

DECISION/DIRECTION NOTE

Title: Revised Housing Accelerator Fund Action Plan

Date Prepared: October 30, 2023

Report To: Regular Meeting of Council

Councillor and Role: Councillor Ron Ellsworth, Finance & Administration

Ward: N/A

Decision/Direction Required: Decision required on proposed revisions to the City's Housing Accelerator Fund Action Plan.

Discussion – Background and Current Status:

Background:

On March 17, 2023, the Canada Mortgage and Housing Corporation announced the Housing Accelerator Fund (HAF). This fund aims to accelerate housing development across Canada by incentivizing local governments that adopt action plan initiatives that lead to systemic change.

The City of St. John's submitted an application under the "Growth Leader" category on June 14, 2023. Since that time the City received feedback on its application which included the following requests:

- Reducing electronic permit application process times from 5 years to 1 year;
- Targeting tax reductions to affordable housing units and including the affordable housing sector's feedback in that proposal;
- Permitting four units as-of-right; and
- Increasing rental capacity and density near St. John's post-secondary institutions and downtown area.

Feedback from the Federal Minister's office also indicated that, despite poor economic conditions for development, the City's target for units permitted should be more ambitious and that more funding than was requested could be accessed.

Funding methodology:

HAF funding is allocated on a per unit basis. City's must calculate a projected number of permitted units enabled by the HAF incentivized initiatives within the program's three-year period (i.e., Sept 2023 – Sept 2026). This number of units forms the basis of the City's potential funding amount.

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Units are eligible for 3 categories of stackable funding: 1) base funding, 2) top-up funding, 3) affordable housing bonus. The table below illustrates the per unit amounts and eligibility requirements:

Figure 1: Funding type and amount

Funding Type	Description	Funding Amount (Per Unit)
Base Funding	<ul style="list-style-type: none"> Applicable for all unit types 	<ul style="list-style-type: none"> \$20,000
Top-Up Funding	<ul style="list-style-type: none"> A. Rapid transit development must be within 1500m to rapid transit B. Multi-Unit Housing (Missing Middle) includes garden suites, row houses, courtyard housing and low-rise apartments. C. All multi-unit housing excluding missing middle and multi-unit housing in close proximity to rapid transit 	<ul style="list-style-type: none"> A. Rapid Transit Multi-Unit Housing: \$15,000 B. Missing Middle Multi-Unit Housing: \$12,000 C. Multi-Unit Housing: \$7,000
Affordable Housing Bonus	<ul style="list-style-type: none"> Housing units that are intended for households whose needs are not met by the marketplace 	<ul style="list-style-type: none"> \$19,000

(EllisDon 2023)

The following example, courtesy of EllisDon (2023), provides a general illustration of this funding mechanism:

25 rapid transit units = 25 units x (\$20,000 base funding + \$15,000 top-up funding for rapid transit developments + \$0 affordable housing bonus) = \$875,000

50 affordable low-rise rental units = 50 x (\$20,000 base funding + \$12,000 top-up funding for missing middle units + \$19,000 affordable housing bonus for affordable units) = \$2,550,000

Total funding = \$3,425,000

HAF funding is very flexible with a variety of permitted uses including:

- Investment in HAF action plan initiatives
- Investments in affordable housing projects

- Investments in housing-related infrastructure (e.g., public transit, wastewater, community energy systems, etc)
- Investments in community-related infrastructure (e.g., roads, active transit, firehalls, greenspace, etc).

Funding/Reporting Schedule and Risks:

HAF funding is advanced in four 25% installments, beginning once a funding agreement is finalized. The remaining advances coincide with progress reports. Reports for the second and third advance focus on progress implementing the HAF action items (e.g., reaching project milestones).

Reporting for the fourth advance focuses on permit numbers and progress reaching the Housing Supply Growth Target (e.g., target number of HAF incented units). CMHC has indicated that only the fourth advance will be adjusted to reflect progress on permitted units, save exceptional circumstances. Likewise, CMHC has indicated that claw backs of the first three advances of agreed upon funding are not part of the funding methodology and would only occur in exceptional circumstances.

Through ongoing consultations, CMHC has indicated an understanding that various external factors impact housing growth and a willingness to work with municipalities to achieve their targets through a flexible, solutions-oriented approach. This includes an understanding that action plan initiatives may have to be reprioritized or adjusted over the course of HAF based on performance and external factors.

Revisions to HAF Application Targets and Funding Amounts:

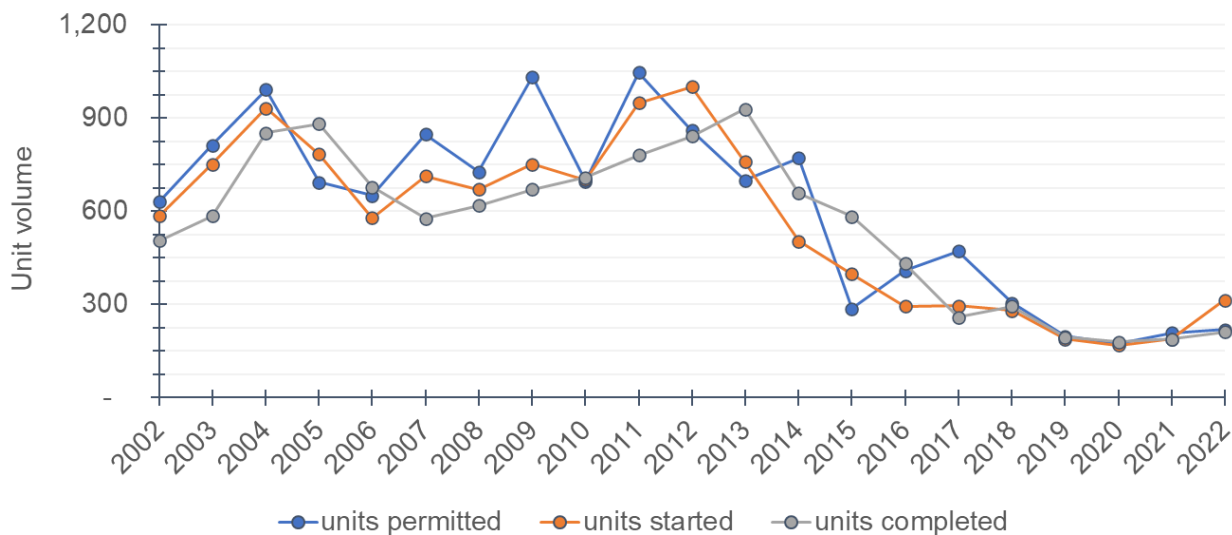
The following table illustrates the original targets and funding amounts submitted in June 2023, alongside revisions based on feedback from the Minister's Office, various Federal and Provincial investments in housing since the City's original submission, and internal consultation:

	Original Submission	Revised Submission
Units permitted w/o HAF (3 years)	702	702
Units permitted w/ HAF (3 years)	793	1177
Increase in housing supply growth rate	12.96%	67.66%
# of incented units (3 years)	91	475
Funding amount	\$2,853,000	\$18,525,000

While the target/funding revisions to the original submission are dramatic, they are informed by a number of recent investments and policy announcements intended to drive residential construction. Assumptions informing these revised numbers include:

- Province's Affordable Rental Housing Program, announced in June, aiming to create 850 units of affordable rental housing in NL over three years. Assumption of 40% of that housing in St. John's (340 units).
- Province's 5 initiative action plan announced October 2023 aims to develop 500 additional units across NL. Assumption of 40% of that development in St. John's (200 units).
- Recent Federal/Provincial HST exemption for purpose built rental buildings.

It is not possible to determine economic factors that will influence the direction of residential development. However, the below data on Market Housing Construction Activity, 2002-2022 (Turner Drake 2023), can be used to gauge if proposed targets are realistic.



While the City's revised targets are ambitious, and economic conditions have changed considerably in recent years, historically the City of St. John's has performed at or above the HAF targets for long durations (e.g., 10 years +). Considerations from the above graph include:

- Units permitted in 2022 = ~219
- Units projected with HAF over 3 years = 1177 (~392/year)
- Last time CSJ permitted 400+ units in a year = 2017
- Average units permitted annually between 2002-2014 = 805
- Lowest units permitted annually between 2002 - 2014 = 630 (2002)
- Highest units permitted annually between 2002 – 2014 = 1046 (2011)

Revisions to Action Plan

The City's HAF application included a 9-initiative Action Plan. The following outlines those initiatives, with some revisions and reprioritization in response to Federal feedback and in support of the revised targets. Please note, for the purposes of the HAF application **these initiatives remain high level**, with details around design and implementation taking place once funding is confirmed. While there are costs associated with some initiatives, HAF funding will be allocated towards implementation and offset these costs.

The initiatives, outlined below, are prioritized by maximum anticipated impact on housing supply (i.e., permitted units).

1. Incentive program for Purpose Built Rentals:

Purpose built rentals (PBRs) would be eligible for: 1) development fee reductions/exemptions; 2) flexible parking requirements (where possible); and, 3) development application prioritization (where possible). This initiative would be designed to target post-secondary education and intensification areas by offering full fee exemptions for PBRs developed in priority areas. To ensure the City can bear revenue lost and align with HAF objectives, various controls will be considered at the program design phase, such as caps, annual review of cost/benefits, a pilot program window, and/or limiting incentive to identified geographic areas.

Considerations for Revised Permitted Unit Targets: This initiative is aligned with a number of Federal and Provincial initiatives announced since the original submission, including the exemption of HST on PBRs, a low-interest financing program for PBRs targeting 500 units Province-wide, and the Affordable Rental Housing Program targeting 850 units Province-wide.

Incented Units Over Three Years: 250 missing middle; 100 missing middle/affordable

Implementation Timeline: December 2023 – September 2024

2. Grant program for Subsidiary Dwelling Units (SDUs), Backyard Suites, Microunits, and Tiny Homes:

This program would incentivize the development of SDUs, as well as recently introduced housing forms (i.e., microunits, tiny homes, and backyard suites), with a grant of at least \$15,000/unit. This would be a direct transfer of HAF base funding and be capped at a targeted number of units. To ensure this initiative can be maintained within the allocated funds, controls will be considered at the program design phase, such as setting targets based on annual HAF advances, limiting to geographic areas to promote density, and developing a grant transfer schedule.

Considerations for Revised Permitted Unit Targets: This initiative aligns with a recently announced Provincial program offering forgivable loans for secondary and basement suites. It also aligns with Planning's proposal to introduce backyard suites as a residential use.

Incented Units Over Three Years: 50 missing middle units.

Implementation Timeline: December 2023 – December 2024

3. **City-owned Land for affordable housing disposition program:**

Develop a land disposition program to identify City-owned land, prepare for development, and make available to non-profit housing providers through a scheduled RFP process (e.g., every 2 years).

Considerations for Revised Permitted Unit Targets: Since original submission, the City has identified additional parcels of land for potential affordable housing development. Incented unit targets are based on proposals received for RHI as well as consultation with developers.

Incented Units Over Three Years: 45 missing middle, affordable units

Implementation Timeline: December 2023 – September 2024

4. **Incentive program for mixed-income multi-unit developments:**

In addition to the incentives offered in initiative #2, mixed-income multi-unit developments would be eligible for real property tax exemptions **proportional to the number of affordable units included in the development**. Controls would be considered at the program design phase to ensure the City can bear lost real property tax revenue and that the program aligns with the City's objectives.

Considerations for Revised Permitted Unit Targets: This initiative aligns with the Province's Affordable Rental Housing Program, which includes mixed-income developments in its 850-unit target. This initiative requires legislative change. Municipal and Provincial Affairs has been engaged, indicating support HAF initiatives, subject to House of Assembly priorities and adoption.

Incented Units Over Three Years: 30 missing middle, affordable units.

Implementation Timeline: December 2023 – August 2025

5. Propose regulations for Backyard Suites as a permitted use in residential zones:

Staff will propose an amendment to CSJ Development Regulations with a Backyard Suite definition as a permitted use in residential zones. If passed by Council, this proposal would set a base of three units per lot as-of-right across residential zones.

Implementation Timeline: December 2023 – June 2024

6. Implementation of an e-permitting system

The City will implement an e-permitting system. E-permitting will improve processing times for digital permit assessments, approvals, and fee payments. It is estimated that this initiative will take 2.5 years to complete.

HAF Considerations: The Federal Minister's feedback requested a reduction in the timeline for this initiative from the originally proposed five years to one year. One year implementation for e-permitting is not feasible. Reprioritizing this initiative, staff are proposing a 2.5-year implementation timeframe.

Incented Units: No incented units are attached to this initiative, though an e-permitting system may assist in achieving our overall HAF targets.

Implementation Timeline: January 2024 – June 2026

7. Propose Innovative Housing Accelerator Program offering pre-approved designs

Accelerate recently introduced housing types (Tiny Homes, Microunits, Backyard Suites) by providing pre-approved (i.e., ~ 80% approved) design concepts that meet City of St. John's standards. This initiative will build local capacity and predictability in the housing sector, which will be particularly beneficial to emerging non-profit and small-scale housing developers.

Incented Units: No incented units are attached to this initiative, though pre-approved designs may assist in achieving our overall HAF targets.

Implementation Timeline: September 2024 – June 2025

8. Advocate for clear legislation around community benefits and Inclusionary Zoning

Initiative will seek clear language around community benefits and Inclusionary Zoning related to rezoning applications in the Urban and Rural Planning Act. This aims to strengthen the City's ability to negotiate with developers around including desired

housing types in rezoning/development applications. Municipal and Provincial Affairs has been engaged, indicating support for this initiative, subject to House of Assembly priorities and adoption.

Implementation Timeline: December 2023 – August 2025

9. Allow more density across the City of St. John's

This initiative consists of a number of proposals led by the City's Planning, Engineering, and Regulatory Services Department and intended to increase opportunities for density across the city. Initiatives proposed to Council would include:

- Adding backyard suites as a permitted use in residential zones (see Initiative 5)
- Increasing as-of-right development approvals for fourplexes, tiny homes, and microunits, and adding these uses to more residential zones;
- Permitting apartment buildings (up to six units) as-of-right in the Residential 2, Residential 3, Residential Mixed, Residential Downtown Zones;
- Increase building height in the Apartment 3 Zone
- Prioritizing Neighbourhood Planning in key areas for densification (e.g., near post-secondary institutions, transit corridors);
- Identify efficiencies in the rezoning and municipal plan amendment processes.

Incented Units: No incented units are attached to this initiative, though these reforms may assist in achieving our overall HAF targets.

Implementation Timeline: December 2023 – June 2026

Key Considerations/Implications:

1. **Budget/Financial Implications:** There will be some costs associated with these initiatives including forfeiture of fee and tax revenue and possible procurement. HAF funding will be allocated towards and offset these costs. Preliminary projections for a Housing Supply Growth Target is approximately 158 additional HAF incented units per year between 2023-2026. Based on the proposed action plan, this could result in approximately \$18,525,000 funding received depending on the funding eligibility of unit types (i.e., Base funding + Top-up funding + Affordable Housing Bonus).
2. **Partners or Other Stakeholders:** CMHC is the primary funding partner. In addition, progress on HAF initiatives relies on partnership and/or engagement with the Provincial government, and the non-profit and private housing sectors.
3. **Alignment with Strategic Directions:**

A Sustainable City: Plan for land use and preserve and enhance the natural and built environment where we live.

An Effective City: Achieve service excellence through collaboration, innovation and modernization grounded in client needs.

4. Alignment with Adopted Plans: Alignment with Strategic Directions/Adopted Plans: The proposed HAF action plan aligns with the *Envision St. John's Municipal Plan's* housing objectives (4.1), especially with regards to promoting higher density and diverse housing types that contribute to community health, sustainable growth, and economic security.

The HAF action plan also aligns with and becomes a way to implement aspects of the City's *10-Year Affordable Housing Strategy*.

5. Accessibility and Inclusion: Investment in accessible affordable housing is a key focus of the City's Affordable Housing Strategy.
6. Legal or Policy Implications: Upon approval of the HAF application by CMHC, the City will be required to enter a funding agreement with CMHC.

A number of the proposed HAF action plan initiatives will require input from legal, as well as policy documents.

7. Privacy Implications: N/A
8. Engagement and Communications Considerations: Promoting HAF initiatives (e.g., incentive packages, grant program, etc.) will require support from Communications.
9. Human Resource Implications: HAF funding can be used to employ staffing resources where needed.
10. Procurement Implications: Some HAF initiatives may require procurement (e.g., implementing e-permitting, develop pre-approved concepts, etc.).
11. Information Technology Implications: Some HAF initiatives may require IT support (e.g., implementing e-permitting).
12. Other Implications: None anticipated at this time.

Recommendation:

That Council approve the proposed Action Plan to submit to CMHC as part of a revised Housing Accelerator Fund application.

Prepared by: Mark Finch

Approved by: