



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	January 19, 2023
SUBJECT/REPORT NO:	Affordable Housing Funding Program (AHFP) (HSC23003) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kamba Ankunda (905) 546-2424 Ext. 4557 Jana Amos (905) 546-2424 Ext. 1554 Al Fletcher (905) 546-2424 Ext. 4711
SUBMITTED BY:	Michelle Baird Director Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Affordable Housing Funding Program (AHFP) attached as Appendix “A” to Report HSC23003 be adopted:
- (b) That Development Charge By-law No. 19-142 be amended to delete section 25(e) referring to affordable housing development charge exemption given the adoption of the Affordable Housing Funding Program, as set out in recommendation above;
- (c) That an annual budget of \$4 M to be funded from the net levy be referred to the 2023 Tax Operating Budget process for the primary purpose of funding the Affordable Housing Funding Program in accordance with the Program Guidelines outlined in Appendix “A” to Report HSC23003;
- (d) That subject to approval of Recommendations (a) and (b) above, the Affordable Housing Funding Program (AHFP) Reserve Fund Policy attached as Appendix “B” to Report HSC23003 be approved and the Reserve Fund be established

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subject to the terms outlined in the Policy and that unused funds for the current financial year be transferred to the Reserve;

- (e) That the General Manager of the Healthy and Safe Communities Department or their designate be authorized and directed to execute and administer the Affordable Housing Fund Program (AHFP) including entering into any or all agreements required to deliver the AHFP in a form satisfactory to the City Solicitor and content satisfactory to the General Manager of the Healthy and Safe Communities Department; and
- (f) That the General Manager of the Healthy and Safe Communities Department or their designate be authorized to revise the Affordable Housing Fund Program (AHFP) Guidelines attached as Appendix “A” to Report HSC23003 as necessary to ensure efficient delivery of the Program;

EXECUTIVE SUMMARY

As the City continues to face a significant affordable housing crisis, this report seeks Council’s approval of the Affordable Housing Funding Program (AHFP), attached as Appendix “A” to Report HSC23003, including referring a proposed annual budget of \$4 M to create affordable housing opportunities in the City of Hamilton to the 2023 Tax Operating Budget process. This 4M allocated for the program represents an average spent in recent years, and could be increased, subject to Council deliberation and identification of funding source.

The AHFP is a locally-developed program to assist in reducing the financial barriers by providing forgivable loans to be applied to areas of provider need, including but not limited to municipal development charges (DC) for affordable housing residential units not covered with current exemptions through Bill 23.

On June 11, 2019, Council directed staff to create an alternative affordable housing program to replace the affordable housing exemption contained within Development Charges By-law No. 19-142 (DC By-law). With the approval of the AHFP, the affordable housing within DC By-law can be removed.

Through the adoption of Bill 23 *More Homes Built Faster Act (Bill 23)* by the Province, several forms of development will now be exempt from Development Charges, although the implementing regulations of these exemptions are not yet in effect and no known timeline for enactment. These exemptions include:

- (i) Affordable housing (rental and ownership);
- (ii) Attainable housing (which has yet to be defined);

- (iii) Non-profit housing; and
- (iv) Inclusionary zoning residential units

Under Bill 23, which received Royal Assent on Nov 28, 2022, Affordable Housing projects are exempt from payment of DCs and Cash in Lieu of Parkland, as determined by a Provincial Bulletin which has not yet been released. The Sections of Bill 23 which will provide for the Affordable Housing DC exemption have not yet been proclaimed into force. There is no understanding as to when these sections will be proclaimed into force. Until the sections are proclaimed into force, the City of Hamilton DC By-law will still be in effect – meaning any affordable housing development would still have to meet the DC exemption requirements and the City of Hamilton would still need to find the money to compensate the DC reserves, which creates financial exposure for the City. The AFHP enables the City to proactively work with providers, and evaluate and prioritize projects for investment in a planful way that ensures municipal co-investment does not exceed the City’s financial means.

The City’s DC By-law currently provides an exemption for affordable housing which would be superseded by the statutory exemption. Where there is conflict between the City’s DC By-law and the revised Development Charges Act (DC Act), the revised DC Act will be adhered to and the City’s DC By-law will be updated at the next opportunity.

Through the issuance of a Request for Proposals, the AFHP is proposed to be used for:

- support the City in fulfilling its financial responsibilities in respect of Rapid Housing Initiative funded projects;
- Development Charges not covered within Bill 23, or required prior to enactment of the DC exemptions
- pay for pre-development costs including site feasibility studies, consultants, etc.;
- to support non-profit organisations in need of funding to complete due diligence processes and acquisitions; and,
- capital costs of new development.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: An annual budget of \$4 M for the AHFP, as referred to the 2023 budget process will be funded from the net levy and will require setting up of a Reserve Account solely for the purpose of AHFP, attached as Appendix “B” to Report HSC23003). Unutilized funds during the year will be added to the reserve account and used in the following financial year.

Staffing: N/A

Legal: Legal Services staff have reviewed this report and their comments are incorporated. Legal Services staff will be required to draft agreements with successful affordable housing proponents and will be consulted regarding legal issues that arise in the set-up and administration of the AHFP.

HISTORICAL BACKGROUND

The Development Charges Background Study and By-law Review completed March 13, 2019, by an independent third party recommended eliminating the affordable housing exemptions from the DC By-Law and instead create a program administered by the Housing Services Division to facilitate affordable housing incentives.

Council approved Report FSC19050, adopting 2019 Development Charges By-law No. 19-142 (DC By-law) in June 2019 including a previous provision exempting eligible affordable housing units from the DC until the Housing Services Division (HSD) develops and implements an alternative affordable housing development charge incentive program. Historically, the DC by-law exempted affordable housing projects that met certain criteria.

The June 2019 changes to the *DC Act* allowed non-profit housing developers to pay DC upon occupancy (rather than at building permit issuance) and in 21 equal annual instalments thereafter. Municipalities could choose whether to charge interest, and any DC not paid could be added to properties' tax rolls and collected accordingly.

On May 27, 2020, Council approved Report FCS20028/PED20105, which authorized the charging of interest for DC instalments for non-profit housing development, as well as rental housing and institutional development.

In August 2022, Council approved Report HSC22050/FCS22073 including a requirement respecting viable options for other affordable housing projects and the requirement that staff report back as part of the 2023 Tax Operating Budget with program guidelines and a financing strategy for a program to provide financial assistance to affordable housing developments by non-profit developers to replace the existing approach of exempting development charges through the Development Charges By-law 19- 142;

On October 25, 2022, the Province introduced 'More Homes, Built Faster: Ontario's Housing Supply Action Plan 2022-2023' ("Action Plan"). The Action Plan is the latest in a series of Provincial initiatives related to the supply of housing in Ontario. To support the Provincial commitment to getting 1.5 M homes built over the next 10 years, it proposes sweeping and substantive changes to nine different statutes through Bill 23, *More Homes Built Faster Act, 2022* ("Bill 23"), as well as, through updates to regulations and consultations on various Provincial plans and policies.

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Bill 23 proposes that several forms of development will receive an exemption from DCs including; affordable housing (rental and ownership); attainable housing (which has yet to be defined); Non-profit housing; and Inclusionary zoning residential units. It should be noted that Bill 23 also repealed the June 2019 changes to the *Development Charges Act*. The implementing regulations related to the DC exemptions for Affordable Housing have not come into effect and there is no specific timeline as to when this will occur.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The updated Housing and Homelessness Action Plan (HHAP) adopted by Council August 21, 2020, through Report CS11017(d) retains the supply of affordable housing as the first Outcome Area. It sets a new target of 350 new affordable rental projects developed annually.

The City is currently falling behind on its targets for developing new units and only averaging over 54 units per year. HHAP Strategy 2, Implementation Action advocates for the use a range of innovative approaches and tools to reduce the time and cost of developing affordable housing. This initiative is envisaged by staff as an additional resource towards achieving the objectives of the HHAP.

Furthermore, staff will capitalize on the benefits available under the new legislation Bill 23, *More Homes Built Faster Act*, which received Royal Assent November 28, 2022 to help meet the HHAP targets and create efficiencies with City's limited financial resources to create the additional housing required.

RELEVANT CONSULTATION

During the development of the AHFP, staff consulted Hamilton is Home who are a representation of a group of affordable housing proponents and concerns were raised on whether the proportionate of funding was enough to address the ongoing need for affordable housing development in the City of Hamilton. As the report was being finalized, a general overview of the proposed AHFP was provided to Hamilton is Home. In addition, staff have consulted with the Core Working Group of the Housing Sustainability and Investment Roadmap Strategy which includes representation from City staff including the Senior Leadership Team (SLT) and CityLAB. Comments and suggestion have been included in this report.

Planning, Legal Services and Corporate Finance were consulted and given opportunity to provide feedback and comments have been incorporated into this report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

In Hamilton, affordable development projects have relied on funding from upper levels of government that are tied to specific financial and operational requirements.

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Furthermore, these upper level funding sources require financial support from the City in order to be financially viable and qualify for funding. Having an AHFP in place will allow City and Proponents more financial certainty throughout the housing development cycle. Additionally, municipal contributions for affordable projects are required to qualify for Canada Mortgage and Housing Corporation (CMHC) Co-Investment Funding Streams. The municipal contribution directly impacts the funding stream available for a project and the amount made available through CMHC programs.

In August 2022, Council received and approved Report HSC2250/FCS22073 on approaches to addressing the challenges of financing for non-profit housing developments in Hamilton. The report highlighted 24 known affordable housing projects in the development stream that could deliver over 1,605 units for residents in the City of Hamilton but required over \$30 M in development charges waivers to be successful. While there are more projects than funding available, the allocation of \$4M annually can support some projects to be financially viable, and the program fund could be increased to serve as a vehicle for increased investment subject to council deliberation and identification of funding sources. The development of the AFHP program meets a significant need and establishes a predictable and evaluative process whereby projects and providers are considered for merit and readiness in achieving the City's affordable housing goals.

The annual funding amount of \$4 million represents an amount from reviewing yearly funding provided to affordable housing providers for such costs as DC exemptions, cost overruns to RHI projects, and utilizing other funding to support the financial viability for the construction of new affordable housing units. As proponents seek other avenues of funding, including Canadian Mortgage and Housing Corporation (CMHC) Co-Investment funding program, the AHFP can provide commitment of the City of Hamilton as a financial partner in financial viability of projects. With the City acceptance of Rapid Housing Initiative funding, the City agrees to be responsible for any costs over the CMHC awarded funding. During the pandemic, materials, supply chain and labour cost issues have created cost overruns making the City responsible to source this funding to cover the costs utilizing such funds as the Poverty Reduction Fund, Ontario Priority Housing Initiative and most recently adding to the Housing Services Division Operating budget as a payback loan for a 20-year time period. Based on the known needs of the affordable housing providers, the \$4 million will not cover the required funding to make all projects financially viable.

Based on an analysis of five years of historical data on DC exemptions for affordable housing, including requests for proposals, the affordable housing needs analysis completed for the Five-Year Review of Hamilton's 10-year Housing and Homelessness Action Plan, affordable rental housing development projects known to staff continue to

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face enormous challenges in funding pre-development costs, feasibility studies, due diligence and capital costs.

Adopting the AHFP will help to address some of the financial challenges affordable housing developers face and fulfils the direction of City Council to replace the current exemption criteria for affordable housing under the Development Charges By-Law No. 19-142 with a program addressing development charges. The AHFP will:

- 1) Provide a common template and consistent, predictive process by which providers and operators can request funding
- 2) Ensure projects align with the City of Hamilton's housing priorities;
- 3) Enable the City to better budget and plan for the cost of DCs for affordable housing projects when applicable;
- 4) Fulfil the City's financial commitments for Rapid Housing Initiative (RHI) funded projects and other projects currently in construction that impact the service level standards and deliverables with upper levels of government funding;
- 5) Incentivize the best projects through a merit-based system;
- 6) Adapt to the rapidly-changing rental market;
- 7) Ensure long-term affordability of new affordable units through annual rent monitoring which may not be tied to the City through other funding sources; and,
- 8) Enable the City to adapt as federal and provincial affordable housing programs, and priorities change.

To maximize the outcome and efficiency of City investments in affordable projects through the AHFP, the City can capitalize on new legislation of Bill 23, Bill 108, non-profit partnerships, and invest its limited funds into housing projects by non-profit organizations mandated to provide affordable housing and guarantee that all funding goes directly to producing affordable housing. It is known that most affordable housing providers will maintain housing affordability after the affordability period has ended. For this reason, private developers, alone or in partnership with non-profits, are not included in the AHFP at this time.

AFHP will support the City in fulfilling its financial responsibilities by prioritizing projects that the City has already invested in including commitment to Rapid Housing Initiative funded projects; will pay for pre-development costs including site feasibility studies; and will support non-profit organisations in need of funding to complete due diligence and acquisitions.

As a locally-designed program, AHFP allows stacking with other municipal incentives programs, grants, loans or funding from other levels of government for project development expenses. Applicants will be encouraged to explore all other additional funding available either locally within the City or through upper levels of government and organisations that fund affordable housing developments prior to receiving AHFP. A list

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of such funding has been included in the Program Guidelines which are attached as Appendix “A” to Report HSC23003.

Program description, eligibility and the application process have been articulated in the Affordable Housing Program Guidelines attached as Appendix “A” to this Report. The AHFP is designed to provide cost certainty as early as possible. Staff have considered the burden of administration and as such, the annual reporting requirements will be streamlined as much as possible.

There are a number of initiatives being developed by staff including the development of a Housing Sustainability and Investment Road Map (HSIR) and the implementation of Inclusionary Zoning for affordable housing. The results of the implementation of the above initiatives in addition to the legislative changes through Bill 23 including exemption of development charges for the creation of affordable residential units and attainable residential units for non-profit housing developments will enable the utilization of AHFP to move projects closer to shovel ready and investment in the capital costs of construction to make projects financially viable. A report will be brought to Council updating Councillors of required changes as a result of implementing the above initiatives and how they impact the AHFP.

Under Bill 23, which received Royal Assent on Nov 28, 2022, Affordable Housing projects are exempt from payment of DCs and Cash in Lieu of Parkland, as determined by a Provincial Bulletin which has not yet been released. The sections of Bill 23 which will provide for the Affordable Housing DC exemption have not yet been proclaimed into force. There is no understanding as to when these sections will be proclaimed into force. Until the sections are proclaimed into force, the City of Hamilton DC By-law will still be in effect – meaning any affordable housing development would still have to meet the DC exemption requirements and we would still need to find the money to compensate the DC reserves

ALTERNATIVES FOR CONSIDERATION

None

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

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

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Built Environment and Infrastructure

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report HSC23003: Affordable Housing Funding Program Guidelines

Appendix “B” to Report HSC23003: Affordable Housing Funding Program Reserve
Fund Policy