



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	December 10, 2020
SUBJECT/REPORT NO:	Service Manager Consents for CityHousing Hamilton's Development Reset (HSC20055) (Wards 2 and 4)
WARD(S) AFFECTED:	(Wards 2 and 4)
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SUBMITTED BY:	Edward John Director of Housing Services Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That Service Manager consent be provided for CityHousing Hamilton affordable housing projects at 55 Queenston Rd. Phase 1 and 106-104 Bay St. N. (Bay-Cannon Phase 1), as described in Appendix "A" to Report (HSC20055) proceed;
- (b) That the General Manager of the Healthy and Safe Communities Department be authorized and directed to enter into, execute and administer an operating agreement with CityHousing Hamilton for their affordable housing project at 55 Queenston Rd. - Phase 1 to reflect the use of up to \$13.09 M from the Sold Units Reserve in accordance with the terms and conditions contained in the Term Sheet attached as Appendix "B" to Report HSC20055, in a form satisfactory to the City Solicitor;
- (c) That the General Manager of the Healthy and Safe Communities Department be authorized and directed to enter into, execute and administer an operating agreement with CityHousing Hamilton for their affordable housing project at 106-104 Bay St. N. - Phase 1 to reflect the use of up to \$2.1 M from the proceeds of the sale of a portion of the Jamesville property in accordance with the terms and

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.

- conditions contained in the Term Sheet attached as Appendix "C" to Report HSC20055, in a form satisfactory to the City Solicitor; and,
- (d) That Housing Services Division staff be directed to bring a report to Emergency and Community Services Committee by the end of Q2 of 2021 outlining the operating requirements for these projects and identify any additional funding required or re-allocation of existing funding from the City of Hamilton for CityHousing Hamilton's affordable housing projects at 106-104 Bay S. N. Phase 1 and 55 Queenston Rd. Phase 1.

EXECUTIVE SUMMARY

As part of its updated development strategy, CityHousing Hamilton's (CHH) board has approved a 40-unit affordable housing development 55 Queenston Rd. and a 55-unit affordable housing development at 106-104 Bay St. N. In order to proceed, the City of Hamilton, as Service Manager, must provide overall consent for the projects. The consent process allows for the review of the projects to ensure that the needs of any existing tenants (if applicable) are met, that all financial obligations relating to properties being sold are discharged and that the province's interest in maintaining public investment in community housing is addressed.

Consent for the development of CHH's affordable housing development project at 55 Queenston Rd. is recommended as is consent for CHH to use up to \$13.09 M from its Sold Units Investment Fund as an equity contribution toward the development. The full cost of the project will be \$21,613,546 and will be funded through the equity from the sale of units, debt and funding from the Canada Mortgage and Housing Corporation's (CMHC's) Co-investment fund. Construction planning has not begun for this project and completion is not anticipated before 2025.

Consent was previously granted in Report CES16053 for CHH to sell up to 100 scattered units with the requirement that they be replaced at a 1:1 ratio. This project will help fulfil the commitment to replace the scattered units that were sold. No consent issues have been identified for the project at 55 Queenston Rd. The creation of an operating agreement for the project at 55 Queenston Rd. is recommended because the property will fall outside of existing housing programs under the *Housing Services Act, 2011*. The Term Sheet for this operating agreement is attached as Appendix "B" to Report HSC20055.

Consent is also recommended for CHH's new affordable housing development at 106-104 Bay St. N. to proceed as is consent for CHH to use \$2.1 M in proceeds from the sale of part of its Jamesville project toward construction costs. The full cost of the project is \$25,097,200 and will be funded through a portion of the proceeds of the sale from Jamesville, Poverty Reduction Funds, Development Charges, block funding, debt and CMHC co-investment funding. This project will help achieve the replacement of 45

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of the 91 units from the redevelopment of the Jamesville project. No consent issues have been identified. As the new project at 106-104 Bay St. N. is not governed by an operating agreement with the Service Manager, one will need to be created and approved. The Term Sheet for this operating agreement is attached as Appendix “C” to Report HSC20055. Construction planning will soon get underway and completion is anticipated in 2024.

Service Manager consent is also required for CHH to take on debt relating to the developments. This consent will be contained in Report FCS19068(a) which will go to Audit, Finance and Administration Committee on December 10, 2020.

The Housing Services Division will work with CHH to bring a report to the Emergency and Community Services Committee in the first half of 2021 outlining the operating requirements for these projects and to identify any additional funding required or re-allocation of existing funding from the City of Hamilton to operate these projects.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: If approved, CityHousing Hamilton will be allowed to use up to \$13.09 M of the proceeds from the sale of its single and semi-detached units as equity toward the development of 55 Queenston Phase 1. This funding is in CityHousing Hamilton’s Sold Units Investment Fund and does not affect the City of Hamilton’s budget directly.

If approved, CHH would be allowed to use \$2.1 M of the proceeds from the sale of a portion of the Jamesville project toward the construction costs of the development at 106-104 Bay St. N.

If approved by the Audit, Finance and Administration Committee on December 10, 2020 in Report FCS19068(a), CHH would be allowed to take on up to \$4.2 M of debt to develop its Queenston Phase 1 project. Approval is being sought through a separate report to the Administration and Finance Committee for the City of Hamilton to guarantee the debt.

Neither building will be completed until at least 2024 so the City of Hamilton’s operating budget will experience no impacts prior to that date.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

CHH requested and was provided Service Manager consent through Report CES16053 to sell 100 single and semi-detached units. CHH also provided their plan to sell these units and reinvest the revenue into the development of new higher density housing. The revenue generated from the sale was required to be reinvested into the development of new units that replace the sold units on a 1:1 basis (at a minimum). Higher density housing, such as townhouses and apartments, is more cost effective to operate and can be developed in a manner that better meets the needs of the community and creates buildings that reflect the City's commitment to energy efficiency, environmental stewardship and improved value for taxpayers' dollars.

At the July 18, 2017, CityHousing Hamilton Board meeting, CHH highlighted the potential development opportunities to help revitalize the current aging housing stock in CHH Report #17021(a). This strategy included using the proceeds of the sale of 100 singles and semi-detached units to help finance future development.

In response to CHH Report #17021(a), the CHH Board directed staff to prioritize a site list and recommendation on the potential development opportunities. In March 2018, the Board approved the recommended development plan through CHH Report #17021(b) which include the following five developments:

- 500 MacNab St N (MacNab)
- 55 Queenston Rd Phase 1 (Queenston)
- 104-106 Bay St N (Bay-Cannon)
- 253 King William St (Wellington-King William)
- 701 Upper Sherman Ave, unused portion (Macassa)

Since the original plan was approved, development costs increased significantly. In response, CHH engaged a consultant to review the development strategy. With the original project costing estimated in 2017, major increases in construction costs have since resulted in market escalation driving project cost increases. In September 2020 through CHH Report 17021(c), CHH reviewed the costing and design strategies of new development of other affordable housing providers and cost consultants to gain a better understanding of industry expectations.

The proposed approach to address market escalations and potential future variability, includes the sequencing of the first phases of Bay-Cannon and Queenston immediately, while budgeting for the sources of fund to include the estimated CMHC Co-Investment Fund contribution and using the options of current project specific serviceable debt capacity over an extended amortization period.

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At its September 29, 2020 meeting, CityHousing Hamilton’s Board approved a revised development strategy based on updated costing figures. Key to this strategy is approval for the Bay-Cannon Phase 1 and 55 Queenston projects to proceed. The approval also includes the ability to take on debt, encumber properties.

At its December 10, 2020 meeting, the Audit, Finance and Administration Committee will receive Authority to Negotiate and Place a Debenture Issue(s) for CityHousing Hamilton Corporation (CHH) Projects (FCS19068(a)). This report contains several recommendations that authorize the Request for the authority to negotiate, secure and guarantee debenture issues, where required, for CHH debt of \$8,144,000.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The *Housing Services Act, 2011* (“Act”) designates the City of Hamilton as the Service Manager for Community Housing within the City boundaries. It also specifies that certain changes to any of the Designated Housing Projects under the Act require the consent of the City as Service Manager. This includes the following:

- transfers of certain housing projects and Local Housing Corporations (LHCs);
- mortgaging of housing projects;
- redevelopment of housing projects; and,
- Service Level Standard changes (both increase or decrease to the targeted number of Rent-Geared-to-income units).

Funding and performance of listed projects as well as the Service Level Standards are reported annually to the province in our Service Manager Annual Information Report.

RELEVANT CONSULTATION

CityHousing Hamilton has reviewed the consents and background information and agree they accurately represent their plans.

Legal Services has highlighted the need to tie all requirements relating to the development and performance of the new developments in the Operating Agreements for the two new developments.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

CityHousing Hamilton’s (CHH) board has approved proceeding with development of 106-104 Bay S. N. Phase 1 and 55 Queenston Rd. Phase 1. Overviews of both projects appear in Appendix “A” to Report HSC20055. As Service Manager for Social Housing, the City of Hamilton must provide several Consents.

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The first recommendation is a general consent for CHH to undertake the development projects. It is recommended that consent be provided for these projects. Provincial Directives state that the Service Manager is to consider the impact on existing tenants. Neither project is a redevelopment of an existing site, so no existing tenants will need to be relocated.

The second Provincial Directive is evaluating these requests is the impact on the City's required RGI service levels and the Provincial Interest in affordable housing. These projects will help renew CHH's aging housing stock and help maintain service levels. The development at 55 Queenston Phase 1 was approved to be 40-unit development with no net new units. These units will replace some of the 100 single and semis that have been sold. The remaining 60 units will be replaced through other projects in CHH's development strategy.

To help maintain current service levels, CHH requested authorization through CHH Report #18014 on September 20, 2018, for permission to develop a 55-unit residential apartment building at Bay Cannon. 45 of the units will replace a portion of the 91 units that are part of the Jamesville project that is undergoing redevelopment. The remaining 46 units will be integrated into the new building at the Jamesville site. The additional 10 units at Bay/Cannon would be moderately affordable market rentals at 100% Median Market Rent would represent a net increase in the number of units, although they would not count toward the service level standard because they are not RGI.

Another significant criterion is evaluation of risk associated with the project. Both projects will involve some environmental remediation which has already been budgeted within the construction costs thus mitigating risk. Another component of reviewing financial risk is determining if any outstanding provincial obligations remain. The debenture for all 100 units of single and semi-detached housing sold was paid off so no obligation remains. Nor is there any debt repayable to provincial/federal capital programs guaranteed by an agreement with the City.

Another important part of the Service Manager consent is the opportunity to highlight legal and financial issues in the development process. CHH will be pursuing an application to exempt both properties from municipal property taxes. Housing Services Division staff will work with CHH to bring a report to Council requesting that these properties be included under the Municipal Facilities By-law.

The second Consent is for CHH to use the proceeds of the sale of its single and semi-detached units toward construction costs at the 55 Queenston project. It is recommended that consent be given as the expenditure will provide up to \$13.09 M of equity for CHH's project at 55 Queenston Phase 1, so it is consistent with permission that was granted to sell the units. The development of this project will help CHH replace the sold units which it is required to do at a 1:1 ratio. An operating agreement would

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need to be created for the project at 55 Queenston Phase 1 to specify the expectations for the City and CHH. The agreement would be based on the Terms Sheet attached as Appendix "B" to HSC20055.

The third Consent is to allow CHH to use \$2,669,700 in proceeds from the sale of Jamesville toward the project costs at 106-104 Bay St. N. The Jamesville project was developed originally under the provincial Public Housing Program. An operating agreement would need to be created to specify the expectations for the City and CHH. The agreement would be based on the Terms Sheet attached as Appendix "C" to HSC20055. This would be done at a 1:1 ratio.

The City, as Service Manager, is required to provide consent to Housing Providers wishing to take on debt. Report FCS19068(a) is being brought to the Finance, Administration and Audit Committee on December 10, 2020 which seeks approval for CHH to take on additional debt. The Housing Services Division has consulted with the with Corporate Services Department, Financial Planning, Policy and Administration Division and CHH and there is confidence to rely on their expertise in debt management in order to fulfil the required approval to take on additional debt.

ALTERNATIVES FOR CONSIDERATION

N/A

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 HSC20055: Overview of CityHousing Hamilton's Bay/Cannon Phase 1 and 55 Queenston projects

Appendix "B" to Report HSC20055: Term Sheet for Operating Agreement with CHH for 55 Queenston Rd.

Appendix "C" to Report HSC20055: Term Sheet for Operating Agreement with CHH for 106-104 Bay St. S.