



**City of Kingston
Report to Council
Report Number 19-056**

To: Mayor and Council
From: Peter Huigenbos, Acting Commissioner, Community Services
Resource Staff: Sheldon Laidman, Director, Housing & Social Services
Date of Meeting: February 5, 2019
Subject: Amendments to the Proposed Sale of 7 Wright Crescent for Market and Affordable Housing

Executive Summary:

The purpose of this report is to recommend amendments to the agreement to sell City-owned property located at 7 Wright Crescent. The City acquired the 2 acre property in 2012 for \$1M in accordance with the City's Affordable Housing Land Acquisition and Disposition Program Policy. In accordance with the Policy, Council approved the sale of the property based on a joint proposal from Town Homes Kingston (THK) and CJM Property Management Ltd. (CJM) in 2014 for a sale price of \$750,000. That proposal was seeking two 9 storey buildings with a total of 35 affordable housing units. In 2018, THK informed the City that it could not continue with the project. Council, at their July 18, 2018 meeting, directed staff to negotiate a different proposal directly with CJM through the following approved motion:

That Council direct staff to advise and negotiate a different proposal with CJM Property Management Ltd. for the property located at 7 Wright Crescent which will include, but not be limited to, a review of the property value and the inclusion of more affordability through initiatives that will support the Rideau Heights regeneration and that may include another not-for-profit housing provider; and

That Council authorize the Mayor and Clerk to execute such amending agreements as required to allow the parties to negotiate revised terms and conditions for Council approval, to the satisfaction of the Commissioner of Community Services and the Director of Legal Services; and

That Council direct staff to report back by January 2019 with an amended proposal for 7 Wright Crescent.

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Staff have negotiated with CJM in accordance with the direction of Council, as well as concerns expressed by the public during neighbourhood consultation meetings.

Staff recommend selling 1.3 acres of the 2 acre property to CJM for market housing and retaining the remaining 0.7 acre portion so that it may be transferred to the Kingston & Frontenac Housing Corporation (KFHC) for the development of affordable housing (Exhibit A).

The CJM portion of the property would consist of a six storey maximum structure with approximately 120 residential units while the KFHC portion of the property would consist of a 4 storey building with approximately 40 units (Exhibit B - Site Concept Plan and Elevation Drawings).

The City purchased the property in 2012 for \$1M as part of the Affordable Housing Land Acquisition and Disposal Policy. The policy states that, in general, a property in the program should be sold for 75% of the original purchase price. Therefore, the property was proposed to be sold for \$750,000 in accordance with the policy.

In July 2018, Council directed staff to review the property value. An appraisal has updated the fair market value of the property to an estimated \$1.6M. Based on land area, the current appraised market value of the 1.3 acre portion to be purchased by CJM is \$1.1M, and the appraised value of the retained lands to be transferred to KFHC is \$500,000. These are estimated values based on the assumption that the property would be sold on the open market and not subject to limits on height, density or other factors that have been negotiated.

CJM is agreeable to purchase the 1.3 acre portion of the property for \$925,000. This amount was negotiated based on the appraised value of \$1.1M, subject to a number of conditions including the requirement that CJM pay for the demolition of the existing building at its sole cost. Staff estimates the cost to the City to demolish the building at 7 Wright Crescent would be a minimum of \$175,000 based on the City's recent demolition of buildings, including the former St. Joseph/St. Mary Catholic School.

CJM will commit to conditions of the sale as follows:

- The City retains the 0.7 acres on the west side of the property so that it may be transferred to KFHC for the development of a 4 storey building for 40 affordable housing units;
- The height of the new CJM building will be limited to 6 storeys, except for enclosed rooftop mechanical units;
- The density of the CJM building and KFHC building combined will be reduced from the originally proposed 215 units to approximately 160 units;
- The number of affordable units in the KFHC building will be reduced from 35 to a minimum of 20 units due to the significant reduction in density. The 35 affordable units were guaranteed for 25 years with an option to extend the affordability. The 20 units in the new proposal will be permanently affordable;
- The approximately 120 units in the CJM building will have a mix of 2-bedroom, 1-bedroom, studio and ground level townhouse units, all at market rents;

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- CJM will start the land use planning application process following Council approval and finalization of the legal agreement and will include the KFHC site as part of the application, splitting all costs 50-50 with KFHC;
- CJM will proceed with the demolition of the existing building in 2019 at its own cost;
- CJM will start construction of its building as soon as they receive all planning and building permit approvals, subject to any appeals;
- CJM will contribute \$50,000 to the City toward the cost of a publically accessible new play structure on the KFHC site, in fulfillment of Community Benefits;
- In addition to the \$50,000 contribution, CJM will pay cash-in-lieu of parkland for their development; and
- CJM will forgive costs owed by THK for the planning, design and technical studies that were undertaken by CJM for the two 9-storey buildings that are no longer proceeding (estimated at \$50,000 to \$100,000).

These conditions, as negotiated by the City, would not be something a private seller would necessarily seek from a purchaser and are all factors that would have a downward impact on the sale price of the property on the open market. Therefore, staff recommends the sale to CJM for \$925,000 as it represents fair value to the City, considering all the conditions of the sale, and provides the opportunity for the development of permanent affordable housing units.

The net proceeds above \$750,000 are recommended to be directed to the construction of affordable housing units on the KFHC lands, and to complete the funding necessary to acquire and install the play structure that exceeds the \$50,000 contribution from CJM.

The proposed agreement also aligns with previous Council direction by ensuring KFHC will be able to own a property where it can redirect the development of social housing units from the Rideau Heights neighbourhood to achieve results expected from the Rideau Heights Regeneration Strategy.

City staff held a meeting with neighbourhood residents to discuss this proposal on January 23, 2019. Overall, residents were supportive of the new proposal and indicated an interest to be more involved in the planning process for this development as most questions were related to parking and the construction process.

Recommendation:

That Council authorize the Mayor and Clerk to execute such amending agreements as required, and any other required documents, with CJM Property Management Ltd. in a form satisfactory to the Commissioner of Community Services and the Director of Legal Services, for the sale of 1.3 acres of 7 Wright Crescent for \$925,000, and subject to the conditions as described in this report; and

That subject to the sale of 1.3 acres to CJM Property Management Ltd., Council approve the transfer of 0.7 acres of 7 Wright Crescent for nominal consideration (the property has an estimated fair market value of \$500,000) to the Kingston & Frontenac Housing Corporation and authorize the Mayor and Clerk to execute such agreements and documents as may be required,

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in a form satisfactory to the Director of Legal Services, to effect the transfer of the property to the Kingston & Frontenac Housing Corporation; and

That Council direct staff to allocate the first \$750,000 of the net proceeds from the sale of 1.3 acres of 7 Wright Crescent to the Affordable Housing Land Acquisition and Disposal Program; and

That funds in excess of the \$750,000 be added to the existing 7 Wright Crescent capital project to be used for the development of a publicly accessible play structure and the construction of affordable housing units on the Kingston & Frontenac Housing Corporation retained portion of 7 Wright Crescent.

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Authorizing Signatures:

Peter Huigenbos, Acting Commissioner, Community Services

Lanie Hurdle, Acting Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	
Deanne Roberge, Acting Commissioner, Corporate & Emergency Services	

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Options/Discussion:**Background**

The City purchased the property located at 7 Wright Crescent from the Congregation of Notre Dame in 2012 for \$1M through the Affordable Housing Land Acquisition and Disposition Program. The 2.0 acre property includes a purpose-built 3 to 4 storey building. In 2013, Council declared the property surplus and following a Request for Proposals process in 2014, Council passed the following resolutions through [Report Number 14-290](#):

That Council authorize the sale of City owned lands located at 7 Wright Crescent being Part Block F, Plan 1158, Designated as Part 2 On Reference Plan 13R-1836 being all of PIN 36011-0066 (LT), City of Kingston, for \$750,000 to CJM Property Management Limited and Town Homes Kingston in exchange for good and valuable consideration more particularly the provision of Affordable Housing Units in accordance with the following six terms and conditions:

1. That the proponent agrees to enter into an Agreement of Purchase and Sale and Redevelopment setting out terms and conditions related to the sale and redevelopment of the property to the satisfaction of the Legal Services Department including conditions related to the sequencing of development such that the Town Homes Kingston Building shall be built first;
2. That the sale of the property and availability of 35 one bedroom Affordable Housing Units be conditional upon the successful amendment to the Zoning By-Law to permit 215 units to be constructed on the site, if the final unit yield approved through the rezoning process varies from the initial proposal of 215 units, the number of Affordable Housing Units may be increased or decreased proportionally to the satisfaction of the Housing Department while ensuring the intent of the Affordable Housing Land Acquisition and Disposition Program is maintained;
3. That the Affordable Housing Unit rents shall be maintained at 80% of average market rent for a minimum 25 year affordability period, commencing on the date that the final unit has been made available, with an option to extend the affordability period beyond 25 years should both parties agree;
4. That the proponent agrees to rent the Affordable Housing Units in accordance with a Municipal Contribution Agreement to be negotiated to the satisfaction of the City's Legal Services Department and entered into between the City and the proponent;
5. That the proponent agrees to have the Affordable Housing Units incorporated into the City's Rent Supplement Program if and when the City requests it for the length of the affordability period;
6. That CJM Property Management Limited and Town Homes Kingston shall be permitted to be the City's sole representative in respect of any applications for the necessary planning approvals, including, without limitation, such applications as the purchaser, in

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its sole and absolute discretion, deems necessary or desirable to facilitate the obtaining of approvals that may be required from the applicable governmental authorities for the Intended Use and the City shall permit the Purchaser to post such notices and signs on the Property as are required by all governmental authorities in connection with the foregoing applications;

That Council approve the by-law attached as Exhibit "A" to [Report Number 14-290](#) "A By-Law to Permit Council to enter into a Municipal Contribution Agreement with Town Homes Kingston for the provision of Affordable Housing Units" in accordance with subsection 7(2) of Ontario Regulation 603/06;

That Council authorize the Commissioner of Community Services or her delegate to review and approve, for execution by the Mayor and Clerk, all documents and agreements related to the funding allocations outlined in this report, as required, and to the satisfaction of the Director of Legal Services; and

That Council authorize the Mayor and Clerk to execute all documents related to the sale of the property, the project and the agreement in a form satisfactory to the Director of Legal Services.

On July 12, 2016, Council also approved additional funding in the amount of \$1.2M to THK for the development and management of a total of 38 affordable housing units. The composition of affordable units included: 28 one bedroom units at 80% CMHC average market rent; 10 bachelor units at 60% CMHC average market rent; 10 Rent-Geared-to-Income units; and 47 market priced one bedroom, two bedroom and bachelor rental units.

In June, 2018, THK informed the City that they would be withdrawing from the agreement as they could not meet the obligations. Options were presented to Council at its meeting of July 10, 2018 through [Report Number 18-214](#). In consideration of the time invested with the original proposal and the opportunity to still meet the expectations of the Affordable Housing Land Acquisition and Disposition Program and the Rideau Heights Regeneration Strategy, the following resolution was passed:

That Council direct staff to advise and negotiate a different proposal with CJM Property Management Ltd. for the property located at 7 Wright Crescent which will include, but not be limited to, a review of the property value and the inclusion of more affordability through initiatives that will support the Rideau Heights regeneration and that may include another not-for-profit housing provider; and

That Council authorize the Mayor and Clerk to execute such amending agreements as required to allow the parties to negotiate revised terms and conditions for Council approval, to the satisfaction of the Commissioner of Community Services and the Director of Legal Services; and

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Proposed Purchase and Sale Agreement with CJM

Staff have negotiated with CJM towards sale conditions that meet the direction of Council and the expectations of the existing neighbourhood. Two meetings were held with the neighbourhood in September 2018 and January 2019. The main concerns raised by those who attended the meeting in September were the height of the buildings, density of the development, insufficient traffic access to the site and the need for a playground in the area.

The concept drawing in Exhibit B shows a layout of the two buildings that meet the concerns raised at the September community meeting. The concept drawing was presented at the 2nd neighbourhood meeting and received positive feedback from the public.

CJM is agreeable to purchase the 1.3 acre portion of the property for \$925,000 and will commit to a number of conditions as follows:

- The City retains the 0.7 acres on the west side of the property so that it may be transferred to KFHC for the development of a 4 storey building for 40 affordable housing units;
- The height of the new CJM building will be limited to 6 storeys, except for enclosed rooftop mechanical units;
- The density of the CJM building and KFHC building combined will be reduced from the originally proposed 215 units to approximately 160 units;
- The number of affordable units in the KFHC building will be reduced from 35 to a minimum of 20 units due to the significant reduction in density. The 35 affordable units were guaranteed for 25 years with an option to extend the affordability. The 20 units in the new proposal will be permanently affordable;
- The approximately 120 units in the CJM building will have a mix of 2-bedroom, 1-bedroom, studio and ground level townhouse units, all at market rents;
- CJM will start the land use planning application process following Council approval and finalization of the legal agreement and will include the KFHC site as part of the application, splitting all costs 50-50 with KFHC;
- CJM will proceed with the demolition of the existing building in 2019 at its own cost;
- CJM will start construction of its building as soon as they receive all planning and building permit approvals, subject to any appeals;
- CJM will contribute \$50,000 to the City toward the cost of a publically accessible new play structure on the KFHC site, in fulfillment of Community Benefits;
- In addition to the \$50,000 contribution, CJM will pay cash-in-lieu of parkland for their development; and
- CJM will forgive costs owed by THK for the planning, design and technical studies that were undertaken by CJM for the two 9-storey buildings that are no longer proceeding (estimated at \$50,000 to \$100,000).

Provision of Affordable Housing

The property being provided to KFHC has been sized to allow for an approximately 40 unit building. Exact details of the number of affordable units is not known at this time but KFHC has confirmed its commitment to a minimum of 20 affordable units, including the relocation of 10

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social housing units from the Rideau Heights area, to work towards the accomplishment of the Rideau Heights Regeneration Strategy goal of relocating 100 units to other neighbourhoods. The final mix of affordable and market units will be determined as funding becomes available from senior governments. KFHC has considerable experience and expertise in developing similarly sized buildings with a social housing/affordable housing/market housing mixture at their recently built properties on Brock Street, Van Order Drive, Cliff Crescent and Queen Mary Road. This approach of mixed income housing has proven successful for KFHC from both a financial sustainability and social perspective.

Existing Policy/By-Law:

Affordable Housing Land Acquisition and Disposition Program Policy - The program was originally funded to allow for the purchase of property which could then be sold for development at a reduced cost to incentivize affordable housing construction. The policy requires that the City receive 75% of the original purchase price in return.

The original purchase price was \$1M; therefore, the policy calls for a sale price of \$750,000 for the entire property. Based on an updated appraisal, and several conditions of the sale to CJM, the City will receive \$925,000 for 1.3 acres of the property, and retain 0.7 acres (estimated \$500,000 value) to be transferred to KFHC for the development of affordable housing.

Municipal Capital Facilities Agreement – The City typically enters into an agreement with affordable housing providers for a Municipal Capital Facility to provide financial or other assistance in order to comply with the *Municipal Act*. Staff will bring a recommendation to Council prior to the transfer of land to KFHC.

Notice Provisions:

There are no specific notice provisions required. The original RFP included appropriate notice under the City's Purchasing By-Law and a number of neighbourhood meetings have occurred, specifically in 2013, 2018 and 2019. 7 Wright Crescent was declared surplus by Council in 2013.

Accessibility Considerations:

Not applicable

Financial Considerations:

It is recommended that sale proceeds of \$750,000 be allocated to the Land Acquisition/Land Disposition program and that profits in excess be directed towards costs associated with the construction of the public play structure (in addition to the \$50,000 contribution from CJM) and the affordable housing units on the KFHC portion of the property.

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Contacts:

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Sheldon Laidman, Director, Housing & Social Services 613-546-4291 extension 4957

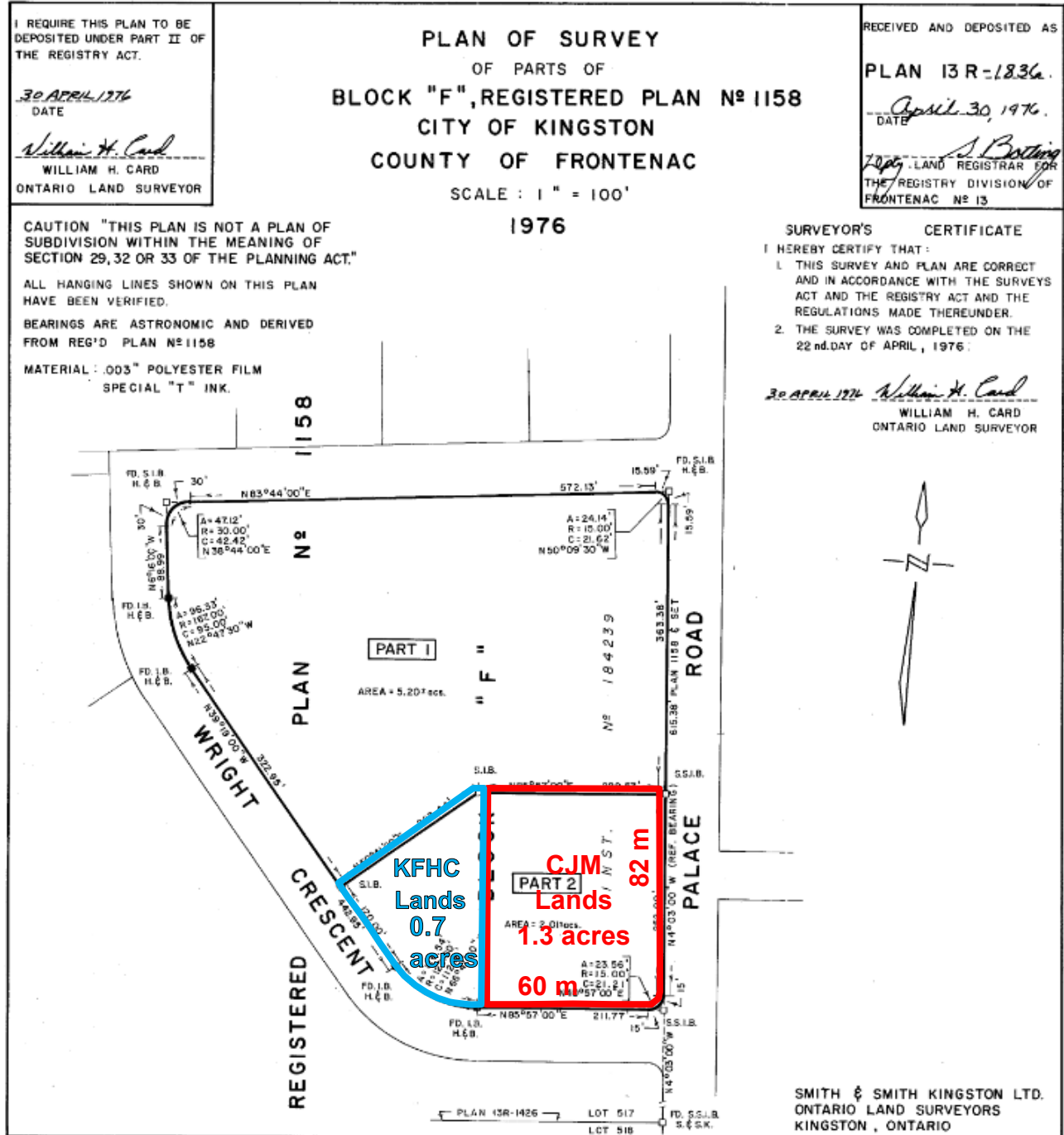
Other City of Kingston Staff Consulted:

Mary C. Rae, Senior Legal Counsel, Legal Services

Exhibits Attached:

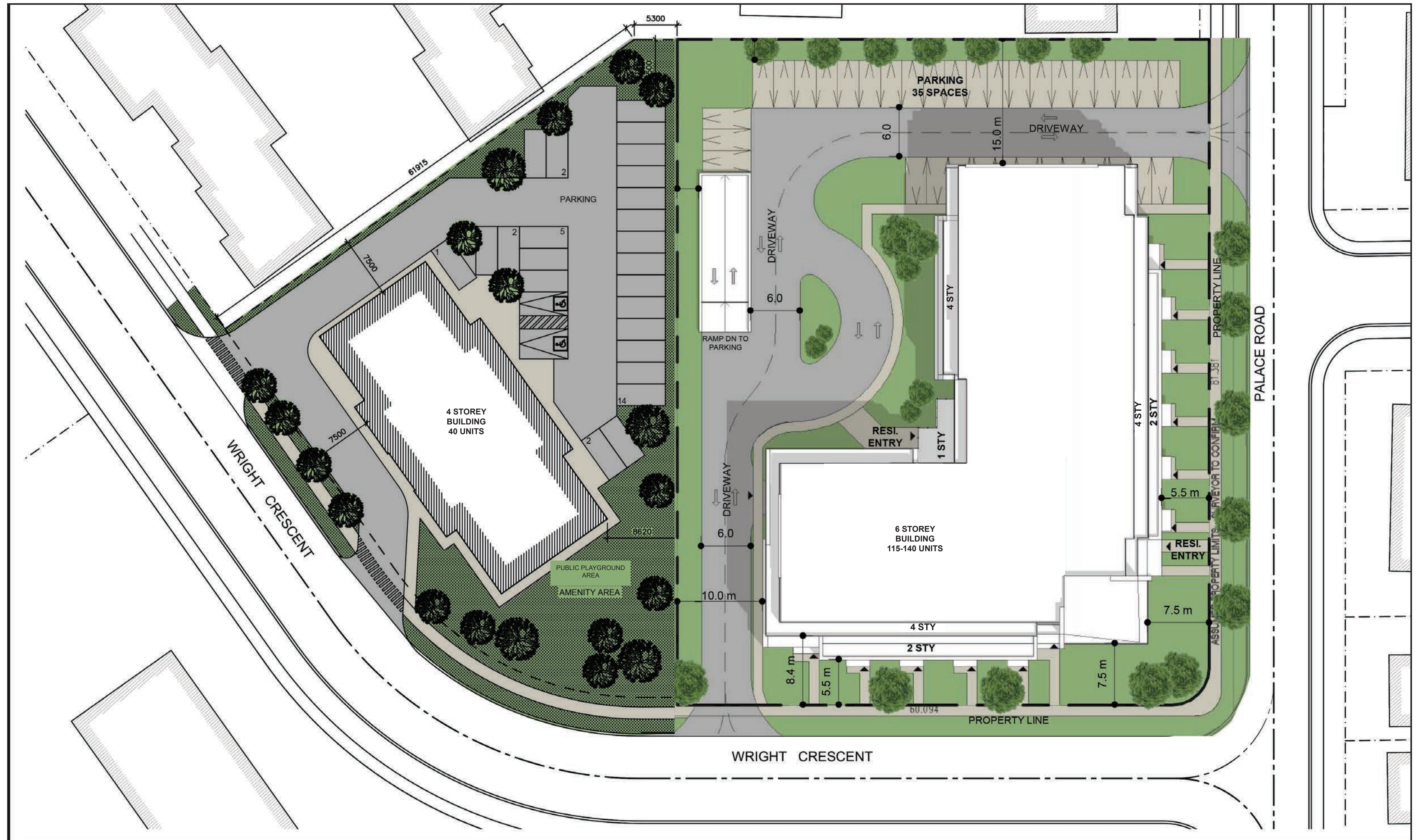
Exhibit A Sketch Showing the Land to be Sold to CJM and the Land to be Transferred to KFHC

Exhibit B Site Concept Plan and Elevation Drawings



All areas and dimensions are approximate. Not to scale.

Site Plan, Wright Crescent



Revised Proposal – CJM & KFHC ^{Exhibit B}



Revised Proposal – CJM & KFHC



Revised Proposal – CJM & KFHC

