

REPORT

Council

Meeting Date: December 16, 2024

FROM: Finance Department

DATE: December 3, 2024

SUBJECT: Building Faster Fund

LOCATION:

WARD: Town-wide

Page 1

RECOMMENDATION:

1. That the Investment Plan outlined in Appendix B to the report from the Finance department dated December 3, 2024, to save/bank funds to 2025 be approved and submitted to the Province in relation to the 2024 Building Faster Fund program year.
2. That a reserve fund titled the Building Faster Fund reserve fund be established.

KEY FACTS:

The following are key points for consideration with respect to this report:

- On August 21, 2023 the provincial government announced the Building Faster Fund (BFF). BFF is a three-year program that will provide up to \$400 million per year to eligible municipalities.
- The town is an eligible municipality, as Mayor Burton submitted Oakville's housing pledge to the Minister of Municipal Affairs and Housing in March 2023; and further, provided feedback on the recommendations of the Housing Affordability Task Force to the Minister of Municipal Affairs and Housing in October 2023.
- The town's housing target of 33,000 units represents 2.2% of the provincial wide target of 1.5 million units. The BFF is allocated based on each municipality's share of pledged growth, which results in potential funding of \$8.8 million per year for the town.
- Municipalities are evaluated on the number of housing starts achieved during the year compared to the annual target set by the province. Oakville has been given housing targets for the years 2023, 2024 and 2025. If the town achieves at least 80% of the target, the town is eligible to receive funding.

- The town received a letter from the Minister of Municipal Affairs and Housing on November 25, 2024 stating that the town achieved 80% of its annual target for 2023. This has now made the town eligible for \$7,058,182 in funding for the 2024 BFF program year.
- Staff have executed the Transfer Payment Agreement with the province and are now required to submit an Investment Plan by the end of 2024 that outlines how the funds will be used.
- There has not been sufficient time to develop a full Investment Plan for Council to consider. Staff recommend that an Investment Plan be submitted that will save/bank the funds from the 2024 BFF program year to 2025, which is allowed under provincial guidelines.
- Based on 2024 housing performance, the town will also qualify for BFF funds in the 2025 BFF program year.
- Staff will provide an Investment Plan for Council consideration in January 2025 that outlines how the town plans to use the BFF funding from both the 2024 and 2025 BFF program years.

BACKGROUND:

On August 21, 2023, the provincial government announced a \$1.2 billion Building Faster Fund (BFF) that provides significant new funding for municipalities.

BFF is a three-year program from 2023-2025 and will provide up to \$400 million per year. To be eligible, a municipality's head of council must commit in writing to achieve their overall 2031 housing target. The head of council must also provide feedback on the recommendations of the Housing Affordability Task Force by October 16, 2023. Both requirements have been satisfied for Oakville.

For municipalities with set targets, such as Oakville, the portion of the \$400 million annual funding will be determined based on the share of the overall provincial housing supply goal, as well as performance against annual assigned targets. Oakville's housing target to 2031 is 33,000 new residential units representing 2.2% of the provincial wide target of 1.5 million new units. This means that Oakville would be eligible for up to 2.2% of the annual funding ($33,000 / 1,500,000$), which is \$8.8 million.

The province has set annual province-wide targets over the years of the program. The initial years are lower than the average number of homes needed to meet the target of 1.5 million, as the province is seeking to set ambitious and realistic targets that will provide time for municipalities to accelerate new homes. During the three-year timeframe, the targets are as follows:

| Target | 2023 | 2024 | 2025 |
|------------------|---------|---------|---------|
| Provincial | 110,000 | 125,000 | 150,000 |
| Town of Oakville | 2,420 | 2,750 | 3,300 |

Performance against these targets is evaluated based on housing starts as defined by the Canada Mortgage and Housing Corporations (CMHC) Starts and Completions Survey, as well as Additional Residential Units (i.e. basement apartments) and other institutional housing types (i.e. long-term care beds) created in a given calendar year.

Funding started in 2024, based on performance in 2023. BFF funding is intended to provide financial support for municipalities that can be directed toward housing-enabling infrastructure and related costs that support community growth.

The following examples illustrate the potential funding that the town could achieve depending on its performance against the provided targets:

- If the town does not achieve at least 80% of its annual housing target, no funding would be received.
- If the town achieves between 80% and 100% of its annual housing target, it will receive that percentage of the annual funding for which it is eligible. For example:
 - If the town achieved 80% of its annual housing target, \$7.04 million would be received.
 - If the town achieved 100% of its annual housing target, \$8.8 million would be received.
- If the town exceeds its annual housing target, it would be eligible for a bonus of 2 times the % that was exceeded. For example:
 - If the town achieved 110% of its annual housing target, \$10.56 million would be received. This would include \$8.8 million for achieving the target, plus a bonus of \$1.76 million (10% X 2 = 20% X \$8.8 million).
 - The bonus is capped at 125% of the annual housing target, which would result in \$13.2 million in BFF funds. This would include \$8.8 million for achieving the target, plus a bonus of \$4.4 million (25% X 2 = 50% X \$4.4 million).

COMMENT/OPTIONS:

The town received a letter from the Minister of Municipal Affairs and Housing on November 25, 2024 stating that the town achieved 1,941 housing starts, which is

just over 80% of its annual target for 2023 (attached Appendix A). This has now made the town eligible for \$7,058,182 in funding for the 2024 BFF program year.

The town has entered into a Transfer Payment Agreement with the Province for the BFF program. To receive funding, the town is now required to submit an Investment Plan (IP) to the province outlining how the town plans to use the 2024 BFF funding. Prior to submission of the IP, the IP must be approved by Council.

Housing performance achieved to date in 2024 will also qualify the town for additional BFF funding in the 2025 program year. Based on the provinces "housing tracker" available online (<https://www.ontario.ca/page/tracking-housing-supply-progress>), Oakville has achieved 119.45% of its housing target as of the end of September. This equates to BFF funding of \$8.8 million plus a bonus of \$3.4 million. An IP for the 2025 program year is due to the province by February 14, 2025.

The following is a list of the eligible expenditures under the program:

1. **Capital expenditures on housing-enabling core infrastructure and site servicing:** This for infrastructure including roads, bridges, water and wastewater, including sanitary and stormwater facilities:
 - to accommodate future residential development through new construction, reconstruction, rehabilitation/repair or expansion of existing infrastructure
 - capital maintenance for the renewal, rehabilitation and replacement of core infrastructure owned by the municipality to preserve existing housing supply, as well as site servicing/preparation expenses to support the direct creation of more housing
2. **Operating or capital expenditures that support the creation of net new affordable housing:** affordable housing as defined in the Development Charges Act, or a unit also supported by stacking with funds through a provincial affordable housing program (i.e. Homelessness Prevention Program). Eligible expenses must create a net increase in affordable housing stock.
3. **Operating or capital expenditures that support the creation of net new attainable ownership housing, including through modular construction**
4. **Capital expenditures for homelessness service centres**

The IP must describe the actions that will be supported with BFF funding, including how these actions support increasing housing supply, housing development, including issues of affordability and any identified risks to achieve housing targets.

All funds must be spent by March 31, 2026; failure to do so will result in funds having to be repaid to the province. Funds may be saved/banked from one year to the next and shall be kept in an interest-bearing account.

Staff are assessing the town's capital program based on the eligible expenditure categories to complete an IP for Council consideration. The majority of the funds are anticipated to be in the category of housing enabling core infrastructure, with a focus on projects that will incur spending by the March 31, 2026 deadline and that either accommodate future residential development or preserve existing housing supply.

Staff have not had adequate time to develop a comprehensive plan for the 2024 BFF funds for Council consideration. As a result, staff recommend that the IP attached as Appendix B be approved, after which staff will complete section D and submit to the province, which will save/bank the funds to 2025.

As the town will qualify for additional BFF funding as part of the 2025 BFF program year, staff will prepare an IP for Council consideration in January 2025 that outlines plans to use the BFF funds received as part of the 2024 (\$7,058,182) and 2025 (up to \$13,200,000) BFF program years.

Staff recommend that a reserve fund be established to deposit the saved/banked funds titled the Building Faster Fund reserve fund. This reserve fund will be interest bearing in accordance with the terms of the Transfer Payment Agreement.

CONSIDERATIONS:**(A) PUBLIC**

N/A

(B) FINANCIAL

Funding from the Building Faster Fund will be used towards housing enabling infrastructure and related costs that support community growth.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

N/A

(D) COUNCIL STRATEGIC PRIORITIES

This report addresses Council's strategic priority of growth management and accountable government.

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – Oakville Allocation letter

Appendix B – 2024 BFF Investment Plan

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