



OFFICE OF THE
City Auditor

Development Permit and Cornerstones Funding

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The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

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Development Permit and Cornerstones Funding

Summary for City Council

In response to a citizen complaint, the Office of the City Auditor (OCA) investigated the issuance of a development permit and the approval of Cornerstones funding for a semi-detached house in a low-density Edmonton neighbourhood. The complainant's allegations were (1) that the Current Planning and Housing Branches of the Planning and Development Department had not complied with the Edmonton Zoning Bylaw 12800, other relevant policy, procedures and the Cornerstones Program's eligibility criteria and (2) that the applicant, an ex-City employee, may have received special consideration.

Our primary objective was to confirm or dispel the complainant's allegations. Based on the results of our preliminary investigation, we expanded our original scope to address process and procedural concerns; and seek answers to questions pertaining to the safety of potential residents, the affordability of units, and the protection of the interests of the grant funding agencies (the Province and the City).

Our review concluded that the Development Officer issued the development permit in accordance with the relevant definitions currently provided in the Zoning Bylaw. However, we believe that the definitions used (Household and Dwelling) and some of the Residential-Related Use Classes such as Limited Group Home, Group Home, and Boarding and Lodging Houses need to be reviewed and made more specific. We have also recommended that the Manager of the Current Planning Branch review the procedures and processes for issuing development permits to ensure that there is consistent compliance with the intent of the Zoning Bylaw through more effective training and awareness.

The applicant in question applied for and received approval for Cornerstones funding of over \$900,000 from the Housing Branch. We found a number of concerns with the processes and procedures used by the Housing Branch for evaluating the application and approving this funding. However, based on our discussion with Housing Branch staff, they use the same processes and procedures to evaluate and approve other applications as well, not just the application in question. Based on our review, we did not find evidence of special consideration given to the applicant in the issuance of the development permit and the approval of Cornerstones funding.

The following are the major deficiencies we found with processes and procedures used to evaluate and approve the Cornerstones grant application in question:

- The Housing Branch does not use strict, enforceable eligibility and funding criteria that align with desired outcomes of land use and affordable housing, as well as protect the interests of the grant funding agencies (the Province and the City).
- Its staff members cannot adequately support their evaluation of the application in question since they do not use a scoring guide to assign points to applications. In

fact, they interpret what the community thought were eligibility criteria as only general guidelines, use their judgment and do not document their reasons for deviating from the published guidelines.

- Funding commitments are conditional to securing a valid development permit, but not to other legislation such as the Safety Codes Act that provides for the protection of the proposed residents who benefit from the grant.
- There are gaps between the Housing Branch's assertions and community expectations pertaining to obtaining letters of support arising from community consultation.
- The evaluation process does not include consultation with other relevant disciplines such as Finance, Current Planning and Assessment and Taxation. This increases the City's risk of over-funding grant applicants, approving non-compliant projects, or funding high-risk projects that may not result in cost-effective affordable housing units.
- Based on information we obtained from the Assessment and Taxation Branch, the proposed property is valued at half the cost provided in the applicant's capital budget. The rents for potential residents were based on benchmarks for self-contained bachelor units while the proposed rooms are "non-self-contained" with shared bathroom, kitchen and living facilities.

In our opinion, the Housing Branch has over-funded the application and may not achieve the objective of providing cost-effective units to potential residents. In our opinion, this is a result of the inadequate processes and procedures used by the Branch and not due to providing special consideration to the applicant. As at February 28, 2010, the City had paid the applicant 50% of the approved funding. Based on its funding agreement, the City is required to pay an additional 40% of the approved funding when the improvements are 90% complete. The City's agreement with the applicant includes a clause for the recovery of any surplus funding in the event that the actual capital costs are lower than the anticipated costs originally approved by the City.

During our review, we determined that there are a number of concerns both within and outside the Planning and Development Department on whether the actual use of the house will match the intent of the permit. It is premature for us to review or comment on the use of the property since construction is in progress and occupancy has not yet occurred. The Planning and Development Department is monitoring the construction, and the Zoning Bylaw provides enforcement clauses that can be exercised if required.

In the absence of firm and formal eligibility and funding criteria, we could not provide an opinion on the Housing Branch's compliance with the Cornerstones Program's eligibility criteria. However, the outcome of the funding approval as well as the processes and procedures for evaluating and approving funding in general, do raise some serious concerns. We have conveyed these to the Planning and Development Department and the City Manager as part of our disclosure process.

We have made six recommendations to strengthen the processes and procedures for issuing development permits and approving Cornerstones funding, all of which have been accepted by the Administration.

Other Considerations for City Council

Council, the City's governing body, approves funding for programs such as the Cornerstones to provide services to Edmonton's citizens. It also leverages additional funding from other government and non-government organizations. *Cornerstones: Edmonton's Plan for Affordable Housing* requires the City Manager to review and make recommendations on the City's administrative capability to expand and coordinate its role for affordable housing.

The City administers and disburses large sums of money for a number of grants for many diverse programs and initiatives. This calls for a governance structure with appropriate processes and procedures in place so that Council is assured of proper accountability, due diligence, and credible funding approvals to the right recipients and within the intent of the approved programs.

Based on our reviews of the Cornerstones funding application and other grant programs, we believe that the City needs guiding principles and checklists that City staff can consistently apply to large, medium and small grant funding programs. If desired, Council may direct the City Manager and the Chief Financial Officer to establish and implement a model for evaluating, approving, tracking, disbursing, reporting and following up on all grant programs administered by the City. This will provide direction to departmental staff that may not have the financial and other skills required to protect the interests of the grant recipients, beneficiaries, and the grant funding agencies.

Some of the items that need to be addressed in the grant funding model are:

- Objectives, program priorities and guidelines
- Authority, roles, responsibility and accountability
- Funding sources and approvals
- Legislation, policies, and procedures
- Resources, skills, training and supervision
- Segregation of duties and conflict of interest
- Informing potential applicants of available grants
- Eligibility criteria
- Information required from applicants to facilitate evaluation
- Evaluation, scoring and ranking guidelines
- Control processes to detect and avoid duplicate grant payments
- Guidelines on whether or not to fund applicants materially in arrears with the City
- Appeal processes for applicants where applicable
- Monitoring and reporting processes to enable meaningful decisions
- Appropriate tracking, disbursing, reporting and follow-up mechanisms.

Implementing such a grant funding model will provide Council the assurance that grant funds are being approved and disbursed in a transparent, credible and diligent manner. It will also ensure that risks of over or under-funding, non-achievement of approved objectives, and approving of non-compliant or high-risk projects are minimized. Further, it will enable Council, Administration and the public to harvest the expected benefits of grant programs.

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Development Permit and Cornerstones Funding

1. Introduction

In response to a citizen complaint, the Office of the City Auditor (OCA) investigated the issuance of a development permit and the approval of Cornerstones funding for a semi-detached house in a low-density development zone (RF3). The complainant's allegations were (1) that the Current Planning and Housing Branches of the Planning and Development Department had not complied with the Edmonton Zoning Bylaw 12800, other relevant policy, procedures and the Cornerstones Program's eligibility criteria; and (2) that the applicant, an ex-City employee, may have received special consideration. We undertook this project as an emerging request.

2. Background

The Edmonton Zoning Bylaw 12800 (Zoning Bylaw) is the City's means of regulating the use and redevelopment of parcels of land. It divides the municipality into districts, and prescribes permitted¹ and/or discretionary² uses for each district. For the purposes of this Bylaw, the Development Officers constitute the development authority of the City of Edmonton, and their duties with respect to development applications are specified in the Bylaw. The City also administers most of the Alberta Building Codes under the Safety Codes Act for issuing building permits and occupancy permits. Safety Code Officers from the Planning and Development Department and Fire Prevention Officers from the Edmonton Fire Rescue Services Branch perform these functions.

Cornerstones: Edmonton's Plan for Affordable Housing is City Council's five year plan (2006-2010) to increase the number of long-term affordable housing units and advocate for increases in income support services for lower income Edmontonians in need of housing. The City has established a number of grant programs under the Cornerstones Plan (using both City and Provincial funding), that are designed to help provide long-term affordable housing.

Incorporated non-profit or for-profit organizations interested in either purchasing or purchasing and renovating existing housing to add to the long-term affordability housing stock in Edmonton are eligible for a capital grant under the Cornerstones Program. Under this Program, affordable housing is defined as "Housing that generally requires no on-going operating subsidies (may include rent supplements) for occupancy by households that are income-challenged (earn less than the median income for their

¹ Permitted Uses means those uses of land, buildings or structures for which Permits **must** be issued by the Development Officer, if the development meets all applicable regulations. Examples in the RF3 zone include Duplex Housing, Limited Group Homes, Single Detached Housing and Semi-detached Housing.

² Discretionary Uses means those uses of land, buildings or structures for which Permits **may** be issued only at the discretion of the Development Officer. Examples in the RF3 zone include Boarding and Lodging Houses, Group Homes, Apartment Housing and Stacked Row Housing.

household size and pay more than 30% of that income for housing) and require no in-situ³ support services.”

The Housing Branch has published an Applicant Information Guide that provides program details and guidelines on the application process, how completed grant applications are evaluated, post-funding commitment actions, and project evaluation criteria.

3. Objectives

Our primary objective was to confirm or dispel the complainant’s allegations. We focussed our investigation on determining whether:

1. The Current Planning Branch complied with the Zoning Bylaw and other relevant policies and procedures when issuing a development permit for the semi-detached house with basement developments.
2. The Housing Branch approved funding for residency in the proposed project in accordance with the Cornerstones Program’s eligibility criteria.
3. There is evidence of Planning and Development staff giving special consideration to the applicant either for issuing the development permit or approving funding for the proposed project.

4. Scope and Methodology

Scope

We conducted a preliminary investigation of the complainant’s allegations and the processes and procedures used to issue the development permit and approve the funding. Based on our review, we expanded our scope to seek answers to the following questions:

- Were the desired outcomes achieved both in issuing the development permit and approving funding as expected by City Council?
- Since two branches are involved, are there processes in place to ensure that the objectives of one branch do not conflict with those of the other branch?
- Have the interests of the grant funding agencies (the Province and the City) been protected?
- Is the City at risk for funding a project which may not meet relevant legislative requirements, such as the Safety Codes Act?

Our scope did not include a review of other development permits issued, Cornerstones funding approved for other projects, or other tasks undertaken by the Planning and Development Department beyond the issue of the development permit and the approval of Cornerstones funding for the application in question.

³ The costs to provide those services are included in project annual operating budgets.

An independent review of Cornerstones, Edmonton's Plan for Affordable Housing is being conducted by an external consultant. Their Terms of Reference, provided to Executive Committee on October 27, 2009, includes an assessment of funding eligibility requirements, application review, approval and reporting process, and funding agreements administration, as well as a future action plan. Our review, therefore, was limited to the application in question and relevant processes and procedures.

Methodology

In order to conclude on each of our objectives, we developed audit steps necessary to gather sufficient evidence and used several methods to provide an objective opinion. Our review focussed on the following:

- Reviewing the information provided by the complainant and other relevant documentation.
- Meetings with relevant Planning and Development Department staff.
- Reviewing relevant legislation, Bylaws, policies, procedures and criteria for issuing development permits and approving Cornerstones funding.
- Obtaining feedback on potential legal implications from the City's Law Branch.
- Assessing the issuance of the development permit and approval of Cornerstones funding for the proposed project.

5. Summary of Results

5.1. Investigation Results

Issuance of Development Permit

The complainant alleged that the proposed development is a boarding and lodging house or a group home. These are considered discretionary uses in the RF3 zone and therefore would have required notification of the Development Officer's decision to the community affected by the application. The Current Planning Branch believes that, based on the information provided by the applicant, the proposed development is a semi-detached house, which is a permitted use. This use did not require community consultation since Council, through the Zoning Bylaw, has vested full authority in a Development Officer.

The application process requires an applicant to complete an application and provide proposed drawings and any other information required by the assigned Development Officer. The Development Officer completes a technical review to determine whether the Zoning Bylaw requirements will be fulfilled by the proposed development. Summary information on the project from inception to completion is maintained in POSSE, the City's integrated system used for tracking development-related information.

We assessed the basis under which the Development Officer issued the permit. We also reviewed the relevant sections of the Zoning Bylaw, the proposed drawings provided by the applicant, and confirmed the technical review completed by the Development Officer.

Our review concluded that the Development Officer issued the development permit in accordance with the relevant definitions currently provided in the Zoning Bylaw. Our interpretation of the Zoning Bylaw definitions was reviewed and confirmed by the City's Law Branch. The Development Officer also obtained a written confirmation from the applicant on the intended use and included a condition in the development permit stating that the proposed development shall not be used as a boarding and lodging house. The results of a further review of the definitions in the Zoning Bylaw and other concerns expressed by the complainant are provided in Section 5.2 of this report.

During our review, we determined that there were a number of concerns both within and outside the Planning and Development Department on whether the actual use of the house will match the intent of the development permit. It is premature for us to review or comment on the use of the property since construction is in progress and occupancy has not yet occurred.

If the actual use differs from that allowed by the development permit, the Zoning Bylaw provides enforcement clauses that can be exercised by the Planning and Development Department based on citizen complaints. The community in this case would look for signs of non-compliance or potential illegal use (such as more than seven residents living in each of the dwellings; whether there are any secondary suites; and whether the use has changed to a limited group home, a group home or a boarding and lodging house). The Planning and Development Department is also monitoring the construction phase.

Approval of Cornerstones Funding

The complainant alleged that there is some disparity between the criteria used to determine eligibility for the Cornerstones funding and conditions for residency in the proposed project. The complainant also alleged that contrary to the requirements stated in the Applicant Information Guide, the Housing Branch staff did not obtain letters of support arising from community consultation from the applicant until after the community complained.

The applicant in question applied for and received approval for Cornerstones funding of over \$900,000 from the Housing Branch. The proposed project is for building a semi-detached house that will provide affordable housing for 14 single adult men capable of independent living. The application process requires that the applicant provide the project concept and other supporting documents, including a valid development permit, to the Housing Branch staff for evaluation.

We reviewed the application and supporting documents to determine the basis under which the Housing Branch approved the funding. Our review concluded that the Housing Branch has no strict, enforceable eligibility or funding criteria that align with desired outcomes of land use and affordable housing. Its staff indicated that they interpret the criteria provided in the Applicant Information Guide as general guidelines and exercise judgement for all applications. In view of this, we could not confirm the accuracy and completeness of the Housing Branch staff's evaluation and provide an

opinion on their compliance with the Cornerstones Program’s eligibility criteria. Our assessment of their processes and procedures is provided in Section 5.2 of this report.

Evidence of Special Consideration

The complainant alleged that the applicant, an ex-City employee, may have received special consideration from City staff for issuing the development permit or approving Cornerstones funding.

Based on our review, we did not find evidence of special consideration to the applicant by the Current Planning Branch staff in issuance of the development permit. The Development Officer evaluated the application based on definitions and other requirements provided in the Zoning Bylaw, and the information and drawings provided by the applicant. The Branch’s approval process is based on good faith for all applications received by the City. The applications are evaluated on their own merit and not in relation to previous applications an applicant may have submitted. The Planning and Development Department relies on other monitoring and enforcement processes to ensure that the actual use matches the intent of the development permit.

Based on our review, we did not find evidence that the Housing Branch staff gave special consideration to the applicant in approving Cornerstones funding. We found a number of concerns with the processes and procedures used for evaluating and approving funding for the application in question. However, based on our discussion with Housing Branch staff, they use the same processes and procedures to evaluate and approve other applications as well, not just the application in question.

At least five Housing Branch employees were involved in the evaluation process. The funding approval was signed off by the Branch Manager, who was not part of the evaluation process. However, the evaluation was subjective and the Branch Manager was not provided documentation to facilitate an independent and informed decision. We have made recommendations to strengthen the evaluation and approval processes for Cornerstones funding in Section 6 of this report.

5.2. Review of Processes and Procedures

5.2.1. Zoning Bylaw Definitions

We extended our review to determine why there are concerns both within and outside the Planning and Development Department on whether the actual use of the house being built by the applicant will match the intent of the permit and the desired outcomes of land use. In our opinion, some of the relevant definitions provided in the Zoning Bylaw are general and, in some cases, overlapping. For instance, the bolded text in the following two definitions was used by the Development Officer to approve the application for housing seven residents in each of the two semi-detached units:

Household means:

a. a person; or

b. two or more persons related by blood, marriage or adoption; or

- c. **a group of not more than five persons who are not related by blood, marriage, or adoption; or**
d. **a combination of (b) and (c), provided that the total of the combination does not exceed five;**
all living together as a single housekeeping group and using cooking facilities shared in common. A Household may also include domestic servants.

Dwelling means one or more self-contained rooms provided with sleeping and cooking facilities, intended for domestic use, and used or intended to be used permanently or semi-permanently as a residence for a Household and either up to two lodgers, roomers or boarders.

The Manager of Current Planning Branch indicated that the use of two definitions is not common. The concept of “dependents” is difficult to establish in such cases, as is the relationship of a household with their lodgers, roomers or boarders. We believe that if the definitions of Household and Dwelling were more specific, Development Officers would not have to use as much judgement in determining whether applications for development permits are for permitted or discretionary uses. The definitions of some of the Residential-Related Use Classes, such as Limited Group Home, Group Home, and Boarding and Lodging Houses, also need to be reviewed with a view to providing more clarification to all stakeholders. In light of recent applications and the need for more clarity, the Manager of Current Planning Branch needs to coordinate a review of the Zoning Bylaw to ensure that they align with desired outcomes for regulating the use and development of parcels of land. **(Recommendation 1)**

5.2.2. Training and Awareness of Development Officers

Our review indicated that the Current Planning Branch staff needs to be adequately trained and made aware of the intent of the Zoning Bylaw and other Statutory Plans. Contrary to Section 3.1 of the Zoning Bylaw – *Community and Neighbourhood Improvement Plans (NIP)*, the Development Officer did not refer to the relevant NIP when issuing the development permit for the application in question. The Current Planning Branch management and staff were not aware of this requirement and their interpretation is that for Permitted Uses, they are required to refer only to the Zoning Bylaw. The NIP for this community requires that their Neighbourhood Association be advised of all applications for development permits and all appeals to the Development Appeal Board that relate to their neighbourhood. This was not done by the Current Planning Branch. Therefore, the community found out about this project only after the development permit was issued.

The community in this case inquired about its right to appeal. Section 21 – Appeals, of the Zoning Bylaw states:

Subject to the provisions of the Municipal Government Act, any person applying for a Development Permit or affected by a Permit issued by a Development Officer, shall appeal the decision of the Development Officer to the Subdivision and Development Appeal Board by serving a written notice of appeal on the Subdivision and Development Appeal Board within 14 days after notice of the decision or issuance of the Development Permit was issued.

We noted that while the right to appeal is provided to the applicant as part of the Development Permit, the community that may be affected by the Permit issued is not advised of the application. The Current Planning Branch employees believe that the Subdivision and Development Appeal Board entertains appeals pertaining to Discretionary Uses but not Permitted Uses. The City's Law Branch representative advised that as outlined in the Municipal Government Amendment Act, the community does have the right to appeal. The Current Planning Branch therefore needs processes in place to inform communities of their right to appeal when they are affected by development permits issued.

The above two examples demonstrate the need for the Current Planning Branch management to review the procedures and processes for issuing development permits. In our opinion, Development Officers need to be provided with effective training and awareness to fulfill their role and ensure consistent compliance with the intent of the Zoning Bylaw. **(Recommendation 2)**

5.2.3. Cornerstones Funding Application Process

Our review of the application in question indicated a number of deficiencies:

- The application was not signed or dated even though it includes a certification by the applicant that the information provided is true, complete, and accurately describes the proposed project.
- We confirmed that the Housing Branch staff did not obtain and validate the evidence of consultation with the surrounding community regarding the proposed development even though the Applicant Information Guide suggests this.
- Letters of Support arising from community consultation were not obtained for this application as part of the evaluation process. These steps were taken only after receiving complaints from the community. Only one letter of support, which appears on the applicant's letter head, and a list of agencies that support the project were obtained from the applicant prior to the funding approval. We confirmed that community consultation occurred on November 25, 2009, while Cornerstones funding was approved on November 2, 2009.

The Housing Branch staff believes that the intent of community consultation within the Applicant Information Guide is to provide the community an introduction to the project. They have not assigned any points to this in the evaluation process. However this is not reflected in the Applicant Information Guide and has resulted in a gap between the Housing Branch's assertions and the community's expectation.

We believe that strict, enforceable eligibility criteria are required in order to have a credible and reliable application process. This will provide clarity to City staff, applicants and the communities, and also allow City staff to demonstrate the required due diligence when approving grant funding. **(Recommendation 3)**

5.2.4. Cornerstones Funding Evaluation Process

Our review indicated that the Housing Branch staff cannot adequately support their evaluation of the application in question. They do not use a scoring guide to assign points to applications. In fact, they interpret what the community thought were eligibility criteria as only general guidelines, use their judgment and do not document their reasons for deviating from the guidelines. Such a process cannot demonstrate consistent and reliable application of the evaluation criteria.

The Project Evaluation Criteria have maximum points that can be assigned to each application but many of the categories are pass/fail assessments and do not provide for rating one application over others. The application in question was evaluated by five Housing Branch staff at an office meeting.

We noted that funding commitments are conditional to securing a valid development permit, but not to other legislation such as the Safety Codes Act that provides for the protection of the proposed residents who ultimately benefit from the grant. Also, there are no points assigned to having passed the test of appropriate land use. These factors increase the risk of the City funding a project that may not meet the desired intent of land use within a community. It is essential that the evaluation criteria for Cornerstones funding applications be reviewed and revised to ensure that they align with the desired outcomes of land use and the safety and protection of proposed residents.

(Recommendations 3)

We also noted that the Cornerstones Funding Recommendation Form that is signed-off by the Branch Manager of Housing includes a financial review of proposals that is not given due consideration in the Project Evaluation Criteria. The Housing Branch staff obtained financial advice from a Finance and Treasury Department staff member that contained some serious concerns about assets not included in the applicant's unsigned Balance Sheet; net operating surplus being higher than the 3% recommended; and high maintenance and administration expenses included in the proposal. However, the Housing Branch staff did not take this advice into consideration during their evaluation.

Further, they indicated on their recommendation to the Branch Manager that a financial review of the proposal had been completed and that it was satisfactory. Their assertion is that Finance staff do not understand their business. Yet, up until the time of our review, they had not taken any steps to convey this to the Finance staff or bridge any gaps in understanding or expectations that may exist. The current practice increases the risk of approving Cornerstones funding without demonstrating due diligence and can result in over-funding applicants. This risk needs to be addressed by directly including staff from the Finance and Treasury Department in the evaluation process.

(Recommendation 4)

5.2.5. Affordability of Proposed Units

Based on our assessment, our review concluded that the Housing Branch has over-funded the applicant and may not achieve cost effective units for potential residents. In our opinion, this is a result of using inadequate processes and procedures and not due

to providing special consideration to the applicant. The Housing Branch staff calculated the cost effectiveness of the proposed units by dividing the estimated construction cost by the total building area (main floor and basement) without adequate validation of the proposed construction cost.

The Housing Branch staff is required to assess whether the proposed housing will meet or exceed the Minimum Affordability Benchmark for Rental, with proposed rents being 85% or less of Average Market Rents. The housing unit type and size⁴ and benchmarks provided by Canada Mortgage and Housing Corporation start at a bachelor unit that includes self-contained bathroom and kitchen facilities, whereas this proposal is for “non-self-contained” rooms with shared bathroom, kitchen and living facilities. Based on the drawings provided by the applicant, the size of the rooms that will house the proposed residents is significantly smaller than the Modesty/unit dimension guidelines provided in the Applicant Information Guide. Further, the costs of all fourteen rooms were interpreted as the same even though it may cost less to build the basement rooms once the shell of the building is constructed. These processes increase the risk of the City over-funding projects and not achieving affordable units for potential residents.

In view of the above concerns, we obtained the current market value of the proposed property from the Assessment and Taxation Branch, Planning and Development Department. In accordance with the July 1, 2009 Assessment Model, the property, once construction is complete, will be valued at approximately half of the cost provided in the applicant’s capital budget. In our opinion, except for one minor item of a marketing nature, all other costs included by the applicant can be considered as the normal cost of constructing the building and are therefore included in the market value of the building.

The City’s funding agreement with the applicant includes a clause for the recovery of any surplus funding in the event that the actual capital costs are lower than the anticipated costs originally approved by the City. However, in our opinion, the City’s processes should be proactive and provide funding based on reasonable assurance of the accuracy, completeness, and integrity of the capital budget rather than over-funding and then having to recover the surplus. In addition, staff from the Assessment and Taxation Branch should be included in the evaluation process for Cornerstones funding to achieve the desired outcomes of the program as approved by Council and the affordability of the proposed units. **(Recommendation 4)**

5.2.6. Alignment of Objectives

We noted that the Cornerstones Program’s objective is to increase the number of affordable housing units. The Current Planning Branch is responsible for the efficient use of land in order to create a safe, healthy, attractive, vibrant and sustainable community. While both objectives are valid and serve the community, there have to be processes in place to ensure that one objective does not conflict with the other. Where conflicts do occur, there needs to be a mechanism to address them and demonstrate

⁴ Applicant Information Guide, Step #1 Preliminary Discussions, Modesty/unit dimension guidelines (Page 5)

due diligence. This can be achieved by including staff from the Current Planning Branch in the evaluation process for Cornerstones funding. **(Recommendation 4)**

The current processes for evaluating and approving applications for Cornerstones funding do not include methods for validating the intent of the permit prior to approving funding. This increases the risk of the City approving a non-compliant project or funding a high-risk project. The absence of formal criteria that require consistent application allows staff to be subjective from application to application. Their recommendation provided to the Branch Manager of Housing is not accompanied by supporting information that provides assurance that all processes and procedures have been followed prior to approving the funding.

The grant approval process needs to be formalized and controls strengthened by incorporating staff from the Current Planning and Assessment and Taxation Branches, as well as Finance and Treasury Department in the evaluation process. The added controls need to be reasonable and cost-effective so that the required due diligence can be demonstrated at minimal cost, without discouraging organizations from assisting Council in meeting the Cornerstones program’s objective of providing long-term affordable housing. **(Recommendations 3 and 4)**

5.2.7. Funding Parameters and Agreements

Our review indicated that the Housing Branch staff has advanced 50% of the approved funding to the applicant without ensuring the applicant’s compliance with relevant legislation, such as the Safety Codes Act. The Applicant Information Guide provides general guidelines on how the City will advance total committed funding to a successful applicant. Successful grant applicants are required to sign a funding agreement – a contract with the City outlining the terms and conditions of approved project funding. The following table shows the actual funding parameters approved by the Housing Branch for the applicant in question in comparison to the guideline:

Funding Parameters – Guideline vs. Actual

Guideline % in Applicant Information Guide	Actual % Approved by Housing Branch
10%: Upon execution of funding agreement	10%: Upon execution of funding agreement
40%: When improvements are 50% complete	40%: When improvements are 50% complete
50%: Upon receipt of an occupancy permit	40%: When improvements are 90% complete
	10%: Upon receipt of an occupancy permit

In our opinion, holding back 50% of the funding until after the receipt of an occupancy permit would have enabled the City to ensure that the applicant meets all aspects of the Safety Codes Act and other relevant legislation, and the safety and protection of the potential residents is guaranteed. However, the judgment exercised by the Housing

Branch to advance 40% more funding to the applicant prior to the receipt of the occupancy permit negates this objective. It decreases the City's powers to hold applicants to the intent of the grant and guarantee that occupancy is aligned with the intent of the program, land use and compliance with all applicable legislation. The funding parameters need to be clearly specified and transparent, and funding should be contingent on compliance with all applicable legislation, such as the Safety Codes Act. **(Recommendation 5)**

We compared the funding agreement in question with the Province of Alberta's agreement with a City Board as part of its affordable housing program. The Province's "Conditional Grant Funding Agreement" contains specific conditions such as evidence of compliance with all municipal bylaws and any other zoning bylaws prior to the payment of 50% of the grant. It is essential that Cornerstones funding approval procedures demonstrate due diligence and protect the interests of the grant funding agencies and that of the proposed residents. **(Recommendation 4)**

5.2.8. Managing Community Expectations

Our review concluded that neither the Current Planning Branch nor the Housing Branch has effectively managed community expectations. We noted that in their correspondence with the Current Planning Branch, the Community inquired about both the status of the development permit and whether the relevant NIP was taken into consideration. Neither of these concerns was effectively managed by the Current Planning Branch staff and there was no escalation process to seek clarification from their management.

We noted serious gaps between the Housing Branch's assertions and the community's expectations pertaining to Cornerstones funding application and evaluation processes. When complaints were received from the affected community, both the Current Planning and Housing Branches responded but the concerns were not addressed, even though the community made serious allegations, requested pertinent information and conveyed its concerns on the proposed development. This resulted in correspondence back and forth between the two groups without resolving the community's complaints.

If there are gaps between community expectations and the interpretations of the Current Planning Branch, these need to be managed effectively by providing awareness of relevant Bylaws, policies, procedures and criteria to both staff and the community rather than responding to complaints by providing one perspective. It is essential that public inquiries pertaining to serious concerns and their expectations on being informed of their rights, and the City's processes, be effectively managed. Both branches need to have an escalation process when serious concerns are conveyed. **(Recommendation 6)**

6. Conclusions and Recommendations

In response to a citizen complaint, we investigated the issue of a development permit and the approval of Cornerstones funding for a semi-detached house with basement developments in an Edmonton neighbourhood.

Our review indicated that the Current Planning Branch complied with relevant definitions currently provided in the Zoning Bylaw when issuing a development permit for the application in question. However, there are opportunities for the Current Planning Branch to coordinate the review and update of the Zoning Bylaw to ensure better alignment with desired outcomes for regulating the use and development of parcels of land. Some of the Branch's processes and procedures need to be reviewed to ensure there is consistent compliance with the intent of the Zoning Bylaw through effective training and awareness.

We found a number of issues with the approval of Cornerstones funding for the application in question. The application and evaluation processes for Cornerstones funding need to be strengthened. Strict, enforceable eligibility and funding criteria are needed to demonstrate the required due diligence in all funding decisions. Staff from other disciplines such as Finance, Current Planning, and Assessment and Taxation need to be included in the evaluation process to ensure credible, reliable, and meaningful decisions.

In the absence of firm and formal eligibility criteria, we could not provide an opinion on the Housing Branch's compliance with the Cornerstones Program's eligibility criteria. However, the outcome of the funding approval, as well as the processes and procedures for evaluating and approving funding in general, raise some serious concerns. We have conveyed these to the Planning and Development Department and the City Manager as part of our disclosure process.

We did not find evidence of special consideration to the applicant in the issuance of the development permit or the approval of Cornerstones funding. Based on our review, we did find a number of concerns with the processes and procedures for evaluating and approving the application in question. However, based on our discussion with Housing Branch staff, they use the same processes and procedures to evaluate and approve other applications as well, not just the application in question.

We have made the following six recommendations to strengthen controls for issuing development permits and approving Cornerstones funding, all of which have been accepted by the Administration. The added funding controls need to be reasonable and cost-effective, so that the required due diligence can be demonstrated at minimal cost, without discouraging organizations from assisting Council in meeting the Cornerstones program's objective of providing long-term affordable housing.

Recommendation 1

The OCA recommends that the Manager of Current Planning Branch coordinate the review and update of the Edmonton Zoning Bylaw 12800 (with particular attention to but not limited to the definitions of Dwelling, Household, Limited Group Home, Group Home, Boarding and Lodging Houses, etc.) to ensure that it aligns with desired outcomes for regulating the use and development of parcels of land.

Management Response and Action Plan**Accepted**

Comments: Current Planning has added a review of the listed definitions in the Zoning Bylaw to its work program.

Planned Implementation: To be completed in the first half of 2011.

Responsible Party: Manager of Current Planning Branch.

Recommendation 2

The OCA recommends that the Manager of Current Planning Branch review the procedures and processes for issuing development permits and ensure there is consistent compliance with the intent of the Edmonton Zoning Bylaw 12800 through effective training and awareness.

Management Response and Action Plan**Accepted**

Comments: The issue of consistency has been discussed with Development Planners. There will be greater emphasis on this topic in the Development Planner training and orientation process

Planned Implementation: Effective immediately.

Responsible Party: Manager of Current Planning Branch.

Recommendation 3

The OCA recommends that the Manager of the Housing Branch coordinate the review of eligibility criteria for qualifying for the Cornerstones Grant Program for Affordable Housing to ensure that they align with the desired outcomes for land use and the affordability of the proposed units.

Management Response and Action Plan**Accepted**

Comments:

Coordinate the comprehensive reconstruction of the Cornerstones Program accountability framework. The approach will include confirmation of program outcomes, goals, strategies, and will propose appropriate changes to established; roles and responsibilities, existing business systems and processes, evaluation, ranking and weighting criteria, applications & templates, targets & benchmarks, checks & balances and sign-offs or approvals by designated experts from across the Corporation. The accountability framework will include provisions for ongoing monitoring and reporting. The approach will also propose changes to existing organizational and staff reporting protocols, a realignment of Branch functions and key new leader will be recruited to the Housing Branch.

Planned Implementation: Work has been initiated to recruit internal City expertise to lead this exercise. This early effort is sponsored by the General Manager Planning and Development. Discussions are now underway with Human Resources and the Deputy City Managers Offices to assist in the delivery of this work. Target completion date, March 2011 to coincide with numerous other housing related program reviews and readjustments.

Responsible Party: Manager of the Housing Branch

Recommendation 4

The OCA recommends that the Manager of the Housing Branch strengthen the process and procedures for qualifying applicants for the Cornerstones Grant Program by:

- Including staff from the Current Planning and Assessment and Taxation Branches, as well as the Finance and Treasury Department in the evaluation process, with a view to achieving the desired outcomes of the program as approved by City Council, and the safety and protection of proposed residents.
- Signing off Cornerstones Grant approvals only after reviewing key supporting documents and ensuring that the required procedures have been followed and the interests of the grant funding agencies are protected.

Management Response and Action Plan**Accepted**

Comments: The parameters to include other experts in the review processes, and the approvals and sign-off protocols will be important components of the comprehensive reconstruction of the Cornerstones Program accountability framework.

Planned Implementation: In progress – see recommendation No. 1 above.

Responsible Party: Manager of the Housing Branch

Accepted

Comments: Current Planning staff will be available to contribute to the Cornerstones Grant Program application review process

Planned Implementation: effective immediately

Responsible Party: Manager of the Current Planning Branch

Recommendation 5

The OCA recommends that the Manager of the Housing Branch ensure that payment of funds to the qualifying applicants is based on clearly specified and transparent funding parameters and that the funding is contingent on compliance with all applicable legislation, such as the Safety Codes Act.

Management Response and Action Plan**Accepted**

Comments: Considerable work has been underway since January of 2010, between the Housing Branch, The Government of Alberta, Housing Management Bodies, and Not-For-Profit Housing Providers to redefine the decision making environment which allocates government funding to subsidize non-market housing in Edmonton. City Council has requested a comprehensive City-Wide review be completed with a view of being more strategic in how government funds are used to achieve non-market housing targets. City Council stated outcome is to move towards healthy, diverse, inclusive well designed communities. Housing concentrations/ratios is part of this discussion.

A new “Lens” is proposed that will change how applications for non-market housing subsidies are considered. This approach requires considerable collaboration between stakeholders. The funding parameters will need to be transparent and understood by all. Consideration for funding approvals will need to be contingent on meeting the legislative, regional and municipal policy and program requirements; land use bylaw, housing policies, safety codes act, etc.

Planned Implementation: Underway – initial report due to Executive Committee April 21, 2010. Although work is in progress, the ability to complete this effort will be contingent on the goodwill and collaboration that will be needed between the stakeholders. If this broader effort is not successful, the City will develop transparent funding parameters for those areas of accountability that are within the municipal domain. Target completion date, March 2011.

Responsible Party: Manager of the Housing Branch

Recommendation 6

The OCA recommends that the Current Planning and Housing Branches effectively manage public inquires and expectations by addressing serious concerns and providing awareness of relevant Bylaws, policies, procedures and criteria, both for the issue of development permits and approval of Cornerstones funding.

Management Response and Action Plan**Accepted**

Comments: Within the accountability framework, staffs need to exercise discretion in determining when issues and concerns need to be elevated for a senior management response. Coordinated/joint working sessions with staffs and team leaders will be conducted to raise awareness and promote a common understanding of these expectations. Current Planning will review its approach to responding to public inquiries on active applications including drafting a public inquiry protocol in consultation with Communications Services and Law

Planned Implementation: Further work needs to be completed to define a program and timeline to complete these working sessions. Target completion date, year end 2010.

Responsible Party: Managers of the Housing and Current Planning Branches.

The OCA thanks the complainant and the affected community for their persistence and for bringing their concerns to our attention. We also thank the Planning and Development Department, Law Branch, and Finance and Treasury Department staff that assisted us during this review, for their support and cooperation.