

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: February 22, 2022

SUBJECT: **HRM Affordable Housing Grant Program Update and Additional Funding Request for Compass NS**

ORIGIN

On September 29, 2020, Item 7.3, Halifax Regional Council approved the following motion:

THAT Halifax Regional Council suspend the rules of procedure under Schedule 2, the Audit and Finance Standing Committee Terms of Reference, of Administrative Order One, the Procedures of the Council Administrative Order and

- 1. Approve the creation of the Incentive or Bonus Zoning Reserve based on the business case, as set out in Attachment A of the staff report dated August 25, 2020;*
- 2. Adopt Administrative Order 2020-007-ADM, Respecting Incentive or Bonus Zoning Public Benefits, as set out in Attachment B of the staff report dated August 25, 2020; and*
- 3. Adopt Administrative Order 2020-008-ADM, Respecting Grants for Affordable Housing, as set out in Attachment C of the staff report dated August 25, 2020.*

On September 28, 2021, Item 15.1.9, Halifax Regional Council approved the following motion:

THAT Halifax Regional Council:

- 1. Direct the Chief Administrative Officer to allocate \$200,000.00 from the 2021/22 operating budget for Planning and Development to affordable housing projects throughout the municipality; and*
- 2. Authorize the Chief Administrative Officer, or delegate, to administer grants to affordable housing projects throughout the municipality from the funds allocated in recommendation #1 using the eligibility criteria, application process, approval process, and conditions of payment and approval set out in Administrative Order 2020-008-ADM, Respecting Grants for Affordable Housing, including the authority to approve grants, determine the amount of such grants, and approve and execute contribution agreements for such grants.*

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter (HRM Charter):

- 59 (3) *In addition to matters specified in this Act or another Act of the Legislature, the Council may adopt policies on any matter that the Council considers conducive to the effective management of the Municipality.*
- 79A(1) *Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if (a) the expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality; (2) The Municipality may expend money provided for in an operating budget or capital budget for a purpose other than that set out in the operating budget or capital budget for that fiscal year if the expenditure does not affect the total of the amounts estimated for the operating budget and the capital budget. (3) The Municipality may authorize expenditures from its operating budget or transfer money from the operating budget to its capital budget if the total amount of such expenditures and transfers for the fiscal year does not exceed the total amount of estimated revenue from all sources in excess of the amount estimated for those sources in the operating budget for that fiscal year.*
- 120 (6) *The Municipality may maintain other reserve funds for such purposes as the Council may determine.*

The Audit and Finance Standing Committee Terms of Reference, in Schedule 2 of Administrative Order 1, the Procedure of the Council Administrative Order, section 8 provides:

8. The Audit and Finance Standing Committee shall review and make recommendations on proposals coming to the Council outside of the annual budget or tender process including: ... (g) the creation or modification of reserves and withdrawals not approved in the approved budget.

The Financial Reserves Administrative Order 2014-015-ADM, section 5 provides:
5. The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.

[Administrative Order 2020-007-ADM, Respecting Incentive or Bonus Zoning Public Benefits](#)

[Administrative Order 2020-008-ADM, Respecting Grants for Affordable Housing](#)

RECOMMENDATION

It is recommended that Halifax Regional Council:

- 1) Suspend the rules of procedure under Schedule 2, the *Audit and Finance Standing Committee Terms of Reference*, of Administrative Order One, the *Procedures of the Council Administrative Order* that requires Audit & Finance Committee to review and make recommendations regarding withdrawals from reserves not approved in the approved budget before being tabled at Regional Council;
- 2) Approve an unbudgeted reserve withdrawal from Reserve Q640 - Bonus Zoning of \$415,245 to operating account C320 – Policy and Strategic Planning; and
- 3) Direct the Chief Administrative Officer to allocate an additional \$415,245 from the Bonus Zoning Reserve to increase the total funding allocated to the 2021/22 Affordable Housing Grant Program.

BACKGROUND

The Affordable Housing Grant Program (AHGP) was created through the adoption of [Administrative Order 2020-008-ADM, Respecting Grants for Affordable Housing](#) (Affordable Housing AO) as a means of allocating monies collected through the Regional Centre's [incentive or bonus zoning program](#). Incentive or bonus zoning allows the Municipality to require the provision of public benefits in exchange for increased development rights. In accordance with the Regional Centre planning documents, most developments, with the exception of registered heritage properties, must provide a minimum 60% of the required public benefit in the form of cash-in-lieu for affordable housing. Funds collected through the Incentive or Bonus zoning program must be allocated to projects located within the [Regional Centre](#). As of January 2022, there is \$3,565,089 available in the density bonus reserve.

In accordance with the Affordable Housing AO, the AHGP offers financial support for developments by non-profit housing providers. Eligible costs include:

- New construction (design, materials, labour, design work, permit fees);
- Renovations (design, materials, labour, design work, permit fees);
- Property/Building Assessments;
- Purchase of land or units.

Section 25 of the Affordable Housing AO provides a list of criteria to consider when prioritizing projects including access to additional funding, the provision of deeply affordable units and enhanced accessibility or energy efficiency features. For the 2021/22 program, staff also prioritized projects that are likely to start construction within the next 12 months.

2021/22 Affordable Housing Grant Program

Non-profit housing organizations were invited to submit funding proposals to the Municipality for affordable housing developments between September 1 and December 1, 2021. A total of \$400,000 was allocated for the 2021/22 Affordable Housing Grant Program:

- \$200,000 - available to projects only within the Regional Centre, as funds were allocated from the Regional Centre's Incentive or Bonus Zoning program.
- \$200,000 - available to projects anywhere within the Municipality, as funds [were allocated from Planning and Development's operating budget](#).

A total of 3 submissions, with a total funding request of \$815,245, were submitted to the Municipality. A formal review comprised of HRM staff and members of the Housing and Homelessness Partnership was undertaken in January 2022. Based on comments and discussions from the formal review, the CAO approved funding as follows, as per the authority to do so under the *Grants for Affordable Housing Administrative Order*:

- \$162,636 allocated to Affirmative Ventures for their project at 139 Main Street, Dartmouth (eligible within the \$200,000 funds for projects located anywhere within the Municipality).
- \$180,327 allocated to Welcome Housing/YWCA for their project at 2672-2678 Belle Aire Terrace, Halifax; and
- \$57,037 allocated to Compass NS for their project at 2092-2126 Maitland Street, Halifax.

Please see attachment A for an overview of the 2021/22 AHGP.

While all projects have received funding, only Compass NS's submission was not fully funded and as such, staff are requesting an additional \$415,245 to be allocated to the 2021/22 AHGP from the incentive or bonus zoning reserve.

DISCUSSION

Affordable Housing Grant Program Review

The three affordable housing developments supported through the 2021/22 AHGP are considered strong projects. However, over the next several months staff will engage with non-profit housing providers and other stakeholders to complete a review to the AHGP. This will help inform potential changes to the program to ensure it meets the needs for affordable housing providers and allows for the most impactful use of these funds. This review will also consider methods, such as the [region wide interim density bonus program](#), to fund affordable housing developments outside of the Regional Centre.

Through the review of all three submissions to the 2021/22 AHGP it was noted that all projects are considered strong and viable submissions and deemed eligible for funding. All applicants have years of experience in managing housing and have organizational capacity. Each project complies with existing zoning provisions and all projects hope to start construction this spring. Further, all projects are located in the urban areas of the Municipality with access to transit and numerous amenities. As the \$400,000 allocation to the 2021/22 AHGP does not allow for full funding for the Compass NS submission, staff advise there is merit to seek additional funds.

Compass NS Project - 2092-2126 Maitland Street, Halifax

Compass NS is a registered non-profit focused on developing co-operative housing throughout Nova Scotia. It is a large organization, with existing co-operatives in Antigonish, Dartmouth, Lower Sackville, Sydney, Spryfield, and more projects under development in Digby and Shelburne. In addition to being the lead proponent on their own projects, Compass NS provides support services, such as property management and development services, to other smaller co-operatives, and has a mandate to support and expand the co-operative housing sector in Nova Scotia.

The proposed development is located at 2092-2126 Maitland Street. The properties are currently used as a parking lot and were formerly owned by HRM. In [2018](#) ownership was transferred from the Municipality to CMHC who then undertook a call for submissions to develop the lands for affordable housing. Compass NS was the successful proponent.

The following table provides a summary of the proposed development at 2092-2126 Maitland Street.

<i>Total Units, Unit Mix & Average Rents</i>	Total of 56 units 18 - 1 bedroom - \$937 24 - 2 bedroom - \$1,237 14 - 3+ bedroom - \$1,462 Rents are more closely geared to moderate/low incomes vs addressing deep affordability.
<i>Target Populations</i>	A minimum of 50% of units to be prioritized for women and children fleeing domestic violence, seniors, young adults, Indigenous people, people with disabilities, veterans, people dealing with mental health and addiction issues, LGBTQ2+, racialized groups, recent immigrants and people experiencing homelessness.
<i>Energy Efficiency</i>	Expected energy savings of 40% below the baseline. Features: low window to wall ratio, high efficiency HVAC system, exhaust air heat recovery, high efficiency condensing boiler.
<i>Accessibility</i>	Project incorporates universal design principals throughout the building. Must comply with CMHC standards .
<i>Development Timeline</i>	Pending funding – anticipated start in spring 2022.

The proposed development complies with the existing zoning provisions.

Compass NS has requested \$472,282 of the total project cost of \$22,376,185. They have confirmed funding for \$3,617,150 and have active applications with CMHC and the Province for the additional funds. Pending confirmation of funding, Compass NS anticipates development will start in the upcoming months.

Compass NS is an experienced housing provider with a stable governance structure. The Compass NS project would provide 56 new affordable housing units in the Regional Centre, which is an area experiencing some of the highest housing prices in Nova Scotia.¹ Compass NS is committed to setting rents for less than 75% of the median market rent for new units in the surrounding area. Additionally, the unit mix will address a variety of household types and will prioritize populations that are often in need of affordable housing. Due to the impact this project will have in the provision of affordable housing and the availability of funds within the density bonus reserve, staff are supportive of fully funding the ask for this project.

It is appreciated that there is a need to continually review the AHGP to ensure that funds are released in such a way to ensure that the Program is sustainable. Continuous withdrawals from the reserve would risk the viability of the AHGP in the future. This will be an important part of staff's review of the program over the next several months. However, staff recognize that Compass NS's project satisfies the principles that were contemplated when the incentive bonus zoning program was established in the Centre Plan and identified in Section 25 of the Affordable Housing Administrative Order. Further, while recognizing acute stresses on the Halifax housing market, staff advise that fully funding the 2021/2022 AHGP applicants would be a prudent and efficient use of funds in the Bonus Zoning Reserve.

Conclusion

This is the first round of the AHGP since the program was established in 2020. While the program generated a small number of submissions, they were all high quality projects, from stable, established housing providers. The Compass NS project will provide 56 new affordable units, that will provide much needed new affordable residential units in the heart of the Regional Centre. Given the impact it will have in the provision of affordable housing within the Regional Centre, staff are supportive of funding the Compass NS project to the full amount requested in their submission. Therefore, staff recommend that Regional Council allocate an additional \$415,245 to the 2021/22 AHGP to support the development of Compass NS's project at 2095-2219 Maitland Street, Halifax.

FINANCIAL IMPLICATIONS

As of the writing of this report, there is \$3,565,089 in the Bonus Zoning Reserve. While there are sufficient funds and staff support the provision of an additional \$415,245 to support the Compass NS proposal, staff also acknowledge the need to continually review the AHGP to ensure that funds are released in such a way to ensure the program is sustainable. Budget availability has been confirmed by Finance.

Budget Summary:	Operating Account C320 – Policy & Strategic Planning	
	Cumulative Uncommitted Budget Available	\$ 633,253
	Add: Transfer from Reserve Q640	\$ 415,245
	Less: Disbursement to AHGP recipients	\$ 815,245
	Balance	\$ 233,253

¹ *Housing Market Information Portal*. CMHC. (n.d.). Retrieved February 16, 2022, from <https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/Table?TableId=2.1.23.2&GeographyId=12&GeographyTypeId=2&DisplayAs=Table&GeographyName=Nova+Scotia#TableMapChart/0580035/6/Downtown%20Halifax>

Reserve Account Q640 – Incentive or Bonus Zoning

Net available projected reserve balance (Q3)	\$3,565,089
Less: Unbudgeted withdrawal	<u>\$ 415,245</u>
Remaining Balance	<u>\$3,149,844</u>

The grant program was estimated at \$200K in the 21/22 operating budget approved on May 4, 2021, to be drawn from the Density Bonusing Reserve. Council approved an additional allocation of \$200K on September 28, 2021, based on the anticipated operating surplus within Planning & Development. The remaining funds in C320 will be used for other operating expenditures.

RISK CONSIDERATION

As noted above, while staff support the provision of an additional \$415,245 to support the Compass NS proposal, it is acknowledged that there is a need to continually review the AHGP to ensure that funds are released in such a way to ensure that the Program is sustainable. Continuous withdrawals from the reserve would risk the viability of the AHGP in the future. However, considering the quality of the 2021/2022 applicants and the acute stresses on the Halifax housing market, staff advise that fully funding the 2021/2022 AHGP applicants would be a prudent and efficient use of funds in the Bonus Zoning Reserve.

COMMUNITY ENGAGEMENT

As part of launching the 2021/22 AHGP, staff created a website providing information and application links regarding the AHGP program. Staff also held an online question and answer webinar that was attended by 12 participants. The webinar was recorded and has since been viewed over 3,000 times. Additionally, staff reached out to approximately 40 non-profit housing providers and numerous housing agencies to ensure they were aware of the program.

ENVIRONMENTAL IMPLICATIONS

Administrative Order Criteria prioritize those projects that provide energy efficiency beyond that required by the Building Code. For the 2021/2022 round of the AHGP, two out of the three projects will provide enhanced energy efficiency. The third project will not provide enhanced energy efficiency but is a renovation of an existing structure. The reuse of an existing structure provides a sustainable alternative to housing development than new or greenfield construction.

ALTERNATIVES

1. Regional Council may direct the Chief Administrative Officer (CAO) to allocate an alternative amount of funding from the Bonus Zoning Reserve to the 2021/2022 Affordable Housing Grant Program. Providing less funding will likely delay Compass NS's project and could make the project unviable.
2. Regional Council may direct the CAO to not allocate any additional funds from the Bonus Zoning Reserve to the 2021/2022 Affordable Housing Grant Program. Doing this will likely delay Compass NS's project and could make the project unviable.

ATTACHMENTS

Attachment A: 2021/22 Affordable Housing Grant Program Allocation

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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ATTACHMENT A

2021/22 AFFORDABLE HOUSING GRANT PROGRAM ALLOCATION

BACKGROUND

Council created the Affordable Housing Grant Program to distribute funds collected through its incentive or bonus zoning program. The incentive or bonus zoning program requires a public benefit of cash-in-lieu of affordable housing in exchange for increased property development rights in the Regional Centre. Funds collected through the incentive or bonus zoning program can only be used to support housing projects within the Regional Centre.

The [Administrative Order Number 2020-008-Adm Respecting Grants for Affordable Housing](#) provides the authority to the CAO or his designate to approve grants under the Affordable Housing Grant Program and execute contribution agreements. A total of \$400,000 was allocated to the 2021/22 Affordable Housing Grant Program:

- \$200,000 is available to projects only within the Regional Centre, as funds were allocated from the Regional Centre's incentive or bonus zoning program.
- \$200,000 is available to projects anywhere within the Municipality, as funds were allocated from Planning and Development's operating budget.

As of the writing of this report, there is \$3,565,089, not inclusive of the \$200,000 already allocated to the 2021/22 program, held in the Incentive or Bonus Zoning Reserve and available to support affordable housing developments within the Regional Centre. Pending approval from Council, HRM can draw upon additional funds to support project submissions that exceed the funds already allocated to this year's program.

OVERVIEW OF SUBMISSIONS

During the fall of 2021, staff launched a website and reached out to approximately 40 non-profit housing providers and numerous housing to ensure they were aware of the program. HRM also hosted a webinar where interested parties were invited to share questions. Submissions were accepted between September 1 and December 1, 2021. A total of 3 submissions were submitted with a total funding request of \$815,245. The project applicants include:

- Affirmative Ventures (*139 Main Street, Dartmouth*)
- Compass NS (*2092-2126 Maitland Street, Halifax*)
- Welcome Housing/YWCA (*2672-2678 Belle Aire Terrace, Halifax*)

All projects are strong and viable submissions and are eligible for funding through the Affordable Housing Grant Program. All applicants have years of experience in managing housing and have organizational capacity. Each project complies with existing zoning provisions and all projects hope to start construction this spring. Further, all projects are located in the urban areas of the Municipality with access to transit and numerous amenities.

On January 17, 2022, the 3 submissions were reviewed with a team from HRM comprised of individuals from Diversity and Inclusion (Accessibility), Government Relations and External Affairs (Social Policy/Homelessness), Finance (Community Grants) and Planning and Development (Current Planning, Energy and Environment, Social Policy/Housing). Outside of HRM staff, representatives from CMHC, the Province of Nova Scotia and United Way also reviewed submissions and provided feedback.

Team discussion focused on 6 themes:

- Confirmed funding support for the Project
- Long Term Viability of Project
- Energy Efficiency
- Accessibility
- Addressing Deep Affordability
- Development Timeline

RECOMMENDATIONS

Based on this review and staff's subsequent recommendation, the CAO approved funding for the following projects:

Affirmative Ventures

139 Main Street, Dartmouth (outside of the Regional Centre)

Funding approved: \$162,636

Review Highlights

- registered not-for-profit organization that assists Nova Scotian mental health consumers and other persons with disabilities achieve lifelong independence.
- requesting \$162,636 of the total project cost of \$12,865,714 for the development of a 45-unit mixed use residential and commercial (social enterprise) building.
- 25 units targeted to consumers facing mental health challenges are considered deeply affordable.
- proposed mixed use/social enterprise model play an important factor in self-sustainability.
- project demonstrated the best approach to incorporating energy efficiency of the 3 projects.

Welcome Housing (Metro Non-Profit Housing Association)/YWCA

2672-2678 Belle Aire Terrace (within the Regional Centre)

Funding approved: \$180,327

Review Highlights

- Welcome Housing and YWCA are both well established non-profit housing providers in HRM.
- requesting \$180,327 of the total \$180,327 cost for the renovation of an existing 4 unit building to provide affordable and supportive rental housing with priority given to mother-led families through the YWCA's Supportive Housing for Young Mothers (SHYM) program.
- the SHYM program is a well established program providing assurance of the viability of this project.
- project proposes deeply affordable units; the most affordable units of the 3 submissions.
- project does not improve upon existing accessibility features and minimally improves upon the energy efficiency of the existing building. However, staff factored in difficulties with incorporating accessible features into existing developments and the environmental benefits of renovating a building versus a demolition and rebuild.

Compass NS

2092-2126 Maitland Street (within the Regional Centre)

Funding approved: \$57,037

Review Highlights

- registered charity focused on the development of co-operative housing throughout Nova Scotia.
- requesting \$472,282 of the total project cost of \$22,376,185 for the development of 56 affordable co-op units with 50% of units to be prioritized to vulnerable populations (see table).
- has already secured \$3,617,150 in funding and has active applications with CMHC and the Province for the additional funds.
- project incorporates universal design principals throughout the building.
- project focuses on moderate affordability versus deep affordability, however it is still considered an important affordable housing development that will be located in the heart of the Peninsula.
- project is required to provide \$46,485.82 to HRM as a public benefit through the incentive or bonus zoning program within the Regional Centre.
- staff recommend that Council allocate an additional \$415,245, from the density bonus reserve to the Affordable Housing Grant Program to fully fund the Compass NS project.