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**Subject:** Affordable Housing Development

**Report to:** Corporate Services Committee

**Report date:** Wednesday, June 12, 2019

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## **Recommendations**

That staff **BE DIRECTED** to partner with the City of Niagara Falls to develop a public process to solicit competitive bids for a not for profit partner to provide an affordable housing development at 4500 Park Street in the City of Niagara Falls.

## **Key Facts**

- The purpose of this report is to seek Council approval to partner with the City of Niagara Falls in an affordable housing development at 4500 Park Street similar to that underway at 111 Church Street in the St. Catharines.
- In 2017 Council authorized an agreement with Bethlehem Housing Support Services and Penn Terra Group Limited to undertake a 127 rental unit affordable housing development which was in response to an unsolicited proposal from the above partners and a Request for Proposal as required by the Region's Unsolicited Proposal policy.
- The City of Niagara Falls has approached the Region to participate in a similar program in the City of Niagara Falls which staff is supportive of.

## **Financial Considerations**

In general the intent of the development proposal is to offer a number of financial incentives in order to incent the private construction of affordable housing rental units at an overall lower or equal cost to that of construction by the Region. The incentives offered by the Region previously are as follows:

- A municipal capital facility designation in accordance with section 110 of the Municipal Act which allows for the exemption from all or part of the taxes (subsection (6)) or development charges (subsection (7)). The designation is established by by-law.
- The DC By-law permits the exemption of DCs on units the proportion of units that are under agreement with Niagara Regional Housing (NRH) (By-law 2017-98, Section 11(f)). This would relate only to the units that are allocated to and under agreement with NRH for wait list tenants and corresponding rent subsidies.

The value of the financial incentives of the proposal will vary depending on the size and configuration of the development. By way of example the Bethlehem/Penn Terra Group development benefited from \$1 million in DC exemption (a full 100% exemption) and

\$3.4 million in property tax incentive over 20 years (Regional portion estimated at \$0.14 M/yr.) for a 127 unit development with 20 units of supportive affordable units subsidized by NRH and the remaining units at or below CMHC average market rent. The level of incentives provided were specific to a not-for-profit provider that would in itself be tax exempt had it owned and operated the property itself which is the case for Bethlehem Housing and Support Services and not true of all not-for-profits.

NRH also committed to entering into an agreement with Bethlehem Housing and Support Services for the funding of 20 units of the development as part of the new Development Housing Allowance Program at monthly rates of \$250/unit for singles and \$300/unit for families for a period of 20 years.

Going forward the Region could establish a procurement process with the similar incentives i.e. full DC and Tax exemption if the discounted net present value of the incentives is less than the cost of Regional construction. Alternatively the process could establish incentives using the lesser of these incentives or the estimated Regional costs using the estimated average unit of construction excluding land of \$159,000 or \$186,000 including land as per recent cost of development at 527 Carlton Street.

On April 26, 2019 the Niagara Regional Housing Board approved a commitment to fund up to 25% of the proposed units in this development project for a Rent Geared to Income or Housing Allowance for 20 years.

Additionally the City of Niagara Falls has offered financial incentives to this partnership in particular they are offering the donation of land at 4500 Park Street for which the Phase 1 and Phase 2 environmental assessments are complete and the city will proceed to finalize the record of site condition and demolition of current structures. The City is also waiving permit and planning fees.

As well the structure of the proposal may deem it eligible for CMHC incentives, including low interest loans, which are currently available for developments offering affordable housing.

## **Analysis**

In January of 2016 staff issued a Request for Proposal (RFP) to pilot a project for the provision of affordable housing through the provision of a municipal capital facility. The designation permitted in the Municipal Act allows for the exemption of the development from property taxes and development charges. No responses were received for that RFP.

In May of 2017 PennTerra Group Limited (PTGL) submitted an unsolicited proposal which was presented to Corporate Services Committee on May 10, 2017, requesting that the development known as 111 Church Street in St. Catharines be considered by

Regional Council for a designation as a Municipal Capital Facility. The request included the MCF designation as well as subsidy of some units from NRH in order to make the project financially viable.

Staff sought direction from Council in relation to the requirement of the Unsolicited Proposals Corporate Policy. Council direction to staff was to:

- Move forwards with the unsolicited proposal and undertake further due diligence on the submission, as well as undertake a competitive procurement process to solicit competing proposals
- Undertake additional analysis or review and report back.

In July 2017, Staff reported to Council on the 111 Church development in accordance requesting authorization to execute the agreement and to develop a public process to solicit other competitive bids for similar developments and to bring this process to Council for approval in the fall. This process did not proceed as it was determined that in order to undertake an effective procurement process for this type of initiative where submissions could and would likely vary considerably from one to the other, a negotiated RFP should be leveraged. The Region's Procurement Policy did not provide for a negotiated RFP process until it was recently amended in Q1 of 2019.

With the Procurement by-law in place staff is now in a position to proceed with the initiative. Having been a criteria of the original RFP that the development must have the support of the Local Area Municipality that it is located in, and having been approached by the City of Niagara Falls it is an appropriate to commence the process with the City.

There are a number of other related initiatives on-going at the Region at this time. Council may wish to limit the use of this procurement initiative beyond that of the City of Niagara Falls until the outcome of these initiatives so that the Region's limited resources can be appropriately allocated to the strategy(ies) most impactful to or based on the below.

<b>Initiative</b>	<b>Purpose</b>	<b>Timing</b>
Council Strategic Plan	To establish Council priorities and financial resources required for implementation	Q2, 2019
Incentive Review	To establish incentive programs that align with council strategic plan and provide the greatest return.	Q3, 2019
5-Year Review of 10-Year Housing and Homelessness Action Plan	To update the Action Plan to reflect changes in policy and/or shifts in local priorities. Action plans play a critical function in setting out how Service Managers are to address housing and homelessness locally, including: housing affordability, the co-ordination of homelessness and related support services,	Q3, 2019

Initiative	Purpose	Timing
	and the prevention of homelessness and chronic homelessness.	
Comprehensive Review of the Niagara Region Official Plan	To develop a housing strategy in conformity with the Provincial Growth Plan for the Greater Golden Horseshoe. The strategy must align with the Housing and Homelessness Action Plan, as well as identify a diverse range and mix of housing options and densities to meet the needs of current and future residents, establish targets for affordable ownership and rental housing, and identify land use planning and financial planning tools to support these measures. The recommendations of the housing strategy will be implemented through policies in the new Niagara Region Official Plan.	Q3/Q4, 2019
Social Housing Partnership	To pilot a joint partnership with a private developer for purpose built rental. Will establish value and feasibility of using limited Regional capital dollars to increase supply of purpose built market rental units.	Q1, 2020

If Council is supportive of the initiative, staff will work with the City to establish roles and responsibilities, timing, development of the RFP document, evaluation criteria and project team etc.

### Alternatives Reviewed

Council may choose to not partner with the City in this proposal and pursue other opportunities to increase the supply of affordable rental housing inclusive of constructing the units ourselves or partnering with private, for profit developers as proposed is CSD 34-2019. These are recommended as strategies to all work together to solve the problem of affordable housing in the Region.

### Relationship to Council Strategic Priorities

Alternative service delivery in affordable housing was a specific strategic priority of the previous Council.

## **Other Pertinent Reports**

NRH 9-2016	November 18, 2016, New Housing Allowance Program & Funding Request
CSD 37-2017	May 10, 2017, Unsolicited Proposal for Affordable Housing
CSD 51-2017	July 20, 2017, Unsolicited Proposal for Housing from Penn Terra Group Limited.

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## **Appendices**

Appendix 1	City of Niagara Falls Report
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