

For Information

REPORT TITLE: Housing Development Office - Annual Update 2021

FROM: Janice Sheehy, Commissioner of Human Services

OBJECTIVE

To provide an annual update on the implementation of the Region of Peel’s Housing Master Plan and other projects and programs as led by the Housing Development Office.

REPORT HIGHLIGHTS

- The Housing Development Office is the “development arm” for the Region of Peel.
 - Regional Council approved the Housing Master Plan (HMP), consisting of 31 development opportunities, and provisionally allocated \$1 billion in funding to support partial implementation of the HMP to support 18 projects yielding more than 2,240 affordable rental housing units and beds by 2028.
 - The Housing Development Office supports the implementation of Housing Master Plan projects and other third-party projects to create new affordable rental units and shelter beds.
 - The Housing Development Office recently completed 264 affordable housing units and is currently overseeing completion of over 864 affordable rental, supportive and transitional units, and shelter beds across Peel, for a total of 1,128 units/beds.
 - Of the allocated \$1 billion for an initial implementation of the Housing Master Plan, \$680.4 million of funding has been secured which includes:
 - \$335.3 million of regional funds,
 - \$68.7 million through existing federal and provincial housing programs,
 - \$276.4 million (a combination of repayable and forgivable loans) through National Housing Co-Investment Funds) that is administered through Canada Mortgage and Housing Corporation (CMHC), comprised of \$186.9 million of repayable loans and \$89.5 million of forgivable loans.
 - There remains a gap of \$319.6 million which must be met in order to receive full funding from CMHC.
 - Not funding the gap poses a risk of losing the CMHC funds, including \$88.6 million of repayable and \$39 million of forgivable loans, but more importantly, a loss of approximately 860 new affordable rental units for the Peel community.
 - CMHC funding must be utilized by 2028 and as such, there is urgency to fill the gap.
-

DISCUSSION

1. Background

The Housing Development Office is the “development arm” for the Region of Peel and is responsible for building new affordable rental housing and emergency shelters. The

Housing Development Office - Annual Update 2021

Housing Development Office also works with private and non-profit developers, all levels of government, and other partners to catalyze affordable housing development in Peel.

As part of its mandate, the Region's Housing Development Office is directly responsible for implementation of Strategy Two and Three of the 2018-2028 Peel Housing and Homelessness Plan (build new affordable housing and providing incentives for others to build affordable housing). The Housing Master Plan (HMP) is a key action of the Peel Housing and Homelessness Plan Strategy Two. The Housing Development Office leads the implementation of this Council approved Plan (resolution # 2019-686). It is a long-term capital plan that guides how the Region of Peel and Peel Housing Corporation sites will be developed / redeveloped to create new affordable rental and supportive housing and emergency shelters.

If fully funded and implemented, the HMP, through its 31 development opportunities, will add over 5,650 new affordable rental units/beds, including supportive housing and emergency shelter beds to the housing stock by 2034. Appendix I provides a list of the HMP development opportunities. In 2019, Council approved in principle a \$1 billion allocation to create an initial 2,240 affordable rental units/beds by 2028. This \$1 billion funding allocation will support 18 HMP projects, including a project in Malton to address the needs in that community.

The Housing Development Office also supports the implementation of non-HMP and third-party affordable housing projects. In order to engage the private and non-profit development community in creating new affordable rental housing in Peel, Regional Council approved a framework for an Affordable Housing Incentive Pilot Program in 2020. The Housing Development Office leads the implementation of this Pilot Program.

The purpose of this report is to provide an update on Housing Development Office activities and achievements in 2021, including a progress update on current affordable housing projects, challenges and opportunities and priorities for the upcoming years.

2. Progress Update on Capital Projects

The Housing Development Office manages the affordable housing development process on Region of Peel and Peel Housing Corporation lands from land management, project feasibility, pre-development, construction, to rent up and occupancy. The Housing Development Office also supports third-party led projects that are funded by federal, provincial, or regional funding. Appendix II provides a description of sustainable building practices followed for the Region's affordable housing builds, and the activities involved in each of the five phases.

The Housing Development Office recently completed 264 affordable housing units and is currently overseeing the completion of over 864 affordable rental, supportive and transitional units and shelter beds across Peel, for a total of 1,128 units/beds as noted in Appendix III.

a) Future Housing Master Plan Projects

In addition to the current capital projects, preliminary feasibility studies are underway for nine sites. The feasibility studies will identify the type of housing, the layout, the bedroom mix, anticipated planning approval process and timelines, and the cost to successfully achieve the HMP goals. Staff are working in collaboration with local municipal planning staff to ensure planning goals and consistencies are maintained at all levels and to

Housing Development Office - Annual Update 2021

streamline, as feasible, the planning approval process for the Region's affordable housing builds.

The studies, anticipated to be completed by the end of this year, will directly support advancing work on these projects: Peel Manor Affordable Housing sites, the redevelopment of Chamney Court site and the 9996 Kennedy Road and Parkholme Place sites in Brampton, redevelopment of 114 Falconer Drive and 1320 Williamsport Drive sites in Mississauga, and new development on Emil Kolb Parkway and King Street site, and Mayfield West Family and Stage II lands in Caledon. These projects, when completed, will add over 1,300 units in Peel.

b) Affordable Housing Incentives Pilot Program

In May 2021, the Region launched the Affordable Housing Incentives Pilot Program. The program encourages the development community to work with the Region of Peel, by incentivizing the development of larger, affordable rental units for middle-income households.

The Region will provide capital grants for affordable units to the successful applicants through a competitive, application-based process. The program has received a lot of interest, with over 80 developers and community agencies attending the launch event on May 18, followed by another successful event held on June 15. The call for applications closed on July 12. Staff are reviewing the applications and will be bringing an update to Regional Council later this year.

5. Affordable Housing Projects – Challenges and Opportunities

a) Funding the Gap in the allocated \$1 Billion Capital

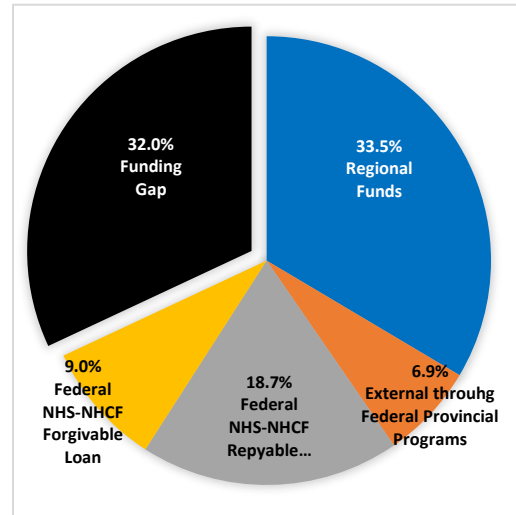
As noted earlier, Regional Council approved in principle a \$1 Billion capital envelope to support partial implementation of the Housing Master Plan to yield over 2,240 units / beds through 18 projects by 2028. The funding allocation also includes a potential project in Malton to meet the needs in that community.

To date, \$680.4 million of funding has been secured. The breakdown is as follows:

- \$335.3 million or a 1/3 of this funding is regional funds through current and future housing reserve contributions.

Housing Development Office - Annual Update 2021

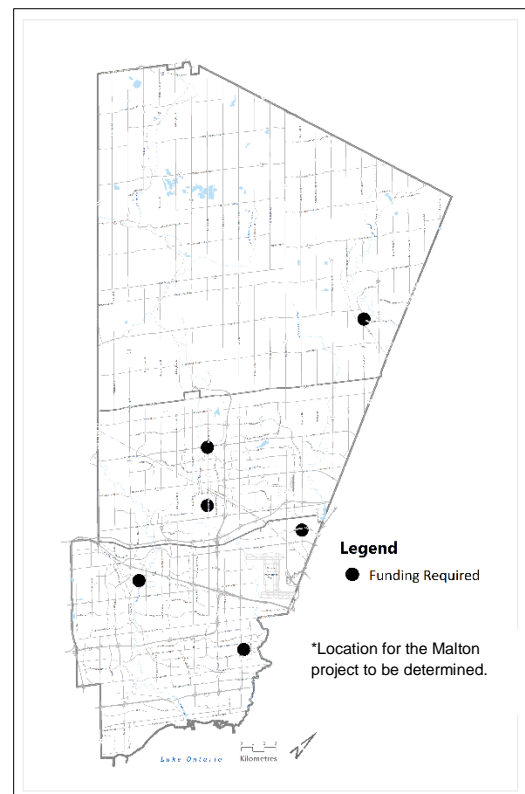
- \$68.7 million of funding is committed to the Region through existing federal and provincial housing programs:
 - Investment in Affordable Housing Extension (IAH – \$19.1 M)
 - Social Infrastructure Fund (SIF – \$19 M)
 - Ontario Priority Housing Initiative (OPHI – \$23 M)
 - Social Services Relief Fund (SSRF – \$7.6 M)
- \$276.4 million funding is secured from the federal government's National Housing Co-Investment Fund which is administered through Canada Mortgage and Housing Corporation (CMHC). The funding is a combination of forgivable loan of \$89.5 million and repayable loan (mortgage) of \$186.9 million.
- There is a gap of \$319.6 million as noted in the chart.



The Region of Peel and Peel Housing Corporation signed a Credit Agreement with CMHC to secure the \$276.4 million funding from National Housing Co-investment Fund. CMHC funding is directly linked to 16 HMP projects and cannot be used for any other projects other than what is identified in the Credit Agreement. The funding must be utilized by 2028.

In order to receive full funding from CMHC, the Region will need to address the funding gap. Given the co-investment nature of the National Housing Co-investment Fund program, the federal funding cannot exceed 31.2 per cent of the total portfolio cost, meaning the Region must find other sources to fill the gap. At the moment, only 11 of the 16 HMP projects in the CMHC agreement are fully-funded. There are five projects (as shown on the map) that will not move forward if the gap is not funded. These are: Chamney Court and 9996 Kennedy Road and Parkholme Place sites in Brampton, 114 Falconer Drive and 1320 Williamsport Drive sites in Mississauga and Emil Kolb Parkway and King Street site in Caledon. While these projects have the commitment of CMHC-National Housing Co-investment Funds, there are no regional funds to support the projects.

The risks associated with not funding the gap include a loss of \$88.6 million of repayable loan and \$39 million of forgivable loans from CMHC and a loss of approximately 860 new affordable rental units for Peel community. As such, there is an urgency to fill the gap to realize the specified timelines attached to these individual projects and to meet the CMHC deadline of 2028.



Housing Development Office - Annual Update 2021

Moreover, the Malton project was not included in the CMHC funding agreement portfolio as details regarding the project lands, the number of units, or timelines were not determined at the time when the Region made the funding application to CMHC. The Malton project is in the funding gap of \$319.6 million of the \$1 billion envelope. To address the funding gap, the Region would need to increase its funding level, either through securing funds from higher levels of governments or through the use of existing resources and tools at its disposal. These include using Development Charges accumulated through the recently approved Background Study, debt financing, levy, or a policy shift to ensure the funding gap is addressed to make progress on the Housing Master Plan projects.

The \$1 billion will only cover 18 projects, that leaves out 13 other HMP projects that largely involve the regeneration of PHC stock and could create over 3,000 affordable rental units in next 15 years. As such, it is critical that advocacy to the federal and provincial governments for non-debt related funding for affordable housing continues.

b) Other Challenges

There are a number of factors that affect affordable housing developments, including rising construction, labour and material costs, the limited supply of suitable sites and challenging timelines to complete projects. The Covid-19 pandemic has impacted the construction and housing sector in a significant manner. Prices for steel, lumber and other wood products increased in 2020 and continue to in 2021 to reach record highs. This price surge was due to the halt in steel production as a result of Covid-19 measures and mandated closures, ongoing supply chain constraints, combined with high demand for new houses and renovations in the wake of changing preferences for more space during the pandemic, as well as low interest rates. (Source: Statistics Canada, The Daily, July 2021)

With rising material and labour costs, the prices of new homes have increased by 6.5 per cent between 2020 and 2021 in Toronto area and resale home prices in Peel have gone up by 22.8 per cent to \$1,025,035 in Q1 2021 compared to last year (Sources: Statistics Canada, August 2021 and Toronto Real Estate Board, March 2021). Rising costs will impact the estimated budget for affordable housing projects led by the Region's Housing Development Office. Staff will continue to monitor and report back if there are financial impacts on the Region's affordable housing projects.

There is a limited supply of suitable "development ready" sites to leverage funding opportunities such as the federal Rapid Housing Initiative. There is a need for securing lands for creating a new shelter for families in Brampton. Staff continue to work with City staff to find suitable lands. Given that lands are neither readily available, nor cheaper to acquire when needed, staff are working on a potential land banking and donation strategy to allow the Region to accept land and monetary donations to support affordable housing development.

Another significant challenge is obtaining planning approvals for projects that require Official Plan and zoning bylaw amendments that can take from five to seven years (from concept to occupancy) to complete a project. Staff continue to collaborate with local municipal planning departments to leverage current local municipal official plan reviews and programs such as the City of Brampton's Concierge Program, to streamline

Housing Development Office - Annual Update 2021

planning approval process to make progress on the Region's affordable housing development projects.

RISK CONSIDERATIONS

Affordable housing continues to remain a top priority for Peel community. There are risks associated with not funding the Housing Master Plan funding gap of \$319.6 million. Not funding the gap poses a risk of losing the funds, including \$88.6 million repayable loan and \$39 million forgivable loan, but more importantly, a loss of over 860 new affordable rental units for Peel community. CMHC funding must be used by 2028 and the planning and pre-design work for those five projects in the funding gap must begin in 2022 considering the project life cycle for some projects may need five to seven years. As such, there is an urgency to fill the gap to realize the specified timelines to meet the CMHC deadline of 2028.

FINANCIAL IMPLICATIONS

There are no financial implications attached to this report. In September 2019, Regional Council allocated in principle \$1 billion investment to support an initial implementation of the Housing Master Plan, the work cited in this report is within the approved capital envelope. Council has lived up to its commitment by providing \$335M of funding from Regional sources, and the Region is looking for the Provincial and Federal Governments to take on their share of the funding to meet the community's affordable housing needs.

CONCLUSION

The Housing Development Office is the "development arm" for the Region of Peel and is responsible for building new affordable rental housing and emergency shelters. The Housing Development Office also works with private and non-profit developers, all levels of government and other partners to catalyze affordable housing development in Peel. The Housing Development Office is directly responsible for the implementation of the Region's Housing Master Plan and supports other third-party led projects to ensure affordable, supportive, transitional and shelter needs of Peel community are met.

Of the allocated \$1 billion for partial implementation of the HMP, \$680.4 million of funding has been secured and there remains a gap of \$319.6 million. The Region would need to increase its funding level, either through securing funds from higher levels of governments or using existing resources and tools at its disposal to address the funding gap. The Housing Development Office will continue to work with the partners, including local planning departments to deliver affordable housing to our residents.

APPENDICES

Appendix I - Region of Peel's Housing Master Plan Development Opportunities
Appendix II - Housing Development Practice and Projects by Phases of Development
Appendix III - List of Current Affordable Housing Projects and Status Update

Authored By: Archana Vyas, Policy and Program Advisor