

Background and Update for Spine Road Development

April 2020

Background of the Project

In February 2007, ELRL and the City of Elliot Lake entered into a memorandum of understanding (MOI) regarding the potential purchase of land on the south shore of Elliot Lake. The purchase of 436.5 acres of land was concluded in April 2008.

Between the date of the MOI and the Purchase Agreement, ELRL engaged a team of architectural consultants and planners to develop a Community Master Plan for the 436.5 acres, referred to as Spine Road Development. Subsequently, a plan of subdivision and zoning requests for a small parcel of the land (23 acres) were approved (in draft) by the City in September 2009, after appropriate public consultations and appeal periods.

In 2010, ELRL submitted a request for amendment to Draft Plan of Subdivision to allow for changes to the boundaries of several blocks to allow for parking. This amendment was approved in October 2010.

Various business and economic factors caused ELRL to shelf the project in 2011. In 2017, however, ELRL achieved a significant increase in occupancy, which continued in the years following. Recognizing that the demand for affordable housing wasn't going to subside anytime soon, ELRL made a decision to revisit its plans for Spine Road.

ELRL considered other parcels of land in the City, but none offered the opportunity to develop the scale of projects that are needed or provided the opportunity for future development as much as the Spine Road area does.

Once settling on the location of a new development, ELRL has spent the past 2 years developing concepts with a team of consultants, reviewing pricing structures, determining preliminary feasibility and seeking financing solutions.

ELRL has now moved beyond the preliminary phase of the project development and is into the schematic and detail design study phase.

Project Description

ELRL is proposing, as its first development, a 90/91-unit multi-residential rental building. The 4 storey building will contain a mix of units from 1 bedroom to 2 bedroom plus den. More than 20% of the units will be fully accessible and the remaining will have universally accessible design. Energy efficiency and engagement to the outdoors are also key features of the project.

Retirees, veterans, and people with disabilities will be comfortable living in this rental development. ELRL has also stated that they expect more than 40% of the units will meet federal, provincial and municipal criteria for affordable rent.

Elliot Lake Retirement Living and City of Elliot Lake

ELRL has requested that the City commit to the development of municipal infrastructure for Phase 1 of ELRL's Spine Road Development, should the project proceed. ELRL is looking for a formal commitment, contingent on ELRL deciding to proceed with the construction of its first multi residential building.

The City's interest in the project is based on both the economic benefits and significant incremental taxation and user fees from the development.

Project Timing

ELRL has a number of steps to work through before they can start the construction of the project. Once the design of the project is completed in 2020, ELRL will apply for financing for the project. Once approved, construction will be expected to start within 6 months. Best case scenario, the project will begin in 2021 and be completed late in 2022.

Decision Factors

The construction of a brand-new rental apartment building in Northern Ontario is an expensive and risky endeavor. A private sector developer would be challenged to find a project model that would provide an adequate return on investment to take on the financial risk.

ELRL's unique structure and mandate does position the company more favourably to take on the project:

- Without shareholders, ELRL's requirement for a financial return is limited to debt servicing and capital reserve funds.
- ELRL already has the marketing, administration and property management group in place.
- It is part of ELRL's mandate to provide housing to retirees and enhance the local economy.
- ELRL has been and will be committed to the community for the long term.

The project does come with considerable risk for ELRL. They are being methodical in their approach to the project, conducting their due diligence in each major design phase, and regularly reflecting on the project's overall viability. In order for ELRL to proceed with the project, they have determined that the following must be achieved.

- The project must be self-sustaining, meaning that it must generate enough operating profit to service its own debt and allow for the preservation of funds for future replacements.
- The project can not jeopardize ELRL's commitment to its existing tenants and continued renewal of its existing properties.
- Terms of financing must ensure ELRL is able to meet the above.
- The City must be willing to develop the municipal infrastructure into the site, and support the project in other ways.

Benefits to Elliot Lake

Elliot Lake has been a model for other communities that have suffered devastating economic losses. Without the promotion of Elliot Lake as a place for retirees to live affordably, Elliot Lake would certainly look different than it does now.

Every retiree brought to Elliot Lake to retire brings with them, their own income. A portion of that income is spent in Elliot Lake supporting services, retailers and health care. A 90-unit building will bring approximately 150 new residents to the community. If each retiree has income of \$35,000, then \$5.25 million incremental dollars can be spent supporting our local businesses each and every year. Each retiree moving to Elliot Lake has a similar economic impact as the creation of one full-time job. Instead of needing to invest in a manufacturing facility, or office building plus housing to create these jobs, Elliot Lake only has to invest in the housing infrastructure itself.

In addition to the significant gains the local economy will achieve through this development, the municipality will also generate incremental taxation, water and sewer and user fees from this development. Taxation and water and sewer fees from the first 90 unit building alone could amount to \$157,500 to \$200,000 annually, with minimal additional costs to service the location.

The provision of the municipal infrastructure also creates an opportunity for the City to upgrade infrastructure on Spine Road just past the hospital which would benefit the lots currently available for sale by other developers.

Other benefits to the community include the opportunities that come with the ability to offer different rent models, the provision of additional housing for other employers who may be considering expansion and open a door for other developments to move forward in the same area.

