
REPORT TITLE: Port Credit West Village Block D Affordable Housing Project (2020-160N and 2021-014N)

FROM: Janice Sheehy, Commissioner of Human Services

RECOMMENDATION

That agreement 2020-160N for the Design and Construction of Affordable Housing at Port Credit West Village be awarded to FS BW Block D GP Inc. (the ‘Turnkey Agreement’) in the estimated amount of \$62,207,926 (exclusive of applicable taxes), pursuant to the terms and conditions of the Turnkey Agreement, in accordance with Procurement By-law 30-2018;

And further, that the Commissioner of Human Services be authorized to execute the Turnkey Agreement, being an agreement for the provision of a municipal capital facility where all the units to be provided fall within the definition of affordable housing in accordance with s.110 of the *Municipal Act, 2001* and By-law 49-2020, as well as any associated documents and agreements which may be required for the transfer and assignment of obligations related to the lands upon which the municipal capital facility will be located, on commercial terms acceptable to the Commissioner of Human Services and legal terms acceptable to the Regional Solicitor;

And further, that the Region of Peel’s duly authorized signing officers be authorized to execute Ontario Priorities Housing Initiative (OPHI) Contribution Agreements for the Port Credit West Village Affordable Housing project (“Port Credit West Village”) for Year 2 and Year 3 funding in the amount of \$5,134,400 and \$7,993,200, respectively, together with any further agreements or ancillary documents necessary to provide funding for Port Credit West Village, provided such agreements or ancillary documents are on business terms satisfactory to the Commissioner of Human Services and on legal terms satisfactory to the Regional Solicitor;

And further, that the project be exempt from the payment of Regional development charges in accordance with section 3 of By-law 49-2020;

And further, that correspondence be forwarded to the City of Mississauga requesting that it consider granting relief from City development charges, by waiving or providing a grant to offset such development charges, or through any other mechanisms available to the City;

And further, that the Commissioner of Human Services be authorized to enter into any agreement with the City of Mississauga to permit the waiver, exemption or deferral of City development charges in respect of the project, on commercial terms acceptable to the Commissioner of Human Services and legal terms acceptable to the Regional Solicitor;

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And further, that the Commissioner of Human Services be authorized to enter into a shared facilities agreement on commercial terms acceptable to the Commissioner of Human Services and legal terms acceptable to the Regional Solicitor with a corporation to be established for the maintenance of the shared facilities at Port Credit West Village, no later than 90 days prior to the closing of the Turnkey Agreement, for an amount to be determined based on an equitable sharing of the maintenance costs and paid monthly for the life of the Region of Peel's ownership of the asset;

And further, that the Commissioner of Finance and the Chief Financial Officer be authorized to award Contract 2021-014N to the assignee of FS BW Block D GP Inc. for the Shared Facilities Agreement which commences upon the closing of Contract 2020-160N for the Design and Construction of Affordable Housing at Port Credit West Village and extends for the duration of the Region's ownership of the asset, in accordance with the Procurement By-law 30-2018;

And further, that staff be authorized to increase Contract (Document 2021-014N) annually for the duration of the Region of Peel's ownership of the asset, based on the terms of the Shared Facilities Agreement and in accordance with the Procurement By-law 30-2018;

And further, that the Regional Clerk be directed to provide written notice of the by-law confirming the proceedings of Regional Council at its meeting held on December 10, 2020 to the Minister of Finance, in accordance with section 110(5) of the *Municipal Act, 2001*;

And further, that Capital project 195036 be increased to \$67,617,889 from \$55,000,000 with the additional \$12,617,889 funded from regional reserves and Capital project 215030 be decreased to \$12,617,889 funded from regional reserves, with no impact on the total Housing Master Plan envelope.

REPORT HIGHLIGHTS

- The Port Credit West Village Partners Inc. has gratuitously dedicated land to the Region of Peel to build approximately 150 affordable housing units as part of a Local Planning Appeal Tribunal Settlement Offer.
- Fram Building Group Ltd. ("Fram"), a member of Port Credit West Village Partners Inc., is developing the entire Phase 1 of the Port Credit West Village development.
- Fram, registered as FS BW Block D GP Inc, has expressed interest in designing and constructing the Block D affordable housing project in tandem with the nearby buildings as part of their phased construction strategy.
- Staff is requesting authority to execute a Turnkey Agreement with FS BW Block D GP Inc.
- Staff is requesting that Regional development charges be exempted in accordance with By-Law 49-2020.
- Staff recommends that the Year Two and Three Ontario Priorities Housing Initiative funding in the amount of approximately \$13.1M be allocated to the Port Credit West Village Block D affordable housing project.
- With the City of Mississauga Development Charges and Land Transfer Tax added in, the total cost of the project is \$67,617,889.
- Capital projects 195036 and 215030 will be refinanced within the Housing Master Plan envelope, with no net impact on the total investment.

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DISCUSSION

1. Background

Since September 2017, staff at the Regional Municipality of Peel (the “Region”) and The Corporation of the City of Mississauga (the “City”) have been working with Port Credit West Village Partners Inc. (Diamond Corp., DREAM Unlimited Corp., Kilmer Van Nostrand Co. Limited, and FRAM + Slokker) who are collectively developing the former Imperial Oil lands site located at 70 Mississauga Road South and 181 Lakeshore Rd. West.

On September 19, 2017, Port Credit West Village Partners Inc. submitted an application for Official Plan Amendment, Zoning By-Law Amendment, Draft Plan of Subdivision and Draft Master Plan. The proposed development would accommodate approximately 5,000 people on this 72-acre site. The site would be made up of about 2,970 new residential units in a mix of housing forms (including townhouses, mid-and high-rise apartment buildings), supported by retail, parkland, commercial and campus (school) uses.

As part of the development approval process, Region and City Staff have been working with Port Credit West Village Partners Inc. to address project comments and concerns, including but not limited to the Region’s request to include affordable housing.

In an effort to work with the City and Region, Port Credit West Village Partners Inc. submitted a Without Prejudice proposed settlement offer that included the gratuitous dedication of land (hereinafter referred to as Block D) to the Region of Peel to build approximately 150 affordable housing units.

In June 2019, Regional Council accepted the Local Planning Appeal Tribunal Settlement Offer and authorized the execution of the Minutes of Settlement for the purpose of resolution of the Local Planning Appeal Tribunal matter.

2. Minutes of Settlement Agreement

The Region executed the Minutes of Settlement with Port Credit West Village Partners Inc. and other stakeholders on August 7, 2019.

Under the Minutes of Settlement, the Port Credit West Village Partners Inc. will gratuitously convey Block D of the development subdivision plan to the Region to construct a building for affordable housing. The Minutes of Settlement Agreement also provides that the Port Credit West Village Partners Inc. must make a minimum of 90 underground parking spaces available for purchase by the Region.

3. Remediation of Block D

The gratuitous dedication of land to be accepted by the Region for affordable housing in the Port Credit West Village Community is impacted by contaminants of concern associated with the previous historical use of the property by Imperial Oil. The entire property will undergo remediation, and the Port Credit West Village Partners Inc. will be filing a Risk Assessment and Record of Site Condition with the Ministry of Environment, Conservation and Parks. To mitigate the risks associated with the impacted property, an agreement will be entered in to between the Port Credit West Village Partners Inc. and the Region indicating that the transfer of the dedication land to the Region will occur after the Risk Assessment has been accepted by the Director, Ministry of the Environment and Climate Change Brownfields,

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Environmental Clean-up & Financial Assurance Services Client Services and Permissions Branch and the Record of Site Condition for the lands has been filed and acknowledged in the Environmental Site Registry.

4. Proposed Project

Port Credit West Village is located on the south side of Lakeshore Road West, west of Mississauga Road. Block D is situated in the northeast portion of Port Credit West Village and shares a parking podium with an adjacent commercial space and two residential towers. The project is being proposed to include the following:

- develop 150 affordable housing units;
- construct about 21 per cent of the 150 units to be fully accessible;
- offer 40 per cent of the units at 60 per cent of the Median Market Rate with the balance set at 100 percent of Median Market Rate; and,
- reduce energy consumption and greenhouse gas emissions.

5. Procurement - Direct Negotiation

The Port Credit West Village Partners Inc. is moving forward with Phase 1 of their development in the first quarter of 2021, including the area where Block D is located. Further, the Block D affordable housing project will be integrated into one large below-grade parking level shared with nearby buildings.

The integrated nature of Block D within this development and the development timeline of Port Credit West Village Partners Inc. limited the opportunities for the Region to undertake a competitive procurement for the construction of the affordable housing building. As a result, it was determined that contracting with Fram, registered as FS BW Block D GP Inc, would result in the most efficient and cost-effective method of constructing the affordable housing building.

a) Construction Contract

The terms of the Turnkey Agreement include but are not limited to the following:

- FS BW Block D GP Inc. is responsible for:
 - financing and carrying the cost of the development through to completion;
 - conducting all necessary activities for the completion of the affordable housing project located on Block D; and,
 - designing and constructing the affordable housing residences in accordance with prescribed design specifications that align with program funding requirements.
- A shared facilities agreement with nearby properties must be executed permitting the equitable sharing of maintenance cost of facilities beyond the Block D legal boundaries, many of which relates to the shared underground parking podium.

b) Land Transfer Process

As part of the process to define the deal structure, it was made clear that for the Region to take possession of Block D as promised in the Minutes of Settlement within a turnkey agreement framework, the land must be: transferred from the Port Credit West Village Partners to FS BW Block D GP Inc.; and then transferred from FS BW Block D GP Inc. to the Region.

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Staff agreed to the transference of land between the noted parties on the following conditions, which have been accepted by all parties.

- That the Port Credit West Village Partners obligation to gratuitously transfer Block D to the Region as contemplated in the Settlement Agreement and other pertinent planning documents be assigned to FS BW Block D GP Inc. at title transfer
- That the Region be permitted to impose restrictions on the Block D land title preventing transference and or a charge throughout the development of the affordable housing project.
- That Block D must be conveyed to the Region no later than five (5) years from the registration of the Port Credit West Village community sub-division agreement.

6. Municipal Housing Facility By-Law

The Region of Peel will ultimately own the affordable housing project. Therefore, staff has analyzed the Municipal Housing Facility By-Law and concluded that the Block D affordable housing development satisfies the prescribed requirements and should be granted the appropriate incentives.

Section 3 of By-Law 49-2020 (formally known as the Municipal Housing Facility By-Law) permits Council to authorize the Region to enter into Municipal Housing Project Facility Agreements with Housing Providers allowing for tax and development charges exemptions. Staff recommends that Regional development charges be exempted in accordance with By-law 49-2020.

It is also recommended that the City of Mississauga consider granting relief from City development charges for the Block D affordable housing project by waiving or providing a grant to offset the development charges or through any other mechanism available to the city.

Staff has estimated that the total project cost would include approximately \$3,679,037 of City Development Charges and \$ 4,158,730 of Regional Development Charges if no financial relief is available.

In accordance with s.110 of the *Municipal Act, 2001*, notice of the by-law authorizing the agreement which provides for the municipal capital facility must be provided to the Minister of Finance.

7. CMHC National Housing Co-Investment Fund

On September 26, 2019, Regional Council allocated in principle \$1 billion of funding to support the initial implementation of the Housing Master Plan to yield 2,240 units and beds through 17 projects by 2028. Included within the funding is an investment from the CMHC National Housing Co-Investment Fund in the amount of \$276,400,000. A portion of the approved investment will be allocated to the Block D affordable housing project.

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8. Ontario Priorities Housing Initiative (OPHI)

Ontario's Community Housing Renewal Strategy is a multi-year plan to stabilize and grow Ontario's community housing sector to achieve the following strategic outcomes:

- Increased supply and appropriate mix of affordable and adequate housing;
- People have improved access to affordable housing and supports that meet their needs to achieve housing stability; and,
- Improved efficiency of the community housing system to ensure value for money and long-term sustainability.

In this program, Service Managers can allocate funding that will help meet their local needs. Staff recommends that Year Two and Three OPHI allocation in the amount of approximately \$13,100,000 be allocated to the Port Credit West Village Block D affordable housing project.

RISK CONSIDERATIONS

Financial Risk – The Region will be placing a deposit of 20 per cent of the development cost to be held in trust by FS BW Block D GP Inc. legal counsel. The deposit will be leveraged to pay for a portion of the development; however, the Region's deposit is protected by deposit insurance and will yield interest. Aside from the deposit, the Region's financial exposure is low as FS BW Block D GP Inc. will be financing the entire development through to completion.

Funding Risk – As per the OPHI program requirements, the affordable housing project must be complete four (4) years from signing the Contribution Agreement. In response, staff has set a must complete date of December 31, 2024, in the Turnkey Agreement.

Land Risk – Until the land is conveyed to the Region, there is an inherent risk that Block D will not be transferred to the Region as contemplated in the Minutes of Settlement. In response, staff has negotiated the application of Section 118 of the *Land Titles Act*, restricting any transference or charge of title without the Region's consent.

COVID-19 Risk – The COVID-19 pandemic has had a negative impact on the construction industry. Construction sites are required to keep a two-metre distance from each other, which in some cases has impacted productivity. In addition to physical distancing, the industry has seen supply chain issues that have caused further delays. In response, staff is mindful of the impact of COVID-19 on construction projects and will work closely with the developer (FS BW Block D GP Inc.) to ensure safety protocols are met and that the project remains on schedule.

FINANCIAL IMPLICATIONS

Original high-level estimates to develop the site were in the range of \$55,000,000; various factors have contributed to arrive at the current contract price of \$62,207,926. With the City of Mississauga Development Charges and the Land Transfer Tax added in, the total cost of the project is \$67,617,889. The City of Mississauga Development Charges were removed from the Fram contract to reduce interest carrying costs on construction financing. The City of Mississauga will be deferring their development charge payment (interest-free) until the completion of construction in compliance with *Bill 108 More Homes, More Choices Act* and *Bill 197 COVID-19 Economic Recovery Act, 2020*. Through this report, staff seek Council's approval

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to forward correspondence to the City of Mississauga to consider granting relief from the development charges by waiving or providing a grant to offset the charges.

In September 2019, Regional Council allocated \$1 billion in principle to support the Housing Master Plan's initial implementation. The capital project 195036 will be revised to \$67,617,889 to reflect the project's capital costs. This requires a \$12,617,889 increase to the current capital project, funded through an adjustment to capital project 215030, with no impact on the total Housing Master Plan envelope.

It is anticipated that operating costs, including the maintenance of shared facilities, will be included in the project's future year operating budget and funded by the project's operational revenue.

CONCLUSION

The gratuitous transfer of Block D to the Region for affordable housing is an excellent demonstration of both the Private and Public sector banding together behind a common goal, to provide housing to those in need.

Therefore, staff is recommending authority to enter into the Turnkey Agreement with FS BW Block D GP Inc. to deliver on the Housing Master Plan's promise to produce affordable units for families in the Peel region.

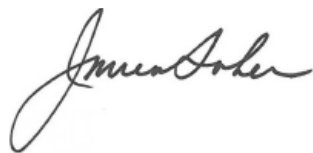
For further information regarding this report, please contact Steven Dickson, Director, Housing Development Office, ext. 4323, Steven.Dickson@peelregion.ca.

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Reviewed and/or approved in workflow by:

Department Commissioner, Division Director, Financial Support Unit, Legal Services and Procurement.

Final approval is by the Chief Administrative Officer.



J. Baker, Chief Administrative Officer