

## Blatchford Affordable Housing

### Recommendation:

That Executive Committee recommend to City Council:

1. That the Principles for Development of Affordable Housing at Blatchford, as outlined in Attachment 2 of the October 27, 2015, Sustainable Development report CR\_2334, be approved.
2. That the Affordable Housing Allocation, as outlined in Attachment 3 of the October 27, 2015, Sustainable Development report CR\_2334, be approved and that 20 percent affordable housing at Blatchford include supported housing, permanent supportive housing, social housing, long-term affordable housing, and some attainable housing.
3. That the \$10 million earmarked for affordable housing from the proceeds of future land sales at Blatchford be used to offset the market value of land to be used for permanent supportive housing in Blatchford and the appropriate budget adjustment be brought forward for City Council approval.
4. That the Mayor write a letter, on behalf of City Council, to the Minister of Alberta Seniors, Minister of Health and Minister of Municipal Affairs advocating for the provision of capital grants and operational funding from the Province to enable the orderly development of affordable housing and support services within the City of Edmonton, including within the 30,000 person, 12,000 unit Blatchford community.

### Report Summary

**City Council has directed that “20 percent of the housing units at Blatchford be affordable for both owner and rental tenure. Affordable housing will be mixed with market-rate housing throughout the Plan area”. This report provides a workable definition of affordable housing, outlines the principles to guide the development of the 2,400 affordable housing units, and outlines alternatives and implications to achieve this target.**

### Report

#### The Need

Based on the 2011 federal census, there were 38,500 renter households in Edmonton in core housing need - meaning they were residing in overcrowded, unsuitable or unaffordable units and earning less than median household income. The wait list to access the social housing units operated by Capital Region Housing Corporation includes approximately 3,000 households. Edmonton’s 10 year Plan to End Homelessness recommended the creation of 1,000 Permanent Supportive Housing units.

City Council has stated in the Low-income and Special Needs Housing Strategy that "safe, adequate and affordable housing is fundamental to the physical, economic and social well-being of individuals, families and communities."

### Definition of Affordable Housing in Blatchford

*The Way We Grow* defines Affordable Housing as: "Housing that requires no on-going operating subsidies and that is targeted for occupancy by households that earn less than the median income for their household size and pay more than 30 percent of that income for housing and require no in-situ support services." That definition precludes permanent supportive housing and social (or community) housing (see Attachment 1).

It is the position of the Blatchford Redevelopment Advisory Group that the above definition, plus some portion of market affordable housing should be used in the provision of the 2,400 affordable housing units in Blatchford. Their concern is that inclusion of permanent supportive housing and social housing might adversely impact the marketing of units in Blatchford, compared to other communities where the City does not have the authority to mandate their provision.

Nonetheless, given the demonstrated need for affordable housing in all its manifestations it is recommended that a more expansive definition of affordable housing be used. A more expansive definition of affordable housing also better reflects Municipal Development Plan policy:

*4.4.1 Ensure neighbourhoods have a range of housing choice to meet the needs of all demographic and income groups and create more socially sustainable communities.*

For the purposes of the Blatchford development it is recommended that the definition of affordable housing include rental or ownership housing that receives/requires capital and/or operating subsidies, and that the housing be affordable and targeted for long-term occupancy by households who earn less than median income for their household type. In the housing spectrum it would include permanent supportive housing, supported housing, social housing, affordable housing and some market affordable housing (described in this report as "attainable housing"). It would exclude non-permanent accommodation such as emergency shelters, and would exclude market housing. The typical measure of affordability is that rent and utilities, or principal, interest and taxes should not exceed 30 percent of gross household income.

### Blatchford Affordable Housing Principles

The Blatchford affordable housing principles were created by Administration following consultation with a wide cross section of affordable housing providers, representatives from the Edmonton Homebuilders Association and Urban Development Institute, Council members and representatives from the Province. The engagement included a large symposium on September 8, 2014 followed by three focused meetings with the executive directors of the largest affordable housing providers.

Blatchford will provide for the full spectrum of housing needs with options for households of varying sizes, ages, incomes and abilities. This means including homes that are large and small, age and ability-adaptable, to rent and to own, up-scale and economical, market and below-market.

Blatchford's affordable housing will range from subsidized permanent supportive housing for persons that cannot live independently to near-market ownership housing that is assured to be perpetually affordable. A variety of approaches will be needed to build different affordable housing types. Some affordable housing options will be possible through agreements with builders, while most others will require support from the nonprofit sector. Housing for the lowest income groups would require funding from other orders of government, as well as financial support from the City, in order to be successful.

The eight principles for the development of affordable housing at Blatchford are provided in Attachment 2.

### Implementation Timing

Detailed discussions with the executive directors of the large affordable housing providers was informative in understanding, and planning for, when different types of affordable housing should be built. Blatchford accessory suites (the equivalent of secondary suites in Blatchford's townhouses) and affordable ownership units best fit in the phases of Blatchford which have townhouse built form.

When considering the unit types under the broader definition of affordable housing, supportive affordable housing for seniors (lodges) and rent-g geared-to-income are normally delivered in apartment built-forms, and fit best in the Town Centre and higher density eastern portion of Blatchford. Affordable rental and permanent supportive housing can exist anywhere in Blatchford, which provides a measure of flexibility for balancing affordable housing geographically throughout the community.

Though permanent supportive housing can be located in any of the medium density built-forms, it is the only affordable housing that may use construction standards beyond that of typical residential buildings and strongly benefits from being located near other social and medical support services. As such, permanent supportive housing will need to be the most purposefully planned for in order to be successfully included in Blatchford.

Detailed plans for delivering the affordable housing units will be provided in the ongoing three to five year build-out plans that the Blatchford team will publish. Part of these forward-looking plans will be a status on the roll-out of affordable units. While the objective is to have affordable housing throughout Blatchford, the 20 percent target should be measured over the 20-25 year build out.

### Types of Affordable Housing

There is support from all non-market housing stakeholders for providing all types of affordable housing in Blatchford. There continues to be substantial ongoing discussion on how many units of each type of housing should be provided, and what is counted as affordable housing units. Balancing evolving affordable housing needs with the opportunities in Blatchford will require ongoing adjustment throughout the lifecycle of the development.

The Edmonton Area Community Plan 2011 - 2015 provides general guidance on the need for various types of affordable housing. Because the plan scope ends in 2015, updated information will have to be obtained to guide future investment in Blatchford. Based on the Community Plan's identification of need it is recommended that the 2,400 affordable housing units be distributed along the full spectrum of housing types. The proportions of each housing recommended for Blatchford are given in Attachment 3.

Blatchford, at full build out in 25 years, will have approximately 30,000 people, at which time Edmonton's population is projected to be 1,400,000. Blatchford's population would be 2.1 percent of Edmonton's total.

### Investment Required

Meeting the housing vision for Blatchford will require a significant financial contribution from the City and other orders of government. Based on Cornerstones I, the combined government funding per new unit was in the order of \$130,000. For the 2,400 affordable units, that would translate in to an investment of \$320 million in 2015 dollars. Based on Cornerstones I, the City's 'share' would be \$60,000 per unit or \$144 million. Currently, \$10 million of City funds has been identified in the Blatchford budget for provision of affordable housing, or approximately \$4,200 per unit.

### Implementation Options

#### *Option 1 - Reduced Land Value*

Since the City is the developer and intends to sell parcels of land to builders subject to performance expectations, the City could stipulate that one of the conditions is the provision of 20 percent affordable housing. Private builders would have to factor the cost of providing affordable housing into their plans and consequently would offer less money for land in Blatchford. Therefore, the cost of providing the affordable units would be reflected in the reduced value of the land. This is generally the approach followed by the City of Vancouver.

This approach may work for affordable rental and ownership units, but it is unlikely to work for the supported and permanent supportive units. For permanent supportive units and supported units, additional government funding will be required for the support

services. And particularly for permanent supportive housing, land will need to be designated/allocated for that purpose. The \$10 million currently allocated could be used to subsidize the sale of land to affordable housing providers, in particular permanent supportive housing.

Additionally, this option places the Blatchford Development in a non-competitive position. If the cost is borne by the developer (the City) by virtue of lower land sale revenue, the financial viability of the project will be adversely impacted. It would also mean that other orders of government are not contributing to the costs of providing affordable housing.

### *Option 2 - Full Spectrum of Affordable Housing (Preferred Option)*

This option will finance the City's contribution to the cost of affordable housing (\$60,000 per door) from the Affordable Housing Reserve over the 25 year build-out of Blatchford, for a total cost of \$144 million. In addition, it will also use the \$10 million currently budgeted to write down the value of land dedicated to non-profit housing providers, in particular permanent supportive housing. It will support the development of 240 units of attainable (low end of market) housing.

Substantial capital funding (\$70,000 per door), and operating/support funding from other orders of government would still be required to meet the 20 percent target.

### *Option 3 - Reduced Spectrum of Housing Options*

Proceed with affordable housing types that can be delivered with City funds exclusively. For example, affordable home ownership (Habitat for Humanity) could be achieved with a grant of approximately \$60,000 per door. Blatchford accessory suites (ie. secondary suites) could be achieved at \$20,000 per door. No other government funding may be required to achieve these units.

Attainable housing (or low end of market housing), while not strictly meeting the affordable housing definition, could also be achieved with municipal funding only. For example, the City could implement a First Place type program to attract first time home buyers. Or the City could implement a modified First Place program where it would hold the land value of the unit as a second mortgage. Unlike First Place, no payments of the second mortgage would be required provided the qualifying purchaser remained in the home. Should the owner wish to sell, the City would have first right of refusal and the value would be based on the appreciated value of the improvement only.

NAIT has expressed an interest in building upwards of 2,500 beds/units of student housing. Since residency is transitory this does not typically satisfy the definition of affordable housing. However, in other jurisdictions student housing is available for rent on the open market in the non-academic portion of the year and it might be reasonable to consider some portion of the student housing (800 units) as meeting the definition of affordable housing.

This modified version of affordable housing could be delivered with an annual investment of \$1.5 million in City funds over the 25 year build-out, in addition to the \$10 million currently allocated. This investment could achieve the 2,400 units target, but would not provide a full range of housing choice to meet the needs of all demographic and income groups. Council could proceed on this basis in the interim, until sufficient funds from other orders of government are secured. This level of investment would achieve units as per the following table:

**Table 1: Affordable Housing & Attainable Housing - City Funding only**

Broad Category	Delivered Through	Ratio	Units in Blatchford	City Contribution	Other Orders of Government	Income Level Served
Affordable Housing	NAIT Student Housing	33%	800	nil	TBD	\$20k +
Affordable Housing	Blatchford Accessory Suites	14%	340	\$6.8 million	nil	
Affordable Housing	Affordable Ownership (ie. Habitat for Humanity)	7%	160	\$9.6 million	nil	\$35k +
Affordable Housing	Low subsidy rental	15%	360	\$21.6 million	nil	\$45k +
Attainable Housing	Market Ownership (~\$195,000 sale price)	30%	740	\$10 million	nil	\$65k +
Total			2,400	\$48 million	TBD	

### Policy

Three policy documents provide the clearest direction on affordable housing within the context of Blatchford: *The Way We Grow*, *The Way We Live* and the City Centre Redevelopment Area Redevelopment Plan.

#### *The Way We Grow*

**Affordable Housing definition:** Housing that requires no on-going operating subsidies and that is targeted for occupancy by households who earn less than the median income for their household size and pay more than 30 percent of that income for housing and require no in-situ support services.

**Community Housing:** A category of several types of non-market housing, including but not limited to affordable housing, that receives direct capital and/or operating subsidies

from any order of government to enable short or long term occupancy by a range of lower-income and/or special needs individuals and households.

4.4.1 Ensure neighbourhoods have a range of housing choice to meet the needs of all demographic and income groups and create more socially sustainable communities.

4.4.1.2 Provide a greater range of housing choice in association with the location of education, recreation and health uses.

4.5.1 Provide, in partnership with others, safe, accessible and long-term affordable housing in all areas of the city with a focus on LRT stations and transit centres.

4.5.1.2 Encourage new development and infill redevelopment to incorporate affordable housing that is visually indistinguishable from market housing.

### *The Way We Live*

3.3.1: Provides, partners and advocates for a variety of housing programs to meet the diverse needs of Edmontonians

6.1.8: Advocates for the moderate and balanced concentration of social agencies, housing and businesses in all neighbourhoods

### **Corporate Outcomes**

This report supports the corporate outcomes "Edmonton is attractive and compact" and "The City of Edmonton has sustainable and accessible infrastructure" by planning for the development of an environmentally sustainable, affordable and compact community. The provision of affordable housing within Blatchford will ensure that Blatchford is accessible to all Edmontonians regardless of socio-economic status.

### **Public Consultation**

The Blatchford affordable housing principles were created with input from a wide cross section of affordable housing providers and representatives from the home builder association in an open forum where Council members and representatives from the Province were present. The engagement included a large symposium on September 8, 2014 followed by three focused meetings with the executive directors of the largest affordable housing providers. Session notes from the September meeting are included as an appendix to this report.

### **Budget/Financial Implications**

In addition to the \$10 million that has been previously ear-marked for affordable housing in Blatchford, an affordable housing plan that is representative of the housing needs in Edmonton will require \$5.75 million in additional municipal funds annually from 2019 onwards. The municipal funding required will essentially remain the same whether Council uses the existing definition of affordable housing in the Municipal Development Plan or the more expansive definition recommended in this report. The funds will be needed over the 25 year construction time line to deliver affordable housing in all parts of the community. This in turn, will require funds on a 3:1 basis from other orders of government.

An unfunded Service Package has been prepared by the Sustainable Development Department for Council's 2016-2018 budget deliberations in December 2015. It proposes the allocation of \$3.884 million over the initial three year period, as Blatchford will be in the early stages of development.

### Justification of Recommendation

1. The principles provide guidance for the seamless incorporation of affordable housing that contributes to a socially sustainable community.
2. A more expansive definition of affordable housing will ensure that Blatchford has a full range of housing choice to meet the needs of all demographic and income groups. Economic diversity within neighbourhoods increases social mobility and avoids intergenerational poverty. Provision of affordable housing choices in neighbourhoods can also contribute to neighbourhood stability (e.g. aging in place).
3. If the cost of providing affordable housing was borne by the Blatchford Development, the financial viability of the development would be adversely impacted. Moreover, the City as the developer, would carry the full cost of providing the affordable housing, whereas other orders of government should contribute to the development of affordable housing
4. Provision of affordable housing has traditionally been cost shared by the three orders of government, and provision of support services is the sole responsibility of the Province.

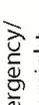
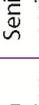
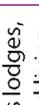
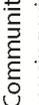
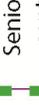
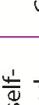
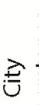
### Attachments

1. Housing Spectrum
2. Principles for Development of Affordable Housing at Blatchford
3. Affordable Housing Allocation

### Others Reviewing this Report

- T. Burge, Chief Financial Officer and Treasurer

Housing Spectrum

		NON-MARKET HOUSING					MARKET HOUSING								
SHORT-TERM SUBSIDIZED ACCOMMODATION		AFFORDABLE HOUSING													
	Shelter Spaces		Short-Term Accommodation		Supportive Housing		Social Housing		Supported Housing		Independent Living Affordable Housing		Market Affordable Housing		Market Housing
	Emergency/overnight shelter		Short-term accommodation for persons in transition		Seniors lodges, assisted living and enhanced living facilities. Supports are generally provided on site		Community housing with rent geared to income		Seniors self-contained apartments with daily living supports, Housing First. External or mobile supports are available		City Cornerstones, self-contained seniors units, Habitat for Humanity, Co-op housing		Housing that's modest in form and specification (first-time home buyers programs)		Rental and ownership housing provided by the private sector

-  = Focus of Edmonton's Ten Year Plan to End Homelessness
-  = City involvement guided by the Affordable Housing Strategy
-  = City involvement directed by internal processes and regulations
-  = Municipal Development Plan definition of affordable housing

## Principles for Development of Affordable Housing at Blatchford

The eight principles for the development of affordable housing at Blatchford are to:

1. Provide for the full spectrum of housing needs. When examining the community at project completion, every category of permanent, non-market housing will be represented and the distribution will reflect the non-market housing needs of Edmonton.
2. Create long term partnerships with builders, nonprofit housing providers and other orders of government to leverage City investment in affordable housing.
3. Include and support innovative built forms, housing types and funding models.
4. Create affordable housing that is integrated with, and visually indistinguishable from market housing.
5. Design for liveability as well as affordability with all households having access to high quality transit, sustainability features and public amenities.
6. Strive to have affordable housing in every phase of the project, and ensure that the 20% objective is achieved throughout the project when examined over the 20-25 year build out for the entire development.
7. Ensure its long term affordability with a target of 50 years following issuance of an occupancy permit.
8. Encourage creation of family oriented units with three or more bedrooms.

### Affordable Housing Allocation – Meeting the needs

This table gives the recommended distribution of affordable housing types in Blatchford based on the *Edmonton Area Community Plan on Housing and Supports: 2011-2015*.

Broad Category	Delivered Through	Ratio	Units in Blatchford
Permanent Supportive Housing	Residential & Lodge (SL1 & SL2)	10%	240
Permanent Supportive Housing	Supportive Living (SL3 & SL4)	5%	120
Supported Housing	Seniors Self Contained/Other	5%	120
Supported Housing	Housing First	8%	192
Affordable Housing	Affordable Rental	50%	1,200
Affordable Housing	Cooperative	6%	144
Affordable Housing	Affordable Home Ownership	6%	144
Attainable Housing	First Place Type Housing	10%	240
	<b>Total</b>	<b>100%</b>	<b>2,400</b>