

Rapid Housing Initiative – Funding Contribution Agreement and Innovative Housing Incentive Funding Contribution Request

ISSUE

As part of the Government of Canada’s Rapid Housing Initiative (RHI) program, the City of Saskatoon (City) was recently awarded \$6,787,546, under the Cities Stream of funding. This funding is to develop a minimum of 33 new permanent affordable housing units to be available within 18 months and to have affordability maintained for a minimum of 20 years. Following City Council approval in December 2022, the City and Canada Mortgage and Housing Corporation (CMHC) entered into a Contribution Agreement (CMHC/City Agreement) to access this funding.

Administration selected the successful proponent for this funding, and approval from CMHC is currently pending. This report is requesting approval to enter into a funding contribution agreement with the successful proponent, outlining ongoing obligations of the parties for the 20-year period, consistent with provisions in the CMHC/City Agreement. Additionally, Administration is seeking approval to provide financial assistance to this project, under Council Policy C09-002, Innovative Housing Incentives Policy, and requesting approval, as an exception to Policy, to exceed the eligible maximum contribution, as referred to within the policy.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:

1. That the City enter into the required agreements with the successful proponent, based on the terms and conditions outlined in this report, pending CMHC approval;
2. That an exception to Council Policy C09-002, Innovative Housing Incentives, be approved to allow for a capital grant equal to 10% of the total Rapid Housing Initiative contribution;
3. That funding of \$678,755 (10% of the total Rapid Housing Initiative contribution) towards the creation of a minimum of 33 new affordable housing units by the successful proponent, be approved; and
4. That the City Solicitor be requested to prepare the appropriate agreements and that the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal, once final approval from CMHC is confirmed.

BACKGROUND

City Council, at its Regular Business meeting on December 19, 2022, received a [report](#) on “Rapid Housing Initiative Round 3 – Contribution Agreement and Process Information”, seeking approval of key terms and conditions of the CMHC/City Agreement. The report signaled a subsequent report would be forthcoming from Administration, outlining key terms and conditions of a separate funding contribution agreement with the successful proponent.

City Council adopted the following recommendations:

- “1. That the terms and conditions of the agreement with Canada Mortgage and Housing Corporation, as outlined in the December 6, 2022 report of the General Manager, Community Services, be approved;
2. That the City Solicitor be requested to review/prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal; and
3. That Administration prioritize available funding for capital grants to support projects submitted for the Cities Stream funding, as outlined in the December 6, 2022 report of the General Manager, Community Services.”

The City has now entered into the Contribution Agreement with CMHC to access this funding. This report brings forward required information for the funding contribution agreement with the successful proponent and addresses the third recommendation noted above.

DISCUSSION/ANALYSIS

Following an invitation for proposals from community housing providers, one project was selected and submitted by the City for the RHI funding, which has been submitted to CMHC, with approval currently pending. As the City will not ultimately be the builder, owner or operator of these housing units, the City must enter into a separate funding contribution agreement with the successful proponent, outlining ongoing obligations of each party for the 20-year period, consistent with provisions in the CMHC/City Agreement. This report provides details on the funding contribution agreement with the proponent.

A formal joint public announcement is planned to announce the name of the proponent and details of the project with the City, the Federal Government and any other contributors. The project is scheduled for completion and occupancy by November 2024.

Contribution Agreements with the Proponent

An agreement with the successful proponent is required by the City. This agreement will outline ongoing obligations of each party for the 20-year period and ensure housing units remain affordable, consistent with the requirement contained in the CMHC/City Agreement.

As the City will not own or operate the housing units but will be responsible to ensure their continued operation as affordable units for a 20-year period, appropriate terms and conditions in a Contribution Agreement with the selected proponent (City/Proponent Agreement) are required to create similar and ongoing obligations for the proponent.

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Subject to City Council approval, key terms and conditions for the City/Proponent Agreement, which have been agreed upon between the City and the successful proponent and are consistent with the CMHC/City Agreement, are as follows:

- Commencing November 15, 2024 (or another date as may be set by CMHC, at its discretion), the proponent shall, for a term of 20 years, provide affordable housing to vulnerable persons;
- The type of construction, including appropriate accessibility and energy efficiency standards;
- The amount of the capital contribution and the process for payments;
- Construction being carried out in a professional and diligent manner;
- Compliance with legislation and regulations;
- Remedial action should timelines not be met including ability for City to step-in;
- Restriction on registering encumbrances on title;
- Financial holdback provisions;
- Maintaining ongoing affordability and meeting reporting requirements for the period in which the units must remain affordable for defined vulnerable populations;
- Occupancy requirements;
- Return of contribution provisions;
- Reporting requirements; and
- Provisions to address information sharing and communications.

The provisions adequately set out expectations, obligations and the relationship between the City and the proponent and meet the needs of both parties.

Capital Grant Contribution and Exception to Policy

The 33 affordable housing units qualify for capital grant funding under [Council Policy C09-002, Innovative Housing Incentives Policy](#) (Incentives Policy).

As previously noted, City Council, at its Regular Business meeting on December 19, 2022, resolved to prioritize available funding for capital grants to support projects submitted through the Cities Stream. By utilizing existing 2023 Affordable Housing Reserve funding, Administration is recommending a capital grant equal to 10% of the total RHI Round 3 contribution, equal to \$678,755.

While current policy allows for a maximum capital grant contribution for qualifying projects of up to 10% of the total capital cost, the Incentives Policy caps the contribution at \$25,000 for units with three or more bedrooms, \$20,000 for units with two bedrooms and \$17,000 for one bedroom or bachelor suites. Based on current information, the proposed project would qualify for \$621,000 based on the estimated unit and bedroom count. Through final design, the unit and bedroom count may increase.

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In order to provide certainty for the funding contribution, Administration is recommending an exception to the Incentives Policy to allow for a capital grant equal to 10% of the total RHI Round 3 contribution.

Total RHI Contribution	\$ 6,787,546 x 10%
Proposed Capital Grant Contribution	\$ 678,755

Incremental Tax Abatement

The 33 affordable housing units also qualify for a five-year incremental tax abatement under the Incentives Policy; however, further information is needed before required calculations can take place. A report will be forthcoming recommending approval of a five-year tax abatement once all details related to the application have been provided.

FINANCIAL IMPLICATIONS

The funding source for the proposed capital grant contribution, totalling \$678,755, is the Affordable Housing Reserve (Reserve). The Reserve balance is sufficient to fund the proposed amount. As outlined above, financial assistance for this project is conditional on meeting relevant zoning and building code requirements.

OTHER IMPLICATIONS

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

NEXT STEPS

At the time of writing, approval from CMHC of the selected project is still pending, with approval expected prior to the April meeting of City Council. Should Committee and City Council approve the recommendations within this report, the Office of the City Solicitor will draft the City/Proponent Agreement and the Innovative Housing Incentive Agreement to be signed by the Mayor and City Clerk. CMHC approval will be confirmed before these agreements are executed. Administration will proceed to implement the agreements based on the terms and conditions noted.

A report will be forthcoming recommending approval of a five-year tax abatement once all details related to the application have been provided, and the City Assessor is able to provide estimated dollar values.

An announcement of the successful proponent and associated project will be forthcoming in May 2023 and will include all project partners and contributors.

APPENDICES

1. Confidential-Solicitor/Client Privilege

REPORT APPROVAL

Written by: Sarah King, Housing Analyst, Planning and Development
Reviewed by: Lesley Anderson, Director of Planning and Development
Jeremy Meinema, Senior Financial Business Partner, Finance
Approved by: Lynne Lacroix, General Manager, Community Services