

HS-C1-1

---

DATE: October 25, 2011

REPORT TITLE: **INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) – REQUESTING AUTHORITY TO PARTICIPATE**

FROM: Janet Menard, Commissioner of Human Services

---

## RECOMMENDATION

That participation by the Region of Peel in the federal/provincial *Investment in Affordable Housing for Ontario program (IAH)* be approved in accordance with the Program Delivery and Fiscal Plan;

And further, that the *Investment in Affordable Housing for Ontario program (IAH) Service Manager Administration Agreement*, together with such further agreements and ancillary documents that may be required for participation in and compliance with the *Investment in Affordable Housing for Ontario program*, be executed by the Region's duly authorized signing officers.

## REPORT HIGHLIGHTS

- The *Investment in Affordable Housing for Ontario program (IAH)* is a four-year funded program that will end on March 31, 2015.
- All projects funded under the IAH program must be completed by March 31, 2019.
- All projects must begin construction within 120 days of signing a Contribution Agreement.
- The IAH program Administration Agreement must be signed no later than January 31, 2012.
- The development and implementation of the Service Manager Program Delivery and Fiscal Plans are required.
- The Region of Peel was allocated \$31.73 million.
- No direct rent-geared-to-income subsidies are associated with the capital funding.
- A maximum of \$150,000 capital funding per unit is available.
- Rents must not exceed 80 per cent of the Canada Mortgage and Housing Corporation (CMHC) average market rent for the area.

## DISCUSSION

### 1. Background

In August 2011, the Government of Canada and the Province of Ontario announced the new Affordable Housing Framework 2011-2015. This framework represents a commitment of \$480.6 million to be provided for the development of new affordable

October 25, 2011

**INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) –  
REQUESTING AUTHORITY TO PARTICIPATE**

housing in Ontario. Under this initiative, the Province of Ontario has developed the Investment in Affordable Housing for Ontario program (IAH) which builds on the success of the Canada-Ontario Affordable Housing Program (AHP) and uses the principles of Ontario’s Long-Term Affordable Housing Strategy (LTAHS). It is a multifaceted program that permits Service Managers the ability to use the funding in the following areas: Rental Housing, Homeownership, Northern Repair, Rent Supplement, Housing Allowance and Ontario Renovates. The Region is eligible to participate in five of these six programs. The Northern Repair Component is intended solely for Northern Ontario.

Under the IAH, the Region of Peel has been allocated the following notional funding amount:

Regional Municipality of Peel			
2012-13 Year 2	2013-14 Year 3	2014-15 Year 4	Total
\$13,021,889	\$13,045,199	\$5,665,205	\$31,732,293

Service Managers interested in participating in the program are required to sign an Administration Agreement with the province and develop a Program Delivery and Fiscal Plan (PDFP) by January 31, 2012 and February 28, 2012, respectively. Following the execution of the IAH program Administration Agreement, Service Managers are required to update their PDFP on an annual basis, providing details on what program component(s) they will take up and what percentage of their funding allocation is dedicated to that component(s). Staff recommends that the PDFP allocates the majority of funding to the Rental Housing Component.

To support this recommendation, IAH planning was immediately integrated into the planning process already underway for Peel’s Housing Investment Plan. This plan, which is related to the \$17.1 million in Regional funding, will be submitted to Council for consideration in a separate report “Housing in Peel: Report Two” on November 24, 2011.

**2. IAH Funding Requirements**

Year 1 of the IAH program is deemed as a transitional year and a maximum of \$47.5 million in IAH funding is available to be shared by all Service Managers across the Province as an advance on their allocation. Service Managers with “in the pipeline” projects are able to request these advanced funds, providing that they sign both the Administration Agreement and Contribution Agreement by December 31, 2011.

Service Managers who receive funding approval for Year 1 will have their annual allocations for Years 2 to 4 adjusted to reflect their remaining balance. This amount cannot exceed the total allocation (for Peel, \$31.7 m). Staff are not recommending an advance be requested, as we are currently assessing our priorities for meeting the housing need in the context of all available funding. Staff have drafted a Housing Investment Plan and once that Plan is approved, will make recommendations on specific projects and proposals.

October 25, 2011

**INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) –  
REQUESTING AUTHORITY TO PARTICIPATE**

The IAH program guidelines state that as long as the proponent signs a Contribution Agreement that will commit the funding of that allocated year, there will not be a requirement to return the funds. It is the Region's intent to ensure that all funds are committed by the program deadlines.

**3. Program Guidelines**

In September 2011, the Province of Ontario issued guidelines for the IAH program which will form part of the IAH program Administration Agreement. In general, the guidelines outline the financial details of the program, administrative requirements and program requirements. Staff have reviewed the guidelines and recommends that Council approve participation in the Rental Housing Component and approves the creation of the Program Delivery and Fiscal Plan for Peel. Copies of the program guidelines are available from the Commissioner of Human Services.

**4. Rental Housing Component – Key Details**

**a) Administration Agreement**

Service Managers who wish to participate in any component of the IAH program must enter into a non-negotiable Service Manager Administration Agreement with Her Majesty the Queen in Right of Ontario, as represented by the Minister of Municipal Affairs and Housing ("Ministry"), outlining the roles and responsibilities of the Service Manager including: a) the financial provisions for payments; b) eligibility criteria; c) indemnification and repayment provisions; d) risk management protocols for approved projects facing difficulty; e) municipal procurement practices that must be followed for project selection; and f) reporting, auditing and other accountability enforcement provisions.

A key feature of the Administration Agreement is the provision of upfront funding to offset staff resource costs for program administration. Upon signing the Administration Agreement, the Region of Peel will receive \$100,000 in administration fees for planning and pre-development activities. For Years 2 to 4, Service Managers may use up to five per cent of their total three-year funding allocation for administrative costs. Staff recommends that \$150,000 per year (from years 2 - 4) be allocated from the notional allocation to offset staffing costs related to the delivery of the program.

Any project proponents approved by Regional Council based on municipal procurement practices and approved by the Ministry for funding under this program must enter into a Contribution Agreement with the Region no later than December 31<sup>st</sup> of each fiscal year outlining the roles and responsibilities of each party.

Human Services and Legal Services staff have reviewed the Service Manager Administrative Agreement. There are no major areas of concern with respect to the agreement and it is recommended that it and any ancillary documentation required to participate in the IAH program be signed by the Region's duly authorized signing officers and be returned to the Ministry prior to the January 31, 2012 signing deadline.

**b) Eligibility, Affordability Period, Funding**

The Rental Housing Component guidelines in the IAH program outline the eligibility and affordability criteria for projects recommended by Regional Council for approval to

October 25, 2011

**INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) –  
REQUESTING AUTHORITY TO PARTICIPATE**

the Ministry. Projects approved under the Rental Housing component must meet a number of eligibility criteria and must remain affordable for a minimum period of 20 years. To be eligible, the project must be new construction, including additions and extensions, acquisitions or conversions of non-residential buildings or units to purpose-built rental buildings/units.

The funding provided to any approved project will be treated as a forgivable capital loan which is available during the development and construction phase of the project. The specific terms and conditions of the forgivable capital loan will be stated in the Contribution Agreement, which will be signed between the project proponent and the Region. Under the terms of the Contribution Agreement, the loan will be forgiven at the end of a 20 year affordability period, provided that the housing units funded with IAH program funding remain affordable and the terms and conditions of the Contribution Agreement signed between the project proponent and the Region pertaining to those units are not breached. This is similar to the requirements under the AHP. The requirements of the Contribution Agreement will require ongoing monitoring by Regional staff.

**c) Financial Requirements**

The IAH program Rental Housing Component will fund up to 75 per cent of the total capital cost per unit or up to \$150,000 per unit, whichever is less. Based on this information, the Region or an eligible proponent will need to make a financial contribution or financing arrangements to each project to create an affordable rent. The program defines "affordable rent" as a rent that is 80 per cent of the CMHC average market rent (AMR) (including utilities) at the time of occupancy. Staff will report back to Council on specific project details including target clients, affordability levels, financial forecasts and legal requirements.

**d) Eligibility and Rent Determination**

Buildings which are built under the IAH program will undergo an initial income screening as part of eligibility determination. Any buildings that are built by a non-profit housing provider with IAH program funding will be required to select applicants from the PATH waiting list only if a Rent Geared to Income (RGI) subsidy is available in the new unit.

Based on AHP experience, the ability to achieve the goal of 80 per cent of AMR in a new project is challenging. Staff intends to achieve income integration and greater affordability through the generation of internal subsidies and/or the use of new rent supplement subsidies as proposed under the Housing Investment Plan (Housing in Peel: Report Two).

The new units created under the IAH program are not subject to the eligibility provisions of the *Housing Services Act, 2011*. Applicants will be selected on a chronological basis from the centralized waiting list subject to determining their ability to afford to pay, based on their income.

Ongoing income verification after the applicant is housed is at the discretion of the Service Manager. It is expected that a minimum annual income monitoring will occur for all units, with more extensive verification undertaken for RGI households.

October 25, 2011

**INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) –  
REQUESTING AUTHORITY TO PARTICIPATE**

Staff believes that the IAH program is viable and that best efforts will be made to ensure that targets are met.

**5. Next Steps – Project Selection**

One of the requirements, as stated in the IAH program guidelines, is that Service Managers will solicit proposals and select rental housing projects to recommend to the Ministry for funding approval. Recommendations to the Ministry must be Council approved, based on municipal procurement practices and in accordance with the *Municipal Act, 2001*.

**6. Benefits of the Investment in Affordable Housing for Ontario to the Region of Peel**

**a) Rental Housing Component**

As noted, staff recommends that the majority of IAH program funding be allocated to the Rental Housing Component – new construction/acquisition and rehab of rental projects/conversions of non-residential buildings.

Funding for the Rental Housing Component of the IAH program will benefit the Region, as it will provide capital contributions that will assist in the creation of additional affordable housing in the Region of Peel. The funding provided by senior levels of government will make it attractive for the Region and potential community groups interested in developing affordable housing to participate in the program.

**b) Local Municipal Impact**

Council has directed staff to take a more assertive role in addressing the access to appropriate housing and preventing homelessness (Term of Council Priority #7 for 2011-2014). As noted, a companion report titled "Housing in Peel: Report Two", outlines the ways in which Regional funds will be used to directly support the affordability needs of those seeking affordable housing options. The ability to leverage capital housing dollars from senior levels of government will help add and maintain safe and healthy affordable housing stock in Peel. The combination of new capital funds and the Region's commitment to fund and enhance new operating programs will have a measurable impact on the centralized waiting list.

**FINANCIAL IMPLICATIONS**

Peel will receive up to \$31.7 million over three years if it participates in the IAH program, and identifies projects that meet the program eligibility criteria.

To fully participate in the Rental Housing Component of the IAH program, the Region of Peel or an eligible proponent will be required to commit some of its own capital funding to the projects. As previously noted, only up to 75 per cent of total capital cost per unit or \$150,000 per unit, whichever is less, will be available for new developments.

Furthermore, the program requires that the municipal property tax rate for IAH funded projects is equivalent to, or lower than, the single residential rate. A grant in lieu can be provided for this property tax reduction. This was required under the AHP and was achieved through offsetting grants as will be the case with IAH projects. Any annual operating surplus from IAH projects

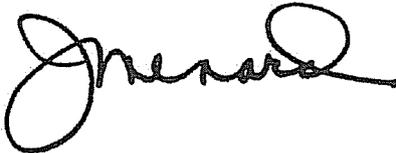
October 25, 2011

**INVESTMENT IN AFFORDABLE HOUSING FOR ONTARIO PROGRAM (IAH) –  
REQUESTING AUTHORITY TO PARTICIPATE**

may be used to fund operating costs, i.e., internal rent geared to income subsidies, to replenish the development reserve or to repay borrowing. The Region approved the Municipal Facility By-Law in July 2003, which enables municipal contributions to be made to IAH projects.

**CONCLUSION**

The IAH program represents an excellent opportunity to develop and support new affordable housing initiatives. This report will position the Region to take full advantage of the IAH program funding that will become available to the Region upon the signing of the Administration Agreement. In previous program allocations there have been very tight turnaround times to secure allocations, so Council's approval at this time will ensure the Region can participate to the benefit of its residents and local economies in the creation of much needed affordable housing in Peel.



Janet Menard  
Commissioner of Human Services

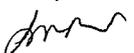
**Approved for Submission:**



D. Szwarc, Chief Administrative Officer

*For further information regarding this report, please contact Lisa Duarte at extension 4862 or via email at [lisa.duarte@peelregion.ca](mailto:lisa.duarte@peelregion.ca)*

*Authored By: Marwan Kassay*

- c. Legislative Services  
Manager, Financial Support Unit (FSU)   
J. Macintyre, Director, Purchasing   
L. Morrow, Acting