

Affordable Housing Acquisition Plan Program Guidelines

1. Background

The Housing Sustainability and Investment Roadmap (the Roadmap) outlines four strategic pillars to tackle Hamilton's affordable housing crisis: new construction of affordable housing; acquisition of affordable housing; preservation and maintenance of existing affordable housing and provision of housing with supports. The second pillar is particularly critical as research indicates that for every new affordable rental unit constructed, Hamilton loses 23 units due to rent inflation, significant rent hikes for vacant units, and renovations leading to evictions. From 2011 to 2021, Hamilton saw a reduction of over 16,000 rental units with rent priced below \$750 a month (Source: Updating analysis on erosion of lower rent stock from 2021 census. Steve Pomeroy, Industry Professor and Executive Advisor, Canadian Housing Evidence Collaborative, McMaster University. October 2022 <https://chec-ccrl.ca/wp-content/uploads/2022/10/Updated-Analysis-on-Housing-Erosion-from-2021-Census-Steve-Pomeroy.pdf>). The acquisition pillar aims to create a framework and actionable plan to enable community housing providers to purchase at-risk private rental properties, thereby mitigating the risk of substantial rent increases.

The Affordable Housing Acquisition Plan was developed during the first eight months of 2024, incorporating feedback from an internal City advisory committee that included representatives from Finance and Corporate Services, the Corporate Real Estate Office, the Municipal Land Development Office, and Housing Services. Additional input was provided by CityHousing Hamilton and the Hamilton Community Foundation. The non-profit organization Hamilton is Home was also consulted. In November 2024, as part of the annual Roadmap update, City Council received a Draft Finance and Acquisition Action Plan pilot program (HSC23028(f)/FCS23055(d)/PED23099(g) Appendix D).

The following pilot program will run for a two-year period starting on the date that the Request for Proposals is made public.

2. Program Description

The objectives of this pilot program are:

- To remove properties at risk of being sold to the private market and create permanently affordable rental housing through capital and operating assistance to community, non-profit, and Indigenous housing providers.
- Increase housing stability and affordability for current and future tenants.
- Improve quality of rental housing units.
- Ensure long term sustainability of the rental housing properties.

The pilot program has recommended the following resources to achieve this objective:

- Capital assistance of \$5,000,000 in the form of a forgivable loan up to a maximum of \$100,000 per unit.
- Municipal property tax rebate, for a maximum of two years for buildings purchased under the program.
- Waiving of all permits and fees required for the acquisition of the property, including building permits, and all fees associated to the Safety Apartments By-Law, and other City's by-laws.

The Housing Secretariat Division will conduct a Request for Proposals process through the Affordable Housing Development project Stream (the Project Stream) to select non-profit, community, and Indigenous housing providers, by evaluating organizations with experience in acquiring and operating property (including subsidized units), ability to bring equity to any purchase, and ability to maximize the value and impact of the program. Affordable Housing Acquisition Plan will allocate per unit funding up to a maximum amount per proponent to support acquisition of a building. Of the total capital assistance funding allocated, \$25,000 will be advanced before acquisition to support pre-acquisition costs. The balance of the total capital assistance funding allocated will be advanced to align with the closing date of the agreement of purchase and sale to purchase the property.

This funding will form the basis of a Municipal Contribution Agreement that will require affordability of purchased units for a 99-year period (not exceeding 125% average CMHC market rents), and the Municipal Contribution Agreement will require that a mortgage be registered on title.

3. Program Details

The Affordable Housing Acquisition Plan is a two-year pilot program. There are three types of financial incentives: \$5.0 million in capital grant funding; a two-year property tax rebate on purchased buildings; and waiving of all the fees and permits required for the acquisition of the property.

The Affordable Housing Acquisition Plan incentives have no limitations on stacking with other municipal incentives programs, grants, loans, or funding from other levels of government for capital project development and operational expenses such as housing subsidies. Applicants are encouraged to seek other additional funding available either locally within the City or through provincial and federal levels of government.

The \$5.0 million capital funding available through the Affordable Housing Acquisition Plan will support proponents' acquisition proposals as it relates to capital renovation costs or improvements, additional equity for purchaser, and/or serve as the City of Hamilton financial partnership/ contribution required for other sources of funding, including but not limited to CMHC funding programs. A pre-acquisition amount of

\$25,000 is part of the maximum funding allocation and is not an additional funding amount.

A two-year property tax rebate on purchased buildings is also offered under the Affordable Housing Acquisition Plan.

4. Eligible Building Types:

- The pilot phase of the Affordable Housing Acquisition Plan will focus only on existing rental housing projects or buildings that may be at-risk of being lost due to a variety of factors.
- The pilot phase will focus on low-midrise apartment buildings, with the guideline building size between ten and fifty units.
- The preferred rent range for buildings or units to be acquired is between 80% -125% average market rents.
- Buildings with demonstrated financial viability or a path towards financial viability of the project, to be proven through the applicant’s capital and operating proformas, including sufficient reserves.
- Buildings that can demonstrate that occupancy be maintained OR where units are vacant, occupancy can be attained quickly will receive prioritization.
- Eligible buildings must be brought into conformity with municipal requirements, including zoning, Ontario Building Code, and relevant local by-laws.

The following is not eligible under the Affordable Housing Acquisition Plan:

- Purchase of land with intent to develop rental housing.
- Buildings that are in a poor state of repair that will require temporary tenant relocation during renovation are not eligible.

5. Other Conditions

- All units must be maintained below 125% average market rent for a minimum of 99 years.
- Rents of existing tenants must increase annually no more than the province’s annual rent guideline increase.

6. Overview of Funding Allocation Process:

The City of Hamilton’s Affordable Housing Acquisition Plan funding and incentives will be offered to qualified organizations and evaluated through a Request for Proposal process made public through the Affordable Housing Development project Stream (the Project Stream).

The following organizations are eligible for the Request for Proposal process:

- Non-profit, charitable, and/or Indigenous organization status (including non-profit housing co-operatives) with an existing service agreement with the City of Hamilton’s Housing Services Division. For profit organizations are not eligible.
- Organizations must own and operate the housing units that are to be acquired.
- Organizations must be able to contribute a minimum of 10% equity to purchases under the Affordable Housing Acquisition Plan, usually demonstrated through provision of the down payment for the purchase.
- Organizations must have demonstrated experience of acquiring and operating additional units of affordable rental housing.
- Organizations must have demonstrated capacity to manage real estate financial portfolios for multiple properties (including capital planning and reserves) as well as a robust property management plan.

Proponents can respond with or without a particular affordable rental housing property in mind for acquisition. Should a Proponent have a specific property they are considering for acquisition, this building can be the basis of their proposal. Otherwise, proposals are to reflect the type and size of property the proponents are interested in acquiring.

The following criteria and points will be used to evaluate submissions:

• Acquisition and Renovation Qualifications	20 pts
• Management Qualifications	20 pts
• Corporate Financial Viability	10 pts
• Financial Plan and Budget	10 pts
• Property Acquisition Plan	20 pts
• Tenant and Community Impact Plan	10 pts
• Indigenous Organization	<u>10 pts</u>
Total	100 pts

Successful proponent must score a minimum of 75% to qualify, and all awards will be based on available funding.

The City will provide successful Proponents with a Conditional Eligibility Letter within 90 days of the Proponent’s application for several units and conditional maximum funding amount based on the type and size of the building the Proponent is targeting. The Proponent will also receive an advance of up to \$25,000 to cover pre-acquisition activities and due diligence within 60 days of the issuance of the Conditional Eligibility Letter. Examples of pre-acquisition costs may include but are not limited to payment of professional and consultation fees, studies, surveys, architectural designs, demolition costs (if applicable), environmental and archaeological study costs.

Once a proponent has identified a suitable property, the proponent must submit a full property acquisition package outlining purchase, renovation, and operating budgets to be reviewed and approved by the Housing Secretariat. The property acquisition package must include the following:

- Project details: including but not limited to, acquisition cost, proposed capital and operating budgets, property management, operating plan and construction management plan
- Details on any outstanding building orders or liens on the property
- Signed Offer to Purchase funding under the Financial and Acquisition Plan (conditional on City funding and due diligence)
- Site-specific due diligence materials: zoning and environmental reviews, property condition inspection, fair market value appraisal completed by third parties in accordance with industry standard practices.

The Proponent is required to contribute the down payment (at least 10% of the total cost of purchase).

Once a complete acquisition package has been submitted, the City will review and issue approvals within 60 days. The final funding allocation will be based on actual project budget up to the maximum per unit thresholds approved for the Proponent.

The purchase of approved suitable property under the Financial and Acquisition Action Plan must close within two years of the Request for Proposals being made public.

The proponent and the City will enter into a Municipal Contribution Agreement which will be secured by a mortgage/charge to be registered on the title of the property which is purchased under the program. The Municipal Contribution Agreement will include among others the following:

- The amount of City's funding being provided
- The number of units to be provided and unit rental rates
- Duration of affordability of 99 years
- Requirements for tenant income verification by applicant at initial occupancy and unit turnover
- Requirements for annual reporting by applicant
- Requirements for applying rental rate increases and,
- Other terms and conditions as required in sole and unfettered discretion of the City.

6.0 Evaluation of the Pilot

Given the priority of affordable housing in Hamilton, evaluation of this pilot will take place in two phases: 1) a concurrent formative evaluation; and 2) a summative evaluation upon conclusion of the pilot project.

The first evaluation will be conducted by staff delegated by members of the Roadmap Steering Committee and will consider successes and challenges in implementation of the project compared to its program objectives. The results and any recommendations to changes to the program will be presented to the Roadmap Steering Committee for

initial approval. A summary of the formative evaluation, and any program adjustments, will be included in the annual Roadmap update to City Council from the Housing Secretariat Division.

The second, summative evaluation will be completed after the second year of the program and will examine outcomes of the pilot compared to its stated objectives. This summative evaluation will include policy recommendations on scale and scope of an extension of the Affordable Housing Acquisition Plan

7.0 Other

Questions related to this program can be directed to:
housingsecretariat@hamilton.ca