



**City of Kingston
Report to Council
Report Number 14-160**

To: Mayor and Members of Council
From: Lanie Hurdle, Commissioner, Community Services
Resource Staff: Lee Campbell, Acting Director, Housing Department
Date of Meeting: May 6, 2014
Subject: Capital Investment for the Development of Affordable Housing
at 720 Princess Street

Executive Summary:

The intent of the Capital Investment in Affordable Housing Program, approved by Council in 2012, is to provide funding to private and non-profit developers and investors to facilitate additional affordable housing units in the City.

The purchaser of 720 Princess Street, 1880551 Ontario Limited, is requesting funding from the City to provide 19 bachelor units in an existing building. An application for re-zoning has been submitted to permit the redevelopment of the property to a four storey mixed-use commercial and residential building, containing a total of 64 dwelling units. In exchange for capital funding, the purchaser would maintain the rent in the 19 bachelor units at an affordable rate as follows: four (4) bachelor units at 60% of Canada Mortgage and Housing Corporation (CMHC) average market rent (AMR) in exchange for a contribution of \$240,000 for a twenty (20) year period and fifteen (15) units at 80% of CMHC AMR for a contribution of \$450,000 for a period of twenty (20) years. The proposed amount of funding to be provided equals the rental loss to be experienced by the owner as a result of the reduction in rent from fair market value in the private sector to the affordable rent of 60% and 80% CMHC AMR for a period of twenty years.

Should the capital investment be approved, the Service Manager and the purchaser have agreed to enter into a rent supplement agreement in which the purchaser will dedicate 10 to 12 of the 19 units to house households participating in the Rapid Re-Housing and Housing First Program outlined in the 10 Year Municipal Housing and Homelessness Plan. These units will be critical in the availability of housing stock to implement the Rapid Re-Housing and Housing First Program.

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The proposed level and length of affordability as well as the nature and location of the building complies with the Capital Investment in Affordable Housing Program implementation policy.

Recommendation:

That Council approve funding to 1880551 Ontario Ltd. for the creation of nineteen (19) affordable rental units for a period of twenty (20) years at 720 Princess Street in the amount of \$690,000 from the Affordable Housing Capital Investment Program; and

That Council approve the by-law attached as Exhibit B “A By-law to Permit Council to enter into an agreement with 1880551 Ontario Ltd. for the provision of affordable housing units at 720 Princess Street”; and

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 and agreements related to the funding allocations outlined in this report as approved by the Commissioner of Community Services or her delegate.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Lanie Hurdle, Commissioner,
Community Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Commissioners:

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required

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Options/Discussion:

The purchaser of 720 Princess Street wishes to enter into an agreement where the City would provide capital funding for nineteen (19) units through the Housing Department's Capital Investment in Affordable Housing Program. The purchaser would maintain the rent in those units at an affordable rate for a period of twenty (20) years as follows: 4 units at 60% of Canada Mortgage and Housing Corporation (CMHC) average market rent (AMR) for a contribution of \$240,000 or \$60,000 per unit; and 15 units at 80% of CMHC AMR for a contribution of \$450,000 or \$30,000 per unit.

The 2014 CMHC market rent is set at \$676 for a bachelor unit. 60% of the CMHC average market rent is \$405.60 and 80% is \$540.80. Exhibit A of this report provides a table with rent calculations including an estimated increase of 2.0% per year. It is anticipated that the yearly increase will vary over the 20 year period with lower and higher increases over time. This is an assumption that is made for the purpose of rent calculation and it is a manageable risk for both the owner and the City. The amount of funding being provided at \$60,000 and \$30,000 per unit respectively is less than the total expected rental loss per unit ensuring that the City is receiving appropriate value for this investment.

Funding for this project is available through the Capital Investment in Affordable Housing Program which has \$1million allocated per year to be used towards facilitating the creation of affordable housing units. There are general guidelines in the program policy for the amount of funding to be provided per unit (\$50,000) and the expected level of affordability. In this case the contribution is greater as there is a greater depth of affordability at 60% of market rent as opposed to the general contribution for 80% of market rent which requires a smaller initial capital investment. Although the affordable units do not have to be maintained after the 20 year period, any units occupied by the same tenant at the end of the 20 year period will only be allowed to be adjusted by the CMHC yearly increase.

The City and purchaser are proposing that 10 to 12 of the units being funded under this program be dedicated to Rapid Re-Housing and Housing First units and will receive rent supplement funding under the Investment in Affordable Housing (IAH) rent supplement program to ensure that the units are truly affordable to the most acute tenants being selected from the Priority List for Rapid Re-Housing and Housing First. While the Capital Investment Program policy provides priority to 1 or 2 bedroom projects and those projects providing a greater level of affordability, bachelor units are also viewed as a priority for single clients and especially clients transitioning out of homelessness and participating in the Rapid Re-Housing and Housing First program. The City is presently issuing a Request for Information to begin the process of selecting agencies to provide housing case management support for households residing in units under the Rapid Re-Housing and Housing First Program. The purchaser will also be providing office space to allow for counselling and one on one support meetings with clients and providing a space to allow for extended hours of staff coverage to provide optimum supports to these clients.

This property is on the Princess Street corridor and on City transit routes. The purchaser has submitted an application for re-zoning to the Planning Department which had its public meeting on April 17, 2014. The applicant is requesting that the property be rezoned to permit the

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redevelopment of the property (existing Super 8 motel) to a four storey mixed-use commercial and residential building, containing 64 dwelling units – 50 bachelor units and 14 four bedroom units. City staff are seeking approval of the Capital Investment program funding contribution towards the development of this project prior to the zoning approvals being received. The Municipal Contribution agreement will contain remedies binding the purchaser to return the full amount of any funding provided in the event that the required municipal planning approvals are not obtained.

Should Council approve this project for municipal funding, the City will enter into a Municipal Contribution Agreement which will clearly set out the terms of the funding and will be registered on title for the twenty years. O. Reg. 603/06 of the Municipal Act, 2001 requires that Council approve the attached by-law (Exhibit B) which allows the Corporation of the City of Kingston to enter into a Municipal Contribution Agreement with 1880551 Ontario Ltd. and authorizes the Mayor and City Clerk to execute the required agreements in a form satisfactory to the Director of Legal Services.

Existing Policy/By Law:

Municipal Housing Facilities By-Law No. 2003 – 61

Housing Department Policy 12-003 adopted by Council in March, 2012, provides guidelines for the Capital Investment in Affordable Housing Program. The purpose is to facilitate the establishment of affordable housing units in the private and not for profit sectors through municipal grants and to implement the recommendations of the Municipal Housing Strategy.

Notice Provisions:

Not applicable.

Accessibility Considerations:

Not applicable.

Financial Considerations:

In 2011, Council endorsed a plan to invest \$1M per year for five (5) years in affordable housing capital development. Sufficient funds are available through the Capital Investment in Affordable Housing Program for this project.

Contacts:

Lanie Hurdle, Commissioner, Community Services 613-546-4291 extension 1231

Lee Campbell, Acting Director, Housing Department 613 546-2695 extension 4916

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Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel, Legal Services Department

Desiree Kennedy, City Treasurer

Melanie Bale, Financial Analyst, Housing Department

Julie Salter-Keane, Manager, Development Approvals, Planning and Development

Exhibits Attached:

Exhibit A Rental Loss Calculation for 720 Princess Street

Exhibit B By-Law 2014-XX 'A By-Law to Permit Council to Enter Into a Municipal Contribution Agreement With 1880551 Ontario Ltd. for The Provision of Affordable Housing at 720 Princess Street in Kingston'

Exhibit A

Projected Rental Loss for 4 Bachelor Units @ 60% CMHC AMR (20 years) - 720 Princess Street

2014				2015				2016			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$676	\$406	\$270	\$3,245	\$690	\$414	\$276	\$3,310	\$703	\$422	\$281	\$3,376

2017				2018				2019			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$717	\$430	\$287	\$3,443	\$732	\$439	\$293	\$3,512	\$746	\$448	\$299	\$3,583

2020				2021				2022			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$761	\$457	\$305	\$3,654	\$777	\$466	\$311	\$3,727	\$792	\$475	\$317	\$3,802

2023				2024				2025			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$808	\$485	\$323	\$3,878	\$824	\$494	\$330	\$3,955	\$841	\$504	\$336	\$4,035

Exhibit A

2026				2027				2028			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$857	\$514	\$343	\$4,115	\$874	\$525	\$350	\$4,197	\$892	\$535	\$357	\$4,281

2029				2030				2031			
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$910	\$546	\$364	\$4,367	\$928	\$557	\$371	\$4,454	\$947	\$568	\$379	\$4,544

2032				2033							
CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	60% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	Expected Rental Loss for 4 Units Over 20 Years	Present Value of Rental Loss for 4 Units Over 20 Years	Requested Funding	Shortfall
\$965	\$579	\$386	\$4,634	\$985	\$591	\$394	\$4,727	\$315,360	\$245,810	\$240,000	-\$5,810

Assumptions:

- 1) CMHC Average Market Rent \$676 with estimated annual increase of 2%
- 2) Present Value based on 2.5% cost of borrowing rate

Exhibit A

Projected Rental Loss for 15 Bachelor Units @ 80% CMHC AMR (20 years) - 720 Princess Street

2014				2015				2016			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$676	\$541	\$135	\$1,622	\$690	\$552	\$138	\$1,655	\$703	\$563	\$141	\$1,688

2017				2018				2019			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$717	\$574	\$143	\$1,722	\$732	\$585	\$146	\$1,756	\$746	\$597	\$149	\$1,791

2020				2021				2022			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$761	\$609	\$152	\$1,827	\$777	\$621	\$155	\$1,864	\$792	\$634	\$158	\$1,901

2023				2024				2025			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$808	\$646	\$162	\$1,939	\$824	\$659	\$165	\$1,978	\$841	\$672	\$168	\$2,017

Exhibit A

2026				2027				2028			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$857	\$686	\$171	\$2,058	\$874	\$700	\$175	\$2,099	\$892	\$714	\$178	\$2,141

2029				2030				2031			
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year
\$910	\$728	\$182	\$2,184	\$928	\$742	\$186	\$2,227	\$947	\$757	\$189	\$2,272

2032				2033							
CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	CMHC Avg. Rent	80% of CMHC Avg. Rent	Expected Rental Loss per Unit per Month	Expected Rental Loss per Unit per Year	Expected Rental Loss for 15 Units Over 20 Years	Present Value of Rental Loss for 15 Units Over 20 Years	Requested Funding	Shortfall
\$965	\$772	\$193	\$2,317	\$985	\$788	\$197	\$2,364	\$591,301	\$460,894	\$450,000	-\$10,894

Assumptions:

- 1) CMHC Average Market Rent \$676 with estimated annual increase of 2%
- 2) Present Value based on 2.5% cost of borrowing rate

By-Law Number. 2014-75

A By-Law to Permit Council to Enter Into a Municipal Contribution Agreement with 1880551 Ontario Ltd for the Provision of Affordable Housing Units at 720 Princess Street in Kingston

Passed: May 6, 2014

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. Council enter into a Municipal Contribution Agreement with 1880551 Ontario Ltd for the provision of 19 Affordable Housing Units at 720 Princess Street, in Kingston;
2. 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 May 6, 2014

Given Third Reading and Passed Month XX, 2014

(Signed)

John Bolognone
City Clerk

Mark Gerretsen
Mayor