

The Regional Municipality of York

Housing York Inc.
June 18, 2015

Report of the
General Manager

Richmond Hill Housing and Community Hub 10415 Yonge Street Update

1. Recommendations

It is recommended that:

1. The Board authorize the General Manager, or delegate, to implement a new financial model, as outlined in this report, for the 202 apartment units at 10415 Yonge Street, Richmond Hill.
2. The Board authorize the General Manager, or delegate, on behalf of Housing York Inc. to execute all agreements and documents necessary to lease commercial space located on the ground floor of the building.
3. The Board approve "Aspire" as the official name of the building.

2. Purpose

This report seeks to:

- Inform the Board on the development progress of the project at 10415 Yonge Street, Richmond Hill
- Approve the implementation of a new financial model for the project's rents
- Name the project and give authority to the General Manager of Housing York Inc. to enter into lease agreements for the commercial space.

3. Background

Progress update on development of 10415 Yonge Street indicates that the project is on schedule for an early 2016 completion

The property located at 10415 Yonge Street in Richmond Hill was transferred to Housing York Inc. in June 2012. The Region entered into a Design-Build Agreement with VanMar Constructors to build a new residential complex on behalf of Housing York Inc. The building is nine stories with 202 units (182 one-bedroom units and 20 two-bedroom units) of rental housing. As well, it will accommodate 11 transitional housing units, 14 emergency shelter beds and a home-base youth drop-in centre on the ground floor. Commercial space is also located on the ground floor.

As of April 2015, construction of the building is on schedule. Four model suites on the second floor will be complete in the fall to use for marketing and rent-up. The social enterprise space will serve as a temporary leasing office for Housing York Inc. (Housing York). The building is expected to be complete in February 2016 with the first tenants moving in March 2016.

Commercial spaces to be leased to community partners

One of the spaces on the ground floor of the building, totaling 1,798 sq. ft., has been committed to 360°kids, for their corporate offices and program space.

The second space, totaling 2,248 sq. ft., is to be dedicated for social enterprise use. Social enterprise is a business that uses disciplines of commerce. It also addresses social need and serves the common good through the products and services sold or through the number of at risk people employed. Housing York will act as the landlord only and assumes the social enterprise has the necessary funding or viable commercial activity to generate revenues to cover the cost of comparable market rents.

10415 Yonge Street is proposed to be called Aspire

Throughout the development process the project has been referred to as the “Richmond Hill Housing and Community Hub” (the Hub). In preparation for marketing the building for rent-up in the summer of 2015, a process was commenced to identify and recommend a permanent name. The name will honour Richmond Hill and capture the spirit of what this home will represent to the residents of the housing complex above and the youth of 360°kids at its base.

Staff recommend the name ‘Aspire’ for the new housing development located at 10415 Yonge Street in Richmond Hill. The name was initially a play on words

inspired by old town Richmond Hill's church-spired landscape. The spires of these churches became the town's most definitive physical structure by the end of the 1880s. The elevation of the churches, and the profusion of spires and towers combined, make Richmond Hill a picture-postcard-perfect village of the late nineteenth century. More than a century later, these features continue to dominate the skyline of Richmond Hill.

The name 'Aspire' has come to capture the spirit of the new development by:

- Paying homage to the proliferation of church spires.
- Referring to the objectives of the Community Hub model and 360°kids, and is both motivational and welcome sounding.
- Speaking to the tenant population who seek good affordable housing and who have the opportunity to continue to be housed in the same place if their financial situation improves.

4. Analysis and Options

Review of commercial space rates in the local and neighbouring municipalities shows a range of \$13.25 to \$17.97 per square foot

The commercial space identified on the ground floor has been allocated for a social enterprise opportunity and headquarters for 360°kids. Housing York has reviewed lease rates in the vicinity to determine a fair market value.

The total area for the commercial space amounts to 4,039 square feet. Although the use of the social enterprise space needs to be determined, its purpose is to target groups and agencies that will be able to produce goods and/or services for the blended purpose of generating income and achieving positive social, cultural and/or environmental impacts. Social enterprise is an effective tool in building healthy communities.

A survey of Richmond Hill commercial rates had a range of \$13.25 to \$17.97 per square foot. Housing York proposes an initial rate of \$14.46 per square foot. The lease will have a specified term and common area maintenance (CAM) costs will be adjusted annually. Housing York is committed to building strong partnerships and foresees this blended average rate to be fair and reasonable for our commercial tenants. Housing York has engaged 360°kids in the rent setting process and anticipates that the proposed lease rate will be affordable.

Housing York is investigating potential occupants for the social enterprise space. A consultant has been engaged to support establishment of a Steering Committee, development of a Terms of Reference and to lead a formalized process to identify a partner or program for the social enterprise space.

A new rent subsidy model will be introduced to simplify the administration of rents for low and moderate income households

The Hub provides a unique opportunity to deliver affordable rents through the development of a rent model that does not rely on Regional rent subsidies.

The proposed new model provides income based rents for low and moderate income households. The building's 22 market rent units will be offered only to households with incomes below the 40th income percentile for York Region, currently approximately \$80,000. All other units will be offered to lower income households. Affordable rents based on a percentage of the building's market rent have been set for each income range. The preliminary rent model is described in Table 1.

**Table 1
Proposed Rent Schedule and Estimated Rent Revenues**

Rent Level	Income Range (\$)		Unit Type	Number of Units	Rent	Annual Revenue
	Min	Max				
Market	\$80,000		1 bed	20	\$1,225	\$294,000
			2 bed	2	\$1,400	33,600
	Subtotal			22		\$327,600
80% of Market	34,000	41,000	1 bed	71	\$980	\$834,960
	40,000	48,000	2 bed	9	\$1,120	120,960
	Subtotal			80		\$955,920
65% of Market	27,000	34,000	1 bed	10	\$796	\$95,520
	Subtotal			10		\$95,520
50% of Market	21,000	27,000	1 bed	46	\$613	\$338,376
	24,000	32,000	2 bed	7	\$700	\$51,492
	Subtotal			53		\$389,868
35% of Market	21,000		1 bed	35	\$429	\$180,180
	24,000		2 bed	2	\$490	11,760
	Subtotal			37		\$191,940
Total				202		\$1,960,848

Most rent subsidies in the Region are calculated based on provincial rent-geared-to-income rules set out in the *Housing Services Act, 2011* (HSA). The Hub is funded in part under the Federal Provincial Investing in Affordable Housing program and buildings under this program are not governed by the HSA. The Hub rent model was designed to be transparent and more efficient to administer. Table 2 highlights differences between the Hub rent model and the more traditional provincial rent-geared-to-income approach.

**Table 2
Comparison of Rent-Geared-to-Income and the Hub Rent Model**

Provincial Rent-Geared-to-Income (RGI)	Hub Rent Model
Every household has an individualized rent based on a complex determination of household income. The RGI calculation reflects 30% of income for most households. Tenants must provide multiple documents to verify their income.	The income range and corresponding rent for each household is determined based on income tax returns. Depending on where a household's income falls within a range, rents will reflect 25% – 35% of income.
Households receiving Ontario Works (OW) and Ontario Disability Support Program (ODSP) benefits pay rents based on provincial scales (for example \$109 rent for a single ODSP recipient). The household's provincially funded shelter benefit payments are reduced to reflect the lower rent.	Households receiving OW and ODSP will pay rents for the lowest income ranges (for example \$429 for a single ODSP recipient). Rents will be capped at the maximum shelter allowance rate for OW and ODSP households.
The tenant's RGI rent can change multiple times each year. Tenants must report and provide verifying documentation for every fluctuation in income.	Rents will be set annually based on tax returns and will only be adjusted mid-year if the household has a critical change in circumstances that jeopardizes their tenancy. This simpler approach is less costly to administer and more transparent and predictable for tenants. Market tenants and subsidized tenants are treated exactly the same.
The number of subsidized households is fixed, based on Regional subsidy funding commitments. On average, 50 – 60% of the units in new buildings are available to waiting list applicants who need rent subsidy funding.	In the Hub rent model, 50% of the units will have rent subsidies for low income waiting list applicants and an additional 40% will be offered to moderate income households that can also be selected from the waiting list. As part of the rent-up process information sessions and site visits will be scheduled with the waiting list applicants to explain the subsidy model for the Hub.

Provincial Rent-Geared-to-Income (RGI)	Hub Rent Model
The Region provides an annual subsidy payment to the housing provider to offset the reduced revenues from RGI rents.	The Hub rent model provides a stable revenue stream that will provide affordable rents for tenants and sustain the building without the need for annual subsidy payments from the Region. The Hub also provides an opportunity to leverage income to support future growth

Although this is a new rental model for Housing York, it has the flexibility to be adjusted as needed throughout the implementation process. The outcomes of this model will be evaluated to inform the rent models for existing and future buildings.

Link to key Council-approved plans

The mixed-use, high-density development located on a Regional corridor supports the initiatives articulated in the Region's Strategic Plan, Housing York Inc. Strategic Plan, Regional Official Plan, Community and Health Services Department's Multi-Year Plan, and Vision 2026.

This new development will support the continued growth of healthy communities that provide a variety of housing options for the diverse residents of York Region. The youth facility will strengthen the homelessness and housing stability system as outlined in the 10-Year Housing Plan.

5. Financial Implications

Housing York proposed commercial rental rate

Housing York has reviewed the current commercial rental rates and would like to move forward in negotiating a rate and term. Based on the overall average rates and looking at the importance of the partnerships Housing York develops with the occupants of the two spaces, a fair rate of \$14.46 per square foot excluding common area maintenance recovery is proposed. The lease will have a specified term and CAM costs will be adjusted annually.

Housing York will adjust the CAM recovery throughout the term to reflect true operating, building maintenance, and utility costs. Applicable taxes are in addition to the rates shown in Table 3.

**Table 3
Proposed 2015 Charge including CAM**

Space	Square Footage	Commercial Rate	Estimated CAM Rate	Total Monthly Rate	Annual Potential Revenue
Office Space	1,798	\$14.46	\$8.67	\$3,466	\$41,588
Social Enterprise	2,241	\$14.46	\$8.67	\$4,319	\$51,834

In the traditional financial model, the building’s operating expenses would include debt services costs and the revenues would include annual subsidy payments from the Region. If the Hub operated under the traditional model, the Region’s annual rent subsidy cost for 100 geared to income units would be just over \$800,000.

With no debt service costs, the efficiency of a larger building and commercial rents, the Hub rent model will generate the revenues needed to cover operating costs and maintain appropriate reserves. Annual income, before expenses, in the first full year of operation is estimated to be \$2.3 million with a net operating income of \$620,000. This assumes 97% residential occupancy and 100% commercial space occupancy.

6. Local Municipal Impact

The development of the Richmond Hill Housing and Community Hub will lead to the creation of 202 units of affordable rental units, a hub for youth services and two commercial spaces to support and compliment the overall development and the Richmond Hill community.

7. Conclusion

Housing York will prepare and formalize commercial agreements for an initial term and will report back to the Board, through its budgeting process and year-end financial statement presentation on the revenue realized for the commercial spaces. As well, Housing York will provide the Board with a leasing update and target mix achieved early in 2016 in anticipation of the building being completely leased up and ready for occupancy April of 2016.

Richmond Hill Housing and Community Hub Update

For more information on this report, please contact Rick Farrell, General Manager, Housing York Inc. at ext. 72091.

The Senior Management Group has reviewed this report.

Approved for Submission:

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