



CITY OF KINGSTON  
**REPORT TO COUNCIL**

**Report No.: 12-045**

---

**TO: Mayor and Members of Council**

**FROM: Lanie Hurdle, Commissioner, Community Services**

**RESOURCE STAFF: Mary McIntyre, Housing Programs Administrator**

**DATE OF MEETING: January 10, 2012**

**SUBJECT: Capital Investment for the Development of Affordable Housing**

---

**EXECUTIVE SUMMARY:**

Through the development of the Municipal Housing Strategy, staff committed to exploring different approaches to enable more affordable housing and to proactively seek more involvement from the private sector. Staff had meetings with a number of private sector developers in the past months and have been working on some potential partnerships. Staff did identify an immediate opportunity to establish a partnership with Engcon who is building in the West end of the City. Staff are exploring various options and will be establishing guidelines for capital funds in early 2012 which will take these various models into consideration. It should be noted that guidelines will need to be flexible in order to foster creative solutions within the City.

Engcon is a local developer who has started construction on a seventy-seven (77) unit apartment building for seniors on Canatara Court, which is in close proximity to Bath Road. It is anticipated that the construction will be completed in late 2012. Staff have met with the owners of Engcon to discuss a partnership in which the City would provide a capital investment for ten (10) of the seventy-seven (77) units. The owner would maintain the rent in those units at 80% of Canada Mortgage and Housing Corporation (CMHC) average market rent for a period of fifteen (15) years. The proposed amount of funding is \$53,950 per unit and is equivalent to the rental loss to be experienced by the owners as a result of the reduction in rent from fair market value in the private sector to the affordable rent of 80% CMHC average market rent for a period of fifteen years.

In order to make these units affordable to seniors on the Centralized Waiting List, it has been agreed that the City would provide rent supplement subsidies to those units. The lowered rental rate also reduces the cost of the rent subsidies by \$53,950 per unit over the course of the fifteen

January 10, 2012

- Page 2 -

---

years. This approach is different than other models used in the past which typically provided a contribution ranging between \$110,000 to \$130,000 per unit. Staff recognize that seniors are not currently the largest group on the Central Waiting List but that there is a growing seniors population that increases pressure on affordable housing demand. It is also recognized that future affordable housing projects will need to focus on one and two bedrooms units for accessible to all ages.

It is proposed that funds for this project be advanced from the Affordable Housing Construction Reserve and repaid at a rate of \$107,900 per year from the Affordable Housing Capital budget. This budget is being established with a capital contribution of \$1M in 2012 with ongoing funding for the next five (5) years. This will enable this project to proceed and have a minimum impact on the yearly funding available to fund affordable housing projects.

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 and authorizes 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 for approval.

**RECOMMENDATION:**

**THAT** Council approve funding to Engcon for the creation of ten (10) affordable rental units for seniors for a period of fifteen years on Canatara Court in the amount of \$539,500 from the Affordable Housing Construction Reserve; and

**THAT** the Affordable Housing Construction Reserve be repaid at the rate of \$107,900 per year, starting in 2012, from the Affordable Housing Capital Fund which will receive \$1M per year within the capital budget; and

**THAT** Council pass "A By-Law To Permit Council To Enter Into A Loan Agreement With Engcon For The Provision Of Affordable Housing At Canatara Court"; and

**THAT** Council authorize the Mayor and Clerk to execute all required agreements and security documents for the provision of this funding in a form satisfactory to the Director of Legal Services.

January 10, 2012

- Page 3 -

**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 COMMISSIONERS:**

Cynthia Beach, <i>Sustainability and Growth</i>	N/R
Denis Leger, <i>Transportation, Properties &amp; Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

***(N/R indicates consultation not required)***

January 10, 2012

- Page 4 -

---

**OPTIONS/DISCUSSION:**

Engcon is a local developer who has started construction on a seventy-seven (77) unit apartment building for seniors. This is the first of two buildings to be built on Canatara Court which is located on Bath Road near Frontenac Secondary School. Both buildings will include commercial space to provide services that will assist the tenants. These buildings are also located in area which is close to public transit. Furthermore, results from a recent survey conducted amongst individuals on the Centralized Waiting List identified the west end of the City as one of the most desirable areas for affordable housing. This project would also ensure distribution and integration of affordable housing within the neighbourhood.

Staff met with the owners of Engcon to discuss a partnership in which the City would provide some capital investment for ten units and the owners would maintain the rent in those units at 80% of CMHC average market rent for a period of fifteen years. The amount of funding was estimated at \$53,950 per unit. This amount is based on the equivalent of the rental loss to be experienced by the owners as a result of the reduction in rent from fair market value in the private sector and the affordable rent of 80% CMHC average market rent. It is projected that, based on market rents in comparable buildings, the rent for a one bedroom unit could be set at \$900.00 monthly. The 2012 CMHC market rent is set at \$804.00 and 80% of the CMHC average market rent is \$643.00. The estimated CMHC rates used for rent calculation, in the attached Exhibit B, are slightly higher as it is anticipated that units at Canatara Court will only be available for rental in late 2012. It should also be noted that CMHC market rents are often lower than actual market rents. Exhibit B of this report provides a table with rent calculations including an estimated increase of 2.5% per year. It is anticipated that the yearly increase will vary over the 15 year period with lower and higher increases over time. This is an assumption that is made for the purpose of rent calculation and it is a manageable risk for both the developer and the City.

A single senior or couple in receipt of government pensions only would still not be able to afford the rent at 80% of the CMHC average market rent. These are the households that are on the social housing wait list and are in dire need of safe and affordable housing. The owner has agreed to enter into a rent supplement agreement for these units so tenants can be selected from the social housing wait list. The rent supplement pays the difference between the tenant's portion of the rent based on their income and the full market rent. As the market rents are to be reduced to 80% of the CMHC average market rent, the cost of the rent subsidy is also reduced by that amount. The end result is that the rent supplement costs, over the fifteen year period, are reduced by the same amount as the initial capital investment to be provided by the City.

Demographic trends clearly show that the Canadian population is aging. Currently 21% of the Canadian population is aged 65 years and older. It is projected that over the next twenty-five years, this will increase to 34% of the total population will be 65 and older. Locally, there is a demonstrated need for affordable seniors housing. Kingston & Frontenac Housing Corporation completed construction of a 49 unit affordable seniors building on Van Order Drive in 2007 and has always had a waiting list of senior applicants. KFHC is developing another 27 unit seniors building on Queen Mary Road and already has a waiting list. In total there are one hundred and

January 10, 2012

- Page 5 -

---

eighty-five (185) senior households hoping to be offered a unit in one of these affordable buildings. The Social Housing wait list currently has one hundred and five (105) senior households waiting for affordable housing. This represents about 9% of the total number of households on the waiting list.

In 2011, Council endorsed a plan to invest \$1M per year for five (5) years in affordable housing capital development. This Affordable Housing budget is being established in 2012 with the first \$1M instalment. In order to establish this partnership and minimize the impact on the first \$1M approved in the Affordable Housing budget, staff are recommending that funds from the Affordable Housing Construction Reserve be advanced and repaid at the rate of \$108,000 per year, starting in 2012.

In the past, most affordable housing projects received a contribution ranging between \$110,000 and \$130,000 per unit. These projects were developed with both the private and not-for-profit sectors and were established for a period of twenty (20) years. During those 20 years, landlords are required to maintain rents at 80%. Landlords can implement market rents after the 20 year agreement has expired. The ability to implement market rents applies to both the private and not-for-profit projects. Some of the projects received both funding per unit and funds to help cover development fees.

The proposed project with Engcon is one that is to be based on value for value, unlike previous projects where blanket amounts per unit were set by the province. The initial investment from the City will help the developer with the initial costs of construction and in return, the City will be guaranteed 10 affordable units for 15 years. Although the affordable units do not have to be maintained after the 15 year period, any units occupied by the same tenant at the end of the 15 year period will only be allowed to be adjusted by the CMHC yearly increase.

This project also generates revenue for the City. This project has generated \$636,532 to the City for development charges, impost fees and building permit. As well, the property taxes will increase from approximately \$5,000 paid for the vacant land to approximately \$65,000 annually once the building is constructed.

Should Council approve this project for municipal funding, the City will enter into a Municipal Contribution Agreement which will clearly set out the terms of the funding and will be registered on title for the fifteen years. O. Reg. 603/06 of the Municipal Act, 2001 requires that Council approve the attached by-law which allows the Corporation of the City of Kingston to enter into a Municipal Contribution Agreement with Engcon and authorizes the Mayor and City Clerk to execute the required agreements in a form satisfactory to the Director of Legal Services.

**EXISTING POLICY/BY LAW:**

Municipal Housing Facilities By-Law No. 2003 – 61

**NOTICE PROVISIONS:**

There are no notice provisions with this report.

January 10, 2012

- Page 6 -

---

**ACCESSIBILITY CONSIDERATIONS:**

There are no accessibility considerations with this report.

**FINANCIAL CONSIDERATIONS:**

In 2011, Council endorsed a plan to invest \$1M per year for five (5) years in affordable housing capital development. This Affordable Housing budget is being established in 2012 with the first \$1M instalment. In order to establish this partnership and minimize the impact on the first \$1M approved in the Affordable Housing budget, staff are recommending that funds from the Affordable Housing Construction Reserve be advanced and repaid at the rate of \$107,900 per year, starting in 2012. There is currently a total of \$850,000 in the Affordable Housing Construction Reserve.

Rent supplements will be funded from the Investment in Affordable Housing Provincial Fund which will provide rent supplement funding for the next ten (10) years. The last five (5) year rent supplement will be integrated as other rent supplements expire and renewals are required.

**CONTACTS:**

Lanie Hurdle, Commissioner, Community Services

613-546-4291 ext. 1231

**OTHER CITY OF KINGSTON STAFF CONSULTED:**

Lee Campbell, Acting Housing Manager, Housing Department

Sheldon Laidman, Director, Housing Department

**EXHIBITS ATTACHED:**

Exhibit A - By-Law 2012-xx A By-Law To Permit Council To Enter Into A Municipal Contribution Agreement With Engcon For The Provision Of Affordable Housing At Canatara Court In Kingston.

Exhibit B – Rent Calculation

Exhibit C – Rendering of Canatara Court

**BY-LAW NO. 2012-XXX**

**A BY-LAW TO PERMIT COUNCIL TO ENTER INTO A MUNICIPAL CONTRIBUTION AGREEMENT WITH ENGCON FOR THE PROVISION OF AFFORDABLE HOUSING AT CANATARA COURT IN KINGSTON.**

**PASSED:** Date

**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

**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 Council enter into a Municipal Contribution Agreement with Engcon for the provision of ten (10) Affordable Housing Units at Canatara Court, in Kingston; and

**THAT** Council authorizes the Mayor and City Clerk to execute the required agreements for the provision of an Affordable Housing grant to Engcon in a form satisfactory to the Director of Legal Services.

**GIVEN FIRST AND SECOND READING**

**GIVEN THIRD READING AND PASSED**

**CITY CLERK**

**MAYOR**

EXHIBIT C – Report 12-045

