



TITLE: Housing Reserve Funding

DATE: November 14, 2024

TO: Executive Committee

PUBLIC: X

INCAMERA:

RECOMMENDATION:

That the following recommendations be forwarded to the 2025 Budget Deliberations for consideration:

1. That 4% of 2024 municipal residential land sales be contributed to the Housing Reserve in 2025;
2. That the Secondary Suite Program and the First Time Home Buyer Program be discontinued; and,
3. That once the housing needs assessment is complete, further review of the City's housing programs be completed and information provided to the Executive Committee for review and consideration for the 2026 budget year.

EXECUTIVE SUMMARY:

The Housing Reserve has gone unfunded since 2019, except for two nominal contributions made in 2020 and 2021 based on City residential land sales. The decision to withhold funding had been based on the considerable balance in the Housing Reserve and the need to balance the annual budget.

The City currently offers four (4) housing programs that are funded by the Housing Reserve:

1. Affordable Housing Program,
2. Secondary Suite Program,
3. First Time Home Buyer Program, and
4. Derelict Property Demolition Incentive Program.

In particular, the Affordable Housing Program and the Derelict Property Demolition Incentive Program are well utilized.

Also drawing on the Housing Reserve, the City is obligated to provide funding to the Prince Albert Housing Authority (a division of Sask. Housing Authority) through an agreement, to offset lost rent.

With the popularity of these housing programs and the funds we pay annually to Prince Albert Housing Authority, in the short term, Administration recommends discontinuing the Secondary Suite Program and the First Time Home Buyer Program and contributing 4% of City residential lot sales to the Housing Reserve. In the long term, Administration recommends reviewing the housing programs in 2025 to ensure they align with the Housing Plan, Housing Plan Action Strategy and the housing needs assessment currently underway. The results of this review will better inform future contributions to the Housing Reserve.

BACKGROUND:

Past Funding

In 2019, City Council opted to redirect the funding for the Housing Reserve to other budget areas, as the audited balance ending 2018 was \$724,464. It was determined that the programs that drew from the reserve would not have a considerable impact on the balance for several years. Since then, funding continued to be redirected, except for two (2) land sale contributions in 2020 and 2021. Also, the City is obligated to provide additional funding to the Prince Albert Housing Authority, which in recent years has had a considerable impact on the health of the fund.

Housing Reserve Policy

Per the Housing Reserve Policy,

“1.01 To allocate the following annual amounts to the Housing Reserve:

a) \$42,850 from municipal taxation as approved by City Council during budget deliberations; and

b) an amount equal to approximately four percent (4%) of funds raised from the sale of City developed residential lands.

1.02 To establish that housing programs approved by City Council shall exclusively utilize the Housing Reserve as a source of funding.”

Current Housing Programs

At present, four (4) housing programs draw on the Housing Reserve:

1. Affordable Housing Program

The purpose of the Affordable Housing Program is to provide non-profit corporations with financial assistance to create affordable housing units. The Affordable Housing Program is an initiative that originates from the Housing Reserve Policy and is funded by the Housing Reserve. This program came into effect on February 25, 2019.

This program offers up to \$90,000.00 in funding annually, three (3) applications of \$30,000.00 each for affordable housing providers and only one application per housing provider per year. This program is utilized to its maximum value annually.

2. Secondary Suite Program

The purpose of the Secondary Suite Program is to provide applicants with financial assistance for renovations to an existing secondary suite that does not conform to the relevant safety standards. The Secondary Suite Program is an initiative that originates from the Housing Reserve Policy and is funded by the Housing Reserve. This program came into effect on February 25, 2019, and is not retroactive.

This program has not seen significant uptake since it was created. This may be due to the cost to complete the work required to bring a secondary suite into compliance.

3. First Time Home Buyer Program

The purpose of the First Time Home Buyer Program is to provide up to \$5,000.00 in funding to help pay for either the minimum required down payment and closing costs; an immediate, significant home repair; or a combination of both. The First Time Home Buyer Program is an initiative that originates from the Housing Reserve Policy and is funded by the Housing Reserve. This program came into effect on March 29, 2022, and is not retroactive.

Initially, this program saw moderate uptake. But, in the past few years, there have been only a few applicants, likely due to the target audience of the program (annual income up to \$80,000) and the current costs associated with purchasing a home.

4. Derelict Property Demolition Incentive Program

The Derelict Property Demolition Incentive Program was created to encourage property owners to demolish boarded, derelict and vacant homes (that are not salvageable) through the waiver of up to \$10,000.00 in landfill fees. City Administration, which includes Fire and Police, spend a significant amount of time and resources managing vacant and derelict/boarded homes. Incentivizing their removal provides much-needed relief for City staff and taxpayer dollars. All funds distributed as part of this program are repaid by the subject property's taxes.

There is no cap on the number of applications for this program and it has been very effective, with 7 applications submitted since the program was approved earlier this year.

Please see attached for the information on each program noted above.

Prince Albert Housing Authority Funding

In addition to these programs, the City is responsible for providing funding to the Prince Albert Housing Authority to offset lost rent. In 2024, as part of the funding agreement, the City will be paying \$139,416.30 to the Prince Albert Housing Authority based on the 2023 Settlement Municipal Share - Housing Projects.

The audited 2023 ending balance of the Housing Reserve is \$450,125.00.

PROPOSED APPROACH AND RATIONALE:

Funding Rationale

While the decision to redirect Housing Reserve funds was reasonable in previous years, the popularity of the City's Housing Programs and the increased funding provided to Prince Albert Housing Authority requires careful consideration.

1. Funding Per the Housing Reserve Policy

In 2024, the City sold approximately \$319,200.00 in residential land. Based on the formula provided by the Housing Reserve Policy, \$42,850.00 and 4% of the \$319,200, being \$12,768.00, is to be contributed to the Housing Reserve. However, City Council did not approve the \$42,850 during 2024 budget deliberations, therefore, the 2024 contribution will be based on 4% of the final residential lot sales realized for the year.

Speaking to the City's other housing programs, discontinuing the Secondary Suite Program and the First Time Home Buyer Program reduces the City's financial obligations and provides some relief for the Housing Reserve. Also, the City is having a housing needs assessment completed, which will allow Administration to take a closer look at the city's overall housing needs, better informing the housing programs put forward.

2. Derelict Property Demolition Incentive Program Consideration

For the Derelict Property Demolition Incentive Program, because it is estimated to take five (5) years for each property to repay its grant funding, a considerable financial cushion is required to ensure the account is not drawn down beyond viability. Based on the current balance of the Housing Reserve and the estimated average cost per application, \$7000, if 10 applications are processed per year, a financial cushion equivalent to \$70,000.00, at a minimum, needs to be available annually, while the funds are being repaid.

3. Prince Albert Housing Authority – Municipal Settlement Share

With respect to the funds paid to Prince Albert Housing Authority, work is required to review the funding agreement and the City's financial obligations. While funding affordable housing is important, the City strives to support the entire housing continuum. Once the housing needs assessment is complete, it will help Administration prioritize the areas that require attention, and the agreement can be considered further.

Conclusion

In 2025, Administration recommends contributing 4% of City residential lot sales to the Housing Reserve, per the Housing Reserve Policy, and discontinuing the Secondary Suite Program, as well as the First Time Home Buyer Program.

For 2026, a review and report of the funding agreement for Prince Albert Housing Authority along with the City's Housing Plan, Housing Plan Action Strategy and the pending housing needs assessment will better inform City Council on how the City may want to participate in supporting the housing continuum and fund the Housing Reserve.

CONSULTATIONS:

Prior to preparing this report, the Community Development Department consulted with the Financial Services Department, discussing how the reserve has been funded in the past and reviewing the anticipated future costs the fund would be responsible for.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Subject to approval, the Community Development and Financial Services Departments will continue to work together to bring any information needed to the Budget Committee for consideration.

BUDGET/FINANCIAL IMPLICATIONS:

With the approved allocations from the Housing Reserve for 2024 relating to the First Time Home Buyer Program applications, Prince Albert Housing Authority payment, and the Derelict Property Demolition Incentive Program applications, the Housing Reserve is projected to have an unaudited 2024 balance of \$189,195.00 if all approved applications are funded.

Administration recommends a contribution of approximately 4% of City residential lot sales, being \$12,768.00, for 2025, which gives an opening balance of \$201,963.00.

The anticipated 2025 cost breakdown for the Housing Reserve is as follows:

- Affordable Housing Program obligation \$90,000.00
- Derelict Property Demolition Incentive Program (est.) \$70,000.00

Based on these numbers, in 2025, the Housing Reserve would fund an estimated \$160,000.00 in grant dollars, not including the 2025 payment to Prince Albert Housing Authority, and have a year end balance of \$41,963.00.

OTHER CONSIDERATIONS/IMPLICATIONS:

There are no privacy, safety, legal or environmental implications to consider with this report.

The above recommendation is in keeping with the Housing Reserve Policy.

OPTIONS TO RECOMMENDATION:

There are no options to the recommendation to consider with this report.

STRATEGIC PLAN:**Building a Robust Economy – Population Growth**

Under this strategic priority, the goal is to create a wide range of property and housing options to accommodate people who choose to live in Prince Albert. Ensuring that the current housing programs are properly funded for the upcoming year, while also preparing the information needed to more thoroughly evaluate the city's housing needs for 2025 is important if we want to be prepared for the anticipated growth in the local population.

OFFICIAL COMMUNITY PLAN:

In accordance with the City of Prince Albert Housing Plan Action Strategy, one of the priorities listed as urgent is increasing opportunities for low income housing (affordable housing), and incentivizing housing development. Therefore, it is important to maintain a functional balance in the Housing Reserve that supports the programs offered by the City, and it will be important to take a step back to evaluate the data we will get from the housing needs assessment to ensure our programs hit the appropriate target(s).

PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

PRESENTATION: Verbal by Craig Guidinger, Director of Community Development

ATTACHMENTS:

1. Affordable Housing Program
2. Secondary Suite Program
3. First Time Home Buyer Program
4. Derelict Property Demolition Incentive Program

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Director of Financial Services and City Manager