

REALLOCATION OF NATIONAL HOUSING CO-INVESTMENT REPAIR FUND

Recommendation

That Executive Committee recommend to City Council:

1. That \$3,000,000 of Canada Mortgage and Housing Corporation’s National Housing Co-Investment Fund be transferred from the 2024 Social Development branch operating budget to capital profile 23-90-4101 - Social Housing Capital Renewal Project (City-Owned Sites) to fund the project outlined in Attachment 2 of the June 19, 2024, Community Services report CS02442.
2. That an amendment to the affordable housing capital improvement agreement between the City of Edmonton and Civida, for an amount not exceeding \$23,300,000, as outlined in Attachment 2 of the June 19, 2024, Community Services report CS02442, be approved, and that the agreement be in form and content acceptable to the City Manager.

Requested Action	Council decision required		
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	Inclusive and compassionate	Relationship to Council’s Strategic Priorities	Community safety and well-being
Corporate Business Plan	Serving Edmontonians		
Related Council Discussions	<ul style="list-style-type: none"> • January 15, 2024 Community & Public Services Committee, Community Services Report CS01673, Updated Affordable Housing Strategy. • May 3, 2023 Executive Committee, Community Services Report CS01793, National Housing Co-Investment Fund Contribution. 		

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Executive Summary

- In 2023, the City of Edmonton entered into an agreement with the Canada Mortgage and Housing Corporation (CMHC) under the National Housing Co-Investment Fund for \$19,550,000 to support the repair of a minimum of 1,955 units of affordable and social housing owned by the City of Edmonton or its wholly-owned subsidiary, The City of Edmonton Non-Profit Housing Corporation (HomeEd).
- The agreement with CMHC includes requirements for accessibility improvements, energy efficiency improvements and commitments to long-term affordability of units.
- The repair of 1,955 units will be accomplished through parallel agreements with Civida and HomeEd. The agreement between the City and Civida, which operates a portfolio of City-owned social housing, will result in the renewal of 882 units, while the agreement between the City and HomeEd will result in the renewal of 1,073 units.
- For the HomeEd agreement, there were challenges in meeting CMHC requirements that 70 per cent of the project costs come from sources other than CMHC. Administration worked with CMHC to resolve these challenges by amending the agreement to increase the eligible retroactive costs that could be considered towards the 70 per cent. HomeEd also reduced their proposed scope of repair work across the same number of units.
- Administration recommends the reallocation of \$3,000,000 of CMHC funds from the project budget for HomeEd to the project budget for Civida, which will further decrease the CMHC contribution to the required 30 per cent or less.
- The proposed reallocation will enable the City of Edmonton to fulfill its requirements under the agreement with CMHC and mitigate the risk of being required to return a portion of the funding.
- The reallocation also provides the opportunity to undertake additional repairs on City-owned social housing properties, which are critical to housing Edmontonians in Core Housing Need.

REPORT

The City of Edmonton owns a portfolio of 952 deep-subsidy social housing units across 12 locations, which provide critically needed affordable housing for Edmontonians with the lowest incomes. Most of these units were built in the 1960s and 1970s and are currently managed by the non-profit housing management body, Civida, with operational funding from the Government of Alberta. As these buildings age, reinvestment in their repair is critical to ensuring their longevity. Civida has identified 882 of the 952 units in need of repair work, with the remaining 70 prioritized for redevelopment in the near term.

Another large portion of Edmonton's existing below-market housing stock is owned by The City of Edmonton Non-Profit Housing Corporation, also known as HomeEd. HomeEd has identified 1,073 units at 15 properties in need of repairs after conducting Building Condition Assessments across their portfolio.

Both the Civida and HomeEd repair programs are eligible for funding under the Canada Mortgage and Housing Corporation (CMHC) National Housing Co-Investment Fund, which supports the repair and renewal of existing municipally owned affordable housing units, with a focus on

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long-term affordability commitments and extending the lifespan of the buildings, as well as improved accessibility and energy efficiency.

Existing Agreements

On February 3, 2023, the City entered into an agreement with CMHC under the National Housing Co-Investment Fund, totalling \$19,550,000 to repair a minimum of 1,955 units of affordable housing and social housing owned by the City (operating through Civida) or its wholly-owned subsidiary, HomeEd. The agreement requires the following:

- Complete the repair/renewal work within a three-year period.
- 30 per cent of the portfolio must be below 80 per cent of Median Market Rent for a minimum period of 20 years starting upon expiry of the repair period or 30 days after the repairs are complete, whichever occurs first.
- At least 391 units (20 per cent) will meet the Accessibility Criteria (as defined by CMHC) at the end of the repair period.
- Achieve a minimum reduction of 25 per cent in energy consumption and greenhouse gas emissions across the repaired portfolio.
- Ensure the CMHC funding does not exceed 30 per cent of the total repair costs; bilateral dollars cannot be used towards the remaining 70 per cent of the project as this would violate the maximum 30 per cent restriction from CMHC.
- Make best efforts to ensure a minimum of 33 per cent of repaired units target women and/or women and their children.

On May 16, 2023, City Council approved recommendations under the National Housing Co-Investment Fund Contribution report (CS01793, May 3, 2023 Executive Committee) for the City to receive funding from CMHC, enter into agreements with Civida and HomeEd and contribute \$14,000,000 in City funding toward the project. The original funding plan included City and other external funding sources, as outlined in Attachment 4, to ensure CMHC funding would not exceed 30 per cent of total project costs.

The affordable housing capital improvement agreement with Civida was executed in July 2023. Civida is approaching 40 per cent completion on their original scope of renewal work.

The subsidy funding affordable housing agreement with HomeEd has not yet been executed, due to challenges meeting the requirement for 70 per cent of project costs to be funded from sources other than CMHC. Originally, HomeEd planned to use debt servicing and Green Municipal Fund from the Federation of Canadian Municipalities for the remaining budget. However, HomeEd's recent review of its overall portfolio identifies a significant capital investment over the next ten years in essential capital repairs across 15 properties which limits their ability to use debt financing for this project. As it relates to Green Municipal Fund, the program timelines prevented HomeEd in making a successful application.

In early 2024, Administration worked with CMHC to find opportunities for additional flexibility on eligible project costs that contribute to the 70 per cent requirement. CMHC issued an addendum to the original agreement that extends the cost sharing period back to February 3, 2021 (originally, only retroactive costs related to energy efficiency were eligible).

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Proposed Reallocation

Administration is recommending \$3,000,000 of CMHC funds be reallocated from the project budget for HomeEd (which falls within the operating budget for the Social Development branch), to the project budget for Civida (which falls within capital profile 23-90-4101 - Social Housing Capital Renewal Project (City-Owned Sites)).

To implement this reallocation, Administration is also recommending that the affordable housing capital improvement agreement with Civida be amended to increase the amount by \$3,000,000. Since the subsidy funding affordable housing agreement with HomeEd has not yet been executed, and is for a lesser amount than previously directed under CS01793, no additional direction is required related to that agreement. The May 3, 2023 Community Services report CS01793 was dealt with at the May 16, 2023, City Council meeting.

By reducing the amount of CMHC funding allocated to HomeEd, the total funding required to achieve 70 per cent of the contribution is lower making it easier to achieve. HomeEd has also reduced the scope of their project by \$10,500,000, while still making repairs on the same number of units as discussed in Attachment 3. HomeEd was initially anticipating funding of \$16,750,000 through debt servicing and the Green Municipal Fund. The current project budget includes \$6,250,000 in debt servicing.

These changes, along with the additional flexibility of the retroactive eligible costs, will enable the City of Edmonton and HomeEd to finalize the subsidy funding affordable housing agreement and commence with construction, with all funding sources now confirmed.

The additional funding will enable Civida to expand their project scope as detailed in Attachment 3. This provides an opportunity to support additional building envelope renewal and site improvements on nearly 400 of the 882 units of City-owned deep-subsidy social housing, without any new City funding contributions.

The reallocation will also ensure that the City remains on track to meet the commitments under the original agreement with CMHC. A total of 1,955 units will be repaired across the portfolio, unchanged from the original commitment. Civida will exceed the minimum 391 units of accessibility improvements for the portfolio, while both Civida and HomeEd will contribute to the minimum level of energy efficiency improvements.

If the \$3,000,000 is not reallocated, there is a risk that the City will be required to return a portion of the funds to CMHC. This would likely have an impact on future funding opportunities from CMHC.

Next Steps

Administration will execute a subsidy funding affordable housing agreement with HomeEd in accordance with the general terms and conditions of Attachment 1 and, if approved, amend the existing affordable housing capital improvement agreement with Civida as described in Attachment 2. Funding will be disbursed in stages over the repair period, with all work to be completed by February 2026.

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Budget/Financial Implications

Total expected costs for the HomeEd and Civida renewal projects have increased from \$66,700,000 to \$73,000,000 as a result of expanded eligibility of past costs offset with a reduction in HomeEd's scope of work, as detailed in Attachment 4. Given the retroactive recognition of eligible costs no additional City funding is required.

If the recommendations are approved, \$3,000,000 of existing CMHC National Housing Co-Investment funding would be transferred from the operating budget of the Social Development branch to capital profile 23-90-4101 - Social Housing Capital Renewal Project (City-Owned Sites) to reallocate funds from HomeEd to Civida.

No other changes are proposed to the funding of the project as approved by Council on May 16, 2023, under Community Services Report CS01793 National Housing Co-Investment Fund Contribution.

Legal Implications

The National Housing Co-Investment Fund Contribution Agreement made between the City and the CMHC places requirements on the City, as the funding recipient, regarding how funds are to be used. This includes progress reporting and a minimum 20 year affordability commitment. To meet these requirements, the City can subsequently enter into agreements with HomeEd and Civida placing similar flow through requirements. The City remains liable to the CMHC for the fulfillment of obligations under the National Housing Co-Investment Fund Contribution Agreement. A breach of the subsequent agreements can impact the City's ability to fulfill its own obligations to the CMHC.

The City executed an affordable housing capital improvement agreement with Civida on July 27, 2023 (CS01793). This agreement needs to be amended in accordance with the general terms and conditions of Attachment 2. A subsidy funding affordable housing agreement with HomeEd needs to be completed, in accordance with the general terms and conditions of Attachment 1.

Bylaw 16620, City Administration Bylaw, enables the City Manager to approve change orders or amendments to any agreement approved by Council or Standing Committee that are reasonably necessary for the project, program or activity described in the agreement; and where the total value of all change orders or amendments do not exceed 10 per cent of the approved value of the agreement. The proposed amendment and agreement with Civida and HomeEd, respectively exceed the City Manager's delegated authority limits and as such require City Council direction.

The Civida agreement is a procurement agreement; however, it is subject to trade agreement exceptions as follows:

Trade Agreement	Exception
New West Partnership Trade Agreement/Trade, Investment and Labour Mobility Agreement	<i>Procurements from a public body or a non-profit organization</i>
Canadian Free Trade Agreement	<i>Procurement of goods and services from non-profit organizations, or between one</i>

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	<i>government body and another government body</i>
Comprehensive Economic and Trade Agreement/ Canada-United Kingdom Trade Continuity Agreement	<i>Procurement by a procuring entity from a government entity</i>

Community Insight

Updated in August 2023, the City of Edmonton's Housing Needs Assessment¹ incorporated qualitative data and 2021 Statistics Canada census data to understand who is in Core Housing Need² in Edmonton, anticipate housing trends and determine which forms of housing are most needed. Qualitative interviews with housing sector organizations as well as individuals with lived and living experiences contributed significantly to a better understanding of the housing challenges and needs of Edmonton residents.

The Needs Assessment demonstrates that by 2031, it is anticipated that 34,000 households in Edmonton will require monthly rental rates of less than \$1,125, with 3,800 of those needing rent levels of less than \$500. Another 5,700 households with slightly higher incomes may be able to afford slightly higher rents but are also far more likely to need multi-bedroom units, with more than 75 per cent requiring three or more bedrooms. Social housing addresses this gap in the housing spectrum and provides deep-subsidy rental housing for individuals in Core Housing Need. The repair of existing social housing units to extend their lifespan contributes significantly to meeting the needs of Edmontonians with the lowest incomes.

As a key part of social repair fund projects, both Civida and HomeEd have in-house community engagement specialists who work directly with tenants to ensure they are informed of upcoming repair work on affordable and social housing sites. In most cases, tenants are not displaced due to repair work, as the majority of the work is being done on exterior building envelopes. Interior suite renovations are completed on units that have been vacated in between lease terms.

GBA+

The City of Edmonton Housing Needs Assessment found that there is a critical need for affordable and supportive housing, including 46,155 households in Edmonton experiencing Core Housing Need. Core Housing Need disproportionately impacts renter households, racialized households, seniors, female heads of household, people with physical health or mobility challenges and female lone parents.

This funding program will help ensure that affordable units will stay as part of the City's housing stock and are not lost due to disrepair. One of the requirements of the City's agreement with CMHC is that the City make best efforts to ensure a minimum of 33 per cent of units repaired are those which target women and/or women and their children.

¹ <https://www.edmonton.ca/sites/default/files/public-files/CoE-HousingNeedsAssessment2023.pdf?cb=1706745433>

² Core Housing Need is a nationally recognized measure used to identify households living in unsuitable, inadequate or unaffordable housing, who do not have the ability to pay the median rent for alternative local housing.

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There are more than 30,000 renter households in Edmonton that include someone with a physical health or mobility challenge living in Core Housing Need. There is a significant need for additional accessible housing units. This funding program requires accessibility improvements on at least 391 units, which will have a positive impact on current and future residents with physical disabilities and mobility challenges.

Attachments

1. The City of Edmonton Non-Profit Housing Corporation Subsidy Funding Affordable Housing Agreement General Terms and Conditions
2. Civida Affordable Housing Capital Improvement Agreement General Terms and Conditions
3. Updated Project Overview
4. Overview of Funding Reallocation