



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

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| TO: | Chair and Members Emergency and Community Services Committee |
| COMMITTEE DATE: | September 9, 2021 |
| SUBJECT/REPORT NO: | Service Manager Consents for CityHousing Hamilton's Development Reset (HSC20055(a)) (Wards 2 and 4) (Outstanding Business List Item) |
| WARD(S) AFFECTED: | Wards 2 and 4 |
| PREPARED BY: | Brian Kreps (905) 546-2424 Ext. 1782 |
| SUBMITTED BY: | Edward John Director, Housing Services Division Healthy and Safe Communities Department |
| SIGNATURE: | |

RECOMMENDATION(S)

- (a) That \$246,244 be added to Housing Services' budget in 2024 from the levy or when occupancy occurs, to provide Rent-Geared-to-Income subsidy to all 45 units at CityHousing Hamilton's project at 104-106 Bay St. N.;
- (b) That in the Housing Services Division's 2024 budget or when occupancy occurs, \$103,560 in operating subsidy be transferred from 40 scattered units that CityHousing Hamilton has sold to its project at 55 Queenston Rd.;
- (c) That \$112,697 be added to the Housing Services Division's 2024 budget from the levy or when occupancy occurs to provide subsidy at Rent-Geared-to-Income levels for rent in 40 units at 55 Queenston Rd.;
- (d) That beginning in 2025, the Rent-Geared-to-Income subsidy be increased annually by the amount of the provincial rent increase guideline;
- (e) That recommendations (a) to (d) of Report HSC20055(a) be approved and be contingent upon confirmation that CityHousing Hamilton has secured financing to complete construction of 104-106 Bay St. N. and 55 Queenston Rd.

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.

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- (f) That the Outstanding Business List item identified as Service Manager Consents for CityHousing Hamilton's Development Reset be removed from the OBL and considered complete.

EXECUTIVE SUMMARY

Under the *Housing Services Act, 2011*, the City of Hamilton is required to maintain a minimum number of social housing units, also known as service levels standards. As part of the ongoing renewal of its portfolio, CityHousing Hamilton (CHH) is redeveloping older properties that are approaching the end of their lifecycle. To support CHH's redevelopment plans and maintain service levels, the Housing Services Division is proposing that current Rent-Geared-to-Income (RGI) subsidies associated with the older stock be transferred to the new developments. Given that the properties being redeveloped have no outstanding debt, the amount of subsidy is relatively low. To provide RGI subsidy to the new developments generally requires that the subsidy be increased to reflect the new building's cost structure. This report seeks the approval of the transfer of operating subsidy between projects as well as an increase in the value of the subsidy to achieve RGI affordability for units in the new buildings as described below.

CHH's Jamesville property, which consists of 91 RGI townhouse units, is currently being redeveloped. To replace these units, a new 46-unit building will be built on the Jamesville site and CHH will construct a building with 55 units, 45 of which will be RGI, at 104-106 Bay St. N. The RGI subsidy currently associated with the Jamesville development will be retained for the new building at 450 James St. N. In order for the 45 units at 104-106 Bay St. N. to be offered at RGI-level affordability, \$246,244 in rent subsidy is required upon completion of the building, projected to be in 2024. The remaining 10 units in the new development will be offered at median market rent.

CHH is also completing the sale of 100 single and semi-detached RGI properties. To replace these units, CHH is constructing a building at 55 Queenston Rd. with 40 RGI units, a 65 unit building at 701 Upper Sherman Ave. with 46 RGI units and a 24 unit building at 253 King William St. with 14 RGI units. In order for the 40 units at 55 Queenston Rd. to be offered at RGI-level affordability, a portion of the operating subsidy (\$103,560) attached to the single and semi-detached units must be transferred to the development at 55 Queenston Rd. and increased by \$112,697 upon completion of the building, projected to be 2024. Requests to transfer subsidy to the projects at 701 Upper Sherman Ave. and 253 King William St. will be brought forward when the projects have progressed further.

If the operating subsidy is not transferred and additional RGI subsidy provided for these new buildings, the new units will be offered at rents between 69% and 110% of median market rent (MMR). This means that they would not be offered through the Access to

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Housing waitlist nor would they be affordable to most households on the waitlist. Additionally, this would reduce the number of RGI units in Hamilton by 95, making it even more difficult for Hamilton to meet its legislated service level standards.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The operating subsidy for the existing Jamesville development's 91 units will be retained for the new building at 450 James St. N. Rent-Geared-to-Income subsidy (RGI) for 45 of the 55 units at 104-106 Bay St. N. is required to subsidize the difference between the rent set according to CMHC agreements and RGI levels. The value of the subsidy is currently estimated to be \$246,244 but will ultimately be determined when final rents are established upon completion of the building in 2024. The remaining 10 units will be rented at 100% of Median Market Rent (MMR).

The 2021 operating subsidy for the 100 singles and semis being sold by CHH is \$258,902. These units will be replaced through the construction of buildings at 55 Queenston Rd. (40 RGI units), 701 Upper Sherman Ave. (46 RGI units) and 253 King William St. (14 RGI units). As part of the development of 40 affordable rental units at 55 Queenston, \$103,560 in operating subsidy will be transferred as RGI subsidy. A request to transfer the balance of the operating subsidy from the sold singles and semis will be brought forward when the projects at 701 Upper Sherman Ave. and 253 King William St. are further along. The amount of existing subsidy being transferred to 55 Queenston Rd. is insufficient to fully fund RGI subsidy for the new units. To provide RGI assistance to all units, the subsidy will need to be increased by \$112,697 total annually.

The buildings that were sold or redeveloped had no remaining debt, which is one of the largest expenses in an affordable housing project's budget. The new buildings will have debt which must be paid, and units will be offered at higher rents. This is the major financial impact requiring additional levy funding to provide RGI subsidized housing.

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. CityHousing Hamilton will include the development within their capital multi-year budget submission and the subsidy required will be included in the Housing Services Division's multiyear operating budget to be reaffirmed in the 2024 operating budget.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On October 24, 2016 the Emergency and Community Services Committee (ECS) approved Report CES16053 (CityHousing Hamilton - Request for Service Manager and Ministerial Consent to sell units) which allowed CHH to sell 100 single and semi-detached units of social housing. The sale was requested because the units were old and expensive to maintain. The sale was subject to the requirement that CHH invest the proceeds into its Sold Units Investment Fund to be used for the development of a sufficient number of new units of social housing to replace, at a minimum, the 100 units being sold.

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 Rd. projects to proceed. The approval also includes the ability to take on debt and encumber properties.

At its December 10, 2020 meeting, the Emergency and Community Services Committee (ECS) approved the recommendations in Report HSC20055 which provided Service Manager Consent for CHH to undertake affordable housing projects at 55 Queenston Rd. (Phase 1) and 104-106 Bay St. N. (Phase 1). Staff were also directed to return to ECS with a report regarding the operating costs associated with these projects.

On June 3, 2021, the Emergency and Community Services Committee (ECS) approved the recommendations in Report HSC21011 entitled Service Manager Consent for CityHousing Hamilton to Sell Jamesville Property. The recommendations provided Service Manager Consent for CHH to sell its current Jamesville development for the purposes of redevelopment. A 46-unit building will be built on the site for CHH. The operating subsidy associated with 46 units of the existing project will be transferred to the new building. In order to provide Rent-Geared-to-Income (RGI) subsidy to all the units, the budget will be increased by an estimated \$24,000 to provide a new RGI subsidy total of \$193,000.

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. The Act requires that the City of Hamilton maintain a minimum number of Rent-Geared-to-Income (RGI) units. This is termed the Service Level Standard (SLS) and the City of Hamilton reports annually on its performance against the SLS as part of its annual Service Manager Annual Information Report.

RELEVANT CONSULTATION

CityHousing Hamilton has reviewed the funding calculations and confirms that they are accurate.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

CityHousing Hamilton's (CHH) Jamesville development and scattered single and semi-detached units are part of its Public Housing portfolio. Under the *Housing Services Act, 2011* Public Housing units are part of the City of Hamilton's Service Level Standard which is the minimum number of Rent-Geared-to-Income (RGI) units that must be maintained. Additionally, there is no end date for the City's obligation to calculate subsidy for these units.

Fully funding the RGI subsidy for the 45 units at its new 104-106 Bay St. N. development will allow CHH to maintain its previous number of RGI units (91). It also means these 45 units will be offered on the Access to Housing (ATH) waitlist. If this were not to happen the units at 104-106 Bay St. would be offered at 80% of median market rent (MMR) which would not be affordable to people in receipt of social assistance or living with very low incomes and they could not be offered through ATH. This would further reduce the City's ability to meet its SLS.

Transferring the operating subsidy associated with 40 of the single and semi-detached units CHH has sold and increasing the levy by approximately \$112,697 will allow all the units at 55 Queenston Rd. to be offered at RGI level affordability. If this transfer of operating subsidy did not occur and subsidy increased, 13 of the units at 55 Queenston Rd. would be offered at 69% of MMR and the balance would be offered at 110% of MMR which would not be affordable to most of the households on the Access to Housing (ATH) waitlist. It would also mean that the City's SLS would be reduced by 40 units.

CHH's Jamesville development and singles and semis are part of the Public Housing portfolio and receive provincially-mandated increases annually known as the "benchmarks." The developments at 104-106 Bay St. N. and 55 Queenston Rd. will not be part of the Public Housing portfolio because the new buildings are governed by agreements with upper tiers of government that do not include an expectation of annual benchmarked increases. Increasing the RGI subsidy annually by the amount of the provincial rent-increase guideline will allow the subsidy to keep pace with the annual rent increases. Without an annual increase, the value of the subsidy will be reduced each year and fewer units will be able to be subsidized

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

Not Applicable