



<b>TO:</b>	<b>CHAIR AND MEMBERS COMMUNITY SERVICES COMMITTEE MEETING ON April 2, 2012</b>
<b>FROM:</b>	<b>L. STEVENS DIRECTOR OF MUNICIPAL HOUSING COMMUNITY SERVICES DEPARTMENT</b>
<b>SUBJECT:</b>	<b>REVISION TO THE AFFORDABLE HOUSING CAPITAL RESERVE FUND POLICY</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Executive Director of Community Services, the following revisions to the Affordable Housing Capital Reserve Fund Policy **BE APPROVED** as described in the following report:

1.
  - a) Section 1, Purpose and Objectives: Add operating funding;
  - b) Section 2, Eligibility Criteria: Add landlords from existing private sector rental units;
  - c) Section 4, Eligible Costs: Add a housing supplement as an eligible cost;
  - d) Section 5, Assistance Levels: up to \$200 per unit in housing supplement to eligible landlords;
  - e) Section 6, Affordability Criteria: Target unit types for the Housing Supplement Program according to the London Community Housing Strategy;
  - f) Section 7, Project Selection Process: Add EOI process; also include in-situ units;
  - g) Section 7, Project Selection Process: Update composition of evaluation committee; and
  - h) Title: Remove the word capital and rename to the Affordable Housing Reserve Fund Policy.
  
2. That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Executive Director of Community Services and the City Treasurer, the proposed by-law attached hereto **BE INTRODUCED** at the Municipal Council meeting on April 10, 2012, to amend the Affordable Housing Reserve Fund By-Law.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Community and Protective Services Committee

November 25, 2002 – Affordable Housing \$2M Capital Reserve Fund Conditional Allocation

Council Housing Leadership Committee

May 11, 2006 – Revised Affordable Housing Capital Reserve Fund Criteria

May 25, 2010 – London Community Housing Strategy Update

October 28, 2011 – Changes to the Affordable Housing Capital Reserve Fund Policy for Participation in the Investment In Affordable Housing Program

<b>BACKGROUND</b>
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### Affordable Housing Capital Reserve Fund

The purpose of the Affordable Housing Capital Reserve Fund (AHCRF) is to provide capital funding, in the form of forgivable loans, on a per unit basis to eligible not-for-profit organizations, the private sector and partnerships of not-for-profit organizations and the private sector to assist in the development of new affordable permanent housing targeted to low income individuals or families determined to be in deep core housing need.

The intent of the funding is to create an environment in which the private sector and community providers will be willing and able to develop affordable housing that does not involve direct City operating subsidies, for people with a range of housing needs that are not currently being met in the market. Partnerships between the private sector and not-for-profit organizations will be encouraged.

It is not intended that the AHCRF will serve as a sole source of funding support for affordable housing projects. Contributions from the Reserve Fund are intended to supplement funding or in-kind supports provided by senior levels of government, sponsor groups, service providers, businesses, community organizations and private donors.

Forgivable loans from the Affordable Housing Capital Reserve Fund may be applied to the following project capital costs: construction costs for the development of new affordable housing or the rehabilitation or conversion of existing buildings for affordable housing including acquisition of land and buildings as well as costs associated with the cost of affordable housing development including architectural, legal, engineering and project management fees; development charges and building permit fees; park fees; connect fees; and interest charges.

The annual municipal contribution to the AHCRF has been \$2M; the contribution in 2012 was \$1M. Future contributions to the Affordable Housing Capital Reserve Fund are subject to approval by Municipal Council during its annual budget deliberations.

Under the current Affordable Housing Capital Reserve Fund Policy, contributions to selected projects may be approved in amounts up to *\$15,000 per-unit*. Such funding will be in the form of a forgivable loan and may be used for municipal fees or charges and for capital costs. Recognizing the additional costs to maintain supportive housing units for the full agreement term, the contribution from the AHCRF may be in amounts up to \$15,000 in capital funding per supportive housing unit *plus* funding to offset municipal fees or charges as well as the cost of development charges. *An exception to the municipal amount was approved for units under the rental Component of the latest federal/provincial Investment in Affordable Housing Program.*

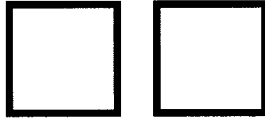
Under the City of London Accessibility Plan, the City may also provide a *\$5,000 grant* per accessible unit (units adapted for wheelchair access) to proponents as incentive to build accessible units in affordable housing projects.

### New Affordable Housing is not Social Housing

The Affordable Housing Program provides up-front capital contributions from all three orders of government as well as the applicable housing proponents. This capital contribution keeps carrying costs such as mortgages low, thus allowing for lower rents for a period of 15 to 25 years, depending on the component of the program. There is no on-going operating subsidy to new affordable housing.

The Social Housing Program consists of former federal and provincial non-profit, co-operative and public housing rent-gear-to-income units, which were devolved by the province to the municipality in 2000. The program requires on-going operating subsidy to these groups of approximately \$25M per year.

### London Community Housing Strategy



The London Community Housing Strategy (LCHS) plan, approved by Municipal Council in June 2010, represents an integrated and comprehensive approach that calls for a continued investment and action from all orders of government and from other sectors. It builds on local successes and addresses local needs in the continuum from streets to home ownership. The LCHS recommends a mix of system design, program, political advocacy, service delivery, and administrative recommendations that combine with 1,200 proposed new housing units.

The intention of the LCHS is to establish a more integrated and strategic approach that enhances our community's capacity to ensure all Londoners have a home. The LCHS also informs other community plans and services, noting that housing is integral to building healthy and sustainable communities.

#### Proposed Changes to the Existing Affordable Housing Capital Reserve Fund Policy

In order to advance the strategic objectives of the LCHS, including meeting the target number of new affordable housing units to be created and introducing a Municipal Housing Supplement Program, it is recommended that the following changes to the Affordable Housing Capital Reserve Fund Policy be approved. The word "capital" is to be removed from the Policy. All proposed changes are shown in *italics on Appendix B*.

a) Section 1, Purpose and Objectives

Change: Add operating funding, i.e. a housing supplement to private sector landlords

b) Section 2, Eligibility Criteria

Change: Add landlords from existing private sector rental units

c) Section 4, Eligible Costs

Change: Add a housing supplement as an eligible cost

d) Section 5, Assistance Levels

Change: up to \$200 per unit in housing supplement to eligible landlords

e) Section 6, Affordability Criteria

Change: Add target unit types for a Municipal Housing Supplement Program according to the London Community Housing Strategy; from 2012 to 2017, target one-bedroom & bachelor units. Rental rates for all affordable housing programs are subject to annual review.

f) Section 7, Project Selection Process

Change: Add EOI process; also include in-situ units  
Update composition of evaluation committee

g) Title

Change: Remove the word capital and rename to the Affordable Housing Reserve Fund Policy.

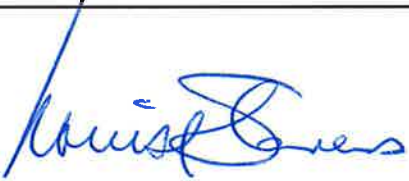

h) Affordable Housing Reserve Fund By-Law

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Change: Amend the Affordable Housing Reserve fund by-law to reflect the inclusion of operating funding to create new affordable housing units.

<b>FINANCIAL IMPACT</b>
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The financial impacts associated with the Affordable Housing Program are addressed through the municipal budget process. There are no financial impacts related to this report.

<b>PREPARED BY:</b>	<b>CONCURRED BY:</b>
	
<b>LOUISE STEVENS DIRECTOR OF MUNICIPAL HOUSING</b>	<b>ROSS L. FAIR EXECUTIVE DIRECTOR OF COMMUNITY SERVICES</b>

- C. M. Hayward, City Treasurer and Chief Financial Officer
- A.L. Barbon, Manager, C/S Financial & Business Services
- A. Dunbar, Mgr Financial Planning & Policy
- N. Watson, Housing Development Consultant
- J. Binder, District Manager, Canada Mortgage and Housing Corporation
- D. Munteer, Solicitor, City of London



## Appendix A

### City of London Affordable Housing Reserve Fund Policy

#### 1. Purpose and Objectives

The purpose of the Affordable Housing Reserve Fund (AHRF) is to provide:

- 1) capital funding, in the form of forgivable loans, on a per unit basis to eligible not-for-profit organizations, the private sector and partnerships of not-for-profit organizations and the private sector to assist in the development of affordable permanent housing targeted to low income individuals or families determined to be in deep core housing need.
- 2) ***operating funding through the Municipal Rent or Housing Supplement Program in the form of a monthly flat fee to approved eligible landlords to reduce the effective market rent in eligible units.***

The intent of the funding is to create an environment in which the private sector and community providers will be willing and able to develop affordable housing that does not involve direct City operating subsidies, for people with a range of housing needs that are not currently being met in the market. Partnerships between the private sector and not-for-profit organizations will be encouraged.

It is not intended that all monies be allocated to one form of housing. The City's goal is to provide affordable housing which meets the long term housing needs of those least able to find accommodation within the private sector.

It is not intended that the AHRF will serve as a sole source of funding support for affordable housing projects. Contributions from the Reserve Fund are intended to supplement funding or in-kind supports provided by senior levels of government, sponsor groups, service providers, businesses, community organizations and private donors.

The objectives of the Affordable Housing Reserve Fund are to:

- Increase the supply of affordable housing in the City of London for those households most in need
- Promote partnerships in support of affordable housing development
- Leverage the contribution of federal and provincial funds, not-for-profit and private sector financing for affordable housing development
- Target municipal investment in affordable housing development to individuals and families in greatest need
- Create replicable models for affordable rental projects.
- Develop projects which are self-sustaining and do not require a municipal contribution to operating costs beyond those available through social assistance programs.

#### 2. Eligibility Criteria

The focus of the Affordable Housing Reserve Fund will be the creation of affordable rental units.

Affordable housing development proposals that will be considered for contributions from the Affordable Housing Reserve Fund include the construction of new affordable housing, the acquisition and conversion of non-residential buildings to affordable housing, the acquisition and rehabilitation of substandard residential buildings, the expansion of existing affordable housing stock and ***rent or housing supplements to existing rental housing units in the private sector*** to provide adequate, affordable housing. Projects may include a mix of affordable rental units and units that exceed affordable rent levels. However, the consideration of funding will be limited only to those units that will satisfy the affordability criteria.



Due to the limited funds, proponents seeking Reserve Fund contributions must focus on those households in the greatest need and must satisfy the following criteria:

1. Proponents must be not-for-profit organizations acting independently or in partnership with private sector developers or other not-for-profit organizations (or proponents must have a commitment to a not-for-profit designation which must be in place prior to final commitment date) or private sector developers/landlords.
2. Proponents must have a mandate that relates to the provision of housing.
3. Proponents must be able to demonstrate a capacity to implement the project within the timeline and budget proposed.
4. Proponents must demonstrate the ability to achieve the affordability criteria and agree to maintain rents for a period of not less than twenty-five years below the affordable rent limits specified in Section 6, as adjusted from year to year.
5. Projects that involve the displacement of any existing tenants will not be considered unless the proponent includes a satisfactory relocation plan.
6. Proponents must be able to demonstrate that the project to be created, including any proposed support services, will be sustainable.
7. Projects must be located within the City of London.
8. Proponents must identify a site or building that can be reasonably developed for its intended purpose. The City may contribute land, subject to Council approval.
9. Proponents must prepare a tenant selection process that will form part of any agreements with the City and ensure that affordable rental units will be occupied by individuals or households whose household incomes are below the income limits specified in Section 6.
10. Private sector proponents are required to provide a minimum private equity investment of 10% of the lending value of the project; 4% is required for partnership ventures; and non-profit housing providers/developers are not required to provide equity to qualify for funding from the AHRF.

### 3. Evaluation Criteria

Proposed projects will be evaluated for conformity to the purpose and objectives of the Affordable Housing Capital Reserve Fund and for compliance to the eligibility criteria listed in Section 2.

In addition, through the evaluation process, preference will be given to projects based on the following considerations:

#### Proponent Qualifications

- Experience and qualifications of the proponent to develop affordable housing
- Experience and qualifications of the proponent to manage affordable housing

#### Financial Plan

- Level of partnership commitment for funding from other government and philanthropic sources
- Credibility of cost projections for the development and the ability to finance as required.
- Cost effectiveness and per-unit funding requirement for the proposed project.

#### Management and Service Plan

- Tenant placement plan in relation to targeted households (those households in greatest need).
- Extent to which the proposed project's management plan, including staffing and operating cost projections, is developed.
- Extent to which the proposed project's service plan represents an adequate and financially viable response to the target client group.
- Commitment that service providers and funders are making to this project (sustainability of program)



Development Plan

- Ability to proceed quickly; extent to which a proposed project is ready to go from the perspective of site acquisition, land use approvals and the securing of any additional funding commitments
- Extent to which the proposed development reflects good land-use planning and responds appropriately to the community context.
- Extent to which architectural design reflects the needs of the target client group.

4. Eligible Costs

Contributions from the Affordable Housing Reserve Fund are to the total project. There will be no phase funding (i.e. land acquisition only). Forgivable loans from the Affordable Housing Reserve Fund may be applied to the following project capital costs:

Construction costs for the development of new affordable housing or the rehabilitation or conversion of existing buildings for affordable housing including acquisition of land and buildings. Costs associated with the cost of affordable housing development including architectural, legal, engineering and project management fees; development charges and building permit fees; park fees; connect fees; and interest charges.

***Housing supplements to eligible landlords from the Affordable Housing Reserve Fund may be applied as a flat fee to reduce the effective market rent of eligible units, including in-situ units.***

5. Assistance Levels

Contributions from the Affordable Housing Reserve Fund to selected projects may be approved in amounts up to \$15,000 per unit. Such funding will be in the form of a forgivable loan and may be used for municipal fees or charges and for capital costs.

Recognizing the additional costs to maintain supportive housing units for the full agreement term, the contribution from the AHRF may be in amounts up to \$15,000 in capital funding per supportive housing unit *plus* funding to offset municipal fees or charges as well as the cost of development charges.

Under the City of London Accessibility Plan, the City provides a \$5,000 grant per accessible unit (units adapted for wheelchair access) to proponents as incentive to build accessible units in affordable housing projects.

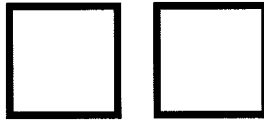
***Contributions from the Affordable Housing Reserve Fund to selected landlords and eligible units may be approved in amounts up to \$200 per unit per month. Such funding will be subject to a three year authorization to lease agreement with the city with an option to renew for an additional two years.***

6. Affordability Criteria - Updated Annually

For *supportive housing units*, it is expected that rents to be charged will not exceed the maximum shelter component provided under the Ontario Disability Support Program Act. This shelter component includes utilities.

<u>Unit Type</u>	<u>Household Size</u>	<u>ODSP Maximum Shelter Allowance November 2011</u>
Bachelor	1	\$474
1 bedroom	1	\$474
1 bedroom	2	\$745

For *affordable rental housing projects*, the maximum rent levels for affordable rental units will be set annually at 80% or below of the CMHC average market rent for rental housing within the City of London. The CMHC core need income thresholds are adjusted to include heat except electric heat.



Maximum affordable rents for 2011 will be set at:

<u>Unit Type</u>	<u>CMHC at Oct/ 11</u>	<u>2012 Affordable Rent at 80%</u>
Bachelor	\$ 539	\$431
1 bedroom	\$ 715	\$572
2 bedroom	\$ 893	\$714
3 bedroom +	\$ 1,052	\$842

For *affordable rental housing projects*, the maximum household income of the tenant households shall not exceed five times the maximum affordable rent by unit size.

<u>Unit Type</u>	<u>Maximum Household Income@ 80% affordable rent</u>
Bachelor	\$25,860
1 bedroom	\$34,320
2 bedroom	\$42,840
3 bedroom+	\$50,520

In 2009, Council Housing Leadership requested that the target rents in AHP funded projects be adjusted to 1/3 of the units in a project with rents at 70% CMHC AMR and the balance of the units at 80% CMHC AMR.

<u>Unit Type</u>	<u>CMHC at Oct/ 11</u>	<u>2012 Affordable Rent at 70%</u>
Bachelor	\$ 539	\$377
1 bedroom	\$ 715	\$500
2 bedroom	\$ 893	\$625
3 bedroom +	\$ 1,052	\$736

For *affordable rental housing projects*, the maximum household income of the tenant households shall not exceed five times the maximum affordable rent by unit size.

<u>Unit Type</u>	<u>Maximum Household Income@ 70% affordable rent</u>
Bachelor	\$22,620
1 bedroom	\$30,000
2 bedroom	\$37,500
3 bedroom+	\$44,160

**Maximum affordable rents for 2012 for the Rent or Housing Supplement Program will be set at:**

<u>Unit Type</u>	<u>Allowable Rent</u>	<u>Reduced Market Rent</u>
<b>Bachelor</b>	<b>\$539</b>	<b>\$339</b>
<b>1 bedroom</b>	<b>\$715</b>	<b>\$515</b>

**7. Project Selection Process**

The intent is to fund those projects that meet the eligibility criteria, with the greatest potential to provide affordable housing for delivery in the short term through an open, fair and competitive process.

- a) A Request for Proposals (RFP) to receive proposals for Affordable Housing Program Funding, including contributions from the Affordable Housing Reserve Fund, will be issued annually, provided funds are available.
- b) An Expression of Interest (EOI) to receive proposals for Affordable Housing Program Funding, including contributions from the Affordable Housing Reserve Fund, will be issued annually, provided funds are available.**





- c) The Director of Municipal Housing and the Housing Development Consultant will conduct an information meeting with prospective proponents and housing interest groups to clarify City of London requirements and facilitate networking and partnerships among proponents and groups.
- d) The procurement process or RFP will require the affordable housing project proposals to demonstrate:
- i) the financial viability for the project, based on a business case and evidence to demonstrate that the project can withstand a rigorous financial audit;
  - ii) that the project will be able to obtain mortgage financing within the required period;
  - iii) the proponent has the capacity and will be able to provide the required percentage of equity;
  - iv) that it meets the requirements of the program;
  - v) the proponent's ability to build and operate an affordable housing project including information on past development experience, track record and financial capacity to undertake the project;
  - vi) that the project is compliant, or will become compliant, with local planning and zoning requirements;
  - vii) a development schedule; and
  - viii) that all legal requirements have been met.
- e) ***The EOI procurement process will require the rent or housing supplement proposals to demonstrate:***
- i) that the project is compliant with local planning and zoning requirements;***
  - ii) that it meets the requirements of the program;***
  - iii) the proponent rent levels meet eligibility criteria established in the EOI;***
  - iv) the tenant income levels meet eligibility criteria established in the EOI;***
  - v) a tenant selection schedule or in-situ arrangement meets criteria established in the EOI; and***
  - vi) that all legal requirements have been met.***
- f) Proposals will be evaluated by a committee of City of London staff chaired by the Director of Municipal Housing and including:
- ***City Planner*** or designate
  - City Treasurer or designate
  - ***Executive Director of Community Services or designate***
  - Manager of Realty Services ***or designate***
  - Affordable Housing Development Consultant (resource)
  - ***Purchasing Officer (resource)***
- g) The Evaluation Committee will recommend selected proposals to City Council through the ***Council Housing Leadership Committee to the Community Services Committee***, for approval subject to the adoption of a funding agreement with the proponent.
- h) The City will prepare the funding agreement and authorizing by-law for Council's approval.



**AFFORDABLE HOUSING RESERVE FUND BY-LAW**

A by-law to establish the **amended** Affordable Housing Reserve Fund.

WHEREAS section 417 of the *Municipal Act, 2001*, as amended, provides that a municipality may establish a reserve fund for any purpose for which it has authority to spend money;

AND WHEREAS it has been deemed expedient to establish a reserve fund to provide ~~capital~~ funding support to not-for-profit housing providers and partnerships between not-for-profit housing providers and private sector organizations for the development of housing for low income and special needs households;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. A reserve fund is hereby established to be known as the "Affordable Housing Reserve Fund". (herein after called the "Fund")
2. The monies standing in the Fund shall be used by The Corporation of the City of London (herein after called the "Corporation") to provide ~~capital~~ funding support to not-for-profit housing providers and partnerships between not-for-profit housing providers and private sector organizations for the development of housing for low income and special needs households.
3. Any subsequent monies raised through the annual property tax levy to be used as a contribution to the Fund shall be deposited to the Fund by the City Treasurer.
4. Before any monies are expended from the Fund for the purposes outlined in section 2 of this by-law, the approval of the Municipal Council shall be given to the allocation of any such monies.
5. The City Treasurer may invest the monies standing in the Fund in such securities as a trustee may invest in under the *Trustees Act* or in the general funds of the Corporation as provided for in the *City of London Act, 1972*, and the earnings derived from the investment of the monies standing in the Fund shall accrue to and form part of the Fund.
6. The City Treasurer may deposit the monies standing in the Fund into a special bank account or into a consolidated bank account into which are deposited the monies raised for other reserve funds, and the earnings derived from the monies so deposited shall accrue to and form a part of the Fund.
7. Notwithstanding that provision may not be made by the Council in the estimates of the current or any subsequent year for contributions to the Fund, it shall continue and be maintained, and the Council shall always be taken as considering the Fund as necessary so long as this by-law continues in force.
8. This by-law comes into force on the day it is passed.

PASSED in Open Council on \_\_\_\_\_, 2012.

Mayor  
City Clerk

First Reading -  
Second Reading -  
Third Reading -