



## **The Blue Mountains Attainable Housing Corporation (BMAHC)**

Request for Information on the Development of Attainable Housing in the Town of The Blue Mountains - Final Report

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# Executive Summary

The Blue Mountains Attainable Housing Corporation (“BMAHC”) engaged StrategyCorp (“SCI”) to facilitate the process to go to market for information related to the development of attainable and sustainable rental and ownership units in the Town of The Blue Mountains (“TBM”). This included the development of [a Request for Information \(“RFI”\)](#) to assess the potential for partnerships with developers and builders to deliver attainable housing within TBM, the facilitation of interviews with leaders and experts in the development community to better understand their perspective, and public consultation with local residents.

Throughout this process, BMAHC, in consultation with StrategyCorp and the Town, was able to gain a broader perspective on opportunities and considerations with respect to the development of attainable rental and ownership units in lower-tier municipalities like TBM, including the potential parameters and structure of a development partnership.

This report summarizes the findings of the RFI, market sounding interviews and public input, and will inform the BMAHC board as they identify the best approach to develop a Request for Proposal (“RFP”), in which a proponent may be selected to build attainable housing in the Town.

In this report, StrategyCorp outlines:

- An overview of the engagement process;
- An overview of considerations with respect to planning and development processes and approvals;
- Options relating to the potential partnership structure between BMAHC and the development partner;
- Considerations with respect to the definition and implementation of affordable ownership and rental rates; and,
- A detailed description and analysis of the land parcels identified in the RFI process.

The results of the RFI process and public consultations suggest that BMAHC has appropriate land parcels to move forward with an attainable housing development. In order to ensure a successful RFP process that results in a construction partner, BMAHC will need the RFP to consider:

- The resources required to facilitate the RFP;
- The planning permissions to build attainable, residential units on the selected sites;
- Any fee reductions, deferrals or exemptions and government subsidies available to reach the affordable rent and ownership targets; and,
- The financing to support the development of the projects.

StrategyCorp’s view is that a process to select a construction partner can be initiated quickly considering TBM Planning staff and that an RFP is structured to provide certainty and reduce risk for the successful proponent.

## Part I: Engagement Process

The primary objective of BMAHC is to support the building of attainable rental and ownership housing in TBM and get shovels in the ground as soon as possible. As part of this objective, on August 2, 2019, BMAHC took the following three steps to seek input on key aspects of the attainable housing process:

- 1) Issued a Request for Information (“RFI”) to prospective partners and industry leaders;
- 2) Issued a public consultation document for residents; and
- 3) Initiated meeting requests for market sounding interviews with industry leaders.

As part of this process, BMAHC sought to understand the following:

- The level of market interest in the opportunity to partner with BMAHC in the development of attainable housing in TBM;
- The scope of partnership and key transaction parameters in the design, build, and operations of attainable housing;
- Any impediments or issues that need to be addressed in BMAHC’s plans prior to considering any next steps in the process;
- A vision for the development of attainable housing in TBM that will meet BMAHC’s goals and objectives;
- Any conditions that may cause a Respondent to the RFI to not consider responding to a potential future RFP; and
- Public feedback on the type and location of attainable housing required.

The RFI and public consultation document included four preliminary property options to be considered by Respondents as potential sites for the building of attainable housing:

- 1) Grey Road 19
- 2) 130 King Street West
- 3) Gord Canning Drive
- 4) 118 Kandahar Lane (Heritage Park)

Following a review of the four land parcels under consideration with respect to development readiness, environmental impact, and community impact, StrategyCorp presented an Interim Report to the BMAHC Board on September 30, 2019 with recommendations to remove the parcels located at Gord Canning Drive and 118 Kandahar Lane from further consideration in the RFI process, as well as any future RFP process. In addition, the BMAHC board recommended the inclusion of the property at 171 King Street East, the former Foodland property, in the RFI process as a potential site to be considered for attainable housing following Council’s approval to

purchase the property.<sup>1</sup> The objective of the Interim Report was to enable BMAHC and Town Council to give clarity to local developers and members of the TBM community regarding next steps for the development of attainable housing in TBM.

The Interim Report was adopted by the Board and Council. The RFI was subsequently updated to reflect the removal of properties at Gord Canning Drive and 118 Kandahar Lane and the inclusion of the property at 171 King Street East for consideration by RFI Respondents.<sup>2</sup>

The RFI closed on October 11, 2019.

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<sup>1</sup> TBM, [Staff Report FAF.19.203](#) (September 25, 2019)

<sup>2</sup> TBM, [Staff Report FAF.19.210](#) (October 7, 2019)

# Part II: Key Themes and Considerations

## Planning and Development

### Development Readiness of the Land Parcels

Several respondents expressed a need to better understand what is required to ensure the subject lands are ready for development. Concern was expressed about the number of environmental and other studies required and their associated costs, resources and timelines, as well as any other unknown issues about each land parcel.

Respondents recommended that the required environmental monitoring and subsequent studies be completed as soon as possible and that BMAHC and the Town include as much detail as possible with respect to environmental factors, such as soil, ground water, and drainage in the RFP. Respondents expressed particular interest in completing reporting and approvals required by the Conservation Authority in advance, given their previous experience with extended process timelines.

Specifically, respondents suggested that the required environmental studies be completed in parallel to the RFP process, given the breadth of engineering and technical requirements related to issues such as ground water sampling. The overarching goals were to reduce time, expense and overall risk for the prospective partner.

Some smaller developers, who may need to provide justification to their lenders with respect to the rationale for undertaking a project technically 'out of scope' or with higher risk, indicated that a needs assessment could be useful in this regard.

### Zoning, Height and Density

Most respondents also indicated that zoning is an important factor in moving forward with the development of an attainable housing development, recognizing that density will be required in order to make rental and ownership units more attainable and to reduce risk to the developer. Some suggested pre- or up-zoning the land to allow for the density required to meet the attainable thresholds. Many also recognized the challenge between adding density to increase affordability and the community desire to maintain site lines and the aesthetics of a neighbourhood.

Members of the public noted that any housing stock developed should align with the existing style and character of the neighbourhood, which may need to be considered in determining the height and density of the proposed built form.

### Expedited Approvals and Relief from Planning-related Fees and Charges

Several respondents commented on the need for a streamlined planning approvals process, observing that the current process in TBM can be long, bureaucratic and confrontational – sometimes ending at the Ontario Municipal Board for appeal.

In addition to expedited approvals, respondents suggested that the Town could incentivize attainable housing development by offering some form of relief from development charges, whether that may be a waiving, deferral and/or freezing of fees. A list of potential policies and strategies to support the development of attainable housing is available in BMAHC's approved Conceptual Business Model (2019).<sup>3</sup> We note that Grey County has a track record of deferring development charges for not-for-profit developments.

## Access to Transit

Respondents suggested that transit is essential when considering the development of the supply of attainable housing within TBM, and that safe and accessible transit can improve the desirability of a building. This is particularly important for minimum wage earners who may not have consistent access to a car, and as parking availability becomes an increasing challenge in The Blue Mountain Village and downtown Thornbury. Some respondents suggested a dedicated shuttle to-and-from the attainable housing units to The Village. Others noted that existing transit routes will need to service the new development(s).

Of the existing land parcels considered viable for redevelopment, the following could be serviced by existing or modified transit routes:

- **Grey Road 19:** This site could be serviced by a future transit route by extending the existing Blue Mountain Transit Link south along Grey Road 19 and east along Poplar Sideroad, reconnecting in Collingwood.
- **130 King Street West:** This site could be served by the Collingwood Crosstown transit route.
- **171 King Street East:** This site could be potentially serviced by the existing Collingwood-Wasaga Beach Link.

## Protecting Park Space

Public feedback received indicated that green space and park land is limited throughout TBM but is essential for quality of life for existing and new residents. Respondents reiterated that the protection of park land and green space is a top priority when considering any potential developments.

StrategyCorp encourages BMAHC to work closely with TBM Planning to assess and confirm the density allowed on the land parcels to help provide certainty and clarity to prospective constructors.

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<sup>3</sup> BMAHC, [Conceptual Business Model](#) (June 2019)

## Development Partnership Structure

Multiple partnership structures were suggested throughout the process, including the following:

### Design, Build, Transfer

In a DBT structure, a constructor would design and build the units and transfer the project to BMAHC for operation and maintenance.

### Long-Term Lease

In this model, the developer would purchase the land from the municipality and BMAHC would act as a tenant and lease units, providing them to tenants who meet the income thresholds for affordable units.

### Design, Build, Own, Operate

In this structure, a developer would design, build, own and operate the building with long-term affordability requirements, and the Town would retain ownership of the land. However, the majority of respondents indicated that developers/builders would not be interested in engaging in operating and maintenance of the developments.

In reviewing the comments from respondents and the strengths of each model, StrategyCorp advises BMAHC to advance a Design, Build, Transfer model to ensure long term affordability of the units, increase the likelihood of public sector grants (which are more limited for private sector developers), and potentially generate less costly financing options.

## Affordability

### Indicative Attainable Rates

While the RFI utilized CMHC and MMAH definitions for affordability, some respondents were uncertain about the feasibility of the indicative attainable rental rates included in the RFI. Respondents suggested that the rates of \$734 for a one-bedroom and \$865 for a two-bedroom were well below what developers could build given typical building costs, infrastructure requirements and government fees.

Respondents indicated that in order to provide rental units at this price, a number of atypical conditions would have to be met, including no land costs, significantly reduced fees, no external infrastructure required to support the project, the land being fully serviced, and planning and zoning up-to-date.

### Maintaining Long-Term Affordability

A few respondents observed that 30 years is a long time to have an asset be affordable. Larger units in particular were identified as more difficult to keep affordable.

Some respondents suggested that in order to maintain affordability, BMAHC could mandate that a percentage of the units must be affordable. This idea was supported amongst respondents who indicated that, in past partnerships with municipalities, mixed-use housing with both attainable and market rate units were developed. In this case, BMAHC would set a threshold of units that would be attainable and leave some at market rate. This is a common practice in affordable housing development that helps ensure revenues for operation and maintenance, and a mix of income levels in the building. BMAHC would also manage the waitlist for attainable units, a fact widely agreed upon by respondents.

Regarding the affordability of ownership units, various views were expressed with respect to the dynamics between maintaining long-term affordability and allowing an owner to earn equity. A concern was raised with respect to the Whistler model and the fact that the limited value uplift from selling units has resulted in maintenance and upkeep of the units being deferred, thus reducing the quality of the units.

One not-for-profit that uses a revolving fund model to re-invest second mortgage returns into new housing indicated they were seriously considering adjusting their model to ensure longer term affordability of existing ownership units.

Respondents brought forward some potential models to maintain long-term affordability:

#### Land Lease

In this model, the buyer would purchase the home on the property but would not purchase the title to the land. BMAHC would continue to own the land, and lease the land to the homeowner, with the cost of the lease accounted for in their monthly mortgage payment.

The purchase price of the home for the first-time buyer is approximately 30% less than market-rate, and that assists them with qualifying for greater down payment assistance from CMHC (10% down payment assistance from CMHC at the 30% reduced purchase price versus 5%).

#### Rent-to-Own

Rent-to-own provides an alternative path to home ownership for individuals unable to obtain financing or because they have insufficient funds for the down payment. In this model, the unit would be rented for a certain period of time at which point the tenant would either be given the option or be required to buy the house at the end of the lease.

### Operating and Maintenance

Respondents indicated that most developers would likely not be interested in operating or maintaining the project. To this end, BMAHC could consider hiring a local property manager to operate and maintain the resulting units. If BMAHC intends to build ownership units, it will have to factor in a reserve fund for maintenance and repairs into the condo fees or ownership fees.

### Provincial and Federal Funding

Some Respondents provided suggestions for consideration regarding next steps to secure CMHC and Provincial funding. BMAHC, with StrategyCorp's support, has already engaged the province

and CMHC regarding the efforts to develop attainable housing. A clear strategy for both the long and short-term implementation of grant funding is required. To do this successfully, BMAHC would have to do the following in order to develop a successful application:

- Complete a needs assessment;
- Produce a detailed financial proforma and business case; and,
- Produce renderings and design specifications for the proposed redevelopment project.

In Alberta, a not-for-profit partnership of nine public colleges and universities called the Alberta Rural Development Network (“ARDN”), has a mission to support rural development and help rural communities grow through research and learning. For a fee, ARDN undertakes preparatory development work and will also detail and support financing and government funding processes.

StrategyCorp recommends confirming a proforma with BMAHC’s new financial advisor to confirm expected operating and financing costs and viable rent levels. Rent levels could be reduced based on grant applications and confirmation of fee reductions and deferrals.

## Design and Built Forms

Respondents noted that BMAHC should allow developers to undertake the designs and built forms, in order to drive innovation and potentially find savings in materials. However, these built forms should be in line with TBM design guidelines.

## Land Options

Below is a detailed description and analysis of the three land parcels identified in the RFI, including input and feedback received from market sounding interviews and the general public through the online survey. Additional detail on the land use planning considerations can be found in Staff Report PDS19.94, “Preliminary Property Options for Attainable Housing.”<sup>4</sup>

### Parcel #1 – Grey Road 19

#### Overview

Parcel #1 is 10.194 acres (4.126 hectares) and is located 12 kilometres from Thornbury on a main thoroughfare near Craighleith Ski Club, between Highway 26 and Blue Mountain Village. This land parcel is double the size of the other sites identified in the RFI, which could allow for a combination of rental and ownership units and built forms. Respondents identified that this parcel should be brought forward for the development of attainable housing because of its size, which could accommodate a substantial number of units as well as a mix of building types (e.g. several storey apartment buildings, townhomes, bungalow style homes, etc.).

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<sup>4</sup> TBM, [Staff Report PDS19.94](#) (July 29, 2019)

There is a generous buffer between the existing residential properties and the potential development site. The land is relatively flat and contiguous and could be easily accessed through an entrance off the County road, servicing the entire subdivision with ample space for parking spots that adhere to the conditions set out in the 2003-11 Parking By-law.

However, it will need to be determined whether the 40-60 Open Space rule that applies to properties within the County would apply to this land parcel, as this would ultimately reduce the acreage/hectares available.

#### Development Readiness

This land parcel is zoned for Development per the TBM Comprehensive Zoning By-Law 2018-65. A small portion of the land parcel is zoned as Hazard Lands per the By-Law but is not expected to impact potential development. However, based on feedback received through the market soundings, developers may inquire about the soil and water table, and whether they would have to monitor the ground water.

#### Environmental Impact

Minor environmental impact is projected as the property contains limited woodlands and hazard areas.

#### Community Impact

The community impact is projected to be minor as there is a generous buffer between the proposed development site and adjacent homeowners. There is also ample space to support development at ancillary amenities.

A future transit route is also plausible on this site by extending the existing Blue Mountain Transit Link south along Grey Road 19 and east along Poplar Sideroad, reconnecting in Collingwood.

### Parcel #2 – 130 King Street West

#### Overview

Located off Highway 26 in Thornbury, this land parcel is 4.9 acres (1.983 hectares) and is situated within an existing residential area near the lakefront of Georgian Bay. A former landfill site, the majority of the land parcel has been zoned as Hazard Lands and only a small portion of the site on the North end of the property is currently zoned for Development. However, there are water and wastewater main pipes and infrastructure near the property. This parcel has been identified as a Grey Sauble Conservation Authority (GSCA) regulated area. Given the size of the land parcel, parking considerations should not be a significant concern.

Some respondents indicated that a 4-5 acre site would be challenging for developing housing units as the only built form suitable for that size of a site would be high-rise apartments, which is uncommon in the area and unlikely to receive public support.

#### Development Readiness

This parcel requires rezoning as it is zoned for Development, Public Utilities, and Hazard Lands per the TBM Comprehensive Zoning By-Law 2018-65. Only a very small portion of the site at the North end of the property has been zoned for Development. Based on feedback received so far throughout the RFI process, developers may want to know why much of the parcel of land has been zoned as Hazard Lands and what would be required to remediate the land.

#### Environmental Impact

The land parcel is a former landfill site. Given that the parcel has also been identified as a deer wintering area with significant hazard lands, remediation of the site will be required and rezoning and permitting of the site may require technical studies and reports in accordance with the Ministry of Environment, Conservation and Parks and local Conservation Authority requirements. Redevelopment of this site would represent an example of how former brownfield sites can be remediated and would also demonstrate a commitment to improving the environment.

#### Community Impact

This site could be serviced by the Collingwood Crosstown transit route. Public feedback received to date indicated that some adjacent homeowners are concerned about the redevelopment of this land parcel as much of the site has been classified as a Community Living Area per the TBM Official Plan (Land Use).

### Parcel #3 – 171 King Street East

#### Overview

This parcel, the former Foodland property, is 2.687 acres (1.087 hectares) and is located along the Highway 26 corridor. The property includes an existing surfacing parking lot and commercial building that would require demolition.

#### Development Readiness

This parcel requires rezoning for residential development as it is zoned for Village Commercial per the TBM Comprehensive Zoning By-Law 2018-65.

#### Environmental Impact

Minimum environmental impact is expected. A portion of the property is part of the buffer zone for the sewage treatment plant, but this is not expected to have a significant impact for development.

#### Community Impact

This parcel is located on a major thoroughfare with limited neighbourhood impact. The land is adjacent to walking and cycling trails and enables access to active transportation options, including the existing Collingwood-Wasaga Beach transit link.

## Next Steps

The RFI process along with the accompanying market soundings and public consultations have provided information and community input to give the BMAHC Board comfort in moving forward with attainable housing developments on Parcel #1 – Grey Road 19 and Parcel #3 – 171 King Street East.

To ensure long-term affordability, we recommend that BMAHC owns, operates and maintains the rental housing developments on those sites.

To ensure rental rates meet the objectives of the Corporation, BMAHC would have to obtain fee waivers and deferrals from the Town of Blue Mountains and Grey County.

BMAHC will also need to work with the new financial advisor to secure financing and develop a thorough proforma.

Finally, BMAHC will have to assess the development potential of both sites, as well as initiate and secure a rezoning application for both.

Recommended next steps for BMAHC include:

1. Request that TBM representatives ask for Development Charge deferrals and other fee waivers from Grey County, consistent with other affordable housing developments;
2. Request that TBM ask the Director of Housing for Grey County to identify federal and provincial funding programs and prioritize the TBM sites for funding applications;
3. Request that TBM Council direct TBM Planning staff to initiate planning preparation and rezoning initiatives to be completed in conjunction with the selected proponents;
4. Finalize details in the RFP term sheet presented in camera to the Board; and
5. Issue an RFP to select proponent(s) no later than January 15, 2020.