



## THE CORPORATION OF THE TOWN OF AMHERSTBURG

### OFFICE OF THE CAO

*MISSION STATEMENT: Committed to delivering cost-effective and efficient services for the residents of the Town of Amherstburg with a view to improve and enhance their quality of life.*

Author's Name: Giovanni (John) Miceli	Report Date: April 4, 2019
Author's Phone: 519 736-0012 ext. 2228	Date to Council: April 23, 2019
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To: Mayor and Members of Town Council

Subject: Development of Affordable Housing Grant (AHG) Agreement and 182 Pickering Grant

#### 1. RECOMMENDATION:

It is recommended that:

1. The report from the Chief Administrative Officer dated April 4, 2019 regarding Development of Affordable Housing Grant Agreement and 182 Pickering Grant **BE RECEIVED**;
2. Administration **BE DIRECTED** to develop an Affordable Housing Grant (AHG) Agreement for approval by Council that encourages and supports development of long term affordable housing in Amherstburg in accordance with the Town's Official Plan and Municipal Housing Facility By-law;
3. An AHG not to exceed \$174,054 **BE APPROVED** to offset the cost of Development Charges for 182 Pickering to be disbursed with the terms and conditions of the AHG Agreement for the property, subject to payment in full of all amounts owing to the Town from 182 Pickering Incorporated;
4. Administration **BE DIRECTED** to prepare an AHG Agreement between the Town of Amherstburg and 182 Pickering Incorporated outlining the terms and conditions for dispersing the AHG for 182 Pickering; and,
5. Administration **BE DIRECTED** to report back to obtain approval of the draft form of AHG Agreement and to execute the AHG Agreement for 182 Pickering.

**2. BACKGROUND:**

**Affordable Housing Needs in Amherstburg:**

The information in the following table was gathered by the Central Housing Registry for Windsor Essex County (CHR-WEC) and provides a snapshot in time of those on a waiting list for affordable housing in Amherstburg as of April 10, 2019. It must be noted that there may be duplication in the data because an applicant can be on the waitlist in multiple municipalities across Windsor Essex for affordable housing.

Number of Bedrooms	Singles with No Dependents	Families/Singles with Dependents	Senior Citizens
1	287	0	218
2	36	129	2
3	2	119	0
4	1	70	0
<b>Total</b>	326	318	220

The table illustrates that at this time there are up to **864** families known to be seeking and yet unable to access affordable housing in the Town of Amherstburg.

**Ministry of Housing – Investment in Affordable Housing (IAH) Program:**

**Qualifying for Affordable Housing Rental Programs:**

Tenants must be on or eligible to be on the Central Housing Registry Windsor Essex County waitlist. The income threshold for the Central Housing Registry waitlist is the current Household Income Limits (HILS) as defined in the Housing Services Act. Current HILS are as follows:

**Windsor Essex Service Area Maximum Annual Household Income (HILS) effective January 1, 2018 to Qualify for Affordable Housing**

Service Manager	Area	Bachelor unit	1 bedroom unit	2 bedroom unit	3 bedroom unit	4 bedroom unit or larger
City of Windsor	City of Windsor and all Municipalities in the County of Essex	\$27,000	\$34,000	\$41,500	\$51,000	\$71,000

A key requirement of the program is that units must be rented at a value not to exceed 80% of the MMAH approved average market rates. Program compliance requires that rents are maintained at this level for a period of 20 years. Annual reviews are undertaken by the City of Windsor, service manager for the region who is the regulatory body to monitor and maintain compliance.

**2018 Maximum Programs Rents Windsor Essex - Effective January 1, 2018**

Area	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Windsor Service Area excluding Amherstburg	\$486	\$710	\$888	\$1,009	\$1,137
Amherstburg	\$486	\$710	\$972	\$1,110	\$1,239

Maximum Rents stated in the Table above include utilities for apartments and congregate living arrangements unless the Proponent’s proposal was originally approved excluding utilities; and exclude utilities for single detached, semi-detached and townhouse units.

**Funding - Forgivable Loan (Provincial & Federal):**

Funding for approved rental housing projects is provided through a forgivable capital loan over a 20-year period. The forgivable capital loan provided to eligible projects is up to 75% of the capital cost per unit or \$150,000 per unit, whichever less is.

**Town of Amherstburg Policy in Support of Affordable Housing Development:**

The Town has taken steps to build policy through provisions in the Official Plan and adoption of a By-law to Provide for Municipal Housing (By-law 2015-35).

**Official Plan Provisions:**

The Town’s Official Plan, adopted in 2009, includes key criteria, established in Section 6.6.3(12), that promotes affordable housing as follows:

- (12) The Town will also work toward providing a range of housing choices that are affordable to all income levels. Affordable for the purposes of this Plan shall mean:
- a) Affordable housing means housing that can be accessed by households whose income falls at or below the lowest 35th percentile of the income distribution of the community.
  - b) Affordable rental housing is housing where monthly rent costs excluding utilities do not exceed 30 percent of the tenant gross monthly household income.
  - c) Affordable ownership housing is housing where monthly housing expenses including mortgage principle, interest and property tax but excluding insurance or utilities do not exceed 30 percent of gross monthly household income.

Affordable housing is below-market rental housing. A general threshold is that rents are 80% or below average market rents in the area. This is the test used to promote affordable housing based on market conditions. The Town’s Official Plan uses a definition of Affordable rental housing whereby the test for rent is based on income and this is known as **rent geared to income** housing. The Town’s Official Plan on housing supports a rent geared to income philosophy and not that of affordable housing which is

significantly different than housing provided by rents that are predicated on market rents/conditions.

Further, the Town's Official Plan makes provisions for affordable housing grants in Section 6.6.3 (14) Housing Supply, which states the following:

(14) If provided with sufficient safeguards for long term commitment to affordability the Town will consider providing a grant in lieu of residential development charges, planning fees and/or building fees.

### **Affordable Housing By-law Provisions:**

Council adopted By-law 2015-35, being a By-law to provide for municipal housing, adopted on May 11, 2015, including provisions for financial support to be extended to municipal housing project facilities entering into agreements with the City of Windsor as Service Manager under the IAH Program. The By-law was approved to enable municipal contributions pursuant to Municipal Act 2011 for the Investment in Affordable Housing Program 2015 to 2020.

This By-law to provide for Municipal Housing (affordable) identifies that:

“And Whereas Council is of the opinion that making use of subsection 110(1) of the Municipal Act, 2001 is a desirable **means of increasing the availability of affordable housing by providing financial or other assistance** to private and non-profit housing providers based upon the criteria set out in this by-law;”

The By-law was made in accordance with participation requirements of the IAH Program, and includes provisions for financial assistance for affordable housing under articles 6 and 7, as follows:

6. **THAT** with respect to the provision, lease, operation or maintenance of the municipal housing project facilities that are subject to the agreement, Council will provide financial assistance to the housing provider to wit:

A reduction in property taxes for the rental housing project by the setting the tax rate for the portions of the municipal housing facility which are affordable housing at the Single Family Residential Tax Rate.

7. **THAT** with respect to the provision, lease, operation or maintenance of the municipal housing project facilities that are subject to the agreement, Council may provide financial assistance to the housing provider. Such assistance may include:
  - a. Giving financial assistance to Private Providers in the form of a conditional grant to offset the full cost of Development Charges pursuant to the Development Charges Act and Building Permit Fees pursuant to the Planning Act or both.
  - b. Giving financial assistance to Not-for-Profit Providers In the form of a conditional grant to offset the full cost of Development Charges pursuant to the

Development Charges Act and Building Permit Fees pursuant to the Ontario Building Code Act for both connections charges and landfill tipping fees.

### **182 Pickering – Affordable Housing Development under IAH Program:**

At the February 2017 Council meeting, representatives from 182 Pickering Inc. (the developer) requested that Council consider waiving the development charges for their project.

As the Town's Development Charges (DC) policy does not exempt affordable housing from DCs, Council was unable to waive the DC fees. Council also gave consideration to a request to provide a financial assistance through a grant to offset the DCs as provided for under By-law 2015-35, Article 7, outlined above.

However, as Council wanted to ensure that 182 Pickering would demonstrate the value to residents who would be receiving the benefit of such occupancy, they did not approve the request for a grant at that time and instead approved the request for deferral of DCs for 182 Pickering as an affordable apartment building.

The developer appeared at the March 20, 2017 Council meeting as a delegation and again requested financial assistance through a grant to offset the DCs for the 182 Pickering affordable housing development. Council received the delegation and directed Administration to report back.

### **3. DISCUSSION:**

#### **Continued and Enhanced Support to Address Affordable Housing Demands:**

The Official Plan and By-Law 2015-35 provide for grants to be offered in an effort to support the development of affordable housing opportunities in Amherstburg. As illustrated above, there are up to **864 families** currently in need of affordable housing that meet the income thresholds established to allow individuals to access affordable housing in the Town.

There unarguably is a need to create affordable housing opportunities and stock in Amherstburg. Canada as a nation is facing an affordable housing crisis and, although real estate prices in the local region have been relatively low historically recent trends demonstrate that housing prices are on the rise. The data provided throughout this report demonstrates that affordable housing is an issue that needs to be addressed in Amherstburg.

As outlined above, the Town has established policy through its Official Plan and an affordable housing By-law. To date, the Town of Amherstburg has supported the creation of affordable housing through participation in the Ministry of Housing IAH Program, coordinated through the City of Windsor as regional service provider in Windsor Essex. Under that program, the Town has agreed to provide for multi-residential properties in the program to be taxed at the much lower residential property tax rate.

That said there is more that could be done to encourage development of affordable housing to meet community demands, including provision of financial support to developers of affordable housing under the provisions of the Town’s existing policy for grants to offset DCs, and possibly building and planning fees.

As such, it is recommended that an Affordable Housing Grant (AHG) Agreement be developed and that funds be provided in future budgets to provide for grants to developers of affordable housing under the IAH Program (Federal Ministry of Housing), and successor programs offered through senior levels of government.

**182 Pickering Affordable Housing and Financial Support:**

A recent affordable housing development in Town at 182 Pickering is in the IAH Program. As noted above, Council previously considered requests for a grant to offset DCs for this development and directed Administration to report back. This report is further to that direction.

182 Pickering Inc. is an affordable housing project that was approved by the City of Windsor as the Service Manager for housing and the Ministry of Municipal Affairs and Housing (MMAH) for funding under the Social Housing Infrastructure Fund – Rental Housing Component. The project consists of 32 apartments geared to seniors. The following is a breakdown of the units:

# of Bedrooms	Total Number of Units	# of Handicap Accessible
One Bedroom	27	5
Two Bedroom	5	5

A key requirement of the program is that units must be rented at a value not to exceed 80% of the MMAH approved average market rates. Program compliance requires 182 Pickering to ensure that rents are maintained at this level for a period of 20 years. Annual reviews are undertaken by the City of Windsor, service manager for the region who is the regulatory body to monitor and maintain compliance. The current rates are as follows:

# of Bedrooms	Market Rent per month <sup>(1)</sup>	182 Pickering Rent <sup>(1)</sup>	Reduction per month
One Bedroom	\$888	\$710	\$178
Two Bedroom	\$1,215	\$972	\$243

(1) Rents include Heat ; Water. Hydro, Phone and Cable costs are in addition to rent

In addition to the reduced rent requirement of the program, 182 Pickering installed an upgraded geothermal system in the construction of the building. The intent of this mechanical system was to reduce the overall electrical costs for residents of the building allowing overall reduced housing cost for residents. Administration has compared the monthly costs of Hydro for residents of one and two bedroom apartments in Amherstburg and can report the following:

**Electrical Costs:**

Average Monthly Electrical consumption in Amherstburg for Apartments with Electric Heat <sup>(1)</sup>	Average Monthly Electrical consumption of tenants in 182 Pickering <sup>(2)</sup>	Monthly Savings of consumption	Monthly Savings at an average cost of 15.7 cents per kWh	Estimated Annual Savings
597 kWh	300kWh	297kWh	\$46.63	\$559.55

(1) Estimates provided by Essex Power

(2) Estimates provided by 182 Pickering Inc.

### Current Financial Assistance:

Under the IAH Program, and the Town's commitments under that program, the following financial assistance is currently available to the developer:

### Forgivable Loan (Provincial & Federal)

Funding for approved rental housing projects are provided a forgivable capital loan over a 20-year period. The forgivable capital loan provided to eligible projects is up to 75% of the capital cost per unit or \$150,000 per unit, whichever less is. As was noted in the report above the construction value submitted by 182 Pickering Inc. was \$6,000,000. This value represents hard construction costs of the project and does not include other eligible project expenses such as land. The maximum amount eligible for a forgivable loan was \$4,800,000 based on program eligibility however 182 Pickering Inc. only received \$3,810,673 in forgivable loans. Total capital costs include land, financing, hard (construction) and soft costs, less any HST rebates.

### Property Tax Rate Reduction:

The reduced property tax rate is being applied to the property at 182 Pickering and will continue to be applied, subject to continued compliance with the program agreement between the developer and the City of Windsor (regional service manager) over the 20 year term of the agreement under the program. For illustrative purposes, the 2018 residential and multi residential tax rates and taxes payable impacts were as follows:

Classification	2018 Tax Rate	Taxes based on Assessed Value of \$ 2,109,589
Residential	0.01626515	\$34,313
Multi Residential	0.03018069	\$67,099
Difference	(0.01554175)	(\$32,786)

### **Additional Financial Assistance Requested:**

As was stated above, the developer has requested a grant to offset the cost of DCs for the affordable housing development at 182 Pickering.

Council considered that request and directed Administration to report back, and in discussion sought to ensure that such financial assistance could be provided with appropriate safeguards to satisfactory and continued provision of the affordable housing services at the property.

An option that would afford such safeguards would be to offer the grant to match the term of the IAH Program for which 182 Pickering was approved. On that basis the grant would be disbursed through annual rebate payments over 20 years subject to the developer continuing to comply with the stipulations for provision of affordable housing under the IAH Program agreement.

This option provides a safeguard in that the funds are only disbursed based on provision of the affordable housing. The City of Windsor reviews compliance annually for the preceding service year to determine compliance under that agreement and confirms to the Town that the developer will be continuing in the program. Currently this is done to support continuation of the reduced property tax rate; however, it could also support the release of the grant allocation for the service in the preceding year.

If Council supports provision of a grant to offset the DCs for the 182 Pickering affordable housing development in accordance with the Town's policies, then Administration recommends that a AHG Agreement be executed (in the standard form to be developed for affordable housing grants as discussed above), and that the provisions of that agreement include payment of the grant over twenty (20) years conditional upon the developers continued participation in and compliance under their IAH Program agreement with the City of Windsor.

### **4. RISK ANALYSIS:**

The demands for affordable housing in the Town of Amherstburg are not currently being met. Development of an agreement and provision of funding to support financial assistance that encourages provision of affordable housing in the Town would help to address this gap.

Further, providing a grant for rebate of DCs to the developer of 182 Pickering would demonstrate that the Town is committed furthering its partnership stake in providing affordable housing opportunities in the community and municipal leadership toward solving a growing local problem.

### **5. FINANCIAL MATTERS:**

As is noted above, Council has committed to a reduced property tax rate as a requirement to participate in the IAH Program; whereby the residential property tax rate is applied to multi-residential developments that meet the affordable housing mandate of the program.

In the case of 182 Pickering this represents estimated total tax savings of approximately \$656,000, based on \$32,786 (2018 rates) for a period 20 years at which time the program will expire. This type of reduction is only available to multi-residential units and does not apply to single family, semi-detached or townhome developments, as those properties are already taxed within the residential tax class.

The construction value of the project submitted by 182 Pickering Inc. was \$6,000,000 for 32 units or an estimated cost of \$187,500 per unit for hard construction costs. The fees charged to the developer as a result of the development were:

Applicable Fee Eligible for Grant	Total Charged
Development Charges	\$174,054
Building Permit Fees	\$30,540
Planning Fees	\$720
<b>Total Fees:</b>	<b>\$205,314</b>

Building Permit and Planning Fees have been paid at the time of building permit issuance.

Council approved the deferral of DC fees and under that agreement those fees became due on August 27, 2018. To date, only a portion of the DCs for 182 Pickering have been paid (\$75,000) and the balance has been added to taxes on the property roll for collection along with related interest.

In accordance with the Section 6.6.3 (14) of the Town’s OP, Council may consider providing a grant for 182 Pickering for the above noted fees or any portion thereof.

A grant to offset DCs for this development would total \$174,054 to be disbursed over 20 years, or roughly \$8,700 per year of eligibility.

As noted above, a portion of the \$174,054 in Development Charges (DCs) for this property has been paid to date (\$75,000), with the balance having been added to the taxes for this property role. It is a best practice to require that all amounts/accounts owing to the Town be paid in full prior to executing a funding agreement with the party (in this case the developer); this is also recommended as a standard clause in the AHG Agreement to be developed for Council approval.

As affordable housing developments are not exempt under the DC Act or the Town’s DC By-law, the Town would need to fund the \$174,054 expense for the grant in full. The \$75,000 collected would remain in the DC Reserve Funds. The developer would be required to pay the balance prior to providing for any rebate of the DCs. The DC balance of \$99,054 and related interest owing collected from the developer, will be transferred to the DC Reserve Funds to satisfy the full amount owing under the By-law.

Funding for the AHG (DC rebate) paid to the developer would be an expense of the Town that would come from taxation, water user rates and wastewater user rates proportionate to the applicable DCs by function.

The related expense of has not been provided for in the Town's 2019 Budget; therefore, it is recommended that the rebate be provided in 2020 and provided for in that budget year. Further, under the recommended approach to provide reasonable safeguards, AHG payments starting in 2020 could be supported by the confirmation for the City of Windsor with respect to compliance with the IAH Program for 2019, the first full year of occupancy at the property.

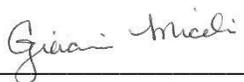
Therefore, it is recommended that an allowance be included in the 2020 Budget to provide for AHG expense, including the first payment under the proposed agreement with the developer for 182 Pickering.

**6. CONSULTATIONS:**

Jelena Payne – Commissioner Development and Health, City of Windsor  
Debbie Cercone – Executive Director, Housing and Children's Services, City of Windsor  
Tina Moore – Coordinator, Housing Administration & Development, City of Windsor

**7. CONCLUSION:**

The social, qualitative and quantitative benefits achieved by increasing the amount of affordable housing in the community must be considered in relation to the cost of providing financial incentives for development of affordable housing in the Town. Promoting such incentives and moving in a direction that would assist in the development of additional affordable housing is supported through the Town's Official Plan, provided that the Town institutes mechanisms to ensure the safeguarding of the Town's investment in affordable housing.

  
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Giovanni (John) Miceli  
**Chief Administrative Officer**

## Report Approval Details

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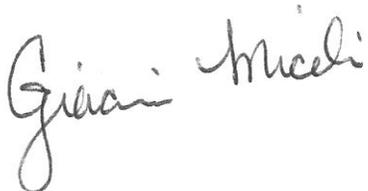
This report and all of its attachments were approved and signed as outlined below:



**Mark Galvin - Apr 11, 2019 - 5:36 PM**



**Cheryl Horrobin - Apr 17, 2019 - 12:39 PM**



**John Miceli - Apr 17, 2019 - 1:20 PM**



**Paula Parker - Apr 17, 2019 - 3:04 PM**