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**Subject:** Partnership Housing Program

**Report to:** Corporate Services Committee

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

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## Recommendations

1. That financing in the amount of \$1,750,000 gross and net **BE INITIATED** from the approved 2018 capital budget for the Social Housing Alternative Service Delivery Capital Requirements project and that the project **BE FUNDED** as follows:
  - Reserves – Capital Levy - \$175,000
  - Development Charges – Social Housing - \$1,575,000
2. That Council **APPROVE** the general terms and conditions of the Partnership Housing Program as outlined in Appendix 1 as a pilot project to encourage co-investment in the development of new purpose-built rental stock; and
3. That Council **APPROVE** the Negotiated RFP procurement strategy identified herein including Appendix 2 for the Partnership Housing Program in accordance with Section 16 (c) of Procurement By-law No. 02-2016, as amended on February 28, 2019.

## Key Facts

- The purpose of this report is to initiate capital funding for the project and seek council support of the procurement process.
- In March of 2018 Regional Council approved CSD 14-2018 which authorized staff to enter into negotiations with the private sector and community partners for the purpose of developing new affordable housing supply under joint partnership arrangements with final approval of the arrangements subject to Council approval.
- Staff developed the Partnership Housing Program (PHP), to encourage the not-for-profit and private sector to develop new purpose-built rental buildings. This new approach would have no or nominal impact on existing tax levy payers due to the funding approach developed. The funding approach was a layered approach that required two significant previous approvals:
  - Capital Funding - The 2017 Development Charge By-law (2017-98) included social housing as a municipal wide service for which Development Charges would be levied.

- Operating Funding - In March of 2018, Council approved the use of increment tax financing as a tool for new affordable housing subsidy (CSD 14-2018).
- The pilot project would have Niagara Region partner in the development of new purpose-built rental units. Niagara Region would be a minority equity participant in the development, this equity/capital would be substantially funded by utilizing the funds raised from the development charges (\$1.575 million) as well as funding from the capital levy reserve (\$0.175 million). The current amount of development charges raised for Social Housing is approximately \$2.5 million.
- For the units to be utilized by Niagara Region in their Social Housing programs, the cost difference between the rental amount and what the client can afford would be subsidized by the incremental property tax generated by the building.
- The Procurement By-law allows for Council review of a Negotiated Request for Proposal (NRFP) prior to issuance where the Goods and/or Services being acquired meet one or more of the following: (i) there is Significant value, (ii) Significant public importance; and (iii) the project is significant in terms complexity or specialization.

## **Financial Considerations**

The Financial considerations for this program are as follows:

- The initial funds to be made available for the pilot program is \$1.75 million. This was approved in the 2018 capital budget with funding of \$175,000 from reserves and \$1.575 million from DC.
- The exact quantum of the directed tax increment revenue available to fund unit subsidies is not known at this time but would be capped at the Regional Portion of the increased taxes created by the development. The example provided below for a 25% equity share purchased with \$1.75 million investment would result in approximately \$78,000 in available funding through assessment growth. Due to this there would not be an impact to the taxpayer, however Council would effectively be dedicating the tax levy growth from this development to the affordable housing initiative. The total financial commitment for the use of incremental tax financing would be at a minimum 10 years but could be potentially 25 years or longer.
- Development Charges for Social Housing have been collected since September 2017 in accordance with the 2017 Development Charges By-law. To December 31, 2018 \$2.5 million in DCs have been collected for this purpose with the annual amount for 2018 being \$2.2 million and expected to grow annually with indexing in the by-law as well as growth in the Regional permit activity. At this time these funds have been committed to the project described herein and to the Hawkins Street Project (\$675,000 in 2019 capital budget for initial design).
- Though it is not anticipated to be a material amount, there is the potential for Niagara Region to receive income from the developments.

- There are financial risks to the project similar to any other housing project; however as noted in the section below the risk profile of this project would be lower as the risks are shared and diversified.
- Niagara Region could also utilize profit distributions from the joint venture (JV) investments to support rental subsidies, additional Regional capital investment or administrative costs related to managing the investment which will vary depending on the nature of the proposals. This being said the time frame for material profit distributions would not be immediate.

## **Analysis**

### **Background**

#### Description of the Partnership Housing Program

The PHP is proposed to work in the following manner:

- Niagara Region would seek development opportunities and partners via an open procurement process as outlined in this report.
- Niagara Region would look at development opportunities in which it would co-invest with partner and obtain an ownership interest up to 35%. This equity for this Joint Venture (JV) as noted would be funded in part with DC funds. Taking a minority position in the developments helps leverage Niagara Region's limited resources into more projects and reduces investment risk.
- Niagara Region would also enter into a commitment with the JV to secure via a longer-term lease for a number of rental units which would be used by the Region for social housing purposes. By entering into effectively a long-term blanket lease for a number of units, Niagara Region should be able to obtain preferential pricing.
- By Niagara Region investing equity and by guaranteeing a portion of the rental roll of the development creates a lower risk investment for the development partner. It is anticipated that this "de-risking" of the investment will be sufficient to motivate investment in purpose built rental properties.
- The rental rates for the development would be set by the Joint Venture in line with the marketing plan and its planned rate of return for the development. Depending on the type of building the rents could differ significantly for from one project to another. For example, one project could be a Joint Venture with a not-for-profit targeting young families and a second project could be for a higher end development targeting retirees. Due to the difference in the projects the average cost per unit, average rental rates, anticipated rate of return on equity and assessed property taxes would differ significantly between the projects.

- Allowing developments to be more aligned with market forces provides for greater sustainability and by allowing for a diversity of projects allows for greater market diversification.
- Niagara Region's portion of the incremental property taxes generated from the new developments would be used to subsidize the rental amounts in the building for the units under lease by the Niagara Region and would be administered by the regional entity responsible for housing subsidy programs
- Niagara Region could also utilize profit distributions from the JV investments to support rental subsidies and or additional capital investment. This being said the time frame for material profit distributions would not be immediate.

The following is a brief example, the amounts provided are for illustrative purposes only: Niagara Region and a private sector developer enter into a joint venture to develop and operate a 100 unit building in St. Catharines. The total cost of the development is \$17.5 million. The JV would seek bank financing at 60% loan to value and Niagara would contribute \$1.75 million in equity and the development partner would contribute \$5.45 million. The Region would have a 25% equity interest in the JV. The average rent for the units is \$1,400 per month, the total revenue per year would be approximately \$1.7 million and debt servicing obligations would be conservatively estimated at \$840,000, total property taxes would be estimated to be \$197,000 (assumed a tax value at 80% of development costs). The Niagara Region portion of the property taxes for the property would be \$78,000 which would be used to subsidize units in the building.

It is assumed in this example that the Niagara Region would enter into a lease for a block of units at a rental amount of \$1,300 per month on a long-term basis (a small discount to be included in the proposal is provided for the block rental arrangement). If we assume the average subsidy required is \$600 per month, then the property taxes created by the building would be able to subsidize the 11 units.

#### Key Considerations for the PHP

The pilot project was developed after reviewing existing programs, market conditions and consultations with stakeholders. The following is a summary of some the critical considerations that impacted the PHP.

#### Key Financial Factors

1) **Capital Funding** – The cost to construct new units is significant. The latest construction cost for NRH's Carleton Street Project was \$15,770,877 (this is the budgeted amount of the project – to date we have spent \$15,170,434.28 which included the open PO's but the project is not yet done so staff anticipate the full amount will be utilized) for 85 units or \$185,540 per unit (does not include DC's). Based on this in order to add 100 units of supply the Niagara Region would have to commit to a capital contribution of \$18.5 M with no leveraging of private investment.

Depending on the particulars of the joint venture the project may be structured as a Government Business Partnership which would be recorded by the Region on a modified equity basis. This would not require the consolidation or recording of debt of the joint venture therefore not impact the region's debt annual repayment level.

2) **Rental Subsidy** – After the building is constructed there is a requirement to subsidize the rental amount in the building to reduce the gap between the rent amount and the client's ability to fund the rent using a combination of Rent Geared to Income (RGI) and Housing Allowance (H/A). The RGI sets the amount paid for rent to be 30% of the household's gross income. The gap between this amount and the rent level would represent the maximum amount of the level of support required.

3) **"Market Rent" and development economics** – The Canada Mortgage and Housing Corporation (CMHC) publishes average market rates for Niagara (currently \$870 for a 1 bedroom and \$1,035 for a 2 bedroom per month). The challenge with the market rate is it is based on the current inventory in the Region which on average is old stock. As such a new building constructed under new building code requirements would not be able to economically support the average rent. For example, if a new unit cost \$200,000 and the average annual rent was \$12,000 (\$1,000 per month) the simple payback period would be more than 16 years, assuming 100% occupancy and this would not factor in any operating costs or any investment returns or sustainable capital replacement allowances.

The average market rate impacts a number of items, for example an affordable housing unit is defined as being a unit that is charging rent at 80% of the CMHC market rent. This makes it very difficult or not possible for new construction to meet this guideline without additional supports.

#### Current Housing Status

The following are some very brief notes on the supply of rental housing:

- Niagara Region through Niagara Regional Housing (NRH) previously owned 2758 units in 68 buildings. Currently, the Niagara Region owns and manages 2852 units within 64 properties including the newly built, Roach Ave and the recent purchase (January 2019) in Thorold. The current housing portfolio is a mix of building types and was substantially acquired via a download in 2001 and 2002. During this time Niagara Region obtained 2,600 units in 66 properties. The average age of NRH's portfolio is 45 years. In 2017 NRH undertook a third-party building condition assessment study and the results indicated that the portfolio was in fair to good condition. Though there are no pressing issues in the portfolio, the mix of properties and the design of the properties are not optimal and the overall age of the portfolio will create challenges in the longer term, which the Region needs to pro-actively plan for. The long term maintenance and optimization of the portfolio will require also require additional capital funding.

- According to October 2018 CMHC data for the St. Catharines-Niagara CMA there were a total of 16,138 apartment units in the Region and the regional vacancy rate was 2.5%.

#### The Rationale for the PHP program

The program was designed based on the following observations:

- Overall there has not been significant development in purpose-built rental stock in the Region over the last number of decades. There are a number of reasons for this lack of development, however it is clear that the market conditions and incentives have not been sufficient to induce investment. The impact of the lack of supply means that rental rates increase and the demand and cost for affordable housing increases. Increasing the supply of rental properties has a significant impact on the overall market.
- Niagara Region cannot afford to solve this problem alone, the cost to increase the affordable housing portfolio in a material manner is very significant. Additionally, there will be a cost to Niagara Region just to maintain and modernize its existing portfolio of units or in other words maintain our existing stock.
- NRH has added some new units to its portfolio, however this has only occurred when there was funding available from upper level governments. The Provincial and Federal governments both are currently experiencing annual deficits as such basing a strategy solely on receiving upper level support would carry significant risk. The fact that NRH generally only adds to its portfolio when there is upper level funding also underscores the economic reality of developing affordable housing.

#### Program Details

It is anticipated that the PHP will be able to induce the development of more rental stock in the market by providing at risk equity and income certainty around a portion of the rental income. The goals of the program would be to:

- Increase supply of purpose-built rental units in the market. To be clear this does not mean that the units deployed would be affordable or even at CMHC market level rates. The intent is to increase overall supply of rental units, as more rental options become available the acute supply and demand pressures are reduced.
- Leverage Niagara Region's limited funds in a manner that puts more units into the market place.
- Have minimal tax levy impact.
- Reduce the overall risk profile to Niagara Region with its housing portfolio on a number of levels:

- By participating as a minority partner, the Niagara Region would reduce its exposure to (i) Construction Risk and (ii) Operational Risk.
- By participating with a variety of developers in a mix of different types of buildings (buildings that Niagara Region would traditionally not build), Niagara Region will increase the diversification of its portfolio which will decrease market risks related to the changes in property valuations in the long term.
- Niagara Region will also diversify its counter-party risk. Currently all of Niagara Region's housing stock is managed by NRH. By engaging with additional managers, the Region will diversify its management risk and potentially be able to gain additional insights into different construction or management strategies.

#### Other Potential Enhancements to the Program

- **Local Municipality Participation**  
The PHP could be enhanced in a few areas. The biggest enhancement would be to allow local municipalities to also participate in the program. To avoid complexity in the transaction the most efficient way would be to allow the Local Municipalities to only participate in the incremental property tax financing component of the transaction. A local municipality could contribute all or a portion of the incremental tax revenue and provide for more units in the development to be utilized for affordable housing use. The municipality would be a party to the lease agreement with the Joint Venture, but in this case not be a part of the Joint Venture.

If there was a project of significance and the local municipality wanted to participate in the equity portion of the transaction, this could be considered by Niagara Region, additional focus on the Governance structure of the transaction would be required.

- **Other Enhancements**  
There are other potential enhancements to the program that could be used as part of the negotiation process with a development party. The potential enhancements would not have a material impact to the budget or to the current levy payers. Due to the nature of these items and the impact it might have on Niagara Region's negotiation position, these items should be disclosed as part of an in-camera session.

#### **The Procurement Approach**

Staff are proposing the Negotiated Request for Proposal strategy inclusive of proposed evaluation criteria for each of the two phases identified herein (Appendix 2) be presented to Council for their approval in accordance with Section 16 (c) of Procurement By-law No. 02-2016, as amended on February 28, 2019.

Section 16 (c) allows for Council review of the process prior to issuance where at the discretion of the CAO and/or the Department Commissioner, the Goods and/or Services being acquired meet one or more of the following: (i) there is Significant value, (ii) Significant public importance; and (iii) the project is significant in terms complexity or specialization.

Generally, a Negotiated Request for Proposal (NRFP) non-binding procurement process is employed in instances where a more flexible strategy is needed to offset a higher level of complexity and risk associated with a procurement project. Staff are recommending employing the NRFP process for the PHP program as it provides a non-binding process with lower risk legal framework and that coupled with increased flexibility in the process presents a greater opportunity for market engagement with Proponents / Developers and is expected to yield improved bid response culminating in maximizing outcomes.

The NRFP process employs multiple stages whereby Niagara Region will conduct the evaluation of all proposals deemed to have met the mandatory submission requirements in two sub-stages. The bidders will be generally required to provide two proposals for the Region.

The first proposal is designed to solicit responses from potential development partners without placing undo burden on the proponents. While the Proposal at this stage will be at a higher level, they need to provide sufficient detail to enable the Niagara Region to assess whether the proposal has met the requirements as outlined in the Bid document. Within this stage there are two evaluation components. The first being adherence to mandatory requirements (for example the development must create new units, be of a certain size and have requirements that fit into the guidelines of the program). Proposal deemed to have met these mandatory requirements would be evaluated in accordance with the Step II Evaluation Criteria (Appendix 2) including their partner experience, financial plan, governance plan and the development opportunity.

Bidders achieving the requisite benchmark score will advance to Stage III where they will be provided with the same deadline to put more investment into their proposal and create a new or more detailed business plan which would then be evaluated by the staff at the Niagara Region in accordance with the Step III evaluation criteria outlined in Step III within Appendix 2. After completion of Stage III where Niagara Region would invite the top “x” Proponents to enter into concurrent negotiations at which time each would be provided any additional information and Niagara Region would seek clarification and discussion concerning alternatives to methods for providing the deliverables identified in each proponents bid.

After the expiration of the concurrent negotiation period, Niagara Region would issue a further request for a best and final offer (BAFO) to each proponent which would include

such options and alternatives which Niagara Region has identified through concurrent negotiations as of value. Each Proponent would be invited to revise its initial proposal (or specific parts thereof) as identified in the BAFO request issued by Niagara Region, including but not restricted to price and specific features of the Deliverables and submit its BAFO to Niagara Region.

Niagara Region staff would then evaluate and rank these submissions and put forth a recommendation which would be presented to Council which would make the final and binding decision to enter into a contract with the name Proponent / Developer.

### **Alternatives Reviewed**

Other alternatives to support investment in housing were reviewed and were outlined in report CSD 14-2018. It should be noted that the PHP is not mutually exclusive and should not be considered as the only method for increasing affordable housing developments. Niagara Region can include additional approaches in addition to the PHP.

### **Relationship to Council Strategic Priorities**

Alternative Service Delivery in affordable housing was a specific Council priority in its previous strategic plan.

### **Other Pertinent Reports**

- CAO 5-2015 - Update on Alternative Service Delivery Review March 26, 2015
- CAO 1-2016 - Update on Social Housing ASD Review February 4, 2016
- CAO 18–2016 - Update on Social Housing Alternative Service Delivery Review November 17, 2016
- CSD 14-2018 - Alternative Service Delivery Social Housing March 7, 2018

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**Appendices**

Appendix 1	Partnership Housing Program – General Guidelines
Appendix 2	Negotiated Request for Proposal: Evaluation Criteria

## **Appendix A**

### **Partnership Housing Program – Pilot Guidelines**

The following are the general program guidelines.

**Goal:** The goal of the Partnership Housing Program (PHP) is to provide targeted supports to the for profit and not-for-profit sector to develop more rental opportunities in Niagara.

**Support Provided:** The PHP will provide the following supports to potential developers:

- (i) The provision of equity – Niagara Region will co-invest up to a maximum of 35% of the required equity for the development Project. The maximum amount of equity funding available is \$1.75 million.
- (ii) A lease guarantee for a portion of the rental units – Niagara Region will provide a guarantee to rent or to guarantee the rental of a fixed number of units within the development. The length of the guarantee will be 10 years with three 5-year options to extend the arrangement in the favour of Niagara Region.

No other Regional supports would be provided under the PHP, however the development may be eligible for incentives in the Development Charge By-law and may apply for other programs that are generally available for developments similar to the proposed development.

**Minimum Size of Development:** The minimum size of the development for the PHP program is twenty (20) rental units.

**Governance and Deal Structure:** Niagara Region understands that each development under the PHP may have a unique deal structure which would be dependent upon the development partner and the opportunity. The following are key principles for Niagara Region

**Respect of Taxpayer Funds:** The proposed investment structure should ensure that the public funds are treated with the same regard or higher than the development partner's funds are. This principle should be applied to the anticipated rates of return, the timing of the cash flows, the requirement to fund cash flow shortages as well as other funding requirements.

**Assumption of Risk:** The proposed investment structure should be developed in a manner to not place Niagara Region into a situation in which the assumed financial and operational risks are higher than the risks that would have been assumed by Niagara Region if they developed the project on its own.

**Partnership Concept:** This principle relates to how the Niagara Region participates with the development partner in the strategic decision making processes for the development. This principle would be tied directly to the previous Respect of Taxpayer Funds principle.

**Pilot Project in Nature:** The PHP is a pilot project and as such the project maybe stopped or altered based upon a number of factors including Council's discretion, market changes, learnings from the previous investments, changes in government policy or any other factor.

STEP II- EVALUATION CRITERIA	
<p><b><u>Mandatory Requirements</u></b></p> <p><b>1) Does the Project develop new incremental housing in Niagara?</b> The purpose of this project is to create new incremental housing development in the Niagara Region. Additionally, the program's funding tools require the proposed projects to generate incremental property taxes. If a project does not establish new incremental housing units then project cannot be considered. Projects such as renovations or conversions that do not incrementally add new units to the market will not be considered.</p> <p><b>2) Meets the Partnership Housing Program Guidelines?</b> Is the ask of the Region's participation within the Guidelines of the Pilot Project as outlined. Key Criteria include (i) the co-investment of equity cannot exceed 35%, (ii) maximum amount of equity for the Pilot project is \$1.75M, (iii) minimum rental unit development size is 20 units.</p>	
<p><b><u>PART A: LOCATION AND ALIGNMENT</u></b></p> <p><b><u>1. Project Location (10 Marks)</u></b> Is the location consistent with Niagara Region's requirements? These projects should be located in areas in which tenants will be able to easily access key services such as shopping, medical and transportation. Factors that will be evaluated:</p> <p><b>1) Walk Score</b> – The walk score of the address of the proposed project will be evaluated. Niagara Region would prefer a walk score above 50. The Region will take into consideration unique Community factors with the walk score.</p> <p><b>2) Distance to existing transit</b> – The Niagara Region would have a preference for the project to be located within 500 meters of existing transit services (if this is applicable in the Community in which the project is targeted).</p> <p><b><u>2. Project Development Alignment (10 Marks)</u></b> Is the proposed project aligned with the existing or planned neighbourhood as well as existing zoning. The Niagara Region prefers projects that are aligned with good development planning methodology and will not face significant hurdles to development. Factors to be evaluated:</p> <p><b>1) Zoning and Official Plan Alignment</b> – Is the proposed project aligned with the existing zoning for the property.</p> <p><b>2) Alignment with the Neighbourhood</b> – Is the project a fit to the property's surrounding uses.</p> <p><b><u>3. Proposed Building Product Alignment (10 Marks)</u></b> Is the type and preliminary design of the building aligned with the needs of the Niagara Region. Factors to consider are:</p> <p><b>1) Type of Unit</b> – Are the units bachelor, 1 bedroom, 2 bedroom, 3 bedroom or more, or accessible units.</p> <p><b>2) Size of Unit</b> – The total size of the units</p>	30

<p><b>3) Other Design Elements</b> – Are there integrated commercial components to the building, are Universal Design elements being utilized, the type of common area elements being proposed.</p>	
<p><b><u>PART B: BUSINESS PLAN REVIEW</u></b></p> <p><b><u>1. Governance plan (30 Marks)</u></b></p> <p>The proponent is required to outline how it and the Region will govern the project. The governance plan should cover a number of factors including:</p> <p><b>1) Design and Construction</b> – How will the Region participate in this phase of the Project.</p> <p><b>2) Operations</b> – How will the Region be involved in annual operations of the project? Reporting framework (type and frequency), budgeting process etc.</p> <p><b>3) Strategic Decisions</b> – How will the Region be involved in major decisions such as major capital investments, the sale of the building etc.</p> <p><b>4) Distribution of Profits</b> – How will the profits be distributed?</p> <p><b>5) Investment Structure</b> – Does the proposed governance and or investment structure provide the Region with any of the following:</p> <p>(i) <b>Decreased Capital Risk</b> – Are there any features (such as fixed cost construction pricing) that limits Niagara Region's Capital Risk?</p> <p>(ii) <b>Decreased Operational Risk</b> – Are there any features that provide the Region with decreased risk associated with the operations (such as a preferred rate of return)?</p> <p><b><u>2. Financial Model (20 Marks)</u></b></p> <p><b>1) Construction Cost Forecast (10 marks)</b> – The Region will review the Construction Cost forecast for the following: The Region will review such KPI's as the cost per unit, cost per square foot as well as the construction schedule.</p> <p><b>2) Operational Forecast (10 marks)</b> – The Region will review the operational forecast for the following:</p> <p>(i) <b>Project Based Criteria</b> - The Region will review the (i) utility cost per unit, (ii) total cost per unit, (iii) Net Income or EBITDA per unit, (iv) Niagara Region's Return on Investment.</p> <p>(ii) <b>Niagara Region Controlled Unit Criteria</b> – The Region will evaluate its (i) Cost per unit (Equity per unit, average rent in comparison to market), (ii) The number of units that the project's property taxes will fund (this will be calculated assuming the Region's tenants will on average fund \$600 per month of the rental amount).</p>	<p><b>50</b></p>
<p><b><u>PART C: EXPERIENCE</u></b></p> <p><b>1) Development Experience (10 marks)</b> – The Region will review the proponents experience in developing similar projects (building type, complexity of construction, budget size, building size).</p> <p><b>2) Operational Experience (10 marks)</b> – The Region will review the proponents experience in managing rental properties and in undertaking partnerships.</p>	<p><b>20</b></p>

<b>Stage II - Total</b>	<b>100</b>
<b>Benchmark to Proceed to Stage III</b>	<b>70 out of 100</b>

### Stage III - Evaluation Criteria

The following categories, weightings and descriptions will be used in the initial evaluation of rated criteria during Stage III of the evaluation process (Evaluations). These criteria apply to additional information proposals received by proponents who passed the benchmark in Stage II. A more detailed Scoring matrix may be provided to proponents during stage III.

<b>STEP III- EVALUATION CRITERIA</b>	
<p><b><u>PART A: DETAILED BUSINESS CASE ANALYSIS</u></b></p> <p>It is anticipated that the submissions may change between Stage II and Stage III as such the Region will undertake more detailed analysis on the submission to re-confirm the evaluation of Stage II as well as to undertake additional analysis:</p> <p><b>1) Development and Product Unit Analysis (20 marks)</b> This will include a review of the factors assessed in Phase II as well as looking at the level of need in the Community for those units.</p> <p><b>2) Financial Model Analysis (25 marks)</b> This will include a review of the revised financial forecasts. The Proponents for this stage will submit their financial models in their prescribed formats. The Region will review the submissions and will undertake a review on the revised forecast and critical financial indicators</p>	<b>45</b>
<p><b><u>PART B: RISK ANALYSIS</u></b></p> <p>The Region will undertake a risk analysis of the proposal based on the following items:</p> <p><b>1) Construction Risk</b> – The risks associated with the on time and on budget construction.</p> <p><b>2) Financial Risk</b> – The risks associated with the Region being exposed to equity losses or annual losses.</p> <p><b>3) Operational Risk</b> – The risks that the property will not operate successfully this includes maintenance risk, management and business risk.</p> <p><b>4) Market Risk</b> – The risk that the market will not support the rental rates or that the long term anticipated capital appreciation of the property might be at risk.</p> <p><b>5) Counter Party or Partner Risk</b> – This relates to the Partner's ability to meet its operational and financial requirements. The Niagara Region will review the proponent's financial capacity as well as its operational capacity.</p>	<b>25</b>
<p><b><u>PART C: GOVERNANCE AND INVESTMENT STRUCTURE</u></b></p> <p><b>1) Investment Structure, Governance Structure and Agreements</b> The proponent will submit draft share subscription, shareholder agreements, joint venture agreements and or other such agreements that will govern the project for the Region's review. The rights and obligations of the Region will be evaluated in</p>	<b>30</b>

comparison to the Partnership Housing Program Guidelines and as well as the rights, obligations and rewards of the Proponent.	
<b>Stage III - Total</b>	<b>100</b>

<b>Scoring Category</b>	<b>Description</b>	<b>Numeric Score</b>
Fail	Requirement is not met or is not acceptable.	0
Poor	Minimally addresses the component, but one or more major considerations of the component are not addressed.	1 - 3
Fair	The response addresses some aspects of the component, but minor considerations may not be addressed.	4 - 6
Good	The response addresses the component and provides a reasonably good quality solution.	7
Very Good	There is a high degree of confidence in the proponent's response as a proposed solution to address the component.	8 - 9
Exceptional	The proposed solution goes above and beyond the requirements as well as provides a high degree of confidence in its effectiveness.	10