

AFFORDABLE HOUSING PROGRAM

Program Guide for Developers



Program Overview

The Affordable Housing Program (AHP) provides a capital contribution of up to \$50,000 per self-contained residential rental unit in the form of a forgivable loan, amortized over 15 years, to support new construction of modest housing stock in communities where there is a shortage of affordable rental units.

AHP funding will be awarded to proponents, subject to AHP budget capacity, based on an evaluation of their application, organizational capacity, depth of affordability attained, and the project's potential to address an unmet need in the community in which it will be located. Proposed projects that meet mandatory eligibility criteria and target priority populations, identified under the Canada-Nova Scotia Housing Agreement 3-Year Action Plan will be given first consideration.

Funding will typically be provided for up to half the units in a project, subject to budget capacity, to achieve a mixed demographic profile for residents. Smaller projects of less than 10 units may receive funding for 50% to 100% of the units.

Projects selected for funding through the Affordable Housing Program (AHP) must develop affordable rental units for low-to-moderate income households that are modest in terms of floor area and amenities and, where feasible, are accessible for individuals with mobility impairments. Rents for units funded through the AHP must be below average market rents in the immediate neighbourhood, as determined by Housing Nova Scotia.

Eligibility Criteria

Eligible Applicants

Proponents applying for funding through the Affordable Housing Program (AHP) must be a private company, non-profit society, charity, or housing co-operative registered and in good standing with the Nova Scotia Registry of Joint Stock Companies. Proponents must also satisfy the following eligibility criteria:

- **PROPERTY MANAGEMENT** - Proponents must have a minimum of five (5) years' property management experience. In lieu of property management experience, proponents may hire a professional third-party property management firm, acceptable to Housing Nova Scotia. Such intentions must be clearly identified in the proponent's AHP Application.
- **REAL ESTATE DEVELOPMENT EXPERIENCE** - Proponents must have successfully completed a similar project on time and within budget. Alternatively, proponents must execute a fixed price contract with a general contractor, acceptable to Housing Nova Scotia, who has experience building similar projects.
- **EQUITY CONTRIBUTION** - Proponents must have sufficient assets to meet the minimum equity contribution required to support the proposed development and must have a demonstrated ability to accommodate unexpected increases in construction costs. The minimum equity contribution is equivalent to **twenty percent (20%)** of the proposed project's eligible capital development costs, including land.

Eligible Projects

Projects eligible for funding under the Affordable Housing Program (AHP) must be located in Nova Scotia and must comprise a minimum of four (4) affordable, self-contained residential rental units.

Eligible projects include new construction, renovation of vacant residential buildings or rental properties, and conversion of a non-residential building (e.g. school, warehouse, etc.) to residential rental units.

Prospective tenants must be able to live independently, and the unit configuration must comply with National Occupancy Standards for the target demographic. Projects may contain a mix of market and affordable rental units, particularly where the revenue generated from the market units allows reductions in the proposed affordable rents.

NATIONAL OCCUPANCY STANDARDS

There will be no more than two persons per bedroom; parents do not share a bedroom with children; and dependents aged five or more of the opposite sex do not share a bedroom.

There should be at least one person per bedroom. Couples are expected to share a bedroom unless there is a medical condition that requires an extra bedroom.

In recognition of a variety of co-parenting arrangements, a child who resides with their parent(s) a minimum of 40 per cent of the time will qualify as a permanent member of the household.

Projects funded through the Affordable Housing Program require a satisfactory Phase I Environmental Site Assessment (ESA) report or environmental clearance through the Nova Scotia Department of Environment for the proposed site and cannot be located on a flood plain or floodway fringe.

Project sites must have access to personal and professional services, retail businesses, recreation facilities, and educational institutions. Access to public transportation is desirable but may be waived for rural communities where Housing Nova Scotia is satisfied that sustainable demand for the proposed units has been demonstrated.

Ineligible Projects

The following projects are not eligible for funding under the Affordable Housing Program:

- renovation of occupied or partially occupied rental properties;
- urban indigenous community housing;
- shelters;
- transitional/secondary-stage housing;
- supportive housing;
- rooming houses;
- co-housing projects;
- condominiums;
- student housing; and
- mobile homes constructed on a steel chassis.

Projects receiving funding through the CMHC National Housing Co-Investment Fund (CMHC NHCF) or CMHC Rental Construction Financing Initiative (CMHC RCFI) are not eligible for funding under the Affordable Housing Program. *HNS will launch a new funding stream to support NHCF proposals. A call for proposals will be issued soon.*

Projects under construction prior to formal funding approval are not eligible for funding consideration under the Affordable Housing Program (AHP).

Design Criteria

Projects eligible for funding under the Affordable Housing Program (AHP) may be single unit dwellings, or multi-family structures (e.g. duplexes, fourplexes, apartment buildings, etc.); however, cost containment should be considered early in the design process when selecting the specific structure for a proposed project.

Non-residential space cannot exceed 30% of total gross floor area nor 30% of total development costs. Commercial/retail space is permitted if it supports the attainment of affordable rents. Proposed projects must comply with modesty, accessibility, and visitability criteria as detailed below.

- **ACCESSIBILITY** - A minimum of 10% of the units in a proposed project must comply with the Barrier Free (BF) Design Requirements of the Nova Scotia Building Code Regulations. It is the responsibility of the proponent to ensure the design complies with these standards.
- **VISITABILITY** - All non-Barrier Free units with grade level or elevator access (including units that will be rented at market rents) must, at a minimum, comply with Housing Nova Scotia's Visitability Standards.
- **DRAWINGS** - Proponents must submit detailed drawings that provide unit dimensions to confirm compliance with HNS' visitability standards. Drawings must be stamped and signed by an Architect or Engineer licensed in Nova Scotia.
- **MODESTY** - Proposed affordable units must be modest in terms of floor area, fixtures, and finishes. Affordable units funded through the Affordable Housing Program (AHP) must comply with the following modesty guidelines:

Unit Size	Unit Dimensions
Bachelor (Studio)	450 SF
One Bedroom	650 SF
Two Bedroom	853 SF
Three Bedroom	1,000 SF

The calculation of the unit size is based on the Net Unit Area. In-suite storage and closets are to be included in the Net Unit Area. Balconies are to be excluded.

- **NUMBER OF BEDROOMS** - The bedroom configuration of the proposed affordable units must be suitable for the targeted tenant demographic in accordance with National Occupancy Standards.

Affordable Rents

Rents for AHP-funded units must be below average market rents for comparable units in the immediate community in which the project is located, as determined by HNS, and must be below maximum affordable serviced rents for the immediate community based on Household Income Limits (HILS), as established by Housing Nova Scotia. Rents for AHP-funded units must remain affordable for the duration of the full 15-year term of the forgivable loan.

Although the proponent would indicate proposed affordable rents in the AHP application, the approved rents for a particular project are determined during the proposal review process based on a combination of factors including total developments costs, debt service costs, market rents in the immediate and/or surrounding neighbourhood, and long-term sustainability of the project.

When setting the proposed affordable rents, it is helpful for proponents to determine the break-even rents and maximum market rents for the proposed project. The proposed affordable rents would fall within this range. It is important to keep in mind that the strength of a proposal is enhanced by minimizing the proposed affordable rents while maintaining sufficient revenue to ensure the project's financial sustainability.

Proponents are encouraged to include heat, hot water, domestic electricity, and parking in the rent for units funded through the AHP. Fees for additional services including internet, cable, and/or storage must be optional at the tenants' discretion and clearly distinguished from the unit rent in leases for affordable units funded through the AHP.

Rent Increases

Rents for market units in an AHP-funded project may be increased during the 15-year term of the forgivable loan at the discretion of the owner, as long as the increase does not jeopardize the project's financial sustainability through increased vacancy losses. Rent increases for AHP-funded units must be approved in writing by Housing Nova Scotia prior to providing notification to tenants, within the timeframe required under the Residential Tenancies Act. Requests for rent increases must be submitted to Housing Nova Scotia at least six (6) months prior to the anticipated implementation date.

Approved rent increases are typically consistent with increases in the Nova Scotia All-Items CPI. However, Housing Nova Scotia may not approve a proposed rent increase if it determines the proposed rents exceed average local market rents or if the proposed rent would exceed the maximum affordable rent based on current Household Income Limits. Where rent control legislation has been enacted by the provincial government, any approved increases within the parameters previously outlined, must also comply with the limit imposed by the rent control legislation.

Rent Supplements

Units funded through the Affordable Housing Program (AHP) may be eligible for non-portable rent supplements.

Tenant Selection

The AHP-funding recipient is responsible for marketing the affordable rental units funded through the AHP and selecting tenants that meet the eligibility criteria outlined in the Project Contribution Agreement.

AHP-funded units must be leased to tenants with household incomes below the limit established by Housing Nova Scotia. The funding recipient must verify the tenants' household income at initial occupancy and continue

to collect data re tenants' household income on an ongoing basis. The Household Income Limit (HIL) may be adjusted by Housing Nova Scotia during the 15-year term of the forgivable loan.

Funded units must also be leased in accordance with National Occupancy Standards (NOS) which restrict the number of residents in a unit based on household composition and bedroom count. In accordance with NOS, affordable units targeted to seniors must be bachelor or one-bedroom units. Market (i.e. unfunded) units are not subject to these restrictions.

Standard Form Leases must be executed at initial occupancy of the affordable units and must comply with provincial Residential Tenancies legislation. The leases for AHP-funded units must clearly indicate applicable inclusions as stipulated in the Project Contribution Agreement.

Funding Structure

Proponents must clearly indicate the anticipated funding structure for proposed projects in their AHP application, and total funding must equal projected total development costs. At a minimum, the proposed funding must be comprised of three funding sources: *Conventional Financing*, *HNS Affordable Housing Program*, and *proponent's equity*. Additional sources of funding may be considered.

- **PROPONENT'S EQUITY** - Proponents must provide a minimum equity investment equal to 20% of the proposed project's total development costs. The equity contribution can be in the form of unencumbered land and/or cash. Although, not included in the proposed funding structure, proponents must have adequate financial resources to fund cost overruns that may be incurred during construction without placing an additional encumbrance on the property.
- **CMHC SEED FUNDING** - Funding through CMHC's SEED Funding program may be in the form of a grant or repayable loan.
- **ADDITIONAL FUNDING** - Other third-party partners (e.g. municipalities, charitable foundations, private donors, etc.) may provide funding (e.g. grants), land donations, or other financial support (e.g. municipal fee waivers) to offset the development costs of the proposed affordable housing project. Agreements for third-party contributions must be between the proponent and the third party. Housing Nova Scotia will not enter into agreements with third parties regarding a project funded through the AHP.

How to Apply

Applications for funding under the Affordable Housing Program (AHP) will be through an application process between June 1st and July 15th, 2021. Applications will be open for 45 days on the Housing Nova Scotia and Infrastructure and Housing website. Proponents must complete and submit an **AHP Application Package** and supporting documents by the submission deadline. Proponents must submit a formal Affordable Housing Program (AHP) application even if they have already engaged in discussions with Housing Nova Scotia.

Applications that are not submitted in the appropriate format will not be accepted. Proponents must complete and sign the submission checklist provided in Section 1 of the Application Package. It is important to complete the application in its entirety and provide all supporting documentation. Incomplete applications will not be processed.

The initial submission window opens on June 1st, 2021. Proposals must be submitted by July 15th, 2021 for consideration in the 2021/2022 fiscal year. Late applications will not be accepted.

Proposal Evaluation

All AHP proposals will be considered; however, Housing Nova Scotia is under no obligation to approve every application which is submitted for funding under the Affordable Housing Program. Successful applicants will be informed via a formal Conditional Funding Approval Letter issued by Housing Nova Scotia.

Proposals received during each submission period will be ranked in comparison to other concurrent proposals based on the project's development stage and overall suitability, including immediate financial viability and long-term sustainability. Projects at or approaching the "shovel-ready" stage will be ranked higher. Assessment categories include, but are not limited to, the proponent's capacity, site suitability, design, market demand, target demographic, depth of affordability, financing, and construction schedule.

Once the initial screening is complete, proposals will undergo a detailed review and assessment. If necessary, Housing Nova Scotia may, at its sole discretion, arrange a site visit or meetings with the proponent to inform the comprehensive proposal assessment.

Proposals selected for further assessment will be evaluated based on the following criteria:

- Cost effectiveness and financial viability;
- Potential for long-term sustainability;
- Capacity to meet an identified need for affordable housing in the community in which the project will be located;
- Capacity of the proponent;
- Project design, including accessibility and energy efficiency;
- Alignment with Housing Nova Scotia priorities; and

Funding Approval

Successful proponents will receive a formal Conditional Funding Approval Letter from Housing Nova Scotia for projects selected for funding under the Affordable Housing Program by October 15, 2021.

The Conditional Funding Approval Letter will become a schedule to the Project Contribution Agreement between the developer and Housing Nova Scotia.

All conditions outlined in the Conditional Approval Letter and Project Contribution Agreement must be met before construction can commence.

Disbursement Process

Once the AHP Project Contribution Agreement has been fully executed and all conditions precedent stipulated therein have been met, the capital contribution will be disbursed during construction in accordance with an approved cash flow schedule for the project, upon presentation of a third-party progress claim. The proponent's equity will be applied to development costs incurred to date prior to the advance of any funds under the AHP loan. The final draw, equivalent to 10% of the AHP capital contribution, will be released upon project completion, as defined in the Project Contribution Agreement.

Housing Nova Scotia will register a mortgage on the property for the full value of the capital contribution when the initial draw is advanced, in accordance with the Project Contribution Agreement. The Housing Nova Scotia mortgage will be a second charge on the parcel behind the conventional lender's mortgage.

Once Housing Nova Scotia is satisfied that the affordable housing project is complete, in accordance with the Project Contribution Agreement, the forgivable loan will be placed on "repayment" on the first day of the month following the final disbursement of funds. During the 15-year term of the forgivable loan, forgiveness will be earned monthly as long as the project remains in compliance with the Project Contribution Agreement.

Responsibilities During Construction

Once the Project Contribution Agreement is fully executed and conditions precedent have been satisfied, construction may commence. During the construction period, the funding recipient must comply with all municipal, provincial, and federal building codes and applicable municipal zoning and/or Development Agreements and by-laws. They must maintain the project building and grounds, ensure all health and safety standards are met, and comply with all other relevant legislation, including but not limited to environmental and labour legislation.

The funding recipient must provide regular progress updates during the construction period and must keep Housing Nova Scotia apprised of any deviations from the approved construction schedule and/or any issues that arise during construction of the project that may delay or jeopardize the project including labour issues, supply issues, environmental issues, etc. Any material changes to the project costs and scope of work must be communicated immediately to Housing Nova Scotia.

Builder's risk insurance must be in force during the construction period, and Housing Nova Scotia must be identified as a second loss payee. The funding recipient must also be in good standing with the Worker's Compensation Board.

All media inquiries relating to the project must be referred to Housing Nova Scotia and the funding recipient must notify Housing Nova Scotia in advance of any communication activities, publications, advertising, and/or news releases relating not the project. Housing Nova Scotia may make public announcements and/or hold official ceremonies respecting the project.

Compliance & Reporting Requirements

Once the forgivable AHP loan has been put on repayment, the funding recipient must continue to adhere to the terms of the Project Contribution Agreement and must operate in accordance with the Nova Scotia *Residential Tenancies Act and the Human Rights Act*. Funding recipients must submit regular reports to Housing Nova Scotia confirming the rent charged and tenants' household income for each unit funded through the Affordable Housing Program (AHP).

Funding recipients must maintain complete financial and operational records relating to the project, including but not limited to copies of all tenancy applications, income verification documents, leases, rent rolls, and accounts receivable ledgers during the full term of the forgivable loan and for three (3) years after the Project Contribution Agreement has expired and must protect the privacy of such information. Upon request, the funding recipient must provide copies of these reports and statistics to Housing Nova Scotia.

Housing Nova Scotia may initiate a formal review to verify the funding recipient's compliance with the terms of the Project Contribution Agreement (PCA) at any time during the construction period or term of the forgivable loan. Compliance reviews may include requests for documentation relating to the project and/or tenants residing in the units, in accordance with the terms of the Project Contribution Agreement.

Failure to comply with the terms of the Project Contribution Agreement may result in foreclosure or other remedies, at the sole discretion of Housing Nova Scotia.

Additional Information

Queries concerning the Affordable Housing Program (AHP) or application process should be directed to: AffordableHousing@novascotia.ca