

Affordable Housing Funding (AHFP) Program Guidelines

1. Background

The City of Hamilton continues to face a significant housing crisis and all municipalities across Canada are being creative in finding solutions to address this issue. While it is understood that there is no single solution to the housing affordability crisis, the Affordable Housing Funding Program (AHFP) is anticipated to reduce financial barriers by providing forgivable loans to Non-Profit organisations that are interested in developing affordable housing in the City of Hamilton. AHFP will be used to pay for overages and cost overruns of existing City funded projects (e.g. RHI); cover municipal development charges (DCs), where applicable, for affordable housing units (if required); pay for pre-development costs including site design and feasibility studies, and facilitate due diligence, capital costs and potentially acquisition. The AHFP targets only not-for-profit organizations.

2. Program Description

The AHFP has been developed to reduce financial barriers that non-profit organizations and housing co-operatives face when developing affordable housing; improve their competitiveness when applying for CMHC funding; increasing the financial viability and promoting longer affordability period of the projects.

The AHFP funding will be awarded through a competitive Request for Proposal (RFP) process to eligible non-profit housing organizations. Staff will evaluate submissions based on various factors including:

- The Project being an existing City funded project with additional financial constraints (e.g. projects being implemented through Rapid Housing Initiative);
- Pre-development costs for projects going through site plan approvals; due diligence and acquisitions in that priority;
- Capital funding of affordable housing projects; and,
- Other costs to support affordable housing projects to be financially viable.

The funding will be advanced in the form of a forgivable loan and the advance conditions or criteria will be set out in the forgivable loan agreement between the successful applicant and the City of Hamilton.

The loan will be secured against title for a 25-year period and will be 100% forgiven at the end of 25-year affordability period with the amount decreasing by 20% every five years from the date in which occupancy is granted by the City of Hamilton’s Building Division provided all the terms and conditions of the forgivable loan provided in the agreement are adhered to by both City of Hamilton and the proponent.

If funding is to be repaid for any reason, the repayment of the unforgiven amount of the loan, and applied interest will be repaid in accordance with the City’s External Loan Guidelines.

3. Mandated City financial responsibilities for RHI projects

Under the Rapid Housing Initiative (RHI), the City is mandated to cover overages and cost overruns of RHI funded projects. Should overages result from a project where the City is responsible for payment of such costs, City may use this funding outside of an application or competitive process to cover these costs.

4. Program overview

4.1 Funding Amount and availability:

AHFP will have annual funding of \$4 M available at the start of the City’s financial year and will be distributed to selected projects. The disbursement of the available funding will be subject to the alignment of City’s housing objectives and at the sole discretion of the General Manager of the Healthy and Safe Communities Department. Should a situation arise where affordable housing developments fail to align with the City’s housing objectives, the funding for the year may be withheld and reallocated appropriately in the following year.

4.2 Additional funding and Stacking:

The AHFP has no limitations on stacking with other municipal incentives programs, grants, loans or funding from other levels of government for capital project development and operational expenses such as housing subsidies. Applicants are encouraged to seek other additional funding available either locally within the City or through upper levels of government including the following sources:

- i. Canadian Mortgage and Housing Corporation (CMHC) offers flexible funding and financing opportunities to assist in the development in Affordable Housing. There are a range of funding and financing tools, and it is recommended that applicants review these opportunities in addition to the City of Hamilton Affordable Housing Funding. More information can be found on the CMHC webpage - <https://www.cmhc-schl.gc.ca/en>
- ii. The Province of Ontario provides several different funding programs that assist in both new Affordable Housing development, retrofits, repairs and rent supplements. More information can be found on the Province’s webpage - <https://www.ontario.ca/page/affordable-housing-ontario>

- iii. Federation of Canadian Municipalities (FCM) offers funding for organizations to complete housing plan, studies, undertake pilot and capital projects. Details can be found on this website <https://fcm.ca/en/funding>
- iv. Community Housing Transformation Centre (CHTC) - backed by National Housing Strategy, CHTC offers grants to community housing providers, community-housing service providers and community organizations up to \$500,000 – more information can be found on this website - <https://centre.support/>
- v. City of Hamilton’s Economic and Development Incentives – City has opportunities for aiding with partial relief of development costs (within a Community Improvement Plan area – CIP) environmental remediation, cultural heritage, urban design and property tax grants to those looking to invest in Hamilton’s future. City planning tools and links to incentives can be found on this website - [Hamilton, Ontario: Where Innovation Goes To Work - Invest in Hamilton](#)

In addition to other requirements, applicants will be required to confirm that they have applied for available funding opportunities both from City and other upper levels of government including details of how much they are eligible to receive.

5. Eligible Costs and Expenses

AHFP will consider applications in the following order of priority:

- 5.1 Overage and overruns:
Under this category, expenses may include additional costs on an affordable housing currently under construction resulting from an unpredicted cost increases related to such matters as construction materials Cost increases that result from a change in scope of the project are not included
- 5.2 Development Charges (DCs):
Applicants will be eligible for funding for development charges as they relate to the *Development Charge Act* or the *Education Act*, provided that these charges are not covered under any other program or legislation where the DCs are waived or paid. If a residential project that meets the City’s definition of Affordable Housing is exempt under legislative changes, an application for DC relief for the residential units will be eligible and only the affordable units (within the development) would be considered. With the enactment of Bill 23, it is anticipated that only DC costs re-dating Bill 23 will be eligible.
- 5.3 Capital Costs:
This funding will support proponents’ development proposals as it relates to capital build costs, top-ups and/or be City of Hamilton financial

partnership/contribution required for other sources of funding, including but not limited to CMHC Co-Investment funding program.

5.4 Predevelopment Costs:

Predevelopment costs may include soft and hard costs required to move an affordable housing projects to "shovel ready". Examples of pre-development costs may include but are not limited to; payment of professional and consultation fees, studies, surveys, architectural designs, site plan approvals, demolition costs, environmental and archaeological study costs.

5.5 Acquisition, Due diligence & feasibility:

This funding will focus on supporting proponents' exploration of a potential for the development of affordable housing. Approved funding can be used to acquire the proposed development property and the fees associated with the acquisition; financial support to complete due diligence and feasibility studies prior to the purchase of the property to ensure that the site will be a viable affordable housing project. The funds may also be used for best use analysis, building condition assessment, preliminary environmental studies, and any other study reasonably associated with the due diligence for acquisition of property.

6. Minimum Eligibility Requirements:

- i. Applicants must be a registered Non-Profit organization, charity or housing co-operative that will own and operate the development subject of the funding request. For profit organizations are ineligible for this funding and will not qualify;
- ii. Applicants must demonstrate an understanding of residential housing development; operation of a rental housing unit(s) or ability to retain the services of an organization/consultants with this experience;
- iii. Funding must be used towards the development of affordable housing in the City of Hamilton;
- iv. Units must be maintained as affordable for the minimum of 25 years, Affordable rents established at or below 80% AMR for applicable AHFP units for the entire affordability period;
- v. Financial viability - Applicants will demonstrate financial viability or a path towards financial viability through their capital and operating proformas;
- vi. Projects can be new constructions including new building or addition to an existing building and a conversion of an existing non-rental building or portion thereof into an affordable housing project;
- vii. Applicants must be seeking to build a minimum of 5 units with the project;
- viii. Entire project must be purpose rental built for the entire affordability period; and,
- ix. Development readiness - projects that can demonstrate that a building permit will be drawn in the year that they have applied will score higher in the evaluation of the funding request.

7. Overview of Application and Award Process:

City of Hamilton’s AHFP will be offered to eligible affordable housing developers through a competitive process. The application period will be open for a minimum of 30 calendar days. The program will target only non-profit affordable housing organizations interested in supporting the City’s housing objectives and priorities at the time. Submission or scoring of the project does not necessarily guarantee funding.

Below is a highlight of the key evaluation criteria that each applicant will be scored against. Note that the City might add further details to align it with current priorities;

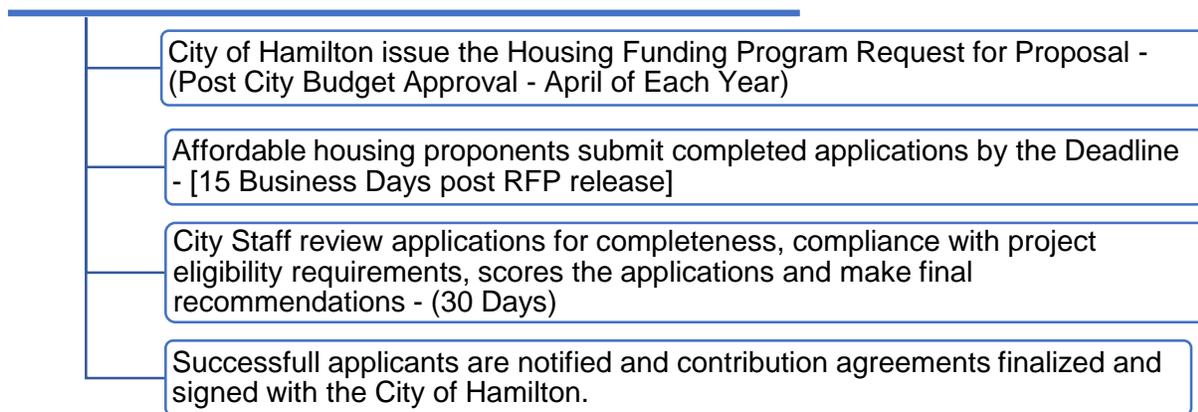
- (a) Type of funding support required (project overruns; Development Charges, pre-development, due diligence, feasibility studies or acquisition);
- (b) Qualifications and experience of the development team;
- (c) Type of the organisation (Charity, Non-profit, Co-op, community housing organisation)
- (d) Site status (encumbrances, zoning permissions, conditions and assessments);
- (e) Development schedule (how close to shovel readiness including status of all required planning and reasonable development timetable);
- (f) Financial viability and cost effectiveness (amount of funding already secured and complete funding overview);
- (g) Development concepts (construction typology, details of unit size, design special features, energy efficiency details);
- (h) Target population/groups in the community;
- (i) Tenant selection (Access to Housing Waitlist, By-Name Priority List); and,
- (j) Affordability in terms of rents and affordability period.

Further details of the above evaluation criteria will be provided in the application process.

Evaluation review will be completed within 30 business days following the closure of the application submission period date. Housing Services staff will rank the submitted project in accordance of highest passing score in the Evaluation Matrix. A Conditional Letter of Commitment will be issued to the successful applicant, indicating next steps and the timeline to achieve next steps, prior to signing AHFP Forgivable Loan Agreement with City of Hamilton.

The annual release of the application is to ensure the most accurate information and documentation is communicated to the applicants and reflect the City’s Strategic Plan and Housing and Homelessness Action Plan goals. In addition, the annual process will capture new milestones that could have been achieved by the proponent over the previous year.

7.2 Application process



After the deadline for the applications, City of Hamilton staff will review all submitted Applications to ensure completeness and that the Eligibility Requirements (Section 6 above) are met. The City may seek additional information as necessary, but is not obligated to do so, in order to determine in its sole and absolute discretion if an application meets or complies with the minimum requirements.

All applications that meet the minimum eligibility requirements will be scored against the preferred Evaluation Criteria above. A Review Panel set up by City Staff will review all scored applications to make a final recommendation for successful projects. While the highest scoring application(s) are likely to be best positioned for approval, the Review Panel will also consider City of Hamilton’s housing objectives as established by Council priorities, available funding and other relevant planning documents in making a final selection of successful projects.

Following the approval of applications, applicants will be required to accept the funding as allocated and enter into a contribution agreement with the City of Hamilton that outlines the terms of the commitment. A forgivable loan agreement will also include a charge to secure the funding which will be registered on title of the property. The forgivable loan agreement will include among others the following:

- The amount of City’s funding being provided;
- The number of Affordable Units to be provided, Affordable Unit rental rates and duration of affordability;
- Requirements for tenant income verification by applicant at initial occupancy and unit turnover;
- Requirements for annual reporting by applicant;
- Requirements for applying rental rate increases; and;
- Other terms and conditions as required in sole and unfettered discretion of the City.

7.3 Reapplication

Applicants who are not successful in the current year can reapply in subsequent years. Successful applicants in the current year will also be eligible to reapply the following year with different projects or with the same project but for a different funding use than that applied for the previous year. For example, a project may apply and be successful for pre-development funding and then the following year apply and be successful for capital funding.

7.4 No Successful Applicant

If there are no applicants or upon review of the submissions there are no eligible projects, funding will not be awarded. The City is not required to provide funding to any project which it deems unsatisfactory and reserves the right to reallocate the funding to the subsequent year.

7.5 AHFP Annual Reporting

The AHFP will require annual reporting for the duration of the affordability period to ensure compliance with the terms and conditions of the Program. A standardized AHFP Rental Unit Monitoring Report will be required. In cases where the City is already collecting an annual occupancy report under another funding source, every effort will be made to consolidate the reporting providing the AHFP requirements are fully met. The AHFP Rental Unit Monitoring Report will report on previous calendar year’s actual monthly rent paid buy tenants, target populations, and vacancy data. These forms will be provided by the Housing Services Division by the third week of January for completion and will be due to the Housing Services Division on the 15th of March or nearest business day after.

8. Definition of Key Program Terms:

8.1 Affordable Housing:

The term "Affordable housing" is used in this program to mean a broad term that encompasses all types of housing that persons or households with low or moderate incomes can access without spending an inordinate proportion of their income. Affordable housing may include Ownership Housing and Affordable Rental Housing;

- (a) Affordability of rental housing can be defined based on a proportion of a person or household's income or based on a percentage of the average or median market rent, for a defined area. Often, the definition includes a threshold in the position of households on the income spectrum, the most universal with low- and moderate-income households being at or below the 60th income percentile for renters living in a defined area. Different documents define affordable housing slightly differently but for the purposes of the AHFP affordable rental housing will mean;

Housing that costs 30% or less of gross household income for households with a low to moderate income. Low to moderate income for renters is defined as income at or below the 60th income percentile for renters in the City of Hamilton, and for owners the 60th income percentile for all Hamiltonians; and/or;

- (i) Rents at or below 80% average market rent (AMR) for the geographical area will be given priority in the application process for units applying AHFP;
- (ii) Rents above 80% but below 125% AMR may still qualify for program

8.2 Overages

"Overages" means cost incurred on a project that are initially greater than the initial budget to which the project was approved, and where the City as the "Recipient" or "Service Manager" is contractually obligated to supplement the project budget.

8.3 Top ups

Top up means additional funding needed to complete a construction project which has previously had Service Manager's commitment and requires additional funding to complete the project within the approved scope.

8.4 In year expense

The term "in-year Expense" means an unexpected construction expense incurred on an affordable housing project under construction in excess of the contingency but within the original scope of the project.

8.5 Shovel Ready

The terms shovel ready means an affordable housing construction project that is considered to be at an advanced enough stage of development for physical construction to begin.

8.6 Acquisition

The term 'acquisition' means the process of taking possession of all, or part of a tangible asset, property including land for the purpose of developing affordable housing or converting an existing project into an affordable housing project.

8.7 Fund stacking

For the purpose of the AFHP fund stacking means the approach of utilizing multiple City, provincial or federal programs or funding to offset a greater portion of project expenses.

9. Questions Related to this program can be directed to:

Via Email to:	affordablehousing@hamilton.ca
Via Telephone Number	(905) 546-2424 Extensions 4711 or 4557 or 1554

This document is available in alternate formats upon request.