
REPORT TITLE: **Peel Affordable Rental Incentives Program – Evaluation Results and Future Program Implementation**

FROM: Sean Baird, Commissioner of Human Services

RECOMMENDATION

- 1. That the Peel Affordable Rental Incentives Program (PARIP) as described in Appendix III to the report of the Commissioner of Human Services, listed on the July 7, 2022 Regional Council agenda titled “Peel Affordable Rental Incentives Program – Evaluation Results and Future Program Implementation”, be endorsed as an annual program; and**
- 2. That funding for the 2022 round of the PARIP be approved in the amount of \$2,500,000 funded from the Capital Tax Stabilization Reserve (R0230), and that the current Housing Incentives capital project #217750 be increased from \$5,000,000 to \$7,500,000; and**
- 3. That the Director of Housing Services be authorized to approve and execute funding agreements, together with any related amendments and such further ancillary documents as may be necessary to provide funding under the PARIP, provided such funding agreements, related amendments and ancillary documents on business terms satisfactory to the Commissioner of Human Services and on legal terms satisfactory to the Regional Solicitor; and**
- 4. That outside of a Regional procurement process, the PARIP be endorsed as the preferred mechanism through which Regional financial support may be provided in response to requests for funding and/or relief of fees, taxes and charges to support affordable rental housing that aligns with the objectives of the program.**

REPORT HIGHLIGHTS

- On July 9, 2020, Regional Council endorsed the framework for the Affordable Housing Incentives Pilot Program (“Pilot Program”), which is an action under Pillar 3 of the Peel Housing and Homelessness Plan, 2018-2028 (PHHP).
- The Pilot Program offered grants to private and non-profit developers committed to building affordable rental housing through a competitive Call for Applications which took place from May 31-July 12, 2021.
- An evaluation determined that the Pilot Program increased housing options for low- and middle-income households, serves a different household income segment when compared to other Regional housing programs, generates a positive financial return on investment, and was appropriate for private developers and non-profits with housing development experience.
- As a result of the Pilot Program outcomes and evaluation results, staff recommends implementing a permanent “Peel Affordable Rental Incentives Program”.

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- Staff is recommending that funding for the 2022 round of the PARIP be approved in the amount of \$2,500,000 funded from the Capital Tax Stabilization Reserve (R0230), and that the current Housing Incentives capital project #217750 be increased from \$5,000,000 to \$7,500,000.
 - With Council endorsement of the permanent program, an operating budget ask of \$7.62 million, equivalent to a 0.6 per cent net tax levy increase, will be included in the Housing Supports 2023 budget.
 - Staff will continue to work with local municipalities to coordinate housing programs, “stack” incentives, and explore opportunities to work with senior levels of government.
 - Unless participating in a Regional procurement process, staff recommend that the PARIP become the mechanism through which requests for financial incentives from developers are considered.
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DISCUSSION

1. Background

In 2018, Council endorsed the Peel Housing and Homelessness Plan (PHHP), which includes Pillar 3: “Maximize Planning Tools and Incentives.” Recognizing that the Region cannot address the affordable housing crisis alone, this pillar focuses on leveraging partnerships with the private and non-profit development sector to support Regional housing needs through supportive policies and programs such as providing incentives and implementing inclusionary zoning.

The first action implemented under Pillar 3 was the Affordable Housing Incentives Pilot Program (“Pilot Program”). Based on the direction in the PHHP and comprehensive background analysis undertaken in 2019-2020, the Pilot Program was created to offer capital grants to developers as an incentive to build affordable rental housing. \$7.5 million in capital funding was approved for the Pilot Program.

As reported to Regional Council on November 11, 2021, the Region received six complete applications for funding through the Pilot Program and three projects were recommended. This will result in 130 affordable units being secured at low- and middle-income rental rates for between 26-41 years (see Appendix I). \$7.48 of the \$7.5 million in available funding was allocated. Due to program requirements, 85 per cent of the affordable units are two- and three-bedroom units, providing much-needed supply of larger affordable rental units.

Following the Pilot Program Call for Applications, staff evaluated the processes and outcomes of the program. The purpose of this report is to provide Council with the results of the evaluation and recommended next steps.

2. Affordable Housing Incentives Pilot Program

The Pilot Program provided capital grants to developers to incent the development of affordable rental housing. Capital grants were seen as a flexible incentive, as successful applicants could apply the funding to offset planning fees, development charges, or other areas, as needed.

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The Pilot Program Call for Applications ran from May 31-July 12, 2021. At a minimum, applicants were required to commit to providing affordable units at rents no greater than 135 per cent of median market rent (affordable to middle-income households), for at least 25 years. Affordable units also had to be primarily two- and three-bedrooms. A significant objective of the program was to target incentives to support the development of units that are not otherwise being created by the market.

Eligible applications were reviewed on a competitive basis as outlined in the Call for Applications Guidelines. As part of the review, staff scored applications based on depth and duration of affordability for the units receiving incentives (beyond the minimum requirements), project planning status, proximity to community services and amenities, and contributions to sustainability and accessibility goals. Final scoring and recommendations for funding were prepared by a Review Panel of senior Regional staff, representing divisions responsible for housing, planning and development.

Key objectives of the Pilot Program include:

- Increasing housing choice for Peel residents, by focusing on rental units for middle-income households requiring larger, family-sized units (complementing existing Regional programs and services focusing on low-income housing needs);
- Securing long-term rental housing affordability;
- Initiating collaborative relationships with the private and non-profit development industry;
- Collaborating with the local municipalities to seek opportunities to streamline a system of affordable housing incentives and leverage existing resources to advance shared housing affordability goals; and
- Supporting the development of complete communities.

The Region's approach with the Pilot Program is consistent with many other municipalities across Ontario that have recognized the impact of incentives on promoting housing affordability and introduced a range of programs to provide support. Offering incentives enables municipalities to work with developers to secure units in the market at affordable levels, which wouldn't have occurred without a targeted program.

3. Pilot Program evaluation

a) Methodology

In 2022, staff undertook an evaluation of the Pilot Program that considered key questions related to program implementation and outcomes. Themes explored included program design, process, resourcing and a performance measurement framework. Staff used a mixed-methods approach that included a stakeholder survey, interviews and focus groups, a jurisdictional scan/review of best practices, housing needs and market analysis, and internal resource review. Appendix II includes an overview of the evaluation process, results and recommendations.

b) Results

Staff identified the following results:

- All Pilot Program objectives have been met, including increasing housing choices for low- and middle-income households, implementing larger family-sized units;

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supporting complete communities; and building partnerships with the development industry.

- Funding provided through the Pilot Program will result in a positive financial return on investment for the Region, and funding was reasonable when compared to other Regional housing programs.
- The Pilot Program plays a specific and unique role in the Region's approach to addressing the housing crisis and contributing to the objectives of the PHHP, as the program focuses on larger family-sized units for middle-income households.
- The Pilot Program leverages development industry capacity, as an alternative and to complement the direct delivery approach taken with other Regional housing programs.
- The Pilot Program was appropriate for private developers and non-profit developers with sufficient capacity and financial resources. The Pilot Program was not intended to provide a capacity-building function to non-profit developers with minimal or no development experience and the evaluation confirmed that other initiatives would be required to increase capacity in the non-profit sector to develop housing where capacity does not currently exist. This validates the need for additional Regional action to support non-profit capacity building, as outlined in the PHHP, Pillar 2.

Recommendations for program improvements were identified but were minor in scope and primarily limited to process adjustments/clarifying information requested through the Call for Applications. In addition, a performance measurement framework was developed to support program monitoring and continuous improvement over the long term.

4. Proposed Direction

a) Permanent Peel Affordable Rental Incentives Program

Based on the outcomes of the Pilot Program and the evaluation results, it is recommended that the program continue as an annual program, titled the "Peel Affordable Rental Incentives Program" (PARIP), as outlined in Appendix III. As such, staff is seeking Council approval of \$2.5 million for a 2022 round of the PARIP, funded from the Capital Tax Stabilization Reserve (R0230). With this funding, an estimated 25-50 affordable rental units could be secured, based on current market conditions.

With Council's approval, to make the program permanent, staff will request a \$7.62 million increase to the 2023 Housing Supports budget, which corresponds to a net tax levy increase of 0.6 percent. The \$7.62 million includes \$7.5 million in grants and \$120,000 for one FTE to administer the program. Units approved through the PARIP would support middle income households making up to \$117,000.

b) Pursuing partnerships

The Pilot Program and subsequent evaluation have highlighted the importance of partnerships to achieve shared housing outcomes. Should the PARIP be approved as an annual program, staff will continue to work closely with the local municipalities to coordinate the administration of affordable housing programs to ensure consistency and

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explore opportunities to “stack” incentives with those offered by local municipalities and the Provincial and Federal governments.

Emerging opportunities with potential for collaboration include:

- \$400,000 approved by the City of Brampton to “stack” with the Region’s incentives
- City of Mississauga’s approved Development Charges Grants for Eligible Affordable Rental Housing Developments
- City of Brampton’s forthcoming Housing Community Improvement Plan
- Potential future incentives provided by the Town of Caledon (identified as opportunities in the Town’s Affordable Housing Strategy and draft Official Plan)
- Canada Mortgage and Housing Corporation National Housing Co-investment Fund – including new options, e.g., Contribution Only Funding

c) Requests for financial support from the development industry

Members of Council and staff regularly receive requests from developers seeking financial relief from various regional fees, charges and taxes. Unless developers are participating in a regional procurement process, it is recommended that developers be directed to apply for funding through the annual PARIP program. This would help to minimize ad-hoc requests for waivers or deferrals of development charges and other fees, providing consistency and predictability for the development industry in Peel as well as regional staff. This would also enable the Region to efficiently and comprehensively review funding requests to ensure that funding allocations maximize impact.

RISK CONSIDERATIONS

While the Pilot Program was successful, should the PARIP become an annual program, staff expect the number of applicants to vary each year. In addition, projects seeking funding may be in various stages of planning approvals, therefore timelines from funding approval to occupancy can vary. This may lead to a fluctuation in the number of affordable units brought to the market each year through the PARIP.

Staff is also aware that the cost of development is increasing. This may impact the total amount of incentives required by developers over time.

To mitigate these risks, staff will monitor the PARIP through the performance measurement framework and adjust criteria and program design as needed to respond to changes to market conditions and Regional housing need.

FINANCIAL IMPLICATIONS

Staff is recommending that the 2022 round of the PARIP be approved in the amount of \$2,500,000 million, funded from the Capital Tax Stabilization Reserve (R0230), and that the current Housing Incentives capital project #217750 be increased from \$5,000,000 to \$7,500,000.

Through the 2023 budget, staff will be requesting additional operating funding for the PARIP, seeking \$7.62 million annually (includes one FTE), in line with the 2021 Pilot Program funding. The increase represents an incremental net tax levy increase of 0.6 per cent on the 2023 Regional tax supported operating budget.

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CONCLUSION

As an action under Pillar 3 of the Peel's 10-year Housing and Homelessness Plan, the Affordable Housing Incentives Pilot Program was launched in 2021. The initial tranche of \$7.48 million funding will secure 130 affordable units within private and non-profit purpose-built rental projects. Based on the outcomes of the Pilot Program and the evaluation results, staff is seeking Council approval to make the program permanent, with an annual operating budget of \$7.62 million effective 2023.

APPENDICES

Appendix I – Summary of Approved Projects – 2021 Affordable Housing Incentives Pilot Program

Appendix II – Affordable Housing Incentives Pilot Program Evaluation Approach and Summary

Appendix III – Peel Affordable Rental Incentives Program Framework

Authored By: Madison Van West, Specialist, Strategic Policy & Research, Housing Services

A handwritten signature in black ink, appearing to read 'Sean Baird', is written over a horizontal line.

Sean Baird, Commissioner of Human Services