



City of
Peterborough

To: **Members of the General Committee**

From: **Allan Seabrooke, Commissioner of Community Services**

Meeting Date: **March 11, 2019**

Subject: **Report CSSS19-002**
Conditional Funding Approval for Affordable Rental Housing:
17 Smith Drive Havelock (Peterborough Housing Corporation)

Purpose

A report to recommend conditional approval for additional federal-provincial capital funding for Peterborough Housing Corporation's affordable rental housing project at 17 Smith Drive, Havelock.

Recommendations

That Council approve the recommendations outlined in Report CSSS19-002 dated March 11, 2019, of the Commissioner of Community Services, as follows:

- a) That conditional approval be provided for additional federal-provincial capital funding of up to \$1,500,000 for Peterborough Housing Corporation's affordable housing project at 17 Smith Drive, Havelock, pending confirmation from the Ministry of a revised notional allocation amount as outlined in Report CSSS19-002;
- b) That, subject to confirmation from the Ministry of Municipal Affairs and Housing of the revised notional allocation, the Mayor and Clerk be authorized to sign agreements and other documents satisfactory to the Commissioner of Community Services and the City Solicitor to provide federal-provincial capital funding to Peterborough Housing Corporation for the development of 12 additional affordable rental units at 17 Smith Drive Havelock as outlined in Report CSSS19-002.
- c) That once the project redesign is finalized, the project be reassessed to ensure it is financially viable, or alternative financing options explored to ensure a sufficient debt coverage ratio satisfactory to the City Treasurer.

Budget and Financial Implications

The Investment in Affordable Housing – Extension (IAH-E)/2016 Social Infrastructure Fund (2016 SIF) program is 100% federal and provincial funding. For the 2018/19 year, the City of Peterborough's notional allocation for IAH-E was \$1,629,900, and \$801,800 from 2016 SIF. Through Reports PLHD15-002, and PLHD17-005, authority was delegated to the Director of Planning and Development Services to prepare a multi-year plan for program expenditures called a Program Delivery and Fiscal Plan (PDFP).

Funding is subject to "use-it-or-lose-it" restrictions, meaning that any funds that have not been committed as per the PDFP at the end of each calendar year are redistributed by the Ministry of Municipal Affairs and Housing. The \$1,500,000 in 2018/19 IAH-E/2016 SIF funding outlined in this report is a result of efforts by the Ministry to redistribute funding to the City of Peterborough from other Service Managers that were underspent. This change will not reduce any allocations under the PDFP for IAH-E/2016 SIF funding recommended in Report PLHD15-002.

PHC's financial statements are consolidated with the City's financial statements and therefore prudent financial management of PHC is a City interest. As stated in report PLHD17-005, Infrastructure Ontario financing of approximately \$5.1 million will be a draw against the City's non-tax supported debt capacity. After this \$5.1 million issue, the non-tax supported debt that could be issued is \$4.5 million.

Table 1 below summarizes the total value of capital funding for the Havelock Affordable Housing project with 24 affordable rental units. This shows funds previously approved for the original 12 affordable units and the additional funds recommended in this report for an additional 12 units.

Table 1 Affordable Units at 17 Smith Drive, Havelock

Federal-Provincial Capital Funding Program	Value (\$)	Number of Units	Approval Status
Investment in Affordable Housing – Extension Program	\$198,200	2	Approved through Report PLHD17-005
Social Infrastructure Fund (2016)	\$801,800	10	Approved through Report PLHD17-005
IAH-E / SIF (additional funding opportunity)	\$1,500,000	12	Pending approval from the Province and through this report
Total	\$2,500,000	24	

Background

Additional Federal-Provincial Funding

The City must act quickly in order to take advantage of this potential additional Federal-Provincial funding. The Ministry of Municipal Affairs and Housing works with all of the 47 Service Managers to ensure that the funding allocations for the IAH-E/2016 SIF program are spent by the Province's year-end, March 31. If the Ministry projects underspending across the province, they begin a process to re-allocate unspent funds.

In December 2018, the Ministry approached the City of Peterborough to put forward shovel-ready projects whose proponents could sign funding agreements on or before March 29, 2019. Given a short timeline to respond, City staff put forward projects that had submitted applications for the Community Improvement Plan for Affordable Housing, and projects that were already approved for funding but could increase the number of affordable units developed.

The increase in affordable units in the 17 Smith Drive project in Havelock will meet program requirements for developing seniors housing. If Council approves the recommendations in this report, staff will work with the Ministry to commit funds through a Revised Funding Allocation letter and legal agreements with the two proponents.

Contributions by the Township of Havelock-Belmont-Methuen

The Township of Havelock-Belmont-Methuen has made significant contributions to this project. In September 2016, Township Council approved a recommendation to donate the land, pay for municipal services to the site, waive Development Charges, Building Permit fees, and apply to Infrastructure Ontario on PHC's behalf. The Township of Havelock-Belmont-Methuen will sign an agreement with PHC for the Infrastructure Ontario financing.

Table 2 sets out the estimated values of the Township of Havelock-Belmont-Methuen's contributions:

Description	Value
Property Tax – New Multi-Residential Tax Rate	\$ 72,119
Building permit	\$ 46,500
Plumbing permit	\$ 2,800
Development Charges – County	\$ 97,733
Planning/Engineering Fees	\$ 18,670
Cash in-lieu of parkland	\$ 1,000
Municipal Services – roads, water, sewer, sidewalks, storm sewer and street lights	\$ 924,000
Value of the Land	\$ 59,722
Total	\$1,222,544

Program Requirements: Rents and Income Level

Rents for units funded by federal-provincial affordable housing programs must be set at 80% of Average Market Rent (AMR). This means that rents for the one-bedroom units in this project would be \$680 per month. The Canada Mortgage and Housing Corporation (CMHC) publishes the AMR for Peterborough annually. The City reviews and publishes income thresholds and rents for affordable housing program units in an annual Rent Setting Memo. Actual rent charged will be determined in the year the units are occupied.

Existing Approvals – 17 Smith Drive (first 12 affordable rental units)

\$1 million in federal-provincial funding was approved for this project in 2017 (PLHD17-005). Housing Services staff has been working with the Township of Havelock-Belmont-Methuen on the Affordable Housing and Assisted Living housing project since the summer of 2016. This project has a steering committee led by the Township CAO with representation from Township staff from Building, Planning and Finance, as well as the engineer retained for site preparation. This steering committee is guiding the development of the affordable housing build, as well as further enhancements to this vacant but serviced/serviceable land.

In October 2018, a tender was issued for the construction of 32 units: one 24 unit apartment building, with two “quad bungalows” each having four at-grade apartment units in a bungalow-style development. The 24 unit apartment building included 12 units with affordable (below-market) rents, 12 units with market rents, space for a community hub, office and retail space to be rented to two community agencies, dining and food preparation areas to serve units with support services, if Local Health Integration Network funding was secured.

When the tenders came in, the lowest bid was \$3.7 million over budget. PHC determined that their best course of action was to re-design and then re-issue a tender in April 2019. An accurate cost estimate will not be available until detailed design is complete in early April.

The project is being redesigned to reduce costs. Changes to date include removing the quad bungalows and all of the associated site work for the bungalows, including lighting, walkways, power, water supply, and sewers. Changes to the apartment building itself include reducing the size of common areas, removing outdoor canopies, roof gables, commercial kitchen and dining area. An irregular wall design, which increased heating and plumbing costs, was straightened. The type of exterior cladding was also changed from an Exterior Insulation Finishing System (EIFS) to an integrated siding system.

Two possible scenarios are being considered for this project, depending on the value engineering efforts and whether additional funding is confirmed and approved:

1. If additional funding is not available and approved, 24 units will be constructed, with the original 12 affordable units and 12 market rent units.
2. If additional funding is available and approved, PHC will increase the number of affordable units to 24. PHC will also determine the feasibility of adding 12 more units – at market rents – to increase the total number of units to 36. Market rent units help to increase rent revenue, and can enhance the long-term sustainability of the project.

PHC has advised that the project will be kept within the \$5.1M debt financing limit, and that the project will be financially viable with a sufficient debt coverage ratio.

Terms and Conditions of the City's Agreement for 17 Smith Drive, Havelock

A legal agreement which contains an accountability framework will be structured as a charge for the value of capital funding and will be registered on title. The legal agreement will contain the following terms and conditions:

- A 25 year Affordability Period – period that the rents must remain at or below 80% of Average Market Rent, calculated annually by the Canada Mortgage and Housing Corporation;
- Process for Income Screening for new tenants – the method and criteria for selecting incoming tenants and the maximum income for those tenants;
- Option to require that 25% of units be subject to a rent supplement agreement;
- Adherence to Property Standards By-law;
- Insurance – City approval of insurers and the insurance policies carried by the owner/landlord, including the limits of coverage and the provisions thereof;
- Initial and Annual Occupancy Report – the information required from the owner/landlord to ensure compliance with programs; and

- Consequences of Sale or Default – the steps to be followed should the property be sold or should default occur.

10-year Housing and Homelessness Plan

Peterborough's 10-year Housing and Homelessness plan commits to achieving the outcome that "500 new affordable rental homes are created using new and existing resources including senior government funding, municipal incentives, non-profit and private equity and publicly-owned land." Providing funding to enable the development of affordable rental housing is consistent with the City's focus on providing long-term, sustainable housing solutions. Table 2 shows the number of units approved by City Council since 2014.

Table 2 Affordable rental housing units approved since 2014

Project Name	Number of units	Address	Council Approval
Hazelbrae Place	42	21 Barnardo Ave.	PLHD12-007 and PLHD14-005
Knox Residences	42	400 Wolfe St.	PLHD14-003 and PLHD16-009
The Mount Community Centre, including Shared Dreams	65	1545 Monaghan Rd.	PLHD14-004 and PLHD18-002
Ontario Aboriginal Housing Services	11	721 Monaghan Rd.	PLHD15-001
CB Rubidge	4	135 Rubidge St.	PLHD15-006
Brock Mission	15	217 Murray St.	PLHD16-004
Peterborough Housing Corporation's McRae Phase 1	34	553-555 Bonaccord St.	PLHD16-010 and PLHD17-007
Payne-Downie	4	342 Downie St.	PLHD16-002
The Loyola	28	188-198 Edinburgh St.	PLHD15-008
Havelock Affordable Housing and Assisted Living	12	17 Smith Dr., Havelock	PLHD17-005
DeafBlind Ontario Services	2	86 Earlwood Dr.	IPSHD18-004
ECE Living Ltd	8	461 Paterson St.	CSSH19-001
Total affordable units	267		

Note: All projects in Table 2 are located in the City of Peterborough unless otherwise stated.

The 10-year Housing and Homelessness Plan Needs Assessment identified an unmet need for one-bedroom units in Peterborough City and County. The PHC project in Havelock will house seniors with low incomes in affordable rental units, aligning with City Council and County Council supported approach. Directing funding to this project is

consistent with the City's intentional shift from providing emergency responses to providing long-term, sustainable housing solutions.

Summary

The City of Peterborough, as Service Manager for housing and homelessness in both City and County, has a commitment to increase the number of affordable housing units throughout the Service Manager area. Additional funding for 12 units in PHC's Havelock Project will enhance the project's long-term viability and help provide homes for seniors who wish to stay in their community in the Township of Havelock-Belmont-Methuen.

Approval of the recommendations in this report will enable the City to participate in an additional funding opportunity of the federal-provincial IAH-E/2016 SIF program. If the recommendations are adopted by City Council, upon funding approval, the City can commit funds and meet Ministry deadlines.

Submitted by,

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Commissioner of Community Services

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