

**Community Services Report to
Priorities and Finance Committee
2017 May 01**

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PFC2018-0491
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Affordable Housing Capital Development Program

EXECUTIVE SUMMARY

In July 2016, Council approved Foundations for Home: Calgary's Corporate Affordable Housing Strategy ("the Strategy"). The Strategy identifies inadequate housing supply as the single most pressing challenge facing Calgary's affordable housing sector. The Affordable Housing Capital Development Program ("the Program") creates a long-term pipeline of prioritized projects to increase the supply of affordable housing. The Program includes lifecycle maintenance programs, the development of new units, and redevelopment of existing City-owned properties. The intent of creating a long term affordable housing development pipeline is to allow for thoughtful budgeting practices and detailed development staging to ensure a steady stream of supply of housing over the next ten years.

This Program is partially funded under *Program 489 - Increase Affordable Housing*, and the remainder of the funding will be requested this fall through the unfunded capital development list prepared in support of One Calgary. No new funding decisions are being made through the recommendations within this report. The City has 64 units currently in development and the proposed allocation of the remaining funds within *Program 489* will create 230 additional new units. The City will further increase the supply of affordable housing by 746 units over the next ten years. Additional work to scale up other non-profit housing providers through the provision of land, support with development fee rebates and prioritizing applications will move towards reaching the goal of creating an additional 15,000 units required to move Calgary's percentage of non-market housing from 3.6% to the national average of 6%.

With both the federal and provincial governments signaling their renewed commitment to affordable housing, this Program will help position Calgary to maximize leveraging of these funds, create increased operational sustainability and contribute to an increased supply of affordable homes for Calgarians. The federal government will be launching the next funding allocations under the National Housing Strategy in May 2018 with a priority on communities that have strong capital development programs in place and are ready to initiate development. It is critical to illustrate that Calgary has a strong capital development plan with clear direction on repairing existing units within The City's portfolio and creating new affordable housing, positioning us well to be competitive in a national context.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee:

1. Receive for information the remaining allocation of funds within Program 489; Activity 403980 - Increase Affordable Housing as outlined in Attachment 1 - Page 8;
2. Adopt in principle the lifecycle maintenance, new builds, and redevelopment programs as outlined in Table 2 Budget Summary of Capital Development Program on page 8 of this report (Details included in Attachments 1 and 2);
3. Refer Attachment 2: Program Budget Overview to 2018 November One Calgary Service Plans and Budget for consideration through the unfunded capital development list;
4. Direct Administration to continue to pursue federal and provincial funding opportunities for developments identified in Attachments 1 and 2; and
5. Request that Attachment 2 remain confidential pursuant to sections 23 and 24 of the *Freedom of Information and Protection of Privacy Act* until such time as the budget for the Program has been approved and released by Council.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2018 MAY 01:

That Council:

1. Approve the Administration Recommendations contained in Report PFC2018-0491; and
2. Request that Attachment 2 remain confidential pursuant to sections 23 and 24 of the *Freedom of Information and Protection of Privacy Act* until such time as the budget for the Program has been approved and released by Council.

PREVIOUS COUNCIL DIRECTION / POLICY

In July 2016, Council unanimously approved Foundations for Home: Calgary's Corporate Affordable Housing Strategy. The Strategy identifies six objectives to grow affordable housing including the need to both develop new affordable housing units and renovate and regenerate existing housing stock. Objective III-B of the Strategy specifically addresses the need for Council to adopt in principle an Affordable Housing plan for City-led development and redevelopment projects contained in the short-term targets.

The Strategy confirmed affordable housing as a Council priority which supports citizens' views as captured in the Citizen Satisfaction survey (2017) that found affordable housing was citizens' highest priority for increased investment¹.

The Affordable Housing Capital Development Program aligns with affordable housing advocacy goals approved by the Intergovernmental Affairs Committee (IGA2016-0789) on 2016 October 13 and furthermore, those recently approved through IGA2017-1105 on 2018 January 22. Some of these advocacy goals included:

¹ 2017 Quality of Life and Citizen Satisfaction Survey (January 2018)

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1. Create a citizen centric housing system that focuses on people's needs and supports progress through the housing spectrum.
2. All orders of government need to work together to create a strong network of non-profit housing providers.
3. Sustained, expanded and consistent capital funding is required to address deferred maintenance and increase the supply of non-market housing from 3% to 6%.
4. Support housing providers to transition to sustainable operating models with no net loss of high need households served.

BACKGROUND

In 2012, Council approved the Increase Affordable Housing budget under Program 489 in recognition of the growing need for affordable housing and the economic and social costs of not meeting the need. The budget contained within a program bucket provided greater flexibility in leveraging federal and provincial funding and allowed The City to strategically respond to development opportunities. Similar to the current funding system for affordable housing, the 2012 funds required leverage by all three levels of government at \$0.70 on the dollar.

The impetus in 2012 was to rethink how The City undertook the development of affordable housing and to look for creative solutions to build more units with less money. As a result, in 2014 the modular stacked townhome was introduced on four City sites. This repeatable built form eliminated wasted interior corridors, allowed for different exteriors to suit the specific community and provided a variety of unit sizes to meet different needs.

Another development initiative came with the approval of the feasibility budget which enabled The City to explore new opportunities for housing prior to committing capital funds. Through this process, The City was able to explore the feasibility of development opportunities which pushed boundaries in terms of design, operations and colocations which might not have been encouraged if solely tied to capital dollars. Remnant parcels are now developable and innovative energy-efficient built forms are explored. Feasibility funds have facilitated a future design competition to challenge the public's perception of what affordable housing looks like and how it operates. In the last three years, three new affordable housing developments located in the communities of Kingsland, Crescent Heights and Bridgeland have opened. Construction on two additional developments in Wildwood and Rosedale are currently underway with delivery in 2018 and 2019.

In 2017, both the federal and provincial governments issued their individual housing strategies and committed future funds for new supply, regenerated units and lifecycle maintenance for existing affordable housing. The share of the new capital funding allocated to Calgary has not yet been announced. However, the federal government has indicated that federal funds will be distributed to communities that have a strong capital development program in place and are ready to initiate development. It is assumed that federal/provincial funding would remain similar to past funding models, which required these funds to be leveraged by 30% municipal funding contribution as a condition of the funding agreement. Based on historic trends, it is estimated that Calgary could potentially receive \$160 M of federal funding from the National Housing Strategy investment plan within the next ten years, and \$49 M from the Provincial Affordable Housing Strategy over five years each to be leveraged with municipal funds. With the federal and provincial governments each signaling their renewed commitment to housing, the

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Affordable Housing Capital Development Program will help position Calgary to leverage these funds and make affordable housing more readily available to all.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Foundations for Home: Calgary's Corporate Affordable Housing Strategy identifies six strategic directions which support increasing affordable housing in Calgary.

1. Get the Calgary community building;
2. Leverage City land with sales to qualified non-profit housing providers at below market rates;
3. Design and build new City units by prioritizing new development and redevelopment of City owned properties;
4. Regenerate City-owned properties by leading strategic reinvestment to preserve homes for those in need;
5. Strengthen intergovernmental relations through collaboration and advocacy for Calgary's share of affordable housing funding; and
6. Improve the housing system by supporting programs that empower tenants to make positive changes within their community.

Each of these six objectives is integral in meeting the vision of increasing non-market housing supply to provide homes to a minimum of 6% of households in Calgary. Currently, only 3.6% of households in Calgary are supported by non-market housing, as compared to the national average of 6%. To accommodate 6% of its households in non-market housing, Calgary would need to add approximately 15,000 new affordable units today.² The City has a role to play in directly delivering on this number, but also by enabling non-profit providers to construct more housing and by positioning all providers to receive additional investment from other orders of government. The Strategy's implementation plan clearly identifies initiatives under each objective which work together to meet this objective. The Affordable Housing Capital Development Program incorporates a diversified approach to The City's development program, and like the private development industry, the intent is to allow for thoughtful budgeting practices and detailed development staging to ensure commissioning steady supply with projects moving through each phase of the development process.

The Affordable Housing Capital Development Program focuses on four specific sub-programs:

1. Renovating existing City-owned units through lifecycle maintenance;
2. Increasing the supply of new affordable housing;
3. Redeveloping existing affordable housing sites; and
4. Leveraging the social return on investment of the Green Line LRT.

A brief summary of each program is included below. Attachment 1 provides a detailed analysis of each program.

1. Lifecycle Maintenance

² Housing in Calgary Report (2017). City of Calgary

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The City's top priority is to ensure its current affordable housing units are maintained with ongoing funding for lifecycle maintenance. Calgary Housing Company (CHC), The City's operator of affordable housing, is currently completing building condition assessments (BCA) on all of The City's affordable housing buildings. In 2017, Council approved \$3.4M (PFC2017-0355) in emergency lifecycle maintenance for both major capital repairs and suite renovations for The City's existing affordable housing stock. This Program established unit renovation standards to ensure consistent and quality service delivery, and to increase the financial sustainability within existing units irrespective of the client group (social, affordable or low-end-of-market) served. The 2017/ 2018 program has provided suite renovations for approximately 200 units. The BCA's, in combination with unit renovation standards, are designed to prioritize buildings and units in need of both renovation and lifecycle maintenance. Through the Program, a robust system of prioritized buildings and units has been identified for investment. This comes with an unfunded municipal budget requirement of \$39.6M for the next four years which will be included as part of One Calgary budget submission in 2018 November.

2. Increased Supply of Affordable Housing

City-led development of new affordable housing supply will take a variety of forms and sites throughout the city and will be The City's initial contribution to the overall goal established for new units. This sub-program includes affordable housing within Integrated Civic Facilities, mixed-use development, stacked townhomes, heritage redevelopment, Transit Oriented Development (TOD), innovation competitions, private development and acquisition of units. The projects have been through a comprehensive geographic analysis and detailed feasibility review to ensure their locational and site characteristics are conducive for positive outcomes for residents and the community. Providing affordable housing throughout all communities in Calgary helps provide varied choice of tenure, built form and affordability as identified in the Municipal Development Plan. The Increase Supply of Affordable Housing program generates 153 units with an unfunded municipal budget requirement of \$6.4M for the next four years which will be included as part of One Calgary budget submission in 2018 November.

3. Regeneration/Redevelopment

The average age of City of Calgary affordable housing stock is 40 years. As these assets age, it is important to plan for the future of The City's assets and provide a framework to re-imagine the future of affordable housing. Densifying existing older sites provides an opportunity to improve health and safety requirements and incorporate new operational and energy efficiencies. It is anticipated that this program will continue to grow over time. Currently, the Government of Alberta has provided feasibility grants to Calgary Housing to explore regeneration opportunities on two existing affordable housing sites. Calgary Housing is in the process of undertaking a detailed feasibility and master planning review which is anticipated to provide approximately 341 new affordable housing units based on current land use conditions. This represents an unfunded municipal budget requirement of \$39M for the next four years which will be included as part of One Calgary budget submission in 2018 November.

4. Green Line

Plans for affordable housing units located close to the future Green Line LRT have been developed in support of future Transit Oriented Development (TOD) at priority stations. Emphasis has been placed on three station areas within Green Line Stage One, where support

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services for tenants are more likely to be located. As included in Layer 4- City Shaping (CPS2017-0311), population projections along the Green Line were used in tandem with the analysis of the need for City-owned affordable housing units within the new TOD locations. The section in Attachment 1 on Green Line housing supply represents a total of 252 new units unfunded along the Green Line at a municipal cost of \$2.1M for the next four years which will be included as part of One Calgary budget submission in 2018 November.

Each of the sub-programs is projected to deliver the following units for the 2019 – 2022 and 2023 – 2026 business cycle:

Table 1: Total Number of New Units Delivered and Upgraded

PROGRAM	New Units	Existing # Units Requiring Maintenance Upgrade
1. Lifecycle Maintenance		2,175
2. Increased Supply of Affordable Housing	153	
3 Regeneration/Redevelopment	341	
4. Green Line – Housing Supply	252 * begins construction in 2022	
TOTAL	746	2,175

Stakeholder Engagement, Research and Communication

Stakeholder engagement is an important component to every affordable housing project. Efforts have been made to continually learn from our engagement sessions to improve the way information is delivered, received and applied.

Internal stakeholder engagement was undertaken with ward councillors and business units to inform the Program. Research to identify needs, areas, built form and opportunities for operational savings was completed with a comprehensive cross-corporate review within City departments and with Calgary Housing Company (CHC), The City's operator of affordable housing. The affordable housing location criteria tool using geographic information systems (GIS) has been instrumental in finding suitable locations for affordable housing based on housing preferences.

Community engagement sessions were also conducted in support of three programs in Varsity, Symon's Valley and Thornhill in conjunction with the Integrated Civic Facility Program during the feasibility stage.

Future engagement has been anticipated and is being planned for. External stakeholder engagement for new affordable housing capital projects is based on a three-phase approach which allows for flexibility to modify due to the individual development opportunities. Phase one includes introducing the project to the community and stakeholders, providing information and education on affordable housing and gathering information on the stakeholders' issues and concerns about development. Phase two provides information to the community and stakeholders on affordable housing and gathers feedback on the design. Phase three includes

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showcasing the final design. The intent would be to undertake a detailed three-phase engagement program for each of the developments included in this Program as they arise in the future.

Strategic Alignment

The Program directly supports the objectives of Foundations for Home: Calgary's Corporate Affordable Housing Strategy (2016) to design and build new City units and regenerate City-owned properties. It also helps to advance the goals and policies of existing City plans that call for increased housing affordability to meet the diverse needs of Calgarians. The Program is aligned with the 60-year Calgary Municipal Development Plan which includes the following objective under Part 2.3.1: Housing: "Ensure a choice of housing forms, tenures and affordability to accommodate the needs of current and future Calgarians and create sustainable local communities." Additionally, The City of Calgary Action Plan 2015-2018 includes Strategy P6, "Increase affordable and accessible housing options," under its area of focus for a prosperous city.

The Program is also well aligned to the goals of multiple external plans. Calgary's Updated Plan to End Homelessness (2015) includes "Increasing housing & supports and affordable housing options" as a priority direction. The Seniors Age Friendly Strategy and Implementation Plan (2015) includes a strategy to "Support policy changes and initiatives to increase overall affordable housing supply through the Community Affordable Housing Strategy" (Priority III, Result 2, Strategy A). The Calgary Economic Development Strategy (2014) includes an action to "Build a range of housing options for all ages, income groups and family types to meet the needs of residents today and tomorrow" (Community Energy, Strategy 1, Action 1). The Enough For All Poverty Reduction Initiative (2013) proposes actions to "enhance access to affordable housing" under Priority 4.3.3: "Ensure people's basic needs are met."

Social, Environmental, Economic (External)

Great cities are places where everyone can afford to live and work. Affordable housing is a critical component of our great city and a vital contributor to our citizens' successes. Affordable housing yields tangible social and economic benefits that City residents see every day:

- Affordable housing development creates local jobs. Every billion dollars invested in housing grows Canada's economy by \$1.4 billion and generates up to 13,000 direct and indirect jobs.³
- Affordable housing strengthens residents' purchasing power and boosts the local economy. With lower housing costs, residents have better opportunities and more disposable income to invest in other goods and services.
- Affordable housing attracts employers with the promise of a stable workforce. When housing costs are prohibitively high, companies, particularly those in the industrial sector, struggle to find and retain the workers they need.

³ Federation of Canadian Municipalities. Cities and Communities: Rising to the Moment. FCM Federal Budget Submission. February 2016.

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- Affordable housing reduces demand for emergency services. By keeping vulnerable residents off the streets, affordable housing reduces pressure on hospitals and corrections facilities, as well as City spending on policing, bylaw, and fire services. Providing one homeless person with housing has been shown to save taxpayers \$34,000 annually.⁴

A fully mixed housing market creates and retains jobs, attracts new workers, lessens poverty, meets the needs of seniors, individuals and families, and keeps our most vulnerable residents off the street. This in turn reduces financial stress on the health care system, the justice system, policing, social services, City Administration and other municipal and provincial services. Adequate housing enables all Calgarians to maximize their contributions to the wider community. The City of Calgary has an opportunity to create better outcomes for individuals and communities through the increase in supply of safe, affordable housing solutions.

Financial Capacity

Current and Future Operating Budget:

There are no operating budget impacts associated with this report and recommendations. Any staff positions related to implementing this program will be capitalized or brought forward as part of the One Calgary Budget plan in November 2018. All new affordable housing developed through this program will be operated through a self-sufficient model that does not require any ongoing government operating subsidies.

Current and Future Capital Budget:

Calgary Housing's Affordable Housing Capital Development Program total estimated budget (from all sources) is \$319.3M until 2026. Currently The City has Program 489-Increase Affordable Housing budget of \$45.5M which is fully allocated to six projects representing an additional 230 units. In order to continue to meet the objectives of the Corporate Affordable Housing Strategy, additional funds are required to support the Affordable Housing Capital Development Program.

The Program leverages federal, provincial and municipal funding to create affordable housing in all Calgary communities. Using the historic 70% (federal/provincial) and 30% (municipal) funding model, Calgary Housing will be requesting \$157.5M in municipal funding over The City's next two capital budget planning cycles for 2019-2022 and 2023-2026.

⁴ Calgary Homeless Foundation. Calgary's Updated Plan to End Homelessness. March 2015.

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Table 2: Budget Summary of Capital Development Program (2019 – 2026)

Capital Development Program	Total Budget			Municipal Contribution 30%		
	Budget Cycle 2019-2022	Budget Cycle 2023-2026	Total Budget (2019-2026)	Budget Cycle 2019-2022	Budget Cycle 2023-2026	Total Muni. contribution (2019-2026)
1. Lifecycle Maintenance-City Owned Portfolio (Estimated 2175 Units)	\$39.6 M	\$48.5 M	\$88.1 M	\$39.6 M*	\$48.5 M*	\$88.1 M
2. Increase Supply Affordable Housing – New Builds (153 Units)	\$21.3 M	\$17.0 M	\$38.3 M	\$6.4 M	\$5.1 M	\$11.5 M
3. Regeneration/Redevelopment Program (341 Units)	\$130.0 M	**	\$130.0 M	\$39.0M	**	\$39.0 M
4. Green Line (252 Units)	\$7.1 M	\$55.9 M	\$63.0 M	\$2.1 M	\$16.8 M	\$18.9 M
Total	\$198.0 M	\$121.4 M	\$319.4 M	\$87.1 M	\$70.4 M	\$157.5 M

* Lifecycle Maintenance has been anticipated at 100% contribution by The City

** Additional budget for Regeneration/Redevelopment Program in 2019-2026 may be requested after building condition assessments are completed.

Risk Assessment

Affordable housing is not directly within The City's control since it is a responsibility of all three orders of government. There is potential risk that other orders of government could direct policy changes that could negatively impact Calgary's affordable housing sector and citizens of Calgary. The City must demonstrate the importance it places on affordable housing as both a social benefit and economic priority to mitigate negative policy changes.

Existing provincial operating agreements for City-owned social housing units will begin to expire within the next three years and The City will become fully responsible for the condition of the units.

The federal government has indicated that federal funds will be distributed to communities that have a strong capital development program in place and are ready to initiate development. If Calgary cannot demonstrate a sound capital development plan, there is a risk that we could miss out on Calgary's share of the funding commitments previously announced by the federal

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and provincial governments, estimated at \$160.0M and \$49.0M respectively for Calgary. There is also the potential that previous advocacy efforts with both orders of government could generate capital funds that cannot be fully utilized if not matched with municipal funds.

The momentum for affordable housing generated since the adoption of Foundations for Home: Calgary's Corporate Affordable Housing Strategy is invaluable. The Affordable Housing Capital Development Program will help to build on that momentum.

REASON(S) FOR RECOMMENDATION(S):

The Affordable Housing Capital Development Program will be used to position Calgary for federal and provincial funding to increase the supply of affordable housing and renovate and repair existing City owned affordable housing units.

ATTACHMENT(S)

1. Attachment 1 – Affordable Housing Capital Development Program
2. Attachment 2 – CONFIDENTIAL