

Information Report – Funding Options for Attainable Housing Program and Innovative Housing Incentives

ISSUE

Administration is providing funding options for the Attainable Housing Program for City Council's consideration. The objective is to avoid a reduction of the support provided by the City of Saskatoon to community partners in the development of affordable housing.

BACKGROUND

In 1987, City Council established the Affordable Housing Reserve to support community partners in the development of affordable housing. The Affordable 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 Affordable Housing Reserve from 2000 to 2022 is found in Appendix 1.

The 2022 base operating contribution for the Affordable Housing Reserve is \$350,000 per year, 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.

At its Regular Business Meeting on [January 31, 2022](#), City Council resolved that \$376,066.03 in funds that were returned to the Neighbourhood Land Development Fund be reallocated to the Affordable Housing Reserve.

At its Regular Business Meeting on [October 31, 2022](#), City Council resolved that the following be forwarded for consideration by City Council at the 2023 Business Plan and Budget deliberations:

1. That a new mill rate contribution of \$100,000 and a capital contribution of \$300,000 toward the Saskatoon Attainable Housing Program;
2. That a new capital project of \$245,000 for the preparation of the new Housing Strategy, as outlined in Option 2; and
3. That the Administration bring forward funding source options at the time this matter is at Budget deliberations.

CURRENT STATUS

The 2022 base operating contribution to the Affordable Housing Reserve is \$350,000. There is a shortfall of \$400,000 to meet the target allocation of \$750,000 which has been established by Administration.

DISCUSSION/ANALYSIS

Two sources of funding that could be used for one-time contributions to the Affordable Housing Reserve and the capital project for the new Housing Strategy are Neighbourhood Land Development Fund or the Reserves for Capital Expenditures.

Neighborhood Land Development Fund (NLDF)

To date, \$139.12 million has been allocated from the NLDF to fund various City initiatives and priorities. These allocations have funded capital projects and operating programs, including \$23.4 million in contributions to the Affordable Housing Reserve. In January 2022, City Council resolved \$376,066 in returned funds to the NLDF be reallocated to the Affordable Housing Reserve.

Future contributions from NLDF are not certain from year to year. Financial proformas are prepared for every Saskatoon Land development project using current financial and economic data and returns/dividends declared when positive cash balances exist within the fund. Currently, a positive fund balance is projected for the NLDF of approximately \$0.6 million at the end of 2022, which could be used for financing both the Attainable Housing Program and the Housing Strategy. Forecasts also indicate that additional funds may be available in 2023 to begin contributing to the required funding plan allocations.

Funding of approximately \$20.1 million from NLDF has been designated for allocation to the Chief Mistawasis Bridge and North Commuter Parkway Project (\$10.0 million), Property Realized Reserve for future land development acquisitions (\$6.2 million), and the Bus Rapid Transit Funding Plan (\$3.9 million). Dividends from the NLDF will be allocated to these projects based on cash flow projections and availability of funds. Allocations from the NLDF are identified within the various funding plans as reported annually during City Council's Business Plan and Budget Review and follow the allocation guidelines. An over reliance on NLDF results in a risk that funding these initiatives will experience delays.

Reserves for Capital Expenditures (RCE)

The purpose of the RCE is to finance the cost of capital expenditures at City Council's discretion. In past years a reduction in the operating contribution to RCE has been used to fund the Affordable Housing Reserve.

There is currently funding of \$2.58 million available through the RCE as detailed in a separate report to be presented at the November 28, 2022, Business Plan and Budget Deliberation meeting. These funds will be available for City Council to use in 2023 should they choose.

FINANCIAL IMPLICATIONS

City Council can choose to add the following items to the 2023 Business Plan and Budget consideration list at the November 28, 2022 Business Plan and Budget meeting:

1. \$100,000 mill rate contribution - An operating increase of \$100,000 which will increase the property taxes by approximately 0.04% and if approved, will then be part of the base funding within the operating program.
2. One-Time Contribution to fund the shortfall for 2023 - If the increased mill rate contribution is approved to increase by \$100,000, as shown in Item 1 above, there would be \$300,000 shortfall remaining. If the option to increase mill rate funding is not approved a \$400,000 gap would remain. There are two options for this one-time funding:
 - a. A one-time reduction in the transfer to RCE of \$300,000 that will be re-directed to backfill the shortfall in the operating program for 2023, or
 - b. Declare a one-time dividend of \$300,000 from NLDF.
3. \$245,000 Capital Project for new Housing Strategy - There are two options for this funding:
 - a. A one-time transfer direct from RCE of \$245,000, or
 - b. Declare a one-time dividend of \$245,000 from NLDF.

All options are viable for funding within 2023. Future mill rate increases and one-time funding to back fill the operating programs will be brought to City Council at future budget deliberation meetings.

OTHER IMPLICATIONS

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

NEXT STEPS

City Council can adjust the operating transfer to RCE, transfer from NLDF or a combination of both to fund the Attainable Housing Program and Housing Strategy in the 2023 Business Plan and Budget Process.

APPENDICES

1. Historic Funding of the Affordable Housing Reserve

REPORT APPROVAL

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