THE REGIONAL MUNICIPALITY OF YORK

REPORT NO. 6
OF THE REGIONAL COMMISSIONER OF COMMUNITY SERVICES AND HOUSING

For Consideration by
The Council of The Regional Municipality of York
on October 27, 2005

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ANNOUNCEMENT OF FEDERAL/PROVINCIAL AFFORDABLE HOUSING PROGRAM

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council approve, in principle, the Region's participation in the capital component of the Affordable Housing Program, including the Strong Start initiative, subject to receiving sufficient financial and administrative details of the Program from the Province to allow staff to complete a comprehensive analysis of the Program and report back to Council for further direction.

2. Regional Council approve, in principle, the Region's participation in the Strong Start initiative of the Affordable Housing Program for the Stickwood Walker Farm housing project in the Town of Newmarket.

3. Regional Council approve, in principle, the Region's participation in the Housing Allowance Program component of the Affordable Housing Program, subject to the development of a delivery plan and financial analysis to be brought back to Council for direction.

2. PURPOSE

The purpose of this report is to advise Council of the preliminary information supplied to Consolidated Municipal Service Managers (CMSMs) regarding the recently announced revision and extension of the Affordable Housing Program (AHP). This report also requests Council approval, in principle, for the Regions participation in the Program subject to conditions outlined in the body of this report. Approval is requested due to the requirement by the provincial government that CMSMs indicate their interest in participating in the Program by October 31, 2005, even though essential details of the Program are still unknown and others are under negotiation.

3. BACKGROUND

3.1 Original Affordable Housing Program 2002

In May 2002, the federal and provincial governments signed an agreement to provide $245 million in federal funding for affordable housing development in Ontario over a four year period. The main component of the funding involved the creation of rental housing under the Community Rental Housing Program (CRHP). The CHRP was designed to provide an average of $25,000 of federal funding per unit for newly created affordable housing units. These funds had to be cost matched. In the case of Ontario, the Province only contributed $2,000 per unit with an expectation that others, including community groups and municipalities, would contribute the remaining $23,000.

The Program was poorly subscribed. In addition to the nominal provincial contribution, the Program was administratively complex and burdensome. The Province required CMSMs to assume blanket liability for projects developed by private and non-profit developers receiving funding under the Program. No rent supplement funding was dedicated specifically to the units to be built. Without this further funding, rents were not at levels affordable to most households on the Region's Social Housing Waiting List.

Given the limitations of the Program, the Region applied for funding relative to only three of its own projects (comprising of 128 units). The three projects are: Armitage Gardens in the Town of Newmarket; the Sutton Multi Service Youth Centre in the Town of Georgina, and the Blue Willow Terrace senior's project in the City of Vaughan.

Despite the lack of dedicated rent supplement funding, the Region was able to allocate rent supplement funding from previous provincially funded rent supplement programs in order to make the rents truly affordable to residents in need.

3.2 New Extension and Revision of the Affordable Housing Program

In response to broad criticism, and the lack of take-up of the Program, the federal and provincial governments announced on April 29, 2005 that they had agreed to a revision to the Affordable Housing Program in Ontario that provided additional funding. Both levels of government agreed to each contribute $301 million for the next four years toward a range of housing programs.

On August 31, 2005, the Province announced preliminary program details and unit and dollar allocations for CMSMs. The funding has two main components, a Capital Program which includes a Strong Start component, and a Housing Allowance Program. The Capital Program contains delivery targets for specific groups, including victims of domestic violence, and for those with mental health issues.

The framework of an Affordable Homeownership Program is still being worked on by the Province and program details continue to unfold.

4. ANALYSIS AND OPTIONS

4.1 Capital Program Details—General

- The Province has allocated $280 million for 4,000 units (3,000 rental, 585 supportive units for mental health and 415 units for victims of domestic violence) across the Province.
- York Region's allocation is $25.2 million for 360 rental units (270 non-designated rental units, 52 units for supportive housing, 38 for victims of domestic violence).
- The Province has allocated 500 units across the Province under a Strong Start initiative for projects that are 'building permit' ready by March 31, 2006.
  - Framework for this initiative will be the same as under the previous program, including a requirement for the CMSM to provide the Province with a broad indemnification. Funding levels will be increased to $70,000 per unit. Preference will be given to projects having rents 20% or lower than Canadian Mortgage Housing Corporation (CMHC) average market rents.
- The average combined federal/provincial funding cannot exceed $70,000 per unit.
- Rents cannot exceed 80% of average market rents and rents must be affordable for at least 20 years.
- No dedicated rent supplement funding will be available for newly constructed units.
- CMSMs, including York Region, must inform the Province by October 31, 2005 of their intent to participate in the main Capital Program as well as the Strong Start initiative.

4.1.1 Capital Program – Implications and Opportunities for York Region

- The Program is not a social housing program.
- Twenty five percent of the Region's allocation is designated for victims of domestic violence and persons with mental health issues. Housing Providers and non-profit community groups providing these support services will need to identify that there is funding for support services for the units.

- Due to the high cost of construction in Greater Toronto Area, third parties, including the Region, are still required to make significant equity contributions towards the construction of new units in order to bring them to rents which do not exceed 80% of average market rents.
- No dedicated rent supplement funds will be available for newly constructed units.
  - The Province is still examining if Housing Allowance funding will be able to be stacked on capital units. However as discussed below, this allowance funding has a five year only time limit.
  - The Stickwood Walker project (discussed below) will be able to access previous provincially funded rent supplement programs, however, other projects will likely not be able to do so.
- The Program allows new construction as well as the purchase of units in existing buildings and conversion of non-residential to residential use. This presents an opportunity for the Region to investigate residential development opportunities in centres and corridors and advance partnership initiatives with local municipalities and community stakeholders.
- The Province is still working on the program framework including program agreements. Staff will review program details and report back to Council with the full program and financial analysis.

4.2 "Strong Start" Initiative

Any allocation made under the Strong Start initiative will be considered as part of the Region's total capital allocation of 360 units. The advantage to proceeding with the Strong Start initiative for the Region is that detailed program guidelines are mostly in place. Under the first phase of the Affordable Housing Program, it took the Province many months to decide on major policy and operational details.

CMSMs are required by the Province to indicate if they will participate in the Strong Start initiative by October 31, 2005. The Stickwood Walker Farm project which is an affordable family housing project of about 50 units in the Town of Newmarket is the only Regional project that can reasonably meet this schedule imposed by the Province. Further details of this project are contained in a concurrent Council report.

Projects to be considered under this initiative should be in receipt of a building permit by March 31, 2006, at which time a Funding Contribution Agreement must also be signed with the Province. However, an allowance can be made for projects not having building permits by then if they are complex, meet provincial-municipal interests, and represent a lost opportunity on land that is already acquired. Staff anticipate the Province may allow participation of the Stickwood project in the Strong Start initiative because it meets the conditions for such an allowance.

The Region has retained sufficient rent supplement funding from previous provincially funded programs to allow for a percentage of units in the project to serve families most in need. Staff will complete a full financial and program analysis of the project for Council's review prior to signing any Funding Contribution Agreement.

4.3 Housing Allowance Program Details

- The Province has allocated $80 million for 5,000 units for the next four years.
- York Region's allocation is $1.65 million for 110 units.
- Funding will only last for five years. Program Delivery Plans must illustrate how the Region will exit from the Program.
- The average subsidy will be $250 per unit per month. The Province indicates this is a "shallow subsidy" program – not intended to serve those with the greatest need as were past programs.
- Units must rent at or below CMHC average market rents.
- We are still awaiting confirmation from the Province on the ability to stack Housing Allowance Program funding on units completed under the capital component of the Program.
- The Region must prepare a Program Delivery Plan for the Province's approval.
- The Program Delivery Plan must target aboriginals, recent immigrants, and persons with disabilities, persons suffering with mental illness, OW/ODSP recipients and the working poor.
- Funding cannot be used for households to remain in their existing rental accommodation; households must move to a vacant unit.
- Units must be placed through a transparent process with landlords.
- Both private and non-profit landlords are eligible to receive funding.
- Tenants must be, or be eligible to be, on the Region's Social Housing Wait List.
- CMSMs, including York Region, must inform the Province by October 31, 2005 of their intent to participate in the Program.

4.3.1 Housing Allowance Program—Implications and Opportunities for York Region

- York Region's vacancy rate - 1.8% - is one of the lowest rates in the Province.
- The Region has a small supply of private rental stock which could make placement of units challenging.
- Many households in need cannot achieve affordable shelter costs with the small amount of subsidy being offered.
- Tenants do not have to be selected from the Region's Social Housing Wait List. Households who have waited many years on the waiting list could be "leapfrogged" by others.
- Funding ends after five years.
- The Region is responsible for developing an exit strategy. This could involve ending assistance to households in need.
- Households will have to move in order to access funding. This could result in situations where households are up-rooted from their communities, becoming less stable.

- Funding could allow the Region to explore opportunities where households typically need assistance for shorter term periods, such as clients in Social Assistance employment programs. Staff are working internally to develop a program proposal to take advantage of this funding, while reducing the long term risks inherent in a five year program.

5. FINANCIAL IMPLICATIONS

There are no financial implications to the Region at this time arising from the recommendations outlined in this report. The degree of equity contribution required from third parties, including the Region, to participate in the capital component of the Program can be better determined when further program details are received, however it is anticipated that these contributions could be significant. Staff will report to Council more fully on the financial and legal implications of participating in this Program when sufficient program details are received from the Province and before any actions are taken.

6. LOCAL MUNICIPAL IMPACT

Creation of new affordable rental housing in the Region could benefit some of the nearly 5,600 households on the Region’s Social Housing Waiting List. Specifically, allowing participation in the Strong Start initiative of this capital program could facilitate the start of the development of an affordable family housing project in the Town of Newmarket within the next year.

Participation of local municipalities will be key to the success of this Program, as has been the case with the Region’s housing initiatives to date.

7. CONCLUSION

The federal and provincial governments have announced an extension and major revision to the Affordable Housing Program. Although detailed administrative and program guidelines have yet to be released, there is a provincial requirement that municipalities indicate their participation, in principle, in the Program by October 31, 2005.

The Program could enable the Region to expand its supply of affordable rental housing. However, it is expected there will still be significant equity contributions required from third parties, including the Region. The Housing Allowance Program may allow the Region to assist some households by reducing rents, however the tight rental market in York Region will make delivery of this Program very challenging. The funds are only available for five years.

Staff will complete an analysis of legal, financial, and programmatic impacts to the Region of participating in the Program, prior to signing any Funding Contribution Agreements with the Province.

The Senior Management Group has reviewed this report.

Respectfully submitted,

October 27, 2005	**J. Simmons**
Newmarket, Ontario	**Commissioner of Community Services and Housing**

(Report No. 6 of the Commissioner of Community Services and Housing was adopted, without amendment, by Regional Council at its meeting held on October 27, 2005.)