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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:	CHANGES TO THE AFFORDABLE HOUSING CAPITAL RESERVE FUND POLICY FOR PARTICIPATION IN THE INVESTMENT IN AFFORDABLE HOUSING PROGRAM

RECOMMENDATION

That, on the recommendation of the Director of Municipal Housing, with the concurrence of the Executive Director of Community Services, the following actions **BE TAKEN** regarding the Affordable Housing Capital Reserve Fund Policy as it relates to the federal/provincial Investment in Affordable Housing Program:

- a) The proposed Affordable Housing Capital Reserve Fund per unit allocation increase from \$15,000 to up to \$55,000 per-unit **BE APPROVED** for a total municipal commitment of up to \$10,450,000; it being noted that this per unit increase is for projects approved under the Investment in Affordable Housing (IAH) Program only.
- b) The municipal commitment of \$2,580,000 for three projects forwarded to the Province under previous programs but not approved **BE UNENCUMBERED** within the Affordable Housing Capital Reserve Fund (AHCRCF).
- c) The creation of a Municipal Rent Supplement Program **BE APPROVED** for up to forty-five (45) units at \$200 per-unit per month, for a municipal commitment of \$108,000 per year for a period of three years, for a total municipal commitment of \$324,000.
- d) These recommendations **BE FORWARDED** to the Community & Neighbourhoods Committee on November 15, 2011, along with a Sources of Financing Report.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Council Housing Leadership Committee

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

July 20, 2009 - Recommendations for Proposals to go Forward under the Canada-Ontario Affordable Housing Program and the Federal/Provincial Economic Stimulus Package

May 25, 2010 – London Community Housing Strategy Update

October 28, 2011 – Investment in Affordable Housing for Ontario, Approval of Program Delivery and Fiscal Plan

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BACKGROUND

PROJECTS FORWARDED TO THE PROVINCE UNDER PREVIOUS PROGRAMS BUT NOT APPROVED

In November 2009, Municipal Council approved the following project proposals received under the Canada-Ontario Affordable Housing Program (AHP) 2009 Extension Request for Proposals RFP 09-27 - Later Starts:

1. The Hampton Group, for a municipal allocation of \$15,000 per unit for thirty nine (39) AHP units plus \$5,000 per unit for accessibility for a total municipal allocation of \$780,000 for a thirty nine (39) AHP unit seniors' project located at 162 Wortley Road;
2. The London Property Corporation, for a municipal allocation of \$15,000 per unit for seventy eight (78) AHP units plus \$5,000 per unit for accessibility for a total municipal allocation of \$1,560,000 for a seventy eight (78) AHP unit seniors' project located at 2635 Bateman Trail;

The City of London submitted the above-noted project proposals to the Province for program funding approval under the Canada-Ontario Affordable Housing Program (AHP) 2009 Extension, Year Two Funding, along with project proposals previously approved by Council on July 27, 2009 under EOI 09-11 but not yet approved by the Province.

This included a proposal from the Interra Management Group, originally submitted to the Province in September 2009 and resubmitted in February 2010, for 12 affordable housing units+ 4 market rent units at 181 King Street. The municipal allocation for this proposal was approved at \$240,000.

The Canada-Ontario Affordable Housing Program (AHP) 2009 Extension, Year Two Funding did not provide a notional funding allocation to Service Managers. The Province indicated that they wanted proposals that would create employment and that should be "shovel ready", properly zoned and able to start construction within 30 days of approval. The message was "use it or lose it" or Ontario would lose the funding to another province.

The three above-noted London proposals were not approved by the Province as the strict criteria, i.e. appropriate zoning, etc. were not met. Subsequently the property at 181 King Street was sold, the proposal for 162 Wortley Road was withdrawn as the proponent proceeded with the project privately and the conditional purchase agreement for the property on Bateman Trail has elapsed.

Therefore the municipal commitment of \$2,580,000 for the three above-noted proposals can be unencumbered within the Affordable Housing Capital Reserve Fund.

AFFORDABLE HOUSING CAPITAL RESERVE FUND POLICY

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 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.

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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.

Contributions from the Affordable Housing Capital Reserve Fund are to the total project. There will be no phase funding (i.e. land acquisition only). 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.

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. Future contributions to the Affordable Housing Capital Reserve Fund are subject to approval by Municipal Council during its annual budget deliberations

Current Allocation Levels under AHCRF

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.

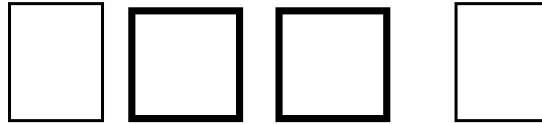
Under the City of London Accessibility Plan, the City provides a *\$5,000 grant* per accessible unit (units adapted for wheelchair access) to proponents as incentive to build accessible units in affordable housing projects.

Proposed Allocation Levels from AHCRF under the Investment in Affordable Housing Program (IAH)

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. This increase must allow sufficient capital subsidy to meet the average subsidy cost of \$115,000 per-unit required to create new affordable housing in London. 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.

Amount of Possible Municipal Funding from the AHCRF

AHCRF Credits (see above)	\$ 2,580,000
Balance as at May 31, 2011	\$ 3,356,000
Budget projected for 2012	\$ 2,000,000
Budget projected for 2013	\$ 2,000,000
Budget projected for 2014	\$ 2,000,000
Total AHCRF for period of IAH	\$11,936,000



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

Please refer to the October 28, 2011 Council Housing Leadership Committee Report - Investment in Affordable Housing for Ontario, Approval of Program Delivery and Fiscal Plan (PDFP) for the full report on the recommended plan. The PDFP creates a total of 452 units. 235 of those units will require municipal funding (see chart below).

The PDFP assumes that the \$2M per year for the Affordable Housing Capital Reserve Fund (AHCRCF) is approved during the future budget years of the IAH (up to and including 2014), assumes the creation of a municipal Rent Supplement program and assumes a larger municipal contribution per unit to the IAH.

(IAH) Investment in Affordable Housing	Number of Units	2012-2013 Year 2 \$	2013-2014 Year 3 \$	2014-2015 Year 4 \$	Total \$
Federal/Provincial \$ for Rental Component		5,086,620	4,147,935	2,226,253	11,460,808
AHCRCF \$ for Rental Component		4,573,380	3,787,065	2,028,747	10,389,192
F/P+ AHCRCF Rental Component	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 which include a City \$ Contribution	235				

IAH Rental Component:

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

The following chart illustrates the available municipal funding for this proposed plan:

\$	IAH Year 2	IAH Year 3	IAH Year 4
AHCRCF Credits (see chart on previous page)	2,580,000		
Balance as at May 31, 2011	3,356,000		
Total available in 2011	5,936,000		
Budget projected for 2012	2,000,000		
Total available in 2012	7,936,000		
AHCRCF to be used for year 2	(4,573,380)		
AHCRCF for City Rent Supplement	(108,000)		
Balance Forward		3,254,620	
Budget projected for 2013		2,000,000	
Total available in 2013		5,254,620	
AHCRCF to be used for year 3		(3,787,065)	
AHCRCF for City Rent Supplement		(108,000)	
Balance Forward			1,359,555
Budget projected for 2014			2,000,000
Total available in 2014			3,359,555
AHCRCF to be used for year 4			(2,028,747)
AHCRCF for City Rent Supplement			(108,000)
Balance remaining in AHCRCF			1,222,808

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\$1,222,808 is retained to assist with other programs such as Convert-to-Rent / Rehabilitation Program, the Housing Partnership Policy, funding of \$5,000 per unit for accessible units, marketing new programs i.e. Renovation Program for Seniors & Persons with Disabilities & the municipal Rent Supplement Program, as well as future programs.

Further to the approval annually 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.

CITY RENT SUPPLEMENT

Rent Supplement is a subsidy paid to the landlord on behalf of a household in need of rental assistance. The Rent Supplement component of the federal/provincial IAH Program is time limited, reducing the flexibility required when households enter and leave the program. A municipally controlled Rent Supplement program will allow for a more accommodating tenant exit strategy as the federal/provincial components winds down.

RECOMMENDATION

1. It is recommended that the municipal commitment of \$2,580,000 for three projects forwarded to the Province under previous programs, but not approved, be unencumbered within the Affordable Housing Capital Reserve Fund (AHCRF).
2. It is recommended that the City of London create its own Rent Supplement Program for up to a total of forty-five (45) units at \$200 per-unit for a total of \$108,000 per year for three years for a total municipal allocation of \$324,000.
3. In order to provide up to \$115,000 per unit in capital funding for the creation of new affordable housing, municipal capital funding per unit from the Affordable Housing Capital Reserve Fund (AHCRF) should be increased from \$15,000 per unit to up to \$55,000 per unit for a maximum municipal commitment of up to \$10,450,000; it being noted that this per unit increase is for projects approved under the Investment in Affordable Housing (IAH) Program **only**.

FINANCIAL IMPACT

The municipal commitment of \$2,580,000 for three projects forwarded to the Province under previous programs but not approved can be unencumbered within the Affordable Housing Capital Reserve Fund (AHCRF).

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.

In order to maximize the number of units that can be created within the IAH envelope, the contribution from the City of London AHCRF must increase. This increase must allow sufficient capital subsidy to meet the average subsidy cost of \$115,000 per-unit required to create new affordable housing in London.

Therefore, municipal capital per unit funding from the AHCRF should be increased from the current \$15,000 per unit to up to \$55,000 per unit. This will result in up to one hundred and ninety (190) units and a maximum municipal commitment of up to \$10,450,000; it being noted that this recommended per unit increase is only for projects approved under the Investment in Affordable Housing (IAH) Program.

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Proposals in Middlesex County are not eligible for funding from the City of London Affordable Housing Capital Reserve Fund. Only federal/provincial funding, as outlined in the Program and Fiscal Delivery Plan for the Investment in Affordable Housing Program, will be allocated to proposals from proponents wishing to build new affordable housing projects in the County. Those 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.

The City of London Rent Supplement Program of up to forty-five (45) units at \$200 per-unit will require a municipal commitment of \$108,000 per year for three years for a total commitment of \$324,000.

Further to the approval annually 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.

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 OF COMMUNITY SERVICES DEPARTMENT

October 2011

- cc. A. Dunbar, Manager, Financial Planning & Policy
- M. Hayward, City Treasurer and Chief Financial Officer
- N. Watson, Housing Development Consultant
- S. Bennett, Middlesex County