



**City of Kingston
Report to Council
Report Number 15-011**

To:	Mayor and Members of Council
From:	Lanie Hurdle, Commissioner
Resource Staff:	Sheldon Laidman, Director, Housing & Social Services Department
Date of Meeting:	December 16, 2014
Subject:	Investment in Affordable Housing (IAH) 2014 Extension Funds

Executive Summary:

The recently announced Investment in Affordable Housing (IAH) for Ontario 2014 Extension Program will provide \$800M of provincial and federal funding to support the creation and repair of affordable housing units across the province. The program funding will be provided over six years with the program formally ending in March 2020. The City of Kingston as Consolidated Municipal Service Manager (Service Manager) for the City of Kingston and County of Frontenac, received a total Year 1 (2014-2015) IAH allocation of \$927,800. Projects receiving funding through this IAH allocation have to start construction by the Spring of 2015.

In support of the City's ongoing efforts to develop new affordable housing units staff are recommending that the majority (\$851,410) of the Year 1 funding allocation be directed under the IAH Rental Housing Component. The Rental Housing Component of the IAH Program is a forgivable capital funding contribution to offset construction costs in exchange for the provision of affordable housing units for a defined affordability period which is a minimum of 20 years

The Year 1 Rental Housing Component allocation is proposed to support the development of two projects that have already been reviewed and considered by the previous Council. This recommendation of funding allocation is to ensure that the City does not lose this Provincial funding and can fund projects that will start construction by the Spring of 2015. This approach will also create more financial flexibility in the municipal capital funds to finance new affordable housing projects.

The first project is a 29 unit mixed-income apartment building on a vacant portion of 36 Cliff Crescent, a social housing property owned and operated by the Kingston and Frontenac Housing Corporation (KFHC). The proposed development is part of the Rideau Heights Regeneration Strategy and had previously received approval for municipal funding through the Capital Investment in Affordable Housing Program in the amount of \$1.5M. The recommendations of this report include a further commitment of \$300,000 to the project to provide an additional six affordable housing units within the project resulting in a combined provincial and municipal contribution of \$1.8M.

The commitment of the IAH Extension Year 1 funding to the project will partially offset the previous \$1.5M municipal contribution. Based on the IAH Program Guidelines which includes an upset contribution limit of the lesser of \$150,000 or 75% of the per unit development costs, the full value of the proposed IAH Year 1 Rental Housing Component cannot be allocated to the Cliff Crescent project. The proposed breakdown of the funding allocated to the 36 Cliff Crescent development project includes \$697,962 of IAH Year 1 funding and \$1,102,038 of City funding from the Capital Investment in Affordable Housing Program.

The balance of the IAH Rental Housing Component funds are proposed to be committed to the 720 Princess Street redevelopment project which was previously awarded municipal funding under the Capital Investment in Affordable Housing Program. The redevelopment of 720 Princess Street will include 19 affordable housing units, 10 of which will provide Housing First units to service homeless individuals within the realigned homeless shelter and support service program. The upset limit awarded to the 720 Princess Street is not proposed to be increased, but will offset the municipal contribution freeing up municipal funding for future affordable housing project funding. The proposed breakdown of the funding allocated to the 720 Princess Street development project includes \$153,448 of IAH Year 1 funding and \$536,552 of City funding from the Capital Investment in Affordable Housing Program.

It is important to note that the allocation of the IAH Year 1 funding to the 36 Cliff Crescent and 720 Princess Street projects is strategic in that the IAH funding for new rental housing must be directed to projects that can commence construction by the spring of 2015 at the latest. The development approvals schedule for the Cliff Crescent and 720 Princess Street projects is sufficiently advanced to meet the IAH funding requirements. The committed municipal affordable housing capital funding offset through the proposed provincial funding allocation will be reserved to fund future affordable housing projects.

The balance of the affordable housing funding (\$30,000) is proposed to be allocated to the Kingston-Frontenac Renovates Program (i.e. Ontario Renovates Component) which provides renovation and rehabilitation capital funding to low and moderate income households to maintain homes in a habitable condition in addition to providing funding for accessibility modifications. An administrative fee in accordance with the IAH Program Guidelines of five percent or \$46,390 will also be applied to cover ongoing

administrative costs related to the implementation of the IAH funding program and the ongoing operation of the Housing and Social Services Department.

Based on a review of the IAH Program Guidelines and taking into consideration the City's objectives for affordable housing development outlined in the 10-Year Housing and Homelessness Plan, the proposed Year 1 funding commitments are consistent with established local objectives and initiatives. The allocation of subsequent years' funding under the IAH Program will be evaluated and allocated in accordance with local affordable housing directions and presented to Council for approval prior to final approval by provincial staff. In accordance with the IAH 2014 Extension Program Guidelines, this report is intended to establish Council's approval for the Year 1 funding commitments. City staff will consider rent supplements in future funding (2015-2016). This component would not have been feasible for the 2014-2015 due to the program expenditure short time frame. IAH funding cannot be used for Rent-Geared-to-income units. It can only be applied to affordable units.

All recommendations in this report have been incorporated in the draft 2015 operational budget.

The recommendations in this Report are time sensitive. The Ministry set an original deadline of December 1st for Service Managers to provide their plan for use of this IAH funding allocation, however, considering the timing and previous Council's "lame duck" status the Ministry approved an extension to the City of Kingston until December 22, 2014.

Recommendation:

That Council approve the proposed Investment in Affordable Housing for Ontario 2014 Extension Program Year 1 allocation as described in Exhibit A to Report Number 15-011 to be implemented through the 2015 budget;

That Council direct staff to submit the Program Delivery and Fiscal Plan to the Province outlining the Year 1 funding allocation in accordance with the Service Manager Administration Agreement;

That Council approve the amending by-law "A By-law to Amend By-law Number 14-137 Passed Under the City of Kingston Housing Facilities By-law";

That Council authorize the Commissioner, Community Services or her delegate to review and approve, for execution by the Mayor and Clerk, all documents and agreements related to the delivery of funding as outlined in this report as required and to the satisfaction of the Director of Legal Services; and

THAT Council authorize the Mayor and Clerk to execute all documents and agreements related to the funding allocations outlined in this report as approved by the Commissioner of Community Services or her delegate.

Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Lanie Hurdle, Commissioner,
Community Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Gerard Hunt, Chief Administrative
Officer**

Consultation with the following Members of the Corporate Management Team:

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	

Options/Discussion:

Background

On August 25, 2014 the City's Housing and Social Services Department, as Service Manager for the City of Kingston and County of Frontenac, received notification from the Ministry of Municipal Affairs and Housing (MMAH) regarding the extension of the IAH Program. The IAH Program 2014 Extension includes \$800M of federal and provincial funding to support affordable housing initiatives across the province as delivered by local Service Managers. The Year 1 (2014-2015) funding allocation for the City of Kingston – County of Frontenac Service Area is \$927,800. Funding for the subsequent five years of the IAH extension program will be determined based on updated census data as it becomes available. Recommendations on future years' funding will be provided in a separate Council report when it is announced by the Province.

Funding allocations for Year 1 are to be committed no later than January 30th, 2015 and any rental housing project must commence construction by spring 2015. The Service Manager is required to submit a Program Delivery and Fiscal Plan (PDFP) to MMAH outlining the commitment of funding and anticipated project up-take no later than December 22, 2014 pending Council's approval of the allocations outlined in this report. Exhibit A includes the Year 1 Proposed Plan as part of the PDFP. In Years 2 to 6, funding allocations must be committed by December 31st of each program year.

IAH Program Components

The IAH program includes six different program components which the Service Manager can select from to provide a flexible program that can be tailored to meet the needs of the local community as outlined within local Housing and Homelessness Plans. The program components within the IAH 2014 Extension Program include capital and operating funding streams that are consistent with past program components including funding to support the development of new affordable rental housing (Rental Housing Component), homeownership down payment assistance (Homeownership Component), rehabilitation funding for low-income owner-occupied households (Ontario Renovates Component), and direct rental subsidies (Operating Component) which provides a rent supplement or housing allowance paid directly to the landlord or the tenant to offset housing costs for income eligible households.

In support of the City's efforts to develop additional affordable housing units and in accordance with the IAH Program Guidelines, staff is proposing the Year 1 funding be allocated to the Rental Housing and the Ontario Renovates Components, both capital funding programs available under the IAH program. The allocation of the funding to these two program components will continue to increase the supply of affordable housing within the Service Area as well as provide additional funding to be distributed

within the Kingston-Frontenac Renovates Program which provides renovation/ rehabilitation costs to maintain houses in a habitable condition that are owned and occupied by low to moderate income households. In addition, Kingston-Frontenac Renovates provides funding for accessibility modifications.

Rental Housing Component

The intent of the IAH Rental Housing Component is to increase the supply of rental housing for households on, or eligible to be on, the social housing wait list and ensure that safe, adequate and affordable rental housing continues to be developed in Ontario. High rental housing costs and a traditionally low vacancy rate have been ongoing issues within the Service Area imposing particular housing affordability challenges for many households. The proposed Year 1 allocation to create new affordable housing units is consistent with the IAH Program Guidelines and directions established within the 10-Year Housing and Homelessness Plan.

As a means to leverage the combined IAH and the municipally funded Capital Investment in Affordable Housing Program funding, staff are proposing the Rental Housing Component of the Year 1 funding be allocated to two projects that have received previous municipal funding commitments, namely the development project at 36 Cliff Crescent and the 720 Princess Street affordable housing/Housing First project. The intent of this approach is to direct the IAH funding to rental housing projects that will include a component of affordable housing and that are sufficiently advanced to meet the spring 2015 construction commencement requirement under the IAH Program Guidelines. The commitment of IAH funding to these projects will free-up municipal affordable housing capital dollars that can be reallocated to other projects that meet the objectives of the Capital Investment in Affordable Housing Program.

The proposed KFHC development on a vacant portion of 36 Cliff Crescent previously received approval for a municipal affordable housing contribution of \$1.5M to accommodate ten RGI units displaced from the decommissioning of public housing units in Rideau Heights (Report Number 14-209). A further IAH contribution of \$300,000 will provide six affordable housing units which will create a mixed-income development including 10 RGI, 6 affordable and 13 market rate rental units. The creation of a mixed-income building is supported by ongoing local social housing regeneration efforts and strategic objectives of KFHC which includes reducing the concentration of social housing in Rideau Heights, developing mixed-income housing opportunities, and creating additional revenue streams to enhance the financial viability of the housing corporation.

In accordance with the IAH program guidelines, the full value of the proposed IAH Rental Housing Component cannot be directed in its entirety to the 36 Cliff Crescent project given the maximum funding limit of the lesser of \$150,000 per unit or 75% of the per unit development costs. Based on the total project development costs, a total of \$697,962 can be allocated to the Cliff Crescent project from the IAH Year 1 funding. The balance of the Rental Housing Component funding in the amount of \$153,448 is

proposed to be allocated to 720 Princess Street, an affordable housing/Housing First project that has previously been approved for municipal affordable housing funding. The 720 Princess Street redevelopment project is to include nineteen affordable housing units, ten of which are to be utilized within the realigned Housing First homelessness program. The allocation of IAH funding to both of these projects will not result in any increased funding but rather offset municipal funding previously extended to the projects, allowing the City to fund additional projects using municipal affordable housing capital funding. Table 2 (see Exhibit A) outlines the proposed IAH contribution and details of each project.

Affordable Housing Capital Investment Program Fund Impact

Based on the proposed IAH Year 1 funding allocations, the recommendations of this report will realign the funding commitments to generate \$551,410 (i.e. \$697,962 + \$153,448 - \$300,000) of funding for reallocation within the municipal Capital Investment in Affordable Housing Program.

Ontario Renovates Component

The local implementation of the Ontario Renovates Component of the IAH program is the Kingston-Frontenac Renovates Program which is intended to bring homes owned by low to moderate households to acceptable living standards and also improve energy efficiency. In addition, the program provides funding for accessibility modifications and adaptations. Funding within this program is provided in the form of a forgivable loan or a non-repayable grant for accessibility modifications. The proposed \$30,000 contribution of IAH funding to the Kingston-Frontenac Renovates program will allow the program to address heightened demand over the winter months which typically include emergency heat and leaking roof repairs.

External Consulted:

Joe Gallivan, Manager of Sustainability Planning, County of Frontenac

Existing Policy/By-Law:

Municipal Capital Facilities By-law 2003-061

Notice Provisions:

Not applicable

Accessibility Considerations:

This report is available in alternate format upon request.

Financial Considerations:

The IAH Program 2014 Extension Year 1 allocations to the 36 Cliff Crescent and 720 Princess Street projects as proposed within this report will provide an additional \$300,000 to KFHC's 36 Cliff Crescent development project and will together offset \$551,410 in municipal funding to be reallocated within the Capital Investment in Affordable Housing Program. In accordance with the IAH Program Guidelines an administration fee of \$46,390 will be collected from the IAH Year 1 allocation. These funds will be used to offset expenses related to the administration of the funding commitments. The recommendations of this report also include a \$30,000 allocation under the Ontario Renovates IAH Program component which will be delivered locally via the Kingston-Frontenac Renovates Program.

All recommendations in this report have been incorporated in the 2015 draft operational budget.

Contacts:

Lanie Hurdle, Commissioner, Community Services, 613-546-4291 extension 1231

Sheldon Laidman, Director, Housing and Social Services Department, 613-546-4291 extension 4957

Other City of Kingston Staff Consulted:

Alan McLeod, Senior Legal Counsel

Stephen Dickey, Director, Financial Services

Melanie Bale, Financial Analyst, Housing and Social Services Department

Lee Campbell, Manager, Housing and Social Services Department

John Henderson, Housing Programs Administrator, Housing and Social Services Department

Exhibits Attached:

Exhibit A – IAH Allocation Year 1 Funding Allocations and Project Details

Exhibit B - A By-Law to Amend By-Law 14-137, being a By-law to Enter Into a Municipal Contribution Agreement with Kingston and Frontenac Housing Corporation

Exhibit A

IAH Allocation Funding

In support of the City’s efforts to develop additional affordable housing units and in accordance with the IAH Program Guidelines, staff is proposing the Year 1 funding be allocated to the Rental Housing and the Ontario Renovates Components.

Rental Housing Component:	\$851,410
Kingston – Frontenac Renovates:	\$30,000
Administration @ 5% in accordance with Program guidelines:	<u>\$46,390</u>
Total:	<u>\$927,800</u>

Table 1: IAH 2014 Extension Year 1 Proposed Program Allocations

Project	Proposed IAH 2014 Extension Year 1 Funding	Affordability Period	Unit Type	Affordable Rental Rate
36 Cliff Crescent – 6 Affordable Housing Units (Project also includes 10 RGI units and 13 Market Units funded through a municipal capital contribution and debt financing)	\$697,962	20 years	6 one bedroom Affordable Housing Units	6 units at 80% of the CMHC Average Market Rent
720 Princess Street – 19 Affordable Housing Units	\$153,448	20 years	19 bachelor Affordable Housing Units	4 units at 60% of the CMHC Average Market Rent 15 units at 80% of the CMHC Average Market Rent
Total	\$851,410			

Table 2: IAH 2014 Extension Year 1 Proposed Rental Housing Component Allocation

Funded Project	Proposed IAH Year 1 Funding	Proposed Municipal Affordable Housing Funding	Total Project Contribution	Funding Changes from previous Council Approval
36 Cliff Crescent 6 Affordable Housing Units	\$697,962	\$1,102,038	\$1,800,000	Additional \$300,000
720 Princess Street 19 Affordable Housing Units	\$153,448	\$536,552	\$690,000	Total funding unchanged
Total	\$851,410	\$1,638,590	\$2,490,000	

By-Law Number 2015-XX

**A By-Law to Amend By-Law 14-137, being a By-law to Enter Into a
Municipal Contribution Agreement with Kingston and Frontenac
Housing Corporation**

Passed: Meeting date, 2014

Whereas on September 9, 2014 the Council of the Corporation of the City of Kingston enacted By-Law Number 14-137 being “A By-Law To Permit Council To Enter Into A Municipal Contribution Agreement with Kingston and Frontenac Housing Corporation” for the provision of 10 affordable housing units to be developed on a vacant portion of 36 Cliff Crescent; and

Whereas Council Report Number 15-011 included approval for an additional \$300,000 to be committed to the project to provide an additional 6 affordable housing units.

Therefore be it resolved that the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. That By-Law Number 14-137 being A By-Law to Enter Into a Municipal Contribution Agreement with Kingston and Frontenac Housing Corporation, be amended to recognize a total of 16 affordable housing units to be included within the development project.

Given all Three Readings and Passed: Month XX, 2014

John Bolognone
City Clerk

Bryan Paterson
Mayor