9
JOINT VAUGHAN PARTNERSHIP PROJECT — DEVELOPMENT UPDATE

The Community Services and Housing Committee recommends that

1. **The presentation from Jan Ravens, Allen & Sherriff Architects re: "Joint Vaughan Partnership Project – Development Update" be received.**

2. **That the recommendations contained in the following report, May 6, 2004, from the Commissioner of Community Services and Housing be adopted, with the deletion of the words "up to" in Recommendation No. 3 and the addition of Recommendation No. 6 as follows:**

   6. **That staff report back to Committee regarding the necessary agreements for this project at the appropriate time.**

1. RECOMMENDATIONS

It is recommended that:

1. The Region be authorized to enter into the necessary legal agreements with the City of Vaughan for the joint development of a combined senior citizens' apartments and seniors' active living centre on a City owned site near Highway 7 and Weston Road in the City of Vaughan, subject to the prior review of the Regional Solicitor.

2. The Regional Chair and Regional Clerk be authorized to execute the legal agreements on behalf of the Region.

3. Up to 70% of the apartment units be made available to senior citizens in need of rent-geared-to-income assistance.

4. Staff to circulate this report to Vaughan Council for approval of the legal structure of this project as outlined in this report.

5. Staff be authorized to take the necessary actions to give effect thereto.

2. PURPOSE

This report outlines the proposed legal relationship between York Region (Region) and the City of Vaughan (City) for a joint development to construct a mixed-use building comprised of senior citizens' affordable rental housing and a seniors' active living centre to be located in the City of Vaughan.

3. BACKGROUND

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

In July 2002, a Memorandum of Understanding outlining the parameters of the agreement between the Region and the City was executed. In the summer of 2003, the architectural firm of Allen Sherriff Inc. was engaged by the Region to design the project.

3.1 Building Plan

The project concept calls for approximately 10,000 square feet on the ground floor of a four storey building to be designed as a seniors' active living centre and the three upper storeys to be senior citizens' apartments managed by Housing York Inc.

The City is responsible for the capital and operating costs of approximately 10,000 square feet on the ground floor. The City plans to directly operate City programs from approximately 5,000 square feet and to make 5,000 square feet available to other users. One candidate for occupying this space is York Region Health Services who wish to operate a seniors' day centre similar to that operating in a Housing York Inc. facility in Keswick. Health Services' participation is contingent on funding from the Ontario Ministry of Health and Long Term Care.

The terms and provisions of a development agreement which sets out the respective obligations of the City and Region are being discussed by the parties.

3.2 Public Consultation

On January 13, 2004, the City held a public consultation meeting in order to introduce the overall development concept for the seniors' active living centre and solicit suggestions and ideas from the community. Regional staff attended the meeting to answer questions about the residential component. Community response was generally very positive.

A community meeting is scheduled for May 25, 2004.The architect will present preliminary building design information to the community and receive feedback.

4. ANALYSIS AND OPTIONS

4.1 Development Agreement

The Development Agreement will set out the roles, responsibilities and relationship of the respective parties associated with the design, development and construction of this mixed use project.

Accompanying the development agreement will be corresponding agreements which give effect to the proposed legal structure. A synopsis of these agreements is as follows:

- **Ground lease** between the City, as landlord and the Region as tenant, to be executed on a date (the "closing date") set forth in the Development Agreement. The ground lease will stipulate that any buildings constructed on the project lands will be owned by the Region during the term of the lease. At the end of the ground lease (<50 years), the legal ownership of both the land and the building will be held by the City.
- **Exclusive use lease** between the Region, as landlord, and the City, as tenant, for approximately 10,000 square feet of the ground floor of the building for the seniors active living centre space. The rent will be nominal.
- **Exclusive use lease** between the Region, as landlord, and Housing York Inc., as tenant for the apartments.
- **Shared facilities agreement** between the Region and the City under which the building's common expenses and structural component costs will be shared in accordance with square footage usage or other applicable factors as negotiated by the parties. The Region shall assign this agreement to Housing York Inc.

It is a pre-condition of tendering of the construction of the project that the parties execute the development agreement and that both Councils authorize the specifications and drawings and budget for the project.

4.2. Preliminary Capital Cost Estimates and Sources of Funding

4.2.1 Preliminary Capital Cost Estimates

Based on the concept drawings prepared by the architect, preliminary construction cost of the residential component of the building is estimated at $130 to $150 per square foot (52,800 square feet of space) or $6.86 to $7.92 million. In addition, it is estimated the architect services, fees and permits, site servicing and other associated "soft costs" will increase the estimated total capital cost will be $9.04 to $10.29 million. These estimates are for the residential component only.

As reflected in the 2004-2013 Regional Capital Forecast, the preliminary estimate for the capital construction for the residential portion only of the project is estimated at $7,450,000.

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

- The irregular shape of the site will add cost to the design and construction of the building.
- Increased gross floor area from original estimates.
- Enhanced energy conservation features which will reduce future operating costs.
- Enhanced barrier-free design which will increase accessibility.
- Changing market conditions—advised by project architect that over the past year, tendered residential construction costs have increased by an estimated 10%.

As this project moves through the development process, the construction costs estimates will be updated to reflect more current market conditions and will be presented to Council in subsequent reports.

4.2.2 Sources of Funding

On February 26, 2004, the Federal and Provincial Governments announced that this project has been approved for up to $1.62 million capital funding under the Community Rental Housing Program for up to 60 affordable seniors apartments.

The Region's portion of the project costs will be financed in part by an equity contribution from the Social Housing Reserve Fund and the balance will be financed by a debenture. Rents from the seniors' apartments will cover the capital costs of the Region's debenture financing. Factors such as tendered construction costs, interest rates, and operating costs will impact on the amount of the debenture and reserve requirements. Staff will report back to Committee and Council when more definitive capital and operating costs are known.

To date, the City has allocated $1,000,000 to develop, design and construct their portion of the first floor program estimated at 10,000 square feet. The capital cost estimates for this portion of the building will also be refined as the building design proceeds and will be reported back to Regional and City Councils.

The City has been asked to consider waiving various municipal fees and charges to reduce the capital cost of the project.

4.2.3 Proposed Market and Rent-Geared-to-Income Unit Mix

It is proposed that up to 70% of the apartments be rent-geared-to-income through funding from the Provincial Ministry of Municipal Affairs and Housing's rent supplement program. The balance of the apartments will have market rents in the range of $835 to $943 per month as per the 2003 Canada Mortgage and Housing Corporation Rent Scale. These rates are adjusted annually.

4.3. Proposed Development Schedule

The proposed development schedule for this project is listed below as follows:

- Completion of Design Development (4th Quarter 2004)
  - Public consultation meetings
  - Completion of drawings and specifications
  - Municipal site plan approval process
- Council review final project design, estimates of capital and operating budget (4th Quarter 2004).
- Building Permit Application (3rd-4th Quarter 2004).
- Tender construction (4th Quarter 2004).
- Report to Council the tender results (1st Quarter 2005).
- Start construction (1st Quarter 2005).
- Completion of construction (1st Quarter 2006).

4.4. Project Approvals Process

At selected stages of the development both parties are required to provide approval so the project can proceed to the next stage. The following list will be modified as necessary from time to time and ultimately, incorporated into the final legal documents.

- Memorandum of Understanding (completed).
- Hiring a project architect (completed).
- Preliminary project design.
- Preliminary capital and operating cost estimates.
- Preparation of working drawings and specifications.
- Region's tendering for construction and awarding of construction contract including entering into a construction contract.
- Updated capital and operating cost estimates.
- Execution of Development Agreement and Ground Lease prior to award of construction contract.
- Approvals as required under the Development Agreement during construction.
- Execution of exclusive use leases and shared facilities agreement on or before the date of substantial completion of the project.

4.5. Selection of Project Name

The selection of a project name for the seniors' apartments is an important step in communicating with future residents and the community during the development process. The site is located in the Blue Willow Crossing subdivision. "Blue Willow Terrace" is recommended to the Housing York Inc. Board as a suitable project name providing a residential flavour to the site, which will be important from a resident satisfaction and marketing perspective. City staff have indicated to Region staff that the City has no concern or objections to the proposed name. The City will be using its own process to select a name for the active living centre.

4.6. Next Steps

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

- Co-ordinate with the City the upcoming public consultation meeting scheduled for May 25, 2004.
- Continue to work with the architect and the City to complete the project design.
- Parties to execute development agreement.
- Prepare project capital cost estimates and draft operating budgets.
- Confirm cost sharing arrangements with the City of Vaughan.
- Work closely with the City and York Region Health Services to seek a commitment for Provincial operating funds for the seniors centre.
- Report back to Committee and Council and the Housing York Inc. Board on the above matters.

5. FINANCIAL IMPLICATIONS

Based on preliminary capital and operating cost estimates this project will require a Regionally issued debenture of approximately $3.65 million. An equity contribution estimated in the range of $3.94 to $5.18 million will be required to cover off the shortfall between projected capital costs and other sources of funding from senior levels of government for the residential component of this project. It is proposed that the equity contribution be made from the Social Housing Reserve Fund which currently stands at $40 million. Based on preliminary operating budget projections, the housing project would then be self sustaining through the annual tenant rents derived from operations. On-going subsidy would be directed to the rent-geared-to-income units through the Rent Supplement Program which forms part of the approved Housing Programs Budget.

6. LOCAL MUNICIPAL IMPACT

The creation of the proposed 55 to 60 affordable senior’s rental housing units in the City of Vaughan will assist in alleviating some of the pressures for housing in York Region. The creation of an active living centre for senior citizens will provide much needed social-recreational space and health related programs and supports within the City of Vaughan.

7. CONCLUSION

The mixed-use residential and seniors’ active living centre 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 health programs and community social-recreational space for seniors.

The Senior Management Group has reviewed this report.