



Report to: General Committee

Meeting Date: March 26, 2018

SUBJECT: Markham Interchurch Committee for Affordable Housing –
Financial Assistance

PREPARED BY: Kevin Ross, Manager, Development Finance
Mark Visser, Senior Manager, Financial Strategy &
Investments

RECOMMENDATION:

- 1) THAT the report entitled “Markham Interchurch Committee for Affordable Housing – Financial Assistance” be received;
- 2) THAT Council authorize a loan to Markham Interchurch Committee for Affordable Housing equal to City of Markham Development Charges estimated to be \$474,656 and the reduced cash-in-lieu of parkland contribution (equivalent to 5% of the land value) payable, estimated at \$48,696, payable in respect of 32 eligible affordable rental units proposed by Markham Interchurch Committee for Affordable Housing at 20 Water Street, for a term of 20 years, forgivable on compliance with the terms set out in this report;
- 3) THAT the funding for the loan be provided from the Corporate Rate Stabilization Reserve;
- 4) THAT the loan be conditional on the execution of a funding/loan agreement between the City of Markham and Markham Interchurch Committee for Affordable Housing respecting the continuity of the affordability of the units, for a term of 20 years to the satisfaction of City Solicitor;
- 5) THAT the loan be secured in a manner satisfactory to the Chief Administrative Officer, in his/her sole and absolute discretion;
- 6) THAT the Mayor and Clerk be authorized to execute the agreement described in clause 4 and any documents or related agreements required to obtain security for the loan as described in clause 5, and any other related agreements or documents required to give effect to this resolution;
- 7) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to seek Council approval to provide a conditional grant in the form of a forgivable loan to the Markham Interchurch Committee for Affordable Housing (“MICAH”) equivalent to Development Charges owed and reduced cash in lieu of parkland owed.

BACKGROUND:

MICAH has a proposal to construct a 4-storey, 32-unit affordable rental building at 20 Water Street, which is the current location of a 6-storey assisted supportive housing building containing 150 rental units. The Markham Seniors Activity Centre is located close-by at 22 Water Street.

Under MICAH's current plan, 30 of the units will be rented to seniors, and 2 units will be rented to youth affiliated with 360⁰ Kids who will become an active part of the building's community. The units are all one bedroom and range in size from 510-565 square feet.

MICAH has already received a commitment from the Region of York for funding for the proposed development as follows:

- 1) A \$4.8M grant – In 2014, York Region received \$45.5M in Federal and Provincial funding through the Investment in Affordable Housing for Ontario (2014 Extension) Program over a six-year period to provide funding for the development of new affordable rental housing and housing allowances for low-income households. Funding has been allocated to the Region over a six-year period on a 'use it or lose it' basis by December 31 of each fiscal year. Uncommitted funds cannot be carried forward to future program years. The Region deemed that the MICAH development met their requirements to be eligible for \$150,000 per unit (32 units X \$150,000 = \$4.8M).
- 2) A grant-in-lieu of \$660,352 for Regional DCs – The Regional DC rate for small apartment units is currently \$20,636/unit. The Region has agreed to provide a grant to MICAH for the full amount of Regional DCs, to be funded from their Social Housing Development Reserve.

Based on Canada Mortgage and Housing Corporation Average Market Rents for York Region, MICAH has planned its budget at 80 per cent of Average Market Rent for all 32 of its proposed units. The total project cost is estimated to be \$8.2 million and will receive approximately \$5.46M in Regional contributions that include Investment in Affordable Housing for Ontario (2014 Extension) funds as well as the development charge grant. The remainder of the project cost will be mortgaged over 40 years.

Under the terms of the Contribution Agreement between the MICAH and Region, MICAH is required to have a building permit issued prior to April 30, 2018 to maintain the project funding.

MICAH'S Request

MICAH has approached the City and is requesting the waiving of, or receiving grants equal to, the fees associated with the proposed development in an estimated amount of \$714,386. The breakdown of the request is as follows:

Development Fees	Amount
Development Charges	\$474,656
Cash-in-lieu of Parkland	\$ 48,696
Site Plan Application Fees	\$112,258
Building Permit Fees	\$ 78,776

PREVIOUS AFFORDABLE DEVELOPMENTS

Over the past 10 years, Markham has provided incentives to two previous affordable housing developments; Old Kennedy Co-operative Development and East Markham Non-Profit Homes (Tony Wong Place).

Old Kennedy Co-operative Development

This is a 135-unit affordable home **ownership** housing development located at 90 and 108 Old Kennedy Road. In March 2005 Council approved the following incentives:

- 1) A deferral of the City's development charges in an amount of \$700,000
- 2) A deferral of reduced cash-in-lieu of parkland contribution in an amount of \$150,000

The deferral was for a period of 20 years on the basis that Markham's contribution be combined with Ontario's Affordable Housing Program Homeownership funding, to provide assistance for 34 affordable dwelling units within the development. The deferral attracted interest and was secured by a letter of credit. The deferred development charges and cash-in-lieu of parkland were repaid in full in September 2015.

East Markham Non-Profit Homes (Tony Wong Place)

This is a 120-unit affordable **rental** housing development located at 25 Deverill Court. In June 2008 Council approved the following incentives:

- 1) A grant (forgivable loan) equal to the City's development charges in an amount of \$664,990
- 2) A grant (forgivable loan) equal to a reduced cash-in-lieu of parkland contribution in an amount of \$90,000

The grants were funded through the Corporate Rate Stabilization Reserve and were conditional on (1) East Markham Non-Profit Homes providing confirmation of funding from Ontario's Affordable Housing Program and, (2) the execution of an agreement with the City respecting affordable rental rates.

The deferral was secured by a mortgage done through the Region of York.

OPTIONS/ DISCUSSION:

The incentives provided to previous affordable developments indicate that for affordable home ownership the charges/fees were deferred, while for affordable rental units the City provided a grant in lieu of the charges/fees.

The collection of fees and charges are governed by the related City by-laws. Below is the listing of how the by-laws provide for the waiving of fees:

Provides for the Waiving of Fees

- Planning Application Fee By-law 211-83, Section 3

Does Not Provide for the Waiving of Fees

- Development Charges By-law
- Cash-in-lieu of Parkland By-law
- Building By-law (as well as Building Code Act)

As such, if the City wanted to provide financial assistance for Development Charges, Cash-in-lieu of Parkland, and/or Building Permit Fees, the City would need to provide a grant equal to those amounts and identify a funding source.

Provincial/Municipal Incentives

The Province is currently accepting applications for a DC Rebate Program aimed at allocating grant money to municipalities to provide DC incentives to developers building purpose-built rental units. The total money available to all municipalities in Ontario is \$125M over a 5 year period. This program is intended to provide incentives for new rental stock, so long as they aren't deemed "luxury" units (which are defined as having rental rates above 175% of market value). Markham submitted a grant application on February 28, 2018, so it is unknown at this time how much, if any, of the grant money the City will receive. However, projects such as this one that receive grants through the Provincial Investment in Affordable Housing Program are not eligible to receive any of the DC Rebate Program grant.

Currently, the only Council approved incentive program that Markham offers for rental units is a 3-year interest-free DC deferral for purpose-built rental buildings that are at least 4 storeys.

As well, Markham offers a 20-year DC deferral for affordable and special needs housing which is geared towards home ownership.

FINANCIAL CONSIDERATIONS

Staff recommend providing incentives similar to what was approved by Council for the Tony Wong Place. As such, it is recommended that a grant in the form of a forgivable loan

estimated at \$474,656 for Development Charges, and \$48,696 for reduced cash-in-lieu of parkland payable at 5% of land value, be provided to MICAH. This amount is to be funded through the City's Corporate Rate Stabilization Reserve.

The loan estimated at \$523,352 is to be conditional upon MICAH executing a funding/loan agreement with the City obligating MICAH to ensure that 32 units remain affordable rental units for a period of not less than 20 years from the date of occupancy. If the units remain affordable for 20 years, the loan will be forgiven and MICAH will not be required to make any payments. If however the units do not remain affordable for 20 years, MICAH will be required to repay the loan to the City under the terms of the funding/loan agreement, which will be similar to the one executed for the Tony Wong Place.

The Region's Housing Services staff will monitor the development to ensure that it adheres to the affordability criteria for the 20-year period. The Region will advise Markham if MICAH breaches the conditions of the agreement.

Staff do not recommend providing grants and/or waiving of fees associated with the Site Plan Application and Building Permit Fees. These Fees are required to fund the operations of the departments within the Development Services Commission. At the end of 2017, the combined balance for Building Reserve and Development Fee Reserve was negative \$1.3M. Staff recommend collecting these fees from MICAH in order to not put the combined balance of these reserves in an even more negative position.

As a part of the 2019 budget process, staff will investigate opportunities for a sustainable funding source to provide financial assistance for future affordable housing initiatives.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES

Supports Markham's 2020 Strategic Directions for our Economy, which has a strategy for improving the range of housing stock to address the needs of a more diverse cross section of population, and to address affordability issues.

BUSINESS UNITS CONSULTED AND AFFECTED

The Planning and Urban Design, Legal and Building Departments were consulted and provided input on this report.

RECOMMENDED BY:

2018-03-21

2018-03-21

X 

X 

Joel Lustig
Treasurer
Signed by: cxa

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

2018-03-21

X 

Biju Karumanchery
Acting Commissioner, Development Services
Signed by: cxa