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| TO: | CHAIR AND MEMBERS COMMUNITY & PROTECTIVE SERVICES COMMITTEE MEETING ON JULY 22, 2013 |
| FROM: | SANDRA DATARS BERE MANAGING DIRECTOR HOUSING, SOCIAL SERVICES & DEARNESS HOME |
| SUBJECT: | CONVERT-TO-RENT/REHABILITATION PROGRAM PROPOSAL AT 1048 DUNDAS STREET EAST |

RECOMMENDATION

1. That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Managing Director, Housing, Social Services and Dearness Home, the following actions with respect to the Convert-to-Rent/Rehabilitation Program BE APPROVED:
 - a. 2212126 Ontario Inc. receive a municipal allocation of \$96,000 (\$48,000 per unit) for two (2) units, plus \$5,000 for accessibility modifications to one (1) of the units, for a total municipal allocation of \$101,000 at 1048 Dundas Street East; and
 - b. The funding allocation from the Affordable Housing Reserve Fund recommended above be as set out in the attached Appendix A – Sources of Financing Report.

2. That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Managing Director, Housing, Social Services and Dearness Home, and in accordance with Municipal Housing Facilities By-Law No A.-5814-11,
 - a. the attached by-law BE INTRODUCED at the Municipal Council being held on July 30, 2013 to approve the Contribution Agreement pertaining to the above-noted proposal substantially in the form of agreement appended to the aforementioned by-law and to the satisfaction of the City Solicitor, and
 - b. to authorize the Mayor and the City Clerk to execute the said Amendment.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

COMMUNITY AND PROTECTIVE SERVICES COMMITTEE

- November 25, 2002 – Affordable Housing \$2M Capital Reserve Fund Conditional Allocation
- September 9, 2003 – Convert-to-Rent Operating Agreement, Authorization for Mayor and Clerk to Execute
- March 29, 2004 – Convert-to-Rent Pilot Program and Old East village BIA

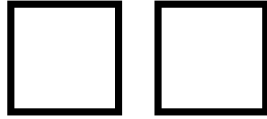
COUNCIL HOUSING LEADERSHIP COMMITTEE

- September 13, 2005 – Convert-to-Rent Pilot Program Evaluation
- March 7, 2006 – Convert-to-Rent Program Evaluation
- April 3, 2007 – Convert-to-Rent/Rehab Proposal
- March 21, 2012 – Proposed New Convert-to-Rent / Rehabilitation Program

BACKGROUND

London Community Housing Strategy

The London Community Housing Strategy (LCHS) plan, approved by Municipal Council in June 2010, represents an integrated and comprehensive approach that calls for a continued investment and action from all orders of government and from other sectors. It builds on local successes and addresses local needs in the continuum from streets to home ownership. The LCHS recommends a mix of system design, program, political advocacy, service delivery, and administrative recommendations that combine with 1,200 proposed new housing units.



The intention of the LCHS is to establish a more integrated and strategic approach that enhances our community's capacity to ensure all Londoners have a home. The LCHS also informs other community plans and services, noting that housing is integral to building healthy and sustainable communities.

Convert-To-Rent / Rehabilitation Program

The City of London Convert-To-Rent/Rehabilitation (CTR/Rehab) Assistance Program, approved by Council in March 2006, provides financial assistance up to \$48,000 per unit, for properties with seven units or less (up to a maximum of \$250,000 per year):

1. to convert non-residential properties into affordable self-contained rental housing units;
2. for substantial rehabilitation of rental buildings that are vacant and uninhabitable;
3. rehabilitation of existing rental units and special needs modifications

The rents for units approved under the CTR/Rehab Program are set at 70% of the Canada Mortgage & Housing Corporation (CMHC) Average Market Rents established annually in October.

The CTR/Rehab Program boundaries cover a designated area to include the Old East Village Community Improvement Plan area, the downtown Community Improvement Plan area and the properties fronting on Dundas Street between these two areas. Exceptions to these geographic areas will continue to be reviewed, on a case-by-case basis, for specific properties outside the program area that meet all other criteria.

All work must be completed within 18 months of receiving notice of funding approval. The Convert-To-Rent Municipal Contribution Agreement with successful proponents must be registered on title.

Proposals Approved Under Convert-to-Rent To-Date

Under the Convert-to-Rent/Rehabilitation Assistance program, with the added assistance of the Canada Mortgage & Housing Corporation (CMHC) Residential Rehabilitation Assistance Program (RRAP), 54 units to-date were approved by the City of London:

- 225 Dundas Street, 5 apartment units
- 614 Dundas Street East, 2 apartment units
- 658 Dundas Street East, 2 apartment units
- 874 Dundas Street East, 2 apartment units
- 773 Dundas Street East, 1 apartment unit
- 610 Dundas Street East, 1 apartment unit
- 572 Dundas Street East, 10 apartment units
- 260 Clarence Street, 6 apartment units
- 343 Richmond Street, 16 apartment units
- 392 Richmond Street, 7 apartment units
- 390 Burwell Street, 1 apartment unit
- 1048 Dundas Street, 2 apartment units (*proposed for approval*)

For more than 35 years, the CMHC RRAP Program assisted homeowners to make health and safety repairs to their homes. That program ended March 31, 2012. In the absence of the CMHC RRAP program, the City of London Convert-To-Rent/Rehabilitation (CTR/Rehab) Assistance Program financial assistance was increased up to \$48,000 per unit, for properties with seven units or less (up to a maximum of \$520,000 or approximately ten to 11 units per year).

Proposal for 1048 Dundas Street East

The building at 1048 Dundas Street, purchased by Chris Hebblethwaite (2212126 Ontario Inc.), is a two storey structure. The building is vacant and is uninhabitable in its present state. The proposal is to completely renovate/ restore the two storey building to create two residential units. The main floor unit will be fully wheelchair accessible. The request for CTR/Rehab funding is \$101,000 with the balance of the project costs being borne by the proponent.

Construction will include: geothermal heating & cooling system; LED lighting; Energy Star windows, doors and appliances; low flow toilet and shower heads; blinds on all windows; solar hot water; insulation beyond OBC requirements. An Energy Audit will be undertaken at completion of construction.



As the units will be modest in size (553 ft²; 860 ft² for the modified unit) the target tenant population will be singles and childless couples, working persons with modest incomes and persons requiring accessible accommodations. Rents will include heat, water and parking. Rent for the smallest unit will be \$525 and \$600 for the accessible unit.

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. The Convert-To-Rent Municipal Contribution Agreement (MCA) with successful proponents must be registered on title.

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|-------------------------|
| FINANCIAL IMPACT |
|-------------------------|

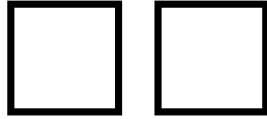
Funding for the delivery of the Convert-to-Rent/Rehabilitation Program is drawn from the Affordable Housing Reserve Fund.

Recommendation

It is recommended that the proposal from 2212126 Ontario Inc. for the creation of two (2) residential units at 1048 Dundas Street East under the Convert-to-Rent/Rehabilitation Program be approved for a total of \$101,000.

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|---|---|
| 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. Mounteer, Solicitor
- A.L. Barbon, Manager, Financial Planning & Policy



By-law No.

A by-law to approve an agreement between The Corporation of the City of London (the City) and 2212126 Ontario Inc. (the Proponent) for the purpose of establishing the Proponent's obligations under the Convert-to-Rent/Rehabilitation 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 a grant agreement with the Proponent for the purpose of establishing the Proponent's obligations with respect to the Convert-to-Rent/Rehabilitation 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:

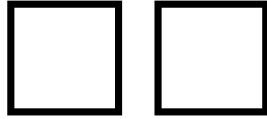
1. An grant agreement between the City and 2212126 Ontario Inc. for the purpose of establishing 2212126 Ontario Inc. obligations with respect to the Convert-to-Rent/Rehabilitation Program and the City's obligation to provide funding to 2212126 Ontario Inc. be hereby approved.
2. The Mayor and the City Clerk be hereby authorized to execute the grant 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 _____, 2013.

Joe Fontana
Mayor

Catharine Saunders
City Clerk

First reading –



CONTRIBUTION AGREEMENT

**CITY OF LONDON
CONVERT-TO-RENT / REHABILITATION ASSISTANCE PROGRAM**

THIS AGREEMENT DATED the ____ day of _____, 2013.

Between: **THE CORPORATION OF THE CITY OF LONDON** (the "City")

OF THE FIRST PART:

-AND-

2212126 ONTARIO INC. (the "Borrower")

OF THE SECOND PART:

WHEREAS By-Law No. A.-5814-11, the Municipal Housing Facilities By-Law, (the By-Law), permits the City to make a loan to an owner of a rental property and forgive the total or partial repayment of the loan, provided that the owner has entered into an agreement with the City that conforms to the By-Law, its Regulations, and pursuant to the conditions attached to the loan and those included in this document;

AND WHEREAS the Borrower has requested a loan by a letter dated the 3rd day of June 2013, and whereas the City has agreed to grant a forgivable loan to be earned over the term of this agreement, provided that the Borrower complies with prescribed conditions;

AND WHEREAS the Borrower is to undertake and complete all mandatory health and safety repairs to all non-eligible units and common areas and to undertake and complete the rehabilitation of the existing building into self-contained rental units, (the "Property"), situated at: PART Lot 9, NORTH OF DUNDAS STREET PLAN 316(3RD) AS IN 537240; TOGETHER WITH 537240 LONDON

AND WHEREAS the Borrower has agreed to complete the rehabilitation work by December 2013;

AND WHEREAS the City has agreed to give a forgivable loan to the Borrower provided that during the term of this agreement, two (2) units in the Property will be rented to tenants who have incomes below the Maximum Household Income Thresholds.

THEREFORE in consideration of the covenants contained herein and other valuable consideration given by the Borrower to the City (the receipt and sufficiency of which is hereby acknowledged) the parties, covenant and agree as follows:

1. FORGIVABLE LOAN

The City agrees to grant to the Borrower a forgivable loan in the amount of one hundred and one thousand dollars (\$101,000) which loan shall be fully forgiven on the last day of the month at the end of the term of the Loan, provided that the Borrower has fulfilled all the requirements of the Program as set out in this Agreement.

- a) Prior to the Interest Adjustment Date, interest shall accrue on the total of the amount or amounts advanced under the Loan at the rate of eight per cent (8%) per annum. The interest so calculated shall compound semi-annually, not in advance, until the Interest Adjustment Date.
- b) On the Interest Adjustment Date, the amount of interest accrued as calculated in section 1 a) shall be forgiven provided that the Borrower has fulfilled all the requirements of the Program as set out in this Agreement.
- c) Following the Interest Adjustment Date, interest shall accrue on the total of the amount or amounts advanced under the Loan at the rate of eight per cent (8%) per annum. The interest so calculated shall compound semi-annually, not in advance.



- d) On each anniversary date of the Interest Adjustment Date, the Borrower shall pay the City the amount of interest, as calculated on the Loan amount according to the interest rate stipulated in section 1 c) so accrued during the previous year; provided, however, if in the opinion of the City, acting reasonably, the Borrower has satisfied, as of such anniversary date, the requirements of this Agreement, the amount of the interest so owing shall automatically be forgiven.
- e) The Borrower shall provide the City with such information respecting the Borrower's permanent financing obligations for the Project as the City may require from time to time.

2. AFFORDABLE RENTS

(a) 2/3 of the units in the project will be rented at 80% or less of the Canada Mortgage & Housing Corporation (CMHC) Average Market Rent (AMR).

(b) 1/3 of the units in the project will be rented at 70% or less of the CMHC AMR. Tenants for these units must be from the Housing Access Centre's Waiting List. Rents will remain affordable for a period of twenty years, including a 5 year phase out period. The CMHC AMR are adjusted to include utilities.

Maximum affordable rents for 2013 will be set as follows:

| <u>Unit Description</u> | <u>Rents</u> | <u>Maximum Household Income</u> |
|--|--------------|---------------------------------|
| 1 Bedroom Accessible (80% CMHC AMR) | \$600 | \$36,000 |
| 1 Bedroom 70% CMHC AMR | \$525 | \$31,500 |

Rents will be inclusive of heat, water, parking and exclusive of telephone, cable and other similar fees.

3. RENT INCREASES

The Borrower may increase the rent charged as outlined in section 2 with respect to a unit only if at least twelve (12) months have elapsed,

- (i) since the day of the last rent increase respecting the unit, if there has been an increase, or
- (ii) since the day the unit was first rented for the first (1st) rental period following the completion of the conversion and/or rehabilitation of the existing building into self-contained rental units.

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

The Borrower will not increase the rent pursuant to section 2 during the term of the Agreement 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 Borrower acknowledges that the rent increase guideline of the *Residential Tenancies Act, 2006* or any successor legislation, does not apply to the residential units and agrees that the rent increase guideline applies by virtue of the contractual terms of the agreement.

(b) Where rent increases above the agreed upon level are necessary because of increases in the eligible operating expenses, a Revenue and Expense Statement and a Projected Budget must be submitted to the City Housing Division. These statements are required at least four months prior to the effective date of the proposed rental increase. The City may request additional information to substantiate the requested rent increase. Upon review of the information supplied, the City, at its sole discretion, may approve the proposed rent increase in whole or in part.



4. PROJECT OWNER'S ANNUAL REPORT

Following the full completion of the conversion and/or rehabilitation work related to the property, the Borrower shall annually on the anniversary date of the signing of this agreement, submit to the City of London Housing Division a completed 'Project Owner's Annual Report' on the form attached hereto as Schedule "A".

5. MAXIMUM HOUSEHOLD INCOME THRESHOLD

Gross tenant household income from all sources for tenants of the affordable rental housing units can be no greater than five (5) times their monthly rent. Borrowers will be required to check incomes for prospective tenants to ensure compliance with this requirement at initial occupancy ("rent up") and when any new tenants are selected as ensuing vacancies occur during the term of the Agreement. Borrowers are not required or expected to check incomes for approved tenants once they have taken possession of their units.

6. PHASE-OUT PERIOD

(a) The Phase-out Period means the last five (5) years of this agreement.

(b) During the Phase-out Period, the Borrower shall not increase the rent charged to in-situ tenants of units by more than the rent guideline increase permitted under section 3.

(c) Upon a unit becoming vacant during the Phase-out Period, the Borrower may rent the unit to a new tenant at any rent agreed to by the Borrower and the new tenant.

7. AFTER PHASE-OUT PERIOD

After the end of the Phase-out Period, the Borrower shall be permitted to rent units to new tenants at rents agreed to by the Borrower and the new tenants.

8. DEFAULT REPAYMENT

Should the Borrower be in default under the terms of the loan or under the terms of this Agreement or under the terms of any mortgage or other encumbrance registered on title to the Property, the City shall have the right to declare all of the forgivable loan due and payable immediately. Interest will be payable only from the date of default until the loan is paid in full. The interest shall be at the rate of eight per cent (8%) per annum.

9. LEASING

In the event the tenant in an assisted unit vacates the unit, the Borrower shall ensure the total household income of the new tenant of the unit is at or below the applicable income threshold.

Confirmation of the new tenant(s) name, household size and total household income completed by the tenant before occupancy must be retained by the Borrower for the term of this agreement.

Where the Borrower and/or immediate family member moves into one of the assisted rental units, the unearned pro rata portion of the forgivable loan applicable to the rental unit is to be repaid, in accordance with the provisions of section 4 above. A legitimate and arms length Borrower/tenant relationship must exist.

Units shall be made available during the first year following completion of conversion work to individuals and families on the City Housing Access Centre Waiting List, subject to their ability to pay affordable rent for the available unit.

10. VACANT UNIT



If the Borrower is unable to locate a tenant with income below the established income threshold, the Borrower shall notify the City immediately. Failure to comply with this requirement may result in the forfeiture of assistance.

11. ENERGY EFFICIENCY AND BUILDING DESIGN

The Borrower agrees that electric heating will not be used for the project.

The Borrower agrees that an energy audit will be conducted by an Energy Auditor recommended by Natural Resources of Canada at the end of the build.

Energy efficient details for products and materials included in the project are listed in Schedule "B".

12. FORFEITURE OF ASSISTANCE

During the term of this agreement, the number of units rented to tenants who have incomes at or below the Established Income Threshold, must be maintained at the original number stated in this agreement. In the event this requirement is not met, the unearned portion of the forgivable loan for any assisted unit(s) not rented to tenants meeting the established income thresholds becomes immediately due and payable in accordance with section 5.

13. DISCRIMINATION

The Borrower agrees, in the renting of the Property, not to discriminate against any person by reason of race, national or ethnic origin, colour, religion, age, disability, sex, marital status, sexual orientation, a conviction for which a pardon has been granted, or other reason in contravention of the *Ontario Human Rights Code*, R.S.O. 1990 c.H.19, as amended from time to time.

14. MAINTENANCE

The Borrower shall be responsible for ensuring that the units are maintained to a minimum level of health and safety.

15. MONITORING

The Borrower shall retain the verification of income from tenants and other such records in a form satisfactory to the City and shall permit the City to have access to the Property and to inspect such records at any reasonable time. The Borrower will supply information as may be requested by the City to confirm adherence to this agreement.

16. SALE OF PROPERTY

The Borrower agrees to notify the City in writing at least twenty (20) working days prior to the closing date of any sale of the Property.

The Borrower covenants that any purchaser of the Property shall agree to be bound by the terms and conditions of this Agreement and shall execute a new agreement in this form before consent to the sale in writing may be given by the City. Rent increases will continue to be permitted in accordance with the terms of the original agreement. No increase in rents will be permitted at the time of sale.

In the event that the Property is sold or otherwise disposed of without the prior knowledge and written consent of the City, the Borrower shall be considered to be in default and any unearned loan forgiveness shall become due and payable immediately, together with accrued interest thereon calculated from the date of sale. The interest shall be at the rate of eight per cent (8%) per annum.

17. MORTGAGE POSTPONEMENTS



During the term of this Agreement, postponement of the Convert-To-Rent / Rehabilitation Assistance Program loan mortgage security will be considered only under the following conditions and at the sole discretion of the City:

Mortgage rollover;

- to permit renewal of an existing prior mortgage at current market rates,
- to permit refinancing of a prior mortgage(s) to obtain more favourable terms in respect of interest rate, monthly payments, to finance, at rates of no greater than the current market, cost market, cost overrun or the cost of repairs; and
- to facilitate the making of such advances on a prior registered mortgage which was not fully advanced at the time of registration of the Convert-To-Rent / Rehabilitation Assistance Program loan mortgage provided such prior mortgage has not been increased,
- Such other reasons as may be agreed to by the City.

City approval will be subject to a review to ensure continued viability of the project and to ensure monthly payments after additional financing do not result in excessive rent increases.

Postponements, including upon sale of the property, will not be approved where equity is being withdrawn.

18. TERM OF AGREEMENT

This agreement shall continue in force for a period of 20 years from the date of first occupancy.

IN WITNESS WHEREOF the said parties hereto have caused these presents to be signed on the day and year first above-mentioned.

SIGNED, SEALED AND DELIVERED

THE CORPORATION OF THE CITY OF LONDON

Per: _____

Joe Fontana, Mayor

Per: _____

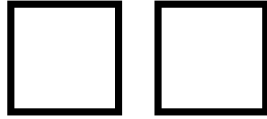
Catharine Saunders, City Clerk

2212126 ONTARIO INC.

Per: _____

Chris Hebblethwaite, President

I/ We have the authority to bind the corporation.



SCHEDULE "A"

Project Owner's Annual Report

**City of London
Convert-To-Rent / Rehabilitation Assistance Program**

A. Property Information

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| Current Reporting Period: | |
| Contribution Agreement Start Date: | |
| Contribution Agreement Expiry Date: | |
| Contribution Agreement Phase-Out Period: | |
| Initial Occupancy Date: | |

| | |
|--------------------------|--|
| Company or Project Name: | |
| Property Owner: | |
| Address of Property: | |
| Mailing Address: | |

B. AFFORDABLE RENTS (check if: heat & water included electricity included)

| Unit Number | Type of Unit | Affordable Rent Base Year (2012) | Affordable Rent Reporting Year (20XX) |
|-------------|--------------|----------------------------------|---------------------------------------|
| | | | |
| | | | |

C. Family Income Tenants

| Unit # | Unit Type | Tenant Name | Total Gross Family Income | Tenants Move-In Date |
|--------|-----------|-------------|---------------------------|----------------------|
| | | | | |
| | | | | |

D. Project Certification

I certify, to the best of my knowledge, that the information provided in Sections B and C above is true and correct. I hereby authorize the City of London to review the rent roll from appropriate source(s) if deemed necessary.

Signature

Date: _____

Chris Hebblethwaite
President
2212126 Ontario Inc.



SCHEDULE "B"

ENERGY EFFICIENCY AND BUILDING DESIGN PROJECT DETAILS

The project will include the following energy efficient features:

1. Geothermal heating & cooling system;
2. LED lighting in common areas, exterior and units;
3. Exterior walls insulated to R30 and the roof insulated to R40;
4. Low E Energy Star rated windows and Energy Star doors;
5. Enersave Energy Star rated appliances;
6. Programmable thermostats;
7. Solar hot water;
8. Smart meters;
9. Blinds on all windows;
10. Low flow showerheads and faucets;
11. Water saver flush toilets.

An energy audit will be conducted by an energy auditor recommended by Natural Resources of Canada at the end of the build to confirm the above items.