

Staff Report



To	City Council
Service Area	Public Services
Date	Monday, August 24, 2020
Subject	Affordable Housing and Funding Requests

Recommendation

1. That a further financial incentive in the amount of \$500,000, funded from the Affordable Housing Reserve, be provided to St. Joseph's Housing Corporation for the Silver Maple Seniors Community affordable housing project subject to Canadian Mortgage and Housing Corporation final approval of the National Housing Co-Investment Fund and subject to 2020 funding from the County of Wellington Affordable Rental Housing Development fund.
 2. That staff be directed to enter into an agreement with St Joseph's Housing Corporation to implement the municipal incentive to the satisfaction of the Deputy Chief Administrative Officer of Public Services, the City Solicitor, and the Treasurer.
 3. That the Mayor and Clerk be authorized to execute the Municipal Incentive agreement.
 4. That staff be directed to explore transferring responsibility of distributing the municipal incentive funding for affordable housing in Guelph to the County of Wellington and report back by Q2 of 2021.
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Executive Summary

Purpose of Report

This report will provide an update on affordable housing projects in Guelph and request funding from the Affordable Housing Reserve. Additionally, the report looks for support to explore ways for increased involvement on affordable housing from the subject matter experts at the County of Wellington.

Key Findings

In May 2019, Council approved \$924,000 from the Affordable Housing Reserve to Rockwater on Janefield Inc., an affordable housing project for 165 mixed sized affordable rental apartment units. Recently, Rockwater confirmed that they were forced to pause the Canadian Mortgage and Housing Corporation (CMHC) application for administrative reasons based on a minor name change on legal partnership documentation. The project still intends to move forward, but was further paused with COVID-19.

In May 2019, Council approved \$364,000 to St. Joseph's Housing Corporation's affordable housing project for 65 mixed sized affordable rental apartment units. The project was scheduled to begin construction in spring of 2020, but due to

higher than forecasted construction costs, the project has created a capital shortfall of \$2,400,000.

In June of 2020, the County of Wellington Social Services Committee awarded St. Joseph's two years' of funding for a total of \$1,600,000. Funding is conditional on the City of Guelph committing another \$800,000 by August 31, 2020.

Also in 2020, a number of housing developments for affordable and permanent supportive housing have presented formal and informal financial requests of approximately \$3,500,000 to the City. The projects are all at slightly different stages but look to support vulnerable sectors in the community.

Additionally, staff would like to work with the County of Wellington, as our Consolidated Municipal Service Manager for Housing, on options and opportunities to have the County take a more active role in affordable housing incentives for Guelph. It's clear that the County is the subject matter expert as it relates to housing. Staff will report back on options, collaborations with other funding streams, and any associated risks.

Financial Implications

Based on the conditional offer linked to the County of Wellington Affordable Rental Housing Development fund, St. Joseph's Housing Corporation is requesting an additional \$800,000 for the Silver Maple Seniors Community.

Funding options have been assessed through this report and staff recommend providing funding of \$500,000 to St. Joseph's Housing Corporation, which is the amount currently available in the Affordable Housing Reserve. While we understand that this will leave a funding gap of \$300,000, City staff must also balance the projected operating deficit in 2020 as well as the other community requests for affordable housing funding.

The City is aware of formal and informal requests for funding from five to eight other community projects for permanent supportive housing and affordable housing projects of approximately \$3,500,000 in direct grants, development fee waivers, and/or land. If all requests were to be approved, the Affordable Housing Reserve would be in a negative position of approximately of \$3,800,000. This deficit would take eight years to repay assuming Council continued the annual base budget contribution of \$500,000 to this reserve.

The City also has available \$633,000 in the Social Housing Contingency Reserve that staff do not recommend allocating to Affordable Housing projects currently. The purpose of these funds is to mitigate against operating deficits in the social housing program, as well as mitigate against one-time tax levy increases related to increased demand during recessionary periods. Given the COVID-19 impact on the economy, it is likely these funds will be required in the next budget cycles.

Report

City of Guelph Affordable Housing Strategy and Affordable Housing Financial Incentives Program (AHFIP)

Affordable Housing is defined as housing units that can be owned or rented by a household with shelter costs (rent or mortgage, utilities, etc.) that are less than 30 per cent of its gross monthly household income. Where CMHC also requires that units be offered at least at 80 per cent of a median market rental rate for a minimum of 20 years.

In May 2017, Council approved modifications to the [Affordable Housing Strategy](#) (AHS) including affordable housing targets for the City. The AHS outlines an annual City-wide 30 per cent affordable housing target (25 per cent ownership, one per cent affordable primary rental, and four per cent affordable secondary rental).

The [AHFIP](#) offers principles and a framework to guide the Affordable Housing Strategy. The framework provides the foundation for the development and implementation to support projects. The AHFIP does not have a full procedure to process requests, screen, or approve funding requests; however it does outline project eligibility criteria and costs. Although further development of the program is required, the AHFIP eligibility focuses on primary rental housing types, smaller unit sizing, and proper zoning before funding would be recommended. Also, the framework ensures connection to other funding sources, e.g. CMHC or the County, to preserve affordability value and timeframe.

The reserve has been used in recent years. As part of the 2018 budget process, Council awarded an affordable housing base contribution of \$100,000 to the Community Benefit Agreement with the Guelph Neighbourhood Support Coalition. In 2019, two affordable housing projects, Rockwater on Janefield Inc. and St. Joseph's Housing Corporation, were funded, depleting the reserve after an even split per unit between the two housing projects. During the 2020 operating budget, Council increased the base budget contribution to the reserve to \$500,000.

The current available balance in the Affordable Housing Reserve is \$500,000.

Social Housing Contingency Reserve

The City does have one additional reserve that is linked to Social Housing and the extended portfolio of social services provided by the County on behalf of the City, the City's Consolidated Municipal Service Manager. The purpose of the funds in the Social Housing Contingency Reserve are to mitigate against negative operating variances related to these social services.

Due to COVID-19, there is a great likelihood that the City will need these funds to offset a negative variance in 2020 and in future years. As the economy enters a period of recession, these social service programs typically see an increase in demand and cost. For this reason, and the mounting City deficit that is likely going to utilize a significant portion of the City's contingency reserves in 2020, staff are not recommending the use of contingency funds for this project.

The current uncommitted balance in the Social Housing Contingency Reserve is \$633,000; there is no annual budgeted contribution to this reserve.

Approved Funding 2019 – Rockwater on Janefield Inc.

Rockwater on Janefield Inc. project on Janefield Street is for 165 mixed sized affordable rental apartment units.

In May 2019, through the [Funding Requests from the Affordable Housing Reserve to Support Applications to the National Housing Co-Investment Fund Report](#), Council approved \$924,000 from the Affordable Housing Reserve to Rockwater on Janefield

Inc. affordable housing project. Funding was conditional on approval from CMHC. As an application had been received by CMHC prior to the above report, the City issued a letter in support of the housing project to satisfy CMHC's National Housing Co-Investment Fund application. Further agreements have not been issued nor has funding been applied or sent to the organization.

Verbally in May 2020, staff learned that CMHC had closed the co-investment fund application with Rockwater on Janefield Inc. Rockwater confirmed that they were forced to pause the application for administrative reasons based on a minor name change on legal partnership documentation.

The project still intends to move forward, but was further paused due to COVID-19. Initial site plans still sit with the City's Planning & Building Department for approval.

Approved Funding 2019 – St. Joseph's Housing Corporation

St Joseph's Housing Corporation's Silver Maple Seniors Community project is for 115 units, whereby 65 will be mixed sized affordable rental apartment units.

In the May 2019, [Funding Requests from the Affordable Housing Reserve to Support Applications to the National Housing Co-Investment Fund Report](#), Council approved \$364,000 to St. Joseph's Housing Corporation's affordable housing project, subject to approval from CMHC. In February 2020, St Joseph's received approval from CMHC and continues to work closely with them to finalize the terms and conditions of the National Housing Co-Investment Fund. Per Council's approval, the City has fully executed the Municipal Incentives Agreement for the \$364,000. Due to COVID-19, funds have not been processed but are overdue to St. Joseph's.

The project was scheduled to begin construction in spring of 2020, but due to higher than forecasted construction costs, the project has created a capital shortfall of \$2,400,000.

To demonstrate support, the City has confirmed with St Joseph's that current legislation allows for Development Charges to be deferred over a 20-year installment period to help with operational pressures.

In June 2020, the County of Wellington Social Services Committee awarded their Request for Proposals for Affordable Rental Housing Development. The County receives funds from federal and provincial government programs to support the development of affordable rental housing in the city and the county. Through the County committee report, [2020 Affordable Rental Development RFP](#), St. Joseph's was awarded two years' of funding, for a total of \$1,600,000.

In the report, the County approved funding to St. Joseph's based on several conditions, including but not limited to the City of Guelph committing to funding the remaining short fall of \$800,000. If the City cannot meet the short fall, County staff have since supported St. Joseph's in making up the gap on their own. If the gap of \$800,000 is not confirmed by August 31, the County has indicated that it will reassign its commitment of \$1,600,000 from the project. Alternatively, the County could be asked to consider increasing their commitment to the project to cover the \$300,000 short fall.

The County did not consult with the City prior to publicly issuing the report.

Although no formal procedure to process requests for funding from the Affordable Housing Reserve has been developed to date, staff would have hoped to present a full update of current projects ongoing in the community.

The City's AHFIP framework ensures connection to other funding sources, e.g. CMHC or the County, which shows that the City relies heavily on the expertise of the County when supporting housing projects. Staff recognize that St Joseph's has received funding from the County, giving priority to this project to fill a current need in the community.

If St. Joseph's does not make up the full funding shortfall through the City, County or another source, and then does not receive any funding from the County, the project will be in jeopardy. Where the capital construction funding of the project appears to be secure, CMHC still requires a strong and viable operating model. CMHC looks at the overall debt ratio over 25 years. Any funding contribution from the City would help with the necessary debt ratio that CMHC is requiring. If not all the proposed funding is received, St Joseph's will be required to adjust their operating model. Initial assessment appears that St Joseph's would have to increase the rental amount on the 50 market rental units to make the project viable. Any increases in rent could further impact the seniors who already struggle for housing on tight budgets. St. Joseph's would review the operating model for other opportunities where increasing revenue is the only identified solution now.

Move Affordable Housing Reserve to the County of Wellington

As Consolidated Municipal Service Manager (Service Manager) for the City of Guelph, the County of Wellington manages the social service housing work in our community. On the continuum of housing, the County administers and funds programs for Emergency Shelter, Transitional Housing, Supportive Housing, and Rent-Geared-to-Income. Affordable rental housing and other rental or ownership housing defers to the City of Guelph.

Attached to this report is the housing continuum and a glossary of terms.

The County, as our Service Manager, provides expertise, accountability, and policy for the social services type housing work in the community. The City of Guelph annually funds \$16.5 million to this social housing work (inclusive of capital and operating budgets) which empowers the County to set priorities based on evidence of community need.

The County has rights and jurisdiction (or control) over social housing work as the subject matter experts and Service Manager. Where currently affordable housing is the role of the City, we look to support and guide without expertise, research, process, and necessary resources.

With approval from Council, staff will work with the County to explore transferring affordable housing incentive funds (the Affordable Housing Reserve and annual budget contribution) to the County to consider including with current Affordable Rental Housing Development funding programs. Staff will consult with CMHC to ensure the City would not be limiting co-investment applicants through one source of municipal supports. Staff will report back on options, collaborations with other funding streams, and any associated risks.

Other New Housing Projects – Ongoing

In 2020, a number of housing developments have presented formal and informal financial requests to the City. Projects are all at slightly different stages but look to support vulnerable sectors of the community through affordable and permanent

supportive housing. The different development projects are looking for support through direct grants, development fee waivers, and /or land.

City staff continue to work with the approximately five to eight requests or ongoing projects in the community. Although not confirmed, the funding requests for these projects appear to be approximately \$3,500,000 in direct grants, development fee waivers, and/or request for land. The City is not permitted to waive development fees under the Municipal Act, but could fund the equivalent via a grant through approved incentive programs and funded from other City reserves.

Staff refer to the AHFIP's eligibility criteria that focusses supports on primary rental housing types, smaller unit sizing, and proper zoning before recommending funding to Council. Currently, none of the projects are either zoned properly or have completed the City development application process. Projects could apply for funding from the City (or County) in future years when they are ready (and approved) to construct.

Financial Implications

The current uncommitted balance in the Affordable Housing Reserve is \$500,000. The annual base budget contribution to this reserve is \$500,000.

The Social Housing Contingency Reserve is designed to mitigate against variance related to the social services provided by the County of Wellington on behalf of the City. The current uncommitted balance of the Social Housing Contingency Reserve is \$633,000 and there is no annual budgeted contribution to this reserve. Due to COVID-19 and the mounting City tax supported deficit, staff are not recommending the use of these funds for this project at this time.

Based on the conditional offer linked to the County of Wellington Affordable Rental Housing Development fund, St. Joseph's Housing Corporation is requesting an additional \$800,000 for the Silver Maple Seniors Community Affordable Housing units.

Funding Source Options Available

The following options allow Council to partially or entirely fund the St. Joseph's request.

- Option 1: Provide funding up to the current available amount of \$500,000 in the Affordable Housing Reserve. This would then require St. Joseph's to self-fund \$300,000 to meet the conditions of the County of Wellington funding and keep the project viable, or for the County of Wellington to increase their funding contribution to the project by an additional \$300,000.
- Option 2: Provide funding of \$800,000 and draw the Affordable Housing Reserve into a deficit of \$300,000. This would be repaid by the 2021 base budget contribution and leave \$200,000 for other community developments or to rebuild the reserve into 2022 and beyond.
- Option 3: Provide funding of \$800,000; \$500,000 from the available funds in the Affordable Housing Reserve and \$300,000 from the Social Housing Contingency Reserve. This would create additional pressure on the City's contingency reserves in an environment that is already fragile.

- Option 4: Provide no additional funding to the St. Joseph's project and leave the \$500,000 in available funds in the Affordable Housing Reserve to be applied to other projects.

All City funding would be subject to CMHC and the County funding approvals, as well as a fully executed municipal incentive agreement.

Formal and informal requests for funding from five to eight other community projects for permanent supportive housing and affordable housing projects request funding of approximately at \$3,500,000.

Consultations

None

Strategic Plan Alignment

Supporting community housing developments to increase affordable housing in Guelph aligns to our Strategic Plan through Building our Future. This pillar supports a community that looks to make investments that nurture social well-being and offers a safe place where everyone belongs. With the County of Wellington, the City of Guelph supports Housing First initiatives as an approach to support everyone having access to safe and affordable housing.

The staff recommendation also aligns to the Strategic Plan through Working Together. This pillar supports running an effective, fiscally responsible and trusted local government by exploring new service-delivery models. Exploring the potential of transferring responsibility of distributing the municipal incentive funding for affordable housing in Guelph to the County of Wellington provides a more streamlined delivery method for this funding stream, and centralizes the expertise in the housing office at the County of Wellington.

Attachments

Attachment-1 Housing Continuum and Glossary of Housing Terms

Departmental Approval

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