

Innovative Housing Incentives – Target Funding

ISSUE

Administration was requested to report back on the necessary funding levels required to achieve the Housing Business Plan targets across the housing continuum for the 2021 Budget Deliberations.

BACKGROUND

At its November 26, 2018, Corporate Business Plan and Budget Review meeting, City Council approved a yearly target of 200 attainable housing units annually, including 30 units targeted at low-income households.

At its August 26, 2019, Regular Business Meeting, City Council approved a recommendation that if a Neighbourhood Land Development Fund dividend was declared and allocated to the Affordable Housing Reserve, \$270,000 of the \$400,000 allocated for 2020 be used for a capital grants to support the creation of affordable rental housing for low-income households.

At the September 28, 2020 meeting, City Council requested Administration report back in time for City Council's 2021 budget deliberations on the necessary funding levels to achieve the Housing Business Plan targets across the housing continuum and comment on the level of interest in the development community for these funds. This request was in response to a report recommending funding allocations for 3 projects, where due to the existing budget for the program, the applications could not receive the maximum eligible amount.

CURRENT STATUS

2020 Attainable Housing Targets

The following targets for 2020 were set based on the program's goals and the allocated funding for 2020:

Housing Type	2020 Target
Purpose Built Rental	0
Affordable Ownership	50
Affordable Rental (including renovation)	30
Secondary Suites (purpose-built rental)	60
Entry Level Ownership	50
In-Kind Support – Affordable Rental (Started in 2019)	10
Total Units	200

It is important to note the current targets are based on the level of funding provided, market conditions and the needs of the community. Current market conditions and needs have shifted towards affordable rental.

2020 Affordable Rental Funding Commitment

This year has seen a significant increase in the interest of the City of Saskatoon's (City) 10% Capital Grant program for affordable rental projects. The following funding has been committed in 2020:

Developer	Total Cost	Percentage of Grant	Number of Units	Dollars Committed
K.C. Charities	\$4,851,060	7%	30	\$339,574
CUMFI	\$2,549,107	7%	15	\$178,437
Stewart Properties	\$1,557,353	10%	20	\$155,735
Petrichor & Arlyn Developments	\$1,252,800	10%	6	\$125,280
Lighthouse	\$472,000	10%	10	\$47,200
Application Recently Received - yet to be approved(*)	\$632,000	10%	11	\$63,200
Total	\$11,314,320		92	\$909,426

Based on these projects, \$909,426 will be committed to projects in 2020, leaving \$5,046.51 remaining for the year. This commitment includes carryover funds from 2019 and an additional application which has been received and will be submitted to the Standing Policy Committee on Planning, Development and Community Services for approval (*). This money will have resulted in the City's Attainable Housing Program contributing to 92 units of affordable rental projects in 2020, well above the 30 unit target.

DISCUSSION/ANALYSIS

Funding History

The 2013-2022 City of Saskatoon Housing Business Plan, approved by City Council in May 2013, outlines the functions of the City's role in affordable housing. The program receives \$250,000 in operating funds from the mill rate. Also, in recent budgets, when a dividend is declared through the Neighbourhood Land Development Fund, a portion of that dividend has been approved to be transferred to the Affordable Housing Reserve; this has been \$400,000 per year for 2019, 2020 and 2021. This \$400,000 provides funding for a 5-year contract, approved by Council, worth \$130,000 annually to the Saskatoon Housing Initiatives Partnership for the implementation of Saskatoon's Homelessness Action Plan. The remaining \$270,000 (annually) is used for the 10% capital grant funding program to support the creation of affordable rental housing. Unused funds from the operating budget and any revenue resulting from agreements

with the Saskatoon Housing Authority are returned to the Affordable Housing Reserve at year-end.

Current Funding Levels

Funding of \$270,000 was allocated in 2020 to support the creation of affordable rental for low-income households. Additional carryover funds that were unspent and reallocated from 2019, including unused operating funds and a revenue subsidy from the Saskatoon Housing Authority, has resulted in the Affordable Housing Reserve having total available funding of \$914,473 for 2020.

The City is Unable to Commit Fully to All Projects

Although the City has contributed significantly to affordable rental this year, under the capital grant program, two projects that have been approved for funding did not receive full amounts:

Developer	Total Cost	Percentage of Grant	Number of Units	Dollars Committed
K.C. Charities	\$4,851,060	7%	30	\$339,574
CUMFI	\$2,549,107	7%	15	\$178,437

Both projects were entitled to the full 10% grant, which would have provided K.C. Charities with \$485,106 and CUMFI with \$254,910. In the interest of the equitable distribution of resources based on the size and cost of the projects, Administration was unable to fully contribute to both projects based on the remaining funding in the Affordable Housing Reserve. An additional \$222,005 would have been required to fully fund these projects.

Administration has been approached by 6 additional developers inquiring about funding for proposed projects. Although no applications have been received and the size and scale of the projects differ, it is estimated, this would require an additional \$700,000 on top of the \$909,426 spent in 2020.

We are currently seeing increased usage largely related to funding capacities and programs of both the federal and provincial governments. The co-investment agreement under the National Housing Strategy between the Canadian Mortgage and Housing Corporation and the Saskatchewan Housing Corporation has begun to roll out which has increased the number of projects moving forward.

Other City Housing Programs

In the midst of very strong demand in the affordable rental market, the affordable ownership and secondary suite categories have weakened in 2020. Currently, the City has provided 7 down payment grants under the Mortgage Flexibilities Support Program (MFSP) and 15 rebates under the Secondary Suite Rebate Program. In early 2020, Administration was approached by one developer regarding the possibility of providing support for another MFSP project in 2021.

FINANCIAL IMPLICATIONS

For 2021, the Affordable Housing Reserve is scheduled to receive \$400,000 from the Neighbourhood Land Development Fund. The 2020 and 2021 allocations to the Reserve from the Neighbourhood Land Development Fund were approved in the 2020/2021 Budget Deliberations. An option was included in the 2020/2021 Operating Budget to phase in additional mill rate funding of \$100,000 per year for five years to the program in order to increase the base level of funding. This option was not approved.

With the demand for affordable rental housing increasing, the Attainable Housing Program would require additional funding in order to support the level of interest in the 10% capital grant program. As noted, \$909,426 in support was committed in 2020 and there was potential for an estimated additional \$700,000 in support for other projects. The existing funding of \$270,000 from the Neighbourhood Land Development Fund is not adequate to address this level of interest in affordable rental development.

The City has not expected to be able to support all the affordable housing projects that qualify for funding from the other levels of government. While municipal funding is not essential for every affordable housing project to proceed, many projects would not be feasible without City funding. The City's funding plays a vital role in stretching the support from the other levels of government and it allows the City to influence the design, location and energy efficiency of affordable housing projects within our community.

OTHER IMPLICATIONS

There are no legal, social, or environmental implications identified.

NEXT STEPS

During budget deliberations, City Council may determine to increase funding levels to the Affordable Housing Reserve, through the dedication of additional mill rate funding as there is currently no other identified source of funding, and the Neighbourhood Land Development Fund will not have a surplus in the foreseeable future. Administration is currently in the early planning stages for a new affordable housing plan which will replace the 2013-2022 Housing Business Plan when it expires at the end of 2022.

APPENDICES

1. Stabilization of Funding for the Affordable Housing Reserve

REPORT APPROVAL

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