



Affordable Housing Development

Program Guide

JUNE 2022

Summary

The Affordable Housing Development Program (AHDP) is the Province of Nova Scotia's flagship new multi-unit supply program. Through this program, the Department of Municipal Affairs and Housing (DMAH) partners with private developers and community housing groups to encourage and help fund the construction of new affordable housing. The program's end beneficiaries are low-to-moderate income Nova Scotian households having difficulty finding housing at a price they can afford.

AHDP offers flexible solutions for partners to develop diverse, meaningful projects and access funding to support their construction. It was designed with flexibility and adaptability in mind, so projects can meet the needs of each community. Transparency is key to this program so developers and community housing groups can fully understand our priorities and how we evaluate funding proposals.

A portion of the funds available come from the Province, together with Federal support through the National Housing Strategy.

Desired program outcomes

This program aims to:

1. Increase new affordable housing supply as rapidly as possible.

Nova Scotia has a pressing affordable housing shortage and construction projects take many months to plan, construct and reach operational status. We aim to invest in projects that minimize delays as much as possible through sound planning and mitigation.

2. Build long-term capacity in the community housing sector.

The community housing sector in Nova Scotia is developing and gaining strength in numbers and experience each year. AHDP has a number of elements in place to help, including dedicated client relationship managers who will work with organizations to share knowledge, expertise and guidance.

Eligibility

Eligible organizations

Those organizations applying to AHDP must:

- Be a private company, non-profit society, charity or housing cooperative registered and in good standing with Joint Stocks in any Canadian province or territory authorized to do business in Nova Scotia.
- Have a minimum of five (5) years property management experience or engage a professional third-party property management firm acceptable to DMAH.
- Have successfully completed a similar scale project on-time and on-budget or they must

execute a fixed-price contract with a general contractor with experience building similar projects.

- Have adequate financial resources to fund cost overruns without adding encumbrances to the property.

Eligible projects

Eligible projects must:

- Be located in Nova Scotia (off-reserve).
- Be a single site, building or portfolio project, self-contained units (including single room/studio occupancies) which provide permanent housing via 12-month leases.
- Create affordable rental units for low- to moderate-income households.
- Offer rents at least 20% below CMHC's Average Market Rent (AMR) or Median Market Rent (MMR) for the project location and be under the maximum rents allowable for the immediate community based on Household Income Limits (HILs) as published by the Province of Nova Scotia.
- Offer the affordable units at affordable rental rates for at least 15 years.
- Include at least five (5) affordable residential rental units.
- Involve new construction, conversion of a non-residential building, or the renovation of an existing, fully vacant multi-unit building.
- Be financially viable to build and operate for the entire affordability period.
- Meet Building Code minimum standards for energy efficiency and accessibility.
- Have a Phase I Environmental Site Assessment or environmental clearance through Nova Scotia Department of Environment for the proposed site, and cannot be built on a flood plain or floodway fringe.
- Not include additional fees in the proposed rents for services such as internet, cable or storage. These fees must be optional for affordable unit tenants.
- Have reasonable access to personal and professional services, retail businesses, recreation facilities and educational institutions. Access to public transportation is desirable but may be waived for communities where DMAH is satisfied that demand for proposed units has been demonstrated.

Equity requirements

Private developers must make a minimum equity contribution of 20 percent of the project's eligible capital development costs, in the form of cash or unencumbered land.

Community housing groups must make a minimum equity contribution of 5 percent of the project's eligible capital development costs, in the form of cash or unencumbered land.

In exceptional circumstances, other items that may directly contribute to the financial viability of the project such as grants, tax rebates or municipal reductions could also be considered.

Ineligible projects

Projects ineligible for funding through AHDP include:

- Renovations of occupied/semi-occupied rental properties.
- Indigenous housing projects on-reserve.
- Shelters or other forms of temporary housing.
- Transitional or secondary-stage housing.
- Supportive housing.
- Condos.
- Student housing.
- Mobile homes on steel chassis.
- Funding for the acquisition of existing rental properties.

Project priority

Priority will be given to projects that:

- Offer rents with more than a 20% discount on CMHC's AMR/MMR.
- Offer affordable units for more than the minimum of 15 years.
- Can achieve occupancy within a rapid timeframe.
- Achieve higher-than-average social, economic or environmental outcomes.
- Involve co-operatives, non-profit housing providers or community housing groups.
- Leverage partnerships between or among multiple sectors.
- Exceed current accessibility standards.
- Exceed current energy efficiency standards.

Funding overview

Funding is available for up to half the units in a project. For projects proposing fewer than 10 units, funding is available for up to 100 percent of the units.

The amount of funding a project receives is impacted by a number of variables, including:

- The affordability period being proposed (15 years, 20 years, or more);
- Depth of affordability being offered (80% of Average or Median Market Rents (AMR or MMR), 70% of AMR etc.).
- The funding available in the budget.
- The number and nature of other projects being funded concurrently.

To improve flexibility in the program, funding contributions are flexible and determined during the proposal review process. DMAH expects applicants to make reasonable per-door funding requests that are substantiated with objective information (for example, market data on rental rates in the area, and supply/demand analysis provided by a credible third-party source), commensurate with program objectives, and with the understanding that public funds must be administered effectively and fairly. DMAH reserves the right to fund projects based on reasonableness, available resources and value-for-public investment.

Funding will be assigned to high quality projects that meet our scoring standard as they are received and evaluated. The objective is to invest as early as possible in the fiscal year in the strongest affordable housing projects that demonstrate financial sustainability and best reflect the priorities set by government on behalf of Nova Scotians. In this way, affordable housing units can reach the market and be occupied as quickly as possible. Once the annual budget is committed, no additional projects will be funded unless a previously approved project is unable to proceed. At that time, the next most viable project will receive a funding offer.

Funding from other sources

AHDP assumes that applicants will also access project funding from third party partners in the form of mortgages, loans, cash, land donations and other financial supports like grants and waived fees.

Other helpful program details

Rent

Rent to be charged on affordable units is typically proposed by the applicant and negotiated prior to the submission of a funding proposal to AHDP. This is to ensure that only projects that meet the minimum requirements of the program are considered during the evaluation phase.

Inclusive proposed rents for affordable units

While not a requirement, applicants are encouraged to include heat, hot water, domestic electricity and parking in the rent for affordable units funded through AHDP.

Rent increases

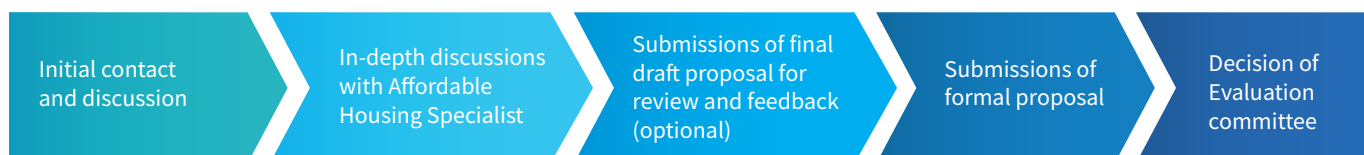
Rental rates for affordable units covering Year 1 through Year 5 of operations are negotiated as part of the Project Contribution Agreement (PCA). Rent for market units (units other than affordable units) can be increased during the period of affordability, as long as the increase complies with the requirements of the Residential Tenancies Act and doesn't jeopardize the project's financial sustainability through vacancy losses.

Rent for AHDP-funded affordable units can be increased after Year 5 of operations, within reason, with written approval from DMAH. DMAH approval is required before notifying affordable unit tenants as required by the Residential Tenancies Act. Approved rent increases are typically consistent with increases in Nova Scotia's All-Items CPI. A rent increase will not be approved if the new proposed rents exceed CMHC's AMR/MMR in the area, or if it would exceed the maximum affordable rent allowed under the Province's Household Income Limits (HILs). If rent control legislation has been enacted by the provincial government, any approved increases must also comply with the limits imposed by that legislation.

Submission process overview

DMAH has finetuned the process for preparing and submitting a proposal for funding under AHDP. The new process takes a partnership approach to developing projects from a well-developed idea to a formal funding submission.

Here is a high-level overview of the process for all organizations interested in making a proposal for funding:



Preliminary project discussion

Those interested in submitting a funding proposal should have an initial discussion with one of our team members. You will be asked specific questions about the project you have in mind so we can start to understand your project and get a sense of how far along you are in the planning and development process. The team member will also give you a good idea of what's needed to get your project submission-ready.

In-depth project discussions with program specialist

You'll be assigned an Affordable Housing Specialist (AHS) who will be your primary contact through the whole process. Developers will benefit from the consistency and the detailed knowledge the program specialist will have of your project.

The goal of this stage is to help developers and community housing groups develop projects that are suitable for the program and eligible for funding. You'll receive a first-hand understanding of the program's priorities and how we make selection decisions. Conversations will become quite granular as we work together to finetune the project. While this doesn't guarantee your project will be funded, it is the best way to understand how best to compete for funding.

This is meant to be a partnership. That is the best way to ensure we find and fund the most promising affordable housing projects.

Proposal preparation

Once you and your assigned Affordable Housing Specialist (AHS) agree that your project is defined and developed enough to apply for funding, it's time for you to draft your proposal for funding. We have prepared a set of Submission Guidelines to help you write it and you'll also have your AHS who can answer questions and provide you with advice.

Pre-submission proposal review

Once your funding proposal is ready to be submitted, we provide you with an opportunity to have it reviewed prior to formal submission. This is not mandatory, but we strongly encourage you to take advantage of the opportunity. This is a chance for you to make sure your proposal is complete, eligible for funding, and that it will be competitive in the evaluation process. It takes our team one to two weeks to review your proposal, and we will get back to you with a clear indication if your proposal is ready for submission or not. Please note that favourable feedback on the calibre of your submission at this stage does not guarantee your project will be supported at evaluation stage, but it does ensure it should be competitive.

Formal submission of funding proposal

AHDP does not have a prescribed application window so when your funding proposal is ready, please submit it as soon as possible for consideration. Your formal submission should be submitted electronically to AffordableHousingDevelopment@novascotia.ca.

Evaluation

Pre-evaluation eligibility check

All funding proposals are first reviewed to confirm the project meets the formal eligibility criteria for AHDP funding. Any funding proposals deemed ineligible will not advance to the next evaluation stage and the applicant will be notified in writing as soon as possible. All eligible funding proposals will move on to the next step in the evaluation process.

Evaluation committee

The Evaluation Committee is the group of people who formally evaluate funding proposals for AHDP. They are a group of individuals from across DMAH who are knowledgeable about affordable housing in Nova Scotia and who commit to ensuring this program supports the most promising projects. This group meets as needed to ensure DMAH can evaluate funding proposals as quickly as possible after they are submitted.

Evaluation methodology

We have carefully developed an evaluation method that is fair and transparent. The evaluation method uses multi-attribute utility (MUA) analysis, a disciplined, widely used framework for project prioritization. It means that the evaluation tool rigorously and consistently expresses our program and funding priorities, we can readily and logically explain funding decisions and feel confident in an established scoring method widely recognized as comprehensive and fair.

A weighted scoring matrix is used to assess each funding proposal against a set of established scoring thresholds. In this way, rather than competing against other funding proposals submitted at the same time, your funding proposal is evaluated against a series of scoring benchmarks. Exceeding those benchmark scores means your funding proposal is acceptable for the program. However, this doesn't mean your project will be funded.

Funding decisions

Unfortunately, DMAH cannot fund every project that comes our way. We have a prescribed budget, so we take pains to fund the strongest affordable housing projects that have the best chance of succeeding and that reflect the priorities set by government on behalf of Nova Scotians. Therefore, we use a prioritization method that scores funding proposals against the elements that represent the best investment for Nova Scotians. All funding proposals deemed acceptable for the program (that is, they exceeded the required evaluation score noted in the previous section) are assessed using this tool.

Evaluation results

All projects submitted will receive a formal message confirming results of their submission, whether the project is being funded or not.

Those projects being offered funding will receive a conditional approval letter and a sample of the Project Contribution Agreement that will govern the relationship over the term of affordability. The conditional approval letter outlines details on the funding being offered and the conditions that must be met within six (6) months in order to enter into the Project Contribution Agreement with DMAH.

Project Contribution Agreement (PCA)

The PCA is the legal funding agreement that governs the relationship between the funding recipient and DMAH for the full term of affordability. It contains detail on all requirements for the funding recipient and for DMAH. A few highlights include:

- It will specify negotiated rent increases for the first five years of operations.
- It stipulates the negotiated Total Completion Date for construction and specifies when and how progress payments will be made.
- It specifies the insurance requirements.
- It requires the developer to submit annual reporting to DMAH confirming occupancy, tenant eligibility (on turnover), and rental rates for affordable units; and
- It requires the developer to get prior approval from DMAH before further encumbering the project property.
- Any organization that has been approved for funding can begin construction prior to the PCA being negotiated and in-place. However, the organization does so at its own risk and will still be required to meet all of the funding conditions and comply with all requirements of the Project Contribution Agreement.

Tenants

Tenant attraction and eligibility is the responsibility of the property owner. The latter means it is your responsibility to ensure tenants meet the eligibility requirements for affordable units at the time they apply for housing.

Eligible tenants for funded affordable units must:

- Be able to live independently.
- Have verified household income below HILs, the household income limits established annually by CMHC and adopted by DMAH. This verification at initial occupancy is the responsibility of the property owner.

Other tenant-related information

- The number of household members cannot exceed the limits established in National Occupancy Standards.
- Standard form leases must be used at initial occupancy and must include any fees for additional services not included as part of the rent in a schedule forming part of the tenant's lease.
- The PCA specifies rent increases for the first five years of operations. Subsequent rent adjustments must be submitted to DMAH at least three (3) months prior to the anticipated Notice to Tenant date and must be approved in writing by DMAH.
- Rent adjustments for affordable units during the affordability term are allowable if approved in advance by DMAH, as long as the increase does not jeopardize the project's financial sustainability through losses due to increased vacancy.
- National Occupancy Standards (NOS) should be considered in selecting tenants, balancing those standards with the objective of providing affordable housing for Nova Scotians.

Compliance

As with any funding relationship, there are compliance requirements related to the AHDP projects we fund.

Compliance requirements are outlined in detail in the Project Contribution Agreement (PCA), the document that governs all of our funding relationships. In addition to being in compliance with the various program requirements, a number of specific compliance requirements are listed below.

AHDP recipients must maintain a set of complete financial and operational records for the full term of the agreement, plus three years after the PCA expires relating to the project including;

- all tenant applications,
- income verification documents,
- leases,
- rent rolls, and
- annual financial statements

When a new tenant is contracted for an affordable unit, the AHDP recipient will:

- Retain a copy of the lease for the unit in question.
- Retain verification of household income of the tenant.

Retention of these records is important as DMAH reserves the right to audit records to ensure program compliance.

Any organization that is in receipt of funding from AHDP, and is within the contracted affordability period, may be requested to submit the following:

- Annual rent rolls for all units, broken down by unit.
- Household income of each affordable unit tenant.
- Number of occupants of each affordable unit.
- Number of units that are barrier-free.

DMAH may initiate a formal review to verify compliance at any time during the affordability period.

Compliance with funding conditions is reviewed and must be satisfied before we advance any funds. Failure to comply with the terms of the PCA may result in foreclosure or other remedies.

How to apply

There is no specific application 'window' for this program. DMAH will accept funding proposals at any time. However, because we are trying to increase affordable housing supply as quickly as possible, applicants are strongly encouraged to apply as early as possible in the fiscal year (fiscal year runs April 1 to March 31).

DMAH has prepared Submission Guidelines to guide the preparation of your funding proposal. It provides detail on what we need to see in your proposal and gives you a clear view of how we prioritize and value project elements. We don't prescribe any particular layout so applicants can choose the format best suited to their project. However, we recommend ensuring the project information we specifically request is easy to find, as it will help with efficient proposal evaluations.

List of Acronyms

AHDP – Affordable Housing Development Program
AMR – Average Market Rent
CMHC – Canada Mortgage and Housing Corporation
DMAH – Department of Municipal Affairs and Housing
HILs – Household Income Limits
MMR – Median Market Rent
NHS – National Housing Strategy

