

MEMORANDUM

TO: Mayor's Taskforce on Building More Homes Advisory Committee

FROM: Summer Stevenson, Project Manager – Housing Accelerator

DATE: April 16, 2025

RE: **Response to Feedback on the Affordable Rental Housing Funding Program**

The purpose of this memorandum is to address the feedback received during the Affordable Rental Housing Funding Program discussion at the March 19, 2025, meeting of the Mayor's Taskforce on Building More Homes Advisory Committee (Taskforce).

This action aligns with the following item in the Taskforce Workplan, "Review municipal tools for incentivizing diverse, affordable, accessible, and sustainable housing."

March Meeting Summary

At the March 19, 2025, Committee Meeting the Taskforce undertook a review of Thunder Bay's Housing Accelerator Program's definition of "affordable" as outlined in the Affordable Rental Housing Funding Program policy. The Taskforce was presented with, and discussed, the following documents:

1. Affordable Rental Housing Funding Program (Policy 02-06-01)
2. Memorandum from Coordinator Cunningham, Affordable Rental Housing Funding Program Update dated March 11, 2025.
3. Memorandum from Project Manager Stevenson, Affordable Rental Housing Funding Program – Defining Affordable dated March 12, 2025.

The Taskforce was in support of the recommendation included in the Affordable Rental Housing Funding Program – Defining Affordable memorandum dated March 12, 2025. Two minor changes were made to the proposed definition of "Affordable Unit" to reference the 60th income percentile threshold for renter households and utilities. In addition, 'at the time of application submission' was added to differentiate the program from rent-geared-to-income programs.

Revised Recommendation

Amended Policy 02-06-01 is included in the Committee Meeting Agenda Package. A summary of changes is provided below:

1. Housekeeping adjustment to the definition of "Market Units" to remove AMR and allow for greater flexibility.
 - **Proposed change:** "Market Units" are rental housing units whereby the rent of a unit is set at the market rate, by bedroom type, in the regional market area.

2. Housekeeping adjustment to the definition of “Affordable Unit” to provide greater flexibility to applicants.
 - **Proposed change:** “Affordable Units” are rental housing units whereby the rent of a unit, **inclusive of all utilities**, does not exceed 30% of gross annual household income **for low-and-moderate-income** renter households **at or below the 60th income percentile**, in the regional market area **at the time of application submission**, for a minimum of 10 years.
3. Revised Section 9.0, 9.1 Preferred Evaluation Criteria – Magnitude and depth of affordability to remove AMR and include core housing need.
 - **Proposed change:** Magnitude and depth of affordability
 - i. Projects that propose more than 30% of the units be affordable.
 - ii. Projects that propose a deeper level of affordability, specifically for low-income households in the 10th to 30th percentiles or larger units for moderate-income households in the 40th to 60th percentiles.
 - iii. Projects that address Thunder Bay’s affordable housing deficit, by number of bedrooms, as determined by the Housing Needs Assessment Tool.
4. Removal of “Average Market Rent” definition as the term is no longer included in the Policy document.
5. Housekeeping adjustments to reflect the November 2024 Corporate Reorganization.

Further Feedback

In addition to reviewing the definition of affordable, the Taskforce discussed the lessons learned from the first intake of the Affordable Rental Housing Funding Program. Discussion topics included:

- **Funding disbursement process.** Specifically, the limitations of a reimbursement-based funding model for Not-for-Profit organizations that do not have the cashflow to pay for the upfront costs required to get a project to the building permit stage.
- **Land ownership requirements.** Land is a significant upfront investment. Is there an opportunity for Not-for-Profits to partner with landowners and still qualify for the grant?
- **Opportunities to provide seed funding.** To encourage additional projects, seed funding might provide a “push” that organizations need to move forward. Once projects are ‘shovel ready’, it’s easier to get financing and funding. Seed funding of \$100,000 to \$150,000 could make a difference.

Policy 02-06-01 was reviewed through the lens of the feedback provided on these topics to identify potential opportunities within the existing policy. A summary by topic is provided below.

Funding Disbursement Process

The method of disbursing funding is not explicitly outlined in Policy 02-06-01. Per section 10.4 Delegated Authority, Council has delegated authority to the Commissioner – Growth to

determine the amount of such contributions to be issued under this policy and any conditions. In addition, the form and content of Contribution Agreements must be to the satisfaction of the Commissioner – Growth in consultation with the Director – Development Services and City Solicitor. Therefore, no change is required to the policy to address this topic.

Should the City enter into any new Contribution Agreements, or amend existing Contribution Agreements, during the life of Policy 02-06-01, Administration will review the Contribution Agreement template and identify opportunities for greater flexibility in disbursement schedules.

Land Ownership Requirements

Per Policy 02-06-0, Not-for-Profits can enter into lease agreements with other Not-for-Profit or governmental organizations for affordable housing purposes and remain eligible for the Affordable Rental Housing Funding Program:

1.1 Applicants are eligible to apply for funding under the Program subject to meeting the following conditions:

1.1.1 Applicants must:

- Be a Not-For-Profit organization; and,
- Own or have an accepted offer to purchase subject lands. An exemption is made where the subject lands are secured under a long-term lease from a Not-For-Profit or governmental organization (such as the City of Thunder Bay) for affordable housing purposes.

The land ownership, accepted offer, or long-term lease requirement is included in Policy 02-06-01 due to the time constraints associated with the funding. Section 6.1 states that the Program will be effective May 2024 and expire in February 2027, or when allocated funds are exhausted, in accordance with the City of Thunder Bay's Housing Accelerator Fund (HAF) Agreement, unless directed otherwise by City Council. It is unlikely that an interested applicant without land or the funds to acquire land would be able to execute a project within this time frame.

In addition, a legal review would be required to determine if lease agreements with for-profit entities would be appropriate under this policy. Due to the lifespan of the Program, this is not recommended at this time. Should City Council direct Administration to continue the Program beyond February 2027, a review of section 1.1.1 will be undertaken.

Seed Funding

A review of the City's HAF Contribution Agreement with the Canada Mortgage and Housing Corporation (CMHC) was conducted to determine if the funding could be used to provide seed funding. Investments in the construction, repair or modernization, and land or building acquisition for affordable housing are permitted uses. A well-designed seed funding program aligns with the construction and land or building acquisition for affordable housing permitted uses depending on the proposed project.

Three pathways were explored:

1. **Build seed funding into Policy 02-06-01.** The existing policy was reviewed to determine if it could be re-written to include two funding streams. Due to the structure of

the policy, this option would require the same amount of work as creating a new program and include a legal review. It is unlikely that this can be accomplished before the June deadline. In addition, the new program would be subject to the same February 2027 expiry date, which may not be appropriate as a smaller seed funding grant could potentially be sustained beyond the life of the HAF.

2. **Use existing Community Partnership Fund (CPF) framework (Policy 05-06-02) to provide seed funding.** The CPF has provided seed funding grants and funding for land for housing projects in the past and the existing framework could potentially be supported with HAF funding for specific projects. The CPF provides 25% of eligible capital costs so organizations will still require funding from other sources. In addition, the policy does not include delegated authority so all decisions will have to be deliberated by Council. This means that applications submitted in July do not typically receive a funding decision until the following May. Based on these constraints this can be explored as a temporary option for the 2025 application cycle.
3. **Create a new program.** This option will allow for the greatest flexibility. As discussed, a smaller grant like a seed funding program is more likely to be funded beyond the life of the HAF due to lower grant amounts. Creating a new program will require time for adequate background research, consultation, and legal review.

Moving Forward

The amended Affordable Rental Housing Funding Program (Policy 02-06-01) is tentatively scheduled to be presented to Council on June 16, 2025. Should the amended policy be approved, the changes will be effective for any future intakes of the Affordable Rental Housing Funding Program between ratification and February 2027, unless otherwise directed by Council.

The City has initiated the process of creating a Housing Affordability Strategy and Action Plan. This initiative aims to explore policy, funding, partnerships, and legislative options to support the City in addressing housing affordability challenges, both in home ownership and rental markets. More information on this initiative will be provided at a future meeting and the Taskforce will be engaged throughout the process.