
DATE: May 12, 2010

REPORT TITLE: **AFFORDABLE HOUSING PROGRAM EXTENSION (2009): VILLA
POLONIA AND CHANGES TO ROYAL CANADIAN LEGION PROJECT**

FROM: Janet Menard, Commissioner of Human Services

RECOMMENDATION

That the Commissioner of Human Services, in consultation with the CAO, and subject to mutual agreement between those Regional authorities and the proponent, supported by independent third party analysis and advice, including qualified appraisals and quantity surveyor, be authorized to directly negotiate an agreement with an upset limit to \$50 million with 1390627 Ontario Ltd. and/or it's successor, to contract and develop a minimum of 200 housing units at 1252 Steeles Avenue West, Brampton, to be known as the Villa Polonia project (Appendix I);

And further, that staff be authorized to negotiate and execute a Memorandum of Understanding/Letter of Intent, and an Agreement of Purchase and Sale with 1390627 Ontario Ltd. and/or it's successor, and such further and other documents as deemed necessary on terms and conditions satisfactory to the Commissioner of Human Services and the Regional Solicitor for the purchase of land and the development of affordable housing units for seniors and families at 1252 Steeles Avenue West, Brampton;

And further, that the Region's duly authorized signing officers be authorized to execute the Service Manager Contribution Agreement for the Villa Polonia project, together with such further agreements and documents that may be required for participation in and compliance with the Affordable Housing Program (AHP);

And further, that the Region's duly authorized signing officers be authorized to enter into a long term land lease at \$1.00 per annum with 1390627 Ontario Ltd. and/or it's successor on terms and conditions satisfactory to the Commissioner of Human Services and the Regional Solicitor;

And further, that Capital Project 10-5035 Villa Polonia, be established with an upper limit of \$53.3 million;

And further, that the proposed financing plans for Capital Project 10-5035 be approved as detailed in the report from the Commissioner of Human Services, dated May 12, 2010 titled "Affordable Housing Program Extension (2009): Villa Polonia and Changes to Royal Canadian Legion Project";

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And further, that the foregoing recommendations be conditional upon receipt of all legal agreements from the Province of Ontario and 1390627 Ontario Ltd. and/or it's successor required under the Affordable Housing Program Extension being in a form satisfactory to the Commissioner of Human Services and the Regional Solicitor;

And further, that the Region's duly authorized signing officers be authorized to execute an amendment to the existing Service Manager Contribution Agreement for the Royal Canadian Legion Housing Project, together with such further agreements and documents as required for the participation in and compliance with the Canada-Ontario Affordable Housing Program Rental and Supportive component;

And further, that Provincial Infrastructure Funding allocated to Phase II of the Extended Royal Canadian Legion Housing Project, in the amount of \$29.3 million, be reallocated to Villa Polonia;

And further, that any unspent Provincial Infrastructure funding allocated to Villa Polonia be used to fund Phase I of the extended Royal Canadian Legion Housing Project.

REPORT HIGHLIGHTS

- The Ministry of Municipal Affairs and Housing (MMAH) announced a final call for "quick start" submissions to secure Affordable Housing Program funding
- The Region submitted a project to create a minimum of 200 units for seniors and families in West Brampton, based on a "shovel ready" community partnership opportunity known as Villa Polonia
- Due to several factors, the delay of Phase II of the Extended Royal Canadian Legion Project, is compromising funding through the Affordable Housing Program and Provincial Infrastructure funding
- An alternative plan is required to preserve units and funding
- Reallocation of funding will help to offset any Regional funding required to build and create RGI units at the proposed Villa Polonia project

DISCUSSION

1. Background

The Region of Peel has a long standing and reputable history in social housing. The Region was adding new market and RGI units to the social housing portfolio at a steady pace until 1995. During the 1990's, senior levels of government withdrew from funding social housing and devolved this responsibility to the local municipalities. Since that time the Region has reached out to many community partners to provide housing solutions and opportunities for community engagement.

Although staff continually meet with a variety of interested community groups to discuss the potential for new affordable housing developments, the majority of groups are challenged with issues of zoning, lack of construction knowledge, internal politics and sufficient funding. These challenges make it difficult for projects to meet the extensive requirements and often tight timelines required to participate in the development of social housing.

Nevertheless, the Region of Peel also has a successful history of participating in Federal and Provincial capital construction programs for new affordable housing.

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In June 2009, Council approved, in principle, the Region of Peel's participation in the extension of the Federal/Provincial Affordable Housing Program. Council will recall that the current wave of the Affordable Housing Program focuses on shovel ready projects based on submissions from Service Managers. The timelines for funding submissions were scheduled to be approved in "waves" over a two year period on a first-come first-serve basis.

The response from Service Managers for the "quick start" and "year one" funding was very successful. The Ministry of Municipal Affairs and Housing (MMAH) announced that based on the successful take up, only one final opportunity would be available to secure "year two" funding instead of two. The Region needed to act quickly and responded by submitting a project, to create a minimum of 200 units of affordable housing for seniors and families, known as Villa Polonia.

a) Villa Polonia Project

Villa Polonia is the residential component of a larger community development identified as the Polonia Millennium 2000 Project. The Villa Polonia site, located in West Brampton, represents an unprecedented opportunity to create a shared initiative with the Region to develop a unique community based housing program. It is rare to have a community based development opportunity present itself with a strong community vision and focus on affordable housing for members of their own community, as well as the broader community. The site is zoned and serviced in an active and progressive neighborhood development that meets the shovel ready criteria and tight timelines of the AHP program.

The Polonia Millennium 2000 project became a "development" in the summer of 2000 with the purchase of a 25 acre parcel located at 1252 Steeles Avenue West, Brampton. The land known as the Villa Polonia site is committed to residential use and is adjacent to both the St. Eugene de Mazonod Parish and the Polish Community Centre properties.

In 2009, staff began exploratory discussions with representatives from 1390627 Ontario Ltd. who presented a potential partnership with the Region to develop 200 to 225 units of affordable housing on a three acre site located at 1252 Steeles Avenue West Brampton. Over the past several years, 1390627 Ontario Ltd. has undertaken extensive research in order to determine the best use of the land for the community. This three acre parcel of land is poised for development after many years of design, planning and preparation with Parish and community members.

The community vision for Villa Polonia has continued to evolve and 1390627 Ontario Ltd. has expressed the desire to build a minimum of 200 units of affordable housing for families, as well as seniors under the AHP program. 1390627 Ontario Ltd. has also indicated they would like the opportunity to retain control of 100 units to be provided to members of the Canadian-Polish community. This would satisfy the "affordable housing" criteria and is consistent with arrangements with other social housing providers.

The land is currently zoned for residential development use. However, the project requires Brampton committee of adjustment approval for additional units and floor space but continues to meet the shovel ready criteria as described by MMAH. Based on positive discussions and the progress made since 2009, staff submitted the project to meet the final AHP submission deadline on February 1st, 2010. Once approved, the submission for the project will receive \$24 million in the form of a forgivable capital loan

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from the Canada-Ontario program throughout the construction phase of the project. The formal approval for the project will be in the form of a Conditional Letter of Commitment (CLC) that will be released based on Council approval.

This shared initiative is an opportunity for the Polish-Canadian community and members of the St. Eugene de Mazonod Parish, to provide leadership and vision into many aspects of the development. The end result will be a testament of the Region's commitment to meet the needs of our municipality and to foster strong relationships within our diverse community.

b) Royal Canadian Legion Housing Projects: Phase I and Phase II

Council recently approved, in principle, the reallocation of units and funding from 21 Division into Phase II of the extended Royal Canadian Legion Branch #608 Housing Project, (resolution # 2010-213). Staff was to return to Council with a detailed budget and overall Project plan in the Spring 2010.

Discussions with both the Legion executive and Regional staff continue to be promising; however, there has not been a firm commitment to begin construction of the second phase within the required MMAH deadlines. In order to preserve the 26 AHP units and funding, staff is recommending that the AHP units and funding be reallocated from Phase II of the extended Royal Canadian Legion Branch #608 Housing Project into Phase I of the Royal Canadian Housing Project.

Based on recent developments, MMAH staff has indicated that they are receptive to shifting the AHP funding and unit allocation to create a total of 201 units for Phase I of the Royal Canadian Legion Housing Project. The reallocation of AHP units will provide a total funding allocation of \$15,289,200 for Phase I.

Legion executive and Regional Staff are committed to working closely together to ensure success of Phase II moving forward as part of the extended Royal Canadian Legion Branch #608 Housing Project. The Region will resubmit Phase II of the project under the next announcement of AHP funds. Although details of the next announcement are not known, the program is expected to be rolled out over three years and, when appropriate, the Region of Peel will maximize the funding opportunity and put forward a request for a larger number of AHP units and funding for Phase II.

2. Proposed Direction

a) Villa Polonia

The Region will be required to negotiate and enter into a Memorandum of Understanding/Letter of Intent, and Purchase and Sale agreement with 1390627 Ontario Ltd. and/or its successor to develop a minimum of 200 units of affordable housing units for seniors and families, subject to all required municipal approvals, to be located at 1252 Steeles Avenue West, Brampton.

Feasibility is currently underway to finalize related project costs. An independent third party will be retained to provide analysis and advice around appropriate costs for the land and proposed structure. Staff is recommending that the Region of Peel continue to negotiate with an upset limit of \$53.3 million subject to mutual agreement between the

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Commissioner of Human Services, in consultation with the CAO, Regional solicitor, and the proponent as supported by independent advice.

Discussions to date indicate that 1390627 Ontario Ltd. will create a non-profit entity that will become the proponent for the housing development and will ultimately become one of the Region's social housing providers. The nature and scope of the non-profit as the proponent will ensure that key criteria and deliverables required by the Region and the Affordable Housing Program are adhered to.

Once established the non-profit will enter into a long term land lease with the Region of Peel for \$1.00 per annum. As part of the lease agreement, the Region will retain service manager control of a minimum 100 units and the non-profit entity will retain control of 100 units on a right of first refusal basis for specified market members. Staff is recommending that the organizational structure of this project be designed in such a way as to permit the community to continue to have as much influence and long term involvement in the project as possible. This arrangement is consistent with those with other social housing providers.

The recommended governance structure would require 1390627 Ontario Ltd. and/or its successor to be responsible for all aspects of the construction and project management of the building. 1390627 Ontario Ltd. has expressed an interest in having Peel Housing Corporation (PHC) enter into a memorandum of understanding and property management agreement for the proposed project for a minimum of five years. This option will continue to be explored and results will be identified in a later report to PHC for the appropriate authorities.

As required by the Affordable Housing Program (AHP), 1390627 Ontario Ltd. will sign a Contribution Agreement (CA) with the Region. The CA outlines all legal and reporting requirements and will be registered on title. Similar to the previous guidelines, the federal portion of the funding will be secured by a general security agreement and promissory note. Given these security provisions, the Region's financial risk associated with entering into a partnership with the above mentioned community groups is minimal.

In order to sustain momentum and secure AHP funding, staff recommends that Council approve the "year two" AHP submission, staff authority to finalize negotiations regarding governance, purchase and sale of land and enter into applicable agreements deemed satisfactory to the Commissioner of Human Services and the Regional Solicitor.

b) Reallocation of Units and Funding - AHP Wave One and Provincial Infrastructure

Complex and lengthy negotiations combined with tight funding timelines associated with the development of Phase II of the extended Royal Canadian Legion Branch #608 Housing Project site has compromised the timely take-up of funding under the Affordable Housing Program and the provincial Infrastructure funding. Therefore, staff is recommending that the previously approved Phase II AHP units and funding be reallocated to Phase I of the extended Royal Canadian Legion.

In order to ensure the timely use of the Provincial Infrastructure Funding dollars, staff are also recommending that the \$29.3 million previously approved for Phase II of the extended Royal Canadian Legion Branch #608 Housing Project (resolution # 2010-213) be reallocated to the proposed Villa Polonia Housing Project.

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Once a final cost has been determined for the Villa Polonia project, staff recommends that any remaining Provincial Infrastructure Funds be allocated to Phase I of the Royal Canadian Legion Housing Project to offset any increase in costs that may be associated with the additional 26 units. This plan will result in the Region not requiring any external borrowing for the Villa Polonia project, the creation of RGI units and minimizing the need for Regional funds to move forward with both affordable housing projects.

The Councillors from the respective Wards for these two projects have been consulted and are in agreement, in principle, of reallocating the units and funds as recommended.

Once approved, staff will amend existing Service Manager Contribution Agreement for the Royal Canadian Legion Housing Project to preserve the units and funding as previously approved under AHP Wave One.

Once all financial and governance issues are finalized, staff will return to Council.

FINANCIAL IMPLICATIONS

The capital cost for project 10-5035 Villa Polonia is estimated with an upset limit of \$53.3 million. The funding of the project will be provided entirely through external sources: \$24 million AHP Extension 2009 and \$29.3 million provincial infrastructure grant outlined under the *Investing in Ontario Act, 2008*.

The AHP extension program eliminates the 20-year Affordability Payment. The forgivable loan will be released during the development and construction phase of the project which will reduce the need for interim financing. Upon the completion of the Service Manager Contribution Agreement for the Villa Polonia project, 1390627 Ontario Ltd will assume full liability for the repayment of the full amount of AHP funding if at any time over the next 20 years the buildings do not meet the terms and conditions of the agreement under the AHP.

As a condition of the AHP funding, the Region will be required to provide a subsidy to reduce the property tax from the multi residential rate to the single residential rate. Future Regional operating budget impact will be brought forward as part of annual budget process. Another program requirement is the rent structure. The average rent for the 200 units cannot exceed 80 per cent of the CMHC Average Market Rent for the community.

The provincial infrastructure grant was previously approved to fund a 200-unit social housing project in Brampton by Regional Council on December 11, 2008 (Resolution 2008-1370). The infrastructure grant has been received and deposited in Reserve R0230 temporarily. The proposed financing plan will not require any Regional funding for the project.

Staff is requesting authority to offer the purchased land back to 1390627 Ontario Ltd through an affordable long term land lease at \$1.00 per annum based on the terms laid out in the lease agreement.

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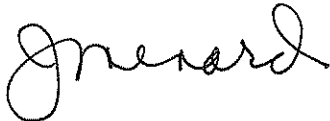
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CONCLUSION

The investment and partnerships created by the Villa Polonia project represents a unique opportunity for the Region to create more affordable housing units with new Rent Geared to Income subsidy for seniors and families in Brampton. It also represents an opportunity to increase the involvement of not-for-profit partners in social housing in Peel. Council approval of the Villa Polonia project will secure \$24 million in AHP funds and, with the combined use of the Provincial Infrastructure Funds, create an internally financed RGI opportunity that is imperative to support those residents in greatest need.

Negotiations and tight timelines have postponed the construction start date of Phase II of the extended Royal Canadian Legion Branch #608 Housing Project. In order to preserve the AHP units and funding from Phase II of the project, Council approval is required to reallocate the AHP units and funding into Phase I. MMAH staff have indicated that they are receptive to reallocating the AHP units and funding into Phase I of the Royal Canadian Legion Housing Project pending Council approval.

The need for diverse community support and housing affordability options is growing. The Region has a long standing established history of working in partnership with organizations to develop responsive and cost effective housing. Council approval of the proposed community driven housing projects are indicative of the Region's ongoing commitment to support communities and provide inclusive opportunities that promote vibrancy, health and self sustainability.



Janet Menard
Commissioner of Human Services



Approved for Submission:



D. Szwarc, Chief Administrative Officer

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APPENDIX I

