



INFORMATION REPORT

TO:	Chair and Members Emergency & Community Services Committee
COMMITTEE DATE:	March 9, 2015
SUBJECT/REPORT NO:	Investment in Affordable Housing for Ontario (IAH) Program Extension (CES14059(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	David Brodati (905)546-2424 ext. 6159 Gillian Hendry (905)546-2424 ext. 4818
SUBMITTED BY:	Joe-Anne Priel General Manager Community & Emergency Services Department
SIGNATURE:	

Council Direction:

On September 24, 2014, Council approved the Mayor and City Clerk enter into a Service Manager Agreement with the Province to administer the Investment in Affordable Housing for Ontario Program Extension (IAH-E), and directed the General Manager of the Community and Emergency Services Department or her designate, to deliver and administer the IAH-E program (Report CES14059).

The Province required that the City submit a Program Delivery & Fiscal Plan (PDFP) by February 27, 2015 outlining how the City's funding allocation will be distributed amongst the IAH-E program components and over each of the six fiscal years of the program. The Province does not require Council approval of the PDFP, but requires that the City's CAO or designate approve the plan. As per the Council direction noted above, the General Manager of the Community & Emergency Services Department is authorized to approve the PDFP.

Information:

On August 11, 2014, the Province announced an extension to the Investment in Affordable Housing for Ontario Program (IAH-E) for six years to March 31, 2020 with \$800 million in Federal and Provincial funding available province-wide. The City of Hamilton's total allocation is \$30,457,500 over six fiscal years. While this is an increase over the \$16.8 million received under the previous IAH program, on an annual basis it represents a similar amount of approximately \$5 million per year.

The IAH-E rules and requirements are largely the same as the previous IAH program. The IAH allows flexibility for municipalities to determine how their overall allocation should be split between any of the following IAH program components:

- Capital funding of up to \$150,000 per unit for the creation of affordable rental housing. Rents are to be offered at 80% or below the average market rent for the City for a minimum 20 year period.
- Encouraging homeownership for Hamilton renters through down payment assistance of up to 10% of the purchase price of homes at or below the average price for Hamilton.
- Addressing affordability of existing rental units through housing allowances, which provide a flat rate rental subsidy (formerly \$200/month, to be increased to \$250/month) to low income households on the Social Housing waitlist.
- Up to \$25,000 per unit to renovate existing housing/and or undertake modifications for persons with disabilities through Ontario Renovates. This assistance is in the form of a forgivable loan over 10 years for lower income homeowners and 15 years for owners of affordable rental buildings.

The City and the Province of Ontario executed a Service Manager Administration Agreement on November 21, 2014. Under the IAH-E, municipalities are responsible for planning and delivering the program funding, including completing and updating a Program Delivery and Fiscal Plan (PDFP).

The City had to submit a PDFP to the Province by February 27, 2015. The PDFP outlines the amount of funding that will be allocated to each component over each fiscal year of the program. Staff drew on the analysis and consultation undertaken for the development of the City's 10 year Housing and Homelessness Action Plan and the previous IAH given that the priorities and needs for affordable housing in Hamilton have not significantly shifted since that time. This was affirmed through more recent targeted consultation with the Housing and Homelessness Planning Group, the Tenant Advisory Group and the Food and Shelter Advisory Group.

In December 2013, City Council approved the City's Housing and Homelessness Action Plan which is a 10 year strategic and implementation plan to address affordable housing and homelessness in Hamilton (Report CES11017(c)). The development of the Action Plan was informed by extensive community engagement and a comprehensive needs analysis that provides a framework to inform the best way to implement the IAH-E in Hamilton. The City will continue to work with the Housing and Homelessness Planning Group to monitor progress and identify any shifting priorities for affordable housing in our community. The Housing and Homelessness Planning Group is a community based collaborative representing different sectors that advised City staff on the development of the 10 year Housing and Homelessness Action Plan and continues to advise the City on the implementation of the Plan.

The Federal/Provincial funding allocation to Hamilton through the IAH-E is an important component to addressing community need and implementation of the strategies in Hamilton's Housing and Homelessness Action Plan. However, IAH-E funding represents a small portion of the resources required to address the full housing need in

the City and to meet the outcomes and targets established in the Action Plan. The Action Plan identifies an investment of \$427 million over 10 years. This includes \$300 million to meet the target of 3,000 new affordable rental units, \$25 million for 2,100 new Housing Allowances and \$70 million to rehabilitate 3,500 residential units in need of repair. In comparison the IAH-E allocation to Hamilton is only \$30 million spread out over a six year period.

IAH-E Program Delivery & Fiscal Plan

The breakdown amongst the program streams is as follows:

5 year housing allowances assisting approx. 520 households	\$7,800,000
Ontario Renovates assisting approx. 380 households	\$7,634,625
New rental construction assisting approx. 100 households	\$13,500,000
Homeownership Down Payment Assistance	\$0
Program administration at 5% of allocation	\$1,522,875
Total	\$30,457,500

The IAH-E PDFP is similar to the previous IAH program in that the majority of the funds are being allocated to Housing Allowances, Ontario Renovates and new rental housing construction. Maintaining the emphasis on these components reflects feedback received through community consultation.

Homeownership Down Payment Assistance Program

The previous IAH program allocated \$731,233 to homeownership down payment assistance. This time, no IAH-E funding is allocated to that component because the City has built up a reserve of \$545,000 in the down payment assistance revolving loan fund. The revolving loan fund is built up from repayments from recipients of previous down payment assistance who have sold their properties or simply wish to repay and no longer be part of the program.

Housing Services Division staff will be launching a homeownership down payment assistance program in Q3 of 2015 using the revolving loan fund. This is consistent with Council direction received in June 2014 (Report CS11017(d)) directing staff to expend existing affordable housing reserve accounts to implement various strategies in the Housing and Homelessness Action Plan. Using the revolving loan fund allows the City more flexibility in the design and administration of the down payment assistance. The amount of funding available in the revolving loan fund is less than what was available under the previous IAH program (\$545,000 compared to \$731,000), but will likely grow as repayments continue to be added to the fund. Using the revolving loan fund allows the IAH-E funds to be used for the three other initiatives of IAH-E, which contribute to the targets established in the Housing & Homelessness Action Plan.

Under the previous IAH program, 45 renter households were assisted in purchasing a home with an average down payment loan amount of \$18,319.

Housing Allowances

Under the previous IAH, approximately 450 individuals/households who were already receiving housing allowances had their assistance extended an additional 5 years to 2018. This extension allows sufficient time for these households to transition to rent-geared-to-income housing in social housing.

Most of the new Housing Allowances will be used to support the City's strategy to address homelessness through the Housing First approach. Under the Federal Homelessness Partnering Strategy, the City is required to address homelessness targets based on identified need. In the men's shelter system alone, the target is to house 120 individuals annually to March 31, 2019. The majority of IAH-E Housing Allowances will go towards achieving this target.

In June 2014, Council directed staff (Report CS11017(d)) to use funds in the Rent Supplement/Housing Allowance reserve for the purposes of providing rent subsidies to:

- (i) Individuals participating in Housing First initiatives;
- (ii) Transitioning social housing tenants who are deemed to be "over-housed" into units more appropriate to their needs;
- (iii) Emergency situations where spikes in homelessness require rapid housing response, and;
- (iv) To cover any pressures to existing rent supplement/housing allowance programs.

The monthly rent subsidy for Housing Allowances is being increased from the previous \$200 per month amount to \$250 per month in recognition of the increase in rents in Hamilton. Hamilton has recently seen a relatively sharp increase in average market rent and a sharp decrease in vacancy rates. This will make it increasingly difficult to find adequate and suitable affordable units for program participants, particularly given the continuing low social assistance rates.

Households receive housing allowances for 5 years. This period should allow households sufficient time to obtain a social housing unit through the Access to Housing Co-ordinated waitlist.

The Housing Allowance component is cost efficient from an absolute cost perspective. A total of \$7.8 million will assist approximately 520 individuals/ households. The cost to assist approximately 520 households for 5 years is \$3,000 per household per year.

The addition of 520 Housing Allowances will help achieve the Housing and Homelessness Action Plan target of 2,100 new Housing Allowances by 2023.

Ontario Renovates

The City of Hamilton has been delivering the Ontario Renovates program and its predecessor, the Residential Rehabilitation Assistance Program (RRAP), since the early 1970's. The program is needed in Hamilton due to the aging housing stock. The program focuses on rehabilitating essential systems in residential buildings and modifications for persons with disabilities for low to moderate income homeowners. The program targets seniors, persons with disabilities and lower income households and allows them to stay in their homes. Rehabilitating the existing housing stock is important given that few new purpose-built rental housing units have been constructed over the last 20 years.

Historically the allocation in the RRAP and then Ontario Renovates program has been \$1.5 million annually which aligns with the current staffing capacity of one Loans Officer and two Building Inspectors. Ontario Renovates will assist approximately 380 households to stay in their rehabilitated homes for an additional 10 to 15 years at a cost of \$1,300 to \$2,000 per household per year. This is a similar level of activity for Ontario Renovates as the previous IAH program.

Assisting 380 households through Ontario Renovates will help achieve the Housing and Homelessness Action Plan's target of 3,500 units rehabilitated by 2023 (300 of which are to be modified for persons with disabilities).

New Rental Housing Construction

The Province launched the IAH-E in August 2014, which was part way through the first fiscal year of the program. The Province set a deadline of November 30, 2014 for municipalities to commit the first year of IAH-E funding or risk having it returned to the Province and re-allocated to another municipality.

In order to meet this deadline, staff moved forward with Council's September 2013 direction to fund the Good Shepherd Non-Profit Home's new rental housing project at 120 Cannon Street East, Proposal B (Report CS13042), to build 35 one-bedroom units. In addition to the \$5,250,000 for the Good Shepherd project, the PDFP allocates a further \$8,250,000 for new rental construction, totalling \$13,500,000. This investment represents the largest allocation of funds amongst the program components of the IAH-E.

In addition to the IAH-E funding, the City has a development charges (DC) reserve built up of approximately \$3.7 million, targeted for new affordable housing development. The City will augment the IAH-E funds with the affordable housing DC reserve to achieve more affordable rental units thus helping to achieve established targets in the Housing and Homelessness Action Plan. It is anticipated that a Request for Proposals will be issued by the end of 2015 for new rental housing projects using a combination of IAH-E and DC reserve funds.

New rental housing construction is the most expensive of the four program components, at up to a maximum of \$150,000 per unit or household (the actual cost per unit will depend on the amount of capital requested through proposals). However, the affordability period (the period for which rents are offered at or below 80% of the average market rent for the City) of these projects ranges from 20 to 40 years. It is anticipated that approximately 100 households will be assisted by this program component at a cost of between \$3,375 and \$6,750 per household per year.

While expensive from an absolute capital cost perspective, investing in the creation of a new supply of affordable rental housing is critical given that little purpose built rental housing is being constructed in Hamilton. This is exacerbated by the changing rental market conditions in Hamilton. Recent Canada Mortgage and Housing Corporation data shows that in 2014, the overall rental housing vacancy rate for the City has fallen significantly to 2.3% and has dropped below 2% for certain unit types and certain local market zones. As well, since 2009, the average market rent in the City has been increasing faster than the Provincial guideline increase. In other words, Hamilton is beginning to see a tightening rental market and some inflationary pressure on rents. This situation is challenging for low to moderate income households seeking affordable housing. A supply of new affordable rental housing can help offset some of this pressure on the market.

With tightening rental vacancy rates, it will be more challenging to achieve objectives of the City's homelessness programs. IAH-E Housing Allowance will help with the affordability of units; however IAH-E funded new rental projects will assist with the supply of rental units.

An additional 100 new affordable rental units through the new rental construction component of IAH-E will help to achieve the Housing and Homelessness Action Plan's target of 300 new affordable rental units annually over the next ten years.

Program Administration

Up to 5% of a municipality's funding allocation may be used for program administration costs for delivery of the IAH-E. The PDFP allocates the full 5% of program funding for administration to cover program delivery staffing costs and costs associated with monitoring, reporting and evaluation. The total allowable administration funding is inadequate to cover the full cost of administering the program. Examples of additional costs not covered and therefore borne by the City include:

- Legal Services for legal agreement development, reviews and registering encumbrances on properties;
- Building Services for inspections under the Ontario Renovates component ;
- Finance & Administration for ongoing financial analysis; and,
- Ongoing program administration and monitoring beyond the last fiscal year of the program.

There is some flexibility to adjust the IAH-E PDPF funding allocations between program streams within each fiscal year of the program. Adjustments could be made based on shifting needs over time and based on levels of program activity.