

Subject: City of Ottawa's Housing Accelerator Fund Application

File Number: ACS2023-PRE-GEN-0007

Report to Finance and Corporate Services Committee on 4 July 2023

and Planning and Housing Committee on 5 July 2023

and Council 12 July 2023

Submitted on June 22, 2023 by David Wise, Director, Economic Development and Long Range Planning, Planning, Real Estate and Economic Development Department

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Ward: Citywide

Objet : Demande du Fonds pour accélérer la construction de logements

Dossier : ACS2023-PRE-GEN-0007

Rapport au Comité des finances et des services organisationnels le 4 juillet 2023

et au Comité de l'urbanisme et du logement le 5 juillet 2023

et au Conseil le 12 juillet 2023

Soumis le 22 juin 2023 par David Wise, Directeur, Développement économique et planification à long terme, Services de la planification, des biens immobiliers et du développement économique

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee and the Planning and Housing Committee recommend that Council approve the Action Plan as contained in Document 1 of the Report.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels et le Comité de la planification et du logement recommandent au Conseil municipal d'approuver le Plan d'action reproduit dans la pièce 1 du Rapport.

EXECUTIVE SUMMARY

The Housing Accelerator Fund (HAF) is a \$4 billion fund that was announced during the 2022 Federal Budget. The primary objectives of the fund are to create more supply of housing at an accelerated pace and enhance certainty in the approvals and building process, while also supporting the following priorities:

- Supporting the development of complete communities that are walkable, consisting of appropriate residential density and a diverse mix of land uses, providing access to a wide variety of amenities and services through public and active transportation.
- Supporting the development of affordable, inclusive, equitable and diverse communities that encourage clear pathways to achieving greater socio-economic inclusion largely achieved through the equitable provision of housing across the entire housing spectrum.
- Supporting the development of low-carbon and climate-resilient communities.

The fund is being administered by the Canadian Mortgage and Housing Corporation (CMHC).

Municipalities were invited to apply for funding through the HAF by June 14, 2023. To determine how much funding a municipality would be eligible for, they are required to prepare an **Action Plan** that identifies at least seven (7) initiatives that meet the objectives of the HAF. Specifically, the funding amount is determined by estimating the number of dwelling units that would be issued permits directly from the initiatives in the Action Plan before **September 2026**. A dollar figure is assigned to dwelling unit categories and the total is what the municipality is eligible for.

To optimize its funding eligibility, the City of Ottawa selected initiatives that will most likely yield additional permits in the three-year time frame which, in the context of the planning and development industry, is short. Initiatives include programs that are currently underway, provided they commenced after April 2022, and proposed projects that increase the supply of housing both to September 1, 2026 and beyond.

The proposed Action Plan attached as Document 1 to this report includes nine initiatives of which the first seven can be used to determine funding eligibility. The Action Plan does not allocate how received funding will be spent by the City. Through the application form, CMHC is requesting information on how the HAF funding might be used. The application submitted on June 14 includes a suggested breakdown of how the City may use the funds, but Council will consider the precise allocation of secured funding, and each of the initiatives, at future Council meetings.

Approval of the Action Plan by Council is required before the City can enter into a Contribution Agreement with CMHC to secure the funds. That Agreement is scheduled to be executed before the end of July 2023.

Public Consultation/Input

Staff consulted with industry stakeholders for specific initiatives to determine the initiatives that optimize our funding eligibility. Each initiative will require, or has already obtained, separate Council authority before they can be implemented, at which time more detailed public consultation will take place.

RÉSUMÉ

Le Fonds pour accélérer la construction de logements (FACL) doté de 4 milliards de dollars a été annoncé dans le cadre du dépôt du budget fédéral de 2022. Les principaux objectifs du FACL consistent à accélérer l'offre de logements et à rehausser la certitude dans les approbations et dans le processus de construction de logements, tout en respectant les priorités suivantes :

- Favoriser l'aménagement de collectivités complètes qui sont piétonnables, qui ont une densité résidentielle appropriée et qui réunissent différentes vocations foncières, en donnant accès à une grande variété de commodités et de services grâce aux transports en commun et au transport actif.
- Promouvoir l'aménagement de collectivités abordables, inclusives, équitables et diverses, qui encouragent la clarté des parcours à emprunter pour améliorer

l'inclusion socioéconomique, essentiellement grâce à l'offre équitable de logements dans l'ensemble du spectre des logements.

- Promouvoir l'aménagement de collectivités à faibles émissions de carbone et climatorésilientes.

Le FACL est administré par la Société canadienne d'hypothèques et de logement (SCHL).

Les municipalités ont été invitées à demander au plus tard le 14 juin 2023 le financement offert dans le cadre du FACL. Pour connaître le financement auquel elles pourraient avoir droit, les municipalités doivent préparer un **plan d'action** qui fait état d'au moins sept (7) initiatives répondant aux objectifs du FACL. Concrètement, le montant du financement se calcule en estimant le nombre de logements pour lesquels une municipalité délivrerait des permis directement d'après les initiatives de son plan d'action avant **septembre 2026**. Un chiffre en dollars est attribué aux catégories de logements, et le total correspond au financement auquel a droit la municipalité.

Pour optimiser son admissibilité au financement, la Ville d'Ottawa a sélectionné les initiatives qui permettront vraisemblablement de délivrer des permis supplémentaires dans le délai de trois ans, ce qui est court dans le contexte de l'industrie de l'urbanisme et de la promotion immobilière. Ces initiatives prévoient des programmes qui sont déjà en cours, à la condition d'avoir été lancés après avril 2022, et des projets proposés qui ont pour effet d'augmenter l'offre de logements jusqu'au 1^{er} septembre 2026 et passé cette date.

Le Plan d'action proposé reproduit dans la pièce 1 de ce rapport comprend neuf initiatives, dont les sept premières peuvent servir à déterminer l'admissibilité au financement. Ce plan d'action n'établit pas la répartition de l'affectation du financement que percevra la Ville. Dans le formulaire à remplir, la SCHL demande de l'information sur les activités auxquelles pourrait être consacré le financement offert dans le cadre du FACL. La demande déposée le 14 juin 2023 comprend, à titre de suggestion, la répartition des activités auxquelles la Ville pourrait consacrer ces fonds; toutefois, le Conseil municipal se penchera, dans ses prochaines réunions, sur l'affectation précise du financement versé et sur chacune des initiatives.

Le Conseil municipal doit approuver le Plan d'action avant que la Ville puisse conclure, avec la SCHL, un accord de contribution pour se faire verser les fonds. Cet accord devrait être signé d'ici la fin de juillet 2023.

Consultation et avis du public

Le personnel a consulté les intervenants de l'industrie sur des initiatives précises pour déterminer celles qui optimiseront notre admissibilité au financement. Le Conseil devra délivrer ou a déjà délivré, pour chacune des initiatives, une autorisation distincte avant qu'on puisse les mettre en œuvre; on tiendra alors une consultation publique plus circonstanciée.

BACKGROUND

The Federal Government announced the Housing Accelerator Fund in April 2022 as part of the Federal Budget. In March of 2023, CMHC began releasing information about the application process for HAF funding. The HAF's objective is to create more supply of housing at an accelerated pace and enhance certainty in the approvals and building process.

Staff from Planning, Real Estate and Economic Development and Community and Social Services Departments have been working collaboratively to prepare the City's application with the chief aim of maximizing funding eligibility.

A memorandum was issued to Council on the City's proposed Action Plan on May 26, 2023 with a commenting period for members of Council to June 6, 2023.

DISCUSSION

The purpose of this report is to approve the Action Plan that was submitted as part of the City's application on June 14, 2023. In accordance with the HAF guidelines, Council approval of the Action Plan is required before the City may enter into a contribution agreement with CMHC to receive the funding.

How the HAF is Structured

The HAF is focused on the net increase of permitted residential units between September 1, 2023 and September 1, 2026. The application requires that the City prepare an Action Plan to achieve that increase. The Action Plan was to include at least seven "initiatives" that the City is or will undertake to achieve more dwellings through building permits during this time period. A 10% increase in dwellings through building permits over these three years is a minimum requirement of the application.

The City is eligible for \$20,000 for each estimated additional unit above the baseline. Additional "top up" funds are available for dwellings that are in a multi-unit building near transit (\$15,000 per unit), a "missing middle" building (\$12,000 per unit), or other multi-

unit building (\$7,000 per unit). Lastly, an affordable housing “bonus” is available if the Action Plan increases the proportion of affordable dwellings (\$19,000 per unit). Therefore, each new dwelling could make the City eligible for between \$20,000 and \$54,000 of funding.

Funding is issued to successful municipalities in four annual 25% installments beginning in September 2023.

Once funding is calculated and secured, municipalities are permitted to spend the funding on any of the following:

- Investments in initiatives included in the Council-approved Action Plan;
- Investments in affordable housing;
- Investments in housing-related infrastructure;
- Investments in community-related infrastructure that supports housing

As such, while funding is determined based on how many new dwellings through building permits the proposed seven initiatives are projected to generate, there is no requirement for funding to be proportionately allocated between the initiatives, as discussed further below.

The City is required to report to CMHC annually on (a) the status of each of its initiatives, including building permit data; and (b) how it has used any received funding. This is to ensure that the City is following through with its Action Plan and that the initiatives are able to yield additional housing supply. If our reporting falls short of Action Plan expectations, the next funding installment may be compromised (reduced or not given).

Within two years, the City is also required to provide to CMHC an updated Housing Needs Assessment Report. This report will identify the number of households in core and severe core housing need, key areas of housing need across the spectrum, and the total number of units required to meet current and anticipated housing needs for at least the next five years. This will be completed alongside the upcoming 10-Year Housing and Homelessness Plan refresh, anticipated to commence in Q1 2024.

How the City Prepared its Application

The City undertook the following steps to prepare its application:

1. Identify and resolve any challenges with making the projections needed for the application. For example, how detailed/accurate must we be? What constitutes a “dwelling unit”? What is “affordable”?
2. Collect historical building permit issuances as required by the application.
3. Consider various City projects for initiatives that meet the criteria of the HAF (i.e. must have commenced after April 6, 2022) and ask the following questions:
 - a. Is this initiative likely to yield new dwellings through building permits before September 2026?
 - b. If so, can those permits be monitored for reporting purposes?
 - c. Is this initiative likely to increase the proportion of affordable dwellings before September 2026?
 - d. Are the initiatives varied enough to cover as many new permits as possible, thereby maximizing the total funding amount?
4. Estimate the number of new permits eligible for base funding before September 1, 2026.
5. Estimate the number of new permits by top-up funding category (i.e. whether they are missing middle, close to transit, etc.) before September 1, 2026 for each initiative.
6. Estimate the number of new permits that are affordable to determine the affordability bonus for the total funding amount.
7. Prioritize the top seven initiatives that maximize the potential total funding amount and prepare the Action Plan.
8. Include any initiatives outside of the top seven in the Action Plan to create flexibility if any of the top seven initiatives underperform or are delayed.
9. Calculate funding eligibility based on various projections and complete application.

Challenges with Preparing the Application

Staff encountered several challenges in preparing this application. First, the three-year time frame for new permits as well as the commencement date of “after April 6, 2022”

for initiatives severely limited which projects could be considered for this Action Plan. Many planning tools or procedural changes take several years to study and properly implement. Further, once implemented, many multi-unit developments would still be subject to Site Plan Control before a permit can be issued. Identifying projects for initiatives that met the objectives of the HAF and could reasonably yield new dwellings through building permits in the time frame was a challenge.

Second, preparing reasonable projections for the number of net new dwellings is a challenge when municipal processes and regulation forms only part of the development equation. Labour and material shortages, interest rates, environmental constraints, available funding/capital are all beyond the City's control and impact whether a project is ready to proceed to the building permit stage. Projections were based on a combination of historical data, capacity analysis, and direct consultation with industry on projects likely to be ready for building permit issuance before September 2026.

Third, the top seven initiatives are at various stages of implementation and all will require future Committee and Council scrutiny. While including them in the Action Plan represents confidence that they will proceed in some form, and some initiatives are characterized broadly enough to allow for modest evolution, a number of assumptions were made in order to estimate dwellings through building permits for initiatives that, as of the date of the application, were not fully fleshed out. For example, estimating how many new developments would take advantage of an Affordable Housing Community Improvement Plan was a challenge because the precise offerings through the CIP has not been considered and adopted by Council.

Lastly, since the HAF was announced in April 2022, the Province of Ontario has seen significant legislative changes in the planning realm such as through Bills 109, 23, and 97. Some legislative changes, like those through Bill 23 to permit three units on all urban serviced lots, did not appear to provide Ontario municipalities with the option of implementing a similar initiative as part of their HAF Action Plan. While Staff have been reassured that Ontario municipalities will not be "penalized" for being in a Province where such significant and recent land use permissions were implemented, navigating the specifics of how and when to "count" a dwelling toward an initiative has been a challenge.

The Action Plan

The City's Action Plan, forming Part 2 of the application, is attached in full as Document 1 to this report. At the time that this Report is considered by Committees and Council, the application will have been submitted to CMHC.

The projections contained in the Action Plan were prepared using a combination of the City's growth projections, historic permit data, reviewing other short-term housing forecasts, consulting with relevant stakeholders, density targets in the Official Plan, Statistics Canada data and/or reasonable assumptions. Going forward, the projections will be used to measure the success of each initiative *for the purpose of receiving all funding we are eligible for*, but they should not be relied upon in other contexts.

When making the *affordable housing* projections, in particular, staff applied the least restrictive definition of affordability that exists within City processes and documentation, being the average market rent (AMR) as most recently reported by CMHC for the Ottawa market. Using the least restrictive definition of affordability will also capture other definitions that target deeper affordability. This means that the City maximizes the total funding amount by including more dwellings that are eligible for the "affordable bonus". When the amount of HAF funding awarded to the City is confirmed in July, 2023, staff will return to Council for approval of implementation strategies as well as direction on how the funding will be allocated. This stage will provide Council with the opportunity to consider options that will deliver new housing that achieves a deeper level of affordability.

As mentioned above, initiatives were largely identified based on how they fit into the HAF's funding structure. Initiatives that made the City eligible for the most funding were identified in the Action Plan, but that does not mean that they will be prioritized over other projects that the City is undertaking that also address housing (such as the Kanata North Community Planning Permit By-law and the City's shift to e-Permitting), except insofar as their timelines should be monitored to ensure they remain within the HAF window.

The submitted Action Plan includes the following seven initiatives:

1. **Accelerate Disposal and Preparation of City-owned Lands for Housing:**

While the City regularly disposes of surplus lands in accordance with its Affordable Housing Land and Funding Policy (Housing Services), and the Disposal of Real Property Policy (CREO), a focus on lands that are appropriate and ready for residential development comes from the Mayor's Housing Action

Plan and, more recently, the Council-received Scaling Up Non-Profit Housing in Ottawa (“SUSHI”) report. This initiative focuses on housing by accelerating the disposal process, particularly where lands are ready for housing (i.e. zoned appropriately, not contaminated, etc.). Where City-owned lands are sold or transferred to a non-profit housing provider, staff may suggest the allocation of HAF funds to help finance affordable housing projects that are otherwise ready to commence over the next three years.

- In addition, the policy allows land to be sold below market value based on “the proposed development, the development cost per unit, the housing provider’s mandate, the proposed affordability rate, the value of the land and any other factors staff deems relevant in the process.” Combining lower land value transactions to non-profit housing providers with other funding sources, including HAF, will increase affordability thresholds. Due to the number of properties that are ready for disposal and the development potential of those lands, this initiative has the potential to yield a meaningful number of new dwellings through building permits by September 1, 2026.
2. **Affordable Housing Pipeline Strategy:** This initiative begins with an understanding that there are thousands of affordable units planned by non-profit housing providers on lands that are ready for housing, but they are waiting in the “pipeline” until the requisite capital funds to support those developments are obtained. The HAF is a rare and meaningful source of funds and given Council’s priority of providing more affordable and supportive housing, this initiative proposes to allocate a majority of the HAF to projects in the pipeline.
 3. **Streamlining Planning Approvals:** this initiative includes the procedural changes considered as part of the Bill 109 Phase 2 report by Council on June 14, 2023. Since it applies to all zoning by-law amendment and site plan control applications received by the City, it expands the breadth of our Action Plan. In theory, an increase in building permits would be proportional to the increase in planning approvals that is achieved over the same period due to the improved timeline; in practice, Staff’s projections are modest as we will need to monitor success over the first year.
 4. **Transit Oriented Zoning Amendments and Inclusionary Zoning:** this initiative includes (a) rezoning around Protected Major Transit Station Areas (PMTSAs) that was accelerated due to Bill 23; (b) rezoning lands within the Queensway

Terrace and Lincoln Fields Secondary Plan areas; and (c) inclusionary zoning. All three components were already in progress by the City. Due to the amount of lands covered by this initiative, their development potential in the New Official Plan and the project timeline, this initiative is estimated to capture a significant amount of dwellings through building permits over the next three years.

5. **Increase Zoning Permissions to Allow for Multi-Unit Intensification:** this initiative includes the City’s response to Bill 23’s permissions for “gentle intensification”, being allowing up to two additional dwelling units on residential properties with public services. Given that this is a city-wide amendment and includes common building typologies, this initiative is estimated to capture a significant amount of infill dwellings through building permits in the next three years.
6. **Implement an Affordable Housing Community Improvement Plan (CIP):** An Affordable Housing CIP would be a City-wide tool offering financial incentives to deliver affordable units. While no new dwelling units are expected to result from this CIP, it is expected to increase the proportion of new affordable housing units within the next three years, which makes the City eligible for the affordable housing “bonus” in the HAF funding structure.
7. **Office-to-Residential Conversions Pilot:** this initiative recently arose from [Motion 2023-08/04](#) and the Mayor’s Housing Action Plan. After consultation with the industry, staff estimates that with the right process and efficiencies in place, there was sufficient enthusiasm for conversions within the next three years to meaningfully contribute to HAF funding eligibility. Staff will bring forward further details regarding the efficiencies and/or financial offsets of the pilot program to Council in Q4 2023.

The above initiatives have sufficient breadth and urgency that they capture enough new permits expected in the next three years to meet our minimum 10%-unit increase required by CMHC and maximize our HAF funding.

The submitted Action Plan also includes the following two “additional” initiatives:

8. **The New Comprehensive Zoning By-law:** this initiative is included in the Action Plan outside of the top seven for at least three reasons. First, it would not be helpful in our top seven because it is not likely to yield new permits within the next three years due to the timing of being in full force and effect by September 1, 2026. Second, being such a meaningful change to land use planning in

Ottawa, the New Zoning By-law advances all of the HAF objectives; including it in our Action Plan helps our application “score” better in CMHC’s rubric. Lastly, including it outside of our top seven means that it is eligible to receive HAF funds in the event that additional resources are needed to keep the project on track.

9. **Development of an On-Site Storm Water Management Tool:** this proposed initiative involves the creation of a “best-practice”-type guide for infill development with 10 or less dwellings that are exempt from site plan control by facilitating options to address on-site stormwater management. It was not included in our top seven because (1) estimating net new building permits separate from initiative two is challenging; and (2) monitoring directly related building permits will be difficult; Staff are not prepared to represent that it will be completed, implemented, and utilized within the next three years without it appearing in a Council-approved workplan.

A more detailed description of how each initiative advances the HAF objectives is in Document 1.

Use of Funds

The Action Plan outlines the “how” and sets expectations for the net increase of new dwellings that ultimately makes the City eligible for funding. It does not include a breakdown of how those funds are to be used. As such, approving the Action Plan through this Report does not include a direct approval of how HAF funds are spent.

However, since at least one initiative is entirely dependent on HAF funding (the Affordable Housing Pipeline Strategy), approving the Action Plan *does indirectly* include an endorsement of applying a majority of HAF funds to not-for-profit projects in the Pipeline.

The submitted application provides a **non-binding** estimated breakdown of the funds into the four categories of funding as follows:

- Investment in Action Plan Initiatives: 90%
- Investments in affordable housing outside of the Action Plan: 0%
- Investments in housing-related infrastructure: 5%
- Investments in community-related infrastructure that supports housing: 5%

Since affordable housing projects are proposed to receive the majority of HAF funds through Affordable Housing Pipeline Strategy and City-Owned Lands Strategy, no funding is currently identified for affordable housing outside of the Action Plan initiatives.

The significant investment in initiatives includes funding priority projects in initiative six, the Affordable Housing Pipeline Strategy, as well as other initiatives that have identified a need for funding to achieve its stated purpose. For example, where CIP or Office Conversions require financial offsets to be successful, those may be funded using the HAF. HAF funds must also all be spent within four years.

Funding to the Affordable Housing Pipeline Strategy and the City-Owned Lands Strategy is intended for non-profit projects with dwellings offered at a deeper level of affordability than average market rent, being the definition of "affordability" used for this application to maximize the amount of eligible funding.

Council will prioritize Affordable Housing Pipeline Strategy projects and identify other uses of the funding, either through a separate report or through the initiative-specific reports that staff will bring forward at a later date.

Some funding is proposed to be set aside for housing- and community-supportive infrastructure, specifically those capital projects that are not funded by development charges. As with any capital expenditures, investments in the community-based infrastructure bucket will also return to Council at a later date.

Next Steps

- Contribution Agreement: The City's HAF Application has already been submitted to CMHC. At the time of writing this report, staff does not know the amount of funding that will be received from the application. If Council approves the Action Plan (Document 1), then the City is authorized to enter into a Contribution Agreement with CMHC for the funding. The Agreement sets out the terms of the funding, including when installments are to be made, reporting obligations, and spending obligations. That Contribution Agreement is expected to be executed before the end of July.
- First installment of Funding: 25% of our eligible funding is expected to be received before the end of September, 2023.
 - o Before spending HAF funds, Staff will return to Council via one of the seven initiatives or through a separate report if needed to obtain direction on allocation of funds.

- Action Plan initiatives will proceed public consultation, where required, and with Reports to Committee(s) and Council in accordance with their respective workplans.
- In January 2024, City will submit its first report to CMHC outlining the status of each initiative and the progress of attaining new permits.
- In July 2024, the City will submit its second report to CMHC, and will report annually thereafter (There are a total of 5 reports to CMHC required).
- Before July 2025, the City will submit an updated Housing Needs Assessment Report to CMHC in support of its application.

FINANCIAL IMPLICATIONS

With an approved Action Plan the City may enter into a Contribution Agreement with CMHC to secure HAF funds, currently estimated to total more than \$150 million. Council will consider the allocation of those funds at a later date.

LEGAL IMPLICATIONS

There are no legal impediments to implementing this report.

COMMENTS BY THE WARD COUNCILLOR(S)

City-wide report.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

CONSULTATION

Consultation during the development of the Action Plan was undertaken on an “as-need” basis with the understanding that each initiative will be subject to its own public and stakeholder engagement as well as Committee and Council scrutiny.

Staff consulted with the Affordable Housing Working Group as well as specific stakeholders to help make accurate projections for the number of dwellings through building permits that could be expected to arise from a particular initiative within the next three years.

RURAL IMPLICATIONS

There are no direct rural implications.

SUPPORTING DOCUMENTATION

Document 1 – Action Plan

DISPOSITION

Staff from PRED, CSSD and Finance will continue to coordinate with CMHC on signing a contribution agreement and receiving the funds.