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To: Committee of the Whole  
Meeting Date: November 9, 2023  
From: Katherine Chislett  
Commissioner of Community and Health Services  
Re: **Revised Capital Approach to Building New Community Housing**

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The 2024 Budget and 10-year capital plan will come before Regional Council for consideration in December 2023. The lack of confirmed capital funding from senior levels of government is restricting the Region's ability to deliver much needed new community housing. With the current capital approach, after completion of the project at 5676 Main Street in the Town of Whitchurch-Stouffville in 2024, there are no other Regional community housing units funded for construction in the current Housing Services' 10-year capital plan.

Regional Council has consistently identified the need to increase the supply of community housing, including as part of the [2023 to 2027 Strategic Plan: From Vision to Results, Housing Solutions: A place for everyone](#), and [Building Better Together: Housing York Inc.'s 2021 to 2024 Strategic Plan](#).

In advance of the 2024 budget discussions in December, this memo provides Regional Council with visibility to changes being requested to the Housing Services 10-year capital plan to increase the supply of new community housing in York Region.

Private Attachment 1 to this report will be considered in private session pursuant to section 239(2)(h) as it pertains to information explicitly supplied in confidence to the Region by Canada, a province, or territory, or a Crown agency of any of them.

**Eight community housing initiatives were identified as “unfunded priority projects” in the 2023 Regional Budget, as senior government funding commitments were still required**

While contribution amounts from funding sources vary in each community housing development over the last 10 years, they have all been comprised of the same funding sources: Provincial and Federal programs, development charges, tenant rent funded debt (Housing York Inc.), and Regional Reserves, including the Social Housing Development reserve.

As a result of the lack of confirmed funding from senior levels of government and in response to the Region’s fiscal constraints, the cost to build eight community housing initiatives was not included in the 2023 capital plan and these projects were identified as “unfunded priority projects” as outlined in Table 1.

**Table 1**  
**Unfunded Priority Projects in Housing's 10-year Capital Plan**

Project Name	Municipality	Total Units	Total Cost (millions)*
62 Bayview	Town of Newmarket	250	\$112.6
Aurora	Town of Aurora	150	\$52.5
Nobleton	Township of King	226	\$79.1
Armitage Gardens	Town of Newmarket	148	\$51.8
Main Street Phase 2	Town of Whitchurch-Stouffville	200	\$70.0
Box Grove	City of Markham	150	\$67.5
Markham Ninth Line	City of Markham	200	\$45.0
East Gwillimbury	Town of East Gwillimbury	175	\$61.3
<b>Total</b>		<b>1,499</b>	<b>\$539.8</b>

*\*Note: Project costs and units are estimates only and are subject to change as projects progress through planning, development feasibility, and updated cost estimates. Nobleton and Armitage Gardens include a mix of new and replacement units.*

The 2023 10-year capital plan does include the initial investment of \$66.6 million to advance these projects through planning, design, and pre-construction phases; however, for the capital plan to include the construction phase, at least 30% in funding commitments from senior levels of government is required.

Securing senior government funding commitments has become more difficult. Historically, the Region received regular funding allocations through Provincial and Federal programs, such as the former Investment in Affordable Housing program, which were predominantly focused on new supply of affordable housing and provided a confirmed funding source in advance of project start. This model allowed for certainty in how projects would be funded before work commenced and allowed the Region to ensure its share of financial contributions were known prior to a project start.

### **Recent changes to Federal and Provincial funding programs require projects to be in construction to attract funding**

The amount of confirmed funding available for new community housing is very limited, and uncertain.

Provincially the Region is allocated capital funding through two provincial funding agreements: Ontario Priority Housing Initiative and the Canada-Ontario Community Housing Initiative. These

are grant programs transferred directly to the Region to help address local priorities, including operating funding for new programs, new supply, and capital repairs for community housing providers. Funding is confirmed annually, with no certainty of funding in future years. York Region's total allocation for Ontario Priority Housing Initiative and Canada-Ontario Community Housing Initiative for 2023 to 2024 is \$13 million, with a preliminary planning allocation in 2024 to 2025 of \$15.5 million.

Federal funding programs to support community housing development have shifted towards application-based funding, rather than an allocation of funds. Primarily, those funds are distributed through Canada Mortgage and Housing Corporation's National Housing Co-Investment Fund and/or Rapid Housing Initiative. These programs aim to achieve energy efficient, accessible, and socially inclusive housing that provides affordable and mixed income opportunities.

Canada Mortgage and Housing Corporation reviews projects across the country and selects projects based on a scoring matrix that promotes timeliness, priority populations, sustainable building features and community impact, among other factors. If a project is selected to receive funding, construction activity must start within a specified timeframe, usually within 6-12 months from acceptance of the award's Contribution Agreement. In the case of the Rapid Housing Initiative award, construction of the project also must be completed within 18 months.

### **Demonstrated success with Federal funding in Unionville Commons in the City of Markham and the Town of Whitchurch-Stouffville community housing development**

The Region has been successful in accessing funding through senior levels of government as demonstrated in Private Attachment 1.

By the end of the pre-construction phase, the Unionville Commons project was close to reaching the target of 30% external funding. During construction in 2023, further senior government funding was secured bringing the total closer to the 40% threshold of total project costs.

Similarly, by the end of the pre-construction phase, the Town of Whitchurch-Stouffville Community Housing project secured funding representing almost 30% of costs. During construction in 2023 additional funds were confirmed, bringing the total funding from senior levels of government, in this case, up to almost 70%.

In both cases, pre-construction funding from senior governments was less than 30%. During construction additional funding was committed. At the request of the funder, additional details surrounding the amount of funding through various Federal and Provincial programs remain confidential at this time but have been included in Private Attachment 1.

## **The Social Housing Development Reserve could be used to temporarily replace Federal and Provincial contributions to move two housing projects into the construction phase, hopefully attracting additional senior government funding**

As part of the Community and Health Services 2024 budget submission, Regional Council will be asked to take a risk-based approach towards capital project delivery for two Housing York Inc. housing projects. In each case, less than 30% senior government funding has been secured during the pre-construction phase. If approved, the Region would be committing funding for a larger than preferred share of costs, however, by proceeding into the construction phase, the Region will be better positioned to seek application-based Federal contributions. This approach would leverage the Social Housing Development Reserve until Federal and/or Provincial funding is secured. Regional funding sources would be reduced as more Federal and/or Provincial funding is accessed.

This approach will be proposed to advance two of the eight unfunded priority projects: 62 Bayview Parkway in the Town of Newmarket (approximately 250 new units), and 14th Avenue Box Grove, in the City of Markham (approximately 150 new units). These projects will be recommended because they are the furthest along in predevelopment planning and readiness to build. The total combined cost to be included in the proposed budget for these two projects is \$177 million. Details for each project, including proposed funding sources will be included in the proposed 2024 10-year capital plan, to be tabled at Council on November 23, 2023.

Using funds from the Social Development Reserve Fund would permit including costs for the construction phase to be included in the 10-year plan. With the projects included in the plan, it is then possible to obtain appropriate capital spending authority. Capital spending authority is necessary to initiate and award construction contracts, and this process typically takes about 6 to 12 months. As current Federal funding programs have very tight deadlines for project completion, applications have a greater likelihood of success after construction has begun.

## **Mitigation of risk is a cornerstone of the capital funding approach to be recommended in the Community and Health Services budget**

While there are eight unfunded priority projects, only two projects, or 27% of total proposed units, are proposed to move forward to construction. Selecting two projects will allow the Region variability in projects to best attract specific funding opportunities. In addition, limiting the number of projects to two will allow an opportunity to closely monitor, track, and predict success in attracting additional funding, and will limit financial exposure to the Region by keeping the cost ceiling of these projects within the funding capacity of the Social Housing Development Reserve.

Should either or both of these two projects not be successful in securing additional funding, the required draw from regional reserves would reduce the reserve balance, slowing down the Region's ability to fund future projects until reserve balances build back up through annual reserve contributions.

Additional risk mitigation efforts include diligently monitoring all funding opportunities available, leveraging the rapidly changing landscape of capital funding by having projects ready to start as soon as possible, and working closely with municipal partners to identify funding opportunities that may not be directly available to the Region (such as Canada Mortgage Housing Corporation's Housing Accelerator Fund).

### **The Region continues to advocate for Federal and Provincial support to increase community housing supply, in the form of long-term and predictable funding**

While this approach is being requested to advance two priority community housing projects, continued advocacy to the Federal and Provincial governments for predictable funding to support new community housing is critical to long term success. In partnership with broader advocacy efforts across the organization, Housing Services continues to take actions to raise awareness and champion change around these issues. These efforts include engagement with Members of Parliament and the Provincial Government, fostering relationships with Canada Mortgage and Housing Corporation across all levels, supporting advocacy conducted by sector organizations such as the Ontario Municipal Social Services Association, regularly re-assessing funding landscapes to consider new and alternative funding models and sources, and ongoing work with our municipal partners to consider their specific local needs and opportunities.

### **Funding from senior levels of government is critical to the objective of increasing the supply of community housing in York Region**

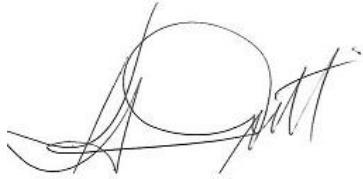
From 2013 to 2024, the Region will have increased the Housing York Inc. portfolio by six buildings with 963 units, with the Region funding more than 60% of the capital costs for these projects.

In [June 2022](#), through the Region's 10-year housing and homelessness plan, Regional Council recommended continued advocacy to the Federal and Provincial governments to commit to increased, long-term and predictable funding allocations, ideally with two-thirds of funding coming from senior levels of government. Funding from senior levels of government is critical to the objective of increasing the supply of community housing in York Region.

The forthcoming Community Housing Development Master Plan in Q2/Q3 of 2024 will identify development opportunities, estimated costs, and potential funding sources, supporting the Region's continued advocacy and planning for available funding from senior levels of government.

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For more information on this memo, please contact Karen Antonio-Hadcock, Acting General Manager, Housing Services at 1-877-464-9675 ext. 72088. Accessible formats or communication supports are available upon request.



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Katherine Chislett  
Commissioner of Community and Health Services



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Erin Mahoney  
Chief Administrative Officer

October 27, 2023

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Private Attachment #1 - Funding Contribution by Project Phase