



# City of Edmonton Office of the City Auditor

## Affordable Housing Strategies Review

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Objectives

- To identify and describe the priorities and objectives of Cornerstones II and the Affordable Housing Strategy.
- To determine if the priorities and objectives of Cornerstones II were achieved and the progress to date on the Affordable Housing Strategy.
- To determine whether a lack of available funding, the effectiveness of programs, grant management, performance measurement, or compliance with policies prevented the achievement of the priorities and objectives of Cornerstones II, or have affected the progress in achieving the goals of the Affordable Housing Strategy.

Scope

The scope of this review is limited to Cornerstones II, the Affordable Housing Strategy, and the affordable housing policies in place at the time of the review (December 2017 to February 2018). We did not review the strategies that specifically related to homelessness.

Statement of Professional Practice

This project was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.



## Executive Summary

The City of Edmonton views the provision of affordable housing as a core municipal purpose and as an important component of local infrastructure. Our review of the City's affordable Housing Strategies included Cornerstones II: Renewing the Commitment: Edmonton's Plan for Affordable Housing 2012 -2016 (Cornerstones II) and the Affordable Housing Strategy (2016-2025). From 2012 to 2017 the City budgeted \$33.5 million to spend on affordable housing.

The first part of our review was to identify what we could measure relating to Cornerstones II and the Affordable Housing Strategy and then to determine if the City achieved those measurable items.

Cornerstones II included an evaluation matrix with 10 measures with targets. We assessed the City's achievement of these targets and found it had achieved 4 of them and did not achieve 3 of them. We were unable to determine if the remaining 3 were achieved as the required targets were not set.

In the Affordable Housing Strategy we identified 18 implementation actions relating to affordable housing (not including those relating to homelessness). Of these, we found that the City has achieved 3, is behind schedule on 9, and 6 are not yet due.

### Potential barriers to goal achievement:

- Lack of available funding
- Effectiveness of programs
- Grant management
- Performance measurement
- Compliance with policies

During our risk assessment we identified five potential barriers to the achievement of the measures and targets for Cornerstones II, and the implementation actions in the Affordable Housing Strategy. We reviewed these areas to determine the impact they may have had and if any improvements could be made to increase the City's effectiveness in achieving its goals.

Overall, we found that the lack of available funding from other levels of government and the effectiveness of some programs impacted the City's achievement of the targets and actions. Grant management, performance measurement, and compliance with policies did not have an impact. We also found that the following improvements could be made to help increase the City's effectiveness in achieving its goals.



## Summary of Recommendations

Recommendation 1  
Improve financial tracking

Need to formalize, document, and implement a process to track affordable housing commitments and expenditures.

Recommendation 2  
Review developer sponsored affordable housing program

Need to assess the effectiveness of the Developer Sponsored Affordable Housing Program and policy to ensure its objectives are aligned with those of the Housing and Homelessness Area and Council.

Recommendation 3  
Comply with Grant and Other City Contributions Directive

Need to ensure the grant programs administered by the Housing and Homelessness Area are in compliance with applicable City Directives, specifically relating to Performance Monitoring and Closing and Reporting Procedures stages of the Grant Administration Cycle.

Recommendation 4  
Develop a performance management framework

Need to develop and implement a formal performance management framework.

Recommendation 5  
Update policies

Need to ensure the City policies relating to affordable housing are reviewed and updated to ensure they align to the goals and objectives of the City in relation to affordable housing.



## Background

What is affordable housing?

Affordable housing includes housing provided by the private, public, and not-for-profit sectors, and comes in all forms of housing tenure (i.e., rental, ownership, and cooperative ownership). In Canada housing is considered affordable if shelter costs account for less than 30 percent of before-tax household income.

The City of Edmonton views the provision of affordable housing as a core municipal purpose and as an important component of local infrastructure. Council's vision for affordable housing, directed by The Way We Grow (Edmonton's Municipal Development Plan) and The Way We Live (Edmonton's People Plan), encourages the increased development of affordable housing and emphasizes the importance of housing choice and neighborhood diversity and inclusion.

History of the City's Affordable Housing Strategies

In 2005, City Council approved Cornerstones: Edmonton's Plan for Affordable Housing, 2006 to 2011 (Cornerstones I). The City allocated \$25 million to the plan to accomplish its two primary objectives:

1. Increase the supply of long-term affordable housing in Edmonton by 2,500 units; and,
2. Enable the City to advocate for increased income support and support services to meet short-term housing needs.

In 2011, the City developed Cornerstones II: Renewing the Commitment: Edmonton's Plan for Affordable Housing 2012-2016 (Cornerstones II). The vision of Cornerstones II is for the City to take a proactive leadership role, to enable access to diverse and inclusive housing across the city and Capital Region. To achieve this vision the City laid out the following five program objectives:

1. Increase affordable housing supply
2. Catalyst for market housing
3. Catalyst to achieve positive community outcomes
4. Advocacy to meet other housing and support needs
5. Improvement in program delivery

Cornerstones II also includes specific outcomes, measures, and targets.

The budget for Cornerstones II included base funding of \$2.5 million per year, with access to an additional \$3.5 million per year based on overall City of Edmonton year-end surpluses.

In 2015, the City produced the Affordable Housing Strategy (2016-2025). This strategy includes the following four goals:

1. Increase the supply of affordable housing in all areas of the City.
2. Maintain the supply of affordable housing and market rental housing.
3. Enable stable residential tenancies and transition people out of homelessness.
4. Anticipate, recognize and coordinate action to respond to housing and homeless needs.

The strategy also includes specific objectives, strategies, and action plans for each of the goals. As well, it includes as an implementation road map (timing for completion of objectives) and performance measures.

Funding for the Affordable Housing Strategy comes from the Affordable Housing Investment Plan that was approved by Council in 2016. The annual budget for this strategy is equal to the annual amounts provided for Cornerstones II from 2012 to 2016 (\$6 million per year).

All of these plans identify the need for collaboration and partnership with other levels of government, the private sector, and communities in order to fully achieve their objectives.

The Housing and Homelessness Area (the Area) manages the City's work on affordable housing. At the time of this review the Area resided under the Chief of Staff of the City Manager's Office. In April 2018, the City moved the Area to the Social Development Branch in the Citizen Services Department.



## Did the City achieve its goals?

The first part of this review was to identify what we could measure relating to Cornerstones II and the Affordable Housing Strategy and then to determine if the City achieved those measurable items.

### Cornerstones II

The City achieved 4 of 10 targets.

Cornerstones II provided the parameters for the City to invest up to \$6 million per year between 2012 and 2016 into affordable housing. The Terms of Reference for the program included a proposed evaluation matrix with measures and targets relating to the following four outcomes:

1. Housing availability and choice
2. Urban form and transportation mode
3. Inclusive projects and neighbourhoods
4. Program efficiency and accountability

The matrix included 10 measures with targets related to the outcomes. We assessed the City's achievement of these targets and found it achieved 4 of them and did not achieve 3 of them. The remaining 3 required specific targets to be set, which were not, so we were unable to determine if these measures were achieved. Table 1 provides the measures and targets and our assessment results.

It should be noted that the achievement of these targets required collaboration, partnerships with, and funding from other levels of government, the private sector, and communities. Further discussion on the reasons why the City did not achieve all of the targets set in Cornerstones II is also included in this report.

Table 1: Cornerstones II Achievements

The City achieved 4 of 10 performance targets. The other 6 were not achieved or are unknown.

Measure	Target	Achieved?
Number of Cornerstones Affordable Housing units created	2,500 units	No (776 units committed to)
Number of new inclusive market housing units leveraged	2,500 units	No (# of units not tracked)
Number of opportunities created to encourage private sector to deliver innovative/creative industry-leading built forms	1 pilot/demonstration project approved for implementation per year.	Yes
Develop new affordable home ownership models	Test new home ownership models based on affordable home equity model and limited equity cooperative model.	Yes
Promote investments in Council approved higher density areas such as the central core, Transit Oriented Development nodes, and other revitalization zones.	Number of units delivered in Council designated priority zones (TBD) and TOD nodes (TBD).	Unknown (Target not set)
All projects developed to minimum Capital Region Growth Plan required density	All projects developed at 30-45 units/hectare density.	Yes
Delivery of housing projects that achieve a mixed use and mixed tenure, blending affordable and market housing, at the project or neighbourhood level	Number of affordable units and market units by project and neighbourhood. All projects move neighbourhoods closer to Council approved targets for the ratio of non-market housing to market housing.	Unknown (Target not set)
Enhanced community safety and security	All projects meet Crime Prevention Through Environment Design criteria. Property management of all projects based on Good Neighbour operating principles.	Yes
Move from grants based on 20-year leasebacks to City purchase of units (ownership in perpetuity)	Target number of units to be delivered through each method (TBD)	Unknown (Target not set)
Improved agreement compliance	All projects inspected as part of development approvals process. All projects inspected post occupancy by the Residential Enforcement Team. All projects meet annual reporting requirements.	No



## Affordable Housing Strategy

The City achieved 3 of 18 implementation actions.

The Affordable Housing Strategy is meant to guide the City's involvement in affordable housing for 10 years (2016-2025). It includes an implementation road map that summarizes the implementation plans of the Strategy and provides a timeline for completion. The road map implementation actions with timelines are separated under the following four goals:

1. Increase the supply of affordable housing in all areas of the City
2. Maintain the supply of affordable housing and market rental housing
3. Enable stable residential tenancies and transition people out of homelessness
4. Anticipate, recognize and coordinate action to respond to housing and homeless needs

We identified 18 implementation actions relating to affordable housing (not including those relating to homelessness). Of these, the Area has achieved 3, they are behind schedule on 9, and 6 are not yet due<sup>1</sup>. Table 2 summarizes our findings

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<sup>1</sup> For the purpose of the review we considered an action to be "Not yet due" if the timeline ended in quarter four of 2017 or later.

Table 2: Affordable Housing Strategy Implementation Actions Achievements  
**The City achieved three implementation actions. Nine are behind schedule. Six are not yet due.**

Implementation Actions	Timeline	Achieved?
Develop a Housing Investment Plan (2017- 2018) including a new monitoring and evaluation process for City housing programs	Q4 2015- Q2 2016	No - In progress
Perform a study regarding a new housing investment and management model for City-owned affordable housing units	Q3 2016 - Q2 2017	No - In progress
Review and update City policies relating to affordable housing (C435, C436, & C437)	Q1- Q4 2016	No - In progress
Review of City land dedication policies and procedures for affordable housing and creation of a new policy	Q1- Q4 2016	No - In progress
Develop a long term strategy for maintaining and regenerating the City housing portfolio	Q3 2016 – Q4 2017	Not yet due
Develop a strategy to incorporate affordable housing units as a component of other municipal buildings	Q4 2016	No - In progress
Creation of a new Housing Facilitator position within the Housing and Homelessness Section	Q1 2016	Yes
Perform a feasibility study on affordable housing fund development	Q3 2016	No - Not Started
Complete an evaluation of internal regulations and processes for affordable housing	Q4 2017	Not yet due
Development of a new advocacy plan for affordable housing	Ongoing	Not yet due
Update to the Housing Accountability Framework	Q1 2017	No - Not Started
Complete a study on multi-sectoral approaches to housing enforcement	Q4 2017	Yes
Implementation of the recommendations from the Social Housing Regeneration Advisory Group, including the creation of the Centre of Excellence	2016, ongoing	Not yet due
Create an annual research plan with program objectives, priorities and schedule	Ongoing	Not yet due
Create an annual report on housing needs in Edmonton.	Ongoing	Not yet due
Develop an information and awareness campaign to promote the need for affordable housing in Edmonton	Q4 2015	Yes
Perform a review of human rights for affordable housing development	Q4 2016	No - In progress
Perform a review of Housing and Homelessness communication processes	Q1 2016	No - In progress



## Why didn't the City achieve all of its goals?

### Potential barriers to goal achievement:

- Lack of available funding
- Effectiveness of programs
- Grant management
- Performance measurement
- Compliance with policies

The second part of this review was to determine whether the five barriers identified during our risk assessment prevented the achievement of the measures and targets in Cornerstones II or have affected the progress in achieving the implementation actions of the Affordable Housing Strategy.

Overall we found that the lack of funding from other levels of government and the effectiveness of some programs impacted the City's achievement of Cornerstones II measures and the progress in achieving the implementation actions of the Affordable Housing Strategy. As well we found that grant management, performance measurement, and compliance with policies did not directly affect the City's achievement of Cornerstones II measures or progress in achieving the implementation actions of the Affordable Housing Strategy.

### Lack of Available Funding

The lack of available funding did impact the City's ability to achieve some of the targets set in Cornerstones II. Specifically, creating affordable housing units and leveraging inclusive market units. Management indicated that the City set these targets assuming it would continue to receive funding from other levels of government. The City did not receive funds from the federal or provincial governments for affordable housing between 2012 and 2017. Therefore, it was unable to use City money to leverage the creation of additional affordable housing and inclusive market housing from funding provided by other levels of government.

The Area can improve its current financial tracking process.

As well, the Area could improve its current financial tracking process so that when new money does become available from the Provincial and Federal Governments they will have the reliable financial information they require to effectively leverage that money.

We found that the Area does not have a strong, documented process for tracking:

What they have committed to spending funds on and why;

What they have actually spent funds on and what was achieved with that money; and

Which pool of money they are spending from (Cornerstones I, Cornerstones II, or the Affordable Housing Investment Plan)

From 2012 (the start of Cornerstones II) to 2017 the City budgeted \$33.5 million to spend on affordable housing. They also had money remaining from the funds provided by Cornerstones I available.

Throughout the years the Area has committed funds and spent them on grants and projects such as:



#### **Secondary Suites Grants**

The City provides two types of secondary suite grants: the first is to upgrade existing secondary suites, and the second is to help develop new secondary suites. Each are grants of up to \$20,000 to offset up to 50 percent of relevant costs. Property owners receiving a grant are required to rent to tenants with less than a defined level of income for their household size in Edmonton for 5 years.



#### **Housing Opportunities Program for Edmonton (HOPE) Grants**

HOPE provides grants of up to \$20,000 to eligible homeowners to bring homes that they live in up to a minimum standard of health and safety.



#### **Inclusionary Housing Program**

This program is also known as Developer Sponsored Affordable Housing. It creates affordable rental accommodation in new condominium developments through partnerships with developers.



#### **Other Council Approved Projects**

These are projects where City Council approves the City providing capital funding to encourage the development of affordable housing. Examples are the grants provided to develop surplus school sites, to Habitat for Humanity, for Blatchford, etc.

At the end of each year unspent funds are transferred to the Affordable Housing Reserve Fund. This fund was established to assist the Area in delivering affordable housing units. Due to the unpredictable pattern of expenditures and involvement of other orders of government, this reserve permits unexpended funds to be retained and applied to support future funding requirements.

At the end of 2017 there was \$31.3 million in the reserve fund<sup>2</sup>. At the time of this review, the Area was unable to show us how much of this money has been committed to projects or grants and how much is available to help support future funding requirements. There is a risk that the City could miss opportunities to leverage money from other levels of government to increase the number of affordable housing units in the City, or meet other Affordable Housing Strategy goals.

Also at the time of the review, staff from the Area and the Financial Strategies and Budget Branch were involved in the tracking of expenditures and commitments. We found that the roles and responsibilities of these people have not been clearly defined and documented. As well, there is a lot of knowledge regarding past decisions that resides with a small group of people. If any of these people were to leave the City it would be difficult for someone new to understand the current financial information.

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<sup>2</sup> At the time of the audit there was an additional \$17 million in remaining provincial block funding provided during Cornerstones I in a deferred long term revenue account.

Recommendation 1  
Improve financial tracking

We recommend that the Director of Housing and Homelessness works with Financial Services Branch staff, to formalize, document, and implement a process to track affordable housing commitments and expenditures.

**Management Response**

Accepted

Housing and Homelessness will work with Finance and Corporate Services to formalize and document comprehensive financial tracking processes, which clearly define the roles and responsibilities of all staff involved in the tracking of expenditures and funding commitments for affordable housing.

Planned Implementation Date: March 31, 2019

Responsible Party: Director of Housing and Homelessness

## Effectiveness of Program

The effectiveness of the programs the City chooses to fund impacts its ability to achieve the targets set in Cornerstones II and the Affordable Housing Strategy - specifically, the targets relating to increasing the supply of affordable housing in all areas of the City.

To assess the effectiveness of the City's affordable housing programs we relied partially on the results of an evaluation done by a consultant in 2015. They evaluated the effectiveness of eight affordable housing programs and recommended which programs the City should continue with based on their effectiveness. We assessed if the Area included these recommendations in the Affordable Housing Strategy.

All five programs recommended by the consultant were included in the Affordable Housing Strategy.

We found the Area incorporated all of the findings and recommendations made by the consultant into the Affordable Housing Strategy. Specifically, the following five priorities are identified in the Affordable Housing Investment Plan and recommended by the consultant:

1. Surplus school sites
2. Developer sponsored affordable housing (inclusionary housing)
3. Secondary suites
4. Other Council approved projects
5. Fee Rebate for Affordable Housing Program<sup>3</sup>

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<sup>3</sup> This is a program where the City rebates municipal fees and charges for eligible affordable housing projects which typically represent 5 percent of the capital cost of a housing project. The City did not spend any money on this Program from 2012 to 2015 due to a lack of applications. The Area is anticipating this to increase as more projects are built.

We further assessed the cost effectiveness of these five programs by comparing the amount of money spent from 2012 to 2017 on the program and the amount of new units created.

Developer sponsored affordable housing had the highest average cost per unit.

New secondary suite grants had the lowest average cost per unit.



**Developer Sponsored Affordable Housing**

Cost: \$866,000

5 units created

**\$173,200 average cost per unit**



**Habitat for Humanity**

Cost: \$4.0 million

75 units created

\$53,333 average cost per unit



**Surplus School Sites**

Cost: \$4.2 million

112 units created

\$37,500 average cost per unit



**New Secondary Suites Grants**

Cost: \$3.2 million

162 units created

**\$19,815 average cost per unit**

The new secondary suites grants appear to be the most cost effective use of funds to create new units. Surplus schools sites and Habitat for Humanity also appear to be relatively cost effective programs, as the cost per unit is low. The Developer Sponsored Affordable Housing Program appears to be the least cost effective with a much higher cost per unit than the other programs, so we decided to review it in further detail.



**Developer Sponsored Affordable Housing Program**

Developers get enhanced development rights in exchange for giving the City:

- a) The option to purchase 5% of the units at 85% of market value,
- b) 15% of the sale price of 5% of the units as cash-in-lieu, or
- c) A comparable public benefit (such as heritage preservation).

The Developer Sponsored Affordable Housing Program is intended to leverage private sector investment in affordable housing through re-zoning and the development approval process. For over a decade the City has pursued the development of an inclusionary housing program involving developer sponsored affordable housing. However, it wasn't formalized until 2015 when City Council officially adopted Policy C582: Developer Sponsored Affordable Housing (the Policy).

The Policy requires condominium developers who receive enhanced development rights (e.g., increases in allowable density) to enter into an agreement with the City. The agreement provides the City, at the discretion of the developer, with the option to purchase 5 percent of the units developed at 85 percent of market value or receive 15 percent of the sale price of the units as cash-in-lieu. The City would then be in a position to rent the units it purchased at below market rates.

The Policy also allows for a developer receiving enhanced development rights to provide a comparable public benefit, such as heritage preservation, instead of meeting the affordable housing requirements stated above.

According to the consultant hired by the City to assess the effectiveness of its affordable housing programs, inclusionary housing programs can be effective if they meet four criteria.

We found that the program has not been effective, as it has not met the first three criteria.

- ✘ Increase the availability of affordable housing - Since 2008, the City has only purchased 26 units in 5 developments for a cost of \$5.1 million. The City has received \$45,000 in cash-in-lieu.
- ✘ Broaden the range and choice of affordable housing units - There are no units with more than 2 bedrooms – the majority have 1 (73 percent) and the rest have 2 (27 percent).
- ✘ Increase integration and dispersal of affordable housing across the city - The units are mostly located in developments in South Edmonton, with one development located in North Edmonton.

However, the program has met one of the criteria:

- ✔ Enhance partnering within the affordable housing sector by involving the private sector - The City has options to purchase 55 units, at 85 percent of their market value, in 8 current developments.

We found the following two main reasons the program has not been effective:

1. It is highly dependent on the market conditions (i.e., if developments don't get built the City can't buy units)
2. Limitations of the Policy (e.g., allowing a comparable public benefit instead of affordable housing)

#### **Market conditions**

The Policy states that it applies to any re-zoning that:

- a) Uses direct development control provision (DC1) or site specific development control provision (DC2),
- b) Meets the minimum project size requirements (12 units), and
- c) Increases the development rights from the base zoning.

When an application for re-zoning includes these three criteria, the City will include a clause in the bylaw that rezones the development. This clause provides three options to the developer to support the City's affordable housing goals.

Since the adoption of the Policy, the City has included these clauses in 28 rezoning bylaws. The clauses provide the following benefits related to the Policy:

- ▶ 21 give developers the option of selling the City units or paying cash in lieu for the units (total of 498 units)
- ▶ 6 give developers the option of selling the City units, without the option of the City receiving cash-in-lieu (total of 187 units);
- ▶ 1 allows the developer to enter into agreement with an affordable housing organization to use or operate a minimum of 10 percent of the units (total of 20 units)

However, it is not until the units are actually built and can be occupied that the City receives any benefit from them as affordable housing units. To date none of the 28 developments approved since the policy was adopted are ready to be purchased.

Regardless of the approval of zoning applications, developers may not move forward with building housing units due to market conditions. If units are not built, there is no affordable housing benefit provided to the City.

The options available in the policy limit the affordable housing benefits for the City.

### Policy options

We found that the Policy also includes clauses that impact the effectiveness of the Program. For example, the policy allows developers to provide a comparable public benefit instead of giving the City the opportunity to purchase units or receive cash-in-lieu. However, what this is and how it is decided is not included in the Policy. Since the Policy came into effect, 9 rezoning applications provided comparable public benefits (e.g., \$25,000 for public art to be located on site and building family oriented dwellings with a sustainable building design) instead of the option to purchase units or receive cash in lieu. The City lost the opportunity to purchase or receive cash-in-lieu for 96 units because of this.

The Policy also gives developers the choice to allow the City to purchase units or receive cash-in-lieu. By giving the developer the choice and not the City, there is a risk that the City will end up with no units and no cash. This is because, if the developer gives the City the opportunity to purchase expensive units instead of paying cash-in-lieu, the City will choose not to purchase the units as they would not be considered affordable. Management explained that the potential for these scenarios, where the City declines to purchase units and therefore ends up without anything, was required due to their interpretation of several sections of the current Municipal Government Act, which they feel does not give the City the right to impose affordable housing levies.

Although not effective or cost effective at this time, the developer sponsored affordable housing program has the potential to be an important part of the City's approach to accessing affordable housing.

Although the program cannot be seen as effective or cost effective to date, it does have the potential to be an important part of the City's approach to improving access to affordable housing in the future. In order to ensure its success the Area should be continually evaluating it to ensure that it still meets the needs of the City and to determine if they should make any changes to increase the number of units and cash-in-lieu acquired.

Recommendation 2

Review developer sponsored affordable housing program

We recommend that the Director of Housing and Homelessness assesses the effectiveness of the Developer Sponsored Affordable Housing Program and policy to ensure its objectives are aligned with those of the Area and Council.

**Management Response**

Accepted

Housing and Homelessness will undertake a review of the effectiveness of the Developer Sponsored Affordable Housing Program and Policy c582 to ensure their effectiveness and alignment with Council objectives. This process will also include a review of the impacts of changes to the Municipal Government Act and the new City of Edmonton Charter on the program.

Planned Implementation Date: March 31, 2019

Responsible Party: Director of Housing and Homelessness

# Grant Management

The management of the grants provided by the City relating to affordable housing did not directly impact the City’s ability to achieve the targets set in Cornerstones II. However, the lack of available funds from other orders of government limited the City’s opportunities to leverage those funds and provide more grants to create affordable housing units and promote investment in Council approved higher density areas.

In 2017, the City provided grants for upgrading and building new secondary suites, to Habitat for Humanity to build new affordable housing units for families, and to build new affordable housing for seniors on a surplus school site.

The City’s Administrative Directive A1460 Grant and Other City Contributions (the Directive) is meant to establish consistent practices for the administration of grant programs and other contributions to ensure accountability, effective oversight and reporting of outcomes achieved.

The Directive defines a grant as a contribution where eligibility criteria and/or stipulations are compulsory for the recipient, there is a formal application and selection process and there is a future obligation attached to the contribution. As well, it provides Grant Administration Steps that should be followed for all grant programs. These include instructions to follow during the following six stages of the Grant Administration Cycle:



We assessed the Area's compliance with the Grant Administration Steps in the Directive for the secondary suites grants and the long term affordable housing grants (Habitat for Humanity and surplus school site). We found that the Area complied with all the Grant Administration Steps in the Directive except the following:

**Performance Monitoring** – The Directive requires that the Area monitors the grant recipient's compliance to the terms and conditions of the grant agreement. For the secondary suite grants the Area indicated that they did not have the resources to ensure that the secondary suites they provided grant money to build were being rented out to someone that qualifies for affordable housing.

**Closing and Reporting Procedures** – The Directive requires that the grant program manager reports on the outcomes of the grant program to stakeholders annually or more frequently as required. The results of the Secondary Suites and Long Term Affordable Housing grant programs have not been reported on publically since 2015.

### Recommendation 3

Comply with Grant and Other City Contributions directive

We recommend that the Director of Housing and Homelessness ensures the grant programs administered by the Area are in compliance with Directive A1460, specifically relating to the Performance Monitoring and Closing and Reporting Procedures stages of the Grant Administration Cycle.

#### **Management Response**

Accepted

Housing and Homelessness will review existing housing grant program processes and procedures and take the steps necessary to ensure the programs are in compliance with Directive A1460. We will also work our new branch colleagues in Community Resources to identify any additional steps that may be taken to enhance administrative efficiency and reporting.

Planned Implementation Date: March 31, 2019

Responsible Party: Director of Housing and Homelessness

Performance  
Measurement

How the Area measured and reported on its achievement of the Cornerstones II outcomes and its progress towards achieving the objectives of the Affordable Housing Strategy did not directly impact its actual achievement of the outcomes and objectives. However, it did impact the Area’s ability to demonstrate its progress and challenges in achieving the outcomes and objectives and having the use of good information for program governance.

Cornerstones II included a Performance Evaluation Framework and the Affordable Housing Strategy included a monitoring and performance measurement framework. However, the Area did not use them to evaluate and report on the success and challenges of achieving the desired outcomes of the program past 2013.

We also found that the Area currently does not have a formal, documented performance management framework. This would clearly define roles, responsibilities, accountabilities, and procedures for performance management activities. Not having a documented performance management framework affects the ability of the Area to consistently and systematically collect, analyze, utilize, and report on its performance in relation to the strategies.

Recommendation 4  
Develop a performance management framework

We recommend that the Director of Housing and Homelessness develops and implements a formal performance management framework.

**Management Response**

Accepted

A formal monitoring and performance measurement framework was included in the Affordable Housing Strategy approved by Council in 2015. However, the Framework is very robust and includes over twenty measures, which makes it difficult to operationalize. Housing and Homelessness will review the existing framework and develop a new performance management system that focuses on a smaller number of measures that prioritize information needed for effective decision-making.

Planned Implementation Date: December 31, 2018

Responsible Party: Director of Housing and Homelessness

Compliance with Policies

The City has the following five policies that directly relate to affordable housing:

- C435: The Identification and Acquisition of Land for Social Housing
- C436: Site Selection Guidelines for Senior Citizen and Family Social Housing
- C437: The Lease or Sale of City-Owned Land for Social Housing Development
- C582: Developer Sponsored Affordable Housing
- C438: Social Housing Capital and Operating Subsidy Agreements

The policies did not prevent the achievement of the outcomes or actions.

Overall we found that these policies did not seem to prevent the achievement of Cornerstones II outcomes or affect the progress in achieving the implementation actions of the Affordable Housing Strategy.

However, we did find that four of the policies (C435, C436, C437, & C438) are 30 years old and contain outdated processes and terminology.

Additionally, the current policies do not align with the goals and objectives of the Affordable Housing Strategy and individual programs. For example one of the objectives in the Affordable Housing Strategy is for the City to play a direct role in increasing supply of affordable housing. Policy C435: The Identification and Acquisition of Land for Social Housing states that:

*The City will identify the need for sites and will negotiate for the acquisition of sites for family and social housing in all new residential neighbourhoods to provide an area of net residential land sufficient to provide family and social housing for five percent of the population of the residential neighbourhood at appropriate densities subject to City Council approval.*

On the surface this sounds like it should help the area increase the supply of affordable housing, however, the Area told us that it is no longer relevant as the City does not have the authority to ask for specific parcels of land from developers. Therefore, this



Policies are outdated and do not align with strategy

policy is not aligned to the Strategy neither is it helping the City achieve the objectives of the Strategy.

We also found the Area does not comply with all the procedures in the policies. For example, the Area is not currently following the guidelines in Policy C436: Site Selection Guidelines for Senior Citizen and Family Social Housing as they are outdated. The Area follows more current guidelines set up by the City's planning area and is in consultation with stakeholders to update these site selection guidelines.

The potential risks of having outdated policies are:

There may be an impact on the achievement of the Area's objectives and those of Council.

Roles, responsibilities, and accountabilities are not clear.

Lack of consistency or understanding in the Area.

Other, newer City policies may not align with the affordable housing policies.

The Area may not be providing the best value to citizens and Council.

The policies should be aligned to the goals and objectives of the Strategy and individual programs to help facilitate achievement of the Area's and Councils objectives.

Recommendation 5  
Update policies

We recommend that the Director of Housing and Homelessness ensures the City policies relating to affordable housing are reviewed and updated to ensure they align to the goals and objectives of the City in relation to affordable housing.

**Management Response**

Accepted

Policies related to affordable housing will be reviewed and updated to ensure they align with the goals and objectives of the City in relation to affordable housing. This review will be conducted in close partnership with the Law branch, since a large number of previous and current agreements may make reference these policies. Policies that are no longer relevant will be repealed and those that do not reflect current practice will be amended or replaced.

Planned Implementation Date: June 30, 2019

Responsible Party: Director of Housing and Homelessness



# Conclusion

We found that the City did not achieve most of the targets set out in Cornerstones II and has not achieved all of the implementation actions within the specified timeframes identified in the Affordable Housing Strategy.

We further reviewed five areas that we felt were potential barriers to the achievement of the targets and actions. We found that lack of available funding from other levels of government and the effectiveness of some programs directly impacted the achievement of the targets and actions. We also found that grant management, performance measurement, and compliance with policies did not directly impact the achievement of the targets and actions.

We made five recommendations to improve the Area's ability to achieve the future goals of the affordable housing program.

We wish to thank management and staff of the Area for their cooperation and support during the review.



# Risk Assessment & Methodology

## Methodology

We used the following methods to conduct this review:

Reviewed the City's affordable housing strategies and other related documentation;

Held discussions with management and supervisory staff;

Reviewed related City policies, procedures, and administrative directives;

Performed an analysis of financial data; and

Reviewed grant documentation and files.

## Risk Assessment

During our risk assessment work we found the following potential risks to the achievement of the affordable housing strategies:

Lack of available funding

Effectiveness of programs

Grant management

Performance measurement

Compliance with policies