



Report to: Development Services Committee

Meeting Date: November 26, 2024

SUBJECT: CMHC Housing Accelerator Fund Partnerships Approach

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

REVIEWED BY: Giulio Cescato, Director, Planning & Urban Design (Ext. 2202)

RECOMMENDATION:

1. That the report dated November 26, 2024 entitled “CMHC Housing Accelerator Fund Partnerships Approach” be received;
2. That Council authorize the Director of Planning and Urban Design, in consultation with the Treasurer and in a form approved by the City Solicitor, to negotiate, finalize, enter into and make administrative changes to, as required, housing agreements (and any other necessary associated agreements) that secure the terms and conditions for grants through Initiative 1, Public Partnerships, implemented as a Direct Grant Stream, with organizations included, but not limited to, those in the confidential memorandum dated November 26, 2024, in accordance with the Direct Grant Stream Criteria in Appendix 1;
3. That Council authorize the Director of Planning and Urban Design, in consultation with the Treasurer and in a form approved by the City Solicitor, to finalize, enter into and make administrative changes to, as required, housing agreements (and any other necessary associated agreements) that secure the terms and conditions for grants through Initiative 5, Incentive Program for Affordable Housing, implemented as a DC Rebate Program with all developers that can deliver units in accordance with the DC Rebate Program Parameters referenced in Appendix 2; and
4. That Staff be authorized and directed to do all things necessary to give effect to these resolutions.

PURPOSE:

This report outlines the approach to the Housing Accelerator Fund (HAF) partnerships through Initiative 1, Public Partnerships and Initiative 5, Incentive Program for Affordable Housing, and recommends next steps required to finalize partnerships and facilitate achievement of the City’s HAF commitments.

EXECUTIVE SUMMARY

On June 26, 2024, Markham City Council approved the HAF Work Plan with 7 distinct Initiatives. Council also authorized a road map for program implementation going

forward. The City has committed to supporting the delivery of 1,640 new housing units using \$58.8 million in HAF funding over the next 3 years, through the creation of partnerships, streamlined policies and improved processes.

Through the Work Plan, approximately 88 per cent of the City's HAF funding is allocated to supporting partnerships, through Initiative 1, Public Partnerships and Initiative 5, Incentive Program for Affordable Housing. This report provides further details on the approach envisioned for these Initiatives, aimed at maximizing projects in the City's pipeline that can meet a substantial amount of HAF unit targets, obtain building permits by the end of 2026, and support objectives identified in [Housing Choices: Markham's Affordable and Rental Housing Strategy](#).

The first aspect of the partnership approach implements HAF Initiative 1, Public Partnerships as a Direct Grant Stream, for organizations that have approached the City with projects demonstrating a funding gap due to scaled-up affordability. This stream requires that Staff obtain the authority to negotiate and enter into agreements with the short-list of government, non-profit, non-profit-private joint ventures and private sector organizations for sites which could obtain building permits by the end of 2026. This Initiative has an estimated budget allocation of \$29 million which, if provided, has the ability to support the viability of considerable affordable housing on these projects. In doing so, it would also support the delivery of an estimated 500 units of affordable housing out of an anticipated 1,400 housing units total, a substantial portion of the City's 1640 HAF funded unit target.

The second aspect of the partnership approach is Initiative 5, Incentive Program for Affordable Housing as a rolling Development Charges (DC) Rebate Program, open to all developers on a first-come first-serve basis, that propose affordable housing units in projects that can achieve building permits by the end of 2026, until the estimated \$23 million HAF allocation runs out. This stream includes program parameters with a minimum threshold for affordability, aimed at supporting the viability of current affordable commitments in the City's pipeline. As the HAF program progresses, the program parameters could be opened-up to include below-market, purpose-built rental and other units to maximize program take-up, should flexibility be needed to achieve HAF commitments.

Council's adoption of the proposed recommendations, required to negotiate and finalize partnerships based on the criteria and program parameters outlined in this report, would position the City to meet its HAF program commitments and facilitate ongoing CMHC disbursements. It would also kick-start some of the City's key Housing Strategy goals and accelerate efforts to meet Markham's housing pledge of 44,000 units by 2031, as part of the broader, Provincial target of creating 1.5 million homes.

BACKGROUND:

On June 14, 2023, Council 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 with seven (7) Initiatives.

On October 11, 2023, the federal Minister provided a letter to the City advising that the City consider enhancements to its HAF application. On Dec 13, 2023, a [Council resolution](#) was passed responding to the federal Minister requests directing amendments, which were subsequently incorporated into the City's HAF Action Plan.

On January 25, 2024, the City entered into a contribution agreement with CMHC for \$58.8 million in HAF funding, with the goal of supporting the delivery of 1,640 housing units, including a target of approximately 193 affordable housing units, over the course of the 3-year program, measured by the issuance of building permits.

On June 26, 2024, Council passed a [Council resolution](#) authorizing staff to endorse the Housing Accelerator Fund (HAF) Work Plan, implement the seven (7) Action Plan Initiatives, as committed through the contribution agreement with CMHC, initiate the administrative, financial and procurement processes necessary to facilitate meeting HAF commitments, and report back to the Development Services Committee with recommendations on the implementation approach for Initiative 1, Public Partnerships, and Initiative 5, Incentive Program for Affordable Housing, by late Q3/early Q4, 2024.

OPTIONS/ DISCUSSION:

The HAF program is aimed at accelerating overall housing supply. As such, affordable housing supply targets form a small part of the program requirements, that being 193 of the 1640 funded unit target. The City's Housing Strategy includes several actions aimed at providing more housing options, especially affordable and rental housing, as found in the [2019 Housing Needs Assessment](#) that informed the Housing Strategy. The HAF presents an opportunity to focus on these gaps, while aiming to meet general HAF commitments.

Markham's growth across its intensification areas has attracted developers to continue to build complete communities notwithstanding economic fluctuations in recent years. The need for affordability presents a challenge to the development sector and governments alike, as at current thresholds, affordable housing is not only housing built at a reduced profit, it could also mean housing built below cost. It therefore requires efforts from all sectors to find viable solutions if affordability is to be delivered.

The HAF partnership approach is based on an awareness that there are approximately 100,000 housing units in the City's current development application pipeline on lands being readied for development. More than 800 of these units have been flagged to the City as having affordable housing potential, of which about 500 have affordable rental potential and 186 have high-level commitments for primarily affordable ownership or below-market potential. Another 500 or more units have been flagged to the City as having purpose-built rental potential. The determination on whether these units will be delivered as condo, purpose-built rental or affordable housing rests upon financial viability and the solutions available to support financial gaps.

The partnership approach described in this report outlines the implementation of the following two HAF Initiatives:

1. Direct Grant Stream (Initiative 1 - Public Partnerships)
2. DC Rebate Program (Initiative 5 – Incentive Program for Affordable Housing)

The acceleration of units through the HAF partnership approach will support the City's Housing Pledge to facilitate the construction of 44,000 new homes over the next 10 years, which contributes to the More Homes, Built Faster: Ontario's Housing Supply Action Plan 2022–2023 goal of delivering 1.5 million new homes in the next 10 years.

1. Direct Grant Stream – HAF Initiative 1: Public Partnerships

The partnerships under consideration with non-profit, non-profit-private joint ventures and private sector developers for the Direct Grant stream are a result of organization outreach to the City for HAF support, to help scale-up affordability and bring sites to fruition. This stream aims to accelerate a few key opportunity sites with Council approval, to allow financial details to be obtained and negotiations to proceed, to enable the finalization of partnerships.

Allocating HAF funding to these projects would maximize the supply of affordable housing and offer a range of affordable rent levels, including deeply affordable rents (Rents Geared to Income) aimed at low-and moderate-income households. It would also ensure that affordability is secured long-term, as the organizations referenced either have the capacity to oversee affordability or are partnering with organizations to take on affordable oversight responsibilities.

The projects identified in the confidential memorandum represent approximately 500 units of affordable rental housing and a total of approximately 1,400 housing units. As such, these opportunities would substantially support the 1,640 HAF funded unit target.

Providing HAF support to the opportunities referenced through the Direct Grant Stream would also support the following Housing Strategy Actions:

- #10 - Use public lands for affordable housing
- #12 - Support affordable housing projects that are funded
- #17 - Increase funding and improve approval timelines for the National Housing Co-Investment Fund

Criteria4

A set of criteria as been developed, based on HAF requirements and the City's Housing Strategy objectives informed by the 2019 Housing Needs Assessment, now being updated per HAF requirements:

1. Development Readiness
2. Land Ownership / Developer Type

3. Scale / Number of affordable and/or rental units
4. Tenure
5. Oversight / Long-Term Affordability
6. Depth of Affordability
7. City Goals

Because sites must be able to obtain building permits by the end of 2026 to count towards HAF funding target, those which could feasibly receive HAF funding may be limited.

Further details on the Direct Grant Stream Criteria can be found in Appendix 1.

Site Opportunities - Authorities

The confidential memorandum includes the initial list of potential partners including the order of magnitude funding gaps estimated at this time for Council's information. Through the Work Plan, Council authorization was obtained to implement financial arrangements, expedite the procurement process and support achievement of the HAF targets and timelines. Now Staff are seeking the additional authorities required to negotiate and finalize the financial and legal terms of agreements with the organizations referenced, to the satisfaction of City Legal and Finance.

In this stream, Staff may also be required to negotiate on additional opportunities that present themselves in order to meet HAF commitments.

2. Pilot DC Rebate Program – HAF Initiative 5: Incentive Program for Affordable Housing

The [Provincial Bulletin](#) released in June of 2024 through [Bill 134](#), set the affordability threshold for the purposes of DC exemptions through the [DC Act](#) at a relatively low level, which could be challenging for many developers to meet. York Region's affordability threshold, updated annually in the [Measuring and Monitoring Report](#), is higher than the Provincial threshold, however, if met, units would still be subject to DC payment. The DC Rebate Stream proposes to use HAF grants to potentially rebate up to the full DC value of affordable units depending on program uptake, to help fill this gap. This could support up to 186 affordable commitments and others in the City's pipeline that meet the Regional threshold.

The DC Rebate Program is to be open to all developers with projects that meet the minimum eligibility parameters for this stream, the key being the ability to achieve building-permit issuance by mid-2026 per HAF timelines. It is envisioned to be a web-based, rolling application intake program through which submissions can be received on a first-come-first served basis until the end of 2026 or until such time that the HAF allocation has been spent. Any applications that meet the eligibility parameters would get conditional approval to receive HAF grants in accordance with timelines determined by Staff. Further technical work will be required to facilitate the public launch of this program, targeted for Q2, 2025 as per HAF commitments.

The DC Rebate Program as envisioned supports, and in some cases implements the following Housing Strategy Actions:

- #12 - Support affordable housing projects that are funded
- #14 - Develop incentive package for affordable/supportive housing
- #16 - Fund ongoing incentive program

In October of 2024, Regional Council received a report for information on [Actions to Increase Affordable and Community Housing Supply Under the Next 10-Year Housing and Homelessness Plan](#), which referenced the following key actions in regards to partnering with municipalities on affordable unit oversight:

- #3 - Continue coordination of incentives, processes and explore new partnerships with local municipalities
- #4 - Explore Housing York Inc. or non-profit role in administering affordable units secured through local planning tools and programs

The City will continue to work with York Region to identify opportunities for oversight of affordable units including those supported through the HAF program. Further details on the Region's plans are anticipated in 2025.

Program Parameters

The following is an outline of the eligibility requirements and incentives to be provided through the DC Rebate Program:

Eligibility Requirements

- | | |
|---------------------------|---|
| • Developer Type: | Open to all housing developers |
| • Development Timeline: | Building Permit issuance by end of 2026 |
| • Affordable Requirements | Min. 1 affordable unit in project at Regional threshold |

Incentives Provided

- | | |
|------------------|--|
| • Grant Funding: | Up to full DC rebates for affordable units |
|------------------|--|

Additional details on the DC Rebate Program parameters can be found in Appendix 2.

Should program take-up be insufficient relative to HAF timelines, the program parameters in Appendix 2 may be revised to include below-market, purpose-built rental and other units that can meet HAF objectives. Funds can also be moved between Initiatives if there is more take-up on one stream as opposed to another.

Mitigating Partnership Risks

Potential risks exist when entering into development partnerships as part of funding programs that include unit targets and delivery timelines. The partnership approach being implemented includes a flexible strategy to target achievement of the City's Housing

Strategy Goals while having the ability to revise opportunity sites and broaden program parameters if required, to meet HAF commitments and mitigate risks.

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

Additional Housing Objectives

The City is also investigating opportunities to support additional housing solutions in parallel with the HAF partnership approach, including the potential to implement DC deferrals and accept surety bonds.

Work on the Inclusionary Zoning tool is also being initiated through HAF Initiative 4, as the financial viability of future affordability requirements is important to ensuring ongoing development in the city.

NEXT STEPS

Subject to Council direction, staff will proceed with negotiating and finalizing Direct Grant Stream partnerships based on terms that will allow for the delivery of the HAF commitments within the program timelines.

Staff will proceed with the development and launch of the DC Rebate Program to also deliver on HAF commitments.

Staff will report back on the results of the partnership stream negotiations through the bi-annual reporting as directed by Council in the June 26, 2024 HAF Work Plan report.

FINANCIAL CONSIDERATIONS

This report has no financial impact on the Operating Budget or Life Cycle Reserve Study. Related costs for Initiative 1, Public Partnerships and Initiative 5, Incentive Program for Affordable Housing are fully funded by HAF funds. The first installment of \$14,710,656.25 has been received and allocated accordingly across the various Initiatives.

HUMAN RESOURCES CONSIDERATIONS

Resourcing needs were taken into consideration during the preparation of the HAF Work Plan and HAF funding has been allocated to address these needs regarding delivery of the partnership Initiatives. As noted in this report, the HAF program allows for budget reallocations over the course of the program if needed.

ALIGNMENT WITH STRATEGIC PRIORITIES:

The HAF partnership approach supports the City's Strategic Plan across all goals as the Action Plan Initiatives have a broad impact across the organization. It facilitates the achievement of safe, sustainable and complete communities and enhances services, and supports people and resourcing needs. It will help lay the groundwork for the ongoing development of a diverse, thriving and vibrant City. It will also help to implement the goals and actions in the City's Housing Strategy while supporting sound and responsible fiscal management, which is crucial to ensuring efficient service delivery and contributes to all strategic goals.

BUSINESS UNITS CONSULTED AND AFFECTED:

Key impacted City departments including Legal Services, Financial Services and Planning & Urban Design were consulted on this report.

RECOMMENDED BY:

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

Arvin Prasad, MCIP, RPP
Commissioner, Development Services

ATTACHMENTS:

1. Appendix 1 – Direct Grant Stream Criteria
2. Appendix 2 – DC Rebate Program Parameters