

Clause 14 in Report No. 12 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on September 20, 2018.

14

Update on the Markham Inter-Church Committee for Affordable Housing Development in the City of Markham

Committee of the Whole recommends adoption of the following recommendations, as *amended*, in the report dated August 28, 2018 from the Commissioner of Community and Health Services:

1. Council authorize termination of the Contribution Agreement with the Markham Inter-Church Committee for Affordable Housing, if the Markham Inter-Church Committee for Affordable Housing has not demonstrated financial viability of the housing project to staff by *October 31, 2018*.
2. Council authorize the Commissioner of Community and Health Services to request that the Ministry of Municipal Affairs and Housing reallocate \$4.8 million in Federal/Provincial Investment in Affordable Housing Extension funding in 2018 from the Markham Inter-Church Committee for Affordable Housing project to the Unionville Senior's Affordable Housing project, if the Markham Inter-Church Committee for Affordable Housing cannot demonstrate project viability to the Region by *October 31, 2018*.
3. If the Ministry of Municipal Affairs and Housing authorizes the reallocation of funds to the Unionville Senior's Affordable Housing project, Council authorize a 2018 Budget adjustment to the Unionville Senior's Affordable Housing project to reflect the use of Federal/Provincial Investment in Affordable Housing Extension funding instead of the current Social Housing Development Reserve/Development Charge Reserve funding

Report dated August 28, 2018 from the Commissioner of Community and Health Services now follows:

Update on the Markham Inter-Church Committee for Affordable Housing Development in the City of Markham

1. Recommendations

It is recommended that:

1. Council authorize termination of the Contribution Agreement with the Markham Inter-Church Committee for Affordable Housing, if the Markham Inter-Church Committee for Affordable Housing has not demonstrated financial viability of the housing project to staff by September 30, 2018.
2. Council authorize the Commissioner of Community and Health Services to request that the Ministry of Municipal Affairs and Housing reallocate \$4.8 million in Federal/Provincial Investment in Affordable Housing Extension funding in 2018 from the Markham Inter-Church Committee for Affordable Housing project to the Unionville Senior's Affordable Housing project, if the Markham Inter-Church Committee for Affordable Housing cannot demonstrate project viability to the Region by September 30, 2018.
3. If the Ministry of Municipal Affairs and Housing authorizes the reallocation of funds to the Unionville Senior's Affordable Housing project, Council authorize a 2018 Budget adjustment to the Unionville Senior's Affordable Housing project to reflect the use of Federal/Provincial Investment in Affordable Housing Extension funding instead of the current Social Housing Development Reserve/Development Charge Reserve funding.

2. Purpose

This report provides an update on the status of the Markham Inter-Church Committee for Affordable Housing (MICAH) project at 20 Water Street in the City of Markham. This project is dependent upon Federal/Provincial Investment in Affordable Housing Extension (IAH-E) funding.

MICAH's design-builder has increased the price, as permitted under the contract, and MICAH is now looking at options to maintain the financial feasibility of the project. As MICAH is at risk of not meeting milestones related to the Federal/Provincial program funding guidelines, this report recommends transferring the funds to the Region's Unionville Senior's Affordable Housing project if necessary to retain Federal/Provincial IAH-E funding in York Region.

3. Background

Council approved allocation of \$4.8 million in Federal/Provincial Investment in Affordable Housing Extension program funds to support MICAH

In November 2014, the Region entered into a Service Manager Administration Agreement with the Ministry of Municipal Affairs and Housing for the Investment in Affordable Housing for Ontario (2014 Extension) program. The Administration Agreement required that funding allocated under the IAH Extension program be evidenced by Contribution Agreements with funding recipients. In [September 2016](#), Council authorized execution of a \$4.8 million Contribution Agreement with MICAH under the Investment in Affordable Housing 2014 Extension program to facilitate development of a 32-unit affordable rental apartment building in Markham. The Contribution Agreement was executed on December 31, 2017. The building is to be situated on a small, under-used parcel of land within the boundaries of an existing affordable housing site, Cedarcrest Manor, at 20 Water Street in the City of Markham (Attachment 1).

The Region has the right to terminate the Contribution Agreement if MICAH has not proven the financial viability of the project to the Region within 120 days of the execution of the Contribution Agreement. The Region has the ability to extend this date in its sole discretion, and the date has been extended to September 30, 2018. Both the City of Markham and Regional Council have authorized conditional grants to offset their development charges.

MICAH secured development approvals from the City of Markham in spring 2018.

IAH-E funding requires that projects meet milestones towards project completion, otherwise funds may be withdrawn

The IAH-E program guidelines dictate that timelines for key construction milestones must be met to receive the funding. To date, MICAH has met these requirements, however, due to recent project price increases, there is a significant risk they may not meet future milestones.

4. Analysis and Implications

MICAH's design-build partner has indicated a significant increase in construction costs

MICAH chose to wait to execute the business agreements with the design-builder until development permits were finalized and their mortgage could be secured. As a result, the design-builder's price was not fixed.

In June 2018, the design-builder notified MICAH that the project price will increase to reflect rising costs of labour and materials. The proposed increase exceeds project contingencies and cannot be absorbed. As a result, MICAH cannot move forward at the new increased price. The project is stalled until a financially feasible solution can be put in place that will permit the project to continue to meet IAH-E program guidelines and timelines.

Analysis by Regional staff indicates that MICAH's project is not currently financially feasible, and MICAH has until September 30, 2018 to demonstrate feasibility

MICAH is investigating a variety of cost saving measures and business negotiations in an effort to proceed with construction of the project. Regular updates are provided to the Region, and MICAH is demonstrating ongoing progress towards resolving the issues.

The Region advised MICAH that they have until September 30, 2018 to demonstrate viability of the project, which will include providing an executed construction contract that is financially sustainable and acceptable to the Region.

If MICAH cannot demonstrate feasibility, transferring the IAH-E funds to another York Region project will ensure the funds stay in York Region to support new affordable housing

If MICAH cannot demonstrate project viability to the Region by September 30, 2018, the Region will request the Ministry of Municipal Affairs and Housing to re-allocate the \$4.8 million in Year 4 IAH-E funds from the MICAH project to York Region's Unionville Seniors Affordable Housing development. Reallocation of the funds will ensure compliance with the program guidelines and will not risk being returned to the province due to missed required milestones.

5. Financial Considerations

The IAH-E program is 100 per cent Federally and Provincially funded

IAH-E allocations are 100 per cent funded through the Federal/Provincial Investment in Affordable Housing Extension program and have no tax levy impact.

If necessary, reallocation of \$4.8 million to Unionville Seniors Affordable Housing development will require minor adjustments to the Region's 2018 budget

As the project would be owned by MICAH, it was considered a flow-through in the Region's operating budget. If IAH-E funds are reallocated to the Unionville Seniors Affordable Housing development, these funds would be considered a capital budget item. In the event MICAH's project does not proceed, and funds are transferred to the Unionville project, the 2018 budget would need to be adjusted as shown in Table 1.

Table 1
Proposed IAH-E Year 4 Funding Reallocation

Development Project	Year 4 (2017–2018)	
	Current	Proposed
MICAH (32 Units)	\$4,800,000	\$0
Unionville Seniors Affordable Housing (264 Units)	\$2,408,670	\$7,208,670
Total	\$7,208,670	\$7,208,670

Reallocation will result in a decreased draw on the Region's Development Charge and Social Housing Development Reserve funds for the Unionville Seniors Affordable Housing development

If IAH-E funding is reallocated from the MICAH project to the Unionville Seniors Affordable Housing project, the overall Unionville project budget would remain the same, however the project's funding sources would be adjusted to accommodate the reallocation. The additional \$4.8 million of IAH-E funds will proportionately reduce the draw from the Development Charge and Social

Housing Development Reserve funds, freeing up Regional funding for future new development projects.

Table 2 indicates the current and proposed funding sources for Unionville:

Table 2
Current versus Proposed Project Funding Sources for the Unionville Seniors Affordable Housing Development

Funding Source	Total Project Budget	
	Current	Proposed
Federal/Provincial Funding	\$23,237,742	\$28,037,742
Development Charge and Development Charge Debentures	\$8,650,597	\$7,919,048
Social Housing Development Reserve	\$35,711,624	\$31,643,173
Debentures (Housing York Inc.)	\$12,400,037	\$12,400,037
Total Capital Spending Authority	\$80,000,000	\$80,000,000

To facilitate this adjustment, the approved 2018 operating budget would be reduced by \$4.8 million in expenditures and \$4.8 million in revenues, with no tax levy impact.

6. Local Municipal Impact

With one of the lowest vacancy rates in Ontario, there is significant demand for affordable rental housing, especially in the southern municipalities. Should the MICAH project not proceed, there will be 32 fewer units of affordable housing in the City of Markham than originally proposed. The Region is working with MICAH to ensure every effort is made to keep the project viable to facilitate those additional affordable rental units. However, if funds must be reallocated to the Unionville Seniors Affordable housing project, savings in the Development Charge and Social Housing Development Reserves will allow for \$4.8 million of investment in a future project.

7. Conclusion

The Region is working closely with MICAH in efforts to keep the project viable. If the project cannot proceed, the Region will request the Ministry of Housing and Municipal Affairs reallocate the \$4.8 million to the Unionville Seniors Affordable Housing development. This reallocation will proportionately reduce the use of the Region's Development Charge and Social Housing Development funds, therefore saving the \$4.8 million for future growth capital social housing projects.

Establishing this contingency plan is critical to ensure the \$4.8 million in Federal/Provincial IAH-E funds remain in York Region.

For more information on this report, please contact Rick Farrell, General Manager, Housing Services at 1-877-464-9675 ext.72091.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Katherine Chislett
Commissioner of Community and Health
Services

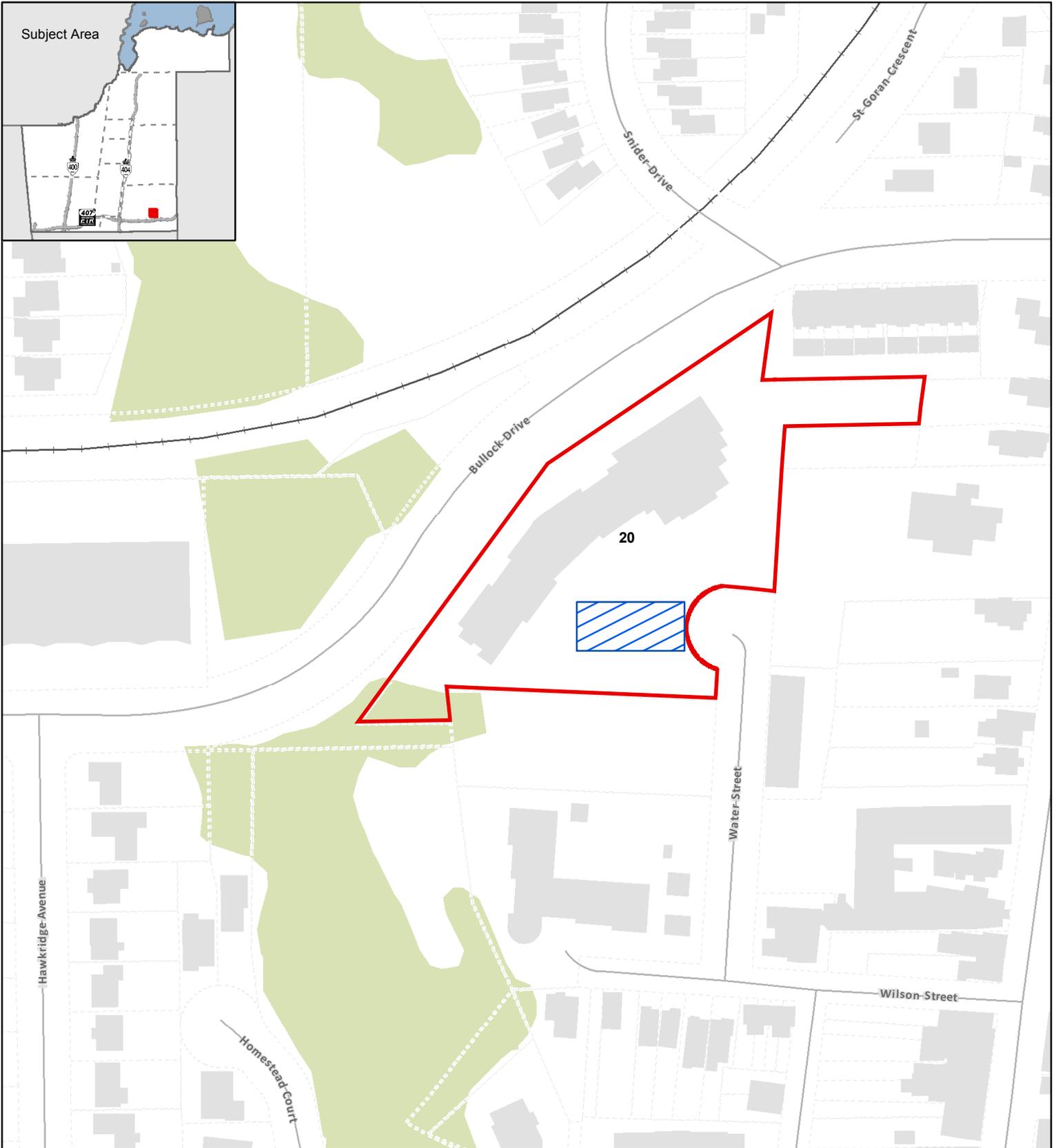
Bruce Macgregor
Chief Administrative Officer

August 28, 2018

Attachment (1)

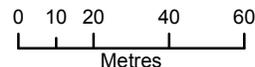
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Accessible formats or communication supports are available upon request



Location Map - 20 Water Street, Markham

Investment in Affordable Housing for Ontario
 (2014 Extension) Program Capital Funding
 Award to Markham Interchurch Committee for
 Affordable Housing September 6, 2018



Legend

-  New Building Location
-  20 Water Street Parcel Boundary
-  Minor Road
-  Railway
-  Parcel Boundary

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 (Branch Name), (Department Name)
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