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HOUSING DELIVERY PLAN FOR THE RENTAL COMPONENT OF THE CANADA-ONTARIO AFFORDABLE HOUSING PROGRAM

The Community Services and Housing Committee recommends adoption of the recommendations contained in the following report, May 25, 2006, from the Commissioner of Community Services, Housing and Health Services:

1. RECOMMENDATIONS

It is recommended that:

1. The Housing Delivery Plan (*see Attachment 1*) be approved for submission to the Ministry of Municipal Affairs and Housing by June 30, 2006 as required by the Province to participate in the Canada-Ontario Affordable Housing Program (AHP).
2. A two-stage Request for Proposals (RFP) be conducted. The first stage of the RFP will be issued to assess community capacity to deliver affordable rental housing under the proposed Housing Delivery Plan and results will be reported back to Council in September 2006.
3. The Regional Clerk forward this report and the Housing Delivery Plan to local municipalities, MPs and MPPs and all stakeholders who participated in the consultation process for information.

2. PURPOSE

The purpose of this report is to obtain approval for a Housing Delivery Plan which represents a best efforts approach by the Region to generate community interest and creativity in the delivery of affordable rental housing units under the AHP. The Plan is required by the Province by June 30, 2006 as a condition of participating in the Program. The report also discusses a two-stage RFP process, allowing the opportunity to determine community interest and develop a short list of projects for consideration.

3. BACKGROUND

In May 2002, the federal and provincial governments signed an agreement to provide \$245 million in federal funding for affordable housing development in Ontario. The Program was not well subscribed for various reasons, including inadequate funding from the two levels of government requiring significant equity contributions by municipalities and others, a requirement by the Province for Consolidated Municipal Service Managers

(CMSM's) to provide a blanket indemnification for third party projects, and a lack of rent supplement funding dedicated to the units which made it difficult to serve those households with the greatest need.

Given these limitations the Region applied for funding for only three projects, all of which were Housing York Inc. proposals. These included Armitage Gardens in the Town of Newmarket (58 units), the Sutton Multi- Service Youth Centre in the Town of Georgina (10 units), and the Blue Willow Terrace seniors' project in the City of Vaughan (60 units) for a total of 128 units.

In response to broad criticism, and the lack of take-up of the program, the Federal and Provincial governments announced in April 2005 that they had agreed to significantly revise the Program and provide additional funding. Each level of government agreed to contribute \$301 million for the next four years toward a broader range of affordable housing programs.

In August 2005, the Province announced preliminary program details and dollar/unit allocations for CMSM's for two components of the Program. York Region received an allocation of \$25.9 million for 370 units under the Rental Housing Component and a \$1.65 million allocation for 110 units under the Housing Allowance Program. Details of these programs were reported to Council at its October 2005 meeting.

As discussed in a further report to Council at its November 2005 meeting, the Province indicated CMSM's would be required to submit a Housing Delivery Plan (the Plan) in order to participate in the Rental Housing Component. Although complete guidelines have still not been received, the Province has indicated the Plan must be submitted by June 30, 2006. Further, the Province has now indicated that the CMSMs are expected to meet the following key dates:

- August 15, 2006 CMSM procurement process initiated i.e., RFP issued.
- January 31, 2007 MMAH to receive CMSM approved projects.
- March 15, 2007 MMAH issues Conditional Letters of Commitments.
- September 2007 CMSH-Proponent Contribution Agreements in place.

Although there are sufficient program details to broadly strategize a delivery plan, should Regional Council choose to participate in the Program, there is currently insufficient and incomplete details to allow a full analysis of legal and financial implications that could arise from the Program. This analysis will be completed when these details are received from the Province and is expected to form part of the report back to Council in September 2006.

4. ANALYSIS AND OPTIONS

4.1 Considerations Related to Developing the Housing Delivery Plan

4.1.1 Program Details

The elements of the Rental Housing Component which most bear on the development of a Plan are outlined below:

- Average funding of \$70,000 is available for each affordable rental housing unit. If a project does not require the full \$70,000 per unit funding, the remaining funds could be shifted to another project that could receive more than \$70,000, or more units could be created.
- Funds can be used to construct new units, buy existing projects, create second suites, or convert non-residential space to affordable rental accommodation. Some of these procurement options are less costly than others. This could allow for the shifting of funds among projects as described above.
- Of 370 units allocated to York Region, 52 must be targeted to those suffering from mental illness; 10 units must be allocated to those having a dual diagnosis of mental illness and cognitive impairment, and 38 must be targeted to victims of domestic violence. The Plan will need to consider the methods by which these targets can be met.
- Initial average rents in each housing development cannot exceed 80% of the Average Market Rents (AMR) published annually by Canada Mortgage and Housing Corporation (CMHC) for each municipality.

4.1.2 Required Elements of the Plan

The Province has indicated the Plan must have the following elements:

- An indication of how different tenant groups will be served.
- Criteria to determine tenant eligibility regarding in-coming household income limits.
- Targeted rent levels and whether these rents are inclusive or exclusive of utilities.
- Eligibility of proponents and households.
- An outline of different types of development which will be used to deliver allocations, including a strategy for meeting required supportive unit targets.
- An indication of intended municipal contributions.
- Information on the project selection and procurement process.
- An indication of how the municipality could benefit from participation in the Program.
- Plans for compliance with municipal planning approvals and with goals and requirements of the Province's growth plan.
- A preliminary timeline for implementation of the AHP.

4.1.3 Underlying Principles of the Plan

Council approved the Region's Housing Supply Strategy on June 27, 2002 through the adoption of Clause 5 of Report No. 5 of the Regional Community Services and Housing Committee. The underlying principles of this strategy, as outlined below, were fundamental in developing this Plan.

- 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.

Additionally, the following two principles were used to guide the development of the Plan.

1. Leveraging, to the extent possible, limited Regional financial resources.
2. Maximizing the use of federal and provincial funding.

4.1.4 Environmental Considerations

In order to frame the Region's approach to the Plan, it is necessary to understand the environmental considerations that could impact on the production of affordable housing within the proposed AHP program structure.

- Recent studies commissioned by the Region, including, *Housing and our Economy*, *Remaining Competitive*, the *Employer Opinion Survey*, and *A Profile of York Region's Low Income Population* published in 2005 indicate a growing need for affordable housing in the Region to allow future economic prosperity.
- There has been little affordable rental stock built in York Region in the ten years since the cancellation of housing development programs by the federal and provincial governments.
- York Region has a limited supply of rental stock with one of the lowest vacancy rates in the Province.
- Interest rates remain at historically low levels, facilitating the production of affordable housing; however, this is offset by historically high construction costs.
- Program timelines require that all new units be built and ready for occupancy by 2010. Eligible projects would need to have appropriate zoning and servicing capacity in place.

4.2 Process for Completing the Plan

The Region retained a consultant with extensive experience working with the affordable housing sector and facilitating the gathering of input from a wide range of stakeholders to aid in the development of the Plan. As well, local municipalities were consulted through the staff Inter-Municipal Working Group for Affordable Housing.

Other stakeholders, including non-profit groups, members of the Alliance to End Homelessness, private developers, and support agency groups were also consulted through separate focus groups. Feedback from these sources has been incorporated into the Plan. A list of those groups that attended the consultation sessions is contained in the Plan. Several of these groups expressed an initial interest in investigating the development of projects under the Program.

4.3 Overview of the Plan

An overview of the Plan follows. The entire Plan including full recommendations is attached to this report.

4.3.1 Tenant Targeting

As indicated in the Plan, there is a requirement to allocate units for those suffering from mental illness (52 units) those having a dual diagnosis (10 units) and those who are victims of domestic violence (38 units). Housing proponents will be encouraged to form partnerships with support agencies in the community in order that the overall program intent to house these groups is respected.

Additionally, the Province has encouraged targeting for other groups for the remaining 270 units, including the physically disabled, recent immigrants, seniors, aboriginals, and the working poor. Focus group participants indicated there is a need for housing for further groups in York Region including youth, single parents, and persons with chronic illnesses. All of these groups are represented on the Region's social housing Centralized Wait List.

It was concluded that preference should be given to those projects proposing to house those that broadly reflect the household types on the Region's social housing Centralized Wait List.

4.3.2 Household Eligibility

Program guidelines indicate that households must be initially income tested to ensure that only moderate and low income households are housed. The basis of the incoming rent calculation is the AMR as published annually by CHMC. As recommended in the Plan, all incoming tenants should have incomes below the level whereby they would be paying 30% of their income on rent.

4.3.3 Targeting Rent Levels

As discussed in the Plan, the rent structure of projects built under the Program could be complex. If rent supplement funding is made available, tenants will be expected to pay no more than 30% of their income for rent, including utilities. However, if no rent supplement funding is available, proponents may need to consider rents at levels that may not fully accommodate the tenant's ability to pay rents at only 30% of their household income.

While the overall program requirement is to have initial average rents not exceed 80% of CMHC's AMRs, many of the mandated target groups do not have the household income to pay these rents. As such, AHP proponents will be encouraged to reserve a minimum of 25% of their units at rent levels these groups can typically afford.

4.3.4. Proponent Eligibility

Non-profit, co-operative, and private developers are eligible to receive funding under the Program. Eligible proponents will need to demonstrate experience in the development and management of affordable housing or partner with those that have this established track record. Proponents will also need to demonstrate they meet financial capacity and capability standards.

4.3.5. Project Eligibility

It is suggested that preference be given to projects which meet Regional objectives such as increased intensification along centres and corridors and those that conform to good urban and planning design principles.

The overall consensus among stakeholders is that York Region should use its best efforts to deliver the remainder of the units through a broadly based Request for Proposal (RFP) process. The process should allow proponents enough time to explore a wide variety of partnerships within the array of procurement techniques allowed. Should this prove unsuccessful, the Region could consider allocating additional units to HYI (135 units are currently estimated for HYI as outlined in the Plan).

4.3.6. Selection Process

In order to meet the intent of the Province's request for CMSMs to initiate RFP processes by August 15, 2006, it is recommended that the Region conduct a two-stage RFP process. The first stage would ask the community to respond to an Expression of Interest (EOI) during the summer of 2006. The results of this first stage RFP would be reported to Council in September 2006, with short-listed proposals approved by Council being asked to supply more detailed information in the second stage of the process. Project approvals would occur in early 2007.

This process will allow community groups sufficient time to adequately assess their options and to more fully determine their capacity to build units under the Program.

Staff will also report to Council in September 2006 on the results of a review of the Program legal agreements and financial and legal implications based on additional details expected from the Province. The decision to move forward to the second stage of the RFP process will be based on Council's approval of this review.

4.3.7. Municipal Contributions

Municipalities participating in the Program are required to have equalized property tax rates between single family homes and multi-residential units. This is the case in York Region.

Additionally, Council passed a by-law in 2003 to allow grants to eligible non-profit groups building affordable rental units, in the amount of Regional Development Charges paid. It can be expected that proponents under this program would request these funds.

Local municipalities have given grants and some relief from Development Charges for affordable housing projects developed in the past several years by the Region. Proponents will be encouraged to approach local municipalities to secure contributions in addition to those provided by the Region and to confirm their support of proposed projects.

4.3.8. Estimated Timeline for Implementation of AHP

As discussed above it is recommended that the Region engage in a broadly based two-stage RFP process in the timelines noted in the following table:

Table 1
Anticipated Timeline for AHP Delivery

Milestones	2006	2007	2008	2009/2010
Request for Proposals	Stage 1 Release - Summer 2006	Stage 2 Approvals – Early 2007	If necessary, issue second RFP. Possible reallocation of units to HYI.	
Funding Commitments	50 units HYI-Stickwood Walker Farm (Strong Start)	235 units private/non-profit 85 units HYI-Vaughan Civic Centre		
Construction Starts	50 units HYI-Stickwood Walker Farm (Strong Start)		85 units HYI-Vaughan Civic Centre	

Construction Completions		50 units HYI-Stickwood Walker Farm (Strong Start)		85 units HYI-Vaughan Civic Centre 235 units private/non-profit
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4.4 Approach to the Housing Delivery Plan

Several of the targets outlined in the Province's program guidelines, such as achieving and maintaining allocation targets for mandatory groups, may be outside of the Region's control. As emphasized in the Plan, the Region will use its best efforts to achieve these targets and will not be bound to them where it is outside of its control.

4.5 Next Steps

The following next steps are proposed:

- Submission of Housing Delivery Plan to the Province.
- Issue Stage 1 RFP to determine community capacity to deliver affordable rental housing units under Housing Delivery Plan.
- Assess responses to the Stage 1 RFP.
- Review program legal agreements.
- Report back to Council results of Stage 1 RFP and program legal and financial analysis—September 2006.

5. FINANCIAL IMPLICATIONS

Assuming full take up of program units, the administration fee paid by the Province to the Region would be \$366,200, or \$990 per unit. It is anticipated that this would be sufficient to deliver the Program.

As noted in this report, the Region has a policy to provide grants equal to the amount of Regional Development Charges paid to non-profit groups building affordable rental housing. If all 235 units reserved for third party groups are delivered by non-profit groups, and are in apartment form, it could result in a draw on the Social Housing Reserve Fund in the range of \$1.4 million-\$2.2 million. It is not expected at this time that the Region would provide any further financial contributions to these projects. Community groups and others would be expected to provide equity and leverage contributions from other levels of government.

The Region's contributions to the two projects anticipated to be developed for Housing York Inc. are contained in the Region's 2006-2008 Capital Budget.

Council will receive complete details of each project for its approval before they are recommended to the Province.

6. LOCAL MUNICIPAL IMPACT

Generally, this program represents an opportunity for local municipalities to have affordable housing built in their communities. The program delivery process will ensure consultation and co-operation with local municipalities.

7. CONCLUSION

York Region has prepared a Housing Delivery Plan, as required by the Province, to participate in the Rental Component of the Canada-Ontario Affordable Housing Program.

The Plan is a best efforts approach to deliver the \$25.9 million and 370 units allocated to the Region under the Program.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the June 7, 2006 Committee meeting.)