

# City Policy - City-Wide Affordable Housing Framework

## Recommendation

That Executive Committee recommend to City Council:

1. That the City Policy C601 Affordable Housing Investment Guidelines as set out in Attachment 2 of the June 18, 2018, Citizen Services report CR\_5073, be approved and take effect as of January 1, 2019.
2. That the City adopt a long-term, city-wide neighbourhood affordable housing target of 16 percent in all neighbourhoods.
3. That City Policy C436 Site Selection Guidelines for Senior Citizen and Family Social Housing, be repealed.

## Previous Council/Committee Action

At the June 18, 2018, Executive Committee meeting, the follow motion was passed:

That the June 18, 2018, Citizen Services report CR\_5073, be postponed to August 13, 2018, Executive Committee, time specific at 1:30 p.m.

At the July 11, 2017, City Council meeting, the following motion was passed:

That Administration prepare a City Policy based on the City-Wide Affordable Housing Framework as described in the July 4, 2017, Sustainable Development report CR\_4625.

## Executive Summary

According to Statistics Canada, almost 50,000 Edmonton households face difficulty finding housing they can afford. Housing costs in Edmonton have increased significantly since the early 2000s and are expected to continue to climb as the city grows. Ensuring a supply of affordable housing in the near and long term is critical to the well-being of Edmontonians and the health and prosperity of the city as a whole. However, achieving these goals depends on the financial leadership of other orders of government and the support and acceptance of Edmontonians.

The City of Edmonton is committed to increasing the supply of affordable housing and ensuring a range of housing choices is available in all areas of the city. These goals were approved by City Council through the City of Edmonton's Municipal Development Plan, *The Way We Grow* and the *Affordable Housing Strategy 2016-2025*.

City Policy C601 - Affordable Housing Investment Guidelines provides a set of guidelines that will govern the City's approach to prioritizing investments in affordable housing and enhance transparency, predictability and consistency in the administration of the City of Edmonton's capital affordable housing grant funding and land dedication processes.

City Policy C601 supports a new long-term affordable housing target for all neighbourhoods in Edmonton. Achieving this target is highly dependent on funding from other orders of government, the specific context of each neighbourhood, and the existence of opportunities to acquire and/or consolidate land for new housing. In addition to the existing neighbourhood affordable housing target, Administration will also consider the degree of housing affordability, the presence of funding from other sources, the proximity to services and amenities, and project design when prioritizing affordable housing investments.

### **Report**

#### Introduction

Having safe, adequate and affordable housing is fundamental to the well-being of all Edmontonians and the health and prosperity of the city as a whole. While the private sector is effective at providing housing for the majority of residents, a significant number of Edmontonians struggle to afford market housing. Housing affordability guidelines established by the federal government through the Canadian Mortgage and Housing Corporation state that housing costs should not exceed 30 percent of a household's annual before-tax income. In 2016, 48,550 renter households in Edmonton spent more than 30 percent of household income on housing costs. Of these households, 22,350 spent more than 50 percent of their income on housing, meaning they experienced "severe" housing affordability challenges.

Affordable housing provides direct and indirect benefits to neighbourhoods and the local economy. Affordable housing is defined as housing that is made affordable through upfront or ongoing government subsidies and is targeted to Edmontonians earning below median incomes (Attachment 1).

The City of Edmonton is committed to increasing the supply of affordable housing and ensuring a range of housing choices are available in all areas of the city. These goals were approved by City Council through the Municipal Development Plan, *The Way We Grow*, and the *Affordable Housing Strategy 2016-2025*. Affordable housing was also identified as a 'game-changer' by the EndPovertyEdmonton Strategy.

Achieving an adequate supply of affordable housing in all parts of the city depends on support from other orders of government and the support of Edmontonians. As a limited funding partner, the City of Edmonton makes land and limited capital contributions available to external organizations, such as non-profit housing providers, to help leverage larger investments from other funders. The ability of these external organizations to attract investment from the federal and provincial governments is critical to ensuring a sufficient supply of affordable housing.

Increasing the supply of affordable housing in all areas of the city also requires the support of communities across Edmonton. In the past, concerns around the location of affordable housing developments in some neighbourhoods have led to project delays and increased project costs.

### Background

In 2006, in response to the rapidly increasing cost of housing, the tightening of the market rental housing supply, and increased homelessness, the City of Edmonton launched its Cornerstones grant funding program. Cornerstones initiated the construction of more than 3,000 new units of affordable housing in Edmonton. The program was supported by more than \$110 million in block funding from the Government of Alberta, which was provided as part of its overall \$1 billion commitment to building new affordable housing across the province. In 2009, Edmonton's 10-Year Plan to End Homelessness was also launched to address homelessness in the city and, in particular, the need to house people who had previously experienced chronic homelessness.

While the renewed investment and attention to affordable housing made a significant difference in the lives of many low and moderate income Edmontonians, the increase in new affordable housing development created tension in some communities.

Shortly after the launch of these programs, some community members living in the inner city began to voice concerns over high ratios of low-cost housing (both market and non-market) in their neighbourhoods. Specific concerns were expressed within the inner city over the condition of existing market housing, the presence of derelict buildings and vacant lots, ratios of affordable housing, and the location and operations of shelters.

In 2012, in response to these concerns, City Council approved a non-market housing investment pause in five neighbourhoods: Alberta Avenue, Central McDougall, Eastwood, McCauley, and Queen Mary Park. During the term of the pause, the City agreed not to fund any affordable housing projects in these five neighbourhoods. As of 2018, the pause remains in effect.

Tensions over the development of affordable housing also emerged in some neighbourhoods further from the central core. For example, in 2013, the Anglican Diocese of Edmonton withdrew its plans to develop a permanent supportive housing project in southwest Edmonton after neighbours expressed concern about the proposed project.

In 2015, the City hired Focus Consulting in association with housing consultant Gary Gordon and the Center for Housing Policy (Washington, D.C.) to identify evidence-based approaches and strategies to reduce confrontation and to create constructive dialogue around proposals for new development. This review included extensive interviews and consultations with community representatives, private and non-profit developers, and City officials and included a review of related best practices from 19 cities across Canada and the United States.

This review included the following recommendations:

- Establish a formal affordable housing policy framework to define the rationale and priorities for City involvement in affordable housing.
- Establish a formal review process with transparent and objective selection criteria (including site criteria, design and operational aspects) via a funding approval process for affordable housing developments.
- Follow best practices for public engagement around affordable housing.
- Initiate an affordable housing education and awareness campaign to raise awareness on the importance and need for affordable housing in the city.

These recommendations have guided Administration's work in this area.

### New Initiatives

As the federal and provincial governments prepare to deliver on their newly launched affordable housing strategies and the City of Edmonton updates its plans for leveraging these new funding opportunities, Administration anticipates that the next few years will bring increased investment in affordable housing to the City of Edmonton.

Administration is preparing several new initiatives to support the delivery of new affordable housing developments across all areas of the city. These initiatives include:

- The development of new City Council-approved guidelines for governing the City of Edmonton's investment in affordable housing.
- A city-wide affordable housing marketing campaign that communicates the need for affordable housing and challenges misconceptions.
- A new affordable housing public engagement charter that will define expectations for public engagement related to affordable housing projects.
- An update to the City's Affordable Housing Investment Plan.

The overall objective of these initiatives is to develop a clear and concise investment agenda for affordable housing that balances community perspectives, best practices, and the housing affordability needs of Edmontonians. This report focuses on City Policy C601. More information regarding the other initiatives will be provided later this year.

### City Policy C601 - Affordable Housing Investment Guidelines

In July 2017, Administration presented a report that recommended establishing a city-wide target for affordable housing in all neighbourhoods (July 4, 2017, Sustainable Development report CR\_4625). The presentation and discussion focused on the meaning of an 'aspirational guideline' and the opportunities and challenges the actual implementation of such a target would impose. Following discussion of that report, Executive Committee directed Administration to prepare a new policy for City Council's consideration.

The proposed City Policy C601 Affordable Housing Investment Guidelines (Attachment 2) defines a set of guidelines that will govern the City's approach to prioritizing investments in affordable housing. The policy will enable enhanced transparency, predictability, and consistency that will benefit City Council, Administration, external organizations, and the public.

The policy will guide the the City's decision-making processes related to investments in affordable housing, including the evaluation of applications for grant funding, review of responses to site-specific property offerings, decisions to use eligible surplus City-owned land, and decisions related to the acquisition of new land.

The policy recognizes that every neighbourhood and affordable housing development in Edmonton is unique and the geographic location of a development is only one of multiple factors that must be considered when making investment decisions.

### *Guiding Principles*

City Policy C601 outlines five guiding principles for use when creating affordable housing processes and making affordable housing investment decisions.

1. *Effectiveness* - Affordable housing processes should be designed based on the principles of effectiveness, practicality, and simplicity. As much as possible, City processes should support expeditious development of affordable housing projects.
2. *Responsiveness* - Affordable housing investments should be responsive to the specific needs of Edmontonians who are experiencing housing affordability challenges.

3. *High quality design* - Affordable housing buildings should incorporate high quality design.
4. *Community Engagement* - The community should be engaged appropriately in the development of affordable housing policies, programs and projects.
5. *Flexibility* - Affordable housing funding guidelines must be broad to ensure sufficient flexibility in aligning with provincial and federal government funding programs.

### *Investment Guidelines*

City Policy C601 identifies the following investment guidelines for consideration by Administration when making decisions regarding eligible affordable housing investments.

1) *Neighbourhood affordable housing target and ratio, and broader geographic context*

City Policy C601 supports an affordable housing target, as established by City Council, for all neighbourhoods in the city. This neighbourhood target represents the total number of units required to meet the affordable housing needs of Edmontonians. In applying these guidelines, Administration will consider the extent to which the project contributes to the neighbourhood target, as well as the broader geographic context, including the presence of affordable housing in adjacent neighbourhoods.

Administration recommends an aspirational target of 16 percent, which was calculated based on three inputs: the number of households spending more than 30 percent on shelter costs based on the 2016 federal census data, the number of households currently living in an affordable housing unit, and the total number of dwelling units in Edmonton from the 2016 municipal census (Attachment 3).

The 16 percent target reflects an increase over the previously discussed 10 percent target. The new target is recommended on the basis that it captures the need for affordable housing within Edmonton using a nationally-recognized standard. The target is evidence-based and can be updated as new census data become available and as regular affordable housing inventory updates are completed. While the target is long-term and aspirational, it is accurate in its description of what is required to meet the needs of Edmontonians both today and as the city grows. It also sends a clear message to other orders of government around the City's expectations for the provision of funding for affordable housing.

If approved by City Council, the 16 percent target would apply to all neighbourhoods in the city, except for those neighbourhoods for which City Council previously established a target. The method for revising the targets in those neighbourhoods to align with the new target depends on the original method by which those neighbourhood targets were established. For example, in 2017, City Council approved an amended target of 10 percent for the Blatchford neighbourhood. This City Council resolution would need to be rescinded in order for a different target to apply. The Goodridge Corners Neighbourhood Area Structure Plan defines a target of 10 percent, and an amendment to this Area Structure Plan would be required to change that target to 16 percent.

In setting the neighbourhood affordable housing target, City Council may wish to consider other factors. A list of current neighbourhood affordable housing ratios is included in Attachment 4.

2) *Degree of housing affordability*

In City Policy C601, housing affordability refers both to the depth of affordability (level of rent or payments charged to the household relative to average market cost) and the length of time rents will be maintained at a level below average market cost. The inclusion of this guideline allows the City to prioritize its limited resources for those facing the greatest housing need, as well as projects that commit to long-term affordability.

3) *Funding from other sources*

As a limited funding partner, the City will prioritize projects that have secured funding from other orders of government, philanthropic donations, and/or other funding sources, including self-sustaining project income.

4) *Proximity to amenities and services*

The City will prioritize projects that are located closer to amenities and services and projects that include on-site services and supports for residents. For example, based on specific program and project requirements, the City may prioritize locations in proximity to transit, grocery stores, child care, schools, and community recreation facilities and parks.

5) *Overall project design*

The City will prioritize projects that demonstrate high quality, inclusive and innovative design features, which could include, for example, high quality architecture, environmental sustainability, accessible or adaptable unit design, family-oriented units and/or design principles, and innovative construction standards.

How will City Policy C601 be applied?

City Policy C601 applies to instances where the City of Edmonton:

- provides grant funding to an external organization for the purpose of enabling the development of new or rehabilitation of existing affordable housing units;
- contributes land or buildings at below appraised market value to an external organization for the purpose of affordable housing;
- acquires land or buildings for the purpose of enabling the development of new affordable housing units; and,
- makes decisions regarding the use of eligible City-owned land or buildings surplus to other municipal needs for the purpose of enabling the development of new affordable housing.

Administration will develop minimum eligibility standards for each of the above scenarios to prioritize potential investments. Administration will then use the guidelines to develop detailed scoring criteria for prioritizing eligible investment options. Projects that score the highest will be advanced as recommendations to City Council for approval. Following approval of City Policy C601, a City Procedure will be created to guide its implementation.

Administration will make regular grant funding and/or City-owned land available to external affordable housing providers through one or more request for funding proposals (in the case of grant funding) and one or more site-specific property offerings.

### When will City Policy C601 take effect?

Administration recommends City Policy C601 take effect on January 1, 2019, following the approval of the 2019-2022 capital and operating budgets. This will ensure the policy is in place to guide planned future investment while allowing for a transition period to advance applicable projects with existing commitments for recommendation to City Council. Administration will consider a revised approach to the four affordable housing sites purchased for affordable housing in The Quarters. This will provide enough time to develop and approve City Procedures and related scoring matrices.

### Next Steps

Administration will develop a City Procedure for implementing the policy, for approval by the City Manager. Administration will also develop related scoring matrices for use when evaluating affordable housing investments.

In fall 2018, Administration will present updated resource plans for City of Edmonton affordable housing investments through an updated Affordable Housing Investment Plan, which will focus on:

- Transitioning to an investment model based on issuing regular requests for funding proposals for affordable housing projects. These proposals would be evaluated in accordance with City Policy C601.

- Issuing site-specific property offerings for affordable housing projects on City-owned land.
- Identifying annual budgets for affordable housing capital grants and identifying a target number of sites for offer each year.
- Articulating plans for a new capital budget profile, which will allow for the acquisition of land in areas where affordable housing is limited, among other priorities.

A follow-up report on the status and recommended next steps regarding the non-market housing investment pause will be presented to City Council in the fall 2018.

### Repeal of City Policy C436

Following approval of City Policy C601 Affordable Housing Investment Guidelines, Administration recommends City Policy C436 Site Selection Guidelines for Senior Citizen and Family Social Housing be repealed. City Policy C436 was last updated in 1987 and defines a set of standards for locating affordable housing projects. Administration recommends repealing this policy because it does not reflect current City priorities and is replaced by the updated direction contained in City Policy C601.

### **Budget/Financial Implications**

City Policy C601 Affordable Housing Investment Guidelines will not impact the overall resource budget available for affordable housing investments, which will continue to be approved by Administration and City Council through either the capital and/or operating budget processes (in the case of grant funding or funding for the acquisition of new land or buildings) or through approved corporate land management processes (in the case of surplus City-owned land). More information about the land and grant resources that will be available for affordable housing over the next four years will be provided to City Council in the fall 2018 as part of the City's updated Affordable Housing Investment Plan.

### **Public Engagement**

Administration has a long history of engaging on geographic priorities for affordable housing. For example, the topic was explored through focus groups and an online survey during the development of the Affordable Housing Strategy in 2015. Administration has also had extensive conversations about the topic with stakeholders through the non-market housing investment pause project (Attachment 5).

Based on the input provided through these initiatives, stakeholders are generally supportive of providing affordable housing in all areas of the city. However, some stakeholders suggested that a "one size fits all" approach might not be appropriate for affordable housing, and specific housing types may benefit from specific locational requirements. A new affordable housing public engagement charter is expected to be

completed by the third quarter of 2018 and will define expectations for public engagement related to affordable housing projects.

### Corporate Outcomes and Performance Management

<b>Corporate Outcome:</b> The City has sustainable and accessible infrastructure			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Increased access to affordable housing	Number of affordable housing units created with City funding, land contributions or in-kind supports	730 units created through the Cornerstones II programs (2012-2016)	2018-2021 target under development
Affordable housing is available in all areas of the city.	Number of neighbourhoods with no affordable housing	143	0

### Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Financial	Inconsistent funding from other orders of government to increase the supply of affordable housing	3 - Possible	4 - Severe	12 - Medium	Continued advocacy at all orders of government for affordable housing  Coordination with external providers	
Public Perception	Neighbourhoods are resistant to the building of affordable housing units in their proximity	3 - Possible	3 - Major	9 - Medium	Development of a Public Engagement Charter for Affordable Housing	Execution of a marketing campaign for affordable housing

### **Attachments**

1. Glossary of Housing Terms
2. City Policy C601 Affordable Housing Investment Guidelines
3. Affordable Housing Target Methodology
4. 2018 Neighbourhood Affordable Housing Ratios
5. Timeline of Affordable Housing Public Engagement Activities

### **Others Reviewing this Report**

- S. Padbury / R. Kits, Acting Deputy City Managers, Financial and Corporate Services
- L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- M. Sturgeon, Acting Deputy City Manager, Communications and Engagement