

A HOUSING DEVELOPMENT CORPORATION FOR THE CITY OF LONDON

COUNCIL HOUSING LEADERSHIP COMMITTEE
May 12, 2014



PRESENTATION OVERVIEW

Items

- 1 Purpose of Today's Presentation
 - 2 Stakeholder Feedback
 - 3 Revisions to Business Plan
 - 4 Next Steps
-

PURPOSE OF TODAY'S PRESENTATION

- Share outcome of stakeholder consultations
- Obtain feedback on proposed revisions to business plan, as well as any other comments from CHLC
- Confirm key milestones and approach for Council approval

STAKEHOLDER CONSULTATIONS



April 14th Stakeholder Consultation

- Attendees
 - Approximately 80 cross-sector/cross agency leads invited; about 40 attended
 - Representation from: non profit, private sector, developer partners, academia, municipality
- General feedback was positive
- Governance and corporate structure was validated
- Key activities of HDC were validated
 - Start up and entry point activities identified
 - Additional sustainable activities suggested

Other Consultation

- Various Housing and Finance Meetings
- Various Meetings with Councillors and Senior Staff
- One-on-one Meetings with Stakeholders

REVISIONS TO BUSINESS PLAN

General
Key Activities
Recommendations







General Changes to Business Plan

- Retitle report to A Business **Case** for a Housing Development Corporation for the City of London
- Incorporate Middlesex County throughout report
 - Explore opportunities for the HDC to work with the County
- Enhance context and reference to LMHC regeneration
 - Create a subsection on public housing in need and opportunity sections
- Revise Business Model Canvas to incorporate changes related to:
 - Incorporate Middlesex County
 - RCF
- Revise “Impact of HDC” illustration
- Revise “how is it innovative” illustration for clarity re RCF

General Changes to Business Plan

- Update Appendix 2 to include April's workshop, CRC Meeting in April
- Update Appendix 4 Best Practices to include information from Calgary as recommended at the last CHLC

The Business Model Canvas

 Collaborators	 Key Activities	 Value Proposition	 The Customer
<ul style="list-style-type: none"> ▪ Private realtors, developers, and builders ▪ Non-profit developers and property managers ▪ Financial institutions and credit unions ▪ Federal, provincial and municipal government ▪ Employment and training providers ▪ Other community players and thought leaders 	<ul style="list-style-type: none"> ▪ Coordinate deployment of government funding ▪ Enhance and better utilize municipal incentives ▪ Regenerate public housing stock ▪ Establish revenue generating activities ▪ Explore and initiate innovative financing and investment tools (i.e. Resilient Communities Fund) ▪ Unite collaborators 	<p>The HDC is the optimal vehicle to directly achieve affordable housing goals and to increase local capacity to develop affordable housing.</p>	<ul style="list-style-type: none"> ▪ City of London ▪ Middlesex County ▪ Property owners ▪ Private developers ▪ Non-profit community organizations ▪ Investors ▪ London and Middlesex residents, including individuals and families in identified need



The Business Model Canvas

Core Mandate

The HDC stimulates the development and sustainability of affordable housing throughout the London and Middlesex communities

Supporting Mandates

1. The HDC supports the local need for revitalized and strengthened neighbourhoods, and diverse and inclusive communities.
2. The HDC collaborates with all three sectors (private, non-profit and public) to create and sustain affordable housing and stimulate economic growth

ACTIVITY 1: COORDINATE AND LEVERAGE DEPLOYMENT OF GOVERNMENT FUNDING

START-UP AND ENTRY POINT FOR HDC (New Section)

1. Confirm resources needed to develop housing, including skills
2. Establish clear and transparent decision-making process for deciding when the HDC develops versus RFP for community
3. Establish RFP process and criteria for decision-making on funding allocations
4. Create a detailed inventory of existing government grant programs and process for updating, including start-up grant for HDC
5. Work with LMHC and other interested social housing providers to identify regeneration opportunities
6. Establish how the existing reserve fund will be used/allocated
7. Identify a range of in-kind potential leverages i.e. surplus lands

ACTIVITY 1: COORDINATE AND LEVERAGE DEPLOYMENT OF GOVERNMENT FUNDING

SUSTAINABLE OPERATION OF HDC

1. Administer federal/provincial affordable housing capital grant programs (i.e. IAH) on behalf of City
2. **Explore and** administer other complementary senior government funding initiatives such as energy efficiency grants, rehabilitation grants, etc.
 - Identify and coordinate **with** provincial ministries
3. Administer municipal grants, such as housing partnership **policy** and convert-to-rent/**rehabilitation program**
4. Identify, secure and inform community partners about funding programs

ACTIVITY 2: Enhance and Better Utilize Municipal Incentives

START-UP AND ENTRY POINT FOR HDC (New Section)

1. Research and recommend to the City enhanced and new incentives and tools for affordable housing. For example:
 - Surplus municipal lands policy
 - City-Wide CIP for Affordable Housing offering a range of incentives (e.g. grants in lieu of development charges, planning and building permit fees, property tax grants, zoning flexibility)
 - Second Unit incentive program
2. Establish ongoing process for identifying new tools and incentives
3. Explore HDC's role and approach for encouraging faith communities to use their surplus lands for housing
4. Compile an inventory of surplus lands (municipal, schools, hospitals, etc.) and confirm interest by owner to provide land for affordable housing

ACTIVITY 2: Enhance and Better Utilize Municipal Incentives

SUSTAINABLE OPERATION OF HDC

1. Promote the comprehensive tool box of incentives to customers and collaborators of the HDC
 - develop material which identifies the tools available and how to apply for the incentives
2. Act as a local knowledge portal for market data, and available grants, loans and development supports for affordable housing
3. Identify opportunities to leverage existing municipal assets such as municipally owned land and the public housing stock
4. Act as a “facilitator” that works directly with proponents who are trying to navigate the system, including identifying grants, assisting with permit approval systems, financing, etc.

ACTIVITY 3: Be a Developer and Establish Other Revenue Generating Business Lines

START-UP AND ENTRY POINT FOR HDC (New Section)

1. Identify potential collaborators, including landowners, developers, organizations that have equity, and develop engagement approach
2. Lead study on evaluation of the public housing stock
 - Short list of eligible sites
3. Explore feasibility of offering revenue generating services such as:
 - Providing development consultant services
 - Obtaining profits and fees through land acquisition and disposition
 - Providing market and community information to interested developers, builders, property managers
 - Providing community/neighbourhood engagement services for planning approvals
 - Building community capacity through education, training, mentoring
 - Conducting accessibility audits
 - Facilitating support service delivery collaboration in AH

ACTIVITY 3: Be a Developer and Establish Other Revenue Generating Business Lines

SUSTAINABLE OPERATION OF HDC

1. Be a developer of affordable housing in **the community** focusing on publicly owned properties and joint ventures, although not exclusively
2. Build relationships and broker partnerships with landowners and developers
3. Build relationships and broker partnerships with organizations that may contribute equity to a development
4. Provide development and project management services for the regeneration of LMHC properties **and interested co-ops/non-profits**
5. **Act as a development facilitator or conduit/navigator of municipal departments and funding for private and NFP sector**
6. Work strategically with other government partners to acquire surplus government lands
7. Undertake revenue generating activities **based on demonstrated feasibility**

ACTIVITY 4: Explore and Initiate Innovative Financing and Investment Tools

START-UP AND ENTRY POINT FOR HDC (New Section)

1. Further explore new innovative funding options such as the Resilient Communities Fund, and include:
 - Establishing a marketing plan
 - Identifying required services to be provided by HDC
 - Investigating rent-to-own component
 - Developing an accountability and compliance framework
2. Test the mortgage fund component of the RCF
3. Test the endowment fund of RCF
4. Explore potential role in soliciting financial institutions to provide mortgages

ACTIVITY 4: Explore and Initiate Innovative Financing and Investment Tools

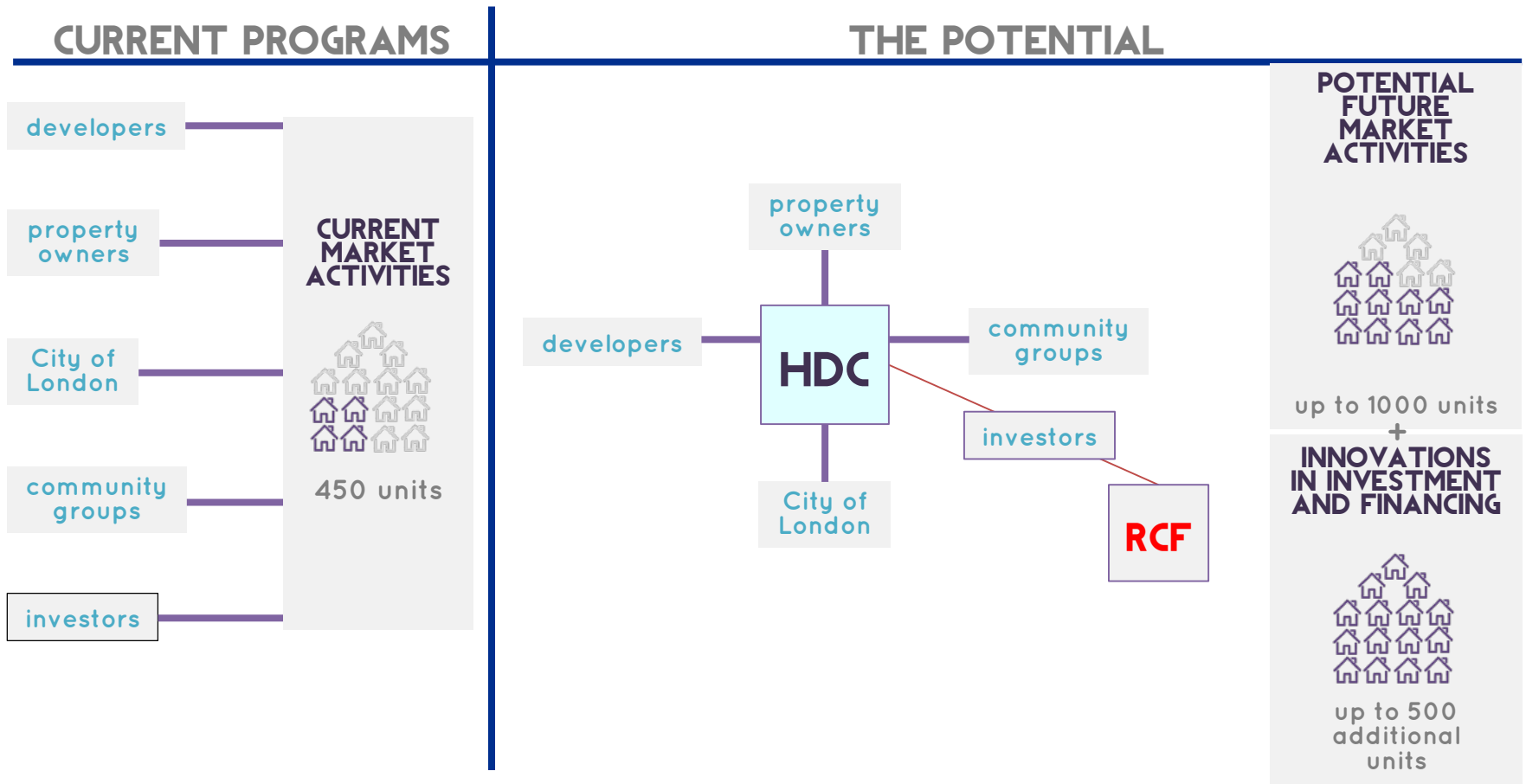
SUSTAINABLE OPERATION OF HDC

1. Once tested, establish and operate mortgage investment fund, possibly through a separate entity
2. Once tested, establish and operate affordable endowment fund
3. Explore and initiate other innovative financing and investment tools

Impact of the HDC

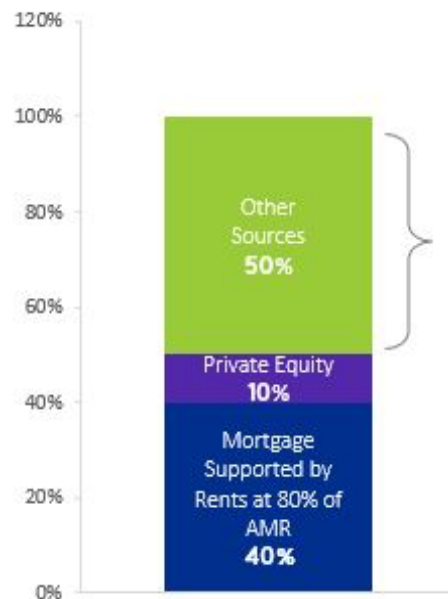
THE POTENTIAL (2016-2025)				POTENTIAL SOURCE OF FUNDS
STATUS QUO	STRATEGIC DIRECTION #1	Coordinate Development of Government Funding	450 units	<ul style="list-style-type: none"> - federal/provincial funding - City of London capital grant
with the HDC	STRATEGIC DIRECTION #2	Enhance and Better Utilize Municipal Incentives	450 units	<ul style="list-style-type: none"> - surplus municipal lands policy - CIP for affordable housing
	STRATEGIC DIRECTION #3	Establish Revenue-Generating Activities	100 units	<ul style="list-style-type: none"> - development consulting services - fees for strategically acquiring public land - proceeds from sale of surplus lands - net profit from land acquisition & disposition - profit from large scale development
	= 1000 total units			
with the HDC and including the RCF	STRATEGIC DIRECTION #4	Explore and Initiate Innovative Financing and Investment Tools	up to 500 additional units	<ul style="list-style-type: none"> - Resilient Communities mortgage fund - Resilient Communities endowment fund

How is it Innovative?



Financial Impact of HDC Activities

Funding an Affordable Rental Housing Unit



Funding comes from a combination of a number of sources:

- Owner equity
- Federal, provincial, municipal capital grants
- Existing, enhanced and new municipal grants and incentives **New!**
- Revenue from HDC revenue generating activities **New!**
- New investment vehicles (i.e. Resilient Communities Fund) **New!**

Operating the HDC:

- **Revised** pro forma operations and cash flow for period 2016-2020 (next page)
- Operating budget is *conceptual*, provided to demonstrate how the HDC can be sustainable and generate identified housing units
- These estimates will be subject to internal civic administration discussions including apportioning existing work, identifying new required competencies, etc.
- One of the first tasks of the HDC is to validate these estimates

CONCEPT PROFORMA OPERATIONS AND CASH FLOW FOR PERIOD 2016-2020

INCOME STATEMENT

	2016	2017	2018	2019	2020
REVENUE					
AH Development Program - Administrative Fees	\$69,000	\$103,500	\$138,000	\$172,500	\$207,000
Secondary Suite Incentives - Administrative Fees	\$0	\$6,250	\$12,500	\$18,750	\$25,000
Development Consulting Services	\$107,440	\$161,160	\$214,880	\$268,600	\$322,320
Fee for Strategically acquiring government surplus property	\$2,200	\$3,300	\$4,400	\$5,500	\$6,600
Proceeds from Sale of Surplus Property	\$0	\$0	\$150,000	\$300,000	\$300,000
Net Profit From Land Acquisition & Disposition Activities	\$0	\$0	\$16,500	\$33,000	\$33,000
Profit From Large Scale Development	\$0	\$0	\$0	\$0	\$70,000
Appropriation from Housing Services budget for administration costs	\$190,000	\$193,800	\$197,676	\$201,630	\$205,662
TOTAL REVENUE	\$368,640	\$468,010	\$733,956	\$999,980	\$1,169,582
EXPENSES					
Administration (i.e. HR resources, overhead)	\$350,000	\$370,974	\$497,070	\$507,011	\$517,152
External Consultants (e.g. LMHC regeneration, legal, other services)	\$90,000	\$65,000	\$40,000	\$35,000	\$30,000
TOTAL EXPENSES	\$440,000	\$435,974	\$537,070	\$542,011	\$547,152
NET INCOME	-\$71,360	\$32,036	\$196,886	\$457,969	\$622,430

POTENTIAL SOURCE/USE OF FUNDS FOR AFFORDABLE HOUSING DEVELOPMENT

Proceeds From Federal/Provincial Affordable Housing Grant	\$1,300,000	\$1,950,000	\$2,600,000	\$3,250,000	\$3,900,000
Proceeds From Municipal Capital Grant	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Proceeds from Incentives from CIP for Affordable Housing	\$2,023,500	\$3,035,250	\$4,047,000	\$5,058,750	\$6,070,500
Capital Grant for Affordable Housing Development	-\$3,750,000	-\$5,625,000	-\$7,500,000	-\$9,375,000	-\$11,250,000
NET CASH FLOW	\$1,502,140	\$1,392,286	\$1,343,886	\$1,391,719	\$1,342,930
CUMULATIVE CASH FLOW - WORKING CAPITAL	\$1,502,140	\$2,894,426	\$4,238,312	\$5,630,031	\$6,972,961

Recommendations

Recommendation #9

Put in place an implementation team to continue the work started through the HDC business **case** process to ensure that the HDC is operational by December 31, 2015. It will be the implementation team's responsible to develop a detailed work plan, including tasks, timelines and costs to carry out the work. **These tasks will include, but are not limited to, the following actions related to establishing the HDC:**

- Prepare and obtain letters patent, including required bylaws
- Prepare and execute shareholder agreement
- Delegate Service Manager authority as required
- Recruit board members and staff
- Other start up activities as appropriate

Recommendations

Recommendation #10

Direct the housing development corporation to prepare a business plan for the period 2016 to 2020 (and in five year increments thereafter). **The plan will include details on how the HDC will proportionately allocate available government funds to the housing development corporation and community partners. It will also include a detailed statement of pro-forma operations and anticipated cash flow and any plans related to specific initiatives requiring shareholder approval.**

Recommendations

Recommendation #11

Direct the HDC to further **explore, define** and assess the feasibility of the Resilient Communities Fund including identifying the structure of the fund, services to be provided by HDC, accountability and compliance framework.

KEY MILESTONES



KEY MILESTONES

Activities	Date
CHLC Meeting	TBD
Staff Report & Final SHS Consulting Report	At CHLC
C&PS Committee Meeting	Jul 21
Council Meeting	Jul 29