

# Solution: Housing Innovation Fund

Created by: Rachel Vaillancourt, Jeff Burton, Andrew Ramsaroop and Dr. Tahira Bilal Asim

## Introduction

Over the past few years Waterloo Region has grown in a number of ways:

1. Its local economy has seen a diversification with a lot of investment in technology
2. The population has increased resulting in a thriving local economy with top quality post-secondary institutions
3. Development is booming in Waterloo Region, with an unprecedented boom in construction

These qualities make Waterloo Region a desirable place to live. Based on data over the last 15 years, it is estimated that Waterloo Region has experienced a 1.6% annual growth in population, equivalent to adding over 9000 people to our Region each year (Region of Waterloo, 2019).

However, as the Region grows so too does its growing pains. Waterloo Region, not unlike the rest of the country, is experiencing a housing crisis. Rents are at historic highs, and house prices are astronomical. This squeezes many people out of the market housing landscape, particularly those in the mid to lower income range who have to turn to affordable accommodations or community housing.

The Regional housing waitlist is also at an all time high. There simply isn't enough housing stock to house the over 6000 people on the Regional waiting list. People are living in the available community housing units for longer resulting in less turnover of community housing units on an annual basis (Region of Waterloo, 2021).

People can't afford the exorbitant rent and house ownership costs in the Region of Waterloo. Further, the increasingly high rent, high construction cost, low community housing stock and lack of affordable units are further compounded by an increase in homelessness and the opioid crisis. The Region is not able to construct enough units to meet the seemingly never-ending increase in demand.

## The Problem

Currently funding for development of new affordable housing units comes from the Federal government through the Canadian Housing and Mortgage Corporation (CMHC) and Provincial governments. Financial support for supportive housing comes from different sources depending on age, need and available programs. Regional spending is reactionary as it is unpredictable when additional funding will be available. Existing funding often comes with strings attached or special provisions for spending presenting obstacles to address our unique local housing issues. The sources and distribution of funding for affordable housing is extremely complex, bureaucratic, political and dysfunctional. **There is no consistent source of funding.**

This paper and project builds on an idea proposed by Councillor Jim Erb and the Regional Housing and Homelessness Steering Committee to provide a consistent local source of funding for affordable housing units. This report supports the idea for an affordable housing tax levy and takes it a step further by providing tangible recommendations on how the funding should be allocated. This will ensure the funding has the greatest potential to house the most people thus reducing the housing waitlist as much as possible.

Our solution is to provide a consistent source of funding through the Housing Innovation Fund (HIF) Tax Levy. The HIF is not an additional tax. Municipalities in Ontario do not have the powers to create new taxes, and rely solely on property taxes to provide services to their communities. The HIF is a tax levy, which will be allocated from the Regional operating budget and will be funded primarily through a slight increase in property taxes. The HIF should focus on providing and maintaining affordable rental units, community housing and where possible, supporting affordable home ownership models.

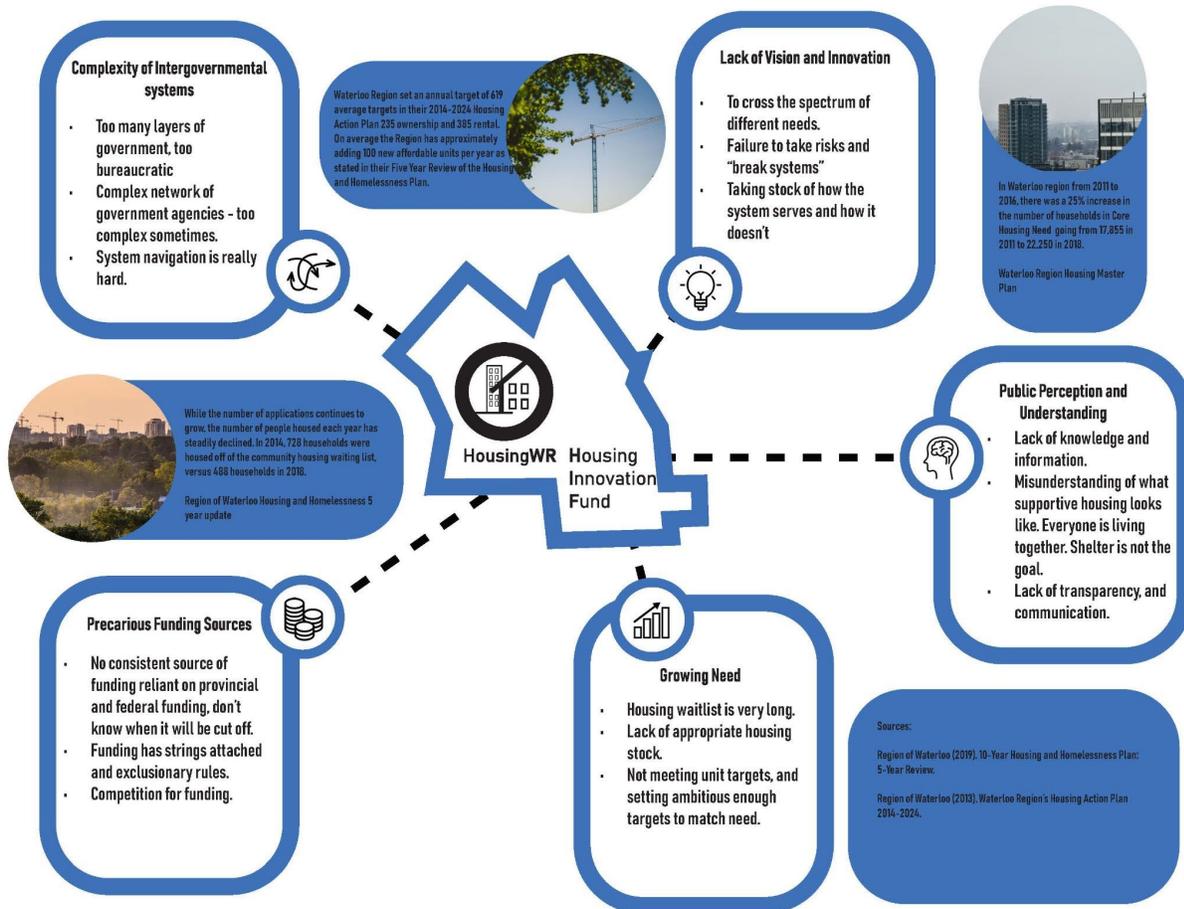
For context, the illustration below depicts the Housing Continuum. It represents the range of housing types available in a community — from emergency shelters on one end, all the way to homeownership on the other. In between lies an assortment of housing options and types, each critically important for different people at different times.

### THE HOUSING CONTINUUM



Currently the Region and the lower tier municipalities build and maintain infrastructure such as roads, transit, hydro, water and more. Although traditionally social programs are not funded through property taxes, this paper makes the bold statement that housing is the most crucial form of social infrastructure. Without safe, stable and affordable housing the Region cannot continue to grow its economy. An unaffordable housing landscape has major exclusionary impacts on the population and many more unintended consequences. This report challenges the Region, the Local Municipalities and the residents of Waterloo Region to think boldly, and make the important investments in social infrastructure today, so we can envision a future where everyone has a place to live.

The figure below illustrates the complexity of the problem and how the Housing Innovation Fund could become part of the solution.



## Who We Spoke With

We were fortunate to speak with Councillor Erb, Region of Waterloo (ROW) early in the project. Councillor Erb was an early champion of the idea to propose the Affordable Housing Tax levy. He made the Motion to Region Budget Committee on January 20, 2021:

*Whereas the Region currently relies on the provincial and federal government to fund the majority of new affordable housing development which adds an average of 50 units per year. A strategic, stable and sustainable source of funding from the Region provides opportunity to build at a faster rate, adding hundreds of units per year, and will leverage federal and provincial grant programs to continue to supplement our work and fund ongoing services. On January 20, 2021, Councillor Jim Erb made the motion for Waterloo Council to approve the immediate use of \$3 million dollars of the \$10 million dollars currently in the proposed 2021 budget, to support a request for proposals for a strategic investment in affordable housing through the use of these funds as a financial incentive for the accelerated development of affordable housing, and; That staff be directed to issue the request for proposals as soon as possible following the approval of the budget, and further;*

*That staff be directed to include a 0.5% tax levy increase for affordable housing in the 2022 preliminary operating budget that would be subject to Council approval at that time.*

Councillor Erb emphasized that the benefits from affordable housing are far reaching and provide a better standard of life in so many ways. There needs to be political will to implement this type of solution and all parties interviewed agreed this appears to be a priority for all policy makers right now.

We spoke with the following Region of Waterloo Staff:

- Ryan Pettipiere, Director of Housing ROW
- Thomas Schmidt, Commissioner Transportation & Environmental Services, ROW
- Craig Dyer, Commissioner Corporate Services & Chief Financial Officer, ROW

We asked a number of questions related to:

- A. How to initiate the process to propose a tax levy,
- B. What barriers are anticipated,
- C. How to get the most out of the funds collected, and
- D. Whether there were any other people we could talk to, to guide our project.

All Region staff interviewed expressed that we needed a strong business case to initiate the Housing Innovation Fund. This helped to focus our project on potential ways to use funding that would become available.

All Region staff interviewed agreed on the need for a long-term visionary plan. Money would be best managed by building up the municipal reserve funds and using the money to make wise investments. For example, acquiring lands along transit corridors that could be used for public/private partnerships to support affordable housing units. Or, providing lands to developers from the Region's inventory of surplus lands to build up stock of affordable housing units.

As Thomas Schmidt and Craig Dyer pointed out, a tax levy had been used successfully to fund the Region's Ion Rapid Transit system. Following discussions and interviews with Region staff, we worked on building a strong case for how funds could be leveraged. The key to the success of the Housing Innovation Fund will be to find ways to get the most out of the funds raised. Based on the shortage of available affordable units, to build the business case we need to determine what the existing funding shortfall is and set concrete financial goals for the Housing Innovation Fund to cover the shortfall after considering the provincial and federal inputs.

Some barriers anticipated relate to uncertainties in existing funding that may change with election cycles. If Provincial or Federal funding is cut, the Housing Innovation Fund may not be enough to cover the shortfall, thus the need to make wise investments. Other barriers include resistance from residents that don't want "another tax", making it more important to get "buy-in" with a solid business case. Through our conversations we recognized the challenges of potential solutions. For example, providing incentives to developers by allowing them to defer development charges does not make these charges "go away", costs have to come from somewhere else.

We also spoke with the following individuals from outside of the Region of Waterloo organization:

- Jaime Rogers, Manager, Homeless & Housing Development, Medicine Hat, Alberta
- Sean Campbell, Union Coop

Medicine Hat became one of the first Canadian cities to commit to ending homelessness using the housing first approach. Since 2009, they have seen considerable progress as indicated by reductions in shelter use, the number of homeless housed and maintaining housing, as well as a number of measures introduced to restructure the Homeless-Serving System in Medicine Hat (reference: Medicine Hat Community Housing Society Plan to End Homelessness). We were interested in the success of their program and reached out to Jaime Rogers with the following questions

1. Could you tell us more about how Medicine Hat adopted its Housing First approach to homelessness? How was the case made? (i.e. Political, Social, Community, and funding),
2. What are the successes and challenges of Medicine Hat's Housing First model?
3. Has the City done any studies on how this has downstream implications like saving money? (emergency services, social safety net, shelter services)
4. What do you foresee being the challenges of scaling this approach up to a population of 600k+ as we have in the Region of Waterloo?

We learned that you have to understand your data before you can target a solution. Medicine Hat spent a significant amount of money early in their project to “cleanse” their existing data, acquire new data then analyze it. Once data had been gathered, analysed and understood this helped them to create community wide policy. It’s important to recognize that any program will evolve as the community changes and any plan may not always look like the original plan.

Once the plan is in place and you have good data, you have to decide how success will be measured:

- Can we measure success by the number of vulnerable people housed?
- Can success be determined by the number of interventions provided to the most vulnerable people?
- Can we measure the impacts on other parts of the system?

The data and measures used to track success of the program must be made available to the public. Transparency builds trust.

Medicine Hat had success when introducing the program as they “put a face” to the issue. They posed the question: “Who needs affordable housing?” with the answer being “This could be me”. Make it personal and make it applicable and remember, it’s about income, not life experiences. For example, it could be a single mom with a good job that just can’t make ends meet.

Ms. Rogers confirmed what we learned in previous interviews with the Region of Waterloo, that to succeed you have to make a strong business case and know what the return on investment will be. When doing so, it’s important to recognize that it’s not about cost savings, it’s really cost avoidance or reallocation of funds.

One challenge to consider if we wanted to scale up a similar program to address affordable housing in our Region is that the Housing First Model only works if you have landlords and available housing. Medicine Hat had a surplus of available housing, but in contrast, our Region has a lack of available housing stock. Our strategy would have to be much more diverse to overcome the housing shortage.

We also talked to Sean Campbell, a member and Executive Director of Union Co-op. This organization buys and manages properties for the environmental, social and economic benefit of Waterloo Region. Union Co-op aims to purchase and manage commercial and residential buildings

by empowering its members to do so collectively. We were interested in the model of Union Co-op and reached out to Sean Campbell with the following questions:

1. Tell us about the finance model for cooperative housing and how it could work with our Housing Innovation Fund? Are there recommendations for allocating the funding?
2. What issues/barriers are there for implementing a co- operative housing?
3. Do you know anyone else doing the same type of work around sustainable social funding through bonds?
4. What goes into determining a fair price for renting out co-operative housing properties?
5. We are proposing building social infrastructure not the traditional engineering structure through municipal property taxes. Are there any recommendations on how to build the case politically?

We learned that Union Co-op raises money from the community to purchase existing properties to keep rental rates affordable. The Union Co-op pools its funds to use as down payments, with the goal of eventually providing dividends to its shareholders. It is also hoping to begin issuing bonds purchased by municipalities and non-profits to be able to use as investment capital. Although the idea is new to Waterloo Region, the model has been used successfully by other housing providers such as Indwell.

Mr. Campbell further explained that one significant barrier that Union Co-op experiences is competition with the private sector when acquiring affordable properties. He noted that another challenge is that when pursuing rental properties that have rental rates that meet the CMHC definition of affordable housing and a tenancy of 30-40 years, until CMHC funding is approved, there is a 50% down payment required. This large cash commitment for a non-profit such as Union Co-op becomes an insurmountable barrier. If they had a million dollars available to put down, then Union Co-op could have a greater success rate for purchasing buildings with funds repayable in 6 months. Further, he expressed the idea of Tax Increment Grants as a way to offset the cost of developing affordable housing with the caveat that if the provider stopped meeting affordability criteria, the grants would be repaid in full.

## **Other Resources**

This report used a number of other resources that helped to frame the problem at a local level as well as offer innovative solutions.

- Waterloo Region Housing Master Plan (2019) <https://www.regionofwaterloo.ca/en/living-here/resources/Housing-Services/Waterloo-Region-Housing-Master-Plan.pdf>
- Waterloo Region: Affordable Housing Strategy (2014) <https://www.regionofwaterloo.ca/en/living-here/resources/Documents/Housing/Affordable-Housing-Strategy-2014-2019-access.pdf>
- Waterloo Region 10-Year Housing and Homelessness Plan (2019) <https://www.regionofwaterloo.ca/en/living-here/resources/Documents/Housing/Five-Year-Review-of-the-Waterloo-Region-10-Year-Housing-and-Homelessness-Plan-access.pdf>
- Region of Waterloo Fact Sheet: Community Housing and Access (2021) <https://www.regionofwaterloo.ca/en/living-here/resources/Childrens-Services/Community-Housing-and-Access-Fact-Sheet-Accessible.PDF>
- Medicine Hat Plan to End Homelessness

<https://mhchs.ca/homelessness-initiatives/plan-to-end-homelessness/>

- Steve Pomeroy
  - Toward Evidence Based Policy: Assessing the CMHC Rental Housing Finance Initiative (RCFI) <https://carleton.ca/cure/wp-content/uploads/CURE-Brief-12-RCFI-1.pdf>
  - Why Canada needs a non-market rental acquisition strategy <https://www.focus-consult.com/why-canada-needs-a-non-market-rental-acquisition-strategy/>
  - Challenges and opportunities in financing affordable housing in Canada <https://www.focus-consult.com/wp-content/uploads/Financing-affordable-housing-Mar-2017.pdf>
  
- Association of Municipalities of Ontario: Fixing the Housing Affordability Crisis, Municipal Recommendations for Housing in Ontario, August 2019. <https://www.amo.on.ca/sites/default/files/assets/DOCUMENTS/Reports/2019/FixingHousingAffordabilityCrisis20190814.pdf>

### What we Learned

The identified issues and recommendations presented in this report were informed by a number of key engagement and research opportunities.

Event	Key Takeaways
Affordable Housing World Café 1	<ul style="list-style-type: none"> <li>● Key issue of lack of consistent funding identified by Councillor Erb.</li> <li>● Local housing landscape.</li> <li>● Lived experience perspective on how dire the housing situation in Waterloo Region has become.</li> <li>● There is a political and community appetite for this idea.</li> </ul>
Who We Spoke to	<ul style="list-style-type: none"> <li>● From a Regional government perspective what is currently being done, and why it is hard to meet the need in the community.</li> <li>● The logistics of creating a tax levy - what needed to be done around implementing a levy for the Ion Rapid Transit System</li> <li>● From another Canadian community that “ended” homelessness, what was required in order to be successful.</li> <li>● From a non-profit perspective what barriers they face in building and acquiring units.</li> </ul>
Affordable Housing World Café 2	<ul style="list-style-type: none"> <li>● Initial feedback on what public perception could be on introducing a levy.</li> <li>● When proposing and implementing the Housing Innovation Fund the Region would have to be clear on what it means for individuals and try to put context around how much money it would mean for each household.</li> <li>● Provided the opportunity to run the idea past some developers, non-profit developers, Regional staff and the general public.</li> <li>● Transparency, and accountability is key.</li> </ul>

Class Feedback	<ul style="list-style-type: none"><li>• The Housing Innovation Fund was well received as an idea that has real and tangible outcomes.</li></ul>
----------------	---

## Challenges

The Housing Innovation Fund has the ability to move the Region closer to meeting the community need for housing. The current resolution to create an affordable housing tax levy of 0.5% is not nearly enough to address the depth of housing need in the community. While the HIF is proposing a much larger sum annually, it still will not be enough to fully address the need for housing in Waterloo Region. To meet the target, it will require strategic investments that return money back into the fund, and strategic leveraging of public assets and partnerships to build the most units possible. There are also a number of other challenges that cannot be overcome by simply increasing funding with the HIF:

- **Lack of direction or political will to increase property taxes**  
There has been significant volumes of work done in our municipality and others throughout Canada. A number of recommendations have been proposed but the difficulty is that there is no clear direction from politicians. While the intentions are good, the change is slow as any proposed solutions come from a number of different sources with no clear entity to lead the change.
- **Public opinion**  
Based on feedback we received during the World Cafés and from the LWR class, the Housing Innovation Fund just sounds like another tax. Generally speaking, the public and politicians are always against increasing taxes. There would need to be a clear, transparent and informative marketing and communications campaign that outlines the overwhelming benefits of implementing a tax levy. Another LWR group worked on “Putting a Face to Affordable Housing” and this piece cannot be neglected when trying to get community support.
- **Using property taxes to fund social infrastructure**  
Further, there is a general dislike for funding social infrastructure through property taxes. As property taxes are applied uniformly there is potential for lower-income households to disproportionately bear the burden. Preferably, social infrastructure would be funded at higher levels of government through Federal or Provincial taxes like income taxes or a wealth tax where resources are able to be reallocated. Municipalities in Ontario have extremely limited taxing powers through the Municipal Act. Although the proposed increase is negligible, there should be a mechanism to offer tax relief especially for non-profits, those living at or near the poverty line, and those on fixed incomes like seniors.
- **Lack of data and public information**  
In order to reach targets and set achievable goals, housing data needs to be made publicly available. As part of this work the Region needs to undertake a needs assessment to supplement the available data on the number of units needed and households on the waitlist. To ensure the money gets to where it will have the most impact there needs to be a better understanding of who exactly is on the waitlist. Data needs include: equity based data,

average time spent on waitlists as well as a number of other key performance indicators. Building a business case for introducing a tax levy requires large amounts of data to become open and available.

- **Uptake**

Although this report consulted with a non-profit organization and with non-profit developers in the course of its research more should be done to fine tune each program to ensure the maximum amount of uptake. The Region should revisit its funding programs every 2-5 years to see which funding streams have the most uptake and which has the least. They could then either reallocate funds to the more popular streams or eliminate the streams that have the least uptake. External market forces may drastically change the effectiveness of the funding streams to deliver affordable units.

## What is Missing

This report focuses on a solution for providing a consistent source of funding and provides details on the ways to leverage the funding. We recognize that there is still much work to be done to ensure the Region's affordable housing goals can be met. The following outlines what is missing from our solution and highlights what makes other housing initiatives successful. It is recommended to include the elements below to enhance the HIF's ability to provide housing.

1. **Open Data Policy.** The Region does not have an open data policy for local housing data. A community dashboard is urgently required in order for everyone to understand the needs in the community and to measure community impact. Data sharing was important in Medicine Hat's approach to implementing housing first.
2. **Awareness Campaign.** The Region needs to have an impactful awareness campaign. As we started this project related to solving the affordable housing crisis it was striking the lack of awareness within our community. It was even evident within our LWR class as we heard classmates say over and over again that before beginning our projects they didn't know this was such a critical issue within our community. Within the group, we even had Region employees that were not fully aware of the problem. If this message isn't even getting spread within the organization that is supposed to be part of the solution, how then can the general public have any sense of the urgency? This ties in with the Leadership Waterloo Region Group working on "Putting a Face to Affordable Housing".

To succeed, it is also important for any awareness campaign to consider affordable housing from an equity and inclusion perspective in order to address a number of calls for social action including Truth and Reconciliation, Anti-black racism and the disproportionate housing instability of our most vulnerable community members.

3. **Transparency.** The Region must be transparent when creating affordable housing strategies and proposed housing related budgets. Municipalities that were successful in dramatically reducing homelessness (Medicine Hat Alberta) invited academics, scholars and the public to pick apart and question data and offer suggestions. With two large post-secondary institutions the Region and the Municipalities can leverage the intellectual capital at their disposal. Also, setting success criteria would help with accountability and transparency.

4. **Funding Review.** The Region needs to consider reallocating funds from programs and budget items that “keep people in poverty” and invest in lifting people out of poverty. This includes reallocating funds from reactionary services such as police, and EMS which makes up large proportions of spending in the Regional budget (Region of Waterloo Budget, 2021).. Actively reinvesting in social infrastructure upstream will reduce the need for reactionary services which disproportionately affects those who are most housing unstable (Latimer et al., 2020). This is a cost avoidance strategy that will have profound economic development impacts as well as positive social impacts.
5. **Community Engagement.** The Region would need to have large scale community engagement opportunities, in particular with those who have lived experience. There needs to be continued, long-term and meaningful engagement with the community. Another LWR group is working to “put a face to affordable housing” and this would be an important piece to ensure the community is open to solutions proposed by the HIF. Housing instability could happen to anyone, therefore it is important to dispel myths, combat NIMBYism, and humanize and localize what the housing crisis looks like in Waterloo Region. There is not only the economic benefit to housing people, but also the social and wellbeing benefits that come with safe, stable and affordable housing.

## Proposed Solution

### Scope

The Housing Innovation Fund is a proposed new and dynamic affordable housing funding mechanism that would primarily be funded through a regional tax levy on property taxes. The HIF would be a fund that would be jointly managed by the Regional Housing Services Division and the Regional Economic Development Division at Regional Council’s discretion. We are proposing to go above and beyond the amount brought forward by Councillor Erb and recommend the Regional Tax Levy be set at 1%. The HIF would be used in conjunction with strategic leveraging of public assets and policy to move the Region closer to meeting the needs in its cities and townships.

### Intended Outcomes

The Housing Innovation Fund tax levy would provide a consistent local source of funding to build and maintain affordable housing units to reduce the waitlist within a more reasonable timeframe.

### Financial Implications

If the HIF is set at 1%, this would yield a steady annual source of funding equal to \$5.8 million dollars based on 222,300 households in the Region. The proposed tax levy would cost every household in Waterloo Region on average \$26 annually. To put this in context, this would be equal to the price of about 13 coffees a year per household and it would have a tremendous impact on the state of housing locally.

## 13 coffees annually



The proposed levy should be permanent, and subject to Council's review every 5-10 years and align with the Region's Housing Strategy review. It should be adjusted to address inflation, increased construction costs, and community needs.

Although the HIF provides a steady source of funding for the purchase and maintenance of affordable housing units, it is important to consider there are other costs related to initiating the HIF and managing the funding streams. There will be additional administrative costs such as staffing, data management, needs assessments and marketing to name a few that must be covered by the Region. For the program to be successful, these costs must be accounted for.

### Suggested Partners

The suggested partners are listed with each funding stream. Examples of potential partners are provided below. Waterloo Region contains many experienced service providers, this list is not exhaustive:

#### Non-profit Organizations

- Union Co-operative - Members can invest up to \$10,000 and then receive dividends as declared by the board. Properties purchased by Union Co-operative are held for long-term affordability. They work to renovate the properties over time, increasing comfort and sustainability, without displacing current tenants. <https://www.unionsd.coop/>
- Indwell - Indwell is a Christian charity that creates affordable housing communities that support people seeking health, wellness and belonging. <https://indwell.ca/>
- Kitchener Housing Inc. - Is an experienced non-profit housing provider who has created innovative mixed income living models that are both functional and aesthetically pleasing. <https://kitchenerhousinginc.ca/>
- The Working Centre - Is an experienced non-profit service provider which provides a number of innovative support services. <https://www.theworkingcentre.org/about-us/82>
- SHOW - is an experienced supportive housing provider. <https://www.showaterloo.org/>

#### Private Developers/Contractors

- MennoHomes - MennoHomes believes quality affordable housing is one of the most effective ways of addressing a variety of social and economic needs in our community and can have life-changing impact. With almost 5,000 households on the waiting list for

affordable housing in Waterloo Region, the need is as great as it has ever been. MennoHomes is responding with unique new partnerships. For example, they are redeveloping 544 Bridgeport Road East in Kitchener. Phase 1 is already underway and when completed in spring 2021, will include 48 new residential apartments.

<https://mennohomes.com/>

- Just Working Construction Inc. - A local contractor with a focus on building healthy, hopeful places to live, affordable housing, passive, net zero & generational homes. They are working to build better communities, by working together with other like-minded organizations and by combining the resources available to create more affordable housing in our KW region. They have partnered with organizations such as Indwell and The Working Centre who also believe in the valuable task of creating affordable housing communities in order to help support people seeking health, wellness and belonging. <http://justworking.ca/>

### **Faith Based Organizations**

Faith based organizations can donate lands or partner with non-profit organizations or developers to provide affordable housing within the Region. One example is St. Paul's Evangelical Lutheran Church, located at 544 Bridgeport Rd. E., that has been transformed into a new five-storey, mixed-use building with 48 rental housing units, 12 of which are accessible. The building includes worship space for St. Paul's, a community garden, shared meeting space and a community kitchen. The project was developed in partnership with the church, MennoHomes and Parents for Community Living and funded through the Ontario Priorities Housing Initiative (OPHI) and the Investment in Affordable Housing program (IAH).

<https://canada.constructconnect.com/dcn/news/projects/2020/09/kitchener-church-to-be-converted-to-affordable-housing-unit>

### **Refugee Support Agencies**

- Reception House Waterloo Region - This is a community-based organization that provides a warm welcome to government-assisted refugees. Their programs and services assist refugees throughout their settlement & integration process, enabling them to lead healthy and productive lives in their new community. They work to provide basic necessities such as temporary residence, and orientation to life in Canada. This organization empowers the people they serve to find meaningful employment, improve their language skills and heal from trauma and loss. <https://receptionhouse.ca/>
- COMPASS Refugee Centre - COMPASS Refugee Centre is an experienced immigrant and refugee settlement services agency. They have established services like host families for new refugees, and assisting refugees by supporting them with the legal processes, finding housing and jobs, language training, medical support, and education for their children. <https://compassrefugee.ca/about-us/our-foundations/>

### **Housing Innovation Fund (HIF) Recommended Funding Streams**

This report provides additional detailed recommendations on how the HIF should be dispersed based on our research like AMO, 2019 and interviews. We propose the following seven (7) funding streams that would have the greatest impact on housing in our Region.

## **1. Low-to-no interest development/real estate transactional support Funding Stream**

*(Suggested Partners: Not for profit agencies and private developers)*

In talking to members of the non-profit housing community (for example Union Co-op) it is clear that they often have to carry large amounts of debt burden with very little reassurance that there will be funding coming in. Every dollar counts when developing affordable or supportive housing. This funding stream is meant to be a reserve fund that non-profits can dip into to address a number of costs that they would otherwise need to fundraise quickly, and bear the burden of the debt. This obstacle has derailed entire projects. The Region could offer a number of low-to-no interest loans to non-profits that could be repaid when they are able to begin receiving funding or rents from occupants. This would ensure projects would not be stalled due to infrastructure upgrades, or real estate transaction barriers. We recommend the following be considered for this stream:

- a. Bridging the CMHC funding gap when acquiring properties- When used this way, the Region could offer a no interest loan to non-profits or developers when the loan could be repaid in a short period of time. There is a delay between purchasing a property and when CMHC funding kicks in.
  - i. If a longer period of time is required the Region could levy a nominal interest rate to the amount borrowed.
- b. Bridging the gap in real estate transaction costs that may be prohibitive to developing affordable units. When used this way, the Region could offer a no interest loan to non-profits or developers when the loan could be repaid in a short period of time.
  - i. If a longer period of time is required the Region could levy a nominal interest rate to the amount borrowed.
- c. Necessary infrastructure upgrades - storm water, hydro, sewage, any necessary infrastructure identified at the Regional level or the municipal level. When used for this purpose, the Region could offer a no interest loan to non-profits or developers and the loan could be repaid over a longer period of time.
  - i. The funds could also be given as a grant.

## **2. Continuing and increasing project-based Requests for Proposals (RFPs)**

*(Suggested Partners: Local area municipalities, not for profit agencies and private developers)*

Currently the Region issues a number of Requests for Proposals for the development of affordable rental housing. With an assured stream of funding the Region could begin to routinely and predictably put out RFPs that the local non-profit community and developers can more readily respond to since they will know when they are coming. Further, the projects need to specifically respond to the needs that are present in the community. This would be in addition to what the Region currently offers, and would help augment/enhance the funding the Region already receives from higher levels of government.

- a. The Region would be able to continue issuing RFP for specific projects. The recommendation would be to create RFPs for specific types of identified housing: i.e. supportive housing, or projects that non-profits or developers have already identified.
- b. Special attention should be given to those which serve the majority of people on the housing waitlist or The Region's Priority Access to Housing Stability (PATHS) list.

### **3. Continuing and broadening Application Fees, Development Charge Support Funding Stream (*Suggested Partners: Local area municipalities*)**

Currently the Region offers Development Charge grants to non-profits and for-profit corporations to offset Development charges (Region of Waterloo, n.d.). We recommend broadening the scope to application fees for Official Plan amendment, submission consultations and paying for Development charges in full, and depending on the length of affordability this would be a non-repayable grant or a deferral over a long period. This would need to be offered in coordination with the local area municipalities also adopting broader application fee waiver policies for Official Plan and Zoning Bylaw amendments and development charge payments for both non-profits and private developers.

- a. When a non-profit or developer is building units at or below Average Market Rent (AMR) in perpetuity, the Region would pay the Application fees and the Development Charges in full.
  - i. Cooperation with the local municipalities is required in order to ensure the development is not subject to ANY fees.
- b. When a non-profit or developer is building units or below AMR for at least 25 years, the Region would pay the Application fees and the Development Charges in full upfront, with the option to DEFER the payment of fees for the 25-year period.

It is recommended that further research is conducted to understand what percentage of affordable units and the depth of affordability would be required for this grant to have the greatest impact while balancing the viability of the project.

### **4. Maintaining Existing, Aging Rental Stock, and Housing Stability Funding Stream (*Suggested Partners: Not for profit agencies*)**

Steve Pomeroy (2020), an independent policy-research consultant and senior research fellow at the Centre for Urban Research and Education (CURE) at Carleton University, notes that the greatest threat to affordable housing in Canada is the loss of naturally occurring affordable housing. In fact he notes that for every 1 new affordable unit created at public cost, 15 existing private affordable units were lost. It is therefore imperative that saving existing units through strategic acquisition and upkeep is done in conjunction with efforts to build new affordable housing. With Waterloo Region undergoing a dramatic increase in redevelopment, the time has never been more important to mitigate the displacement of people living in these units who would otherwise need to apply to the community housing waitlist. Our research and interviews indicate that there would be interest in strategic acquisition and ongoing management through one of the Region's many non-profit housing providers.

- a. Existing properties being managed by non-profits OR properties that are being managed at an affordable rate (threshold determined by Region) that are experiencing the following would be eligible for support from this stream:
  - Major maintenance backlogs that could result in the eviction of tenants or would be condemned by property standards.
  - Not meeting life safety regulations (Fire Code, Building Code, and Accessibility requirements)

- Heating and Cooling inefficiencies that are causing extremely uncomfortable conditions OR high energy costs that are directly borne onto the tenants (utilities must either be directly paid by tenants OR must prove a decrease in rent based on savings from retrofitting).
- Pest control issues.

This would ensure older and affordable rental stock can remain in the housing continuum while the Region also focused on building new stock.

- b. Those who wish to purchase existing properties being managed by non-profits OR properties that are being managed at an affordable rate (threshold determined by Region) that are at risk of being sold, converted to condos or redeveloped would be eligible for support. The financial support would be used to acquire and maintain existing rental stock. Property must remain affordable in perpetuity.
- c. **IF** redevelopment is imminent, and the developer wishes to retain tenants or is mandated to do so through municipal rental replacement policy this fund could also be used to help relocate tenants during construction and help subsidize units after the rental replacement policy affordability period has lapsed.

**5. Innovative Partnership Funding Stream** (*Suggested Partners: Local area municipalities, not for profit agencies, private developers and faith-based organizations*)

This stream would allow for new and strategic partnerships in housing. This stream would help to catalyze new relationships, new funding models and innovative land investments/ownership models. This would require the Region to fund a full-time position to manage a ‘Housing Innovation Lab’ which would perform a community connector role, as well as managing the entire HIF.

- a. The Region and the area municipalities could publicly identify lands that would be suitable for supportive and affordable housing projects. The Region would arrange and manage the land lease agreements, while the properties would continue to be owned by the Region and the Municipalities.
  - i. Through an open competition process non-profits and/or developer would propose innovative housing projects on these lands. Innovation could take form in:
    1. Construction methods (modular, timber, carbon capture, tiny homes)
    2. Mixed income stream models
    3. Mixed use models
    4. Mixed ownership models
    5. Multi-governmental initiative “Hub” approaches
    6. Public and private interfaces (public realms in private projects)
    7. Other “innovative” models not listed
- b. Acquiring lands from faith-based organizations or working with faith-based communities to have an innovative ownership model with developers and/or non-profits for affordable housing. Support will only be given for projects that will ensure affordability in perpetuity. Funding/support would be paid back with inflation if the property was ever sold.

**6. Continuing and Expanding Secondary Suites, and Additional Dwelling Units (attached and detached) Assistance Fund (*Suggested Partners: Area homeowners, local area municipalities, not for profit agencies, refugee support agencies*)**

Currently, the Region offers funding to help build an affordable secondary suite (Region of Waterloo, n.d.). The HIF would allow the Region to broaden the application by not limiting the program to the value of the home. Further the Region should provide additional cost subsidy if the homeowner is willing to house people off of the Housing Waitlist for the time determined by the agreement. This report suggests a minimum of 5-10 years with a caveat that if the property is sold or the owner decides to raise the rent before the agreed terms then the owner must pay in full the subsidies they received with a penalty - this funding would then go back into the HIF for future allocation.

- a. Cover the municipal application fees, permit fees and any other related fees for secondary suites built by private citizens in Waterloo Region. Secondary suites would include additional dwelling units both attached (basement units, duplex, triplex) and detached (coach house, garden suite, tiny house, laneway house), and as permitted by the local area municipalities zoning regulations. Agreement clauses would include:
  - i. Unit must be rented out to persons on the Housing Waitlist, or those who would be placed through the Region's rent subsidy program.
  - ii. Rent must be no higher than AMR as determined by CMHC
  - iii. Tenants could also be secured through other non-profit agencies such as those who assist in placing Government Assisted Refugees and/or other privately sponsored refugees and new-comer programs.
  - iv. Agreement would be in place for a period of up to 5-10 years.

**7. Tax Increment Grant for Affordable and Supportive Housing (*Suggested Partners: Local area municipalities, private developers*)**

Currently, the Region offers an optional property tax class that would lower the ratio of new apartment units for 6 or more units (Region of Waterloo, 2014). In addition to this it is recommended that the Region of Waterloo, in accordance with the area municipalities, creates jurisdiction-wide Community Improvement Plans (CIPs). These can be used as vehicles to provide incentives such as tax increment grants which would help provide tax burden relief to those developing affordable housing (Ministry of Municipal Affairs, 2009). It may also be appropriate to hold the money from the Housing Innovation Fund in one of the aforementioned tools to be able to provide funding to for-profit developers and to enter into innovative partnerships that would otherwise not be possible.

- a. The Tax Increment Grant (TIG) for Affordable and Supportive Housing would offer grants to property owners whose taxes would increase significantly due to the development, redevelopment, construction or reconstruction of affordable or supportive housing OR the conversion of market rate units and underutilized properties (commercial or previous industrial) to affordable housing or supportive housing (the latter would also be eligible for brownfield remediation/redevelopment grants).

- i. Priority could be given to sites around Major Transit Station Areas or areas identified as being serviced by higher order transit corridors including the Ion Rapid Transit and Bus Rapid Transit, both current and planned.
- ii. Grants would be up to 100% of the Regional portion of the tax increase in the first year and would decrease by 10% over a 10-year period. The Region would also request the area municipalities to adopt a similar policy through Community Improvement Plans to align with the Region's priority areas.
- iii. **IF** the property is sold before the 10-year period the Region and the Municipality could recoup the entire grant amount during the sale transaction.

## Conclusion

Housing is a fundamental social determinant of health and basic human rights, yet it is becoming increasingly out of reach for too many in our community. As the region continues to grow it needs to accommodate all those across the housing continuum. Although the HIF is still a larger fund than initially recommended by Council, we encourage Regional Housing Staff and the Municipalities to be bold, and consider an even larger levy. The Housing Innovation Fund will provide a consistent source of funding to maintain existing units and allow new units to be built bringing the Region closer to reaching the urgent need in our community.

## Sources

Association of Municipalities Ontario (2019). Fixing the Housing Affordability Crisis: Municipal Recommendations for Housing in Ontario. Retrieved from <https://www.amo.on.ca/sites/default/files/assets/DOCUMENTS/Reports/2019/FixingHousingAffordabilityCrisis20190814.pdf>

Latimer, E., et al. (2020). Cost-Effectiveness of Housing First With Assertive Community Treatment: Results From the Canadian At Home/Chez Soi Trial. Retrieved from [https://reporter.mcgill.ca/housing-first-strategy-proves-cost-effective-especially-for-the-most-vulnerable-homeless-group/#:~:text=Most%20of%20the%20costs%20of,cent\)%20per%20person%20per%20year/](https://reporter.mcgill.ca/housing-first-strategy-proves-cost-effective-especially-for-the-most-vulnerable-homeless-group/#:~:text=Most%20of%20the%20costs%20of,cent)%20per%20person%20per%20year/)

Ministry of Municipal Affairs and Housing (2009). Community Improvement Plans S.28. Retrieved from <http://www.mah.gov.on.ca/AssetFactory.aspx?did=7032>

Pomeroy, S. (2020). Why Canada needs a non-market rental acquisition strategy. Retrieved from <https://www.focus-consult.com/why-canada-needs-a-non-market-rental-acquisition-strategy/>

Region of Waterloo (2021). Community Housing and Access Fact Sheet. Retrieved from <https://www.regionofwaterloo.ca/en/living-here/resources/Childrens-Services/Community-Housing-and-Access-Fact-Sheet-Accessible.PDF>

Region of Waterloo (n.d.). Incentives to create affordable housing. Retrieved from <https://www.regionofwaterloo.ca/en/living-here/incentives-to-create-affordable-housing.aspx>

**Class of 2021 Affordable Housing Solutions Lab:  
Housing Innovation Fund**



Region of Waterloo (n.d.). Population. Retrieved from <https://www.regionofwaterloo.ca/en/regional-government/population.aspx>

Region of Waterloo (2021). Regional Plan Beyond COVID-19 & 2021 Program Budgets. Retrieved from [https://www.regionofwaterloo.ca/en/regional-government/resources/Budget/2021\\_Final\\_Budget\\_Book\\_-\\_Region\\_of\\_Waterloo4.pdf](https://www.regionofwaterloo.ca/en/regional-government/resources/Budget/2021_Final_Budget_Book_-_Region_of_Waterloo4.pdf)

Region of Waterloo (2014). “Renewing Our Commitment” - A Proposed (New) Region of Waterloo Affordable Housing Strategy. Retrieved from <https://www.regionofwaterloo.ca/en/living-here/resources/Documents/Housing/Affordable-Housing-Strategy-2014-2019-access.pdf>