




City of Richmond




Report to Committee

To: General Purposes Committee **Date:** November 26, 2013
From: Cathryn Volkering Carlile **File:** 08-4057-05/2013-Vol
General Manager, Community Services 01
Re: **Kiwanis Towers - First Disbursement from the Affordable Housing
Reserve Fund to 6251 Minoru Blvd**

Staff Recommendation

1. That, subject to Resolution 3 below, \$11,770,500 be paid to Richmond Kiwanis Senior Citizens Housing Society (the "Society") towards costs associated with 296 subsidized seniors housing units at 6251 Minoru Boulevard (the "Lands") to be used by the Society as follows:
 - a. \$9,166,870 towards construction costs; and
 - b. \$2,603,630 towards the development cost charges, development application and/or building permit fees already paid to the City.
2. That, pursuant to the Contribution Agreement dated November 9, 2012 between the City and the Society, no payment by the City be made until the security (which includes a second mortgage charging the Lands) securing the performance of the Society's obligations to the City in the Contribution Agreement (the "City Security") is granted by the Society to the City and fully registered as required.
3. That the Chief Administrative Officer and the General Manager of Community Services be authorized:
 - a. To negotiate and execute all agreements and documents in relation to the City Security and disbursements, including, without limitation, a priority agreement in favour of BC Housing granting BC Housing security priority over the City Security; and
 - b. To make the expenditures in Resolution 1 above.


Cathryn Volkering Carlile
General Manager, Community Services
(604-276-4068)

REPORT CONCURRENCE		
ROUTED TO: Finance Division Law Development Applications	CONCURRENCE <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	CONCURRENCE OF GENERAL MANAGER 
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO 

Staff Report

Origin

The purpose of this report is to recommend Council approve a payment of \$11,770,500 to Richmond Kiwanis Senior Citizens Housing Society (“Society”) towards construction costs and permit fees associated with 296 subsidized seniors housing units to be owned by the Society at 6251 Minoru Boulevard (“Kiwanis Towers”).

Kiwanis Towers exemplifies an innovative multi-stakeholder approach to combine non-profit, private, and public sector funding and expertise with senior government financing and technical support to achieve subsidized rental housing to meet the needs of Richmond’s low income seniors.

The project originated when the Society determined to replace an aging seniors housing complex on its nearly 5 acre site with two towers, financed in part through selling a portion of the site to Polygon. Polygon has contracted with the Society to build the seniors units while also building three market condominium towers on its parcel. A second source of funding for Kiwanis Towers is coming from City contributions funded partly with monies already in the capital Affordable Housing Reserve Fund and partly with Affordable Housing Value Transfers from Polygon’s three market towers on the site and several other contributor sites. Finally, BC Housing is arranging a low-interest construction financing and a low-interest take-out mortgage.

This report supports the following Council term goal:

Development of a clearer definition of affordable housing priorities and subsequent utilization of affordable housing funding.

At its open meeting on June 25, 2012 Council approved recommendations in a May 30, 2012 staff report from the General Manager of Community Services titled “Project Specific Financial and Policy Considerations for the Proposed Kiwanis Towers Affordable Housing Development at 6251 Minoru Boulevard.” These recommendations included provision of financial support toward the development of seniors housing units up to a maximum of \$20,837,610 for the costs of construction, and up to a maximum of \$3,305,468 for development cost charges, permit fees, and service cost charges. The entirety of these latter costs and part of the construction costs are to be funded with capital Affordable Housing Reserve Funds already in the Five Year Financial Plan (2013-2017); the balance of construction costs are to be funded through new Affordable Housing Value Transfers to be received from several contributor sites owned by Polygon.

Both a rezoning application (RZ 11-591685) and a development permit (DP 12-609958) were issued for Kiwanis Towers on March 11, 2013. The rezoning considerations divided the City’s contributions towards Kiwanis Towers into:

- Four payments toward construction costs;
- One payment for development cost charges and permit fees; and
- One payment for service cost charges.

This contribution schedule, as well as the Council-approved pre-conditions for the contributions set out in the rezoning considerations, was included in a subsequently executed Contribution Agreement dated November 9, 2012 between the City and the Society (“Contribution Agreement”). The Contribution Agreement provides that, subject to Council’s approval, the first payment for construction costs and the payment for the development cost charges and permit fees are due when a building permit authorizing the construction of the seniors housing units is issued.

This building permit was issued on September 4, 2013.

The Contribution Agreement also provides that prior to disbursement of the security (which includes a second mortgage charging the Society’s land at 6251 Minoru Boulevard) securing the performance of the Society’s obligations to the City in the Contribution Agreement (“City Security”) must be granted by the Society to the City and fully registered as required. It is anticipated that the City Security will be in place by the end of November 2013, immediately after BC Housing registers its mortgage on the Society’s land.

At its open meeting of April 10, 2012 Council endorsed amendments (subsequently adopted) to the Affordable Housing Statutory Reserve Fund Policy 5008, Zoning Bylaw 8500 and Affordable Housing Operating Reserve Fund Establishment Bylaw No. 8206. The amendments provide Council with authority to direct:

1. Different proportions of contributions to the two capital and operating Affordable Housing Reserve Funds, from time to time, to support affordable housing special development circumstances (“AHSDCs”); and
2. Capital financial support for specific affordable housing developments for affordable housing project eligible costs that include:
 - a. Municipal fiscal relief (i.e., development cost charges, costs related to the construction of infrastructure required to service the land, and development application and permit fees);
 - b. The construction of infrastructure required to service the land on which the affordable housing is being constructed; and
 - c. Other costs normally associated with construction of the affordable housing (e.g. design costs, soft costs).

At the discretion of Council, 100% of contributions can be allocated to projects that meet the AHSDC requirements set out in Policy 5008. At its June 25, 2012 meeting, Council approved Kiwanis Towers as an AHSDC project.

In receiving its building permit, the Kiwanis Towers project has reached a funding milestone in the Contribution Agreement, triggering the first of the City’s financial contributions.

This report seeks Council's approval for a payment of \$11,770,500 to the Society towards construction costs and permit fees associated with the development's 296 subsidized seniors housing units and authority to fulfil administrative requirements such as contracts.

Analysis

1. Payment toward costs of construction (\$9,166,870)

At its open meeting on June 25, 2012 Council approved a maximum of \$20,837,610 towards the costs of constructing Kiwanis Towers and approved the allocation of \$2,147,204 towards construction costs from existing Affordable Housing Reserve Funds. The remaining funding is to be funded with new AHVTs from several Polygon contributor sites, which are being made in phases from 2012 to 2017 subject to Council's approval of the rezoning of those contributor sites.

The Contribution Agreement between the City and the Society provides that the City's first payment toward the cost of constructing Kiwanis Towers can be up to a maximum of \$10,911,127. If the City has not received this amount in AHVTs and cash-in-lieu, then the Contribution Agreement provides that the City will pay to the Society only those amounts that it has received; and any shortfalls, subject to Council approval, be paid when the City receives further AHVTs from the contributor sites (subject to Council approvals).

To provide comfort to the Society in the event that Polygon is unable to make some of its AHVTs to the City should Polygon's last two contributor sites not receive rezoning or not proceed according to schedule, Polygon has entered into contribution agreements with the Society to provide them security sufficient to cover any shortfalls arising from those two sites.

The following table shows that \$9,166,870 (cash-in-lieu contributions and AHVTs) are available from the City's capital Affordable Housing Reserve Fund and are for the construction costs of Kiwanis Towers.

Source	Amounts Targeted	Amounts Approved/Received for Distribution as of Oct 31 st , 2013
Previously Approved AH Capital Projects from Cash-in-Lieu Contributions	\$2,147,204	\$2,147,204
New Affordable Housing Value Transfers (AHVTs) from Polygon Contributor Sites	\$18,690,406	\$7,019,666
TOTALS =	\$20,837,610	\$9,166,870

The second scheduled payment toward construction costs of Kiwanis Tower is due, subject to Council's approval, when a quantity surveyor retained by and reporting to BC Housing determines that the first tower containing 148 seniors housing units has achieved substantial completion and when the City grants a final building inspection permitting occupancy of those units.

Staff recommends Council approve payment of \$9,166,870 (cash-in-lieu and AHTV funds) towards the construction costs of Kiwanis Towers.

2. Payment toward development cost charges, permit fees, and service cost charges (\$2,603,630)

At its open meeting on June 25, 2012 Council approved a City contribution of up to a maximum of \$3,305,468 towards the development cost charges, development application and/or building permit fees, and service cost charges associated with Kiwanis Towers. These costs are to be funded with capital Affordable Housing Reserve Funds already in the Five Year Financial Plan (2013-2017).

The City's payment toward development cost charges and permit fees is due, subject to Council's approval, upon issuance of a building permit for Kiwanis Towers. Development cost charges and permit fees amounted to \$2,603,629.51. That amount has been paid to the City by Polygon, and Polygon has in turn charged it to the Society. This leaves \$701,839 for servicing costs that will be finalized at a later date.

Council approved a City contribution of up to a maximum of \$454,350 toward the servicing costs for off-site works (i.e., road, sidewalk, and utilities works) associated with Kiwanis Towers. Council approved that amount as an estimate. Actual servicing costs will not be finalized until the works have been completed to the City's satisfaction and have been granted final engineering approvals. The City's approved contribution for servicing costs is due at that time. Should the actual values exceed \$454,350, the Society may request additional City contributions; such requests must be in writing from the Society, must include confirmed values, and are subject to the City's determination and approval requirements.

Staff recommends Council approve payment to the Society of \$2,603,630 towards the development cost charges and permit fees associated with Kiwanis Towers, to be funded from the allocation of capital Affordable Housing Reserve Fund monies approved on June 25, 2012.

3. Administrative Considerations

Staff require authorization from Council to execute two aspects of the Council-approved requirements for making disbursements to Kiwanis Towers. First, the City Security will be second in priority to BC Housing's security (which will include a first mortgage in favour of BC Housing). Because of this, BC Housing will require the City to sign documents to give BC Housing priority over the City Security for its mortgage advances and other disbursements to the Society. Second, spending authority in excess of \$500,000 requires Council approval.

Therefore, staff recommend that the Chief Administrative Officer (or designate) and the General Manager of Community Services be authorized

- To negotiate and execute all agreements and documents in relation to the City Security and disbursements, including, without limitation, a priority agreement in favour of BC Housing granting BC Housing security priority over the City Security; and
- To make the expenditures recommended in this staff report.

Financial Impact

The combined amount of payments being recommended at this time is \$11,770,500. This would be funded from \$4,750,834 already included in the Five Year Financial Plan (2013-2017) and allocated by Council toward Kiwanis Towers at the June 25, 2012 open Council meeting. The remaining \$7,019,666 would be funded out of the capital Affordable Housing Reserve Fund from additional AHVT contributions recently received from Polygon contributor sites.

Council approved an increase of \$7,019,666 to the 2013 Capital Budget from the capital Affordable Housing Reserve Fund on November 25th, 2013 as part of the Five Year Financial Plan (2013-2017) Amendment Bylaw.

Conclusion

Kiwanis Towers exemplifies an innovative multi-stakeholder approach to combine non-profit, private, and public sector funding and expertise with senior government financing and technical support to achieve subsidized rental housing to meet the needs of Richmond's low income seniors.

In receiving its building permit, Kiwanis Towers has reached a milestone triggering the first of the City's financial contributions.



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DKB:jdb