Subject: 20 Alice Street East
Revised Letter

Subsequent to Staff Report FAF.20.106 being posted, our ownership group scheduled a meeting with the Blue Mountain Attainable Housing Corporation for July 2nd. As such, we request that Council not adopt a resolution on this matter until after the July 2nd meeting.

This letter is to follow-up on Council’s discussion of May 19th when our group requested that development charges and cash-in-lieu of parkland be waived for our project. One of the items raised from a number of Councilors at that point, was our intended rental rate for the project, and whether it falls within the parameters of Attainable Housing.

Are we offering apartments at an Attainable rental rate?

Our intended goal when we started this project was to fill the void of rental product required by residents in the surrounding area in an effort to support the local businesses and economic growth of the Town. We recognized that rents were being driven up sharply by seasonal/recreational tenants, and wanted to provide reasonably priced long-term rental options. We are not sure if we fall within the range of “Attainable Housing” as defined by BAHC due in large part to the lack of visibility into what “market rent” is in Thornbury. While we believe we are providing small “a” attainable product, we are hesitant to commit ourselves to a specific number which, given the uncertainty of the current economic climate and the final cost to complete our project, might not be financially viable for our ownership group.

Over the past four months we have had to reexamine our budget and build in contingencies beyond the typical surprises that come with renovation and construction projects. We are hoping these factors do not come into play in a significant way, but have tried to account for:

a) Economic uncertainties due to Covid – what will economy/market look like when our project is complete. Will we be able to rent our units? What will be the additional logistical and operating expenses required to responsibly manage a rental property with 11+ residents?

b) Cost of capital – our project requires interim/construction financing, and we have been looking to different lenders (private and institutional) for favourable rates. While we were able to establish an understanding of our estimated cost to borrow pre-Covid, we expect that these rates will have risen due to today’s uncertainty.

c) Time Delays/Cost of Funds due to Delays - We have been appreciative of the Town’s efforts to move forward with business as usual in these times. In the meantime, we are factoring in the possibility of delays through the full cycle of the project from pre-construction (finalizing our ZBA/Site Plan approvals, public consultation, coordinating works to be completed), through construction execution. Inevitably, any delays in the project will result in additional costs to our budget as we continue to service the mortgage and construction financing debt through to occupancy.
The most significant line item in our budget, and the reason we are here today, is the value of the Development Fees/Cash-in-lieu of Parkland - Our assumption at the outset of this project was that Development Charges ($31,933.00 x 8 units*) and Cash-In-Lieu of Parkland (5% of Purchase Price) would not apply to a conversion project in the same way that it applies to a greenfield development site. Even before the pandemic, once we learned that these fees might apply, this expense forced us to consider alternative options that are more financially viable for our team. We are hoping that the Town can sympathize with our position on this, and waive the $301,464.00 which would be financially prohibitive to achieving our intended goal for the site.

Thank you for your time and I am happy to address any questions you have about our project.

Thank you,
Susan Min

*We have confirmation from the Town that the first 3 units are exempt from charges as there is a credit for the existing unit +2 more apartments within the existing footprint
Thornbury West DC fee of $31,933 per unit for 8 additional units = $255,464
County of Grey has confirmed that they will not be charging for the first 3 units either. They have also confirmed that they are willing to enter into a DC deferral agreement until they update their DC bylaw, at which time they expect residential apartments will not incur a DC charge.