



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	August 9, 2021
SUBJECT/REPORT NO:	Canada Mortgage and Housing Corporation (CMHC) Rapid Housing Initiative (RHI) (HSC20056(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kamba Ankunda (905) 546-2424 Ext. 4557 Jana Amos (905) 546-2424 Ext. 1554
SUBMITTED BY: SIGNATURE:	Edward John Director, Housing Services Division Healthy and Safe Communities Department

RECOMMENDATION(S)

- (a) That the General Manager of the Healthy and Safe Communities Department, or designate, be authorized and directed to enter into the Rapid Housing Initiative Agreement with the Canada Mortgage and Housing Corporation (CMHC) to accept Hamilton's Rapid Housing Initiative allocation through the Cities Stream in the amount of \$12,945,935 for the creation of a minimum of 49 new affordable housing units through conversion or rehabilitation of existing buildings, new builds, including modular construction, in a form satisfactory to the City Solicitor;
- (b) That the General Manager of the Healthy and Safe Communities Department, or designate, be authorized and directed to administer the Rapid Housing Initiative (RHI) and provide support to projects applying to the RHI Cities Stream including: entering into any agreements and ancillary agreements on such terms as they consider 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, in a form satisfactory to the City Solicitor;

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.

- (c) That affordable housing exemptions from Municipal Development Charges (as defined by City of Hamilton Development Charges By-laws No. 19-142 and 11-174 or successor by-laws) for projects funded under the Rapid Housing Initiatives Cities Stream, Rounds I and II, be funded from the Unallocated Capital Levy Reserve (#108020);
- (d) That an estimated increase of \$248,000 to the Housing Services Division's 2023 operating budget, to fund rent subsidies for 49 units created under the Rapid Housing Initiative Round II for the required program affordability period of 20 years, be referred to the 2023 Operating Budget (GIC) for consideration; and,
- (e) That the Housing Services Division report back to the Emergency and Community Services Committee, as appropriate, on the City's progress with the Rapid Housing Initiative including both the first and second round of funding.

EXECUTIVE SUMMARY

On June 30, 2021, the Prime Minister announced an investment of an additional \$1.5 B for the Rapid Housing Initiative (RHI) to fund the creation of new permanent affordable housing across Canada. The additional funding to the previous announcement on October 27, 2020 is divided into two streams; \$500 M allocated to 30 pre-determined municipalities under the Cities Stream and \$1 B allocated under the Project Stream for eligible applications that were not fully funded during the first round.

As part of the Cities Stream funding, the City of Hamilton received an allocation of \$12,945,935 (rounded to \$13 M in the following sections of this Report) to create a minimum of 49 new permanent affordable housing units. The City of Hamilton received a notification to the above effect on June 30, 2021 (attached as Appendix "A" to Report HSC20056(a)).

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

The City must submit proposed projects to Canada Mortgage and Housing Corporation (CMHC) by August 31, 2021. Projects must be completed within 12 months of CMHC's approval. Municipalities are requested to have projects targeting a variety of priorities including women, seniors and the 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 due to the COVID-19 pandemic.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Upon the submission of the revised eligible applications and successful execution of the RHI Contribution Agreement between CMHC and the City, CMHC will transfer Hamilton's allocation of \$13 M to the City. The City is not required to provide security for these funds unless deemed necessary by CMHC. All 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 housing subsidy programs.

Proponents are expected to include development charges, parkland dedication fees, and planning application fees as project costs in proposal budgets. The projects identified under Round I and Round II qualify for the affordable housing exemptions from Municipal Development Charges (as defined by City of Hamilton Development Charges By-laws No. 19-142 and 11-174 or successor by-laws) and funding from the Unallocated Capital Levy Reserve (#108020) is recommended. The current DC exemptions costs are estimated to be \$538 K for Round I and \$1.2 M for Round II and will be confirmed in subsequent reports. In addition, the projects identified under Round I and Round II are exempt from By-Law 18-126, Being a By-law to Require the Conveyance of Land for Park or Other Public Recreational Purposes as a Condition of Development or Redevelopment or the Subdivision of Land, as they have met the exemption criteria s.11.7 for exemptions from parkland or cash-in-lieu requirements.

Staff request that funding be considered for housing subsidies to sustain continued affordability for City residents. To ensure project viability and ongoing affordability for the 49 units created under Round II, a levy enhancement in 2023 of approximately \$248 K has been recommended for future consideration. This figure is the difference between the median market rent and assumed actual rent geared to income (RGI) rent revenue after considering a transfer of existing subsidy of \$36,246 within the Housing portfolio. These figures are estimates and will be confirmed through the 2023 budget process.

It is expected that the 46 units created under Round I can be subsidized using a combination of existing subsidy within the Housing portfolio and Ontario Community Housing Assistance Program (OCHAP)/Commercial Rent Supplements in 2022.

SUBJECT: Canada Mortgage and Housing Corporation (CMHC) Rapid Housing Initiative (RHI) (HSC20056(a)) (City Wide) - Page 4 of 8

Conversions from commercial to residential units within existing social housing projects will result in additional costs to be addressed in the 2022 budget process.

Staffing: N/A

Legal: Legal Services staff reviewed the RHI Round I 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 address issues that may impede the implementation of RHI Round II projects through weekly meetings with staff. It is expected that accepting the \$13 M investment will require the City to enter into the agreements to flow funding within 45 days of project submission deadline of August 31, 2021 without significant amendments.

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.

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 under the RHI Major Cities Stream to support projects selected by the City. Proposals were to be submitted to the nationwide \$500 M RHI Projects Stream. Council approved Report HSC20056 on November 4, 2020 meeting.

On June 30, 2021, the Prime Minister announced an investment of an additional \$1.5 B for the Rapid Housing Initiative (RHI) to fund the creation of new permanent affordable housing across Canada. \$500 M was allocated to 30 pre-determined municipalities under the Cities Stream and \$1 B allocated under the Project Stream for eligible applications that were not fully funded during the first round.

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. The combination of rounds of funding have provided the City of

Hamilton with the potential of creating a minimum of 95 new affordable housing units (46 RHI Round I and 49 RHI Round II) on to the existing limited stock.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Hamilton has an undersupply of affordable rental housing units. To address its housing crisis, 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. The second round of Rapid Housing Initiative presents an opportunity towards achieving a minimum of 49 units of the targeted 350 units under the Housing and Homelessness Action Plan for the year 2021/22.

This new investment will create good jobs in the housing and construction sector for City residents, grow the middle class, and build back stronger communities, while getting us closer to our goal of ending chronic homelessness in Hamilton.

RELEVANT CONSULTATION

The Legal Services Division was consulted on the RHI Contribution Agreement specifically on the necessary requirements for the second round of funding 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 representing numerous local and federal priorities.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

On June 30, 2021, the Federal Government announced the second round of the Rapid Housing Initiative. This is a follow up on the previous announcement made on October 27, 2020 and reported in Report HSC20056.

The second round of RHI has allocated the City of Hamilton \$13 M under the Cities Stream to fund the construction of a minimum of 49 new permanent affordable housing units. The funding provided under the RHI is a capital contribution. It does not need to be repaid provided the terms of the agreement are met.

City of Hamilton is required to propose projects for their allocation through CMHC's online portal for review and approval by CMHC by August 31, 2021. Review of projects will take place within 45 days following the close of the application window. Once projects are approved, they will be included in the contribution agreement. Funding will flow directly to municipalities following the execution of a contribution agreement. 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

While the parameters of RHI Round II are largely the same as Round I, the changes the program requirements are provided in Appendix "A" to Report HSC20056(a)

The related Project Affordability Requirements, People and Population Targeted by RHI funding, Types of Projects to be Funded, Eligible Expenses and Eligible Property Types for the purpose of RHI funding are listed in Appendix "B" to Report HSC20056(a).

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. CMHC has indicated that if a municipality does not think it can deliver within the allotted timelines, it can opt out of the Initiative. In such cases, the allocation will be reallocated to other municipalities within the Cities Stream or in the Project Stream.

Staff must submit an executed RHI agreement that includes the City's proposed projects to receive a portion of the \$13 M allocation by August 31, 2021. As per the notification of allocation received on June 30, 2021, a minimum of 49 units are to be achieved within the allotted amount as noted in Appendix "A" to Report HSC20056(a).

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. 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 included in the proposed projects.

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 \$13 M allocation.

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 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. A recommendation has been included in this report to provide housing subsidies to enable affordability for City residents.

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 several projects that seem to meet all project and funding requirements, though additional review is needed before they can be recommended.

Staff have opted not to make a call for applications and will consider eligible applications submitted in both Cities Stream and Projects Stream (as determined by CMHC) of RHI Round I. Staff continue to work 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.

Staff are optimistic that by offsetting some of the construction costs and exempting parkland dedication fees, the goal of achieving the minimum of 49 units required for Round II of RHI is achievable. Staff will report back with details of projects identified for Round II funding post-August 31, 2021.

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(a): Letter from CMHC - Priority Allocation for Your Municipality from the Rapid Housing Initiative

Appendix “B” to Report HSC20056(a): Rapid Housing Initiative (RHI) Questions and Answers for Municipalities Under Cities Stream