



Affordable Housing Partnership Framework

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Introduction

The Affordable Housing Partnership Framework (Partnership Framework) is a unique Alberta approach to develop innovative and sustainable affordable housing solutions for Albertans with low income by bringing together partners from public, private, and non-profit organizations to increase supply in high need areas of the province. The Partnership Framework is based on the key actions of [Stronger Foundations, Alberta's 10-year strategy to improve and expand affordable housing](#).

Stronger Foundations identifies how the Government of Alberta will put into action the 19 recommendations it accepted in December 2020 from the [Affordable Housing Review panel](#) for transforming Alberta's affordable housing system. Among other recommendations, the strategy identified the need to enhance sustainability and efficiency of the affordable housing system, as well as enable growth and investment. To accomplish these goals, the Alberta Social Housing Corporation (ASHC) will enter into partnerships using the Affordable Housing Partnership Program (AHPP) that will enhance capital development and affordable housing supply. The AHPP is one component of a suite of tools intended to expand the number and type of providers the government currently partners with to provide affordable housing.

The Partnership Framework provides the overarching goals, objectives and policy directions intended for affordable housing projects that meet the criteria for provincial support under the AHPP. The AHPP Guidelines contain specific information for project proponents, such as eligibility criteria and proposal evaluation criteria to obtain provincial support.

Terminology

Accessible – refers to the ability for families and individuals, including seniors, with low to moderate income, to obtain housing that is adequate, affordable and suitable.¹

Accessibility – refers to the manner in which housing is designed, constructed or modified (such as through repair/renovation/renewal or modification of a home), to enable independent living for persons with diverse abilities. Accessibility is achieved through design, but also by adding features that make a home more accessible, such as modified cabinetry, furniture, space, shelves and cupboards, or electronic devices that improve the overall ability to function in a home.¹

Adequate – refers to housing that does not require any major repairs, meets health and safety requirements and conforms to applicable codes, standards and guidelines.¹

Affordable – refers to housing that can be owned or rented by a household with shelter costs (rent or mortgage, utilities, etc.) that costs less than 30 per cent of before-tax (gross) household income (See also affordable housing).¹

Affordable Housing – refers to housing that can be owned or rented by a household with shelter costs (rent or mortgage) that are below market rates.

Agreement – the document that sets out the terms and conditions under which the Parties agree the Operator will own, maintain and operate.

Alberta Social Housing Corporation (ASHC) – the provincial corporation established under the *Alberta Housing Act* that owns and administers the provincially-owned portfolio of social housing assets and manages provincial debts and agreements associated with those assets.

Applicant – an organization applying for funding from the AHP program.

Canada Mortgage and Housing Corporation (CMHC) – is a Canadian crown corporation that serves as the national housing agency of Canada.

Core housing need – refers to a household when its housing does not meet one or more of the adequacy, suitability or affordability standards, and it would have to spend 30 per cent or more of its before-tax income to access acceptable local housing.¹

Financial sustainability – refers to the ability to maintain below-market rental units within a portfolio over the duration and within the terms of the agreement.

Financial viability – refers to the ability for the building owner or manager to generate sufficient income (from rent, common elements fees, etc.) to meet its operating payments and debt commitments, and save for future capital needs to maintain the building in good condition.¹

Housing unit – a dwelling, suite, or residential unit, which is, or is, intended to be leased, rented, or otherwise occupied by Tenants as listed in the Agreement

Median Market Rent – means the rent or payment rate for the area where the project is located, by unit type, as determined on an annual basis by Canada Mortgage and Housing Corporation (CMHC) annual rental market survey.

Minimum Rent Units – where median market rents (MMR) are 60 per cent of median market rental rates as defined by the CMHC Rental Market Survey for the community.

¹ The National Housing Strategy Glossary of Common Terms.

Mixed-income housing – refers to housing developments or portfolio of developments that include households of different income levels.

Mixed-use development – refers to any type of development (including rent and/or owned) that houses a range of services in addition to housing, such as commercial and retail spaces.

Mixed-tenure development – a housing development or selection of developments that may include a portion of owner-occupiers and others for affordable and/or social housing.

Operating agreement – an agreement that includes the terms and conditions, which apply to the affordable housing development financed jointly by the Government of Alberta and parties.

Social Housing – refers to regulated housing programs defined in the Social Housing Accommodation Regulation. Community Housing, Seniors Self-Contained Housing regulated rents are set at 30 per cent of a household's income. Utilities (including heat, water and sewer expenses) are included; electricity, phone, television and any additional services (e.g. parking) are not included.

Rent Supplement – a subsidy paid to tenants to help make rental accommodation more affordable for individuals and families (an affordability offset is a form of rent supplement).

Specialized housing – refers to modest, adequate, and suitable rental housing provided to families, seniors, individuals, and targeted populations, such as Indigenous peoples and persons with disabilities, with low to moderate income, and supportive housing.

Suitable – refers to housing that has enough bedrooms for the size (number of people) and makeup (gender, single/couple, etc.) of the household and meets their needs, according to National Occupancy Standard requirements.¹

Value for money – considers the net present value of the proposed stream of rental rates as they compare to market rents in the area over a set period of time.

Purpose and Outcomes of Partnerships

To meet the rising demand for affordable housing in Alberta, innovative solutions and transformative actions are required. The Government of Alberta (GOA) alone cannot meet the demand, therefore; to increase external investment, increase supply of affordable housing for Albertans with low income, and ensure the long-term sustainability of the affordable housing system, the AHPP was created.

Alberta Seniors, Community and Social Services aims to put people first. The AHPP will not compromise Alberta's affordable housing system, which operates in the best interests of the Albertans it serves. Partnerships must ensure any impacts to tenants are minimized wherever an occupied property is being considered for change to its status.

Stronger Foundations identifies a target of serving 25,000 additional households by the end of the 10-year strategy, bringing the total to 82,000 households served. To meet this goal, the GOA has committed to adding 13,000 new affordable housing units and increasing rent supplements by 12,000 households. The AHPP is one of the key tools that will be used to reach the goal of 13,000 new affordable housing units.

Partnerships will align with outcomes identified in the [Stronger Foundations Strategy](#):

- Affordable housing is accessible to Albertans in core housing need;
- Affordable housing is incorporated into communities, and integrated with social, education, health and community-based supports, where possible;
- Affordable housing is financially viable and sustainable;
- There is improved access to affordable rental units through increased supply to meet present and future affordable housing need.
- Available funding from other orders of government, private non-profit and for-profit sector is leveraged; and
- Innovative approaches to develop affordable housing are identified and encouraged.

Using a partnership approach offers a range of benefits for all parties, including:

- The opportunity to make use of private and non-profit sector ideas, expertise and innovations;
- The ability to leverage funding and financing from other partners; and
- Long-term financial sustainability.

Target Populations

Affordable housing exists to support households with low-to moderate income who cannot attain rental housing at market rates. It also provides stability to people who may have barriers to accessing safe, suitable accommodations on their own, including but not limited to seniors, families, individuals with disabilities, individuals and families experiencing domestic violence, individuals experiencing homelessness, and others with special housing needs.

In Alberta, affordable housing refers to below-market housing accommodation provided by housing management bodies, private or non-profit operators to individuals and households in "core housing need". Albertans are in core housing need when they spend more than 30 per cent of their income for housing that is suitable (enough bedrooms for the size and make-up of a household) and adequate (housing that does not need any major repairs).

Supporting Albertans most in need and protecting the most vulnerable continues to be a priority under a partnership approach. The AHPP is focused on increasing the number of affordable housing units available for households with low-to-moderate income who cannot attain rental housing at market rates.

Over the 10 years of the *Stronger Foundations* strategy, the GOA's commitment is to maintain or increase the number of low rent (also known as deep subsidy) units within the overall number of government-supported units.

Ownership Models

Through the ASHC, the GOA owns almost half of the subsidized rental housing stock in Alberta (about 26,000 of the total 57,000 social housing units). *Stronger Foundations* identifies a shift in government's role from an owner and operator of assets, to being a funder and regulator. Through the Partnership Framework, and the [Affordable Housing Asset Management Framework](#), ASHC also intends to transition to this new role.

A proposal under the AHPP can request a transfer of ASHC-owned assets and/or land to management bodies, non-profit or private operators as part or all of the province's contribution. AHPP partners will be expected to maintain the asset as social or affordable housing, unlock the asset value, and leverage the asset for further investment, increasing the availability of affordable housing in Alberta.

Partnerships under the AHPP differ from traditional use of public-private partnerships (P3) where the public sector retains ownership of the infrastructure. Under the AHPP, affordable housing developments will allow for a variety of ownership models, such as joint ownership and housing operator ownership. The province will place an encumbrance on the property title for the term of the partnership agreement to ensure units remain affordable housing for a minimum of 20 years.

Financially Sustainable Models

Among other recommendations, the *Stronger Foundations* strategy identified mixed-income and mixed-tenure models as an innovative and useful mechanism that can help to create community benefits and increase the sustainability of affordable housing.

The AHPP can be used to develop affordable housing in a more financially sustainable manner through mixed-income, mixed-tenure and mixed-use developments. Projects that may be considered for funding include:

- Mixed-income developments with an affordable and/or social housing component;
- Mixed-use developments with an affordable and/or social housing component;
- Specialized housing.

Mixed-income housing refers to developments that are intentionally designed with a mix of units that vary in affordability for households with a range of income levels. Such developments may also include mixed-tenure (where some units are for sale and others are rentals, designed for low-income housing clients), as well as mixed-use (incorporating office, retail and/or commercial spaces in addition to housing).

These approaches can provide revenue streams to support the ongoing operational financial viability of the overall development and enable affordable housing providers to keep up with repairs and asset renewal. In addition to financial sustainability, these approaches improve geographical distribution of housing and can increase access to amenities and employment opportunities for residents. It also can reduce stigma often associated with social housing projects, as residents are not limited to developments that concentrate households with the lowest incomes on the same property and/or in the same building. Mixed-income approaches allow tenants to remain in their homes as their income increases.

In moving toward more mixed-income housing, there are opportunities for improved conditions and higher quality of life for tenants through greater informal community connections and access to higher quality services in the property and in the neighbourhood.²

Where it makes sense, redevelopment to revitalize, densify or repurpose existing housing with below market rents is a preferred approach to achieve value for money compared to new construction. In the right circumstances, redevelopment can reduce up front capital costs and achieve greater value for money.

² Joseph, Mark L. January 2006. "Is mixed-income development an antidote to urban poverty?" Housing Policy Debate, Issue 17(2), p.209-234. https://journals.scholarportal.info/details/10511482/v17i0002/209_imdaatup.xml

Mixed-Income

Mixed-income models are used in most jurisdictions as a means of building innovative housing and using more sustainable approaches to operate housing, often in partnerships with non-profit providers and private developers. Alberta currently has several mixed-income affordable housing developments, and leverages private market capacity through the Rent Supplement Program, creating income mix in rentals across the province.

A shift to more mixed-income housing is a key element of the *Stronger Foundations* strategy that can help to create community benefits as well as increase the sustainability of affordable housing. The transition to more mixed-income housing will take time. It is important to know this model would primarily be applied to new developments and to the redevelopment of existing assets where appropriate. A mixed-income approach has several benefits that align with the *Stronger Foundations* strategy:

- Asset transfers in combination with capital investment for redevelopment into mixed income housing will help transition ASHC properties into sustainable assets, shifting the GOA's role from an owner and operator to a regulator and funder.
- A mixed-income model provides a financially sustainable operating model with positive net income that will attract and enable a range of potential partnership options - including intergovernmental, community and private sector opportunities.
- Increased revenues generated by mixed income will help secure funding under the federally delivered National Housing Strategy initiatives, such as the CMHC Co-Investment Fund, which targets investments for mixed-income and mixed-use affordable housing buildings.
- For existing social housing, transitioning existing administrative practices and regulations via a mixed-income model is a key to simplifying and streamlining the existing complex, expensive administrative system.
- The implementation of the mixed-income model can eliminate a number of inequities in how current subsidy programs set rent and the tenants are affected. For example, current programs may require a tenant to move if the household income increases. In a mixed-income project, tenants can remain in their home and another household can benefit from lower rent.
- Serving households with a range of incomes, in addition to helping vulnerable low-income persons and families, will help prevent a moderate-income household from sliding into deeper housing need, and provides additional housing choice for moderate-income households including those who are currently not prioritized in community housing.

Using a mixed-income model approach, partners under the AHPP should be able to obtain financial viability while continuing to serve households in core housing need. AHPP mixed-income models are characterized by an integration of minimum rent, mid-range, and market or near-market rental units within project portfolios.

In new developments, analysis shows that a sustainable mix of rents could include:

- Up to 30 per cent of units at market and near market rent (i.e., 91 per cent of Median Market Rent (MMR) up to MMR);
- Up to 30 per cent of units at minimum rent (i.e., rents set at no less than 60 per cent MMR); tenants for whom minimum rent is not affordable would be eligible for a rent supplement (also known as an affordability offset);
- The residual units would then be at mid-range rents (i.e., between 61 and 90 per cent of MMR) with the higher proportion required to create viable projects.

The above breakdown serves as the GOA's model for mixed-income, based on research and analysis. Variations to this mix could be considered to achieve financial sustainability based on factors such as location, target populations served or other revenue sources. The ideal mix of unit types and rents will vary based on local factors, including the type of demand as determined through a housing needs assessment, local labour and development costs, local market rents, scale of operations, and whether the project is a new development or redevelopment/rehabilitation of existing property.

To ensure minimum rents are still affordable to the lowest income households that rely on regulated social housing today, the GOA will support very low-income tenants by enabling them to apply for a rent supplement, also known as an affordability offset. This will ensure the most vulnerable tenants are not spending more than 30 per cent of income on rent, while affordable housing operators have assurance that the revenue stream from occupied minimum rent units is 60 per cent of MMR to maintain financial sustainability.

Not all projects are appropriate for mixed-income approaches. For example, specialized housing that requires on-site supports may require small-scale housing or other considerations that will limit the value and viability of mixed-income housing. Projects providing family and community housing and housing for independent seniors have demonstrated successful mixed-income approaches in Ontario, British Columbia, the United States and New Zealand.

Shared Responsibility and Coordination

Alberta's partnership approach is grounded in a shared understanding of local housing needs in the community and share commitment to providing the right solutions to address community needs. To that end, [Affordable Housing Needs Assessments](#) will form the basis of articulating housing needs, goals and evaluating partnership opportunities. The GOA released a non-mandatory template and guidelines for completing a needs assessment in July 2022, in order to assist municipalities with establishing a common evidence-based approach that includes standardized data and metrics, projected future demand, collaboration with key stakeholders, and includes information on unique local factors.

In general, where developer or operator capacity exists, and where there is interest in partnerships and investment, the province will use a partnership approach to enhancing affordable housing supply, guided by the Affordable Housing Partnership Framework.

AHPP will include a maximum of up to one-third capital contributions from ASHC, with the expectation that developers will fill gaps with funding obtained through federal or municipal governments, donations and private sources or borrowing. Provincial contributions may be provided in various forms such as a grant or a land/building contribution. Sources of municipal government contributions could include municipal development incentive grants in the form of cash, land, waiver or reduction in development fees or other incentives that directly reduce the cost of development. Contributions to operating costs (which fall outside the scope of the AHPP) could include grants or tax exemptions by either the province or the municipality where appropriate.

Coordination of objectives, funding and criteria will be important across multiple orders of government. Clear transparent processes and timing will assist with communicating and coordinating project support. To reduce the administrative burden on applicants and streamline the AHPP application process, GOA's application form is designed with consideration to the information required by CMHC for their Co-Investment Fund.

Minimizing Tenant Impacts

Stronger Foundations is a 10-year strategy and it is expected transitioning to a mixed-income model may take some time to accomplish. New developments can be built to the model; however, transitioning the existing ASHC assets will happen much slower to ensure the same number of minimum rent units remain and current tenants are not affected. Great care will be taken to ensure we continue to support Albertans most in need and protect the most vulnerable.

Alberta Seniors, Community and Social Services aims to put people first, ensuring impacts to tenants are minimized wherever an occupied property is being considered for change to its status. Wherever a redevelopment partnership project affects existing tenants, appropriate alternative housing options will be found and tenants will have the option to return to affordable units when the project is complete, as long as they remain eligible for affordable housing.

Ensuring Effective Partnerships

The partnership approach will support greater efficiency and effectiveness in the affordable housing system by:

- Supporting proposed developments only where there is a verified need;
- Using a fair and transparent process to accept applications;
- Selecting experienced proponents that meet program requirements based on clear criteria; and
- Negotiating terms of an agreement early in the process.

Value to taxpayers will be achieved by targeting developments in communities where there is a high need for affordable housing and developments that demonstrate value for money.

The new partnership approach under the AHPP will operate new projects under agreements that will safeguard tenants and partners while minimizing red tape and expensive administration.

When a project proponent is successful in applying for the AHPP program they will be required to sign an agreement with the GOA. The agreement will outline:

- The number of households to be supported by below-market rents;
- The rental bands (e.g., 20 per cent below-market rental rates);
- The number of years the agreed-to number of households will remain at the specified rental bands (a minimum of 20 years); and
- The target populations.

During development of the strategy, the Government of Alberta heard a clear message from stakeholders. While there is a need to grow the supply of affordable housing, in some communities there is also need to maintain or increase the number of low rent (deep subsidy) units that are available today. To ensure that any property transferred or developed under a partnership approach remains affordable housing, ASHC will use an encumbrance on title, registering the agreement for the committed term (i.e., minimum of 20 years). If a partner is no longer able to maintain their commitment to maintaining a property as affordable housing, ASHC could stop payments, demand repayment of all or a portion of capital funds or terminate funding related to the project. As a last resort, the property could revert to ASHC ownership.

Applicants will be required to submit documentation for regular compliance reporting in accordance with the partnership agreement. Agreement terms, funding levels, and type of provincial contribution will consider the unique needs of the community as determined through a local needs assessment.