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OPPORTUNITIES TO INCREASE THE SUPPLY OF AFFORDABLE HOUSING

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report dated February 26, 2009, from the Commissioner of Community and Health Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Region issue a Request for Information to identify potential development opportunities that may utilize *Investing in Ontario Act* funding, or any future federal and provincial government funding earmarked to increase the supply of affordable housing.
2. The Director of Supplies and Services be authorized to issue a subsequent Request for Proposal based on information received from the Request for Information.

2. PURPOSE

The purpose of this report is to outline a process to identify and select potential affordable housing proponents and development sites. Funding available through the *Investing in Ontario Act*, and any future funding allocated to housing from the federal and provincial governments, could be utilized to build these developments.

3. BACKGROUND

In the fall of 2008, York Region received \$53 million from the Province to fund infrastructure projects in the Region. Community Services and Housing Committee, at the December 10, 2008 meeting, directed staff to investigate options for these funds to increase the affordable housing stock in the Region.

Current market conditions present a potential opportunity for the Region to secure affordable housing projects at a reduced cost while stimulating the local economy.

The Region has been actively pursuing opportunities to build affordable housing (see *Attachment 1*) despite the lack of on-going financial commitments from the federal and provincial governments. However, the need for additional affordable housing continues to grow in the Region.

Both the federal and provincial governments have indicated an interest in stimulating the economy through various forms of infrastructure spending, including affordable housing. The commitment to invest in affordable housing would:

- Boost the local economy.
- Address a much needed supply problem.
- Position the Region to take advantage of any future funding opportunities from these levels of government.

4. ANALYSIS AND OPTIONS

The funding recently received through the *Investing in Ontario Act*, coupled with the current housing and financial market conditions, present an opportunity for the Region to lead and develop affordable housing independent of restrictive government programs.

Investigation and analysis of affordable housing options through a Request for Information may present development opportunities and will prepare the Region for any future federal and provincial funding announcements.

4.1 Current Considerations Related To Developing Affordable Housing

The recent federal budget announcement presents potential funding opportunities to build affordable housing

The federal government unveiled its 2009 Budget on January 27, 2009. Although funding has been allocated to housing, it appears that the majority of this funding is earmarked for retrofits and repairs to existing housing.

Following the budget announcement, the federal government also confirmed that it will be extending the Affordable Housing Initiatives Program for two years. At this time, confirmation of the amount York Region will receive and program parameters have not been released.

Demonstrating a commitment and process to invest in affordable housing will prepare the Region for future opportunities. By identifying potential affordable housing developments, the Region will be ready and able to respond quickly if presented with additional funding opportunities.

Building affordable housing creates jobs for York Region residents and local businesses

Investing in new affordable housing creates immediate jobs in the local community and creates long term economic benefits. For every new unit built, 2.5 direct construction jobs and 4 indirect jobs are created.

4.2 Consultation with industry experts indicate that changes in the construction and housing markets may create opportunities for affordable housing

The Region has retained a consultant with extensive experience in the development of affordable housing and in private/public sector partnerships. The consultant has gathered information and input from a wide range of stakeholders as part of the preliminary analysis.

Research indicates that:

- The cost of construction is expected to decline in the coming months which could facilitate the production of affordable housing.
- As the demand for construction services decline, developers and sub-trades may reduce prices in order to keep their workforce employed.
- Interest rates are at historically low levels and could provide an excellent opportunity to finance affordable housing.
- The condominium market is softening and may provide development opportunities for the Region.
- In 2007, condominium sales in the Greater Toronto Area hit an all-time high with sales reaching 23,210 units. In 2008 those sales declined to 15,239 and condominium sales for 2009 are expected to be between 8,000 and 9,000.

Condominium sales in York Region are expected to decline from 1,243 units in 2008 to approximately 700 units in 2009.

4.3 Discussions have taken place with local municipal representatives about developing affordable housing

Local municipalities were consulted through the Inter-Municipal Working Group on Affordable Housing at a meeting held on January 29, 2009. Municipalities were asked to attend the meeting to exchange ideas and learn about potential development opportunities that may exist in different municipalities. This was also an opportunity for staff to share

Community Services and Housing Committee's directive to explore options to build affordable housing.

Municipalities have acknowledged the need for affordable housing and the pivotal role local municipalities can play in the on-going development of affordable housing.

4.4 Other municipalities are using *Investing in Ontario Act* funding to build affordable housing

Other municipalities are considering how affordable housing development fits into their overall infrastructure plans. Currently, two municipalities have confirmed allocations.

Peel Region

Peel Region received \$67 million in *Investing in Ontario Act* funding. In December 2008, Peel Region approved the use of \$59.3 million of their funding allocation for affordable housing. Although planning is preliminary, it is estimated that Peel will develop two sites totalling approximately 275 units. Of those 275 units, it is estimated that 70 units will be for rent-geared-to-income tenants.

Ottawa

Ottawa received \$77 million in *Investing in Ontario Act* funding. They have allocated \$13.5 million to the renovation and repair of existing rental housing stock.

4.5 A two-step approach is proposed to identify potential development opportunities

First step – Request for Information

The approach to identify potential development opportunities will be carried out in two steps. In the first step, the Region will issue a Request for Information to the building development community. The Request for Information would be written in a manner that allows new and innovative ideas to be presented. This preliminary document would outline the Region's desire to explore development opportunities that are innovative, have short time frames for completion, and provide optimal benefits in return for the Region's financial investment.

A range of development options to be considered for affordable housing

The Request for Information process being considered will be open enough to allow for a range of development options. The options outlined in Table 1 may be received through the Request for Information process.

Table 1
Development Options for Consideration

Options	Description	Considerations
Joint Venture	A joint venture is a strategic partnership between two or more parties to pursue an opportunity. The partners share financial resources and expertise, as well as risks in exchange for a share of any benefits and profits.	Joint Ventures tend to be more complex than a traditional arrangement, which may have time and cost implications.
Buying Condominium Units or Townhouse Sites	The current housing market provides an opportunity for the Region to purchase blocks of townhouses or condominium units within a larger condominium project.	Buying condominium units or townhouse sites would assist developers who may be struggling to sell units and secure construction financing. The Region would have to identify units that meet affordable housing criteria. The Region is currently investigating the legal issues which may arise and, based on that review, will determine if this is a viable alternative.
Design-Build	A design-build refers to a project where the Region hires a developer to deliver a comprehensive land and building package according to the specifications agreed upon. Ownership of the land may be transferred to the Region prior to, or at the time of, construction.	Design-Build generally involves negotiating a fixed price contract. The developer would assume the risk to develop and construct the building.

Given the current economic downturn and the need for immediate job creation, consideration may be given to projects that meet the following criteria:

- Speed at which a project could be developed.
- The degree to which it meets the needs of our residents.
- Conform to the Region's priorities (e.g. sustainability, innovation, location, etc.).

Information anticipated from the Request for Information submissions

The Request for Information would request that respondents include the following information in their submissions:

- Proposal and proponent details.
- Project concept including site location, design considerations, and level of municipal approvals.
- Estimated construction start and estimated date of occupancy.
- Innovation, sustainability and conservation features (e.g. LEED Certification level).

Second Step – Request for Proposals

The second step in the process is the Request for Proposals. The Request for Proposal will be driven by the information gathered in the Request for Information. In this step, proponents will be encouraged to submit ideas that are innovative, incorporate sustainability measures and conform to the Region's affordable housing development principles, including:

- Permanent/long term affordability.
- Integration of housing into the broader community.
- Focus on modest housing form.
- Intensification along Regional Centres and Corridors.
- Linking housing to transit, employment, and proximity to services such as shopping and healthcare.
- Serving households on the Social Housing Waiting List.
- Local municipal support for housing initiatives.
- Regional contributions will be secured in a way to achieve public accountability.

The Request for Proposal would provide the Region with detailed project and cost information. Selected projects would be referred to Council in the fall of 2009.

4.6 Funding models demonstrate no need for operating subsidy

The models considered for development include both market rent and a rent subsidy component. The use of *Investing in Ontario Act* funding will allow for an equity write-down of the capital cost of the building in order to generate an operating surplus. The operating surplus generated may be used to fund an on going rent-g geared-to-income subsidy for low income tenants. This model ensures that projects are self-funding and that no on-going obligation for regional subsidy is required.

The model for a 200 unit building produces 80 units of housing for low-income families. Assumptions made for costing these developments are outlined in Attachment 2.

There is potential to develop between 365 and 400 units of affordable housing

Depending on the model used, it is estimated that approximately 365 units of rental housing could be developed or purchased with a \$53 million capital investment and financing of \$15.8 million. The rental income generated in these developments covers the cost of financing.

The market is changing rapidly, and until the Region completes a Request for Proposal process, the total number of rental units attainable is unknown, but a range of 365 – 400 is a reasonable assumption should it be decided to invest the full amount of funds.

Municipal contributions would assist in the development of affordable housing

Should local municipalities be willing to contribute to the development of affordable housing, additional units may be realized. Municipal contributions could include, but are not limited to:

- Reduced cost or forgiveness on the cost of municipal land.
- Waiving or reducing Municipal Development Charges.
- Waiving or reducing parkland dedication fees.

Local municipalities can play an important role in the on-going development of affordable housing.

4.7 Staff will undertake the following next steps

The following next steps are suggested;

- Issue a Request for Information – April 2009
- Review responses – June 2009
- Issue Request for Proposal – June 2009
- Report to Council – Fall 2009

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications as the preliminary process is an exploration of development opportunities. Any development proposal received would be considered and assessed at the Request for Proposal stage.

The Region may benefit by positioning itself to take advantage of any federal and provincial government funding, and making creative use of the \$53 million in *Investing in Ontario Act* funds. The identification of ready to go initiatives will allow the Region to support its representation to senior levels of government for additional funding.

6. LOCAL MUNICIPAL IMPACT

The provision of additional affordable housing in our communities contributes to economic viability and stable housing for lower income households.

Municipalities will also benefit from the multiplier effects that rental housing construction has on an area, plus the benefit of increased property tax revenues.

7. CONCLUSION

The Request for Information will allow the Region to identify potential development opportunities and utilize *Investing in Ontario Act* funding, or any future federal and provincial government funding, earmarked to increase the supply of affordable housing. The information gathered through this process will inform the preparation of the Request for Proposal which will be used to qualify proponents.

Investing in new affordable rental housing provides much needed housing for our residents, creates much needed jobs in our community, and provides long term economic benefits.

For more information on this report, please contact Sylvia Patterson, General Manager, Housing and Long Term Care at Ext. 2091.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the March 11, 2009 meeting.)