



City of
Peterborough

To: **Members of the Joint Services Steering Committee**

From: **Malcolm Hunt, Director of Planning and Development Services**

Meeting Date: **March 12, 2015**

Subject: **Report PLHDJSSC15-001
Investment in Affordable Housing Program Extension
2015-2020**

Purpose

A report to recommend the use of up to \$7.31M from the federal-provincial Investment in Affordable Housing Program Extension 2015-2020 to pursue the housing commitments in Peterborough's 10-year Housing and Homelessness Plan.

Recommendations

That Joint Services Steering Committee endorses the recommendations outlined in Report PLHDJSSC15-001 dated March 12, 2015, of the Director of Planning and Development Services, as follows:

- a) That a multi-year expenditure plan be prepared for the use of Investment in Affordable Housing Extension (IAH-E program) funds with the goal of achieving targets for creating housing affordability included in the 10-year Housing and Homelessness Plan;
- b) That the City of Peterborough, as Service Manager for Peterborough City and County, be authorized to participate in all four components of the Investment in Affordable Housing Extension;
- c) That the Director of Planning and Development Services be delegated authority to prepare and submit to the Ministry of Municipal Affairs and Housing (MMAH) the multi-year expenditure plan and any subsequent revisions;

- d) That the Director of Planning and Development Services be delegated authority to negotiate a single source program delivery agreement with Habitat for Humanity Peterborough & Kawartha Region (Habitat for Humanity) for delivery of the Peterborough Renovates Program in the City and County of Peterborough;
- e) That the Director of Planning and Development Services be authorized to use accumulated reserves from program loan repayments, within the established program guidelines;
- f) That IAH-E program funding be allocated in the proportions outlined in this report, including but not limited to:
 - i. \$1.5M to be conditionally approved for Brock Mission men's shelter to add single room occupancy rental units for men who are experiencing homelessness,
 - ii. \$100,000 for homeownership assistance through Habitat for Humanity, including a down payment for a new home to be built in Warsaw in the Township of Douro-Dummer; and
- g) That the Director of Planning and Development Services be authorized to review, and if necessary, revise the income limits currently set for incoming tenants for all rental units that have been developed under the Investment in Affordable Housing (IAH) and Affordable Housing Program (AHP), in an effort to harmonize and simplify the system for both applicants and landlords.

Budget and Financial Implications

In December 2014, the City of Peterborough received notification from the Ministry of Municipal Affairs and Housing (MMAH) of a funding allocation of \$8.15M over six years, which includes the fully expensed Year 1 (2014-15) funding of \$847,800. The funding letter from MMAH is attached as Appendix A.

The new funding available may be combined with reserves that have accumulated through loan repayments. The City has two reserves: \$72,800 for Homeownership Assistance Program loans and \$19,000 for Peterborough Renovates Program loans and grants. The balance of the reserves may be added to the new Investment in Affordable Housing - Extension (IAH-E) program funding.

Background

This report recommends an approach for the use of \$7.31M in federal-provincial funding over the next five years, in a way that complements the priorities of City and County Councils, as set out in the 10-year Housing and Homelessness Plan (the Plan). Actions

have already begun in order to meet the commitments in the Plan, which started in 2014. The City has created an environment that is favourable to new affordable rental development and has implemented housing and homelessness programs, using a variety of municipal authorities. The County and Townships have taken steps as well, including a reduced multi-residential tax class for new housing development in the County and a secondary dwelling unit by-law for the Woodland Acres area of Selwyn Township. The Investment in Affordable Housing Extension (IAH-E) program is a tool for the City to use, as manager of housing programs, to help ensure quality housing that all residents can afford.

The IAH-E program is 100% federal and provincial funding. In August 2014, the Ministry of Municipal Affairs and Housing (MMAH) announced an extension to the IAH. This extension will provide an additional \$801 million over six years to improve access to affordable housing that is safe, sound, suitable and sustainable for households in need across the province.

The IAH-E program is made up of four (4) components: Rental Housing (which provides capital funding for new affordable rental projects); Homeownership; Ontario Renovates; and Rent Supplement. Service Managers can provide funds through any or all of the streams, and can allocate and prioritize their expenditures based on targets included in their Housing and Homelessness Plans.

Funding from senior levels of government for this type of program has steadily declined since 2010, reduced from \$4M annually to the current annual average of \$1.5M. It is not clear whether the province will continue to offer funding after 2020. It is currently cost-shared with the federal government.

Peterborough's 10-year Housing and Homelessness Plan

The 10-year Housing and Homelessness Plan and Action Plan were endorsed by the Joint Services Steering Committee and County Council and approved by City Council in 2013. The vision of the Plan is to “eliminate long-term homelessness and ensure quality housing that all residents can afford”.

The Plan includes targets for addressing the needs and priorities of households in need across the housing continuum – from preventing homelessness, to maintaining tenancies, to homeownership.

IAH-E program funding creates an important opportunity to make progress toward these targets, but at current funding levels, the IAH-E program alone is not sufficient to meet them. In recognition of declining federal and provincial support for affordable housing, new initiatives have been developed to try to balance this decline.

In 2014, the new Housing Choice Rent Supplement program, which is provincially and municipally-funded, provided monthly assistance to over 100 low-income households, to

help pay their rent. The City of Peterborough's Affordable Housing Community Improvement Plan incentives have been leveraged to build new purpose-built rental housing within the City's built boundary.

City of Peterborough's Affordable Housing Community Improvement Plan (CIP)

The City of Peterborough is particularly well-positioned to use IAH-E program funding to achieve deeper affordability for low-income renters. Incentives for developers of affordable housing have been established through the Affordable Housing Community Improvement Plan (CIP) (By-law 11-114). These incentives, when accessed in conjunction with IAH-E program Rental Housing Component, are designed to enable developers to include units in their developments that offer lower rents while maintaining a sustainable business model for the long-term.

Peterborough's Affordable Housing CIP is unique in the Province. It uses provisions of the Planning Act to establish a comprehensive suite of financial incentives to stimulate the production of new affordable supply. The goal is to tilt the playing field in favour of new supply of affordable rental housing within the fiscal constraints of the municipality.

Previous federal-provincial funding programs required the City to provide municipal tax incentives in order to receive funding for new Rental Housing projects. The Affordable Housing CIP builds on, and codifies this practice to ensure that municipal incentives can stimulate new purpose-built rental housing development within the City built boundary, even in the absence of funding from the province.

IAH-E Program - Objectives

The key objectives for the IAH-E program are to improve access to affordable housing that is safe, sound, suitable and sustainable, and to provide Service Managers with the flexibility to meet the local needs and priorities identified in their Housing and Homelessness Plans. An additional objective for the 2014 Extension is to "promote and support the use of apprentices and the training of skilled labour."

An outline of how federal-provincial funding has helped 784 households to date is included as Appendix B.

IAH-E Program Delivery and Fiscal Plan (PDFP) and Allocations

The multi-year plan for program expenditures is called a Program Delivery and Fiscal Plan (PDFP). Funding is subject to "use-it-or-lose-it" restrictions, meaning that any funds that have not been committed as per the PDFP at the end of each calendar year will be redistributed by MMAH. The PDFP for 2015-2020 has been developed with input from City, County and Township staff and community stakeholders, including the Affordable Housing Action Committee, Homelessness Support Services Coordinating Committee

and the Accessibility Advisory Committee. Consideration has been given to Peterborough's 10-year Housing and Homelessness Plan and its associated targets.

It is recommended that the \$7.31M IAH-E funds be allocated in the following proportions:

Investment in Affordable Housing Program 2015-2020	% Total Program Funding	Projected Households	Projected Households vs. Housing and Homelessness Plan Targets
Rental Housing - IAH	60%	91	40% of 500 households targeted
Rental Housing - CIP	N/A	110	
Homeownership	10%	42	40% of 100 households targeted
Homeownership – revolving fund	N/A	6	
Peterborough Renovates	20%	112	55% of 200 households targeted
Peterborough Renovates – revolving fund	N/A	3	
Rent Supplement (2018-2024)	10%	50	50% of 100 households targeted
Total	100%	414	

The IAH-E program has exclusions that are largely the same as previous programs (e.g. AHP and IAH 2011-2014). For instance, the following are not eligible for funding under the IAH-E program:

- Repairs to existing social housing;
- Emergency shelters and crisis care facilities;
- Nursing and retirement homes; and
- Acquisition of existing, occupied rental that is not at risk of loss.

Program delivery has been contracted out to non-profit delivery agents for Peterborough Renovates and Rent Supplement, and the Housing Division has delivered the balance. This delivery model will continue, with one change in delivery agent: Habitat for Humanity is recommended as a sole-source delivery agent for Peterborough Renovates.

IAH-E Program - Rental Housing Component

IAH-E program funding is the only source of federal-provincial capital funds for developing new rental housing. Affordable one-bedroom rental units are a long-standing need and key priority in the Plan. Therefore, an increased emphasis on new purpose-built rental is recommended for this funding. All new affordable rental projects must be specifically approved by City Council, and must commence construction within 120 days of funding approval.

There are positive spin-off impacts of investing in the Rental Housing component, including contributing construction jobs, and encouraging the use of apprentices and the training of skilled labour. It is also an opportunity to incorporate energy efficiency and accessibility into affordable housing units and building design. Finally, it improves access to housing that is safe, sound, suitable and sustainable for households in the City and County of Peterborough.

MMAH has also highlighted the Rental Housing component as a tool to create more supportive housing units. Through the development of a Housing and Homelessness Framework by the Central East Local Health Integration Network in partnership with Service Managers, the City of Peterborough is working with the Central East-LHIN to identify opportunities to align provincial investments in housing and health.

Brock Mission

A proposal for Brock Mission men's shelter presents options to redevelop the current facility to increase shelter space and to create supportive housing. The development of supportive housing will help men who are experiencing long-term, chronic homelessness. The proposal includes fifteen (15) single-room rental units, with intensive and transitional supports and rent supplements, and thirty (30) shelter beds. IAH-E program funding can be used only for the creation of single-room rental units, not shelter space.

IAH-E program funding support of \$1.5M for this project is proposed on the following conditions:

- a) Approval by the Brock Mission Board of Directors of a proposal that demonstrates a reasonable development plan, confirmed financing and financial viability for on-going operations, by March 31, 2016;
- b) Land use approvals are in place by June 30, 2016; and
- c) A plan for relocation of the people who use the shelter is in place for the duration of the construction period.

It is anticipated that Joint Services Steering Committee and City Council will receive a report from the City's Social Services Division in June 2015 that will provide further details.

IAH-E Program - Ontario (Peterborough) Renovates Component

The Needs Assessment conducted for the 10-year Housing and Homelessness Plan identified that the percentage of homes in the City and County of Peterborough that require major repair is higher than the Ontario average.

The program objective for Peterborough Renovates is to improve the quality of life of low-to moderate-income homeowners and tenants through necessary renovations and accessibility upgrades to their homes. Peterborough Renovates provides up to \$25,000 per household in the form of a forgivable loan. Up to \$5,000 may be provided as a grant to complete accessibility upgrades.

Since Peterborough Renovates was rolled out in 2011, 85 homeowner households and two multi-unit rental properties have been assisted. It has been particularly well-received program: 55 projects in the City, and 30 projects in the County. This is a higher County representation than other housing programs, which typically see uptake at 25% or lower.

From 2011-2014, the Peterborough Renovates program was administered by Wigwamen Non-Profit Residential Corporation Incorporated (Wigwamen). Since their Peterborough office closed its door in 2014, a new delivery agent has been sourced. It is recommended that Habitat for Humanity replace Wigwamen as the delivery agent from 2015-2020.

IAH-E Program - Homeownership Component

The Homeownership Component aims to assist low-to-moderate-income renter households to purchase affordable homes by providing down payment assistance in the form of a forgivable loan. Specific objectives are to:

- Ease the demand for rental housing by assisting renter households across the province to purchase affordable homes
- Provide renter households with an opportunity to move to homeownership
- Encourage developers to build affordable housing by fostering demand

Resale house prices in the City and County of Peterborough are fairly affordable for moderate-income households. However, for households with lower-than average incomes, rents are relatively more expensive, which presents a challenge to saving toward a down payment on a home. To date, 65 homeowners within the City and County of Peterborough have received assistance from the Homeownership program.

IAH-E Program - Rent Supplement Component

Rent supplements are “demand side” solutions to housing affordability problems: they don’t create more rental units, but rather they enhance the affordability of existing stock. They enable low-income families to afford rental units in the private market.

There are currently four (4) rent supplement programs administered by the City of Peterborough. The majority of these supplements are provincially-funded and time-limited; funding starts to drop off beginning in 2018. While IAH-E program funding can be used for rent supplement, the program guidelines only allow the supplements to be paid out until 2024. The Housing Choice Rent Supplement program, which is supported by City, County and provincial Community Homelessness Prevention Initiative funds, is not adequately funded to support all of the households whose supplements will end.

It is recommended that a portion of the IAH-E program funding be put toward replacing rent supplements whose funding is expiring starting in 2018, with a view toward developing sustainable, locally-developed sources of funding for ongoing rent supplements.

Income Limits

The City of Peterborough has actively pursued and participated in federal and provincial funding for new affordable housing development since 2003. More than a decade later, the rationale for setting income limits for new tenants has changed. For example, affordable housing providers who participated in the earliest rounds of funding received smaller per-unit assistance. As a result, their rents are higher – at Average Market Rent. These providers report that the higher rents coupled with restrictions on incoming tenant incomes, makes it difficult to fill vacant units. This can present a challenge to the ongoing financial sustainability of the buildings.

Also, while the Affordable Housing Community Improvement Plan is a promising new incentives program, setting rent and income levels for projects under the CIP brings an additional layer of complexity for prospective developers, tenants and City staff.

Delegated authority to revisit the formula for determining income levels will provide an opportunity to rationalize and harmonize the income requirements for new tenants in affordable housing across the City and County, regardless of the project’s source of funding. Income limits will remain low, i.e. below the median household income for the City and County.

Summary

Since 2003, over 900 low- and moderate-income households in the City and County of Peterborough have benefited from the programs like the Investment in Affordable

Housing-Extension program. The four components of IAH-E meet the needs of singles and families across the housing continuum – from preventing homelessness, to maintaining tenancies, to homeownership. It is recommended that the City of Peterborough participate in all components, to enable progress toward the targets in the 10-year Housing and Homelessness Plan.

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Attachments:

Appendix A- Letter from Assistant Deputy Minister Janet Hope, Ministry of Municipal Affairs and Housing
Appendix B- Households Assisted 2003-2014