges imposed on developments of this nature.

The various municipal incentives provided to affordable housing developments, including land, application fees, development charges, building permit fees, etc., are provided through the authority of the City's Municipal Housing Facilities Bylaw. Many of these fees and charges can be provided as exemptions with minimal financial impact to the City. For example, exempting an application fee. This is not the case for a development charge exemption. The Development Charges Act requires the City to replenish the Development Charge reserve from non-Development Charge sources for the resulting foregone revenue. So while the authority to provide this exemption exists, the City will always need to identify a corresponding funding source.

Only a small portion of this development is eligible for relief, or that exemption, from Development Charges and Building Permit Fees within current bylaws. Only the five affordable rental units meet the definition of those bylaws (Municipal Housing Facilities Bylaw, Development Charges Bylaw and the Building Bylaw). The shelter beds do not meet this definition. This would mean that council would have to approve this exemption outside of these bylaws and identify a corresponding revenue source.

The Municipal Act (s.107) gives Council the authority to provide grants to non-commercial enterprises which may be made for any purpose council considers to be in the interests of the municipality. Staff recommend that a grant be provided equivalent to the cost of the development charges and permits applicable to the APCH redevelopment project. This would avoid an exemption.

This grant would be funded through the City's Developing Opportunities for Ontario Renters (DOOR) Reserve. This reserve was established in 2008 using Provincial one-time housing funding received in 2007. The funding was unconditional without specific guidelines or criteria, other than it assist with housing needs locally. In 2009, through Report HSS2008-009, Council approved that the funding be placed in a reserve and used to support 40 households

through a rent supplement program within newer affordable housing units. Council approved a 25 year rent supplement program, realizing that the DOOR reserve should support the program expenses for approximately 18 years, following which the cost to the program would become tax supported. The program has been very successful. Today approximately 50 households are supported under this program. A more recent forecasting exercise shows that the reserve will support these 50 households for the entire 25-year period and beyond. Staff recommend that the program remains a 25-year program, supporting 50 households and that any surplus funds in the DOOR reserve be accessed now in order to support this grant to APCH.

The surplus amount in the DOOR reserves is estimated to be approximately \$335,000 which is more than sufficient to provide the grant to APCH for the \$212,104, the estimated value of the applicable Development Charges and Demolition/Building Permits.

Relief for any other fee or charge imposed by the City will be provided through the CAO under delegated authority.

Cash Flow Assistance

At times, cash flow during construction may be challenging for APCH. This could occur as APCH is awaiting payments through SSRF (advanced as certain milestones are met), payments for funding through other sources (CMHC or Reaching Home) or as they work through fundraising activities. Realizing this, the City will assist through an upset limit of \$500,000.

The terms of this will be set out within an agreement between the City and APCH. APCH will pay invoices related to the development and when their cash flow becomes low, they would notify the City in the manner set out in the agreement. These would be lump sum payments to a maximum of \$500,000. Recovery/repayment details would be set out in the agreement. It is anticipated that repayments/recoveries will happen quickly, and likely not be required after construction is completed.

Site Plan Exemption

Section 41 of The Planning Act, R.S.O. 1990, c. P.13, empowers municipalities having an Official Plan in effect to pass By-laws designating Site Plan Control Areas. In areas so designated, no development shall be undertaken until the municipality has approved plans, and agreements where necessary, pursuant to Section 41 of The Planning Act.

In 2003, the City of Kawartha Lakes established one site plan control by-law for the whole City. The purpose of the City establishing this requirement was to have consistent application of site plan control throughout the City.

A new institutional development as proposed in this report requires a site plan application. The applicant applied to the Director of Development Services for a site plan exemption for this development. The City's Site Plan Control Bylaw has a section that outlines criteria for the types of development that the Director of Development Services may exempt from this process.

"Any addition or alteration that has the effect of increasing the useable area of the building or structure or the use of the structure by more than twenty-five (25%) percent of the building's or structure's Gross Floor Area, and/or more than 1,000 square metres, is considered to be "substantial" and any exemption from the Site Plan Approval Process would be subject to Council approval."

Given the fact that the proposed development goes well beyond increasing the useable area by 25%, the Director of Development Services is unable to approve this site plan exemption but recommended that the applicant take this request to Council.

The Director of Development Services is in favour of Council approving this site plan exemption. Although the proposed development exceeds the criteria for exempting the site plan application it is a unique circumstance in which the new building will be replacing the existing building on a similar footprint. The site is already fully developed with buildings and asphalted parking areas so there is no increase in the coverage of the site. The applicant has identified that 23 parking spaces will be required for the new development and 25 parking spaces are being provided. The site is already being serviced off of Lindsay Street South and although there will be interior renovations being made to the two other existing buildings on the east side of the property, these renovations will not be increasing the floor area of these buildings and no exterior changes or coverage is proposed.

Given the time constraints on this project, staff will work to address the servicing and drainage issues that would normally be handled at the site plan application stage. As such, the Director of Development Services is recommending that Council approve a site plan exemption for this application

Agreements

There will be four agreements required to provide the funding recommended in this report.

1. A contribution agreement is required by the Province for the SSRF funding. This agreement is between the City and APCH and sets out the legal obligations and the reporting requirements. Funding under the capital component must be provided as a secured forgivable capital loan. This will be done by registering the contribution agreement and a mortgage against the

property. APCH must continue to use the building for the intended purpose, emergency shelter, for a minimum period of 10 years following completion. During the minimum 10 year intended use period, APCH may not, without Ministry of Municipal Affairs and Housing's (MMAH) consent, dispose of the shelter facility. At the end of the 10-year period, the agreement and mortgage can be discharged.

2. A separate contribution agreement is required by the Province for the OPHI funding. This agreement is between the City and APCH and sets out the legal obligations and the reporting requirements. Funding under the rental component must be provided as a secured forgivable capital loan. This will be done by registering the contribution agreement and a mortgage against the property. APCH must continue to provide the affordable rental units to eligible tenants on the City's By Name List or Centralized Waiting list at or below 80% of the CMHC average market rent for the Kawartha Lakes area for a minimum period of 20 years. At the end of the 20-year period, the agreement and mortgage can be discharged. Should APCH default on the requirements of the agreement, the funding would need to be repaid.
3. A loan agreement will be signed in order to provide the grant funding from the City of Kawartha Lakes. This agreement is between the City and APCH and sets out the legal obligations and the reporting requirements. The agreement will be registered on title for a period of 10 years. As long as APCH continue to operate the emergency shelter and rental units within the requirements of the contribution agreement above, the agreement can be removed from title.
4. A rent supplement agreement will be signed which will set out the responsibility of APCH and the City. It will establish the market rent for the unit and how units must be filled. In return, on a monthly basis, the City will provide APCH with rent supplement funding. This agreement is for the 5 affordable rental units for a period of 10 years.

Other Alternatives Considered:

Not applicable.

Alignment to Strategic Priorities

This report aligns to the Exceptional Quality of Life and Good Government strategic priority. It contributes directly to the goals of:

- Developing and overseeing homelessness prevention programs and supports including emergency shelter;
- Continuing to encourage mixed development, with a focus on affordable, attainable and purpose built housing; and
- By facilitating a strategic partnership and investing in a community service provider to achieve enhanced permanent safe shelter space (while providing interim options during the pandemic) and additional supported affordable housing units.

Financial/Operation Impacts:

The property and this redevelopment are owned by APCH. Both the SSRF and OPHI require Service Managers to perform their due diligence to ensure that a project is financially viable from a construction cost and on-going operating perspective, and the program expenditures represent a prudent and best value use of public dollars.

The estimated capital cost of the redevelopment is \$5,000,000. Funding through various sources (SSRF, OPHI, City, CMHC) and APCH equity (land and fundraising) will leave approximately \$900,000 to be financed by APCH or to be identified through other funding sources that APCH will apply to. Ongoing operating expenses, including the existing City service agreement funding, will be adequate to cover annual expenses and debt payments anticipating a small annual surplus year over year.

The capital contributions to this project contemplated in the report are 100% through provincial funding the City already has access to.

The provincial SSRF Phase 2 will provide \$1,500,000 through the City's approved allocation of \$1,750,249. The balance of this allocation will be used to help cover the costs of the interim motel system.

The provincial OHPI Year 2 will provide \$264,410 through the City's approved allocation of \$421,000.

The DOOR reserve will provide up to \$212,104 to offset the cost of the expenses related to both Development Charges and Building Permit fees. Other fees or charges, which are not required to be recovered, will be provided as waivers such as the Site Plan Exemption fee of \$348.

The cash flow assistance of \$500,000 will be recovered 100%.

The annual expenses related to the rent supplement will be a municipal cost starting in 2022 and form part of the Housing Services operating budget. However, year over year, staff will seek out other funding sources to help offset this.

Servicing Implications:

The project architect has indicated that the water service and potentially the sewer service are undersized for the proposed development. The applicant will be required to determine the cost associated with potentially upgrading these services. Although the site is already fully developed (buildings and asphalt), the applicant has not identified whether there will be a net increase in the drainage going offsite, the current configuration of drainage and whether the existing drainage system has the capacity to accept any increase in drainage coming from this site.

There is an east/west sewer line that runs through the property from Lindsay Street south to the homes on Mill Street. The City will need to confirm that an easement has been secured for maintenance

Consultations:

Fluxgold Izsak Jaeger LLP
Director, Development Services
Treasurer
A Place Called Home Development Team

Attachments:

Appendix A – APCH Redevelopment Drawings



20060 Prelim_05
A1-A6 (2 Storey Optio

Appendix B - Business Case Approval Letter



City of Kawartha
Lakes - English (002).r

Appendix C – Letter to Request Site Plan Exemption



Letter 003.pdf

Department Head E-Mail: rsutherland@kawarthalakes.ca

Department Head: Rod Sutherland