




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	July 8, 2024
SUBJECT/REPORT NO:	Building Faster Fund (FCS24039) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Duncan Robertson (905) 546-2424 Ext. 4744
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Investment Plan, attached as Appendix “A” to Report FCS24039, be approved and submitted to the Ministry of Municipal Affairs and Housing for ministry approval as required to receive the \$17,587,390 in total funding for the 2024 Building Faster Fund program year;
- (b) That the Mayor and City Clerk be authorized to execute all necessary documentation, including Funding Agreements to receive funding under the Building Faster Fund with content satisfactory to the General Manager, Finance and Corporate Services, and in a form satisfactory to the City Solicitor;
- (c) That the City Solicitor be authorized and directed to prepare any necessary by-laws for Council approval, for the purpose of giving effect to the City’s acceptance of funding from the Building Faster Fund; and
- (d) That the General Manager, Finance and Corporate Services, be delegated authority to submit all future reporting requirements to the Ministry of Municipal Affairs and Housing under the Building Faster Fund including Investment Plans for subsequent years of the program and reallocation of funds as required.

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EXECUTIVE SUMMARY

The recommendations in Report FCS24039 provide City of Hamilton (“the City”) staff with the authority to submit the necessary documents and by-laws required to receive the \$17,587,390 in total funding for the 2024 Building Faster Fund, as well as, execute the plan approved through the 2024 budget to help offset the impact of the *More Homes, More Choice Act* (Bill 108) on tax and rate payers.

Information on the City’s 2024 Building Faster Fund allocation was shared with City Council through a Communication Update on April 14, 2024. On June 24, 2024, the Ministry of Municipal Affairs and Housing (MMAH) provided the City with the Transfer Payment Agreement and the Investment Plan template to be submitted for Ministry approval by July 19, 2024.

The City’s proposed Investment Plan is attached as Appendix “A” to Report FCS24039. Through the 2024 budget, City Council approved the allocation of \$15,800,000 of forecasted funding under the Building Faster Fund towards initiatives that would provide the greatest financial benefit to tax and rate payers, reducing the overall tax and rate increases for 2024. The proposed Investment Plan supports that strategy by funding capital projects that would otherwise require revenue from property taxes or water, wastewater and stormwater rates within the eligible project categories and expenses prescribed under the Transfer Payment Agreement.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2024 allocation of \$17,587,390 is \$1,787,390 greater than the budgeted revenues from the Building Faster Fund in 2024. The proposed Investment Plan would fulfil the requirements of the 2024 budget strategy to phase-in the tax and rate impacts of the *More Homes, More Choice Act* (Bill 108) over a four-year period and directs the \$1,787,390 surplus towards the Unallocated Capital Levy Reserve to assist in continuing that strategy for the 2025 budget.

Staffing: N/A

Legal: The City is required to enter into a Transfer Payment Agreement with the Province of Ontario and pass the necessary bylaw in order to receive funding under the Building Faster Fund.

HISTORICAL BACKGROUND

In November 2022, the Province’s *More Homes Built Faster Act* (Bill 23) set a goal of building at least 1.5 million homes by 2031 after the province’s Housing Affordability Task Force recommended a large volume of housing construction to meet the expected demand. The Province has pointed to municipal “red tape” and long approval processes as limiting housing starts.

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To reward municipalities that build homes, the Ontario government launched the \$1.2 B Building Faster Fund. The Building Faster Fund provides \$400 M in new annual funding for three years to municipalities that are on target to meet provincial housing targets by 2031. Municipalities that reach 80 per cent of their annual target each year become eligible for funding based on their share of the overall goal of 1.5 million homes. Municipalities that exceed their target receive a bonus on top of their allocation.

A communication update on the City's 2024 allocation under the Building Faster Fund was provided to City Council on April 14, 2024. The City exceeded its 2023 housing target, with 120 per cent of the target achieved and is eligible to receive an allocation of \$17,587,390 for the Building Faster Fund 2024 program year. Construction started on a total of 4,142 new housing units in the City in 2023 compared to the provincial target of 3,447. This included a diverse range of housing across the entire City, including rental units, ownership units, affordable housing, low-rise, mid-rise and high-rise. These results for 2023 represent one of the highest levels of new housing construction ever in the City.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Transfer Payment Agreement outlines eligible project categories, eligible and ineligible expenditures, reporting requirements, insurance and other provisions under the program that must be met to receive funding under the Building Faster Fund program.

RELEVANT CONSULTATION

Public Works staff were consulted in the selection of projects included in the City's Investment Plan.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Building Faster Fund Program Requirements

To receive funding under the program, the City must submit the signed Transfer Payment Agreement and a Council approved Investment Plan to the MMAH by July 19, 2024. As required under the Transfer Payment Agreement, the City must use funds received under the Building Faster Fund for projects and activities described in its approved Investment Plan and only for eligible expenditures.

The City is required to develop and submit an Investment Plan for each program year. The Investment Plan must be approved by Council each year or through delegated authority. The City can reallocate previously approved funds within an Investment Plan to new initiatives with prior approval from the Province. Funds must be spent by March 31, 2026, otherwise shall be returned to the MMAH with accrued interest.

The recommendations in Report FCS24039 would provide delegated authority to staff to submit the ongoing requirements of the program, including Investment Plans for subsequent years and any investment reallocations, as required, to assist in managing use of funds within the prescribed timelines. Staff would provide Investment Plan and reallocation updates to City Council through annual Communication Updates on the program.

At the end of each program year, the City will be required to submit a year-end report on total funds spent, total funds committed but not spent, funds carried over to subsequent year, as well as, interest earned on carryover funds. MMAH will review year-end reports for alignment with municipal Investment Plans, including eligible expenditures and to verify compliance with the Building Faster Fund Transfer Payment Agreement, Program Guidelines and any other applicable government directives or legislation. The City will only receive the final disbursement of funding for a particular program year after the year-end report has been approved by MMAH. The year-end report for 2024 is due February 4, 2025.

Funding for each program year will be provided in two disbursements:

- 70 per cent of funding within 30 business days after approval by MMAH of the annual Investment Plan.
- 30 per cent of funding within 30 business days of approval by MMAH of the year-end report.

Eligible Categories and Expenditures

The Building Faster Fund is intended to support further growth in housing supply, particularly, through housing-enabling infrastructure (i.e., site servicing, roads and public utilities) and other expenses that support community growth. At the same time, funding is intended to be sufficiently flexible to avoid creating significant additional administrative overhead and other restrictions for municipalities that might undermine the primary purpose of creating an incentive for municipalities to deliver on their annual targets. To balance these considerations, eligible categories of expenditures include the following:

- Capital expenditures on housing-enabling core infrastructure and site servicing (i.e., roads, bridges, water and wastewater, including sanitary and stormwater facilities) to accommodate future residential development (i.e., through new construction, reconstruction, rehabilitation / repair or expansion of existing infrastructure). Eligible expenditures could also include capital maintenance for the renewal, rehabilitation and replacement of core infrastructure owned by the municipality to preserve existing housing supply, as well as, site servicing / preparation expenses to support the direct creation of more housing (i.e., preparing a site for disposition for the purposes of housing development).

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- Operating or capital expenditures that support the creation of net new affordable housing. Affordable housing will be defined as a unit that meets the definition of an affordable residential unit set out in Section 4.1 of the *Development Charges Act, 1997* or is a unit also supported by stacking with funds through a provincial affordable housing program (i.e., Homelessness Prevention Program). Eligible expenses must create a net increase in affordable housing stock.
- Operating or capital expenditures that support the creation of net new attainable ownership housing, including through modular construction. Attainable housing will be defined as a unit that meets the definition of attainable ownership housing set out by the ministry through an attainable housing program or agreement with MMAH or meets the definition of an attainable residential unit as defined in Section 4.1 of the *Development Charges Act, 1997*. Modular is defined as a home that is built using one or more prefabricated components or modules. It is constructed partially or completely off-site in a manufacturing facility then transported to a property and assembled there, like building blocks.
- Capital expenditures for homelessness services centres. This could include capital expenses for net new shelter space or municipal homelessness service hubs.

Eligible expenditures can only include all direct, incremental and verifiable costs that are attributable to the development and implementation of the program. Eligible capital expenditures could include soft costs (including planning, studies and permits), land costs, and hard costs (including costs of construction, labour and materials). Operating expenditures must be time-limited and cannot create operating funding obligations beyond the end of the program (i.e., the creation of new staff positions).

The City may transfer funds to third parties, including a municipal services corporation, housing service manager or non-profit housing provider, or another entity that has been approved by the province in writing to receive transferred funds to support any of the categories of eligible expenditures. The City would be required to enter into an agreement with any third parties that receive transferred funds and must ensure that those third parties only expend transferred funds on eligible expenditures.

Municipalities may stack Building Faster Fund funds with other sources of provincial and federal community housing and infrastructure capital funding (as long as those funding programs also allow stacking), such as the Ministry of Infrastructure's Housing Enabling Water Systems Fund or funding through the federal Housing Accelerator Fund. There is no maximum provincial contribution under the Building Faster Fund. However, maximum provincial contributions may apply under other programs.

Proposed Investment Plan

Through the approval of the 2024 budget, the City had assumed \$15,800,000 in revenues from the Building Faster Fund. The 2024 Capital Financing Plan included a four-year, phase-in strategy for the lost development charge revenues resulting from the *More Homes, More Choice Act* (Bill 108), which incorporated revenue assumptions for the Building Faster Fund based on the City's share of the provincial housing target and the Province's promise to make municipalities "whole" due to the new legislation. In addition to the revenues assumed in 2024, the City included \$11,300,000 in revenues from the Building Faster Fund in the 2025 and 2026 budget projections.

The City's proposed Investment Plan is attached as Appendix "A" to Report FCS24039. The proposed Investment Plan supports eligible project categories and expenses that would provide the greatest financial benefit to tax and rate payers by substituting property tax revenue and water / wastewater fees with funds from the Building Faster Fund program. When the MMAH approves the City's Investment Plan, City staff will bring forward recommendations to repurpose the previously approved funds for those projects towards the four-year, phase-in strategy for the financial pressures caused by the *More Homes, More Choice Act* (Bill 108) as approved through the 2024 Budget and Financing Plan (FCS24002).

ALTERNATIVES FOR CONSIDERATION

Council could direct funds towards projects and initiatives other than the ones outlined in the Investment Plan attached as Appendix "A" to Report FCS24039. However, if the funds were directed towards new projects or initiatives (not previously approved by Council) or projects that were funded through sources other than property taxes and water / wastewater fees (i.e., development charges), then that would represent a shortfall in revenues assumed in the 2024 to 2027 Financing Plan that would need to be made up from discretionary City reserves or operational savings in 2024.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS24039 – 2024 Building Faster Fund Investment Plan