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**Subject:** Non-Profit Affordable Rental Housing Development Charge Grant

**Report to:** Regional Council

**Report date:** Thursday, August 25, 2022

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## Recommendations

1. That a new non-profit affordable rental housing development charge grant for purpose built rental **BE APPROVED** to be added to the Region's Incentive Policy;
2. That a 2022 budget adjustment **BE APPROVED** to repurpose \$1 million from the 2022 Niagara Prosperity Initiative (NPI) surplus to funding of the first year of the grant; and
3. That sustainable funding for the grant **BE INCLUDED** for consideration in the 2023 budget for continuity of the program.

## Key Facts

- The purpose of this report is to establish development charge relief program for non-profits in Niagara that are supporting the Housing and Homelessness Action Plan objective to prioritize funding to establish new incentives that encourage not-for-profit investment in new affordable housing.
- Council recently approved an Incentives Policy supporting the four pillars of Affordable Housing, Employment, Brownfield and Public Realm. This program fits into the suite of incentives in Affordable Housing priority and specifically for non-profits seeking funding contributions from CMHC for new development with deeply affordable rents relative to median market rents and providing rental options for tenants on the centralized housing waitlist.
- As the program is new sustainable funding does not currently exist however a one time surplus in NPI funding surplus this year due to timing of this year's allocations, could be repurposed as the grant program is very much in direct alignment with the poverty reduction purpose of the NPI
- Sustainable funding will be pursued in the 2023 budget.

## Financial Considerations

The Region has established a base budget for DC grants and incentives of \$7.8 million. Of this approximately \$1.4 million has been earmarked for the affordable housing DC incentives with the largest share of \$550,000 estimated for approximately 50 units to which the DC will be deferred for units allocated to Housing Services for centralized waitlist tenants being subsidized by the Region. This program will be permitted to be stacked with the new non-profit grant.

This new grant fits into the Affordable Housing pillar of incentives and targets the creation of more affordable units to house waitlist tenants including those that may be able to afford a higher rent (but still “affordable”) and require less subsidy, which would require additional Housing Services budget to support. Based on a staff review of the CMHC co-investment fund and analysis of a number of developments currently considering application to the program, it is estimate that an additional \$1 million would enhance eligibility and viability of any local CMHC funding application. This grant could encourage construction of an additional 140 units of purpose built rental and at least 100 of affordable units targeted at household in the bottom six deciles of household income.

The \$1 million in funding for 2022 is recommended to come from the forecasted NPI surplus. This funding is available due to timing difference in allocation of funding. The program transition to in-house administration in 2022 and payments are made to the successful proponents on a quarterly basis instead of past practice of a 100% advance to the external administrator. The primary objective of the NPI is to effectively and sustainable reduced poverty. Investment in affordable housing is a well-researched poverty reduction strategy and is clearly shown to reduce poverty both through a direct benefit to residents and through a secondary economic benefit of employment through capital development.

Other related housing grants include:

- The current non-profit grant is more loosely tied to non-profits support of Regional priorities. The \$250,000 for this program is already earmarked for affordable housing development in 2022 but as it is closely aligned with the new grant staff may consider repurposing these funds to the new grant in the future.
- Intensification grant to comply with DC Act provisions
- Secondary suite residential grants

## Analysis

One of this councils stated priorities is affordable housing. To that end the objective of enhancing the DC grant funding dedicated to affordable housing (currently only allocated 15% of the total available \$7.8 million DC grant funding) is critical to be able to advance this priority. This incentive proposed herein supports achieving eight of the twelve outcomes in the Housing and Homelessness Action Plan (HHAP), Goal 3 and specifically Action 3.8d and 3.9e. The specific objective of the grant are:

1. Increase supply of units for those on our centralized housing waitlist or require Housing Services financial supports.
2. Increase the supply of affordable housing for lowest six deciles of household income.

The principle of the program are proposed to be consistent with the Region's Municipal Capital Facility By-law in that it will require:

- All units to be purpose build rental
- At least 3 units in the development
- At least 25% of the units will be under agreement with Housing Services for tenants from the centralized housing waitlist who receive rental subsidy financial support.

Additionally specific program eligibility will require

- All rents in building below 130% of median market rent which targets households below the 6<sup>th</sup> decile of household income (less than \$84,399) and ensuring the potential for tenants on waitlist with higher incomes. Median market rent for a two bedroom apartment in Niagara is \$1,125 and 130% of this amount is \$1,463 which represents 20% of the monthly household income of the sixth decile which is below the maximum housing affordability threshold of 30%.
- Applicant is a non-profit to ensure support is going to the developments supporting the community and vulnerable populations.
- That it must be tied to a CMHC funding program i.e. co-investment fund preferred which provides low interest financing and grants in exchange for requiring 30% of the units be at rents less than 80% of median market

rent. The CMHC program has very strict protocols that test the viability of the applicants and the financial strength of the development so the Region relying on the CMHC testing for viability would be appropriate and prevent duplicated efforts. Regional approvals would be made in advance of the CMHC application submission but subject to the CMHC approval.

The grant offered to those that meet these criteria would be as follows:

- i. Deferral of 100% of the DCs for units offered to those on housing/waitlist tenants where rent subsidy/support funding is involved (not less than 25% of the development). This is the existing program.
- ii. 100% DC deferral on any additional units where waitlist tenants are prioritized even without funding from Housing Services.
- iii. 50% DC deferral of all units less than 130% of median market rent.

Based on a preliminary scan of proposed non-profit developments it is anticipated that the following developments would benefit from this grant:

- Lion's Douglas Heights, Fort Erie for 62 units targeting waitlist tenants
- Thorold Non-Profit Housing, Thorold for 60 units targeting seniors
- Port Cares, Port Colborne for 40 units
- Bethlehem Housing, St. Catharines for 180-190 units
- United Mennonite Homes, Lincoln for 59 units

There is a risk that this program could also be used by other developments such as Park Street development being proposed in Niagara Falls should the successful proponent of the RFP is a non-profit. Due to the size of this development, the DCs could be upwards of \$3 million and create a pressure on this grant funding. The upside to this risk is that the supply of affordable housing units could increase substantially so should this arise in the future staff will strategize on methods to fund the program inclusive of using in year surplus/deficit (as is required in 2022 to address other brownfield and agricultural DC grants resulting from the DC by-law update) or the use of stabilization reserves if necessary.

### **Alternatives Reviewed**

The percentage of the grant being proposed was given careful consideration and ties to the policy objective of targeting the most vulnerable populations and in particular

reducing numbers on Niagara's centralized housing waitlist. Should a development desire a greater grant for project viability they do have within their control the ability to target more waitlist tenants to increase their grant from 50% per unit to 100% per unit. For this reason, no alternatives are recommended however, Regional staff commit to monitoring the results of the program and proposing modifications in the future should any be warranted.

### **Relationship to Council Strategic Priorities**

The proposed non-profit affordable rental housing development charge grant supports the Council Strategic Priority of a Healthy and Vibrant Community. It supports the achievement of Objective 2.3 by addressing affordable housing needs.

The Housing and Homelessness Action Plan also supports this Council Strategic Priority and this proposed grant supports the following goals and actions of the HHAP:

- Goal 3: Increase housing options and opportunities for low- and medium-income households,
- Action 3.8d- Prioritize funding to continue to support and establish new incentives that encourage private market and not-for-profit investment in new affordable housing, in particular purpose built rental and reinvestment and retention of existing owned affordable housing, including incentives related to Development Charges, Community Benefit Charges or as part of a Community Improvement Plan (CIP).
- Action 3.9e- Improve the capacity of interested non-profit housing and co-operative housing providers to finance, develop and maintain new affordable housing stock.

### **Other Pertinent Reports**

N/A

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**Appendices**

N/A