

Report to Community and Protective Services Committee

To: Chair and Members Community and Protective Services Committee

From: Scott Mathers, MPA P.Eng.,
Deputy City Manager, Planning and Economic Development

Subject: Vision SoHo: Amendment to Contribution Agreement with Chelsea Green Community Homes Society

Date: July 15, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development the following actions **BE TAKEN**:

- a) that Civic Administration **BE AUTHORIZED** to release funds attributed to the Roadmap grant and soil remediation forgivable loan to an upset limit of \$1,071,675 and amend the Municipal Contribution Agreement to reflect the change under the existing delegation;
- b) that Civic Administration **BE AUTHORIZED** to release the remaining funds for soils and grants as outlined in the contribution agreement on confirmation of property tax exemption.

Executive Summary

Chelsea Green Home Society (Chelsea Green) executed a Municipal Contribution Agreement (MCA) with the City to provide 41 affordable units in exchange for the municipal funds to support the development of an 81-unit apartment building.

Recently the Chelsea Green discovered they were not eligible for property tax exempt status and due to the increased operating costs and the requirements of the CMHC funding program they would only be able to provide 25 affordable units, 16 less than those committed to in their MCA.

Civic Administration recommends that funding be advanced equal to the per unit value previously agreed to for the currently feasible 25 units. The full funding would be released when Chelsea Green acquires property tax exempt status and commits to the original 41 affordable units.

Linkage to the Corporate Strategic Plan

Housing and Homelessness

Outcome 1 - The City of London demonstrates leadership and builds partnerships to increase quality, affordable, and supportive housing options.

Expected Result – 1.1 Increased access to a range of quality, affordable and supportive housing options that meet the unique needs of Londoners.

Strategies:

- a. Increase the supply, range, and depth of affordability of quality housing options where people feel safe.
- b. Align policies and programs recognizing the broad range of factors that contribute to accessing and maintaining transitional, supportive, community, affordable and market housing.
- c. Address the specific needs of populations, including equity-denied groups, and prioritize housing initiatives that are affordable.

Analysis

1.0 Background Information

On November 23, 2021, the Vision SOHO Alliance, a coalition of non-profit corporations, sought municipal funding for the affordable housing they intend to build on the north portion of the Old Victoria Hospital Lands. On December 7, 2021, Council approved a conditional grant of \$11.2 million for the development of up to 400 affordable housing units. On August 2, 2023, Council approved an increased conditional grant of \$13.9 million to provide up to 400 affordable housing units in the proposed development, subject to a full review of acceptable proforma financial statements, confirmation of other sources of financing, and the development of a municipal contribution agreement.

On September 26, 2023 Municipal council resolved to provide up to \$3.9 million additional funding to account for impacted soils on the site provided the Vision SoHo Alliance provide all necessary engineering and other supporting documentation and commit to filling up to 50 additional units from the City's waitlists.

Civic Administration and the Vision SOHO team have come to terms on the framework of the contribution agreement. SOHO will provide 381 units at a minimum of 80% of MMR for a period of 20-years. As of the submission of this report, the Vision SOHO group has agreed to provide a total of 182 units from the City's waitlist with additional units to be included subject to the completion of impacted soils work.

Individual municipal contribution agreements (MCA) have been prepared to support the development of each of the Vision SoHo partners. The MCA for Chelsea Green supports a development of 41 affordable units, five of which are committed to the City's waitlist, in an 81-unit building. The soil remediation costs for Chelsea Green have been confirmed at \$566,721 which would bring the commitment to the City's waitlists to 12 (7 additional units).

1.1 Previous Reports Related to this Matter

[Letter to Community and Protective Services – Greg Playford](#) - Request for Funding for Soil Remediation - Vision SoHo (West Block) (CPSC, September 12, 2023)

[Municipal Contribution Agreement for Vision SOHO Alliance](#) (CPSC, July 18, 2023)

[Request for Additional Funding from Vision SoHo Alliance for the Housing Development Project at the Old Victoria Hospital Lands](#) (CPSC, July 26, 2022)

[Request for Funding from Vision SOHO Alliance for the Housing Development Project at the Old Victoria Hospital](#) (CPSC, November 23, 2021)

[Taxation of Properties owned by London Middlesex Community Housing Inc.](#) (CSC, November 30, 2020)

2.0 Discussion and Considerations

2.1 Chelsea Green Request to Reduce Affordable Units

In June 2023, via email, Chelsea Green informed staff that due to legal complications in achieving a property tax exempt status they would be unable to provide the 41 affordable units required under their executed MCA and would only be able to provide 25 affordable units.

2.2 Property Tax Exemptions

Property Tax Exemption may be obtained by non-profits through a request to the Municipal Property Assessment Corporation. An organization which receives the exemption would not be billed for property taxes.

Section 3 of the *Assessment Act, 1990* illustrates the available exemptions from taxation of real property. The section most relevant for seeking exemption status for affordable housing is Section 3(1)12(iii) which applies to “any charitable, non-profit philanthropic corporation organized for the relief of the poor if the corporation is supported in part by public funds.”

Housing providers that believe they meet eligibility criteria can provide the necessary information to the Municipal Property Assessment Corporation (MPAC) and MPAC will determine if the property qualifies for an exemption. Eligibility criteria consideration include items such as proof of charitable status, details as to how the corporation is organized for relief of the poor, and proof of public funding.

Currently there are a number of affordable housing property owners within the Vision SOHO partnership that have also applied for this exemption. These properties include properties owned by Homes Unlimited, Indwell Community Homes, London Affordable Housing, Residenza Affordable Housing, and Zerlin Development.

2.3 Chelsea Green’s Funding Model

Chelsea Green indicated that they are funding development through CMHC’s co-investment program which requires a minimum of 30% of units to be affordable, less than the 50% agreed to within the executed MCA. In order to make their operating proforma viable within the confines of the program and without the anticipated tax-exempt status 16 of the 41 proposed affordable units would need to be offered at market rather than affordable rents.

They have indicated in correspondence from their consultant team that they will continue to seek tax-exempt status and if achieved, that they would provide 41 affordable units in accordance with the executed MCA.

The current situation with regard to City funds is outlined in the table below. The first row shows the currently executed MCA. Chelsea Green took their first draw (60% of total funds) at the start of construction and any future scenario would need to account for this. The second row shows the currently prepared amending MCA which accounts for a confirmed soil removal cost of \$566,721.

This amending MCA has not been executed given the information provided by Chelsea Green about their inability to provide the 41 units agreed to under the MCA. The third row outlines a potential scenario where a new amended MCA is developed to include both the increased funds to cover soil costs and a reduction in the contribution reflective of the total unit reduction from 41 units to 25 units. For this scenario the total funds entitled is 60.9% of the initial MCA funds (25/41 x \$ 1,190,830) and the full soil removal costs (\$566,721).

Table 1 – Council Approved Per Unit Roadmap Contribution

	Affordable Units	Units from waitlists	Payments to Date	Total Funds	\$ Per Unit
Approved Funding (July 2023)	41	5	\$714,498	\$1,190,830	\$29,044
Soil Funding (Sept. 2023)	41	12	\$0	\$566,721	\$13,822
Total Roadmap Contribution	41	12	\$714,498	\$1,757,551	\$42,867

Table 2 - Per Unit Roadmap Contribution based Chelsea Green Request to Reduce the Number Affordable Units

	Affordable Units	Units from waitlists	Payments to Date	Total Funds	\$ Per Unit
Chelsea Green Proposed Amendment	25	12	\$714,498	\$1,757,551	\$70,302

Given that the Chelsea Green request increases the City’s contribution per unit from \$42,867 to \$70,302, Civic Administration recommends further amendments to contribution agreement to maintain the previously agreed upon per unit contribution value (\$42,867).

3.0 Financial Impact/Considerations

3.1 Proposed Amendment to Agreement

In an effort to support the continued development of the SOHO property, Civic Administration are proposing the following approach:

- Retain and continue to commit the existing total contribution value of \$1.7 Million and allow the reduction of units to 25 affordable units to support the new operating proforma.
 - Provide payment to the upset limit at an equivalent of \$42,867 per unit.
- On confirmation of the property tax exemption, release the balance of the soil funding and any additional funds based on the existing milestones in the contribution agreement.

The total upset limit amount of interim Roadmap funding that can be released at this time is: \$42,867 (total per unit Roadmap grant) x 25 (affordable units) = **\$1,071,675**

Table 3 – Summary of Roadmap Payments to Chelsea Green

Funding Details	Capital Grant	Soils	Total Roadmap
Payments to Date	\$714,498	\$0	\$714,498
Funding for 25 Affordable Units	Amendment for Interim Payment \$0	\$357,177	\$357,177
	Total Interim Funding	\$357,177	\$1,071,675
Funding for 16 Affordable Units	Remaining Payment \$476,032	\$209,544	\$685,576
Funding for 41 (25+16) Affordable Units	Total Funding	\$566,721	\$1,757,551

Conclusion

As a member of the Vision SoHo Alliance, Chelsea Green committed to providing 41 affordable units in exchange for the municipal funds to support the development of an 81-unit apartment building. This commitment was confirmed through an executed MCA which allowed for the advancement of funding to support construction.

Chelsea Green informed the City that they were unable to acquire property tax exempt status which was a requirement for their proforma to operate as intended in the executed MCA. This has made the provision of 41 affordable units unfeasible given their current status. With the CMHC and City funding available Chelsea Green are only able to provide 25 affordable units, 16 less than those previously committed to in their MCA.

Civic Administration recommends that funding be advanced in keeping with the per unit value previously agreed to for the currently feasible 25 units. The full funding would be released when Chelsea Green acquires property tax exempt status and is once again able to commit to 41 affordable units.

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