

Monday, July 15, 2019

Subject: Affordable Housing Proposal by R. Hummel

Recommendation:

<p>BE IT RESOLVED THAT Council receive Report CPD-0028/2019; and</p> <p>THAT Council not pursue the housing proposal by R. Hummel.</p>
--

Background:

Mr. R. Hummel is a Niagara developer and owns approximately 6.61 ha of land in the Town of Pelham, primarily in the East Fonthill neighbourhood. Mr. Hummel met with Town staff and the Mayor and proposed a concept for the provision of housing that he would develop which he indicated would meet a level of housing affordability for the community of Pelham.

Analysis:

Proposal by R. Hummel

Mr. Hummel is proposing to utilize a federal housing program that provides low interest rate loans to non-profit organizations and developers for the construction of affordable housing. Mr. Hummel is proposing to construct apartment type housing units in two locations; the first being on a property on the east side of Station Street that he owns and the second, on a property on the north side of Port Robinson Street. Mr. Hummel indicated that the projects would be a for profit development not a non-profit.

Mr. Hummel proposes that the first project on Station Street would consist of an 8 unit apartment building that would be built as a condominium building, his company would own all the units and that they would be rented at 90% of the average market rental rate for a one, two or three bedroom unit, depending on the unit, for 15 years. After 15 years the units would be sold as condominium

units for profit.

The second project on Port Robinson Street would consist of 28 apartment units and would be developed in the same manner as the first building, i.e. units offered for rent for 15 years at 90% of the average market rental rate and sold after 15 years for profit as condominium owned unit.

In return, Mr. Hummel would be seeking financial relief on Town development charges, planning application fees, building permit application fees, parkland dedication fees, tax relief for 4 years on the Town taxes payable on the units, and expedited approvals.

Presumably the regional and school board development charges, regional planning application fees and regional and provincial taxes would be paid as the Town has no authority to provide relief of those matters.

Mr. Hummel has indicated that with the low interest rates loans offered by the federal government together with the municipal relief, he will be able to construct residential apartment units that can be offered for rent at 90% of the average market rate, thereby achieving a degree of "housing affordability" and providing housing options. Mr. Hummel's research indicates that \$1400/month is the average monthly rent for a two bedroom apartment in Pelham. Note, Town staff have not verified this information. Under Mr. Hummel's proposal the rent for a two bedroom apartment at 90% of the average market rate would be \$1,260/month.

Housing Affordability Policies

The Provincial Policy Statement requires that planning authorities establish targets for the provision of housing which is affordable to low and moderate income households. Affordable is defined as:

"a) in the case of ownership housing, the least expensive of:

- 1. Housing for which the purchase price results in an annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate households; or*
- 2. Housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area;*

b) in the case of rental house, the least expensive of:

- 1. A unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households; or*
- 2. A unit for which the rent is at or below the average market rent of unit in the regional market area."*

Low and moderate income households is defined as:

- "a) in the case of ownership housing, households with the lowest 60% of the income distribution for the regional market area; or*
- b) in the case of rental housing, households with incomes in the lowest 60% of the income distribution for renter households for the regional market area."*

In the Town Official Plan there are targets for housing affordability, specifically in areas designated Downtown, it is a policy that at least 50% of the dwellings constructed in the Downtown designation should be affordable to low and moderate income households and in the East Fonthill secondary plan area, there is an objective that sets a minimum target of 25% of all new residential development meet the provincial definition of affordable housing, through the provision of smaller housing units; promoting higher density built forms; applying government grants and/subsidies including land dedication that will reduce overall development costs; waiving or reducing municipal permit fees, taxes and/or development fees; and encouraging the development of accessory apartments.

The challenge in realizing these targets, is that the Town does not control what the market will bear with respect to housing prices/rents, labour and cost of construction, and land values; rather the market determines these costs and these costs in a large part determine housing costs and are passed onto the consumer.

The provincial government does annually release information regarding housing affordability criteria related to the definition of affordable housing, by regional market areas. The 2018 figures regarding the provincial affordability criteria in the Niagara regional market are as follows:

Home Ownership Housing		Rental Housing	
60 th Income Percentile	\$83,800	60 th Income Percentile	\$44,400
60 th Percentile Affordable House Price	\$296,900	60 th Percentile Affordable Rent	\$1,100
10% Below Average Resale Price	\$346,000	Average Rent by Bedroom	Bachelor - \$658
			1 Bedroom - \$870
			2 Bedroom - \$1,035
			3 Bedroom - \$1,158

These values are based on the Niagara regional market area and are not specific to Pelham. However, they do illustrate that there is a disparity between what the housing affordable house price should be and what the 10% below the average resale price is in Niagara. With respect to rental housing, it appears that across the Region, there is less disparity with regards to meeting the housing affordability criteria for monthly rents with only 3 bedroom units average monthly rents not meeting the affordability target. Specific housing affordability values for Pelham are not available.

Mr. Hummel's proposal of renting a two bedroom apartment at 10% below what he believes is the market rate, i.e. at \$1,260/month does not meet, but rather exceeds, the housing affordability targets for the Niagara regional market area of \$1,100/month, and it exceeds the Niagara regional market area average rent for a two and three bedroom units of \$1,035 and \$1,158 respectively.

Financial Considerations:

To try to determine what the financial impact on the municipality would be, if Council were to support Mr. Hummel's proposal, a number of assumptions would have to be made. At this time, we do not have specifics with regards to Mr. Hummel's proposal such as breakdown of proposed units between 1, 2 or 3 bedroom, floor area of buildings and it is difficult to project future tax assessments as we do not know what the market value of the buildings will be.

The type of relief that Mr. Hummel is seeking exemptions from Council on relate to planning and building permit application fees, Town development charge fees, parkland dedication fees and taxes for four years.

Planning staff have consulted with the Town Treasurer regarding the financial implications of Mr. Hummel's proposal. The Town Treasurer advised that the financial implications are a best 'guesstimate' at this time and more specific details are required to better determine the actual financial implications, however the 'guesstimate' does provide an understanding of the magnitude of the financial implications in order for Council to determine if this is a proposal that they wish staff to pursue further with Mr. Hummel. We have assumed that the cost to service the lands is less than \$100,000 for the 8 unit apartment building, the building would be approximately 930 m² in area and that there is an even split between one and two bedroom units.

Type of Exemption	Value of Relief (2019)
Planning Application Fees	Zoning By-law Amendment - \$4,404.00
	Site Plan Application - \$3,852.00
	Site Plan Agreement - \$10,790.00
Building Permit Application Fees	\$1.47/sqft of building area – \$14,700.00
Town Development Charge Fees	One Bedroom \$7,431/unit x 4 units - \$29,724.00
	Two Bedroom \$12,335/unit x 4 units - \$49,340.00
Parkland Dedication Fees	5% of value of land - \$15,000
4 Year Tax Exemption	\$20,000
Total for 8 unit Building	\$147,810

MPAC determines the assessed value of multi-residential based on their revenue earning potential based on information provided from property owners on a yearly basis. For an 8 unit apartment building Mr. Hummel would be seeking relief in the order of \$150,000 from the Town for offering rent at 10% below the \$1400/month market rate.

For the 28 unit apartment building we have assumed that the cost to service the lands is less than \$100,000, the building would be approximately 3150 m² in area and that there is an even split between one and two bedroom units.

Type of Exemption	Value of Relief (2019)
Planning Application Fees	Zoning By-law Amendment - \$4,404.00
	Site Plan Application - \$3,852.00
	Site Plan Agreement - \$10,790.00
Building Permit Application Fees	\$1.47/sqft of building area – \$49,840.00
Town Development Charge Fees	One Bedroom \$7,431/unit x 14 units - \$104,034.00
	Two Bedroom \$12,335/unit x 14 units - \$172,690.00
Parkland Dedication Fees	5% of value of land - \$20,000
4 Year Tax Exemption	\$67,200
Total for 28 unit Building	\$432,810

For a 28 unit apartment building Mr. Hummel would be seeking relief in the order of \$430,000+ from the Town for offering rent at 10% below the \$1400/month market rate.

These estimates are based on current application fees, development charges and tax rates. The relief does not include any regional fees, taxes or provincial taxes and is only the municipal portion.

Alternatives Reviewed:

The Town previously granted site plan approval for a 10 storey, 96 unit apartment building at 80 Meridian Way consisting of a mix of 60 one and 36 two bedroom units of which 60% of the units are to meet the provincial affordability criteria. When the developer purchased this property from the Town, it was on the condition that 60% of the units would be affordable housing. To date, this project has not proceeded to construction and it is unknown when it may proceed. This development would address to a large part housing affordability in the community and it was supported by many in the community with over 150 people signed on with the developer as being interested in this project.

Strategic Plan Relationship: Build Strong Communities and Cultural Assets

Other Pertinent Reports/Attachments:

N/A

Consultation:

Senior Management Team discussed Mr. Hummel's proposal and felt that while affordable housing is an issue for the community, the preference is to have it for the long term, i.e. the 15 year commitment was too short. Staff also questioned if 10% below the market rate of \$1400/month met the affordability needs of the community. Staff also felt that the amount of relief being sought is significant and will place a financial burden on the municipality that is difficult to absorb and would mean that the taxpayer would bear burden.

Overall staff understands the need for affordable housing in the community and feels that given a number of development approvals that have been given recently, the diversity of housing will increase in the community, offering more housing choice and options that will help alleviate to a degree the housing affordability issue in Pelham, albeit, it will take some time.

At this time, staff are not in a position to recommend Council pursue the proposal offered by Mr. Hummel, however, should Council direct staff to do so, staff would be pleased to do so.

Legal Consultation, If Applicable:

N/A

Prepared and Recommended by:

Barbara Wiens, MCIP, RPP, Director of Community Planning and Development
Department

Approved and Submitted by:

Teresa Quinlin, Interim Chief Administrative Officer