

AFFORDABLE HOUSING LAND ASSETS - MANAGEMENT AND OPPORTUNITIES

RECOMMENDATION

That the March 22, 2023, Community Services report CS00906, be received for information.

Requested Council Action		Information Only	
ConnectEdmonton’s Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		Healthy City	
City Plan Values	ACCESS		
City Plan Big City Move(s)	A rebuildable city	Relationship to Council’s Strategic Priorities	Community safety and well-being
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none">• Policy C583 Guidelines for Development of the 2009 Surplus School Sites• Policy C601 Affordable Housing Investment Guidelines• Policy C437A City Land Assets for Non-Profit Affordable Housing• Policy C593A Public Engagement Policy		
Related Council Discussions	<ul style="list-style-type: none">• CS01384, Non-Market Affordable Housing Options, Urban Planning Committee, June 20, 2023• CS00738, Affordable Housing Contribution Approach, Urban Planning Committee, September 19, 2023• CS01673, Updated Affordable Housing Strategy, Community Planning and Services Committee, October 30, 2023		

Previous Council/Committee Action

At the December 6, 2021, City Council meeting, the following motion passed:

That Administration report back to Executive Committee with options for ensuring City land assets are prioritized for affordable housing, including:

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- the consideration of existing land management governance process,
- processes to ensure affordable housing needs and opportunities are considered at the time of land acquisition and/or initial conceptual designs for all City-owned facilities,
- and strategies for ensuring affordable housing projects are prioritized for land opportunities where they will benefit most from proximity to transit and/or other amenities in alignment with the City Plan.

Executive Summary

- Several City initiatives prioritize affordable housing in respect of City-owned parcels, including the disposition of surplus lands through the Affordable Housing Investment Program's land stream, City-led development projects, and opportunity land purchases, which is made possible with the pre-approval of capital funding for this purpose.
- The current City land asset allocation process prioritizes affordable housing where available surplus land exists in transit-oriented developments and in alignment with the 15-minute district concept.
- Administration actively leverages the City of Edmonton's holdings for affordable housing, however, there are often significant barriers in ensuring surplus land can be made development-ready for affordable housing projects.
- A predictable and sustainable funding source is needed for acquisition of land to meet projected affordable housing needs.
- A review of engagement approaches could help in land being made available in a more efficient manner. The aim of this review would be to both be transparent with the surrounding community and provide clarity on what development details they will be engaged on. Administration has already started some work with community partners to review Good Neighbour Plans and determine best practices for community engagement on affordable housing projects.

REPORT

Affordable housing is necessary to address housing needs. To incentivize affordable housing, the City offers affordable housing providers support through grants and below-market land sales and leases. The City helps overcome barriers to development by providing elements of certainty to the project by adopting the role of an initial funder and/or provider of land for the development of new affordable housing projects. This practice helps attract investment from other orders of government and funding partners.

Implementation

Administration uses several methods to identify and prioritize affordable housing on City-owned lands as follows:

- Reviewing all potential surplus land.

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- Looking for suitable land within City-led developments such as Land Enterprise, River Crossing, the Quarters, Blatchford and the Exhibition lands.
- Reviewing market offerings and extending an offer to purchase, if funds are available.
- Exploring co-location opportunities with new infrastructure work, such as fire stations. Attachment 1 provides additional details on current initiatives on City-owned lands.

The City's current approach reflects key policies that better meet the challenge of core housing need as detailed below:

- In July 2015, City Council approved Policy C583 - Guidelines for Development of the 2009 Surplus School Sites to provide guidance on residential development on the 2009 Surplus School Sites. The resulting program, Building Housing Choices, promotes mixed-market affordable housing as a tool to address housing affordability. Building Housing Choices has experienced limited success increasing the affordable housing stock:
 - A development for seniors (age 65 and over) was completed and opened its doors in the Sakaw neighbourhood.
 - Two affordable housing developments, in Keheewin (2017) and Ogilvie Ridge (2022), have been awarded to affordable housing providers for construction and operation.
 - Policy C583 is under review to determine how it can best support affordable housing site transition. Administration will present City Council with policy recommendations in Q4 2023.
- In August 2018, City Council approved Policy C601 - Affordable Housing Investment Guidelines, which provides guidance on the City's affordable housing investments, including the acquisition or disposition of lands or buildings and the provision of grant funding for the development of affordable housing. These guidelines also emphasize that developments should consider proximity to amenities and services.
- In May 2021, City Council approved Policy C437A - City Land Assets for Non-Profit Affordable Housing, which establishes a clear and transparent process to use City land assets to expedite affordable housing, including how the City can identify suitable assets for annual below-market sales or leases to non-profit organizations.

Barriers to Development-ready Affordable Housing on City-owned Lands

Affordable housing developers have indicated that land acquisition is a consistent barrier for affordable housing developers, so the use of existing City-owned land assets is a pivotal tool to ensure core social infrastructure is built. In most residential developments, land costs are only a small portion of the project cost. Affordable housing providers run on tighter than average margins with limited retained earnings for future development. A major challenge for affordable housing providers is that they are often reliant on other levels of government including the City, to raise enough equity/cash in order to qualify for funding programs with no guarantee of receiving funding. Capital funding must be obtained either through government grants or private financing. For deep subsidy housing developments, including supportive housing, operational funding is necessary to

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sustain the development. There are many complicating factors that can impede the City's efforts to make significant quantities of land available on a consistent basis:

Financial Barriers

For existing, City-owned land, there is typically no cost associated with transferring the site from one group to another within the corporation. However, there are some exceptions to this. Some external funding sources are required to be paid back as per their funding agreement. Examples would be if federal grant funding was used to acquire a site. In these cases, repayment may pose a financial barrier to making the site available for housing. For City-led developments, setting aside additional lands for affordable housing may have direct implications on business cases, as these developments are expected to return revenue to the City. If unaccounted for in the initial pro-forma, below market land transfers will have a direct, negative impact on the actual revenue received vs. initial projections.

Currently, the 2023-2026 Capital Budget includes \$22.925 million in 2023 for the development of affordable housing in Edmonton. The majority of these funds are being prioritized for projects under the next round of the federal Rapid Housing Initiative. No further capital funding has been reserved in this budget cycle, which means there will be limited available resources in the capital profile to acquire or advance land for affordable housing development.

Land Suitability Barriers

Households in core housing need easy access to transit, basic services and other amenities. A large portion of City-owned surplus lands are not ideally situated to meet these needs. Remnant parcels from capital projects are often difficult to develop due to size and shape configurations while other surplus lands may be contaminated or have other subsurface issues. Not all of these issues are insurmountable to overcome, however the time and cost associated with doing so may make other parcels, including those not currently in the City's inventory, more attractive.

For lands that appear suitable, other steps may be required that present challenges to the developability of the sites. These parcels typically require subdivisions from larger parent parcels. Subdivisions are often required to undertake municipal improvements such as extending watermains, installing new hydrants, or constructing other infrastructure. These can often be costly and time consuming. Typically these parcels will also require rezoning, plan amendments or reserve removals that require approval at public hearing and, oftentimes, these are met with significant opposition from the community.

Some locations may require other additional investments to create suitable development-ready land. For example, because affordable housing sites are typically multi-unit and higher density, infill parcels may require significant water infrastructure investment for fire protection. In other areas required sustainability features that exceed Alberta Building Code requirements can add costs to prospective projects and their proponents who have less opportunity to recover the upfront investment required to offset these costs.

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Public Engagement Barriers

The public engagement process has the potential to slow the development of City-owned land into affordable housing, if there is significant opposition. Depending on the complexity of the application, circulation comments, and the community's response, the City's regulatory staff may decide to host public engagement sessions to collect feedback on the application. There are also *Municipal Government Act* requirements around rezoning, including a public hearing for Council to hear from the applicant and any other members of the public. Timelines for rezoning can range from 90 days for basic applications to 160 days for complex applications.

In addition to plan amendment or rezoning, City staff often undertake public engagement to collect feedback on affordable housing projects, which is one of the guiding principles under Policy C601. While early public engagement creates transparency and opportunities for the public to be informed or contribute to affordable housing developments, there are associated risks. Opposition can often center around perceived potential personal impacts prior to important details about a prospective development being known (such as built form, height, design, final developer/operator for site).

Timing Barriers

Large scale development projects are often multi-phase undertakings that can take years or decades to fully complete. Generally speaking, projects often start where downstream services are available and then work outwards from there. The City-led land development projects are often no exception to this. Parcels that could be ideal for housing purposes may not be shovel ready in the early phases of the project causing a misalignment between site readiness and housing funding.

For open market acquisitions and opportunity purchases, a funding source is also needed. If none is currently available, Council approval may be required and this may add time and uncertainty that may discourage a seller from working with the City.

Potential Opportunities for Increasing the Supply of Land for Affordable Housing

Notwithstanding the possible challenges identified above, below-market land sales still remain one of the best ways that the City can ensure shovel-ready affordable housing projects proceed.

Administration is accelerating development-ready land by:

- Reviewing Surplus School Site policies to provide policy options on how to expedite site development by Q4 2023.
- Exploring the potential use of the Community Services Reserve as outlined in Division 9 of the *Municipal Government Act*.
- Continue to designate parcels of land to affordable housing in current City-led developments to support neighborhood target ratios of affordable housing.
- Identifying remnant parcels adjacent to capital projects such as the Southeast or West LRT line that are no longer needed post construction, subject to any disposition restrictions as per section 70 of the *Expropriation Act*.

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- Planning and identifying co-location opportunities for integrated facilities – such as fire stations, recreation centres and libraries – in existing and future neighbourhoods.
- Continue to conduct rezoning and site servicing for affordable developments on City-owned lands prior to making them available to affordable housing development.
- Seeking out land within intensification areas of District Plans and along transit corridors that can be acquired for affordable housing to reach or maintain neighbourhood target ratios of affordable housing (subject to available funding).
- Identifying a sustainable funding source to allow for the acquisition of land and the provision of grants to enable development to meet the projected affordable housing needs.
- Reviewing engagement approaches for the development of affordable housing projects to enhance efficiency and better support community involvement.

Next Steps

Administration is developing an Updated Affordable Housing Strategy, currently scheduled for presentation at the October 30, 2023, Community and Public Services Committee meeting. With this work underway, Administration will continue to identify and prioritize affordable housing on City-owned lands and incorporate housing in City-led developments, while also moving ahead on planned initiatives involving City-owned properties. Under existing budget constraints, opportunities to increase the land available for affordable housing development will be constrained.

Administration has partnered with several community organizations (i.e. Edmonton Social Planning Council, Edmonton Community Foundation and Jasper Place Wellness Centre) to undertake an independent review of Good Neighbour Plans (GNPs) and determine the contemporary best practices for community engagement on affordable housing projects. The results of this research will be part of a Q3 Council report with equity-enhancing recommendations.

Budget/Financial Implications

In December 2022, Council approved \$22.925 million for 2023 in capital profile 19-90-4100 - Affordable Housing Land Acquisition and Site Development. Approximately \$5 million of the approved funding is for land purchases and site preparation with the remaining \$18 million primarily allocated to permanent supportive housing through the Rapid Housing Initiative.

In addition to costs associated with purchasing land and developing sites, there may be budget impacts resulting from the utilization of current City land inventory for affordable housing. Depending on the funding source, such as grant or reserve funding, previous acquisition and development costs may need to be accounted for when the land inventory is transferred from one business area to another.

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As options to increase the supply of land for affordable housing are established, Administration will bring forward any budget requirements beyond the currently-approved funding for Council's consideration in a future Supplemental Capital or Operating Budget Adjustment.

COMMUNITY INSIGHT

Non-profit affordable housing providers are engaged regularly on challenges and opportunities in quarterly meetings and project discussions through the affordable housing grant application process. Additional community insight on the motion was collected via a survey sent to the non-profit affordable housing sector. While the survey only had three respondents, Administration gathered this feedback, along with feedback during project discussions with non-profit housing providers through the Affordable Housing Investment Program grant application process (CS00897 Affordable Housing Investment Program - Winter 2022 Grant Award Recommendation, approved at the February 22, 2022, City Council meeting, and CS01304 Affordable Housing Investment Program - Summer 2022 Grant Award, approved at the September 7, 2022, Executive Committee meeting).

A summary of the all the advice provided to Administration includes:

- Involve affordable housing developers/providers to determine if available land is viable for development;
- Partner with the non-profit sector to prioritize areas for affordable housing;
- Zone identified lands to allow for a variety of built forms;
- Bundle land contributions and construction grants to enhance project viability and cut red tape;
- Provide flexible development timelines to recognize the limited capacity of non-profit and Indigenous housing providers; and
- Provide clarity on the City's role as a developer — Specifically, one respondent would like to see, where opportunities allow, the City to be the developer and oversee the development of the project and the non-profit to enter into a long-term operating agreement. Another respondent believes it may be best that the non-profit develops the land as it allows for processes to streamline and result in cost and time savings.

GBA+

For anyone who lacks personal reference or employment, or has limited resources, obtaining housing is a significant barrier, often compelling them to stay in living arrangements that do not meet their needs for stable and secure housing. According to an August 2021 Statistics Canada standard¹, a household is considered to be in "core housing need" if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30 per cent or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards).

¹<https://www23.statcan.gc.ca/imdb/p3Var.pl?Function=DEC&Id=1230313>

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By making City-owned land assets available to non-profit housing providers for the development of affordable housing, the City is able to contribute to projects that remove barriers and support Edmontonians in housing need. Further information on the housing needs in Edmonton will be contained in the final findings of the Housing Needs Assessment, to be shared at the October 30, 2023, Community and Public Services Committee meeting as an attachment in Community Services report CS01673 Updated Affordable Housing Strategy.

ATTACHMENT

1. Current Initiatives to Prioritize Affordable Housing on City-owned Lands