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TO:	CHAIR AND MEMBERS COUNCIL HOUSING LEADERSHIP COMMITTEE MEETING ON OCTOBER 28, 2011
FROM:	L. STEVENS DIRECTOR OF MUNICIPAL HOUSING COMMUNITY SERVICES DEPARTMENT
SUBJECT:	INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO APPROVAL OF PROGRAM DELIVERY & FISCAL PLAN

RECOMMENDATION

That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Executive Director of Community Services, the proposed Investment in Affordable Housing (IAH) Program Delivery and Fiscal Plan, as outlined in Appendix A, **BE APPROVED**, subject to the approval of the municipal budget during the program years of the IAH, up to and including 2014.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Council Housing Leadership Committee

May 25, 2010 – London Community Housing Strategy Update

February 8, 2011 – City of London Affordable Homeownership Program

Community & Neighbourhoods Committee

October 18, 2011 – Investment in Affordable Housing for Ontario, Approval of Administration Agreement

BACKGROUND

INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO

The federal and provincial program for the creation and repair of affordable housing over four years is called Investment in Affordable Housing for Ontario (IAH). The IAH provides extra flexibility, with accountability, to municipal Service Managers to deliver affordable housing in our communities. The City of London is the Service Manager for the city as well as for Middlesex County. The City of London signed an Administration Agreement with the Province in order to participate in any component of the IAH.

As per the Administration Agreement and Canada Mortgage and Housing Corporation (CMHC) reporting requirements, Service Managers are required to develop and submit a Council-approved Program Delivery and Fiscal Plan (PDFP) that will outline how their annual funding allocations will be used over the life of the IAH program. Service Managers are required to report quarterly on the outcomes of the program components they elect to participate in and their financial commitments as set out in the PDFP. The PDFP must be approved by the ministry prior to receiving and IAH funding.

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The PDFP will identify the following, for each year of the program:

- The IAH components that the Service Manager will deliver
- The number of units that are expected to be delivered under the selected components
- The number of households that are expected to be assisted under the selected components
- The client groups that will be targeted under the selected components
- The amount of funding from each year’s funding allocation that will be used for the selected components; and
- The amount of funding that will be used for administration fees.

The ministry will use the PDFP to track each Service Manager’s progress against its allocation and will use this information to report back to CMHC. The PDFP must be submitted to the ministry for approval no later than February 28, 2012.

PROGRAM COMPONENTS

The IAH offers the following program components to Service Managers: Rental Housing; Homeownership; Rent Supplement; Housing Allowance and Ontario Renovates. Service Managers may select which components to deliver each year using the annual funding allocation.

Rental Housing

Project eligibility criteria include new construction, including additions and renovations; acquisition and rehabilitation and conversion of non-residential buildings or units into purpose-built rental buildings/units. Construction of new rental housing on social housing lands may also be eligible provided that the appropriate consent is acquired and that it does not receive any on-going federal subsidies. Projects that are also not eligible include: secondary suites in owner-occupied housing, nursing or retirement homes, shelter and crisis care facilities and owner-occupied housing.

Units must be modest in size and amenities relative to other housing in the community and must be self contained to receive full funding per unit. Rents for the units must be affordable at or below 80% of the CMHC Average Market Rent at the time of occupancy.

Projects must start within 120 days of signing a Municipal Contribution Agreement and municipalities are required to reduce the property tax rate for rental housing projects at a rate equivalent to or below the single residential rate for the area.

Homeownership

The requirements of the Homeownership component remain the same as previous programs, except for a modest increase of \$5,000 to the local maximum house price.

Rent Supplement and Housing Allowance

The Rent Supplement and the Housing Allowance component are designed to help address affordability issues of households in need. Should a Service Manager wish to deliver this component, the funding is booked one-time with the province and can be extended for up to 10 years, but no later than March 31, 2023. As both components are considered operating, switching between components can occur by advising the Ministry of Municipal Affairs & Housing (MMAH) during quarterly update reports.

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Rent Supplement is a subsidy paid to the landlord on behalf of a household in need of rental assistance. Unlike previous programs, this rent supplement component allows in-situ arrangements. Units occupied by applicant households can be eligible. Households in receipt of rent-gear-to-income or housing allowances are not eligible to participate.

Housing Allowance is paid directly to the client household to help offset rental costs. Households in receipt of rent-gear-to-income or rent supplement are not eligible to participate. Households must be on, or eligible to be on, social housing waiting lists or have a gross household income that falls below the Household Income Limits published by CMHC. Income testing is required for continued eligibility. Housing allowance payments could impact client's existing benefit programs, causing a claw back in other benefits.

Ontario Renovates

Ontario Renovates replaces the CMHC Residential Rehabilitation Assistance Program (RRAP) beginning Year 2 of the IAH program. Ontario Renovates allows Service Managers the flexibility to target renovation and rehabilitation projects to address local needs in affordable ownership and rental properties. Some of the objectives of this component include: improving the living condition of households in need through financial assistance to repair deficiencies; fostering independent living of seniors and persons with disabilities by providing financial assistance to support modifications and adaptations to increase accessibility; to increase the supply of affordable rental housing by providing assistance to create secondary suites in existing single family homes.

Nursing homes, shelters (except those that house victims of family violence), crisis care facilities (including hostels), projects receiving capital support from the Ministry of Health & Long-Term Care or the Ministry of Community & Social Services and social housing defined under the Housing Services Act 2011 are not eligible for Ontario Renovates funding.

Funding is in the form of a forgivable loan based on approved work items and must not exceed \$25,000 per-unit in a Service Manager area. The period of forgiveness is 10 years at an equal rate per year over the affordability period. Funding for accessibility repairs, up to \$3,500 per-unit, is in the form of a grant and does not require repayment.

LONDON COMMUNITY HOUSING STRATEGY

The London Community Housing Strategy (LCHS) was approved by Municipal Council in June 2010 and will guide the City up to December 31, 2015.

It was developed through key informant interviews, a local initiatives survey, review of relevant academic and grey literature, analysis of available documentation and data, review of practices in other jurisdictions, open houses and action-oriented consultation sessions have all informed the content of the LCHS. What has been learned through the process has been married to evidence-based and evidence-informed practices and analysis for the LCHS.

London's Community Housing Strategy sets a target for 900 units of affordable housing through new construction, acquisition, affordable homeownership, and rent supplements/subsidies. Of these units, 375 are slated to be new construction or acquisition, 75 are to be affordable homeownership, and the remaining 450 can be a combination of different approaches depending on available resources. Within this target the intent is to develop units that are more affordable – such that someone on social assistance is likely to afford – through deeper subsidy in capital costs, thereby reducing operating costs and rent.

Within the target of 900, there are various sub-targets reflecting a range of community needs. The number of bedrooms per unit, needs of specific populations such as lone-parents, seniors, youth and Aboriginal people, and rent levels – are all examples of sub-targets.

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In addition to this target of 900, which the City will assume responsibility for facilitating subject to available resources from other orders of government, a target of 300 supportive and/or alternative housing has been set for other orders of government, especially the Province of Ontario. This reflects the deeper support needs amongst some of the homeless and low-income population. It is within the purview of the Province to develop and provide operating funding for this type of housing. Collectively the target is 1,200 units to be committed on or before December 31, 2015.

In order to demonstrate the City’s commitment to a housing continuum and acknowledging the City’s role as a partner with other orders of government, the LCHS recommends that London continue to invest money from the municipal tax base into the creation of new affordable housing, in line with the London Community Housing Strategy. This can be accomplished by continuing the investment of \$2M in the Housing Division budget for affordable housing and using the municipal \$2M investment in affordable housing as leverage with other orders of government.

ALLOCATION OF IAH FUNDING TO CITY OF LONDON AS SERVICE MANAGER

The IAH is a 4 year program that will end March 31, 2015. Year 1 (2011-12) is a transitional year. The full program will be delivered in Years 2 to 4 (2012-13 to 2014-15).

Each Service Manager received a notional funding allocation based on its share of the province’s households and the number of households in core need in its area. The funding allocation is broken down by fiscal year and is provided on a “use it or lose it” basis. Funds that are not committed by a contract by December 31 of each year will lapse; there is no moving of funds between fiscal years permitted under IAH.

The City of London allocation is as follows:

Year 2 2012-2013	Year 3 2013-2014	Year 4 2014-2015	Total Allocation
\$5,611,306	\$5,621,351	\$2,441,213	\$13,673,870

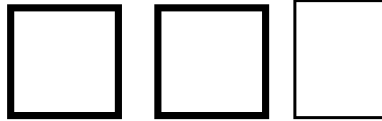
Funding that is not committed by December 31 in each year may be re-allocated to another Service Manager. Any funding that is re-allocated from a Service Manager will be deducted from that Service Manager’s total overall allocation, but conversely, any Service Manager receiving re-allocated funding will have that funding added to their overall allocation. We are anticipating that our local processes will enable us to request funds available for re-allocation where possible.

AFFORDABLE HOUSING CAPITAL RESERVE FUND POLICY

Municipal forgivable loans from the Affordable Housing Capital Reserve Fund (AHCRF) may be applied to capital costs for new affordable housing projects.

Proposed Allocation Levels from AHCRF under IAH

\$2M is added to the AHCRF annually, subject to the approval of the budget by Council. In order to maximize the number of units that can be created within the IAH envelope, the contribution from the City of London Affordable Housing Capital Reserve Funds must increase to allow sufficient capital subsidy to meet the average subsidy cost of \$115,000 per-unit to create new affordable housing in London. ***This matter is dealt with in a separate report to the Council Housing Leadership Committee.*** Proponents applying for IAH funding in the County of Middlesex must approach the municipality in which they plan to build for capital funding subsidy to supplement the final agreed upon federal/provincial average subsidy per-unit under our Program.



PROGRAM FISCAL AND DELIVERY PLAN

IAH Component	Funding recommended
Rent Supplement	\$200 per-unit X 12 months X 105 units per year = \$252,000 X 5 years = \$1,260,000
Ontario Renovates	\$3,500 per-unit as a grant for accessibility for seniors & for disabled persons / 85 units
Homeownership	Maximum house price \$145,000 X 8% (5% down payment assistance + 3% closing costs) = \$11,600 X 27 units = \$313,200
Administration Fee	As per current contract (RFP10-04)
Rental - Federal/Provincial (F/P) and Municipal (AHCRF)	Total capital subsidy from government up to \$115,000 per-unit

After careful examination of several options based on possible funding and consistent with the London Community Housing Strategy, civic administration recommends the following as the proposed spending plan under the Investment in Affordable Housing Program, subject to approval of the 2012, 2013 and 2014 municipal budgets.

This Program and Fiscal Delivery Plan (PDFP) includes a new Municipal Rent Supplement Program, to enhance our “Housing First” approach as described in the 2010 London Community Housing Strategy. The PDFP also assumes that the \$2M per year for the Affordable Housing Capital Reserve Fund (AHCRF) is approved during the future budget years of the IAH (up to and including 2014) and assumes a larger municipal contribution per unit to the IAH.

IAH Component	Number of Units	2012-2013 Year 2 \$	2013-2014 Year 3 \$	2014-2015 Year 4 \$	Total \$
Federal/Provincial \$		5,611,306	5,621,351	2,441,213	13,673,870
Ontario Renovates	85	(98,000)	(98,000)	(101,500)	(297,500)
Homeownership	27	(313,200)			(313,200)
Administration		(113,486)	(113,461)	(113,460)	(340,407)
Rent Supplement	105		(1,261,955)		(1,261,955)
Balance F/P \$		5,086,620	4,147,935	2,226,253	11,460,808
New Rental F/P \$		(5,086,620)	(4,147,935)	(2,226,253)	(11,460,808)
Balance of F/P \$		0	0	0	0
AHCRF \$		4,573,380	3,787,065	2,028,747	10,389,192
New Rental ↓					
F/P+ AHCRF	190	84 units	69 units	37 units	
City Rent Supplement	45	108,000	108,000	108,000	324,000
Total City Funding		4,681,380	3,895,065	2,136,747	10,713,192
Total Units	452				

For New Rental:

Federal / Provincial funding per-unit = \$60,555 year 2; \$60,115 year 3; and \$60,169 year 4
 AHCRF Municipal Funding per-unit = \$ 54,445 year 2; \$54,885 year 3; and \$54,831 year 4

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Under this proposed PDFP, the City retains \$1,222,808 in the AHCRF to assist with other programs such as Convert-to-Rent / Rehabilitation Program, the City's Housing Partnership Policy, funding of \$5,000 per unit for accessible units, marketing of new programs i.e. Renovation Program for Seniors & Persons with Disabilities, the municipal Rent Supplement Program as well as future programs.

Further to the annual approval by Municipal Council of \$2M to the Affordable Housing Capital Reserve Fund (AHCRF), there is no additional impact on the municipal levy as the municipal funding for the creation of affordable housing units is drawn down from the AHCRF.

RECOMMENDATION

After careful examination of available options, based on possible funding, consistent with the 2010 Council-approved London Community Housing Strategy, civic administration recommends that the Program and Fiscal Delivery Plan for the City of London and County of Middlesex, as attached in Appendix A, subject to approval of the 2012, 2013 and 2014 municipal budgets, be forwarded to the Ministry of Municipal Affairs and Housing for approval.

FINANCIAL IMPACT

In order to demonstrate the City's commitment to a housing continuum and acknowledging the City's role as a partner with other orders of government, the City of London should continue the capital investment of \$2M from the municipal tax base into the creation of new affordable housing, in line with the Council-approved London Community Housing Strategy.

Further to the annual approval by Municipal Council of \$2M to the Affordable Housing Capital Reserve Fund, there is no additional impact on the municipal levy as municipal funding for the creation of affordable housing units is drawn down from the Affordable Housing Capital Reserve Fund.

It should be noted that only federal/provincial funding will be allocated to approved project proposals in the County. Proposals in Middlesex County are not eligible for funding from the City of London Affordable Housing Capital Reserve Fund. Proponents must approach their local council directly to request additional support for their project for items such as municipal capital funding, land, development charges, building permit fees and planning approval fees.

ACKNOWLEDGMENTS

This report was prepared with the assistance of Neil Watson, Housing Development Consultant, his Associate Isabel da Rocha and Melissa Gascon, Affordable Housing Development Coordinator.

RECOMMENDED BY:	CONCURRED BY:
LOUISE STEVENS DIRECTOR OF MUNICIPAL HOUSING	ROSS L. FAIR EXECUTIVE DIRECTOR COMMUNITY SERVICES DEPARTMENT

- cc. A. Dunbar, Manager, Financial Planning & Policy
 N. Watson, Housing Development Consultant
 S. Bennett, Middlesex County

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Appendix A

**INVESTMENT IN AFFORDABLE HOUSING
PROGRAM AND FISCAL DELIVERY PLAN for
THE CITY OF LONDON and MIDDLESEX COUNTY**

The 2010 London’s Community Housing Strategy (LCHS) sets a target for 900 units of affordable housing through new construction, acquisition, affordable homeownership, and rent supplements/subsidies. Of these units, 375 are slated to be new construction or acquisition, 75 are to be affordable homeownership, and the remaining 450 can be a combination of different approaches depending on available resources. Within this target the intent is to develop units that are more affordable – such that someone on social assistance is likely to afford – through deeper subsidy in capital costs, thereby reducing operating costs and rent.

Within the target of 900, there are various sub-targets reflecting a range of community needs. The number of bedrooms per unit, needs of specific populations such as lone-parents, seniors, youth and Aboriginal people, and rent levels – are all examples of sub-targets.

In addition to this target of 900, which the City will assume responsibility for facilitating subject to available resources from other orders of government, a target of 300 supportive and/or alternative housing has been set for other orders of government, especially the Province of Ontario. This reflects the deeper support needs amongst some of the homeless and low-income population. It is within the purview of the Province to develop and provide operating funding for this type of housing. Collectively, the target is 1,200 units.

Reasons for Selected IAH Program Components and Expected Results

Rental Housing: Total capital subsidy from government up to \$115,000 per unit resulting in the creation of one hundred and ninety (190) new one-bedroom units for households without dependents utilizing a “Housing First” approach. Households without dependents can include persons with disabilities, working poor, Aboriginal people, and recent immigrants. The new rental units can be either new build or acquisition/rehab. The cost of the rental housing component is proposed at \$11,460,808 in federal/provincial capital funding and \$10,450,000 in municipal capital funding.

Affordable Homeownership: The LCHS recommends 75 affordable homeownership units. In the fall of 2010, the City of London provided funding for forty-eight (48) households under its local Affordable Homeownership Program leaving twenty-seven (27) units to meet our target. Based on the evaluation of the 2010 program, it is recommended that for the IAH Homeownership component, the maximum house price be increased \$145,000 in order to ensure sufficient supply in the market. All other program requirements would remain the same as in 2010. The cost of the Homeownership component will be $\$145,000 \times 8\% = \$11,600 \times 27 \text{ units} = \$313,200$

Ontario Renovates: Modifications to increase accessibility related to housing and reasonably related to the occupant’s disability including: ramps, handrails, chair and bath lifts, height adjustments to countertops, and cues for doorbells/fire alarms.

Other eligible costs may include labour and applicable taxes, building permits, legal fees, certificates, appraisal fees, inspection fees, drawing and specification and any other costs that the SM deems reasonable and that are agreed to by the ministry.

Funding for accessibility repairs made to a home and/or unit, up to a maximum of \$3,500 is in the form of a grant and does not require repayment.



The cost of the Ontario renovates component is estimated at \$3,500 per-unit as a grant for accessibility for seniors and persons with disabilities, resulting in a total of eighty-five (85) units: twenty-eight (28) units in Year 2, twenty-eight (28) units Year 3 and twenty-nine (29) units in Year 4. The cost of the Ontario Renovates Grant program is proposed at \$297,500.

Rent Supplement: Rent Supplement is a subsidy paid to the landlord on behalf of a household in need of rental assistance. Unlike previous programs, this rent supplement component allows in-situ arrangements. Households in receipt of rent-geared-to-income are not eligible to participate.

Housing Allowance is paid directly to the client household to help offset rental costs. Housing allowance payments could impact client’s existing benefit programs, causing a claw back in other benefits, therefore a Housing Allowance program is not being contemplated at this time. By providing rent supplement directly to landlords, households on social assistance can participate without personal penalty. It is anticipated that the Rent Supplement component will assist households under a “Housing First” model to access rental units that are affordable to them while they receive the required support for a successful tenancy from appropriate support agencies. The target households include people from shelter including singles, families, working poor, Aboriginal people, persons with disabilities and recent immigrants.

The cost of the Rent Supplement component will be: \$200 per-unit X 12 months X 105 units per year = \$252,000 X 5 years = \$1,260,000 ≈ \$1,261,955. The funding is booked one-time with the province in Year 3, and must be extended over five (5) years.

Planned Commitments

IAH Component	Number of Units	2012-2013	2013-2014	2014-2015	Total
		Year 2 \$	Year 3 \$	Year 4 \$	\$
Federal/Provincial \$		5,611,306	5,621,351	2,441,213	13,673,870
Ontario Renovates	85	(98,000)	(98,000)	(101,500)	(297,500)
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Total Units requiring F/P \$	407				
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AHCRF is the City of London contribution from its Affordable Housing Capital Reserve Fund.

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