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# HALDIMAND COUNTY

## Report CSS-02-2020 Haldimand Norfolk Housing Corporation (HNHC) – Housing Project Proposal



For Consideration by Council in Committee on December 8, 2020

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### OBJECTIVE:

To consider support, in principle, of a mixed housing project proposal from the Haldimand Norfolk Housing Corporation.

### RECOMMENDATIONS:

1. THAT Report CSS-02-2020 Haldimand Norfolk Housing Corporation (HNHC) – Housing Project Proposal be received;
2. AND THAT the housing project proposal presented to Council in Committee on December 8, 2020 by the Haldimand Norfolk Housing Corporation be approved in principle;
3. AND THAT approximately 1.5 acres of land in the Frank Marshall Business Park area, as outlined in Report CSS-02-2020, be approved in principle to be utilized by the HNHC for the purpose of a mixed housing development, pending further investigation of leasing and ownership options, approval of necessary planning processes and designations and GRCA authorizations;
4. AND THAT Council supports the HNHC applying for a \$350,000 interest-free loan from the Canada Mortgage and Housing Corporation for the purposes of pre-feasibility work;
5. AND THAT Haldimand County submit a written request to Norfolk County, as the Service Manager, to complete a study to establish Alternate Average Market Rents (AAMR) in Haldimand County with a deadline of February 28, 2021, and submit the report to the Ministry of Municipal Affairs and Housing for review and approval;
6. AND THAT HNHC be requested to report back to Council with a complete business plan for the project, after consulting with Haldimand County staff on municipal financing options;
7. AND THAT staff be directed to report back to Council with municipal financing options for the project.

**Respectfully submitted:** Cathy Case, General Manager of Corporate & Social Services

**Approved:** Craig Manley, MCIP, RPP, Chief Administrative Officer

### EXECUTIVE SUMMARY:

The development of an Affordable Housing Strategy has been identified as a 2018-2022 term of Council priority. As part of the overall strategy, first the Haldimand Norfolk Housing Corporation will finalize their Asset Management Strategy and Regeneration Plan involving the complete housing stock in Haldimand County and Norfolk County and will present this to Council in the spring. These key approvals will be done through the Health & Social Services Advisory Board and subsequently, Norfolk County and Haldimand County as shareholders. This report is to outline a proposal ahead of the approvals of the overall long-term housing program plan. While in the absence of this long term plan, vetted financial

models and other key information, staff are not able to recommend approval of the full project; we are however, prepared to recommend support of the project in principle with some specific items addressed to move the project forward to the next stage. Namely, staff are recommending a commitment of land, support for the application of an interest-free loan and the submission of a request to the Service Manager to establish alternative average market rates in Haldimand County. Additionally, staff are recommending that Council request the HNHC to return with a full business plan and municipal financial contribution requirements, and that County staff report back to Council with various funding options that would reasonably support the project.

## **BACKGROUND:**

In Haldimand County, there are 284 units of social housing that were built in the past that are provided at a subsidized rental rate for low income households. The Housing Services Act outlines that the Service Manager is responsible for overseeing social housing within Haldimand and Norfolk Counties. In the case of Haldimand County, Norfolk County has been legislated as the Consolidated Municipal Service Manager for housing.

Additionally, there are a minimal number of local housing corporations that remain in the Province of Ontario. Haldimand Norfolk Housing Corporation (HNHC) exists and manages a portfolio of social housing facilities within Norfolk County and Haldimand County. There are two shareholders of the HNHC, with Norfolk being the majority shareholder and Haldimand being the minority shareholder. There are 154 housing units managed by the HNHC within Haldimand County.

Recently, finalization of a Shareholders Agreement has allowed some clarity of the role of the HNHC and its mandate going forward. With the introduction of Affordable Housing initiatives several years ago, the new Shareholders Agreement allows the HNHC to develop and manage new affordable housing projects on behalf of each municipality. Each municipality has historically operated on the basis that housing assets within the geographic boundary of each respective municipality is an asset of that municipality, even though on title, the majority of assets, if not all, are in the HNHC name.

The difference between Social Housing and Affordable Housing is the degree of reduction in market rent and whether or not there is a rent subsidy provided. Social Housing is typically a rent geared to income approach with the subsidy being provided to cover the cost of rent, based on the applicant's income. Affordable housing is typically either non-profit or private development that uses government subsidies to offset capital construction costs to be able to provide housing that typically sees rent at 80% of the market rate or lower. Most often there are requirements that these rent levels remain below market rent for a defined period of time. The subsidy is provided in different forms, from different levels of government, but primarily via federal and provincial grant programs. These funding sources are sometimes supported by municipal incentives including waiver of fees, provision of land and grants. Management of affordable housing on a day-to-day basis, does not typically fall within the Service Manager role, however, there is a capital funding component that requires its involvement.

The HNHC is in the process of finalizing an Asset Management Strategy and a Regeneration Plan to see aging social housing stock revitalized or redeveloped. These plans will allow the County to understand the state of the existing stock, the long term capital needs, as well as strategies that can be used to address capital improvements. These plans are intended to be presented to the Health and Social Services Advisory Board, and subsequently each Council, for approval. The trend across the province when renewing existing social housing is to move toward providing this as part of mixed housing opportunities. It is anticipated that HNHC's redevelopment of existing housing stock will see higher density proposals that include a mix of rent geared to income, affordable housing and market

rate housing, with the possibility of some commercial space that will target agencies which have a direct correlation to the supports that many tenants require.

The purpose of this report is to augment the presentation at Council in Committee from the HNHC CEO, Matt Bowen, regarding a potential mixed housing project in the Dunnville community, potentially including some rent geared to income units, affordable housing units, market rent apartments and commercial space, that would be targeted for rental to community support groups to provide services to the residential tenants as required. The presentation will identify a proposal for the immediate future. This report addresses the “initial asks” that are being presented, outlining the impact to the municipality, to allow Council to make an informed decision and consider approval of the proposal in principle to allow seed funding to be obtained. At a later date, a complete business plan, including requests for municipal funding contributions, will be brought forward to Council for approval.

## **ANALYSIS:**

The HNHC housing project proposal is being presented as a “pull ahead proposal”. This is in reference to the fact that the overall Regeneration Plan for the existing housing stock has not yet been vetted by the Shareholders, nor has it received approval. The HNHC believes there is merit in proceeding with a project in the Dunnville area in advance of the overall Regeneration Plan approval, to take advantage of some of the senior government funding opportunities currently available.

Staff from Haldimand County have met with the CEO of HNHC and their consultants to discuss the concept plan and options available. Ultimately, the shareholder is required to approve projects of this magnitude. Additionally, the HNHC is looking for various forms of municipal contribution. Some of the possible contributions that may be requested are as follows:

- Land donation
- Waiver of development charges
- Waiver of permitting fees
- Direct funding contribution
- 50-year Property Tax Rebate
- Use of revenue from sale of existing housing stock
- Annual municipal contribution
- Letter of commitment to the project to aid in leveraging grant funds

Staff have considered all of the above at a high level. In the absence of the full regeneration plan approval, Service Manager consent for the realignment of social housing units and the sale of existing stock, and municipal evaluation on a larger scale of this project compared to other competing municipal capital projects and financial pressures facing the County at this time, staff are not prepared to make a recommendation to Council to approve this project proposal overall. Alternatively, staff requested that the HNHC come forward to Council with their proposal to request support in principle. There are some specific action items that Council can consider supporting immediately, which will allow the project to advance to the stage of pre-development work, but does not commit Council to a specific financial contribution to the full project at this time.

The four specific requests to support the project in principle are as follows:

### **1. A commitment to convey suitable municipal lands for the project.**

Staff have conducted a review of available municipal lands throughout Haldimand County that may be suitable for this project. The only feasible property that staff feel can be considered at this time

would be within the Frank Marshall Business Park (FMBP) in Dunnville. Staff are in the complex process of updating the Official Plan (OP) and it is anticipated that these lands, which are currently designated as employment lands, will see a change in designation to allow for residential development. Staff continue to work with the consultants related to the OP review, as well as the GRCA, who will play a critical role in allowing residential development in this area. If the designation of the lands can be adequately addressed to allow for residential development, staff believe that this area would be appropriate for the project being proposed. Approximately 1.5 acres would be required for the development, with an estimated value, based on commercial lands, of \$370,000. It should be noted that any development on these lands will require a significant investment in the storm water retention pond within the FMPB or potentially on-site measures to address storm water. Also, Council should be aware that a significant municipal investment was made with respect to preparing these lands for sale as employment lands, and given the intent to provide the land at no cost, this investment will be foregone by the County if these lands are not sold at fair market value.

Notwithstanding the above, there has clearly not been a strong interest in industrial or business development within this area of the community. Therefore there is merit to converting the lands to residential and allowing a portion of the property to be utilized by the HNHC for a mixed housing project, as clearly, the demand is evident. Further investigation into the logistics of providing the land for this development through purchase or lease will need subsequent investigation. Attachment #1 outlines the general area of the FMPB that property would be available for this project.

Staff recommend that Council approve, in principle, the transfer of a portion of the FMBP lands in Dunnville (approximately 1.5 acres) at no cost, for the HNHC housing project, as proposed at the December 8, 2020 Council in Committee meeting, pending further investigation into the option of selling versus leasing, technical feasibility including the required storm water management measures, and the results of the OP review and GRCA approval process.

## **2. Approval to borrow up to \$350,000 from the CMHC seed funding program.**

The Canada Mortgage and Housing Corporation (CMHC) is offering seed money in the form of a 0% interest loan of \$350,000. Additionally they are offering a grant of \$150,000.

HNHC is in the process of obtaining the grant, and is requesting approval to apply for the interest-free loan. The \$150,000 will be used to cover costs of pre-feasibility work. Any costs that exceed the grant funding would be covered by the interest-free loan if necessary. The interest-free loan payback would be built into the longer term repayment schedule aligned with the overall project, which can be up to a maximum of 50 years.

The pre-feasibility work will consist of preliminary design work, energy modelling, engineering studies, project drawings and specifications, contract documents, survey, etc. This preparation work will take the project to the pre-construction phase, meaning it will be considered “shovel ready”. Shovel ready status is required in order to apply for the next step in the funding process, which is the CMHC Co-Investment Program.

Since this project is considered within the Haldimand Housing Portfolio, under the new HNHC Shareholders Agreement, the HNHC has the ability to apply for these funds without specific Council or Shareholder approval. Staff support the HNHC in obtaining this loan for pre-feasibility work to move the project forward. However, it should be noted that there is a degree of risk to the County in that, should the project not proceed after the use of these funds, and if HNHC cannot fund the repayment of the loan within their regular annual operating budget, the County will be required to repay it in the form of annual budget contributions to the HNHC going forward.

### **3. Approval to secure a development consultant to complete the pre-feasibility and feasibility project stages.**

This request is tied directly to the above request in that, if the interest-free loan is secured, in addition to the grant funding, these funds will be used to fund consulting services to do the necessary work to get the project to the stage where an application for seed funding will be ready for submission. If the interest-free loan is obtained, it is understood that these funds will be sufficient to cover all pre-feasibility costs and repayment is not intended to be a problem.

This request does not require official approval of Haldimand County. As it ties directly to the request to apply for the loan, if Council supports this project in principle, it would be appropriate to also support this step in the process.

### **4. The Service Manager to commission a study to establish Alternate Average Market Rents (AAMR) for the County.**

This request is a requirement related to the desire to establish affordable market rent thresholds higher than the current social housing cut off and as such, will assist in making the project more economically feasible as the overall level of subsidy would be less.

The information resulting from such a study can be used when submitting applications for funding, may facilitate approval of such applications and could increase the funding received. This can result in more funding available to the project, lessening the contributions needed from the municipality.

The Service Manager roles and responsibilities are contained within *The Housing Services Act*. Although this is a request from the HNHC to Haldimand County, it is not possible for Haldimand to approve this request because we simply do not have the authority to do so. Nevertheless, Haldimand staff see the benefit in such a study. Alternatively, staff are recommending that Haldimand County submit a written request to Norfolk County, as the Service Manager, to commission a study to establish Alternative Average Market Rents for Haldimand County with a deadline of February 28, 2021, and submit the results to the Ministry of Municipal Affairs and Housing for review and approval. Staff are confident that the Service Manager will reasonably consider this request but recognizing that this is a very tight turnaround time, there are concerns that the deadline will not be achievable.

## **FINANCIAL/LEGAL IMPLICATIONS:**

This report does not have any direct financial implications, however there are several indirect potential impacts.

First, the commitment to transfer land will be converted to a financial contribution towards the project. The land is valued at approximately \$370,000 for 1.5 acres in this area, however consideration also needs to be given to the former investment made to the business park when designating the property as “employment lands”. In addition, there may be costs associated with the upgrades necessary to the storm water management pond if development proceeds and there are no alternative options for addressing storm water. Further consideration as to how these upgrades will be funded are necessary before final approval to proceed with the project is given.

Risks related to the HNHC obtaining a \$350,000 interest-free loan have been outlined above. Council should note that if the project does not proceed as planned and the HNHC does not have sufficient funds in its normal operating budget to cover the repayment of the loan, Haldimand will be required to provide annual funds to ensure repayment.

Of significant importance is the financing options available for this project. There are several different ways to finance this project. Without the benefit of the complete HNHC Asset Management Strategy and without knowing the immediate and long term needs related to the HNHC Regeneration Plan, it is not possible to determine the optimum financing model. If Council wishes to support this type of housing development with municipal funding, it is recommended that Council direct staff to report back with financing options.

### **STAKEHOLDER IMPACTS:**

Not Applicable.

### **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

### **ATTACHMENTS:**

1. Map of Frank Marshall Business Park Lands