

Reimbursement Funding Agreements for Affordable Housing Developments

Baranow Villa III and Westwood Apartment

Recommendation

1. That an affordable housing funding agreement between the City of Edmonton and Baranow Estates Ltd., in the amount of up to \$3,325,000 in accordance with the terms and conditions set out in Attachment 3 of the September 21, 2020, Citizen Services report CR_8415, be approved, and that the agreement be in form and content acceptable to the City Manager.
2. That an affordable housing funding agreement between the City of Edmonton and Right At Home Housing Society, in the amount of up to \$950,000 in accordance with the terms and conditions set out in Attachment 4 of the September 21, 2020, Citizen Services report CR_8415, be approved, and that the agreement be in form and content acceptable to the City Manager.

Executive Summary

The updated Affordable Housing Investment Plan 2019-2022 is designed to create 2,500 new units of affordable housing. The plan is based on a model where an investment of City resources and funds are used to leverage further equity, private financing and funding from non-market housing providers and other orders of government. The plan identifies affordable housing investment grants as a priority investment area to help realize the goal.

Due to the current economic downturn, a new opportunity emerged to create affordable housing units by funding housing providers with newly constructed buildings or buildings under construction for affordable housing use. The current Affordable Housing Investment Program did not anticipate this type of opportunity.

Administration received two such proposals from Baranow Estates Ltd. and Right at Home Housing Society, with a collective funding amount of up to \$4,275,000. If approved, these developments will create 101 units of affordable housing in the Baranow and Westwood neighbourhoods. The additional units include deep subsidy housing prioritized for women and children recovering from family violence, family-oriented housing units, and shallow subsidy apartment housing.

Report

The City's Updated Affordable Housing Investment Plan (2019-2022) aims to create 2,500 new or renovated affordable housing units across Edmonton over the next four

years. In alignment with City Policy C601 Affordable Housing Investment Guidelines, Administration launched the Affordable Housing Investment Program in 2019. The program provides grant funding to eligible non-profit and private sector entities, targeting shovel-ready proposals to encourage affordable housing development in our city.

The Affordable Housing Investment Program - New Construction stream aims to provide grant funding for up to 25 percent of the capital costs of newly constructed affordable housing developments. The first intake began in December 2019 and ended in February 2020. Of the six applications received, one met all of the eligibility requirements of the program and was recommended to City Council for consideration.

The current grant program specifies that eligible developments are limited to new construction where building activities have not yet commenced. Administration is exploring potential changes to the grant program in the future that would allow for one-time reimbursement funding to affordable housing developments that are already under construction or complete. Making changes would ensure that the Affordable Housing Investment Program adapts to current market conditions, where affordable housing developments that are under construction can be considered for funding moving forward. This update will help the City deliver on the goal of having 2,500 more units of affordable housing in Edmonton by 2022.

These two funding proposals meet the principles and investment guidelines identified in City Policy C601. Since the new construction grant program was designed, market conditions have shifted and favour the acquisition of existing buildings or buildings that are nearing completion. Administration will explore potential changes to the grant program to cover this important market opportunity.

Reimbursement Funding

A practical method of delivering affordable housing, particularly in the current economic climate, is to reimburse costs for newly constructed or under construction multi-unit housing. Given the state of advanced construction, funding would be reimbursed based on documented expenses once occupancy permits are issued, with an affordable housing agreement registered on title in the name of the developer. The reimbursement funding approach remains consistent with City Policy C601 and the key criteria of the Affordable Housing Investment Program including affordability, funding requirements (a maximum 25 percent of capital cost) and financial viability. If the proposals are approved, the City would register an affordable housing funding agreement on each respective title requiring affordable use for a term of 20 years after the date of issuance of the occupancy permit for the last affordable housing unit in each respective development.

Affordable Housing Reimbursement Funding Proposals

Baranow Villa III

Baranow Villa III is part of a multi-phase development located in the Baranow neighbourhood that provides near market affordable housing to individuals and families in need. The four-storey development will consist of 85 units of affordable housing. The rental rates for these units will not exceed 80 percent of average market rents established by the Canada Mortgage and Corporation. These rates will remain in place for 20 years after the occupancy permit for the last affordable housing unit in the development is issued.

Baranow Estates Ltd. is seeking funding of up to \$3,325,000 from the City of Edmonton to offset 25 percent of the total capital construction cost towards the affordable housing component of the development. In exchange for nominal consideration paid by the City, the organization will extend the terms of the existing affordable housing agreements for Baranow Villa I and II that are set to expire in 2029 and 2033, respectively, to align with the proposed affordable housing agreement for Baranow Villa III.

Westwood Apartment

Westwood Apartment is located in the Westwood neighbourhood and provides near market affordable housing aimed at women and small families. The four-storey, 16 unit development will prioritize four units to Wings of Providence clients. Wings of Providence supports women with children who have experienced family violence. These units will be offered at rates not exceeding 65 percent of market rates. The Wings of Providence units provide residents an opportunity for independent living with external supports as needed, to help the residents achieve full independence. The remaining units will be affordable housing with rental rates not exceeding 80 percent of average market rents established by the Canada Mortgage and Corporation. These rates will remain in place for 20 years after the occupancy permit for the last affordable housing unit in the development is issued.

Right at Home Housing Society is seeking funding of up to \$950,000 from the City of Edmonton to offset 25 percent of the total cost for acquiring the development from a builder that is currently under construction. The acquisition costs of the development include value of construction and value of land. Right at Home Housing Society is leveraging external funding from a variety of sources, including a grant of \$125,000 from the Stollery Charitable Foundation for this particular development.

Budget/Financial Implications

The proposed reimbursement funding to Baranow Estates Ltd. and Right At Home Housing Society will enable the City to secure 101 affordable housing units for 20 years after issuance of occupancy permits for the last affordable housing unit in each respective development. The requested City contribution of up to \$3,325,000 and

\$950,000, respectively, for these two developments will be funded from operating funds from the City's Affordable Housing Reserve.

Public Engagement

Public engagement was not conducted for this report as it addresses terms and conditions of two proposed legal agreements between the City and the organizations identified above.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is a safe city.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Increased access to affordable housing	Number of permanent supportive housing units developed	2017 - present: 79 2009-2016: 201	916 additional units by 2024
Increased supply of affordable housing units in all areas of the city	Number of new affordable housing units supported	2018-2020: 807	2500 by the end of 2022

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
If recommendation is approved						
Public Perception	The community may not support the project	3 - Possible	1 - Minor	3 - Low	Baranow Estates Ltd have communicated in the past with the Carlisle Community League and local businesses on the overall three stage Baranow Villadevelopment. Right At Home Housing Society has undertaken various communication activities with external stakeholders including the Westwood Community League	Both Baranow Estates Ltd. and Right at Home Housing Society will establish a Good Neighbour Plan similar to Baranow Stage I & II to develop and maintain a positive relationship between housing developments and the communities they are a part of

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If recommendation is not approved						
Public Perception	The public may lose confidence in the City's ability to maximize its resources to advance affordable housing solutions.	4 - Likely	2 - Moderate	8 - Medium	Inform the community of the City's ongoing work related to housing	The City will continue to educate the public and advance long-term strategies and plans as they relate to permanent supportive housing

Attachments

1. Baranow Villa III Development Details
2. Westwood Apartment Development Details
3. Baranow Villa III Affordable Housing Funding Agreement - General Terms and Conditions
4. Westwood Apartment Affordable Housing Funding Agreement - General Terms and Conditions

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor