



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

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| TO: | Chair and Members Emergency and Community Services Committee |
| COMMITTEE DATE: | December 10, 2020 |
| SUBJECT/REPORT NO: | Subsidy Transfer to Indwell's Affordable Housing Project at 225 East Avenue North (HSC19060 (a)) (Ward 3) |
| WARD(S) AFFECTED: | Ward 3 |
| PREPARED BY: | Brian Kreps (905) 546-2424 Ext. 1782 Kim Ryan (905) 546-2424 Ext. 6285 George Gambioli (905) 546-2424 Ext. 4840 |
| SUBMITTED BY: | Edward John Director, Housing Services Division Healthy and Safe Communities Department |
| SIGNATURE: | |

RECOMMENDATIONS

- (a) That the General Manager of the Healthy and Safe Communities Department be authorized and directed to enter into, execute and administer an agreement with Indwell Community Homes "Indwell" to provide rent supplements for their affordable housing project at 225 East Avenue North in accordance with the terms and conditions contained in the Term Sheet attached as Appendix "A" to Report HSC19060(a), in a form satisfactory to the City Solicitor;
- (b) That \$111,700 associated with the former St. Matthew's House Part VII-Housing Services Act social housing subsidy be transferred from the Hamilton Housing Allowance to a rent supplement for Indwell's affordable housing project at 225 East Avenue North, effective January 1, 2021;
- (c) That \$34,278 in Part VII-Housing Services Act social housing subsidy associated with the 18 units relinquished as part of CityHousing Hamilton's Roxborough development be transferred to Indwell's affordable housing project at 225 East Avenue North, effective January 1, 2021;

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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- (d) That \$134,097 in Part VII-Housing Services Act social housing subsidy associated with the 75 units CityHousing Hamilton is relinquishing as its reduction in targets at Vanier Towers be transferred to Indwell's affordable housing project at 225 East Avenue North, effective January 1, 2021; and,
- (e) That the value of the rent supplements provided to Indwell's affordable housing project at 225 East Avenue North be increased annually by the Ontario Rental Increase Guideline established each year by the Province on Ontario.

EXECUTIVE SUMMARY

Indwell Community Homes (Indwell) is building a 95-unit affordable housing project at 225 East Avenue North which is referred to as Royal Oak Dairy Phase 1. Council approved \$1,590,545 and up to \$4,380,545 if available, under the Ontario Priorities Housing Initiative (OPHI) for this project. No additional OPHI funding was available. Staff recommend providing additional subsidy in the amount of \$280,075 annually for 20 years to the project in the form of Rent Supplements. The rent supplements will allow a minimum of 84 all 95 units in the development to be rented at deeply affordable levels.

The funding for the rent supplements would come from several sources including:

- \$111,700, which was transferred from St. Matthew's House social housing operating subsidy when it was sold to the Hamilton Housing Allowance Program;
- \$34,278 in social housing rent-geared-to-income (RGI) subsidy associated with the 18 units relinquished as part of CityHousing Hamilton's Roxborough development; and
- \$134,097 in RGI subsidy associated with the 75 units CityHousing Hamilton (CHH) is relinquishing as part of its reduction in targets at Vanier Towers.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The Part VII-H.S.A. subsidy funding totalling \$280,075 is part of the existing Council approved, 2020 Social Housing budget within Housing Services. The report is requesting approval to redistribute the funds as noted in HSC19060(a), Recommendations (b), (c), and (d).

If approved, this will represent a decrease of \$168,375 in Part VII-H.S.A. subsidy to CityHousing Hamilton. The decrease relates to a reduction in CHH's service level of rent-geared-to-income units as approved by Housing Services which will also include reduced costs.

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Indwell's project will be completed prior to the end of the City of Hamilton's 2021 budget process. Confirmation of rent supplement funding is required to allow the building at 225 East Avenue North to be rented. Confirmation of all funding is likely to be a requirement of Canada Mortgage and Housing Corporation releasing its funding to Indwell.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On May 2, 2019 Emergency and Community Services Committee approved Report HSC19015, St. Matthew's House - Request for Service Manager Consent to sell two properties comprised of nine housing units at 247 East Avenue North and 44 St. Matthew's Avenue. It also approved the transfer of the net social housing operating budget for these units (\$111,700) from Dept ID 625084 to increase the Hamilton Housing Allowance Program operating budget to \$1.146M (Dept ID 626029).

Report HSC19015 noted that another Community Housing provider was considering purchasing St. Matthew's House's properties. It also noted that if the sale goes through to another housing provider, the Housing Services Division will work with the housing provider to ensure that the centralized wait list will be used to house the total amount of units being sold and assign any possible subsidies over. Indwell subsequently purchased St. Matthew's House's properties and they became part of their Royal Oak Dairy site.

On June 20, 2019, Emergency and Community Services Committee approved Report HSC19034, Affordable Housing Demonstration Project, which included several items relating to the redevelopment of a large CityHousing Hamilton site consisting of a number of single and semi-detached homes known as "Roxborough." The transfer of 18 existing Rent-Geared-to-Income (RGI) subsidies to a separate Housing Provider selected by the Housing Services Division to offer new units to households on the centralized waitlist was also approved.

At its November 7, 2019 meeting, Emergency and Community Services Committee approved Report HSC19060 entitled Recommended Projects from Request for Proposals C5-19-19 Ontario Priorities Housing Initiative: Rental Housing Component. One of the recommendations that was approved was that the Indwell Community Homes (Indwell), 225 East Avenue North affordable rental housing development project, be approved for funding in the amount of \$1,590,545 and up to \$4,380,545 if available, under the Ontario Priorities Housing Initiative (OPHI).

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In October 2019, CityHousing Hamilton requested that the Housing Services Division approve a change in service levels for properties at 95 Hess and 181 Jackson known as Vanier Towers. By converting 75 rent-geared-to-income (RGI) units to market, CityHousing Hamilton hopes to further the work they have done to improve safety and rebuild the community. Housing Services Division staff approved this request.

Indwell began construction of its affordable housing project located at 225 East Avenue North in 2020. Occupancy of the building is anticipated in May, 2021.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The *Housing Services Act, 2011* (“Act”) designates the City of Hamilton as the Service Manager for Community Housing within its boundaries. It also specifies that certain actions by Housing Providers require the consent of the City as Service Manager. This includes changes (both increase or decrease) of Rent-Geared-to-income (RGI) targets.

The Act also lays out service level standards of RGI housing that Service Managers must maintain. Performance against these targets is reported annually to the province in the Service Manager Annual Information Report.

RELEVANT CONSULTATION

CityHousing Hamilton is in agreement with the calculations and proposed transfer of funding.

Legal Services suggested that Housing Services complete the process to “de-list” St. Matthew’s House as a designated housing project as soon as the province resumes the process and that the change of targets be documented with CHH to ensure no competing claim on the subsidy funding.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Indwell Community Homes’ (Indwell) project at 225 East Avenue North is the appropriate recipient for these subsidies because it was only granted partial funding through the Ontario Priority Housing Initiatives (OPHI) RFP. Council approved a range of funding anticipating that additional OPHI funding might become available. While no additional capital funding has become available through OPHI, the provision of rent supplements totalling \$280,075 annually for 20 years would help decrease the rents paid by tenants.

Provision of rent supplements to a minimum of 84 of the 95 units would guarantee that these units in the building would be offered at deeply affordable rents. The rent subsidy would be calculated using the formula authorized by the province for municipally-funded

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portable housing benefits. Hamilton does not offer municipally-funded portable housing benefits. This calculation takes into account the shelter portion of social assistance payments rather than using the RGI calculation. This allows more households to be supported through a lower subsidy. Without the inclusion of rent supplements, 50 units would be offered at 60% of Average Market Rent (AMR) and 45 units would be offered at 100% of AMR. Creation of the agreement would also mean that units would be accessed through the Access to Housing waitlist. The term sheet for the agreement is attached as Appendix “A” to Report HSC19060(a).

Table 1 Comparison of Rent Paid under RGI and Portable Housing Benefit Calculations

| Income Source | RGI Calculation | Portable Housing Benefit Calculation |
|---|-----------------|--|
| ODSP | \$109 | \$497 |
| OW | \$85 | \$390 |
| Employment Income - Assuming Income of \$25,000 | \$625 | \$612 at 60% AMR \$1021 at 100% AMR |

When Council approved the sale of St. Matthew’s House’s properties in 2019 through HSC19015, Indwell was negotiating to purchase them. At the time the report went to Council, the sale had not been completed, but has been subsequently. The Council report approved moving the \$111,700 operating subsidy to the Hamilton Housing Allowance program to maintain the investment in affordable housing. The Housing Allowance program is not fully subscribed, so this funding can be transferred without adversely affecting any tenants.

When the plan to develop CHH’s Roxborough project was approved in Report HSC19034 Affordable Housing Demonstration Project, CHH relinquished 18 RGI subsidies as they had no other destinations within their portfolio. The report gave permission to the General Manager of Healthy and Safe Communities to transfer them to another community housing provider but did not specify a dollar amount. The value of the RGI subsidy attached to those 18 units was determined to be \$34,278.

Housing Services has approved a change in targets for CityHousing Hamilton’s Vanier Towers. The change from 100% RGI to 75% RGI and 25% Market was requested by CHH to support a greater income mix in the building. This furthers the work that has been done to introduce supports to the building and improve the quality of life for residents. The change in targets is accompanied with a reduction in subsidy. For the 75 units at Vanier this is calculated to be \$134,097.

The City of Hamilton, as Service Manager for Community Housing, is legally obligated to maintain service levels for rent-geared-to-income (RGI) housing. The *Housing*

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Services Act, 2011 and its regulations are clear that only RGI assistance for provincial projects and municipally-funded portable housing benefits count toward the targets. municipally-funded portable housing benefits are calculated using the calculation described above. Since the same calculation will be used in the Indwell project at 225 East Avenue North, Housing Services will request that the province allow the 95 units operated by Indwell to count toward its Service Level Standard.

Table 2 – Summary of Units Counted toward Service Level Standard

| RGI Subsidy Origin | Service Level/RGI |
|---|--|
| St. Matthews House | 0 since transferred to housing allowance |
| Roxborough | 18 |
| Vanier Tower | 75 |
| Total Currently Claimed | 93 |
| Total Rent Supplements offered at 225 East Avenue Phase 1 | 84 |
| Change in Net Units Under Service Level | -9 |

Table 2 shows that currently, the funding being transferred to rent supplements for Indwell’s project at 225 East Avenue North is associated with 93 RGI units for the purposes of reporting service level standards. If the province consents to counting the units towards Hamilton’s Service Level Standard, the creation of rent supplements at 225 East Avenue North would result in a net decrease of 9 units. The decrease stems from the fact that it is more expensive to provide deep affordability in new affordable housing developments because the rents are higher. Market rents in traditional social housing projects are generally constrained at no more than 80% of AMR.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to report HSC19060(a) – Rent Supplement Term Sheet