

DISCUSSION PAPER ON ESTABLISHING A MAHONE BAY HOUSING DEVELOPMENT CORPORATION

ASSUMPTIONS:

1. Mahone Bay requires special-needs housing for elders, as well as affordable housing to encourage young families to live in Mahone Bay.
2. The Town of Mahone Bay has publicly owned land that could be used for housing.
3. The Town of Mahone Bay wants to maximize its revenues from housing developments in the town.
4. Publicly owned assets are to be publicly developed for the benefit of the whole town.

a valuable asset (\$350,000 assessed value) with which to launch its business.

C. The Corporation would pay Town property and commercial taxes and be treated as any other private developer of privately owned land in the town.

This would provide the Town with tax revenues for the assessed value of the land, change-of-use taxes and commercial taxes.

D. The Corporation would be free to develop the land and any other property it buys on the basis of described needs of town elders and the demands of the housing market, in accordance with its mandate.

Housing currently occupied by town elders who move into the Corporation's facilities would then become available on the Mahone Bay housing market.

The Corporation could make money from:

1. rent and potential capital appreciation if properties are leased; or
2. proceeds from unit sales, subdivision or converting its property to condominiums; or
3. both.

As previously noted, the Corporation's revenue would not be subject to payment of income taxes.

Net income from operations would be available for re-investment in the development of Mahone Bay housing or for payment to the Town as dividends.

Note: This short paper cannot fully address the financing of the development of housing by the Corporation. Financing options might include: federal or provincial program funding, bank financing with federal or provincial guarantees or even public/private infrastructure funding (e.g., pension funds or other capital pools seeking long-term, stable rental streams) with capital appreciation. Another option would be a joint venture with a private developer with project development expertise. □

Concept proposed by Veryan Haysom

One approach to address housing needs and maximize revenues to the Town of Mahone Bay

A. Incorporate a for-profit Mahone Bay Housing Development Corporation.

The mandate of the Corporation would be to:

1. buy land in the Town of Mahone Bay, whether publicly or privately owned;
2. buy and renovate existing buildings in town; and
3. develop, own and operate apartment buildings, condominiums and housing units in Mahone Bay to:
 - a) supply housing for elders who are residents of the town and have special needs;
 - b) create a supply of affordable housing in Mahone Bay to encourage young families to locate in the town; and
 - c) increase housing stock in the town.

The Town of Mahone Bay would own the Corporation and would hold all the voting shares.

If it gets at least 90% of its income from operations in the town, the Corporation's income would not be taxable under the *Income Tax Act* (Section 149).

B. Transfer ownership of the 2.9-acre Town-owned lot on Kinburn Street (at the northern corner of Kinburn and Hawthorn Streets) to the Corporation.

The Corporation could seek development financing from other lenders but the Town would hold a second mortgage, at a commercial rate of interest,

for the market value of the property in exchange for the land transfer. The Corporation would then have

