

## **2016 Investment Package for Affordable Housing Prepared by Calgary Housing**

### **NEW: Why Invest in Affordable Housing**

Housing, along with municipal infrastructure, has been identified by the Federal Department of Finance as the activity with the highest multiplier effect and impact on Gross Domestic Product (GDP). Each dollar spent on housing contributes to a \$1.4 increase in the GDP.

The cost to the Canadian economy of managing homelessness is estimated to be at least \$7.04 billion dollars annually. Housing is less costly than other emergency social services that might otherwise be provided for a person who is homeless, and thus investments in housing provide an internal return to government.

### **Economic Resiliency Proposal**

The items recommended are aligned to the key strategies for economic resiliency and can be quickly implemented with positive impact for industry and non-profits within City jurisdiction related to housing. The aim is to:

- support an increased supply of affordable housing;
- provide jobs and infrastructure investment during the economic downturn;
- build capacity in community to provide affordable housing;
- off-set the financial impacts of the recently improved redevelopment levy on housing providers;
- support to the partners in the RESOLVE campaign towards shovel readiness for their projects; and
- enable community providers to leverage federal and provincial dollars through additional local funding.

The items are not focussed on funding for any one specific agency, but rather are applicable to a wide range of agencies across Calgary.

Action		Investment	Economic Strategy	Benefits	Priority
Action 1  (OLSH, PDA)	Initiate the Affordable Housing Development Financial Incentive Program (Development Fee Grant Program Renewal) to support an increased supply of affordable housing in Calgary.	\$6.9 M	#1 #4 #5	Construction jobs  Increase housing supply	Short Term  Long Term

Action 2 (CN, CHC)	Coordinate housing applications across all housing providers.	\$0.5 M	#1, #2, #5	Improve match between client and housing + supports.	Medium Term
	<b>Total</b>	<b>\$7.4 M</b>			
Alternate Option (CH, PDA)	Renew City secondary suite grant funding to create 140 new rental housing units.	\$3.7 M	#4, #5	Construction jobs Increase housing supply	Short Term

Note: The alternate option was not presented at PFC for approval and inclusion in the submission of \$14.4 million. However, as a result of discussions at PFC, Administration is presenting this option to Council if they so choose to make a recommendation for funding approval.

## **Action 1: Initiate the Affordable Housing Development Financial Incentive (Development Fee Grant Program Renewal) program to support an increased supply of affordable housing in Calgary.**

**Investment:** \$6.9 million (includes program administration fees) to offset fees associated with non-market housing development in 2016-2017.

**Description:** Initiate The City of Calgary Affordable Housing Development Financial Incentive program to cover the cost of pre-development activities, development permit fees, re-development levies, demolition permits, building permit fees and other related fees for new units or the regeneration of existing units.

Eligibility would be limited to development projects for agencies that provide non-market affordable housing or for projects initiated by organizations that have demonstrated contribution towards permanent affordable housing solutions. A Terms of Reference would be developed and circulated to Council no later than April 2016.

A recent informal survey of housing agencies revealed there are multiple projects currently in various stages of development ranging from detailed design work to concluding the RESOLVE fundraising campaign.

The purpose of project pre-development funding (PDF) is to enable organizations that have little access to other capital to assess the viability of venturing into a housing project. The pre-development funding (PDF) would cover partial costs that would need to be completed before an application, capital campaign or financing can be considered. There would be a cap on the funding available and the applicant must show they are either not eligible for the CMHC PDF program or they have exhausted the funds available through CMHC. The project must have a reasonable chance of moving forward.

## Rationale:

There is a comprehensive system of social supports to help the vulnerable and to keep communities safe. As some members of the subpopulation that faces affordability problems are heavy users of these systems, housing may be a cost effective way to serve these people when compared with other options, such as hospital beds or incarceration. Nationally, the cost of incarceration, for example, ranges from \$200 to \$400 per night. The cost of psychiatric care in a hospital ranges from \$680 to over \$1,000 per day.

This investment will support affordable housing development and the regeneration of aging assets in Calgary. Reduced costs will allow affordable housing projects to move forward sooner and hence support job creation in Calgary, reduce the impact of re-development levies, and support the increased supply of safe affordable housing. Successful recipients of this grant are eligible to also receive enhanced support on development applications through The City.

There are several projects very close to being ready to go except for a shortfall in funding. The development fee grants have the potential to attract matched funding from donors.

Recent research from Toronto Community Housing<sup>1</sup> has demonstrated that affordable housing projects have all the same stimulus impacts (i.e. GDP contribution, community revitalization, employment, tax revenues), as any other infrastructure project PLUS additional community, health outcomes (i.e. reduced crime, health care utilization, and social assistance).

**Benefits:** The additional financial support will enable these projects to move forward sooner creating construction jobs in the near-term while simultaneously increasing the affordable housing supply to help those greatest in need sooner.

In a study that helps highlight the potential comparative benefits for Calgary, The Canadian Centre for Economic Analysis identified a number of economic, and health benefits from Toronto Community Housing's proposed 10-year capital plan for affordable housing:

- Creation of 220,000 person years of employment over 30 years, including an average of 14,000 jobs per year for the first 10 years. \$18.5 billion boost in GDP through labour and material needs, with 68 per cent of this GDP growth
- 2.1 million fewer doctor or hospital visits occurring in the Greater Toronto Area
- \$3.8 billion in avoided healthcare costs
- 15 per cent reduction in neighbourhood crime

Similar impacts could be generated in Calgary with renewed investment in affordable housing.

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<sup>1</sup> *Socio-Economic Analysis: Value of the Toronto Community Housing's 10-Year Capital Investment Plan and Revitalization*, Canadian Centre for Economic Analysis, March 2015.

## Preliminary List of Projects in the Affordable Housing Pipeline

Through information collected and obtained from the Canadian Housing Bank database and in conversations with members of the non-market housing community, Calgary Housing Company (CHC) has identified a potential list of projects and related costs that could benefit from the activation of the Affordable Housing Development Financial Incentive program to provide funding that would offset development fees and levies for non-market housing providers, in 2016 and 2017. In some cases, there is potential that the grant funding will enable these projects to commence earlier and/or avoid additional financing costs and delays.

It is not possible at this time, for CHC or the agencies to fully validate the financial accuracy of the estimates and they are subject to change as costs are finalized. In addition, a Terms of Reference would need to be completed by the City to identify the eligibility for accessing grants and the type and amounts of grants that would be made available in order to be able to more accurately provide estimates. However, high level estimates based on total project costs and anticipated developments have been provided by these agencies to provide an indication of the need for this program, as well as some testimonials below:

*“A grant program to offset the fees and levies associated with the creation of these new units would leverage the contribution made to date by the Province of Alberta and the RESOLVE donors. Furthermore, this would be highlighted to future RESOLVE donors as an important contribution that the City is making to support the creation of more affordable housing in Calgary and demonstrating the City’s commitment to community based affordable housing solutions.”*

*“Fees ideally rebated would be development fees, building permit fees and all related levies. We do not attract matching funds for these fees and the City’s contribution would go towards lowering our cost to build.”*

Based on discussions with several non-market housing providers in the community, there are a number of projects from various agencies that have the potential to access this funding. The table below provides costs for projects anticipated to start construction in 2016 and 2017 as well as future projects that could potentially be expedited if grant funding was available. This list does not include any City projects that have not yet been submitted for infrastructure funding.

In addition, this information does not take into account pre-development funding (PDF) or any fees paid by the trades and charged back for construction, and the costs incurred in some cases would be dependent on timing of the permit application based on the changes to the off-site levy bylaw that came into effect in 2016.

## Draft Preliminary List of Projects in the Affordable Housing Pipeline

*\*Note: This information includes estimates of costs and start dates based on information available at this time and is subject to confirmation.*

### 2016-2017 Projects

Project Owner	Anticipated Start Date (Year)	#Units	Development Type	Estimated Total Project Cost	Estimated Development Grants Accessible
Accessible Housing	2016	45	Redevelopment	\$12.9 million	\$0.143 million
Attainable Homes	2016	39	New Development	\$11.6 million	\$0.490 million
Attainable Homes	2017	180	New Development	\$47.8 million	\$0.437 million
CHC	2017	160	Redevelopment	\$50 million	\$0.145 million
CHC	2017	145	Redevelopment	\$50 million	\$0.136 million
CHF	Underway	30	New Development	\$5 million	\$0.156 million
CHF	Underway	24	New Development	\$5 million	\$0.32 million
CHF	Underway	25	New Development	\$5 million	\$0.125 million
CHF	2016	23	New Development	\$5 million	\$0.125 million
CHF	2016	23	New Development	\$5 million	NA
CHF	2017	*150	New Development	\$30 million	\$0.621 million
Habitat	2016	8	New Development	\$2.16	\$0.048 million
Habitat	2016	6	New Development	\$1.62 million	\$0.036 million
Habitat	2016	2	New Development	\$0.6 million	\$0.012 million
Habitat	2017	4	New Development	\$1.08 million	\$0.024 million
Habitat	2017	8	New Development	\$2.16 million	\$0.020 million
Habitat	2017	10	New Development	\$2.70 million	\$0.055 million
Horizon Housing	2016	160	New Development	\$36 million	\$0.635 million
Silvera	2016	60	Renovated	\$0.5 million	\$0.125 million

Silvera	2016-2017	60	Site Redevelopment	\$0.83 million	\$0.83 million
Silvera	2017	125	New Development	\$50 million	\$1.3 million
The Seed	2017	30	New Development	\$6 million	NA
Trinity	NA	NA	NA	\$35 million	\$0.635 million
<b>2016-2017 Totals</b>		<b>1317</b>		<b>\$365.95 million</b>	<b>\$6.418 million</b>
<b>2018 Projects</b>					
Horizon	2018	90	Redevelopment	\$30 million	\$0.373+ million
Silvera	2017-2018	500	New Development	\$72 million	\$1.3 million
Silvera	2018	100	Redevelopment	\$24 million	NA
Silvera	2018	360	New Development	\$128 million	\$1.5 million
<b>Additional Totals</b>		<b>1050</b>		<b>\$254 million</b>	<b>\$3.173 million</b>

\* These new units are spread out across approximately 6 buildings. Some of the units will be in development in 2017 and the rest in 2018.

## Action 2: Coordinate housing applications across all housing providers.

**Investment:** Up to \$500,000 total investment over 2016 and 2017

**Description:** The recommendations in the *Enough for All* poverty reduction strategy highlight the need for a coordinated registry service that would serve all populations seeking non-market housing. There is an opportunity to determine how this might work and what would be required for implementation. From CHC's perspective, a fully integrated and automated system will not be possible for several years due to existing IT limitations but with this research an interim solution could be developed. This has community support and was developed by the Calgary Housing Affordability Collective and presented to the Priorities and Finance Committee as part of the 2015 December 15 PFC2015-0939 report.

This funding would provide sufficient resources to understand the current issues, how to address the challenges (e.g. privacy, records management, FOIP, accessibility, etc.), assess the ways in which a cross-sector application process could be managed, make recommendations, and pilot a segment of the full initiative and address implementation challenges.

Once the system is fully implemented it is anticipated the combined wait lists will not have any duplication and applicants will have improved outcomes as a result of being more appropriately placed in housing with the right supports. The experience of the applicant will be improved as they will only have to complete one application for housing.

This project will generate an understanding of the functional requirements for a fully automated system once the IT supports are in place. It is expected that the pilot phase will demonstrate tenant and agency benefits. Future full implementation will reduce administrative costs across the housing spectrum through pre-screening and referrals. Improved tenant outcomes will be realized as a result of better placement and supports.

**Rationale:** “Research consistently demonstrates the importance of affordable and appropriate housing for health and well-being. ...The Calgary Poverty Reduction Initiative proposes to enhance access to affordable housing through ...Central housing registry.”<sup>2</sup> An outcome of the Enough for All strategy is that Calgarians only need to tell their story once to access appropriate services.

CHC’s list of qualified applicants continues to grow in response to the economic downturn. The current list is 3700, up by 250 from last year. Other housing providers have vacant units which provides CHC and other housing providers with an opportunity to work together to find appropriate accommodation for some of the people on the CHC waitlist. Furthermore, by partnering with other agencies the duplications between the different wait lists can be eliminate providing an improved understanding of the number of Calgarians in core need of housing.

**Benefits:** This will enable us to generate an understanding of the functional requirements for a fully automated system and to be able to identify potential solutions that would address the barriers to success - such as variable information needs, privacy (FOIP) issues, technology, and to develop an interim system that can be tested by volunteer agencies.

The objective is to create and test an interim system with some or all of the non-market housing agencies that would create operational efficiencies and improve the appropriateness of the housing and supports provided to individuals in need.

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## **ALTERNATE OPTION - NEW**

Outlined below is an option that was not presented at Priorities and Finance Committee on 2016 February 2 as part of the original package for approval. However, as a result of discussions with the Committee and based on feedback from its members, this proposal has been provided as alternate options for Council to consider recommending for funding should they wish to do so.

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<sup>2</sup> *Enough for All: Unleashing Our Communities’ Resources to Drive Down Poverty in Calgary*, Final Report of the Calgary Poverty Reduction Initiative, Volume 1, section 4.3.3, p10 May 2013

## **Option: Renew City secondary suite grant funding to create 140 new secondary suites**

**Investment:** Initial investment could be \$3.7 million; up to \$25,000 per unit for 140 units, plus program administration costs.

*Note: There is currently not enough funding available within the allocated \$7.4 million to support the Initial Investment required. However, if the amount provide for Action 1 (Affordable Housing Development Financial Incentive program) was reduced to \$5.4 million; \$1.5 million could be allocated towards this program. An additional \$2.2 million would be required in order to meet the minimum \$3.7 million investment.*

**Description:** This initiative would increase the affordable rental housing supply by 140 units. It will support renters to find safe and affordable housing and support homeowners to maintain or purchase housing as rental income from secondary suites can now be included in mortgage financing calculations to support new homeownership. The City's investment in secondary suites would create new safe secondary suites that will be required to be rented at affordable rates. The operation and maintenance of the new homes would be assumed by private landlords who would benefit from the additional revenue. The rent revenue would go to the private sector and create new construction jobs which would support the economy.

**Rationale:** Secondary suites will provide renters with safe and affordable housing and will support homeowners with additional revenue creating improved housing security for both. The funding previously provided was fully subscribed with a wait list in the event future funding might become available.

**Benefits:** This initiative would be beneficial to the public in a number of ways;

- it would increase the ability of homeowners to enter the housing market with a secondary suite as a mortgage helper
- the increased rental housing supply will improve market options for renters and apply downward pressure on rents to more affordable levels;
- it would help reduce the amount of illegal and unsafe secondary suites currently on the market that pose a potential safety hazard to renters, creating a public safety benefit.

In order for this option to be feasible and to justify the administrations costs of running the program, a minimum of 140 units should be approved for the initial launch. Upon evaluation of the success of the program, continuation of funding for additional units could be considered.