



INFORMATION REPORT

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	July 7, 2022
SUBJECT/REPORT NO:	Canada Mortgage and Housing Corporation (CMHC) Rapid Housing Initiative (RHI) Update (HSC22027) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Al Fletcher (905) 546-2424 Ext. 4711 Kamba Ankunda (905) 546-2424 Ext. 4557
SUBMITTED BY:	Edward John Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

COUNCIL DIRECTION

On December 15, 2021, City Council directed:

“That Housing Services Division report back to the Emergency and Community Services Committee, upon receiving CMHC’s approval of RHI-2 projects under Project Stream as appropriate, on the City’s progress with the Rapid Housing Initiative including both the first and second round of funding”.

INFORMATION

Through both rounds of the RHI, the City of Hamilton has received a total of \$34,032,364 in funding for the production of 123 affordable housing units. The City leveraged the funding and will deliver an additional 32 units thus achieving a total of 155 units by December 2022. The following section provides an update regarding funding allocation and current construction status.

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.

(I) Rapid Housing Initiative (RHI) Round 1 – Major Cities Stream:

As approved through Report HSC20056, CMHC allocated \$10,760,586 to the City of Hamilton through the Major Cities Stream for the delivery of 38 Units. Table 1 below provides a summary of costs for RHI-1 funding.

Table 1: Funding Status – RHI-1

Project Name and Location	# of units	Dev. Value*	City Dev. Charges	RHI Phase 1	Other Funding Sources	Gap Funding Required (uncommitted)	Parkland in-lieu and Planning Fees
Indwell - 219 East Ave	13	\$6,380,283	\$54,296	\$4,000,000	\$0	\$2,325,987	\$208,030
OFILD-137 George	6	\$4,470,331	\$110,028	\$2,260,586	\$1,048,303	\$1,051,414	\$83,648
Wesley –195 Ferguson Ave. N	12	\$3,104,408	\$104,408	\$2,250,000	\$750,000	\$0	\$128,580
CHH – 350 King St. E	15	\$3,279,414	\$0	\$2,250,000	\$1,028,414	\$1,000	\$0
Total	46	\$17,234,436	\$268,732	\$10,760,586	\$2,826,717	\$3,378,401	\$420,258

*Cost to complete Project at time of Report

While the funding was for 38 units, the Housing Services Division (HSD) leveraged City resources to create eight more units achieving a maximum of 46 units. The section below provides additional brief information on projects including location in city, construction typology, target population and anticipated completion timeline.

- 137 George St. is a 6-unit modular build with three 3-bedroom and three 2-bedroom units in Ward 1 targeted to provide Supportive Housing. Construction is ongoing with completion and occupancy targeted for late fall 2022.
- 219 East Ave. N., Royal Oaks is a carriage house conversion of 13 bachelor units in Ward 4 targeted to provide Supportive and Indigenous Housing. Construction is ongoing and completion is expected in summer 2022.
- 195 Ferguson Ave. was a conversion of office space to create 11 1-bedroom and one 2-bedroom units in Ward 2 targeted to provide Supportive Housing. Wesley Community Homes delivered the units on time and occupancy began December 2021.

- 350 King St. E. is commercial space conversion project of 15 1-bedroom units in Ward 3 targeted to provide Senior Housing. CityHousing Hamilton (CHH) has completed the project and the unit rent-up process is underway with full occupancy anticipated by the end of summer 2022.

All RHI-1 projects were to be completed within 12 months in accordance with funding requirements (December 2021). However, some projects experienced delays attributed to supply chain issues related to the COVID-19 pandemic as outlined in section (IV) of this report. The City continues to provide quarterly Attestation Reports to CMHC regarding project status, including notable delays.

(II) Rapid Housing Initiative (RHI) Round 2 – Major Cities Stream

Through Report HSC20056(a), RHI-2 allocated \$12,946,935 to the City of Hamilton through Major Cities Stream for the delivery of 49 Units.

Table 2: Status Update RHI-2

Project Name and Location	# of units	Dev. Value*	City Dev. Charges	RHI Phase 1	Other Funding Sources	Gap funding required (uncommitted)	Parkland in-lieu and Planning Fees
GS - 35 Arkledun	73	\$25,458,892	\$1,457,892	\$12,945,935	\$8,154,065	\$2,901,000	\$782,195

*Cost to complete Project at time of Report

While RHI-2 Major Cities Stream funding required the City to deliver 49 units, staff leveraged RHI funds with other HSD programs that had similar goals with RHI, to achieve an additional 24 units in Ward 2 targeted to Supportive Housing for a total of 73 units. This is a repurpose construction project and occupancy is targeted for late December 2022

(III) Rapid Housing Initiative (RHI) Round 2 – Project Stream:

On December 15, 2021, Council approved the RHI-2 allocation of \$10,305,844 to the City of Hamilton through the Project Stream for the delivery of 36 Units.

Table 3: Status Update for RHI-2 – Project Stream

Project Name and Location	# of units	Dev. Value*	City Dev. Charges	RHI Round 2 Project Stream	Other Funding Sources	Gap Funding Required (uncommitted)	Parkland in-lieu and Planning Fees
CHH 253 King William	24	\$13,200,000	\$0	\$6,475,844	\$1,900,000	\$4,824,156	\$24,280
St. Matthew's 412 Barton E	12	\$4,262,188	\$262,188	\$3,850,000	\$0	\$150,000	\$153,930
Total	36	\$17,462,188	\$262,188	\$10,325,844	\$1,900,000	\$4,974,156	\$178,210

*Cost to complete Project at time of Report

Unlike RHI Major Cities Stream where funding was allocated directly to the City, RHI Project Stream considered those projects submitted by proponents to CMHC. Following CMHC's advisement to staff that projects submitted by the City on behalf of proponents received a higher approval rating, Council approved staff's recommendation for the same. The above projects (highlighted in Table 3) received funding approval in late 2021.

- 253 King William is expected to provide 24 units in Ward 2 targeted to single households. Pre-development activities are ongoing, and occupancy is anticipated by December 2022.
- 412 Barton St. E. is expected to provide 12 units in Ward 3 targeted to single households. Pre-development activities are ongoing, and occupancy is anticipated for the end of December 2022.

(IV) Financial Implications:

(a) Development Charges (DCs) Fees

While the City was not required to provide security for this funding, all projects submitted for RHI funding qualified for Municipal Development Charges exemptions (as defined by City of Hamilton development charges By-Law #19-142 and 11-174 or successor By-Laws) To this date, an approximated figure of \$1,988,812 has been committed for Development Charge Fees. Note that the above amounts are calculated based on the applicable rate.

These costs are being funded from unallocated Capital Levy Reserve (#108020) and the Tax stabilization Reserve (#110046) or other Council approved funding sources as approved through Report HSC20056(a).

CityHousing Hamilton is exempted from the Development Charges Per s.20 (d) of By-Law No.19-142 which is why the 253 King William project did not need any additional City funding.

(b) Parkland Dedication and Eligible Planning Fees Exemptions

In addition, all the projects identified under RHI were 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.

To date, a total of over \$187,042 has been waived in the above fees and a total estimate of \$1,242,940 to be paid. In addition, to date, a total estimate of \$137,723 in related Planning and Economic Development Fees are being waived per Report PED16098.

(c) Housing Subsidies for Affordability

To promote the 20-Year affordability period for RHI projects, a subsidy component was also built into the program and Council referred an estimated increase of \$398,000 to the Housing Services Division's 2023 operating budget, to fund rent subsidies for 82 units as part of the RHI-2 developments to 2023 Operating Budget (GIC) for consideration through Report HSC20056(a) and the Motion dated December 15, 2021.

Other subsidies for RHI-1 were referred to Council for approval in the 2023 Operating budget process. In addition, an option of utilizing existing Rent Supplements and Housing Allowances available in the Housing Services Division budget was also put into consideration. Housing subsidies for the additional units achieved at 35 Arkeldun Ave. (73 as opposed to 49) will be funded through the Homelessness Prevention Program.

(d) Cost Overruns and Supply Chain Issues

As with all other sectors, the construction industry has not been spared from the effects of COVID-19. Multiple lockdowns slowed down the flow of raw materials and finished goods and disrupted manufacturing. In effect, this extended project completion deadlines (RHI required construction to be completed in a 12-month period) and increased the cost of materials compared to initial estimation and costs submitted during project approval.

In an effort to maintain deep affordability, RHI funding guidelines prevented proponents from seeking additional funding such as mortgages, as such, proponents have relied on RHI funding and City incentives to fund construction costs. While the projects approved for funding had relatively good contingency coverage in the budgets, the increase in the cost of construction materials and labour due to the pandemic has had a major budget impact.

Development values have increased from CMHC’s initial cost estimates per door of \$300 K to about \$500 K. This has created a gap between the funding initially required and budgeted prior to project start and current requirements with construction underway. Proponents are mitigating these pressures using equity and other in-kind donations but continue to face shortfalls as construction costs continue to rise.

To date, as summarised in Table 4 below, total development value of \$60.2 M has been funded by RHI funds of \$34 M or 56%. Parkland and eligible planning fees are \$1.38 M and City DCs are \$1.98 M. The other funding of \$12.88 M is from sources such as the Poverty Reduction Fund, Reaching Home, Social Services Relief Funds, Canada Ontario Community Housing Initiative and Ontario Priorities Housing Initiative as approved by Council. Gap funding required and not funded by the federal, provincial or City commitments totals \$11.2 M.

Motion 6.3 of December 15, 2021, directed HSD to manage project overrun costs for the projects selected under RHI-2 Project Stream, and that funds required to cover overruns of the RHI-2 Project Stream projects be brought forward to Council for approval with a funding source identified. As RHI-2 Project Stream developments are underway the complete image of the total cost overruns is not yet known.

Table 4: Total RHI Funding Allocations and Associated Costs

City of Hamilton Rapid Housing Projects	Dev. Value*	City Dev. Charges	Total Other Funding Sources	RHI	Gap Funding Required (uncommitted)	Parkland in-lieu and Planning Fees Exemptions
RHI 1	17,234,436	268,732	2,826,717	10,760,586	3,378,401	420,258
RHI 2	25,458,892	1,457,892	8,154,065	12,945,935	2,901,000	782,195
RHI 2-PS	17,462,188	262,188	1,900,000	10,325,844	4,974,156	178,210
Total	60,155,516	1,988,812	12,880,782	34,032,365	11,253,557	1,380,663

*Cost to complete Project at time of Report

Program administration and Project management:

Housing Services Division staff continue to monitor Contribution Agreements (CA) signed between proponents and the City to guarantee the delivery of the projects by

proponents for the next 20-Years of program affordability, ensuring that the rents are affordable and that proponents are housing the target population.

Staff are also required to provide CMHC with quarterly and annual attestation on each of the seven projects implemented through RHI funding. Staff raised the issue of projects not meeting timelines to CMHC; however, no formal responses or solutions have been received to address project completion timelines.

HSD staff continue to evaluate options of realigning the existing coordinated access systems including the By-Name Priority List (BNPL) to ensure that RHI population targets are being achieved.

During this unique time of the Pandemic, the proponents have done their very best to meet the funding and occupancy timelines. They continue to look for ways to curtail budgets and make up time loss in development schedules.

APPENDICES AND SCHEDULES ATTACHED

None