
Status Report on the Ten-Year Housing Business Plan 2013 - 2022

Recommendation

1. That \$370,000 of the \$500,000 previously allocated to the Affordable Housing Reserve for 2018 be used for capital grants to support the creation of affordable rental units; and
2. That the report of the General Manager, Community Services Department, dated March 6, 2017, be forwarded to City Council for information.

Topic and Purpose

The purpose of this report is to provide the 2016 annual status on the City of Saskatoon's Housing Business Plan 2013 – 2022 and recommend allocations for 2018 funding.

Report Highlights

1. The 2016 housing targets have been achieved with the creation of 525 new attainable units. The City of Saskatoon (City) is also on track to achieve its 2017 housing targets.
2. The housing need for low-income residents remains high.
3. Moderate-income households have adequate choices in both the rental and ownership markets.
4. The federal government plans to release a National Housing Strategy in 2017.
5. The City's Housing Business Plan 2013 - 2022 (Housing Business Plan) will be reviewed in 2017 to address City Council's priorities and to align with the expected National Housing Strategy.
6. Recommended allocations for 2018 funding include creating affordable rental housing and implementing Saskatoon's Homelessness Action Plan.

Strategic Goal

This report supports the City's long-term Strategic Goal of Quality of Life by increasing the supply and range of affordable housing options.

Background

During its June 24, 2013 meeting, City Council approved the Housing Business Plan, which included a number of provisions to support the creation of additional units across the attainable housing continuum over the next ten years. The Housing Business Plan defined the attainable housing continuum as including the following five subtypes of attainable housing: purpose-built rental, affordable ownership, affordable rental, secondary suites, and entry-level ownership.

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During its November 30, 2015 meeting, City Council allocated \$500,000 to the Affordable Housing Reserve and set a target of 400 new units across the attainable housing continuum for 2016.

At its December 1, 2016 meeting, City Council allocated \$1 million to the Affordable Housing Reserve, with \$500,000 to be made available in each of 2017 and 2018. City Council also set a target of 400 new attainable units for 2017.

At its January 30, 2017 meeting, the Standing Policy Committee on Planning, Development and Community Services recommended approval of a five-year service contract with the Saskatoon Housing Initiatives Partnership (SHIP) to implement Saskatoon's Homelessness Action Plan. With the cost of implementation being \$130,000 per year, \$370,000 would be available to use for capital grants to support the creation of affordable rental units.

Report

2016 Housing Targets Achieved with 525 New Attainable Units

In 2016, the City's incentives supported the creation of 525 new units, exceeding the 400-unit target. The City is on track to achieve its 2017 target of 400 units across the attainable housing continuum, with a number of projects already in place.

A complete listing of all projects supported in the 2013 to 2017 period, including the number and types of units, location, amount of City support, and construction status, as well as a financial summary covering the five-year period from 2013 to 2017, can be found in Attachment 1.

The Housing Need for Low-Income Households Remains High

The greatest need in the attainable housing continuum is for affordable rental housing for low-income households at below-market rents. Providers of affordable rental units offering below-market rents to those with low income report substantial waiting lists for their units.

The majority of the City's funding for attainable housing is directed toward affordable rental housing, including transitional housing for those leaving homeless shelters. More information on the affordability challenges faced by low-income households and how the City, non-profit providers, and other levels of government are addressing the need for affordable rental housing is found in Attachment 2.

Moderate-Income Households have Adequate Housing Choices

The supply of market-priced rental, affordable ownership, and entry-level housing is meeting the demand, as shown by the available inventory of all of these housing types at year end. The vacancy rate has risen to 10.3%, and the price of purchasing or renting a home has leveled out, with virtually no changes in 2016.

An analysis of the housing market and the supply of housing for moderate-income earners is found in Attachment 3. While there is currently an adequate supply of

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housing, the population is expected to continue growing at rates of 1.5% to 2.5%, which means the supply could be absorbed within two years.

A National Housing Strategy will be Released in 2017

The federal government is committed to releasing a comprehensive National Housing Strategy in 2017. Public consultation regarding the strategy took place in 2016, and the City's Administration prepared a submission that applauded this initiative and provided input for three specific areas: minimizing homelessness, affordable rental housing, and a hand up to home ownership (see Attachment 4).

On November 22, 2016, the federal government released a report entitled What We Heard: Shaping Canada's National Housing Strategy. This report documents the key themes that Canadians asked the federal government to focus on, including: helping those who need it most, making housing more affordable, improving housing for indigenous people, and ending homelessness. The City's Housing Business Plan has been focusing on these same themes.

Mid-Term Review of the Housing Business Plan

The City is now in the fifth year of implementation of its ten-year Housing Business Plan. In 2017, the Administration plans to undertake a comprehensive review of the priorities and business functions in the Housing Business Plan. This review will ensure that City Council's priorities are addressed and that the City's housing programs are designed to leverage support from any new initiatives that may be a part of the National Housing Strategy. Recommended changes to the Housing Business Plan will be presented as part of the annual status report on the Housing Business Plan in early 2018.

Recommended Funding Priorities for 2018

The Saskatchewan Housing Corporation (SHC) is expected to award its funding for 2018 affordable rental projects by April 2017. For these projects to proceed on schedule, it is important that the City commit its 2018 funding to these projects in the spring of 2017. Therefore, it is recommended that \$370,000 of the \$500,000 previously allocated to the Affordable Housing Reserve for 2018 be used to support capital grants for affordable rental housing. The remaining \$130,000 will be used to support the contract with SHIP for implementation of Saskatoon's Homelessness Action Plan.

Allocations for other parts of the attainable housing program come from operating revenue, and these allocations will be made in December 2017, at the Business Plan and Budget Review meeting.

Options to the Recommendation

Committee could choose to not accept the recommendation in this report; further direction regarding funding allocations for 2018 would then be required.

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Public and/or Stakeholder Involvement

The Administration consults regularly with affordable housing providers, builders, the SHC, and the Canada Mortgage and Housing Corporation (CMHC). Further consultation with these groups will occur in 2017, as part of the mid-term review of the Housing Business Plan.

Communication Plan

A news release will be issued highlighting that attainable housing targets were exceeded in 2016.

This report, an accompanying slide presentation, and the City's ten-year Housing Business Plan, will be posted on the City's website. The report will also be provided directly to SHIP, the Canadian Housing and Renewal Association, the CMHC, the SHC, the Saskatoon and Region Home Builders' Association, and the United Way.

Financial Implications

Upon approval of the recommendation, capital grants for affordable rental housing in 2018 will be supported using \$370,000 of the \$500,000 allocated to the Affordable Housing Reserve. The remaining \$130,000 will be used to support the contract with SHIP for implementation of Saskatoon's Homelessness Action Plan.

Other Considerations/Implications

There are no policy, environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

The Administration will report to the Business Plan and Budget Review meeting in December 2017, regarding housing targets and financial allocations for 2018.

Public Notice

Public notice, pursuant to Section 3 of Public Notice Policy No. C01-021, is not required.

Attachments

1. Summary of Housing Projects Supported and Financial Statement
2. Increasing the Supply of Affordable Rental Housing to meet the Needs of Low-Income Households
3. Housing for Those with Moderate Income
4. City of Saskatoon's Submission to the National Housing Strategy Consultations October 2016

Report Approval

Written by: Daryl Sexsmith, Housing Analyst, Planning and Development
Reviewed by: Lesley Anderson, Director of Planning and Development
Approved by: Randy Grauer, General Manager, Community Services Department

S/Reports/2017/PD/PDCS – Status Report on the Ten-Year Housing Business Plan 2013 – 2022/lc

Summary of Housing Projects Supported and Financial Statement

The tables below list the housing results for the 2013 to 2016 period, as well as the locations of units, year counted, and housing type sorted by year. There is also a table of units approved to date for 2017 and a financial summary.

Table 1: Attainable Housing Results by Year

Housing Type	2013	2014	2015	2016		2017
				Target	Results	Target
Purpose-Built Rental	212	291	168	178	300	140
Affordable Ownership	106	40	67	50	52	70
Affordable Rental	74	53	67	32	32	30
Secondary Suites	36	48	62	40	56	60
Entry-Level Ownership	201	110	196	100	85	100
Total Units	629	542	560	400	525	400

Table 2: All Housing Projects Counted, 2013 to 2016

Housing Provider	Neighbourhood	Units	*Provincial RCI Funding	City Funding	**Tax Abatement or Tax Redirection
Units Counted for 2013 (all complete)					
Innovative Residential Investments Inc. (Hartford Crossing)	Blairmore S.C.	64	\$ 0	\$ 200,000	\$ 210,067
Innovative Residential Investments Inc. (Hartford Heights)	Blairmore S.C.	40	\$ 94,062	\$ 381,043	\$ 92,538
Innovative Residential Investments Inc. (Town Square Villas)	Evergreen	14	\$ 0	\$ 240,000	\$ 104,535
Westgate Heights Attainable Housing Inc.	Pacific Heights	34	\$ 0	\$ 700,000	\$ 176,120
Broadstreet Properties Ltd./ Seymour Pacific Developments Ltd.	Montgomery Place	192	\$756,507	\$ 0	\$ 400,948
Innovative Residential Investments Inc. (Poplar Grove)	Hampton Village	28	\$ 0	\$ 40,000	\$ 63,700
Saskatoon Housing Coalition	Confederation S.C.	20	\$ 0	\$ 300,000	\$ 24,640
Secondary Suites	Various	36	\$ 0	\$ 25,238	\$ 0
Equity Building Program	Various	28	\$ 0	\$ 0	\$ 0
***Entry Level: Land Predesignation Program, Innovative Residential Investments Inc.	Evergreen	34	\$ 0	\$ 0	\$ 0
***HeadStart on a Home Program, Innovative Residential Investments Inc.	Blairmore S.C.	20	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Vantage Developments Corp.	Hampton Village	36	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Mosaic Renewal Corp.	Riversdale	12	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Vantage Developments Corp.	Rosewood	11	\$ 0	\$ 0	\$ 0
***HeadStart on a Home Program, Innovative Residential Investments Inc.	Hampton Village	60	\$ 0	\$ 0	\$ 0
Total Units Counted for 2013		629	\$850,569	\$1,886,281	\$1,072,548

Housing Provider	Neighbourhood	Units	*Provincial RCI Funding	City Funding	**Tax Abatement or Tax Redirection
Units Counted for 2014 (all complete)					
Innovative Residential Investments Inc.	Stonebridge	20	\$ 0	\$ 0	\$ 47,280
Central Urban Metis Federation Inc. (CUMFI)	Mount Royal	2	\$ 0	\$ 36,000	\$ 0
Saskatoon Downtown Youth Centre (EGADZ)	City Park	10	\$ 0	\$140,250	\$ 0
Innovative Residential Investments Inc.	Kensington	16	\$ 0	\$ 0	\$ 38,604
Secondary Suites	Various	48	\$ 0	\$ 18,767	\$ 0
Equity Building Program	Various	18	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Northridge Developments Inc.	Stonebridge	45	\$ 0	\$ 0	\$ 0
Ehrenburg Homes Ltd.	Evergreen	26	\$ 130,000	\$ 0	\$153,028
Innovative Residential Investments Inc.	Evergreen	80	\$ 381,372	\$ 0	\$213,568
Stonebridge/Willis Limited Partnership	Stonebridge	185	\$ 717,576	\$ 0	\$401,843
Cress Housing Corporation	Greystone	12	\$ 0	\$224,948	\$ 0
Habitat for Humanity Saskatoon Inc.	Pleasant Hill	4	\$ 0	\$ 63,712	\$ 0
The Lighthouse Supported Living Inc.	Central Business District	29	\$ 0	\$145,074	\$ 0
HeadStart on a Home Program, Saskatoon Urban Design Homes Ltd.	Erindale	47	\$ 0	\$ 0	\$ 0
Total Units Counted for 2014		542	\$1,228,948	\$628,751	\$854,323
Units Counted for 2015 (all complete, except as noted)					
Baydo Development Corporation	Stonebridge	112	\$449,924	\$ 0	\$251,958
Innovative Residential Investments Inc.	Kensington	1	\$ 0	\$ 11,994	\$ 7,920
NewRock Developments (Sask.) Inc.	Evergreen	51	\$ 0	\$ 0	\$134,886
Innovative Residential Investments Inc.	Evergreen	15	\$ 0	\$ 0	\$ 37,635
Central Urban Metis Federation Inc. (CUMFI)	Westmount	1	\$ 0	\$ 17,000	\$ 0
Secondary Suites	Various	62	\$ 0	\$ 22,683	\$ 0
Equity Building Program	Various	9	\$ 0	\$ 0	\$ 0
***HeadStart on a Home Program, NewRock Developments (Sask.) Inc.	Evergreen	29	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Meridian Development Corp.	Evergreen Sequoia Rise	69	\$ 0	\$ 0	\$ 0
HeadStart on a Home Program, Northridge Development Corp.	Silverspring Daxton II	66	\$ 0	\$ 0	\$ 0
***HeadStart on a Home Program, Innovative Residential Investments Inc.	Evergreen	23	\$ 0	\$ 0	\$ 0
Villa Royale Residential Group	Hudson Bay Park	56	\$166,158	\$ 0	\$ 93,048
Westgate Heights Attainable Housing Inc.	Pacific Heights	40	\$ 0	\$ 754,079	\$ 62,020
Stewart Property Holdings Ltd.	King George	7	\$ 0	\$ 58,255	\$ 7,345
Elim Lodge Inc. (completion scheduled for spring 2017)	Lakeview S.C.	15	\$ 0	\$ 255,000	\$ 37,235
Saskatoon Downtown Youth Centre (EGADZ) (completion scheduled for spring 2017)	City Park	4	\$ 0	\$ 19,125	\$ 0
Total Units Counted for 2015		560	\$616,082	\$1,138,136	\$632,047

Housing Provider	Neighbourhood	Units	*Provincial RCI Funding	City Funding	**Tax Abatement or Tax Redirection
Units Counted for 2016 (complete)					
Broadstreet Properties Ltd./ Seymour Pacific Developments Ltd.	Evergreen	141	\$ 0	\$ 0	\$329,702
Innovative Residential Investments Inc.	Kensington	5	\$ 0	\$ 0	\$ 10,195
Innovative Residential Investments Inc.	Evergreen	14	\$ 0	\$ 0	\$ 51,088
Innovative Residential Investments Inc.	Stonebridge	8	\$ 0	\$ 0	\$ 42,744
Secondary Suites	Various	56	\$ 0	\$ 19,561	\$ 0
Equity Building Program	Various	24	\$ 0	\$ 0	\$ 0
Saskatoon Housing Coalition	Confed SC	20	\$ 0	\$276,549	\$ 19,880
***HeadStart on a Home Program, Innovative Residential Investments Inc.	Evergreen	28	\$ 0	\$ 0	\$ 0
Total Units Complete at Year End		296	\$ 0	\$296,110	\$453,609
Units Counted for 2016 (under construction)					
Innovative Residential Investments Inc.	Kensington	25	\$ 0	\$ 0	\$134,080
***HeadStart on a Home Program, Innovative Residential Investments Inc.	Kensington	33	\$ 0	\$ 0	\$ 0
LutherCare Communities/ Meridian Development Corporation	Stonebridge	159	\$347,225	\$ 0	\$243,083
Saskatchewan Housing Corporation	Westview	4	\$ 0	\$ 36,000	\$ 6,116
Saskatchewan Housing Corporation	Evergreen	8	\$ 0	\$ 72,000	\$ 12,233
Total Units Under Construction at Year End		229	\$347,225	\$108,000	\$395,512
Total Units Counted for 2016		525	\$347,225	\$404,110	\$849,121

Table 3: Housing Units Approved or Pending to Date for 2017

Housing Provider	Neighbourhood	Units	*Provincial RCI Funding	City Funding	**Tax Abatement or Tax Redirection
Units Counted for 2017 (approved or pending projects)					
New Summit Partners Corp., Willis Crescent Project – Phase Two	Stonebridge	172	\$711,198	\$ 0	\$341,449
Quint Development Corporation	Pleasant Hill	26	\$ 0	\$556,717	\$ 35,536
SaskNative Rentals	Massey Place	23	\$ 0	\$276,000	\$ 0
Innovative Residential Investments Inc.	Evergreen and Stonebridge	16	\$ 0	\$ 0	\$ 99,808
****Innovative Residential Investments Inc.	Evergreen and Stonebridge	33	\$ 0	\$ 0	\$198,000
****NewRock Developments (Sask.) Inc.	Evergreen	24	\$ 0	\$ 0	\$126,480
****Homes By Dream	Kensington	8	\$ 0	\$ 0	\$ 43,184
****Stewart Property Holdings Ltd.	Pleasant Hill	11	\$ 0	\$113,000	\$ 0
Total Units Approved for 2017		313	\$711,198	\$945,717	\$844,457

Table 4: Housing Units Pending for 2018

Housing Provider	Neighbourhood	Units	*Provincial RCI Funding	City Funding	**Tax Abatement or Tax Redirection
Units Counted for 2018 (pending)					
****Innovative Residential Investments Inc.	Stonebridge and Evergreen	26	\$0	\$0	\$123,500
****NewRock Developments (Sask.) Inc.	Evergreen	18	\$0	\$0	\$ 78,560
****Homes By Dream	Kensington	6	\$0	\$0	\$ 31,188
Housing Units Pending for 2018		50	\$0	\$0	\$233,248

Notes for Tables 2, 3, and 4:

* The Saskatchewan Government has been providing funding to the City under its Rental Construction Incentive (RCI) program. These funds match the City's contribution, which comes in the form of a five-year incremental property tax abatement. The provincial RCI funds flow through the City's accounts, and the City provides the incentives to the builders of purpose-built rental housing. The provincial RCI contract has expired, and there is no further funding for projects.

** Many projects qualify for a five-year incremental property tax abatement. Affordable home ownership projects approved under the Mortgage Flexibilities Support Program (MFSP) receive down payment grants that are financed through the redirection of property tax to the Affordable Housing Reserve to recover the cost of the grant. The right-hand column shows the total estimated foregone tax revenue over five years that the City has given up in support of these projects.

*** Units counted in these projects under the Land Predesignation and HeadStart on a Home Programs include only those units that were not already counted as affordable ownership units under the City's MFSP.

**** These projects are pending City Council's approval.

Financial Summary - Affordable Housing Reserve (2013 to 2017)

Revenue

Unallocated Balance (January 1, 2013)	\$ 130,504
2008 to 2012 Funding Allocated for 2013 projects and contracts	\$ 1,940,869
Transfers from the Neighbourhood Land Development Fund (2014 to 2016)	\$ 2,500,000
Transfers from the Neighbourhood Land Development Fund (for 2017)	\$ 500,000
Operating Budget Contribution (2013 to 2017)	\$ 1,250,000
Transfer from Pleasant Hill Village Revitalization Project (2014)	\$ 500,000
Provincial Grant from Rental Construction Incentive (RCI) Program	\$ 3,754,022
Operating Surplus from Saskatoon Housing Authority (2015)	\$ 3,177
Total Revenue	\$10,578,572

Expenses

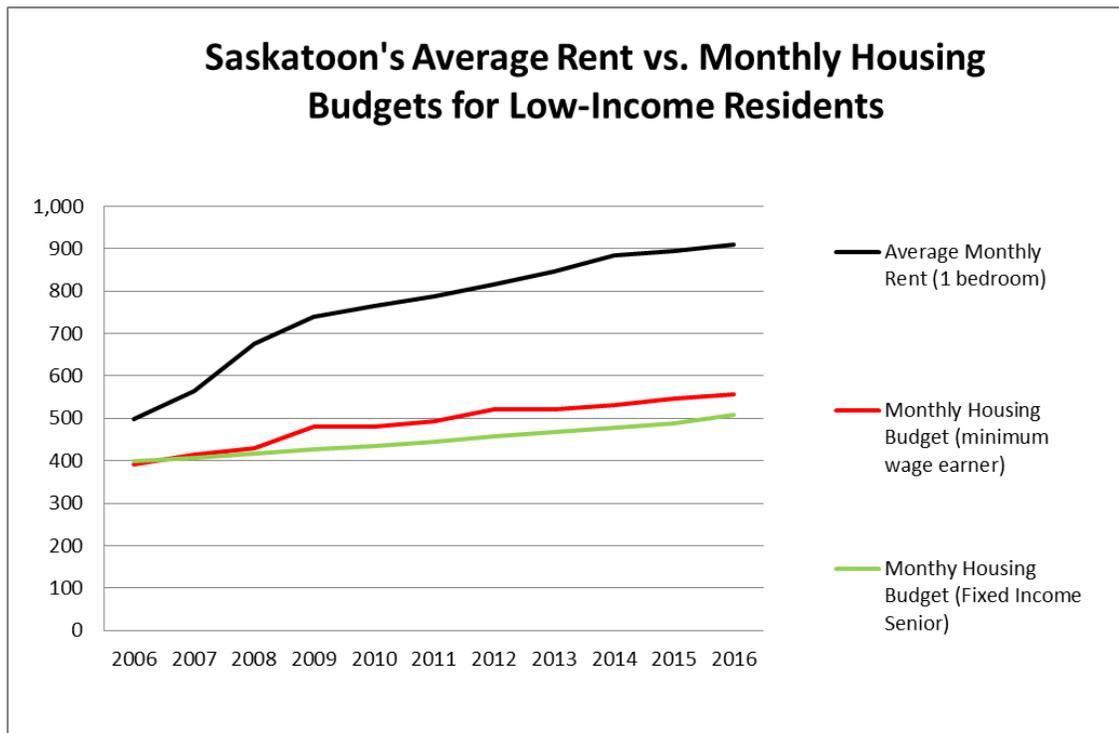
Additional City Contributions (2008 to 2012 projects)	\$ 25,720
City Contributions to New Housing Units (2013 projects)	\$ 1,886,281
Provincial RCI Contributions (2013 projects)	\$ 850,569
City Contributions to New Housing Units (2014 projects)	\$ 628,751
Provincial RCI Contributions (2014 projects)	\$ 1,228,948
City Contributions to New Housing Units (2015 projects)	\$ 1,138,136
Provincial RCI Contributions to Rental Units (2015 projects)	\$ 616,082
City Contributions to New Housing Units (2016 projects)	\$ 404,110
Provincial RCI Contributions to Rental Units (2016 projects)	\$ 347,225
City Contributions Committed to New Housing Units (2017 projects)	\$ 945,717
Provincial RCI Contributions Committed to Rental Units (2017 projects)	\$ 711,198
City Contributions Allocated to Secondary Suites (2017 projects)	\$ 35,000
Unallocated Funding Available for Affordable Housing Grants	\$ 259
Salaries and Administration	\$ 841,385
Contracts (Business Planning, Research, and Housing First Projects)	\$ 824,999
Equity Building Program Bad Debt	\$ 9,730
Total Expenses	\$10,494,110

Contingency	\$ 84,462
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Increasing the Supply of Affordable Rental Housing to Meet the Needs of Low-Income Households

1. Affordability Challenges for Low-Income Households

Rental rates have leveled off, but at price points that are beyond the reach of low-income households. Seniors on fixed incomes, minimum wage earners, single parents, and those with mental or physical health challenges are some of the segments in Saskatoon that are not able to pay full-market rents. The chart below illustrates the gap between what two common groups of low-income households can afford to pay and what the market is charging for rent.



A minimum wage earner working full time (40 hours per week) earned \$1,858 per month in 2016. Spending 30% of income on housing, a minimum wage earner has \$558 per month for rent, which is well below Saskatoon's average rent of \$909 for a one-bedroom apartment. Events, such as a minor illness or the loss of a roommate, can result in homelessness.

Seniors on a fixed income can also have trouble finding housing that they can afford. A senior receiving the maximum benefit from both the Canada Pension Plan and Old Age Security received \$1,693 per month in 2016. To rent an average one-bedroom apartment in Saskatoon for \$909 would require 54% of that income, leaving little left for other necessities.

Low-income tenants depend on 28 agencies in Saskatoon that operate more than 4,500 subsidized rental units. The vacancy rate for these units remains around zero as tenants needing subsidized housing are often put on waiting lists for housing they can afford.

To qualify for affordable rental housing, low-income households must be below the Saskatchewan Household Income Maximums, as shown in the table below:

Saskatchewan Household Income Maximums

	Minimum Sized Home Required by Household			
	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
No Disability	\$38,000	\$46,000	\$55,000	\$66,500
Disability	\$43,700	\$52,900	\$63,300	\$76,400

2. Increasing the Supply of Affordable Rental Housing

Affordable rental housing serves the needs of Saskatoon’s most vulnerable residents and comes in many forms, including temporary shelters, transitional housing, supported housing, rent-geared-to-income units, and units that are only slightly below market rates.

Affordable rental units require the largest financial investment of all of the attainable housing types. Creating new affordable rental units requires grants from the government and charitable sectors to cover 30% to 70% of construction costs. The level of capital grant required is dependent on the types of units, how low the rents will be below market rates, and how many years the owner commits to keeping the rent affordable.

The City’s grants of up to 10% do not stimulate the construction of affordable rental units on their own, but when combined with grants from other levels of government, the City is able to create additional units by stretching the available funding.

The major funder of affordable rental housing is the Saskatchewan Housing Corporation (SHC) through their Rental Development Program, which focuses on projects for tenants who are “Hard to House”. Recent projects have included units for large families, and for people with disabilities and mental health issues. Projects often include supports to ensure that people stay housed. Available funding under this program has increased in 2017 and 2018.

Due to the limited funding allocation of \$500,000 annually to the Affordable Housing Reserve, the City may not be able to contribute to all projects applying for provincial support. This could affect the amount of provincial support that gets awarded to Saskatoon projects.

3. Ensuring that People can Transition out of Affordable Rental Housing

Given the high cost of creating affordable rental housing, it is important to ensure that tenants can move on to market-priced housing if their income increases. The

City's efforts at creating attainable housing for those with moderate income helps ensure that tenants move on when their income increases.

When the housing shortage was acute in 2008, tenants were staying in affordable rental housing for as long as they could qualify simply because they had nowhere else to go. This City's affordable ownership and purpose-built rental programs have increased the housing supply that people can transition to from affordable rental housing, thus, freeing up needed spaces for those with lower incomes.

Attainable housing is a continuum, and the City's work to increase the supply across the continuum has helped ensure that affordable rental units are going to those who most need it.

Housing for those with Moderate Income

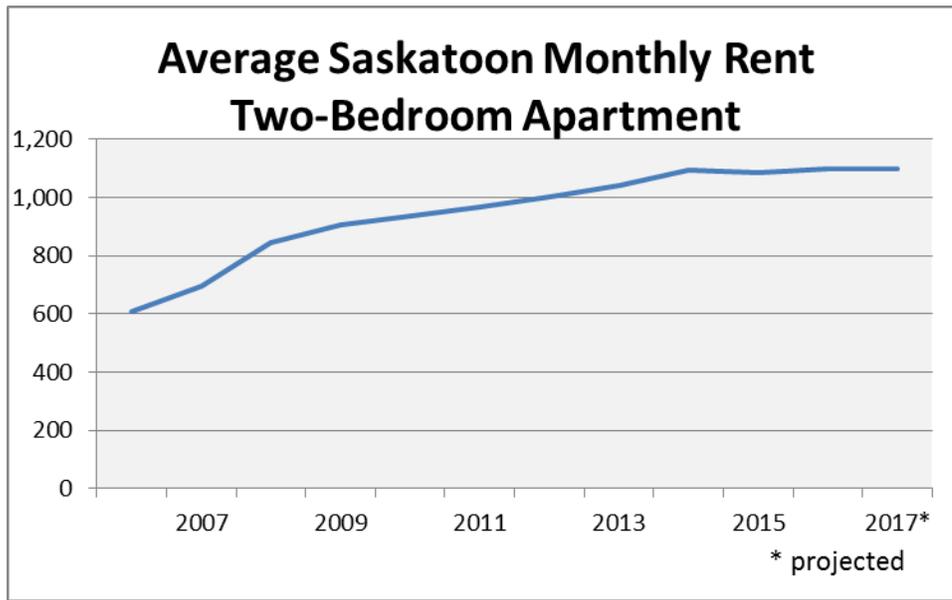
1. Definition of Moderate Income

Households with moderate income have income that is below Saskatoon's average income, but above the income limits for affordable rental housing (see Attachment 2). An accurate definition of moderate income takes into account the size of home needed. For a typical Saskatoon household requiring a two-bedroom home, moderate income would range between \$46,000 and \$82,000.

Saskatoon's median income of \$65,524 is right in the middle of the moderate-income range, indicating that a large portion of Saskatoon's population would be considered moderate income.

2. Rental Rates have Leveled Off

Moderate-income earners make up a large part of the demand for rental housing, and tenants are finally experiencing stability in housing costs after several years of significant increases, as shown in the chart below. The average rent for a two bedroom apartment rose marginally by \$13 per month in 2016 to \$1,101.



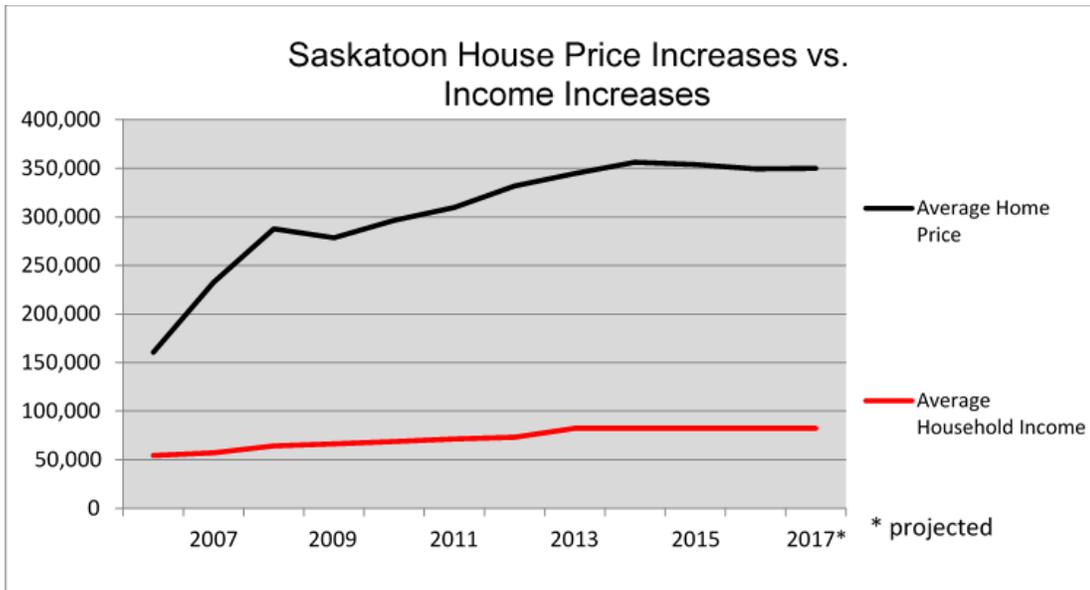
Rental rates are closely related to the city's vacancy rate, which rose significantly in 2016 to 10.3% due to a cooling off in the economy, the recent completion of several new rental projects, and additional condominiums on the rental market.

The City has not approved incentives for new purpose-built rental project since 2015, when vacancy rates first started to rise. The Canada Mortgage and Housing Corporation (CMHC) is predicting that vacancy rates will start to decline in 2017, but will remain at historically high levels through the end of 2018. This should keep

rental rates stable for the next two years. There should be no need for the City to provide incentives for purpose-built (market-priced) rental housing before the end of 2018.

3. Housing Prices Stable

As the chart below illustrates, average house prices have leveled out at approximately \$350,000 after peaking in 2014. The CMHC is predicting that prices will remain relatively stable throughout 2017.



Household incomes have also leveled off in Saskatoon, as shown in the bottom line of the chart. Household income of at least \$87,000 is required to purchase the average Saskatoon home. While the average Saskatoon household income is estimated to be approximately \$82,543, the median household income is much lower and estimated to be \$65,524. Therefore, it is evident that many Saskatoon households with moderate income find it a challenge to purchase a home.

The City's support for affordable and entry-level ownership housing has made home ownership possible for those with moderate income. The prices for affordable and entry-level homes range from \$220,000 for a two-bedroom apartment to \$300,000 for a family-sized townhouse. Entry-level and affordable ownership homes are essentially the same product, with the main difference being that the affordable buyers qualify for a 5% down payment grant under the City's Mortgage Flexibilities Support Program (MFSP).

There is now a good supply of homes in the affordable and entry-level ownership markets, and this is due in part to the City's MFSP, which provides down payment assistance to moderate-income buyers.

At the beginning of 2017, there were 41 homes available for immediate occupancy under the MFSP, and further projects are in the planning stages with late 2017 and early 2018 completion dates. The City also makes down payment loans available through the Equity Building Program to 25 entry-level buyers annually. Buyers in the affordable and entry-level ownership markets have adequate choices in terms of location, style, and builder, which was not the case before the City implemented its home-ownership programs.

4. New Mortgage Rules may Increase Demand for Affordable and Entry-Level Housing
In October 2016, new mortgage rules were announced by the federal Minister of Finance, subjecting all high-ratio mortgages to a “stress test”. Borrowers are now required to qualify at the Bank of Canada’s five-year posted rate even though most mortgage borrowers will qualify for special rates that are about 2% lower. The purpose of the stress test is to protect borrowers from rising interest rates and ensure payments can be made if rates go up.

As a result of the stress test, borrowers now need significantly more income to qualify for a mortgage. For example, it now takes about \$12,000 in additional income to qualify for a \$300,000 mortgage. There could be increased demand for affordable and entry-level ownership housing in 2017 due to these new lending rules, as buyers are forced to step back expectations and purchase lower-priced homes.

5. Saskatoon’s Housing Supply is Ready for Growth
Currently, Saskatoon may have available inventory of rental, affordable ownership, and entry-level housing, however, it is important to note that the City’s population is predicted to grow. With growth rates of 1.5% to 2.5% forecast and housing starts being scaled back, the current housing stock may be absorbed within a couple of years.

The current situation is certainly desirable compared to the extreme shortages that were faced a decade ago when housing prices and rents doubled in just a few years. The City’s Housing Business Plan addressed these shortages and Saskatoon now has a housing supply that is ready to meet the needs of a growing city.

City of Saskatoon's Submission to National Housing Strategy Consultations October 2016

The Need for a National Housing Strategy

The City Administration applauds the federal government in establishing a National Housing Strategy. Housing requires a long term and planned approach that includes the efforts of many partners in all sectors of the economy. Otherwise some segments of the population may fall through gaps between programs. Our hope is that the National Housing Strategy will provide this framework and the leadership and resources to implement it.

The City Administration understands that permanent, affordable, appropriate, safe, and secure housing is a necessary foundation for building healthy, educated, creative, and economically viable communities. The majority of Canadians can secure quality housing through the market without direct assistance from the government, however, there is a segment in our society whose housing needs are not being met by the market. It is this group of lower income Canadians that the National Housing Strategy should focus on.

Housing for lower income Canadians needs to be viewed as a long term investment for the wellbeing of our citizens and the economic growth of our nation. The National Housing Strategy needs to direct this investment in a planned and systematic way to ensure that Canada's most vulnerable citizens have an appropriate place to call home.

The Federal Government's Leadership Role in Housing

It is appropriate for the federal government to take a lead role in the National Housing Strategy. While there are many willing housing partners, the federal government has the financial resources and the ability to set housing policy that will be necessary for the successful implementation of a National Housing Policy.

The City of Saskatoon and our many housing partners are ready to do our part to implement the National Housing Strategy with the support of the federal government.

Policy and Funding Recommendations

The City Administration understands that the housing needs of Canadians are best described through a continuum. At the one end are the homeless and at the other end are those who can meet their housing needs in the private market without any assistance.

Through the City of Saskatoon's Housing Business Plan, we are offering input on three needs on the housing continuum where households require some level of assistance: Minimizing Homelessness, Providing Affordable Rental and A Hand Up to Ownership. We recognise that our comments are high level and that a National Housing Strategy will need to further refine and segment these needs on the housing continuum.

Minimizing Homelessness

In Saskatoon, community leaders are implementing an action plan to reduce homelessness in our city. Community agencies are successfully moving chronically homeless individuals and families into permanent housing through a Housing First approach. This work has been funded by the federal Homeless Partnering Strategy, the City of Saskatoon, community agencies and private donors. We are thankful for the federal support.

The challenge is that this work has been done as pilot projects with funding approved for only a year or two at a time. The pilot projects are working but the newly housed live with the fear that the programs may be discontinued and quality staff often move on to more permanent employment.

It will be important that the National Housing Strategy take a long term approach to ensure that effective programs like Housing First and other HPS supported initiatives are around for as long as they are needed.

Affordable Rental Housing

In Saskatoon there is a growing shortage of affordable rental housing that low income tenants can afford without spending more than thirty percent of their income on housing. Saskatoon is fortunate to have over twenty affordable housing providers who are serving the needs of those who cannot afford to pay market rent. The shortage of units is particularly acute for units serving the lowest of incomes including units with supports and with rents that are capped at a percentage of the tenant's income.

The City regularly meets with these housing providers and most are anxious to pursue new projects to meet the needs of a growing city. These groups often have land and private support for their projects but they need financial support from the federal and provincial governments to make the projects viable. The City of Saskatoon typically contributes ten percent to these projects to stretch the available funding from the other levels of government.

Additionally, much of Saskatoon's affordable rental housing stock is over forty years old and in need of renovation to extend its life cycle. Financial support for renovation is required or these units will be lost over time.

A significant part of the National Housing Strategy should be directed to financial support for the creation and renovation of the various types of affordable rental housing.

A Hand Up to Ownership

The City of Saskatoon has been operating an affordable home ownership program in partnership with private builders since 2009. The program is called the Mortgage Flexibilities Support Program (MFSP) and it provides a down payment grant that is cost shared by the City and the builders. This program has enabled over 500 low and moderate income households to enter the home ownership market since 2009.

The MFSP requires policy support from the federal government in the area of mortgage loan insurance. The City recommends that lending rules be flexible for affordable ownership programs such as the MFSP that are supported by a municipality. When the program began in 2009 there were more flexibilities offered for buyers under the MFSP than are available now including longer amortization periods and reduced mortgage insurance premiums.

The Role of Municipalities in Housing

Consistent with the City's Housing Business Plan, the City of Saskatoon recommends that that the National Housing Strategy recognize and encourage the role that municipalities can play in the housing sector. Housing is not a municipal core service, however, the City of Saskatoon has found that it can do much to support the sector in its efforts to create housing that is attainable, affordable and located in appropriate areas.

The City of Saskatoon adopted its first comprehensive housing business plan in 2008 and as a result over 4,000 new housing units have been created for individuals and families whose housing needs weren't being adequately met by the private market.

Municipalities take the lead role in zoning, servicing and land use planning. These functions will need to be executed in ways that support the housing sector. If it is to be successful, Canada's National Housing Strategy will need to effectively encourage municipalities to ensure that their work is supportive of and not an obstacle to those housing providers that serve lower income Canadians.

Further Feedback

The City of Saskatoon Administration offers these high level comments hoping that they will be useful to the federal government as it drafts a much needed National Housing Strategy. We would be pleased to provide further feedback in these areas if requested.

If you require clarification on the City of Saskatoon's submission to the National Housing Strategy please contact:

Lesley Anderson, Director of Planning and Development

City of Saskatoon

222 – 3rd Avenue North

S7K 0J5

Lesley.Anderson@saskatoon.ca

306-975-2650