




Hamilton

**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Emergency and Community Services Committee
<b>COMMITTEE DATE:</b>	June 20, 2019
<b>SUBJECT/REPORT NO:</b>	Affordable Housing Demonstration Project (HSC19034) (Ward 4)
<b>WARD(S) AFFECTED:</b>	Ward 4
<b>PREPARED BY:</b>	Edward John (905) 546-2424 Ext. 4860
<b>SUBMITTED BY:</b>	Paul Johnson General Manager Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That Report HSC19034 respecting the proposed Roxborough demonstration project be received;
- (b) That Council, in its capacity as Service Manager under the Housing Services Act, 2011, approve the request of CityHousing Hamilton (CHH) for the following:
  - (i) The transfer of 18 (eighteen) existing Rent Gear to Income subsidies to a separate Housing Provider selected by the Housing Services Division to offer new units to households on the centralized waitlist;
  - (ii) The sale of an approximate 7-acre portion of the Lang-Hayes-Reid lands;
  - (iii) The relocation and transition plan to accommodate the residents during the redevelopment of the Lang-Hayes-Reid lands;
- (c) That staff be directed to bring forward the recommended draft program description to the Roxborough Community Improvement Plan Area (CIPA), as contained in Appendix "A" to Report HSC19034, to the Planning Committee for a statutory public meeting in accordance with Section 17 (15) (d) of the *Planning Act*;

- (d) That the additional annual operating impact, estimated at \$400,000, related to CityHousing Hamilton's Roxborough housing units be included in the City's 2021 operating budget;
- (e) That an annual operating budget enhancement of \$2.09 M be included in the City's 2021 operating budget for the Housing Services Division to fund the cost of development charges loan/grant programs to be offered through the Roxborough Community Improvement Plan Area, estimated at \$10.47 M over 5 years;
- (f) That the General Manager of Finance and Corporate Services be directed to establish a Roxborough Community Improvement Plan Area Reserve; and,
- (g) That any unspent funds budgeted through the annual operating budget for the cost of development charges loan/grant programs to be offered through the Roxborough Community Improvement Plan Area (CIPA), be allocated to the Roxborough CIPA Reserve at the end of each year.

## **EXECUTIVE SUMMARY**

The 'Roxborough Park' development is a mixed income and mixed tenure development on lands which contained the former Roxborough Park School (currently owned by Roxborough Park Inc. (RPI)) and adjacent lands (currently owned by CityHousing Hamilton (CHH)). The demonstration project is the result of a comprehensive and co-ordinated effort to deliver community revitalization in a meaningful and equitable manner, one that seeks to ensure the re-developed community is not only desirable to live within but available to all future residents regardless of income and household size.

The development is intended to satisfy a number of planning, environmental and social policy objectives. In order to facilitate this development and future neighbourhood revitalization, staff has created a new Community Improvement Plan Area (CIPA). Staff are proposing a package of incentives, consisting of forgivable loans to cover Development Charges (DC) and Parkland Dedication waivers applicable to affordable housing and neighbourhood revitalisation, as well as, recommending financial support to assist with the operational payments required for the new CHH building.

The CIPA, through the recommended program provisions, will facilitate the re-development of the lands in a manner which secures a number of important housing outcomes; achieving a comprehensive residential environment that contains a variety of built form, tenure and affordability options. The increased intensification will also result in significant tax assessment uplift, particularly given that the lands under CHH ownership are currently tax exempt.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The cost of a development charge (DC) loan/grant program is expected to cost the City \$10.47 M based on the proposed July 2019 DC rates, as published at time of writing, and the current development plans for the site.

The impact of the Cash-in-lieu for Parkland waivers would be approximately 3.9 M.

**Staffing:** Administration of the new CIP program can be accommodated by staff in the Housing Services Division.

**Legal:** Subsection 28 (7) of *The Planning Act* permits a municipality in accordance with a Community Improvement Plan, to make loans and grants which would otherwise be prohibited under Sub-section 106(2) of *The Municipal Act*, to the registered owners, assessed owners, tenants, or their respective assignees, of lands and buildings within the designated Community Improvement Project Areas.

Implications regarding the introduction of Bill 108, More Homes, More Choice Act, 2019 have not been addressed in this Report as the regulations have not been released at the time of writing. Staff will continue to monitor Bill 108 and will report back on implications to this program as needed.

**HISTORICAL BACKGROUND**

The demonstration project is located within the McQueston Neighbourhood. This neighbourhood is bounded by the Red Hill Valley to the east, Queenston to the south, Parkdale to the west and the railroad tracks between Barton and Burlington Streets to the north. It is home to over 7,000 residents.

Studies by the Social Planning Research Council have profiled the neighbourhood, with findings suggesting that the social and economic vulnerability of its population is more significant than other neighbourhoods. This vulnerability is particularly acute in young families and elderly people.

The proposed community revitalization would in part, address this vulnerability through providing additional housing options for a variety of economic needs. The development would also result in the renovation and revitalisation of existing social housing units in

need of significant capital repair and serve as a catalyst for neighbourhood renewal in a sustainable and inclusive manner.

The subject lands include the site of the former Roxborough Park School, which has been closed since June 2015 and which was demolished in 2017. The school site was purchased by Roxborough Park Inc. (RPI), with the intent of developing a residential development.

The re-development of the subject lands for residential purposes is considered both appropriate and desirable as it is situated within an existing residential neighbourhood, adjacent Roxborough Park and serviced by higher order transportation network, including but not limited to the Red Hill Parkway and the future GO Station at Queen Elizabeth Way (QEW) and Centennial Parkway (Confederation Station) and in proximity to a stop on the proposed Light Rail Transit (LRT) route.

The inclusion of additional lands owned by CityHousing Hamilton (CHH) resulted following discussions with RPI and which has since created a proposed demonstration project that includes mixed income, mixed tenure units, and re-development of existing housing stock that is at the end of its intended lifecycle and requiring significant Capital expenditure in order to repair. This was discussed in detail at the CHH Portfolio Committee on September 16, 2016. At that meeting the following motion was made and unanimously approved:

“That staff continue discussions with Roxborough Park Inc. representatives and report back to a future committee with the result of those conversations.”

On this premise, staff has coordinated work within several divisions including Planning, Economic Development, Housing Services, CHH and the proponents to determine a comprehensive plan for delivery of an affordable housing demonstration project. One key determinant to the success of the development would be the availability of financial assistance from the City to ensure a meaningful spectrum of affordable housing is created and secured.

Report PED16236 which was presented to the General Issues Committee (GIC) in December 2016, highlighted the options available for consideration in order to facilitate the demonstration project. The Report previously recommended that further investigation be conducted to determine the most appropriate approach. This review was presented in the subsequent Report PED16236(a) in which the CIPA approach was approved, given that it was considered the most appropriate in order to achieve the desired outcome and to be in a position to potentially replicate this approach in other suitable locations. The CIPA approach, much like the current Downtown CIPA, would be used as a catalyst to spur investment and redevelopment, but unlike the Downtown CIPA, the incentives would intentionally be designed to foster mixed income and mixed tenure in order to reduce pressure on displacement of existing residents and further, to

avoid significant income disparities with respect to the wealth distribution of future and existing residents.

Report PED16236(b) formally created the CIPA boundary with the intent to have specific program details established once the sale of the lands and cost of the building was approved by the CHH Board.

With respect to the CHH Board, discussions between the proponents and CHH have been on-going since this time and which have proceeded to the approval in principle to the land transaction and commitment to fund the newly proposed CHH Building. This approval is contingent on the approval of the recommendations contained within this Report.

In terms of chronology, a Report providing options for the disposition of the lands and the re-development of units for CHH was presented in-camera on October 24, 2017 to the CHH Portfolio Committee. The following recommendation was issued:

- (i) The Board of Directors approve in principle the sale and purchase of the Lang-Hayes-Reid site to Roxborough Park Inc. (RPI), contingent on continued negotiations with RPI towards finalizing the proposed development opportunity as described in this Report, provided it is confirmed to be in alignment with the goals and mission of the organization and accompanied with detailed legal and financial commitments including but not limited to the following:
  - (a) Companion agreements securing housing affordability is achieved throughout the balance of the site to the satisfaction of the CHH Board of Directors and the City of Hamilton;
  - (b) That an independent appraisal, sourced and selected by the City of Hamilton, and paid for by RPI, is provided for the lands to be sold to ensure fair market value is received;
  - (c) That a purchase and sale agreement be prepared, including, but not limited to construction costs and construction details regarding the 95-unit CHH building to be developed, all to the satisfaction of the CHH Board of Directors;
  - (d) That a Transition Plan and Communication Plan be submitted and approved to ensure that all residents are appropriately engaged and provided with current information, to the satisfaction of CHH Board of Directors and the City of Hamilton; and,

- (e) That innovative design and construction measures are incorporated within the proposed 95-unit CHH building to ensure the ongoing commitment of CHH to secure economic and social sustainability.

Following approval of this recommendation, City staff and RPI worked with the community and CHH representatives to address the matters identified above. This culminated in the CHH Report submitted and approved by the CHH Board on June 10, 2019.

The applicant has also submitted and received approval of the requisite formal *Planning Act* applications to re-zone and re-designate the subject lands. These applications were approved and are in full force and effect.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### *Housing Services Act, 2011*

The *Housing Services Act, 2011* (Act) requires housing providers to obtain Service Manager consent prior to any transfers of social housing units. On January 1, 2017, the Ministry of Municipal Affairs and Housing issued a Directive to Service Managers that the net financial proceeds generated from the sale be used to support either the delivery of another transferred housing program (i.e. subject to the Act) or in furtherance of another housing-related purpose contemplated in the Service Manager's housing and homelessness plan.

### Urban Hamilton Official Plan

The following Urban Hamilton Official Plan (UHOP) goals and policies strive to increase the supply of affordable housing in Hamilton:

#### Goals:

- B.3.2.1.3 Increase Hamilton's stock of affordable housing of all types, particularly in areas of the City with low levels of affordable housing.
- B.3.2.1.4 Increase Hamilton's stock of housing for those whose needs are inadequately met by existing housing forms or tenure, affordability or support options.

#### Policies:

- B.3.2.3 Many households in Hamilton cannot obtain housing that is affordable or appropriate to their needs. Households and individuals may be at risk of

homelessness because of economic and/or personal circumstances where a level of support is required to live independently. Hamilton's aging and diversifying population has new and unique housing needs that cannot solely be met through current housing options. The City recognizes the importance of affordable housing and housing with supports in meeting the housing needs of those without the resources to participate in the private housing market.

B.3.2.3.2 Where appropriate, assistance shall be provided, either by the City and/or by senior governments, to encourage the development of affordable housing, with priority given to projects in areas of the City that are lacking in affordable housing. City assistance may include selling or leasing of surplus City land or financial assistance.

B.3.2.3.6 Investment in new affordable housing shall be encouraged by a coordinated effort from all levels of government through implementation of a range of strategies, including effective taxation, regulatory and administrative policies and incentives.

#### Housing and Homelessness Action Plan

In December 2013, Council approved the City's 10-year Housing and Homelessness Action Plan which is a strategic and implementation plan to address affordable housing and homelessness in Hamilton (Report CS11017(c)). The development of the Action Plan was informed by extensive community engagement and a comprehensive needs analysis and provides a framework to inform decisions about housing resource allocation in Hamilton.

The Action Plan is currently in the process of its 5-year review however, the following strategies remain fundamental considerations. These current strategies set out several considerations which are designed to address the supply, affordability and quality of Hamilton's affordable housing stock:

Strategy 1.2: Explore the potential for new incentive and funding programs and expand and promote more broadly existing City incentive programs to increase the supply of affordable housing (e.g., capital grants/loans, tax deferrals, waived development and other charges, etc.).

Strategy 1.5: Explore the feasibility/further promote opportunities that exist in the Urban Hamilton Official Plan for density bonusing and use of Community Improvement Plans to offer other incentives for affordable housing.

- Strategy 2.1 (a): Encourage mixed housing and mixed income development in all urban neighbourhoods by increasing opportunities for rental, social and affordable housing in areas that currently offer limited opportunities.
- Strategy 2.1 (c): Encourage mixed housing and mixed income development in all urban neighbourhoods by exploring opportunities for social housing communities to redevelop to include a mix of new housing options.
- Strategy 2.3: Increase homeownership opportunities for renters, including social housing tenants.
- Strategy 2.8: Explore options that ensure social housing applicants and tenants have as much choice as possible.
- Strategy 4.6: Increase the number of rental units that meet the needs of larger families.

It is considered that the proposed Roxborough Park Demonstration project would secure these strategies.

#### **RELEVANT CONSULTATION**

- Financial Planning, Administration and Policy Division, Corporate Services Department; and,
- Economic Development, Planning and Economic Development Department.

#### **ANALYSIS AND RATIONALE FOR RECOMMENDATIONS**

The project consists of developing upwards of 600 residential units, in the form of townhouses (including street/stacked/back-to-back), with three proposed rental multiple dwellings (10 storeys in height) sited in proximity to Queenston Road.

Currently, the lands include the former Roxborough School (now demolished) on the lands owned by RPI and 91 Rent Geared to Income townhouses and 16 market apartments (one bedroom) on the lands owned by CHH.

The Roxborough development is an ideal candidate for an incentive demonstration project. It is a large (approximately 4.5 ac) contiguous piece of property that when combined with the existing CHH lands (approximately 8 ac), would enable the revitalisation of existing subsidized units at the end of their lifecycle within a larger mixed income development. The lands are currently underutilized and



appropriately suited to take advantage of intensification. The lands are serviced by existing and future transportation infrastructure and are designated for residential development within the UHOP.

The lands are also adjacent to Roxborough Park immediately to the north, and which is also planned for redevelopment in co-ordination with this development and in part financed by contributions of the developer (RPI). Such coordination of development would not only result in public realm improvements for the wider area, but also create more enhanced amenity space that could foster increased community interaction.

Additionally, work is underway on the development of the former St. Helen's School site also located within the McQueston Neighbourhood. Council Motion of February 14, 2018 sought to purchase the site and make it available in the long-term for community use. While this is a separate process and still in the development stage, future uses may provide important community supports for the residents of the Roxborough development, creating a more sustainable and complete community. As detailed within previous Reports, the CIPA boundary extends to include these lands and as a result also assist future redevelopment of the former St. Helen's School.

As there are current residents in the existing units, transition planning has been a central consideration. Throughout the process staff have engaged the existing residents, informing them of the on-going proposal as well as seeking inputs on design and other desired outcomes which have been introduced into the development.

The proposed 103-unit CHH building will be the first building constructed on site. This phasing of development is considered to be the least impactful upon existing residents. It would allow many of the residents to stay within their existing accommodations during the construction of the proposed new CHH building, avoiding the need for subsequent moves and transitional accommodations for those residents who wish to reside in the new multiple dwelling. These transition details have been assessed and developed through resident consultation and ultimately determined through the transition plan that forms part of Recommendation (b) (ii) of this Report.

**Core Principles for Re-development**

Through initial discussions regarding this demonstration project, a number of core principles were developed by staff in order to ensure the development satisfied current policy requirements, and demonstrated a meaningful approach to sustainable, inclusive community building that prioritizes affordable housing. These core principles (and how they were secured) are as follows:

- **Maintain Current Service Level Standards**

103 of the existing 107 units on site would be replaced within the proposed development. Of those 103 units, 70% (73 units approx.) would be RGI units and the remainder 30% (30 units) would be Affordable Market Rental (AMR). In order to ensure current service levels are maintained, it is proposed that 18 RGI units be transferred to a new housing provider. In this instance, the intended recipient is to be Indwell who require equivalent rental subsidies to in part make the proposed 45 units at the Royal Oak Dairy site viable. Approval for this forms part of Recommendation (b)(i) of this Report.

- **Net increase in the Number of Units (both affordable and market)**

The site would be intensified from 107 units and a former school site to 600+ units. The development would also result in over 300+ units falling within the affordable housing spectrum. This would include the 103 rental units owned and operated by CHH (73 deep subsidy (RGI) and 30 rental units at 125% AMR); over 200 market rental units, and over 300 ownership units with 200 units that would be approximately 10% below market.

- **Achieve Income Mix**

The intent has always been to deliver a re-imagined community that contains a spectrum of units that provides a range of housing options for all community members, including households with incomes below the 40<sup>th</sup> income percentile (i.e. deeper affordability). It is considered that this graduated income approach fosters greater social cohesion and reduced stigmatization particularly in contrast to alternative mixed income approaches that provide deep affordable units in conjunction with true market units.

- **Tenure Mix**

Hamilton is experiencing significant constraints in the availability of rental units. The approach for Roxborough was therefore to ensure both ownership and rental units, ensuring a mix of housing options; this is important both in terms of choice but in also delivering affordability in the form of new rental stock.

- **Quality and Environmental Design**

The goal was to create a seamless array of housing forms, both market and affordable defined by a consistently high quality of design; the CHH building will also be built to Passive House standard – delivering significant environmental improvements above and beyond the existing inventory.

- **Mix of Unit Sizes**

Unlike typical market buildings, the CHH building will be able to accommodate a variety of household sizes with the following unit breakdown: 46 one-bedroom units, 9 two-bedroom units, 28 three-bedroom units and 20 four-bedroom units. This in addition to the variation in form across the balance of the lands will ensure a range of housing needs are met through a variety of unit sizes and built forms, including for larger households.

- **Accessibility**

The new CHH building will have over 20% of the units satisfying enhanced accessibility standards in order to satisfy funding requirements.

- **Length of Affordability**

The project will reset the lifecycle of the CHH units to ensure affordability is maintained over the long term.

- **Capacity Building**

The opportunity to include community supports with the housing will be investigated and secured on an on-going basis through co-ordination with housing services and other external agencies.

Whereas the above principles are responding to the specific needs of the subject lands, it is considered that in general, this approach to mixed income development, particularly when it involves sites that currently accommodate subsidized units, would be applicable on a broader City-wide basis.

To facilitate delivery of the above principles and the demonstration project in general, staff prepared a development strategy. The strategy has been divided into several separate but related plans and processes.

## **Roxborough Development Strategy**

### **CityHousing Hamilton Lands Acquisition**

Staff has coordinated work with CHH and RPI to finalize the conditions and outcomes necessary to facilitate the re-development of the CHH and RPI lands with the intent of creating an inclusive mixed income community.

### Incentive Package

As detailed within this Report, the potential range of incentives available will be applied through consideration of this as a 'Demonstration Project' intended to stimulate a mixed income mixed tenure development that provides neighbourhood revitalization in a balanced and inclusive manner.

### Phasing Plan

One of the more significant opportunities with the RPI proposal is the ability to phase development in order to facilitate a logical and less disruptive transition of existing residents. A phasing plan has been developed and integrated into the requirements of the transition plan.

### Transition Plan

Staff have co-ordinated work with CHH and RPI to determine the timing and next steps of this process. Much of this has been contingent on finalizing the other matters listed above.

### Communications Plan

Tenant involvement and engagement has been comprehensive, with staff meeting with the residents on a regular basis to provide updates and seek input each month on matters including design and transition. Public engagement as part of the *Planning Act* has also been completed and statutory requirements for adoption of the CIPA program provisions will be addressed as part of Recommendation (c) of this Report.

### Park Enhancement

The demonstration project provides the opportunity to co-ordinate park enhancements. The current park immediately adjacent to the subject lands is in need of enhancement. A park masterplan and design process is currently underway and in the early planning stages and as mentioned within this Report, would provide a significant opportunity to foster community integration.

### Re-zoning/Official Plan Amendment/Draft Plan of Subdivision/Site Plan

The residential intensification of the lands is one envisioned and encouraged in the UHOP. These applications have been approved and the development is currently under Site Plan Approval.

## **Affordable Housing Demonstration Project**

The demonstration project is intended to highlight how re-development can achieve numerous social, environmental and economic goals. In particular, it should be noted that the following would be secured through this process:

### **Inclusiveness**

Seamless design – quality in design material and built form will be consistent across the site. Visually this will connect the development and remove any visual cues that may otherwise indicate variation across economic income of the future residents of the development.

Interconnected park and trail system – intended to physically and socially link people within and through the development.

Openness – fosters a community design that will improve natural surveillance, sense of ownership and community feel.

Accessibility – emphasis on exceeding the amount and quality of accessible units, particularly understanding how affordability issues are further compounded if combined with accessibility needs.

### **Environmental**

The CHH building will be constructed to Passive House design, not only will this ensure significant utility savings and reduction in Greenhouse gases but also creates substantial improvements to the indoor climate of the residents improving physical and social health.

### **Affordable Home Ownership**

The ability to partner with RPI and through the creation of a CIPA, it is proposed that over 200 of the 300 proposed grade related units could be provided at approximately 10% below market for new construction. The units would be able to achieve this through a combination of forgivable loans to cover Development Charges (DC) and Parkland waivers. The DC and Parkland combined reduction would represent approximately 10% of the market value. Unlike DC waivers currently available in the Downtown CIPA, these reductions will be taken advantage of by the end user as opposed to the developer, resulting in the purchase price being reduced below market value as opposed to the construction price.

Within the program specifications, an agreement will be entered into with the Developer to ensure the end user (i.e. the individual purchasing the below market unit) will be of moderate income and would not own any other residential property. The program details while still in draft form, will be reviewed and finalized with legal prior to enactment in order to ensure the administration of the program achieves this overall intent.

### Market

The intent for this project has been to demonstrate how a mixed tenure, mixed income development is not only compatible, but if integrated appropriately, could foster greater acceptance, tolerance and inclusivity. The mixture of market and affordable units was also intended to allow for some of the affordable housing costs to be shared across the market units.

### Rental

As detailed within this Report, it has been recognized that the development of rental units has been significantly affected since the creation of the *Condominium Act*, which has witnessed significant reductions in the construction of new rental buildings. This has resulted in the existing rental options primarily being of an older stock, limited availability and often in need of significant capital repair. The absence of this type of tenure on the market has resulted in steadily rising market rental rates further compounding the affordability of housing options within the City.

The proposed development would assist with this much needed product on the market, not only providing choice within the market but also adding to the inclusiveness and completeness of this new proposed community through the provision of approximately 200 market rental units. As per the proposed program details, agreements on title of the property will be entered into in order to ensure the property remains rental and within 175% AMR for a period of not less than 10 years. Any subsequent violation would result in a return of the provided incentives on a pro-rated basis.

### Affordable Rental

In terms of social housing, the delivery of a 103-unit building within social housing to be owned and operated by CHH would represent the preservation of a significant component of those units. A significant portion of these units intended to be large (three and four bedrooms) in order to accommodate larger households. The rental market is increasingly under pressure to reduce the number and availability of larger family sized units.

The proposed CHH building would also introduce affordable rental units within the building. This provides not only additional economic sustainability in the operation of the building but provides social sustainability through provision of a mixture of affordability.

**Innovative Affordable Housing Options**

While not forming a requirement of the development, negotiations with the developer continue regarding the aspect of securing additional affordable rents within the market rental building, identifying up to 10 rent-to-own grade related units and the option of 'roughed in' secondary units within the end-unit town homes. It is considered that this form of innovation creates greater housing affordability and provides the opportunity to test the success of these emerging housing trends.

**Provincial and Federal Funding**

Of most significance with this project is the understanding that, unlike previous affordable housing projects, it represents a significant development that relies solely on Municipal contribution based on an innovative use of incentives and funding leveraged against increased tax assessment. This level of commitment by the municipality potentially however can still benefit from additional funding from other levels of government in order to create even greater affordability.

On this matter, the new federal First-Time Home Buyer Incentive delivered through Canada Mortgage and Housing Corporation (CMHC) could be stacked with the incentives provided through this demonstration project. Similar in terms of targeted populations, the ground related units could be carefully targeted to help younger Canadians having trouble affording home ownership. The program is capped at \$1.25 B over three years. The incentive will be limited to households with a maximum combined income of \$120,000 and total borrowing is limited to four times income.

CMHC would offer qualified first-time home buyers a 10% shared equity mortgage for a newly constructed home. The 2019 Federal Budget also proposes to increase the Home Buyers' Plan withdrawal limit from \$25,000 to \$35,000, providing first-time home buyers with greater access to their Registered Retirement Savings Plan savings to buy a home. On this basis, it is feasible for new ground related units to be sold in the Roxborough development for approx. \$360,000, a significant reduction from the average house price in Hamilton of \$478,000.

**Servicing Improvements**

The proposed development would also address larger community issues with respect to servicing and in particular addressing the combined sewer matter that has in part resulted in the repeated issue of flooded basements throughout the community.

Through approval of the Planning Act applications (OPA, rezoning and subdivision) comprehensive servicing and creek controls would serve to functionally lower the issue of flooding throughout the neighbourhood.

### **Community Improvement Plan**

Report PED16236(a) approved the Roxborough CIPA boundary which consists of the proposed development site as well as other lands that are either institutionally designated or owned by CHH, recognizing that beyond just the provision of affordable housing (attached as Appendix "B" to Report HSC19034), areas such as these could provide the opportunity for creation of a development catalyst, stimulating investment in an area that has seen limited development in recent years.

### **Proposed CIP Incentives**

Development Charges (DC) – the proposed program would offer grants equivalent to DC Charges (not including education) for units defined as affordable and for as well as rental units.

Parkland Dedication – similar to that of DC's, the proposed CIP program would seek to waive applicable Cash-in-lieu Parkland Dedication requirements for units defined both as affordable, as well as, for rental units. The current cash-in-lieu of Parkland payment of the development of all units would be 3.9 M. As noted, the area would benefit from the enhancement of the existing Roxborough Park which is in part being separately funded by the developer.

Tax Waivers – were considered but were not recommended given that the tax assessment uplift is an integral consideration of the positive development outcomes and are intended to fund the investment in affordable housing.

Planning Fee Reductions – the demonstration project has benefitted from Planning Fee waivers as they were submitted on behalf of CHH.

As detailed in Recommendation (c) of this Report, staff will work with Legal Services to finalize the draft program details and bring forward a By-law to enact the CIP to Planning Committee at a future date.

### **Additional Financial Implications**

The proposed development would provide a new Passive House designed CHH building (attached as Appendix "C" to Report HSC19034), resetting the capital deficit for the site and stemming the accumulation of approximately \$268,363 annually in identified capital investment for the Lang-Hayes-Reid site (given a 10-year outlook).



The consolidation of grade related units into a single multiple dwelling building provides maintenance savings. Using a benchmark of \$203,000 annually from the average cost over the past three years, savings are calculated from an estimated cost of \$750 per unit moving forward for the first five years to be of approximately \$130,000. Subsequently these savings are normalized to the average cost for a new build of \$1,000 per unit providing approximately \$100,000 in savings from year six on. In addition, given the commitment to Passive House design, considerable utility savings over the existing condition are also expected.

On a typical development pro forma, the building would operate with a cash flow surplus. However, it is noted that this surplus is achieved by reducing expenses through adding back in the value of three items: principal payments, the reduced maintenance amount, and the average capital reinvestment. Although these are areas of value for the proposed development, they do not reduce cash flow requirements, so there remains an actual cash flow shortfall of approximately \$400,000. CHH cannot absorb a loss in cash flow from this project and therefore an increase to annual subsidy equal to the cash flow shortfall is requested from the City of Hamilton. This request is contained Recommendation (d) of this Report.

#### Potential Funding Sources

Given that a grant would be required to cover the DC's, the cost of the program based on the proposed development would be approximately 10.47 M (based on proposed rates in which may increase after July 2019). Additionally, as detailed above, operational investment into the CHH building would be of a cost of approx. \$400,000 annually over the 35-year mortgage.

#### Tax Assessment Increases

It is noted that through the intensification of the lands, the program and operational costs that would be used to incentivise the development could be offset through the increased tax assessment. The significant intensification and re-development of the subject lands would result in considerable tax assessment increases, particularly given that CHH housing is exempt from municipal taxation. Each new townhouse would be expected to pay approximately \$4,000-\$4,500 annually, whereas the tax income from the proposed apartment buildings would be approximately \$550,000 annually (excluding the CHH building which as mentioned is exempt). This would generate between \$2.3 – 2.5 M per year in tax assessment growth.

On this basis, it is feasible to consider that the proposed CIP incentives, which total approx. 10.47 M for full build out (based on proposed rates in July 2019) of the proposed development would be achieved through tax assessment growth after 4-5 years.

Additionally, a proportion of the increased tax assessment would also be utilised to facilitate the operational delta created in the CHH building – thereby ensuring that the land sold for development not only would provide a range and variety of affordable housing in and by itself but would also facilitate and fund deeper affordability within the lands retained by CHH. This model of sustainability and balanced neighbourhood renewal will be tested through the demonstration project and assessed as to the replicability in other locations throughout the City supported through the research and direction contained within the Housing and Homelessness Action Plan.

### **Conclusion**

The consideration of incentives to encourage the development of affordable housing projects through the creation of a CIPA would be consistent and conform to the relevant policies detailed above. The comprehensive re-development would likely provide a catalyst for further investment within the area, increase the existing tax assessment base and replace subsidized units in need of significant Capital repairs.

It is considered that whilst this will be developed as a demonstration project, the information and outcomes can be replicated and enhanced through development of similar CIPAs in areas in need of similar revitalization.

### **ALTERNATIVES FOR CONSIDERATION**

Not Applicable

### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

#### **Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

#### **Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

#### **Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

#### **Clean and Green**

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report HSC19034 – Draft CIPA Program Details

Appendix "B" to Report HSC19034 – Proposed CIPA Boundary

Appendix "C" to Report HSC19034 – Concept Plan and Building Perspectives