

TO:	CHAIR AND MEMBERS COMMUNITY & PROTECTIVE SERVICES COMMITTEE MEETING ON APRIL 26, 2016
FROM:	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME
SUBJECT:	INVESTMENT IN AFFORDABLE HOUSING - 2014 EXTENSION (IAH-E) YEAR 3: PROPOSAL RECOMMENDATION FOR 27 CENTRE STREET

RECOMMENDATION

That, on the recommendation of the Manager, Housing Services as Executive Lead, Housing Development Corporation, London (HDC), the following actions **BE APPROVED** with respect to the project proposal received under the Investment in Affordable Housing Program RFP 15-14 from Escalade Property Corporation, for the proposed affordable project located at 27 Centre St. London:

1. A federal/provincial Investment in Affordable Housing - 2014 Extension (IAH-E) allocation of approximately \$69,009 per unit, for forty-six (46) new affordable rental units for a total federal/provincial allocation of \$3,174,445;
2. The City of London forward the above-noted project proposals to the Province for program funding approval under the Investment in Affordable Housing (2014 Extension) Program Year 3, 2016 allocation;
3. A municipal repayable loan allocation of \$41,000 per unit for the above noted forty-six (46) affordable rental units, plus additional funding of \$5,000 per unit to support six (6) units being made accessible, for a total municipal repayable loan allocation of \$1,916,000 at an interest rate of 2% annually (not compounded);
4. The funding allocation from the Affordable Housing Reserve Fund, for the total municipal allocation of \$1,916,000 recommended above, be as set out in the attached (Appendix A) – Sources of Financing Report;
5. In accordance with Municipal Housing Facilities By-Law No A.-5814-11, the attached by-law (Appendix B) **BE INTRODUCED** at the Municipal Council meeting on May 3, 2016, to authorize a Municipal Contribution Agreement substantially in the form of the attached Municipal Contribution Agreement (appended to the by-law as Appendix C); and
6. The Mayor and the City Clerk **BE AUTHORIZED** to execute the said Agreement, it being noted that this matter remains a requirement of Council while the assignment of the IAH Administration Agreement to HDC is pending final approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Community and Protective Services Committee

September 22, 2014 *Investment in Affordable Housing for Ontario – 2014 Extension, (IAH – E)*
Approval of Administration Agreement

Community and Protective Services Committee

September 22, 2014 Assignment of Rental Component of Administration Agreement for *The Investment in Affordable Housing for Ontario - 2014 Extension* to Housing Development Corporation, London (HDC)

May 20, 2015 *Investment in Affordable Housing for Ontario – 2014 Extension*, (IAH – E) Recommendation for Proposals Under RFP 15-14

October 20, 2015 *Investment in Affordable Housing for Ontario – 2014 Extension*, (IAH – E) Update, including amended IAH funding schedule

Strategic Priorities and Policy Committee

October 26, 2015 Housing Development Corporation, London Incorporation and Initial Corporate Organization

Planning and Environment Committee

April 25, 2016 Application for Brownfield Incentives by Escalade Property Corp for 27 Centre Street.

BACKGROUND

City of London and HDC Roles in Affordable Housing:

The City of London is the Service Manager under the *Housing Services Act, 2011* for the city and Middlesex County. In 2015, the City incorporated the Housing Development Corporation, London (HDC) to oversee and manage its actions related to advancing affordable housing development, including the administration of IAH funding and of new rental projects.

HDC is the mechanism to utilize incentives, funding, governance tools, resources and knowledge to support sustainable affordable housing development. HDC takes a coordinated approach to the development of partnerships and deployment of resources.

HDC is assuming all new development activities related to the delivery of IAH-E Program Rental Housing component, other local programs such as the Convert-To-Rent/Rehabilitation Program and Housing Partnership Policy and similar future affordable housing programs. HDC is mandated to work in partnership with the City as legislated Service Manager (through Council), and with Civic Administration for shared service arrangements.

This report is submitted to Municipal Council as the City is still in the process of finalizing the assignment of responsibilities to the HDC through the Ministry of Municipal Affairs and Housing (MMAH) for federal/provincial programs.

Investment in Affordable Housing - 2014 Extension (IAH-E) Program and Funding:

On October 31, 2014, the City entered an Administration Agreement with MMAH for IAH-E. The Administration Agreement outlines financial provisions, eligibility criteria, indemnification and risk management protocols, and audit and accountability provisions for the federal/provincial affordable housing funding. On December 19, 2014, the Province announced the total notional allocation to the City of London under IAH-E of \$26,026,200 to 2020.

The 2016 IAH-E allocation for new build development is \$3,174,445. The 2016 allocation is offset by higher allocations in 2017 to 2020. Funding must be allocated by December 31 of the intended program year – “use it or lose it”.

IAH-E Projects To Date: (via RFPs 14-36 and 15-14).

Since August, 2014, Municipal Council has approved five new affordable housing projects:

1. 2014 (Year 1 IAH-E): 2514 Tokala Trail, London 4 units; (complete)
2. 2014 (Year 1 IAH-E): 226-230 Dundas St., London 33 units;
3. 2015 (Year 2 IAH-E): 1166 Hamilton Road, London 26 units;
4. 2015 (Year 2 IAH-E): 193 Clarke Road, London 14 units; and
5. 2015 (Year 2 IAH-E): 534 Albert St. Strathroy 21 units.

2016 Project Description:

A proposal for 27 Centre St. was submitted by Escalade Property Corporation and JLC Homes Ltd. in response to RFP 15-14. The proposal met all program requirements as the next highest ranked project best meeting the available funding and program interests. The project also represents a large brownfield remediation.

JLC Homes Ltd. and Escalade Property Corporation are owned by Jonathon Leahy, a London based homebuilder active for the past 16 years. JLC Homes has built over 120 units with a mix of single, semi-detached and small multiple projects. Escalade Property Corporation has just completed a 26 unit affordable housing project at 1166 Hamilton Road.

New Incremental Approach through HDC:

HDC has begun developing new approaches related to affordable development. Enhancements were negotiated within the 27 Centre St. proposal as noted below:

27 Centre Street, London, Escalade Property Corporation			
Project Details	Initial Project Plan: (Submitted through RFP)	Revised Project Plan: (Advanced through HDC)	Comments:
Lot Size	.9 ha (2.3 ac)	No change	
Zoning	Residential R9-7/H42	No change	Allows construction as proposed and amended
Land/Environmental	Phase 1 and 2 ESA completed.	Support for Brownfield CIP application	Review meetings with Planning
Building Description	New Build – All concrete Slab on grade	Amended Design Features through meetings with City	Review urban plan considerations prior to peer review.
	4 storey 30 x 1 Bedroom Units 5 of which accessible	8 storey 60 x 1 Bedroom Units 6 of which accessible	Proponent to fund 14 Market units at \$990/ month. Provides for mixed income community.
Proponent Sector	Private	Non-Profit Partner	DeafBlind/CNIB
Target Group	- Low income singles/couples	- Low income singles/couples - Persons with visual and hearing impairments but able to live independently - Modest market and below market mixed housing	Support to advance and better utilize density allowances Support to integrate a 2 nd proponent proposal from RFP 15-14 Support for mixed development 14 additional affordable units using new funding strategy
Building Permit	May 2016	No change	Projected
Occupancy Date	July 2017	No change	Projected
Features	High efficiency HVAC including AC; LED lighting; water conservation; Energy Star windows, doors and appliances; programmable thermostats in each unit; dual flush low flow toilets and shower heads; insulation beyond OBC requirements; air conditioning, window blinds. Energy audit upon completion	Inclusion of mixed affordable and market units Inclusion of special design features and elements supporting integrated accommodations for persons with visual and hearing disabilities Additional elevator Capacity for 2 nd building	Meetings to establish partnership with non-profit agencies requiring affordable housing for priority populations within Housing Plan. Meeting with City staff to ensure sidewalk and like features supporting mixed population and higher density, Retain capacity for future partnership in a 2 nd building
General Contractor:		JLC Homes Ltd. (Jon Leahy; Owner of Escalade Property Corp.)	
Architect:		William Haas Consultants Inc.	
Consultant:		Greg Playford, Devonshire Financial	

The revised project plan reflects increased value to the community, increased longevity of the affordability period, the engagement of a service partnership, reduced per-unit costs, and additional considerations for the future of this site.

Service Partnership:

In support of mixed tenancies and advancing the needs of priority populations within the Homeless Prevention and Housing Plan, all new developments will attempt to integrate mixes of income, priority populations, and related services.

Through this strategy, Escalade Property Corporation plans for 27 Centre St. were aligned with the housing needs of another proponent submission to RFP 15-14. Through negotiated discussions, 27 Centre Street will include purpose built units designed for members of the deafblind community supported through both CNIB and DeafBlind Ontario Services.

These organizations have complementary services that strive to promote inclusion and the achievement of full potential for their clients, including through accessible and affordable accommodations for those in income need and able to live independently with supports.

By engaging with these organizations at the pre-construction phase, specific units and common areas will be designed for increased space maneuverability and contain the illumination, colour, texture, and specialized products and features that will integrate fully and complementarily into the existing overall design.

In working through the City's preconstruction process, considerations have also been made to allow for increased accessibility to paratransit and to the continuation of sidewalks allowing for full walkable mobility to neighbourhood services.

Enhanced Municipal Funding Strategy:

A revised approach to municipal funding will be employed in 27 Centre St. Rather than a standard forgivable loan (as per past practice), the City's contribution will act as a revolving fund allowing the private sector proponent the option of either extending the affordability at the completion of the mortgage/Municipal Contribution Agreement period or repaying the municipal loan with a nominal 2% annual (non-compounded) interest rate intended to offset inflation.

Over time, this approach will allow for various other means of either negotiating extensions to the affordability period or engaging in funding partnerships and approaches that work with the private and non-profit sectors to expand value and affordability considerations.

These features are supported through the Municipal Facilities Housing By-law which recognizes opportunities for exploring new affordable housing solutions.

To facilitate this change, the municipal contribution will not be bundled with the federal and provincial contributions on title, but rather separated into a third place mortgage - while remaining equally secured through the project's equity and mortgage requirements.

The inclusion of this tool allowed for increased municipal funding as well as the capacity to include higher density, more units, and a lower overall per unit cost.

Municipal Contribution Agreement:

As part of the City of London commitment to the Canada-Ontario Community Rental Housing Program, in 2002, 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.

The Municipal Contribution Agreement will be substantially in the form of existing agreements recognizing the above noted amendments to increase duration, include a revolving loan feature or program extension, and establish the noted support service partnership.

The municipal contribution is outlined in the chart below and confirmed in Appendix A.

Project Funding and Affordability:

27 Centre Street, London, Escalade Property Corporation			
Project Details	Initial Project Plan: (Submitted through RFP)	Revised Project Plan: (Advanced through HDC)	Comments:
Total Project Cost	\$5,366,527	\$10,022,500	30 affordable units vs. 60 (46 affordable and 14 market units).
Recommended F/P Allocation	\$1,800,000	\$3,174,445	16 additional affordable units will be built.
Recommended Municipal Allocation	\$1,650,000 Forgivable Loan	\$1,916,000 Repayable Loan with interest Breakdown: \$41,000 x 46 units = \$1,886,000 + \$5,000 x 6 accessible units = \$30,000 Affordable Housing Reserve Fund.	As above...16 additional affordable units will be built. Repayable upon end of MCA period with 2% interest annually (not compounded) or an option to extend affordability for all affordable units (46) for a negotiated revised set affordability period.
Mortgage and Amortization	NHA First Mortgage, 35 year amortization, 10 year term at 3% or lower.	NHA First Mortgage, 40 year amortization, 5 year term at 3%.	Developments have been obtaining first mortgages at below 3% interest rate the past year.
Project Duration	20 year with 5 year phase out.	30 year with no phase out period plus option to extend affordability period.	One third greater value based on overall duration of affordability period.

Project Plans and Elevation:



The building and site design plan has been enhanced through this process with support and assistance from the Urban Design Peer Review Panel and through Site Plan Consultations as the initial project was intended as a 4 storey building. This revised plan now includes two eight

storey buildings, with this project only focused on the first building. The City's encumbrance on title will provide the opportunity to engage in further project planning and considerations related to the second building in the future.

The revised plan includes street and sidewalk modifications that will be done in conjunction with City related road and sidewalk improvements.

FINANCIAL IMPACT

The Source of Financing for the \$1,916,000 requested is the Affordable Housing Reserve Fund as outlined in Appendix A.

ACKNOWLEDGEMENTS

This proposal was supported by the work of the RFP 15-14 Evaluation Committee, Development Services site plan consultation staff, the Urban Design Peer Review Panel, Neil Watson, Legal Services, Financial Planning and Policy, and Planning Services staff.

RECOMMENDED BY:	CONCURRED BY:
STEPHEN J. GIUSTIZIA MANAGER, HOUSING SERVICES (Executive Lead, Housing Development Corporation, London)	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME

- C. A.L. Barbon, Manager, C/S Financial & Business Services
- A. Dunbar, Manager, Financial Planning & Policy
- N. Watson, Housing Development Consultant
- D. Mounteer, Solicitor, City of London
- T. Brutto & E. Boyd, Municipal Affairs & Housing
- DeafBlind Ontario Services and CNIB
- J. Leahy, Escalade Property Corp.