

Bill No. 33
2016

By-law No. A.-_____

A by-law to approve an amending agreement between The Corporation of the City of London (the City) and 8999872 Canada Ltd (the Proponent) for the purpose of establishing the City of London 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 agreed to provide affordable rental housing units in return for funding;

AND WHEREAS it is deemed expedient for the City to enter into an amending agreement with the Proponent for the purpose of establishing the Proponent's obligations with respect to the City of London 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 City of London 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 amending agreement approved in section 1, above, substantially in the form of agreement attached to this by-law as Schedule 1 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 January 4, 2016.

Matt Brown
Mayor

Catharine Saunders
City Clerk

First reading – January 4, 2016
Second reading – January 4, 2016
Third reading – January 4, 2016

Schedule 1
AMENDMENT
TO
MUNICIPAL CONTRIBUTION AGREEMENT

Investment in Affordable Housing for Ontario (2014 Extension)
Rental Housing Component

This Agreement made the day of ____, January 2016

BETWEEN:

THE CORPORATION OF THE CITY OF LONDON

(hereinafter called the "City")

- and -

8999872 CANADA LTD.

(hereinafter called the "Proponent")

WHEREAS:

- A. The City and the Proponent entered into an agreement dated the 24th day of December, 2014 (the "Contribution Agreement") and amended by agreement dated the 5th March, 2015;
- B. Section 2.1 of the Contribution Agreement, as amended, provides that the proponent agrees to advance as its equity contribution to the Project the amount of five hundred ninety-one thousand forty-three dollars (\$591,043) 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 \$1,077,219 also described in Schedule "M";
- D. The loan has a term of twenty-five (25) years, commencing on initial occupancy
- E. The legal description of the property includes 228 – 230 Dundas Street, London;
- F. The Parties have agreed to further amendments to the Contribution Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein and other valuable consideration, the City and the Proponent agree as follows:

- 1. the Contribution Agreement is hereby amended as follows:
 - a. Section 2.1 is amended to revise the amount of Proponent equity to six hundred sixty-two thousand nine hundred twenty-eight dollars (\$662,928);
 - b. Schedule "D" Rental Protocol is deleted and replaced by the Schedule "D" attached hereto;
 - c. Schedule "G" Permitted Encumbrances is deleted and replaced by the Schedule "G" attached hereto;
 - d. Schedule "L" Legal Description of Property is deleted and replaced by the Schedule "L" attached hereto;
 - e. Schedule "M" Project Information Form is deleted and replaced by the Schedule "M" attached hereto;
- 2. All other Terms and Conditions in the Contribution Agreement are hereby confirmed and 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

8999872 CANADA LTD.

Marvin Rivas
President

I/We have the authority to bind the Corporation.

SCHEDULE "D"
RENTAL PROTOCOL

1. DEFINITIONS

1.1 In this Schedule "D, unless the context requires otherwise,

- "Affordability Period" means the "twenty-five (25) year period" following the date of the first (1st) occupancy of a Unit in the Project;
- "Agreement" means the Agreement to which this Schedule "D" is attached;
- "Rent", for the purposes of this Agreement, includes the amount of any consideration paid or given or required to be paid or given by or on behalf of a tenant to the Proponent or the Proponent's agent for the right to occupy a Unit and for any services and facilities and any privilege, accommodation or thing that the Proponent provides for the tenant in respect of the occupancy of the Unit, whether or not a separate charge is made for services and facilities or for the privilege, accommodation or thing.

1.2 The definitions in the Agreement shall apply to this Schedule "D", in addition to the definitions contained in section 1.1 above.

1.3 All references to section numbers in this Schedule are references to sections of the Schedule and not sections of the Agreement, unless otherwise explicitly stated.

2. PROJECT RENTS

2.1 During the Affordability Period, the Proponent shall not charge rent for a Unit in the Project in excess of the affordable rent permitted under this Schedule "D" nor increase any rent charged for a Unit except as permitted in this Schedule "D".

3. RENTS

3.1 Initial rents are listed in Schedule "M" and will not be adjusted prior to occupancy.

3.2 Low Rent Units: 1/3 of the units which Program Funds have been utilized shall not exceed seventy per cent (70%) of CMHC Average Market Rent for the London CMA. Rent increases will follow the RTA rent increase guidelines and must not exceed 70% CMHC AMR for the term of the agreement. Rents include water and heat.

3.3 Affordable Rent Units: 2/3 of the units which Program Funds have been utilized shall not exceed eighty per cent (80%) of CMHC Average Market Rent for the London CMA. Rent increases will follow the RTA rent increase guidelines and must not exceed 80% CMHC AMR for the term of the agreement. Rents include water and heat.

4. RENT INCREASES

4.1 The Proponent may increase the rent charged under section 3.2 and 3.3 with respect to a Unit only if at least twelve (12) months have elapsed,

- (a) since the day of the last rent increase respecting the Unit, if there has been an increase, or
- (b) since the day the Unit was first rented for the first (1st) rental period following the completion of the Development Activities in connection with the Project.

No additional increase is permitted when a unit becomes vacant within 12 months of the annual rent increase.

4.2 The Proponent shall not increase the rent pursuant to section 4.1 during the Affordability Period by more than the then prevailing rent increase guideline established for each calendar year pursuant to the *Residential Tenancies Act, 2006* or any

successor legislation. The Proponent acknowledges that the rent increase guideline of the *Residential Tenancies Act, 2006* or any successor legislation, does not apply to the Project and agrees that the rent increase guideline applies by virtue of the contractual terms of the Agreement and this Schedule "D".

5. PHASE-OUT PERIOD

5.1 Purposely omitted.

5.2 Purposely omitted.

6. AFTER PHASE-OUT PERIOD

6.1 Purposely omitted.

7. MAXIMUM HOUSEHOLD INCOME

7.1 Gross tenant household income from all sources for tenants of assisted affordable rental housing can be no greater than five (5) times their Monthly Occupancy Cost. Proponents will be required to check incomes for prospective tenants of Assisted Affordable Rental Housing units to ensure compliance with this requirement at initial occupancy ("rent up") and when any new tenants are selected as ensuing vacancies occur during the twenty (20) year period following the Project Completion Date. Proponents are not required or expected to check incomes for approved tenants once they have taken possession of their units.

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 one million three hundred two thousand five hundred fifty-two dollars (\$1,302,552).
2. Construction financing which does not exceed one million four hundred thousand dollars (\$1,400,000).
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.

SCHEDULE "L"

LEGAL DESCRIPTION OF PROPERTY

Number of Units: thirty-three (33)

Property Address: 228-230 Dundas Street

PIN: 08265-0052 LT

Description: Pt Lt 4 & 5, NW Dundas Pt Lt, 4 SW Queens; LONDON

Property Address: 226 Dundas Street, London

PIN: 08265-0053 LT

Description: PT LT 5 NW DUNDAS ST AS IN 607076; LONDON

3. Upgrade to Building Code Loan		\$ 50,000	\$ 50,000
3. Federal Funding	\$2,288,100		\$2,288,100
4. Mortgage	\$1,037,352	\$265,200	\$1,302,552
TOTAL FUNDING AND FINANCING	\$4,629,280	\$540,200	\$5,169,480

(Construction Financing \$1,400,000)

<u>Total Capital Costs of Project</u>	<u>Affordable</u>	<u>Commercial</u>	<u>Combined</u>
Soft Costs (legal, architecture, taxes, fees, etc.)	\$ 291,405	\$ 40,600	\$ 332,005
Land Costs	\$ 1,028,675	\$299,600	\$1,328,275
Construction/Hard Costs	\$ 2,876,000	\$200,000	\$3,076,000
Contingency (Hard Construction)	\$ 287,600		\$ 287,600
HST (Net)	\$ 145,600		\$ 145,600
Total Capital Costs	\$4,629,280	\$540,200	\$5,169,480

<u>Operating Budget (Year 1)</u>	<u>Affordable</u>	<u>Commercial</u>	<u>Combined</u>
Revenues - Annual Income			
22 - one bedroom @ 80% CMHC AMR (\$605 x 22 x 12)	\$159,720		\$159,720
11 – one bedroom @ 70% CMHC AMR (\$530 x 11 x 12)	\$ 69,960		\$ 69,960
Main Floor Restaurant		\$66,000	\$ 66,000
226 Dundas		\$15,000	\$ 15,000
Municipal Tax Rebate	\$ 21,308		\$ 21,308
Total Revenue	\$250,988	\$81,000	\$331,988
Less: Vacancy Loss 2%	\$ 5,020		\$ 5,020
Net Revenue	\$245,968	\$81,000	\$326,968

Expenditures			
1. Administration Costs (4.5%)	\$ 11,069		\$11,069
2. Building Operating Costs	26,400		26,400
3. Utilities (common & unit heat)	24,000		24,000
4. Municipal Taxes	52,865		52,865
5. Insurance	10,000		10,000
6. Replacement Reserves (4%)	9,839		9,839
7. Mortgage	48,035	18,509	66,544
8. Superintendent	10,000		10,000
9. Façade/Building Code loans		7,500	7,500
Total Costs	\$192,208	\$26,009	\$218,217
Annual Surplus	\$ 53,760	\$54,991	\$108,751

Residential Mortgage
\$1,037,352 3.25% 40 year amortization 10 year term
Commercial Space Mortgage
\$265,200 5% 25 year amortization 10 year term

