



VineRidge Housing Initiative proposes strong affordability components in 526 unit development on Picton Heights

VineRidge is developing an attractive new courtyard style three storey set of buildings replacing existing older units in the Nery / Inkerman section. The 526 new units will be built in 9 stages through 2030. Most will be market priced and designed to appeal to the variety of people wishing to move to Prince Edward County for its lifestyle and recreational features.

Fred Heller, President of FLC Group developing the initiative, also notes that affordability is a major and growing concern in the community.

Attached are two slide presentations that outline VineRidge's proposal to ensure that 15% of the new project is developed to promote ownership or rental by families that would benefit from support or subsidy.

Several local studies have shown that long standing local families are unable to find rental options and younger families who are needed for the growing service industry are unable to find places to live.

VineRidge will be making presentations and recommendations to Prince Edward County Council through both the new Affordable Housing Corporation and the Social Services Committee (PELASS).

Rick Williams, former Director of Social Services at PELASS and also former Administrator of Prince Edward Heights offered to assist Fred in developing these proposals to benefit County families.

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THE CASE FOR AFFORDABLE HOUSING INVESTMENT IN PRINCE EDWARD COUNTY

MAY, 2021



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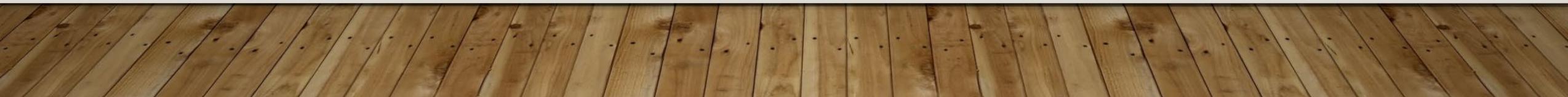
THERE ARE SEVERAL FACTORS THAT CURRENTLY ALIGN TO CREATE BOTH A NEED AND CAPACITY FOR HOUSING INVESTMENT IN PRINCE EDWARD

- Over 400 rental units in Prince Edward were eliminated in the past fifteen years due to gentrification and conversion to B&B units
- Most have not been replaced in the market creating high demand / cost for remaining rental units
- The County, through its Consolidated Social Service agreement with Lennox & Addington, assumed responsibility for Social Housing in 2002
- Housing was an area where service management and costs were “downloaded” while a range of other service costs were “uploaded” to the Province
- Through the period 2008-18 the Province absorbed most costs related to social assistance (Ontario Works and Ontario Disability Support Program) which reduced County levy requirements



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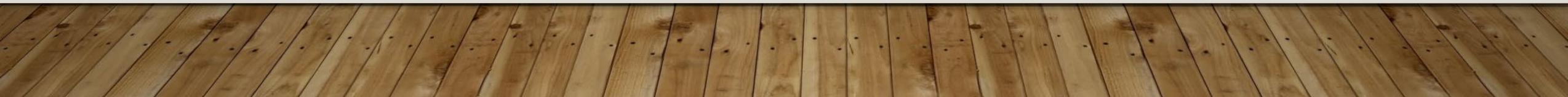
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- The gross benefit from these uploads was \$3.1M + for PEC and \$4.6M + for Lennox & Addington annually
 - These savings are pre-inflation (actuals from 2008) but were partly offset by the Provincial “Partnership” balancing fund
 - Many other upper tier municipalities invested some or all of these savings in the growing need for affordable and rental housing
 - Most communities were responding to pressures from seniors, working sole support families with children and persons with accessibility / disability issues
 - Prince Edward had considerable new development of higher cost homes and a notable increase in market value assessment of existing stock through this period
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4 OVERVIEW OF UPPER TIER FINANCIAL CHANGES 1998-2018

- In 1998 the Provincial Conservative Government transformed municipal government through consolidation and also Local Service Realignment (LSR).
- Through consolidation many municipalities were merged. Prince Edward became a single tier.
- In LSR Counties and Regions took on costs related to social assistance, social housing, child care and ambulance services. They reduced cost on child welfare and education. The trade was supposed to net even for municipalities through a balancing fund called the Ontario Municipal Partnership Fund. There was considerable Provincial-Municipal conflict since some programs were highly variable in costs while Education was generally stable and declining through enrolment declines.

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- Municipalities argued strongly that social assistance costs (Ontario Works and ODSP) should not be on the property levy. The Provincial Liberal Government relented and absorbed these costs in phases between 2008-2018.
 - Municipal officials through AMO, ROMA, ACRO, NOMA, etc. committed to directing upload savings to infrastructure, housing and related expenses.
 - Social assistance uploads totalled \$1.4 Billion, partly offset by the OMPF balance fund. These savings show PEC purchased services from L&A for PELASS dropping by \$3.1M from 2008.
 - Most Upper Tiers over the past 20 years saw their debt levels decline markedly, reserve funds increased and tax increases were at or below inflation.
 - Many followed through with increased infrastructure investment and affordable housing. Many, like PEC, did little in relation to upload savings for housing affordability.
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6 THERE ARE SEVERAL CONCURRENT GOALS FOR AFFORDABILITY

- For many the goal of affordability is tied to **HOME OWNERSHIP** through removing entry barriers and allowing affordable payments through a pay out of a 25 year mortgage
- Increasing the stock of **RENTAL ACCOMMODATION WITH CAPITAL SUBSIDIES** needs to be part of the plan. As noted there has been a notable decline in rental stock and demand will push the cost for new supply unless accompanied by subsidies to rent below market. Capital subsidies provide the fastest mechanism to spur new development.
- Finally, some housing rental arrangements can be assisted by **RENT SUPPLEMENTS** which increase affordability for approved tenants. Rent supplements can improve rental supply over the long term by improving landlord ROI and reducing tenant conflict and related costs.



7 AFFORDABLE HOUSING AND COUNTY DEMOGRAPHIC AND STRATEGIC GOALS

- Increased availability of Affordable Housing will improve access for SERVICE INDUSTRY EMPLOYEES and families. County service industry workers often work full time in summers but part time in winter with total hours in the 1250-1400 hour range per year. Most would need support from these initiatives to live in high cost PEC. Otherwise the most marketable employees will relocate to places with full time year round work or lower costs.
- RETIRED LONG TERM COUNTY RESIDENTS also may need support. Many worked informally without pensions. This initiative would allow County natives to remain or return.
- RETIRING SENIORS OF MODEST MEANS wishing to come to Prince Edward would benefit from the Home ownership opportunities.
- DISABLED persons have limited pensions and need supports.

8 AN OVERVIEW OF CAPITAL GRANTS TO IMPROVE RENTAL AFFORDABILITY

- These Grants have been available through Federal funding, Provincial funding and Municipal funding for 15+ years.
- Most relate to support for N units in a multi-residential development of Y units (usually a fraction of total units in the 10-20% range).
- The \$ per unit has varied between \$75-125,000 with an upward trend reflecting increasing building costs.
- In return the landlord agrees to consider only tenants from an eligible municipal list and to charge rent 20%+ below market for 20 years. For \$300 per month reduced rent, for example, this totals \$72,000 over 20 years at current value.
- The program's main advantage is that it accelerates supply faster than other incentives since it is a front end grant.

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- Capital incentives serve not only to reduce future rental charges by landlords / investors but also to attract investor interest
- The past 15 years have seen little interest in affordability projects in PEC simply because investor returns and “cachet” were on the higher end
- Experience in similar jurisdictions shows that insufficient capital incentives may not bring investor response or only attract proposals that are unattractive or on peripheral locations

10 OVERVIEW OF RENT SUPPLEMENT PROGRAM

- Most municipalities (CMSMs) have found the Rent Supplement program to be one of the most effective tools in addressing affordability issues.
- The CMSM can define eligibility levels of income / assets for all population levels. In addition it can establish special population priorities (e.g. seniors, disabled, family violence victims...)
- The program normally has the CMSM contract with a landlord to pay a portion of agreed rent directly to the landlord who would select tenants from a limited list.
- The CMSM would review the unit for compliance to property standards and also effectively negotiates the rental terms including rent cost.
- The program is broadly popular with landlords.

II OVERVIEW OF ASSISTING HOME OWNERSHIP THROUGH SECOND MORTGAGE DEFERRAL

- Many families are confined to ongoing poverty if they are unable to build a capital asset such as home ownership
- It is widely accepted that housing costs for modest and lower income families should not exceed 30% of disposable income.
- Purchaser costs can be reduced if a portion of the mortgage requirements are placed in a “silent” or deferred mortgage that is addressed either on sale of the property or full payment of the primary mortgage
- This program has been successful in helping modest income families (e.g. two earners with combined income of \$75,000) buy homes in the \$300,000 range

12 ESTIMATE OF POTENTIAL PROGRAM OUTCOMES AND COSTS

Program	Total Units PEC	Total Vine Ridge	\$ per unit	TOTAL \$	Year 1 \$
Capital Grants	250	30	\$100,000+	\$25,000,000 Raised through debenture \$1,400,000 annual	Minimal interest on phased in at 50 units per year for 5 years
Rent Supplements	140	25	\$5,000 (\$4,000 rent \$1,000 admin)	\$700,000 annual	10 units, \$50,000
Home Ownership assistance	75	26			
Total	465	80		\$2,100,000	

13 TRANSITION OF PEC TO COTTAGES, INVESTMENTS AND SECOND HOMES

- Many reports have noted that PEC is undergoing demographic transition to high end cottages, second homes retirement and telecommuting similar to Muskoka, Kawartha.
- In Muskoka, for example, seasonal residents form the majority of registered municipal electors and own the high majority of market value property.
- The District began a focused process to describe local population issues to the seasonal community: plant closures, reduced employment through resort closures, single parent families, seniors with minimal pensions.
- This gained reasonable support for municipal taxation on to support housing and social programs.
- A public education program highlighting the benefits of an inclusive community and the challenges to long standing local families should show benefits.



14 PEC CURRENTLY HAS EXTRA LEVY ON MULTI-RESIDENTIAL PROPERTIES

- Ontario adopted Market Value Assessment for purpose of property taxation in 1998.
- Municipalities retain the option to assign weighting for different categories of property. Vacant land, for example, has typically been assessed at a lower factor.
- Historically some municipalities assessed multi-residential buildings at a high factor relative to single family homes. Sometimes this factor was up to 3x. High assessment caused by weighting tends to discourage multi-residential development and increase rental costs.
- PEC rates multi-residential at a factor of 1.5x.
- This creates additional tax requirement of approximately \$50-80 per month per unit. Although charged to the owner it inevitably is passed on to the tenant.
- PEC should phase this practice out quickly as an aid to affordability. Dropping the MVA weighting to below 1.0x is recommended to reduce rental costs and stimulate investment in multi-res rentals.

15 DEVELOPMENT CHARGES AND UTILITY CONNECTION COSTS

- Municipalities levy a range of Development Charges (DC) on new developments to contribute to general public service costs such as school construction, roads and infrastructure. These charges usually reflect potential future costs or liabilities, etc.
- Many municipalities have waived or rebated part or all of DC costs for units that have affordability goals through capital grants, deferred second mortgages, etc.

16 THE VINERIDGE PROPOSAL AS A MODEL OF HELPING CURRENT AND FUTURE FAMILIES

- VineRidge will develop the Northeast section of Macaulay Village / Prince Edward Heights with 9 phases of development totalling 526 residential units.
- There is also land for future initiatives.
- Within the 526 units, we propose several initiatives addressing affordability for families and individuals: 26 units with mortgage assistance to home ownership; 30 units with capital subsidies to reduce rent below market; up to 25 rent subsidies.
- This would total approximately 80 units reflecting 15% of the VineRidge project. It would be the largest affordability project for decades in PEC and retain the site's history in assisting families.



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- The VineRidge project is also committed, with County support, to offer transitional support to local families and current Macaulay tenants. The phased demolition and construction will allow us to work with most families to wish to continue residency.
 - We will also work with existing community agencies including schools to maximize success and minimize disruption of change.
 - In the end all families will be in better accommodation and a stronger community.

18 MAKING RECOMMENDATIONS

- The project outlined in previous slides requires further consideration and action by PEC Council:
- Some of the recommendations impact future expenditures and are the purview of Council.
- Council has established the PEC Affordable Housing Corporation to provide leadership on policy issues. In addition some of the proposals link to Social Housing and the PEC partnership with L&A on PELASS (Rent Supplement funding, for example).

19 RECOMMENDATIONS TO PEC COUNCIL

1. That PEC Council agrees that housing affordability for many local families is a severe problem and that municipal resources (in concert with Provincial, Federal, charitable and private funding) must be applied as part of the solution.
2. That PEC Council agrees to create a Capital Affordable Housing Fund to be administered by PECAHC and to begin in 2022 with an estimated target of 250+ units the next 5 years.
3. That PEC agree in principle to the substantial expansion of the Rent Supplement program administered through PELASS to meet growing market demand. This may best be part of a parallel expansion in Lennox & Addington County which has similar needs and benefits from this program.

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4. That PEC agrees to work with VineRidge developers for the creation of affordable ownership and rental units as outlined in this plan and comprising approximately 15% of the proposed development. This will maximize the retained use of Prince Edward Heights / Macaulay Village for affordable rental use.