
DATE: October 1, 2007

SUBJECT: **AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS**

FROM: Keith Ward, Commissioner of Human Services and General Manager, Peel Living
Laura Nashman, Commissioner of Employee and Business Services

RECOMMENDATION

That staff be authorized to enter into Direct Negotiations with Martinway Contracting Limited and enter into modified turn-key agreements on terms satisfactory to the Commissioner of Human Services and General Manager, Peel Living for the development of affordable housing at 1133 Queen Street East, Brampton within the total budget of \$35,770,000 and 12041-12061 Hurontario Street, Brampton within the total budget of \$17,210,000 for a combined total award not to exceed \$52,980,000 (inclusive of taxes) in accordance with Purchasing By-law 37-2007;

And further, that Capital Project 07-5045 Canadian Legion, be established for \$35,770,000;

And further, that Capital Project 07-5050 Coptic Church, be established for \$17,210,000;

And further, that the proposed financing plans for the Capital Projects 07-5045 and 07-5050 be approved as detailed in the report of the Commissioner of Human Services and General Manager, Peel Living, and Commissioner of Employee and Business Services, dated October 1, 2007, titled "Affordable Housing Delivery Plan – Delivery of Affordable Rental Units";

And further, that the Chief Financial Officer be authorized to finalize the financing plans for Projects 07-5045 and 07-5050 subject to financial market conditions and report back to Council on the financing details;

And further, that a memorandum of understanding for the Canadian Legion and Coptic Church properties be executed with Peel Housing Corporation (Resolution 2006-128);

And further, that the Commissioner of Human Services be authorized to directly solicit private-sector contributions and report back to Council on the amounts and deployment of donations received upon completion of the project;

And further, that the Commissioner of Human Services be authorized to accept private sector contributions to increase the budget for Capital Projects 07-5045 and 07-5050 and report back to Council on the amount and deployment of donations received upon completion of the project;

AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS

And further, that the Affordable Housing Delivery Plan be amended to account for Projects 07-5045 and 07-5050.

REPORT HIGHLIGHTS

- Staff is pursuing a proposal to develop 269 affordable rental units in Brampton.
- The Affordable Housing Delivery Plan has been amended accordingly.
- Approval is being sought for the expenditure of \$52,980,000 to develop 269 affordable rental units.
- This is a positive step towards developing new affordable rental housing units in the Region at a fair market value.
- A competitive process was conducted through RFP 2007-216P.

DISCUSSION

1. Background

In August 2006, Council approved the Affordable Housing Delivery Plan which outlined how the Region of Peel intended to deliver housing units under the Federal/Provincial Affordable Housing Program (AHP). Under the Rental and Supportive component of the AHP, the Region was allocated \$32.55 million for the construction of 465 units (up to an average of \$70,000 per unit). Under the AHP, the Region has until March 31, 2010 to expend the funding.

2. Procurement Process

Request for Proposal Document 2007-216P for the Development of Affordable Housing was issued on behalf of Development and Construction on April 3, 2007. In response to public advertisements in the Daily Commercial News and Toronto Star a total of two proposals were received by the stipulated closing date of May 9, 2007 from Martinway Contracting Ltd. Upon review both proposals were found to be non-compliant as they failed to meet the mandatory requirements. As a result, the submissions were given no further consideration and Document 2007-216P was subsequently cancelled. Given the merits of the proposals coupled with the fact that the re-zoning process was underway for both projects, staff agreed to explore all options in order to proceed with awarding Projects 07-5045 and 07-5050.

It is therefore recommended that staff be permitted to directly negotiate with Martinway Contracting Ltd. in order to proceed with the development of Projects 07-5045 and 07-5050.

3. Rental and Supportive Delivery Plan Progress to Date

To date, progress has been made on delivery of housing units under the AHP. As will be detailed further in this report; several unforeseen challenges, specifically construction industry market factors, land costs, and program restrictions have challenged our delivery of contemplated projects, which have resulted in the need for the Region to explore alternate venues for program delivery.

To date, one project, the 25-unit Walker Road senior's expansion in Caledon East has received full approval under the AHP and construction commenced on September 17, 2007. The architect selection process for the Peel Manor Apartment site (525 Main Street North, Brampton) has been completed and development of this project is underway. In addition to

AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS

these two projects Council provided authority, on July 5, 2007, to enter into a partnership with Supportive Housing in Peel to develop a 26-unit supportive housing development at Sheard Drive and Henderson Avenue, Brampton and talks are underway with the proponent and the City to have the site rezoned. These projects were "in the pipeline" upon announcement of the AHP and the Region has been able to respond relatively quickly in moving forward. The bulk of the delivery plan required the issuance of Request for Proposals for the majority of the units.

Taking into consideration our experience to date with the AHP, a revised Delivery Plan has been created and included as Appendix I.

4. Proposed Direction

Staff has analyzed the originally submitted project costs with Martinway in order to validate their proposal. Costs submitted through the RFP for both projects were higher than what staff had originally estimated in the Delivery Plan based essentially on two year old data. Total estimated costs just for construction in the original RFP submission for each project were \$36,367,000 for 1133 Queen Street, East, Brampton (175 units) and \$17,095,000 for 12041-12061 Hurontario Street, Brampton (94 units) or approximately \$53.46 million for both projects. Additional details for these projects are outlined in Appendix II.

As part of the exercise to validate the numbers presented and to determine the construction and operating budgets for these new projects, staff has undertaken an analysis of construction market conditions and a comparative analysis experiences in other municipal Service Manager areas that are delivering the AHP in the Greater Toronto Area.

A report from the Chief Financial Officer titled, "Increases in Construction Costs" was included in a comprehensive report "Budget Pressures 2008 and Beyond" which was presented to Council in July 2007. In this report the CFO informed Council that construction costs for large capital projects have increased significantly over the past two to three years. Costs of construction materials have increased at a far greater rate than inflation as a result of heavier demands for materials for large scale development and rebuilding efforts in the southern United States. The Region responded by exercising greater control over its projects to mitigate cost overruns which has also resulted in the request for more funding for capital projects. A copy of this report is available from the Commissioner of Human Services.

These same effects are being felt in the area of multi-residential construction and more specifically affordable housing development. Since 2002 the Region of Peel has seen material price escalation top the 6 per cent mark each year. The Apartment Building Construction Price Index provided by Statistics Canada for the Toronto CMA in August 2007 validates the Region's experience. This means that it is 30 per cent more expensive to build an affordable housing project in Peel now than it was in 2002. In discussions with Service Managers in the Greater Toronto Area it has been determined that costs for new affordable housing projects are in the \$180,000-\$200,000 per unit range. The Affordable Housing Program only provided an average of \$70,000 per unit to construct new units.

Based on discussions with Martinway, the average construction building price per unit, for both projects is offered at \$170,320. The "all in" project costs, which include development charges, Regional fees, contingencies, etc, is \$196,926 or approximately \$2,295 per m² (\$213 per square ft). These proposed costs are within identified ranges for construction in this region. In staff's opinion, these figures represent a fair value and content considering

AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS

the prime locations of these buildings and that they will include two and three bedroom units for families – the first such units included in any Regional initiative in 12 years.

5. Cost Mitigation

In order to meet the objectives of making these projects “affordable” for the Region and those in need of affordable housing, staff has been working closely with Martinway Contracting. The land owners of 1133 Queen Street, East, Brampton and 12041-12061 Hurontario Street, Brampton are offering Martinway land at a price that is well below market value for their respective locations. Both groups are strongly committed to doing their part to increase the supply of affordable housing in the Region and the reduced price for land is an indication of this.

It should be noted that the revised proposal from Martinway is a positive step in creating 269 units of affordable rental housing in Brampton. Martinway has indicated an interest in continuing their corporate sponsorship program that may yield additional products in the building aimed toward obtaining a Leadership in Environmental and Energy Design designation. The authority to enter into a modified turn-key agreement with Martinway will advance the progress of this proposal.

FINANCIAL IMPLICATIONS

As noted throughout this report, staff is engaged in a review of the proposal that is aimed at determining feasibility for these projects. While it is recommended that both projects proceed, authority to formalize a modified turn-key agreement with Martinway is required. Staff is of the opinion that the numbers proposed are in line with present construction industry norms.

With the intention to achieve breakeven operation, staff recommends the following funding structure for the two projects:

	12041-12061 Hurontario Street, Brampton	1133 Queen Street, East, Brampton	Total
AHP Funding – Federal (32%) Provincial (68%)	\$ 1,939,500 4,121,400	\$ 4,327,900 7,061,300	\$ 6,267,400 11,182,700
R1160 New Development Reserve	8,400,000	17,200,000	25,600,000
R1030 Internal Borrowing	2,749,100	7,180,800	9,929,900
Total	\$ 17,210,000	\$ 35,770,000	\$ 52,980,000

Due to the financial market condition and program restrictions on rent targets and provincial interest repayment rate, it is proposed that CFO may use his discretion to revise the projects' financing plans. This will provide more feasibility to fit with the regional investment policy and achieve breakeven operation target. The “internal borrowing” is the equivalent of a mortgage and will be repaid, with interest, from project rental revenues.

AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS

Both the AHP funding and the internal loans will be financed internally by the Region. The federal portion (\$6,267,400) will be received during the development and construction phase of the projects. The provincial funding (\$11,182,700) will be received in monthly payments with interest added in over the next 20 years after substantial completion of the buildings has been confirmed. The Region is liable for the repayment of the full amount of AHP funding of \$17,450,100 if at any time over the next 20 years the buildings do not meet the terms and conditions of the agreement under the Affordable Housing Program. This is a routine program requirement that is not a concern. In such an event, Peel Living has agreed to indemnify the Region of Peel.

In accordance with the terms of the memorandum of understanding, Peel Housing Corporation will operate the residential portion of the properties as it does with buildings within its portfolio. Rental payments will be made to the Region on a monthly basis to amortize the internal loan.

At the same time, the CFO will explore the use of other potential funding vehicles and report back to Council should any other funding vehicle have merit.

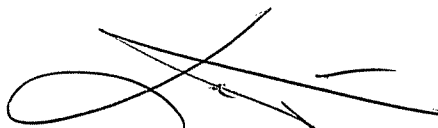
CONCLUSION

It is evident that significant cost increases in the construction industry are having a profound effect on the ability for Peel to deliver new affordable housing units. As noted, only one developer felt that they could deliver the requested units and they are attempting to do so under significant financial constraint. Staff has verified the numbers presented by Martinway, and have worked diligently to ensure that the proposed numbers going forward will represent the best value for the Region of Peel. Both projects are a positive step in the Region's ability to deliver much needed affordable units for families in the Region of Peel.

Staff are therefore recommending authority to negotiate with Martinway Contracting Limited through a modified turn-key agreement to develop new affordable housing units at 1133 Queen Street East, Brampton within the total budget of \$35,770,000 and 12041-12061 Hurontario Street, Brampton within the total budget of \$17,210,000 for a combined total award not to exceed \$52,980,000 (inclusive of taxes).



Keith Ward
Commissioner of Human Services



Laura Nashman
Commissioner of Employee
and Business Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Dawn Langtry, Acting Director, Housing Policy and Programs at extension 3535 or via email at dawn.langtry@peelregion.ca

07-168



REGION OF PEEL HOUSING AND PROPERTY DEPARTMENT
AFFORDABLE HOUSING PROGRAM ALLOCATION DISTRIBUTION PLAN
2006 - 2010

AFFORDABLE HOUSING PROGRAM DELIVERY PLAN

Project #	Status	Project	Owner/Proponent	Operator	Estimated Start Date	Estimated Completion Date	Number of Units	Number of Bedrooms	Estimated Total Capital Cost	Total AHP Funding	Estimated Municipal Contribution	Estimated Financing*
06-5020	A	Peel Manor Apts Phase 1 Architectural Services	Region of Peel	TBD	Fall 2008	Fall 2009	30	1 bed	\$200,000	\$0	\$200,000	\$0
03-5020	A	Walker Road	Peel Housing Corporation	Peel Housing Corporation	Fall 2007	Fall 2008	25	1 & 2	\$6,050,000	\$1,250,000	\$4,800,000	\$0
Subtotal for approved projects							55		\$6,250,000	\$1,250,000	\$5,000,000	\$0
08-5031	P	Sheard/Henderson	Supportive Housing In Peel	SHIP	Fall 2008	Winter 2009	26	1 bed	\$4,900,000	\$3,900,000	\$1,000,000	\$0
08-5031	P	Peel Manor Apartments Phase II	Peel Housing Corporation	TBD					\$6,500,000	\$4,200,000	\$2,300,000	\$0
06-5031	P	1133 Queen Street E., Brampton	Region of Peel	Peel Housing Corporation	Fall 2008	Winter 2009	175	1-3	\$35,770,000	\$11,389,200	\$17,200,000	\$7,180,800
06-5031	P	12041-12061 Hurontario Street, Brampton	Region of Peel	Peel Housing Corporation	Fall 2008	Winter 2009	94	1-3	\$17,210,000	\$6,060,900	\$8,400,000	\$2,749,100
08-5031	P	RFP - Peel	Community Group TBA	Community Group TBA	Summer 2008	Winter 2009	50	1-3	\$8,000,000	\$2,000,000	\$0	\$0
10-5032	P	Infill Project	Peel Housing Corporation	Peel Housing Corporation	Winter 2008	Winter 2009	40	1 & 2	\$8,350,000	\$2,000,000	\$5,475,000	\$875,000
08-5031	P	Transitional II	Region of Peel	TBA	Winter 2008	Winter 2009	25	1-3	\$5,250,000	\$3,500,000**	\$1,750,000	\$0
Subtotal for pending units							410		\$85,980,000	\$33,050,100	\$36,125,000	\$10,804,900
Total							485		\$92,230,000	\$34,300,100	\$41,125,000	\$10,804,900

Legend:

A- Approved Project

P-Pending Project

* These figures are pro-rated and estimates. They could change based upon use of program flexibility to adjust rent targets and internally generated subsidies from project to project.

**This figure includes potential funding from the Homelessness Partner Strategy. The actual AHP allocation total is \$32.55 million

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AFFORDABLE HOUSING DELIVERY PLAN - DELIVERY OF AFFORDABLE RENTAL UNITS

1. SITE LOCATION:

Canadian Legion Branch 609: 1133 Queen Street E., Brampton

The Coptic Orthodox Church: 12041-12061 Hurontario Street, Brampton

2. PROJECT ZONING:

Canadian Legion Branch 609: At present 'Institutional Two Zone – 'I2'
To be rezoned to 'R4A' Note: application to amend in 2003.

The Coptic Orthodox Church: Residential Apartment A – Special Section (R4A), Senior Citizen Residence. Note: maximum of 95 Units.

3. PROJECT SIZE:

Canadian Legion Branch 609: Total No. of Units: 175
Building "A" 50 Units (occupied by members of the Canadian Legion,
rental rates based on CMHC rates).
Building "B" 125 Family Units

The Coptic Orthodox Church: Total No. of Units: 94 (based on the proposed design).

4. SCHEDULE OF DEVELOPMENT:

Canadian Legion Branch 609: Anticipated dates:
Development (including Phases I to II): from October 2007 to
September 2008.
Construction (including Phases III to IV): from September 2008 to
March 2010.

The Coptic Orthodox Church: Anticipated dates:
Development: from October 2007 to September 2008.
Construction (including Phases I to IV): from September 2008 to
March 2010.

5. PROJECT UNIT MIX:

Canadian Legion Branch 609: Building 'A' - 50 Units:
- 40 one (1) bedroom Units
- 10 two (2) bedrooms Units

Building 'B' - 125 Units:
- 25 one (1) bedroom Units
- 40 two (2) bedrooms Units
- 60 three (3) bedrooms Units

The Coptic Orthodox Church: - 94 Units:
- 81 one (1) bedroom Units
- 13 two (2) bedrooms Units