

Report to Community and Protective Services Committee

To: Chair and Members, Community and Protective Services Committee Meeting
From: Scott Mathers, Deputy City Manager, Planning and Economic Development
Subject: Shovel-Ready Projects: Roadmap to 3,000 Affordable Units
Date: January 10, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development,

- (a) Civic Administration **BE AUTHORIZED** to reallocate \$6.3 million of approved annual capital funding for the Roadmap to 3,000 Affordable Units from the “Affordable Rental” category to a new “City-led Shovel-Ready Projects” program category in order to ensure these projects are shovel-ready for government funding or partnerships when they are available;
- (b) **IT BEING NOTED** that Civic Administration will report back to committee with a fulsome review of the Roadmap to 3,000 Affordable Units late in Q2 2023.

Executive Summary

The City of London has developed the Roadmap to 3,000 Affordable Units in response to the local housing crisis. The program was built to leverage 3rd party investment and participation in closing the gap on the amount of supportive, community and affordable housing in London.

The City also has a significant role in the assembly, design and construction of new affordable housing to help meet local needs. These projects are partially funded through grants by upper levels of government in conjunction with a municipal contribution.

The Roadmap program requires re-alignment of previously approved capital budgets to allow the City to prepare for these funding programs and be shovel-ready. This also puts the City in a unique position to leverage its strengths in public engagement and the development approvals process. These new sites will also be available for the non-profit and for-profit development community which leverages their knowledge and strength of tenant needs and delivering housing quickly.

The total number of units and overall budget for the Roadmap are not proposed to change. A further report on the details around the program is planned for late in Q2 of 2023.

Linkage to the Corporate Strategic Plan

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”:

- 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.

Safe City for Women and Girls Strategic Area of Focus:

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.

Background

1.0 Background Information

1.1 Previous Reports Related to this Matter

The following reports provide direct and relevant background related to this report:

- [Update on the Roadmap to 3,000 Affordable Units](#) (CPSC: November 1, 2022)
- [Housing Development Corporation, London \(HDC\) – 2021 Annual General Meeting of the Shareholder – Presentation and Update](#) (SPPC: June 22, 2022)
- [Housing Stability for All Plan 2021 Update](#) (CPSC: May 31, 2022)
- [Proposed Implementation of the “Roadmap to 3000 Affordable Units” \(Roadmap\) Action Plan](#) (CPSC: November 23, 2021)

1.2 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. In response to this urgent need, in December 2021 Council approved the Roadmap to 3,000 Affordable Units which accelerated the delivery of affordable housing units by 5 years.

Overview of the Housing Stability Action Plan:

The City of London’s Housing Stability Action Plan (HSAP) is the Council-approved guiding document for housing stability and housing services in the City of London and was developed in consultation with community stakeholders.

Specific initiatives advanced through the recommendations of this report that are aligned to the HSAP include:

- Develop publicly owned and available lands for affordable housing development, including surplus school sites, Municipal Lands, LMCH lands and other strategic land opportunities.
- House and rehouse individuals experiencing homelessness rapidly.
- Implement unique opportunities to support rapid rehousing options.
- Engage landlords to increase rental opportunities for rapid housing.
- Retain existing and create new affordable housing stock.

- Help individuals and families access housing stability services and solutions that best meet their needs.
- Implement a rapid housing program to support local priority populations.

Overview of the Roadmap to 3,000 Affordable Units:

Approved in December 2021, the Roadmap is a local strategy aligned with the HSAP. It guides the action plans and allocates funding required to review and implement programs and services in order to achieve the 3,000 affordable units goal by the end of 2026. This work includes initiatives already underway, in planning, or subject to ongoing study and action plans. At a high level, the Roadmap plans to:

- Locate non-traditional property that can be used for housing.
- Establish a land acquisition and servicing strategy for non-traditional lands.
- Identify City-owned property that are candidates for intensification.
- Ensure adequate servicing is available (or will be) to permit intensification.
- Initiate a zoning amendment process to enable such intensification projects.
- Provide an expedited approvals process.
- Facilitate partnerships among property owners and non-profit and for-profit developers to build new affordable housing projects.

1.3 Progress Update (From November CPSC Report)

In the November 1st, 2022 Roadmap to 3,000 Affordable Units Update report, civic administration committed to bring a more detailed report to Council in Spring 2023. Through the Housing Enterprise Action Team (HEAT) staff are considering a number of policy options and program elements to deliver on the Roadmap to 3,000 Units.

- The identification of non-traditional City-owned lands for intensification including affordable housing.
- Surplus School Acquisition.
- Procurement policy, standard form of agreements, etc.
- Roadmap project records and budgetary pressures.
- Criteria to guide funding request decision making.
- Depth of affordability targets to exceed Bill 23 limits (25-years / 80% AMR).
- Annual reporting through the Annual Development Report or other regular reporting tools.

In addition to the original Roadmap report, the phases below were outlined in the November 2022 update to Council. Staff continue to make good progress on advancing the action plan as summarized below:

Phase One (complete)

- Municipal Housing Development (MHD) and the HEAT have been formalized to support staff work and monitor progress to achieve the targets.
- MHD and HEAT have reviewed the policies, programs, and investments aligned to support the plan.

Phase Two (in progress)

- MHD and HEAT have initiated activities within existing authorities.
- Policy amendments will be proposed where needed to ensure the continued progress to achieve the targets of the Roadmap.

Phase Three (in progress)

Strategies and measures in this phase are intended to:

- Advance sustainable affordable housing development beyond the 5-year plan.
- Review municipal policies (e.g. Development Charge By-law), advocacy with other orders of government, and creating partnerships across sectors and services.

1.4 Roadmap Implementation Plan (From November 2022 CPSC Report)

Further to the November 1st, 2022 CPSC report, Table 1 outlines the progress being made on the various programs within the plan.

Table 1 – Roadmap to 3,000 Units Progress

Roadmap Programs		Total Target Units	Units Complete	Units in Progress	Units in Planning
1	Secondary Suites	300	0	1	14
2	Affordable Rental	1,400	111	549	200
3	Affordable Ownership	150	0	20	14
4	City – RHI Projects	200	61	44	42
5	Other – Transitional	50	0	0	0
6	LMCH Intensifications	50	0	0	167 *
7	Donations of Land/Property/Capital	50	0	0	170
8	Inclusionary Zoning (aligned to Bonus Zone Approvals) **	300	259	0	0
9	Rent Supplements	500	0	0	500
5-Year Program Target Units Total Outcomes To Date		3,000	431	614	1,107

* LMCH's proposed ZBA to provide for the future phased regeneration of the Southdale Family Townhouse site.

** Although reflected in units complete, bonused units are contingent on applications for new development by private developers. These will be adjusted in future reports to Units in Planning or Units in Progress until they are constructed and occupied.

2.0 Discussion

For the City of London to succeed in delivering on the Roadmap to 3,000 Units, a broad partnership model must be leveraged that includes participation by the local for-profit development industry, non-profit and community housing partners along with support from upper levels of government. The City's HEAT table will also need a way to test assumptions and programs by seeking input from our external stakeholder groups. Broad engagement of internal and external stakeholders will help guide City-staff towards shovel-ready projects and also build knowledge on the challenges experienced in our local housing sector to align funding for affordable housing projects.

2.1 Local Community Participation and Engagement

Further to the direction provided by the Governance Working Group (below), Planning and Economic Development are putting together a terms of reference to identify participants for a new Affordable Housing Resource Group.

- (e) the Civic Administration BE DIRECTED to report back to the Strategic Priorities and Policy Committee with a plan to establish a new Housing Committee to assist Council in meeting its goals under the approved municipal budget, the Strategic Plan and the Roadmap to 3000, with the committee include representatives from London and Middlesex Community Housing, community members at large, and relevant housing not-for-profits, organizations, and industry partners.

Building on the expertise of the HEAT table, a connection to external partners through the Resource Group will consider housing related matters and the City's goals under the approved municipal budget, the Strategic Plan, and the Roadmap to 3,000 Affordable Housing Units Action Plan. The group will be a resource to HEAT providing feedback on technical questions from the group on tenant populations, lobbying efforts, program design, and barriers to the private provision of affordable housing. The group will provide support during the timeframe of the Roadmap and be involved in developing subsequent plans.

Similar to other external stakeholder groups, the participants could include members of

the local non-profit sector, tenant advocacy groups, development industry partners and relevant City-staff.

2.2 Partnership Models in the Roadmap

In addition to broad partnerships focused on advocacy and program design identified through the Resource Group, the partnership models guiding the construction and operations of new affordable housing can take many different forms. These models will vary based on four main components of a project, i.e. land, funding, construction expertise and/or existing buildings. The partnership model with non-profits and for-profit development community could include all four components, but the Federal and Provincial government’s role will generally be as a funding partner.

Some examples of the different Roadmap delivery and partnership models are highlighted below, noting that there is likely a blend between 2 and 3 to suit the context of the property, new or repurposed building and local neighbourhood.

Table 2 – Partnership Models in the Roadmap

Model 1	<ul style="list-style-type: none"> • City-led and managed • Buy land, prepare site, construct, operate. 	Example: 122 Baseline Rd.
Model 2	<ul style="list-style-type: none"> • City directed, 3rd party operates • City prepares site, i.e. shovel-ready • 3rd party brings operations and/or construction 	Example: 18 Elm St.
Model 3	<ul style="list-style-type: none"> • City contributes, 3rd party delivered • City provides a grant through the Roadmap • 3rd party designs, constructs, operates 	Example: Vision SOHO Alliance

A further partnership model to align supportive housing partners will be explored in greater details once the work on Phase 2 and 3 in the Roadmap is complete.

2.3 Government Funding Programs for New Affordable Housing

There are many different government programs available that fund components of the housing continuum. Two examples are outlined below, noting that CMHC and the Province provide many other programs to suit different partnership arrangements and service delivery models.

Ontario Priorities Housing Initiative (OPHI)

The Government of Ontario provides support to a number of different stages in the housing continuum. In the construction of new units for affordable or community housing, OPHI is a commonly leveraged program. A key component being that local Service Managers have the flexibility to determine which program components they participate in based on local needs and priorities. The program provides flexible funding to address local housing priorities and improve access to affordable housing options. The initiative will help to increase affordable housing supply and improve the state of repair of the affordable and social housing stock.

Eligible projects must be non-profit/municipal/co-operative developments or partnerships, and be one of the following:

- New construction.
- Acquisition and rehabilitation of existing residential buildings to maintain or increase the affordable rental housing stock.
- Conversion of non-residential buildings or units to purpose-built rental buildings/units.

Project approval will be based on construction readiness, ability to meet the program’s eligibility criteria, and alignment with the Investment Plan. Specific parameters include:

- Service Manager funding for the Rental Housing component is provided as a forgivable capital loan.

- Rental Housing component will fund up to 75% of the pro-rated share of the capital costs of the affordable units.
- Total capital costs include land, financing, hard (construction) and soft costs but less any HST rebates.

Canadian Mortgage and Housing Corporation (CMHC) – Rapid Housing Initiative (RHI)

Launched in 2020, the Rapid Housing Initiative is delivered by the Canada Mortgage and Housing Corporation under the National Housing Strategy (NHS). It provides funding to facilitate the rapid construction of new housing and the acquisition of existing buildings for the purpose of rehabilitation or conversion to permanent affordable housing units.

The RHI takes a human rights-based approach to housing, serving people experiencing or at risk of homelessness and other vulnerable people under the NHS, including women and children fleeing domestic violence, seniors, young adults, Indigenous Peoples, people with disabilities, people experiencing mental health and addiction issues, veterans, 2SLGBTQI+ individuals, racialized groups, and recent immigrants or refugees.

Including accessibility and minimum standards for energy efficiency, the projects that can be funded through RHI must:

- Be constructed and occupied within 18-months
- Serve priority populations identified in the NHS, including at least 25% of the units for women and their children.
- Provide a minimum depth of affordability for at least 20-years.

2.4 Shovel Ready Projects

A key element of both the OPHI and RHI programs is the ability to deliver on new affordable housing in a timely manner. By name, the “rapid” component of the RHI program assumes that the proponent has tenants moving-in within 18-months. This presents an opportunity for municipalities to be prepared with a number of different options when funding envelopes become available.

The City’s ability to have “on the shelf” projects is a not a new concept. Environment and Infrastructure engages consultants on early planning work for a number of projects, taking the design to a stage that allows for detailed budgeting and timing of works to occur. This strategy allows the City to be in a position to execute a tender within a few months of receiving, or becoming aware of, funding from other levels of government. It also ensures that time for careful planning and issue resolution is built-in to the overall project delivery.

The same can be said for affordable housing projects. Although the City has developed a number of internal teams to remove barriers and respond to the housing emergency (i.e., HEAT or a SWOT-based approach to development approvals through Planning and Development), the lead time from the land assembly stage of a new-build is still somewhere between 6-months and 18-months depending on the complexity of the site.

Critical items associated with the build could include land acquisition, re-zoning, environmental or groundwater studies (typically 1-year), engineering studies, site plan, architectural design and building permit review.

This approach to site preparation puts the City in a position to leverage senior government funding, but also the local development industry. Both the non-profit and for-profit developers in London have significant experience in delivering new housing quickly. By completing the work to establish a shovel-ready status, the sometimes complex approval process can be completed prior to engaging with a partner. The strength and knowledge of the local industry are then focused on delivering new housing within government funding program timelines. This also allows the City to align expectations and benchmarks within our HSAP and bring units with greater depths of affordability to market faster.

3.0 Financial Impact/Considerations

3.1 Aligning RHI Requirements

There are two key components of the RHI and OPHI programs that require minor adjustments to the Roadmap to 3,000 Affordable Unit budgets and programs within with the plan.

1. Local commitment - A municipal contribution to the project to demonstrate the commitment to delivering new affordable units on-time.
2. Shovel ready - Cities and proponents are in a position to apply for a building permit and begin construction when the funding for the project is approved.

3.2 Shovel-Ready Funding

At this point in time, the City is exploring the viability of a number of properties and preparing for future funding announcements. In anticipation of those future programs and to deliver on the many different partnership models, aligning funding in the Roadmap to be used for all of the activities to construct new units is required. Specifically, land acquisition, re-zoning, environmental or groundwater studies, engineering studies, site plan, architectural design and building permit review (among other typical project expenses) may require funding through re-aligned Roadmap approved budgets. It should be noted that some of the studies or opportunities to purchase land could require funding more than 1-year ahead of a Planning Act application which adds time to prepare a shovel-ready project.

3.3 Previously Approved Roadmap to 3,000 Units Funding

A key part of the overall Roadmap program includes City-led projects, but funding has not been allocated to this work as it was anticipated at the time of developing the plan that senior government funding would be utilized for the cost of these projects. The 3,000 Units plan identified a total budget of \$96 million, of which \$78 million represents capital funding already approved by Council. The balance of the funding represents operating costs associated with the portable housing benefit program and staff resources to implement the plan. These costs will be considered through the 2023 Annual Budget Update and 2024-2027 Multi-Year Budget.

Currently, there is approximately \$70 million identified in the Roadmap for purpose-built rental and affordable home ownership through partnerships with 3rd party non-profits or other local housing developers. The non-profit groups that deliver on these housing projects rely their own fund-raising activities and other government contributions, i.e. CMHC's RHI or Co-Investment Programs. When the requests are assessed by CMHC for funding, there is often a requirement for local contribution and the applications that include a municipal contribution are viewed more favourably.

In some cases, the funding envelope approved through RHI or other government programs may not be sufficient to cover the full tendered costs of a project. Typically, when the funds are transferred to the City, it is with the understanding that any additional project costs will be covered by the proponent with no further requests of CMHC or the Province. In a City-led project, the balance of funding would come from the Roadmap through this re-alignment.

3.4 Re-aligned Roadmap to 3,000 – Annual Program Funding Categories

The overall target remains 3,000 units and continues to be funded out of the existing Affordable Housing Reserve Fund as approved by Council in December 2021. The total value of the capital program is \$78 million over the 5-year duration of the plan. It is anticipated that the various partnership models may result in some of the programs delivering more or less of the targets, with the overall intention of meeting or exceeding the 3,000 unit plan.

Civic administration are recommending the shift of half of the Affordable Rental category outlined in the Roadmap (\$6.3 million annually) to the new "City-led Shovel Ready Projects" category (previously known as the "City RHI project" category). The change is

recommended to allow the City to prepare land for future partnership opportunities, or to purpose-build affordable housing in conjunction with external funding sources, such as CMHC’s RHI program. In most cases, where the City will construct new housing as affordable rental, it is with the expectation of planned operation by London & Middlesex Community Housing. In cases where more supportive housing is sought, other partnerships can be explored to help the higher acuity tenants succeed in their new apartments.

The proposed re-alignment allows the City to continue preparing shovel-ready projects in the short-term prior to a Q2 report on the overall Roadmap program. The new values in Table 3 below assume that the City will continue to review and undertake land assembly activities, hire consultants to complete various studies, design new buildings and match funding for other government funding programs, i.e. RHI.

Table 3 – Roadmap to 3,000 Units – Annual Program Revisions

Roadmap Programs		Original Roadmap Units and Funding		Proposed 2023 – 2026 Units and Funding	
		Total Target Units	Annual Capital Budget (Millions)	Total Target Units	Annual Capital Budget (Millions)
1	Secondary Suites	300	\$1.2	300	\$1.2
2	Affordable Rental	1,400	\$12.6	700	\$6.3
3	Affordable Ownership	150	\$1.35	150	\$1.35
4	City-led Shovel-Ready Projects (formerly City RHI Projects)	200	\$0	900	\$6.3
5	Other – Transitional	50	\$0.45	50	\$0.45
6	LMCH Intensifications	50	\$0	50	\$0
7	Donations of Land/Property/Capital	50	\$0	50	\$0
8	Inclusionary Zoning (aligned to Bonus Zone Approvals)	300	\$0	300	\$0
5-Year Program Target Units Total Outcomes To Date		2,500*	\$15.6	2,500*	\$15.6

* The remaining operating funding for the Roadmap (reflecting the remaining 500 units to achieve the 3,000 units in the plan) will be considered through the 2023 Annual Budget Update and 2024-2027 Multi-Year Budget.

Conclusion

For the Roadmap to be successful, the funding for projects is intended to come from multiple sources. Financing is anticipated to be established within Federal and Provincial government funding programs (e.g. Reaching Home, OPHI and/or RHI) and the City's Roadmap to 3,000 Units approved budget.

Municipal Housing Development are recommending re-alignment of program budgets within the Roadmap to 3,000 Affordable Units to prepare sites in anticipation of future partnership opportunities or for other government programs that support new purpose-built affordable housing. Typical activities include (but are not limited to) land assembly and assessment, Planning Act applications, long-term engineering or environmental studies, architectural design, etc. The re-aligned funding envelopes will allow City-staff to bring projects along to a shovel-ready status and provide local opportunities to 3rd party partners engaged in the delivery of the Roadmap to 3,000 Affordable Units.

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