



# Committee Report

<b>To:</b>	Chair and Members of Grey County Affordable Housing Task Force
<b>Committee Date:</b>	December 15, 2020
<b>Subject / Report No:</b>	HDR-AF-01-21
<b>Title:</b>	Affordable Housing Development
<b>Prepared by:</b>	Anne Marie Shaw, Director of Housing
<b>Reviewed by:</b>	Kim Wingrove
<b>Lower Tier(s) Affected:</b>	All
<b>Status:</b>	Recommendation adopted by the Task Force as amended on December 15, 2020; Adopted by Committee of the Whole on January 14, 2021 per Resolution CW17-21; Endorsed by County Council January 28, 2021 per Resolution CC11-21;

## Recommendation

- 1. That Report HDR-AF-01-21 regarding affordable housing development be received;**
- 2. That the committee support the recommended action plan goals and timeline;**
- 3. That an affordable housing development fund be created; and**
- 4. That the fund be used to fund affordable housing builds, buy surplus lands or properties and provide rent supplements.**

## Executive Summary

This report provides details on opportunities and costs for the development of affordable housing in Grey County. It includes information on the current wait list needs for housing, opportunities for investing in housing development and the rent supplement program and the need for an affordable housing development fund to support the financial viability of future development projects.

## Background.

At the September 21, 2020 Affordable Housing Task Force meeting, the committee asked that staff bring back a report for consideration on Grey County's critical housing needs, key assets and opportunities for affordable housing to be considered in the 2021 budget. The landscape of the housing and homelessness sector has changed rapidly over the past few years. The vacancy rates in our rental market are at historical lows and we have seen substantial increases in rental rates in all areas of the County.

The 2019 update to Grey County's Housing and Homelessness Plan was completed to ensure that the Plan continues to be relevant and allows the County to respond to community need and update our priorities. The plan identifies the imminent need to create more affordable housing units.

As the Service Manager, Grey County is mandated by the province to provide affordable or rent geared to income housing for residents on the Grey County wait list.

### **Analysis of Types of Housing Needed in Grey County**

An analysis of the Grey County waitlist in October 2020 identified 556 Grey County residents needing affordable or rent geared to income housing.

<b>Waitlist of Grey County Residents</b>		
Singles	289	1 bedroom
Seniors	187	1 bedroom
Families	80	2 and 3 bedrooms
<b>Total</b>	<b>556</b>	

Waitlist analysis:

- Homeless/critical needs: 74 listed no address (52 singles and 16 seniors), unable to determine if all currently in Grey County
- Primary location in need: 337 have current Owen Sound addresses
- Family housing needs: 55 two-bedroom units and 24 three-bedroom units
- Rent Supplements: 40% or 220 can afford rent at an affordable rate of \$550/mo.
- Rent Subsidy: 60% or 336 require a deeper subsidized rent

Grey County turns over approximately 80-90 households a year but just as many households or more are added each year. People wait up to 5 years for housing.

In the last 3 years Grey County has created 54 units of affordable and market housing. All affordable units are occupied with people from our waitlist except for the Community Living Build.

Community Living Build	6 units	completed 2019
Owen Sound Housing Company	28 units	completed 2019
Durham Tremble Build	15 Units	completed 2020

*Options for Providing Affordable/Attainable Housing in Grey*

Option	Analysis	Investment and Outcome
<p><b>Provide Rent Supplements</b></p>	<p><b>Pros:</b> ensure affordability for a person with an appropriate, safe unit but insufficient income. The rent supplement is paid directly to the landlord but does move with the tenant should they move.  <b>Cons:</b> few vacant units available</p>	<p>Up to \$350 per month per household. Participants to come off the waitlist.</p>
<p><b>Co-Invest with Non-Profit Housing Providers</b></p>	<p><b>Pros:</b> Non-Profit Housing Providers are excellent partners in building and managing affordable housing. The housing built will remain affordable for longer periods of time, non-profits understand the changing needs of tenants and they have experience in managing affordable housing.  <b>Cons:</b> Supplemental funding is required for builds to support affordable units</p>	<p>Supplemental funding required to ensure project is viable. County to provide up front or on-going subsidy</p> <p>County to provide construction financing to lower costs</p> <p>Provincial and Federal funds that are available are not enough to provide viability and financial stability but assist in that goal</p> <p>Owen Sound Housing Company is currently building a 60-unit apartment building with a mix of affordable and attainable units.</p> <p>Owen Sound Housing Company has 40 current units that can be redeveloped into 90 units of mixed affordable/attainable/market housing</p> <p>Lutheran Social Services in Owen Sound has land available for a 45 unit affordable and attainable build</p>

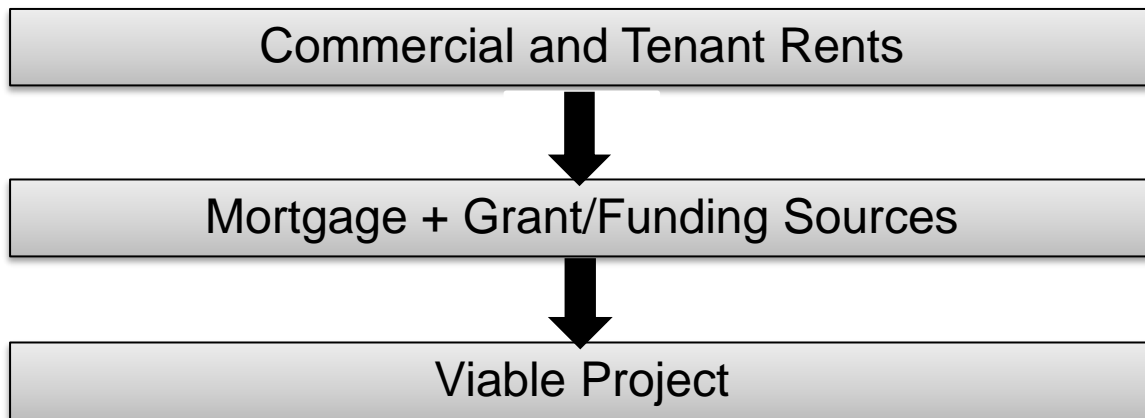
Option	Analysis	Investment and Outcome
<p><b>Durham Seniors Housing Opportunity</b></p>	<p><b>Pros:</b> County owns land. Currently SHS Consulting is investigating opportunities and costs for affordable housing as part of the campus of care model in Durham. An apartment building with affordable and attainable units along with commercial space would provide a sustainable option for affordable housing.</p> <p><b>Cons:</b> Could require significant investment from Grey County.</p>	<p>More information will be available in the spring for this option</p>
<p><b>Grey County Housing Opportunities</b></p>	<p><b>Pros:</b> Grey County owns the units. Provides housing for those in deep core need of subsidy</p> <p><b>Cons:</b> Renovations are expensive. Some of the units were not well constructed originally.</p>	<p>Dundalk has space for additional units to be built on site. Durham and Meaford have buildings in which a second floor and renovations to the first floor could be accommodated</p> <p>Opportunity to divest properties and use to build new affordable, accessible and energy efficient buildings.</p>
<p><b>Land Bank and or Properties Requiring Renovation</b></p>	<p><b>Pros:</b> Using property municipalities already own lowers project costs. Land and incentives can be offered to a non-profit or a private developer in exchange for affordable units. Specifications for affordable housing, rental amounts and tenants being offered from the waitlist can be achieved through the RFP process.</p> <p><b>Cons:</b> not all land opportunities will make financial or community sense to develop.</p>	<p>County to look for opportunities with Municipalities for land that are appropriate for development.</p> <p>County funds required to purchase and/or service lands.</p>

## Options for Raising Investment Capital or Providing Incentives

The total cost per unit for a new build is changing rapidly. Recent examples of affordable/attainable/market housing developments have ranged from \$260,000 to \$320,000 a unit based on recent local builds.

There is no cookie cutter method that will ensure a project is viable with affordable rental units. The number of units, the cost of development and the amount of subsidy vary from one build to another. It is noted that with current construction costs subsequent funding will be required to ensure an affordable housing build is viable.

### Methods to Ensure Viability



Funding Upfront: Funding for construction or soft costs will lessen the amount of mortgage needed and reduce monthly payments. A lower mortgage cost will allow for rents to be lower and a higher number of affordable units vs market units to be offered.

Ongoing Subsidy: If funds are not available up-front during construction an ongoing subsidy to cover operating costs including the mortgage can be provided. If the monthly rental amount is not enough to cover the operating costs of the building on going subsidy will offset the lower rents. This is the system currently used to fund non-profit housing providers in Grey County.

Rent Subsidy: A rent subsidy can be provided on behalf of the tenant to cover the monthly rental amount allowing the proponent to charge more attainable or market units to make the build viable.

Land and incentives: Surplus land and waiving of fees; such as development fees, can lessen monthly payments and allow for reduced rents in some units. This works when there is a lower number of affordable units vs market units. County staff are

investigating a few properties in Dundalk, Owen Sound and Meaford that may be purchased or donated and could be renovated or a new build. Funds are needed for the purchase of land and towards the renovation and or build.

Finding the right mix of rents: Considering the above incentives and subsidies the right mix of affordable, attainable and market rents can assist with covering monthly costs. There is no one ratio that works for all builds, it is individualized.

### *Affordable Housing Development Fund*

An affordable housing fund is needed to fund affordable housing builds, buy surplus land and rent supplements. Funding can be realized through:

Divestment of Property: In 2017, Council approved the divestment of detached war time homes in Owen Sound. With the increase in rents and the low vacancy rates there have been no move outs until recently. There are currently two homes that will be divested in 2021. Staff would like to expand the ability to divest property to all detached and semi - detached homes in Grey County. A review of the property at the time of a tenant moving out would assess the viability of selling the unit. Staff recommends the divested revenue go into an affordable housing development fund.

Provincial and Federal Programs: The County receives annual Ontario Priorities Housing Initiative funds. The funding amounts are small (\$356,000 in 2020) but can be used for upfront funding for non-profit housing builds. Proponents can apply for up to \$150,000 for soft costs and up to 5% of construction costs through the National Housing Strategy. There is also a mortgage loan program for new builds.

Surplus Funds: A percentage of surplus operating or capital funds could be included in the Affordable Housing Development Fund to get the fund started.

Waiving of fees and permit costs: The County is in the process of passing a bylaw waiving development charges for rental and affordable builds. Other fees and costs could be considered through the Community Improvement Plans of municipalities, including the donation of land.

Annual Investment: An annual investment from tax levy as part of the fund. This could be an annual amount to be added to the Affordable Housing Development Fund. These funds could be used for up front funding to assist with construction costs, land costs, an on-going subsidy or a rent supplement.

Mortgages or Borrowing: Grey County and Owen Sound Housing Corporation (Grey County Housing) can borrow against its owned buildings for mortgages. A mortgage would be required in a future Grey County Build. The key is to ensure the rental income covers the cost of all operating expenses including the mortgage.

End of Mortgage Payments for Non-Profits: the County currently provides an on-going operating subsidy to Non Profit Housing Providers that have rent geared to income units. Mortgages for Non-Profits drop off starting in 2023. At this time the County will enter into a new agreement with the Non-Profits. Savings from the new agreement could be used towards the development of new affordable housing.

## Current Funding Initiatives 2021

### ***Social Services Relief Fund Phase 2***

The Province released Social Services Relief Fund Phase 2 to encourage longer term housing-based solutions to homelessness post COVID 19. Grey County submitted three separate projects to create supportive/transitional housing. All three projects were successful in securing funding. Units to be completed by December 2021.

- A \$120,000 renovation project with the Women's Centre Grey Bruce to renovate a two-bedroom townhouse into two single units. Operating costs covered under existing agreement. Supports provided by Women's Centre.
- A \$120,000 renovation project with Maam Wiim Win Non-Profit to renovate an existing home into three single bedroom transitional housing units. Operating supports covered under existing agreement. Supports provided by local support agency
- A \$355,000 renovation project with Lutheran Social Services to convert an existing building into 4 units of supportive/transitional housing. Operating expenses to be covered by rent supplements. Supports provided by local support agency.

### ***Rapid Housing Initiative***

The Province released a Rapid Housing Initiative to assist in acquiring existing buildings and transforming into single supportive units. Many Service Managers with shelters are moving people out of shelters and into motels due to COVID 19 and the need to isolate or physically distance. The funds can be used to buy motels and renovate to single units to be used post COVID.

Grey County staff investigated the possibility of applying for the Rapid Housing Initiative funds but did not have a suitable project at this time. There were also no on-going operating, capital or support services funding. A cost sharing amount was also required.

### ***Odawa Heights 60 Unit Apartment Building***

Construction has begun on the 60-unit apartment building in Owen Sound. Owen Sound Housing Company estimates the build will be complete in December 2021 with occupancy slated for January 1, 2022. The apartment will consist of 47 affordable units



and 17 market/attainable units. Just over 6 million in COCHI and OHPI up front funding from the Province allowed for higher ratio of affordable units to market/attainable units.

**Rent Supplement Program**

Grey County will enter into approximately 20 rent supplement agreements with tenants and private landlords. The program provides a subsidy to bridge the gap between the actual rent and the rent affordable by the tenant.

**Portable Housing Benefit**

Grey County will assist up to 40 households with applications to the Provincially run Portable Housing Benefit. Tenants are eligible for a benefit paid directly to the household. The tenant must come off the wait list at the time of applying for the benefit.

**Future Housing Opportunities**

**Lutheran Social Services Build**

Lutheran Social Services Non-Profit is interested in building a 45-unit apartment building in Owen Sound. Lutheran Social Services owns the land, the land is zoned appropriately. A mix of Provincial and County funds are required to make the build financially viable.

45 units at an **estimated** \$270,000 per unit requires \$12,150,000 to build

<b>Monthly Expenditure</b>			<b>Monthly Revenue</b>	
Mortgage Payment	\$43,495		Affordable Rent	\$13,800
Operating Costs	\$ 7,500		Market Rent	\$24,200
Capital	\$ 1,000		Other	\$ 1000
Total	\$ 51,995		Total	\$39,000
			<b>Deficit</b>	-\$12,995

**Mortgage Payment:** \$12,150,000 mortgage (p and i) 3% over 40 years = \$43,495 monthly mortgage payment

**Rent:** 23 units @ \$600 = \$13,800 + 22 units @ 1100 = \$24,200 Total: \$38,000/month

To ensure the monthly expenses are covered by the monthly revenue upfront funding of **\$3,745,615** is required to lower the monthly mortgage payment to \$30,086 for a monthly surplus of \$414

### Funding Sources:

Development Charges: 45 x \$4347=	\$ 195,615
Contribution by proponent	\$400,000
Provincial funding	\$1,000,000
CMHC funding for soft costs	<u>\$150,000</u>
Sub Total	<b>\$1,745,615</b>
County Funds:	<b>\$2,000,000</b>
<b>Total:</b>	<b>\$3,174,615</b>

### ***Owen Sound Housing Company Build***

Owen Sound Housing Company is interested in a 90-unit build in Owen Sound. Their current property has 40 units of affordable housing that need renovation. The size of the property could easily support a 90-unit apartment building. A mix of Provincial and County funds are required to make the build financially viable

90 units at an estimated \$285,000 a unit requires \$25,650,000 to build

<b>Monthly Expenditure</b>		<b>Monthly Revenue</b>	
Mortgage Payment	\$91,823	Affordable Rent	\$34,500
Operating Costs	\$ 10,800	Market Rent	\$44,000
Capital	\$ 2,000	Other	\$2000
Total	\$ 104,623	Total	\$80,000
		<b>Deficit</b>	<b>-\$24,623</b>

**Mortgage Payment:** \$25,650,000 mortgage (p and i) 3% over 40 years = \$91,823 monthly mortgage payment

**Rent:** 35 units @ \$600 = \$21,000/15 units @900= \$13,500 + 40 units @1100 = \$44,000 **Total: \$78,000/month**

To ensure the monthly expenses are covered by the monthly revenue upfront funding of \$6,891,230 is required to lower the monthly mortgage payment to \$67,153 for a monthly surplus of \$47.

### Funding Sources:

Development Charges: 45 x \$4347=	\$ 391,230
Provincial funding	\$1,000,000
Other	\$350,000
CMHC funding for soft costs	<u>\$150,000</u>
Sub Total	<b>\$1,891,230</b>
County Funds:	<b>\$5,000,000</b>
<b>Total:</b>	<b>\$6,891,230</b>

## Timeline for Possible Affordable Housing Projects

This chart outlines a timeline for existing opportunities for affordable housing development. Currently funds for future Provincial programs are unknown. Based on previous years allocations it is expected \$500,000 annually will be available from the Province. The Province requires projects to be shovel ready.

Year	Project	Units	Est. Cost	DC	Prov/Fed Funds	County Funds	Other
<b>2021</b>	Owen Sound Housing Company	60	\$12,543,800	\$260,820	\$6,180,163		
<b>2021</b>	Rent Supplement Program	20			\$80,000 annually		
<b>2021</b>	Provincial Portable Housing Benefit	25			\$120,000 annually		
<b>2021</b>	Supportive/ Transitional Housing	10	\$595,000		\$595,000		
<b>2022</b>	Lutheran Social Services	45	\$12,150,000	\$195,615	\$1,150,000	\$2,000,000	\$400,000
<b>2023</b>	Owen Sound Housing Company	90 50 new	\$25,650,000	\$391,230	\$1,150,000	\$5,000,000	\$350,000
<b>2024</b>	Durham Seniors Build	TBD					
<b>Total</b>		210					

Staff will continue to look for land, renovation and build opportunities beyond the above list. Staff will continue to apply for funds as they become available.

## Legal and Legislated Requirements

none

# Financial Resources

The following are estimated funds available for the Grey County Affordable Housing Fund.

<b>Funds</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Annual Funds	300,000	300,000	300,000	300,000	300,000
Housing Surplus	150,000				
Divested Funds	500,000				
End of Mortgage				150,000	200,000
Reserve Funds					
Total					

- Annualized contribution to affordable housing fund
- Divesting of Grey County property
- Reserve funds (surplus funds from operating or capital projects)
- Provincial and Federal Funds as they become available

## Relevant Consultation

- Internal: Housing, Planning, Economic Development
- External: Various Non-Profit Housing Providers,

## Appendices and Attachments

### KEY TERMS

Some key terms and concepts mentioned throughout the report are explained below. Income amounts are based on a one-bedroom unit.

**Rent Geared to Income Housing:** refers to a rental structure in which the client pays a rental rate that represents 30% of their gross income. Currently residents in Grey

County rent geared to income housing have an income of less than \$20,000 a year for a one bedroom unit.

**Affordable Housing:** The term ‘affordable housing’ for the purpose of this report is housing that is 80% of Average Market Rent as determined by CMHC. For Grey County this is rent at \$500 to \$600 a month for a one-bedroom unit. Residents with an average income of \$20-30,000 would be able to afford this rental amount.

**Attainable Housing:** Housing for residents with incomes from \$30,000 to 60,000. Rents around the \$700 -\$1200 a month or up to market rent for a one bedroom.

**Non-Profit Housing:** Community Housing is housing owned and operated by non-profit housing corporations and governed by a Board of Directors. These providers offer rent geared to income housing, affordable housing and market units.

**Rent Supplements:** A subsidy paid to a landlord to bridge the gap between what a tenant can afford (30% of their income) and the market rent ceiling set by the municipality. There is often a maximum monthly amount of subsidy.

**Supportive Housing** Supportive housing refers to a combination of housing financial assistance and other supports that help people to live as independently as possible. This includes several forms of rent subsidies (e.g. rent-geared to-income in social housing, rent supplements, housing allowances) and housing types (e.g. dedicated buildings, individual units). Supports also take a variety of forms and vary in intensity based on people’s unique needs (e.g. Occupational Therapy, Physical Therapy, Nursing, Social Work, etc.).