



## Council Report

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<b>Report Number:</b>	<b>HH2021-002</b>
<b>Meeting Date:</b>	February 23, 2021
<b>Title:</b>	<b>Affordable Housing Target Program Recommendations</b>
<b>Description:</b>	Steering Committee Recommendations for Intake CKL2020-001 and COH2020-001
<b>Author and Title:</b>	Michelle Corley, Program Supervisor, Human Services

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### Recommendation(s):

**That** Report HH2021-002, **Affordable Housing Target Program Recommendations**, 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 may be required, the recommended applications received through the Affordable Housing Target Program, Intake CKL2020-001, providing a total of 2 affordable ownership units in the City of Kawartha Lakes and Intake COH2020-001, providing a total of 47 affordable rental units in the County of Haliburton, as described in Report HH2021-002, be supported;

**That** the municipal incentives identified in Table 1 of Report HH2021-002 be approved;

**That** the requested waiver of development charges in the amount of \$51,140.00 be recovered through financing from the uncommitted portion of the General Contingency Reserve (1.32090); and

**That** the Director of Human Services and the Manager of Housing be authorized to execute necessary agreements to provide the incentives to these projects.

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

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

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

## **Background:**

The Affordable Housing Target Program (AHTP) offers an opportunity for interested proponents to submit an application to apply for funding and incentives to create affordable housing units that will assist the City and County in achieving targets established in the 2020-2029 Housing & Homelessness Plan, CKL Report HH2019-010 – 2020-2029 Housing and Homelessness Plan.

It is important to understand that each additional affordable unit is not always the result of new construction. An additional affordable unit can be created in a variety of ways including:

- Resale of existing ownership
- Subsidy to a tenant to use in an existing market rental (Rent Supplement, Housing Allowance or Portable Benefit)
- Rehabilitation of spaces not currently residential rental or inhabitable
- Creation of a secondary suite within an existing or new residential home
- Purpose built rental and ownership

The lack of purpose built rental has been and continues to be of concern in the City and County. The vacancy rate has remained low for several years as supply is not keeping up with demand. The continued focus of single detached homes making up the majority of the living spaces will only escalate an already critical rental housing situation. The AHTP will help to enable the creation of affordable housing. An important consideration in meeting the adopted targets is that there is no expectation that any partner will be able to create affordable housing without some level of funding or policy support.

Proponents looking to create affordable housing can seek funding, incentives or policy support by applying through the AHTP. To apply, proponents have an opportunity at any time to submit an expression of interest online. On a quarterly basis throughout the year applications will be accepted from those who have submitted an expression of interest. Proponents who have submitted an expression of interest are invited to meet with City staff to prepare them to submit an application. Once the quarterly application date has passed, applications will be reviewed with a technical team consisting of various municipal staff. Comments from the technical team are gathered for the AHTP Steering Committee. The Steering Committee, made up of senior municipal staff, then have an opportunity to review each application based on its individual merit and make recommendations to council(s).

Interested proponents can be any of the following:

- Private developers
- Community housing providers
- Affordable housing providers
- Community agencies

- Residents

The Steering Committee (for either Kawartha Lakes or the County of Haliburton) will review every application and recommend based on the phase the development is at. This may include recommending as part of this intake, either in full or in part or recommending to a next intake when the project is further along.

Recommendations from the Steering Committee will be made to the applicable council(s) responsible to provide the incentive. The Steering Committee report will detail all incentives and any decisions to date.

This report includes applications received and recommended by both the Kawartha Lakes and the County of Haliburton Steering Committees for the first intake of this program. The recommendations of the report are specific to those incentives which will be provided by the City of Kawartha Lakes. The City is the Service Manager for housing and therefore administers this program overall for entire service area, which includes the County of Haliburton.

For example, on January 27, 2021 Haliburton County Council adopted the following recommendations:

**That** the January 27, 2021 report, Affordable Housing Target Program - Recommended Projects be received; and

**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 may be required, the recommended applications received through Intake COH2020-001 of the Affordable Housing Target Program, providing a total of 47 affordable housing units in the County of Haliburton be supported as described in Table 1; and

**That** the following municipal incentives, falling within County responsibility, be approved:

1. KLH Housing -Cash contribution \$360,000.00 (one-time capital contribution).
2. KLH Housing -Rent supplement \$72,000.00 (annual contribution).
3. KLH Housing -Official Plan Amendment fees \$1,000.00 (waived).
4. Place for People -Consent and advertising fee \$1,300.00 (waived).
5. Places for People -Site plan application fees \$1,200.00 (waived).

The incentives that are the responsibility of the local municipalities for these projects will be recommended at the respective councils during February meetings.

The Service Manager is also the recipient of, and responsible for, any federal and/or provincial affordable housing funding. There is funding recommended from the City's Service Manager Ontario Priorities Housing Initiative (OHPI), Ontario Renovates Component, for three of the projects. The Ontario Renovates component includes the ability to fund the creation of secondary suites or to renovate spaces not previously used as rental. The recommended OHPI funding allocations have no net financial impact to the City as they are fully funded with provincial grants.

**Rationale:**

Table 1 below is the summary of each of the recommended AHTP applications for City incentives or support received during the most recent intake for the program (AHTP COH 2020-001 and CKL 2020-001). Following the table is a description of each recommended project. Some municipal incentive values will be estimates based on information available at this time. Every effort is made to firm up these estimates as agreements are executed.

<b>Table 1: Recommended Municipal Incentives from City of Kawartha Lakes</b>				
<b>Proponent Name / Municipality</b>	<b>Program</b>	<b>Incentive / Method</b>	<b>Estimated Incentive Value</b>	<b># of Affordable Units</b>
Habitat for Humanity, Kawartha Lakes, Bobcaygeon	New Home Development (single family homes)	Building Permit Fees: Exemption	\$2,562	2
		Development Charges: Exemption (recovered through contingency reserve)	\$51,140	
		Entrance Permit: Waived	\$226	
		Water and Sewer Connection Fee: Waived	\$1,020	
		Water and Sewer Frontage Charges: Waived	\$5,680	
Matt McWilliams, Haliburton County, Minden Hills	Secondary Suite	Secondary Suite Capital Interest Free Forgivable Loan: Provided through provincial funding to the Service Manager	\$25,000	1

Helen Batts, Haliburton County, Highland East	Secondary Suite	Secondary Suite Capital Interest Free Forgivable Loan: Provided through provincial funding to the Service Manager	\$25,000	1
Places for People, Haliburton County, Dysart et al	Multi-Unit Rehabilitation	Multi-Unit Rehabilitation Capital Interest Free Forgivable Loan: Provided through provincial funding to the Service Manager	\$150,000	15
KLH Housing Corporation Haliburton County, Minden Hills	Multi-Unit New Rental Development	Cash Flow Assistance during Construction and Debenture Financing: 100% recovered by the KLH Housing Corporation	\$7,147,591	30

The following proponents and projects are geographically located in the City of Kawartha Lakes. The projects have undergone a detailed review by the City’s technical team and the municipal incentives in Table 1 are being recommended to Kawartha Lakes Council by the City’s Steering Committee.

**1. Proponent name: Habitat for Humanity Peterborough & District  
 (Operating as Habitat for Humanity Peterborough & Kawartha Region)**

This development will add two affordable home ownership units located at 166 and 168 East Street North in Bobcaygeon. The units are sold to the Habitat partner families at a price that will meet the City’s definition of affordable housing.

The following proponents and projects are geographically located in the County of Haliburton. The projects have undergone a detailed review by the City, County and local municipality technical team and the municipal incentives in Table 1 are being recommended to Kawartha Lakes Council by the County’s Steering Committee.

**1. Proponent name: Matt McWilliams**

This project will create one three-bedroom secondary unit in a residential home located in Minden. The unit will be rented at 80% of the local average market rent to a low to moderate income household. The market rent and household income will meet the City’s definition of affordable housing. The unit will be made affordable for a period of 15 years.

This proponent and project will also receive the following municipal incentives:

- Building permit fee exemption through Minden Hills

**2. Proponent name: Helen Bates**

This project will create one one-bedroom secondary unit in a residential home located in Tory Hill. The unit will be rented at 80% of the local average market rent to a low to moderate income household. The market rent and household income will meet the City’s definition of affordable housing. The unit will be made affordable for a period of 15 years.

This proponent and project will also receive the following municipal incentives:

- Building permit fee exemption through Highlands East
- Landfill tipping fees waived through Highlands East

**3. Proponent name: Places for People**

This project, of an established non-profit organization in the County, will create fifteen rental units (12 bachelor, 2 one-bedroom and 1 two-bedroom) through the rehabilitation of a motel located at 4951 County Road 21, Dysart. The units will be rented at 100% of the local average market rent to a low to moderate income household. The market rent and household income will meet the City’s definition of affordable housing. The units will be made affordable for a period of 40 years.

This proponent and project will also receive the following municipal incentives:

- Official Plan, Rezoning and Site Place application fees and charges waived through the County of Haliburton and Dysart et al
- Relief from site plan and water responsibility agreement securities through Dysart et al
- Sewer connection charges waived through Dysart et al
- Building permit fee exemption through Dysart et al

**4. Proponent name: KLH Housing Corporation**

This project will create thirty rental units within fifteen duplex passive house buildings. The market rent and household income will meet the City’s definition of affordable housing. The units will be made affordable for a period of 40 years.

<b>Rent Level</b>	<b>Number of two bedrooms</b>
80% Average Market Rent (AMR)	10
100% AMR	10
100% AMR with rent supplement	10
<b>Total</b>	<b>30</b>

This proponent and project will also receive the following municipal incentives:

- Donation of an adjacent road allowance through Minden Hills
- Official Plan, Rezoning and Site Place application fees and charges waived through the County of Haliburton and Minden Hills
- Relief from site plan agreement security through Minden Hills
- Exemption for Parkland Levy through Minden Hills
- Building permit fee exemption through Minden Hills
- Water and sewer connection charges waived through Minden Hills
- Cash contribution of \$360,000 through the County of Haliburton
- Rent supplement funding on an annual basis for 10 units through the County of Haliburton

Applications were not evaluated on a competitive basis. Proponents may present information reports to council at various phases of their projects, however, it is intended that approvals for incentives and funding are granted through the AHTP process, and specifically for these projects, through this report.

Although the AHTP Steering Committee evaluated proposed projects that included both immediate and future units that will assist to achieve targets, this report only captures projects that can start within the next year. Projects in early development stages, will be deferred and recommended for a future date.

Proponents who submitted an application that were not recommended by the AHTP Steering have the opportunity to request an appeal by contacting the AHTP Steering Committee in writing through the AHTP Program Coordinator. The AHTP Steering Committee will review the appeal and respond. If the proponent would like to discuss their application with the AHTP Steering Committee further, an opportunity to speak with the AHTP Steering Committee may be available at the next scheduled meeting, at the discretion of the Chair.

## **Alignment to Strategic Priorities**

This report aligns to the Exceptional Quality of Life strategic priority. It contributes directly to the goal of:

- Continuing to encourage mixed development, with a focus on affordable, attainable and purpose built housing.

## **Financial/Operation Impacts:**

The financial recommendations for the projects within this report apply only to the incentives being provided through the City directly.

The capital interest free forgivable loans for the two secondary suite units (Batts and McWilliams) and the fifteen multi-unit rehabilitation units (Places for People) will be

funded through the Service Managers allocation under the Ontario Priorities Housing Initiative (OPHI). The City receives an annual allocation in its role as Service Manager for the service area (City and County). The three projects recommended for funding within this report will be provided through the Year 3 (2021-2022) allocation.

There are a number of incentives being provided to Habitat for the two homes in Bobcaygeon. Many of the fees and charges can be provided with minimal impact to the City. 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 the exemption exists, the City will always need to identify a corresponding funding source. The City's General Contingency reserve will be used for this purpose.

KLH Housing is requesting support to secure long term financing from the City and cash flow for the thirty-unit development in Minden. This financing approach has been the standard for several KLH Housing new developments in recent years. The request is for the City to take out financing in the amount of \$7.2M, in the form of a 30-year serial debenture, in its name. The City would then lend this money to KLH who in turn would make both principal and interest payments from the revenue received from the tenants. The City would not secure the debenture until the project was complete (spring 2022), so it would cash flow the project expenses with any related expense being reimbursed from KLH Housing.

The revenue generated from the thirty units will cover the expenses and the debt payments as shown in Table 2. Rents will be established using local averages so that all thirty of the units will contribute to the affordable targets.

<b>Table 2: Operating Expenses and Revenues 2022 – 2026</b> (rounded to nearest dollar)					
<b>Category</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<b>6 months</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>	<b>Annual</b>
Net Project Revenue	\$288,936	\$585,430	\$593,102	\$600,888	\$608,792
Operating Expenses	\$64,564	\$130,420	\$131,724	\$133,041	\$134,371
Net Operating Income	\$224,372	\$455,011	\$461,378	\$467,847	\$474,420
Debenture Payments	\$223,663	\$440,788	\$433,144	\$426,053	\$418,962
<b>Annual Surplus (shortfall)</b>	<b>\$709</b>	<b>\$14,221</b>	<b>\$28,234</b>	<b>\$41,795</b>	<b>\$55,458</b>

The City of Kawartha Lakes (CKL) has an Annual Repayment Limit (ARL) prescribed by the Municipal Act. In the past Council has approved debt limits for City capital projects that are funded by Tax Levy and those funded by Water and Wastewater Rates. All other capital areas, including KLH Housing capital, do not have an approved debt limit at this time. The long term financial plan is currently being updated and an overall debt strategy, for all capital areas, will be developed. KLH Housing's debt limit falls within the scope of CKL's ARL in that the KLH Housing Corporation's sole shareholder is the City of Kawartha Lakes.

In the absence of a debt limit for KLH Housing Finance staff looked to debt levels at the beginning of 2001 which represents the time period around the amalgamation of the City and the downloading of responsibility of managing public housing to the municipal sector (devolution). At the time of devolution KLH housing had annual repayments of debt principle and interest of \$880,614. The 2023 projection for total debt principle and interest is \$1,484,367, including the Minden Development and West Street Development discussed on a previous report. This is an increase of \$603,753. At the same time the total debt outstanding for KLH Housing at 2001 was approximately \$11,246,954 and the projected 2021 debt outstanding, including the Minden Development and West Street is \$17,302,296.

It should be noted that the Annual Repayment Limit for the City of Kawartha Lakes is based on 25% of overall revenue earned, excluding grants and municipal contributions. Rental revenue collected in KLH Housing has increased from approx. \$2.5 Million in 2001 to \$4.9 Million by the end of 2022 which represents an increase of \$2.4 Million in revenue collected, including all new proposed development. This is indicative of the redevelopment focus of KLH Housing in the past 5 years but also indicates a greater ability to finance debt principle and interest payments.

Treasury staff are recommending that Council approve the cash flow and debenture financing for the Minden project and utilize approximately \$7.2M in debt to finance the project, given all the factors illustrated above. Rental revenue has almost doubled since 2001 and debt payments have increased by \$603,753. If you calculate the increase in the Annual Repayment Limit based on this increased rental revenue it would increase payments allowed by the Municipal Act for KLH by approximately \$600,000 which equates to the increase in debt payments for new developments in that same time period. Total overall debt outstanding has increased over 2001 levels by approximately \$6 Million but the rates are significantly lower at this time then they were at 2001. In 2001 the rates ranged from 4% to 7.8% and in 2022 a 30 Year serial debenture is estimated to have a 3.0% interest rate. The Long Term Financial Plan, due in Q2, 2021, will solidify a debt limit going forward for KLH Housing Corporation.

**Consultations:**

Treasurer, City of Kawartha Lakes  
County of Haliburton AHTP Steering Committee  
City of Kawartha Lakes AHTP Steering Committee

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**Department Head: Rod Sutherland, Director, Human Services**