

Report to Community and Protective Services Committee

To: Chair and Members, Community and Protective Services Committee

From: Scott Mathers, MPA, P. Eng.
Deputy City Manager, Planning and Economic Development

Subject: Request for Additional Funding from Vision SoHo Alliance for the Housing Development Project at the Old Victoria Hospital Lands

Date: July 26, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the following actions **BE TAKEN** with respect to the proposed housing development advanced by Vision SoHo Alliance, located on the northerly portion of the Old Victoria Hospital Lands:

- a) The increased conditional grant of \$13,876,000 (\$34,690/unit) **BE APPROVED** to provide up to 400 affordable housing units in the proposed development, subject to the City completing a full review of acceptable proforma financial statements, confirmation of the other sources of project financing, closing of the Purchase and Sale Agreement between Vision SoHo Alliance and the City of London for the subject lands and development of suitable Contribution Agreements between the parties, it being noted that a conditional grant of \$11,200,000 (\$28,000/unit) was previously approved by Council;
- b) That Civic Administration **BE DIRECTED** to develop Contribution Agreements with Vision SoHo Alliance members to be brought forward at a future date for Council approval; and,
- c) The financing for the conditional grant **BE APPROVED** as set out in the Source of Financing Report attached hereto as Appendix "A".

Executive Summary

This report recommends the City of London increase the one-time funding contribution to \$13.876 million, from \$11.2 million, to support up to 400 affordable housing units within Vision SoHo Alliance's multi-residential project on the Old Victoria Hospital lands. When complete this project will incorporate mixed-use developments integrating the existing heritage buildings on the property, while enabling additional Londoners to secure sustainable, affordable housing.

Linkage to the Corporate Strategic Plan

This report advances the work of the London Community Recovery Network, London's Housing Stability Action Plan, and the City of London's 2019-2023 Strategic Plan.

The [London Community Recovery Network](#) (LCRN) is working in partnership with the community to identify solutions that will drive recovery that is inclusive to all Londoners. This includes building individual, family, and community resilience through housing stability as London moves beyond the global COVID-19 pandemic.

The [Housing Stability Action Plan](#) (HSAP) focuses on increasing affordable and quality housing options for individuals and families, reducing the number of individuals and families experiencing homelessness and supporting improved access to mental health and addiction services.

The HSAP and City Strategic Plan 2019-2023 identified a need for a minimum of 3,000 new affordable units in the next 10 years to meet current and future needs.

Background

1.0 Background Information

1.1 Background

Vision SoHo Alliance (“the Alliance”) is a non-profit corporation created through a coalition of experienced, community-based housing developers committed to collectively advancing the north portion of the Old Victoria Hospital Lands for a range of safe and affordable rental options. This coalition includes Indwell Community Homes, ZerIn Development Corporation, Homes Unlimited (London) Inc., Chelsea Green Home Society, London Affordable Housing Foundation, and Italian Seniors’ Project.

These organizations have developed social and/or affordable housing within the community and their expertise is well known to the City of London staff.

As a result of their submission to the City of London’s RFQ 20-10, the Alliance was the successful purchaser of the former Old Victoria Hospital Lands, Phase II, which is north of South Street between Waterloo Street and Colborne Street, including one parcel on the east side of Colborne Street. Plans on this site are to result in a healthy mix of energy efficient, accessible, and socially inclusive housing within a mixed-income and mixed-use community that reflects the demographics of London and specifically the SoHo neighbourhood.

At a meeting on December 7, 2021, Council approved a conditional grant of \$11.2 million based on a funding request from Vision SoHo Alliance for the development of up to 400 affordable housing units on the subject property, subject to confirmation of the other sources of project financing, closing of the Purchase and Sale Agreement between Vision SoHo Alliance and the City of London for the subject lands and development of suitable Contribution Agreements between the parties.

1.2 Previous Reports Related to this Matter

- Housing Stability for All Plan 2021 Update (CPSC: May 31, 2022)
- Request for Funding from Vision SoHo Alliance for the Housing Development Project at the Old Victoria Hospital Lands (CPSC: November 23, 2021)
- 2021 Mid-Year Update Housing Stability for All Plan (CPSC: September 21, 2021)
- Housing Stability for All Plan 2020 Update (CPSC: May 11, 2021)
- Letter of Mayor Holder to CPSC Re: 3000 Unit Challenge (CPSC: March 30, 2021)
- Municipal Council Approval of the Housing Stability Plan 2019 to 2024 (CPSC: December 3, 2020)

2.0 Discussions and Considerations

2.1 Alliance Additional Funding Request

In a letter dated May 27, 2022, the Alliance made the following request for consideration by Council:

1. All demolition and conversion credits are calculated at the current rate that is in force at the time that a building permit application is made.
2. Indwell receives the conversion credits of \$1,923,179.45.
3. Indwell receive a grant of \$4 million to conserve heritage resources in the two heritage buildings and the grant be apportioned according to the number of units created in the building or according to the Gross Floor Area.
4. The demolition credits of \$3,850,542 are apportioned to each of the five Alliance members as set out in Table 1 below and be applied as a credit to the calculation of Development Charges at the time of each respective building permit application

City Administration has reviewed these requests which are discussed in the following sections.

2.2 Demolition Conversion Credit Date of Calculation

The demolition and conversion credits for the Alliance initiative have been determined using the annual rate applicable when the site plan was approved. The consortium has requested that City use the 2022 rate (the year the contribution agreement is to be signed), rather than the 2021 rate (the year the site plan was approved). This would result in a reduction of \$600,000 in net development charge fees. As the 2021 rate is being used to calculate the total development charge fee it would not be appropriate to use the 2022 rate to calculate the value of the development charge credit calculation. To make up this shortfall in the Alliance's proforma, Civic Administration is recommending that an additional \$600,000 be approved to support the Vision SoHo Project.

2.3 Development Charge Demolition and Conversion Credits

Applicants for development pay development charges (DC's) that are determined by the number of units in the development (residential) or square footage (industrial, commercial, and institutional). Applicants can receive "DC credits" that apply against any development charges payable if:

- A structure existed on the property previously and was demolished.
- An existing structure is being converted to a new purpose.

In both cases, the original structure already paid DCs so the amount of the original DC's is credited against the amount payable for the new application.

The Development Charges (DC) By-law contemplates an application by a single landowner redeveloping a single parcel of land. The Alliance submission includes several owners over several parcels of land using a non-profit consortium approach. The Alliance is using a consortium approach to align with their funding applications to CMHC. Because each member of the consortium has a different construction schedule, tenant targeting, mix of affordable units and, business model (including different debt ratios), CMHC is requiring proponents to apply for funding separately. Secondly, the by-laws at issue do not allow for an applicant to receive more credits than they pay in DC's.

Although the Vision SoHo Alliance is approaching the re-development of the hospital lands as a comprehensive project, several of the partners have properties that do not have direct demolition and conversion credits for their parcel of land. Two of the housing providers in the Vision SoHo Alliance, Indwell and Zerín, cannot fully benefit from all available funding opportunities because their anticipated DC credits total more than their DC's payable. DCs for the other parties also exceed their DC credits. Indwell will assume both heritage buildings on this site - 392 South St, known as the War Memorial building, and 346 South St, known as the Health Services building, so Indwell has significant DC conversion credits. Zerín will be building on the vacant lot between the Indwell buildings which was the site of significant demolition, so Zerín has significant DC demolition credits. The total value of the anticipated unused DC credits is \$1,057,663, \$361,301 for Indwell and \$696,362 for Zerín,

DC demolition and conversion credits are intended to recognize the value and capacity of existing servicing in place at the time of re-development. It avoids applicants paying excess DCs as if the site were previously unserved. In this circumstance, the Vision SoHo Alliance is comprehensively re-developing the former hospital lands and it is appropriate to apply all available credits to the developments holistically. There are no implications to the DC reserve funds with taking this approach.

Allowing the Alliance to transfer DC credits across their properties (on Hill and South St) means the Alliance can allocate DC credits to other housing providers. The Alliance will ultimately determine how to transfer DC credits, but presumably the Alliance will allow Indwell to pay the amount of DC's that will maximize their Heritage CIP grant. At this time, that amount is \$1,923,179, so that amount of DC credits will likely to be shifted from Indwell to other providers.

The following table highlights the credits available and the amount that can be provided to each landowner applying the DC By-law:

Table 1. Conversion/Demolition Credit at 2021 Rate

Address	Developer	Demolition GFA (sq. m.)	Conversion GFA (sq. m.)	2021 DC rate	DC Credit
351 Hill	Homes Unlimited	520	--	\$178.49	\$92,8145
373 Hill	Chelsea Green	--	--	--	--
385 Hill	London Affordable Housing Foundation	--	--	--	--
392 South	Indwell War Memorial	3,759	2,765	\$178.49	\$1,164,469
370 South	Zerin	14,761	--	\$178.49	\$2,634,691
346 South	Indwell Health Services	291	6,890	\$178.49	\$1,281,737
124 Colborne*	Italian Seniors Project	N/A	--	--	--
Total		19,331	9,665		\$5,173,711

* Vacant land co-located across the street from the hospital.

Collectively, the Alliance would pay \$1,057,663 less in development charges because the unused DC credits for Indwell and Zerin can be used for other providers. Indwell would pay DC's which in turn makes them eligible to apply for \$1,923,179 in Heritage CIP grants.

2.4 Heritage Community Improvement Plan Grant

The Alliance site is located within London's Heritage Community Improvement Plan Area, which offers incentives for the rehabilitation of designated heritage properties. The plan highlights those properties that have appropriate heritage designation may access funds under the Heritage Community Improvement Plan. Similar to Development Charge credits, the total Heritage grant may not exceed the payable Development Charge balance.

Prior to allowing Alliance to transfer DC credits, as discussed in section 2.3 above, Indwell accrued more Development Charge credits than Development Charges that are payable, so they would not have been not eligible for Heritage CIP Grants.

If the Alliance is allowed to transfer the development charge credits between the consortium members, then the consortium will benefit from a DC Equivalent Grant from the Heritage Community Improvement Plan of up to the maximum amount of \$1,923,179.

The Purchase Agreement highlighted that the City's total grants to conserve heritage resources on the Site shall be capped at the cost to conserve the heritage resource or Four Million Dollars CDN (\$4,000,000.00), whichever is less. As noted in the May 27, 2021 letter, the Alliance had interpreted that the \$11.2 million contribution to the project did not include the \$4 million Heritage Grant. Their interpretation was that the grant would be available without a separate request.

The Heritage Grant is calculated in the year the application for the grant is made (thus, 2022) and is calculated by multiplying the gross floor area (GFA) of the heritage buildings. The Alliance interprets the Purchase Agreement that they are eligible for \$4 million in heritage grants.

2.5 Additional Funding Request

In addition to the \$600,000 demolition conversion credit offset recommended in section 2.2 above, there remains a shortfall of \$2,076,821 (\$4,000,000 - \$1,923,179) in funding based on SOHO Alliance's interpretation of the Purchase Agreement. It is recommended that the one-time conditional grant be increased from \$11,200,000 to \$13,876,000 resulting in a subsidy of \$34,690 per unit, subject to the City completing a full review of the proforma statements received from the applicants. These statements were not received in sufficient time in advance of submitting the current Committee report.

The grant conditions will require the Alliance to close the Purchase and Sale Agreement and secure other sources of project financing. The conditions also require the Alliance to provide the necessary details, including but not limited to approved proforma statements for each of the seven proposed buildings reflecting sustainable capital and operating plans as well as unit criteria consistent with local affordable housing needs. These will be confirmed within

Contribution Agreements between each Alliance member organization and the City of London.

The Community and Protective Services Committee meeting on November 23, 2021 also received a related report on the *“Proposed Implementation of the “Roadmap to 3,000 Affordable Units” (Roadmap) Action Plan”*. That report outlines the strategy for the City of London to create 3,000 affordable housing units by 2026 through various capital and operating investments including allocations to support non-profit and private developers to advance additional affordable housing construction. The Roadmap to 3,000 Affordable Units contemplates a deeper level of affordability to meet the needs of low/moderate income Londoners. The 400 units in the submission from the Alliance would contribute to the higher income targets in the Roadmap, specifically the “Affordable Rental (non-profit and private)” category at the 80% AMR level. Additional discussions will occur with the Alliance to try and achieve a more mixed level of affordability which will assist low/moderate income Londoners. This could include the use of supplements or other affordability tools to achieve a range of affordability depths closer to the identified needs in the 50%, 60% and 70% AMR levels. The current request for \$13.876 million for 400 affordable units (\$34,690 per unit) is within the parameters of the funding intended in the Roadmap and consistent with the objectives of that plan. Therefore, Civic Administration is recommending that an additional \$2.676 million be approved for the Alliance, being added to the previously approved \$11.2 million.

3.0 Financial Impact/Considerations

The Source of Financing Report to support the additional grant for \$2,676,000 described above is attached as Appendix “A”. The recommended Source of Financing is proposed through drawdowns from the Affordable Housing Reserve Fund, noting that the Council-approved funding for the Roadmap is housed in this reserve fund.

The Alliance recently submitted their pro forma to Administration, as requested and as a requirement for this report to go to Council. However, Administration has not had the opportunity to constructively review any of the pro forma and resolve any potential outstanding issues/concerns or questions. To note, an acceptable pro forma is necessary to assess the financial risks and sustainability of the proposal and is the basis to negotiate a Contribution Agreement. Each negotiated Contribution Agreement among the proponents are individualized and will itemize the municipal dollars allocated to the project, milestones for funding, number of affordable units (including depth of affordability), term of agreement, reporting and accountability, any legal requirements (e.g., security), etc.

As such, prior to bringing negotiated Contribution Agreements to Council for approval, Administration will ensure that an acceptable pro forma by each proponent has been received and analyzed, and that, as a basis for each Contribution Agreement, each Agreement addresses all necessary and standard financial/legal requirements and aligns to the Roadmap and Housing Stability for All Plan Update 2021.

Conclusion

This report recommends the City of London provide an increase to the one-time funding contribution to \$13.876 million to support up to 400 affordable housing units within the Alliance’s multi-residential project on the Old Victoria Hospital Lands. The Alliance’s plans support the adaptive re-use of the existing heritage buildings on the subject lands, subject to the required planning and development processes.

Civic Administration supports this request because it is aligned with the plans, subsidies, and required outcomes that are outlined within the separate Roadmap report and implementation plans that are recommended by Civic Administration and subject to Council approval.

The request would be structured as a conditional grant, conditional on the Alliance providing the necessary details required for completion of Contribution Agreements between the Alliance members and the City of London.

Prepared by: Patrick Cooper
Director, Municipal Housing Development

Recommended by: Scott Mathers, MPA, P. Eng.
Deputy City Manager, Planning and Economic Development

Concurred by: Anna Lisa Barbon, CPA, CGA
Deputy City Manager, Finance Supports

cc. Kyle Murray, Director, Financial Planning & Business Support, Finance Supports
Jason Davies, Manager, Financial Planning & Policy, Finance Supports
Alan Dunbar, Manager, Financial Planning & Policy, Finance Supports

Attachments:

Appendix "A" Source of Financing

Appendix "A"

#22116
July 26, 2022

Chair and Members
Community and Protective Services

RE: Request for Additional Funding from Vision SoHo Alliance
Housing Development Project at the Old Victoria Hospital Lands
Vision SoHo Alliance - \$13,876,000

Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the financing request can be accommodated from the Affordable Housing Reserve Fund and that subject to the approval of the recommendation of the Deputy City Manager, Planning and Economic Development the detailed source of financing is:

Estimated Expenditures	Previously Approved	This Submission (Note 1)	Total
Conditional Grant	11,200,000	2,676,000	13,876,000
Total Expenditures	\$11,200,000	\$2,676,000	\$13,876,000
Sources of Financing			
Drawdown from Affordable Housing Reserve Fund	11,200,000	2,676,000	13,876,000
Total Financing	\$11,200,000	\$2,676,000	\$13,876,000

Note 1: In accordance with the "Roadmap to 3,000 Affordable Units" (Roadmap) Action plan report (Community and Protective Services Committee, November 23, 2021), a budget of \$78 million was approved by Council, which resulted in funds being transferred from reserves and reserve funds into the Affordable Housing Reserve Fund. As such, the additional funding requirement is available as part of the implementation of the Roadmap.

Alan Dunbar
Manager of Financial Planning and Policy

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