

East Markham Non-Profit Homes Inc.

*c/o Water Street Non-Profit Homes
20 Water Street, Markham, ON, L3P, 7P7*

To: Town of Markham Mayor and Councillors

From: East Markham Non-Profit Homes Inc.

Date: April 25, 2008

Subject: Request for Financial Incentives and Other Considerations from the Town of Markham in support of Proposed Affordable Rental Housing Project on Deverill Court, Milliken

About East Markham Non-Profit Homes Inc.

East Markham Non-Profit Homes Inc. is a not-for-profit organization established to provide and operate residential accommodation for low and moderate-income families, singles and couples, including seniors and persons with special needs such as victims of domestic violence and persons living with mental illness.

East Markham Non-Profit Homes Inc. was formed by Markham Interchurch Committee for Affordable Housing (MICAHA), as the umbrella organization. MICAHA has developed two existing projects, Cedarcrest Manor, a 150-unit independent living rental housing project for seniors, located on Water Street in Markham and a 26-unit townhouse project on Robinson Street in Markham.

At this time, East Markham Non-Profit Homes Inc. is seeking to develop a 120-unit affordable rental apartment project in the area of Kennedy Road and 14th Avenue in the Town of Markham.

York Region's RFP for Rental Component of Canada-Ontario Affordable Housing Program

In 2006, the Region of York issued a Request for Proposal Pre-Qualification (RFPQ) of respondents interested in applying for capital funding to construct affordable rental housing in the Region under the Affordable Housing Program. In 2007, the Region issued the Request for Proposal to organizations successful in the prequalification process. Capital funding available from the federal and provincial governments is in the form of a grant of up to \$70,000 per unit. York Region has also committed to contributing its portion of development charges towards selected affordable housing projects.

The purpose of the RFP was for the Region to receive proposals from Proponents which were reviewed and short-listed for Regional Council's consideration. We are pleased to confirm that Regional Council selected East Markham Non-Profit Homes Inc. as one of the project to receive funding. East Markham Non-Profit Homes Inc. has recently received a fully executed copy of the Contribution Agreement which confirms the federal, provincial and regional funding contributions towards the project. A copy of the letter from the province confirming funding is attached.

Proposed Affordable Housing Project – Location

An ideal site has been identified for the proposed affordable housing project. It is located on the northwest corner of Kennedy Road and 14th Avenue, in Milliken Mills. The affordable housing site is part of a larger site which will include an office complex to be built by the developer in phase two.

Partnership with Kennison Properties Inc. and DelRidge Homes

Kennison Properties Inc. owns the property at Kennedy Road and 14th Avenue where the project will be built. East Markham Non-Profit Homes has executed a letter of intent with DelRidge Homes for the construction a 120-unit residential building under a modified turnkey arrangement.

Proposed Affordable Housing Project – Building

East Markham Non-Profit Homes Inc. plans to construct 120 apartment units, including 56 one-bedroom units, 26 two-bedroom units, 26 three-bedroom units and 12 four-bedroom units, which will be rented at average rents at 80% of Average Market Rent for the area. It is anticipated that 12 units (10%) will be designed to meet the needs of persons with physical disabilities.

East Markham Non-Profit Homes Inc. has included ground floor space for the use of Canadian Mental Health Association (CMHA) outreach office. The space will be used for programming for the residents of the building referred by CMHA, as well as others in the community.

Partnerships with Support Service Providers

One of the program requirements set by the province is mandatory targets for three tenant groups, in particular, persons with mental illness, persons with dual diagnosis and victims of domestic violence. As part of East Markham Non-Profit Homes Inc.'s proposed development, we intend to provide up to 20 rental apartment units to persons with mental illness and up to 12 units for victims of domestic violence.

We have already received written confirmation of the intention of Canadian Mental Health Association, York Region to provide support services to 19-20 tenants in the building. As well, we will be partnering with one or more agencies that provide support services for victims of domestic violence, who will refer 12 tenants to the building. Discussions are also underway with two other community based agencies, one serving youth and the other serving persons with physical disabilities, about possible referral agreements for a specified number of units in the building.

All units where tenants will receive support services will be fully integrated into the building, with a focus on enabling each tenant to achieve the highest level of independence possible.

Proposed Affordable Housing Project – Clients Served

The project will house seniors, single adults, couples and families with children. Included in this group will be persons with physical disabilities, victims of domestic violence and persons living with mental illness. It is anticipated that residents in the projects will include recent immigrants, persons with disabilities, low-income seniors, the working poor, young single women and their children, single parents and youth.

Within the total units, 27% of the units (32 units) will be rented at OW/ODSP shelter allowance rates, with 12 units designated for victims of domestic violence, and the other 20 units designated for persons living with mental illness. The remaining units in the building will be rented to households below the CMHC Average Market Rent for the Town of Markham.

Affordable Housing Program Timelines

As noted above, all projects funded under the Affordable Housing Program must be built and occupied by **March 31, 2010**. The site requires a consent to sever, but is appropriately zoned for the intended use. We believe we will be able to meet the timeline set for the project.

Opportunity for over \$10 million of Capital Grants for Markham

We believe that the Town of Markham and East Markham Non-Profit Homes Inc. have a unique opportunity to obtain much needed capital funding for affordable housing in Markham. The proposed project is estimated to cost approximately \$24.6 million. We have received confirmation that \$8.4 million in federal/provincial funding has been committed from the Affordable Housing Program. In addition, the Region will contribute its portion of the development charges which are estimated to total almost \$1.38 million. As a provider of rental housing for low-income households, East Markham Non-Profit Homes Inc. anticipates that it will be eligible to receive approximately \$.5 million in GST rebates. East Markham Non-Profit Homes Inc. has also received confirmation from Canada Revenue Agency that it has been given status as a registered charity, and is

therefore eligible for approximately \$.5 million in PST rebates. In addition, it is estimated that the project would bring in approximately \$110,500 per year in property taxes.

East Markham Non-Profit Homes Inc. has a capital fundraising target of \$600,000 which is also needed to ensure the financial viability of the project. Community faith groups, businesses and individuals are being approached to contribute towards East Markham Non-Profit Homes' capital campaign.

Financial Status of the Affordable Rental Housing Project and Impact of Town of Markham Fees and Charges

The project can afford a first mortgage of approximately \$13 million. It is critical to the financial viability of the project that the Town of Markham consider this request for financial incentives for the proposed 120-unit affordable housing building.

Specifically, East Markham Non-Profit Homes Inc. is requesting conditional grants in lieu of Town development charges and cash in lieu of parkland applicable to the project, as well as deferral of payment of site plan application fees. These incentives have the potential to financially assist the project as follows:

- Town portion of residential development charges is estimated at \$608,976
- Town portion of area specific development charges is approximately \$54,128
- Cash in lieu of parkland requirement is estimated to be \$1,027,571 (based on the Town's parkland requirement of 1 hectare of parkland per 300 units and the value of the land at \$1.8 million for a .7 ha site, and the project containing 120 units) or alternatively, \$90,000 based on 5% of the land value.

Site plan application fees are estimated at \$75,749, including Town engineering fees. At site plan application submission, approximately \$27,400 in site plan application fees are due with the balance due when the site plan application is executed. This upfront cost is a burden to East Markham Non-Profit Homes Inc. as funding from the Affordable Housing Program is not received until building permit has been obtained.

Energy Efficiency Requirements

As stated in the Report to Development Services Committee dated March 18, 2008, the Town of Markham has set a requirement for all new multi-residential housing to meet the LEED Silver standard. As noted in that report, the Ontario Building Code will require all new larger residential buildings to "meet standards that are substantially in accordance with energy efficiency levels that are 25% higher than the Model National Energy Code for Buildings (which will be similar to LEED)". Further, the report states that medium and high density residential projects such as East Markham's project that have submitted an application for site plan agreement but have not yet received

endorsement should comply, "unless compelling reasons or hardship can be demonstrated".

Although East Markham Non-Profit Homes is confident that the proposed affordable housing building will meet or exceed the Town's LEED Silver standard, the costs to certify that the building meets this standard may jeopardize the financial feasibility of the project. It is estimated that the additional consulting fees related to certification would be in the \$50,000 to \$60,000 range. These are costs that have not been budgeted for and would be very difficult for East Markham Non-Profit Homes to secure in addition to its \$600,000 fundraising commitment. For this reason, we are seeking relief from the LEED Silver certification process.

We can confirm that alternative standards for energy savings must be met for this project, as outlined in the Affordable Housing Contribution Agreement between the Regional Municipality of York and East Markham Non-Profit Homes. In that document, a number of conditions are outlined that must be met by the Proponent (East Markham Non-Profit Homes Inc.). In Section 3. Development of Project, the agreement states the following:

3.3 The Proponent acknowledges and agrees that the Region shall have the right to terminate this Agreement forthwith and to re-allocate to other proponents any units allocated to the Project if:

(b) where the Proponent intends to have tenants responsible for a portion of utility costs and charges, the Proponent has failed to provide to the Region on or before December 31st, 2007, an opinion in writing from the Proponent's design consultants that the proposed Project uses at least twenty-five (25%) less energy than a similar building designed to the Model National Energy Code of Canada for Buildings (MNECB);

To further clarify, with regard to the stated date of December 31st, 2007, the agreement also states in Section 3 that the Region may extend any dates.

As shown above, the project must attain at least a 25% savings in energy than similar buildings constructed to the current standards in the MNECB. We confirm that this target will be met or exceeded, and will be documented by the design consultants.

In order to meet this level of energy efficiency, the DelRidge has confirmed that the building will be developed to an alternative standard called EnerBuild 7000 that meets or exceeds the standard set for LEED Platinum. The building will include considerable energy-saving components as follows:

- geothermal heating and cooling system, as well as solar panels to collect solar energy

- insulation with a rating of R50 in the roof to retain energy in the winter and reduce summer solar heat gain
- quality windows and exterior doors
- generous natural lighting and bright attractive paint colours, to reflect natural light and reduce requirement for artificial lighting
- individually controlled heating and cooling systems
- low water usage toilets, faucets, and shower heads
- low energy light fixtures
- energy efficient appliances throughout the building
- individual metering with billing directly to apartment residents to encourage mindful, efficient use of energy
- attention will also be given to convenient domestic waste separation and collection

In summary, while the building will not be certified as a LEED Silver building, the components which will be included in the building will attain significant energy savings, at over 25% of the MNECB, as well as other key sustainable features, and therefore, the building will meet the intent of the Sustainable Development Standards and Guidelines established for the Town of Markham.

Servicing Allocation

Further to the Town of Markham report dated September 26, 2006 where the Town confirmed the availability of servicing for “approximately 100 units” following receipt of the staff report entitled “Servicing Allocation for Markham Project(s) under the Rental Component of the Canada – Ontario Affordable Housing Program”, East Markham Non-Profit Homes would like to formally request a servicing allocation for its 120-unit affordable housing project.

East Markham Non-Profit Homes Inc.’s Request of the Town of Markham

In summary, East Markham Non-Profit Homes is seeking Town of Markham support of the proposed 120-unit affordable housing project as follows:

A. Financial Incentives

1. Provision of conditional grants-in-lieu of the Town’s portion of development charges, estimated to total approximately \$663,104;
2. Reduction of the alternative parkland dedication charge to 5% of the land value, rather than 1 hectare of parkland per 300 units and provision of conditional

grants-in-lieu of the Town's portion of cash-in-lieu of parkland, at \$90,000, calculated at 5% of the land value;

The above reduction and conditional grants-in-lieu of charges would be made on a conditional basis, contingent on the project moving forward to construction as an affordable rental housing project and the execution of an agreement between East Markham Non-Profit Homes Inc. and the Town of Markham respecting affordable rental rates and financial arrangement of significance to the Town, to the satisfaction of the Town Solicitor.

B. Deferral of Payment for Site Plan Application Fees

3. Deferral of site plan application fees at time application is made until the building permit is issued, with the exception of \$3,800 to be paid at the time the application is made;

The above deferral would be made on a conditional basis, contingent on the project moving forward to construction as an affordable rental housing project.

C. Approval for Alternative to Achieving LEED Silver Standard

4. Approval to utilize EnerBuild 7000 as a comparable "Alternate Standard" to the required demonstration of achievement of LEED Silver.

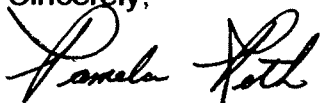
D. Servicing Allocation for 120 Residential Units

5. Servicing allocation for 120 residential units, further to the Town of Markham report dated September 26, 2006 where the Town confirmed the availability of servicing for "approximately 100 units" following receipt of the staff report entitled "Servicing Allocation for Markham Project(s) under the Rental Component of the Canada – Ontario Affordable Housing Program.

The above servicing allocation would be made on a conditional basis, contingent on the project moving forward to construction as an affordable rental housing project and the execution of an agreement between East Markham Non-Profit Homes Inc. and the Town of Markham respecting affordable rental rates and financial arrangement of significance to the Town, to the satisfaction of the Town Solicitor.

We appreciate the Town of Markham's continued support of East Markham Non-Profit Home Inc.'s 120-unit affordable housing project.

Sincerely,



Pamela Roth, President
East Markham Non-Profit Home Inc.

**Ministry of
Municipal Affairs
and Housing**

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March 20, 2008

Ms. Pamela Roth
President
East Markham Non-Profit Homes Inc.
20 Water Street
Markham, ON L3P 7P7

Dear Ms. Roth:

Re: 7812 Kennedy Road, Town of Markham, 120 units
East Markham Non-Profit Homes Inc., Regional Municipality of York
**Canada-Ontario Affordable Housing Program (AHP) – Wave 1 Rental and Supportive
Component**

I am pleased to confirm that funding in the amount of \$8,400,000 for 120 units for the 7812 Kennedy Road project has been approved under the Wave 1 Rental and Supportive component of the Canada – Ontario Affordable Housing Program (AHP). This conditional letter for funding is based on the recommendation of the Regional Municipality of York.

This funding commitment replaces the Conditional Letter of Commitment issued to the 7812 Kennedy Road project on February 18, 2008.

Your project is one of 519 approved AHP capital projects for 10,953 units across the province. These projects are in various stages of development, and many are occupied.

Under the new Canada-Ontario Affordable Housing Program Agreement, housing will be provided for Ontario's most vulnerable – including people on, or eligible to be on, the social housing waiting list, victims of domestic violence, individuals dealing with substance abuse/mental illness issues, Aboriginal people, recent immigrants, people with physical disabilities, and lower-income seniors.

Congratulations on this significant accomplishment. The Province of Ontario is pleased that you are able to utilize AHP funding to provide affordable housing in your community.

Sincerely,



Janet Hope
Assistant Deputy Minister (Acting)
Housing Division

c: Gabriel Tropea, Manager, Housing Department, Regional Municipality of York
Ian Russell, Team Lead, Regional Housing Services, MSO – Central