

DATE OF MEETING September 9, 2024

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SUBJECT HOUSING ACCELERATOR FUND 2

OVERVIEW

Purpose of Report

To seek Council endorsement to submit an application to Canada Mortgage and Housing Corporation (CMHC) under the round two Housing Accelerator Fund (HAF2).

Recommendation

That Council:

- a) direct Staff to submit an application to the round two Canada Mortgage and Housing Corporation – Housing Accelerator Fund (HAF2);
- b) commit to Staff providing overall grant management; and,
- c) direct Staff to include an Action Plan and funding allocation in the HAF2 application as outlined in the report dated 2024-SEP-09.

BACKGROUND

The Housing Accelerator Fund is an application-based program introduced in the 2022 Federal Budget to encourage local initiatives that remove barriers to housing supply, accelerate growth of housing supply, and support the development of complete, low-carbon and climate-resilient communities. It had an initial funding allocation of \$4 billion until 2026-27 and one application window in 2023. The 2024 Federal Budget announced an additional \$400 million in funding until 2027-28, which is only available to applicants who were not approved in the 2023 application window. The HAF2 submission deadline is 2024-SEPT-13. The City is eligible through the Large/Urban Stream, which provides incentive funding to local governments with a population greater than 10,000.

Successful applicants can use funding for investments in:

- HAF2 action plans;
- affordable housing;
- housing-related infrastructure;
- community-related infrastructure that supports housing.

Successful applicants will receive funding in four payments; an upfront advance of 25 percent upon the signing of the contribution agreement; and 25 per cent annually on the anniversary date of the agreement for the next three years; subject to program conditions being met.

DISCUSSION

To be eligible for HAF2, three requirements must be met:

- establishing a housing supply growth target;
- an action plan with a minimum of seven initiatives that support/facilitate housing; and,
- submission of a current housing needs report.

A description of how the three requirements are proposed to be met is summarized below:

HAF2 Requirement #1: Housing Supply Growth Target

To be eligible for HAF2 the City of Nanaimo must commit to two housing supply growth targets:

1. an average annual housing supply growth rate increase by a minimum of 10 percent, and,
2. an annual housing supply growth rate that exceeds 1.1 percent over the next three years.

Over the past 10 years, an average of 1,054 residential units have been issued through building permits annually. Staff is proposing a target of 1,213 residential units per year (2025, 2026, and 2027) for the HAF application, which represents an annual growth rate increase of 15% percent and an annual growth rate of 2.8 percent. This target is informed by and exceeds the annual average target needs identified in the City's 2023 Housing Needs Report which calls for an average of 1,155 units per year, and the Provincial Housing Target Order for Nanaimo which calls for 4,703 new housing units by 2029.

The target of 1,213 residential units is realistic based on the average building permits issued in recent years, recognizing that many determinants of permitted housing supply are outside of the City's control, such as, interest rates, migration, labour market conditions, industry capacity, material supply chain, etc. If the HAF2 application is successful, and the growth targets are met each year, the City would be eligible for approximately \$20 million in funding, based on the CMHC-HAF2 formula.

HAF2 Requirement #2: Action Plan Initiatives

Another required condition of the HAF2 is that the City must complete a minimum of seven housing related initiatives, and these initiatives form part of the HAF2 Action Plan. The proposed seven initiatives are as follows:

1. Zoning Bylaw Update

The Zoning Bylaw update project will align the Zoning Bylaw with City Plan (IAP Priority Action #195), and will include the following components:

- Strive to end exclusionary zoning by collapsing and simplifying zones, and by allowing more flexibility for a wider range of housing typologies throughout the City.
- Pre-zone land in Nanaimo's Urban Centre and Corridor land use designations to allow for more affordable housing. (IAP Priority Action #69)
- Complete a feasibility study to explore the use of inclusionary zoning and density bonus tools to accelerate the development of rental and non-market housing and incorporate the findings into the Zoning Bylaw update. (Priority Action #74)

2. *Non-Market Housing Grant Program*

The City's Housing Needs Report states that of the 1,155 housing units needed annually, 525 should be below market units for households earning less than \$40,000 per year. Currently, an average of 50 below market units are constructed annually. Thus, it is proposed to use HAF2 funds to create a short-term Development Cost Charge (DCC) grant program for eligible non-market housing units, offering up to \$10,000 per unit in DCC grant rebates in years 2025, 2026, and 2027. This proposed grant program would require \$3 million of the HAF2 funds. In addition, the City will create communication materials to promote the non-market housing grant program.

The proposed grant program is supported by City Plan policy C3.2.6 which supports the use of incentives to encourage the development of affordable and accessible rental owned housing units, including development cost charge reductions. For non-profit rental and supportive housing, the proposed grant would be in addition to the 50% DCC reduction currently available. A review of the City's DCCs is currently underway, and the proposed short-term DCC grant program is expected to help offset any potential DCC increases. The proposed grant program could be made available to non-profit housing providers and developers constructing non-market housing units.

3. *Unlock Multi-plex and Infill Housing*

The following three projects will form the HAF2 initiative to 'unlock multi-plex and infill housing':

- Offer a short-term grant program of up to \$5,000 per unit to reduce incremental cost barriers associated with meeting the Zero Carbon Step Code and higher steps of the BC Energy Step Code requirements for new multi-plex and infill housing development (e.g. incremental cost related to electrical service upgrades necessary to support low-carbon heating and cooling). The City recently adopted zoning amendment to comply with the Province's *Bill 44 – Housing Statutes Amendment Act 2023* which allows Small-Scale Multi-Unit Housing on most lots zoned for single-family houses or duplex use. Meanwhile, new buildings are required to achieve the highest level of performance of the BC Zero Carbon Step Code. The grant program will reduce barriers for new multi-plex and infill housing units, and is supported by City Plan policy C1.1.8 to "support, prioritize, and advocate for low carbon energy systems in all new construction."
- Review and update the Delegation Bylaw, in particular to: i) expand the housing related development permits that can be delegated to Staff for approval; and ii) to ensure that multi-plex and other housing related development permit applications with minor variances or environmental considerations can be delegated to Staff for approval. (IAP Priority Action #70)
- Create communication materials to assist the public and development community with navigating the City's development approval process for multi-plex and infill housing.

4. *Woodgrove Urban Centre Area Plan*

Complete an Area Plan for the Woodgrove Urban Centre. Through City Plan, residential development in Nanaimo is directed to the City's six urban centres, based on Transit

Oriented Development principles. The Woodgrove Urban Centre is the City's northern gateway and will be a walkable complete community, with a broad range of housing types, providing access to a wide variety of amenities and services, as well as active and public transportation. Phase One of the project is underway and will provide a complete communities assessment of the infrastructure, recreation, and mobility needs for the Woodgrove Urban Centre. HAF2 funds are proposed to be used for Phase Two which will allow for completion of an Area Plan to provide clear guidance for the necessary infrastructure and amenity investments to accelerate housing development in the Woodgrove Urban Centre. (IAP Priority Action #196)

5. *City-wide Parking Review*

To remove barriers for housing and ensure that the mobility system achieves its full potential, the City will seek to optimize parking regulations for both on-street and off-street vehicle spaces by updating the Traffic and Highway Regulation Bylaw, Crossing Control Bylaw, and Off-Street Parking Bylaw. The project will consider eliminating parking requirements in the City's Downtown Urban Centre, as well as reviewing parking requirements for housing including accessory dwelling units, multi-plex housing, and non-market units. (Related IAP Actions include C1.1.12, C1.1.38, C2.1.2, C2.1.5, C2.2.9)

6. *Increase Process Efficiency by Leveraging Digital Permitting*

Enhance client and staff user experience and reduce cycle times for permit issuance by expediting the completion of a modern, web-based, user-friendly, digital permitting system. Additional benefit includes the City's ability to analyze the new system's data to continually improve the efficiency and efficacy of the City's permit process.

7. *Enhance the Development Approval Process – Automated Plan Review Project*

Augmenting the digital permitting system, the City will deploy intelligent web-based tools that will streamline zoning bylaw compliance verification in residential building permit applications resulting in higher instances of first-time correct submissions. Also, the City will engage with consultants to assess the building permit's digital infrastructure's state of readiness to embed Artificial Intelligence (AI) tools that will further improve the building permit processes efficiency and efficacy for clients and staff.

HAF2 Requirement #3: Housing Needs Assessment Report

Council received the City of Nanaimo 2023 Housing Needs Report at their meeting on 2023-JUN-19, and this report will be submitted with the HAF application. The report states that the city will need a minimum of 1,155 residential units per year for the next ten years, provides recommendations for non-market housing units, as well as the types of housing units required to address Nanaimo's specific needs.

Proposed Allocation of HAF2 Funds

If the HAF2 application is successful, it is proposed that the estimated \$20 million in funding be allocated as follows:

- \$5,130,000 towards action plan initiatives (see Table 1); and,
- \$14,870,000 towards sanitary sewer infrastructure projects.

Note that CMHC has advised that there may be flexibility to revise the fund allocation over the life of the program. The sewer infrastructure projects that will be considered for the HAF2 funds are as follows:

North Nanaimo - Hammond Bay and Turner Area Sanitary Sewer Project

The urban town centre at the north end of Nanaimo has significant residential growth potential. Unfortunately, there are capacity constraints with the downstream sanitary sewer that limit that potential. To avoid overloading the sewer, a project is needed to upgrade the pipes along Hammond Bay Road and Turner Road. Once upgraded, new housing will be able to use the sewer without risk of overflow. The estimated total cost of this project is \$2 million.

Central Nanaimo - Buttertubs Sanitary Sewer

There is a major sanitary sewer that traverses a protected high-profile wetland within the City. The sewer is at capacity and overflows would put the wetland at risk. To support continued development within the sewer catchment additional capacity is required. There have recently been several proposed developments that have had to navigate the issue of constrained sewer capacity. The likely solution is a pump station that would divert flows away from the wetland and provide sufficient capacity to support growth in the catchment area. The cost of the pump station is expected to be in the range of \$5-7 million and would provide significant capacity relief for future growth and protect the wetland from sewage overflows.

South Nanaimo - Richards Lake Trunk Sewer

The Richards Lake Trunk Sewer runs approximately 1,100 metres from Cedar Road to the Chase River pump station and is a critical piece of infrastructure that services the south end of Nanaimo. The sewer is at capacity and upsizing is required to support continued growth. If this sewer is not upsized there will be large areas in the south of the City will not be able to be developed. The estimated total cost of this project is \$10-15 million.

Table 1 - HAF2 - Requested Budget for Action Plan Initiatives		
1.	Zoning Bylaw Update	\$150,000
2.	Non-Market Housing Grant Program	\$3,000,000
3.	Unlock Multi-plex and Infill Housing	\$530,000
4.	Woodgrove Urban Centre Area Plan	\$150,000
5.	Citywide Parking Review	\$300,000
6.	Increase Process Efficiency by Leveraging Digital Permitting	\$500,000
7.	Enhance the Development Approval Process – Automated Plan Review Project	\$500,000
TOTAL		\$5,130,000

Financial Implications

A successful grant application under the CMHC HAF2 will support the city's continued growth and development by helping to address issues related to housing supply and simultaneously alleviate some of the pressure on the Sewer Development Cost Charge Reserve Fund.

If successful, the CMHC HAF2 will provide funding estimated at \$20 million in the form of an upfront advance of 25 percent upon the signing of the contribution agreement. Then a further 25 per cent annually on the anniversary date of the agreement for the next three years; provided the progress reports for each year continue to show the growth targets and other metrics agreed upon are being achieved.

As funding is received, it will be allocated to the proposed projects presented above. For projects already in the City's approved Financial Plan, this grant funding will replace funding from other sources, freeing up funds for other City projects and priorities. In the case of new projects, the approved Financial Plan will be amended to add the project/s.

The proposed allocation of potential funds from the HAF2 program will help to maintain and grow the city's evolving housing needs in a fiscally responsible and responsive manner, which aligns with Council's 2023-2026 Strategic Framework, endorsed on 2023-JUN-05. |

OPTIONS

1. That Council:
 - a) direct Staff to submit an application to the round two Canada Mortgage and Housing Corporation – Housing Accelerator Fund (HAF2),
 - b) commit to Staff providing overall grant management, and,
 - c) direct Staff to include an Action Plan and funding allocation in the HAF2 application as outlined in the report dated 2024-SEP-09.
 - The advantages of this option: If the HAF2 application is successful the City can use federal funds to invest in projects that will remove barriers and accelerate growth of supply housing supply in the city.
 - The disadvantages of this option: Staff time will be required to complete the action plan initiatives and for overall grant management.
 - Financial Implications: If successful, the HAF application will support investment in key projects to remove barriers to increase housing supply in Nanaimo.
2. That Council provide alternate direction to Staff.

SUMMARY POINTS

- It is recommended that Council direct Staff to apply for the round two CMHC Housing Accelerator Fund (HAF2) to invest in local initiatives that remove barriers to housing supply and accelerate growth of housing supply in the City of Nanaimo.
- If the HAF2 application is successful, the City could receive an estimated \$20 million, to invest in sewer infrastructure projects, and to implement an action plan of initiatives that support increasing housing supply.
- The application deadline is 2024-SEPT-13.

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