



City of
Peterborough

To: Members of the Peterborough Regional Liaison Committee

From: Sheldon Laidman, Commissioner of Community Services

Meeting Date: June 10, 2021

Subject: Report CSSSPRLC21-005
Update on Creation of Government Business Enterprise for
Affordable Housing

Purpose

To provide an update to the Peterborough Regional Liaison Committee on progress to date on the creation of the Government Business Enterprise for Affordable Housing and to respond to correspondence received from the County of Peterborough.

Recommendation

That the Peterborough Regional Liaison Committee endorse the recommendation outlined in Report CSSSPRLC21-005, dated June 10, 2021, of the Commissioner of Community Services, as follows:

That the Report CSSSPRLC21-005 and the associated presentation be received for information.

Budget and Financial Implications

There are no budgetary or financial implications associated with the recommendation in this report.

Background

At the Peterborough Regional Liaison Committee (PRLC) meeting of March 25, 2021, the Committee received Report CSSSPRLC21-001 Impact to the County of Peterborough of Governance Alternatives to Support Affordable Housing Development. This Report provided an overview of the City Council decision from February 22, 2021 to support an alternative governance model to deliver affordable housing through a Government Business Enterprise (GBE). The following motion was passed:

That the Peterborough Regional Liaison Committee approve the recommendation outlined in Report CSSSPRLC21-001, dated March 25, 2021, of the Commissioner of Community Services, as follows:

- a) That the report and presentation, including Report CSSS21-003 Governance Alternatives for Affordable Housing Development, attached as Appendix A, be received for information.
- b) That PRLC confirms the primary objective of this process is to build affordable housing as soon as possible, and
- c) That the City and County work collaboratively to that end.

Subsequent to this meeting, the City received a letter from the County of Peterborough dated April 22, 2021 (Appendix A) seeking additional information and clarification on a number of items.

Initiatives and Undertakings to Date

Municipal Service Corporation (MSC) – Ontario Regulation 599/06 provides the requirements for the establishment of a Municipal Services Corporation and requires a Business Case Document to be created. For the purposes of this report, the terms MSC and GBE will be used interchangeably. City staff along with a hired consultant have begun the preparation of a Business Case to ensure compliance with this regulation and to present to City Council in an expected July timeframe. The Business Case Document is to include the following::

1. Rationale and basis for the MSC
2. Corporate structure
3. Governance
4. Operational Strategies (e.g. services to be provided, expected staffing)
5. Financial Analysis
6. Implementation Activities including Asset Transfer Policy

Land Transfer Tax Analysis – During discussions at both City Council and PRLC the issue arose of whether a Land Transfer Tax would apply to affordable housing projects transferred to the new GBE. Staff have received a written opinion from a tax expert confirming that the transfer of property from Peterborough Housing Corporation (PHC) to the new GBE is exempt as both are affiliated entities owing to the fact that both are wholly owned by the City of Peterborough.

Redevelopment of PHC Lands and Preparation of Federal Co Investment Fund application – City staff have met with PHC staff several times to formulate plans as to how to most efficiently and effectively move forward with development of plans to redevelop key PHC properties with the goal of submitting an application to the federal Co Investment Fund. Plans must be developed similar to any housing project to determine which property to start with, the density permitted and appropriate on each property, the types of units to be included, the mixture of unit affordability, and other planning compliance issues. Discussions will need to consider how best to achieve the goals of each property using the skills and experience of PHC and the debt vehicle of the GBE.

Service Manager Initiatives Unrelated to the GBE

As part of the ongoing restructuring of the Social Service Division and its commitment to meeting the goals of the 10 Year Housing and Homelessness Plan, the following items are being undertaken:

- Working to refine roles in the Housing portfolio to help connect interested developers with incentives, non profits, land availability
- Working on a presentation for township councils to present options for affordable housing incentives, options for affordable builds, strengthen connections with the Housing team to help facilitate building affordable units in their areas (discuss options and levers that can help create opportunities such as those used in the City—tax incentives, official plan amendments, rent supplements, etc.)
- Reviewing the governance structures of Housing and Homelessness committees to ensure efficient use of time and coordinated approach to moving forward
- Reviewing of rent supplements and the Housing Stability Fund to ensure the usage of these programs are optimized
- Part of Social Services' focus on quality assurance and continuous improvement, KPMG based on evidence-based practices are being embedded into all housing and homelessness service agreements and reviewed regularly by Program Integrity staff
- Preparing to launch a strategic planning process for all of Social Housing to manage the expiry of mortgages and operating agreements, and plan for the future.

Response to County Correspondence

Many of the answers to the questions posed in Appendix A, particularly with regard to Governance, are predicated on future decisions of City Council, the eventual Board of the new GBE, and the Board of PHC and hence it would not be appropriate for Staff to speculate or provide a response for each individual question posed by the County at this time.

Township Affordable Development Properties - The establishment of a Municipal Services Corporation requires the preparation of an Asset Transfer Policy. Each affordable housing property is being reviewed for covenants or restrictions that should be considered as part of this policy. This would include the two referenced projects in the Township of Havelock-Belmont-Methuen (HBM) and the Township of Selwyn.

As part of the establishment of the MSC, it is expected that the overall structure of the new MSC will include multiple operational sub companies to ensure adequate financial risk management strategies. Under this type of structure, it would be possible to have the Township properties separated into their own operational company within the overall structure of the MSC. This would allow for separate auditing and oversight of these properties within the overall structure of the MSC. The benefits and analysis of this possible structure will be presented to City Council for consideration as part of the report to establish the MSC.

Financial Impacts

As part of the due diligence undertaken by KPMG in their report and analysis of the recommendation to establish a MSC, a review of the financial impact was undertaken. The financial review looked at the issue from two perspectives;

1. Whether the affordable housing projects being transferred to the new MSC can operate on their own without the need for municipal subsidy; and
2. Will the transfer of these affordable properties negatively impact the financial situation of PHC.

The affordable housing projects are separately audited and the KPMG analysis found that they can be operated if moved to the MSC without the need for municipal subsidy. It would not have been financially appropriate for PHC to have been taking surpluses or funds from the affordable housing projects as their financial records were meant to always be separate. KPMG's analysis further confirmed that the removal of the affordable housing projects from PHC ownership is not expected to negatively impact PHC. PHC would continue to manage the units transferred to the MSC by contract and these contractual arrangements will be considered as part of the establishment of the MSC.

Governance

The 10 Year Housing and Homelessness Plan (the Plan) sets out the objectives and goals for housing and homelessness for both the City and the County. The Service Manager role is to facilitate meeting those goals and objectives. The City does not have an “obligation to develop and maintain affordable housing in the County”. Rather the Service Manager has the same role for the County as it does for the City to facilitate meeting the goals of the Plan. There are many means to meet the goals of the Plan including municipal incentives, private partnerships, secondary suite development, non-profit housing development, and expansion of rent supplement programs outside of direct municipal ownership, development, and maintenance of new units.

The City has chosen to create a GBE to assist it in building affordable housing. The GBE model will also allow for projects to be contemplated in the County. Without the GBE model being implemented, the City’s debt servicing capacity would not allow for any substantial municipally supported affordable housing to be constructed in either the City or the County.

The staffing complement of the new GBE will be part of the Business Case Document currently being developed but the intent would be for the GBE to have minimal staffing and is not being set up to have a separate County manager. While the current affordable housing units in the County are set up directly through PHC, future initiatives may not be set up the same way by the GBE. However, the current management of PHC sites already in the County would remain unchanged in their property management approach and structure.

Summary

This report provides an update on the activities undertaken to date regarding the establishment of the GBE model and provides further information related to correspondence from the County of Peterborough.

Submitted by,

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Commissioner of Community Services

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Attachment:

Appendix A – Correspondence from the County CAO dated April 22, 2021