

# REQUEST FOR DECISION

**Subject: Bylaw 369 – Borrowing Bylaw - Deer Lane Affordable Housing Project**



Presented to: Council

Date: August 22, 2016

Submitted by: Chris Hughes, Senior Accountant & Sharon Oakley, Housing Sustainability Coordinator  
Agenda #: 7.1

## RECOMMENDATION

That council:

- i) give first reading to Bylaw 369 – Borrowing Bylaw – for the construction of the Deer Lane Affordable Housing Project; and
- ii) direct administration to advertise Bylaw 369 for two consecutive weeks.

## BACKGROUND

### Reason for Report

At the March 14, 2016 meeting, council directed administration to proceed with a RFP process for an affordable housing project to be constructed at 535-547 Deer Lane, serviced through debt financing. The RFP process closed July 14, 2016, and a successful proponent has been selected based on the alignment to the scope of work that council approved. This report, will outline the details of the design elements for the project so that council can give consideration to the proposed borrowing bylaw for this affordable housing development.

Financing for the project will come from a 30 year debenture from Alberta Capital Finance Authority (ACFA) in the amount of \$22,850,000 which would be in addition to the \$965,001 loan authorized through bylaw 355. The interest rate will be set on the day the debentures are issued. For reference the 30 year rate on August 1, 2016 was posted at 2.738%. The debenture payments and building operating costs, will be repaid with future rents collected from the project.

### Summary of Issue

The design/build process saw 26 expressions of interest from design/build teams. From this, 4 were shortlisted to respond to the RFP and submit a complete design build package. The successful design/build team selected was Knightsbridge Homes/GEC Architecture. The proposed design includes the following elements as compared to the original scope of work that council approved to guide the RFP process:

<b>Council approved scope of work</b>	<b>Submitted Design</b>
<b>Unit Mix target:</b> Studio – 20%, 1 bedroom – 50%, 2 bedroom – 30% (plus or minus 5 %)	Studio – 26 units (20%) 1 bedroom units – 69 units (52%) 2 bedroom units – 37 (28%) Total Units: 132
<b>Unit Size</b> – Studio – 300 ft. minimum, 1 bedroom- 425ft <sup>2</sup> (plus or minus 10%), and 2 bedroom- 600ft <sup>2</sup> (plus or minus 10%)	Studio Units - 327 ft <sup>2</sup> Studio-barrier free - 471 ft <sup>2</sup> 1-bedroom units - 437 ft <sup>2</sup> 1 bedroom-barrier free - 437 ft <sup>2</sup> 2-bedroom Units - 540 ft <sup>2</sup> 2 bedroom -barrier-free - 573 ft <sup>2</sup> A-frame 2- bedroom units - 550 ft <sup>2</sup>
Barrier Free Units – 5% of units will be designated barrier free	8 of 132 units are barrier free representing 6% of total units

<p><b>Floor Area Ratio</b> – maximize the FAR for the site (63, 855 ft<sup>2</sup>) while maintaining required parking per council policy C122</p>	<p>The FAR for the proposed design is 1.26 (61,375 ft<sup>2</sup>), of a possible 1.3. C122 was applied, and resulted in 80 parking stalls, and 238 bike stalls.</p>																																																								
<p><b>Amenity Space</b> – no less than 60% of units will have personal amenity space (balconies) and remaining amenity space could be dedicated to communal outdoor space.</p>	<p>81 units (61%) have balconies Common outdoor amenity space is 454 m<sup>2</sup></p>																																																								
<p><b>Building Specifications:</b></p> <ul style="list-style-type: none"> <li>• Provide an elevator in the development</li> <li>• Base kitchen appliance package includes stove, fridge, and microwave (no dishwasher)</li> <li>• Storage units be made available for every unit at no cost to tenant</li> <li>• Laundry – communal laundry to be developed</li> </ul>	<ul style="list-style-type: none"> <li>• Elevator is included in design</li> <li>• Base kitchen package included as per council direction</li> <li>• Storage has been included in every apartment unit</li> </ul>																																																								
<p><b>Parking</b> - Deer Lane development will optimize required parking through the use of Council Policy C-122, with specific consideration given to active transport, accessibility of transit, car share programs, and size of units. In an effort to assist tenants to control their costs, parking will be made available on a user pay basis.</p>	<p>Policy C122 has been applied:</p> <table border="1" data-bbox="706 919 1502 1165"> <thead> <tr> <th>Total Number of Units =</th> <th># Of Units</th> <th>Parking Ratio</th> <th>Required Stalls</th> </tr> </thead> <tbody> <tr> <td>Studios/ Bed Sitting Room</td> <td>26</td> <td>0.75</td> <td>19.5</td> </tr> <tr> <td>1 Bedroom Units</td> <td>69</td> <td>1.0</td> <td>69.0</td> </tr> <tr> <td>2 Bedroom Units</td> <td>37</td> <td>1.5</td> <td>55.5</td> </tr> <tr> <td colspan="3"><i>Total Required Parking</i></td> <td>144</td> </tr> </tbody> </table> <p><i>8.16.1(b)</i></p> <table border="1" data-bbox="706 1270 1502 1743"> <thead> <tr> <th><i>Proposed Relaxation Requirements</i></th> <th><i>Qualify?</i></th> <th><i>Discount (%)</i></th> <th><i>Required (Stalls)</i></th> </tr> </thead> <tbody> <tr> <td>a) Distance to core (800m)</td> <td>No</td> <td></td> <td></td> </tr> <tr> <td>b) Proximity to transit</td> <td>Yes</td> <td>15%</td> <td>-21.60</td> </tr> <tr> <td>c) Unit GFA less than 50 sq. m</td> <td>Yes</td> <td>15%</td> <td>-13.28</td> </tr> <tr> <td>d) Active transportation</td> <td>Yes</td> <td>15%</td> <td>-21.60</td> </tr> <tr> <td>e) Car share program</td> <td>Yes (4 stalls)</td> <td>15% on 40 units</td> <td>- 8.75</td> </tr> <tr> <td>f) Mixed use shared parking</td> <td>No</td> <td>-</td> <td></td> </tr> <tr> <td colspan="3">Required Parking after Relaxation</td> <td>78.75stalls</td> </tr> <tr> <td colspan="3">Minimum</td> <td>80 stalls</td> </tr> </tbody> </table>	Total Number of Units =	# Of Units	Parking Ratio	Required Stalls	Studios/ Bed Sitting Room	26	0.75	19.5	1 Bedroom Units	69	1.0	69.0	2 Bedroom Units	37	1.5	55.5	<i>Total Required Parking</i>			144	<i>Proposed Relaxation Requirements</i>	<i>Qualify?</i>	<i>Discount (%)</i>	<i>Required (Stalls)</i>	a) Distance to core (800m)	No			b) Proximity to transit	Yes	15%	-21.60	c) Unit GFA less than 50 sq. m	Yes	15%	-13.28	d) Active transportation	Yes	15%	-21.60	e) Car share program	Yes (4 stalls)	15% on 40 units	- 8.75	f) Mixed use shared parking	No	-		Required Parking after Relaxation			78.75stalls	Minimum			80 stalls
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<p><b>Environmental specifications</b> - Deer Lane development will incorporate many environmental, energy saving,</p>	<p>Designed to meet new building code. Sustainable design features include heat recovery ventilators in each suite, low VOC paint and materials, triple glazed windows, R50 roof</p>																																																								

and active transportation provisions, and ask for LEED Silver as an option from RFP respondents to mimic the Town's Sustainable Municipal Building Policy C-106.	insulation, high efficiency boilers, concrete construction, JM Spider insulation, storm water management system, non-edible planting for wildlife.  The administrative application process to acquire LEED Platinum designation is estimated at \$52,000. This is not currently included in the project budget.
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The design selected through the RFP process meets all of the criteria as set out by council, including Land Use Bylaw zoning, and the Banff Design guidelines.

### Financing Details

The total project cost for the construction of this proposed design is estimated at \$23,815,635. The following is a detailed costing model that will result in a non-tax supported affordable housing project.

Rental rates for this project are based on household affordability factors, as well as council's direction to ensure a non-tax supported, cost recovery housing project. The rental rates were developed with a calculation based on Banff's median employment income as per the 2013 Banff tax filer data (the most recent available dataset), with rent not be in excess of 32% of average income. The data has been inflated by 1.14% annually to create a projected calculation for June 2018 (proposed occupancy date). The rental rates will be changed annually, based a review of median incomes in Banff.

### **Chart 1.0 Rental Rates**

2013 Average Income	\$26,510.00				
Annual Inflation	1.140%				
Forecasted 2018 Average income	\$28,055.92				
	Incomes per unit	Total gross income(s) per unit	Rents based on CMHC affordability % of 32% of gross income	Banff Job Resource Centre average rents (2015)	Percentage of 2015 Banff rental market averages
Studio	1.15	\$32,264.31	\$860.38	\$1054.00	82%
1 bedroom	1.5	\$42,083.88	\$1122.24	\$1399.00	80%
2 bedroom	2.2	\$61,723.02	\$1645.96	\$1854.00	89%
Cabin -2 bedroom	2.4	\$67,334.20	\$1795.58	\$1854.00	97%

**Chart 2:0 Projected Revenue**

Project Revenue	# of Units	Monthly Rent	Annual Rent
Studio	26	\$860.38	\$268,439.02
1 Bedroom	69	\$1,122.24	\$929,211.98
2 Bedrooms	27	\$1,645.95	\$533,286.88
Cabin	10	\$1,795.58	\$215,469.00
<b>Total</b>	<b>132</b>		
Parking Space Rental	64	\$25.00	\$18,240.00
<b>Total Revenue</b>			<b>\$1,964,647.33</b>

**Chart 3.0 Operating Costs:**

Annual Debt Repayment	Annual Interest Rate	2.738 %	\$(1,169,160)				
Operating Costs							
Vacancy		1%	\$(19,464)				
BHC Office			\$(10,325)				
Reserve Fund			\$(107,170)				
Property Taxes			\$(138,416)				
Car share net cost			\$(25,500)	50% cost of recovery			
Insurance			\$(40,000)				
Repair & Maintenance			\$(97,300)				
Management Fees	8%		\$(157,172)				
				Elect-common areas	heat	Water/sewer	Garbage
Utilities			\$(199,280)	\$15,800	\$104,280	\$52,800	\$26,400
Total Expenses			\$(1,963,787)				
Net Income /(Loss)			\$860				

**Chart 4.0 Cost to Build**

Demolition Cost	\$ (125,000)
Land	\$ (550,000)
Design/Site Servicing Costs	\$ (1,607,900)
Total Building Cost	\$ (20,124,051)
Contingency	\$ (1,408,684)
<b>Total Capital Cost</b>	<b>\$ (23,815,635)</b>

All of the project costs will be funded from debt financing for a period not to exceed thirty years from the Alberta Capital Finance Authority (ACFA). The Municipal Government Act requires that a proposed borrowing bylaw that will exceed 5 years to be advertised in a local newspaper once a week for two consecutive weeks. The proposed timelines for Bylaw 369 are as follows:

August 22, 2016	First Reading of Bylaw 369
August 25, 2016	Advertise Bylaw 369 (Week 1)
September 1, 2016	Advertise Bylaw 369 (Week 2)
September 2, 2016	Start of 15 day petition period
September 19, 2016	End of 15 day petition period
September 26, 2016	Second and Third reading of Bylaw 369
October 27, 2016	Bylaw 369 becomes valid (if no application has been made to Court of Queen's Bench to have the bylaw declared invalid within 30 days after the bylaw has been passed or application is dismissed)
December 15, 2016	Borrow from ACFA

### Response Options

- Give first reading to Bylaw 369 – Borrowing Bylaw – Deer Lane Affordable Housing Project and direct Administration to advertise Bylaw 369 for two consecutive weeks.
- Request further information from Administration with regards to the project.

## IMPLICATIONS OF RECOMMENDATION

### Financial

<b>Principle Amount - \$22,850,000</b>				
<b>Interest Rate (as of August 1, 2016) – 2.738%</b>				
<b>Term</b>	<b>Project Cost</b>	<b>Annual Debt Payment</b>	<b>Total Interest Charges</b>	<b>Final Project Cost</b>
30 Years	\$22,850,000	\$1,121,755	\$10,802,637	\$33,652,637

The impact of this debenture on the Town's debt capacity is forecasted in the chart below:

<b>Town of Banff</b>					
<b>5 year Debt Limit Forecast</b>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total Revenue	\$ 41,909,961	\$ 42,754,114	\$ 43,904,459	\$ 45,002,070	\$ 46,127,122
Less:					
Capital Grant Transfers	\$ (3,140,652)	\$ (3,140,652)	\$ (3,140,652)	\$ (3,140,652)	\$ (3,140,652)
Eligible Revenue	\$ 38,769,309	\$ 39,613,462	\$ 40,763,807	\$ 41,861,418	\$ 42,986,470
Total Debt Limit	\$ 58,153,964	\$ 59,420,193	\$ 61,145,711	\$ 62,792,128	\$ 64,479,705
Total Debt Current	\$ (7,669,836)	\$ (5,399,819)	\$ (3,936,346)	\$ (2,430,000)	\$ (2,430,000)
Loan Guarantee	\$ (5,066,094)	\$ (3,546,265)	\$ (2,127,759)	\$ (1,063,880)	\$ (1,063,880)
Committed Debt	\$ (1,635,000)	\$ (1,599,258)	\$ (1,562,530)	\$ (6,524,790)	\$ (6,382,153)
<b>Deer Lane Construction</b>	<b>\$ (22,850,000)</b>	<b>\$ (22,350,482)</b>	<b>\$ (21,837,195)</b>	<b>\$ (21,309,757)</b>	<b>\$ (20,767,779)</b>
Unused Debt Limit	\$ 20,933,034	\$ 26,524,369	\$ 31,681,880	\$ 31,463,701	\$ 33,835,894
<b>% Debt Limit Used</b>	<b>64%</b>	<b>55%</b>	<b>48%</b>	<b>50%</b>	<b>48%</b>

### Legislation/Policy

Borrowing which exceeds five years is governed by section 258 of the Municipal Government Act. As such the bylaw must be given first reading then be advertised in at least one newspaper circulating within the limits of the municipality once a week for two consecutive weeks. The electors may, within 15 days from the date of the last publication of the notice, petition Council for a vote on the money by-law. If a valid petition is presented to Council within the specified time period, the Council may abandon the project, or, if it decides to proceed with the by-law, shall first submit the by-law to a vote of the electors, and if assented to by the vote, may proceed.

### **Council Four-Year Strategic Priorities**

#### ***A Place to Call Home- Housing Priorities***

The Banff Community Plan directs Council to:

- Supply a mix of affordable housing options to ensure those working in Banff, live in Banff
- Ensure high standards for architecture, landscape, environmental and urban design and residential development and redevelopment.

Key Partners: Parks Canada as a major landholder, employer and owner of staff housing.

Outcomes by 2018:

- At least 80% of those who work in Banff live in Banff and those who live in other communities do so by choice- they are not driven out by scarcity, quality and price.
- At least 1% of out accommodation is accessible for people with mobility limitations
- Our rental vacancy is 1% or higher
- 200 new housing units have received occupancy permits since 2014
- Residents understanding of, trust in and engagement process has increased since 2014

Strategies:

- Facilitate the development and management of rental housing
- Collaborate with partners to share information, gather data and find housing development and improvement opportunities.

### **Community Housing Strategy-Partnership and Collaboration**

4.2.1.3	<b>Partner with Parks Canada for land within town boundaries</b>	<b>Identify sites for redevelopment at appropriate densities and work collaboratively with Parks Canada to acquire sites for housing</b>
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## CONCLUSION

The 2012 Housing Study and the 2014 Banff Community Housing Strategy highlighted the shortfall of available and affordable rental housing units as Banff's most pressing need. The lack of housing has many implications, including social and economic realities. According to results from the Alberta Apartment Vacancy and Rental Cost Survey, Banff has existed with a 0% vacancy rate since 2013. It is anticipated that Banff will continue to be challenged by low vacancy rates and the predicted shortfall of housing units remains between 455-730 units. In October of 2014, Council adopted the 2014 Banff Community Housing Strategy as a guiding document to assist with decision making related to housing.

The community of Banff has a strong vision for the housing future. It includes having a robust range of housing options so that each Banffite can find a place to call home. It encourages diversity in our neighbourhoods as well as our community. It embraces the concept of "appropriate housing" as critical to the overall state of wellbeing for the entire community. It acknowledges that affordability is a key factor in creating quality of life for our residents. For the ideal housing vision to be achieved, it will take the community working together.

The Deer Lane development is intended to be a mixed use, residential development, creating 132 affordable rental units. The development is based on a cost recovery model that will not require tax payer support and will be managed by the Banff Housing Corporation.

Repayment of these debentures will be financed over the thirty year term through revenues collected from the eventual development of properties on these lots.

## ATTACHMENTS

A - Borrowing Bylaw 369

B - GEC/ Knightsbridge proposal

Submitted By:

2016.08.15

Chris Hughes, Senior Account

Sharon Oakley, Housing Sustainability

Reviewed By:

2016.08.15

Robert Earl, Town Manager

## TOWN OF BANFF

### BYLAW 369

**THIS BYLAW AUTHORIZES THE COUNCIL OF THE TOWN OF BANFF TO INCUR INDEBTEDNESS BY THE ISSUANCE OF DEBENTURE(S) IN THE AMOUNT OF \$22,850,000 FOR THE PURPOSE OF CONSTRUCTING A BELOW MARKET HOUSING PROJECT AT 535-547 DEER LANE (PLAN 6719BC; BLOCK 30; LOTS 18-25).**

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#### WHEREAS:

The Council of the Town of Banff has decided to issue a bylaw pursuant to section 258 of the *Municipal Government Act* to authorize the financing for the construction of a below market housing project at 535-547 Deer Lane (Plan 6719BC; Block 30; Lots 18-25).

Plans and specifications have been prepared and the total cost of the project is estimated to be \$22,850,000. The Town of Banff estimates the following grants and contributions will be applied to the project:

Capital Reserves	\$0
Provincial Grants	\$0
Debenture	<u>\$22,850,000</u>
Total Cost	<u>\$22,850,000</u>

In order to complete the project, it will be necessary for the Town of Banff to borrow the sum of \$22,850,000 for a period not to exceed thirty years, from the Alberta Capital Finance Authority or another authorized financial institution, by the issuance of debentures on the terms and conditions referred to in this bylaw.

The estimated lifetime of the project financed under this bylaw is equal to, or in excess of thirty years.

The principle amount of the outstanding debt of the Town of Banff at December 31, 2015 is \$16,665,022 and no part of the principal or interest is in arrears.

All required approvals for the project have been obtained and the project is in compliance with all *Acts and Regulations* of the Province of Alberta.

**NOW THEREFORE** the Council of the Town of Banff, in the Province of Alberta, duly assembled, ENACTS AS FOLLOWS:

## **1.0 CITATION**

- 1.1 This bylaw may be cited as Borrowing Bylaw – Deer Lane Construction

## **2.0 PROVISIONS**

- 2.1 That for the purpose of constructing a below market housing project on the lands at 535-547 Deer Lane (Plan 6719BC; Block 30; Lots 18-25), the sum of TWENTY TWO MILLION EIGHT HUNDRED FIFTY THOUSAND DOLLARS (\$22,850,000) be borrowed from the Alberta Capital Finance Authority or another authorized financial institution by way of debenture on the credit and security of the Town of Banff at large, of which amount the full sum of \$22,850,000 is to be paid by the Town of Banff at large.
- 2.2 The proper officers of the Town of Banff are hereby authorized to issue debenture(s) on behalf of the Town of Banff for the amount and purposed as authorized by this bylaw, namely the construction of a below market housing project on the lands at 535-547 Deer Lane (Plan 6719BC; Block 30; Lots 18-25).
- 2.3 The Town of Banff shall repay the indebtedness according to the repayment structure in effect, namely semi-annual or annual equal payments of combined principal and interest installments not to exceed THIRTY (30) years calculated at a rate not exceeding the interest rate fixed by the Alberta Capital Finance Authority or another authorized financial institution on the date of the borrowing, and not to exceed SIX (6%) percent.
- 2.4 The Town of Banff shall levy and raise municipal taxes sufficiently to pay the indebtedness.
- 2.5 The indebtedness shall be contracted on the credit and security of the Town of Banff.
- 2.6 The net amount borrowed under this bylaw shall be applied only to the project specified by this bylaw.
- 2.7 This bylaw comes into force on the date it is passed.

READ A FIRST TIME this XX day of XXX, 2016.

READ A SECOND TIME this XX day of XXX, 2016.

READ A THIRD TIME this XX day of XXX, 2016.

SIGNED AND PASSED this XX day of XXX, 2016.

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Karen Sorensen  
Mayor

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Robert Earl  
Town Manager