

# Incentives and “Affordable Housing” for Redevelopment of 210 Main Street East

Emergency & Community Services Committee  
December 7, 2017

Lauren Brady & Cameron Kroetsch

# Overview of delegation

- Past, present, and requested incentives
- Analysis of incentives and developer's requests
- Affordable housing
- Education levy and MHFA
- Staff's findings
- Our conclusions
- What we're asking for

# Developer's request for incentives

- On June 12, Azim Kassam, Ekasa Hospitality Inc., made a delegation to the Emergency and Community Services Committee (Item 6.1) asking the City to provide incentives for his proposed 224 unit rental housing development project at 210 Main Street East.
- The Committee received the delegation and directed staff to “investigate the requests respecting incentives for affordable housing by Azim Kassam, along with any other possible local options, that may assist this and other private investment in the creation of affordable housing.” This motion was approved by Council June 14, 2017.

# Past and present incentives

- In 2007, under the Enterprise Zone Grant Program the site was redeveloped from a car dealership to a Days Inn (received a **grant for approximately 5% of the “eligible” construction costs**) - grant incentives ended in 2013
- The current redevelopment qualifies for incentives as part of the City’s Community Improvement Plan (CIP) of **\$4,678,865 (47% of total “development costs”)**
  - CIP incentives are in place “regardless of the rents that [the developer] chooses to charge”

# Analysis of requested incentives

Type of development cost	\$ from CIP (%)	\$ requested (%)	Total cost to City
Development charges	\$3,034,630 (75%)	\$1,011,556 (25%)	\$4,046,224
Parkland fee	\$0 (0%)	\$150,000 (100%)	\$150,000
Property tax (20 yrs) (NPV)	\$1,644,235 (29%)	\$4,016,049 (71%)	\$5,660,284
<b>Total</b>	<b>\$4,678,865 (47%)</b>	<b>\$5,177,605 (53%)</b>	<b>\$9,856,508</b>
% of redevelopment value (\$36,000,000)		<b>14%</b>	<b>27%</b>

# What the developer is requesting

- An additional **53%** of the development costs for a total of **100%** of the development costs (47% under CIP)
- An additional **14%** of the redevelopment value for a total of **27%** of the redevelopment value (13% under CIP)
- “Affordable housing” status with rents charged at **120%** of the CMHC Downtown Market Average (though lower than the City’s “affordable housing” threshold of **125%** - we’ll come back to this point)

# Numbers based on CMHC (2017)

Type (Number)	2017 CMHC Downtown Market Average	Developer's Rent Appraisal from May 2017	Developer (according to staff report at 120%)	23 Spring Street from October 2017 (not AH)
Bachelor (14)	\$699	\$950	\$839	N/A
1 Bedroom (140)	\$859	\$1,250	\$1,031	\$920-955
2 Bedroom (66)	\$1,075	\$1,450	\$1,290	\$1,120
3 Bedroom (4)	\$1,305	\$1,800	\$1,566	N/A

# Percentage comparison

Type (Number)	2017 CMHC Downtown Market Average	Developer's Rent Appraisal from May 2017	Developer (according to staff report at 120%)	23 Spring Street from October 2017 (not AH)
Bachelor (6%)	100%	136%	116%	N/A
1 Bedroom (63%)	100%	145%	121%	107-111%
2 Bedroom (30%)	100%	135%	120%	104%
3 Bedroom (2%)	100%	138%	118%	N/A



# What is “affordable housing”

- Canada Mortgage and Housing Corporation (CMHC) provides “average market rents” for municipalities
- The *Planning* and other *Acts* allow municipalities to determine what qualifies as affordable housing; many qualify this in relation to CMHC rates
- The City of Hamilton has defined “affordable housing” **at 125% of CMHC rates**

# Education levy and MHFA

- The Education Levy amount in the report is listed as \$64,400 annually (at 0.0114 of the assessed value?); the simple total (not NPV) of this annual cost over 20 years is **\$1,288,800**
- Some of this **requires a “Municipal Housing Facilities Agreement” (MHFA)** - the test for the “affordable housing” component of this agreement requires income verification (**the 60th percentile of the annual income of renters - \$?**)

# Staff's findings

- “However, the incremental **cost is not budgeted and approval of the proposal would be outside of a comprehensive incentive program framework**. Such a framework would provide Council with parameters and information to make fully informed decisions on affordable housing development proposals requesting incentives as they come forward.”
- In sum, **the additional request of \$5,177,605** is not in the City's budget and would require a change to a future budget

# Staff's findings

- “To that end, **staff are of the view that Mr. Kassam’s proposal should be held in abeyance** pending Council’s consideration of the comprehensive incentive program framework and its budget implications.”
- Staff will come forward to this committee with a detailed program framework (not sure when) “... for incentives for affordable rental housing development, including costs and funding considerations from future City budgets (tax supported and rate supported).”

# Our conclusions

- In Appendix C of the staff's report there are direct comparisons made with what happens in **Toronto** and **Ottawa**
- In both comparisons these municipalities use a maximum of the CMHC average market rents for their specific municipalities as the definition of “affordability” (and **less** for some programs)
- Hamilton uses a model that is **125% of CMHC average market rents**

# Our conclusions

- Staff concludes that, with respect to Toronto: “Affordability is defined as 100% of CMHC average market rent, **which in actual numbers is higher than 125% of CMHC average market rent in Hamilton.** The minimum affordability period is 25 years. The program is open to both the non-profit and private sectors.” (Appendix C)
- We feel that this may be misleading. “Actual numbers” (\$) are not relevant when the CMHC specifically publishes data **relative** to each municipality (Hamilton and Toronto “numbers” are not **comparative**).

# What we're asking for

- That any future reports from staff are written separately with respect to **a framework** and **any “requests” from the developer** (210 Main Street East) - this report often conflated information that was “from the staff” and “from the developer”; this has city-wide implications and is not specific to this development alone
- If the developer is providing “appraisals” of the subject property, or other documents, that these be provided and that they be made available for public review

# What we're asking for

- At this committee on June 12, and on the subject of “affordable housing”, Matthew Green said, “I would urge Mr. Kassam to go back to the CMHCs that are Hamilton specific ... **we have defaulted to a private sector's notion of what affordability is** and today's affordability is yesterday's luxury accommodation ...”
- So, we're asking the City to replace **125% of CMHC average market rents** as its threshold for “affordable housing” and replace it, in all its bylaws and policies, with **100% of CMHC average market rents**