



Affordable Rental Housing Development Resource Guide

The Corporation of the County of Wellington Housing Services
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Alternate formats available upon request.



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PREFACE

The County of Wellington is designated as a Service Manager under the Ontario provincial legislation to provide affordable and social housing services. The housing services are provided to a population of approximately 223,000 persons (Census data 2016) within a geographic area that includes: the separated City of Guelph area, and the County of Wellington area consisting of its seven local governments which include the Township of Centre Wellington, Township of Guelph-Eramosa, Town of Minto, Township of North Wellington, Township of Mapleton, Town of Erin and the Township of Puslinch.

This guide is made available by the County of Wellington's Municipal Service Manager (Service Manager) as a resource on affordable rental housing development. The guide has been prepared in conjunction with Tim Welch Consulting Inc.

The County recognizes the significant need for a range of affordable housing, including supportive housing and wishes to encourage a wide variety of organizations and individuals to consider becoming involved in the creation of affordable housing.

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1.0 Introduction

Across Ontario, a common goal exists to end homelessness and increase the supply of affordable housing for low- and moderate-income households and specific targeted households in need. This goal and many others in regard to affordable housing and ending homelessness are addressed by Municipal Service Managers (SM) and District Social Services Administration Boards (DSSABS) which are responsible for housing service system planning in their communities under the 10-year Housing and Homelessness Plans. In our area, the Service Manager is the County of Wellington.

Local strategies to create affordable housing may be implemented, but they are often dependent on important federal and provincial investments to offset the economic realities of building new affordable housing. A combination of roles and partners are necessary to work together. These can include:

- Residents in need of improved access to affordable housing,
- Housing Providers to develop the housing,
- All four levels of government including Service Managers, and
- Housing development experts in the private sector such as lenders, builders and architects with the means to make it happen.

The introduction of the Federal Government's National Housing Strategy in 2017 has resulted in a much more active role for the Federal Government's Canada Mortgage and Housing Corporation (CMHC) in affordable housing development compared to the previous 30 years. Organizations that want to create new affordable housing may now apply directly to CMHC funding and financing programmes. In fact, many groups at an early stage of development apply for CMHC Seed funding, go on to respond to a Service Manager proposal call for federal/provincial funds and then make an application for CMHC Co-investment financing. While more government investment in affordable housing is a positive for the housing sector, it does mean more complexity to navigate for your organization.

To create new affordable housing, it is most likely that housing providers will need resources/financial assistance from a number of sources and programmes – not just one funding programme.

This guide can assist you with information and common considerations as you move through the various stages of development in order to achieve a successful outcome.

References in this guide will refer to the local Service Manager administration and funding for affordable housing developments accessed through the federal/provincial programmes such as the Ontario Priorities Housing Initiative (OPHI). The CMHC Co-investment Programmes and Sustainable Affordable Housing through the Federation of Canadian Municipalities, Green Municipal Fund will also be highlighted. Municipal incentives and investments such as municipal housing reserves, Municipal Housing Project Facility Agreements and related by-laws will also be discussed. Housing Providers and others are encouraged to contact their

local Service Manager for up-to-date information on available affordable housing development initiatives and funding opportunities.

2.0 Purpose of the Guide

The purpose of this guide is to provide a resource to individuals and groups wanting to develop, build and operate affordable rental housing.

A growing body of research shows that access to good quality affordable housing can support not only low- and moderate-income households, but also has positive community-wide benefits related to economic competitiveness, health, education and community well-being.¹ But what do we mean by “affordable housing”? Affordable housing is an umbrella term which refers to a range of different housing types in the private market and non-profit sectors which rents or sells below market values.

A [guiding definition of affordable housing](#) (page 39) is also set out by the Ontario Provincial Policy Statement (PPS), 2020; the government’s policies on land use planning in Ontario. Before undertaking a development project, it is recommended you gain a basic understanding of the policy and legislative framework that regulates affordable housing development in Ontario.

How you define affordable housing will be different depending on your role as funder, policy maker, housing advocate and/or tenant. The definition of affordable rental housing used in this guide can be found in the Glossary of Terms and are adapted from the federal/provincial OPHI programme. However, there are different definitions of affordable housing used in the current CMHC programmes. There are also different definitions of affordable housing found in certain municipal by-laws. **It is important to check with the specific details of the programmes as your new development may have to meet multiple definitions of affordability in order to qualify for different funding and financing programmes.**

This resource guide pertains only to the development of affordable rental housing. Included in this guide are practical considerations that highlight specific topic areas and the development process more fully. Affordable housing development is, first and foremost, residential development (most often multi-residential development), and is regulated by the Ontario *Planning Act* and other Provincial legislations. For many community groups committed to increasing the supply of affordable housing, the development process is new and challenging. The time needed to go from a housing development idea to a completed building typically takes several years. This guide will help orient those new to the field, and for experienced developers highlight good practices and matters unique to building affordable housing.

Note, this document is **not** intended to be a comprehensive “how to” guide or complete checklist as each development project is unique with regard to site development, financing and design to name a few. Importantly, if you proceed with development you will be completing a

¹ Ministry of Municipal Affairs and Housing, 2011. Municipal Tools for Affordable Housing.

number of tasks, shown in the different sections of this guide, simultaneously. For example, while completing due diligence on a property you own or have a conditional offer on, you may be developing a business plan, talking to a financial institution and setting up a formal consultation with municipal planning staff. The timing of the various tasks will be specific to your project and, in part, guided by your professional team.

Further, residential development involves a number of professionals each accountable to their own regulatory body and with specific legislation guiding their work. It is beyond the scope of this guide to cover the professional standards and/or legislation governing the work of your professional team.

3.0 The Role of the Service Manager and Municipalities

The Province of Ontario has set out various roles for Service Managers and municipalities for purposes of provision of affordable housing in terms of housing programmes and services, as well as land use planning and services.

3.1 The Service Manager Role

The Province has identified 47 Municipal Service Managers and District Social Services Administration Boards (the “Service Manager”) across Ontario. The Service Manager is responsible for the delivery of multiple social services and programmes, including but not limited to social and affordable housing, and homelessness, within designated geographic areas. Under the *Housing Services Act, 2011*, the Ontario Housing Policy Statement, Poverty Reduction Initiative and related initiatives, the Service Manager is responsible for:

- Housing and homelessness service system planning (e.g. 10-year Housing and Homelessness Plan targets and measures, and annual reports),
- Coordination of services under related initiatives and existing local or federal/provincial programmes,
- Building partnerships in the areas of housing and homelessness, and
- Administering programmes and funding from federal/provincial/ municipal investment sources for affordable housing and homelessness programmes.

It is worth noting that over the past three years the role of the federal government on housing issues has expanded significantly to include direct delivery of programmes (information about these programmes are found later in this guide). The Federal Government’s recent National Housing Strategy has also resulted in a much more active role for the federal government’s Canada Mortgage and Housing Corporation (CMHC) compared to the previous 30 years. Whether you plan to build affordable housing in large urban, small urban and rural communities, the Service Manager is a good place to start given their administrative and funding role. Research and plans to address homelessness and the shortage of affordable housing are generally available on the Service Manager website and also can be located on the [Ontario Municipal Social Services Association \(OMSSA\)](#) website.

Related affordable housing resources can be found in housing sector partner's websites, such as the Ontario Municipal Social Services Association, Ontario Non-Profit Housing Association, Co-operative Housing Federation of Canada and the Housing Services Corporation. The federal Canada Mortgage Housing Corporation (CMHC), and the provincial Ministry of Municipal Affairs and Housing (MMAH) have information about housing and homelessness, specific programmes with funding assistance, long-term strategies and resources related to affordable housing (see Section 16.0). Service Manager staff can provide information on the status of and access to funding through various programmes and investments as well as connections to other groups interested in, or developing affordable housing.

3.2 The Municipal Role in Land Use

Municipalities, as set out in Ontario provincial planning policies and related legislation, must address the land use and planning development activities provision of a full range of housing to meet the current and future needs of their residents. Municipal governments, including Regional governments, separated Cities, Counties and their local Town and Townships' government, have a responsibility to address the housing needs of their residents. To achieve its new affordable housing targets (vary per local land use planning requirements), policies related to housing and affordable housing are included in its local government's official plan, zoning by-laws, companion research, secondary plans and related land use planning documents.

The municipal role with regard to residential development will be covered in Section 11.0, Planning Approvals.

4.0 Types of Housing Providers

4.1 Municipal or Private Non-profit Housing Corporations

These are non-profit housing corporations established by a municipality (Municipal Non-Profit Housing Corporation - MNP) or a community organization (Private Non-Profit Housing Corporation – PNP), such as a church, ethno-cultural group, service club, labour union or other community group. The relationship to the municipality or community organization varies widely, ranging from total independence with no municipal /organization appointees on the board of directors, to municipal councillors / community organization appointees being the only board members.

In accessing funding through Service Managers or directly through CMHC, it is important that the board of directors have a variety of skills applicable to affordable rental housing development, such as but not limited to multi-residential construction, corporate loan financing, property management and housing operations, legal, and human services (for client population). Once the project is built and occupied, it is important to have a board of directors with the applicable operating skills to oversee the operations. More resources can be located at [Ontario Non-Profit Housing Association \(ONPHA\)](#) and at [the Co-operative Housing Federation of Canada \(CHF Canada\)](#).

MNP and PNP's are a non-share corporation incorporated under the Corporations Act. A few PNP's are incorporated under federal legislation and some have charitable status with the Canada Revenue Agency. A useful provincial government resource is the "[Not-For-Profit Incorporator's Handbook](#)" (2018). It is helpful to check with your legal services for specific incorporation requirements related to affordable housing.

4.2 Non-Profit Housing Corporations with Charitable Status

Non-profit Housing Corporations may have a charitable component. The Canada Revenue Agency has specific requirements regarding permissibility on whether a charity is carrying on a related business. As noted in section 4.1, the "Not-For-Profit Incorporator's Handbook" (2018) is available at www.attorneygeneral.jus.gov.on.ca. Also, check with your legal services for specific charitable requirements related to affordable housing and potential financial incentives.

Having charitable status is important if a non-profit is going to fundraise and issue charitable receipts for donors. There are also some funding organizations such as community foundations that will only provide funding for registered charities.

4.3 Private Developers

A private developer, or real estate developer, is an entrepreneur who owns or purchases land for residential and/or commercial purposes, prepares it for development and manages the construction process with the intention of a financial gain. The Private Developer may own and manage the housing project, or may sell to another corporation or arrange private property management services.

4.4 Co-operative Housing Providers

Co-operative housing is a different form of social and affordable housing. It is not rental housing in the context of tenant-owner relations. The households who live in the project are all members of the co-operative corporation that owns the building. They elect from amongst themselves a board of directors who are responsible for overseeing the management of the building. They are subject to rules in the Co-operative Corporations Act. More resources can be found at www.chfcanada.coop.

4.5 Supportive Housing Providers

Supportive non-profit housing is available for people who require support services to live independently, e.g. the frail elderly, people with serious mental illness, addictions or developmental disabilities. Administration and funding of social housing projects and shelters with 100% support services by some supportive housing providers were not transferred by the Province to the Municipal Service Managers in 2001; rather, the responsibilities were retained at the provincial level with authority changed to the provincial ministry that funds the support services, either the Ministry of Health/Long-Term Care or the Ministry of Children Community and Social Services (MCCSS). Typically, support services are funded directly by the Province to approved service providers, and the service providers administer the funding to provide support services to the residents. "Supportive Housing", "Housing with Supports" and "Housing First" differ due to the level of intensity of the support services, staff expertise, on or

off-site support service staff, as well as type of housing unit to meet the needs of the client households. For more information on Supportive Housing see Section 15.0.

4.6 Homeowners – Additional Residential Units

Through various legislative changes to the Planning Act, the Province supports the establishment of additional residential units/second units/accessory apartments as a means of enhancing the supply of affordable Housing. This approach is viewed as a means of providing fast and affordable housing units with minimal negative impact on neighbourhoods and communities. The legislation over the years has essentially required municipalities to create enabling policies in their planning documents to permit these types of units. Over time, the Province has increased the number of additional residential units that municipalities are required to authorize on specific properties as described below.

In 2011, through the Strong Communities Through Affordable Housing Act, the Province passed legislation requiring that official plans authorize the use of one second unit in single detached, semi-detached or rowhouse dwellings; or in a building ancillary to single detached, semi-detached or rowhouse dwelling. The County of Wellington updated its Official Plan in 2016 to reflect these legislative changes and there are policies under Section 4.4.6 pertaining to second units.

In 2019, the Province again amended the Planning Act through the More Homes, More Choice Act, to allow for additional residential units (or two additional units) on properties containing a single detached, semi-detached or rowhouse dwelling. The legislation specifies that one additional residential unit can be permitted in the primary dwelling and one can also be permitted in a building ancillary to a single detached, semi-detached or rowhouse dwelling.

Currently, the County is working on amending the Official Plan to give effect to these most recent Planning Act changes. [Official Plan Amendment \(OPA\) 112](#), is the amendment that will enable these changes to the County's Official Plan. The City of Guelph's [Additional Residential Dwelling Unit policies](#) are on their website.

5.0 What are the Housing Needs in Your Community?

5.1 Housing Need and Demand Study

In helping to set goals for the housing you want to develop, it is important to analyze and document housing needs in your community. Understanding the needs is a task to be completed early in the development process to show that the affordable development you are proposing to create will be fully occupied and generate the projected rental revenue.

Note: Creating and updating a business plan is a key part of the early stage of your work – having a financially viable business plan to show potential government funders, financial institutions or potential donors inspires confidence in your plan for new affordable housing.

Funders and financial institutions will be evaluating the viability of your proposed development based on a business plan that includes capital and operating budgets. Your business plan will also include a section referred to as a Housing Need and Demand study and will document three things:

1. Current housing needs in your community (needs analysis),
2. Emerging and future needs (demand analysis), and
3. The current supply of housing in your area.

If the housing you are proposing to build is for a specific target group and size of unit e.g. one-bedroom apartments for Indigenous one-person households, then focus your analysis of the need, demand and supply for these households.

There are key sources of information you will want to reference in completing this research:

- Service Manager information on housing need, including Housing and Homelessness Plans and reports, housing related Statistics Canada and census data, and waiting lists for affordable and social housing,
- Local municipal land use planning information (see each municipalities website for any Statistics Canada census data and profiles),
- Local service providers who provide support services in housing, including but not limited to Canadian Mental Health Associations, Community Living, and groups/shelters for victims of domestic violence, etc.,
- Canadian Mortgage and Housing Corporation (CMHC) Rental Housing Reports which report on average and median rents and rental vacancy rates. These reports are typically released near the end of each calendar year,
- Waiting lists for existing similar housing, and
- Research reports that talk about population projections and housing needs specific to your target group.

5.2 The Housing Needs of Future Residents

The need for affordable housing continues to steadily increase and is at crisis levels in many communities across Ontario. As noted, documenting the housing needs of your target group is a key part of your business plan. This research also assists your organization to keep in mind the needs of your future residents throughout the planning, design and construction of your project. Overall, you will want to research and document the economic disadvantage some households in your community experience and/or if you plan to offer supportive housing to a specific target population. These two themes are explored more fully below.

5.2.1 Income

Housing costs are the largest monthly expense for most households and if these costs are 30% or more of household income an individual or family may have an affordability issue. Due to the high cost of housing in many communities, finding a place to live that is affordable, in good repair, suitable to household size and in a location of choice is a significant challenge for low- and modest-income households.

For households receiving social assistance (Ontario Works and the Ontario Disability Support Plan), shelter rates are not based on the actual cost of housing thereby creating a significant disadvantage for these households in the housing market. Further, paying market rent can mean that other household needs are not adequately met such as food, clothing, school expenses, and taking part in recreation and leisure activities. The alternative, non-market housing or rental subsidies, often have long wait lists. Access to affordable housing can lift households out of poverty thereby improving health outcomes for individuals and families in housing need.

5.2.2 Support Service Needs

Income is not the only factor to consider in the provision of affordable housing. There are a number of groups disadvantaged in the housing market from an income perspective that may also require supports to find and maintain housing. These supports may be temporary or long-term and of varying intensity. Some of these groups are:

- Persons with a physical disability, and acquired brain injuries,
- Persons with mental health disability,
- Persons with substance use disorder,
- Persons with developmental or intellectual disability,
- Youth,
- Immigrants and refugees,
- Women and children and others leaving domestic violence,
- Frail Seniors,
- Indigenous peoples, and
- Households experiencing homelessness.

These are broad categories and it's not to be assumed that all individuals or families within these or other groups require or want support services.

The type, intensity and cultural appropriateness of support services integrated into your model of affordable housing is a key consideration that is more fully explored in Section 15.0.

5.3 Design, types and size of unit

It is well established that housing design impacts the safety, health and sense of community of your future residents. Housing design can also reduce costs and improve energy efficiency. There are a number of resources that will assist your organization in making key design decisions with your architect. See Section 10.0 for a more detailed discussion of design considerations. As a starting point, it's essential to think about whom you are providing housing for and anticipating the needs of your future residents. For example, you may want to consider a [universal design](#) which means built environments to be usable by all people, to the greatest extent possible, without the need for future adaptation or specialized design.

Self-contained units are the most desirable type of affordable housing units. The self-contained unit consists of kitchen, living space, bedroom(s) and bathroom(s), and offers a permanent and independent means of living. Common building design types are apartment or townhouse. The federal/provincial affordable housing programmes generally expects self-contained units in the proposal, unless a rationale is provided. Housing Providers who wish to build congregate buildings (rooms with shared living spaces) for supportive housing may be eligible for federal/provincial affordable housing funding and should provide a rationale in order to receive funding. Check with your Service Manager and local municipal planning staff for more information on occupancy standards, size requirements for units, related governing rental legislation and rent requirements. These factors will be outlined in writing when the Service Manager issues a proposal call for capital funding.

Other broad types and models of affordable housing include group homes with supports (shared kitchen and common spaces with separate bedrooms and options for separate bathrooms), rooms and rooming houses, pocket housing, housing first, shelters, transitional housing, secondary suites, granny flats, co-housing, modular homes, tiny homes and energy-efficient designs such as passive house or net zero energy housing. It is important to check first with local land use and zoning requirements, as well as eligibility for Service Manager, CMHC and other programme initiatives and funding before pursuing these housing options and benefits for persons and households in the community. There may be other sources of external funding assistance available.

5.4 Human Rights and Rental Housing

Housing is a human right and more information about how these rights are protected under the Human Rights Code (the "Code") can be located on the [Ontario Human Rights Commission](#) website. The Ontario Human Rights Code specifies that everyone has the right to equal treatment in housing that is free of harassment or discrimination.

Housing providers need to be aware of their responsibility to ensure a housing environment free of discrimination. According to the Code, people cannot be refused an apartment, harassed or treated unfairly by their landlord or other tenants on any of the following grounds:

- Race, colour or ethnic background,

- Religious beliefs or practices,
- Ancestry, including individuals of Aboriginal descent,
- Place of origin,
- Citizenship, including refugee status,
- Sex (including pregnancy and gender identity),
- Family status,
- Marital status, including those with a same-sex partner,
- Disability,
- Sexual orientation,
- Age (including individuals who are 16 or 17 years old and no longer living with their parents),
- Receipt of public assistance.

The Commission's policy on [Human Rights and Rental Housing, 2009](#) is a useful document that provides basic information on Code protected groups, what is meant by discrimination, a landlord's duty to accommodate their tenants and acceptable business practices for landlords.

6.0 Organization Readiness

Your organization has identified an interest in addressing affordable housing needs in the community. Perhaps this interest is inspired by your work with a particular target group such as youth, seniors, or women leaving domestic violence. Whatever the motivation, the first place to start is to do research into affordable housing needs as outlined in Section 5.0.

This research can be done together with an assessment of your organization's readiness. At this point you might want to answer the following questions:

- Who are we going to provide housing for?
- What is our goal?
- Is there more than one way to achieve this goal (you may decide to offer support services for some households and let another organization be the developer/landlord of the new housing)?

- Are there other organizations addressing this housing need?
- Are there opportunities for partnerships?
- Does this goal fit with our organization's current mandate or involve a change in mandate?
- Do we have the management/staff and volunteer resources to take on a significant capital project?
- What is our organization's financial position?
- What is the scale or size of housing development that is practical to undertake?
- What resources are there to assist us with our preconstruction activities?
- As an organization, what roles will we take on before, during and post construction - developer, owner, landlord, property manager, support service provider?
- Have you recruited Board Directors with a variety of skills geared to new housing development?
- Who from our staff and Board will be assigned to this project? Will the Board be fully involved or will we set up a Project Committee with Terms of Reference that reports to the Board?

Options for delivering housing with supports: In some situations, the Canadian Mental Health Association (CMHA) owns and operates rental housing for people they provide support services, while in other situations, the organization partners with private market landlords and offers their clients a rent subsidy and support services in scattered apartments throughout the community.

Your organization's housing research and goal setting should result in the following outcomes:

1. Your organization has a specific goal for addressing an identified housing need that is supported by the research.
2. You have the capacity as an organization and a clear understanding of your organization's role(s) with regard to a development project and will establish partnerships early on, as appropriate.
3. You have management/staff/volunteer resources assigned and with the time to undertake this project and a Committee/Board to oversee and make decisions.

4. You recognize the need for professional help to undertake a new residential development.
5. If your organization is not currently in a position to take on a development project, you plan to partner with and/or support the efforts of other groups addressing this housing need; or work toward your own organization's readiness to develop affordable housing.
6. The findings of the research and your housing goals should all be included in the business plan that you will need to create to build the support and funding/financing needed for the new housing.

Caution: A project involving a small number of units does not mean less time or fewer resources. There are economies of scale achieved when developing affordable housing of 20 units or more.

7.0 Assembling a Professional Team

It can be a complex process to identify appropriate land and then to design and build new housing on a site. It is very important to recognize that a significant number of professionals need to be involved to create a successful new affordable housing development.

7.1 Early Players

There are a number of professionals, early to the process, that you will call upon as part of assessing the land you are proposing to build on:

- Appraiser to determine the current value of the property you are considering buying/developing,
- Professional planner to find out whether the municipal zoning allows the type of residential development you are wanting to create,
- Environmental engineer to determine if the site meets the appropriate environmental standards for residential development,
- Geotechnical engineer to determine if the soil can support the size of residential building being proposed,
- Engineer to undertake energy modelling, now a requirement for most of the CMHC financing programmes,
- Surveyor to set out the exact dimensions and topography of the site, and
- Civil engineer to determine water and sewage capacity and connections.

Some of these professionals help you complete due diligence for the property you are considering, flagging any reasons why you cannot develop the land as you are proposing. Preliminary reports may indicate a need for further study. For example, an Environmental Site Assessment (ESA) Phase 1 report prepared by an environmental engineer may conclude, based on past uses of the site (e.g. auto repair business), that further study is required to assess the type and level of contamination and provide an estimate of the cost of clean-up.

Another purpose for hiring these early professionals is to complete studies identified in your formal consultation meeting/report with the municipality. For example, a civil engineer will assess the site conditions and determine the requirements for water, sewage and storm water management for the proposed development.

Finally, these professionals complete work needed by the architect to complete full architectural drawings. For example, you will hire a surveyor to complete boundary and topographic surveys early in the process.

Note: Expect to pay some upfront costs that may or may not result in your moving forward with a particular property. Undertaking new development does involve some degree of risk.

7.2 Project Team Members

Your project team needs to clearly identify your plans for the site and any site constraints, who you plan to provide housing for, amenity and accessibility needs, energy efficiency requirements and most importantly your budget. In addition, your organization will need the following areas of expertise on your project team.

7.2.1 Development Consultant/Project Manager

If you are new to development, or experienced, but without the time to dedicate to your project, hiring a Development Consultant or Project Manager with experience in affordable housing development and government funding programmes is an important option to consider. Development Consultants can work with you to complete or co-ordinate some or all aspects of the preconstruction, construction and post construction stages of your affordable housing project.

Development Consultants also help you secure early resources, help locate a site, develop a business plan with capital and operating budgets, prepare funding applications, develop proposal calls for hiring an architect and contractor, meet funding requirements, complete planning approvals (if they have planning expertise), secure financing and guide you through all phases of development. As Project Managers, Development Consultants assist you with the timing of various tasks, management of cash flow, and the coordination of your professional team.

You can contact the Service Manager or other recent developers of affordable housing about potential development consultants. Getting references for and conducting interviews with potential development consultants is important in selecting this key member of your development team.

Suggestion: In preparing your preliminary budget, estimate about 2% of construction costs (a smaller percent for larger projects and a higher percent for small projects) for the estimated cost of Development Consultant Services.

7.2.2 Architect

The architect for your project has a key role on your project team, not only for the design of the building, but as the consultant who reviews the building while it is under construction to ensure the work meets the requirements as set out in the drawings.

Note: At an early stage, you may retain the services of an architect at modest cost to complete a conceptual design. This will be useful for your formal consultation with the municipality as they want to understand what you are proposing for the site. The conceptual design also provides you with the square footage for the building that you need for your capital budget calculations.

The architect often (but not always) contracts with engineering sub consultants: mechanical, structural and electrical engineers. As part of the hiring process, it's important to determine whether civil engineering services or other engineering costs are included in the architect's overall fee. You could hire an architect and then hire the various engineers directly but that will entail a more complex administrative role for your organization.

The Royal Architectural Institute of Canada provides a guide "Determining Appropriate Fees for the Services of an Architect" and outlines the three possible methods of payment:

- lump sum or fixed fee,
- time basis, or
- a percentage-based fee.

Your organization may directly hire an architect you have previously worked with or have a strong reference for, but it is good practice to undertake a proposal call to select your architect. Once you complete the proposal call, it is a good idea to interview a short list from the architects who responded. In interviews, it is important to discuss who you are wanting to house, key design features you would like to see in a building, and also convey the limitations of your budget.

Once you select the successful architectural firm, you will enter into a standard Ontario Association of Architects contract. Review contracts carefully to familiarize yourself with the scope of work and what costs are in/excluded. Ensure you know how any revisions to the size of the building will affect their fee.

During construction, the architect typically (not an exhaustive list):

- attends construction site meetings,
- reviews/inspects work for compliance with drawings,
- reviews change orders to the design,
- reviews and authorizes construction manager draw requests,
- acts as your “technical eyes” during construction.

Suggestion: In preparing your preliminary budget, use 4-7% of construction as an estimate for the cost of architectural services (if engineering costs are included). The fee can also be impacted by the complexity of the design – a townhouse development is typically less complicated to design than a larger apartment building with an elevator.

7.2.3 Contractor/Construction Manager

It is important to hire a contractor who has experience with multi-residential construction and the non-profit sector. You will want to work with a contractor who has good references and ideally, may have worked either with your architect or development consultant/project manager. In all situations you should interview a limited number of contractors to ensure a full understanding of the project goals and that the contractor selected is a good fit with your organization and the project team. The main contractual options for a contractor relationship are:

i) Full Tender

In this situation, full architectural drawings and specifications are completed (the architect is hired by the housing provider) and then a proposal call with detailed drawings are sent out to a number of contractors. It could be fully open public tender or circulated to a more limited number of firms which you know have experience in the multi-residential construction. After reviewing the results of the tender bids, a firm is selected at the bid price and a fixed price contract is entered into.

ii) Construction Management

With this approach, the contractor is involved early on in the development process with a proposal call based on initial conceptual drawings. The contractor/construction manager sets out their fee for managing the construction. Then the owner, architect (who once again is hired by the housing provider) and construction manager work together to get the most cost-effective design which can still achieve the housing/design goals of your organization.

Once full drawings are created, the construction manager will tender to sub-trades in order to get the complete price of construction. While construction management can stay open ended, for most non-profit organizations, and especially for those needing mortgage financing, the

results of the construction management tendering will need to be rolled into a fixed price contract such as a CCDC 2 or CCDC 5B contract. Ensure the appropriate level of insurance and construction bonding are in place to mitigate any risks. If you have applied to CMHC's Co-investment programmes for funding or have a CMHC insured mortgage you will need to obtain CMHC's extensive insurance requirements and have the necessary insurance in place before construction starts.

Suggestion: In preparing your preliminary budget, use 3 - 7% of construction costs as an estimate for the cost of Construction Management Services. A smaller project will have a relatively higher percentage fee.

iii) Design-Build

The design and the building are contracted to a single company that completes the project for a fixed price. Again, it is important you are clear on what's included in the price. With this option there is less work for the housing provider and often less financial risk; however, you typically have less contact with the architects and engineers involved in the design and less control over the building design and details. During construction, any cost savings to be had will benefit the contractor. There may also be less control by the housing provider in the specific type of building materials used. In a design-build approach, the contractor hires the architect so your contract is with the contractor.

Note: Once drawings are finalized and contractor or sub-trade bids are in, it is important to keep at least a 5 to 10% contingency even with a fixed price contract.

Note: Most financial institutions want a fixed price construction contract and will require a minimum 5% contingency in the budget.

7.2.4 Lawyer

Legal services will be required at various points during your project such as at the time of purchase of the property, reviewing your contract for government funding and contracts with professional team members. Your lawyer will also be involved in draws of mortgage financing which are typically registered against the property you are developing. It will be necessary to estimate a higher amount for legal fees if you are applying for multiple funding sources.

And for budget purposes it is also important to include an amount for legal fees from the financial institution(s) you are borrowing from, including if you are borrowing from CMHC.

7.2.5 Quantity Surveyor/Cost Consultant

A Quantity Surveyor, sometimes referred to as a cost consultant, is a professional with a comprehensive knowledge of construction, construction methods, construction costs and accounting and their role is to monitor the value expended on your development. A Quantity Surveyor report of the overall budget and regular reports during construction will be a

requirement for most major financial institutions as well as when the mortgage is insured by CMHC or when you have a CMHC Co-investment application

Note: Professional team members come with their own expertise, role, technical language and regulatory framework. It is important to ask questions and understand the information presented by your team members before making decisions.

8.0 Early Financial Considerations

Identifying your organization's available land and/or financial resources that can be committed to a capital project is an essential first step. Without land and/or equity your organization will be unable to obtain the necessary government funding and financing to build affordable housing. This is because government funding to build affordable housing flows at the point a project is construction ready and there are significant costs and time invested before a project reaches this point.

It is important to note, pulling together the funding and financing to build affordable housing is increasingly complex as there are more recent federal programmes to assist. While there may be some affordable housing providers which have the financial resources (typically in collaboration with financial support sourced from various levels of government) required in developing new affordable housing without a mortgage, most will need some form of mortgage financing.

Financing typically comes in two stages:

1. Construction financing provides money during the development/construction phase.
2. Takeout or permanent financing happens just after the completion of the building and typically has financing spread over a 25-to-35-year period, although the more recent CMHC Rental construction Loan programme and the CMHC Co-investment programme permits financing to be spread over a period of up to 50 years, therefore lowering the monthly mortgage payments. Often, but not always, construction financing and takeout financing can be provided by the same financial institution.

The financial institution options for land purchase, new construction or renovation include:

- Banks/credit unions,
- [Infrastructure Ontario](#),
- CMHC Co-investment Funding or Rental Construction Financing,
- Federation of Canadian Municipalities, Green Municipal Fund, [Sustainable Affordable Housing \(SAH\) funding](#).

- Social enterprise financing such as [Community Forward Fund](#), [Canadian Co-operative Investment Fund](#), HPC Housing Investment Corporation and [New Market funds](#).

Each of these options will be discussed below.

8.1 Canadian Mortgage and Housing Corporation

The Canada Mortgage and Housing Corporation (CMHC) was established by parliament in 1944 and has a number of roles such as housing research, promoting the development of affordable housing and mortgage insurance. CMHC is an excellent resource for groups wanting to develop affordable housing.

8.1.1 CMHC Mortgage Insurance

The mortgage insurance provided by CMHC is to the lender. Your financial institution may require your mortgage be CMHC insured. The benefits of CMHC insurance for affordable housing funded under federal/provincial programmes are:

1. A longer amortization period – up to 40 years (without CMHC mortgage insurance the maximum amortization is typically 25 years),
2. Reduced equity requirements and larger loans, and
3. More financial institutions will be willing to loan your development funds.

This requires a longer timeframe to get approval for mortgage financing as not only the financial institution but CMHC assesses your organization's financial capacity to take on a mortgage. There is a \$200 per unit fee for CMHC to determine your organization's eligibility. In addition, there is a CMHC extra premium for amortizations longer than 25 years for CMHC mortgage insurance but that premium is generally added on top of your mortgage rather than payable up front.

8.1.2 CMHC – Co-investment Funding, New Construction Stream

As noted on CMHC's website, the [National Co-investment Housing Fund, New Construction stream](#) is primarily a loan programme that prioritizes partnerships between governments, non-profits, private sector, among others and provides low-cost loans and/or small forgivable loans.

Early in your organization's pre-development phase it is suggested you become familiar with programme details by speaking with the CMHC representative for your area and reading the programme requirements on the website. This fund prioritizes projects that are socially inclusive and are above Ontario Building Code in terms of energy efficiency, accessibility and provide deeper level of affordability.

It should be noted that the process for moving from initial application to a release of the funds can take many months although CMHC is aiming to shorten turnaround times from a proponent's complete application submission. Remember that the CMHC co-investment will not flow funds until a project is fully under construction.

8.1.3 CMHC – Rental Construction Financing

This programme offers rental construction financing to eligible borrowers during the risky phases of development of rental apartments (construction through to stabilized operations). Projects must decrease energy use and greenhouse gas emissions 15% below the 2015 National Energy Code for buildings and at least 10% of the project's units must meet or exceed accessibility standards as regulated by local codes. The energy efficiency and accessibility thresholds for this programme are not as stringent as the Co-investment programme.

For both CMHC Co-investment and Rental Construction financing one of the key benefits are borrowing at interest rates that are below market levels. Even during times of low interest rates, this can be financially very helpful.

8.2 Banks/Financial Institutions

Financial institutions will want to review your capital and operating budgets to analyze all funding sources and how they will come together to ensure the project is financially viable. Once approved, your financial institution will issue a discussion paper or term sheet outlining their terms and rates. It is advised to “shop around” for the best package for your project.

8.3 Federation of Canadian Municipalities, Green Municipal Fund, Sustainable Affordable Housing (SAH)

The [SAH funding initiative](#) is targeted to municipal, not-for-profit organizations and housing co-ops that are interested in retrofitting existing affordable housing units, or constructing new affordable housing. In terms of affordability, the required eligibility threshold is 30% of the units have rents set at 80% of the local median market rent for the duration of the loan repayment period with FCM. With regard to energy efficiency, if you plan to retrofit, a minimum of 25% reduction in building in energy consumption from current performance must be achieved. If building new affordable housing, your project must be working toward net-zero energy (NZE) or net-zero energy ready (NZER) performance.

There are different SAH funding grants to assist your organization at the various stages of development including studies, planning, pilots and capital projects.

8.4 Social Enterprise Financing

Social enterprise financing is innovative financing available to not-for-profit and co-operative organizations to help them achieve affordable housing projects with long-term community benefits.

The [Community Forward Fund](#) is an \$11 million fund that provides innovative financing to community organizations throughout Canada including not-for-profit housing providers. They provide loans to not-for-profit organizations and social enterprises to enable their mission of providing long-term community benefit.

The [Canadian Co-operative Investment Fund](#) is a new source of alternative financing for co-operatives across Canada including housing co-operatives. It works collaboratively to bridge gaps in access to capital for co-operative enterprises so they can realize their goals and strengthen their communities.

[New Market Funds](#) is a multi-fund manager that delivers investment opportunities with financial returns and lasting community benefit. They manage \$65 million of capital from foundations, financial and other institutions, and can provide equity investment in new not-for-profit housing.

The HPC Housing Investment Corporation delivers long-term, low-cost financing to housing non-profits and co-operatives to build more affordable housing and regenerate Canadian

community housing portfolios. They are an affordable housing focused corporation that can lock in interest rates for up to a 30-year period.

8.5 Infrastructure Ontario

Infrastructure Ontario is part of the government of Ontario and is another option for construction and take-out financing for new not-for-profit housing. They offer competitive rates and the ability to fix an interest rate for up to 25 years, which can provide a level of cost certainty for the operation of your new housing.

9.0 Finding a Suitable Site

In many communities, finding a suitable site to develop is a challenging endeavor. Unless your organization has the financial resources to buy a property or you already own a site suitable for residential use, the high cost of buying land and the competition for sites in the private market puts those developing affordable housing at a disadvantage. Properties that are lower in price may not be suitable or will be costly to develop because of issues such as contamination.

The timing of property acquisition with Service Manager funding proposal calls is unpredictable. Ideally, you will have acquired a property or have a conditional offer on a site before your Service Manager releases a call for proposals for new rental construction.

If you have land, or are considering purchasing a specific parcel of land, there are a number of considerations:

- Is the property an appropriate size for the proposed development including parking requirements?
- Is this a renovation, conversion, or intensification of the current development or a new build?
- Does the property require an official plan and/or zoning by-law amendment?
- Are there any development constraints specific to the site e.g. brownfield, easements, etc.?
- Is the land in proximity to amenities e.g. transit, grocery store, health services, etc.?
- Are there any active development applications in close proximity to your location? What kind of development is being proposed?
- Does selling your property and buying another property make more sense?
- And most importantly, is the purchase price financially viable?

Once you have found a site within your organization's price range, take note of the type of land uses around your site, the type of street it is on, the proximity to transit (if available) and

amenities such as shopping and green space. Ask the realtor about the history of the property and whether any studies have been completed. This will be useful information in considering the suitability of the site for your proposed use.

Note: There is considerable work that goes into selecting a site for your proposed development. From the outset, you are assessing the property from a number of perspectives: land use/planning approvals, financial, environmental, servicing, location and with future residents in mind. You may give serious consideration and investigate/spend some due diligence money on a number of sites before settling on the appropriate site.

Organizations successful for affordable housing capital funding from the Service Manager must have a demolition or building permit within 120 days of signing a Service Manager Contribution agreement based on specific programme rules (e.g. Ontario Priorities Housing Initiative (OPHI)). From the time you learn your proposal is successful, your organization may have up to several months before you receive your contribution agreement to sign and then approximately four months (120 days) to start construction. In development, this is not a lot of time to complete the planning approvals and other tasks on your list. In fact, your proposal may be turned down or receive a lower ranking by the Service Manager if they don't believe your project will be construction ready within the funding timelines.

Important Timeframe: If successful for federal/provincial affordable housing funding, your organization will typically need to have a demolition or building permit and start construction between 90-120 days of signing a partnership agreement with the Service Manager.

In this section, the types of sites and issues to consider are more fully explored.

9.1 Vacant Sites

Sites without buildings are not necessarily construction ready. Your project team will need to determine any development and client population constraints such as zoning and contamination, environmental, water and sewage servicing, NIMBYism (Not-in-my-backyard), cost(s) per unit, legal and other requirements, walkability, noise, access to shopping and services, etc.

9.2 Site with Existing Buildings to Convert or Demolish

If you are considering a property with existing building(s), is your plan to demolish, convert, intensify or adaptively reuse the building. There are many considerations if there are existing building(s). For example:

- What are the buildings being used for now and in the past? Is there any soil contamination as a result of this use (e.g. automotive repair shop)? Are their substances such as asbestos or lead paint that need to be removed from an older building before it is demolished or renovated for a new use?
- How much will it cost to demolish the building?

- Is there adequate parking for the proposed development, or can you make a case for a reduced number of spaces?
- Do you anticipate any concerns from the neighbours about your proposed development? What is your strategy for addressing these concerns? Are they planning concerns or *Nimbyism*?
- If you are incorporating an existing building into a new development, what will be the cost to achieve the new design based on the Ontario Building Code (OBC) and Accessibility requirements? If your group plans to apply for CMHC Co-investment funding, energy efficiency and accessibility requirements exceed the OBC.
- Does the site have adequate water and sewer capacity to accommodate intensification?

9.3 Site with Potential to Intensify

Some organizations have an existing residential site that is under-utilized and has the potential to develop more units. This is a unique, positive opportunity that saves on land costs and could meet the municipalities' objective to intensify residential housing in already built-up areas. This opportunity makes good use of existing infrastructure such as water and sewer and can be transit supportive.

However, it is important to plan for the complexities and inconveniences for existing tenants during the construction phase.

9.4 Leveraging

Leveraging involves using the existing resources of the housing provider, such as land or the potential to refinance existing properties (see section 16.0 on end of operating agreements). Unless the operating agreement has expired, there will need to be a discussion with either the Service Manager or The Agency for Co-operative Housing to work through the administrative approvals needed to permit an addition of new housing onto existing non-profit or co-operative housing or to refinance in order to purchase a new site or invest in a new building on the existing site.

9.5 Building New or Renovation

If you are looking for land you will confront the decision of whether to build new or renovate an existing building.

	Pros	Cons
Building New	Easier to establish cost estimates. New, energy efficient building.	Can be more difficult to get planning approvals for new buildings.
Renovation	Revitalizing older buildings in central districts that may be vacant or underused; could be less complicated zoning approvals in central districts.	Adapting older buildings to new Code requirements can be costly with unexpected surprises.

You are looking for a property within your price range that will accommodate the size of building you would like to develop in a location that accessible to amenities such as grocery stores, schools, etc.

Caution: It may seem more straightforward to buy an occupied or partially occupied multi-residential rental building in the private market to adapt to your purposes. Remember, this will likely mean displacing existing tenants and does not increase the overall supply of rental housing.

9.6 Potential “Red Flags”

As our urban areas become more intensified, there are fewer properties available without constraints. It may be particularly challenging finding and purchasing sites with potential for affordable multi-residential housing. Importantly, the Province and municipalities must ensure new residential development is compatible with the surrounding land uses. For example, through official plan and zoning requirements municipalities ensure new multi-residential development is compatible with existing neighbourhoods and is not negatively affected by things like industrial uses.

In this section, some of the common constraints you may encounter are highlighted. It is beyond the scope of this resource guide to fully elaborate on each of these potential issues. Although it is possible to develop the type of properties listed below, be aware that this will take time, further study and cost to determine.

Find out what studies have already been completed by the owner or other potential buyers. Talk to Planning staff about the site and whether they are aware of any development constraints. Review the Official Plan for your municipality and become familiar with the policies with regard to brownfields, heritage, floodplains, etc. Be prepared to look into whether the municipality has financial incentive programmes to help with things like the cost of rehabilitating a contaminated site or preserving heritage features in a new design.

9.6.1 Brownfields

Brownfields, such as former gas stations or industrial sites, will require additional environmental assessment and clean-up costs. You will need to work closely with your environmental engineer on the trade-offs between the costs of the clean-up and buying a brownfield site which may be selling at a lower price. There are some properties with significant levels of contamination that make the building of new affordable housing on that site financially prohibitive.

It is helpful to check with the local municipality and Service Manager for any brownfield incentives and requirements.

9.6.2 Heritage Buildings

The Ontario Heritage Act, 1990 gives the provincial government and municipalities the power to protect heritage properties and archeological resources. Heritage buildings may be on the municipality's list of properties that are of interest, or designated cultural heritage sites. The studies needed prior to development of such a site will be provided through your pre-consultation meeting with planning staff. If the property is designated, a heritage permit will need to be obtained and design of the development will be approved through a Heritage Committee and ultimately Council. If the property is of Heritage interest, you as the developer may be required to have a Cultural Heritage Impact Assessment completed at your cost.

Under the Ontario Heritage Act, the Local Planning Appeal Tribunal (LPAT) and the Conservation Review Board (CRB) hear different kinds of disputes related to cultural heritage and archeological resources. For example, the LPAT hears appeals concerning refusal to permit the demolition or removal of a building on a protected property. The CRB deals with issues such as if you, as a property owner, object to the proposed designation of your property having cultural value or significance to the municipality. The CRB attempts to settle disputes through a prehearing process and mediation. If the case does not settle and proceeds to a hearing the CRB will make a recommendation to the municipality or the Minister of Local Tourism, Culture and Sport who will make the final decision.

9.6.3. Archeology

At your pre-consultation meeting, Planning Staff may determine you must complete an archeological assessment of your site before development can occur. This need for an assessment may be triggered by the site being a heritage property or adjacent to a heritage property. This assessment must be completed by an archeologist licensed in Ontario. There are up to four stages of archeological assessment outlined on the [Ministry of Heritage, Sport, Tourism, Culture Industries](#) website.

Important: There have been innovative affordable housing projects that have been constructed on former brownfield sites, heritage sites, etc. If your property has constraints, contact projects in other communities and learn from their experience. There are examples of

innovative affordable housing developments, including former brownfields, or heritage sites profiled on CMHC's website.

9.6.4. Proximity to a Railway Corridor

If the property you are considering or own is in [proximity to a railway corridor](#) there will be another layer of consultation and viability assessment required by the railway. As outlined in the guidelines, there are key issues in developing close to rail corridors which include: noise, vibration and safety issues. If these issues cannot be mitigated or are too costly to address, then development will not be possible on the site.

9.6.5. Flood Risk

Your local Conservation Authority works in co-operation with the municipality and the Province to regulate development in flood prone areas. Policy and zoning for land uses and flood ways and fringe flood areas will be in the official plan and zoning by-law for your municipality. Generally, residential development is not permitted in flood ways and for fringe areas certain design features may be required e.g. only non-residential units on the ground floor.

9.7 Small Urban and Rural properties

If you are in a small urban or rural community, determine if there is water and sewage servicing to your site or plans on the part of the municipality to service the site or increase capacity necessary to accommodate your development. In the alternative, septic systems for waste water or wells for groundwater can be installed but they bring significant costs (both construction costs and operating costs) to new multi-residential developments.

9.8 Mixed Use – Commercial and Residential

If you have found property on a main road and/or on the periphery of a neighbourhood there may be an opportunity to develop a commercial use (e.g. office space) on the ground floor with apartments above. Or, perhaps that is the current set up of an existing building your organization is considering to purchase. Your organization may be looking for office space in order to provide support services to tenants residing in the apartments or renting out office space to another organization. This can provide a unique opportunity but also raises other issues to consider:

- What are the official plan policies and zoning requirements for your development concept (e.g. Height? Density? Permitted Uses?)
- Can the site accommodate enough parking, as specified by the municipality, for the residential and commercial units?
- If you will be renting the commercial space, what is the financial plan for managing potential vacancies?
- What are your obligations as a commercial landlord?

Consider: Federal/provincial affordable housing capital funds don't include the cost of construction or renovation of commercial space. If including a commercial use in your development, how will your organization cover the cost of construction or renovation of this space?

9.9 Offers

It is common for housing providers to make a conditional offer of purchase on a property in order to give time to carry out the due diligence on major issues (financing, planning, environmental, etc.) needed before the offer to purchase can be firmed up. The seller will likely be keen to close a deal and sell the property in a timely fashion. Your organization will need to organize a reasonable amount of time to complete due diligence.

9.10 Buying a Property and Due Diligence

Before firming up an offer to purchase a property, your organization has identified and analyzed potential risks of the proposed project by considering the following questions (not an exhaustive list):

- Is your proposed development financially viable?
- Is construction financing in place (as well as financing just for the land purchase)?
- Is there contamination and what is the cost of clean-up?
- Can the soils support the proposed building to be constructed?
- What are the site constraints (required parking ratio, easements, right of ways, etc.)?
- Is an official plan and/or zoning by-law amendment required?
- Are there heritage or archeological constraints?

Before finalizing the purchase, the goal of due diligence is to make known and eliminate risks and/or to determine the timeframe and cost of mitigating those risks. The results of the due diligence work can also mean that you walk away from a property you have been examining for a significant number of weeks or even months. At this stage, it is necessary to ensure your project can work financially and that the Planning Department is supportive of your concept for development.

Also, as part of due diligence, your lawyer completes a number of legal searches on your behalf as part of purchasing a property.

10.0 Building Design

Design is an exciting part of development process as your organization shares their vision for the building and its future residents with your architect and project team. This is also when the

constraints of your site and/or your budget will need to be carefully reviewed. For example, ideally you will want to include amenity space for the residents as well as energy efficiency features to help reduce operating costs and residents' utility bills. The municipal zoning by-law identifies the amount of amenity space required. The Ontario Building Code specifies the standards for energy efficiency. Not surprisingly, most groups want to exceed these standards. Features like roof top gardens, a community room, storage for scooters and bicycles, solar panels, a grey water system, etc. are commonly discussed by groups developing affordable housing.

Importantly, only the residential component is eligible for funding through the federal/provincial affordable housing funding programmes. Finding alternative sources of funding and the timing of this funding is critical to the inclusion of these enhanced amenity features. Talk with other groups who have incorporated such features into their development for ideas and lessons learned. Two funding opportunities for energy efficiency are:

1. The [CMHC Co-investment Fund, New Construction Stream](#) requires organizations to exceed Ontario Building Code (OBC) energy efficiency and accessibility standards. Eligibility and scoring for the Co-investment programme is based on what level of affordability, energy efficiency and accessibility your project will achieve.
2. [Sustainable Affordable Housing](#) (SAH) a Green Municipal Fund programme of the Federation of Canadian Municipalities introduced in 2020, offers different types of funding, for early study and planning activities through to capital funds to build high performance energy efficient affordable housing. This programme can be accessed in combination with other affordable housing programmes such as federal/provincial and the CMHC Co-investment programmes.

The design of your building starts with a concept drawing and moves to full drawings as part of the scope of your architect's role and the planning approvals process outlined in Section 11.0.

In this section, other objectives that good design can achieve will be highlighted. For example, good design can promote:

- Positive Visual Impact,
- Safety,
- Physical activity,
- Energy efficiency (e.g. Net Zero Ready),
- Accessibility, and
- Social inclusion.

Some aspects of good design are relatively low or no cost. For example, windows facing public spaces such as parking or play areas and can provide natural surveillance to enhance a sense of safety. Below are a few other points to consider:

- Specific affordable housing design criteria may be identified in affordable housing proposal calls and information by the Service Manager for funding purposes. Check with the planning department to see if there are design guidelines in your municipality. These guidelines integrate a number of goals from different municipal departments and provide helpful suggestions, especially for first time developers of housing. Other community goals and directions are achieved through information such as, but not limited to:
 - Municipal Official Plan objectives towards a range and mix of types of housing as well as affordable housing targets for new residential construction,
 - Urban design guidelines for elements such as: human scale development compatible with existing neighbourhoods, pedestrian friendly and transit-oriented development,
 - Public health objectives to promote physical activity,
 - Other municipal departments such as Recreation, Human/Community Services and Transportation/Transit undertake regular planning and community engagement with reports available online.

Think about your proposed development within a bigger policy context. You will see that there are many provincial and municipal guidelines that influence your proposed affordable housing development now and in the future. For example, how close is your proposed site to current and future public transit (if urban)? What does the Recreation and Parks Master Plan say about the future development of facilities and services in your community? Where will these be located?

This is very important information to be aware of as you prepare your business plan and apply for funding. Your organization wants to demonstrate, as much as possible, that your proposed affordable housing development is aligned with the Region, City, County, Town, or Township's policy objectives.

10.1 Preliminary Concept Drawing

Once your organization has selected a site it is useful to prepare a concept drawing showing the building massing, dimensions, location on the site and proposed parking. This preliminary concept drawing should be submitted with a request for a pre-consultation meeting with the municipal planning department. Check with your Planning Technician, municipal planning staff or architect for information to include on the preliminary concept drawing. If your architect is on board and early financial resources are available a more detailed concept drawing can be prepared to submit at the pre-consultation stage.

More detailed concept renderings are needed for official plan and rezoning amendments as it provides the level of detail needed for planning staff and the public to more fully understand your proposal. It also becomes the basis for full architectural drawings as required for site plan approval. Full architectural drawings may include site plan, unit and building layout, mechanical and electrical components, and building specifications.

10.2 Crime Prevention Through Environmental Design (CPTED)

Crime prevention through environmental design is a design philosophy that attempts to deter criminal behavior by making intentional choices in the physical design of buildings and communities. The three main principles of this approach are:

- Natural surveillance – is the idea that a person will be less likely to engage in criminal behaviour if s/he can be seen. Design with sightlines, public space, lighting, landscaping, and strategic use of windows in mind.
- Natural access control – is the idea that a person’s movement will be influenced by clearly defined and/or strategically developed boundaries to control access. For example, dense landscaping can reinforce low fencing to create a boundary to control access to a property.
- Natural territorial reinforcement – is a design concept that uses physical design to reinforce the resident’s sense of ownership of a property, whether or not they own it. This concept builds on natural surveillance and access control and includes other strategies such as: ensuring all space is assigned a clear and active purpose, conducting timely maintenance and using visual cues to differentiate between public and private space.

[CPTED Ontario](#), formed in 2001, is a resource to promote an understanding and implementation of these principles in creating safer communities.

10.3 Universal Design and Accessible Unit/Building Design

In the residential development context, universal design means a design that is inclusive of everyone’s needs in age-friendly ways. In this approach, the building is designed from the start for persons living at various stages in life, including young parents, the elderly and people with or without disabilities. The assumption being that everyone benefits from maximum barrier free design and accessibility features. The Center for Universal Design in North America and the Canada Mortgage and Housing Corporation (CMHC) has information resources applicable to affordable housing.

In many communities, the availability of fully accessible units is very limited. The Ontario Building Code, which was amended January 1, 2015 with enhanced accessibility in new constructed buildings and existing buildings with extensive renovations, requires a certain number (minimum 15%) of barrier free units in new residential construction, as well as accessibility standards to enhance building components, such as power doors, door width,

elevators, visual fire safety devices, accessible washrooms, entrances and sprinkler systems in some types of housing properties.

10.4 Energy Efficiency Features

New, energy efficient units decrease energy costs for residents and housing providers. In order to address climate change, all levels of government are developing policies and incentive programmes to enhance energy efficiency in the residential sector. Energy efficiency and the government's goal of carbon neutral housing by 2030 is an exciting prospect. Discussing the options for energy efficient systems to incorporate into your development is a key discussion to have with your architect and project team once you are moving forward with a site and before detailed drawings are prepared. Housing Providers should, however, only consider energy efficiency innovations with a proven track record. Some examples of proven energy efficient building design components include residential rain water harvesting and recycling grey water systems, solar hot water heating, geothermal heating systems, and improved R-values beyond code standards. Increasingly a number of new affordable housing developments are being built to passive house standards to more dramatically reduce energy consumption.

The Ontario Building Code requires a high standard of energy efficiency for residential development. If your goal is to go above and beyond the OBC standards, it is important to undertake a calculation of the financial payback in energy savings as compared to the additional upfront capital costs of those additional energy efficiency features. As previously noted, CMHC Co-investment programmes and GMF Sustainable Affordable Housing programmes are two funding/financing options that focus on high performance multi-residential buildings that significantly reduce energy use and greenhouse gas emissions. You will need to retain an energy consultant specialist as part of your project team for this type of analysis.

11.0 Planning Approvals

As previously mentioned, housing development is a complex process whereby your organization will carry out a number of tasks, as outlined in different sections in this guide, often simultaneously. In this section, whether you are planning to redevelop your existing site or find a suitable site to purchase (Section 9.0), you will need to consider land use planning approvals. Land use planning in the province of Ontario is guided by the Planning Act.

11.1 Where to Find Information on Planning Approvals

In order to determine who makes decisions with regard to planning matters in your community, refer to the [Planning Act Approval Authority in Ontario chart](#). In most municipalities you can speak with Planning and or/Building department staff on a walk-in basis. Also, official plan and zoning by-laws for your municipality are online for your reference. This is the first step to understanding the potential of your site for redevelopment.

In speaking with municipal Planning staff on an informal basis, be prepared to provide the basic details of your proposed development concept such as: type of building, number of units, number of storeys, and number of parking spaces. Some questions to ask staff are:

- What are the Official Plan (OP) and zoning designations for the site?
- Does the proposed development concept align with the OP policies and zoning for the site or will it need amending?
- Will minor variance(s) be needed?

At this preliminary stage, the answer to the above questions provides you with some important information. If planning approvals are required, then check online or ask staff the cost of an official plan amendment and/or rezoning. If both an official plan amendment and rezoning are required, then these can be carried out as parallel processes. In some cases, the official plan designation permits your proposed use but a rezoning is necessary. In either case, these approvals will require a number of months to complete and you will need a professional planner as part of your development team. An OP amendment and rezoning also cost you, the developer. In some municipalities there can be successful requests to not have the housing provider pay the municipal fees but these are often on a case-by-case basis and will need to be discussed with municipal officials before making any assumptions about the project budget not covering these costs.

Speak to your Planner, or check on line for the fee schedule for the following to add the following to your projected capital budget for the project:

- Pre-consultation fee (not typical in rural communities),
- Official plan and/or zoning amendment or minor variance fee,
- Development charges – municipal and education,
- Parkland dedication fee,
- Site plan control fee,
- Building permit fees,
- Right of way (road work linking services to the site).

As official plan and zoning amendments require various studies to support the proposed changes to planning policy. It may also be necessary to retain engineering and architectural professionals to provide accurate building and landscape drawings, analyze the required parking and request a reduction for your development and/or determine whether or not there is sufficient capacity in the existing water, sanitary and storm sewer infrastructure servicing the site.

If the site you are considering is zoned employment/industrial, it will be difficult to rezone as provincial policies require municipalities to preserve employment lands. If the site is commercial (and hasn't been residential in recent years) a rezoning will result in the need for a Ministry of Environment Record of Site Condition, even if the property is not contaminated

(time and cost). If a site is R1 (single family homes) your proposed multi-residential development will likely confront Nimbyism from the neighbours.

The Province of Ontario provides user friendly information on the [planning application process](#), the Planning Act and other policy information. Even with the assistance of a professional planner, it is recommended that your Development Committee and/or Board of Directors gain a basic understanding of the planning approvals process.

Not surprisingly, planning approvals don't only take time but also have cost implications. In order to prepare a capital budget as part of your business plan, you will need to know what planning approvals are needed.

Example: Your organization wants to build a 20-unit apartment building for seniors in a municipality. Your Development Consultant and a Board member experienced in construction have advised you of the price range and size of property to consider. There is an undeveloped lot on the edge of the municipality and another property closer to the municipal centre with a vacant building on it that meets these criteria. Here are some of the questions, in addition to discussions about price, to ask the realtor and the Municipal Planner in order to help you further assess the suitability of these two sites.

Realtor - What is the history of the site? Former uses? Is there a survey available or any studies completed for the site (e.g. ESA Phase 1)? Has there been interest from other prospective purchasers in developing the site? If so, did they come up against any roadblocks?

Planner – Does our proposed 20-unit apartment building fit with the official plan and zoning designations for either site? Is planning staff supportive of our concept? Is there servicing to the site (water and sewage)? Is their adequate capacity to accommodate your proposed development? What planning approvals will be required?

Note: If changes to land use are proposed, affordable housing, like other residential development, goes through the same review and approval process based on the policies set out in the Planning Act.

11.2 Planning Process in General

In general, the process of obtaining an official plan and zoning amendment for a property is fairly similar regardless of which municipality you are looking to develop in. This is because the planning approvals process is regulated by the Ontario Planning Act. The following section will provide a brief outline of the zoning approval process that can be expected.

11.2.1 Zoning Confirmation

For a small fee the building department will confirm the zoning of your property in writing. This is part of due diligence. Written confirmation of zoning may also be required when submitting funding applications. Check with your local municipality for application forms and documents.

11.2.2 Formal Pre-consultation

Before you can move forward with construction, check with your local municipality for processes that are necessary. In general, you are required to arrange a pre-consultation with your local Planning Department. To set up a pre-consultation meeting, you will need to complete an application form, pay a fee and submit a concept drawing and description of your proposed development. Planning staff will arrange a meeting with representatives from your organization and your planner/architect or development consultant to discuss your concept and provide you with important information. This information will confirm the planning approvals and background studies required and flag any concerns.

Below are some examples of typical reports the Planning Department can ask you to complete before construction start is permitted. Other studies may be required that are not listed if, for example, your site is a heritage property, near a railway or is a brownfield.

- Phase 1 Environmental Site Assessment (ESA 1),
- Geotechnical study,
- Planning justification study,
- Parking justification study,
- Urban design brief,
- Shadow assessment (if constructing a taller building),
- Servicing/stormwater reports, and
- Traffic impact report.

If your site is zoned appropriately and does not require minor variances, you can proceed to the site plan stage as outlined in Section 11.4. If not, you may need to prepare and file an official plan and/or zoning amendment or a minor variance application. Further information on these processes is outlined below.

Note: Of the studies to complete, some will be included in the architect's fee. Make sure your budget reflects the cost of studies either as stand-alone budget lines and/or as part of the architect's fee.

11.2.3 Official Plan and Zoning By-law Amendments

By this point, your organization has determined the planning approvals required for your site by talking to Planning staff and completing a pre-consultation meeting. If an official plan amendment and/or a zoning by-law amendment or minor variance are necessary, you have to adjust your work plan and budget accordingly. You have a professional planner as part of your development team who will complete the applications on your behalf.

In some municipalities you can undertake site plan approval in parallel with a rezoning; however, this presents a higher risk to the developer, if the rezoning isn't approved for any reason.

The planning approvals process involves the following steps:

- Staff review the application(s) and supporting materials,
- Notice is provided to neighbours/public,
- A public meeting is held,
- Staff prepare a report to Council for approval based on public input and their analysis of the proposed developments fit with the official plan and zoning,
- If approved or turned down, there is a 20-day appeal period to Local Planning Appeal Tribunal (LPAT), and
- If no appeals are filed, amendments are in full effect.

Depending on the municipality and the complexity of the official plan and/or zoning amendment, it can take 4 to 12 months to obtain these approvals.

11.2.4 Minor Variances

Minor variances are needed if the zoning permits your proposed development, but does not meet all the details of the zoning by-law. Some typical examples are if your development does not meet the required setbacks from the property lines, amenity space requirements or parking space requirements to name a few.

There is a four-point test outlined in the Planning Act that determines if an application is a minor variance. All four of the following tests must be met:

- Does the application conform to the general intent of the official plan?
- Does the application conform to the general intent of the zoning by-law?
- Is the application desirable for the appropriate development of the lands in question?
- Is the application minor?

While it varies depending on the municipality, the process of obtaining a minor variance can take 3 to 5 months.

Minor variance applications are considered by a Committee of Adjustment and are public. The decision of the Committee can be appealed to the Local Planning Appeal Tribunal (LPAT) within 20 days of the Committee's decision.

11.3 Local Planning Appeal Tribunal (LPAT)

As noted in the previous two sections, all official plan, zoning amendments and minor variances can be appealed to the Local Planning Appeal Tribunal (LPAT) which replaced the Ontario Municipal Board (OMB) on April 3, 2018. Effective July 1, 2020, the government of Ontario established the new Ontario Lands Tribunal which includes the Local Planning Appeal Tribunal, Environmental Review Tribunal, Board of Negotiation, Conservation Review Board and Mining and Land Tribunal. The LPAT will continue to hear cases and make decisions in relation to a range of land use matters.

If an appeal is filed with the LPAT within the 20-day appeal period, your planning application cannot be passed until it is resolved by the Tribunal. According to the Planning Act, an appeal can be filed by any individual or group within the 20-day appeal period if they fill out the appropriate form and pay a fee, which is \$300 as of 2020.

An LPAT hearing can take 6 to 12 months to schedule. The Board encourages negotiated settlements even at hearings. Hearings can last a half day or up to a week or more. An LPAT hearing costs tens of thousands of dollars and requires the assistance of a lawyer and expert planning witness.

Note: If the municipal planning report supports the development, LPAT decisions have generally favoured new affordable housing developments.

11.4 Site Plan Control

As noted previously, you may be redeveloping a property that doesn't require an official plan amendment, rezoning or minor variance, in which case your pre-consultation meeting will provide you with information on what is needed for site plan. Site plan control ensures that your development meets municipal requirements for landscaping, loading zone, garbage pick-up, accessibility features, the look of the building, fencing, etc. It is through the site plan process that the municipality refines the appearance of development.

The Architect prepares the site plan with your project team's involvement. A site plan agreement is prepared through the process and finalized once the site plan is approved by municipal staff. The timeframe varies from municipality to municipality and can range from four to eight months. The agreement outlines the amount of site securities (funding which is held by the municipalities during construction – this can tie up tens of thousands of dollars although refunded after completion) and your organization's legal obligations in constructing the development to the specifications of the site plan drawing.

11.5 Building Permit Application

In some cases, you can apply for a building permit while your site plan application is being processed by the municipality. To see if these processes can run concurrently, speak with your municipality's planning and building department staff.

To submit a Building Permit Application, you will have to prepare a full set of building drawings (including architectural mechanical, structural, electrical and civil drawings) and pay the applicable Building Permit fee. In general, these fees are listed on a municipality's Building Department website.

You can speak with Municipal Building Department staff that will provide information about these fees.

Once a Building Permit Application has been filed, a comprehensive review of the full building drawings is undertaken by the Building Department and other departments and agencies (including Fire Department). Any items that do not meet the Ontario Building Code or any other applicable federal or provincial policies are identified. Once the review of these drawings is complete, all of the drawing's deficiencies are listed and sent back to the project team to address. The process is completed once all of the deficiencies are corrected to the satisfaction of City staff. In general, two to three circulations of the drawings are required to complete the process. Depending on the municipality, it may take 3 to 6 months to complete the Building Permit Application process.

Obtaining a Building Permit is a significant milestone for several reasons:

- Development Charges and Parkland fees are due at this time,
- If you have been approved for Service Manager funding through federal/ provincial programmes including the Ontario Priorities Housing Initiative (OPHI) you will need to adhere to specific rules to:

- have either a demolition permit, foundation permit or building permit within 120 days of signing your Service Manager Contribution agreement for approved federal/provincial funding, and
- obtain the first instalment of Service Manager federal/provincial funding of 50% as it is typically released at the time of a building permit being issued, financing in place and construction started.

It should be noted that other permits may be obtained before the full building permit is issued. If there is a delay in obtaining the full building permit, municipalities will often approve demolition, site servicing and/or foundation permits. Obtaining these permits not only helps start construction sooner but also helps your organization meet affordable housing development requirements and funding through the Service Manager.

11.6 Ways Affordable Housing can be Facilitated through Land Use Planning and NIMBYism

A growing body of research shows that access to good quality affordable housing supports not only low- and moderate-income households, but also has positive community-wide benefits related to economic competitiveness, health, education and community well-being.² Many municipalities recognize the importance of affordable housing in their official plans and will sometimes make it a priority to move affordable developments forward through the planning approvals process.

When affordable housing is being considered, there is almost always some opposition. “Not in My Backyard” syndrome or “NIMBYism” happens when people hold negative attitudes or stereotypes about the people who live in affordable housing. This is often directly related to one or more Human Rights Code grounds. This kind of opposition can be hidden in land use planning terms, and can be expressed in many ways, sometimes based on exaggerated concerns about changes to the neighbourhood, impact on traffic, residential property values or about building form.

Gaining acceptance for well-planned affordable housing developments is important within communities. Equally important is how to respond to common concerns expressed through NIMBYism. To facilitate an approach to dispel the common NIMBY myths and promote non-confrontational approaches to community opposition, Housing Providers and Municipalities can develop community strategies, engagement and educational tools. Resources such as [“In the Zone: Housing, human rights and municipal planning”](#) and [“Neighbourhood Housing Tip sheet”](#) offer information to navigate common neighbourhood concerns within the context of human rights and requirements in affordable housing.

² Ministry of Municipal Affairs and Housing. (2011). Municipal Tools for Affordable Housing

11.7 Municipal Incentives and Offsetting Grants

There are some municipal financial incentives that might benefit your development which are not related to the affordability of the housing. An example of this could be financial incentives to offset part of the cost of cleaning up environmental contamination, often referred to as cleaning up brownfield sites. There may be other financial assistance provided by the municipality because your organization is specifically creating affordable housing. If, for example, a municipality plans to provide financial assistance in the way of development charges incentives or residential property tax exemptions for municipal and education purposes, waiver of planning fees, etc., to a Housing Provider wanting to develop affordable housing, the municipality may create a relationship with the Housing Provider by way of a Municipal Housing Project Facility Agreement. To do so, a Municipal Housing Project Facility By-law, according to requirements of the LPAT and regulations, must first be passed by the Service Manager's municipal Council. The by-law defines affordable housing, policies that define public eligibility for the affordable housing, and the provisions of the housing facilities to be included in the agreement for purposes of specific municipal incentives and investments. To create a project specific Municipal Housing Project Facility for the affordable housing project, two by-Laws must be passed by the Service Manager to enter into an agreement, and to provide residential property tax exemptions for municipal and school purposes.

Many municipalities don't require payment of fees or provide offsetting grants, with some providing forgivable loans or loan guarantees, to assist affordable housing groups (and municipal housing projects) in building new affordable housing. Some Service Managers have housing reserve funds for this purpose. Policies guiding the use of these reserve funds may also be in place. You will want to read the policy and/or consult with the Service Manager staff, planning staff and your local Councillor to determine the type and amount of assistance possible and available. Note, not all fees are eligible and it is important to know this when preparing your project's capital budget.

In 2020, the provincial government gave greater direction to municipalities to spread the payment of development charges over a 20-year period for not-for-profit housing providers.

There will likely need to be some direct advocacy to municipal councils when requesting funds to offset municipal fees. It is important to speak to municipal councillors and municipal planning and finance staff early in the process. You want to convey how not being charged municipal fees will improve the affordability and financial viability of the proposed development. As well early discussions can help clarify the municipal process to request waiver of fees or offsetting grants.

11.8 Outcomes of Research into Planning Approvals

In summary, for planning approvals your organization will want to:

- Gain a basic understanding of the planning approvals process,
- Know the official plan and zoning by-law designations for your proposed site,

- Receive preliminary feedback and complete your pre-consultation meeting with municipal Planning staff and know the planning approvals required (e.g. official plan amendment, zoning by-law amendment, minor variance, and site plan control),
- Include the fees for planning approvals in your capital budget and associated costs for a professional planner (if not within the scope of your Development Consultant), and
- Include in your budget the cost of Development Charges, building permits and site plan fees and any offsetting grants/incentives.

12.0 Funding and Financing (parallel process with Planning Approvals)

As described in Section 6.0, assessing your organization's financial position is part of determining organizational readiness. Developing affordable housing is increasingly more complex and most projects will need to consider multiple funding sources. In this section, these concepts are explored more fully.

12.1 Costs of Building Rental Housing

As financing and cash-flow are the biggest challenge with developing new affordable housing, it is important to assess and determine the costs of building rental housing, and long-term operations.

Key components to consider when budgeting for capital costs and financing include:

- Land and related costs, including property costs, costs for ESA and geotechnical reports, legal fees, HST, land transfer tax, surveys, other such as design drawings,
- Soft costs, such as municipal approvals and permits, development charges, consultants' fees such as architect and development consultant, mortgage insurance fees, taxes and insurance during construction, interest during construction,
- Hard costs, including construction, site servicing, appliances, HST and construction contingency (5 to 15% depending on construction type),
- Equity total, based on equity sources such as land, cash and fundraising capacity (and ability to cash flow during development/ construction),
- HST rebates (consider HST Municipal Status application, "qualifying" not-for-profit status with government revenue, and charitable status),
- Projected income statements, including rental revenue, laundry less vacancy loss for gross and net revenue.

In addition, a viable operational housing project based on income and expenses must be determined and annual changes will be impacted by a variety of factors as well such as rent increase guidelines, Service Manager and CMHC programme criteria, and economic costs to

operate the project. Since affordable rental housing projects that access Service Manager affordable housing programme funding may have an affordability period of 20 to 30 years, an operating projection of costs and anticipated revenue based on specific factors for this period can assist with long term financing expectations. As the mortgage principal and interest and property taxes may be among the largest operating costs, it is helpful to understand options to balance the budget through longer amortization periods, length of term given lower interest rates as of 2016 and Service Manager residential property tax exemptions for municipal and school purposes.

One place to start in reviewing rental project costs for rental housing costs, financing and income and operating expenses can be found on CMHC's website, [Seed funding](#). Under the Resources tab, there is a Viability Assessment Calculator that will assist with your preliminary calculations to determine your proposed affordable housing project's financial viability. Seed funding documents are aligned with other CMHC funding programmes such as the Co-investment Funding, New Construction stream. Completing the Seed viability assessment calculator will assist your organization to become familiar with the programme requirements such as enhanced affordability, energy efficiency and accessibility.

Early communication with your development team (development consultant, lender and cost consultant) is recommended to ensure that costs considered are appropriate for the proposed housing project. For assistance in completing this viability assessment calculator application, Housing Providers are encouraged to contact your local CMHC Affordable Housing Representative.

It is important to demonstrate viability of the affordable housing proposal with the Service Manager, including the project costs and the ability to obtain mortgage financing prior to Service Manager's approvals and funding. Your Service Manager may have capital cost budget and operating cost budget templates as well as cost line details and descriptions, and these may be found in Service Manager's affordable rental housing development proposal calls or Expressions of Interest or by contacting Service Manager staff.

12.2 Equity Sources

In considering your organization's equity sources, do you have cash, land, or fundraising capacity to bring to your proposed housing development? Do you have existing property with low or no mortgage that could be leveraged/refinanced into a new build? Having equity to contribute is very important in both convincing governments and potential funders that your development is viable and therefore appropriate to access government funding or other funding organizations. Having equity to contribute is also very important if trying to access mortgage financing from a bank or credit union.

Developing a Business Plan – Your business plan needs to demonstrate to government funders, potential donors, support service funders (if applicable) that all of the capital and operating funds will come together to ensure ongoing financial viability. A business plan is a “living document” and it will evolve as more details of the project become known. Sample business plan templates and requirements may be obtained through Canada Mortgage Housing Corporation's Affordable Housing Consultants and your local Service Manager, and

sometimes are specific to local affordable rental housing development proposal calls or Expressions of Interest for affordable housing development proposals.

12.3 Preconstruction Costs and CMHC Seed funding

One of the early tasks is to determine what resources can assist you in the preconstruction stage of your development. In the past, many groups used CMHC Seed funding which included a grant and loan to assist groups with pre-development activities such as a business plan, property search and preliminary studies. The rules for Seed funding occasionally change. It is important to speak with a CMHC representative or check CMHC's website for the most up-to-date programme guidelines for development non-repayable contributions/interest free loans. Currently, there is up to \$150,000 in contribution funding available and up to \$350,000 in CMHC repayable loan funding available. These maximum seed funding amounts may only be available for very large housing developments. The [Seed funding](#) application is essentially a simplified version of the Co-investment application which makes the process more streamlined for groups applying for both. For Seed funding, there is also now an expectation that there is a more detailed plan in place, including site selected, with key development team members in place before qualifying for seed funding.

Some Service Managers use a few municipal tools to assist Housing Providers with preconstruction costs, such as deferral payment agreements for development charges, planning fees, application fees and building permits until permanent financing is in place. Check with your local Service Manager to discuss any options available for pre-construction cost assistance.

12.4 Timing and Tolerating Risk

For most new housing providers, there can be many months of volunteer, staff and professional development consulting time expended before knowing with certainty that the new affordable housing development will move forward. Be prepared to spend some modest to medium amount of funds that are being spent at risk. Your organization will need to take time to discuss the amount of reasonable risk (financial and human resources) to invest in the early stages of the project.

12.5 HST Rebate

The HST rebate can be an important part of your cash flow for a development project. If you are an income tax registered charity you may recover 82% rebate of the 8% of the provincial part of the HST and 50% of the 5% federal GST from the 13% HST paid on project expenses.

If your organization has received its municipal designation from the Canada Revenue Agency (CRA), then you may recover 78% of the 8% provincial part of the HST and 100% of the 5% federal GST from the 13% HST paid on project expenses.

If your organization has both designations, then use the municipal designation to ensure a greater rebate on all expenses related to the affordable housing project.

If your organization has neither designation, then you will need to determine if you're eligible to apply for the municipal designation.

The Canada Revenue Agency (CRA) provides the following publications:

[RC4081 GST/HST Information for Non-Profit Organizations](#)

[RC4082 GST/HST Information for Charities](#)

[GI-124 Municipal Designation of Organizations Providing Rent-Geared-to-Income Housing](#)

Many non-profit organizations already receive the HST rebate for their operational costs twice per year if they qualify and are not registered for the GST. If you want to change the frequency of your rebate to monthly from quarterly, you must request this at the time of regular filing.

Also note, there are special rules that must be adhered to when building or renovating residential housing or apartments. It is also important to speak with your accountant and consult with Canada Revenue Agency early on in your project to ensure you are filing correctly at all states of your affordable housing development.

12.6 Service Manager Funding and Cash Flow

A key source of funding for many affordable rental housing projects is paid through the Service Manager. The Service Manager has access to programmes and tools that provide federal/provincial and municipal incentives and investments, including but not limited to federal/provincial affordable housing programmes and Municipal Housing Project Facility agreements. It is important to check with the local Service Manager staff to obtain the most up-to-date and specific details on OPHI or other housing programmes, municipal financial assistance and timeline requirements.

As of 2020, federal/provincial affordable housing programmes funding is approved by the Service Manager for each approved Housing Provider's project and provides up to 75% of the total capital cost or a maximum of \$150,000 per rental unit, whichever is less. Once approved, the Ministry of Municipal Affairs and Housing provides a conditional letter of commitment to the Housing Provider and the Service Manager. This funding is generally structured as a forgivable loan which is registered on the title of the property for a minimum period of 20 years. The loan is forgiven at the end of the affordability period if affordable rent levels have been maintained during that period. Other Service Manager funding may provide residential property tax exemptions for municipal and education taxes upon occupancy, or full or part development charges reductions prior to construction.

If approved for Service Manager's federal/provincial programme funding, be aware that no funding flows until the building permit is issued and construction starts. Based on the most recent guidelines:

- 50% of the funding will be released at construction start,
- 40% at the completion of structural framing, and

- 10% after the 60-day lien period, once a development is complete.

You will need to carefully plan your cash flow to take into account this flowing of funds including discussing and planning with both your contractor and the financial institution you work with for construction financing.

12.7 Construction Financing

Arranging construction financing can be very challenging. New affordable housing providers typically must provide significant financial and organizational information as well as a solid business plan with details about the development and sources and timing of funding availability. Organizations may choose conventional financing through a financial institution and pay market interest rates or determine eligibility for CMHC Co-investment financing/funding or the Green Municipal Fund, Sustainable Affordable Housing fund to obtain a lower interest rate.

With the introduction of the National Housing Strategy, there is now an alternative for low interest financing for affordable rental housing development through CMHC. The majority of non-profit and co-ops that are planning to build affordable housing should review the CMHC Co-investment Fund – New Construction Stream programme details and talk with your CMHC representative.

There are programme requirements specific to accessibility and energy efficiency that your architect needs to be aware of so your building can be designed accordingly from the outset. There will be additional costs to building to this higher standard which should be offset by a 5% to 40% contribution (forgivable loan) from CMHC and reduced operating costs over the long term. Loans under this programme can be amortized up to 50 years.

Please note, meeting the programme requirements will be time consuming and mean additional soft costs. Different layers of funding are necessary but increase the complexity of the development process.

CMHC Co-investment financing/funding will not be released to a housing provider until after construction has begun. An important point when looking at your projects cash flow.

If your organization decides to pursue conventional financing, it is a good idea to contact a number of financial institutions to request a term sheet for construction financing. There are a number of key pieces of information you will need to discuss with the financial institutions including:

- What interest rate will be charged?
- Will CMHC mortgage insurance be required in order to access the construction financing and what will the CMHC insurance fees be?
- What are the legal and administration fees charged by the financial institution?

- Will a quantity surveyor report be required and if so, are there specific firms that are used by the financial institution?
- How much equity must be invested in the project before any of the construction financing can be accessed?
- What reports and other requirements must be undertaken before the first draw of construction funds can be released?
- Are there corporate or other guarantees required before construction financing will be provided?

Consider: How your organization will provide cash flow until the first payment of Service Manager's federal/provincial affordable housing funding or Co-investment funding? This can be one of the most challenging aspects of developing new housing and your financial cash flow must be carefully planned out.

For both construction and long-term mortgage financing (sometimes referred to as take out financing) financial institutions prefer (but many don't require) that your housing development have an operating agreement/contribution agreement/municipal housing project facility agreement with a level of government.

Also keep in mind that when dealing with financial institutions that they will value the housing development at an amount which is significantly less than the cost to build and develop as you will be charging affordable, below market rents.

Note: Your business plan and pro forma (capital and operating budgets) must demonstrate to government, mortgage holders, potential donors and support service funders (if applicable) that all funding will come together to ensure ongoing financial viability.

12.8 CMHC National Housing Strategy – Financing Options

It is worth noting that over the past three years the role of the federal government on housing issues has expanded significantly to include direct delivery of programmes. The Federal Government's recent National Housing Strategy has also resulted in a much more active role for the federal government's Canada Mortgage and Housing Corporation (CMHC) compared to the previous 30 years.

The National Housing Strategy is a ten-year plan to:

- Cut chronic homelessness by 50%,
- Remove 530,000 families from housing need,
- Renovate and modernize 300,000 homes,
- And build 125,000 new homes.

The purpose of this strategy is to bring together public, private and non-profit sectors to build affordable housing. The National Housing Strategy has two funding streams: 1) [creating new housing supply](#) and 2) [modernizing existing housing](#). For the purpose of this guide, two of the National Housing Strategy programmes to create housing supply are highlighted below. It is recommended you speak with your CMHC representative and review the website for information on all the available programmes.

12.8.1 National Housing Co-investment Fund – New Construction Stream

The programme provides low-cost loans and modest capital contributions for building new affordable shelters, transitional and supportive housing. The focus of this fund is to develop socially inclusive rental housing with above Building Code energy efficiency and accessibility requirements.

This programme is geared to organizations that want to achieve a higher level of affordability, energy efficiency and accessibility and will be offering affordable or supportive housing for National Housing Strategy priority groups.

12.8.2 Rental Construction Financing

Between 2017 and 2027, this programme will provide low-cost loans encouraging the construction of sustainable rental apartments where the need is clearly demonstrated. Eligible Not-For-Profit and private sector proponents can apply for this financing which has less stringent affordability, energy efficiency and accessibility targets than the Co-investment programmes.

For more information on programmes and eligibility requirements for increasing housing supply or modernizing existing housing it is recommended you review CMHC's [NHS](#) website.

13.0 Construction Phase

Site plan approval and the issuance of a building permit signals the start of construction and is a significant milestone achieved. Many months of planning on the part of your project team has resulted in a financially viable plan that is now ready to be built. If your project is funded through Service Manger's federal/provincial affordable housing funding, and you have a building permit and the requirements that are listed with it, you may receive your first instalment (e.g. 50%) of your approved funding at this milestone. This is an ideal time to review the construction schedule and your cash flow for the project to ensure your organization has a backup plan for making payments to the contractor if these don't coincide with government funding source instalments throughout the rest of construction.

Depending on the size of your project and the time of year construction starts, you can expect an average construction period of 10 to 12 months. During the course of construction, your project team will meet with the Contractor, typically every two weeks, to review progress of the construction and resolve any emerging issues. During construction there will be monthly draw

requests to pay the contractor and you will need to start the review process of those draw requests (which would include the quantity surveyor review and the financial institution review).

During construction, it is not unusual for project teams to encounter challenges. These could be relatively minor in nature to issues such as delays, discrepancies in drawings, unforeseen problems upon breaking ground e.g. poor soil conditions. Good project teams expect to encounter challenges and will solve problems quickly and effectively, relying on the expertise within the team. As the building is finished – substantial performance *or* substantial completion are the terms used. At this point, the contractor will post a notice in the Daily Commercial News (a private sector news journal) informing sub-trades that they have 60 days left to file any notice of lien for non-payment of work. Assuming there are no issues after the 60 days, the final 10% (referred to as “holdback”) of the contractor’s invoices are due to be paid.

With the completion of the 60-day lien period, you will also work to have your construction financing rolled into a permanent mortgage. Most non-profit providers will want to lock in their mortgage for a longer term (minimum 5 years, but often 10 years or longer) in order to give certainty that mortgage payments will be fixed for many years, especially during periods when mortgage rates are low.

14.0 Rent Up, Property Management and Long-term Operations

Once construction is underway, you will begin to prepare for management and operations of the new units.

14.1 Property Management

As noted in Section 6.0, as part of your organization’s discussion about readiness and capacity you discussed which roles you would take on such as: developer, support service provider, landlord, and property manager. Based on those discussions, your organization may have decided to assume the role of managing the property by hiring staff directly or instead, to contract with a property management firm.

If you plan to hire a property management firm, it is suggested you conduct a proposal call for firms experienced in social/affordable housing property management. Through this process, make clear what services you are requiring such as but not limited to: leasing, Residential Tenancies Act and Landlord Tenant Board requirements, Co-operative Corporations Act and co-op by-laws, emergency services and coordinating maintenance contracts. Anticipate fees which are 5% to 6% of rents. Fees will likely be higher in smaller buildings or if rents are significantly below market rents. Check with your Service Manager for more information about property management services or skills important for Housing Provider staff to operate an affordable housing project.

14.2 Rent up

In many communities, there will be significant awareness that new affordable housing is being created and the owner/operator may create a waiting list for initial and ongoing occupancy. If

you are an existing housing owner/operator, you may already have a waiting list for people needing new affordable housing.

It is important, however, for you to be aware of the requirements for renting out new housing units if your new development has received government funding. For example, under the Service Manager's affordable housing funding, there are requirements as to maximum household incomes for new tenants moving into the development. It is important to take the time to fully understand the tenant rent up requirements attached to various governmental financial assistance programmes.

It is very important that your new development is fully rented up by the time of occupancy as your financial plan is dependent on receiving full rent at the time of occupancy. Larger buildings may take 1 to 3 months after completion to be fully occupied, so the capital budget should include a one-time vacancy rent up cost. It is appropriate to start advertising/creating a waiting list for new tenants about six months before the anticipated completion date.

Completing construction and being ready for occupancy is a milestone that requires some precision. Your new tenants will need to give notice where they are currently living (typically 60 days) and expect to move in on the agreed upon date. Once tenants give notice, if the new apartments are not ready your organization is responsible for the cost of a short-term stay elsewhere. You will need to work closely with your contractor, allowing enough time after construction is complete for the necessary municipal inspections and approvals to take place before the new tenants move in.

Some helpful best practices at least six months prior to and during rent-up include but are not limited to:

- preparation of the final operating budget at least six months prior to occupancy;
- arranging staffing and pre-management services;
- advertising signage, public notices, marketing information and brochure material related to the project, location and community features such as schools, shopping, related services and transit;
- sample unit plans and/or an on-site vacant unit with access for persons with and without accessibility requirements for viewing by initial prospective tenants;
- final market rents or monthly occupancy charges (with or without utilities included) per unit size at waiting list and leasing stages, and based on eligibility if receiving federal/provincial affordable housing programme funding;
- maximum income ranges for eligibility per unit size if receiving federal/provincial affordable housing programme funding;

- a residential property management and other database that administers data components such as waiting list information, tenant/member information per unit, rent collection and arrears, financial management for operating and capital reserve budgeting and expenses, property management functions such as leases and notices, unit maintenance, list of maintenance contracts and contractors, payables, tenant/member complaints and social issues, etc.;
- preparation of leases/occupancy agreements and related forms and letters;
- tenant/member orientation information or move-in package via policies, handbooks and information on rights, rules and responsibilities including but not limited to:
 - tenant/member rent or occupancy charges, arrears and annual rent reviews, parking, smoking, tenant content insurance, air conditioners, use of common spaces such as lounges, laundry and kitchens, dispute resolution processes, visitors, keys,
 - fire and safety procedures, emergency and regular maintenance contact numbers, contact information for fire and police services, security, recycling and waste disposal and pick-up, owner/staff contacts, access to community agencies and related client support services, gardening and snow removal, BBQs, etc.;
- unit and mailbox keys from contractor;
- unit number listing from the contractor, identified by unit sizes, floor, etc.;
- if support services are being provided to eligible tenants / members:
 - finalize agreement or memorandum of understanding between the Housing Provider and the Service Provider that is providing the support or other services,
 - coordinate the rent-up responsibilities with the Service Provider for any designated units pending the arrangement;
- identification of any reporting and forms to the Service Manager if receiving federal/provincial assistance; and
- communication protocols for special events and media information if receiving federal/provincial assistance.

Check with your Service Manager for information on local standards, guidelines, sample documents and options.

14.3 Long-Term Operations

Once you have reached this stage, most Housing Providers prepare to shift gears towards the next phase of the affordable housing project. Celebrate as you have reached a major milestone in your countless efforts to build the housing project for tenants/members in need, and contributed to broad goals such as economic stimulation, improved energy efficiency, and essential new rental housing in your community.

If you are participating in an affordable rental housing programmes such as OPHI or CMHC Co-investment, there are requirements for the next minimum 20 years of operations with the affordable rental housing project. It is important to review the Service Manager Contribution agreement or CMHC loan agreement for specific Housing Provider responsibilities with regard to the capital funding loan, annual reporting, audits, risk management, energy efficiency and accessibility requirements, communication, protocols, and other requirements.

Key considerations for long-term operations include but are not limited to:

- Operating housing:
 - Resident management, including application and selection process, management policies and procedures,
 - Community relations with the residents, meaning activities or events to build a sense of community for the residents as a whole, such as BBQ, community garden, bringing in external supports, etc.,
 - Administration including legislative compliance and legal responsibilities, records management, insurance requirements, and rental unit marketing and leases, contracts for services or staffing, decisions, policies and procedures, database and data systems,
 - Rent calculations and annual reviews,
 - Rent collection and arrears,
 - Best practices, including purchasing, risk management, one year and five-year plans, performance, industry standards for multi-residential units and buildings, quality of service to residents,
 - Financial management such as: financial administration, resident rent revenues, operating budgets, capital budgets and five-year plans, regular review of budget to actual variances, managing surpluses and deficits, replacement reserve funds and investments, financial statements, tax guides, mortgage renewals every term, refinancing, etc.,
 - Forms and templates, leases and notices,

- Audited financial statements,
 - Taxation requirements, and
 - Security, safety and emergency preparedness, including fire plans with local fire departments, security systems and monitoring, emergency planning,
- Maintenance of units and building such as: maintenance schedules and standing contracts, list of general, plumbing and electrical contractors, unit inspections, move-in/move-out inspections and procedures, maintenance requests by residents, timely repairs to maintain building in good condition, systems management and monitoring such as heating, plumbing, mechanical, fire and security, preventative maintenance guidelines, cleaning, etc.,
 - Capital repairs and lifecycle replacements, such as: inspections of units - common spaces - building and property on a regular basis, building condition audits every five years, contracting with consultants and architects and other firms for design and completion of capital projects, planning for health and safety as well as building and property lifecycle components for repairs and replacements, tendering and best practices for purchasing, regular monitoring and review and update of 5 year capital plan, and
 - Owner responsibilities to direct and govern the housing project, such as: non-profit board orientation, recruitment and Human Resources responsibilities, decision and policy making, enhancing your reputation and goodwill in the community by engaging community partners, improve staff retention and morale, undertake legal responsibilities, reduce risk, generate revenue, manage housing portfolio effectively and efficiently, compare performance to recognized standards, establish a business plan with priorities and improvements, financial management oversight.

15.0 Supportive Housing

15.1 What is Supportive Housing?

Supportive housing is an umbrella term that includes many different models of housing with support services that enables a person to live in the community with dignity and quality of life. Supportive housing brings together three components: a housing unit, a rent subsidy, and support services of an intensity geared to an individual's needs. In terms of types of models, it can mean:

- An apartment building owned and operated by a non-profit support service provider where all the residents are eligible for support services,
- A cluster of units in a building with on-site support services which may involve a partnership between a non-profit housing provider and a support service organization, or
- Scattered units in private apartments with visiting support services.

A general philosophy of the community-based supportive housing sector is to provide a non-medical approach to service delivery that is tenant directed and offers the person choice, as much as possible, for an apartment, neighbourhood, and the level of support services offered. Many support service providers also include social activities and representation on the Board of Directors to promote participation in decision making and social inclusion. Importantly, the sector has demonstrated that providing community-based housing with supports has better health outcomes and is significantly less costly than institutional responses to housing and homelessness.

15.2 The Continuum of Housing with Supports

15.2.1 Emergency Shelters

Some emergency shelters and systems are temporary accommodation for individuals and families who are homeless. There are also separate emergency shelters to accommodate youth and victims of domestic violence and their children. Shelter operators have an agreement with the municipality or the province and receive a per diem or other funding to provide emergency shelter including meals on a 24-hour, 7 days per week basis. Shelters often have local partners, protocols or standards for specific client groups, and the length of stay and supports may vary depending on the type and location.

15.2.2 Domiciliary Hostels

Domiciliary Hostels are generally funded by Service Managers for the provision of permanent residences for people who require supported living. Private operators generally have an agreement with the Service Manager and receive a per diem to provide residents with permanent accommodation and 24-hour support staff. Basic services such as meals, laundry and assistance with medication may be provided. It is important to speak with the Service Manager staff about the type of domiciliary housing and assistance available within the community as these may vary across Ontario.

15.2.3 Transitional Housing with Supports or Supportive Services

Transitional Housing with supports or supportive services are generally a form of housing to bridge the needs of specific client groups prior to accessing other types of housing accommodations with or without support services. Various best practices and transitional housing models exist in Ontario. In general, length of stay may vary from 1 to 3 years. On-site supports may be provided to support resident's health, build skills and prepare residents for a move to other housing options. Client groups range from homeless, youth, women and children leaving emergency shelters, persons with disabilities such as mental and physical health, persons with addictions, etc. It is important to check with the Service Manager staff for options to create new transitional housing within the community.

15.2.4 Housing First Models

According to the ONPHA housing sector information, Housing First is best known as an evidence-based model of support and housing developed for people living with serious mental

illness and/or problematic substance abuse who have long histories of homelessness. There is no single definition of Housing First. In simplest terms, it refers to a programme that houses people regardless of their level of housing readiness and offers them support once they are housed.

Service Managers are encouraged by the provincial government to set out Housing First initiatives in their communities through service system planning under its Housing and Homelessness Plans. Often considered a homelessness prevention housing system, the Housing First models generally have lower intensity supports through Housing Workers or case management delivered through related agencies and service providers. Service Managers have also established Housing First Model for residents within the populations residing in Social Housing and Affordable Housing buildings.

The housing first model depends on rapid access to good quality (e.g. where housing has an impact on the individual or family's success), affordable housing in neighbourhoods where participants can access the programmes and supports they need. For more information, check with Service Manager staff for options and assistance concerning housing first model housing developments in your community.

15.2.5 Dedicated Supportive Housing

Dedicated supportive housing projects are entirely occupied by tenants who require support services to live independently in the community. In this model, support staff are located on-site usually on a 24-hour per day, 7 days per week basis or a combination of on-site and on-call staff. Types of housing units may vary from hostel units to self-contained units.

Many of the dedicated supportive housing projects and supportive housing providers receive administrative oversight and funding through provincial ministries, such as Ministry of Health and Long-Term Care and the Ministry of Children Community and Social Services. This funding can include rent supplements to bridge to gap between an average market rent and the very low rent levels that most of the persons needing supportive housing can afford.

15.2.6 Housing with Supports or with Supportive Housing Component

In this model, there are a number of units within a private or non-profit building that have designated supportive housing units or a separate service provider agency provides support services to a portion of the residents. The support or supportive services may be provided through the owner if it is also a supportive service provider with clinical staff experts, or from community support service providers and agencies who offer de-linked services. The level of intensity of supports will vary depending on the service providers' funding levels and staff clinical expertise, and tenant in-take assessment criteria.

Generally, funding for supportive housing or housing with supports occurs through provincial ministries to service providers. Types of arrangements for the supportive services or supports by the Housing Provider may include an agreement or memorandum of understanding with community service provider partner(s) in the provision of support services to varying client

populations. Successful quality of life for client populations with mental, physical, and developmental health needs is often achieved with a dedicated smaller percentage of these client tenants residing in the affordable housing project.

15.2.7 Agreement with Partners

Some successful arrangements for supportive housing or housing with supports between the Housing Provider and the Service Provider can exist in the following common documents:

- Agreements
- Memorandum of Understanding
- Head Lease

It is important whether you are the housing provider or the support service agency that it is made clear in these arrangements what the roles and responsibilities of each partner are. For example, the housing provider will want to know what level of support will be provided on a regular and emergency basis, including during evenings and weekends, if they make available some affordable rental apartments for tenants needing supports.

Other considerations may include access to common space facilities for programming considerations, parking spaces and on-site office space for use by the support service agency staff. Physical building components, such as accessible and automatic door openers, security and communication systems, etc., may need to be reviewed during the design stages, and the housing provider could check with the support service agency for access to additional capital funding for building enhancements.

Arrangements with Support Service Partners may need to be reviewed periodically, such as every five years, to monitor sustainability of supports to the residents and any adjustments.

15.3 New Development of Supportive Affordable Rental Housing

If you are a support service organization wanting to develop affordable housing, there are some considerations that are outlined in Section 4.0. Specifically, these relate to the target group you want to provide housing for and the role(s) your organization wants to assume once the housing is built. It is important to consider the pros and cons of being both the landlord and support service provider and whether you will delink these roles. For example, some support service organizations such as Community Living established a separately incorporated but affiliated organization to develop and manage their property and operational functions.

Again, talking with Service Manager staff is an important first step in helping your organization refine your goals for developing supportive housing. The Service Manager is in the role of system planner, administrator of programmes and funder, and is therefore uniquely positioned to provide your organization with feedback on how your affordable housing goals fit within the larger affordable housing and homelessness context. In this role, the Service Manager may offer: links to partners, innovative options to achieve your goal, and information about funding.

To build supportive rental housing, requires your organization review all the development steps outlined in this guide. Additional considerations (not an exhaustive list) are:

- Have we researched/visited supportive housing buildings to determine what model best aligns with our organization's supportive housing concept?
- Do we have formal partnerships in place to offer tenants visiting support services?
- Will there be on-site staff? If so, how will our organization cover these costs? Is this shown in the operating budget?
- Do we have access to rent subsidies to offer a deeper level of affordability to tenants?
- Will we build small self-contained units with more shared amenity space or standard size apartments?
- Do we have fundraising capacity to help us achieve our organization's supportive housing goals?

Note: The capital cost of community room/kitchen, universal washroom and office space, which are essential features of most supportive housing developments, may need to be fundraised for as they typically aren't covered by Service Manager federal/provincial affordable programmes funding that is based on per unit costs.

Note: Capital funding for new affordable rental construction and support service funding typically come from different provincial ministries; therefore, if you're proposing new support service funding with a new capital build it's essential that discussions with your Service Manager and Ministry of Children Community and Social Services or Ontario Ministry of Health and Long-term care provincial representatives happen early on to determine the viability of your project, and that a letter of intent be obtained from the support service funder prior to the final approval by the Service Manager for funding.

16.0 End of Operating Agreements and End of Mortgages

Many of the social housing developments built in the 1980s and early 1990s will soon have both their operating agreements and mortgages expire in the next few years. Many of the original operating agreements and mortgage financing terms were for 35 years, although some agreements lasted for 50 years. This is often referred to as a discussion about end of operating agreements (EOA – non-profits and co-ops with federal agreements), end of debentures (EOD – public housing stock) or end of mortgages (EOM – provincial reformed social housing).

While there will be housing providers, who will face financial risks at the time of EOA, there will be other housing providers which will strive towards a more favourable financial situation with increased operating surpluses (housing providers created under the former federal housing programmes are more likely to be in a financially positive situation at the end of their

mortgages). The housing asset, however, will remain with the non-profit corporation and can't be used for individual equity gain.

Non-profit housing providers and co-ops confronting EOA, will need to do some long-term planning including an examination of their operations such as assessing the need for capital repairs. Providers should undertake a building condition audit and develop a capital plan to ensure the proper long-term maintenance of their existing housing. Housing Providers can check with their Service Manager or Canada Mortgage and Housing Corporation for any financial assistance to undertake the building condition audits. The CMHC Co-investment programme has a repair stream that can help finance needed repairs for some existing not-for-profit housing.

If those capital repair needs are taken care of, some housing providers may be able to consider refinancing their existing site to operate their existing project only, or using those funds towards the creation of new affordable housing either on their existing site or on a new site. A number of family townhouse providers, for example, may want to consider supporting the creation of new one-bedroom units to house empty nester residents who want to stay in their community.

For example, if the end of the mortgage results in a new operating surplus of \$100,000 per year (and the capital reserves are adequate to deal with anticipated future capital repairs) then this operating surplus could be refinanced into about \$2 million of equity in this era of low interest rates. This size of equity could be used to make a substantial contribution towards the cost of a new housing development.

Undertaking this kind of leveraging does require careful financial planning but it could present some significant opportunities for a few existing not-for-profit housing providers across Ontario.

It would be a good idea for non-profit housing providers approaching EOA/EOM to speak with Service Manager housing staff, (or for federal co-ops to speak with representatives of The Agency for Co-operative Housing) to go over the impact of EOA and to take an initial review of the potential for leveraging your existing housing in order to create new needed affordable housing.

There could be the potential to either add new housing or refinance the existing site which adds a further level of complexity in needing to deal with existing mortgage financing. This type of initiative would need to have a detailed discussion with Service Manager staff at the start of the process of considering new housing.

17.0 Resources

17.1 Articles and Resource Guides

Canada-Ontario Community Housing Initiative (COCHI) & Ontario Priorities Housing Initiative (OPHI): Programme Guidelines

www.msdsb.net/images/ADMIN/correspondence/2019/MMAH_COCHI_OPHI_Guidelines_En.pdf

County of Wellington. (2015) Handbook *for your Home*.

www.wellington.ca/en/social-services/resources/Housing/212_Tenant_Handbook.pdf

Federation of Canadian Municipalities. (FCM). (2009) Housing *In My Backyard: A Municipal Guide for Responding to NIMBY*.

www.data.fcm.ca/documents/tools/ACT/Housing_In_My_Backyard_A_Municipal_Guide_For_Responding_To_NIMBY_EN.pdf

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Housing Services Corporation. (2015). *Partnerships & Leveraging Social Housing Assets. Marguerite Residence Corporation, Presentation by Bruce Hynes. September 22, 2015.*

www.share.hscorp.ca/wp-content/uploads/2015/10/SHARE-Bruce-Hynes-Pres-Tackling-the-EOA-Monster-Sept-22-2015.pdf

Housing Services Corporation. (2016). *Expiring Operating Agreements: A Planning Guide for Ontario's Former Federal Housing Programmes*. [EOA Planning Guide for Ontario's Former Federal Housing Programs | SHARE \(hscorp.ca\)](http://www.share.hscorp.ca/EOA-Planning-Guide-for-Ontario's-Former-Federal-Housing-Programmes)

Ministry of Attorney General. (May 2018). *Not-For-Profit Incorporator's Handbook*.

[www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/Not for Profit Incorporators Handbook EN.html](http://www.attorneygeneral.jus.gov.on.ca/english/family/pgt/nfpinc/Not_for_Profit_Incorporators_Handbook_EN.html)

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www.mah.gov.on.ca/AssetFactory.aspx?did=9270

Ministry of Municipal Affairs and Housing. (2013). *Redeveloping Social Housing in Ontario: A Provincial Guide and Perspective, 2nd Edition*.

www.ontario.ca/page/municipal-guides-and-programmes

Ministry of Municipal Affairs and Housing. (Sept., 2019). *Technical Backgrounder: End of Operating Agreements and Mortgages in Community Housing*.

www.york.ca/wps/wcm/connect/yorkpublic/e5789a9c-dbec-4dfb-8f51-64e1d105d3f8/Technical-Backgrounder-End-of-Operating-Agreements-and-Mortgages-September-2019.pdf?MOD=AJPERES&CVID=mSCGM90

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Queen's Printer for Ontario. <http://www.ohrc.on.ca/en/policy-human-rights-and-rental-housing>

Ontario Human Rights Commission. (2012). *In the Zone: Housing, Human Rights and Municipal Planning*. Queen's Printer for Ontario. <http://www.ohrc.on.ca/en/zone-housing-human-rights-and-municipal-planning>

Ontario Human Rights Commission. (2014). *Neighbourhood Housing Tip Sheet*. Queen's Printer for Ontario. <http://www.ohrc.on.ca/en/neighbourhood-housing-tip-sheet-fact-sheet>

Ontario Human Rights Commission. (2014). *Neighbourhood Opposition to Housing and Services (fact sheet)*. Queen's Printer for Ontario. <http://www.ohrc.on.ca/en/neighbourhood-opposition-housing-and-services-fact-sheet>

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<https://www.wellesleyinstitute.com/wp-content/uploads/2018/04/Promising-Practices-in-Supportive-Housing-Resource-Guide.pdf>

Suttor, Greg. (2015). *Coming Together on Supported Housing for Mental Health and Addiction in Ontario*. Wellesley Institute. <http://www.wellesleyinstitute.com/wp-content/uploads/2015/11/Coming-Together-on-Supported-Housing-in-ON.pdf>

Suttor, Greg. (2017). *Supportive Housing in Ontario: Estimating the Need*. Wellesley Institute
<https://www.wellesleyinstitute.com/publications/supportive-housing-in-ontario-estimating-the-need/>

17.2 Websites

Additional Residential Units – Ontario
www.ontario.ca/laws/regulation/r19299

Additional Residential Units – City of Guelph
www.guelph.ca/city-hall/planning-and-development/community-plans-studies/housing/shared-rental-housing/accessory-apartment-regulations/

Additional Residential Units – County of Wellington
www.wellington.ca/en/resident-services/pl-additional-residential-units.aspx#

Applying for Changes to Land Use (Ontario)
www.ontario.ca/page/applying-changes-land-use

Addiction and Mental Health Ontario – Supportive Housing
www.amho.ca/our-work/supportive-housing/

Canada Mortgage and Housing Corporation—Develop New Affordable Housing
www.cmhc-schl.gc.ca/en/developing-and-renovating/develop-new-affordable-housing

Canada Mortgage and Housing Corporation--Housing Development Checklist

www.cmhc-schl.gc.ca/en/developing-and-renovating/develop-new-affordable-housing/programmes-and-information/development-checklist-for-affordable-housing

Canada Mortgage and Housing Corporation—National Housing Strategy, Help and Resources

www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy/help-and-resources

Canada Mortgage and Housing Corporation—Universal Design

www.cmhc-schl.gc.ca/en/developing-and-renovating/accessible-adaptable-housing/universal-design-in-new-housing

Canadian Co-operative Investment Fund

www.ccif.coop/

Canadian Housing and Renewal Association

www.chra-achru.ca

Centre for Equality Rights in Accommodation (CERA)

www.equalityrights.org/cera

City of Guelph – Affordable Housing

www.guelph.ca/city-hall/planning-and-development/community-plans-studies/housing/affordable-housing/

Co-operative Housing Federation of Canada

www.chfcanada.coop

Community Forward Fund

www.communityforwardfund.ca/

Crime Prevention Through Environmental Design Ontario

www.cptedontario.com/

Federation of Canadian Municipalities, Green Municipal Fund—Sustainable Affordable Housing

www.fcm.ca/en/programmes/green-municipal-fund/sustainable-affordable-housing

HPC Housing Investment Corporation

www.housinginvestment.ca

Homeless Hub

www.homelesshub.ca/

Housing Services Corporation

www.hscorp.ca

Housing Services Corporation – Expiring of Operating Agreements (EOA) Services

www.hscorp.ca/our-programmes-and-services/asset-management-and-renewal/eoa-services/

Infrastructure Ontario

www.infrastructureontario.ca/en/

Ministry of Heritage, Sport, Tourism and Culture Industries

www.mtc.gov.on.ca/en/archaeology/archaeology_assessments.shtml

Ministry of Municipal Affairs and Housing – Affordable Housing in Ontario

www.ontario.ca/page/affordable-housing-ontario

New Market Funds

www.newmarketfunds.ca/

Ontario Non-Profit Housing Association

www.onpha.on.ca

Ontario Human Rights Commission

www.ohrc.on.ca/en

Ontario Municipal Social Services Association - see Housing and Homelessness Plans

www.omssa.com/

Provincial Policy Statement, 2020

<https://www.ontario.ca/page/provincial-policy-statement-2020>

SHARE – Expiring of Operating Agreements (EOA) Resource Centre

www.share.hscorp.ca/ea-resource-centre/

Wellesley Institute - Housing

www.wellesleyinstitute.com/topics/housing/

Wellington County Housing Services

www.wellington.ca/en/social-services/ss-housing-services.aspx

18.0 Glossary of Terms*

Additional Residential Units

An “Additional Residential Dwelling Unit” means a Dwelling Unit that is self-contained, subordinate to and located within the same Building or on the same Lot of a primary Dwelling Unit. They are often referred to as “granny flats”, “accessory apartments”, “basement apartments” or “in-law suites”.

Affordable Rental Housing

According to the Ontario Priorities Housing Initiative (the current Federal-Provincial housing programmes) programmes guidelines:

Affordable Housing means housing which is modest in terms of floor area and amenities, based on household needs and community norms, in projects that achieve rent levels in accordance with the Programmes Guidelines (Investment in Affordable Housing for Ontario (2014 Extension)), but does not include residential premises used as a nursing home, retirement home, shelter, crisis care centre facility or any other type of similar facility. Affordability is defined as having rents for the project that are at or below 80% of CMHC Average Market Rent (AMR) at the time of occupancy.

Consolidated Municipal Service Manager (Service Manager)

A provincially designated municipality responsible for carrying out the funding and administrative responsibilities of the Housing Services Act, 2011, as well as service delivery of a number of Social, Affordable Housing, Homelessness and related programmes. A CMSM could be a regional government, a county or a separated city, depending on the local circumstances. The CMSM is also responsible for administering other social service programmes such as Ontario Works and Child Services.

There are 47 Service Manager's designated by the Province. A Service Manager's role with regard to housing is:

- Engage the local community in determining housing needs, establish a housing vision and determine priorities for helping people in need,
- Develop and implement local housing and homelessness plans that address provincial interests and are consistent with Ontario's Housing Policy Statement,
- Contribute to, coordinate and administer housing funding,
- Monitor and report on progress.

Due Diligence

Due diligence is the process of investigating a site to assess its suitability for a particular project and identifying and mitigating the risks involved before proceeding with development.

MCSS

The Provincial Ministry of Community and Social Services. This ministry has the responsibility to fund and administer non-profit housing for people with developmental disabilities.

MMAH

The Provincial Ministry of Municipal Affairs and Housing. This ministry had the lead role in designing and implementing the Housing Services Act, the Residential Tenancies Act, the Planning Act and the Municipal Act. They continue to be responsible for ensuring the Acts are administered appropriately.

Municipal Housing Project Facility

By-law defines affordable housing, policies that define public eligibility for the affordable housing, and the provisions of the housing facility to be included in the agreement for purposes of these incentives.

Nimbyism or Not-in-My-Backyard

Nimby refers to neighbourhood opposition to affordable housing.

Substantial Performance

This is the date the contractor believes the work has been substantially performed according to the construction contract. At this point, the contractor will post a notice in the Daily Commercial News (a private sector news journal) informing sub-trades that they have 45 days left to file any notice of lien for non-payment of work. Assuming there are no issues after the 45 days, the final 10% (holdback) of the contractor's invoices are due to be paid.

Supportive Housing

Non-profit housing for people who need support to live independently, e.g. the frail elderly, people with mental health problems, addictions or developmental disabilities. Administration and funding of supportive housing providers were not downloaded to the Municipal Service Managers in 2001; rather, the responsibilities were transferred to the provincial ministry that funded the support services, either the Ministry of Health/Long-Term Care or the Ministry of Community and Social Services.

*These definitions are found in the Ontario Non-Profit Housing Association Glossary of Terms and Acronyms and from the Ministry of Municipal Affairs and Housing, and the County of Wellington