7
REVIEW OF THE RENTAL AND SUPPORTIVE COMPONENT OF THE CANADA–ONTARIO AFFORDABLE HOUSING PROGRAM

The Community Services and Housing Committee recommends the adoption of the recommendation contained in the following report, August 29, 2006, from the Commissioner of Community Services, Housing and Health Services:

1. RECOMMENDATION

It is recommended that:

1. The Region enter into the Administration Agreement with the Province of Ontario for the Rental and Supportive Component of the Canada-Ontario Affordable Housing Program, and the Commissioner of Community Services, Housing and Health Services be authorized to execute the Agreement on the Region's behalf, subject to the prior review of Legal Services.

2. PURPOSE

The purpose of this report is to inform Council of the results of the review of the program documentation and related legal documentation for the Rental and Supportive Component of the Affordable Housing Program (AHP), and to seek authority to enter into an Administration Agreement with the Province.

3. BACKGROUND

As indicated in a June 2006 report to Council, the Province had not, at that time, conveyed complete AHP program details, or related legal documentation, to the Region. As indicated, these documents would be reviewed by staff when conveyed by the Province. These documents have now been received and are the subject of this report.

3.1 Earlier Phases of the Program

In 2002, the federal and provincial governments announced the Canada-Ontario Affordable Housing Program. The Program was not well subscribed due to nominal provincial contributions, administrative complexity, requirements that municipalities provide blanket indemnification to the Province for third party projects, and, in York Region's case, limitations in meeting the needs of households on the Region's centralized Social Housing Waiting List.

York Region participated in a pilot project phase of the Program, receiving $3.7 million of program funding, by developing three projects comprising 128 units; the Sutton Youth

Multi-Service Centre in the Town of Georgina, Blue Willow Terrace in the City of Vaughan, and Armitage Gardens in the Town of Newmarket.

3.2 Re-Launched Program—April 2005

In response to limited take-up, the federal and provincial governments announced an expanded AHP for Ontario in April 2005. Each level of government agreed to contribute $301 million over the next four years to fund a broad range of affordable housing programs.

3.3 York Region's Allocations

During the remainder of 2005, and the first quarter of 2006, the Province announced preliminary program details and dollar/unit allocations for Consolidated Municipal Service Managers (CMSM's) for three program components. York Region's allocations were as follows:

- Housing Allowance Program - $1.65 million/110 units
- Homeownership Program - $2.17 million/249 units
- Rental and Supportive Component - $25.90 million/370 units

At its meeting of March 23, 2006, with the adoption of Clause 7 of Report No. 2 of the Community Services and Housing Committee, Council decided not to participate in the Housing Allowance Program due to the low rental vacancy rate throughout the Region, the lack of interest in the landlord community, the shallow level of assistance available, and a five year limit on the Program.

On June 22, 2006 Council approved to have the Province itself deliver the Homeownership Program in York Region through the adoption of Clause No. 5 of Report No. 5 of the Community Services and Housing Committee.

3.4 York Region's Housing Delivery Plan

Also at the June 22, 2006 meeting, Council approved a Housing Delivery Plan (Clause 6 of Report No. 5 of the Community Services and Housing Committee) required by the Province as a condition of participating in the Rental and Supportive Component of the AHP. The Plan describes a broadly based, best efforts approach on the part of the Region to deliver its funding and unit allocation under the Rental and Supportive Component.

As outlined in the Housing Delivery Plan, the Region has reserved 135 of the 370 Rental and Supportive Component units for the development of two projects for Housing York Inc. A commitment of $3.5 million for the 50 unit Tom Taylor Place project in Newmarket has already been received from the Province under a Strong Start phase of the Program. A further 85 units has been reserved for the potential development of a seniors project in Vaughan.

3.5 Request for Proposal Process

As indicated in the Housing Delivery Plan, the Region has proceeded with a two stage Request for Proposal (RFP) process in regards to the remaining 235 units which will allow community groups time to adequately assess their options and to more fully determine their capacity to develop rental housing units under the program. The Stage 1 RFP clearly indicated that the decision to invite selected proponents to participate in a more comprehensive Stage 2 RFP was contingent upon Council's consideration of the full Rental and Supportive Component program details and documentation. The RFP process and the results of the Stage 1 RFP are described in a concurrent report to Council

4. ANALYSIS AND OPTIONS

The Province's proposed Administration Agreement sets out the legal framework within which the Region as a Service Manager will ensure that proponents comply with program requirements. The Administrative Agreement contains four major components, namely:

1. Program requirements.
2. Reporting requirements.
3. Determination and payment of administrative fees by the Province to the Service Manager.
4. Obligations of the federal government, the provincial government, and the Service Manager toward each other if a project becomes non-compliant, including such circumstances as bankruptcy, environmental problems, construction failures, and program compliance violations.

4.1 Program Requirements

Detailed program requirements are attached to this report (see *Attachment 1*). For the most part, these requirements have been outlined in previous reports to Council.

4.1.1 Program Funding

Funding under the Program can be up to $70,000 per unit. Of this funding, $26,600 represents federal funding which will be forwarded during the construction phase. The remaining $43,400, representing provincial funding, will be paid on a monthly basis to proponents over a 20 year period. This provincial funding will also contain an interest amount as these funds will need to be borrowed.

The Program requires that initial rents be set for projects at 80% of the Average Market Rent (AMRs) as determined by Canada Mortgage and Housing Corporation (CMHC). Generally, in the first 15 years of the project, rents can be increased by amounts allowed under the *Tenant Protection Act.* In years15-20, rents for vacant units can be set at the market level.

The amount of funding available compared to land and development costs within the Greater Toronto Area (GTA) and the requirement to have reduced rents will mean that proponents will need to inject significant equity into their projects. This may be a restriction on the ability of many community groups to participate in the Program.

4.1.2 Special Need Targets

Of the 370 units allocated to York Region, 52 units must be allocated to those living with mental illness, 38 for victims of domestic violence, and 10 for those having a dual diagnosis of mental illness and cognitive impairment.

The ability to ensure that proponents meet these overall targets is not in the control of the Region. Proponents may recommend various combinations of tenant targets that do not in total meet the Region's overall targeting requirement. The Province has been informed that the Region will use best efforts to meet the overall target.

Further, the on-going ability to meet tenant targets may not be in the control of either the proponent or the Region. The Province could for example reduce support funding to the target groups impairing the ability to serve these tenants.

4.1.3 Proponent Contribution Agreements

It is also a condition of the Program that the Region enter into a contribution agreement with any proponent receiving funding which outlines the legal responsibilities between the Region and the proponent. The contribution agreement will mirror many of the responsibilities of the Region to the Province as outlined in the Administration Agreement.

4.2 Reporting Requirements

The Administration Agreement outlines a number of reporting responsibilities including:

- During construction, the Region must inform the Province that proponents are in compliance with their contribution agreements, and have met certain construction milestones prior to funding the federal portion of the AHP.

- During the period of the program roll-out, the Region will be required to inform the Province of its progress in committing and funding projects on a quarterly basis.

- Prior to receiving monthly provincial funding, proponents must report that their initial rent levels are at an average below the 80% AMR level. On an annual basis, proponents will also need to report that their rent increases are within legislated amounts, and that they are continuing to house targeted tenants in accordance with their initial target plans.

- The Region must report annually to the Province on a combined basis for all projects receiving AHP funding regarding rents and target plans. The Region must also confirm annually to the Province that proponents are in conformance with their Contribution Agreements.

- The Region must also promptly report to the Province any misuse of funds, projects in difficulty, or breaches of the contribution agreement/ program guidelines.

4.3 Administration Fees

If all 370 units of the Program are delivered, the Region will receive $366,200 of administration funding for the Program. An initial payment of $25,000 will be made to the Region upon signing of the Administration Agreement. The remainder of the funding will be received on a pro-rata basis as further units are delivered. It is estimated that this funding should be sufficient to fund the direct costs of delivering the program. Longer term program administration will be rolled into other housing administrative functions and can be managed within existing resources.

4.4 Potential Obligations of the Region

Under the previous phases of the Program, the Region was required to provide blanket indemnification to the Province in regard to potential third party liabilities and repayment of program funds. The Province has significantly reduced the liability it now expects of the Region.

Such claims can be divided into various areas of potential liability for the Region (see *Attachment 2*). There are offsets to many of these risks which will make them manageable to the Region.

The Region's Contribution Agreement with a proponent will also contain indemnification provisions in favour of the Region and will set forth the proponent's insurance requirements for its project, to minimize the Region's risk under the Administration Agreement.

4.5 Financial Incentives Offered by the Region

At its June 2003 meeting, Council enacted a policy whereby non-profit groups building affordable rental housing could receive grants in the amount of regional development charges paid. If all 235 units reserved for third party groups are delivered by non-profit groups, this could represent a draw on the Region's Social Housing Reserve Fund of between $1.4 million to $2.2 million. It is not expected 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.

It can reasonably be expected that if at some future time the federal or provincial governments offer the Region further rent supplement funding, the Region in turn would make this funding available to any third party receiving AHP funding in order to enhance project viability and make units even more affordable to those in need.

5. FINANCIAL IMPLICATIONS

If all 235 units reserved for third party groups are delivered by non-profit groups, this could represent a draw on the Region's Social Housing Reserve Fund of between $1.4

million to $2.2 million. This funding is budgeted in the Community Services and Housing Department's 2007 and 2008 Operating Budgets.

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 receiving AHP funds for its approval before they are recommended to the Province.

6. LOCAL MUNICIPAL IMPACT

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

The Province has now conveyed the legal agreement and program requirements for the Rental and Supportive Component of the Affordable Housing Program. The program represents a potentially significant opportunity to the Region to be able to increase the supply of affordable housing for its residents and the obligations of the Region to the Province can be managed within reasonable parameters.

It is therefore recommended that the Region enter into the Administration Agreement with the Province to deliver the Rental and Supportive Component of the Affordable Housing Program.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause were included in the agenda for the September 13, 2006 Committee meeting.)