

TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE MEETING ON SEPTEMBER 22, 2015
FROM:	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES & DEARNESS HOME
SUBJECT:	APPROVAL OF BY-LAW FOR AMENDMENT TO THE 189 DUNDAS DEVELOPMENTS INC. MUNICIPAL CONTRIBUTION AGREEMENT

RECOMMENDATION

That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Managing Director, Housing, Social Services & Dearness Home, with regard to the 189 Dundas Developments Inc. project at 189 Dundas Street which was approved by Municipal Council on September 18, 2012:

- a) Schedule G – Permitted Encumbrances (Appendix A attached), **BE AMENDED** to permit a first mortgage with CIBC for the affordable housing project at 189 Dundas Street in the amount of \$645,487;
- b) in accordance with Municipal Housing Facilities By-Law No A.-5814-11, the attached by-law **BE INTRODUCED** at the Municipal Council on September 29, 2015, to authorize an amending Municipal Contribution Agreement substantially in the form of an agreement appended to the by-law and to the satisfaction of the City Solicitor; and
- c) the Mayor and the City Clerk **BE AUTHORIZED** to execute the said amending Agreement.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

Community Services Committee

September 10, 2012- Recommendation for proposals under Investment in Affordable Housing Program

BACKGROUND

On September 18, 2012, under the Investment In Affordable Housing Program, Request for Proposal RFP12-23, Municipal Council approved the proposed housing development and associated program funding for following proponent:

That 189 Dundas Developments Inc. BE PROVIDED a municipal allocation of \$55,000 per unit for eleven (11) IAH units for a total municipal allocation of \$605,000, and a federal/provincial allocation of \$60,000 per unit for a project located at 189 Dundas Street

Amended Schedule to the Municipal Contribution Agreement

The proponent has requested approval for an increase in the mortgage allowed under the Municipal Contribution Agreement for the affordable housing project at 189 Dundas Street in London.

The increase relates to timing and unexpected costs uncovered at demolition. The project was intended to start in the fall of 2012 but delays in finalizing working drawings to obtain the Building Permit pushed the start into late spring, 2013. At demolition, major structural problems were uncovered that required significant redesign of both the interior and the rear extension. This resulted in significant further delays and construction cost increases for steel, concrete forming, masonry, carpentry and most other building components. The impact on soft costs was very significant with increased engineering fees, property taxes and insurance and, in particular, interest costs for the interim financing.

The government is not being asked for more funds. The extra costs are being addressed by increasing the mortgage and the proponent's equity.

A review of a revised annual operating budget for this project indicates that an increased mortgage on the property is financial viable for this proponent. An amendment to the permitted encumbrances in the Municipal Contribution Agreement is required.

Program:	Investment In Affordable Housing Program
Number of Units:	11 units
Proponent:	189 Dundas Developments Inc.
Proponent Sector:	Private

Occupancy Date:	August 1, 2015
Target Group:	Singles, couples, working poor

Estimated Project Cost:	\$2,814,487
Actual Project Cost:	Report Pending

Federal/Provincial Funding:	\$660,000
City Funding:	\$605,000
Proponent Equity:	\$704,000

Mortgage:	\$645,487
-----------	-----------

Recommendation

It is recommended that Schedule "G" – Permitted Encumbrances (Appendix A attached), be amended to permit a first mortgage with CIBC for the affordable housing project at 189 Dundas Street in the amount of \$645,487.

Municipal Contribution Agreement

As part of the City of London commitment to the Canada-Ontario Community Rental Housing Program, on May 20, 2003, Municipal Council approved a Municipal Housing Facilities By-Law and resolved that project specific agreements under the Municipal Housing Facilities By-Law be prepared for approval by Municipal Council. Municipal Housing Facilities By-Law No. A.-5814-11 outlines the required contents of the contribution agreement with affordable housing proponents.

FINANCIAL IMPACT

The financial impacts associated with the Affordable Housing program are addressed through the municipal budget process. There are no financial impacts related to this report.

Acknowledgments

This report was prepared with the assistance of N. Watson, Housing Development Consultant and reviewed by D. Munteer, City Solicitor's office.

RECOMMENDED BY:	CONCURRED BY:
LOUISE STEVENS DIRECTOR OF MUNICIPAL HOUSING	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME

- cc. N. Watson, Housing Development Consultant
- D. Munteer, City Solicitor's Office
- K. Murray, Mgr, CS Financial & Business Services, FP & P

By-law No.

A by-law to approve an amending agreement between The Corporation of the City of London (the City) and 189 Dundas Developments Inc. (the Proponent) for the purpose of establishing the Investment In Affordable Housing Program and the City's obligation to provide funding to the Proponent; and to authorize the Mayor and the City Clerk to execute the agreement.

WHEREAS section 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 8 of the *Municipal Act, 2001* provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS The Corporation of the City of London (the City) is responsible for the delivery and administration of affordable housing initiatives including affordable rental housing programs, convert-to-rent programs and other initiatives;

AND WHEREAS the Proponent has responded to the procurement process initiated by the City to undertake development activities in return for funding;

AND WHEREAS it is deemed expedient for the City to enter into an agreement with the Proponent for the purpose of establishing the Proponent's obligations with respect to the Canada-Ontario Affordable Housing Program and the City's obligation to provide funding to the Proponent;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. An amending agreement between the City and the Proponent for the purpose of establishing the Proponent's obligations with respect to the Canada-Ontario Affordable Housing Program and the City's obligation to provide funding to the Proponent be hereby approved.
2. The Mayor and the City Clerk be hereby authorized to execute the agreement approved in section 1, above, substantially in the form of agreement attached to this by-law and to the satisfaction of the City Solicitor.
3. This by-law shall come into force and effect on the day it is passed.

PASSED in Open Council on _____, 2015.

Matt Brown
Mayor

Catharine Saunders
City Clerk

First reading –

**AMENDMENT
TO
MUNICIPAL CONTRIBUTION AGREEMENT
Investment in Affordable Housing
Rental Housing Component
Direct Funding Delivery**

BETWEEN:

THE CORPORATION OF THE CITY OF LONDON
(hereinafter called the "City")

-and-

189 DUNDAS DEVELOPMENTS INC.
(hereinafter called the "Proponent")

This Agreement made the _____ day of October, 2015.

WHEREAS:

- A. The City and the Proponent entered into an agreement on December 4, 2012 wherein the Proponent agreed to construct 11 apartments in the City of London.
- B. Section 2.1 indicates that the proponent agrees to advance as its equity contribution to the Project the amount of four hundred twenty-eight thousand dollars (\$428,000) on or before the commencement of Development Activities and provide written confirmation to the City that the equity contribution has been advanced.
- C. Schedule "G" Permitted Encumbrances indicates that all mortgages and security collateral thereto-totaling principal amounts which do not exceed \$456,000 also described in Schedule "M".

NOW THEREFORE, the City and the Proponent agree with each other to the following Amendments to the aforementioned Agreement:

- 1. Section 2.1 shall be amended to state that the Proponent will advance as its equity contribution to the Project the amount of seven hundred four thousand dollars (\$704,000) on or before September 30, 2015 and provide written confirmation to the City that the equity contribution has been advanced.
- 2. Schedule "G" Permitted Encumbrances shall be amended to state that the private first mortgage will be revised and security collateral thereto-totaling principal amounts which do not exceed \$645,487 also described in Schedule "M" attached.

All other Terms and Conditions in the aforementioned Agreement shall remain in full force and effect.

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

THE CORPORATION OF THE CITY OF LONDON

Matt Brown, Mayor

Catharine Saunders, City Clerk

189 DUNDAS DEVELOPMENTS INC.

Yossi Lavie, President

I/We have the authority to bind the Corporation

SCHEDULE "M"

PROJECT INFORMATION FORM

Investment in Affordable Housing for Ontario (IAH) – Rental Housing Component

Service Manager – City of London

Project Name: 189 Dundas Street

Official Name of Proponent: 189 Dundas Developments Inc.

Proponent Address & Contact Info: Yossef Lavie, 650 Victoria Street, London, ON N5Y 4C1

Phone: (416) 846-3535

Email: yossilavie@hotmail.com

Proponent Type:

private sector municipal non-profit co-operative partnership

private non-profit, charitable corporation other

Project Information

Number of Affordable Units Created: New Supply: eleven (11)

Total Number of Units in Project: eleven (11)

Type of Construction: Apartment Row

Included in Rent: Parking Heat Electricity Hot Water
Water

First Occupancy Date: August 1, 2015 (confirmed)

Unit Type	# of Units	Unit Sizes	Rents	Utilities Included
One bedroom	6	535sf	\$572	Heat and water
One bedroom	2	535sf	\$500	Heat and water
One bedroom	3	530sf	\$500	Heat and water
Total	11			

Approvals

Date of Council Approval of Project: September 18, 2012

Date of MMAH Approval of Project: November 19, 2012

Project Funding

	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
1. Municipal Contributions (\$605,000)			
a) AHRF (11 units x \$55,000)	\$ 605,000		\$ 605,000
2. Contributions form other sources			
Owner Equity - 10% of total project cost	\$ 407,000	\$297,000	\$ 704,000
Façade Program	\$ 25,000	\$ 25,000	\$ 50,000
Upgrade to Building Code	\$ 50,000	\$100,000	\$ 150,000
3. Provincial Funding	\$ 319,374		\$ 319,374
4. Federal Funding	\$ 340,626		\$ 340,626
5. Mortgage	\$ 645,487	\$ 0	\$ 645,487
TOTAL FUNDING AND FINANCING	\$ 2,392,487	\$ 422,000	\$ 2,814,487
(Construction Financing \$650,000)			

Amount of Rental Housing Funding (3+4) \$660,000

Total Capital Costs of Project

	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
Soft Costs (legal, architecture, engineering, etc.)	\$ 262,787	\$ 0	\$ 262,787
Land Costs	\$ 593,700	\$105,000	\$ 698,700
Construction or Hard Costs	<u>\$1,536,000</u>	<u>\$317,000</u>	<u>\$1,853,000</u>
Total Capital Costs	\$2,392,487	\$422,000	\$2,814,487

Operating Budget (Year 1)

	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
Revenues			
6 – one bedroom @ 80% CMHC AMR (\$572 x 6 x 12)	\$ 41,184		\$ 41,184
5 – one bedroom @ 70% CMHC AMR (\$500 x 5 x 12)	30,000		30,000
2 commercial units (\$15psf x 1,970)		29,550	29,550
Laundry Income	<u>3,500</u>		<u>3,500</u>
Total Revenue	\$74,684		\$104,234
Less: Vacancy Loss	<u>2,140</u>	<u>2,955</u>	<u>5,095</u>
Net Revenue	\$72,544	\$26,595	\$ 99,139

Expenditures

	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
1. Management 5%	\$3,560	\$1,500	\$5,060
2. Building Operating Costs	8,800		8,800
3. Utilities (heat, water, common)	4,400		4,400
4. Property Taxes	6,600		6,600
5. Insurance	4,300		4,300
6. Replacement Reserves 4%	3,560		3,560
7. Mortgage	27,838		27,838
8. Façade & BCU Loan Repayment	3,750	7,500	11,250
9. Commercial Expense		<u>3,000</u>	<u>3,000</u>
Total Costs	\$62,808	\$12,000	\$74,808
Annual Surplus	\$ 9,736	\$14,595	\$24,331

Appendix A

SCHEDULE "G"

PERMITTED ENCUMBRANCES

[This schedule in the executed Charge/Mortgage will contain the registration details of all registered documents which fit into the categories listed below.]

1. All mortgages and security collateral thereto-totaling principal amounts which do not exceed \$645,487.
2. Construction financing which does not exceed \$1,000,000.
3. Such easements and restrictive covenants as do not prevent the Project from being constructed or used as Affordable Housing.
4. Municipal agreements relating to the Development Activities in connection with the Project.