

Community Services Report to
Organizational Meeting of Council
2022 January 11

ISC: UNRESTRICTED
C2022-0028
Page 1 of 4

Affordable Housing – Rapid Housing Initiative (RHI) Update

RECOMMENDATIONS:

That Council:

1. Approve the recommendations outlined in Attachment 2.
2. Direct that the Report and Attachments 1 through 5 remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the Freedom of Information and Protection of Privacy Act, with the exception of Administration's communication with impacted stakeholders as required until such time that all relevant agreements are executed or to be reviewed by January 31, 2023, except for Attachment 4, which will remain confidential.

HIGHLIGHTS

- Council approval is required to disburse federal Rapid Housing Initiative (RHI) funding to a non-market housing provider project described in Attachment 3 as Project 1. Council approval is also required to facilitate a funding agreement, a housing agreement and options to purchase that will secure the RHI funding contribution, and an additional City of Calgary (The City) funding contribution to Project 1 under a prior approval that was granted at the 2021 July 26 Combined Meeting of Council.
- Council approval is also required to enter into a funding agreement with another non-market housing provider to support an RHI project proposed to be funded by Canada Mortgage and Housing Corporation (CMHC) and The City. The project details are described in Attachment 3 as Project 2.
- **What does this mean to Calgarians?** Subject to Council approval, these projects would utilize \$5M in City funding to leverage an additional \$14M in CMHC funds and support the creation of an additional 60 new permanent affordable homes for Calgarians experiencing severe housing distress.
- **Why does this matter?** The City, through RHI, has the opportunity to support the delivery of new non-market housing by non-profit organizations, to address homelessness and the ability of Calgarians experiencing severe housing distress to have a safe place to live.
- In 2020 October, CMHC launched the RHI to create new homes and stimulate the economy. Through two rounds, the RHI is now a \$2.5B program, aiming to create over 9,000 new permanent affordable homes across Canada.
- The RHI has two streams:
 - The Major Cities stream provides funding directly to municipalities.
 - The Projects stream provides funding to non-profit organizations and governments. It is a highly competitive and oversubscribed national program.
- To date, The City has secured \$41.2M from RHI exclusively through the Major Cities stream. This funding is being used to create 260 new homes through four projects, one of which has already opened with the remainder due to open soon.
- CMHC has recently decided to fund a further two Calgary projects: one submitted for RHI funding by The City (Project 1) and another submitted directly by a non-market housing provider (Project 2).
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

Affordable Housing - Rapid Housing Initiative (RHI) Update

DISCUSSION

In Calgary, nearly one in five households are struggling with shelter costs and 42,000 households are at risk of becoming homeless due to spending more than 50 per cent of their gross income on shelter costs. These households are the direct and specific target of the RHI. A City goal, as per the Corporate Affordable Housing Strategy (CAHS), is to increase the supply of affordable housing to ensure people at all income levels can live and work in every neighbourhood of our city. This work also includes supporting and removing barriers for the non-market housing sector to create new homes for Calgarians experiencing vulnerabilities and marginalization including people experiencing homelessness. Specific population groups who disproportionately experience barriers to affordable housing have been prioritized under the RHI program, including women and Indigenous people.

First announced as a \$1B investment in 2020 and scaled up in Federal Budget 2021 with an additional \$1.5B, the RHI is aiming to create 9,000 additional homes nationally and directly supports the CAHS by providing much-needed grant-based capital investment. Under the Major Cities stream of the RHI, The City has so far received \$41.2M to support the development of 260 new permanent affordable housing units in Calgary. The purpose of this report is to enable The City to leverage an additional \$14M in RHI funding to create a further 60 homes through RHI. This is in support of Calgary's need for affordable housing which is between 2,000 – 2,500 affordable homes per year.

This report is being brought forward directly to Council to help non-profit housing providers meet the expedited and urgent timelines of the RHI. If the recommendations in this report are approved, The City, acting as a conduit between a non-profit housing developer and CMHC, will disburse City and RHI funds committed through the Projects stream to a Council-endorsed project (Project 1) in Calgary's initial RHI investment plan. This will include entering into and executing a funding agreement, housing agreement and options to purchase that are necessary to secure this investment. These specific agreements are required because Project 1 was submitted to CMHC as part of The City's initial Investment Plan and so the RHI funds, and associated risks, flow through The City to the non-profit housing provider.

In addition, The City would disburse previously approved City funds to a second non-profit housing provider that applied directly to CMHC under the Projects stream and enter into a funding agreement to secure this investment. Only a funding agreement would be used in this instance because the RHI funds will flow directly from CMHC to the housing provider and there is significantly less risk to The City if the project should not meet its RHI agreement terms. The funding agreement will ensure that The City, and Calgarians, receive public benefit for the funding being provided and hold the provider accountable to meeting affordability and other terms relating to the use of The City's investment.

Should the recommendations be approved, The City would invest \$5M to leverage an additional \$14M in CMHC funds to Calgary and support the creation of an additional 60 new permanent affordable homes. It would also take the total invested by The City to support RHI projects to \$10M, bringing in a total leverage of \$55M in CMHC funding to create 320 new homes. These results demonstrate the success of The City's approach in leveraging federal funding by providing its own funds to support affordable housing projects in Calgary.

Affordable Housing - Rapid Housing Initiative (RHI) Update

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Public communication and engagement was not required as part of this report. However, Administration has had numerous discussions and meetings with housing providers whose projects were under CMHC consideration in this round of RHI. Consultation with Real Estate & Development Services, Corporate Finance, Law and Calgary Approvals Coordination have been ongoing throughout the RHI process.

IMPLICATIONS

Social

The City will actively support the development of permanent affordable housing through RHI, directly impacting people who are at risk of or are experiencing homelessness. This contributes to removing barriers to access and inclusion for vulnerable Calgarians including women and children experiencing homelessness and Indigenous peoples. In addition, it supports the objectives set out in the CAHS to increase the supply of affordable housing in all neighbourhoods. This includes the addition of affordable housing in Ward 3 which has a low proportion of the city's total affordable housing.

Environmental

CMHC's requirements for environmental efficiency would be applied to new construction projects during the approval process. For example, Project 1 is required to ensure the project exceeds by 20% the energy efficiency standards as set out in the 2015 National Energy Code for Buildings. Project 2 will have a separate energy efficiency standard set by CMHC.

Economic

Affordable permanent housing supports economic resilience by providing homes in close proximity to employment areas and transportation networks so that people can easily access jobs. Affordable housing also provides a platform of stability for people experiencing homelessness so that they may be able to more easily enter the work force. The acquisition and conversion of distressed hotel and office properties offers benefit to struggling sectors. The activity funded under RHI is expected to stimulate Calgary's economy through job creation and repurposing of stranded assets. Ending homelessness saves public systems \$70,000 to \$135,000 per person, per year. Current counts estimate homelessness in Calgary at 3,000 individuals so every affordable home makes a significant economic impact.

Service and Financial Implications

New capital funding request

\$7.037M

Budget allocation to Program 489_RHI funded by CHMC's Rapid Housing Initiative.

**Community Services Report to
Organizational Meeting of Council
2022 January 11**

**ISC: UNRESTRICTED
C2022-0028
Page 4 of 4**

Affordable Housing - Rapid Housing Initiative (RHI) Update

Existing operating funding – base

\$0

The funding provided under the Major Cities stream of RHI is a grant-based capital contribution intended to be received by The City and distributed to non-profit housing providers via The City's capital budget. Council approval is required for the transfer of funding. The program does have ongoing resourcing requirements, particularly from Law, Real Estate & Development Services, Finance and Calgary Housing which will be supported within the existing operating budget.

RISK

For Project 1, there is a risk that The City may need to return the contribution provided by CMHC, in whole or in part, if funds are not distributed within the set timeline or in the event of a default by The City or the non-profit organizations, including but not limited to the inability to deliver or uphold the RHI criteria for the entire term of the contribution agreement between CMHC and The City for the second round of funding under RHI. Administration has completed a comprehensive risk review of each organization to ensure it has the means and capacity to develop and operate its respective project. In addition, if the recommendations in this report are approved, The City will use tools including a funding agreement, housing agreement and options to purchase to ensure development is completed in the slated timelines and occupancy by eligible residents is maintained throughout the life of the contribution agreement.

For Project 2, there is an additional risk that funds provided for the project may be harder to recover in the event of a default. If the provider responsible for delivering Project 2 was unable to complete the project, The City would have fewer routes to recover those funds. The funds will be secured by a funding agreement which will govern how the funds are to be used. A comprehensive risk assessment is included in Attachment 4.

ATTACHMENTS

1. Previous Council Direction, Background (Confidential)
2. Recommendations (Confidential)
3. Projects Stream project descriptions (Confidential)
4. Risk Analysis (Confidential)
5. Site Maps (Confidential)

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer	Inform
Jill Floen	City Solicitor & General Counsel	Inform