

Homestead Co-operative Land Lease Extension

Recommendation

That the lease amending agreement between the City of Edmonton and the Homestead Housing Co-operative, for the land lease, as outlined in Attachment 1 of the March 1, 2021, Citizen Services report CS00076, be approved, and that the lease amending agreement be in form and content acceptable to the City Manager.

Executive Summary

Homestead Housing Co-operative is requesting a 60-year extension to their existing 60-year land lease with the City of Edmonton, which is set to expire on March 31, 2038. The extension will enable the Co-operative to access federal funding and financing to complete a long-term renovation plan on the 34 affordable housing units they operate and to provide affordable, sustainable housing for Edmontonians for the future.

Report

Homestead Housing Co-operative (the Co-operative) is a non-profit housing co-operative which has provided affordable housing to its members since 1978. The Co-operative operates 10 two-storey townhouse complexes totalling 34 affordable housing units. These complexes consist of a mix of one-, two-, and three-bedroom units in the Casselman neighbourhood.

The Co-operative is planning short- and long-term repairs and a strategy for paying for them that balances the physical assets of the building and member retention. The first five years of their repair plan will include asphalt paving, caulking, electrical and mechanical work, and the repair and replacement of furnaces, hot water tanks, windows, doors, and wood fencing. Long-term repairs required include exterior building renovations and replacing the current roofing systems. All refurbishments will consider environmentally-responsible upgrades where possible.

The estimated cost to remedy all identified physical deficiencies is approximately \$8.1 million over a period of 25 years including contingencies and the cost for a project manager to oversee the work.

As of September 30, 2019, the Co-operative has approximately \$269,835 in its reserve fund and the projected contributions to the reserve are approximately \$2.75 million over the next 25 years. The Co-operative has held discussions with the Co-operative

Housing Federation of Canada and potential lenders about financing the remaining \$5.1 million. An asset management plan, prepared by the Co-operative Housing Federation of Canada, identified that the Homestead Housing Co-operative would be able to borrow approximately \$3 million to pay out the mortgage and begin repair work. The remaining \$2.1 million is expected to come from an application to the Canadian Mortgage Housing Corporation's National Housing Co-Investment Fund.

Borrowing will allow the Co-operative to do urgent repairs and other necessary work. The short- and long-term capital plan prioritizes health and safety, building code compliance and marketability. The current land lease agreement between the City and the Homestead Housing Co-operative, executed on March 30, 1978, is set to expire on March 31, 2038. The 60-year extension, to March 31, 2098, will allow the co-operative to leverage long-term amortization of current and future funding, facilitate the loan application and maintain affordable housing rates for members. The lease extension is conditional upon the completion of the long-term renovation plan.

The co-operative paid all existing land lease fees in full in 1982. If the extension is approved, in accordance with the existing agreement, the co-operative will continue to pay the assessed property taxes each year throughout the current lease term and the proposed extended lease term.

Public Engagement

Public engagement was not conducted for this report.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is a safe city			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Ensure the long-term sustainability of Homestead Housing Co-operatives housing stock	Number of affordable housing units provided by Homestead Housing Co-operative	2020: 34	Maintain the 34 units of affordable housing

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
If recommendation is approved						

Project Management	Renovations may be delayed by existing City policies or procedures	1 - Rare	2 - Moderate	2 - Low	City policies that may delay the renovations have been reviewed and will not delay the project	N/A
Project Management	Funding application(s) not approved	2 - Unlikely	2 - Moderate	4 - Low	The land lease extension agreement will not be executed as per the terms and conditions of the land lease	Possibly request a further revision to land lease terms and conditions if required
If recommendation is not approved						
Project Management	Project cannot be financed	3 - Possible	2 - Moderate	6 - Low	N/A	Project will remain on hold until additional funds are secured

Attachment

1. Homestead Housing Co-operative Land Lease Amending Agreement Terms and Conditions

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor