

Report to Community and Protective Services Committee

To: Chair and Members, Community and Protective Services Committee
From: Kevin Dickins, Deputy City Manager, Social and Health Development and George Kotsifas, Deputy City Manager, Planning and Economic Development
Subject: Proposed Implementation of the “Roadmap to 3,000 Affordable Units” (Roadmap) Action Plan
Date: November 23, 2021

Recommendation

That, on the recommendation of the Deputy City Manager, Social and Health Development and Deputy City Manager, Planning and Economic Development that the following actions **BE TAKEN** with respect to the Proposed Implementation of the “Roadmap to 3,000 Affordable Units” (Roadmap) Action Plan report that;

- a) The “Roadmap to 3,000 Affordable Units” (Roadmap), attached as Schedule 1 **BE RECEIVED** and Civic Administration **BE DIRECTED** to advance on the implementation action plan as outlined within this report;
- b) Civic Administration **BE DIRECTED** to report back with any applicable policy changes for Council approval that will aide in the delivery of the action plan;
- c) Civic Administration **BE AUTHORIZED** to carry out all necessary actions to establish a capital budget and corresponding funding sources for the Roadmap to 3,000 Affordable Units for the City of London for 2022 through 2026, as summarized in this report;
- d) Civic Administration **BE DIRECTED** to release \$5.0 million currently earmarked in the Economic Development Reserve Fund for the Back to the River – Forks of the Thames project and use this funding to support the implementation of the Roadmap action plan as provided within this report and;
- e) Civic Administration **BE DIRECTED** to temporarily fund the 2022 operating costs of this plan from the Operating Budget Contingency Reserve, and to bring a budget amendment business case to the 2023 Annual Budget Update and 2024-2027 Multi-Year Budget that establishes a permanent funding source for the portable benefits/rent supplements and ongoing resources required to support the Roadmap implementation plan.

IT BEING NOTED that specific program design considerations will be further clarified through future reports to Committee and Council.

Executive Summary

The “Roadmap to 3,000 Affordable Units” (Roadmap), attached as Schedule 1, reflects program and service options that together are anticipated to achieve the Council endorsed target of 3,000 new affordable housing units by 2026. The Roadmap is principally focused on actions that can be advanced more quickly but also be part of a sustainable local affordable housing plan.

The Roadmap proposes a variety of tools, plans, investments, and approaches. All recommendations are available and able to be advanced within an Ontario municipal context, but some require engagements and advocacy of other governments and sectors. Recommendations reflect varying program durations and priority populations. These will be reviewed and considered within the implementation of the plan as structured within this report.

This report recommends that Municipal Council support the attached Roadmap and direct Civic Administration to immediately advance action plans related to implementation. The

Roadmap will guide the action plans required to review and implement programs and services in order to achieve the 3,000 units by end of 2026.

This work includes initiatives already underway, in planning, or subject to ongoing study and action plans. It does not factor in ongoing programs that are regulated or anticipated to remain in place related to housing services.

The Roadmap is a local strategy aligned with the Housing Stability Action Plan. It is not intended as a Service Management plan as the geographic focus of the actions is within the boundaries of the City of London.

This report further recommends the approval of municipal sources of financing for Roadmap implementation as outlined, noting certain programs identified within this report or through future reports may require separate Council authority, including future budget business case approvals.

This plan does not reflect other future long-term investments and funding strategies that will be required for sustainability beyond the next five years of the Roadmap.

Linkage to the Corporate Strategic Plan

2019-2023 Strategic Plan for the City of London:

Council and staff continue to recognize the importance of actions to support housing, as reflected in the 2019-2023 - Strategic Plan for the City of London. Specifically, the efforts described in this report address the following Areas of Focus, including:

- Strengthening Our Community
- Safe City for Women and Girls

Strengthening our Community Strategic Area of Focus

The following strategies are intended to “increase affordable housing options”:

- Establish and revitalize community housing through a Regeneration Plan;
- Increase supportive and specialized housing options for households experiencing chronic homelessness;
- Strengthen the support for individuals and families in need of affordable housing;
- Utilize innovative regulations and investment to facilitate affordable housing development.

The following strategies are intended to achieve the result of reducing the number of individuals and families experiencing chronic homelessness or at risk:

- Create more purpose-built, sustainable, affordable housing stock in London;
- Implement coordinated access to mental health and addictions services and supports; and
- Improve emergency shelter diversion and rapid re-housing practices.

Safe City for Women and Girls Strategy

The following strategies are intended to decrease violence toward women through housing:

- Work with landlords and developers to end discrimination and bias against abused, sex trafficked and/or sexually assaulted women and girls attempting to access affordable housing; and
- Work together with City of London Housing Services, Housing Development Corporation, London Middlesex Community Housing to build more accessible and safer housing options for women and girls.

2020-2023 City of London Multi-Year Budget

Prior to the development of the Roadmap, the approved 2020-2023 Multi-Year Budget included total housing and homeless prevention investments of more than \$70 million through the approval of various Additional Investment Business Cases, including:

- Business Case 2 – Affordable Housing CIP
- Business Case 6 – Coordinated Informed Response
- Business Case 7 – Core Area Action Plan
- Business Case 10 – HDC Funding for Affordable Housing
- Business Case 12 – LMCH Infrastructure Gap
- Business Case 18 – LMCH-CMHC Co-Investment Project
- Business Case 19 – LMCH Operating Staffing/Security
- Business Case 21 – LMCH Regeneration

Core Area Action Plan

Coordinated Access contributes to the Core Area Action Plan in supporting Londoners experiencing homelessness and health issues to get help.

Housing Stability Action Plan

The City of London's Housing Stability Action Plan focuses on increasing affordable and quality housing options for individuals and families, reducing the number of individuals and families experiencing homelessness, and supporting improved access to mental health and addiction services.

Links to Community Recovery

The City of London is committed to working in partnership with the community to identify solutions that will drive a strong, deep and inclusive community recovery for London as we move out of and beyond the global COVID-19 pandemic.

Analysis

1.0 Background Information

1.1 Background

The City of London's Housing Stability Action Plan 2019 - 2024 identified the need for a minimum of 3,000 new affordable housing units in the next ten years to meet current and future needs. Since that report, and as amplified through the COVID-19 pandemic, the housing needs of Londoners have continued to increase.

Municipal Council directed Civic Administration to develop a strategy to intensify local responses to housing needs and advance 3,000 units of affordable housing units in the next five years.

Civic Administration secured the services of SHS Consulting to assist in developing an implementation roadmap in response to Council's direction. SHS worked with City and its Housing Development Corporation, London (HDC) leadership and consulted with Canada Mortgage and Housing Corporation (CMHC), private and non-profit residential developers, and other jurisdictions in their research.

1.2 Previous Reports Related to this Matter

In addition to these, the following reports provide direct and relevant background to local housing needs and plans:

- [2021 Mid-Year Update Housing Stability for All Plan](#) (CPSC: September 21, 2021)
- [Homeless Prevention Covid 19 Response Extension \(and other Canada Ontario Housing funding extensions provided through the Province of Ontario\)](#) (CPSC: Aug 31, 2021)
- [Housing Stability for All Plan 2020 Update](#) (CPSC: May 11, 2021)
- [Letter of Mayor Holder to CPSC Re: 3,000 Unit Challenge](#) (CPSC: March 30, 2021)
- (CPSC: December 3, 2020)

- [Municipal Council Approval of the Housing Stability Plan 2019 to 2024](#) as Required Under, The Housing Services Act, 2011 (CPSC: December 3, 2019)
- [Update on Urgent Transitional and Modular Supported Housing Development Report on July 15, 2020](#) (CPSC: December 15, 2020)
- [Homeless Prevention COVID-19 Response](#) (CPSC: October 6, 2020)
- [Housing Quarterly Report](#) (CPSC: October 6, 2020)
- [Housing Quarterly Report](#) (CPSC: July 15, 2020)
- [Homeless Prevention COVID-19 Response and Funding Overview](#) (CPSC: April 28, 2020)
- [Canada's COVID-19 Economic Response Plan Funding Agreement](#) (CPSC: April 28, 2020)
- [Municipal Council Approval of the Housing Stability Plan 2019 to 2024...](#) (CPSC: December 3, 2019)
- [Homeless Prevention and Housing Plan 5 Year Review and Update](#) (CPSC: June 17, 2019)
- [Core Area Action Plan](#) (SPPC: October 28, 2019)

2.0 Discussion and Considerations

2.1 Implementing the “Roadmap to 3,000 Affordable Units” (Roadmap)

The attached Roadmap responds to Civic Administration’s instruction to SHS Consulting, as independently contracted to advance research, information and resources, to find a path for an additional 3,000 units of affordable housing by 2026.

The Roadmap report reflects proposed initiatives and action plans that each require additional effort to advance within the policy, program, advocacy, engagement, and funding roles of Civic Administration.

This work includes current activities underway with HDC and City staff related to Urgent Housing, planned projects that are in process, and the work to assess and structure the necessary tools required to advance the approaches within the Roadmap.

2.2 Target Background and Assumptions

The Housing Stability Action Plan (HSAP) and HDC/City Strategic Plan 2019-2024 identified a need for a minimum of 3,000 new affordable units in the next 10 years to meet current and future needs. As noted within recent HSAP updates and the Urgent Housing strategy, recent changes in the local housing market, amplified during the pandemic, have resulted in the 3,000 units being more closely associated with local priority housing needs. The original breakdown of unit needs (established within the City’s Multi-Year Strategy) generally aligns with the Roadmap, noting that the identified Housing Enterprise Action Team (HEAT) will assess all proposed plans and targets.

The measurement of housing targets is subject to the intended measures. The end goal of the Roadmap is long-term available affordable housing that is occupied by those in need based on common measures and priorities defined within HSAP. Recognizing this, those priorities may change and advance, as they did within the pandemic.

As a consistent measure of the 3,000 unit target, the establishment of new units will be considered the key measurable indicator. This means that for new construction, the approval and full funding of the project, required to initiate building activities, will be the defined point of counting the associated units toward the target. In the case of other programs, such as a portable benefit, the target would be met through the establishment of the agreement to acquire a unit or provide an allowance. In these cases, the duration between approval and occupancy will vary, so the measure of occupancy of the units and other related data will also be captured.

The function of aligning units will be supported through existing practices, including those managed in partnership with community organizations, specifically including the Co-ordinated Access system which aligns services and units to those identified as being in

priority need of housing. In this way, new Roadmap related programs and funding will align investments with local needs in order to maximize the impact on those served and the community as a whole.

The Roadmap complements existing housing programs, services, and initiatives, including those administered within the City's role as Service Manager. The business activities required to help advance new affordable housing developments includes stacking of various government programs, including municipal funding, in order to advance viable projects and achieve the associated targets. Within these processes, the program parameters of other funding need to be met in order to access available funds. This is the case within the CMHC Co-Investment Program or the federal/provincial Ontario Priority Housing Initiative. All current government program requirements generally align within the HSAP plan.

The Roadmap therefore relies on the sustainability of existing government housing programs, including those related to operating and capital investment, administrative funding, and other services. These are critical to addressing London's growing housing needs and to meet the 3,000 unit target. The Roadmap targets also relies on the continuation of government programs and community services that have helped stabilize housing during the pandemic. Programs related to rent stabilization, eviction prevention, and social services relief remain critical to avoiding the further growth of populations in urgent housing need.

The City's ability to achieve the 3,000 units and address London's most critical housing needs remains dependent on the ongoing participation, support, and investments of all governments, sectors, and identified stakeholders.

2.3 Target Alignment to Existing Strategies and Municipal Budget

Work toward the 3,000-unit target is already underway. Council approved strategies, Multi-Year Budget business cases, and projects advanced in 2021 by the City/HDC will contribute to targeted outcomes where the associated units align within the Roadmap. This includes new bonusing bylaws, community funded projects, and the following Urgent Housing projects underway (noted within the Roadmap as "City – RHI Project" units).

These include:

- 61 units at 122 Base Line Road West (Funding Approved in 2020 with Contracts signed in 2021)
This project is funded with investments through CMHC Rapid Housing Initiative (RHI) Major Cities Grant (Phase 1), Provincial Social Services Relief Funding (SSRF), and Provincial Ontario Priorities Housing Initiative (OPHI) to complement funding from the HDC. Scheduled completion by December 2021.
- 44 units at 403 Thompson Road
This project is funded with investments from CMHC RHI (Phase 2) and HDC. (Contracts signed and approved in 2021. Construction starting in 2022)
- 20 units at 1697 Highbury Avenue
This project is being advanced by Habitat for Humanity
- 70 units secured through Section 37 Bonusing through various sites

2.4 Phased Approach

The multi-disciplinary team that has been in place with City and HDC staff will be formalized as a Housing Enterprise Action Team (HEAT) to support the staff and work within the City's newly structured Municipal Housing Development (inclusive of HDC) service area. Work on the implementation of the Roadmap will be advanced within an action plan that has a phased approach allowing Civic Administration the ability to assess each proposed initiative, establish and align any necessary programs and resources, and develop the associated requirements for service delivery and management.

Phase One

Creating and formalizing HEAT and other structure and action plans required to support the Roadmap. This includes ensuring the ongoing support of affordable housing projects currently underway and projects planned with HDC or other community agencies. These projects may require interim or transitional actions until policies or programs are designed and/or amended.

Phase Two

Advancing new policy, program, and investments to support Roadmap activities that can be initiated within existing authorities, partnerships, available investment programs, and advancing amendments, where needed, to existing policies. For example, the Municipal Facilities Housing By-law may require revision to ensure investment allocations and any associated agreements established under the Roadmap address priority needs in accordance with the Municipal Act provisions for capital facilities and requirements of other government programs.

Phase Three

Advocating policy, program, and investment plans related to Roadmap activities. This includes new municipal policies that are subject to studies and review (e.g. Development Charge By-law) as well as advocacy with other orders of government, and creating new partnerships across sectors and services. These strategies will be intended to advance sustainable development beyond the 5-year plan. Phase Three will include strategies and measures to sustain affordable housing development at a rate necessary to minimize housing backlogs and wait-lists as much as possible.

Work on all three phases will begin immediately, with longer term actions, primarily within Phase Three, requiring more time to study and advance.

Reporting on the 3,000 units will become part of the regular HSAP update process, with separate reporting through municipal budget and strategy updates, where applicable.

3.0 Financial Impact and Considerations**3.1. Financing Strategy Overview**

The following financial strategy establishes the sources of financing toward the required municipal investment in order to fund the Roadmap action plans. This will require continued review as plans advance and are implemented.

As noted previously, some of the approved additional investments in the 2020-2023 Multi-Year Budget contribute to the financing of the Roadmap. In particular, uncommitted funding approved through Business Case 10 – HDC Funding for Affordable Housing will be utilized as a funding source for various programs under this Roadmap. Additionally, approved Business Case 21 – LMCH Regeneration provides the resources to achieve the additional units envisioned through the LMCH Intensification category of the Roadmap.

The proposed sources of funding reflect the use of existing and new allocations to affordable housing. Despite the investments approved by Council for the housing system, the additional funding is required in order to achieve the Roadmap's 3,000 units and create the affordable units needed to stabilize individuals and families in housing crisis in London.

Details of specific financial strategies and sources of funding for both operating and capital costs are outlined in detail below.

3.2 Operating Budget Impacts Related to Portable Benefits

The Roadmap forecasts an incremental 100 units per year for the next five years through the use of portable benefits. These are comprised of rent allowances (allocated to tenants) and supplements (established through agreements with landlords) and are funded through the operating budget. The portable benefits allow access to available market units and is critical to the overall Roadmap. The operating budget impact of this strategy is approximately \$720 thousand of additional funding each year. The following table illustrates the estimated impact of the incremental 500 additional housing benefits between 2022 and 2026:

Program - Rent Supplements (Non-Profit and Private)	Annual Units	Grant (per unit)	Annual Operating Budget Impact	Cumulative Operating Budget Impact
2022	100	\$7,200	\$720,000	\$720,000
2023	100	\$7,200	\$720,000	\$1,440,000
2024	100	\$7,200	\$720,000	\$2,160,000
2025	100	\$7,200	\$720,000	\$2,880,000
2026	100	\$7,200	\$720,000	\$3,600,000

By 2026, approximately \$3.6 million of permanent property tax supported funding will be required on an ongoing basis in order to ensure the housing stability of the 500 benefits/households as supports extend into future years. This equates to an approximate tax levy increase of 0.5% (based on the 2021 net property tax levy), or an average additional tax levy increase of approximately 0.1% per year for 5 years.

The City has two options to fund the annual costs associated with this program:

1. Approve this funding through a business case in the 2023 Annual Budget Update and 2024-2027 Multi-Year Budget; 2022 costs can be funded temporarily through the Operating Budget Contingency Reserve. This would result in approximately a 0.2% tax levy increase for 2023 (to establish a permanent funding source for 2022 and 2023 costs) and then approximately a 0.1% per year increase in 2024 through 2026. This option reduces capacity for funding other Council priorities in the 2024 to 2027 Multi-Year Budget and puts pressure on an already significant 2023 tax levy increase.
2. Notwithstanding the approved Assessment Growth Policy, Council can direct Civic Administration to allocate the first \$720 thousand of available Assessment Growth funding for 2022 through 2026 to address the annual rent supplements costs of the Roadmap. While not as directly linked to growth as other services (e.g., garbage collection or snow removal), there is a relationship between a growing city and the need for additional affordable housing. This option avoids a tax levy impact but presents considerable risk that there may not be sufficient funding for all other growth needs in future years.

Civic administration recommends Option 1. The inclusion of a business case in the 2023 Annual Budget Update and subsequently the 2024 to 2027 Multi-Year Budget will recognize the addition of the incremental costs associated with these portable benefits and rent supplements and ensure these investments are considered along with all other budget requests and Council priorities.

3.3 Operating Budget Impacts Related to Staff Resources

The Roadmap will also place added workload on the City's internal resources. It is anticipated that three full-time resources are required to support implementation and ongoing operation of the Roadmap. Other initial resourcing for Housing and Realty Services can be accommodated within existing staff resources. As part of the new City-wide organizational changes, the Municipal Housing Development service area, incorporating the existing HDC and Housing Services programs and staff, will guide and align existing services, targets, and priorities within the Roadmap implementation plans wherever possible.

Further resource considerations may be subject to the specific initiatives outlined within the plan including those related to program administration and compliance. These will be subject to separate reports as required.

The additional resources required add \$350 thousand per year to the ongoing operating costs of the Roadmap; \$250 thousand is required in 2022, and an additional \$100 thousand is anticipated to be required in 2023 for the second Finance resource.

It is recommended that this cost also be addressed by a tax levy increase via the 2023 Annual Budget Update with the costs in 2022 funded temporarily via the Operating Budget Contingency Reserve until a permanent funding source is established.

The approximate combined total of the tax levy impacts associated with the operating costs of the Roadmap is presented below:

	2022*	2023	2024	2025	2026
Rent Supplements	0.0%	0.2%	0.1%	0.1%	0.1%
Additional Resources	0.0%	0.05%	0.0%	0.0%	0.0%
Annual Tax Levy Increase (%)	0.0%	0.25%	0.1%	0.1%	0.1%
Cumulative Tax Levy Increase (%)	0.0%	0.25%	0.35%	0.45%	0.55%

* 2022 impacts will be funded from the Operating Budget Contingency Reserve on a one-time basis.

3.4 Capital Budget Impacts: One-Time Funding Sources and Impacts

The estimated one-time and / or capital costs of the 3000 affordable units consist of City contributions/investment allocations including those to offset planning fees and development charges (DC).

These waivers still require the City to reimburse the applicable budget source (e.g. an Obligatory City Services Reserve Fund), that is forgoing revenue it would otherwise collect.

The estimated cost of the Roadmap to 3000 Affordable Units, for units identified that require a capital or one-time funding source, is as follows:

Program	Annual Units	Grant (per unit)	City Contribution for Planning Fees and DCs (per unit)	Annual Program Total
Secondary Suites - Homeowners and Developers	60	\$20,000	\$0	\$1,200,000
Affordable Rentals (Non-Profit and Private)	280	\$20,000	\$25,000	\$13,500,000
Affordable Ownership (Non-Profit)	30	\$20,000	\$25,000	\$1,350,000
Other (e.g. Transitional, Temp Housing)	10	\$20,000	\$25,000	\$450,000
Annual Roadmap Total	380			\$15,600,000

The total of the next five-years of the Roadmap is illustrated in the following table:

Year	Annual Units	Annual Roadmap Total
2022	380	\$15,600,000
2023	380	\$15,600,000
2024	380	\$15,600,000

2025	380	\$15,600,000
2026	380	\$15,600,000
5-Year Roadmap Total	1,900	\$78,000,000

To consolidate available funding, improve administrative efficiency, and facilitate transparent monitoring and reporting of the funding for this Roadmap, the New Affordable Housing Reserve Fund will serve as the primary funding source. This reserve fund, and a new associated capital project, will act as the primary conduits for all one-time and capital related activity in the program areas identified above.

Civic Administration’s financial strategy to fund this Roadmap relies on the authority assigned to the City Treasurer in the Reserve and Reserve Fund Policy to transfer between funds and which is based on the strategy outlined in this report.

Key highlights of the financial strategy are as follows:

2021 Mid-Year Operating Monitoring Report

At the September 20, 2021, Corporate Service Committee Meeting, Civic Administration presented the 2021 Mid-Year Operating Budget Monitoring Report, agenda item #2.1, with the following recommendation:

Notwithstanding the Council approved Surplus/Deficit Policy, Civic Administration BE AUTHORIZED to allocate up to \$10 million of the Property Tax Supported Budget Surplus to the New Affordable Housing Reserve Fund to support future affordable housing initiatives, noting that any remaining surplus will be allocated in accordance with the Surplus/Deficit Policy.

Once the final determination of the 2021 year-end surplus is made, an amount will be contributed to the New Affordable Housing Reserve Fund and be available for use. At this time, \$10 million is forecasted to be contributed to the reserve fund.

Canada Community-Building Fund (CCBF)

Although affordable housing is not currently an eligible project category under the CCBF (formerly known as the Federal Gas Tax), the City of London did receive a one-time top-up in 2021 in the amount of \$23.4 million.

This funding is available for use in many of the City’s current and eligible capital projects. Through housekeeping capital budget adjustments, approximately \$16.7 million of the 2021 top-up can be substituted into eligible capital projects, thereby releasing sources of financing, predominantly capital levy, that can be used to support the implementation of the Roadmap.

The remaining CCBF funds received from the 2021 top-up payment have been fully utilized in development of the 2022 Annual Budget Update and associated Budget Amendments that were tabled November 9, 2021.

Reserves and Reserve Funds

As previously noted, a significant amount of one-time funding sourced via the City’s reserves and reserve funds is required to finance the Roadmap to avoid additional impacts on the City’s property tax levy. Timing of transfers to the New Affordable Housing Reserve Fund will vary based on the schedule of available funds in the originating reserve or reserve fund.

This significant funding strategy will result in future trade-offs and financial risks which are outlined later in this report. Over the course of the next five years the following transfers will be required to the New Affordable Housing Reserve Fund at different times and in varying amounts:

Source of Funding	Total Amount Transferred (2022 to 2026)	2026 Forecasted Ending Balance
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Housing Development Corporation Reserve Fund ¹	\$16,250,000	\$810,000
Development Charges Incentive Reserve Funds (Commercial, Industrial, Institutional in Aggregate) ²	\$9,600,000	\$14,470,000
Economic Development Reserve Fund ³	\$9,050,000	\$12,270,000
Social Housing Major Repairs Reserve Fund	\$7,350,000	\$6,340,000
Efficiency, Effectiveness, and Economy (EEE) Reserve	\$7,000,000	\$10,120,000
Municipal Affordable Homeownership Reserve Fund	\$1,800,000	\$440,000
Community Investment Reserve Fund	\$1,000,000	\$570,000
Total Funding to be Transferred	\$52,050,000	

Notes:

1. Prior to development of the Roadmap, HDC earmarked commitments in this reserve fund to support contributions to affordable housing units working in conjunction with available funding programs.
2. Development Charges (DC) Incentive Reserve Funds, excluding the Residential DC Incentive Reserve Fund, are presented in aggregate as it is common practice to view these funds in totality and transfer funds between them to maintain adequate balances.
3. The 2026 forecasted balance of the Economic Development Reserve Fund does not include \$10 million that is separately earmarked for London Community Recovery Network COVID Recovery projects. The balance to be transferred does include \$5.0 million earmarked for Back to River; assuming its release per the recommendation in this report.

Housekeeping Adjustments – Tax Supported Reserve Fund Contributions

In addition to the direct transfers from other reserve funds, housekeeping adjustments to tax supported reserve fund contributions can be made to increase the amount of funding in the New Affordable Housing Reserve Fund by \$2.0 million over the 2022 to 2026 Roadmap timeframe.

Debt Financing

No tax supported debt financing has been utilized to finance the Roadmap implementation plan. The makeup of this Roadmap, i.e. providing grants and city contributions to offset development charges and planning fees, does not constitute capital projects for which the City could issue debt in accordance with the Municipal Act. No municipally owned asset with physical substance is created through the programs; rather they seek to incentivize community partners. Even if it were possible to issue debt on these programs, the financing mix in the City’s current capital plan does not have room under the self-imposed internal debt cap to contribute funding to this initiative.

3.5 Financing Strategy – General Comments

The value of investment in the 3000 units to London will be directly experienced by those individuals and families housed and by the community at large. The Roadmap report reflects the return on investments, especially related to capital building projects, to local labour markets, material and supply chain services, and to the appreciating value of new housing.

Civic Administration's approach to Roadmap investment recognizes these returns and outcomes are only available through a carefully mapped out a financing strategy that:

- Primarily utilizes one-time funding sources like the 2021 operating budget surplus, the Canada Community-Building Fund, and reserves and reserve funds. This ensures no additional property tax levy increase is needed to support the capital components of the Roadmap.
- Limits tax levy increases, as identified to support the operating budget impacts associated with portable benefits and additional staffing requirements, to the extent possible;
- Avoids the use of debt, which even if available, would ultimately make the Roadmap more expensive. It would also further constrain available financing sources for other priorities of Council that may arise.
- Leverages the one-time \$23.4 million top-up in 2021 from the Canada Community-Building Fund, which allows the City to free up a significant amount of otherwise committed one-time funding to support affordable housing. Without this infusion of funding, the City's financial resources would be further constrained by approximately \$16.7 million.
- Demonstrates the strength of the City's prudent financial practices to save prior to needs arising.
- Stages funding in the New Affordable Housing Reserve Fund by only drawing down approved allocations as required. This ensures continued monitoring of expenditures based on milestones and progress.
- Transfers funding to the New Affordable Housing Reserve Fund until required. This allows interest to be accrued and maximizes investment income.

3.6 Financial Risks of the Financing Strategy

The implementation of the Roadmap and associated investments have financing risks related to the proposed plans. The financial plan has attempted to mitigate these risks as noted below. They include:

Risk: Reduced Available Reserve and Reserve Fund Balances

Funding the Roadmap without impacting the property tax levy (for capital and one-time elements) places significant pressure on the City's available fund balances. Fully committing this amount of funding may constrain financial resources for other priorities of Council. Reduced savings may also negatively impact the City's credit rating metrics.

Risk Mitigation:

This risk is partially addressed by strategically leaving strong balances in reserves and reserve funds that are flexible by design, e.g. Efficiency, Effectiveness and Economy Reserve, Economic Development Reserve Fund, etc.

This risk is also offset by the proposed use of the New Affordable Housing Reserve Fund as the primary conduit for financing the Roadmap. Keeping a significant portion of funding in the reserve fund until needed provides a degree of flexibility should priorities shift, other projects arise, etc.

Monitoring the speed of implementation, spending, available balances, etc. through processes already in place will allow the City to be nimble adjusting to any future changes.

Keeping a significant portion of funding in the reserve fund until required should also preserve the credit rating metrics with respect to the City's reserves and reserve funds.

Risk: Reserve Fund Target Balances

Funding the Roadmap will move the City further away from achieving target balances in its reserve and reserve fund portfolio.

Risk Mitigation:

This risk is predominantly addressed by the very nature of the funding required. Many of the suitable reserve and reserve funds for housing initiatives do not yet have established targets. Of the funds being used, the Operating Budget Contingency Reserve and the Efficiency, Effectiveness and Economy (EEE) Reserve are the only exceptions.

These reserves contribute to the City's contingency reserve target established in the 2018 Reserve Rationalization Report; however, the risk is mitigated as the funding required for this plan represents a small portion of the combined balance available in these reserves.

Risk: Long-term Funding for City-owned Housing Initiatives

This Financial Strategy does not address longer-term funding for City-owned housing initiatives beyond this Roadmap. Additionally, certain program initiatives, including municipally owned development, rely on the ongoing funding of federal and provincial government programs. Currently, many government investment programs are administered on a one-time or time limited basis while housing development needs are long-term and require sustainable planning.

Risk Mitigation:

With debt availability already constrained within the base capital plan established in the 2020 to 2023 Multi-Year Capital Budget, there is a real risk of not achieving targets without additional and ongoing funding from other levels of government. Future investment decisions on other Council priorities will also impact the availability of funding for future housing initiatives. Ongoing advocacy and engagement with other levels of government for permanent, sustainable funding will play a critical role in the success of this Roadmap.

Risk: Significant Use of CCBF

Significant use of the Canada Community-Benefit Fund top-up to indirectly support affordable housing via current projects will reduce funding availability for future needs in the eligible project categories.

Risk Mitigation:

This risk is partially offset by the City's Capital Asset Renewal and Replacement Reserve Funds that support the City's lifecycle renewal needs. Municipal Council's significant commitment to, and continued support of, Asset Management has led to the implementation of financial tools and development of considerable financial resources to support the City's lifecycle renewal requirements.

This approach reduces the need for additional CCBF funding in the lifecycle renewal category of capital projects; however, this risk remains for new projects or initiatives that might arise that are not suitable candidates for funding from the Capital Asset Renewal and Replacement Reserve Funds (e.g., service improvement projects).

Conclusion

The need for new affordable housing units is happening across Canada and significantly impacting larger urban centres like London. This report reflects the needs of the City to encourage and attract investment by all sectors to create more sustainable affordable housing. These investments are essential to advancing a safe, sustainable, and desirable community, but more than ever before, they are required to ensure that the access to the basic right to shelter is available to all Londoners.

These investments remain fully reliant on the actions of other governments to minimize the continued growth in housing costs and needs. These strategies include work in with almost every sector and government service to support access to housing within a healthy economy.

In the same way as the impacts of the pandemic amplified these housing changes, there are great opportunities for governments and sectors to work together on affordable housing as part of the economic recovery emerging from COVID-19.

The municipal action plans and investments within the Roadmap reflect an aggressive approach by the City which is intended to attract and leverage those other partners to help create ongoing and sustainable affordable housing in London and beyond.

Additional reports, authorities, resources, and measures related to the Roadmap implementation will be provided to Council through existing HSAP and other reporting. These and other reports will reflect priority responses to Council's affordable housing plans in the same manner as is currently used to track City climate change initiatives within various reports to all standing committees of Council.

Recommended by: Kevin Dickins, Deputy City Manager, Social and Health Development

Recommended by: George Kotsifas, Deputy City Manager, Planning and Economic Development