



**City of Kingston
Report to Council
Report Number 19-083**

To: Mayor and Council
From: Peter Huigenbos, Acting Commissioner, Community Services
Resource Staff: Sheldon Laidman, Director, Housing & Social Services
Date of Meeting: March 19, 2019
Subject: Affordable Housing Capital Funding – 7 Wright Crescent

Executive Summary:

The purpose of this report is to seek Council's approval for capital funding contributions to the affordable housing project to be included in the proposed redevelopment of 7 Wright Crescent.

In accordance with the City's Affordable Housing Land Acquisition and Disposition Program Policy, the City acquired the 2 acre property in 2012 for \$1M, based on two fair market value appraisals. On February 5, 2019, Council approved the sale of 1.3 acres to CJM Property Management Ltd (CJM) through [Report Number 19-056](#). Council also approved the transfer of the remaining 0.7 acres to the Kingston & Frontenac Housing Corporation (KFHC), at less than fair market value, which is intended to accommodate a 40-unit apartment building with a portion of the project to include affordable housing units.

In order to support the affordable housing components of the project, KFHC has completed a preliminary budget estimate requiring \$3.35M in government funding. Staff recommend that Council approves a \$1.35M contribution from multiple existing municipal budget sources to support the funding request. The remaining \$2M in funding required will be sought through applications to federal grant programs. The \$3.35M funding would support the construction of 10 affordable housing units and 10 rent-geared-to-income (RGI) units.

Recommendation:

That Council approve the allocation of affordable housing capital funding as described in Council Report 19-083 up to an amount of \$1.35M to the Kingston & Frontenac Housing Corporation for the creation of twenty (20) affordable housing units (10 affordable housing units and 10 rent-geared-to-income housing units), which are to be operated within their respective housing programs indefinitely, to be funded from the Investment in Affordable Housing Program – Year 6 (\$626,785), Affordable Housing Construction Reserve (\$259,818), the Delivering Opportunities for Ontario Renters (DOOR) Capital Reserve Fund (\$37,787), the excess net

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Rnet proceeds from the sale of 7 Wright Crescent (approximately \$100,000) and the remainder (approximately \$325,000) from the Municipal Capital Investment in Affordable Housing program; and

That Council approve the closure of the Affordable Housing Construction Reserve and the Delivering Opportunities for Ontario Renters (DOOR) Capital Reserve Fund; and

That should Kingston & Frontenac Housing Corporation be successful in receiving more than \$2M from federal grant funding, the City contribution be reduced accordingly so that the total amount of public funding to the project does not exceed \$3.35M; and

That Council approve the by-law, attached as Exhibit A to Report Number 19-083, "A By-law to Permit Council to Enter into a Municipal Contribution Agreement with the Kingston & Frontenac Housing Corporation for the Provision of Affordable Housing Units at 7 Wright Crescent"; and

That Council authorize the Commissioner of Community Services or his/her delegate to review and approve all documents and agreements related to the funding allocation outlined in this report; and

That Council authorize the Mayor and Clerk to execute all documents and agreements related to the funding allocation outlined in this report, in a form satisfactory to the Director of Legal 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 at an appraised, fair market value of \$1M through the Affordable Housing Land Acquisition and Disposition Policy. The 2 acre property includes a three and one-half storey building that previously functioned as a convent. In 2013, Council declared the property surplus to municipal need and pursued a Request for Proposal process to support the disposal and redevelopment of the property in accordance with the objectives of the Affordable Housing Land Acquisition and Disposition Program, which requires the inclusion of an affordable housing component within the redevelopment of the site.

On February 5, 2019, Council approved the sale of 1.3 acres to CJM for \$925,000. Council also approved the transfer of the remaining 0.7 acres to the KFHC, at less than fair market value, which is intended to accommodate a 40-unit apartment building with a portion of the project to include affordable housing units.

In accordance with the Affordable Housing Land Acquisition and Disposition Policy, \$750,000 from the proceeds of the land sale to CJM will be allocated to the Land Acquisition/Land Disposition program. As per Council direction, the remaining proceeds from the sale will first be directed to fund the installation of a public play structure on the KFHC site, and the net remainder, estimated to be approximately \$100,000, is to be contributed to the construction of affordable units on the KFHC site. City staff will work with KFHC and others as appropriate to ensure that recognition and commemoration of the Congregation of Notre Dame is achieved on the site.

KFHC has developed multiple mixed-income projects in recent years of a similar scale at 129 Van Order Drive, 233 Queen Mary Road, 40 Cliff Crescent and 645 Brock Street. Affordable housing development is a complicated undertaking and KFHC has demonstrated the internal capacity to plan and construct mid-sized, multi-unit residential projects. The approach of mixed-income housing has proven successful for KFHC from both a financial and social sustainability perspective. With this proven track record and relationship with the City as sole shareholder of the housing corporation, staff are recommending an affordable housing capital contribution to the project to assist in the creation of 10 affordable housing units (i.e. starting rents offered at 80% of the local average market rent) and 10 RGI housing units. The units would operate within the respective housing programs indefinitely. The 10 RGI units would be the final units needed to replace the units lost when the social housing on Daly Street was demolished to allow for the redevelopment of Shannon Park. It will also represent another step toward meeting the Rideau Heights Regeneration Strategy goal of redistributing 100 RGI units in Rideau Heights to other areas of the City.

KFHC has requested \$1.35M in municipal capital funding to support the development of the project. In addition to the capital funding request, KFHC will be pursuing grant funding available through federal grant programs, as well as lender financing to cover the project's full capital budget requirements. Staff have evaluated existing affordable housing capital funding availability and recommend the following contribution components:

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Investment in Affordable Housing Program - Year 6 (Provincial funds)	\$626,785
Affordable Housing Construction Reserve	\$259,818
DOOR Capital Reserve Fund	\$37,787
Proceeds from Sale of 7 Wright Crescent (approximate)	\$100,000
Municipal Capital Investment in Affordable Housing program (approximate)	\$325,610
Total funding recommended for Council approval	\$1,350,000
Federal grant funding applications	\$2,000,000
Total Public Funding	\$3,350,000

The proposed funding model will fully expend available remaining funds in the provincially funded Investment in Affordable Housing Program and fully commit and deplete the remaining balances in two affordable housing reserve and reserve funds. The remainder will be funded from: 1) the excess proceeds from the sale of land net of the contributions to the Affordable Housing Land Acquisition and Disposal Program and the City’s contribution to the public play structure (approximated at this time as the sale will not close until mid-2019); and 2) from the Municipal Investment in Affordable Housing Program, which is an approved capital budget envelope. The capital contribution of municipal and provincial funding amounts to approximately \$67,500 per unit while the entire public capital contribution including the amount being applied for from the federal government amounts to \$167,000 per unit.

KFHC’s financial plan assumes \$2M will be accessible through appropriate federal grant programs. Formerly, federal affordable housing funding was flowed directly to Service Managers via the provincial government through capital programs such as the Investment in Affordable Housing program; however, under the Federal Housing Strategy, the federal government is now providing affordable housing capital funding through application driven processes. Should the full \$2M federal grant amount not be successful, City staff will propose revisions to the financial model to ensure that the project proceeds. It is anticipated that the municipal capital support recommended in this report will enable this project to meet the stringent standards of the application process for appropriate federal grant programs.

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. This program was used to purchase 7 Wright Crescent.

Municipal Capital Investment in Affordable Housing Program - This program was initiated by Council to incentivize and fund the development of affordable housing units through capital contributions. It is expected that units will be rented at 80% of market rent or lower.

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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*. A by-law is included as Exhibit A authorizing the City to enter into an agreement respecting the provision of capital facilities (affordable housing units) by KFHC and the provision of assistance to KFHC by the City by giving money and by selling property at less than fair market value.

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

Staff have reviewed the financial requirements of the recommended affordable housing funding contributions and have confirmed sufficient budget availability. The proposed funding includes funding from a number of municipal sources. The Investment in Affordable Housing Program funds (\$626K) are the remaining funds from the last year of a provincial program that must be committed to a project by December 31, 2019. There are balances remaining in two existing funds, the DOOR Capital Reserve Fund (\$37K) and the Affordable Housing Construction Reserve (\$259K), which are proposed to be used in their entirety.

The DOOR Capital Reserve Fund was originally set up to receive provincial capital funding starting in 2007. By 2012, all the DOOR funding was committed to affordable housing projects. Those projects were completed over several years until late 2016, and the funding flowed to the projects as they progressed. Therefore, the balance in the reserve fund continued to earn interest while the projects were under construction. The current remaining balance of \$37K is accumulated interest during that time.

The Affordable Housing Construction Reserve was originally set up to receive surplus social housing funds to be used towards construction of new units; however, since 2012 these surplus social housing funds are now placed into the Social Housing Reserve Fund. It is proposed that these funds be closed out and remaining balances be used towards this project.

The final \$425,000 of funding will come from the net sale proceeds of the 7 Wright Crescent property (estimated at \$100,000 after land sale proceeds are allocated to the Affordable Housing Land Acquisition and Disposal Program and the public play structure) and the Municipal Capital Investment in Affordable Housing program, a previously approved capital budget, estimated at \$325,000.

Contacts:

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Other City of Kingston Staff Consulted:

Lana Foulds, Manager, Financial Services

Mary Rae, Senior Legal Counsel, Legal Services

Andrew Reeson, Associate Legal Counsel, Legal Services

Ruth Noordegraaf, Manager, Housing and Childcare Programs, Housing & Social Services

Melanie Bale, Financial Analyst, Housing & Social Services

John Henderson, Housing Programs Administrator, Housing & Social Services

Exhibits Attached:

Exhibit A Municipal Affordable Housing Capital Facilities By-Law

By-Law Number 2019-XX

**A By-Law to Enter into a Municipal Contribution Agreement
with Kingston & Frontenac Housing Corporation for the Provision of Affordable
Housing Units at 7 Wright Crescent**

Passed: Meeting date, 2019

Whereas the Corporation of the City of Kingston has passed a Municipal Housing Facilities By-Law in accordance with subsection 7(2) of Ontario Regulation 603/06; and

Whereas the municipality has determined that all the housing units to be provided as part of the municipal capital facilities fall within the definition of “affordable housing” contained in the municipal housing facility by-law;

Therefore be it resolved that the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. That Council enter into a Municipal Contribution Agreement with the Kingston & Frontenac Housing Corporation for the provision of twenty (20) Affordable Housing Units at 7 Wright Crescent, in Kingston;
2. That Council authorizes the Mayor and City Clerk to execute the required agreements in a form satisfactory to the Director of Legal Services;
3. This By-Law shall come into force and take effect on the date of its passing;

Given First and Second Readings Month XX, 2019

Given Third Reading and Passed Month XX, 2019

John Bolognone
City Clerk

Bryan Paterson
Mayor