



Hamilton

INFORMATION REPORT

TO:	Chair and Members Emergency & Community Services Committee
COMMITTEE DATE:	March 7, 2016
SUBJECT/REPORT NO:	Roster for Affordable Housing Development (CES16016) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Joe-Anne Priel General Manager Community & Emergency Services Department
SIGNATURE:	

Council Direction:

At its January 18, 2016 meeting, Emergency and Community Services Committee approved a motion (Item 10.1) “That the City of Hamilton Housing Services Division staff be directed to work with the City’s Procurement Division staff and Planning Division staff to develop a process to establish a roster of non-profit and private developers prepared and qualified to develop new affordable housing with supports in Hamilton in partnership with the City to be able to respond to future and periodic development and capital funding opportunities and report back to Emergency and Community Services Committee detailing the process.”

Information:

The intent of the motion is to create a roster to facilitate the ability to move quickly to take advantage of funding opportunities for affordable housing with supports. The idea is to have a “go to” list of experienced developers and providers that can bring a project to a shovel ready stage as quickly as possible, or who may have shovel ready projects ready to go if and when affordable housing funding becomes available.

Housing Services Division staff consulted with Procurement and Planning & Economic Development staff for input to this report. Staff determined that the best approach is to use a pre-qualification assessment process in the upcoming Request For Proposal (RFP) for Federal/Provincial Investment in Affordable Housing–Extension (IAH-E) funding to be issued in the spring of 2016. The RFP will be the mechanism to not only select the successful proponent but also to assign prospective developers to the roster. Proponents who are screened in the first phase of the RFP assessment based on elements including qualification, experience of the proponents and current and long term viability would de facto become the roster.

Housing Services staff will continue to work with Procurement to refine the pre-qualification stage of the RFP to address issues including the time period that the roster would be active, a process to address any changes to proponents' status while on the roster and a process and criteria to take proponents off the roster or to add new proponents if necessary.

The City could choose to use the roster of pre-qualified proponents from the RFP process for future fiscal year IAH-E funding, Development Charge (DC) reserve funds or other funding opportunities that may arise.

There is precedence for this process with two projects recommended for funding under the last IAH RFP (Report CS13042) that had enough funding for only one project - Indwell's 47 unit project at 1430 Main St. W. Council approved the staff recommendation that should additional Federal and Provincial funding become available, the second ranked project, Good Shepherd's 35 unit project at 120 Cannon St. be funded. When the City received additional funding under IAH-E, the Good Shepherd project was awarded funding based on the pre-approval obtained.

Background

In December 2013 Council approved the City's 10-year Housing & Homelessness Action Plan, providing a framework for guiding decisions and actions to address affordable housing and homelessness in Hamilton (Report CS11017(c)). The Action Plan identified community need and strategies and targets to address that need. A key outcome area of the Plan is new affordable rental housing supply and the Plan sets an annual target of 300 new affordable rental units to meet projected growth.

Unfortunately, little purpose built rental housing (units in rental apartment buildings) is being constructed in Hamilton because the construction of new residential rental is not a viable business model due to the cost inputs compared to the revenues generated by rents. This is starting to change due to higher rents in the local market, but the new purpose built rental being constructed is higher end with rents above the average market rent. Affordable rental housing construction remains economically unfeasible unless significant government subsidy is provided through capital financing and grants, waived fees and charges, reduced taxes, discounted land costs, and operating subsidies.

Hamilton has a good track record of taking advantage of Federal and Provincial capital funding programs to create affordable rental housing. The Investment in Affordable Housing (IAH) program as well as its predecessor the Canada-Ontario Affordable Housing Program (COAHP) both provided capital funding. The current iteration (IAH-E) is up to \$150,000 per unit for new rental housing construction. In return for the funding, proponents have to provide rents at or below 80% of the average market rent for at least 20 years. To date, 16 projects have been developed over the last 12 years, creating 813 new affordable rental units. The City's contribution to new affordable

housing development include equalizing the property tax rate for new multi-residential rental to that of single family homes and waiving of development charges and cash in lieu of parkland dedication.

While these results are positive, it is well short of the Official Plan and the Housing & Homelessness Action Plan overall target of 629 new rental units annually, of which 300 should be purpose built affordable rental housing.

Current Opportunities

On August 11, 2014, the Province announced an extension of the Investment in Affordable Housing (IAH-E) Program for another six years to March 31, 2020 (Report CES14059). Hamilton's allocation under IAH-E is \$31 million spread amongst three program streams as per the City's Program Delivery & Fiscal Plan (PDFP) (Report CES1459(a)), which allocates \$13.5 million for new rental construction. In the first year of IAH-E (fiscal 2014/15), \$5.25 million was committed to Good Shepherd Centres to build 35 units at 120 Cannon Street. The remaining \$8.25 million is divided amongst the three fiscal years 2016/17, 2017/18 and 2018/19 at \$2.75 million each fiscal year. This remaining IAH-E new rental construction funding will create approximately 50 to 60 units in total.

The IAH-E funding must be committed by December of the fiscal year within which it is allocated as per the PDFP.

Additional funding is available for new affordable housing development, including rental housing, through the DC reserve fund (Report CS11017(d)). Affordable housing is included as servicing under the DC legislation and as such, a portion of DC's collected from new development is allocated to a reserve that must be used to construct new affordable housing. The current balance of the affordable housing DC reserve is \$4.5 million. Unlike the IAH-E funding, there is no time constraint to use the funds, nor are there specific program criteria, except that the funds must be used to develop new affordable housing. If a similar capital grant to the IAH-E program is provided using the DC reserve, about 30 units would be developed. It has not yet been determined whether all or part of the DC reserve fund will be packaged with the IAH-E funds for the upcoming RFP or be used on its own.

Procurement Processes

Provincial program guidelines for IAH-E require that municipal procurement processes be used to allocate the funding to proponents. Previous projects funded under IAH and its predecessor (COAHP), were selected through a Request for Proposals (RFP) process. Projects screened in by Procurement Division were then scored by an inter-departmental review team led by Housing Services based on a point rating scoring system, with projects ranked highest to lowest presented to City Council for endorsement and forwarded to the Province for final approval.

The RFP process was selected as the best procurement approach given that funding under these affordable housing programs has been time limited, insufficient to meet overall need and an inadequate amount to meet the demand from proponents wanting to develop affordable housing. The RFP process provided an opportunity for a wide range of proponents to compete for available funds on equal footing, with the best proposals recommended based on established criteria. That criteria included experience and capability of the proponent, financial viability of the project, project design, amenities and neighbourhood fit, project timelines and planning approvals, meeting the needs of an identified client group and affordability for the clients. Equally important was an assessment of whether a suitable site was secured for the development.

The RFP process provided an opportunity for a wide range of proponents to compete for available funds. Proponents of previous RFP's included experienced private sector developers, experienced non-profit housing providers, and inexperienced private and non-profit developers sometimes working with development consultants. In some cases, proponents owned land that they were proposing to build on or they secured sites through conditional offers to purchase from third parties.

The last RFP issued for IAH emphasized affordability over cost effectiveness of the development (Report CS13042). While cost effectiveness was still part of the scoring criteria, a greater weight was put on the degree to which the rents were below 80% of the average market rent and the length of the affordability period. This change was based on feedback received from the community that a significant capital investment was going into these projects only to achieve marginal affordability.

Housing Services Division intends to issue another RFP in the spring of 2016 for the 2016/17 and 2017/18 IAH-E funds. This timing is critical to the City meeting the timelines for committing IAH-E new rental construction dollars as per the PDFP.

The RFP will have a similar focus on affordability, but will also emphasize housing with supports. This focus area is informed by the City's Housing & Homelessness Action Plan and through discussions with key community stakeholders including Hamilton's "anchor" institutions involving Hamilton Health Sciences, McMaster, School Boards and the Local Health Integration Network (LHIN). The RFP will ask proponents to identify the population to be served and how the project best meets the needs of that population, including location, amenities, design elements, programming, supports, partnerships and any required funding commitments from support agencies or funders such as the LHIN.