THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
March 10, 2010
Report of the
General Manager

NEW DEVELOPMENT OPPORTUNITY
ESSEX AVENUE, RICHMOND HILL

1. RECOMMENDATIONS

It is recommended that:

1. The Corporation enter into a loan agreement with the Region to repay, from project revenues, up to $9 million of the total capital cost. Such loan to be interest bearing, for a 30-year term, and on such other terms that the Treasurer shall negotiate, including security, therefore.

2. The Corporation authorize the Region to seek long term debt financing of that amount on its behalf for the above loan.

3. The Corporation be authorized to enter into an assignment agreement under which it will assume the responsibilities and obligations of The Regional Municipality of York under a certain Agreement of Purchase and Sale between FRAM Building Group Ltd. with respect to the property located in Richmond Hill.

4. The Corporation be authorized to enter into a Contribution Agreement with the Region to secure funding under the Canada-Ontario Affordable Housing Program 2009 Extension and the General Manager be authorized to execute the agreement on behalf of the Corporation, subject to review by Legal Services.

2. PURPOSE

This report seeks authority for Housing York Inc. to seek long-term debt financing with the Region and enter into an agreement with the Region to assume responsibilities and obligations for the project under an Agreement of Purchase and Sale. In addition, authorization is requested to enter into a Contribution Agreement with the Region to secure funding under the Canada-Ontario Affordable Housing Program 2009 Extension.

3. BACKGROUND

York Region received $53 million from the Province from Investing in Ontario funding

In the fall of 2008, the Region received $53 million under the *Investing in Ontario Act, 2008* from the Province to fund regional infrastructure projects. At that time, the former Community Services and Housing Committee directed staff to investigate options to increase the affordable housing stock in the region using these funds.

Investigating opportunities to increase the supply of affordable housing

The Region released a Request for Proposal in early June 2009 seeking proposals from the development industry to deliver new affordable housing units to be owned and operated by Housing York Inc. The Request for Proposal closed on July 9, 2009 and four proponents submitted a proposal.

One submission best fit the parameters of the Request for Proposal

Based on the evaluation results, the proposal submitted by FRAM Building Group Ltd. (FRAM) presented a product that best fits the parameters of the Request for Proposal. The project is located in close proximity to the Yonge Street corridor (south east corner of Major Mackenzie Drive and Essex Avenue in the Town of Richmond Hill) which has been designated as an intensification area as per the provincial growth plan and is on a major transit route.

Council authorized a value engineering and contract negotiation process with FRAM

Through adoption of the private report entitled, *Opportunities to Increase the Supply of Affordable Housing Request for Proposal Process*, on September 24, 2009, Council approved value engineering and contract negotiations with FRAM and authorized the Regional Chair and Regional Clerk to award the contract, if an agreement satisfactory to the Region could be reached. Council also authorized a request for funding under the Canada-Ontario Affordable Housing Program 2009 Extension from the Ministry of Municipal Affairs and Housing.

4. ANALYSIS AND OPTIONS

Value engineering and contract negotiations with FRAM commenced on October 15, 2009

Regional staff, including technical and property management personnel from Housing York Inc., commenced negotiations with FRAM on October 15, 2009. Negotiations continued over a two-month period, with three formal meetings and numerous exchanges of emails and conference calls. The Fairness Monitor engaged at the start of the process continued to provide guidance and expertise on best practices throughout this phase of the Request for Proposal process.

The process allowed for the Region to clarify and negotiate interior design changes to meet Housing York Inc.'s operational requirements and standards. The value engineering exercise included a review of the building envelope and building elements in an effort to reduce future operating costs to the Region. Optional building elements were selected to meet Housing York Inc. standards and, where possible, reduce long term operating costs.

The negotiated best and final offer resulted in a cost reduction from the original bid price

The Best and Final Offer from FRAM represented a reduction in their initial bid price in the net amount of $400,000 and provided the Region with approximately $600,000 in enhancements to the proposed building.

The revised project brief offers a nine storey, 140-unit apartment building with a number of amenities

- 140-unit apartment building
- mix of 1, 2, 3 and 4 bedroom units
- two levels of underground parking
- office space for Housing York Inc
- modifications to accommodate persons with disabilities
- security enhancements
- LEED-NC® certification

FRAM has also committed to providing opportunity for review of design documents as they are developed and for regular monitoring during construction to ensure that the completed building meets regional and Housing York Inc. standards.

The building would accommodate seniors, families and non-senior singles with affordable rental options

With a mix of unit sizes, Housing York Inc. is able to offer units to seniors, families and non-seniors singles with rental affordability options. It is projected that approximately 50% of the building will be subsidized to offer affordable rents to those tenants with a lower range of income.

An award letter was issued to FRAM in January 2010

On January 11, 2010, the Region issued a contract award letter to FRAM, as per their Best and Final Offer dated December 15, 2009.

Housing York Inc. received a $16.8 million funding allocation from the Canada-Ontario Affordable Housing Program 2009 Extension

Housing York Inc. has received a Conditional Letter of Commitment for this Housing York Inc. project in the amount of $16.8 million from the Ministry of Municipal Affairs and Housing for capital grant funding under Year 2 of the Canada-Ontario Affordable Housing Program 2009 Extension. The conditional approval is contingent on fulfillment of all federal/provincial conditions, including the execution of a Contribution Agreement and starting construction within three months of signing the Contribution Agreement. Under the terms of the Contribution Agreement Housing York Inc. will agree to maintain affordability for 20 years in exchange for a forgivable capital loan of $16.8 million.

5. FINANCIAL IMPLICATIONS

Based on the Best and Final Offer of $34,770,309 the Region has the ability to fund the project through three funding sources. Table 1 outlines an estimate of funding contributions and the approximate total cost of the project.

This report authorizes the Corporation to enter into the necessary agreements to facilitate the purchase of a new 140 unit apartment building.

Table 1
Proposed Capital Budget and Funding Sources

Capital Budget	
Consulting	$ 235,000
Land Transfer Tax	520,000
Legal Fees	100,000
Payment to Contractor	34.8 million
Taxes (GST/HST)	1.4 million
Furnishings & Equipment	429,000
Contingency	700,000
Financing Costs	90,000
Total	**$38.2 million**
Funding Sources	
York Region Investing in Ontario Funds	$12.4 million
Canada-Ontario Affordable Housing Program 2009 Extension	16.8 million
Debenture Financing (repaid through tenant rent revenue)	9.0 million
Total	**$38.2 million**

The estimated $38.2 million budget includes amounts for land, the completed building, land transfer tax, consulting and legal fees, building furnishings and equipment, financing costs, and a contingency. The budget also includes an estimate for the potential impact of the Harmonized Sales Tax that is expected to be implemented later this year.

6. LOCAL MUNICIPAL IMPACT

The creation of affordable rental housing units in our community contributes to the economic viability of the Region and provides stable housing for lower income households.

7. CONCLUSION

This report authorizes the Corporation to enter into the necessary agreements to secure the $9.0 million loan with York Region and to facilitate the purchase of a new 140 unit apartment building in the south end of the Region. With the significant contributions from York Region Investing in Ontario funds and the Canada-Ontario Affordable Housing Program 2009 Extension, Housing York Inc. has the opportunity to provide much needed affordable housing to assist seniors, single and families in York Region.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:

Sylvia Patterson
Assistant General Manager

Approved for Submission:

Adelina Urbanski
General Manager

March 1, 2010

Edocs #1542566
JD/sv

Report Wizard v.9 July 21, 2009
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