



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	November 4, 2020
<b>SUBJECT/REPORT NO:</b>	Canada Mortgage and Housing Corporation (CMHC) Rapid Housing Initiative (HSC20056) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Kirstin Maxwell (905)546-2424 Ext. 3846
<b>SUBMITTED BY:</b>	Edward John Director, Housing Services Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the General Manager of the Healthy and Safe Communities Department or his designate be authorized and directed to enter into the Rapid Housing Initiative Contribution Agreement with the Canada Mortgage and Housing Corporation (CMHC) to accept Hamilton’s Rapid Housing Initiative Major Cities Stream allocation of \$10,760,585 for the creation of new affordable housing units through conversion or rehabilitation of existing buildings or modular construction;
- (b) That the General Manager of the Healthy and Safe Communities Department or his designate be authorized and directed to administer the Rapid Housing Initiative Major Cities Stream and provide support to projects applying to the Rapid Housing Initiative Projects Stream including: entering into any agreements and ancillary agreements on such terms as he considers appropriate; approving purchase orders; exempting actions from approved City policies, procedures, and business practices as needed to meet RHI timelines; and taking other actions needed to ensure success; and,
- (c) That the Housing Services Division report back to Council through updates or reports as appropriate and possible within time constraints, on the City’s progress with the Rapid Housing Initiative.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

## **EXECUTIVE SUMMARY**

On October 27, 2020, the Federal Government publicly announced an immediate total investment of \$1 B through the Rapid Housing Initiative (RHI) to fund rapid production of affordable housing across Canada. The City of Hamilton received notification on October 23, 2020 of an allocation of \$10,760,585 (rounded to \$10.8 M in the remainder of the report) under the RHI Major Cities Stream in the form of a letter to the Mayor's Office (attached as Appendix "A" to Report HSC20056) to support projects selected by the City. Proposals may also be submitted to the nationwide \$500 M RHI Projects Stream.

The RHI provides up front capital funding to support the development of permanent housing within three categories: acquisition of land and construction of modular housing; acquisition of land and existing buildings for the purpose of conversion; and, acquisition of land and rehabilitation of uninhabitable housing.

For the RHI Major Cities Stream the City must submit a detailed investment plan recommending specific projects to CMHC by November 27, 2020 and projects must be occupied within 12 months from approval of the investment plan and no later than March 31, 2022. Municipalities are requested to have projects targeting a variety of priorities including women, seniors and the urban Indigenous population and to take a community benefit approach. All affordable units must be dedicated to people and populations who are vulnerable and targeted under the National Housing Strategy (NHS), especially people experiencing or at risk of homelessness or living in temporary shelters because of the COVID-19 pandemic.

**Alternatives for Consideration – Not Applicable**

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial:

Immediately upon signing of the RHI Contribution Agreement between CMHC and the City, CMHC will transfer Hamilton's allocation of \$10.8 M to the City. The City is not required to provide security for these funds unless deemed necessary by CMHC. All of the funds must be used to directly fund the projects. As with other CMHC programs, no funds will be provided to the City to support program delivery. However, unlike the CMHC Co-Investment Fund and Rental Construction Financing Programs, there is no requirement for a City financial contribution to RHI projects. The level of municipal contribution is one of the criteria for CMHC's evaluation of proposals submitted under the Projects Stream.

Staff are examining potential opportunities to link the RHI funds with other programs and goals, such as Reaching Home, Ontario Renovates, and support programs.

Proponents are expected to include development charges, parkland dedication fees, and planning application fees as project costs in proposal budgets, however depending on the availability of funds, requests for offsets could be considered in the future for a select number of top priority projects.

Staffing:

N/A

Legal:

Legal Services staff have reviewed the RHI Contribution Agreement between CMHC and the City and expressed concerns regarding clarity in a number of terms and requirements; expectations regarding conformity of the occupied units, and the ability for CMHC to reduce or cancel the funding.

CMHC has provided staff the opportunity to identify “red flags” with the agreement and these detailed comments have been provided to CMHC. It is expected that accepting the \$10.8 M investment will require the City to enter into the agreement without significant amendments.

Staff are working to minimize financial risk to the City and the risk of leaving funds on the table by only recommending projects for which there is a high level of certainty of completion within the required timelines.

## **HISTORICAL BACKGROUND**

In August 2020, Council endorsed the City’s revised 10-year Housing and Homelessness Action Plan (“Action Plan”) which sets a stretch target of 350 new affordable rental units per year to meet population increases. Hamilton is currently not meeting this target.

Prior to the RHI there were two primary sources of funds to support the development of affordable housing in Ontario. In May 2018, the Federal Government released the National Housing Strategy series of programs including the Co-Investment Fund, and in May 2019, the Ontario Priorities Housing Initiative and Canada-Ontario Community Housing Initiative were announced. The RHI is a much-needed and welcome addition to these programs.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Housing and Homelessness Action Plan

Hamilton has an undersupply of affordable rental housing units. To address its housing crisis, the Council endorsed a 10-Year Housing and Homelessness Action Plan with the

first outcome area to increase the supply of affordable housing. The City is currently falling below its targets for development of new units.

## **RELEVANT CONSULTATION**

The Legal Services Division was consulted on the RHI Contribution Agreement and the comments addressed in the above Legal Implications section of this Report.

The Planning and Economic Development Department was consulted on planning approvals status for recommended projects and timelines required to complete various land use planning and Building processes. Building staff have and continue to assist with in-depth zoning reviews of all recommended projects to ensure compliance with existing zoning.

Since the beginning of the pandemic Housing staff have consulted with individual affordable housing developers and community partners with respect to projects to address ongoing vulnerabilities and local priorities in the housing system. Staff continue to engage with these partners and providers with respect to the ability of their proposed projects to meet the RHI requirements.

Staff continue to engage with the Hamilton is Home coalition which has collectively created a large portfolio of projects and representing numerous local and federal priorities.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

On October 27, 2020, the Federal Government announced the Rapid Housing Initiative, including Hamilton's \$10.8 M allocation under the Major Cities Stream. In addition to this specific allocation, Hamilton proposals may also compete for a portion of the \$500 M available nationwide under the Projects Stream.

### **A. Rapid Housing Initiative Program Requirements**

#### **Timelines:**

- Detailed investment plan with recommended projects submitted to CMHC by November 27, 2020 for the Cities Stream, and proposals submitted to CMHC by December 31, 2020 for the Projects Stream; and,
- Projects occupied within 12 months of investment plan approval for the Cities Stream, and within 12 months of agreement signing for the Projects Stream.

#### **Eligible Project Types:**

- New modular construction projects;
- Conversion/rehabilitation of existing non-residential or uninhabitable buildings to affordable housing;

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- Standard rental, transitional, permanent (three months or more) supportive housing, single room occupancy and seniors housing (that requires light to no care);
- Minimum of five units or beds;
- Minimum contribution request of \$1M; and,
- Minimum requirements for expediency, financial viability, affordability, energy efficiency, accessibility and targeted populations; and,
- Confirmation of sustainable operating funding.

**Applicants:**

- Governments or their agencies, Indigenous governing bodies and organizations
- Non-profit organizations
- Must have property management and construction management experiences directly or through a third party

**Project Requirements:**

- All units must serve and be affordable (household is paying less than 30% of gross income on housing costs) to targeted people and populations who are vulnerable and who are also, or otherwise would be, in severe housing need or people experiencing or at high risk of homelessness;
- Affordable for a minimum of 20 years;
- All units must be dedicated to people and populations who are vulnerable and targeted under the National Housing Strategy (NHS), especially people experiencing or at risk of homelessness or living in temporary shelters because of the COVID-19 pandemic; and,
- Municipalities will be requested to have projects targeting women and the urban Indigenous population and to take a community benefit approach.

**CMHC Project Prioritization Criteria:**

- Need
- Duration of confirmed subsidy
- Cost sharing/support from another level of government
- Expediency
- Land Status
- Duration of affordability
- Energy efficiency
- Accessibility
- People or populations who are vulnerable

Municipalities are encouraged to take a community benefits approach and prioritize projects targeting amongst other matters, women, seniors, and the urban Indigenous population.

B. Rapid Housing Initiative Challenges and Limitations

The most notable aspect of the RHI is the required completion timeframes. As such, the City prioritization of projects is first and foremost based on their ability to meet the required timeframes.

Staff must submit the investment plan recommending specific projects to receive a portion of the \$10.8 M allocation by November 27, 2020. Approval of the investment plan starts the 12-month construction period, at the end of which projects must be available to be occupied. As per the notification of allocation received October 23, 2020, a minimum of 38 units are to be achieved within the allotted amount as noted in Appendix “A” to Report HSC20056.

The typical development process from initial concept to occupancy can take 5 years, with traditional construction alone being 18-months. The 12-month RHI completion deadline therefore focuses on adaption and re-use – converting non-residential and unhabitable residential space to new affordable housing units (attached as Appendix “B” to Report HSC20056). Projects that require a rezoning or complex site plan approval will not be able to meet the RHI timeline. Projects that require a record of site condition will not likely be able to meet the timelines. Projects that require a minor variance and/or minor site plan approval could possibly meet the timeline.

The only form of new construction permitted under the program is modular construction, which offers a number of benefits compared to traditional building practices. Following discussions with Planning and Building staff, even the shorter modular construction timeframe does not allow for any significant planning approvals to be completed within the required RHI timeframes. Thus, projects requiring an Official Plan Amendment, Complex Rezoning, or Major Site Plan Application cannot be recommended in the investment plan.

The shorter time required for modular construction is still insufficient to ensure completion on time unless no significant planning processes are required, a contract is signed, and construction of the modular components is underway. Covid-19 has also slowed construction and increased uncertainty by constraining supplies of both materials and skilled tradespeople. To ensure completion on time modular projects must therefore be in receipt of or ready to receive a building permit.

Staff continue to explore potential opportunities for modular construction projects that can be funded through the RHI. However, it is staff’s preference to only support modular projects which do not require significant planning approvals and that have been reasonably advanced, and only through the Projects Stream which is unallocated and therefore does not risk the City’s \$10.8 M allocation.

A second consequence of the tight timelines is that there is insufficient time to follow all City policies and business practices, or to solve problems that could arise during development. A public open process for project selection was not possible and Report HSC20056 seeks authority for staff to make a range of future decisions if time doesn't allow for Council approval. Staff will report to Council regularly at critical points in the process.

### C. City Criteria and Priorities

The most challenging requirement of the RHI is the completion deadline. The consequences of not meeting the deadline are the loss of the investment in Hamilton and the requirement for the City to repay CMHC for funds previously advanced. Thus, projects selected for the Major Cities Stream must first and foremost demonstrate a high level of certainty that they will be completed on time. This factor alone severely constrains the number of potential projects.

All units created through the RHI must serve and be affordable to specific priority populations who are in severe housing need or experiencing or at high risk of homelessness. These requirements can be met while addressing and responding to identified community needs in local services and supports by requiring that tenants for the new units be on the local By Name List (BNL) for people experiencing homelessness and the Access to Housing Waitlist.

These priority population requirements align with local priorities identified through ongoing cross-sectoral collaboration and consultation. Local priority populations include, but are not limited to Indigenous peoples, women, and people experiencing mental health and addictions related issues.

### D. Project Overview

To date housing staff have identified a number of projects that seem to meet all project and funding requirements, though additional review is needed before they can be recommended. Three of these projects, would collectively create about 35 units, at an approximate total cost of \$5 M, and would address both local and federal priorities by meeting the needs of women, urban Indigenous peoples, and those with mental health challenges and addictions.

Staff are optimistic that the stretch goal of doubling the required minimum number of units remains on target. Staff will report back once the eligibility of all projects has been verified and the final list of recommended projects identified.

**ALTERNATIVES FOR CONSIDERATION**

None

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report HSC20056: Letter from Minister re. the City of Hamilton’s Rapid Housing Initiative Major Cities Stream Allocation

Appendix “B” to Report HSC20056: Rapid Housing Initiative FAQ