



Subject: Community Improvement Plan Application – Part of Lot 24, Simcoe St

Report Number: EDM 24-027

Department: Economic Development Department

Submitted by: Cephas Panschow, Development Commissioner

Meeting Type: Council Meeting

Meeting Date: Monday, July 8, 2024

RECOMMENDATION

- A. THAT Council receives report titled EDM 24-027 Community Improvement Plan Application – Part of Lot 24, Simcoe Street; and,
- B. THAT the Simcoe Street property owned by Harvest Ave Inc be approved as the first recipient of funds for a Multi-Residential property outside of the Central Area under the updated Community Improvement Plan and in support of the construction of an approximately 132 unit building with 29 lower than market rate rental units; and,
- C. That support be provided at the Strategic Level of the Tax Increment Equivalent Grant Back Program, which offers the following growth related rebates:
 - Years 1 to 6 - 100% rebate of the incremental tax increase
 - Year 7 - 80% rebate
 - Year 8 - 60% rebate
 - Year 9 - 40% rebate
 - Year 10 - 20% rebate
 - with full property taxes being payable in year 11;
- D. THAT the project be approved for the Permit Fee Grant Back Program with a 50% rebate of the building permit fees for the less than market rate units up to a maximum of \$20,000.

BACKGROUND

The owner of this Simcoe Street property, Harvest Ave Inc, has submitted an application to the Town for property tax and building permit fee rebates in accordance with the Town's Community Improvement Plan (CIP), which was updated earlier this year to expand eligibility for program rebates to multi-residential projects outside of the Central Area. This was done in recognition of Canada's housing challenges and as

recommended by the Town’s Affordable and Attainable Housing Committee. The purpose of this report is to seek Council’s approval for the application, which will support the construction of the first building on the Simcoe Street property, containing approximately 132 units of which approximately 10% (or minimum 14 units) will be affordable with an additional 15 attainable, or lower than market rate, rental units. The first phase will also include many of the amenities identified for the property.

An earlier draft of this report was presented to Council on June 24, 2024, but we referred back to staff in order to provide more information on the options available to Town Council in terms of the level of rebates as well as other types of support the project may be receiving. This information has been added to the Discussion and Consultation sections of this report.

Figure 1 – Conceptual Building Designs and Amenities



DISCUSSION

Harvest Ave Inc’s initial plan was to offer 14 bachelor apartments as affordable units as required to obtain mortgage insurance through the Canada Mortgage and Housing Corporation (CMHC). However, it is also important to offer a variety of different sized units including larger two and/or three bedroom ones. In that regard, the Development Commissioner asked if larger units could be considered for the affordable ones as well. In response, the applicant has indicated that this is possible, but they are more likely to offer the larger units at an “attainable” level, i.e. below market rates, but above affordable unit market rates. Further, this is contingent on the level of support provided

by the Town under this application. If they are approved at the Strategic Level, they will be able to offer up to 15 lower than market rate rental units. **When combined with the 14 units identified earlier, Harvest Ave Inc is able to offer a revised mix of unit types as follows:**

- 1) **8 Bachelor units (Studios) at the CMHC affordable level. This is \$100 per month higher than the current 100% Average Market Rate (AMR) for Oxford County;**
- 2) **6 One-bedroom units at the CMHC affordable level. Those are \$149 per month LOWER than the 100% AMR for Oxford County**
- 3) **A \$400 per month discount on 15 two-bedroom units. At today's market rates, which are included in the CMHC proforma, this would provide 2-bedroom units at a monthly rate of between \$1,550 - \$1,850. The \$1,850 rent would be for the 2-bedroom plus den units**

The applicant has indicated that the viability of the project is contingent upon securing mortgage insurance through the CMHC, which necessitates meeting certain energy efficiency and affordability criteria.

The applicant has applied for support under the following Community Improvement Plan programs:

Program	Analysis
Permit Fee Grant Back	Recommended for approval up to program maximum of \$20,000
Tax Increment Equivalent Grant Back Program	Recommended for approval

In reviewing this application, staff believe that it meets the primary intent of the Town's Community Improvement Plan, which is:

“...to stimulate and assist new development, redevelopment and rehabilitation of vacant, underutilized or deteriorated properties in the designated areas of the Town”

Further, the project meets the Housing Project Incentive Program goal of increasing the supply of non-market housing, i.e. affordable, attainable or community housing projects (e.g. non-profit owned, Habitat for Humanity) with a target of providing a minimum of 14 units that with a lease rate of 30% of the median renter income within Tillsonburg plus an additional 15 units that are offered at a less than market rate (i.e. Attainable Housing).

As presented to Council through an earlier Planning application, the applicant is proposing a high design standard for both the buildings but also the property, including the amenities. They are proposing that many of their amenities be part of the first building phase; including a Fitness Centre, Games Room, Lounges, Pet Wash, Pickle Ball Courts, Outdoor BBQ area, EV-chargers, etc.

The project will also support 50-75 temporary jobs during construction onsite plus third party consultants and other companies. After construction is completed, there will likely be one full time employee in the building; however, there will be a number of companies contracted to maintain the property on an on-going basis.

If approved, this will be the first multi-residential project supported outside of the Town's Central Area since the 31 Maple Lane (Tillsonburg Non-Profit Housing) expansion and the first multi-residential project approved since the 83 Rolph Street development in 2018.

In terms of tracking the below market rental rates, **Harvest Ave has indicated that the lower rents would be offered for a period of 10 years in accordance with their commitments to the Canada Mortgage and Housing Corporation, which includes reporting requirements that could also be circulated to the Town.** The Town could also prepare a CIP Agreement that includes provisions for the ability of the Town to audit the rental rates. While an agreement is not typically required for funding awarded under its CIP program, the Town has used this approach before for more complex projects (Otter Valley Foods) and certainly makes sense for this application. This could also be accomplished in conjunction with the County of Oxford should the applicant participant in any of their programs.

This project is an important one for the community as it will be one of the largest, if not the largest, rental apartment building in the community. With the project's proximity to adjacent commercial and industrial employment areas, these affordable units could potentially help meet the demand for worker entry-level housing.

Based on the significant number of below market rent units, the high level of building design, the proposed amenities, and the size of the development, which will result in a significant addition to the Town's rental inventory, the Development Commissioner is recommending that Harvest Ave Inc be approved for the Strategic Level of Rebates under the Community Improvement Plan.

ALTERNATIVE RECOMMENDATION

Council has asked if a different or lower level of support could be provided under the CIP program, which could certainly be an option. However, should Council desire to approve a different level of funding, it should be at one of the other two options provided by the CIP program.

The CIP program offers three level of rebates under the Tax Increment Rebate Program; namely, General (5 year phase-in of new taxes at 20% per year), High (50% reduction for the first 6 years then phased in 10% per year) or the Strategic Level (100% rebate for the first 6 years then phased in at 20% per year – this is the current staff recommendation).

If Council was considering a different level of funding, the current recommendation should be amended with the changes to the rebate schedule.

As a note, Harvest Ave Inc has confirmed that, without CIP funding, the 29 Affordable/Attainable housing units will be removed from the development. In addition to this, the potential “loss” of not having the rebate will affect their bank financing as well further reducing the viability of the project.

CONSULTATION

The Community Improvement Plan was recently updated with extensive consultation and input from the Affordable and Attainable Housing Committee, the Economic Development Advisory Committee and the community. The application has been submitted by an existing property owner in the community and circulated to the Building, Planning and Finance Departments.

The Manager of Housing Development for the County of Oxford has also been involved in the review of this application. The applicant is also discussing participation in the County’s housing programs.

In reviewing the questions raised by Town Council, Harvest Ave Inc has provided the following additional information, some of which has been incorporated into the above Discussion section of this report.

Role of the Canada Mortgage and Housing Corporation (CMHC)

In most instances, obtaining CMHC Insurance is required in order for a project to even be viable, particularly, in the current higher interest rate environment, as CMHC’s insurance allows the financing term to be extended from 40 years to 50 years, which results in the cashflow for the project working.

In order to qualify for this program, the project must meet certain parameters to achieve a total of 100 points:

- Exceed the energy efficiency requirements of the building code by a certain percentage;
- Provide 10% of the units at 30% of the Median Renter Income in Tillsonburg. Per CMHC the median renter income is \$41,500. This results in a maximum annual rent of \$12,450 or \$1,037 per month. The affordable units must be offered for 10 years
- Meet accessibility requirements.

Note that, in order for the numbers as submitted to CMHC to work, Harvest Ave Inc is counting on a significant level of property tax rebate.

County of Oxford

- The County of Oxford's affordable rental rate for bachelor units is lower than the CMHC rental rate. Under their current application with CMHC, Harvest Ave Inc will not be receiving any Development Charge reduction from the County of Oxford (other than what is universally mandated under bill 23);
- If they assign the CMHC affordable level to 6 one-bedroom units (rather than Bachelors) as proposed in their CIP application, they would then qualify for a DC charge reduction of \$6,375 per unit on the 6 one bedroom units for a total of \$38,250. However, to qualify for the DC charge reduction, they are giving up an additional \$12,250 per year in rent. Over 10 years that is \$122,500, which does not make sense financially. Plus, they would have to enter into an agreement with the County of Oxford that comes with additional legal fees and reporting requirements and an income test requirement for new renters.

Town of Tilsonburg

- In order to get the property tax rebate, Harvest Ave Inc needs to discount the rent for 10 years. While they would receive a full property tax rebate for 6 years, it would be phased out over years 7-10. However, they still have to provide the units at the same discounted rate, which decreases their net income on the back end (Years 7 – 10). And, even after year 10, they cannot just increase the rate to market rates right away.

FINANCIAL IMPACT/FUNDING SOURCE

The 2024 Economic Development & Marketing budget contains \$60,000 in approved funding for the Community Improvement Plan. Funds awarded to date include the up to \$20,000 building permit rebate for 1417 Bell Mill Side Road (THK) and 77 Broadway properties. If approved, matching funds up to \$20,000 for Building Permit fee rebates would be funded from this budget amount.

The Financial Impact of the Tax Increment Equivalent Grant Back Program will be based on the final assessment of the building once completed.

The proposed budget for the project submitted through this CIP application is \$37,000,000. If MPAC assesses the improvements at 60% of this value, the assessment would be approx. \$22,000,000. The property tax rebate for years 1-6 would be approx. \$200,000 per year and the cumulative rebates over the first 10-years would be approx. \$1,600,000:

Years	1	2	3	4	5	6	7	8	9	10	11	Total 10 Yr
Annual Tax \$	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 2,000,000
Rebate %	100%	100%	100%	100%	100%	100%	80%	60%	40%	20%	0%	
Rebate \$	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 160,000	\$ 120,000	\$ 80,000	\$ 40,000	\$ -	\$ 1,600,000
Net Tax \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ 80,000	\$ 120,000	\$ 160,000	\$ 200,000	\$ 400,000

CORPORATE GOALS

How does this report support the corporate goals identified in the Community Strategic Plan?

- Lifestyle and amenities
- Customer service, communication and engagement
- Business attraction, retention and expansion
- Community growth
- Connectivity and transportation
- Not Applicable

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

Goal – The Town of Tillsonburg will accommodate and support sustainable growth

Strategic Direction – Work with Oxford County and the development community to proactively plan for a variety of housing options that are affordable and attainable for current and prospective residents

Priority Project – *Immediate Term* – Enhanced development standards that benefit the community (including tree planting, affordable housing, walkability, livability, connectivity)

ATTACHMENTS

Appendix A – Community Improvement Plan Application