



**City of Kingston
Report to Council
Report Number 16-212**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Sheldon Laidman, Director, Housing & Social Services
Date of Meeting: July 12, 2016
Subject: 7 Wright Crescent – Affordable Housing Capital Funding

Executive Summary:

City Council at its September 9, 2014 regular meeting by way of Report Number 14-290 authorized the sale in principle of the City owned lands located at 7 Wright Crescent to CJM Property Management Limited (CJM) and the Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) (THK) under the Affordable Housing Land Acquisition and Disposition Program and as a result of a Request for Proposal submission. City staff have been working closely with the proponents to finalize details of the sale. During this time, the province announced an extension of the Investment in Affordable Housing (IAH) funding for six years with City Council approving funding to be allocated to capital, rent supplement and Kingston-Frontenac Renovates.

THK has requested \$1.2 million in capital funding to further the affordability depth of the units within the project and increase the total number of affordable housing units proposed within the project. The \$1.2 million contribution to the project is proposed to include \$786,812 of funding from the provincial and federally funded Investment in Affordable Housing Extension (IAH-E) Program and \$413,188 from the municipal Capital Investment in Affordable Housing Program.

The proposed revised affordable housing contribution would provide a greater level of affordability amongst 10 of the project's affordable units by reducing rents from 80% CMHC average market rent (AMR) to 60% AMR making them more affordable. Three new units will be added to the project, increasing the total number of affordable housing units from 35 to 38 units. In addition, by contributing municipal capital funding THK can incorporate 10 social housing units which would receive ongoing rent-g geared-to-income subsidy and would replace 10 of the 30 units which were decommissioned at 80 Daly Street as part of Phase 1 of the Rideau Heights Regeneration Strategy. The resulting project would consist of 95 units in total including: 28 one

bedroom units at 80% CMHC average market rent; 10 bachelor units at 60% CMHC average market rent; 10 rent-geared-to-income units; and 47 market priced one bedroom, two bedroom, and bachelor rental units. This would increase the number of affordable units in the project from 35 units to 38 units.

The affordable housing funding commitments within THK's component of the 7 Wright Crescent project would be contingent upon the project obtaining necessary land use planning approvals which will be reviewed and considered under the prescribed statutory land use planning approvals process.

To align with the construction schedule anticipated for the 7 Wright Crescent redevelopment project and to also allow for rent subsidy assistance to continue supporting efforts underway within the Housing First and Rapid Re-Housing programs, staff are proposing a shift of the Council approved IAH annual funding allocations between the Rental Housing (i.e. capital construction funding) and the Rent Supplement components. The shift in funds between years three and four would not alter the dollar amounts committed to each program, only the timing of the funding delivery would change. Exhibit C provides details on the proposed funding shift.

O. Reg. 603/06 of the *Municipal Act, 2001* requires that Council approve a by-law which allows the Corporation of the City of Kingston to enter into a Municipal Contribution Agreement with an affordable housing proponent authorizing the Mayor and City Clerk to execute the required agreements in a form satisfactory to the Director of Legal Services. The by-law related to this project is attached as Exhibit A.

Recommendation:

THAT all of the recommendations in Report No. 14-290 with respect to the sale of City owned lands located at 7 Wright Crescent to CJM Property Management Limited and Town Homes Kingston remain in effect, save and except the following two resolutions which shall be replaced herein:

***THAT** the sale of the property and availability of 35 one bedroom Affordable Housing Units be conditional upon the successful amendment to the Zoning Bylaw to permit 215 units to be constructed on the site, if the final unit yield approved through the rezoning process varies from the initial proposal of 215 units, the number of Affordable Housing Units may be increased or decreased proportionally to the satisfaction of the Housing and Social Services Department while ensuring the intent of the Affordable Housing Land Acquisition and Disposition Program is maintained;*

***THAT** Council approve the by-law attached as Exhibit "A" to Report Number 14-290 - "A By-Law to Permit Council to enter into a Municipal Contribution Agreement with Town Homes Kingston for the provision of Affordable Housing Units" in accordance with subsection 7(2) of Ontario Regulation 603/06;*

And the following Resolutions shall be passed:

THAT the sale of the property and availability of 38 bachelor and one bedroom Affordable Housing Units be conditional upon the successful amendment to the Zoning By-law to permit

215 units to be constructed on the site, if the final unit yield approved through the rezoning process varies from the initial proposal of 215 units, the number of Affordable Housing Units may be increased or decreased proportionally to the satisfaction of the Housing and Social Services Department while ensuring the intent of the Affordable Housing Land Acquisition and Disposition Program is maintained;

THAT Council approve the by-law, attached as Exhibit B to Report Number 16-212, “A By-Law To Permit Council To Enter Into A Municipal Contribution Agreement With Kingston Municipal Non-Profit Housing Corporation Town Homes Kingston For The Provision of Affordable Housing at 7 Wright Crescent”; and

THAT Council approve, pending provincial ministerial approval, the allocation of Investment in Affordable Housing funding (IAH) in the amount of \$786,812 to Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) for the creation of thirteen (13) affordable rental units for a period of thirty (30) years at 7 Wright Crescent contingent upon the project achieving a supporting Zoning By-law amendment and Site Plan approval; and

THAT Council approve funding to Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) from the Municipal Affordable Housing Capital Program in the amount of \$413,188 for the creation of ten (10) one bedroom social housing rent-geared-to-income units to replace 10 of the 30 units decommissioned at 80 Daly Street; and

THAT Council direct that City staff ensure that the Municipal Contribution Agreement includes direction that at its sole discretion, the Service Manager may request submission of any and all documentation related to the work of the Quantity Surveyor who will be acting as the Lender’s Project Monitor and that the City retains the right to assign its own Project Monitor who would review and confirm project spending is consistent with the project’s budget and that any cost discrepancies jeopardizing the completion of the project would terminate further funding to the proponent until the issue is resolved to the satisfaction of the Service Manager; and

THAT Council approve the shift in IAH program funding allocations as outlined in Exhibit C to Report Number 16-212; and

THAT Council as membership of the Kingston Municipal Non Profit Housing Corporation gives its consent to refinance Eldon Hall and all other financial aspects of this transaction; and

THAT Council authorize the Commissioner of Community Services or her delegate to review and approve, for execution by the Mayor and Clerk, all documents and agreements related to the funding allocations outlined in this report, as required, and to the satisfaction of the Director of Legal Services; and

THAT Council authorize the Mayor and Clerk to execute all documents and agreements related to the property dispositions outlined in this report as approved by the Commissioner of Community Services or her delegate.

Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Lanie Hurdle, Commissioner,
Community Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Denis Leger, Corporate & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	Required

Options/Discussion:

7 Wright Crescent – Affordable Housing Capital Contribution

By Council Report Number 14-290, on September 9, 2014 City Council passed the following resolutions:

That Council authorize the sale of City owned lands located at 7 Wright Crescent being Part Block F, Plan 1158, Designated as Part 2 On Reference Plan 13R-1836 being all of PIN 36011-0066 (LT), City of Kingston, for \$750,000 to CJM Property Management Limited and Town Homes Kingston in exchange for good and valuable consideration more particularly the provision of Affordable Housing Units in accordance with the following six terms and conditions:

1. That the proponent agrees to enter into an Agreement of Purchase and Sale and Redevelopment setting out terms and conditions related to the sale and redevelopment of the property to the satisfaction of the Legal Services Department including conditions related to the sequencing of development such that the Town Homes Kingston Building shall be built first;
2. That the sale of the property and availability of 35 one bedroom Affordable Housing Units be conditional upon the successful amendment to the Zoning Bylaw to permit 215 units to be constructed on the site, if the final unit yield approved through the rezoning process varies from the initial proposal of 215 units, the number of Affordable Housing Units may be increased or decreased proportionally to the satisfaction of the Housing Department while ensuring the intent of the Affordable Housing Land Acquisition and Disposition Program is maintained;
3. That the Affordable Housing Unit rents shall be maintained at 80% of average market rent for a minimum 25 year affordability period, commencing on the date that the final unit has been made available, with an option to extend the affordability period beyond 25 years should both parties agree;
4. That the proponent agrees to rent the Affordable Housing Units in accordance with a Municipal Contribution Agreement to be negotiated to the satisfaction of the City's Legal Services Department and entered into between the City and the proponent;
5. That the proponent agrees to have the Affordable Housing Units incorporated into the City's Rent Supplement Program if and when the City requests it for the length of the affordability period; and
6. That CJM Property Management Limited and Town Homes Kingston shall be permitted to be the City's sole representative in respect of any applications for the necessary planning approvals, including, without limitation, such applications as the purchaser, in its sole and absolute discretion, deems necessary or desirable to facilitate the obtaining of approvals that may be required from the applicable governmental

authorities for the Intended Use and the City shall permit the Purchaser to post such notices and signs on the Property as are required by all governmental authorities in connection with the foregoing applications; and

7. That Council approve the by-law attached as Exhibit “A” to Report Number 14-290 - “A By-Law to Permit Council to enter into a Municipal Contribution Agreement with Town Homes Kingston for the provision of Affordable Housing Units” in accordance with subsection 7(2) of Ontario Regulation 603/06; and
8. That Council authorize the Commissioner of Community Services or her delegate to review and approve, for execution by the Mayor and Clerk, all documents and agreements related to the funding allocations outlined in this report, as required, and to the satisfaction of the Director of Legal Services; and
9. That Council authorize the Mayor and Clerk to execute all documents related to the sale of the property, the project and the agreement in a form satisfactory to the Director of Legal Services.

Since awarding the project to CJM and THK, City staff have been completing pertinent legal and financial due diligence processes to ensure the financial viability of the project and mitigate any risks associated with the long-term sustainability of the project’s affordable housing components. During this time, the province announced an extension of the Investment in Affordable Housing (IAH) funding for six years with City Council approving IAH funding to be allocated towards affordable housing capital funding, rent supplement programs, and Kingston-Frontenac Renovates.

THK has requested \$1.2 million in capital funding to further the affordability depth of the units within the project and increase the total number of affordable housing units proposed within the project. The \$1.2 million contribution to the project is proposed to include \$786,812 of funding from the provincial and federally funded Investment in Affordable Housing Extension (IAH-E) Program and \$413,188 from the municipal Capital Investment in Affordable Housing Program.

The proposed affordable housing contribution would provide a greater level of affordability amongst 10 of the project’s affordable housing units, three additional affordable housing units and an extended affordability period from 25 to 30 years for all affordable housing units in the project. In addition, 10 rent-geared-to-income units would be provided to replace 10 of the units decommissioned as a result of Phase 1 of the Rideau Heights Regeneration Strategy.

The following table compares the existing and revised affordable housing contribution under consideration.

Affordable Housing Units	Existing Approved Proposal	Revised Proposal
Bachelor 60% AMR*	0	10
One Bedroom 80% AMR	35	28
Total Affordable Housing Units	35	38

* Affordable housing rents are established as a percentage of the local Average Market Rent (AMR) by unit size.

The greater depth of proposed affordability supports the challenge that rents set at 80% of Canada Mortgage and Housing (CMHC) Average Market Rent continue to be unaffordable for many low and modest income households. By way of the additional affordable housing capital contribution recommended within this report, a depth of affordability will be achieved that is not typically available outside of the limited supply of social housing or discretionary rent supplement programs available within the City. The following table identifies the difference in rent rates for the 10 bachelor units which would be available at 60% of the Average Market Rent.

Affordable Housing Units	2016 Average Market Rent*	80% AMR	60% AMR
Bachelor Unit	\$679	\$543	\$407

* The affordable rental rates would be established in accordance with the Average Market Rent reporting at the time of occupancy.

In support of the revised affordable housing contribution, \$786,812 (approximately \$60,500 per unit) of IAH affordable housing capital funding is proposed to be provided to THK to support the construction of their building. This amount of funding per unit fully complies with the criteria of the IAH program.

To update and allow for these changes within the project, City staff are recommending that all of the recommendations in Report No. 14-290 with respect to the sale of City owned lands located at 7 Wright Crescent to CJM Property Management Limited and Town Homes Kingston remain in effect, save and except the following two resolutions which have been replaced herein:

That the sale of the property and availability of 35 one bedroom Affordable Housing Units be conditional upon the successful amendment to the Zoning Bylaw to permit 215 units to be constructed on the site, if the final unit yield approved through the rezoning process varies from the initial proposal of 215 units, the number of Affordable Housing Units may be increased or decreased proportionally to the satisfaction of the Housing Department while ensuring the intent of the Affordable Housing Land Acquisition and Disposition Program is maintained;

That Council approve the by-law attached as Exhibit "A" to Report Number 14-290 - "A By-Law to Permit Council to enter into a Municipal Contribution Agreement with Town Homes Kingston for the provision of Affordable Housing Units" in accordance with subsection 7(2) of Ontario Regulation 603/06;

7 Wright Crescent – Rent-Geared-to-Income (Social Housing) Replacement

As Service Manager for the delivery of social housing units, the City of Kingston has an obligation under the *Housing Services Act* to maintain 2,003 social housing units within the service area. In support of the implementation of Phase 1 of the Rideau Heights Regeneration Strategy, 30 aging social housing units were formally decommissioned by way of provincial approval and demolished to make way for the enhanced Shannon Park and Rideau Heights

Community Centre revitalization plan (see Council Report Number 15-357). The Service Manager has a commitment to recreate the 30 decommissioned social housing units. As part of the planned Phase 1 unit recoupment strategy, 10 RGI units have been allocated within the Kingston and Frontenac Housing Corporation's 40 Cliff Crescent project currently under construction. Through the proposed affordable housing capital contribution totalling \$1.2 million, THK will be able to establish 10 units within the 7 Wright Crescent project which will receive ongoing RGI subsidy from the City. The establishment of the 10 RGI units in the project will support the City's efforts to revitalize aging social housing stock and incorporate RGI units within mixed market and affordable housing projects across the City. The social housing units would consist of one bedroom units for which there is greatest demand on the social housing waitlist with the current wait time averaging six to eight years. To fund the establishment of the 10 RGI units, \$413,188, is proposed to be funded from the 2016 municipal Capital Investment in Affordable Housing Program.

Affordable Housing Municipal Capital Facilities By-law

Should Council approve this project for IAH and municipal affordable housing capital funding, the City will enter into a Contribution Agreement which will clearly set out the terms of the funding and will be registered on title. O. Reg. 603/06 of the Municipal Act, 2001 requires that Council approve the attached by-law (Exhibit A) which allows the Corporation of the City of Kingston to enter into a Municipal Contribution Agreement with THK.

Investment in Affordable Housing – Program Stream Funding Shift

In February 2015, City Council approved the six year IAH funding allocations amongst the eligible affordable housing program streams (Exhibit B). The total IAH notional allocation will provide \$9,118,800 of affordable housing funding within the City of Kingston and County of Frontenac to the year 2020.

In order to align with the ongoing implementation of the City's recently updated homeless system including its Housing First and Rapid Re-Housing components, and with the anticipated construction schedule of the 7 Wright Crescent project, staff is recommending the existing year three allocation for Rental Housing funding (i.e. capital construction funding) be shifted to year four and the year four Rent Supplement funding be shifted to year three. These proposed funding shifts will continue the momentum of housing individuals within the new homelessness system and allocate the Rental Housing capital funds to align with THK's anticipated development schedule at 7 Wright Crescent.

Town Homes Kingston – CJM Construction Agreement

For the purposes of the redevelopment of 7 Wright Crescent, THK and CJM will enter into business agreements which will see CJM leading the development approvals and construction phases of the project. Upon completion of the THK building, which will be completed prior to the completion of the CJM building as per the THK/CJM partnership's proposal, THK will take over the turn-key building and ownership of the associated severed property. During pre-construction and construction phases THK and CJM will fund their proportional share of the project costs

The business agreement between THK and CJM will establish upon completion of the THK building that the associated severed property will be transferred to THK at no cost which is a considerable benefit to THK's financial plan.

Existing Policy/By-Law:

Municipal Housing Facilities By-Law No. 2003-61

Housing Department Policy 12-003 Capital Investment in Affordable Housing Program.

Notice Provisions:

N/A

Accessibility Considerations:

This report is available in alternate formats upon request.

Financial Considerations:

In 2011, Council endorsed a plan to invest \$1M per year for five years in affordable housing capital development. Sufficient funds are available through the Capital Investment in Affordable Housing Program and the IAH Program for this project.

As part of the City's due diligence, staff have reviewed the financial plan in detail to ensure that appropriate financing is in place and appropriate contingencies are recognized in the financial plan. Part of the financing plan includes the refinancing of Eldon Hall which is a property wholly owned by THK and includes 76 town house units that are not part of the Service Manager's RGI service level requirements. Eldon Hall is a market oriented property. As membership of THK, Council needs to be aware that the refinancing of property owned by THK is necessary to provide construction funding for this new building. This is a normal practice in housing development for the private sector to mortgage other buildings to leverage new development but is a unique opportunity for a social housing provider. The amount of mortgaging is in line with industry guidelines and has been approved by THK's lender.

Staff have reviewed THK's projected annual operating budget and the risks associated with the refinancing of Eldon Hall appear reasonable and consistent with current business practices within the not-for-profit and private rental housing development sectors. A particular benefit of the Eldon Hall refinancing approach will allow THK to secure a significantly lower interest rate that will release equity required for the 7 Wright Crescent project and provide funding for capital improvement works at Eldon Hall. Based on the lower interest rate and extended amortization period, the equity and capital funding release can be funded while maintaining virtually the same monthly mortgage debt repayment.

Contacts:

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613-546-2695 ext. 4957

Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel, Legal Services

Desiree Kennedy, Chief Financial Officer

Lee Campbell, Manager, Housing and Social Services Department

Melanie Bale, Financial Analyst, Housing and Social Services Department

John Henderson, Housing Programs Administrator, Housing and Social Services Department

Exhibits Attached:

Exhibit A – Affordable Housing By-law – 7 Wright Crescent

Exhibit B – Existing Approved IAH-E Six Year Allocations

Exhibit C – IAH Year 3 and Year 4 Funding Shift

By-Law Number 2016-XX

**A By-Law to Enter Into a Municipal Contribution Agreement with Kingston
Municipal Non-Profit Housing Corporation (Town Homes Kingston)**

Passed: Meeting date, 2016

Whereas the Corporation of the City of Kingston has passed a Municipal Housing Facilities By-Law in accordance with subsection 7(2) of Ontario Regulation 603/06;

And Whereas the municipality has determined that all the housing units to be provided as part of the municipal capital facilities fall within the definition of “affordable housing” contained in the municipal housing facility by-law;

Therefore be it resolved that the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. That Council enter into a Municipal Contribution Agreement with Kingston Municipal Non-Profit Housing Corporation (Town Homes Kingston) for the provision of 48 Affordable Housing Units at 7 Wright Crescent, in Kingston;
2. That Council authorizes the Mayor and City Clerk to execute the required agreements in a form satisfactory to the Director of Legal Services.
3. This By-Law shall come into force and take effect on the date of its passing.

Given all Three Readings and Passed: Meeting date, 2016

Given First and Second Readings Month XX, 2016

Given Third Reading and Passed Month XX, 2016

John Bolognone
City Clerk

Bryan Paterson
Mayor

Exhibit B

Existing IAH Six Year Funding Allocations

Approved by Council Report Number 13-166 (February 17, 2015)

Programs	Year 1 2014-15	Year 2 2015-16	Year 3 2016-17	Year 4 2017-18	Year 5 2018-19	Year 6 2019-20	Total in dollars	Total by percentage
Rental Housing	\$697,966	\$0	\$1,540,020	\$0	\$1,534,700	\$626,785	\$4,399,471	48%
Ontario Renovates	\$30,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,030,000	11%
Rent Supplement	\$153,444	\$1,541,065	\$0	\$1,538,880	\$0	\$0	\$3,233,389	35%
Administration Fee (5%)	\$46,390	\$91,635	\$91,580	\$91,520	\$91,300	\$43,515	\$455,940	5%
Total	\$927,800	\$1,832,700	\$1,831,600	\$1,830,400	\$1,826,000	\$870,300	\$9,118,800	100%

Exhibit C

The following table illustrates Council's existing approved Year 3 and Year 4 funding allocations among the Rental Housing and Rent Supplement program components:

IAH Program	Year 3 (2016-2017)	Year 4 (2017-2018)
Rental Housing	\$1,540,020	\$0
Rent Supplement	\$0	\$1,538,880

The following table illustrates the proposed shifted Year 3 and Year 4 funding allocations among the Rental Housing and Rent Supplement program components:

IAH Program	Year 3 (2016-2017)	Year 4 (2017-2018)
Rental Housing	\$0	\$1,540,020
Rent Supplement	\$1,538,880	\$0