

Subject: 2022 Affordable Housing Capital Strategy and Update

File Number: ACS2022-CSS-GEN-011

Report to Planning Committee on 26 May 2022

and Council 8 June 2022

Submitted on May 16, 2022 by Donna Gray, General Manager, Community and Social Services Department

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Ward: Citywide

Objet : Stratégie d'investissement pour le logement abordable de 2022

Dossier : ACS2022-CSS-GEN-011

Rapport au Comité de l'urbanisme

le 26 mai 2022

et au Conseil le 8 juin 2022

Soumis le 16 mai 2022 par Donna Gray, Directrice générale, Services sociaux et communautaires

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That Planning Committee recommend that Council approve:

1. That \$19,200,000, which is made up of the \$15,000,000 in City capital funds approved by Council in the 2022 City Budget and the \$4,200,000 in 2022-2023 Ontario Priorities Housing Initiative (OPHI) funding (Rental Housing Component) be allocated by the Director, Housing Services to support the creation of new affordable housing through conditional capital contributions, contributions in lieu of building permit and school board fees, non-exempt planning fees and accessibility grants, and to provide a contingency fund, subject to the conditional contributions being included in a contribution agreement between the City and each housing provider, and that of the \$19,200,000,
 - a. \$10,000,000 be allocated to Ottawa Community Housing Corporation for 818 Gladstone Avenue (Rochester Heights Phase 2);
 - b. Up to \$7,200,000 be allocated to Nepean Housing Corporation for their development of 31 affordable housing units at Dunbar Court, as further described in this report;
 - c. Up to \$2,000,000 from the city capital funds be allocated through a Request for Proposals (RFP) for private sector developers to deliver affordable rental units in conjunction with National Housing Strategy programs as further described in this report; and
 - d. That any remaining or unallocated funds be allocated through a Request for Proposals (RFP), that meets the requirements of the Ontario Priorities Housing Initiative program as well as the Action Ottawa Guidelines, based on the priorities and programs identified in this report.
2. That up to \$1,200,000 from the Ontario Priorities Housing Initiative (OPHI) be allocated to Ontario Renovates as follows:
 - a. Up to \$600,000 to be made available to Community Housing for capital repairs and accessibility modifications;
 - b. Up to \$300,000 to be made available to not-for-profit landlords for capital repairs and accessibility modifications as an expansion of the

existing Ontario Renovates program, as detailed in this report;

- c. Up to \$300,000 be allocated to households under the standard Ontario Renovates program; and
 - d. Any unspent or unallocated funding be added to the OPHI Rental Housing Component as described in Recommendation 1.
3. That the Director, Housing Services, be delegated authority to allocate the \$12,500,000 budget surplus in addition to the balance in the Housing Reserve Fund of \$846,000 towards a contingency budget totaling \$13,346,000 and to fund not-for-profit housing provider acquisitions, as set out in the report, with any unspent funds to be allocated through the 2023 capital budget.
 4. That in the event additional federal and/or provincial funding becomes available, including under the federal Rapid Housing Initiative and/or the provincial Social Services Relief Fund and/or the Ontario Priorities Housing Initiative funding, that the Director, Housing Services be delegated authority to prepare and submit an Investment Plan to the federal and/or provincial governments outlining the proposed allocation of funding so long as the allocation is in keeping with and seeks to achieve goals outlined in the City's Housing Services' 10 Year Housing and Homelessness Plan, 2020-2030.

RECOMMANDATIONS DU RAPPORT

Que le Comité de l'urbanisme recommande au Conseil d'approuver :

1. Que 19 200 000 \$, soit les 15 000 000 \$ de fonds d'immobilisations de la Ville approuvés par le Conseil dans le budget 2022 de la Ville et les 4 200 000 \$ de financement de l'Initiative liées aux priorités de l'Ontario en matière de logement (IPOL) 2022-2023 (volet Logement locatif), soient alloués par le directeur des Services du logement pour appuyer la création de nouveaux logements abordables au moyen des apports conditionnels en capital, de contributions tenant lieu de permis de construire et de redevances imposées par les conseils scolaires, de droits d'aménagement non exemptés et de subventions pour l'accessibilité, et pour constituer un fonds de prévoyance, sous réserve que les apports conditionnels soient inclus dans un accord de contribution entre la Ville et chaque fournisseur de logements, et que sur les 19 200 000 \$,

- a. 10 000 000 \$ soient affectés à la Société de logement communautaire d'Ottawa pour le 818, avenue Gladstone (phase 2 du projet Rochester Heights);
 - b. Jusqu'à 7 200 000 \$ soient affectés à la Société de logement de Nepean pour l'aménagement de 31 logements abordables à Dunbar Court, tel que décrit plus en détail dans le présent rapport;
 - c. Jusqu'à 2 000 000 \$ provenant des fonds d'immobilisations de la Ville soient affectés, par le biais d'une demande de propositions (DP), à des promoteurs du secteur privé afin qu'ils fournissent des logements locatifs abordables dans le cadre des programmes de la Stratégie nationale sur le logement, tel que décrit plus en détail dans le présent rapport;
 - d. Les fonds restants ou non attribués soient affectés par le biais d'une demande de propositions (DP), qui répond aux exigences du programme de l'Initiative liée aux priorités de l'Ontario en matière de logement ainsi qu'aux lignes directrices d'Action Ottawa, en fonction des priorités et des programmes définis dans le présent rapport.
2. Que jusqu'à 1 200 000 \$ provenant de l'Initiative liée aux priorités de l'Ontario en matière de logement (IPOL) soient attribué à Rénovation Ontario comme suit :
- a. Jusqu'à 600 000 \$ seront mis à la disposition du logement communautaire pour des réparations d'immobilisations et des modifications de l'accessibilité;
 - b. Jusqu'à 300 000 \$ seront mis à la disposition des propriétaires sans but lucratif pour des réparations d'immobilisations et des modifications de l'accessibilité dans le cadre de l'expansion du programme Rénovations Ontario, tel que décrit dans le présent rapport;
 - c. Jusqu'à 300 000 \$ seront affectés aux ménages dans le cadre du programme normalisé Rénovations Ontario;
 - d. Tout financement non dépensé ou non attribué sera ajouté au volet Logement locatif de l'IPOL, tel que décrit dans la recommandation 1.

3. **Que le directeur des Services du logement soit habilité à affecter l'excédent budgétaire de 12 500 000 \$, en plus du solde de 846 000 \$ du Fonds de réserve pour le logement, à un budget relatif aux imprévus totalisant 13 346 000 \$ et à financer l'acquisition de fournisseurs de logements sans but lucratif, comme il est indiqué dans le rapport, les fonds non dépensés devant être affectés au budget d'immobilisations de 2023.**
4. **Que, dans l'éventualité où des fonds fédéraux ou provinciaux supplémentaires seraient disponibles, y compris dans le cadre de l'Initiative pour la création rapide de logements du gouvernement fédéral, du Fonds de secours pour les services sociaux du gouvernement provincial ou de l'Initiative liée aux priorités de l'Ontario en matière de logement, le directeur des Services du logement soit habilité à préparer et à présenter un plan d'investissement aux gouvernements fédéral ou provincial décrivant l'affectation proposée des fonds, dans la mesure où cette affectation est conforme aux objectifs énoncés dans le Plan décennal de logement et de lutte contre l'itinérance 2020-2030 des Services du logement de la Ville et vise à les atteindre.**

EXECUTIVE SUMMARY

The intent of this capital strategy is to deliver on the objectives of the 10-Year Housing and Homelessness Plan by funding the construction of new affordable housing. However, the strategy also recognizes the need to stabilize existing projects that are currently under construction. This two-pronged approach is required to manage the impact of steep increases in residential construction costs experienced by our not-for-profit housing partners over the past two years. Delivery of new affordable housing focuses on continuing to support projects through the pre-development phase and allocating capital funding to projects that are shovel ready.

The recommended plan includes an allocation of \$33,746,000 which is made up of \$15,000,000 in 2022 City capital funds and \$5,400,000 in Ontario Priorities Housing Initiative (OPHI) funding. An additional \$13.3 million from the Housing Reserve Fund is also recommended as part of the 2022 capital strategy to achieve stability and help address significant project cost increases.

This report provides the recommended Affordable Housing capital strategy for 2022, which is based on current trends in homelessness and the housing sector, as well as recent challenges facing the residential construction industry. The report also provides

updates to projects funded through provincial and federal funding that was allocated to Ottawa in response to the COVID-19 pandemic.

Delivery of new units is proposed by allocating up to \$7,200,000 to Nepean Housing Corporation's 31-unit affordable housing project at Dunbar Court, which is a shovel-ready project. Also, a pilot project is proposed that would leverage private sector development and CMHC financing and funding programs by allocating up to \$2 million in municipal support for new affordable rental units. Further, \$10 million will be allocated to Ottawa Community Housing Corporation's project at 818 Gladstone Avenue (Rochester Heights Phase 2), which is planned to deliver over 270 units. Any unused funds from these initiatives are proposed to be allocated through a Request for Proposals which meets both the OPHI and Action Ottawa guidelines.

Recommended spending includes \$1.2 million from the Ontario Priority Housing Initiative funding towards the Ontario Renovates program. The existing program provides funding to homeowners for accessibility-related renovations and was expanded in 2019 to permit up to \$600,000 to be used by Community Housing providers for capital repairs and accessibility modifications. This report recommends further expansion of the program to permit up to \$300,000 to be used by not-for-profit landlords for capital repairs and accessibility modifications.

Council recently approved the transfer of \$12.5 million from the 2021 budget surplus to the Housing Reserve Fund. This report recommends that the Housing Reserve Fund balance of \$13.3 million be allocated towards a contingency budget to stabilize existing capital projects and to fund strategic acquisitions for not-for-profit partners. Any unspent funds from the Housing Reserve would be recommended for allocation through the 2023 Affordable Housing capital strategy.

Additional funding from other levels of government may become available later in 2022. The federal government has announced another round of Rapid Housing Initiative funding and additional provincial funding may be issued later in the year. To ensure staff are able to respond quickly to funding opportunities that may become available prior to the new term of council, it is recommended that authority be delegated to the Director, Housing Services to allocate new funding in accordance with the 10 Year Housing and Homelessness Plan, 2020-2030, followed by an update to Council in Q4 2022 or early 2023.

Résumé

Le présent rapport présente la Stratégie d'investissement pour le logement abordable

recommandée pour 2022, qui est fondée sur les tendances actuelles en matière d'itinérance et de logement, ainsi que sur les défis récents auxquels est confrontée l'industrie de la construction résidentielle. Le rapport fait également le point sur les projets financés grâce aux fonds provinciaux et fédéraux qui ont été alloués à Ottawa en réponse à la pandémie de COVID-19.

La présente stratégie d'investissement vise à atteindre les objectifs du Plan décennal de logement et de lutte contre l'itinérance en finançant la construction de nouveaux logements abordables. Toutefois, la stratégie reconnaît également la nécessité de stabiliser les projets en cours de construction. Cette approche à deux volets est nécessaire pour gérer l'impact des fortes augmentations des coûts de construction résidentielle subies par nos partenaires du secteur du logement sans but lucratif au cours des deux dernières années. La construction de nouveaux logements abordables est axée sur le maintien du soutien aux projets pendant la phase préalable à l'aménagement et sur l'affectation de fonds d'immobilisations aux projets prêts à être mis en chantier.

Le plan recommandé comprend une affectation de 33 746 000 \$, soit 15 000 000 \$ en fonds d'immobilisations de la Ville de 2022 et 5 400 000 \$ en fonds de l'Initiative liée aux priorités de l'Ontario en matière de logement (IPOP). Un montant supplémentaire de 13,3 millions de dollars provenant du Fonds de réserve pour le logement est également recommandé dans le cadre de la stratégie d'investissement de 2022 afin d'assurer la stabilité et d'aider à faire face aux augmentations importantes des coûts des projets.

La construction de nouveaux logements est proposée en allouant jusqu'à 7 200 000 \$ au projet de 31 logements abordables de la Société de logement de Nepean à Dunbar Court, qui est un projet prêt à démarrer. Par ailleurs, un projet pilote est proposé afin de tirer parti de la mise en valeur du secteur privé et des programmes de financement et d'aide financière de la SCHL en allouant jusqu'à 2 millions de dollars en soutien municipal pour la construction de nouveaux logements locatifs abordables. De plus, 10 millions de dollars seront affectés aux projets de la Société de logement communautaire d'Ottawa au 933, avenue Gladstone (Village Gladstone, phase 1) et au 818, avenue Gladstone (Rochester Heights, phase 2), ce qui permettra d'offrir plus de 600 logements. Il est proposé que tous les fonds inutilisés de ces initiatives soient attribués par le biais d'une demande de propositions conforme aux lignes directrices de l'IPOP et d'Action Ottawa.

Les dépenses recommandées comprennent 1,2 million de dollars provenant du financement de l'Initiative liée aux priorités de l'Ontario en matière de logement pour le

programme Rénovations Ontario. Le programme existant fournit un financement aux propriétaires pour des rénovations liées à l'accessibilité et a été élargi en 2019 pour permettre aux fournisseurs de logements communautaires de consacrer jusqu'à 600 000 \$ aux réparations d'immobilisations et aux modifications de l'accessibilité. Le présent rapport recommande une nouvelle expansion du programme pour permettre aux propriétaires sans but lucratif d'utiliser jusqu'à 300 000 \$ pour des réparations d'immobilisations et des modifications de l'accessibilité.

Le Conseil a récemment approuvé le transfert de 12,5 millions de dollars de l'excédent budgétaire de 2021 au Fonds de réserve pour le logement. Le présent rapport recommande que le solde du Fonds de réserve pour le logement, soit 13,3 millions de dollars, soit affecté à un budget relatif aux imprévus afin de stabiliser les projets d'immobilisations existants et de financer des acquisitions stratégiques pour les partenaires sans but lucratif. Il est recommandé d'allouer tous les fonds non dépensés du Fonds de réserve pour le logement dans le cadre de la stratégie d'investissement pour le logement abordable de 2023.

Des fonds supplémentaires provenant d'autres niveaux de gouvernement pourraient être disponibles plus tard en 2022. Le gouvernement fédéral a annoncé une autre ronde de financement de l'Initiative pour la création rapide de logements et des fonds provinciaux supplémentaires pourraient être accordés plus tard dans l'année. Afin que le personnel soit en mesure de répondre rapidement aux possibilités de financement qui pourraient se présenter avant le nouveau mandat du Conseil, il est recommandé d'habiliter le directeur des Services du logement à affecter de nouveaux fonds conformément sur le Plan décennal de logement et de lutte contre l'itinérance, 2020-2030, et de présenter une mise à jour au Conseil au T4 de 2022 ou au début de 2023.

BACKGROUND

This report outlines the Affordable Housing capital strategy for 2022, provides an update on projects funded and underway, and includes an outline of current trends and impacts of the pandemic on the housing sector.

The Affordable Housing capital strategy for 2022 is based on furthering the implementation of the 10-Year Housing and Homelessness Plan Refresh and similar to 2021, continues to consider the impacts the pandemic is having on both the supply and demand for affordable housing. Key to the 2022 capital strategy is to stabilize affordable housing projects currently underway to ensure development continues. The significant impacts of the pandemic on the sector give cause for new consideration related to the Long-Range Financial Plan (LRFP) that was approved by Council in February 2021, as

discussed further in this report.

Current Housing and Homelessness Trends

Housing Services has considered current market conditions based on Statistics Canada data, Canada Mortgage and Housing Corporation's (CMHC) market reports, locally derived data from the Centralized Wait List (CWL), as well as feedback from the not-for-profit and private housing sectors.

The Social Housing Registry of Ottawa continues to administer the City of Ottawa's Centralized Wait List for eligible individuals and families seeking rent-geared-to-income (RGI) and below market rental housing. In 2021, the Social Housing Registry received over 3,600 new applications for RGI and below market rental units; however, the total number of households on the CWL declined slightly between 2020 and 2021. There were 1,554 households moved from the CWL into RGI housing in 2021, and an additional 291 households were provided housing benefits, meaning at least 1,845 households were provided affordable housing options during this period. These numbers are comparable to pre-pandemic (2019) levels of the number of households housed. As of December 31, 2021, there were 12,106 households on the CWL, which is a reduction from December 31, 2020 by 465 households.

There continued to be fewer RGI units available for new occupancy in 2021 due to an on-going trend of RGI households choosing to remain in community housing once they have been paying equivalent to market rent for the allowable 24 consecutive months instead of moving elsewhere. This is primarily due to the lack of affordable housing options in the private rental market, a trend that is likely to continue in the coming years.

CMHC's most recent annual Rental Market Report observed a 2.2% increase in average market rents for purpose-built rentals in 2021. This increase is below the average for the last 10 years and is likely due to a higher vacancy rate and rent freezes issued during the pandemic. Despite 2021 having one of the highest vacancy rates in the last 25 years, options continued to be limited for lower-income households. Vacancy rates for two-bedroom apartments in the lowest rent ranges, being \$1,200 and below, fell to between 0% and 0.6%. For apartments rented at \$1,350 and above, the observed vacancy rate is 4.6%.

Based on the table below, units with two or more bedrooms are unaffordable to households in the 60th income percentile or below. For households in the 30th income percentile and below, the average rents for all unit types, including the overall average, are unaffordable. Given the lack of affordable units available to households with low and

moderate incomes, staff recognize that funds continue to be needed to subsidize the development of rental housing that is affordable to rental income decile households.

Table 1– Renter Household Income Deciles and Average Market Rents (2020-2021)

Renter Income Deciles	Maximum Affordable Rent	Average Market Rent and Determination of Affordability				
		Bachelor	1 Bedroom	2 Bedroom	3 Bedroom +	Average
	2020	\$933	\$1,178	\$1,409	\$1,624	\$1,302
	2021	\$1,000	\$1,244	\$1,514	\$1,850	\$1,402
	2022	\$1,059	\$1,280	\$1,550	\$1,881	\$1,442
Low Income Deciles 1-3 (\$31,148 and less)	\$359	No	No	No	No	No
	\$543	No	No	No	No	No
	\$779	No	No	No	No	No
Moderate Income Deciles 4-6 (from \$31,148 to \$61,500)	\$1,015	No	No	No	No	No
	\$1,260	Yes	No	No	No	No
	\$1,538	Yes	Yes	No	No	Yes
High Income Deciles 7-10 (\$61,501 and above)	\$1,858	Yes	Yes	Yes	No	Yes
	\$2,284	Yes	Yes	Yes	Yes	Yes
	\$2,972	Yes	Yes	Yes	Yes	Yes

Supportive Housing

The provision of supportive housing is an important component for ending chronic homelessness, as it allows people living with mental health and/or addiction issues to access the supports they need to achieve recovery, while living in a stable and safe

environment. For decades, investments in subsidized and affordable housing lacked the appropriate supports to allow people experiencing homelessness to retain housing and stabilize their lives.

Over the past decade, Council has recognized the gap in services for people experiencing long-term homelessness, people living with a disability or mental health and/or addiction issues and has made strategic investments in housing and homelessness initiatives, including capital for new affordable and supportive housing.

The approval of the 10-Year Housing and Homelessness Plan in 2013 further bolstered efforts to create more supportive housing with funding from all levels of government to create more housing options for people and providing more coordinated access to support services. A key component of the City's updated 10-Year Housing and Homelessness Plan approved by Council in July 2020 is that 10 per cent of new affordable housing units will be supportive housing units.

The shift over the past decade from a traditional shelter model to the creation of more supportive housing units to address chronic homelessness has led to the creation of 602 supportive units/beds across the City since 2006, with an additional 221 currently under construction.

The COVID-19 pandemic highlighted the inequities faced by those who do not have a home and the challenges they face in maintaining their safety. As a response to this, both the provincial and federal governments launched pandemic-related funding for new housing intended for people experiencing homelessness or at risk of becoming homeless. Through the federal Rapid Housing Initiative (RHI), and the provincial Social Services Relief Fund (SSRF), the City was allocated over \$76 million, which will support the construction of 184 supportive units. In 2022 alone, 106 new supportive housing units will be completed, and an additional 123 supportive housing units are expected to be complete with the next two years, which will create 229 additional permanent housing options in our community by 2024. Document 1 contains a list of supportive housing units across the City that have been funded since 2006.

Shepherds of Good Hope is an example of an organization that has shifted its model away from the provision of traditional shelter beds into investments in supportive housing. Their current supportive housing portfolio (completed and planned projects) includes a total of 337 supportive units/beds. Shepherds of Good Hope currently operates 262 shelter beds, meaning the number of supportive units they operate now exceed their shelter beds. Furthermore, Shepherds of Good Hope has committed to reducing the number of shelter beds at 256 King Edward Avenue by 48 once the 48

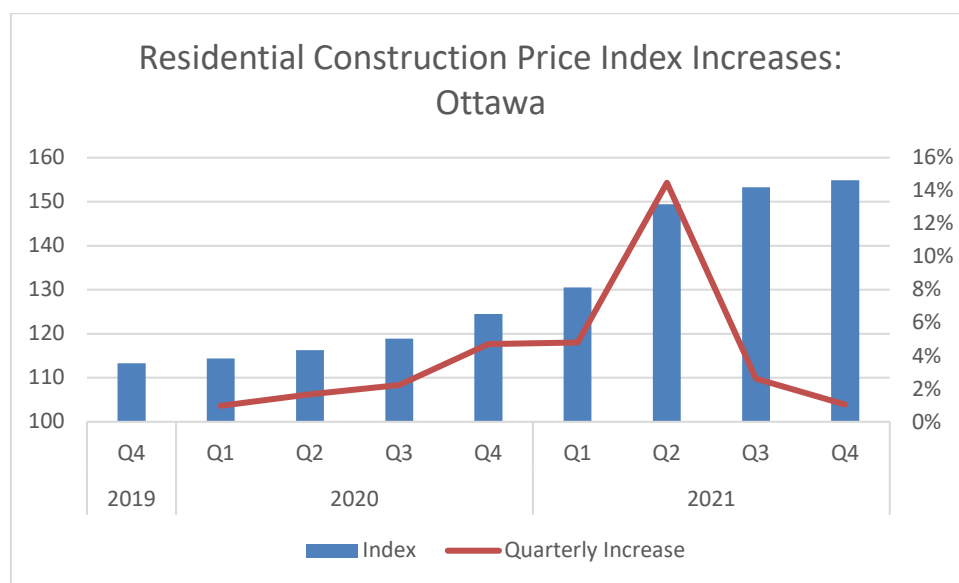
supportive housing units at 216 Murray are complete and ready for occupation.

A large percentage of the supportive housing units currently under development are intended to house women who are experiencing homelessness or at risk of homelessness. With RHI and SSRF funding, Cornerstone Housing for Women acquired an existing building at 44 Eccles Street and is converting it into 46 supportive units for women. In addition to 44 Eccles Street, Cornerstone operates four other supportive housing projects with a total of 110 supportive housing options for women. Once the Eccles project is complete, Cornerstone will operate 167 supportive units, which will exceed the number of shelter beds they currently operate. In addition to Cornerstone Housing for Women, John Howard Society of Ottawa is developing supportive housing for women at 494 Lisgar Street, which will provide 29 women experiencing homelessness a permanent place to live.

Challenges within the Construction Industry

Over the past year, the COVID-19 pandemic has continued to cause disruptions within the residential construction industry, which has impacted the ability of our not-for-profit partners to deliver affordable housing projects within original timelines and construction estimates. Beginning in 2020, the pandemic disrupted labour and supply chains, which greatly impacted the availability and cost of building materials, labour and contracts. According to Statistics Canada, cost escalations have accelerated at an even faster pace in 2022 than 2021 and as a result, both the private and not-for-profit housing sectors continue to experience significant cost increases and/or delays to their projects.

As of the fourth quarter of 2021, our not-for-profit partners were reporting cost increases of 25 to 35 percent compared to the beginning of 2020 in Ottawa. This trend is being felt across the construction industry and to varying degrees across Canada. According to Statistics Canada, the residential construction cost increases in Ottawa in 2021 represent the second highest escalation in a Canadian city behind Calgary. Since the beginning of 2020, Statistics Canada reports that residential construction costs have increased just over 36 percent in Ottawa, with 24 percent of that increase occurring in 2021.

Table 2 – Residential Construction Price Index Increases**Table 2 - Residential Construction Price Index Increases in Ottawa Graph**

According to the Altus Group 2022 Canadian Cost Guide, construction cost of a four-storey apartment building is up to \$220 per square foot, and up to \$275 per square foot for a mid-rise apartment up to 12 storeys. These figures are a baseline, which do not include site/parking costs, land costs or other soft costs such as legal and consulting fees and municipal fees and charges. Altus Group figures also assume ideal circumstances relating to site characteristics and allowable construction time. Although Altus Group does not suggest comparison of the change in per square foot costs reported year to year is advisable due to analytical changes each year, the costs reported this year are notably higher than those reported in 2019 and 2020.

Based on project-based evidence from our housing partners who are in the feasibility and pre-development phases, mid-rise housing is estimated to cost approximately \$400,000 to \$500,000 per unit once land, parking and soft costs are added, and given that many sites present more complex characteristics, particularly unit size, accessibility and energy efficiency requirements, than the Altus Group figures contemplate.

According to the data available, construction costs have risen quickly and are expected to remain high. Housing Services must therefore consider additional support for the projects that are currently under construction to ensure project stability. In 2021, the rapid increase in residential construction costs were already being felt, and through the 2021 Affordable Housing Capital Strategy report ([ACS2021-CSSGEN-007](#)) approved by Council on September 8, 2021, Housing Services set aside \$4 million in capital funding

towards contingency to manage the resulting cost escalations. The 2021 contingency budget has been fully allocated and was sufficient to stabilize our existing projects last year from inflation-related cost escalations.

The construction cost escalations are having a significant impact as we plan for and fund future projects. The Long Range Financial Plan (LRFP) for Housing Services, which was approved in 2021 ([ACS2021-FSD-FIN-0001](#)) and serves to implement The 10 Year Housing and Homelessness Plan (2020-2030) by setting out the financial commitments that will be required in order to deliver the City's affordable housing goals. The 2021 LRFP assumptions are based on construction cost estimates from 2019 and early 2020, which due to the recent unprecedented cost escalations across the construction industry, are a significant underrepresentation of the actual construction costs in 2022. As stated in the LRFP, the intention is to update the document each term of Council in order to reflect new information such as changing policy priorities, price changes and new legislated requirements. With recent construction cost escalations and uncertainty, staff expect to bring forward an updated LRFP to Council in 2023. This will allow Council to review updated cost estimates and funding requirements that will be needed to continue to keep pace with the affordable housing delivery set out in the 10 Year Plan.

This 2022 capital spending plan will not yield the number of units it would have two years ago. While the City has committed to contributing funding to Ottawa Community Housing Corporation to build 300 new affordable housing units per year through the LRFP, our ability to provide this support is being significantly impacted by escalating construction costs and interest rate increases. Additional funding will be required to deliver the number of new affordable housing units envisioned in the LRFP. As a result, the funding recommended for OCHC projects within this report is intended to keep their projects that are currently underway funded to a level that ensures continuation of construction through 2022. The Gladstone Village Phase 1 project at 933 Gladstone Avenue will be advanced to shovel ready status but construction will not commence until 2023 when it is expected that construction costs and interest rates will have stabilized and additional City funding can be allocated. Further details are provided below regarding OCHC's Rochester Heights Phase 2 and Gladstone Village Phase 1 developments. This scenario of higher per unit costs and therefore lower value per funding dollar is reflective of the current conditions across the housing industry. The LRFP refresh, which will be presented to Council within the next year, will need to reassess the required resources given today's financial climate to uphold our municipal commitment towards unit delivery goals.

Interest rate increases

In March 2020, the Bank of Canada dropped the interest rate to 0.25 in an effort to boost economic activity and offset the expected pandemic-related economic downturn. This record low interest rate was maintained by the Bank of Canada until March 2022, when the rate was increased to 0.5 percent, and then subsequently to 1.0 percent on April 13, 2022. Up to March 2022, low interest rates have benefitted our not-for-profit housing partners enabling mortgages and loans to have a high loan to cost ratio and lower than typical carrying costs on financing for loans obtained through commercial banks. Rising interest rates are now impacting the housing providers' ability to maximize primary funding through the National Housing Co-Investment Funding and Financing program.

The recent increase to interest rates is expected to continue through 2022, with some predictions that the Bank of Canada rate will be at or around 1.5 percent by the end of the year and bank lending rates will follow the same upward trend. Coupled with steep inflation rates, this signals that the cost to construct new units now and into the near future will be significantly higher than only a few years ago.

Update on 2021 Funding and Projects

Council's approval of the 2021 Affordable Housing Capital Strategy report authorized the allocation of \$21,727,904, including \$15 million in City funding, \$4,691,904 in Ontario Priorities Housing Initiative Year 3 funding, and \$2,036,000 from the short-term loan repayment by the Catholic Centre for Immigrants for the Welcome House affordable housing project. The 2021 capital strategy also approved the reallocation of \$7 million that had been allocated in 2020 to Ottawa Community Housing Corporation for their development at 933 Gladstone Avenue (Gladstone Village Phase 1) to their development at 715 Mikinak Road.

In response to the heightened challenges in the housing and homelessness sector both the provincial and federal governments provided new funding programs in 2020 and 2021. Capital funding through the Social Services Relief fund (provincial) and the Rapid Housing Initiative (federal) is supporting rapid delivery of affordable units that will benefit individuals and families experiencing homelessness or that are at high risk of homelessness. This funding, which has been issued in phases over the past two years, is supporting a total of 224 units across seven projects. Council approved Motion No. 58/12 on July 21, 2021 to allocate \$22.4 million in funding under Round 2 of the Rapid Housing Initiative and another \$10.5 million in capital funding through Phase 4 of the Social Services Relief Fund. The total new funding in 2021 was nearly \$54 million,

which is directly supporting the development of 287 new units. With all 2020 and 2021 funding sources combined, a total of 639 affordable and supportive units have been supported and are currently underway or complete. Document 2 contains a complete list of funded projects.

Action Ottawa Capital Funding

2040 Arrowsmith Drive (approximately 40 units)

In 2021, Council approved an allocation of \$5 million and land for a new development at 2040 Arrowsmith Drive, which is a City-owned parcel. A Request for Proposals (RFP) was issued on January 5, 2022 and closed on March 9, 2022. The successful proponent will be announced in May 2022 and Housing Services staff will work with the proponent to meet a target construction start of late 2022 or early 2023.

289 Carling Avenue (40 units)

In the 2021 Affordable Housing Capital Strategy, Council approved an allocation of up to \$1,200,000 from City capital to John Howard Society's project at 289 Carling Avenue to help offset additional construction costs. Construction of the project is well underway and is anticipated to be complete by the end of 2022.

765 Montreal Road (42 units)

In 2021, an allocation of \$750,000 in City capital was approved for the Shepherds of Good Hope supportive housing development at 765 Montreal Road to cover costs associated with the unforeseen requirement to relocate a hydro pole during construction of the building. The project was completed in 2021 and the units are fully occupied.

Rapid Housing Initiative (RHI) and Social Services Relief Fund (SSRF)

216 Murray (48 units)

The City selected Shepherds of Good Hope to develop and operate a Rapid Housing Initiative (RHI) funded project at 216 Murray Street in Lowertown. The City allocated a total of \$10,856,621.90 in RHI Round 1 funding in 2020 to support the project's development, as well as \$313,730 in City capital funds for the purpose of covering non-exempt development charges, planning and permit fees, and school board development charges. An additional \$2,521,389.58 in RHI Round 2 funding, \$4,696,940 in SSRF 4 funding, and \$1,123,688 in City capital was allocated to the project in 2021. This project, comprised of 48 modular units, will provide supportive housing for people experiencing homelessness, with a focus on Inuit and Indigenous people. The building will be staffed

24 hours per day and will be supported by Ottawa Inner City Health to offer health and wellness programs, such as the low-barrier drop-in program and a community soup kitchen.

A Zoning By-law Amendment for the proposed development at 216 Murray Street was approved by Council in July 2021. Council's decision was appealed by community members to the Ontario Land Tribunal (OLT), which has caused significant delays for the project. The OLT issued its decision on March 21, 2022 to dismiss the appeal. Construction is anticipated to begin in spring 2022, with an estimated completion date in mid- to late-2023.

494 Lisgar (29 units)

The John Howard Society of Ottawa was selected to receive \$13,916,362.29 in RHI Round 1 funding in 2020 to construct their 29-unit low rise modular apartment at 494 Lisgar Street in Centretown. The project also received \$624,125 in City capital funds to offset development charge costs. This supportive housing development for women, with a focus on Indigenous women, will provide tenants with 24 hour on-site supports with gender, trauma, and culturally responsive case management, and community development opportunities.

Construction of this development began in the summer of 2021 and the target completion date is at the end of 2022. Due to increases in construction costs, there is currently a budget shortfall of approximately \$3.5 million for this project. A portion of this shortfall will be covered by the contingency funding approved as part of the 2021 Capital Strategy for Affordable Housing, with the remainder covered by the contingency budget proposed as part of the 2022 capital strategy.

145 Castlefrank (8 units)

RHI funding was awarded to Shepherds of Good Hope to add eight units to the ground floor of their existing three-storey Hope Living Residential Service Home at 145 Castlefrank Road in Kanata. The City allocated \$1,300,427.50 in RHI Round 1 funding and \$117,100 in City capital funds to create fully accessible and supportive units to add to the project's 93 existing supportive housing beds. The 8 additional units will serve those experiencing homelessness, or those at risk of homelessness, with a prioritization on Indigenous individuals. The pre-existing 93 supportive housing beds will continue to service elderly individuals with complex mental health challenges. This project is now substantially complete and Shepherds of Good Hope is in the process of selecting tenants for the new units.

3380 Jockvale (32 units)

OCHC is receiving a City-owned parcel of land to build affordable housing for families at 3380 Jockvale Road in Barrhaven. Phase 1 of the project will provide 32 modular units and has been awarded RHI Round 1 funding in the amount of \$5,855,626.31 and \$4,000,000 in SSRF funding. The City also granted a total of \$1,709,280 in capital funds to offset fees and development charges. The project will address the City's shortfall of family sized units and will reduce the number of families in the emergency shelter system, including newcomers and refugees.

In a motion to Council on January 27, 2021 ([Motion No. 47/14](#)), which addressed the projects receiving SSRF and RHI funding, Council authorized the lands at 3380 Jockvale Road to be leased to OCHC in order to meet the requirements set out in the funding programs. Council further required staff to report back to finalize the transfer of ownership of the lands to OCHC.

The land lease was executed on January 31, 2021. Staff brought forward a report to the Finance and Economic Development Committee on February 1, 2022, and Council approved the report on February 23, 2022, allowing the transfer of the land on the condition that it be used to develop affordable housing. The transfer is expected to be finalized in Q2 of 2022.

The building permit and site plan control applications for 3380 Jockvale Road are presently under concurrent review, with a goal of beginning construction later this year.

254 & 256 St Denis (12 units)

In response to a Request for Expressions of Interest, the City selected Gignul Non-Profit Housing Corporation to receive RHI Round 2 funding to develop an affordable housing project at 254 & 256 St Denis. The contribution agreement executed between the City and Gignul allocates \$4,195,117 in RHI 2 funding for capital costs and an additional \$384,309 in City capital funding for the purposes of environmental cleanup, non-exempt development charges, planning and permit fees, and school board development charges.

This development will include two 6-unit stacked dwellings, for a total of 12 units, which are intended to be occupied by Indigenous households. The new units will replace three units that were destroyed by fire in 2020. Construction of this development is anticipated to begin in summer 2022, with an expected completion date by late 2023.

44 Eccles (46 units)

RHI Round 2 and SSRF4 allocations were also awarded to Cornerstone Housing for Women for a supportive housing project to be located at 44 Eccles Street. The City allocated \$15,727,190 in RHI 2 funding and \$4,173,209 in provincial SSRF4 funding. In addition to these sources of funding, the City has allocated \$1,575,416 in capital funds to offset capital expenditures, non-exempt development charges, planning and permit fees, and school board development charges.

1095 Merivale (57 units)

Shepherds of Good Hope has been allocated a total of \$13,170,001, with \$4,850,000 of that being municipal capital grants and the remainder from Social Services Relief Funding (Phases 2 and 4). This funding has been used in part for the purchase of the property and buildings, which were formerly privately held and operated as a residential service home (Parklane Residence). The funding is also being used for an extensive renovation of the existing building on site. Once complete, the building will offer 57 individual occupancy supportive housing units.

Interior demolition works have been completed and construction has begun to create the new units. Supply chain challenges have caused some scheduling delays, resulting in a target completion date in fall 2022.

Ontario Priorities Housing Initiative (OPHI) Funding

159 Forward Avenue (49 units)

In the 2021 Affordable Housing Capital Strategy, Council approved an allocation of \$2,700,000 from Ontario Priorities Housing Initiative (OPHI) funding for the affordable housing development at 159 Forward Avenue owned by Centretown Citizens Ottawa Corporation. Due to unforeseen cost escalations that impacted the viability of the project, \$991,904 in additional OPHI funding for a total of \$3,691,904. This development is currently under construction and is anticipated to be complete in 2023.

Black-led Family Housing Pilot Project

In October 2021, the City issued a Request for Proposals to allocate funding to not-for-profit organizations that would provide affordable rental housing for Black-led households from the Centralized Waiting List. The submission deadline for proposals closed on December 1st, 2021, and several proposals were received. An evaluation committee was assembled, composed of City staff and stakeholders, who awarded

funding to the African Canadian Association of Ottawa (ACAO).

ACAO was awarded a \$350,000 grant and \$650,000 short term loan to acquire a semi-detached building containing two large three-bedroom units at 881-883 Pinecrest Road. The units will be reserved for Black-led households from the Centralized Waiting List (CWL). In March of this year, two large families were selected from the CWL and moved from temporary shelter into this permanent housing. The City will work with ACAO as a new affordable housing provider to support them in building their capacity to deliver additional affordable units in the future.

This RFP was issued as a pilot to a targeted segment of the community as a means of building capacity in the not-for-profit housing sector where capacity is otherwise limited. Given the interest generated by the RFP, staff consider the pilot to be successful in terms of identifying that there is interest by community organizations to broaden their mandates into the delivery of affordable housing. However, the pilot also highlighted that the scale of these projects will need to be very limited from both a capital and operating perspective while these organizations gain experience in delivering and managing a portfolio of affordable housing. Staff will build on the lessons learned through this pilot and will continue to recommend to Council that further pilot strategies be considered in the future to build capacity in the delivery of affordable housing.

Ottawa Community Housing Corporation

715 Mikinak Road (271 units)

Ottawa Community Housing Corporation has begun construction on a large development at 715 Mikinak Road, which is comprised of 271 affordable units across three buildings. The City has provided a significant investment into this project, with \$10.3 million from the 2019 City capital funds allocated to two of the buildings on site. In 2020, \$2.62 million from OPHI was allocated to the third building at 715 Mikinak Road.

In 2021, \$7 million of OCHC's 2020 allocation of \$8 million for 933 Gladstone Avenue (Gladstone Village) was redirected to 715 Mikinak Road to ensure viability of the project. The third building in the proposed development was originally intended to be constructed by OCHC and owned and operated by an organization within the developmental disabilities sector. A Request for Proposals was issued in late 2020 to the developmental services sector to seek a partnership with OCHC to develop this building; however, the sector was unable to form a partnership and submit a viable proposal. OCHC has agreed to continue to advance construction of the third building and will again engage with Housing Services and the developmental services sector to

identify partner agencies. These 42 new units are expected to be complete in the fall of 2023.

Gladstone Village Phase 1 and Rochester Heights Phase 2

Ottawa Community Housing Corporation continues to make steady progress through the development approvals process for both Gladstone Village Phase 1 at 933 Gladstone Avenue and Rochester Heights Phase 2 at 818 Gladstone Avenue. These projects will deliver over 600 affordable units once complete and were originally expected to be under construction later this year, with initial occupancy targeted for 2024.

The initial cost estimates for these projects were derived in 2019/2020, and Council approved a municipal capital funding allocation of \$10,000,000 towards the projects through the 2020 Capital Plan to support OCHC's National Housing Co-Investment Funding application with CMHC. In 2021, Council approved the redirection of \$7,000,000 of the 2020 allocation to OCHC's 715 Mikinak Road development.

Rochester Heights Phase 2 is currently undergoing site plan review for the entire project, which includes two mid-rise apartment buildings and three blocks of stacked townhouse units. Having refined the project design in 2021, OCHC is now planning to deliver a total of 270 units, a 50 unit increase from the originally planned 220 units.

A plan of subdivision application and site plan control application are currently under review for Gladstone Village. The subdivision application will establish the lot and road fabric for the entire 3.3-hectare parcel, while the site plan will provide the necessary approvals for the first development phase of the project, which includes 18-storey and 8-storey apartment buildings, as well as townhouses.

Both the Gladstone Village Phase 1 and Rochester Heights Phase 2 projects have progressed significantly over the past year and are expected to be shovel-ready later this year. However, based on revised 2022 project cost estimates, this report is recommending an allocation of \$10,000,000 from the 2022 capital budget be directed to Rochester Heights Phase 2 given that it is at a more advanced development stage, recognizing that additional funding may be needed to deliver all 270 planned units. Consideration will also be given to the funding that is required to advance Gladstone Village Phase 1 to the construction stage when the LRFP is revised later this year or Q1 2023.

Pre-Development Funding (2019 & 2020 Capital Plans)

Housing Services has placed a significant emphasis over the past few years on supporting projects with the not-for-profit housing sector through the pre-development process. This strategy allows our not-for-profit partners to move their projects to shovel-ready status. This pre-development investment means that when the provincial and federal governments announce new funding, Housing Services is positioned to act quickly and can allocate funding to projects that can begin construction immediately. Establishing a continuous pipeline of shovel-ready projects will result in faster unit delivery in the future and ensure that upcoming funding opportunities are optimized.

Of the seven projects that received pre-development funding through the 2019 and 2020 Affordable Housing Capital Strategy reports, Nepean Housing has the most advanced project, having completed their pre-development work. The project at Dunbar Court, which is comprised of 31 units, is now construction ready. Ellwood House also expects to be shovel-ready this fall, with a proposed 38-unit addition to their existing building, intended to provide affordable units for older adults. The remaining projects are at various stages of the pre-development process, and all continue to progress towards being construction ready. A list of funded pre-development projects is provided in Document 3.

Pre-Development Funding and Indigenous-Focused Projects

To maintain a steady stream of projects in the pre-development pipeline, the 2021 Affordable Housing Capital Strategy recommended \$300,000 in unspent 2019/2020 pre-development funding be directed towards Indigenous housing projects. With this authority, in combination with the authority granted in 2019 and 2020, Housing Services issued a Request for Proposals (RFP) in March 2022 to allocate up to \$1,000,000 for pre-development work to the not-for-profit sector, with an emphasis being placed on Indigenous housing projects. The intention is to provide pre-development support to multiples projects to increase the number of projects in the pipeline. Preferential scoring will be awarded for housing geared towards Indigenous populations. Successful projects may be allocated up to \$200,000 each. The RFP closed in early May and the review and selection process is currently underway.

1770 Heatherington

Pre-development funding is being used to prepare the City-owned site at 1770 Heatherington for affordable housing development. Construction of the Boys and Girls Club building is nearing completion and represents the first phase of development at

1770 Heatherington Road. Housing Services has determined the intended pre-development approach that will be taken to see the balance of the site developed for affordable housing, along with a new public roadway and local park. The 2021 Affordable Housing Capital Strategy report stated an intention to issue a Request for Proposals (RFP) to secure not-for-profit partnership for the redevelopment of this project. As a result of further due diligence, staff have determined that the most efficient approach to development of this site is to undertake much of the pre-development work in-house, in advance of issuing RFPs to the affordable housing sector. Staff are currently advancing applications for plan of subdivision and a zoning by-law amendment. This will establish a development framework and create the intended development blocks. Funding from the 2020 pre-development allocation remains available and is expected to fund these pre-development expenses. Based on the intended schedule, funding for construction of the local road will need to be considered in 2023. An RFP is expected to be issued in 2023 to seek housing partners to build the units to complete this new community.

Ontario Renovates

The 2019 Ontario Priorities Housing Initiative (2019-2022) and City Capital Investment Plan for Affordable Housing report ([ACS2019-CSS-GEN-0008](#)) approved the annual allocation of \$1,200,000 in Ontario Renovates funding, including the 2021-2022 allocation. This program provides up to \$20,000 in forgivable loans and grants to low- and moderate-income homeowners who are seniors or persons with disabilities for the purpose of major repairs and accessibility modifications to their home. Private landlords (and tenants) are also eligible for accessibility modifications.

In 2019, the Province and City Council approved the expansion of eligibility requirements for the Ontario Renovates funding program to make it available to Community Housing providers for accessibility modifications. There has been significant uptake in the expanded program, and in 2021, \$600,000 of the \$1,200,000 Ontario Renovates funds were allocated to Community Housing providers.

The 2021 Affordable Housing Capital Strategy report approved the release of a Request for Proposals for up to \$1 million of the Ontario Renovates funds to seek interest from private market landlords to receive up to \$50,000 per unit for repairs and accessibility modifications in return for the provision of an affordable rental unit for a 15-year term. The RFP was released in the fall of 2021; however, there was little interest from the sector and no qualifying proposals were received. These funds were re-allocated to other qualifying applicants under the Ontario Renovates program, including Community

Housing providers.

Surplus Lands

The Interdepartmental Task Force on Affordable Housing Near Transit Stations ([ACS2019-PIE-GEN-0001](#)), the Building Better Revitalized Neighbourhoods program, as well as the City's Disposal of Surplus Lands policy, continue to provide opportunities for Housing Services to obtain land for the future development of affordable housing. Housing Services has identified several City-owned properties that are being held and currently under review to determine their potential as future affordable housing sites.

Through 2022, staff will be finalizing a preliminary feasibility analysis of various sites that are available and have potential for housing development. Due to recent inflationary pressures on the construction industry and anticipated interest rate increases in 2022, the City's financial contribution towards affordable housing through land contributions has become critical as we seek to advance economically viable projects. Staff will report to Council in Q1 2023 with requests to deem surplus the lands that are determined to be appropriate and available for affordable housing development in the near term.

DISCUSSION

The purpose of this report is to bring forward the proposed spending for the City's 2022 affordable housing commitment of \$15 million, in addition to \$5.4 million from Year 4 (2022-2023) of the Ontario Priorities Housing Initiative (OPHI), and up to \$13.3 million in the Housing Reserve. Despite challenges associated with construction cost escalations, the following spending recommendations will provide financial support towards affordable units targeting both low- and moderate-income individuals and households, supportive housing units, and accessible units for Ottawa residents.

2022 Proposed Spending

To ensure stability for the housing projects currently underway and to continue to increase the amount of affordable housing units within the city, Housing Services recommends that the \$33,746,000 capital budget for 2022 be allocated as follows:

\$10 million in City capital to Ottawa Community Housing Corporation to support construction of Rochester Heights Phase 2 (818 Gladstone Avenue)

In 2020, Gladstone Village Phase 1 and Rochester Heights Phase 2 were collectively allocated \$10 million to support OCHC's National Housing Strategy Co-Investment application for these projects. In 2021, \$7 million of the original 2020 allocation was

redirected to OCHC's project at 715 Mikinak Road. This new 2022 allocation of \$10 million will reimburse the \$7 million transferred to Mikinak and is intended to provide funding to support a construction start in 2022.

The initial municipal capital contribution for the two projects was based on project cost estimates that were determined in 2019 and 2020. Due to a combination of factors, project costs have increased significantly since that time.

For Rochester Heights Phase 2, OCHC has increased their unit count from 220 units to 270 units. Housing Services is supportive of this change and supports funding the additional units. OCHC is also impacted by the significant pandemic-related cost escalations that have occurred between 2020 and now. Additionally, with the cost of borrowing increasing, CMHC financing rates and equity requirements are also impacted. These factors combine to make Gladstone Village Phase 1 and Rochester Heights Phase 2 significantly more costly than the 2019-2020 project cost estimates had considered to the extent that it is not currently possible to fully fund both projects.

It is recommended that the 2022 allocation of \$10 million be directed to the Rochester Heights Phase 2 project, which will contribute to the initial capital required to support an amended CMHC's Co-investment financing agreement. This will allow OCHC to begin construction on the Rochester Heights Phase 2 development as planned in 2022. Funding requirements for Gladstone Village, as well as OCHC's portfolio of future projects, will need to be assessed as part of an update to the Housing Services Long Range Financial Plan early in the new term of Council.

Up to \$7,200,000 be allocated to Nepean Housing Corporation for their development of 31 affordable housing units at Dunbar Court;

In March 2022, the provincial government, through the Ministry of Municipal Affairs and Housing, announced the fourth year of Ontario Priorities Housing Initiative (OPHI) funding, with a total allocation of \$5,595,500 for Ottawa. The capital rental housing component of this allocation is \$4,200,000. It is recommended that this OPHI funding be combined with up to \$3,000,000 in City funds for a total of \$7,200,000 to Nepean Housing for their project at 1 Dunbar Court.

Nepean Housing was previously allocated \$200,000 in pre-development funding to redevelop part of the existing community at 1 Dunbar Court. An additional \$160,000 was allocated to the project in 2021, for a total contribution of \$360,000 for Nepean Housing's pre-development activities. With this support, Nepean Housing was able to successfully obtain all necessary planning approvals for their proposed development,

which included a Zoning By-law Amendment and Site Plan Control application. The Zoning By-law Amendment was approved by Council on May 26, 2021, and the Site Plan Control application was approved through delegated authority on September 15, 2021. The project is now construction ready.

The proposed development is comprised of a three-storey apartment building with 31 units and will replace an existing townhouse block on the site, which contains four units. Nepean Housing anticipates submitting a building permit application in the summer of 2022, with an estimated construction start date of late 2022 or early 2023.

Prior to entering into a contribution agreement with Nepean Housing, Housing Services will require that Nepean Housing apply to the CMHC National Co-Investment Fund and other programs as directed to ensure that optimal funding and financing is obtained for the site.

Up to \$2,000,000 from the city capital funds be allocated through a Request for Proposals (RFP) for private sector developers to deliver affordable rental units in conjunction with National Housing Strategy programs.

Staff are currently developing mechanisms that will encourage or incentivize private sector developers to include affordable units in their development proposals. Even without additional incentives, Housing Services staff regularly receive requests from private sector developers for support for their purpose-built rental development proposals in exchange for the provision of units they consider to be affordable. These requests are largely driven by their applications to CMHC under its National Housing Strategy financing programs that offer favourable financing terms to developers in exchange for the provision of 30% of units being offered at an affordable rent for a 20-year term. CMHC often scores proposals higher if there is an agreement with the municipality and the applicant.

Staff recommend that a pilot RFP be developed in consultation with CMHC to provide up to \$2,000,000 in funds from the 2022 capital budget to offer financial incentives to the private sector. Proposals will be ranked by how many units are provided, level of affordability, and proposed term of the agreement. Staff recommend that the proposed RFP requires rents to be set at a minimum of 80% of the city-wide Average Market Rent (AMR) or neighbourhood AMR, whichever is lower, for a minimum period of 30 years. These funds could be allocated as a capital contribution or to offset development charges and other fees at the planning approvals stage.

The benefit of such a program to developers goes beyond the financial contribution from

the City, as these funds can be used to leverage CMHC programs and help improve their overall application scores under CMHC's competitive process to bring their projects closer to the front of the queue for selection.

Additional incentive programs are currently underway. Housing Services staff are in the early stages of developing an affordable housing Community Improvement Plan (CIP). The CIP project is expected to explore fee relief or tax increment equivalent grants to developers in exchange for affordable units. The CIP will be open to public consultation in late 2022 and is planned to be presented to Council for consideration in early 2023.

Staff also continue to undertake due diligence and consultation for the implementation of Inclusionary Zoning, as was recently permitted by the Planning Act. Inclusionary Zoning would require development proposals of a certain scale located within designated areas to include units that are offered at less than market rates. Further information about the status of this work is expected to be presented to Council later this year.

Up to \$1,200,000 be allocated to Ontario Renovates, with up to \$600,000 of that allocation to be made available to Community Housing for capital repairs and accessibility modifications, and up to \$300,000 to be made available to not-for-profit landlords as an expansion of the existing Ontario Renovates program.

The proposed spending for Ontario Renovates in 2022 will expand the eligibility requirements to consider applications from both Community Housing providers and not-for-profit landlords, in addition to seniors and persons with disabilities who own their home who are currently eligible under the program. Of the total \$1.2 million, up to \$600,000 will be allocated to Community Housing providers to fund essential repairs and/or accessibility modifications. Similarly, up to \$300,000 will be available to not-for-profit landlords to undertake such repairs and modifications. Funding will be provided as a forgivable loan, up to \$50,000 per unit. The balance of the funds will continue to support the existing Ontario Renovates program for seniors and those with disabilities.

That the Director, Housing Services, be delegated authority to allocate the \$12,500,000 2021 budget surplus in addition to the balance in the Housing Reserve of \$846,000 towards a contingency budget totalling \$13,346,000 and to fund not-for-profit housing provider acquisitions, as set out in the report, with any unspent funds to be allocated through the 2023 capital budget:

In 2021, Housing Services had a budget surplus of \$7.5 million due to pandemic-related funding provided by the provincial and federal governments to address community

needs during the pandemic. In accordance with the *Housing Reserve By-law*, the \$7.5 million surplus will be contributed to the Housing Reserve. In addition to the \$7.5 million budget surplus identified in the 2021 Tax and Rate Supported Operating Surplus/Deficit report, on April 13, [Motion No. 74/5](#) was approved by Council to redirect \$5 million from the City's 2021 budget surplus to the Housing Reserve Fund to support existing projects and to allow for future acquisitions of existing affordable market rental units. There is an existing balance in the Housing Reserve in the amount of \$846,000. It is recommended that the total \$13,346,000 in the Housing Reserve be allocated, on an as-needed basis, as contingency for affordable housing projects currently under construction and at risk due to unforeseen cost escalations, and/or for strategic acquisitions that will ensure retention of existing affordable market rental units, while also supporting individuals and families exiting physical distancing centres and family shelters.

For the past two years, the COVID-19 pandemic has caused significant disruptions within the residential construction industry, which has impacted the ability of our not-for-profit partners to deliver affordable housing projects on time and on budget. In 2020, we began to see a significant increase in building material prices, in addition to supply chain issues, which greatly impacted the availability of building materials. Cost escalations have accelerated at an even faster pace in 2022 than in 2021. As a result, the not-for-profit housing sector continues to experience significant project cost increases and delays. As of late 2021, our not-for-profit partners were reporting cost increases of least 25 to 35 per cent compared to the beginning of 2020.

To ensure the projects we have funded since 2020 remain viable, Housing Services has had to consider additional support for projects currently under construction. Previously, as part of the 2021 Affordable Housing Capital Plan report, Council approved a \$4 million contingency fund to manage cost escalations. That 2021 contingency has been adequate to stabilize some projects from inflation-related cost escalations. Part of this \$4 million contingency is to be allocated to 494 Lisgar Street, which was funded in 2020 with \$13.9 million in RHI Round 1 funding. The original project budget was estimated to be \$13,916,362. Due to construction cost increases, the revised budget puts the total project cost at approximately \$17,455,315, which means there is a funding shortfall of approximately \$3,538,953. It is estimated that approximately \$1.8 million of this shortfall can be covered with the 2021 contingency funds, with the remaining shortfall to be covered by the recommended 2022 contingency fund.

Another project that has been identified as requiring additional funding due to cost escalations is the Christ Church Bells Corners development at 3865 Old Richmond Road. At this point, it is unknown how much of a shortfall there will be, but it is

estimated to be approximately \$500,000. This project is funded by the National Housing Strategy's Co-Investment Funding as well as Ontario Priorities Housing Initiative and City capital funding, and negotiations are ongoing to share the additional costs between the City and CMHC.

Based on the current economic climate, staff are expecting that many ongoing projects will require additional funds to manage increasing project costs. Opportunities to share the cost overrun for projects with other levels of government are being encouraged where possible.

The Housing Reserve funds may also be allocated to support the City's transition planning from physical distancing centres to permanent housing options, as outlined in the April 13, 2022 Respite Services Plan report ([ACS-2022-CSS-GEN-002](#)). Housing Services will work with not-for-profit housing providers to purchase properties that have been identified as providing needed affordable rental housing that may be at risk of redevelopment, or which may serve to provide accommodation that will allow individuals and families to exit physical distancing centres, shelters or hotels. This will allow selected housing providers to act quickly as properties become available.

It is recommended that any remaining funding from the \$13,346,000 contingency and acquisition budget be left in the Housing Reserve and allocated through the 2023 Affordable Housing Capital Strategy in early 2023. The focus in the short term is to stabilize projects currently underway that have been impacted by cost escalations, supply chain issues, and increased interest rates. In late 2022 or early 2023, staff will have a better sense of additional pressures and/or additional sources of funding that may become available over the next 9-12 months. Additionally, staff anticipate having a better sense of whether pandemic-related construction cost escalations and interest rates are stabilizing by early 2023. At that point in time, staff can better determine how the balance of the funding in the Housing Reserve can best be used to support ongoing or new affordable housing projects.

That in the event additional funding becomes available under the federal Rapid Housing Initiative and/or the provincial Social Services Relief Fund, that the Director, Housing Services, be delegated authority to prepare and submit an Investment Plan to the federal and/or provincial governments outlining the proposed allocation of funding, and staff be directed to bring a report to Council in Q4 2022/Q1 2023 to inform of the allocations.

As part of the 2022 federal budget, it was announced that the Rapid Housing Initiative will be extended through a Canada-wide \$1.5 billion investment over two years to create

at least 6,000 new units intended for people experiencing homelessness or at risk of homelessness. It is unknown at this time if Ottawa will receive an allocation under Round 3 of the Rapid Housing Initiative but in the event the federal government allocates funding to Ottawa under RHI Round 3, staff recommend Council delegate authority to the Director, Housing Services, to enter into an agreement with CMHC and allocate the funding to ensure we meet the timelines associated with the RHI program.

In March 2022, the Ministry of Municipal Affairs and Housing indicated to the City that additional funding under the Social Services Relief Fund (SSRF) will be made available in 2022 to help sustain vital services for vulnerable Ontarians, including housing and homelessness programs. The City's allocation under SSRF Round 5 will not be used to support capital projects, but in the event the Province issues a sixth tranche of funding, staff recommend Council delegate authority to the Director, Housing Services, to determine how the funds are to be allocated.

RURAL IMPLICATIONS

N/A

COMMENTS BY THE WARD COUNCILLOR(S)

N/A

ADVISORY COMMITTEE(S) COMMENTS

Housing Services presented the highlights of the 2022 Affordable Housing Capital Strategy and Update to the Accessibility Advisory Committee on April 12, 2022, and the presentation was received by the committee.

LEGAL IMPLICATIONS

There are no legal impediments to the implementation of the report recommendations.

RISK MANAGEMENT IMPLICATIONS

As part of a comprehensive risk management strategy, staff will monitor expenditures closely and take the necessary proactive steps to ensure the financial viability of projects and maximize the use of available funds to avoid any loss in funding.

FINANCIAL IMPLICATIONS

Council recently approved the transfer of \$12.5 million from the 2021 budget surplus to the Housing Reserve Fund of which \$7.5 million is from the housing surplus and \$5

million is from the city-wide operating surplus. This report recommends that the Housing Reserve Fund balance of \$13.3 million be allocated towards a contingency budget to stabilize existing capital projects and to fund strategic acquisitions for not-for-profit partners.

Any unspent funds from the Housing Reserve would be recommended for allocation through the 2023 capital budget.

ACCESSIBILITY IMPACTS

Visitable and accessible dwelling units are a requirement under the Ontario Building Code, Canada Mortgage Housing Corporation National Housing Co-Investment Fund programs and the City's Action Ottawa program. Any RFP or Contribution Agreement associated with projects discussed in this report will include requirements for visitable and accessible units.

The 10 Year Housing and Homelessness Plan aims for 10% of all new affordable units to be accessible.

INDIGENOUS, GENDER AND EQUITY IMPLICATIONS

Indigenous Policy Considerations

Housing Services continues to work towards its goal of reducing Indigenous homelessness by 25%. Funding was distributed to support the development of Indigenous-specific housing and affordable housing projects that will prioritize Indigenous peoples experiencing homelessness. These developments include 216 Murray Street, 494 Lisgar Street, 145 Castlefrank Road, and 256 St-Denis Street.

The funding commitments for these projects will assist in addressing the shortfall of Indigenous-specific housing in Ottawa and recognizes the need for tailored solutions to address Indigenous homelessness. In Ottawa, and in many other large urban centres, Indigenous peoples are overrepresented in the homelessness sector. In the 2021 City of Ottawa point-in-time count, 33% of respondents experiencing homelessness self-identified as Indigenous, while only 4% of Ottawa's population are Indigenous peoples.

Gender and Equity Implications

Many of the affordable and supportive housing units currently under construction and supported by the capital funding outlined in this report are targeted to women experiencing homelessness. Under the RHI program, a minimum of 30% of units are required to be targeted to women. The project at 494 Lisgar Street is intended to

provide 29 women experiencing homelessness with a permanent place to live.

TERM OF COUNCIL PRIORITIES

This report supports the Thriving Communities Council priority by allocating funding to increase affordable housing options across the city to ensure residents have access to safe, adequate, and affordable housing.

SUPPORTING DOCUMENTATION

Document 1 – Supportive Housing Units

Document 2 – Status of Funded Developments

Document 3 – Pre-development Projects Underway

DISPOSITION

The allocations will advance the objectives of the 10 Year Housing and Homelessness Plan by creating affordable and rental affordability for residents.

Housing staff, in consultation with other departments, will action the recommendations.

Document 1 – Supportive Housing Units

Address	Ward	Number of supportive housing units	Year Funded
259 St. Anne Avenue (John Howard Society of Ottawa)	12	25	2006
1053, 1057 Merivale Road (Shepherds of Good Hope)	16	55	2009
314 Booth Street (Cornerstone Housing for Women)	14	42	2011
308 Cambridge Street (John Howard Society of Ottawa)	14	24	2013
1239 Summerville Avenue (Cornerstone Housing for Women)	16	18	2013
1604 Pullen Avenue (Personal Choice Independent Living)	18	11	2014
318-322 Gardner Street (John Howard Society of Ottawa)	12	34	2015
1486 Clementine Blvd (Ottawa Salus Corporation)	17	42	2016
1900 St. Joseph Blvd (Montfort Renaissance)	2	48	2016
373 Princeton Avenue (Cornerstone Housing for Women)	15	42	2018

55-59 Carruthers Avenue John Howard Society of Ottawa)	15	36	2018
765 Montreal Road (Shepherds of Good Hope)	13	40	2018
745 Mikinak Road (Multifaith Housing Initiative)	13	40	2021
161 Presland Avenue (Holland Properties Association)	13	30	2019
289 Carling Avenue (John Howard Society of Ottawa)	17	40	2019
500 Lisgar Street (John Howard Society of Ottawa)	14	29	2021
216 Murray Street (Shepherds of Good Hope)	12	48	2021
1083, 1095 Merivale Road (Shepherds of Good Hope)	16	57	2021
92 Florence (Holland Properties Association)	14	9	2021
145 Castlefrank Road (Shepherds of Good Hope)	23	101 *8 units funded in 2021.	2021
44 Eccles Street (Cornerstone)	14	46	2021
Total		816	

Table 1 - Supportive Housing Units

Document 2 – Status of Funded Developments

Address	Housing Provider	# of units	Unit type	2020 Funding	2021 Funding	Status
3380 Jockvale Road	Ottawa Community Housing Corporation	32	Families/ mixed units	\$11,564,906	\$5,877,549	Planning approvals
145 Castlefrank Road	Shepherds of Good Hope	8	Supportive units for seniors	\$1,417,528		Complete
494 Lisgar Street	John Howard Society of Ottawa	29	Supportive units for women	\$14,540,487		Under construction
216 Murray Street	Shepherds of Good Hope	48	Supportive units for men and women	\$11,692,031.90	\$8,524,815.58	Under construction
256 St-Denis Street	Gignul Non-profit Housing Corporation	12	Mixed units for Indigenous peoples		\$4,579,426	Planning approvals
1095 Merivale Road	Shepherds of Good Hope	57	Supportive units		\$13,170,001	Under construction
92 Florence Street	Holland Properties Association	9	Supportive rooming units		\$1,234,798	Under construction
159 Forward Avenue	Centretown Citizens Ottawa	49	Mixed units	\$226,200	\$3,691,904	Under construction

	Corporation					
2040 Arrowsmith Drive	TBD	~40	Seniors		\$5,000,000	Pre-developme nt/propone nt selection
881-883 Pinecrest Road	African Canadian Association of Ottawa	2	Family units		\$750,000	Complete
715 Mikinak Road	Ottawa Community Housing Corporation	271	Mixed units	\$12,528,767	\$12,395,688	Under constructio n
289 Carling Avenue	John Howard Society of Ottawa	40	Supportiv e units		\$1,200,000	Under constructio n
765 Montreal Road	Shepherds of Good Hope	42	Supportiv e units		\$750,000	Complete
Totals		639		\$51,969,919.9 0	\$57,174,181.6 0	

Table 2 - Status of Funded Developments

Document 3 - Pre-Development Projects Underway

Project	Provider	Target Client Group	Unit Count (approx.)	Project Status
Julian of Norwich at 8 Withrow Ave	Anglican Diocese/MHI	Families/mixed	65	Feasibility Analysis
Dunbar Court	Nepean Housing	Mixed	31	Construction-ready
Carruthers/Armstrong/ Putman (CAPs)	CCOC	Mixed	24	Preparing development application
Ellwood House Extension at 2262 Braeside Drive	Ellwood House	Older Adults	38	Site Plan under review; Construction Ready in Fall 2022
St. Patrick's Home at 2865 Riverside Drive	St. Patrick's Home of Ottawa	Older Adults	133	Zoning Approved; Site Plan to be Submitted
Total number of units in pre-development			291	

Table 3 - Pre-development Projects Underway