

## Funding for the Attainable Housing Program and Innovative Housing Incentives

### ISSUE

Administration was requested to report back regarding Innovative Housing Incentive funds in 2023, and on an approach to a stabilized funding source to support the City of Saskatoon's (City) Attainable Housing Program.

### RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that the proposed options to fund the City of Saskatoon Attainable Housing Program be forwarded for consideration by City Council at the 2023 Business Plan and Budget deliberations.

### BACKGROUND

The Standing Policy Committee on Planning, Development and Community Services, at its [Special Meeting on June 16, 2022](#), requested:

“That at the appropriate time the Administration report back about the risks of not having Innovative Housing Incentive funds in 2023 and options for a contribution to the Affordable Housing Reserve for capital in 2023 and a phased in and indexed operating contribution going forward for Affordable Housing work.”

Furthermore, the Governance and Priorities Committee, at its [meeting on July 18, 2022](#), resolved, in part:

1. That Committee endorse full City participation and support of the future RHI investments in our community and that, as required, administration bring back internal resource requirements in order to avoid impacting the work plan and development of the Housing Business plan.
2. That Administration report back on options for a city capital funding allocation toward the next round of RHI.”

In 1987, City Council established the Affordable Housing Reserve (Housing Reserve) to support community partners in the development of affordable housing. The Housing Reserve has received funding allocations under various strategies, averaging approximately \$1.1 million annually since 2000. A summary of funding strategies and allocations for the Housing Reserve from 2000 to 2022 is found in Appendix 1.

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In 2010, City Council established a funding strategy to reach a base level funding of \$1.5 million annually, which would be provided from the mill rate. Base funding was to be phased in over six years at \$250,000 per year. During the phase-in period, the difference between the target \$1.5 million and current level of support would be backfilled from surplus funds in the Neighbourhood Land Development Fund (Fund).

On September 26, 2011, City Council suspended this strategy due to availability of provincial cost sharing for various City housing programs for a five-year period from 2011 to 2016. As a result, the annual operating contribution to the Housing Reserve has remained at \$250,000 since 2011. Contributions to the Housing Reserve from the Fund have continued on an ad hoc basis.

City Council, at its Regular Business meeting on March 21, 2016, received the annual status report on the ten-year [Housing Business Plan 2013-2022](#) and instructed Administration to report back at the time of the 2017 Business Plan and Budget Review deliberations on funding requirements and housing targets for 2017. City Council further directed Administration to report back on stabilization of funding for the Affordable Housing Reserve.

In August 2017, the Standing Policy Committee on Planning, Development and Community Services and City Council considered a report recommending a stabilized funding plan for the Affordable Housing Reserve, beginning in 2019. Administration recommended that City Council consider reintroducing a funding strategy for the Reserve, similar to the one suspended in 2011, but on a smaller scale. The strategy was to eventually reach a base level funding for the Housing Reserve, of \$750,000 annually, from mill rate increases. The funding would be phased in over five years, at \$100,000 per year, with the difference between the target allocation of \$750,000 backfilled from the Fund. This would have led to the \$750,000 allocation being fully funded from property taxes beginning in 2023. The level of funding proposed in this plan was recognized to support a target of approximately 250 attainable housing units per year, while base funding of approximately \$1.3M would have been required to meet the 500-unit annual target. This approach was not approved.

During 2020/2021 Budget Deliberations, Administration presented an option to phase in additional mill rate funding of \$100,000 per year, for five years, to the Program to increase the base level of funding. This option was not approved.

The Standing Policy Committee on Planning, Development and Community Services, at its [meeting on September 14, 2020](#), 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. A [report](#) was provided to Budget Deliberations and an additional \$100,000 of annual operating funding (mill rate) was approved.

## DISCUSSION/ANALYSIS

### 2023 Innovative Housing Incentives Funding – Capital Grants

In 2020, increased interest in capital grants was seen, with \$914,473 available, including funds carried over from previous years. There were 93 affordable rental units supported with this funding, including two projects that received 7% allocations due to limited funding. In addition, Administration was contacted by six additional developers with proposed projects, which could have required an estimated \$700,000 to support. Appendix 2 provides a summary of recent capital grant allocations.

In 2021, four projects, producing 49 units, received capital grants, totalling \$555,500 in funding.

In 2022, through a post-budget request, an allocation of \$376,066 was received from the Fund. Capital grant allocations for 2022 were approved by City Council in June, providing \$348,000 to a total of 50 affordable rental units. One eligible project did not receive any funding as it was not targeted to transitional or supportive housing units.

Demand for affordable ownership, through the City's [Mortgage Flexibility Support Program](#), has weakened, as has secondary suites. In 2022, financial support for both programs have been paused due to insufficient funding to support further applications. Existing commitments to approved projects will be supported until the end of 2022 to align with the current Housing Business Plan.

At this time, Administration recommends focusing on funding for capital grants and funding to support preparation of a new housing strategy in 2023. Options for a capital funding allocation toward the next round of the Rapid Housing Initiative are also outlined below. Priority areas for future funding beyond 2023 will be identified through the new housing strategy and future budget submissions.

### Stabilized Operating Funding

The intent of past requests for stabilized operating funding has been to achieve a base level of funding to cover internal operating costs, including staffing for program administration, etc., as well as sufficient allocations to support various incentives, such as capital grants offered under Council Policy C09-002, the [Innovative Housing Incentives Policy](#). A stable and predictable funding source for capital grants allows housing providers to forecast and plan ahead for new projects. While the City's capital grants are not the largest funding source for these projects, some projects might not be viable without City funding or could be delayed if the City has insufficient resources to support them.

Requests for stabilized operating increases of \$100,000, funded by the mill rate, will be brought forward annually, until a base level funding from the mill rate of \$750,000 annually is achieved, or an alternative targeted base funding level is identified through a new housing strategy and approved by City Council. In addition, requests will be made to backfill the difference between the target allocation of \$750,000 from other sources, such as reducing the operating transfer into the Reserve for Capital Expenditures (RCE)

and allocating it to the Attainable Housing operating program, thereby reducing the amount of RCE funds available for capital programs, or other sources as applicable. As decisions are made at budget deliberations annually on these requests, the funding allocated for the program may continue to not meet demand.

For 2023, the RCE has been fully allocated; however, if funds are returned to source, or are otherwise available in that Reserve, that amount of returned funding would be an option to reduce the RCE operating contribution and be allocated by City Council during 2023 Business Plan and Budget Deliberations. There would also be an option to increase mill rate contributions to further support this program.

Similar to the general program support approach identified above, capital support for the potential Rapid Housing Initiative Round 3 could also be supported by any funding returned to the RCE or through an increased mill rate contribution.

### Capital Project to Create New Housing Strategy

To proceed with preparing a new housing strategy at the same time as administering Rapid Housing Initiative projects, and other housing program operations, additional funding for a new 2023 capital project would be required. Administration has identified several initiatives to gather input and assess appropriate data as input to a new housing strategy. Identified initiatives include:

- Housing Needs Assessment – this would include a review and documentation of housing resources in Saskatoon, as well as an analysis of population growth and income trends. This would help to understand the current state of the housing continuum and potential future pressure points to be addressed in a new housing strategy.
- Best Practices Review – a jurisdictional review of Canadian municipalities, building on existing work. This would identify options, leading practices and tools available to support housing goals in Saskatoon.
- Engagement - Administration anticipates development of a new housing strategy at this time will require broader community consultation efforts and additional time to ensure rights holders and stakeholders can appropriately participate.

These three initiatives would help inform the preparation of a new housing strategy.

The proposed new capital project for preparation of a housing strategy will include; the Engagement, Housing Needs Assessment and a Best Practices Review, as outlined above, as well as internal staff resources to prepare the strategy based on these inputs. See Appendix 3 for an overview of the proposed capital project. This approach will ensure regular program operations continue during strategy development.

A provincial grant application will be made to the Saskatchewan Housing Corporation – Encouraging Community Housing Options (ECHO) Funding, which may allocate up to \$20,000 in funding in support of this project. The municipality must match ECHO funding. Administration will also explore other funding opportunities to support this project, which could also include a request to use RCE funding, if available.

It is also important to note that Saskatoon’s community-led [Homelessness Action Plan](#) was completed in 2016 and included five-year outcomes. An update or renewal of this plan may be necessary in up-coming months or years and a City contribution to this effort may be requested. The City has been a partner in funding past efforts in creating community plans to address homelessness.

### **FINANCIAL IMPLICATIONS**

Financial implications have been outlined above. Without an allocation of additional funding in 2023 for capital grants, no further affordable housing incentives will be available in 2023.

If no additional funding is available in 2023 to support development of the new housing strategy, efforts will continue with existing resources undertaking work as time permits.

### **OTHER IMPLICATIONS**

There are no policy, privacy or CPTED implications or considerations at this time.

### **NEXT STEPS**

If approved, this report will be forwarded to the 2023 Business Plan and Budget deliberations for consideration. Should City Council subsequently approve additional funding for 2023, Administration will proceed to allocate as outlined in this report.

Administration will prepare future budget submissions as outlined in this report.

### **APPENDICES**

1. Historic Funding of the Affordable Housing Reserve
2. Capital Grant Allocations 2020-2022
3. Proposed 2023 Capital Project: Preparation of New Housing Strategy

### **REPORT APPROVAL**

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