

TO:	CHAIR AND MEMBERS COMMUNITY & PROTECTIVE SERVICES COMMITTEE MEETING ON OCTOBER 18, 2016
FROM:	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME
SUBJECT:	RECOMMENDATIONS FOR CONSTRUCTION-READY PROPOSALS UNDER THE INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO 2016 SOCIAL INFRASTRUCTURE FUND

RECOMMENDATION

That, on the recommendation of the Managing Director of Housing, Social Services, and Dearness Home and the CEO, Housing Development Corporation, London (HDC), the following actions **BE APPROVED** with respect to the project proposals received under the Investment in Affordable Housing for Ontario 2016 Social Infrastructure Fund (SIF) Request for Proposals RFP 16-38.

1. A federal/provincial allocation of approximately \$78,704 per unit, for twenty-seven (27) new affordable rental units for a total federal/provincial allocation of \$2,125,000 for 516 Albert Street, Strathroy with 1822039 Ontario Ltd;
2. A federal/provincial allocation of approximately \$59,616 per unit, for fifty (50) new affordable rental units for a total federal/provincial allocation of \$2,980,795 at 356 Dundas Street, London with 2363289 Ontario Limited;
3. The City of London forward the above-noted project proposals to the Province for approval under the Social Infrastructure Fund (SIF) Program, 2016 allocation;
4. A municipal repayable loan allocation of \$40,284 per unit for fifty (50) affordable rental units at 356 Dundas Street, London with 2363289 Ontario Limited for a total municipal repayable loan allocation of \$2,014,205 at an interest rate of 2% annually (not compounded);
5. The municipal allocation from the reserve funds of \$2,014,205, as recommended above, be as set out in the attached (Appendix A) – Sources of Financing Report;
6. In accordance with Municipal Housing Facilities By-Law No A.-5814-11, the attached by-laws (Appendix B and C) **BE INTRODUCED** at the Municipal Council meeting on October 25, 2016 to authorize a Municipal Contribution Agreement substantially in the form of the attached Municipal Contribution Agreement (appended to the by-law in Appendix C); and
7. 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 Social Infrastructure Fund and IAH Administration Agreement to HDC is pending approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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July 19, 2016 Community and Protective Services Committee:
Approval of the Service Manager Administration Agreement for the 2016 Social Infrastructure Fund (SIF) and Pending Assignment to HDC.

October 26, 2015 Strategic Priorities and Policy Committee:
Housing Development Corporation, London Incorporation and Initial Corporate Organization

BACKGROUND

HDC and The City of London 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 related federal and provincial programs and funding. HDC is a mechanism to utilize incentives, investment 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.

Although HDC is in the process of assuming all new development activities related to the delivery of federal and provincial affordable housing programs, the SIF Program preceded the formal assignment of these business activities to HDC.

Social Infrastructure Funding (SIF) Program and Related RFP:

On July 12, 2016, the City entered an Administration Agreement with the Ministry of Housing (MoH) for SIF (pending assignment to HDC) which outlines the financial provisions, eligibility criteria, protocols, and accountability provisions for this program. On June 21, 2016, the Province announced the total notional allocation to the City of London under SIF of \$9,229,935 for 2016 and 2017.

The 2016 SIF allocation to new build development is \$5,105,795. The program requires construction ready projects as 2016 allocations must be fully committed under municipal agreement by December 31, 2016, – “use it or lose it”.

On July 14, 2016, a Request for Proposal (RFP 16-38) was released in anticipation of the SIF program and with knowledge of potential local projects ready for development. An evaluation team of Civic Administration and HDC staff reviewed projects based on the RFP and program criteria. Under the new HDC approach, projects not approved can be considered for rostering to continue work with HDC.

Also within HDC and City procurement practices and as indicated within the RFP, top ranked projects were considered as base bids and subject to review and negotiation to achieve best value and maximize the impact of federal, provincial, and municipal investments.

Through a planned Expression of Interest/Request for Qualification, the HDC will begin an open and continuous application process to roster private and non-profit developers with interests in affordable housing. This process will be in place for program funding for 2017 and beyond and will be administered through the HDC Board.

HDC Investment Strategy:

A revised approach to municipal allocation investment is again being employed. 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. This approach allows for the future negotiating of extensions to the affordability periods or engaging in funding partnerships. The intent is to continue to work with the private and non-profit sectors developers to expand value and affordability considerations.

To facilitate this approach, the municipal contribution is not bundled with the federal and provincial contributions on title, but rather registered separately as a third place mortgage - while remaining secured through the project's equity and mortgage requirements.

In addition to this, municipal contribution agreement in the proposed projects has moved from a guaranteed 20 year affordability period to a 35 year affordability period through the negotiation process. This net value provides an additional 15 years of guaranteed affordability for the same municipal investment. Otherwise, the Municipal Contribution Agreement remains 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.

2016 SIF RECOMMENDED PROJECT DESCRIPTIONS:

Recommendation 1: 516 Albert Street, Strathroy – 1822039 Ontario Ltd. (Table 1)

Recommendation 2: 356 Dundas Street, London – 2363289 Ontario Limited (Table 2)

Proposals for 516 Albert Street, Strathroy, submitted by 1822039 Ontario Ltd. and for 356 Dundas Street, submitted by 2363289 Ontario Ltd., met all program requirements as the highest ranked projects best meeting the available funding, program interests, and timelines.

The following tables reflect the base bids and revised project plans as agreed to with the respective proponents.

Table 1.

516 Albert Street, Strathroy – 1822039 Ontario Ltd.			
	Initial Project Plan: (Submitted through RFP)	Revised Project Plan: (Advanced through HDC)	Comments:
Project and Proponent Details	1822039 Ontario Ltd. is owned by three partners; Don Buchanan, Mike Buchanan, and Tim Zavitz. The owners are all shareholders of Akubilt Construction Ltd. The proponents have three projects built through the Investment in Affordable Housing Program at 159 Main Street, Glencoe, 602 Albert Street, Strathroy and 534 Albert Street Strathroy for a total of 39 affordable units. Construction for 516 Albert Street would start in October 2016. The site plan and development agreement are already in place. The building will include in floor heating, granite countertops, onsite parking, and controlled entry.		
Unit Mix	4 storey 26 x 1 Bedroom Affordable 2 x 3 Bedroom Affordable Congregate living 3 x 2 Bedroom Market	4 storey 24 x 1 Bedroom Affordable 3 x 2 Bedroom Affordable Congregate living 3 x 2 Bedroom Market 1 x 3 Bedroom Market	Floor plans were revised to support congregate living in three two bedroom units. These will be used in partnership with service agencies supporting vulnerable populations.
Agreement and Project Duration	30 years	35 years	Additional 5 years to the agreement term
Features	Target groups: Working poor, low income seniors, persons with disabilities Partnership: Proposal to engage Middlesex Community Living Congregate units include all utilities, washer and dryer, internet, cable, basic phone 2 x three bedroom units below ODSP rate per bedroom Congregate units \$450/bdrm (below ODSP)	Target groups: Same but also include seniors. Partnership: Proposal has multiple agency potential Units can also default to affordable 2 bedroom use. Congregate units include all utilities, washer and dryer, internet, cable, basic phone 3 x two bedroom units will be below ODSP rate or have the option of affordable two bedrooms family rental.	Modifications to create two bedroom units for service partnerships or 2 bedroom affordable use. Two bedrooms provide flexibility and are more marketable to the priority needs of vulnerable independent persons with supports to daily living. HDC will work with the proponent to have a formal partnership agreement signed by one or more service providers.
Total Project Cost (F/P Only)	\$2,270,774 28 affordable units at average \$81,100/ unit	\$2,125,000 27 affordable units at average \$78,700/unit	Revised to maximize funding across the two recommended projects
Local Contributions	None No City funding as this is a Middlesex County project.		HDC will initiate discussions with the County to explore options to support affordable development.

Table 2.

356 Dundas Street, London – 2363289 Ontario Limited			
	Initial Project Plan: (Submitted through RFP)	Revised Project Plan: (Advanced through HDC)	Comments:
Project Details	2363289 Ontario Limited is owned by Yossf Lavie. Mr. Lavie has four past projects built through the Affordable Housing Program and Investment in Affordable Housing Program at 129 Dundas Street, 211 Dundas Street, 867-869 Adelaide Street, and 189 Dundas Street for a total of 83 affordable units. Construction for 356 Dundas Street is ready to start construction. The building will include a landscaped common area, bicycle storage, security cameras, and free common laundry on each floor.		
Unit Mix	6 storey 50 x 1 Bedroom Affordable 19 x 1 Bedroom Market	Same	A higher mix of market and affordable units.
Agreement and Project Duration	31 years	35 years	An additional 4 years to the agreement term
Features	Target: singles, couples, recent immigrants, aboriginals and working poor. Partnership: 10 affordable units will be designated for the Canadian Mental Health Association	Target: to also include seniors	Fit within local plans as well as federal and provincial target populations.
Total Project Cost	\$4,995,000	Same	50 Affordable units for an average of \$99,900/unit
Recommended F/P Allocation	\$2,835,201	\$2,980,795	Increased federal/provincial contribution resulting in reduced municipal contribution.
Recommended Municipal Allocation	\$2,159,619 Forgivable Loan	\$2,014,205 Repayable Loan with interest Breakdown: \$40,284.10 x 50 units = \$2,014,205 Affordable Housing Reserve Fund.	Repayable upon end of MCA period with 2% interest annually (not compounded) or an option to extend affordability for all affordable units (50) for a negotiated revised set affordability period.

The revised project plan reflects increased value to the community, increased longevity of the affordability period, the engagement of enhanced partnership, reduced project costs and additional considerations for future rostering of each proponent.

FINANCIAL IMPACT

The Source of Financing for the \$2,014,205 requested is the reserve funds as outlined in Appendix A.

ACKNOWLEDGEMENTS

This proposal was supported by the work of the RFP 16-38 Evaluation Committee, Development Services site plan consultation staff, Legal Services, Financial Planning and Policy, and Planning Services staff.

PREPARED BY:	
MELISSA ESPINOZA MANAGER, PROGRAMS AND BUSINESS SERVICES, HOUSING DEVELOPMENT CORPORATION, LONDON (HDC)	
RECOMMENDED BY:	CONCURRED BY:
STEPHEN J. GIUSTIZIA CEO HOUSING DEVELOPMENT CORPORATION, LONDON (HDC)	SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES AND DEARNESS HOME

ATTACHMENTS:

App. A: Finance and Corporate Services Report on the Sources of Financing

App. B: By-law for 516 Albert Street, Strathroy – 1822039 Ontario Ltd

App. C: By-law for 356 Dundas Street, London – 2363289 Ontario Limited

Appended to By-law in App. C:
Municipal Contribution Agreement to be appended to By-laws in
App. B and C

- C. A.L. Barbon, Director, Financial Services
- A. Dunbar, Manager, Financial Planning & Policy
- N. Watson, Development Officer, HDC
- D. Munteer, Solicitor, City of London
- T. Brutto, Ministry of Housing
- T. Zavitz, 1822039 Ontario Ltd.
- Y. Lavie, 2363289 Ontario Limited

Appendix B

By-law No.

A by-law to approve an agreement between The Corporation of the City of London (the City) and 1822039 Ontario Ltd. (the Proponent) for the purpose of establishing affordable housing 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 has established the Housing Development Corporation, London as a mechanism to advance the development and sustainability of affordable housing;

AND WHEREAS The Corporation of the City of London (the City) is responsible for the delivery and administration of affordable housing initiatives through other direct delivery or through the Housing Development Corporation, London;

AND WHEREAS the Proponent has responded to the procurement process 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 associated affordable housing program and the City's obligation to provide funding to the Proponent, either directly or through the Housing Development Corporation, London;

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

1. An agreement between the City and the Proponent for the purpose of establishing the Proponent's obligations with respect to funding the Proponent substantially in the form attached as Schedule 1 to this by-law is 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 _____, 2016.

Matt Brown
Mayor

Catharine Saunders
City Clerk

First reading –

Appendix C

By-law No.

A by-law to approve an agreement between The Corporation of the City of London (the City) and 2363289 Ontario Limited (the Proponent) for the purpose of establishing affordable housing and the City's obligation to provide funding to the Proponent; and to authorize the Mayor and the City Clerk to execute the agreement.

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Matt Brown
Mayor

Catharine Saunders
City Clerk

First reading –