



Committee of the Whole Report

Report Number: HS2023-003
Meeting Date: March 7, 2023
Title: **Affordable Housing Target Program Recommendations**
Description: Steering Committee Recommendations for Intake CKL2022-01
Author and Title: Michelle Corley, Human Services Manager, Housing

Recommendation(s):

That Report HS2023-003, **Affordable Housing Target Program**, be received;

That subject to the necessary by-law and Municipal Housing Facilities Agreement being forwarded to council for approval, and the successful completion of such planning and development processes as may be required, the recommended application received through Intake CKL2022-001 of the Affordable Housing Target Program, providing a total of 37 affordable rental units in the City of Kawartha Lakes, as described in Report HS2023-003, be supported;

That the municipal incentives identified in Table 1 of Report HS2023-003 be approved;

That the waiver of development charges in the amount of \$591,410 be recovered through financing from the uncommitted portion of the General Contingency Reserve (1.32090);

That the Director of Human Services and the Human Services Manager, Housing be authorized to execute necessary agreements to provide the incentives to this project; and

That this recommendation be brought forward to Council for consideration at the next Regular Council Meeting.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

The Affordable Housing Target Program ([AHTP](#)) offers an opportunity for interested proponents to submit an application to apply for funding and incentives to create affordable housing units that will assist the City and County in achieving targets established in the [2020-2029 Housing & Homelessness Plan](#), CKL Report HH2019-010 – 2020-2029 Housing and Homelessness Plan.

Affordable units are not necessarily created from purpose built rental developments and can include housing provided by private, public and non-profit sectors. The affordable housing targets set by the municipalities are only achievable with participation from developers, community housing providers, non-profits, landlords and residents. This program educates those interested about the incentives to work together with the municipality to increase the supply of affordable housing within our communities.

As stated above, it is important to understand that each additional affordable unit is not always the result of new construction. An additional affordable unit can be created in a variety of ways including:

- Resale of existing ownership
- Subsidy to a tenant to use in an existing market rental (Rent Supplement, Housing Allowance or Portable Benefit)
- Rehabilitation of spaces not currently residential rental or inhabitable
- Creation of a secondary suite within an existing or new residential home
- Purpose built rental and ownership

The need for more purpose built rental has been and continues to be a main priority within Kawartha Lakes. The vacancy rate has remained low for several years, with supply not keeping up with demand. The growth and development of single detached homes continues to outpace this market and causes a greater affordability gap for those in critical need of this type of affordable living space. Incentives and certain levels of funding provided to partners that work collaboratively with the municipality are a means to develop more affordable housing and assist in the achievement of the adopted targets.

Proponents looking to create affordable housing can seek funding, incentives or policy support by applying through the AHTP. The intake process includes an expression of interest, submission of an application and a thorough review by a staff technical team on a quarterly basis throughout the year. Recommendations are then brought forward to the submission the AHTP Steering Committee. The Steering Committee, made up of senior municipal staff, review each application based on its individual merit, phase of where the project is at in development and make recommendations to the corresponding Council, either Kawartha Lakes or County of Haliburton. Recommendations may come forward in full or in part through a quarterly intake, and could be phases across intakes given the progression of the project.

Interested proponents can be any of the following:

- Private developers
- Community housing providers
- Affordable housing providers
- Community agencies
- Residents

Within the 2020-2029 Housing & Homelessness Plan, Council adopted a ten-year Affordable Housing Target of 1,280 rental units for Kawartha Lakes. Since the adoption of this plan, which started in 2020, we have secured 19 new units. Contributions through Minister's Zoning Order (MZO) developers will also contribute towards the affordable housing targets, but exact numbers are yet to be determined.

Rationale:

Muskoka D & M Corporation (MDM) submitted an application to the AHTP in 2022 seeking incentives to support the creation of 37 Affordable Housing units within their proposed 108-unit apartment building. These are to be located at 73-83 William Street North, Lindsay. Of the 37 units, 33 will be one-bedroom units and four will be two-bedroom units.

Table 1 below is the summary of the recommended AHTP incentives for the MDM rental project in Lindsay. Municipal incentive values will be estimates based on information available at this time, and are proportionate to the affordable units within the project. Every effort is made to firm up these estimates as agreements are executed. Projects, like this one, are early in their development and will be presented to council in phases, as the project progresses.

Table 1: AHTP Municipal Incentives from City of Kawartha Lakes				
Proponent	Program	Incentive / Method	Estimated Incentive Value	Number of Affordable Units
MDM	New Rental Development Program	Zoning application fee, advertising fee: Waived	\$1,378.94	37
		Official Plan Amendment application fee, and advertising fee: Waived	\$2,190.19	
		Site Plan Application fees: Waived	\$2,464.95	
		Minor variance application fee, advertising fee: Waived	\$488.88	
		Building permit fee: Waived	33 one bedroom units =\$45,076.35 4 two bedroom units =\$7,225.80 Total \$52,302.15	
		Demolition permit fee: Waived	\$119.91	

Table 1: AHTP Municipal Incentives from City of Kawartha Lakes				
Proponent	Program	Incentive / Method	Estimated Incentive Value	Number of Affordable Units
		Development Charges: (recovered through contingency reserve)	<p style="text-align: center;">four two-bedroom units \$81,956</p> <p style="text-align: center;">33 one-bedroom units \$509,454</p> <p style="text-align: center;">Total \$591,410</p>	
		Total value of incentives (fee waivers):	\$650,355.02	
	Rent Supplement Program	Estimated annual rent subsidy for two thirds (25 units) of affordable units (contributed annually over a 20 year period, included in annual department budget starting in 2024)	<p style="text-align: center;">\$77,120 (2024 – partial occupancy)</p> <p style="text-align: center;">\$235,987 (2025)</p>	To support 25 of the 37 units to be deeply affordable for those with very low incomes

The project recommended in this report was submitted to the City and have since been reviewed by a Technical Team consisting of City municipal staff. Upon the review of the Technical Team, the application was then evaluated by the AHTP Steering Committee.

Applications are not evaluated on a competitive basis. Proponents may present information reports to council at various phases of their projects, however, it is intended that approvals for incentives and funding are granted through the AHTP process, and specifically for these projects, through this report.

Although there might be some fluctuation of the value of the incentives between this report and the actual costs, we want to ensure that the proponent receives the full benefit of the incentive. Should the proponent not continue to meet the requirements of the agreement (for example, cease to continue providing affordable rents), the proponent would be obligated to reimburse the City for the actual value of the incentives.

Two thirds, or 25 of the affordable units, are aimed to have a Rent Supplement to support low and middle income households. Given that estimated occupancy is targeted for late 2024, 2025 will likely be the first full year of occupancy. The Housing Services 2025 budget will include an estimate of \$235,987 to support these costs. These costs will vary slightly based on actual incomes of the tenants, as the tenant portion of rent will be calculated at 30% of their income, with the Rent Supplement bridging the tenant's portion of rent and the market rent. Based on historic Rent Supplement expenses, future year costs are likely to increase annually by 2%, usually as a result of allowed Rent Control Guidelines Increases. Staff will enter in to a Rent Supplement agreement with the proponent to secure the terms and conditions surrounding Rent Supplements for a period of 20 years.

Occupants of the 37 affordable units will be housed from the City's waiting lists.

Alignment to Strategic Priorities

This report aligns to the Exceptional Quality of Life strategic priority. It contributes directly to the goal of:

- Continuing to encourage mixed development, with a focus on affordable, attainable and purpose built housing.

Financial/Operation Impacts:

The identified fees and charges can be provided with minimal impact to the City. This is not the case for a Development Charge exemption. The Development Charges Act requires the City to replenish the Development Charge reserve from non-Development Charge sources for the resulting foregone revenue. So while the authority to provide the exemption exists, the City will need to identify a corresponding funding source. The City's General Contingency reserve will be used for this purpose.

It is noted that prior to the occupancy of this project various aspects of Bill 23 will be implemented causing the Development Charges to be exempt as-of-right. Given this anticipated change, we recognize that the calculated value of incentives included in this report slightly exceeds the current program per-unit limits. While still including the Development Charges as an incentive, the per-unit calculated incentives the City is committing for a one-bedroom unit (\$16,983.48) and for a two-bedroom unit (\$22,474.98), when current program incentive limits are \$15,000 for a one-bedroom unit and \$20,000 for a two-bedroom unit.

Consultations:

City of Kawartha Lakes AHTP Technical Team
City of Kawartha Lakes AHTP Steering Committee
Manager of Corporate Assets
Treasurer, City of Kawartha Lakes

Department Head email: cfaber@kawarthalakes.ca

Department Head: Cheryl Faber, Director, Human Services