

<b>TITLE: BY-LAW NO. 6917 TO ESTABLISH A MULTI-FAMILY AFFORDABLE HOUSING FINANCIAL ASSISTANCE PROGRAM</b>		Page 1 of 3
<b>PRESENTER: Sandy Trudel</b>	<b>AGENDA NO:</b>	
<b>DEPARTMENT:</b> Economic Development	<b>DATE:</b>	
<b>CLEARANCES:</b> <u>Denise Hitchins</u> Treasury Department <u>[Signature]</u> City Clerk's office	<b>ATTACHMENTS:</b> 1. Report (3 pages)	
<b>APPROVALS:</b>		
<u>Sandy Trudel</u> Department Head	<u>July 29, 2008</u> Date	<u>[Signature]</u> City Manager
		<u>12/08/08</u> Date

**SUMMARY OF HISTORY/DISCUSSION & FUNDING:**

An Affordable Housing Reserve was established during the July 23<sup>rd</sup>, 2007 City Council meeting, to provide funding for affordable housing initiatives. On August 20<sup>th</sup>, 2007 By-Law No. 6870 was enacted to provide a 50% tax credit on the municipal portion of the tax bill of qualifying multi-family affordable housing projects. On October 9<sup>th</sup>, 2007, By-Law No. 6879 was enacted to provide a grant for qualifying multi-family affordable housing projects. The two by-laws were intended to work together to stimulate interest in the construction of multi-family affordable housing units. Unfortunately rising construction costs and an extremely tight rental market has resulted in limited interest in constructing affordable housing units. To date there have been no applications for funding made available through By-law No. 6879 and By-law No. 6870.

An extremely strong housing market has continued to place a great deal of demand on Brandon's rental market driving up rental prices and creating a situation whereby all existing rental units, regardless of quality, are rented. As a result there are many applicants for each available unit. Indications are that the rental market and the affordable housing segment in particular will continue to experience significant pressure for several years to come due to continued growth and affordable housing units whose funding contracts will expire, permitting them to be rented at full market rent. New rental units constructed in the past 12 months, with the exception of one project, have all been market rent units. The trend has been that newly constructed units are often fully rented before they are finished construction. Indications from developers are that the gap between rent collected on affordable housing units and market rent units is not adequately addressed via the existing affordable housing programs. This gap is further compounded by the fact that current programs do not permit municipal funding programs to work in partnership with funding from higher levels of government. As a result, the construction of new affordable housing rental units is not viewed as a desirable venture, resulting in a significant slow down in the construction of multiple family affordable housing units. For the first time since its inception, the Brandon Neighbourhood Renewal Corporation has funding available for developers interested in constructing new affordable multiple family housing units, but little interest from developers.

In an attempt to stimulate interest in the construction of affordable multi family housing, existing funding programs have been reviewed and the incentives proposed in this report reflect the realities of the market place. Additionally, to simplify the application process for developers, the Economic Development Brandon

office is recommending that by-laws 6870 and 6879 be repealed and replaced by By-Law No. 6917. The contents of the two by-laws have been combined in By-Law No. 6917 with the following key changes noted:

- only one application is necessary to access both the multiple family affordable housing grant and tax credit;
- the amount of available grant funding has been increased;
- both municipal and higher levels of government funding can be used for eligible projects, but where available, the funding offered by higher levels of government must be applied for first; and,
- the maximum rent charged for qualifying units has been decreased to match the BNRC rent thresholds for ease of program understanding and enforcement.

The Multi-Family Affordable Housing Financial Assistance program is available to anyone constructing a new multi-family rental development with at least three rental units, provided they meet the established criteria. To qualify for the Multi-Family Affordable Housing Financial Assistance program, developers will have to agree to rent the funded rental units at the rates listed below (updated annually by the Province of Manitoba), inclusive of all utilities, for a minimum of five years to families with an annual household income that does not exceed the upper limit 2<sup>nd</sup> quintile established annually by Statistics Canada. Currently the upper limit 2<sup>nd</sup> quintile is \$49,999. Annual verification of the rent charged will occur via signed tenant declaration forms.

**Maximum rents charged inclusive of utilities for 2008**

1 bedroom	\$500.00	2 bedrooms	\$650.00
3 bedrooms	\$765.00	4+ bedrooms	\$815.00

The Multi-Family Affordable Housing Financial Assistance program will be administered by the Brandon Neighbourhood Renewal Corporation (BNRC) on behalf of the City of Brandon as part of the existing housing contract. To ensure that approved projects address the established affordable housing priorities, the BNRC and City staff will evaluate Multi-Family Affordable Housing Financial Assistance program applications using an evaluation model that is consistent with BNRC’s affordable housing evaluation model.

For clarity purposes, below are two examples that show how the municipal affordable housing incentives have been determined. The slightly higher incentives offered for the construction of 3+ bedroom units is intentional. The 3+ rental unit segment of the housing continuum is in great demand but traditionally developers are less likely to construct the larger rental units.

**How affordable housing grants were calculated**

<u>Affordable Housing</u>	<u>Revenue</u>	<u>Full Market Rent</u>	<u>Total Market Rent (5 years)</u>	<u>Advantage to developer</u>
<b>2 bedroom</b>				
5yrs @\$650 / month	\$39,000.00			
BNRC grant	\$10,000.00			
50% reduction on municipal taxes (5 years)	\$1,875.00			
City grant	\$4,000.00			
	<b>\$54,875.00</b>	5yrs @900 / month	<b>\$54,000.00</b>	<b>\$875.00*</b>
<b>3 bedroom</b>				
5yrs @\$765 / month	\$45,900.00			
BNRC grant	\$10,000.00			
50% reduction on municipal taxes (5 years)	\$2,000.00			
City grant	\$7,000.00			
	<b>\$64,900.00</b>	5 yrs@1050 / month	<b>\$63,000.00</b>	<b>\$1,900.00*</b>

\* The overall economic advantage to developer may be over stated as units rented at full market rent as some include utilities while others don't. For this comparison we have assumed utilities are included.

Should developers qualify for both provincial funding as well as City of Brandon funding, total grants approved would be as follows:

**Incentives for new multi-family affordable rental units**

Size of unit	Provincial \$	City of Brandon \$	Approx. Tax Credit	Total Funding
1 bedroom	\$10,000	\$2,000	\$1,800	\$13,800**
2 bedroom	\$10,000	\$4,000	\$1,875	\$15,875**
3+ bedroom	\$10,000	\$7,000	\$2,000	\$19,000**

\*\* Actual total funding will be dependent upon the actual tax credit applicable to the eligible units.

Provincial affordable housing grants are restricted to projects that are located within the Brandon Neighbourhood Renewal Corporation (BNRC) boundaries. The north boundary is the Assiniboine River, the east boundary is Franklin Street, the south boundary is Park Avenue and the west boundary is 24<sup>th</sup> Street. The BNRC and Economic Development office were unsuccessful in convincing the Province of Manitoba to fund affordable housing projects that are located outside the BNRC district. Should developers only qualify for City of Brandon assistance due to the geographic location of their project, total funding provided by the City of Brandon would be the same as the total funding that appears in the chart preceding this paragraph.

**RECOMMENDATION:**

That By-Law No. 6917 to create a Multi-Family Affordable Housing Financial Assistance Program to encourage the construction of affordable multi-family housing units in the City of Brandon, be read a first time.

***(Read a first time August 18, 2008)***

***That By-law No. 6917 to create a Multi-Family Affordable Housing Financial Assistance Program to encourage the construction of affordable multi-family housing units in the City of Brandon, be read a second time.***

***That the by-law be read a third and final time.***

**BY-LAW NO. 6917**

**BEING A BY-LAW of the City of Brandon to create a Multi-Family Affordable Housing Program to provide financial assistance for housing projects which incorporate three (3) or more rental units as a means to support the new construction of multi-family affordable housing in the City of Brandon.**

**WHEREAS Section 261.2 (1) of The Municipal Act, R.S.M. 1996, c. M225 authorizes the Council of a municipality to establish by by-law financial assistance programs;**

**AND WHEREAS the Council of The City of Brandon has recognized the importance of creating affordable multi-family rental housing units in the City of Brandon;**

**AND WHEREAS the Council of The City of Brandon has deemed it necessary and expedient to pass a by-law for the purpose of establishing the terms and conditions for a financial assistance program that would encourage the construction of such rental units;**

**NOW THEREFORE the Council of The City of Brandon, in open session assembled, enacts as follows:**

1. In this by-law,
  - (a) **ADMINISTRATION** means the City of Brandon Affordable Housing Review Team comprised of the City of Brandon's Economic Development Officer or designate, the Brandon Neighbourhood Renewal Corporation General Manager and the Brandon Neighbourhood Renewal Corporation Housing Coordinator.
  - (b) **ELIGIBLE UNIT** means a rental residential unit contained within a building of three (3) or more rental units and renting for a maximum of median market rent (established annually by Canada Mortgage and Housing Corporation);
  - (c) **FINANCIAL ASSISTANCE** means a grant and tax credit for municipal taxes;
  - (d) **MULTI-FAMILY HOUSING** means three (3) or more residential rental units contained within a single building;
  - (e) **MUNICIPALITY** means the City of Brandon;
  - (f) **MUNICIPAL TAXES** means the property taxes imposed for municipal purposes by the municipality;
  - (g) **PROPERTY OWNER** means a person who is the registered owner under The Real Property Act of land on which a building is located, or the granted thereof of a valid conveyance registered under The Registry Act, or an agent of either such owner;
  - (h) **QUALIFYING UNIT** means an eligible unit that is rented by a tenant whose annual household income does not exceed the current upper second quintile established by Statistics Canada or the terms set forth in funding programs utilized by the property owner and offered by higher levels of Government, whichever is the lower.
  - (i) **RESIDENTIAL UNIT** means a dwelling unit in a building where the unit is used solely for residential occupation;
2. That a financial assistance program comprised of the two categories be established for newly constructed housing projects with three (3) or more rental units whereby eligible property owners shall receive the outlined financial assistance:
  - 2.1) One Time Grant - a one time grant earned over a minimum five year period.
  - 2.2) A tax credit equal to 50% of the municipal portion of the tax levy for all qualifying units that create affordable housing in Brandon for a period of twenty (20) years, commencing in the year the building is first assessed for taxation purposes. The tax credit shall be calculated by dividing the number of qualifying units by the total number of rental units in the multi family housing project times the prevailing tax levy.
3. In order for the grant cited in Section 2 to be provided:
  - (a) the applicant must be the property owner(s);
  - (b) the construction project must be located within the boundaries of the City of Brandon and must be new construction and not completed at the time of application;
  - (c) the eligible units being developed shall be a minimum of 1 bedroom units;

- (d) the monthly rent of the eligible residential housing unit must not exceed the median Brandon market rent inclusive of all utilities, published annually by Canada Mortgage and Housing;
- (e) the gross annual household income of the tenant shall not exceed the current upper limit second quintile established by Statistics Canada;
- (f) the property owner must be free of any City of Brandon Building and Safety Maintenance Orders, and all outstanding taxes, utility charges or other amounts owing to the municipal government by the property owner must be paid.
- (g) if the project is eligible for federal / provincial funding this funding must be accessed first, in order to qualifying for funding under section 2.1.

- 4. The proposed construction project must conform with all applicable provisions of the municipality's zoning and building by-laws, and with any applicable design approval process.
- 5. When the applicant enters into a five year contract with the City of Brandon or designate, the maximum capital grant available per eligible unit through the City of Brandon Multi-Family Affordable Housing Financial Assistance Program when provincial or federal funding is utilized to fund the eligible residential units, shall be \$2,000 per eligible 1 bedroom unit, \$4,000 per eligible 2 bedroom unit and \$7,000 per 3+ bedroom units, earned over a minimum five (5) year period.

When the applicant enters into a five year contract with the City of Brandon or designate, the maximum capital grant available per eligible unit through the City of Brandon Multi-Family Affordable Housing Financial Assistance Program when eligible units do not qualify for provincial or federal funding, shall be \$12,000 for 1 bedroom units, \$14,000 for two bedroom units and \$17,000 for 3 or bedroom units, earned over a minimum five (5) year period.

- 6. Applications will be received on a first-come, first-served basis and shall be submitted to the Brandon Neighbourhood Renewal Corporation Housing Coordinator or designate in the form prescribed by the Administration. Applications meeting the necessary criteria shall be approved provided there are sufficient budgeted funds to do so.
- 7. The applicant shall be required to provide to Administration annual proof in the form of a signed tenant / rent declaration, as prescribed by the Administration, that the eligible rental units continue to meet the rent and income thresholds set out in Sections 3. (d) and (e) of this by-law.

Should the information supplied to Administration prove to be false or inaccurate, resulting in ineligibility for the Multi-Family Affordable Housing financial incentive in part or in whole, the capital grant and tax credit must be repaid for all ineligible rental units over the period of time of the agreement.

- 8. The property owner shall agree to enter into a five (5) year agreement with the City of Brandon or designate.
- 9. For newly constructed qualifying residential units that are not recorded on the annual assessment roll of the City of Brandon, application for the real property tax credit must be made to the Brandon Neighbourhood Renewal Corporation or designate along with the required tenant income / rent declarations no later than 30 days from the date of issue of their supplemental tax bill.
- 10. The Affordable Housing Financial Assistance tax credit shall be applied against the taxes due in each qualifying year.
- 11. That By-law No. 6870 and By-law No 6879 are hereby repealed.
- 12. This by-law shall come into force and take effect on the day following its passage.

**DONE AND PASSED** by the Council of The City of Brandon in a meeting duly assembled this day of        A.D. 2008.

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MAYOR

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CITY CLERK

Read a first time this        18<sup>th</sup>    day of    August        A.D. 2008  
 Read a second time this               day of               A.D. 2008  
 Read a third time this               day of               A.D. 2008