



**City of Kingston  
Report to Council  
Report Number 18-214**

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**To:** Mayor and Members of Council  
**From:** Lanie Hurdle, Commissioner, Community Services  
**Resource Staff:** Sheldon Laidman, Director, Housing & Social Services  
**Date of Meeting:** July 10, 2018  
**Subject:** 7 Wright Crescent – Proposed Negotiations

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**Executive Summary:**

On June 26<sup>th</sup>, Council deferred Report Number 18-207 which recommended that the City not pursue the purchase and sale agreement of 7 Wright Crescent with CJM Property Management Ltd. (CJM) following the notification that Town Homes Kingston (THK) was withdrawing from the proposal. The deadline to remove due diligence conditions within the purchase and sale agreement was extended by all parties to July 11<sup>th</sup> in order to report back to Council on July 10<sup>th</sup>.

City staff had a chance to meet with CJM who had provided a notification of their interest to continue with the purchase and sale agreement for 7 Wright Crescent based on the response to the Request for Proposal (RFP) submitted and awarded in 2014. The original response to the RFP included 35 affordable units at 80% market rent for a period of 25 years for a reduced purchase price of \$750,000 (from \$1M which the City paid for the property), for 7 Wright Crescent. The original proposal included two residential buildings of approximately 124 and 91 units respectively and all affordable units were to be located in the building owned and managed by Town Homes Kingston. Following the award of the RFP, the City of Kingston allocated an additional \$1.2M to Town Homes Kingston to increase the affordability of the project which included an increase of affordable units from 35 to 38, an increase in affordability by reducing rents from 80% of CMHC market rents to 60% of CMHC market rents for 10 units for a period of 30 years, and by including 10 rent-geared-to-income (RGI) units that were being relocated from the demolition of 80 Daly Street. As a Service Manager, the City has a legal responsibility to ensure that these RGI units are replaced. This is the proposal that Council approved.

With the withdrawal of Town Homes Kingston, due to significant financial constraints, CJM notified the City of its interest to continue with the original proposal of 35 affordable units at 80% of CMHC market rent for a period of 25 years. CJM also indicated that it is open to renegotiate

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the terms of the agreement which could include more affordability within the project and possibly another not-for-profit partner.

City staff have reviewed and considered the following elements prior to finalizing and presenting options of next steps for Council's consideration:

- A. The City purchased the property in 2012 for \$1M from the Congregation of Notre Dame for the purpose of providing long term affordable housing options. Staff believe that the value of the property has increased in the past six (6) years and that in the absence of a partnership with a not-for-profit housing provider, there is no guarantee that the affordable housing units would be available after the 25 year period and the affordability level would not exceed 80% of CMHC market rent levels.
- B. The City approved a strategy to regenerate Rideau Heights in 2015 which included the relocation of 100 RGI units from the Rideau Heights neighbourhood to other areas of the City. In order to facilitate this strategy, the City will need access to properties within other neighbourhoods so that RGI units can be relocated over time. With the additional funding that Council had approved for Town Homes Kingston in 2016, 10 RGI units from Rideau Heights were to be relocated at 7 Wright Crescent. The original RFP for 7 Wright Crescent, awarded in 2014, did not contemplate any aspects of the Rideau Heights strategy which was only completed and endorsed by Council in 2015. Staff believe that any future proposal for 7 Wright Crescent should include the relocation of some of the RGI units to continue to support the Rideau Heights regeneration strategy which is a Council priority.

Based on this information, City staff have identified three (3) options of how the City could choose to move forward with the future development of 7 Wright Crescent:

1. Continue with the purchase and sale of 7 Wright Crescent with CJM based on the original and awarded RFP which included 35 affordable units at 80% CMHC market rent for a period of 25 years.
2. Direct staff to negotiate a different proposal with CJM which would include a review of property value, inclusion of RGI and support to the Rideau Heights regeneration strategy which could include a not-for profit housing provider.
3. Not continue with the current partner, CJM, and direct staff to report back on an alternative process at a later time.

Considering the time investment in the process in the last four (4) years, the possibility to incorporate private funds into the project as well as the fact that CJM is willing to consider different terms for a proposal, staff are recommending that Council agree to negotiate a different proposal with CJM that would include a review of property value as well as options to increase affordability to support the Rideau Heights regeneration strategy and potentially include a not-for profit housing provider.

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**Recommendation:**

**That** Council direct staff to advise and negotiate a different proposal with CJM Property Management Ltd. for the property located at 7 Wright Crescent which will include, but not be limited to, a review of the property value and the inclusion of more affordability through initiatives that will support the Rideau Heights regeneration and that may include another not-for-profit housing provider; and

**That** Council authorize the Mayor and Clerk to execute such amending agreements as required to allow the parties to negotiate revised terms and conditions for Council approval, to the satisfaction of the Commissioner of Community Services and the Director of Legal Services; and

**That** Council direct staff to report back by January 2019 with an amended proposal for 7 Wright Crescent.

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**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:**

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	√

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**Options/Discussion:****Background**

On September 9, 2014, through [Report Number 14-290](#), 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 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 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;
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

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notices and signs on the Property as are required by all governmental authorities in connection with the foregoing applications;

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;
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.

On July 12, 2016, Council also approved additional funding in the amount of \$1.2M to THK for the development and management of a total of 38 affordable housing units. The composition of affordable units included: 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.

Since the Request for Proposal (RFP) award in 2014, City staff worked on 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. An agreement of purchase and sale and tri-partite agreement for the purchase, sale and redevelopment of 7 Wright Crescent were negotiated between the City, CJM and THK.

Recently, THK has notified the City that it will not be pursuing this project due to financial constraints and CJM notified the City of its interest to continue with the purchase and sale agreement of 7 Wright Crescent based on the proposal submitted as part of the original RFP.

Staff have met with CJM to discuss potential options. Based on information obtained, City staff have identified three (3) options of how the City could choose to move forward with the future development of 7 Wright Crescent:

1. Continue with the purchase and sale of 7 Wright Crescent with CJM based on the original and awarded RFP which included 35 affordable units at 80% CMHC market rent for a period of 25 years.
2. Direct staff to negotiate a different proposal with CJM which would include a review of property value, inclusion of RGI units and support to the Rideau Heights regeneration strategy which could include a not-for profit housing provider.
3. Not continue with the current partner, CJM, and direct staff to report back on an alternative process at a later time.

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Considering the time investment in the process in the last four (4) years, the possibility to incorporate private funds into the project as well as the fact that CJM is willing to consider different terms for a proposal, staff are recommending that Council agree to negotiate a different proposal with CJM that would include a review of property value as well as options to increase affordability to support the Rideau Heights regeneration strategy and potentially include a not-for profit housing provider.

**Existing Policy/By-Law:**

Purchasing By-Law

**Notice Provisions:**

Not applicable

**Accessibility Considerations:**

Not applicable

**Financial Considerations:**

In 2012, the City of Kingston purchased 7 Wright Crescent from the Congregation of Notre Dame for \$1M. As per the Affordable Housing Land Acquisition and Disposal Program, the property was proposed to be disposed of for a total of \$750,000 (75% of the purchase price). The City approved an additional \$1.2M to THK in 2016 to increase the number of affordable units and increase the level of affordability. This \$1.2M was to be funded from the Investment in Affordable Housing (\$786,812) and the Municipal Affordable Housing Capital Program (\$413,188). THK recently notified the City that it would require an additional \$4.8M in funding to be able to proceed with this project. City staff did not and is not recommending additional funding to THK for this project.

**Contacts:**

Lanie Hurdle, Commissioner, Community Services 613-546-4291 extension 1231

**Other City of Kingston Staff Consulted:**

Mary Rae, Senior Legal Counsel, Legal Services

**Others External Individuals Consulted:**

Not applicable

**Exhibits Attached:**

Not applicable