



BUSINESS PLAN FOR SENIORS HOUSING TOWNSHIP OF CENTRAL FRONTENAC

OCTOBER 2019



EXECUTIVE SUMMARY

As communities grow and age, the need for suitable seniors housing options is becoming more and more prevalent. This is true of Frontenac County where seniors, as a share of the overall population, will continue to increase over the next 20 years. As a result, Frontenac County Council has designated seniors housing as a priority. The County has likewise allocated funds to explore the feasibility of developing affordable housing projects that address these needs via the preparation of business plans. This report for the Township of Central Frontenac represents the fourth such business plan prepared under this initiative.

Using a multi-step process, the need and viability of such a project was investigated for the Seniors Housing Working Group that was established by the Township. Based on demonstrated needs, community consultation and business case analysis, the concept for a small scale seniors housing project situated in Central Frontenac has been developed. This concept has been tested and found to be viable, subject to the assumptions outlined in this report. Based on the proposed concept, the senior's housing project would:

- Be modest in scale – 10 self-contained apartment units configured in two 5 pod buildings, housing a total of 8 one bedroom units and 2 two bedroom plus amenity space
- Have a total buildable area of 8,100 sf (GFA) arranged in a single storey, slab on grade format
- Include basic amenity space - laundry facilities (1 pair) and a small indoor common area for gathering/socialization would be provided for each building
- Accommodate seniors mobility needs – providing a safe, indoor access to apartment units while incorporating visitability and accessibility throughout units and common spaces
- Support basic affordability – all units would be rental and offered at or below average market rent level. Rents for 5 of the one bedroom units could be established at 80% of average market rent if IAH-type funding is obtained from the City of Kingston.
- Be procured as new construction – this approach would enable single storey slab-on-grade construction for each building, using cost-effective double-loaded main corridors, wood frame structures and a standard sloped roof
- Incorporate practical sustainability features that promote energy efficiency
- Be situated on land currently owned by the Township, thereby saving land costs
- Be procured through a formal design/tender process (stipulated price contract)
- Be financed using a conventional mortgage that is CMHC-insured with an equity contribution of \$330,000 from the County and \$100,000 from the Township under an IAH-funded option
- Be owned by the Township and operated on a non-profit basis
- Be managed by Central Frontenac Housing Corporation, should they be agreeable to take on that role.

As a result of the financial analysis, it has been determined that the project would be viable based on preliminary cost estimates, anticipated revenues and assumed contributions. While land use approvals are required to permit the intended use, there do not appear to be any significant barriers to securing these approvals. Prior to confirming the project site, due diligence testing would be required to ensure that no environmental concerns or project servicing impediments exist. Based on an initial scan of current conditions and background information, no impediments are anticipated. Viable project governance options exist, the most plausible of which would see the project owned by the Township and managed by an experienced local non-profit housing corporation.

The Consulting team wishes to thank the Senior Housing Working Group for their insights and guidance in the development of this Business Plan. The team also wishes to express their thanks to County and Township staff who assisted in facilitating various elements of the study and provided valuable feedback.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

1.0 INTRODUCTION 1

1.1 Project background 1

1.2 Context for business plan 2

1.3 This report 3

2.0 PROJECT NEED 4

2.1 Local housing needs and market indicators 4

2.2 Community survey 5

2.3 Town Hall sessions 6

2.4 Key informant interviews 7

2.5 Township Working Group feedback 8

3.0 PROJECT CONCEPT 9

3.1 Form and scale 9

3.2 Unit mix and affordability 9

3.3 Amenities 10

3.4 Preferred project concept 11

4.0 DEVELOPMENT CONSIDERATIONS 13

4.1 Potential development opportunities 13

4.2 Preferred option and procurement 17

4.3 Servicing & technical considerations 18

4.4 Land use approvals 20

4.5 Sustainability 21

5.0 FINANCIAL FEASIBILITY 22

5.1 Project assumptions/parameters 22

5.2 Estimated capital budget 23

5.3 Estimated operating budget 24

5.4 Funding/capital requirements 27

5.5 Financial viability 27

6.0	GOVERNANCE	29
6.1	Project ownership/oversight.....	29
6.2	Planned approach to management.....	29
7.0	MOVING FORWARD	30
7.1	Summary of preferred concept.....	30
7.2	Process/critical path.....	31
7.3	Key elements & critical success factors.....	32
	APPENDIX A – PRO FORMA DETAILS	33
	APPENDIX B – SURVEY SUMMARY	34

1.0 INTRODUCTION

With an aging and diversifying population, seniors housing in Frontenac County has become a growing priority. Recent studies have examined this housing need within the context of the broader housing market and have identified potential options for meeting senior's needs throughout the County. As a result of this work, Frontenac County Council has designated seniors housing as a priority and allocated funds to explore the feasibility of developing affordable housing projects by preparing business plans for such projects. This report for the Township of Central Frontenac represents the fourth such business plan prepared under this initiative, following completion of business plans for the Township of Frontenac Islands, Township of South Frontenac and Township of North Frontenac.

Bringing a housing project from initial concept to on-the-ground reality involves a number of sequential stages. Each stage involves a progressively more detailed assessment of the project to ensure that it continues to meet the community's needs, is financially feasible and is operationally sustainable. Key resource commitments and go-forward decisions are required for sponsor groups to proceed from one stage to the next. The scope of work for this study addresses the beginning of this process; preparing a business plan to determine 'proof of concept' for the project. Specifically, the purpose of this study was to:

1. Produce a business plan for the development of Seniors Housing in the Township of Central Frontenac in accordance with the RFP specifications
2. Engage the Township Council and stakeholder groups in a discussion regarding local needs
3. Develop a business model that would result in a sustainable senior's housing project serving the needs of the community.

1.1 Project background

In 2010-11, the City of Kingston and County of Frontenac undertook development of a Municipal Housing Strategy (MHS). The strategy involved a comprehensive, multi-phase process which examined housing needs, supply trends and priority gaps within the regional housing market. A detailed review of current policies, programs and local initiatives was also undertaken to determine the degree to which identified gaps were being addressed. As a result of this analysis, a formal stepwise strategy was developed as part of the MHS to address priority issues and housing gaps over the short, mid and long range.

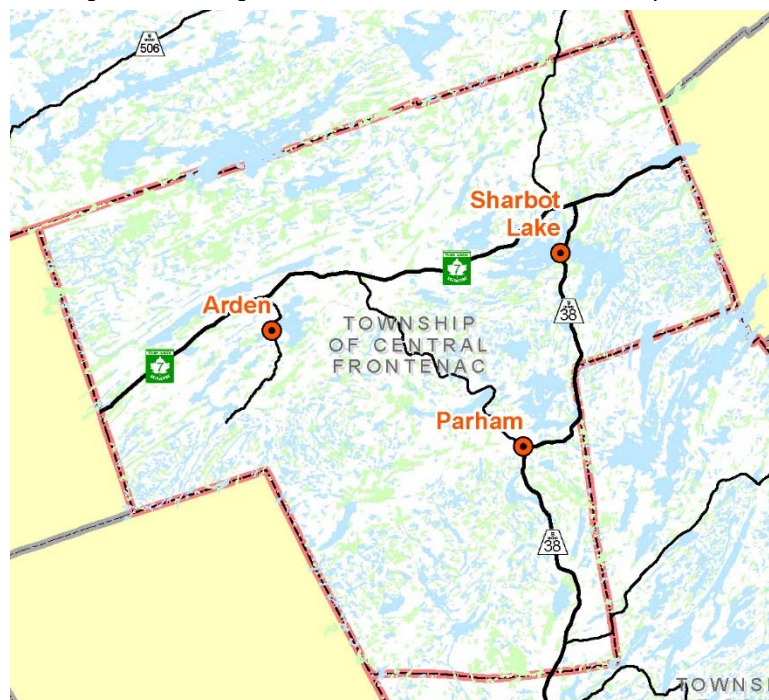
One of the emerging priorities identified for Frontenac County through the MHS was the growing senior's population and concerns about the ability to adequately meet their housing needs looking forward. As a result, the County undertook a more detailed review of the local seniors housing situation to better understand the range of needs and potential solutions that could be used to address these needs. As part of the "*Seniors Community Housing Pilot Project Study*" completed for the County in 2012, a review of priority issues and existing conditions was completed. An assessment of housing options was also undertaken to evaluate potential seniors housing models and opportunity nodes throughout the County. Implementation considerations, including generic model costing and a policy framework analysis were also documented to help frame options for moving forward with a potential pilot project.

As a result of the study, it was recommended that a task force be created to pursue the establishment of a pilot senior's housing project. The County subsequently struck a Seniors Housing Task Force to establish a scope for pursuing a pilot project. The Frontenac Senior's Housing Task Force met in May of 2014 to review possible directions for the proposed project and determined that the most suitable course of action would be to evaluate potential project options and develop a business plan for the proposed project. In accordance with the senior's objectives of the County's Strategic Plan, Council allocated \$1.5M in financial resources that same year to pursue development of up to four small-scale pilot projects throughout Frontenac County, one in each constituent Township.

1.2 Context for business plan

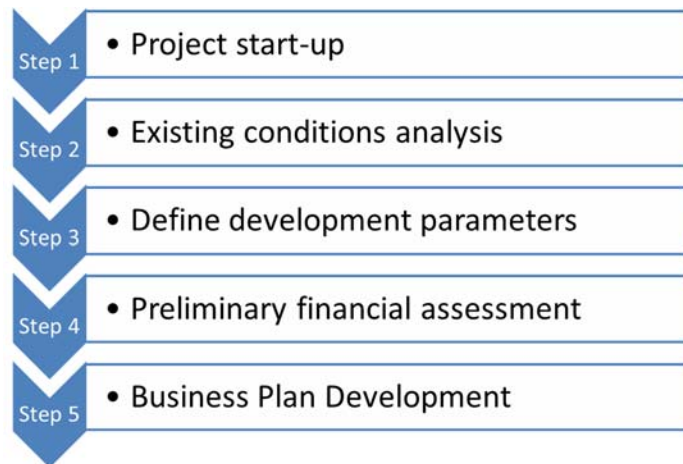
In the *"Seniors Community Housing Pilot Project Study"*, a range of potential housing options were examined and evaluated against opportunity nodes throughout the County. Given the broad geography, settlement patterns and local needs, a range of potential pilot project options were identified. One of the study conclusions was that a senior's rental housing project could be an option for development in one of the settlement areas situated in the Township of Central Frontenac (see Figure 1), either through new construction or redevelopment. Following the completion of the first business plan for Marysville within the Township of Frontenac Islands, a second plan for Sydenham in South Frontenac and a third plan for Plevna/Cloyne in North Frontenac, the decision was made to proceed with preparation of the business plan for Central Frontenac, utilizing a similar methodology. A Seniors Housing Working Group for Central Frontenac Township was established to help guide the process for preparing this plan.

Figure 1 - Situating Central Frontenac within Frontenac County



1.3 This report

This report is the culmination of a multi-staged study process. The steps that have led to the development of this business plan report include:



Based on project assumptions, the report explores the feasibility of a small-scale senior's pilot project in Sharbot Lake, the largest settlement in Central Frontenac. As a result, this business plan includes:

- An overview of need
- A defined project concept and discussion of options considered
- An overview of the development considerations that would influence the project
- A review of financial feasibility
- Options for project governance and management
- Considerations for moving forward with the project

The business plan provides an assessment of the suitability for moving the concept forward and provides recommendations in that regard.

2.0 PROJECT NEED

This section of the report provides a summary of the housing needs in the Township of Central Frontenac based on gathered statistical and survey data. A formal Needs Assessment report was completed as part of the study in December of 2018. The assessment report details general demographic trends and housing characteristics as well as evaluating the need for affordable seniors housing. Summary results from that report are presented herein. These findings are augmented with the results of a community survey, Town Hall meetings and key informant interviews which were undertaken as part of this study, aimed at determining local perspectives on a potential senior's project. Collectively, this information establishes a profile of current and future housing needs for seniors in Central Frontenac, providing the analytical foundation for development of the business case.

2.1 Local housing needs and market indicators

To help document and analyze local housing needs in Central Frontenac, a formal Needs Assessment report was developed as part of the study process. The standalone report characterized housing needs, supply trends and affordability conditions in an effort to identify gaps in the local market, especially with regards to seniors. Summary findings from the Needs Assessment report are as follows:

Population

- The population of Central Frontenac increased slightly from 2001 to 2006 but has declined slightly since then, sitting at 4,373 in 2016
- From 2016 to 2036, there is projected to be a 29.1% increase in the population.
- The number of seniors is expected to grow 32.2% from 2016 to 2036.
- Apart from seniors, growth will be primarily in working age adult and youth age cohorts

Households

- The number of households in the Township have increased slightly from 2001 to 2016 (6.5%), reaching a total of 1,885
- By 2036, there will be a projected total number of 2,520 households in Central Frontenac. This will represent a 33.7% increase from 2016.
- Household sizes are becoming smaller. One-person households are growing at a faster rate, while households with three or more persons are decreasing.
- Couples (those with/without children) make up the majority of households in Central Frontenac and couples with children have seen a modest increase in the most recent Census period
- Almost 20% of senior persons live alone in the Township
- Household and individual incomes are increasing. The average household income in Central Frontenac in 2015 was \$72,205, an increase of 36.8% since 2005

Housing Stock

- Single-detached houses are the most common type of dwelling in Central Frontenac and make up almost 95% of all dwellings. There has also been an increase in other dwellings, albeit very minor in nature.

- The condition of dwellings in the Township has remained relatively stable and dwellings requiring major repairs accounted for about 11% of stock in 2016
- Housing stock is generally older with most dwellings being built before 1981 (almost 60%)
- Seasonal dwellings represent a sizable share of all dwellings in Central Frontenac (almost 55% of all dwellings) and will see a slight increase from 2016 to 2036 (2.7%)
- About 411 hectares of land within Central Frontenac is available for future residential development, representing 16.0% of the total vacant designated land within all County settlement areas

Affordability

- Based on Census data, the average house price in 2016 in Central Frontenac was \$256,906
- From 2005 to 2015, the average price increased by 74.1% as compared to the County (48.4%)
- Average rents have increased in areas surrounding the Kingston CMA (Zone 4). The average rent increased by 30.9% from 2010 to 2017, an annual average of 4.4%
- Based on survey results, local rents are moderately lower than CMHC Zone 4 averages
- The vacancy rate for the same zone in 2017 was 1.0% for all dwellings compared to 5.2% in 2016
- Almost half of all renters and 20% of owners in Central Frontenac are deemed to have an affordability problem (i.e. are spending 30% or more of income towards shelter costs)

Synopsis of analysis

As a result of the above analysis, demographic and housing trends for Central Frontenac show that:

- Seniors households and their housing needs will continue to be a priority
- For some seniors, isolation will be a factor
- There are very limited options in terms of housing, especially for rental
- Seasonal dwellings are a significant part of the housing landscape
- Shelter costs have risen substantially faster than average household incomes over the last 15 years
- Affordability is an issue for many senior households

This analysis demonstrates that there is a modest demand for affordable, purpose-built rental housing and that as the seniors population continues to grow in the Township, a greater range of options will be required to meet their needs and enable them to 'age in place' in the community.

2.2 Community survey

To augment the needs analysis and gather local community perspectives on housing needs, a survey containing some 20 questions was administered to local residents in early 2018. Surveys were made available in both on-line and hardcopy formats, and all responses received were integrated into Survey Monkey to facilitate tabulation of results. A total of 118 completed surveys were received and while most respondents answered all questions, some chose not to reply to certain questions.

Overall, results from the survey indicated that:

- Respondents were mainly seniors (65+) and reflective of broader community tenure

- Most respondents were from Central Frontenac with the bulk of others from elsewhere in the County
- Seniors housing needs are a priority, although housing for others is also important
- Sharbot Lake is a key location due to services/amenities
- Preference is for apartment and row housing forms
- Support exists for a project size of 6-20 units, mainly one or two bedroom units
- Typical rural-type amenities are desired within the project
- Proximity to seniors-oriented services are also desired
- Preference for eligibility favouring local residents but strong support for any seniors
- Affordable rent ranges (under \$750) or near market (under \$1,000) are preferred
- No clear consensus was identified on a lead role in project (Twsp. vs. non-private)
- Having government assistance in the form of grants, waivers or land was supported
- There is a high degree of interest in living in the facility but mainly in 5 years or beyond
- 'Other' comments that were noted:
 - A housing facility is needed, move it forward
 - More supported forms of housing will be needed, if not today then soon (i.e. some assistance that helps seniors remain independent)
 - Affordability and community atmosphere are important

A more detailed summary of survey findings and associated frequency charts for each survey question can be found in Appendix B of this report.

2.3 Town Hall sessions

To help gather additional stakeholder and community feedback, two Town Hall sessions were held in Sharbot Lake in February of 2018 (one in the afternoon, one in the evening). A broad cross section of groups and individuals were invited to the sessions, resulting in a total attendance of about 40-50 persons. At the start of each session, a presentation was provided on the study process, needs analysis, findings to date and next steps. Following the presentation, a facilitated discussion was held among participants to gather their views/perspectives on housing issues in Central Frontenac.

Feedback from these Town Hall sessions can be summarized as follows:

- Limited housing choices exist today
- Affordability is an issue for some but not for all
- Solutions are needed today, we can't wait years to resolve them
- Services/supports are a critical need, how can this be addressed?
- 'Aging in place' is good but servicing people in remote areas in their homes is a challenge
- Why is it so expensive to build new? We need to do it more economically
- Why not make more use of existing homes (2nd suites, home sharing, etc.)?
- If stock is already aging, why invest in it further?
- Mixed feelings about the conversion of seasonal dwellings as a housing option
- Why not encourage condos or private market options too?
- Adaptable design, energy efficiency and sustainability are a;; important
- Need to make it more attractive to NOT leave the area (i.e. maintain services/amenities)

- There are other potential impacts on growth (e.g. in-migration, expansion of Hwy 7, etc.)
- Seniors are no longer just those 65+, a broader definition should be used
- Housing is not just a seniors issue – other groups need housing too
- Integrating housing for groups could be an option (e.g. mixed housing that includes seniors)
- Resources are needed to make housing happen, municipal dollars are not enough

Feedback from the Town Hall sessions was duly considered by the Working Group as it was determining the most suitable concept for a seniors housing project.

2.4 Key informant interviews

As an additional avenue for gathering feedback, a number key individuals in the community were identified in order to seek out their insights on seniors housing. From among the 10 invited individuals, 6 interviews were conducted using a general range of questions to help guide each interview. Respondents provided a variety of suggestions and valuable feedback.

Key findings from these interviews indicated that:

- Seniors needs are important but are actually a reflection of two distinct groups: residents and ‘transplants’ – the views of each group shape their expectations
- The role families play in supporting seniors has housing dimensions too
- Initially, services at home can help maintain independence
- Care needs are inevitable to serve seniors changing needs, there is a need to plan accordingly
- There is a clear shortage of appropriate & suitable options today
- Housing issues exist for non-seniors too, and there is a clear impact on the community when housing options are not available
- New supply is needed in order to expand the housing stock but retrofits/alteration of existing stock are also a possibility
- Low maintenance and affordability are key for seniors
- Transportation remains a challenge in terms of access
- Breadth of services/amenities and walkability makes Sharbot Lake a prime location for a seniors facility, and the former school site there is ideal
- Housing in other locations of the Township would help spread the benefits
- Rental options are most desirable and developing small 6 or 8 plexes are at a good scale since they can be readily financed
- Shared housing models (coop, co-housing) are also an option, as are tiny homes or other ownership models
- Solutions are more than building new – promoting 2nd suites, granny flats, etc. is also important
- Township role is seen best as a facilitator, municipal government can’t do it all
- Actively encourage private sector engagement (via partnerships or with incentives to build)
- Project financing options should consider local investors since the benefits will be local

As with feedback from the Town Hall sessions, key informant feedback was duly considered by the Working Group as it determined the most suitable concept for a seniors housing project.

2.5 Township Working Group feedback

In late spring of 2018, the consulting team met with the Working Group and reviewed the findings arising from the research and consultations to date. The status of local school sites and preliminary technical considerations with regards to private servicing were also reviewed insofar as they might influence the project concept. At the meeting, the group expressed its support for the concept that was emerging and confirmed the following direction for development of the business plan:

- The project should be located in Sharbot Lake, ideally on Township property, recognizing that the former Public School site would be ideal
- A project size of 5 to 10 self-contained rental apartment units was preferred with a mix of one and 2 bedroom units
- In terms of affordability the preferred unit mix was considered to be 50% at average market rent and 50% at affordable rent (i.e. lower end of market, equivalent to 80% of the average market rent)
- The project should include laundry and social gathering space (modest in size)
- Partnering with the existing community non-profit housing corporation (Central Frontenac Housing Corporation) was of interest and would enhance the success of the project
- The Township was interested in owning the project but felt that management of the project was better suited to an experienced operator. Given their experience in managing affordable housing, Central Frontenac Housing Corporation should be approached to determine its potential interest in managing the facility.

Based on preliminary technical discussions, it was noted that water testing requirements associated with multi-unit residential buildings on private servicing was a factor for consideration. Where a well supplies 6 or more residential units, significant on-going testing obligations are required by legislation. The resulting costs for meeting these requirements which are the obligation of the owner are significant, especially for smaller scale projects which already have cost challenges due to affordability and lack of scale economies. As a result, the initial concept assumed the use of the 5 unit pod model that had been considered for other seniors projects investigated in the County. This approach envisions the development of building pods comprised of 5 units, each building with their own well, thereby allowing projects to be scaled up in a modular fashion in multiples of 5 (i.e. 5 units, 10 units, 15 units, etc.).

The following section of this report provides a suggested concept plan for the project based on the above feedback.

3.0 PROJECT CONCEPT

This section of the business plan defines the project concept, as informed by local needs, community and stakeholder feedback as well as Working Group feedback. These perspectives helped establish the form, scale, unit mix and affordability for the prospective project. Associated project amenities are also defined, recognizing the small scale of the project. As a result of these attributes, basic configuration options for a preferred project concept have been identified. This concept is then analyzed in terms of development potential and financial feasibility in subsequent sections of this report.

3.1 Form and scale

In terms of project form, it is clear that seniors tend to favour low rise forms which are grade-related. This building configuration is highly supportive of accessibility and eliminates the need for stairs, lifts or elevators. As such, a single storey slab-on-grade configuration offers the accessibility and straight-forward layout suitable for a project of this scale and client type. Likewise, using conventional wood frame construction and a standard slope roof for this building form would be highly economical. At the same time, it is recognized that a single storey building requires more land than a multi-storey building and that, when combined with the land area required for a septic system and separation distance required for a water well, creates a need for a suitably-sized property. Therefore, sites with a minimum size of two or more acres are considered most appropriate for project development.

In terms of the units themselves, demand has shown a strong affinity for self-contained apartments that are geared to seniors capable of independent living. This means that each residential unit would have its own kitchen and washroom facilities, unlike congregate living arrangements where these facilities can be shared. From that perspective, the project would be much like a typical low rise rental building. Aligning these residential units around a double-loaded corridor would also provide a high degree of efficiency. Given the current level of demand and the stated preference for smaller scale, the proposed project is being recommended at 10 units organized in two 5 unit pods.

3.2 Unit mix and affordability

Traditionally, senior's housing projects tend to have smaller unit sizes – either one or two bedroom units - as compared with family units, reflecting their inherently smaller household size. Furthermore, affordable seniors units tend to be predominantly one bedroom in size rather than two bedroom, a direct reflection of the rental cost of the unit. Where affordability is less of a concern and household demand warrants, senior's projects would typically have a higher share of two bedroom units. Given the affordability profile envisioned for the project, a unit mix of 80% one bedroom and 20% two bedroom is proposed. For a project of 10 units, this would mean 8 one bedroom units and 2 two bedroom units.

As indicated through community feedback, there is a high degree of interest in rental tenure for the project. This is in contrast to seniors housing models that allow for ownership or some form of equity stake (i.e. condominium, life lease, etc.). Apart from the affordability that rental accommodation provides, there was a clear sense from consultations that prospective residents who were homeowners and would be

downsizing would not be interested in locking up equity in such a project. Instead they would choose to reserve the use of their equity for other retirement purposes.

The consultation and income analysis showed that a mix of market rent and affordable rent units was most desirable for the project. Funding could be available through the successor to the Investment in Affordable Housing Program which is administered by the City of Kingston, the Service Manager for the area. As such, a preferred scenario has been developed which assumed units funded under an IAH-type program. Under this scenario, it was assumed that 5 one bedroom units would be rented at 80% of Average Market Rent (AMR) for the area and the balance of units rented at full average market rent. To encourage energy conservation and to buffer against utility cost impacts, tenants would be responsible for their own heat and hydro costs. To better facilitate this, individual unit heating/cooling systems have been assumed rather than large shared systems.

Given the affordability parameters for the project and the senior client group, it is assumed that a modest unit size would be suitable. This reflects the fact that unit size has a direct influence on overall unit cost and as such, has an impact on project financial viability. However, because a number of units are anticipated to rent at near market rates, they would need to provide comparable value in the market place in order to attract/retain tenants. Small-scale projects like this do not benefit from scale economies and as such, can be more expensive to build on a per unit basis. It is important therefore to rationalize built floor area with regard for maximum chargeable rent in order to support viability. With this in mind, one bedroom units are assumed at a size of 600 square feet (gross floor area, GFA) while the two bedroom units have been assumed at 750 square feet GFA.

3.3 Amenities

In terms of in-unit amenities, it is anticipated that standard appliances would be provided (fridge + stove) along with modest storage space. It is also assumed that visitability would be provided interior to the units by maintaining open radius layouts in both the kitchen and bathroom of each suite. Building in options for grab bars in unit bathrooms is also assumed. In terms of building visitability, wider common corridors and open radius layouts in laundry and common areas would be employed. In addition to constructing the building at grade, common entry doors would provide for full accessibility. Two units would also be semi-modified to accommodate tenants with mobility impairment, incorporating additional unit features like a roll-in shower and more accessible kitchen. This would provide the ability to meet changing needs as tenant's age in place. Surface parking would also be provided, recognizing that while most tenants would prefer walkability, there would be a need to provide for basic parking as well as visitor parking in accordance with zoning requirements. It is assumed that 12 parking spaces would be provided as part of the project concept.

Community consultations identified a wide range of potential amenities/features that could be included within the common area of the project. At the same time, there was a recognition that only modest opportunities for amenity space would exist for a project of this small scale. As above, scale economies for smaller projects make it challenging to add additional GFA due to the limited offsetting income potential of this space. The more amenity space that is added, the more expensive the project is to build and operate on a per unit basis.

While there are cost pressures inherent in adding amenity space, creating opportunities for tenants to socialize in a sheltered space was highly valued by stakeholders. To strike a balance in this regard, it has been assumed that a double loaded common corridor would be used to connect all units internally, providing a common access point to the project as well as sheltered access to each unit. Modest coin operated laundry facilities would also be provided (1 pair washer/dryer per building) for added resident convenience. Adjacent or in combination with this space, it is also assumed that a common sitting area would be provided in each building for the benefit of all tenants. This informal space would provide year round indoor shelter and would account for not more than 500 square feet GFA per building. The size and configuration of this space would be subject to adjustment based on overall building layout. In addition to a small individual patio areas for each unit, a common outdoor amenity area would also be provided adjacent to the common interior space.

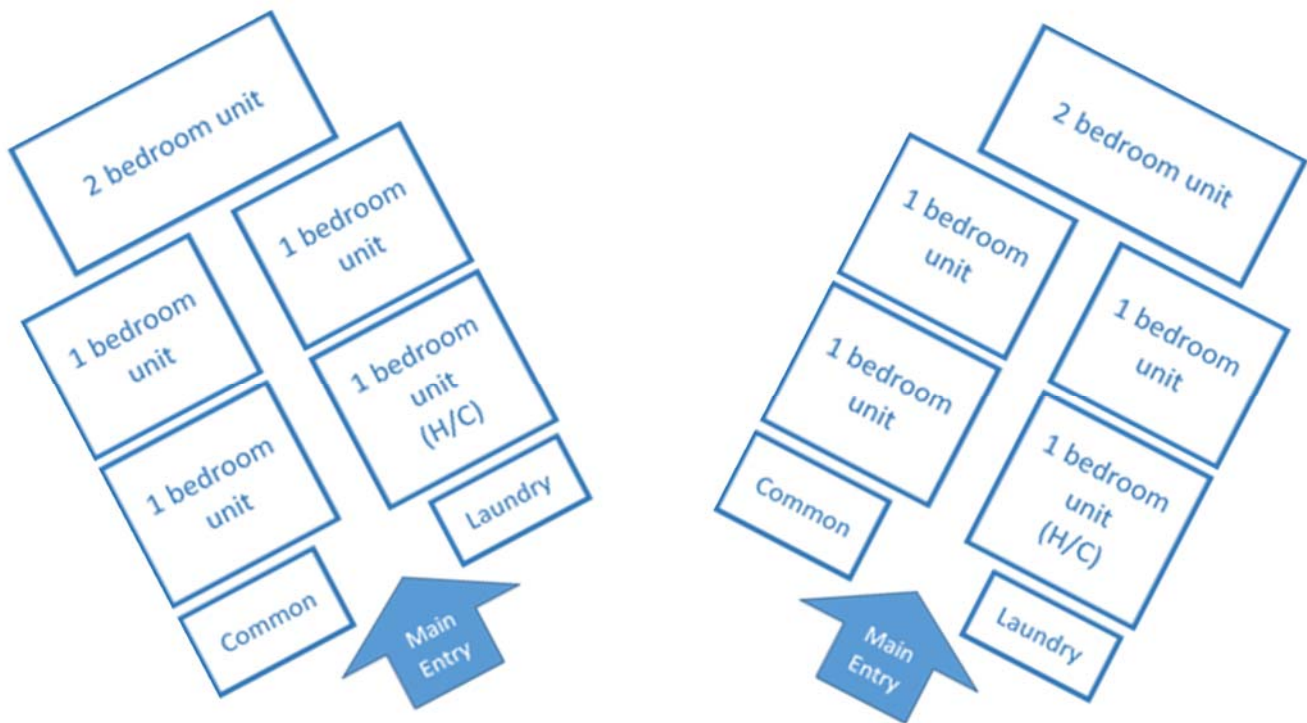
3.4 Preferred project concept

Based on evaluated needs, consultation feedback and with regard for project development experience, a preferred project concept has been developed. The proposed project concept assumes:

- 10 self-contained rental apartment units in two 5 pod buildings, each building configured with units aligned along a common, double loaded corridor
- Of these units, 8 would be one bedroom units (600 s.f.) and 2 would be a two bedroom unit (750 sq. ft.) – two units would be semi-modified for mobility needs
- Units would be geared to seniors (65+) who are able to live independently
- Market rents charged for all units would be equivalent to average market rents in the area and would not include utilities (i.e. heat/hydro paid by tenants)
- Where IAH-type funding is secured for the project, the rents charged for funded units would have to be no more than 80% of the average market rents
- Laundry facilities and a modest common room area would be provided for tenant socialization
- Total initial building GFA is estimated to be in the order of 8,100 s.f. (GFA)
- Building construction for each pod is anticipated to be in a single storey, slab-on-grade form with conventional wood framing and a standard sloped roof
- Water and septic services for the project would be provided via private on-site systems
- To facilitate aging in place, the building and the units would be designed to a visitable standard
- Surface parking for 12 spaces would be included in the project

While the ultimate design of the project would provide for component space and the overall configuration of the building, a conceptual layout is provided for illustrative purposes in Figure 2. This is conceptual only and illustrates the expandable 5 pod model being proposed. The actual siting of each building pod on the property would be subject to well location, septic bed layout, site topography and site plan layout.

Figure 2 - Conceptual building layout



Having established the preferred project concept, subsequent sections of this report will assess associated development considerations and evaluate the financial feasibility of the project.

4.0 DEVELOPMENT CONSIDERATIONS

A number of development considerations were examined as part of the concept evaluation process. These included a review of possible development opportunities, options for procuring the project, as well as technical/servicing considerations. This section of the report also examines required land use approvals and sustainability features associated with the preferred project.

4.1 Potential development opportunities

Based on existing needs, community amenities and consultation feedback, a project location within an established settlement area and close to amenities/services was considered most desirable. The utilization of Township property was also seen as beneficial for financial reasons. Initially, two potential school sites were examined; one in Parham (Hinchinbrooke P.S.) and one in Sharbot Lake (Sharbot Lake P.S.). These sites were identified primarily on the basis of their existing structures, land size/configuration and municipal ownership. Initial investigations deemed these properties to be less attractive from the perspective of utilizing the existing structures but the lands were deemed suitable. Between the two sites, the Working Group had a clear preference for the Sharbot Lake site, given its proximity to a wide array of services and amenities.

To ensure that other possible Township sites in Sharbot Lake were considered, Township staff also identified another property within the village proper adjacent to Elizabeth Street. As a result, two properties in Sharbot Lake were examined as part of a more detailed review (see Figure 3). In addition to preliminary technical reviews, site visits were also conducted to assess potential for each prospective development opportunity. As a preliminary level assessment, the results of these reviews are discussed in general terms and results noted below.

The properties identified by the Township were assessed against their potential to address site requirements for the project while still maintaining reasonable proximity to services and amenities. New construction on appropriate vacant lands within established settlement areas is considered the most appropriate option because it:

- does not require extensive land assembly with multiple parties in order to effect
- provides more financial and design flexibility to configure spaces in accordance with the preferred building concept
- avoids any potential issues associated with adaptive re-use or demolition of existing structures (i.e., code issues, designated substances, servicing and HVAC constraints, etc.)
- better suits the visitability/accessibility requirements of the project in a single storey configuration due to larger available site areas

Redevelopment and acquisition/rehabilitation options were deemed to be less attractive due to the limited opportunities and economic/operational factors. As such, they were not targeted for evaluation as part of this business case process. In the case of Sharbot Lake P.S., the site was deemed only usable for new

development with the existing building slated for demolition. As such, this property has been evaluated within the business case as if it is a vacant property.

The assumed project floor plate of 8,100 square feet and lot requirements for septic system services and water well separation distances mean that the minimum lot size for the preferred project concept in a single storey configuration would be in the order of 2 - 3 acres, depending on soils conditions and surrounding uses¹. There are limited options in terms of vacant parcels within the village boundaries – whether municipal or otherwise - that could meet these requirements. While options may exist beyond these boundaries, they would situate a prospective project further from the community services, amenities and conveniences that may be available.

Figure 3 - Potential sites in Sharbot Lake



Site review

Both properties were examined for suitability under a new construction scenario. It should be noted that both sites would require development approvals in order to accommodate the permitted use and from that perspective, were deemed equally impacted. The sites reviewed are also located in close proximity to one another within the core village area, although the school site is more centrally located and had direct access from multiple streets.

¹ This lot sizing is based on traditional private servicing norms and is reflective of individual site servicing. Where communal service systems or alternate septic system technology is employed, smaller lot sizing may be permissible.

A number of services are available in the core village area, including:

- Restaurants/coffee shop
- Grocery store
- Community services/offices
- Medical clinic
- Banking facilities
- Professional services
- Retirement home (private)
- Municipal offices
- Community hall
- Post office
- Library + parks
- Royal Canadian Legion
- Church
- Inn + Bed & Breakfast

Further from the main village core, there are variety of other service and amenities also available including schools, gas stations, general and convenience stores, bakery, OPP station, LCBO, beer store, hardware store and hair salon. As the largest settlement within Central Frontenac and given its location straddling the Highway 7 and Highway 38 junction, Sharbot Lake acts as a service node to the surrounding region.

The two municipal sites in Sharbot Lake that were reviewed are discussed below.

Site #1 – Garrett Street site (Sharbot Lake P.S. property)

The site has the following characteristics:

- 2.93 acres in total
- 600' primary frontage on Garrett St., secondary road frontage on Robert Street and Highway 38
- Topography slopes down from southwest to north east towards Highway 38, exposed bedrock is evident
- Existing former school building, well + septic system on site
- Official Plan designation is Residential District + Commercial District
- Zoning is R1 (general residential) + C (general commercial)

The overall site is reasonably sized but the topography of the site and exposed bedrock would be development factors. The existing school building is slated for demolition and building in proximity to this footprint would be plausible. Any prospective environmental issues associated with the existing building would need to be addressed as part of the demolition process. Situating a new build to take advantage of existing well and septic systems would represent a design challenge and have layout impacts. The site is in immediately proximity to Highway 38 and services in the village core area are nearby. In terms of land use, the site would require rezoning to RM (multiple residential) to permit the intended use and would likely need added relief to address zoning provisions (i.e. setbacks, etc.).

Site #2 – Elizabeth Street site

The site has the following characteristics:

- 4.16 acres in total
- Proximal to Elizabeth Street but no formal road frontage
- Topography is flat and open but lower in elevation and with adjacent ponding
- Vacant – no buildings on site, no services
- Official Plan designation is Residential District
- Zoning is R1 (general residential)

The site is adequately sized and may be suitable for use but has development issues which could influence its use for housing. Currently the site does not have formal road access and parcel consolidation or re-alignment would be required to secure formal road access. The low elevation of the site may also signal issues associated with proximity to water table, soil bearing issues and questions regarding ability to install private well and septic systems. Its proximity adjacent to a former railway corridor also may signal environmental considerations which would need to be confirmed via testing. As with site #1, the site is proximal to the core area but is not as centrally located. In terms of land use, the site would require rezoning to RM (multiple residential) to permit the intended use and would likely need added relief to address zoning provisions (i.e. setbacks, etc.).

Preferred property

Of the two sites reviewed in detail, the site deemed preferred by the Working Group was the Garrett Street site (as shown in Figure 4). The site is of ample size to accommodate the proposed development once the demolition of the current school building is completed. The proposed project may also be able to capitalize on the existing well and septic system situated on-site, although the layout and configuration of the new buildings would need to have regard for the location of the existing systems. Technical testing would be required to confirm the suitability of the systems to accommodate proposed potable water and waste water requirements, and an additional well would need to be drilled under a private servicing scenario to accommodate the 2-pod development model. Under a communal servicing approach, on-site requirements may be substantially reduced, depending on location and configuration (see section 4.3 for a more detailed discussion on servicing options).

Figure 4 – Garrett Street site (Sharbot Lake P.S. property)



No environmental issues are known to exist on the property but to ensure this, an Environmental Site Assessment would need to be undertaken as part of the due diligence process. Alternately, a Record of Site Condition issued post of demolition may be an alternate way to address this need. Given that the site is to be made available by the Township on a vacant possession basis, the property will be provided post of the demolition of the school building and with the site cleared of all materials and debris. Soils investigations would also be required as part of the due diligence process to confirm geotechnical conditions and to define septic servicing parameters where the existing on-site system was deemed unable to meet project needs. Cost allowances for basic technical testing have been included within the financial modelling for the project.

The property identified has a number of strategic advantages when weighed against the other property options that were examined over the course of the study. The subject site is:

- suitable in size and has sufficient frontage to support the proposed concept
- has an existing well and septic system on site that could help to service project needs
- can accommodate new well and septic systems if these are ultimately deemed necessary via testing
- situated in close proximity to the core village area and the range of amenities it offers
- owned by the municipality and as such, can be re-zoned to permit seniors housing in a more direct manner than an external organization

4.2 Preferred option and procurement

Given the defined project concept and the prospect of the site being provided on the basis of vacant possession post of demolition, there is a clear preference for developing the proposed project under a new construction scenario. The Garrett Street site presents a viable opportunities for development but would be subject to appropriate due diligence investigations to confirm the usability of existing well water and septic system facilities on-site. Geotechnical investigations and installation of a new water well would also need to be considered as part of this review. Locationally, the site is situated near the core of the village area and therefore has direct access to a number of basic amenities via a short walk. The site is of sufficient size to accommodate the building form/size currently envisioned and may have potential for future expansion if incremental servicing can be accommodated and configured within the planned site layout and the topography of the site.

Typically under a new construction scenario of this type, procurement of the project would be pursued through a formal tender and fixed price construction contract. To help guide the development process, a proponent would also engage an experienced development consultant. The role of the consultant would be to guide the proponent through the development process, from initial concept and feasibility testing through to construction and move-in. As part of this process, the proponent would also engage an architect to undertake project design. Once design drawings and construction documents were developed and approved, the project would be tendered for pricing, either by invitation or by public tender call. This would encourage competitive pricing for the project among qualified local contractors. This is a standard procurement approach and one that is commonly used where public funds are involved.

Financial modelling assumptions have assumed a typical design and tender process with conventional construction techniques. As such, pro forma figures include development consultant, architect and

contractor estimates. While 10 units are anticipated under this initial concept, it would be prudent to design allowing for the potential expansion of the project in the future. In that regard, initial project siting should have regard for the requirements of any possible future expansion. The same holds true for the design and siting of the required servicing systems. A wide range of septic technology exists and it would be advisable to design-in the potential for future expandability for the existing system to help make most efficient use of the site area. Where communal servicing options are to be pursued locally, the configuration of the project and layout of the site would also need to have regard for this future potential.

4.3 Servicing & technical considerations

As noted, there are technical and service considerations associated with project development, many of which must be considered as part of the due diligence process prior to property acquisition and configuration. In the case of the proposed project, the most basic of these is the requirement for an Environmental Site Assessment (ESA). A phase 1 ESA would typically be undertaken as a screen to determine if there are any potential environmental issues associated with the property. This is primarily due to legislation around environmental liability which places obligations on property owners in regards to found contaminants. Given that demolition of the existing structure would clear materials and debris from the site, it is assumed that a Record of Site condition would be secured through that process. No known environmental conditions exist for the property but where required, a phase 1 ESA would be completed to confirm this. The current financial pro forma has allowed for a phase 1 ESA but has not included an allowance for any environmental remediation.

A second consideration relates to septic system requirements for the project. It is expected that a class 4 septic system would be required for the project in order to meet legislated requirements. An existing system has been located on-site that was reportedly installed in 1984 and used for the former school. It is located in the northwest corner of the property and it is comprised of a distribution/holding tank (9000L) and two filter beds (+/- 50m² each). The size and design of such systems are based on anticipated flow calculations as well as the type and quality of the filter medium used. An inspection and testing of the septic system would be required in order to confirm its remaining service life and its suitability in terms of size and configuration to meet project needs. Pro forma assumptions have allowed for septic system testing that will help determine the adequacy and usability of the on-site system.

Where the system is of insufficient size or construction to permit development, expansion of the existing system or design/construction of new system may be required. In this instance, the condition of the soils on site are a key factor in determining septic system requirements. These same studies could also be used in determining structural bearing requirements for footings and site works. Given the former site use and the preference for a single storey slab-on-grade form with wood frame construction, these requirements are anticipated to be quite minor. Pro forma assumptions have allowed for soils testing but have not allowed for additional septic system costs beyond the existing on-site system.

It should be noted that emerging technologies are continuing to expand the range of available options to address private septic system requirements. In many instances, these options serve to enhance efficiency by reducing the site area necessary for treatment/filter medium, thereby promoting more efficient use of land. Where the existing systems are deemed insufficient, the results of soils analysis may help identify

other potential private system options for consideration, include options that could be expanded in the future to accommodate additional housing units. Given the siting restrictions for septic systems, it will be important under this scenario to consider design options early in the development process to help inform site configuration and layout.

It should also be noted that the option of communal servicing was identified in the site review process. Under this option, servicing would be shared among a number of land holders and the cost for installation and maintenance of the systems would likewise be shared. The primary benefits of this approach are that it enables a more efficient use of land as compared to individual private systems and helps to defray the cost of servicing on per a unit basis by sharing these costs across multiple owners, which is typically more cost effective when compared against municipal systems. The reduced number of private systems is also seen as a key benefit, reducing the number of potential impairment sources in the environment. While there are operational and risk management considerations, the communal approach to servicing is seen as a more beneficial way to approach development in rural communities.

The County of Frontenac recently completed a study on this servicing approach and will be pursuing a pilot program to test opportunities². While considered more commonly at the subdivision scale, the pursuit of communal servicing in proximity to the Garrett Street site in Sharbot Lake could create opportunities to have a more compact built form for the seniors housing project and also allow for additional development density on the property. Sufficient testing to demonstrate feasibility and interest among area land owners would need to be confirmed in order for the communal option to be considered locally. Likewise the cost implications for the seniors project would also need to be considered in the financial analysis to determine suitability for the project. Where suitability, costs and timing can be aligned, a communal approach to servicing may be an option for the project.

A third technical consideration for the project is potable water. An existing well is situated on-site that served the former school building and it is assumed that this well would be utilized for the project. Technical testing for flow and potability would need to be undertaken to determine suitability and adequacy. Given the nature of current well water regulations, it is assumed that drilling a new second well specifically for the housing project would also be required to avoid excessive on-going testing costs and in that regard, an allowance has been provided in the pro forma for this expense. The siting of the new well would need to have regard for the location of existing services on site, required separation distances and building layout. Consideration for a possible future expansion to the project would also need to be considered when siting the second well.

Hydro servicing would also need to be confirmed as part of the pre-acquisition checklist. Through the site visit process, a visual check indicated proximity to hydro service for the preferred site. However, capacity and access points for service would need to be confirmed once siting and building location are confirmed. A hydro connection fee has been assumed in the pro forma construction figures. Natural gas is not currently available in Sharbot Lake and as such, residential heating is commonly provided through electric, oil or propane sources. Renewable energy sources are also possible (e.g. solar, wind) but would have to be evaluated on a cost/benefit basis given the small scale of the project.

² "County of Frontenac Communal Services Study", WSP Consulting, June 2019

4.4 Land use approvals

Land use approvals can play a significant role in project development, depending on prevailing rules and regulations. A review of local land use documents confirmed that a number of land use approvals may be required to facilitate the proposed project at the preferred sites. These include:

Official Plan Amendment (OPA) – The preferred site is largely designated “Residential District” under the Township’s proposed Official Plan (draft July 2018) with a veneer of “Commercial District” designated lands fronting onto Highway 38. There are a broad range of permissions under these designations. An OPA may be required for the subject depending on the OP policy in effect at time of development but these are not anticipated. If a site-specific OPA is required, additional studies may need to be submitted in support of the OPA above and beyond the application and planning rationale.

Zoning Bylaw Amendment (ZBA) – Under the current zoning bylaw, the preferred site is bisected by R1 (general residential) and C (general commercial) zones which does not allow for the proposed multi-residential use. As such, a site-specific ZBA would be required to re-zone the lands to Multiple Residential (RM) to permit the development of a senior’s multi-unit housing facility. Based on final building, well and septic system design, relief from other performance standards may be required and these could be handled as part of the same ZBA application. In order to expedite approvals and given the common issues involved, IF an OPA is required it would be prudent to make application for both the OPA and ZBA concurrently.

Site Plan – As a multi-residential development, a project of this nature would be subject to site plan approval. This approval would involve determination of siting, elevation, drainage and other site-based requirements for the project. Obligations with regards to access/egress, landscaping and other obligations would also be required and typically enshrined in a formal site plan agreement as part of the approvals process. Chronologically, application for site plan would be done in advance or concurrently with the application for building permit.

Building Permit – As part of the construction process, a building permit would be required, ensuring that the project was designed in conformity with the Ontario Building Code. While this approval is typically straight forward, the confirmation of potable water and suitable septic system to serve the project would be required before a permit could be issued. As such, the approach to servicing would have to be confirmed prior to application for a building permit.

As a proponent of the senior’s housing project and as the local approval authority, it is not anticipated that the Township would have issues in supporting the land use approvals for the proposed project. That said, there are mandatory public consultation requirements associated with some of these approval processes and rights of public appeal on municipal decisions. Appeals of decisions could result in delays and add costs to overall project development. Provided that care was taken in addressing the concerns of neighbours through the planning process, it should be possible to secure necessary approvals.

Each of the approvals processes also involve the remittance of fees which would add development costs to the project. Given the small scale of the project and since the Township is a primary proponent of the project, it is assumed in pro forma modelling that application fees would be waived by the Township.

4.5 Sustainability

An important lens for project development is the County's sustainability principles, as articulated in *"Directions for our Future: County of Frontenac Guide to Sustainability"*. A stated objective of this business plan is to ensure that the proposed project concept supports sustainability objectives. In comparing the proposed project concept with *"Directions for our Future"*, it's clear that a number of objectives are being promoted across a range of sustainability areas. These include:

- *Land use planning/management* – the efficient and orderly development of vacant lands in a compact footprint, allowing for future expandability as warranted
- *Energy* – the inclusion of energy efficient building features and conservation measures that can be adapted over time (e.g. low voltage lighting, occupancy sensors in common areas, etc.)
- *Water* – having safe, effective waste management systems (i.e. septic) that protect groundwater and features that promote conservation (e.g. low flow faucets, toilets)
- *Solid waste management* – reduction in solid waste through the use of recycling and composting
- *Transportation* – encouraging walkability and pedestrian access to settlement areas where possible
- *Housing* – providing more diversity in housing choice, encouraging 'aging in place' for area residents and promoting quality, compact design

While pursuing sustainability practices is a prime consideration of the County, it is recognized that utilizing certain green and renewable energy technologies can be cost-prohibitive for projects of a smaller scale. In these instances, the payback period can be unrealistic for the upfront investment required. For that reason, practical, modest cost features are encouraged to promote energy efficiency. These can include things like:

- Solar orientation of the building
- Added insulation in roof and walls
- Efficient thermal windows and doors
- High efficiency HVAC systems

5.0 FINANCIAL FEASIBILITY

A key part of determining a project's viability involves assessing its financial feasibility. At the initial concept phase, this feasibility is based on preliminary assumptions, recognizing that a project's composition can change as the concept is refined. Throughout a project's development, this feasibility is tested repeatedly at key milestones as estimates, costs and assumptions are refined. This process enables continued viability checks leading up to the point of construction and allows for decision-making at key milestones regarding whether to proceed.

Through the concept development process, financial assessments were done to hone the preferred concept. Initially, a general pro forma analysis was done to examine a 10 unit single building project versus a 10 unit project developed in two 5 unit pods. The primary focus of this analysis was to test the impact of well water configuration under these two scenarios; one requiring sustained on-going testing under a single building approach and the other having minimal testing requirements as it fell below the legislated threshold for on-going testing. The analysis showed that the single building approach with on-going testing was non-viable.

Subsequently, costing for the two 5 unit pod model was refined based on adjusted cost estimates. Investigations into municipal financing and contributions was also undertaken to determine if and where possible cost savings could be gleaned. Through these discussions, a refined financial approach was developed based on pro forma modelling. For the purposes of this business plan, financial feasibility has been based on this refined financial approach by using preliminary estimates and assumptions that reflect the current project concept. It is fully expected that as this concept is further refined, financial parameters would need to be reviewed and re-tested to ensure continued viability.

The development scenario created to test project viability includes 5 one bedroom units funded through a program similar to the Investment in Affordable Housing (IAH) capital funding program. In this scenario, rents for funded units are set at 80% of average market rent (AMR) and would receive \$150,000 in capital funding per affordable unit. The remaining 5 one and two bedroom rents are set at the AMR and do not receive capital funding from this program. Under this scenario, the County commitment of \$330,000 and a local contribution of \$100,000 is required to make the project financially feasible. Details regarding testing and component revenues/expenses are outlined in the following section.

5.1 Project assumptions/parameters

As an integral part of the business plan, the project must demonstrate financial self-sufficiency in order to attract financing commitments. Therefore, the pro forma must clearly show that the operation of the project will generate sufficient revenues to cover debt service (i.e. mortgage), operating costs and funding of a capital reserve, all while achieving a positive debt service ratio.

In order to achieve operational viability, capital costs and associated borrowing requirements must be minimized where possible. Contributions to offset capital costs are also used to reduce debt service costs

for the project (i.e. mortgage payments) and in that regard, a number of funding sources have been identified to meet these costs.

General assumptions utilized in the financial analysis of the project are as follows:

- 10 units total situated in two 5-pod buildings – 8 one bedroom units (600 s.f./unit) and 2 two bedroom (750 s.f./unit)
- Total buildable area – 8,100 s.f. gross floor area (GFA), including modest amenity space
- Building construction – single storey slab on grade, wood frame with standard sloped roof
- Servicing – Private well and septic system
- Procurement - design/tender (stipulated price contract)
- Financing – conventional mortgage via private lender with CMHC insurance
- Contributions – fees waivers and land provided by Township + \$100,000 capital contribution, County capital contribution of \$330,000, IAH-type funding for 5 units (\$150,000 x 5 = \$750,000)
- Owner status – municipal corporation

Using these guiding assumptions, a refined financial plan for the proposed project has been established and tested for feasibility. The following sections identify the estimated capital and operating costs of the proposed project as well as the funding and capital equity requirements. In addition to the detailed assumptions that are discussed in the sections following, summary pro forma tables are also provided in Appendix A that help to clarify the basis for the estimates used.

5.2 Estimated capital budget

Capital costs are those costs associated with establishing the project and include land, construction and related development costs. The table below is a general summary of the overall estimated capital costs for the proposed senior's housing project.

Estimated Capital Budget

Capital Costs	
<i>Soft Costs</i>	
Building Design/Consultant Costs	\$287,540
Site Costs	\$36,160
Legal and Organizational Costs	\$40,115
Financing Costs	\$64,754
Fees and Permits	\$37,380
Contingency	\$21,205
SOFT COSTS TOTAL	\$487,154
<i>Hard Costs</i>	
Construction Costs	\$2,063,877
Land Costs	\$250,000
HARD COSTS TOTAL	\$2,313,877
HST (<i>include in above lines</i>)	\$279,292
TOTAL CAPITAL COSTS	\$2,801,031

The total capital costs for the proposed project under this configuration are estimated to be \$2,801,031. This total includes hard costs (land and construction) of \$2,313,877 and soft costs of \$487,154. It also includes an HST amount of \$279,292. Details regarding component capital costs are identified below. Total capital costs would be offset by the financial resources and funding outlined in Section 5.4.

Soft Costs

Soft costs account for the many items/tasks necessary to design and bring the project to the point where construction can occur. Soft costs for the proposed project are assumed to include:

- *Building consultant costs* – includes architect, development consultant and quantity surveyor costs as well as associated disbursements
- *Site-related costs* – includes site surveying, technical testing and a phase 1 environmental site assessment as well as septic system testing and testing/drilling of a new well (offsets for some of these costs are identified in Section 5.4)
- *Legals and organizational expenses* – includes legal and organizational expenses as well as capital audit, appraisal and property taxes during construction
- *Financing costs* – includes interest during construction as well as lender fees and mortgage insurance premiums (CMHC insured mortgage)
- *Fees and permits* – these include development application fees and building permit fees (offsets for these costs are identified in Section 5.4)
- *Contingency* - a contingency of 5% has been included to account for unforeseen soft cost variances

Hard Costs

Hard costs account for land, construction and associated costs for building and fitting up the project. For the proposed project, hard costs are assumed to include the following:

- *Construction costs* – base costs are assumed at \$200/s.f. (GFA) and reflect new construction
- *Demolition costs* – excluded as the site is to be provided as ‘clean & vacant’ at point of transfer
- *Site servicing* – includes costs for hydro connection fees
- *Appliances* - includes costs for in-unit appliances (fridges/stoves) as well as washer/dryer facilities in the common area
- *Contingency* – assumed at 10% of construction cost + site serving costs to account for unforeseen costs/charges
- *Land* – assumed cost of \$250,000 (owned land used as equity, improved due to demolition)
- *Harmonized Sales Tax* – assumed as applicable for total capital costs

5.3 Estimated operating budget

Once built, there are on-going costs associated with operating and maintaining a project. The tables following provide a general summary of the overall estimated operating costs for the first year of operation for the proposed senior’s housing project.

The total operating costs for the proposed project under this configuration are estimated to be \$89,657. This includes maintenance and administration costs, as well as mortgage costs and capital reserve contributions. HST payable and associated rebates have also been factored into these costs. Net revenues are projected at \$96,989 and include rents, laundry revenues and vacancy loss. As a result, a net annual surplus of \$7,332 is projected which translates into a debt coverage ratio of 1.14, which demonstrates financial feasibility. Details regarding component costs and revenues are identified in the section that follows.

Estimated Year One Operating Budget

Operating Budget	
<i>Estimated Operating Revenue</i>	
Rental Income from Tenants	\$97,308
Laundry Revenue	\$2,600
Vacancy Loss	-\$2,919
Total Operating Revenue	\$96,989
<i>Estimated Operating Expenses</i>	
Maintenance – Wages, Materials and Services	\$6,500
Heat & Water	\$0
Electricity	\$2,000
Property Management Fee	\$10,733
Other Administrative Materials & Services	\$0
Capital Replacement Reserves Contribution	\$3,996
Insurance	\$2,500
Property Taxes	\$12,000
HST	\$4,905
HST Rebate	-\$4,243
Mortgage Payments	\$51,266
Total Operating Expenses	\$89,657
Net Operating Income	\$58,597
Debt Service	\$51,266
Debt Coverage Ratio	1.14
NET OPERATING PROFIT/LOSS	\$7,332

Operating Revenue

The operating revenue refers to the on-going income for the project and would include such components as rental income, sundry income and funding contributions. The sources of revenue during the operational phase of this senior's housing development are expected to include only rental income from tenants and laundry revenue.

Operating revenues in the first year are assumed to include the following:

- *Rental income* – rents are based on surveyed market rents for the Central Frontenac area and reflect defined levels of affordability (5 units at 80% of AMR, 5 units at AMR)
- *Laundry revenue* - laundry revenue generated from coin-operated machines has been estimated at \$2,600 annually

- *Vacancy loss* – throughout a typical year, vacancies can occur due to the timing of move-ins and move-outs. An allowance of 3% of revenue has been used to account for this loss.

While not defined in first year budget figures, it is anticipated that the annual increase in tenant income will be based on the average rate of change of the Ontario Rent Increase Guideline over the last five years.

Operating Expenses

Operating expenses include regular day-to-day costs for running the housing project, such as maintenance and services, utility costs, property taxes, landscaping, property management, insurance, administrative materials and services, HST and contributions to a long-term capital replacement reserve fund.

Estimates of operating expenses for the proposed project have been developed using data from projects of a similar nature. The total operating expenses for the proposed project are estimated for the first year to be \$89,657 and are comprised of the following notable items:

- *Maintenance, administration, insurance and property management* – Cost estimates are based on average per unit costs in actual projects and assume the use of contract or part time staff for necessary duties, given the small scale of the project.
- *Utilities* – have been assumed for hydro in common areas only as it is expected that heat and hydro for individual units would be paid directly by tenants.
- *Capital Replacement reserves* – in accordance with CMHC mortgage insurance requirements and prudent practice, an annual contribution to the project’s capital reserve fund is assumed in an amount equal to 4% of total operating revenue. This reserve would be used to fund future lifecycle capital repair costs as needs arise.
- *Property taxes* – property taxes for all units have been assumed at the current multiple residential rate. However, it may be necessary to provide property taxes at a reduced rate. Under past programs, taxes for the funded units would need to be equivalent to the single residential rate to qualify for funding. This would require a formal tax reduction by the Township and County.
- *Harmonized Sales Tax* – applicable HST has been assumed as well as an associated rebate. The rebate is equivalent to that permitted by municipal providers.
- *Mortgage payment* – An annual mortgage payment of \$51,266 has been assumed based on the projected lending amount (\$1,101,564), a 35 year amortization period and a mortgage-insured interest rate of 3.00%.
- Preferred rates and amortization are assumed as the mortgage would be CMHC insured but held with a private lender.

While not expressed in the first year operating budget, expenses for maintenance, other administrative materials and services, insurance and property taxes are assumed to increase by 2% per year. This is based on the 5 year average rate of increase in the Consumer Price Index. Other expenses, such as hydro, are assumed to increase by 4.34% annually based on the five-year average rate of increase in the Consumer Price Index for utilities.

5.4 Funding/capital requirements

As an affordable housing project, there typically are contributions, fee relief and/or funding that is required in order to ensure affordability and maintain financial viability. These contributions provide an important revenue bridge between the lending capacity of the project and total costs. The table below provides a general summary of the sources of funding that have been assumed for the proposed senior's housing project.

Anticipated Project Contributions

Contributions	
HST Rebate	\$241,588
Fees and Charges Waived	\$27,880
Capital Grant from the County	\$330,000
IAH Funding	\$750,000
Equity Contribution (land)	\$250,000
Equity Contribution (other)	100,000
TOTAL CONTRIBUTIONS	\$1,699,468

Many of these contributions involve waivers of municipal fees/charges while others involve eligible tax rebates or cash contributions. Details regarding contributions are identified below.

- *HST Rebate* – The project has been assumed as sponsored by a municipal entity and as such, the project would be entitled to receive a 78% PST rebate and a 100% GST rebate, resulting in a total HST rebate of \$241,588.
- *Waiver of Planning/Building Fees and Charges* – As a County and Township-supported project, it is assumed that municipal contributions in-kind that enhance financial viability would be welcome. Accordingly, it has been assumed that municipal fees for required land use planning approvals, building permit fees and associated charges, estimated in the order of \$27,880 would be waived for the project.
- *Capital Grant from the County* – In accordance with the terms of reference for the business plan and based on funding allocated for seniors housing by the County, it has been assumed that the project would receive a capital grant of \$330,000 from the County of Frontenac
- *Land Value* – The Township owns the property for the project and as such, the value of the property would be deemed an equity contribution to the project at a value of \$250,000. This value reflects a past appraisal as well as the improved value post of school demolition and site clean-up.
- *Equity Contribution* – Based on current estimates of total project costs, potential contributions and assumed debt service capacity, a total equity contribution of \$100,000 is required to make the project financially viable (\$20,000 of which is earmarked for site preparation costs). This equity could be secured in the form of an additional cash contribution, fund raising or some combination thereof.

5.5 Financial viability

The financial plan outlined above presents capital and operating budgets that result in a feasible and self-sustaining project used current assumptions. Based on these estimates, total project costs would be in the

order of \$2.8M. Funding for development costs would be provided through conventional financing of approximately \$1.1M, and a range of project contributions/rebates totaling \$just under \$1.7M.

Operationally, the project is estimated to have an initial annual operating cost of \$89,657 which would be offset by rents and revenues in the order of \$96,989. This would result in a modest annual operating surplus of approximately \$7,332. Calculations show that, based on this operating cost structure, the project would achieve a debt coverage ratio of 1.14, demonstrating that it is financially viable.

That said, viability assumptions do rely on a number of contributions and fee relief to help defray project costs. These contributions would require the support of both the Township and the County in order to be realized.

Going forward, it will be critical to re-test assumptions as cost and revenue estimates are refined. This will help ensure that as the project concept evolves, options to maintain financial viability can be considered and applied as needed.

6.0 GOVERNANCE

An important consideration in moving forward with the proposed project is understanding how it will be sponsored and operated on an on-going basis. This has implications not only for basic operations and sustainability but can have an impact the financial assumptions for the project. Following is a review of key governance issues.

6.1 Project ownership/oversight

The project sponsor – the owner – has a fundamental role in the development and long term success of the project. Typically for a project of this nature, an established non-profit housing organization would be a prime sponsor. The experience they have in project operations and property management would be highly beneficial.

The one local organization with experience in the ownership and management of affordable rental housing is Central Frontenac Housing Corporation (CFHC), which owns and operates a number of buildings in and around the Sharbot Lake area. Based on very preliminary discussions, the Corporation may have an interest in some form of involvement in the project. Their expertise and experience in property management of affordable housing make them well suited to be retained as the property managers for the project and this should be strongly considered. While the Township may be best suited to own the project, any form of involvement in the ownership of the building by the CFHC would need to be discussed with their Board and senior staff.

A second alternate approach which could be considered would be the creation of a separate, legally distinct non-profit housing corporation that has representation from both the Township and CFHC on its Board of Directors. This mix of representation on the Board of the corporation would facilitate arm's length local oversight while at the same time compartmentalizing liability and risks associated with operations. The on-going involvement of the Township would further help to provide stability and continuity for the project. The stability of this alternate approach is seen as highly desirable in getting the project up and running where the Township does not want to take on full ownership responsibilities.

6.2 Planned approach to management

As noted above, Central Frontenac Housing Corporation possesses the experience and expertise to undertake the property management and maintenance of a building of this nature. Given the modest size of the project, this involvement would be on a part-time basis. They could be retained on this basis for an annual property management fee which would be negotiated with the Board of Directors.

7.0 MOVING FORWARD

7.1 Summary of preferred concept

Based on demonstrated needs, community consultation and business case analysis, the concept for a small scale seniors housing project situated in Sharbot Lake has been developed. This concept has been tested and found to be viable, subject to the assumptions outlined in this report. Based on the proposed concept, the senior's housing project would:

- Be modest in scale – 10 self-contained apartment units situated in two 5-pod buildings (8 one bedroom, 2 two bedroom) plus amenity space for a total buildable area of 8,100 s.f. (GFA)
- Include basic amenity space - laundry facilities (1 pair) and a small indoor common area for gathering/socialization would be provided in each of the 5-pod buildings
- Accommodate seniors mobility needs – providing safe, indoor access to apartment units while incorporating visitability and accessibility throughout units and common spaces
- Support basic affordability – all units would be rental and offered at or below average market rent levels. Rents for 5 of the one bedroom units could be set at 80% of average market rent if IAH-type funding is obtained from the City of Kingston.
- Be procured as new construction – this approach would enable a single storey slab-on-grade building, with a cost-effective double-loaded main corridor, wood frame structure and standard sloped roof
- Incorporate practical sustainability features that promote energy efficiency
- Be situated on land currently owned by the Township of Central Frontenac
- Be procured through a formal design/tender process (stipulated price contract)
- Be financed using a conventional mortgage that is CMHC-insured in concert with an equity contribution of \$330,000 from the County as well as a further equity contribution from the Township in the order of \$100,000 to achieve viability
- Be owned by the Township of Central Frontenac
- Be managed by Central Frontenac Housing Corporation, should they be agreeable to take on that role.

As a result of the financial analysis, it has been determined that the project would be viable based on preliminary cost estimates, anticipated revenues and assumed contributions. While a series of land use approvals are required to permit the intended use, there do not appear to be any significant barriers to securing these approvals. Due diligence testing would be required prior to advancing development to ensure that no environmental concerns or project servicing impediments exist. Based on an initial scan of current conditions and background information, no impediments are anticipated. Viable project governance options exist, the most plausible of which would see ownership of the project by the Township and management of the project by CFHC, an experienced local housing provider.

7.2 Process/critical path

While preliminary feasibility of the project concept has been demonstrated, there are a number of steps necessary to advance the project. Moving forward through these steps, there are a number of decision points where the plausibility of advancing would need to be reconfirmed as the project concept is refined. Initially, this would involve steps confirming the parameters for moving forward from the initial feasibility testing, including the following tasks:

- *Confirm decision to move forward* – in addition to endorsing the business plan, this task would involve securing development consulting expertise to advance the project
- *Confirm decisions with regards governance/oversight* – this would involve defining the Township role in the project going forward, as well as pursuing incorporation of the sponsor entity (if the alternate approach is preferred). Discussions would be required with the Board of Central Frontenac Housing Corporation about potential representation on the Board of Directors if this approach was pursued.
- *Confirmation that existing site services can be used for the project* – this would involve cursory investigations to determine the technical capacity of existing on-site well and septic systems to accommodate project needs. Based on this review, site servicing requirements would be confirmed prior to advancing further pre-development work.
- *Enter into discussions with Central Frontenac Housing Corporation about property management* – this would involve meeting with CFHC to determine their interest in assuming the role of property managers of the buildings.
- *Confirm initial funding commitments* – to enable project planning, County and Township contributions would need to be confirmed. Access to financing would also need to be confirmed on a preliminary basis as well as the funding/resources necessary to undertake the next stage of pre-development work. The City of Kingston would also need to be approached regarding the availability of IAH-type funding.

With these activities completed, a decision regarding proceeding/not would be made in order to move forward to the pre-development stage. Under this phase, the following activities would be required to advance development of the project to the point of construction commitment:

- *Assemble technical/design team* – this would involve identifying or recruiting development team members, including a project architect and technical testing specialists
- *Formalize project design* – preliminary design drawings would be developed for comment and subsequent refinement in accordance with the finalized project concept
- *Complete due diligence for land* – in order to finalize site preparation, environmental and technical testing would need to be conducted to formally confirm that no development constraints existed
- *Confirm specific service requirements* – having confirmed technical parameters and preliminary design, final servicing designs would be developed for well, septic systems and utilities into the site
- *Re-confirm costs, funding and mortgage financing* – in addition to updated pro forma figures, a conditional financing commitment would be secured to confirm financial parameters prior to tendering

With these activities completed, a decision regarding proceeding/not would be made in order to move forward to the construction stage. Under this phase, the following activities would be required:

- *Prepare contract documents for bidding* – final design drawings and accompanying specifications would be developed for tendering purposes
- *Tendering for construction pricing* – contract documents would be tendered for pricing to qualified bidders and results would be evaluated against budgeted construction costs.
- *Reconfirm financing and project commitment* – final budget adjustments would be made based on tendered costs to secure final financing approvals, thereby enabling owner approval for project commitment to proceed with construction
- *Negotiate construction contract and commence construction* – with approval in hand, a standard construction contract would be executed with the selected bidder
- *Construction monitoring* – through the construction process, regular progress reviews would be undertaken to track progress against the building schedule as well as costs versus budget
- *Pre-occupancy planning* – during the construction phase, planning would be undertaken in order to prepare for tenant move-in and project operations
- *Post-occupancy wrap-up* – with the conclusion of construction and the subsequent certification for project occupancy, capital cost reconciliation, HST self-assessment, warranty inspections, etc. would be completed in order to close out the capital development phase of the project

7.3 Key elements & critical success factors

As noted, there are a number of tasks require to move the project forward through successive stages of development. Each stage is punctuated with a decision point on whether to proceed or not to the next stage. While this progressive process lays out a stepwise approach to move from initial viability through to construction, there are some fundamental success factors that are key ingredients for realizing the proposed project. Having these elements in place goes a long way to supporting project viability.

Key elements required for a successful project include:

- *Allocating sufficient resources* – having the funds/resources to undertake pre-development work and advance through construction is essential to the success of the project
- *Having a clear governance/accountability framework* – during development and after occupancy, having a clear and straight-forward decision-making structure for oversight
- *Acquiring strong technical expertise* – through the development process, a range of technical issues must be addressed/overcome and having an experienced team is key to staying on track
- *Securing access to financing* – securing financing is a critical component to meeting the financial obligations of development