

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

Recommendation

That the December 5, 2023, Community Services report CS00738, be received for information.

Requested 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	LIVE		
City Plan Big City Move(s)	Inclusive and compassionate	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"> • Council Policy C437A - City Land Assets for Non-Profit Affordable Housing • City Policy C601- Affordable Housing Investment Guidelines • Zoning Bylaw Renewal • Updated Affordable Housing Strategy 		
Related Council Discussions	<ul style="list-style-type: none"> • CS00557, City Policy C582 - Developer Sponsored Affordable Housing Policy - Repeal and Replacement, July 5, 2021 • CS01384, Non-Market Affordable Housing Options, Urban Planning Committee, June 20, 2023 • CS01673, Updated Affordable Housing Strategy, Community and Public Services Committee, December 4, 2023 		

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

Previous Council/Committee Action

At the July 5/7, 2021, City Council meeting, the following motion passed:

That Administration develop a replacement approach for securing affordable housing contributions through the development process and return to Urban Planning Committee in 2022, including the following:

- Develop a work program with deliverables and milestones informed by engagement with industry and housing stakeholders; and
- Policy options for providing affordable housing as a function of the development process.

Executive Summary

- Administration developed a work plan for an affordable housing contribution approach project that included four phases. Phase One implementation started in April 2022 and Phase 4 of the project was completed in September 2023.
- Administration has engaged with development industry and housing provider stakeholders to explore options for a replacement approach, resulting in four policy options:
 - an affordable housing partnership program
 - an affordable housing investment fund
 - an inclusionary housing program
 - an off-site levy
- Administration will continue working with industry and housing stakeholders to determine the feasibility of implementing each of the four options, including more detailed discussions around resourcing needs, budgetary implications, housing market impacts and other considerations.

REPORT

In response to the June 18, 2022, City Auditor report CR_6081, Affordable Housing Strategies Review, Administration reviewed City Policy C582-Developer Sponsored Affordable Housing in 2019. The review found that the policy had not resulted in a significant number of affordable housing units nor fully achieved its objectives. Over the eight years the policy was in place, it resulted in the acquisition of 28 new units of affordable housing and \$110,000 in cash-in-lieu added to the Affordable Housing Reserve. City Council approved the repeal of the Policy on July 5, 2021 and directed Administration to develop a replacement approach.

The resulting multi-phase project identifies potential new tools to help address the shortage of affordable housing in Edmonton. Options are being developed in collaboration with the development industry and affordable housing providers.

Policy Context

The goals and objectives of this work are directly connected to the targets identified in The City Plan, and in particular the development of an inclusive and compassionate city where nobody is in Core Housing Need and there is no chronic or episodic homelessness. This cannot be achieved without creating more affordable housing in Edmonton.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

This work is also aligned with the Affordable Housing Strategy, which has been updated to focus on increasing affordable housing across Edmonton. In addition, the Community Safety and Well-Being Strategy identifies safe and stable affordable housing options as key for creating safety and well-being through pathways out of poverty.

Edmonton's renewed Zoning Bylaw advances the goals of ConnectEdmonton and policies of The City Plan and will be a key municipal lever that supports more diverse and affordable housing throughout the city. The Affordable Housing Contributions project proceeded adjacent to the work of the Zoning Bylaw Renewal and will contribute to the City aspirational target of having affordable housing throughout all Edmonton neighbourhoods.

Project Approach

A collaborative and robust engagement approach was undertaken to ensure that Administration pursued as many opportunities to learn as possible, in a generative and respectful way.

The project has completed four phases of work thus far:

- Phase One: Building a shared foundation and articulating the problem
- Phase Two: Workshops on creative options
- Phase Three: Scenario testing and developing recommendations
- Phase Four: Analysis and writing

Engagement was undertaken with a number of industry organizations, including the following groups:

- Canadian Home Builders' Association - Edmonton Region
- Edmonton Construction Association
- National Association for Industrial and Office Parks (NAIOP) - Edmonton's Commercial Real Estate Association
- Infill Development in Edmonton Association (IDEA)
- Urban Development Institute - Edmonton Metro
- Shovel Ready Working Group - a group of non-profit housing providers in Edmonton, regularly convened by the City
- Individual builders and developers provided feedback, as well as additional affordable housing sector organizations
- Housing sector organizations that support individuals who have high rates of housing need as identified in the Housing Needs Assessment

The project team also engaged internal stakeholders and EPCOR. A full list of stakeholders is contained in the What We Heard report, included as Attachment 1.

Administration also engaged the services of a consultant specializing in housing, development feasibility and real estate strategy, to provide technical expertise, guidance and in-depth analysis on the feasibility and implications associated with any options. The final report is provided as Attachment 2.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

Pre-Engagement

Administration developed a draft project plan and began implementation of Phase One in April 2022 by sharing the project plan with stakeholders.

In this Phase, Administration conducted initial engagement sessions with industry representatives and non-profit housing providers. The intent of these conversations was to introduce the project approach, seek feedback on how they would like to be engaged, and inquire about any key considerations they recommended to be integrated into the project plan. This feedback was used to develop the engagement approach and plan.

Phase One

Phase One sessions focused on building a shared understanding of the need for affordable housing in Edmonton to ensure that all engagement participants had access to the same information and understanding. During this period, the project team shared key findings from the Housing Needs Assessment, which helped build clarity and a shared context of the scope and scale of the challenges. Administration also conducted a jurisdictional scan of municipal tools for securing affordable housing contributions. Stakeholders were invited to review the scan and provide feedback. A deeper understanding of the shared context supported more generative problem-solving conversations to find creative solutions that suit the particular needs of Edmonton.

Phase One was a learning and relationship-building phase of the project and was completed by the end of November 2022.

Phase Two

Phase Two took place between April and May 2023. These sessions focused on exploring and refining creative options for supporting affordable housing. Affordable housing developers were also engaged to better understand their experience and identify any challenges they face. This information served to highlight potential areas for partnership with the development industry. Individual builders and developers were also engaged to provide feedback on the options developed.

The project consultants attended Phase Two engagement sessions and provided initial feedback on the two options supported by industry. This feedback is detailed as part of the final report in Attachment 2.

Phase Three

Phase Three took place in June 2023. This phase focused on collaboratively refining and narrowing the options on the table and evaluating each of the options for overall feasibility.

The project consultants attended Phase Three engagement sessions and provided feedback on the options discussed. The consultants provided some key considerations and recommendations, in particular around the two regulatory options (inclusionary housing or an off-site levy) to ensure a successful implementation. Those recommendations include:

- Establishing a gradual phase-in period for any additional requirements to avoid shocking the market.
- Designing a policy to provide long-term certainty by tying any increases to a prescribed index (such as the consumer price index or building construction index).

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

- Designing a policy to apply differently within Edmonton neighbourhoods, as additional fees will be absorbed differently based on underlying land values within each neighbourhood.
- Providing exemptions for specific development typologies, forms, tenure or affordability thresholds that meet other city-building objectives.
- Building into the policy a strategy for re-investing any revenues.
- Implementing a procedure for monitoring and reviewing the impacts of the policy requirement, and adjusting any requirements if required to not discourage investment or render projects financially unviable.

Project consultants also provided some feedback on the two non-regulatory options. For the Affordable Housing Partnership Program, they suggested that identifying a private sector champion, as well as a leader or coordinator in the non-profit sector, would help with overall industry support. They also suggested that the City of Edmonton could contribute by identifying surplus public land and bring the sites to a development-ready state. On the Affordable Housing Investment Fund (described below), project consultants offered critical questions that would need to be considered if this option is pursued. Their full feedback is detailed in the final report.

Phase Four

Phase Four took place between July and September 2023. This phase included additional engagement with housing sector organizations. This phase also solicited feedback from engagement participants on the What We Heard report and focused on analysis of the engagement results and preparing for this Council Report.

Policy Options

Administration started with a broad scan that identified all of the various tools used in other jurisdictions. The list of available tools was explored for possible adoption in the Edmonton context. Many of the tools were dismissed due to their inability to implement in Edmonton for a variety of reasons, including already implemented, no mechanism to implement, unavailable at the moment, or would very likely be redundant or ineffective with the new Zoning Bylaw (e.g. the new Zoning Bylaw will reduce reliance on Direct Control Zones). The full list of tools is included in the Corporate Strategic Alignment Analysis (Attachment 3). The refined list included two options, which formed the basis for engagement with stakeholders. Two additional options were developed through the engagement discussions, resulting in a total of four options. These options are presented in more detail below.

Option 1: Affordable Housing Partnership Program

Building off of the experiences of similar examples, such as the philanthropic Resolve Campaign in Calgary, a partnership program could be structured in a variety of ways. One simple way could be a roster of affordable housing providers and developers where partnership matches can be made on specific projects. A more complex partnership program or coalition might see various orders of government, affordable housing providers and developers come together more formally to contribute their unique skills to a portfolio of projects.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

If a more complex partnership program or coalition were to be pursued:

- Developers would be responsible for capital construction;
- Affordable housing providers would be responsible for operations once constructed; and
- Government partners would be responsible for offering incentives, such as expedited permitting approvals, grants and land, and acting as the coordinating body to convene partners and help make collective decisions about investments.

Benefits:

- This option was supported by the majority of stakeholders.
- This could be structured to address gaps currently experienced by affordable housing providers.
- While each stakeholder group has unique skills to contribute, working collectively will have a greater likelihood of better outcomes.

Challenges:

- Collective efforts can create complexity and obstacles; therefore, this approach requires further work to clarify potential roles, governance structure, contributions and goals.
- Will likely require additional administrative resources to support the program.

Risks:

- This option is based on voluntary participation and partnership, which does not provide predictable or certain results, making the likelihood of success or quantifiable benefit unclear.

Option 2: Affordable Housing Investment Fund

The Affordable Housing Investment Fund was suggested as a way to provide an innovative financing tool to the affordable housing landscape for developers and providers. An investment fund could be structured in many ways, but the primary purpose of this option is to provide a financing tool that is dedicated to the development of affordable housing, filling the gap and seizing the opportunity between government grants and traditional financing from banks and lenders. This tool could be similar to some of the financial tools available from the Canada Mortgage and Housing Corporation (CMHC).

The best comparable local example is the Social Enterprise Fund, which loans money to social enterprises in Alberta that have a public benefit mission. An affordable housing investment fund could operate similarly, offering debt financing (loans) debt financing or equity financing to developers of affordable housing units. If implemented, the seed funding for the initial pool of capital would need to be secured, possibly from all orders of government, or CMHC, or by other investors in the form of capital, equity, land or a combination of any of these.

The investment fund is intended to be a revolving loan fund, and as projects are completed, the revenues and equity continue to grow, which in turn increase the value of the investment fund and the ability to provide more loans.

Benefits:

- Supported by stakeholders.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

- Could be designed to stack well with other funding sources, including government grants, private charitable contributions, CMHC financing tools and traditional loans.
- Potential to partner with organizations such as the Social Enterprise Fund.
- Improved up front development financing for developers.

Challenges:

- Significant initial capital is required to seed the investment fund.
- May require additional administrative and financial resources.

Risks:

- May involve significant financial risk to the City, based on the structure of the fund, which will require a more indepth analysis of this risk.
- This option is based on voluntary participation and partnership which does not provide predictable results, which makes the likelihood of success or quantifiable benefit unclear.

Option 3: Inclusionary Housing Program

Inclusionary housing is defined in the Edmonton City Charter as *"The provision of dwelling units or land, or money in place of dwelling units or land, for the purpose of affordable housing as a condition of subdivision approval or of being issued a development permit."* In addition, any inclusionary housing program must be implemented through the Zoning Bylaw.

The Government of Alberta has indicated that a review of the inclusionary housing powers in these regulations will be undertaken, in consultation with the the City of Edmonton, City of Calgary and industry representatives. Without the authorities provided by the City Charter Regulations, the City of Edmonton's options for a potential replacement for Policy C582 are very limited.

Benefits:

- Commonly used in other jurisdictions.
- As a regulatory tool, increases the likelihood of contributions.
- Responds directly to the Council motion for this work.
- Impact of policy could be reduced through offsets/incentives.

Challenges:

- Significant opposition from industry stakeholders.
- Current economic conditions may not be conducive to introduction of additional requirements and fees.
- Dependent upon the inclusionary housing powers remaining in City Charter.
- Inclusionary housing programs are typically dependent on cost offsets or incentives, used to offset the additional costs to developers. Many of the cost offsets are unavailable in Edmonton because the City has already implemented many of these incentives.

Risks:

- Potential negative impacts to the market.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

- The market will not respond in a uniform way - may need to consider structuring a policy based on neighbourhood-level economic conditions, rather than having a city-wide policy.
- Also important to conduct ongoing monitoring and adjust as necessary.
- Inclusionary housing powers are currently under review by the Government of Alberta.

Option 4: Off-Site Levy

Off-site levies can be used to finance all or part of the cost of affordable housing projects. Off-site levies can only be used for capital projects, and are only viable on greenfield developments at this time due to the large volume of greenfield growth and consistent rate of development. Off-site levies are implemented through bylaw, and the fee is imposed at time of subdivision or development permit. Off-site levies can be implemented as a financial levy on developers. Alternatively, the City can enter into an agreement where the developer constructs the project at their own expense, then contributes the asset to the City upon completion.

Off-site levies are intended to pay for the cost of infrastructure required to support and service the needs of new development or redevelopment. Alberta and a number of other provinces enable municipalities to apply levies in acknowledgement that the costs of growth are significant for municipalities, and place constraints on the use of existing revenue sources.

In October 2017, the *Municipal Government Act* (MGA) was updated to enable Alberta municipalities to collect funds for a wider range of infrastructure related to development growth. The MGA and the City Charters specify the parameters by which development charges must be negotiated, may be collected and must be established through an off-site levies bylaw. Stakeholders have a key role in formulating development cost levies, as they provide input to City Council and Administration on key technical and policy questions and provide input into levy rates.

Council Policy C624 - Fiscal Policy for Revenue Generation provides a governing framework for allocating service and infrastructure costs throughout the community; it guides fiscal decisions on the fundamental question of “who pays for what, in what amount, and why?” Under this policy, off-site levies are a tool to allocate infrastructure costs to the development process, where the infrastructure assets are of greater benefit to a developing or redeveloping area of the city than to the whole city. Affordable housing is a broader social safety net public service, where the intended benefits accrue to all of society, and not disproportionately to developing or redeveloping areas. For this reason, the policy would not direct an off-site levy to be used for affordable housing.

Benefits:

- Demonstrated examples already in effect (e.g., firehalls). The City has processes already in place that could be leveraged.
- As a regulatory tool, increases the likelihood of contributions.

Challenges:

- Significant opposition from industry stakeholders.
- Current economic conditions may not be conducive to introduction of additional requirements and fees.

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

- Affordable housing is not intended to disproportionately benefit developing or redeveloping areas. As such, Council Policy C624 would not direct the use of an off-site levy for this purpose.

Risks:

- Potential negative impacts to the market.
- Increased administrative burden on the City to implement.
- Other cities have had court challenges after enacting similar fees.
- Off-site levy powers are currently also under review by the Government of Alberta.

Next Steps

Administration will continue to work with stakeholders to further explore and test one or more of the policy options. Detailed engagement will focus on:

- program and investment models
- resourcing needs
- budgetary implications
- administrative requirements
- impacts to the market
- overlap and integration with related City work, including work to understand the cumulative costs of increased contribution requirements to the development industry
- other relevant considerations for potential implementation.

If either of the regulatory options are pursued, Administration will also consider what incentives are available to offset the additional costs for developers.

Administration anticipates a report in Q4 2024 on the progress on more refined policy options and a recommended replacement approach.

Community Insight

Administration worked primarily with key stakeholders regarding how they would like to be engaged. Stakeholders include non-profit housing providers and the development industry.

Administration undertook a GBA+ engagement as part of Phase 4, including equity-seeking groups and in particular groups that support individuals with high rates of Core Housing Need. The project team reached out to organizations that had been engaged as part of the Housing Needs Assessment work and invited them to provide feedback on the options that had been developed. The intent of the engagement was to identify the extent of impact of any of the tools developed. Their feedback has been reflected in the What We Heard Report (Attachment 1).

GBA+

The Affordable Housing Contributions Approach aims to provide people from all backgrounds with the opportunity to live in a safe, comfortable home that they can afford. For many, a major barrier to this is cost. Those experiencing intersecting identity factors tend to experience additional barriers and discrimination. These groups include:

- Indigenous peoples

AFFORDABLE HOUSING CONTRIBUTIONS APPROACH

- racialized people
- 2SLGBTQ+
- recent immigrants
- women and children fleeing domestic violence
- female heads of households, especially single mothers
- young adults aged 18-29
- seniors aged 65+
- people with physical health or mobility challenges
- people with developmental disabilities
- people dealing with mental health and addictions issues
- Veterans
- people experiencing homelessness

With a goal to remove barriers through supporting the development of affordable housing in Edmonton, this project seeks to increase the contributions to affordable housing efforts, thereby increasing the supply of housing that is safe, affordable and adequate for those in need.

Providing the greatest level of affordability possible while focusing units to marginalized groups are the main ways to ensure the Affordable Housing Contributions Approach removes barriers to housing and supports housing equity.

Attachments

1. What We Heard
2. Considering Regulatory Tools to Support Affordable Housing
3. Corporate Strategic Alignment Analysis