



Committee Report

To:	Chair McQueen and Members of Affordable Housing Task Force
Committee Date:	June 24, 2022
Subject / Report No:	HDR-AF-13-22
Title:	Lutheran Social Services Affordable Housing Build
Prepared by:	Anne Marie Shaw, Director of Housing
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	

Recommendation

1. That staff report HDR-AF-13-22 regarding the Lutheran Social Services Affordable Housing Build be received; and
2. That a monthly subsidy be provided to Lutheran Social Services Owen Sound to supplement operating costs for the new affordable build; and
3. That the funds for the operating subsidy come from the existing nonprofit housing budget.

Executive Summary

Lutheran Social Services Owen Sound (LSSOS) have changed their plans from the original proposed affordable housing build from 32 units to 45 units. LSSOS will require an ongoing subsidy to ensure the units remain affordable and secure a mortgage with the Canadian Mortgage and Housing Corporation (CMHC). The LSSOS agreement with the County as a non-profit housing provider will expire in 2023. Grey County as the Service Manager will be entering into a new agreement with LSSOS. As Lutheran Social Services mortgage will be paid off there is opportunity for a subsidy to be paid for the new affordable units with no increase in funding from the County.

Background and Discussion

Lutheran Social Services Owen Sound formerly put forward a proposal to build 32 units of a mix of affordable and market housing for seniors on property they currently own located at 3rd Avenue East in Owen Sound. In an effort to make the project financially viable LSSOS has increased the number of units to 45 units. With the increase in construction costs and interest rates, Lutheran Social Services will need to secure a mortgage of \$13,531,025.

Project Description

There are currently two smaller houses on a plot of land that will be demolished, and a five-story apartment building built. The land will be an in-kind contribution from Lutheran Social Services Owen Sound. LSSOS is proposing 20 affordable units and 25 attainable/market units. There will be a mix of one- and two-bedroom units. The affordable rents will be \$656 for a one bedroom and \$740 for a two bedroom. Market unit prices have been set at \$1400 for a one bedroom and \$1800 for a two bedroom.

Project Cost

Lutheran Social Services worked with Grant Diemert Architectural Services to determine a cost estimate for the build. The total cost for the 45-unit apartment building is estimated to be \$18,319,000 or \$400,000 a unit including land, construction and soft costs.

Budget Item	Cost
Land	600,000 (included in total, donated)
Hard costs (Construction costs)	16,300,000
Soft Costs (Development costs)	660,000
Financing	250,000
HST (net rebate)	509,000
Total	18,319,000

Sources of Funding	Amount
Grey County Grant	3,000,000
Land value	600,000
Owner Cash equity	300,000
Development Charges Waived	430,000
Co-Investment Funds	457,975
Total	4,787,975

Mortgage required

\$13,531,025

Lutheran Social Services is working with Canadian Mortgage and Housing Corporation through the National Housing Strategy Co Investment Fund for a mortgage. Based on a stress test from CMHC LSSOS requires an additional estimated \$8,000 in revenue each month to obtain mortgage approval. This amount is an estimate based on construction costs to date.

The current rental rates provide \$52,404 monthly. \$8,000 more would require the loss of 10 affordable units. A monthly subsidy will provide the viability for the project so the full amount of the mortgage can be approved.

Currently Grey County has an agreement with LSSOS to provide non-profit housing. This agreement ends at the end of their mortgage in 2023. The Province released regulatory changes to the Housing Services Act 2011, (HSA) through Bill 184 requiring Service Managers to negotiate agreements with current Non-Profit Housing Providers when their agreement expires to provide operating subsidies, capital contributions and funding to support new affordable housing.

A new agreement with LSSOS will be required in 2023 and can support the extra \$8,000 or a future amount determined to provide enough revenue to obtain a mortgage within the existing non-profit budget.

Legal and Legislated Requirements

Enter into a new agreement with Lutheran Social Services Owen Sound in 2023 as required by Housing Services Act, 2011 O Reg 241/22.

Financial and Resource Implications

Provide a monthly subsidy for operating costs for LSSOS's new affordable build.

Relevant Consultation

- Internal (list)
- External (list) Lutheran Social Services Owen Sound, Canadian Mortgage and Housing Corporation.

Appendices and Attachments

None