A HOUSING DEVELOPMENT CORPORATION FOR THE CITY OF LONDON

BUSINESS MODEL DEVELOPMENT

COUNCIL HOUSING LEADERSHIP COMMITTEE
NOVEMBER 18, 2013
### TODAY’S PRESENTATION

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Next Steps
PURPOSE OF TODAY’S PRESENTATION

• Present **key outcomes** of our Interim Report
• **Continue our dialogue** with the CHLC on the creation of a housing development corporation
BACKGROUND

• London’s CHLC recommended that staff engage a consultant to explore the options and implementation plans associated with the potential creation of a local **housing development corporation** (HDC)

• Consulting Team of SHS Consulting, in association with Purpose Capital, MaRS and Robins Appleby & Taub, was hired

• Overall purpose of project
  – conduct background research in best practices
  – document local environment and establish business case
  – develop an implementation plan for new HDC
PURPOSE OF THE INTERIM REPORT

• To outline a proposed business model
  – Findings to date, current need, why an HDC proposed
  – A “minimum viable product” (MVP) for the HDC
  – A prototype framework of how the HDC will add value for itself and its customers
  – Suggests a proposed mandate, customers, key activities, key collaborations, and key revenue streams and cost drivers

• The MVP allows the Consulting Team to outline a proposed business model and get feedback before developing the detailed business plan
PROJECT APPROACH

PHASE 1: Establish HDC MVP 1

PHASE 2: Validate HDC MVP 1

PHASE 3: Develop HDC MVP 2

PHASE 4: Implement the Final HDC
THE PROBLEM

• There is an identified **need for affordable housing** in the City of London

• Developing and/or acquiring affordable housing units is **costly and complex**

• There are **limited financial resources** available to sustainably finance affordable housing (the “affordability gap”)

• There is a **gap** in the local marketplace for focused or coordinated financial and technical expertise and capacity in developing affordable housing
MARKET OPPORTUNITY

• There is an available supply of housing and land in London
• There are various tools and resources available
• There is interest, expertise, and existing involvement among stakeholders
• There is a potential supply of new capital in the City of London and beyond that could be directed towards sustainable housing
• Housing development has economic and social benefits for the City of London
PART 2
BEST PRACTICES, AVAILABLE TOOLS, AND INCENTIVES
BEST PRACTICES

HDC MANDATES IN OTHER JURISDICTIONS

• Range in scope: narrow to broad

Narrow Mandates
Role of HDC is restricted to 1-2 very specific policy objectives

Broad Mandates
Role of HDC expanded to encompass multiple policy objectives

REFER TO APPENDIX 3 OF THE INTERIM REPORT
AVAILABLE TOOLS

• **Planning Act**
  – Community Improvement Plans/Areas

• **Municipal Act**
  – Tax Financing
  – Municipal Capital Facilities
    • relief from property taxes
    • relief from development charges
    • guaranteeing debt
    • leasing or selling land.

• **Housing Services Act**
  – Sets out rules for sale and/or redevelopment of LHC and social housing units

REFER TO APPENDIX 4 OF THE INTERIM REPORT
AVAILABLE INCENTIVES

• Development Charge Rebate
• Downtown Rehabilitation and Redevelopment Grant Program
• Bonusing
• Innovative Design and Servicing Standards
• Façade Improvement Loan Program
• Upgrade to Building Code Loan Program
• Priority in Approval Processes
• Brownfield Incentives Program
• Surplus Municipal Lands

REFER TO APPENDIX 4 OF THE INTERIM REPORT
PART 3
BUSINESS MODEL
The HDC is the most optimal vehicle to directly achieve the City’s affordable housing goals and increase the City’s capacity to develop affordable housing.
VALUE PROPOSITION

ACHIEVING AFFORDABLE HOUSING TARGETS

• Bridging the “affordability gap” through a combination of financing methods
  – Federal and Provincial funding
  – Municipal grants and incentives
  – HDC’s profit-generating activities
  – New investment vehicles and funds

REFER TO PAGES 7-9 OF THE INTERIM REPORT
VALUE PROPOSITION

INCREASING CAPABILITIES OF THE CITY TO DEVELOP AFFORDABLE HOUSING

- **Planning and development**
  - Foster developments outside of market interests but within community needs
- **Financial**
  - Take on debt
  - Create an investment conduit for investors seeking social and financial returns
  - Develop mechanisms for revenue generation and value/benefit capture
- **Land**
  - Work with prospective developers earlier in the land acquisition process
  - Begin strategic investigation of potential acquisition of bluefields
- **Organizational**
  - Build a clearer image and identity so its considered expert
  - Attract experienced professionals willing to sit on the HDC Board
  - Change direction or increase the scale of implementation quickly
PROPOSED MANDATE

CORE MANDATE OF THE HDC

• The HDC stimulates the development and sustainability of affordable housing throughout the City of London

SUPPORTIVE MANDATES OF THE HDC

– The HDC supports our community’s need for revitalized and strengthened neighbourhoods, and diverse and inclusive communities

– The HDC collaborates with all three sectors (private, non-profit, and public) to create and sustain affordable housing and stimulate economic growth
CUSTOMERS

• City of London
• Property owners
• Private developers
• Non-profit community organizations
• Investors
• Residents of the City of London
KEY ACTIVITIES

THE HDC’S THREE PILLARS

- Land or real estate acquisition or disposition
- Building relationships with landowners and developers
- Providing technical assistance
- Rezoning, subdividing, and preparing land for development
- Development or redevelopment of residential and mixed-use properties

REFER TO PAGES 12-13 OF THE INTERIM REPORT
KEY ACTIVITIES

THE HDC’S THREE PILLARS

- **Provide or broker financial products**
- **Build relationships** and broker partnerships with organizations that may contribute equity to a development

REFER TO PAGES 12-13 OF THE INTERIM REPORT
KEY ACTIVITIES

THE HDC’S THREE PILLARS

- Provide grants or assist in obtaining incentives for affordable housing development, including:
  - Density bonusing
  - Reduced property taxes
  - Community Improvement Plans (CIPs)
  - Façade Improvement Loans
  - Brownfields Incentives Program
  - Innovative design and servicing standards

REFER TO PAGES 12-13 OF THE INTERIM REPORT
OTHER KEY ACTIVITIES

• Community Advisor or Broker
  – **Community convenor:** Convene community stakeholders to advance collaboration on housing challenges, new mixed use or focused affordable housing projects, or policy matters
  – **Technical advisor:** Directly advising mainstream developers on mixed housing projects, or affordable housing developers on financing/development
  – **Knowledge broker:** acting as a knowledge portal for market data, and available grants, loans and development supports for housing projects
KEY COLLABORATORS

• Private realtors, developers, builders, and others involved in the development industry
• Non-profit developers and property managers
• Financial institutions and credit unions
• Government
• Employment and training providers
• Other community players and thought leaders

REFER TO PAGES 13-14 OF THE INTERIM REPORT
REVENUE STREAMS AND COST DRIVERS

KEY REVENUE STREAMS
- Federal and Provincial funding
- Municipal grants and incentives
- The HDC itself, from profit-generating activities
- New investment vehicles/funds

COST DRIVERS
- Cost of capital
- Land and real estate acquisition / development costs
- Administrative costs
- Property management costs
PART 4
PRELIMINARY GOVERNANCE CONSIDERATIONS
A BALANCED GOVERNANCE STRUCTURE

INVESTOR AND REALTY COMMUNITY

- Attract quality board members with development and finance/investment experience
- Ability to attract money, land and partnerships
- Ability to retain earnings
- Capable of decision making on development and financial industry timelines
- Able to partner and contract with confidence (can withstand some political turbulence)

MUNICIPAL COUNCIL NEEDS

- Accountability, transparency, and value for Money
- Isolate development risk from City
- Be responsive to other City development goals

REFER TO PAGE 18 OF THE INTERIM REPORT
WRAP UP
QUESTION & ANSWER PERIOD
GOVERNANCE OBJECTIVES

- Have the expertise necessary to govern a sophisticated development and financial organization
- Able to attract money, land, people, and credibility
- Able to retain earnings as “development equity” to seed projects
- Capable of decision making on development and financial industry timelines
- Able to partner and contract with confidence (can withstand some political turbulence)
- Isolate development risk from the City
- Balance of accountability, transparency, and value for money
- Be responsive to other City development goals