

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

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DATE 7 September 1999

TO/DEST. Co-ordinator, Community Services Committee

FROM/EXP. Commissioner, Planning and Development Approvals
Special Advisor on Social Housing

SUBJECT/OBJET **"HOUSING FIRST": USE OF REGIONAL PROPERTY**

DEPARTMENTAL RECOMMENDATIONS

That Community Services Committee recommend to Council that:

- 1. A demonstration project be approved to offer selected regional properties for \$1 to non-profit housing providers to create housing affordable to persons who are homeless or at risk of homelessness;**
- 2. The following surplus properties be offered on the basis of a long-term lease or sale at a cost of \$1 to non-profit housing providers through a Request for Proposals:**
 - 930 Gladstone Avenue, Ottawa
 - 934 Gladstone Avenue, Ottawa
- 3. The following buildings be leased for \$1 to non-profit housing providers through a Request for Proposals, for interim use as affordable housing until the properties are needed for regional purposes in the future:**
 - 140 Bronson Avenue, Ottawa
 - 810 Norton Avenue, Ottawa
 - 3479 St. Joseph Blvd., Cumberland
 - 551-553 Laurier Avenue, Ottawa
 - 555-561 Laurier Avenue, Ottawa
- 4. The list of regional properties in recommendations 2 and 3 be included in the Request for Proposals to be issued September 23 for Homelessness Initiatives Funding.**

- 5. Within one year of the approval of a proposal(s), staff report back to Council with:**
- **an evaluation of the demonstration project including an assessment of costs and benefits;**
 - **recommendations regarding the use of other regional properties for affordable housing;**
 - **recommendations for an affordable housing fund financed from the sale of surplus properties.**

PURPOSE

The purpose of this report is to respond to Council's Resolution of 14 July 1999 arising from the "Action Plan to Address and End Homelessness in Ottawa-Carleton", specifically:

"That the Region prepare a report to establish a "housing first" property policy for surplus property by the end of September 1999; and
 FURTHER THAT Regional Housing, Social Services, and Property Services staff be directed to prepare an inventory of regionally-owned property that is surplus to RMOC needs and that could be used for affordable rental housing; and
 FURTHER THAT this inventory include criteria under which the Region would sell such parcels for one dollar to non-profit housing providers."

BACKGROUND

In the past four years, no new housing which is affordable to low-income households has been constructed in Ottawa-Carleton. This situation has exacerbated the problem of homelessness in our community and resulted in unprecedented numbers of families and individuals on the social housing waiting list. Regional Council has made it clear that a renewed commitment from the federal and provincial governments is essential to creating more affordable housing and Council and staff have pursued a number of avenues to promote this position. However, until such time as federal and provincial policies change, the Region can take some important steps to assist groups in the community to create more affordable housing to assist those who are homeless.

During the past several months, Community Services Committee has heard from dozens of delegations on the plight of homeless people in Ottawa-Carleton. At the same time, the issue has received prominence nationally, with the very visible rise in homelessness in Toronto and other urban centres. Council, in dealing with reports such as The Action Plan to Address Homelessness, The Regional Role in Housing, and the Poverty Task Force's Interim Report, has made a commitment towards working to eliminate homelessness in Ottawa-Carleton.

Each of these reports highlighted the valuable role Council could play in reducing the cost of developing new housing. One of these is to provide surplus regional property at no cost (or a nominal dollar), thereby reducing the total cost of developing and building or acquiring and renovating much-needed affordable housing.

In light of this idea and the motion of 14 July 1999, staff have considered the following:

- the existing “housing first” policy approved by Council in 1990;
- the relevant experience of other municipalities;
- the suitability of regionally-owned properties for affordable housing, including buildings and land declared surplus or not needed for 10 years or longer;
- the expected costs of developing and building housing affordable to people who are homeless or are at risk of becoming homeless;
- the merits of long-term leasing vs. selling regional property; and
- criteria for identifying or selecting housing providers to develop surplus regional properties.

CURRENT POLICY

The Corporate Policy manual includes the following policy relating to surplus property:

“Subject to 5.2.4.1 (*re: sale to public bodies*), if surplus property is suitable for housing purposes, as determined by Council, the Planning and Development Approvals Department will notify non-profit and co-operative housing groups within the Region and the Canada Mortgage and Housing Corporation (CMHC) to determine whether any of these agencies wish to acquire the property at its current market value.”

This policy stems from a Council decision in 1990 to give priority to non-profit housing providers when disposing of surplus Regional property. At that time, the decision was one of several taken within a broader context of defining the regional role in social housing as a facilitator and enabler, rather than a direct provider of social housing. In 1990, federal and provincial programs were still available to non-profit and co-operative housing groups to develop new social housing units. In Ottawa-Carleton, a number of social housing providers active at that time expressed interest in acquiring surplus regional properties, using funding made available through senior government programs.

Today, the Region’s “housing first” policy based on market value has little application, since no government funding is available for the development of social housing. Adapting the policy to the current political and economic environment is the challenge addressed by this report.

EXPERIENCE OF OTHER MUNICIPALITIES

Like Ottawa-Carleton, many Canadian municipalities have undertaken comprehensive reviews of the homelessness issue and have introduced new programs and policies. Staff contacted a number of municipalities to determine which policies might be applicable in Ottawa-Carleton and where possible, to learn what has proven most effective in creating more housing for the homeless population. Outlined below are those findings relating to initiatives involving municipally-owned buildings and sites.

Recently, the City of Toronto has instituted a Housing First policy, key elements of which include:

- To make available City-owned sites for long-term affordable housing.

- To forego or defer revenues from such sites where long-term affordable housing will be created. Recently, the City agreed to lease a site for \$2 a year to a group proposing to build affordable housing.
- For sites deemed suitable for development as affordable housing, to either lease the lands to a community group or offer it for sale to a private developer through an open proposal call.
- The Toronto report notes that leasing land to a community developer at nominal rates can reduce development costs by more than 15 percent.

The City of Vancouver is active on many fronts. It is important to remember that, unlike Ontario, the Province of British Columbia continues to provide funding for social housing:

- More than 6,000 units of social housing are on City-owned land.
- City-owned land for housing projects can be leased at 75% of market value for 60 years.
- Joint ventures have been undertaken with the Province on a few projects whereby the City provides free land, the Province provides construction and operating costs and the non-profit organization manages the project.
- In one case, the City formed a joint venture with the private sector with the City providing land at 75% of market value together with a grant of \$1.35M toward construction costs.

Montreal has many years of experience in providing assistance for low-income housing. Like Vancouver, Montreal benefits from the financial support of the province. Montreal:

- Makes sites in its land bank available for housing co-operatives and non-profit organizations.
- Offers rental rates at 75% of market value, but rates have been reduced in some cases to satisfy the needs of special clients. In 1987, a number of projects totalling more than 200 units for homeless persons were constructed on City lands and leased for \$1 rent.

Calgary will make available civic assets in the form of land, buildings or financial support to leverage or augment the contributions of other participants. Long-term leases have been used and they are considering establishing a housing fund from the sale of surplus city properties. The City of Edmonton is developing a policy to designate a percentage of revenue from the sale of city and provincially owned land to a fund for the development of low-income housing.

In general, in the absence of senior government involvement, many municipalities have developed their own proactive measures to deal with the shortage of housing for homeless and other low-income persons. Although diverse, many of these programs rely on providing municipal land or buildings at rates significantly below market value. These are of course tailored to address local conditions.

REGIONALLY OWNED LAND AND BUILDINGS

Staff from the Social Housing Group and Planning and Development Approvals Department have reviewed the inventory of available regional properties with a view to identifying those most suited to affordable housing projects. Properties include surplus buildings and land, as well as properties which will only be required by the Region in the longer term.

A number of properties were reviewed according to the following criteria:

- size and shape of parcel
- availability of sewer and water
- suitability for residential use or development (zoning, adaptability of existing buildings, adjacent land uses, etc)
- neighbourhood characteristics
- accessibility to transit, sidewalks, and roads
- cost-effectiveness for affordable housing

Of the properties examined, several were deemed to be ineligible. In some cases, the review criteria could not be met; for example, inappropriate zoning, with neighbouring industrial or commercial uses. Also, some properties are unavailable pending an Ontario Municipal Board hearing on an outstanding appeal to the Regional Official Plan. Given that most properties owned by the Region were acquired for purposes other than housing, it is perhaps not surprising that their suitability for affordable housing is limited.

A total of eight properties are considered to provide the best opportunities for affordable housing. These include two surplus properties with houses:

- 930 Gladstone Avenue, Ottawa - 3 bedroom single family house
- 934 Gladstone Avenue, Ottawa - 3 bedroom single family house; and

five residential buildings which are not needed for regional business for an estimated 10-15 years:

- 140 Bronson Avenue, Ottawa - 14 unit apartment
- 810 Norton Avenue, Ottawa - 4 bedroom single family house, unoccupied
- 3479 St. Joseph Blvd., Cumberland - 2 bedroom single family house, unoccupied
- 551-553 Laurier Avenue, Ottawa - duplex
- 555-561 Laurier Avenue, Ottawa - 13 unit apartment.

More details on each property are included in Annex A.

OPTIONS FOR REGIONAL PROPERTIES

Based on the experience of other municipalities and the situation in Ottawa-Carleton, a number of options have been developed and assessed. These include:

1. Retaining the existing “housing-first” policy to sell properties at market value.
2. Selling properties for \$1 to non-profit housing providers.
3. Leasing suitable regional properties for \$1 to non-profit housing providers.
4. Creating a Housing Development Fund from a designated percentage of land sale proceeds.

1. Retaining the existing “housing-first” policy to sell properties at market value

As described above, the current regional policy gives priority to non-profit housing providers and involves the sale of surplus lands at market value. This policy was effective at a time when funds from senior levels of government were available to purchase land and develop housing for low and moderate income households. In today’s environment, without the availability of additional subsidies, selling lands at market value does nothing to create more housing at a time when the need for affordable housing is acute.

At the same time, as Council is aware, the Region and other municipalities throughout the country have been applying pressure to re-engage levels of government in housing and homelessness issues. Should the federal or provincial government re-introduce a housing construction program, the existing “housing-first” policy of the Region may again be appropriate.

2. Selling properties for \$1 to non-profit housing providers

Selling properties at a nominal cost of \$1 is a way to reduce the cost of housing to make it more affordable. The extent to which free land contributes to a project’s viability varies, but typically the cost of land represents between 10 and 20 percent of the total capital cost of an affordable housing project. As an example, reducing a per unit capital cost of \$100,000 to \$90,000 by removing the cost of land, could result in a monthly rent reduction from \$780 to \$720.

While helpful, eliminating the cost of land alone is not sufficient to produce an affordable rent in today’s market through new construction. The best chances for success lie in combining incentives so that non-profit housing providers can access capital grants or other funding sources, in addition to no-cost land.

Clearly, the economics differ for acquisition/renovation projects. Depending on the extent of renovations required, the contribution of an existing structure could make a much greater difference in overall project affordability and thus, rents. In the best-case scenario, a house or apartment may be in “move-in” condition so that the costs for the housing provider may be limited to taxes, utilities, and some general project management. In turn, rents could feasibly be set at levels consistent with the housing component of social assistance.

An additional consideration in providing land for housing purposes is the need for assurance that the housing produced remains affordable over the long term. Non-profit housing providers have charters which require them to provide housing to low or moderate income households, and therefore create an element of control as long as the housing is retained by a non-profit provider. However, if the property were to be sold by the Region to private interests, there would be no way to control future rent increases. As outlined in Option 3 below, leasing properties, as compared to outright sale, offers this additional assurance in the long term.

From a cost perspective, the sale of properties for \$1 represents a loss of revenue to the Region. On the other hand, this revenue loss may be offset by reduced property maintenance and administration costs. Each of these costs would differ, based on the value of the property in question.

3. Leasing properties for \$1 to non-profit housing providers

An alternative to outright sale is the leasing of regional properties on a long-term basis for \$1. This option is particularly suited to a number of regional properties with buildings which could be renovated and used for residential purposes on an interim basis even though they are not surplus to future regional needs. Properties which are currently occupied would be made available to low-income tenants, consistent with the provisions of The Tenant Protection Act. In some cases, this may mean that new low-income tenants will move in as vacancies arise; in other cases, existing tenants may qualify for much-needed reductions in rent, thereby enabling them to remain in their housing.

As previously outlined, staff have identified a number of regional properties which are not surplus to regional needs, but which could be available for the next 10-15 years. These include residential buildings which could be renovated and used for housing purposes in that time period. Two examples are 810 Norton Avenue and 140 Bronson Avenue – properties which will not be needed for our transportation network for another 10-15 years. While not all groups may be interested in a leasing option, this would permit some properties to be made available for affordable housing purposes in a reasonably short time frame.

From a cost perspective, leasing represents a deferral of revenue from sale, rather than a loss. Ultimately, sale revenues could increase if property values appreciate in the future. Depending on the value of the property, there may be net revenue losses during the interim leasing period.

4. Designating a percentage of land sale proceeds

Another promising option is the approach under review in Edmonton and Calgary where a percentage of land sale proceeds would be designated for the development of low-income housing. This approach allows appropriate sites to be selected and developed, rather than using those which happen to be in regional ownership. It would allow for the purchase/renovation of properties, as well as the development of new housing, and could help assure an equitable distribution of affordable housing throughout the Region.

The creation of a fund for housing development is a long-term strategy. It would take some years for sufficient funds to be amassed to enable affordable housing to be created through the purchase and development of private lands. Work would be required also to determine a reasonable formula for designation of the fund, and to ensure that no constraints exist with respect to the use of proceeds from the sale of land which may have been purchased for other purposes (for example, transportation).

PROPOSAL FOR A DEMONSTRATION PROJECT

On September 23 1999, Regional staff will be calling for proposals to carry out Council's commitment to the Community Action Plan to Prevent and End Homelessness. One million dollars was approved as a one-time fund to increase the stock of affordable housing for homeless people and those at risk of becoming homeless. The proposal call will be seeking groups who can meet one or all of Council's objectives for preventing and ending homelessness, namely to:

- find ways to move people from the streets to emergency accommodation or other appropriate emergency response;
- find ways to move people from emergency to permanent shelter;
- support the retention of permanent accommodation;
- create additional affordable housing.

In order to maximize the chances for successful proposals, staff propose to include this "housing first" demonstration project in the overall proposal call. In this way, proponents can combine capital grants with no-cost land to create more viable housing projects affordable to the neediest households in Ottawa-Carleton.

Keeping in mind regional priorities for reducing homelessness, staff will assess proposals on the basis of the following criteria:

- timing: i.e. - the feasibility of completing a project within 1 year of grant approval
- the degree to which affordability of housing is addressed
- commitment to housing people who are homeless, or are at risk of becoming homeless
- not-for-profit providers only
- good financial plan, with a clear indication of which elements of regional incentives will be used
- the availability of equity in the form of land, cash or tax concessions held by the provider
- evidence of community partnerships and involvement
- good project team with track record in developing/building affordable housing

PUBLIC CONSULTATION

Significant public consultation on the broad issues of homelessness occurred throughout 1998 and 1999 culminating in the June 1999 Action Plan approved by Council. Due to the urgency of initiating a demonstration project in 1999, the timing of this report precluded any formal consultation. However, informal discussions with some non-profit housing providers took place and led to useful input, particularly on matters relating to development costs.

FINANCIAL IMPLICATIONS

The surplus properties at 930 and 934 Gladstone Avenue are estimated to have market values of \$60,000 and \$95,000 respectively. The 930 Gladstone property requires extensive repairs to make it habitable.

The five properties proposed to be leased on an interim basis for \$1.00 bring in estimated net annual revenues as follows:

140 Bronson Ave.	\$36,993
810 Norton Ave.	7,653
3479 St. Joseph Blvd.	6,071
551-553 Laurier Ave.	1*
555-561 Laurier Ave.	1*

Total	\$50,719
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* The two Laurier properties are presently being leased to City Living. City Living has indicated that they will likely be releasing their interest in the property at the end of the lease period as the properties need extensive rehabilitation, which they are not prepared to undertake.

CONCLUSION

The Region has an opportunity to contribute to the creation of new units affordable to people who are homeless, or are at risk of becoming homeless. The proposed demonstration project will enable staff to determine the extent to which the use of regional property will result in increased affordable housing. Staff will bring a report back to Council within a year of the approval of a demonstration project(s) to evaluate the process and recommend options for a long-term strategy, including the establishment of a housing development fund financed from sales of regional properties.

*Approved by
N. Tunnacliffe*

*Approved by
Joyce Potter*

FINANCE DEPARTMENT COMMENT

Based on the information provided by the Property Services Division, the impact of leasing the 5 proposed properties would result in an annual revenue of approximately \$50,000 in their operating budget.

*Approved by T. Fedec
on behalf of the Finance Commissioner*

ANNEX A

Parcel #	Municipal Address	Municipality	Type of Property	Zoning	Approximate Area	Comments/Recommendations
1	810 Norton Avenue	Ottawa	Improved - single family	R5A H(10.5)	3,578 square feet	Property Improved with residence - Property required for future road requirements
2	140 Bronson Avenue	Ottawa	Improved - multi -unit	R6F H(13.8)	14,424 square feet	Property Improved with a 14 unit apartment building - required for future Bronson-Portage Link
3	551-553 Laurier Avenue	Ottawa	Improved with a two storey	R7-x (5.0) [51]	8,250 square feet	Property improved with a two storey building which is currently rented- - Property required for future Bronson-Portage Link
4	555-561 Laurier Avenue	Ottawa	Improved - with a multi-unit	R7-x (5.0) [51]	8,083 square feet	Property improved with a 13 unit three storey building - units are currently leased - required for future Bronson-Portage Link
5	930 Gladstone Avenue	Ottawa	Improved - two storey residence	R5C	2,488 square feet	Property improved with a two storey single family residence that is boarded up
6	934 Gladstone Avenue	Ottawa	Improved - two storey residence	R5C	2,488 square feet	Property improved with a two storey single residence that is boarded up
7	3479 St. Joseph Blvd	Cumberland	Improved	CH	4,440 square feet	Property improved with a single family residence - currently vacant