



Report to: Development Services Committee

Meeting Date: June 18, 2024

SUBJECT: CMHC Housing Accelerator Fund Work Plan

PREPARED BY: Nadia Lawrence, Special Projects Coordinator (ext. 3141)

REVIEWED BY: Duran Wedderburn MCIP, RPP, Manager, Policy (ext. 2109)

RECOMMENDATION:

1. That the report dated June 18, 2024 entitled “CMHC Housing Accelerator Fund Work Plan” be received; and
2. That Council endorse the Housing Accelerator Fund (HAF) Work Plan attached as Appendix 1;
3. That staff be directed to implement the seven (7) Action Plan Initiatives as required by the Contribution Agreement with the Canadian Mortgage and Housing Corporation (CMHC);
4. That staff be authorized to complete, submit, and execute all documents necessary to satisfy all HAF reporting obligations as required by CMHC;
5. That staff be directed to report back to the Development Services Committee with recommendations to implement Initiative 1, Public Partnerships, and Initiative 5, Incentive Program for Affordable Housing, by late Q3/early Q4, 2024;
6. That staff be directed to provide semi-annual progress updates to Development Services Committee regarding implementation of the Housing Accelerator Fund Work Plan;
7. That the Treasurer be authorized to implement any required financial and administrative arrangements to effectively support the Housing Accelerator Fund Work Plan and meet any federal funding requirements, including establishing and managing a reserve(s) as required for funds received through the federal Housing Accelerator Fund program;
8. That all eligible resources and staffing needed to support the HAF Work Plan be established and funded by funds received through the Housing Accelerator Fund program;
9. That Council authorize seven (7) new 2024 in-year capital additions to implement the Housing Accelerator Fund Work Plan;
10. That authority be given to the Sr. Manager of Procurement & Accounts Payable to work with the Director or Deputy Director, Planning and Urban Design, or any applicable Director, to undertake an informal pre-qualification and award process with a minimum of three vendors / consultants to expedite the procurement

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- process when necessary, by allowing a preferred vendor list to be developed, used and released to the market;
11. That authority be given to Staff to award all required Request for Proposals, Request for Tenders and any Non-Competitive work needed to expedite the procurement process with the following limits:
 - a. Director or Deputy Director, Planning and Urban Design – Up to \$99,999
 - b. Commissioner, Development Services – \$100,000 to \$350,000
 - c. Chief Administrative Officer - >\$350,000; and
 12. That Staff be authorized and directed to do all things necessary to give effect to these resolutions.

PURPOSE:

The purpose of this report is to provide an overview of the City's Housing Accelerator Fund (HAF) program Action Plan, as approved by the Canadian Mortgage and Housing Corporation (CMHC); to propose a Work Plan to implement the Action Plan; to detail the proposed use of HAF funds; and to outline the authorities needed to facilitate achievement of the housing targets and commitments in the required HAF timeframe.

EXECUTIVE SUMMARY

The City entered into a contribution agreement with CMHC on January 25, 2024, outlining the terms and conditions for the approved Action Plan and housing targets, required for the City to obtain \$58.8 million through the HAF program. CMHC will provide the funding in four equal advances of \$14.7 million each, the first of which has been received following execution of the contribution agreement. The second and third advances are conditional on demonstrating progress with the Action Plan, and the fourth advance is conditional on achieving the committed housing targets.

The contribution agreement specifies that HAF funding is permitted for use across four main categories of work: i) investments in the City's Action Plan; ii) investments in affordable housing; iii) investments in housing-related infrastructure; and iv) investments in community-related infrastructure.

The Council supported Action Plan, submitted through the HAF application, includes seven Initiatives that together, have the goal of accelerating housing supply by facilitating additional building-permit approvals in the short-term while also implementing policy and other changes that will support longer term housing objectives. The Action Plan allocates the majority of HAF funds to Initiative 1 – Public Partnerships, and Initiative 2 – Incentive Program for Affordable Housing, that seek to accelerate the creation of housing, including rental and affordable housing.

The contribution agreement references Markham's projected growth target which includes a commitment to facilitate 1,640 housing units through HAF funding, to be confirmed through building-permit issuance over the next three years (to the end of

2026). Affordability targets and parameters for specific dwelling types are also referenced in the contribution agreement.

Achievement of the City's HAF targets will support Markham's housing pledge of 44,000 units by 2031 to the Province that is intended more broadly to increase the supply of housing in Ontario by 1.5 million homes. It will also support Housing Choices: Markham's Affordable and Rental Housing Strategy, and advance some of its key actions and objectives. The HAF has presented an opportunity for the City to set itself up for future success by prompting the consideration and implementation of partnerships, policies, tools and improved regulatory processes to advance the City's strategic housing goals.

The City must provide CMHC with annual progress reports on the Action Plan status and the number of building permits issued. As CMHC reserves the right to reduce or withhold an advance if they determine that the City is not in compliance with the funding conditions at the time of the advance, staff recommend a streamlined Work plan that allocates 88 per cent of received HAF funding to developments supporting affordable and rental housing through partnerships and programs, and 12 per cent of the received HAF funding to policy, standards and process updates. Staff have also prepared a risk mitigation strategy to support the successful implementation of the HAF and position the City to achieve its growth targets.

The HAF is an ambitious project, with short timelines that will require resources, both contract staff and consultants or vendors, to deliver the Action Plan commitments as outlined in this report. As such, staff recommend obtaining key delegated authorities to ensure the timely delivery of this program, streamline work planning to facilitate CMHC advances, and accelerate the creation of much needed housing.

BACKGROUND:

CMHC Housing Accelerator Fund Overview

In February 2022, the Federal Budget announced \$4 billion in funding for the Housing Accelerator fund (HAF) with the goal of creating at least 100,000 more housing units.

In March of 2023, the Canadian Mortgage and Housing Corporation (CMHC) launched the HAF program and application process. Local municipalities with populations of over 10,000 and delegated approval authority for land use planning and development approvals were eligible for the urban stream of funding.

On June 14, 2023, the City of Markham passed a [Council resolution](#) directing staff to submit a Housing Accelerator Fund (HAF) application requesting \$57.1 million in funding for the delivery of 1,900 units through a proposed Action Plan to deliver seven initiatives over the 3-year timeframe of the program.

On October 11, 2023, the federal Minister provided a letter to the City advising that the City has proposed strong steps forward to address the housing crisis through its Housing Accelerator Fund application but requested that the City go further than what was proposed by considering the following enhancements to Markham's HAF application, with the goal that every possible measure be taken to address the housing crisis:

- Legalize four units as-of-right city-wide; and
- Legalize four storeys as-of-right within 800 metres of transit and where Major Transit Station Areas (MTSA) do not extend to 800 metres.

On Dec 13, 2024, a [Council resolution](#) was passed responding to the federal Minister requests directing the following amendments, which were subsequently incorporated into the City's HAF Action Plan:

- That the City prepare a proposed amendment to its Official Plan and Zoning By-law to permit up to four (4) residential units on properties where zoning permits single detached, semi-detached or row house dwelling units. The implementing zoning by-law may prescribe additional criteria such as servicing capacity or parking to support the proposed units for consideration by Council
- That the City assess and propose an amendment to its Official Plan and Zoning By-Law for Council consideration that would permit as a minimum up to four (4) storeys within MTSA's, excluding those that are solely comprised of employment areas and preclude residential development

On January 25, 2024, the City's HAF application approval was secured through the execution of a contribution agreement with the CMHC for \$58.8 million in funding, with the goal of supporting the delivery of 1640 housing units, including approximately 193 affordable housing units, over the course of the program, measured by the issuance of building permits.

Contribution Agreement Commitments

The City's contribution agreement with CMHC describes the approved Action Plan commitments submitted in the City's application, roles and responsibilities, general terms and conditions, and eligible uses of HAF funding. It also details the reporting requirements to CMHC, Action Plan Initiative milestones, the conditions and schedule for funding advances and housing growth targets. City staff from Legal, Finance and Planning and Urban Design worked with CMHC to review the agreement and ensure that it was satisfactory to the City.

1. The City's Action Plan

The HAF program application required an Action Plan containing a minimum of seven Initiatives. The City's Initiatives aim to create 1,640 housing units supported by HAF funding and include short-term and long-term goals that aim to have benefits beyond the 3-year HAF program, which also support key Actions included in [Housing Choices: Markham's Affordable and Rental Housing Strategy](#) (the Housing Strategy).

2. HAF Relationship to Broader Housing Targets

In response to the country-wide housing crisis, various orders of government have been setting targets in addition to making policy changes and introducing new funding programs. In 2017, the Federal government launched the National Housing Strategy (NHS), a 10-year, \$82 billion plan to support various goals around housing preservation and creation across Canada. This included a housing target of 160,000 new units. Since 2017, the impacts resulting from the pandemic have created additional pressures on the housing system leading the Federal government and other organizations to suggest that even more homes may be needed than initially targeted.

Provincial goals were subsequently developed across the country, including the Province of Ontario's target of 1.5 million new homes to be built by 2031. Housing targets were then assigned to the Province's 50 largest municipalities to help meet this goal, and housing pledges across the Province followed as a result, including a pledge for 44,000 new homes in the city of Markham.

The Federal HAF program is aimed at accelerating building permits for 100,000 homes, which count toward the Federal NHS targets. The City of Markham's approved HAF funding target of 1,640 housing units therefore counts toward both the Federal and Provincial targets.

All government housing targets share the same overall goal, which is to increase the number of homes available to the public and accelerate housing supply. The HAF program supports the City's role in facilitating this goal and Markham's HAF Action Plan aims to enable as many building-permit submissions as can be supported by the housing market in the coming years.

3. CMHC Payment Schedule and Conditions

The City will be eligible for up to \$58,842,625 over the three-year HAF program, to be provided in four separate installments.

The first advance of \$14.7 million from CMHC was already received by the City following the execution of the contribution agreement. The issuance of the second and third advances are contingent upon the City providing progress reports to CMHC regarding the achievement of the milestones in the City's Action Plan. The issuance of

the fourth advance is conditional upon the number of issued building permits in relation to the housing targets.

CMHC has noted that this final payment will be based on a review of whether the City made reasonable efforts to achieve its commitments, and the Minister will have the right to advance the final payment either in full, pro-rate it to the actual targets achieved, or withhold it entirely as a result. Any unspent portions of HAF funding are to be returned to CMHC.

4. Permitted Uses for HAF Funding

HAF funding is permitted to be used to support all investments in the Action Plan, as required to undertake the seven Initiatives, which may include internal staff resources, external consultants and vendors, and capital funding provided as incentives to partners such as other orders of government, and non-profit partners or for-profit housing developers. HAF funding may also be used to support other eligible uses including direct investments in affordable housing, housing-related infrastructure, and community-related infrastructure that supports housing.

5. Reporting Requirements

The City is required to report to CMHC through a prescribed process on the annual progress of the Action Plan, issued building-permits, and use of HAF funding. After submission to CMHC, the City is required to make its progress reports publicly available, no more than one year from date of submission.

The City is also required to provide CMHC with updates twice per year, if any projects deemed to be capital projects, for example, acquisitions of land or buildings, were to be funded through the HAF. Finally, to ensure the City's compliance with the contribution agreement, a signed attestation document must be submitted to CMHC by July 25, 2024.

OPTIONS/ DISCUSSION:

1. HAF Work Plan

The HAF Work Plan outlines the proposed implementation of the City's Action Plan Initiatives and includes the estimated spend of funds to be received over the course of the three-year program, as well as the target timelines associated with the Initiative milestone commitments in the City's contribution agreement with CMHC. The contribution agreement also outlines the City's HAF target of 1640 new housing units by the end of 2026, to be confirmed by building-permits issued. The City's seven Initiatives through which these commitments will be delivered are as follows:

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1. Public Partnerships
 2. Additional Residential Units (ARUs) and Incentives Program
 3. Major Transit Station Areas (MTSAs) - Policy Update
 4. Inclusionary Zoning (IZ) in MTSAs
 5. Incentive Program for Affordable Housing
 6. Enhance Markham's Electronic Development Application System
 7. Parking and Transportation Demand Management (TDM) Standard Update

Enhancements were made to Initiatives 2 and 4 in response to requests made by the Federal Minister to the City. As noted in Council resolutions, the City will prepare a proposed amendment to the Official Plan and Zoning By-law for permissions of up to four residential units on properties where zoning permits single detached, semi-detached or row house dwelling units, and assess and propose an amendment that would permit as a minimum, up to four storeys within MTSAs, excluding those that are solely comprised of employment areas. These inclusions have been generally consistent across municipalities, responding to CMHC's efforts to remove barriers to housing supply across Canada.

The Initiatives will be supported by an update to the Housing Needs Assessment, as required by the HAF program, which will identify the City's housing gaps, opportunities and changes that have taken place since the previous assessment was completed in 2019. If feasible, the updated Housing Needs Assessment will also inform the parameters and criteria for the partnerships anticipated to deliver the required affordable and purpose-built housing and consider population, demographics, economics, and the current rental market.

Finally, each Initiative has milestones outlined in the contribution agreement that the City will be targeting. Details on the City's seven Action Plan Initiatives and the Work Plan, including an overview of the streams of work to be undertaken, milestones, timelines and funding targets can be found in Appendix 1.

2. Proposed Work Plan Spend

The allocation of funds to deliver the Work Plan is as follows:

The vast majority of HAF funding, approximately 88 percent or \$52M, is being focused on direct investments that support affordable and purpose-built rental housing and is to be directed to non-profit and private sector housing providers through the following Initiatives:

- Initiative 1, Public Partnerships and
- Initiative 5, Incentive Program for Affordable Housing

The aim is to contribute to Markham's need for broader housing options by supporting substantial units through active partnerships while determining the feasibility of an Incentive Program for Affordable Housing. This would need to consider the evolving

legislative framework which is currently signaling the provision of automatic incentives and waivers for affordable units to developers. These legislative changes also impact the available incentives that municipalities can provide to developers, such as capital grants and development application fee waivers. Further information detailing a recommended approach, including envisioned program parameters, will be brought to Council for consideration in late Q3/early Q4, 2024.

The remaining portion of HAF funding, 12 percent or \$7.1M, supports indirect investments to housing, affordable and purpose-built rental through the following Initiatives:

- Initiative 2 - ARU Permissions & Incentive Program
- Initiative 3 - MTSAs Policy Update
- Initiative 4 - IZ in MTSAs
- Initiative 6 - Enhance Markham's Electronic Development Application System
- Initiative 7 - Parking and TDM Standard Update

These indirect investments will create the tools, policies, standards, guidelines and processes required to establish a robust housing compliance framework at the City, and help build a foundation on which the committed HAF targets can be implemented and accelerated.

The permissions granted through the contribution agreement for use of HAF funding across all seven Action Plan Initiatives plus additional areas if required, allow for a flexible strategy to deal with any required budget reallocations necessary over the course of the 3-year HAF program.

3. Projected Cash Flow & Resources

A preliminary cash flow has been developed with the support of City departments to create a snapshot of how the HAF funds disbursed to the City could be spent, aligned with the four anticipated funding tranches to be provided by CMHC if the City meets its targets. The proposed strategy is to work within the anticipated funding disbursement timelines, with a view to ensuring that HAF funds will be able to fully cover all required Initiative costs on an ongoing basis until all funds are spent as required.

The Action Plan Initiatives include funding for a combination of contract staff and external consultants to help deliver the program, as well as funding projected to go directly to development partners through sites and programs to support the delivery of housing units. The internal staff and external consultant resources are immediate needs, to kick-start work implementation and flow funds to external partners to help deliver the housing targets.

Through development of the Work Plan, all staffing and consultant resources were thoroughly reviewed to minimize the administrative burden and maximize the value of funds that go directly to support delivery of targets and goals of the Action Plan. Only an estimated 14 percent, or \$8.3 million, of the total HAF funding is projected to be needed

for resources. This approach has been reviewed and updated by City departments following HAF approval and remains generally in-line with the approach contemplated at application submission.

Also key to the resourcing approach is hiring a project manager to provide oversight and tracking of the entire HAF Work Plan and to support City departments in achieving program commitments.

Staff authorization to implement financial arrangements and undertake informal pre-qualification processes, award required Request for Proposals, Requests for Tender and Non-Competitive work if needed, is also proposed to expedite the procurement process and support achievement of the committed HAF targets and timelines.

Further details on the resources and associated costs required to support the Work Plan can be found in Appendix 1.

Risk Mitigation Strategy

Staff note that there are potential risks to municipalities that participate in funding programs requiring targets and timelines. As such, staff are proposing a risk mitigation strategy to address the potential risks to the City and consider the related implications for the delivery of each Initiative.

The HAF program includes a 3-year timeline to complete initiatives and deliver committed units confirmed through the issuance of building permits, and it is noted in the contribution agreement that installments could be withheld or reduced if Initiative targets are not met. Other related risks could also include the City's potential success in securing the resources required, including staff recruitment and consulting availability, to undertake the Action Plan Initiatives. Additionally, the City is not a builder and as such is reliant upon development partner(s) to deliver housing unit targets through various Initiatives which are beyond its control, as developers may respond to market fluctuations, development costs and potential community concerns. Staff have prepared a risk mitigation strategy attached as Appendix 2 to support successful program completion across the Initiatives.

Although there are many factors beyond the City's control as a regulator to expedite the delivery of housing, HAF funding will provide incentives and support to challenging projects while improving and streamlining City processes.

NEXT STEPS

Subject to Council direction, staff will implement the Work Plan including retaining the required resources to deliver the commitments within the program timelines. Staff will

report back to Council in late Q3/early Q4 2024 with recommendations for the Public Partnerships and Incentive Program for Affordable Housing Initiatives.

FINANCIAL CONSIDERATIONS

The City is to receive \$58,842,625 million to aid in delivering the approved HAF application, which can be utilized for both the implementation of the HAF Action Plan and other qualifying housing-related expenses. The City aims to align spending with the annual installments, unless otherwise directed by Council.

All staffing requirements have been considered for the duration of the HAF program. In addition, this report seeks authorization to create 7 new 2024 in-year Capital additions funded from the Housing Accelerator Fund.

The funding secured through the Contribution Agreement will have no impact on the City's Operating Budget and Life Cycle Reserve because the staff required to support the initiatives will only be employed for the duration of the project, and the City will not be acquiring any assets. The Action Plan Initiatives will be delivered within the target timeframes and funded from the HAF budget.

All costs will be covered by HAF funds, and if any upfront funding is required to support HAF implementation, any use of City funds (including interest as required by internal borrowing protocols) will be fully offset by HAF funds.

HUMAN RESOURCES CONSIDERATIONS

Resourcing needs were taken into consideration during the preparation of the HAF Application and HAF funding has been allocated to address the resourcing needs to deliver the Action Plan Initiatives.

ALIGNMENT WITH STRATEGIC PRIORITIES:

The HAF funding approval supports the City's Strategic Plan across all goals as the Action Plan Initiatives have a far-reaching impact across the organization. It facilitates the achievement of safe, sustainable and complete communities and enhances services, and supports people and resourcing needs. Through engagement, it will provide opportunities to create a diverse, thriving and vibrant City. Finally, it supports sound and responsible fiscal management which is crucial to ensuring efficient service delivery and contributes to all strategic goals. The HAF program will help to implement the goals and actions in the City's Housing Strategy.

BUSINESS UNITS CONSULTED AND AFFECTED:

Key impacted City departments including Legal Services, Financial Services, Building Standards, Engineering, and Corporate Communications, were consulted on this report.

RECOMMENDED BY:

Darryl Lyons, MCIP, RPP
Deputy Director, Planning & Urban Design

Giulio Cescato, MCIP, RPP
Director, Planning & Urban Design

Arvin Prasad, MCIP, RPP
Commissioner, Development Services

ATTACHMENTS:

1. Appendix 1 – Work Plan
2. Appendix 2 – Risk Mitigation Strategies