




CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

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| TO: | Chair and Members Emergency and Community Services Committee |
| COMMITTEE DATE: | October 19, 2023 |
| SUBJECT/REPORT NO: | Service Manager Consent for Corktown Co-operative Homes Development of 221 and 223 Charlton Avenue (HSC23056) (Ward 2) |
| WARD(S) AFFECTED: | Ward 2 |
| PREPARED BY: | Godfred Okyere-Koranteng (905) 546-2424 Ext. 7373 Brian Kreps (905) 546-2424 Ext. 1278 |
| SUBMITTED BY: | Michelle Baird Director, Housing Services Division Healthy and Safe Communities Department |
| SIGNATURE: |  |

RECOMMENDATION(S)

- (a) That Service Manager Consent be granted to Corktown Co-operative Homes Inc. to merge with Charlton Co-operative Homes Inc. to form a single co-operative housing provider named Corktown Co-operative Homes Inc.;
- (b) That Service Manager Consent be granted for Corktown Co-operative Homes Inc. to undertake the development of 17 affordable units at 221 and 223 Charlton Avenue including taking on a new loan to finance the project;
- (c) That the General Manager, Healthy and Safe Communities Department, or their designate be authorized and directed to execute and administer a Housing Charge subsidy for 5 units at Corktown Co-operative Homes' property at 221 and 223 Charlton in the amount of approximately \$21,000 to be added to and included in the 2025 Tax Operating Budget on such terms and conditions as provided for in the Term Sheet attached as Appendix "A" to report HSC23056 and along with any ancillary documentation and amendments in a form satisfactory to the City Solicitor;
- (d) That the General Manager, Healthy and Safe Communities Department, or their designate be authorized and directed to execute and administer an agreement

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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for an annual operating subsidy, beginning in 2025, for Corktown Co-operative Homes' project at 221 and 223 Charlton in the amount of approximately \$420,000 to be included in the 2025 Tax Operating Budget on such terms and conditions as provided for in the Term Sheet attached as Appendix "A" to Report HSC23056 along with any ancillary documentation and amendments in a form satisfactory to the City Solicitor;

- (e) That the General Manager of Health and Safe Communities be directed to transfer and amend the Charlton Co-Operative Ontario Priorities Housing Initiative Contribution Agreement of the New Rental Housing Component Year 3 funding of \$822,495 to Corktown Co-operative Homes Inc, including all ancillary documents related to administration and funding of the Contribution Agreement; and
- (f) That the City consent to a partial discharge of the operating agreement registered as instrument number VM195526 from title to the portion of the lands municipally known as 200 Forest Avenue in Hamilton which are being conveyed to the City for road widening purposes, and that the City Solicitor or her designate be authorized to take all steps and sign all documents necessary to effect the partial discharge.

EXECUTIVE SUMMARY

Corktown Co-operative Homes Inc. (Corktown Co-op) is a 51-unit apartment complex located at 200 Forest Avenue in Hamilton, has been in operation for 33 years under the Housing Services Act. The Co-operative offers a significant amount of affordable housing with 45 Rent-Geared-to-Income subsidized units and 6 Market units.

Corktown Co-op has had long-standing plans to expand its housing to include smaller 1-bedroom accessible units for seniors and four- and five-bedroom units for larger households. In 2017, Corktown Co-op purchased 2 adjacent houses (221 and 223 Charlton Avenue East) to embark on this project to develop 17 new affordable rental housing units on the land to house seniors and larger households. The new building will target energy reduction of at least 25% below the National Energy Code for Buildings, surpassing the requirements of the Canada Mortgage Housing Corporation Co-investment Fund, and over 75% of the units will be fully accessible with the remaining units having full accessibility on the main floor of the unit.

Corktown retained the services of New Commons Development to undertake a feasibility study of their proposed development. That study led to a review of the project design and feasibility documents and as well as project accounting. New Commons Development concluded that with the support of the City of Hamilton, and Canada

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Mortgage Housing Corporation Co-Investment Fund financing, and appropriate rental income, the project would be feasible.

The current estimated cost of the development of the new 17 units project is \$11,542,794. The City of Hamilton approved \$822,495 from Ontario Priorities Housing Initiatives fund to Corktown Co-op toward development expenses relating to 221 and 223 Charlton Avenue. Now that the two Co-ops are merging, the agreement must be transferred to the new combined entity, Corktown Co-operative Homes Inc.

The project is expected to start in November 2023 after meeting all necessary consents, requirements and building permits from Canada Mortgage Housing Corporation and the City of Hamilton. As part of the approvals process, the City is requiring an increase to the property's road allowance along Charlton Avenue. Because the property is now part of a housing provider that is regulated under the Housing Services Act, the City must give consent to the change.

The development of 17 new apartment units increases the total number of units operated by Corktown Co-op to 68. Corktown Co-op will maintain the existing 45 rent-geared-to-income units at 200 Forest Avenue and add another 5 rent-geared-to-income units raising the number of subsidized rent-geared-to-income units to 50 subsidized units across both buildings operating under one legal name called Corktown Co-operative Homes Inc.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Currently, Corktown Co-op has a mortgage with Canada Mortgage Housing Corporation on their existing building in the amount of approximately \$212,000 as of March 2023 which will be paid off by April 2024. A service agreement and financial plan will be negotiated with Corktown Co-op for its property at 200 Forest Avenue.

The operating budget for the new project at 221 and 223 Charlton is separate from the original building. The annual operating subsidy required for the new project is calculated to be \$420,000. An additional rent-geared-to-income housing charge supplement is also required to cover the five deeply affordable units. The cost of this is estimated to be \$21,000 annually. The actual amount will vary depending on the incomes of the households occupying those units. This amount will also increase annually by the rent increase guideline issues by the Ministry of Municipal Affairs and Housing. Funding for both the housing charge and operating subsidy will be paid through an increase to the Tax Operating Levy in 2025 as

requested in recommendations c) and d) of this report. If additional provincial funds are received to support the project, the subsidy provided will be adjusted accordingly.

Staffing: N/A

Legal: Legal Services would be required to prepare all necessary agreements. Since the purchase of Charlton Co-operative, Corktown Co-operative Homes Inc., has taken over the daily operating functions of Charlton Co-operative and the two co-ops will now operate one entity under the official name of Corktown Co-operative Homes Inc.

HISTORICAL BACKGROUND

Corktown Co-operative Homes Inc. (Corktown Co-op) was established in 1987. Located in the Corktown neighborhood of Hamilton, the Corktown Co-op owns and operates a 51-unit apartment complex at 200 Forest Avenue. Corktown Co-op has a long history in the neighborhood, being instrumental in the creation of Corktown Park across the road from the Co-op, which was previously an old railway yard and loading station.

In the early 2000s, Corktown Co-op decided to build a Phase II on the Co-op's parking lot to provide additional affordable housing for seniors and families, but the lot size was insufficient for new development. In 2017, 2 houses adjacent to the Co-op parking area were up for sale and Corktown Co-op purchased the 2 properties (221 and 223 Charlton Avenue E) for their expansion development. The City requested Corktown Co-op set up a new co-op for the purchase to avoid potential liability risks to the Co-op and City to ensure that the 2 properties would not be covered under the current operating agreement with the Province and City. In January 2018, Charlton Housing Co-operative Inc. was incorporated.

With the support of the City, Corktown Co-op was able to secure a loan of \$400,000 from the Hamilton Community Foundation to purchase the two properties (221 and 223 Charlton Avenue E) for their expansion plan. Initially, the two houses were rented, and the rental income was used to pay property tax, insurance and repairs for the two units. Corktown Co-op has been paying for the taxes and insurance on behalf of Charlton Housing Co-op.

Corktown Co-op has received funding of \$54,000 from the City of Hamilton in a pre-development grant and \$51,000 from CMHC for pre-development work on this project, consisting of a grant of \$11,000 and a low interest loan of \$40,000. Corktown Co-op has also received approval for \$822,495 from the Ontario Priorities Housing Initiative Contribution of the New Rental Housing Component Year 3 funding, \$175,000 from the

Federation of Canadian Municipalities Sustainable Affordable Housing grant program, \$175,000 in a low-interest pre-development loan from the Canadian Co-operative Investment Fund and has applied for construction financing from Canada Mortgage Housing Corporation under the National Housing Strategy Co-Investment Fund program.

On July 30, 2023, Canada Mortgage Housing Corporation, issued a letter of intent for funding under the National Housing Co-Investment Fund Program to Corktown Co-operative Homes Inc. Based on information provided in their application, the Project was deemed to be eligible for a loan of up to \$10,285,083 that consists of a secured repayable loan of up to \$9,860,083 and a secured forgivable loan of up to \$425,000 for the purpose of construction of the Project and is based on the terms and conditions outlined. The Letter of Intent does not constitute final approval but rather sets out the requirements that must be met in order to receive final approval from Canada Mortgage Housing Corporation.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

One of the Housing and Homelessness Action Plan targets is the reduction of individuals on the Social Housing Assistance Centralized Waitlist. The additional 5 units increase by Corktown Co-op from the new building will be supported with rent-geared-to-Income subsidy and will be filled from the Access to Housing Centralized Waitlist and help to meet that goal.

The *Housing Services Act, 2011* (Act) requires that Service Manager Consent is needed by housing providers prior to selling or mortgaging a social housing project, this includes the increase in the road allowance.

RELEVANT CONSULTATION

Corktown Co-operative Homes Inc., along with their developing consultants, New Commons Development, has reviewed the funding and calculations and confirmed the information in this report.

Corktown Co-operative Homes Inc. requested a waiver of municipal property taxes on all its properties. This reduction in expense would also help support the project's pro forma. Based on discussions with Corporate Finance, it was decided that it would be more appropriate to support the development through an additional operating subsidy. This was based on concerns that exempting social/community housing projects from municipal property taxes as this approach permanently reduces municipal revenue.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Corktown Co-op has deep connections in the Corktown neighborhood and is an important nonprofit housing operator in the area. Its vision for this project is to increase the amount of nonprofit owned, affordable rental housing in Hamilton and expand the housing that they manage to allow existing members to have accessible units and units for larger families, while also allowing new members to join the Co-op. By leveraging the adjacent properties and increasing the rental housing that is owned and managed by community, the new units will be maintained as affordable over the long-term.

Corktown Co-op's development was originally funded largely by the province of Ontario. Once their mortgage will be paid off in April 2024, the building will be debt free.

Corktown's board established Charlton Co-op as a separate non-profit co-op to limit risk to the existing co-op during the process to develop the new building. The Charlton Co-op has only one asset, the properties located at 221 and 223 Charlton Avenue. It also has debt associated with loans that were taken from Hamilton Community Housing of the Co-operative Housing Federation to purchase the properties.

Housing Services Division staff are supportive of the merger of the two organizations now that a clear plan has been presented for the development of the new property which would add a total of 17 more units to the City's community housing inventory. The new building will target energy reduction of at least 25% below the National Energy Code for Buildings, surpassing the requirements of the Canada Mortgage Housing Corporation Co-investment Fund, and over 75% of the units will be fully accessible with the remaining units having full accessibility on the main floor of the unit.

The \$11.5M project is being funded through various of sources including pre-development grants by City of Hamilton and Canada Mortgage Housing Corporation, Ontario Priorities Housing Initiatives, Federation of Canadian Municipalities Sustainable Affordable Housing grant, Canada Mortgage Housing Corporation National Housing Strategy Co-Investment Fund, Canadian Co-operative Investment Fund and bank loans leveraging their existing building.

The proforma, or budget, requires two forms of subsidy to make the project viable. The first is additional rent-geared-to-income subsidy in the form of housing charge supplements. The subsidy is based on the difference between what the tenant can pay, and the benchmarked rent established initially by the province. To produce sufficient revenue, the benchmark would be set at 80% Average Market Rent (AMR). A rent-geared-to-income housing charge subsidy of \$21,000 will be required to reduce rents in the five units to deeply affordable levels. An annual estimated operating subsidy of \$420,000 will be required to maintain the operations of the project.

A significant consideration is the risk any potential development would represent to the original project. Since the new loan is being secured against the existing building it

could make it difficult to secure additional repair loans or grants which would be needed because Corktown does not have sufficient Capital Reserves to address all its upcoming repair needs. Corktown Co-operative and New Commons Development Inc. have developed a 15-year plan with Canada Mortgage Housing Corporation which considers potential loan, and grant funds from Canada Mortgage Housing Corporation Co-Investment Fund Repair and Renewal Stream funding and reserve funds, and Canada-Ontario Community Housing Initiative funding.

As noted in the History section of this report, the City of Hamilton provided Ontario Priorities Housing Initiative Contribution of the New Rental Housing Component Year 3 funding of \$822,495 to the project. The agreement was originally made with Charlton Co-operative and the merging of the two projects into one requires that the agreement be transferred to Corktown Co-operative Homes Inc.

ALTERNATIVES FOR CONSIDERATION

None

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report HSC23056: Term Sheet for Housing Charge Supplement and Operating Subsidy Agreement