



**City of Kingston
Information Report to Council
Report Number 24-013**

To: Mayor and Members of Council

From: Desirée Kennedy, Chief Financial Officer & City Treasurer
Jennifer Campbell, Commissioner, Community Services

Resource Staff: Ruth Noordegraaf, Director of Housing & Social Services

Date of Meeting: January 9, 2024

Subject: Options for Support of Affordable Housing and Homelessness Initiatives

Council Strategic Plan Alignment:

Theme: Council requests

Goal: 1.1 Promote increased supply and affordability of housing.

Executive Summary:

At the September 5, 2023 Council meeting, Council passed a motion requesting an Information Report to Council by January 2024 summarizing all financial tools and options that could be applied to the 2024 budget to leverage specific funding dedicated to affordable housing and homelessness. This report provides Council with the requested information.

Recommendation:

This report is for information only.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF

FINANCIAL OFFICER & CITY TREASURER

**Desiree Kennedy, Chief
Financial Officer & City
Treasurer**

ORIGINAL SIGNED BY COMMISSIONER

**Jennifer Campbell,
Commissioner, Community
Services**

ORIGINAL SIGNED BY CHIEF

ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Growth & Development Services	Not required
Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required

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Options/Discussion:**Background**

In order to address affordable housing and homelessness needs, it is important to identify and leverage a variety of tools and funding options that will support the continued investment in this Council strategic priority. In that regard, on September 5, 2023, Council passed the following motion:

Whereas City Council endorsed initiatives to address affordable housing and homelessness within its 2023-2026 strategic plan; and

Whereas affordable housing and homelessness initiatives require significant investments which have been primarily funded through the Municipal Capital Reserve Fund and other provincial and federal governments programs as applicable; and

Whereas it is important to for the City to consider various options and tools to continue to significantly support affordable housing and homelessness initiatives; and

Whereas as of July 1, 2023, the Mayor has special powers and duties under Part VI.1 of the Municipal Act, 2001 that cannot be delegated and include to prepare the budget and present it to Council;

Therefore Be It Resolved that Council direct staff to bring an information report to Council by January 2024 summarizing all financial tools and options, including a special levy, that could be applied in whole or in part, through Mayoral Decision, to the 2024 budget to leverage specific funding dedicated to affordable housing and homelessness.

Analysis

This report identifies below a number of funding strategies that can support necessary investment in housing and homelessness prevention initiatives over the current Council term. Funding strategies include both operational investments such as rent supplements as well as capital investments that contribute to the construction of additional affordable units. It is important to note that although capital investment for the creation of additional affordable units is critical, it usually takes a few years from approval to occupancy to allow for the planning and construction process. Operating investments such as portable housing benefits can create access to affordable units at a faster pace as it uses existing residential stock. It is important for the City to invest in both streams.

2024–2027 Operating Budgets Investments

The 2024-2027 operating budgets include ongoing investment in affordable housing, social housing and homelessness initiatives from both municipal and upper-level government funding sources.

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[Report Number 23-112](#) provides an overview of the annual funding allocations from upper-level government funding programs for the 2023-2025 program years including the Canada-Ontario Community Housing Initiative (COCHI), the Ontario Priorities Housing Initiative (OPHI) and the Homelessness Prevention Program (HPP). The table below provides a high-level breakdown of the housing and homeless programs and associated operational funding sources from the approved 2023 budget.

Additional information about participation rates and criteria for these programs is provided through quarterly updates to the Housing and Homelessness Advisory Committee, the most recent of which was received by the Committee on December 14, 2023 ([Report Number HHC-24-004](#)).

It is important to note that in addition to the operational funding captured in the table below, that capital funding is often invested both municipally and at higher levels of government to bring emergency shelter, supportive and transitional housing online.

Program	Number	Municipal Investment	Provincial Investment	Federal Investment
Rent Geared to Income	1,518 units	\$7.4M operating	-	\$1.2M
Portable Housing Benefits	138 units	\$659K operating	-	-
Rent Supplements	408 units	\$3.7M operating	\$466K (HPP)	\$529K
Supportive and Transitional Housing Supports	268 spaces	\$614K operating	\$827,500 (HPP)	-
Emergency Shelter Services	216 beds	\$1.3M operating	\$3.4M (HPP)	-
Community Outreach & Support Services	8 programs	\$729K operating	\$3.8M (HPP)	-
COCHI/OPHI (funding to Service Managers to protect affordability by supporting repair/renewal of existing social housing supply)	30 funding agreements	-	\$952K OPHI	\$1.39M COCHI Combined Provincial/Federal Funding
Totals		\$14.4M	\$9.4M	\$3.1M

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Early last year, the provincial government confirmed an HPP funding allocation of \$8,766M for the 2023-2024, 2024-2025 and 2025-2026 fiscal years. This is an increase in annual funding of just over \$3,8M from previous years. The additional HPP funding will help to support an increased level of homelessness supports. In 2023, these supports included an expansion of emergency shelter beds, extended hours of daytime services and a new street outreach initiative.

As part of the 2023 approved operating budget, Council added a one-time special tax levy of 0.7% to support ongoing homelessness services and supportive housing initiatives. These funds, totalling approximately \$1.7M, have been incorporated into the 2024 operating budget and will continue to provide annual funding to support ongoing homelessness services and supportive housing initiatives.

Due to the late timing of the increased HPP funding allocation for 2023, as noted above, and in order to maximize the use of the provincial funding, it is projected that approximately \$1.5M of unspent municipal funds in 2023 will be available to be carried forward for future use. As part of the year end reporting process, staff will be recommending that these funds be moved into a dedicated reserve to support future funding requirements for Housing and Homelessness initiatives which could be either operating or capital investments.

Staff continue to review operational needs in the coming years to ensure that necessary emergency services such as, but not limited to, street outreach, prevention and diversion services, emergency shelter, housing first services and rental assistance remain available while ongoing and newly initiated preventive, supportive operations are also supported.

15-year Capital Plan Investments

The 15-year capital plan currently includes \$10M over the next five years to invest in additional affordable housing units, with funding from both municipal capital reserve funds and grant funding sources.

The Government of Canada, by way of the Canada Mortgage & Housing Corporation, released the Housing Accelerator Fund (HAF), a \$4 billion investment intending to create at least 100,000 new housing units across the country. The HAF program provides funding based on the number of new housing units projected to receive residential building permits beyond an established baseline for Kingston of 1,000 units per year; the City's application commits to meeting a housing target of 1,470 per year. [Report Number 23-172](#) provides additional information on the HAF action plan and related initiatives.

A component of the HAF funding can be used for affordable housing purposes (i.e. construction of affordable housing, acquisition of land or buildings for affordable housing). The 2024 capital budget includes \$4.0M of anticipated HAF funding for affordable housing purposes.

The 2024 capital budget also includes funding of \$2.5M under the Canada/Ontario Community Housing and Ontario Priorities Housing Funding Initiatives. Staff continue to monitor grant opportunities that will support affordable housing and homelessness initiatives.

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For historical context, Report Number 24-004, “Development Analysis Over Past Three Years and Potential Impact on Precarious Housing, Homelessness and Vacancy Rate”, which is being presented to Council on January 9, 2024, on the same agenda as this report, provides a comprehensive summary of the housing and homelessness projects completed from 2020 to 2022. The report identifies the completion of 97 housing solutions of various project types including homelessness accommodations, transitional and supportive housing, and affordable housing, as well as 237 affordable housing and transitional units which received City support that are currently in progress or are anticipated to start construction soon. The report also notes various emergency shelter solutions that came online between 2020 and 2022 to provide additional emergency housing solutions, such as the Integrated Care Hub, Concession Street Centre, Adelaide Street Centre, St. Mary’s and Ridley West.

Municipal Tools to Leverage Additional Affordable Housing Funding

Municipalities have limited tools to leverage funds to support both operating and capital investments in affordable housing. The current legislation does not allow municipalities to create a new fee or add to an existing fee to leverage funds for affordable housing such as the Municipal Accommodation Tax to support tourism initiatives. Below are some tools that the City has been utilizing or could implement to leverage more funding to support affordable housing. There is no doubt that ongoing provincial and federal funding is required to fund affordable housing initiatives.

Sale of Surplus Properties

In March 2023, Council received [Report Number 23-043](#) which outlined a housing accelerator initiative intended to expediate the development of new housing. The report provided Council with recommendations on the use and disposition of certain City-owned lands in order to promote the construction of new housing developments and more specifically, to create additional affordable housing units.

As recommended in [Report Number 23-125](#), Council declared two properties (33 Compton Street and 900 Division Street) as surplus to municipal need and gave direction to dispose of the properties for housing purposes with the revenue earned from the disposal to be reinvested into the creation of new affordable housing. The approach to property disposal and creation of affordable housing varies based on the property characteristics and location; however, it is anticipated that there will further opportunities to utilize this approach for additional affordable housing units in the future.

Development Charges

The province introduced Bill 23, the *More Homes Built Faster Act, 2022* to support the construction of new homes, provide support to home buyers, reduce construction costs and fees, and streamline development approvals, all in an effort to contribute to the Province’s plan to build 1.5 million homes by 2031. Bill 23 received Royal Assent on November 28, 2022. Part of this legislation focuses on support to affordable housing.

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Bill 23 provides for exemptions from development charges, community benefit charges and parkland dedication requirements for non-profit housing developments, affordable ownership and rental units, as well as for affordable inclusionary zoning units, and attainable housing units (to be defined by future regulation).

Bill 134, the *Affordable Home and Good Jobs Act, 2023*, introduced on September 28, 2023, amended the definition for “affordable residential unit” exemptions under More Homes Built Faster Act. The proposal, if implemented, takes a different approach to defining affordability by focusing on the ability of households to pay, as opposed to looking solely at what the market dictates. The changes, if adopted, will provide discounts and exemptions from development charges, community benefit charges and parkland dedication requirements for those developments which meet the new definition.

Attainable housing units, which are also proposed to be exempt from the above charges, is to be further defined by way of criteria that is yet to be prescribed by regulation.

Municipal Financial Incentives Study

In 2022, Watson & Associates Economists Ltd. were retained to undertake a study to explore potential financial incentives to help facilitate and encourage affordable housing in Kingston. This study was initiated to address the recommendations of the Mayor’s Task Force on Housing Final Report and includes a review of financial tools, including but not limited to, discretionary municipal fee exemptions, discounts or deferrals (such as planning application fees, development charges, parkland dedication fees); land donation or discounting; property tax incentives; capital funding and operating subsidies; community improvement plans; and municipal capital facility agreements and by-laws.

A partial draft of the study was completed; however, with more recent provincial legislative changes, many of the incentive options being reviewed are now being mandated and/or considered by the provincial government. Findings and recommendations of the study will be presented to Council this year.

Assessment Growth

New housing development results in additional assessment growth being added to the assessment roll along with corresponding property tax revenues. Staff regularly monitor assessment growth which is included in the annual operating budget projections based on known building activity. Growth projections will continue to be updated to reflect the targeted increase in the supply of housing as a result of Council’s strategic priorities and other related initiatives. There could be opportunity to allocate a portion of accelerated growth to additional affordable housing initiatives.

Special Tax Levy

The City could consider a special levy to help raise additional funds for affordable housing initiatives. A special tax levy of 1% in 2024 would provide approximately \$2.5M in additional

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funding. It is important to note that special levies tend to be implemented for initiatives that have either a fixed amount to leverage or for a fixed time frame.

Financial Considerations:

Included in the body of the report.

Contacts:

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Other City of Kingston Staff Consulted:

Amy Gibson, Manager, Housing & Homelessness, Housing & Social Services

Exhibits:

None