

6

CITY OF VAUGHAN AND YORK REGION JOINT PROJECT—BLUE WILLOW TERRACE

The Community Services and Housing Committee recommends adoption of the recommendations contained in the following report, March 18, 2005, from the Commissioner of Community Services and Housing:

1. RECOMMENDATIONS

It is recommended that:

1. Council approve the issuance of a Call for Tenders for the construction and award of the tender on condition that the final project capital cost does not exceed the projected capital costs, up to \$12.5 million, as provided in this report, pursuant to the Region's Purchasing by-law.
2. Staff report back to Council for approval on any costs additional to the \$12.5 million at any time during the development process.
3. The Regional Chair and the Regional Clerk be authorized to execute the construction contract on the Region's behalf subject to the prior review of Legal Services.
4. Council approve the addition of six residential apartments for this project, for a total of 60 units.
5. The Region make an application for a grant under the Federal Commercial Building Incentive Program (CBIP) and authorize the Commissioner of Community Services and Housing to execute all such documentation therefore.
6. Staff be authorized to take the necessary steps to give effect hereto.
7. A copy of this report be sent to the City of Vaughan Council.

2. PURPOSE

This report seeks Council approval to tender for construction, and award said tender on condition the final project capital cost does not exceed the approved projected capital costs of up to \$12.5 million as provided in this report; and increase the seniors' apartment component of the mixed-use building located on Fieldstone Drive in the City of Vaughan from 54 to 60 units.

This approval will include authorization to enter into a construction contract for the construction of this mixed-use project and to finalize the financing necessary to complete this project.

In addition, this report seeks permission to make an application for a grant under the Federal CBIP.

3. BACKGROUND

In June 2002, Regional Council and City of Vaughan Council gave preliminary approval for the joint development of a combined seniors citizens' affordable housing and seniors' active living centre project on an appropriately zoned, City owned, site near Highway 7 and Weston Road in the community of Woodbridge.

In October 2002, a Memorandum of Understanding outlining the parameters of the agreement between the Region and City was executed.

In the summer of 2003, the architectural firm of Allen & Sherriff Architects Inc. was engaged by the Region to design the project.

While ownership of the land will continue to reside with the City, the Region will sign a long term lease (50~years) with the City under which the Region will own the building throughout the lease.

4. ANALYSIS AND OPTIONS

4.1 Reallocation of Ground Floor Space

The original project concept called for approximately 10,000 square feet on the ground floor of a four storey building to be designed as a Seniors' Active Living Centre (ALC). The City is responsible for the capital and operating costs of the ALC.

Recently the City of Vaughan has asked to reduce their space to 5,308 square feet due to the limitations of their available capital funding. It should also be noted that the original concept considered the balance of the ground floor to be used for a York Region Health Services project that has not received funding and therefore a reduction of the space is reasonable.

It is proposed that six additional housing units be incorporated within the remaining 5,316 square feet on the ground floor. The Region would be responsible for securing funding for the additional units.

Funding required for these new units can be accommodated within the Region's original Community Rental Housing Program (CRHP) allocation of up to 60 apartment units for the Blue Willow project. The project continues to have a deadline of August 26, 2005 for Building Foundation Permit in order to meet CRHP Pilot Project funding requirements.

It is now proposed that a portion of the ground floor and the three upper storeys of the building be used to accommodate 60 senior citizens' apartments and be operated by Housing York Inc.

4.2 Enhanced Funding Opportunity

In February 2004, the federal government announced that this project was approved for up to \$1.56 million capital funding under the CRHP.

Recently we have been advised by the Province that projects in development under the CRHP Pilot Program will have the opportunity to apply for an additional enhancement of \$2,000 per unit subject to the submission of a business case. It is anticipated that this project will be eligible for the enhanced funding which may mean an additional \$120,000 from the Province.

4.3 Development Agreement Status

Regional and City solicitors have completed the drafts of a development agreement and accompanying lease agreements which give effect to the proposed legal structure as accepted in the recommendations of Clause 9 of Report No. 5 of the Commissioner of Community Services and Housing, adopted by Council at their May 23, 2004 meeting. A cost sharing arrangement for the construction of the project has been reached and is acceptable to both parties.

4.4 Request for Pre-Qualification

In compliance with the Regional Purchasing By-law, the request for pre-qualification of general contractors is currently in progress in order to expedite the tender process and allow for a building permit to be issued prior to the deadline of August 28, 2005, as prescribed by the CRHP requirements.

4.5 Capital Costs Estimates and Sources of Funding

4.5.1 Preliminary Capital Cost Estimates

A qualified quantity surveyor, Curran & McCabe Inc., was engaged to provide up-to-date market construction cost estimate for this project. Based on the preliminary drawings prepared by the project architect, the per square foot construction cost is estimated at \$146.00 (including a design contingency of 5% and escalation cost of 3%) plus \$802,000 for site servicing.

The capital cost estimates for the residential component have increased due to a number of factors including:

- The irregular shape of the site will add to the design and construction of the building.
- Limited economies of scale in a 60 unit project.
- Increased gross floor area within the units to increase accessibility.
- Enhanced energy conservation features which will reduce future energy consumption and operating costs.

- Enhanced design and building components to reduce operating costs over the lifetime of the project.
- Significant increases in construction costs (both labour and materials) since the inception of this project.
- Cost of anticipated winter heating during construction.
- Added cost for the additional six apartment units at grade level.

4.5.2 Cost Sharing Arrangement with the City of Vaughan

In a previous report to Council, staff were authorized to enter into the necessary legal agreements with the City of Vaughan for this joint development. The Development Agreement has a schedule that details the cost sharing arrangement.

The Region and City of Vaughan staff support a cost sharing arrangement for the construction of this project on the gross floor area basis that each party will occupy. The quantity surveyor and the architect are also in support of this cost sharing approach.

Based on the review undertaken by the quantity surveyor, the total square footage of the building is 62,463 square feet. The approximate apportionment of the total project based on the share of square footage is 8.5% to the City of Vaughan and 91.5% to the Region (see Table 1).

Table 1
Estimated Project Capital Budget
(\$ million)

User	Square Feet	% of Gross Floor Area	Estimated Project Capital Budget
City of Vaughan	5,308	8.5%	\$ 0.95–1.10
York Region	57,155	91.5%	\$11.08–11.40
Entire Project Capital Costs (including soft costs & contingency)	62,463	100.0%	\$12.05–12.50

4.6 Tender for Construction

Authority is requested to work with Supplies and Services to conduct a Request for Tenders.

This procurement process will be conducted by the Region's Supplies and Services Department in conjunction with Community Services and Housing and Property Services staff and a representative from the Ministry of Municipal Affairs and Housing (as required by the CRHP).

4.7 Energy Conservation Measures

Regional staff have reviewed the federal government's financial incentives under the CBIP. Under this program, developers of multi-residential buildings are offered grants equal to two times their annual energy savings, up to \$60,000 per building for the incorporation of energy efficiency features to the building envelope, heating and venting systems, and lighting systems.

According to an energy simulation/model for the proposed Blue Willow Terrace building, it qualifies for the maximum funding of \$60,000. With an estimated capital investment of \$97,000 it is estimated the building could experience an annual cost savings of utilities of approximately \$35,000. Once the grant of \$60,000 is applied to the estimated capital cost of \$97,000, the net cost to the Region is expected to be \$37,000.

The CBIP program is an excellent opportunity to incorporate energy conservation measures in the Blue Willow Terrace project that offer long-term operating savings at a modest capital cost. This initiative also supports the Region's energy management initiatives for energy conservation measures of utility consumption.

4.8 Sources of Funding

The following sources of funding have been identified as (potentially) being available to this project.

4.8.1 Federal Government Programs

- \$1.5 million capital funding under the CRHP for 60 affordable seniors apartments.
- CBIP Program offers a grant of up to \$60,000 to incorporate energy efficiency features.

4.8.2 Provincial Government Programs

- Provincial Sales Tax Grant Program rebates \$4,000 per unit for a total of \$240,000.
- Funding for 70% of the apartments under the Rent Geared-to-Income Supplement Program. Units are available within the Region's allocation for this project.

4.8.3 City of Vaughan

- The City has allocated \$1 million to develop, design and construct their portion of the first floor of the building and associated site costs.
- The City of Vaughan will not be collecting development charges on this project because under their bylaws, this project is exempt.

4.8.4 York Region

- Housing York Inc. would seek Regional debenture financing in the amount of \$3.7 million and funding from the Social Housing Reserve Fund in the range of \$5.58- \$5.90 million.

4.9 Next Steps

Over the next few months, the project development schedule plans to undertake the following:

- Complete the building redesign to accommodate the additional six housing units on the ground floor.
- Finalize site plan approvals and confirm any fees and charges to be applied to the project.
- Prepare the final construction documents for this project including specifications and drawings.
- Execute development agreement and finalize associated leases with all parties.
- Issue a Request, from the Region, for Pre-Qualification to pre-qualify general contractor proponents.
- Issue a Call for Tenders, from the Region, to construct the mixed use Blue Willow Terrace building from the pre-qualified general contractor proponents.
- Tender and award construction contract in accordance with the Region's Purchasing By-law.
- Commence construction.

5. FINANCIAL IMPLICATIONS

This project will have a financial impact on the Region, which has been planned for in the projected capital budgets for 2005 and 2006. This project has been budgeted based on 54 units for a total capital cost of \$10.495 million. Table 2 summarizes the projected costs and funding sources for 60 units. The 2006 Capital Budget will reflect updated total capital cost estimates for this project.

Table 2
Estimated Total Project Cost/Funding Sources
(\$ million)

	Range of Estimates
Estimated Project Cost	\$12.03–12.50
Sources of Financing & Equity	
Debenture funded by tenant rents	3.70–3.70
Equity Contribution from S.H. Reserve	5.58–5.90
Contribution from Federal Government	1.56–1.56
Contribution from Provincial Government	0.24–0.24
Sub-total	11.08–11.40
Contribution from City for construction/soft costs, etc.	0.95–1.10
Total	\$12.03–12.50

There are no net operating impacts to the Region in 2006 resulting from this project.

6. LOCAL MUNICIPAL IMPACT

The creation of additional affordable rental housing units on this site located in the City of Vaughan will alleviate some pressure for affordable housing in the Region. The creation of an ALC for senior citizens will provide much needed social-recreational space and supports within the City of Vaughan.

7. CONCLUSION

As noted in previous reports, the mixed use residential and seniors' ALC development provides an excellent opportunity for the City and the Region to address some of the goals identified in the Housing Supply Strategy. These include the development of partnerships, the use of government-owned land and the integration of affordable housing in existing communities by combining resources to deliver much needed community social-recreational services for seniors. In addition, this project's energy conservation measures plan to reduce utility consumption and operating costs, supports the Region's energy management initiatives.

The Senior Management Group has reviewed this report.