



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	August 11, 2022
SUBJECT/REPORT NO:	Service Manager Consents for Hamilton East Kiwanis Non-Profit Homes Redevelopment of 1540 Upper Wentworth Street (HSC22038) (Ward 7)
WARD(S) AFFECTED:	Ward 7
PREPARED BY:	George Gambioli (905) 546-2424 Ext. 4840 Brian Kreps (905) 546-2424 Ext. 1782
SUBMITTED BY:	Al Fletcher Acting Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That Service Manager consent be granted to Hamilton East Kiwanis Non-Profit Homes Inc. to demolish 15 existing Rent-Geared-to-Income (RGI) units (units 17 to 31) at 1540 Upper Wentworth Street for the purpose of redeveloping and intensifying the site subject to the approval of any and all required Planning Act approvals and securing project financing and on the condition that the consent does not fetter Council's discretion regarding its consideration of any Planning Act applications in respect of Hamilton East Kiwanis Non-Profit Homes' redevelopment of 1540 Upper Wentworth Street;
- (b) That Service Manager consent be granted to Hamilton East Kiwanis Non-Profit Homes Inc. for the project at 1540 Upper Wentworth Street to redevelop and intensify a portion of the existing social housing site including 15 existing town house units into a multi-unit midrise building containing a mix of deeply affordable and market units, contingent upon approval of any and all required Planning Act approvals and securing project financing and on the condition that the consent does not fetter Council's discretion regarding its consideration of any Planning Act applications in respect of Hamilton East Kiwanis Non-Profit Homes' redevelopment of 1540 Upper Wentworth Street;

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- (c) That the City enter into an agreement with Hamilton East Kiwanis Non-Profit Homes Inc., based on the Term Sheet attached as Appendix “A”, to transfer the 15 Rent-Geared-to-Income subsidies associated with the 15 demolished units at 1540 Upper Wentworth Street at an approximate cost of \$122,760 of which \$32,135 would be transferred from the existing subsidy and \$90,625 to be referred to the 2024 budget process in a form satisfactory to the City Solicitor and the General Manager of Healthy and Safe Communities be authorized and directed to execute and administer the agreement and any ancillary agreements;
- (d) That the City enter into an agreement with Hamilton East Kiwanis Non-Profit Homes, Inc., based on the Term Sheet attached as Appendix “A”, to provide 25 additional Rent-Geared-to-Income subsidies at an approximate cost of \$187,344 to be referred to the 2024 budget process in a form satisfactory to the City Solicitor and the General Manager of Healthy and Safe Communities be authorized and directed to enter into, execute and administer the agreement and any ancillary agreements or documentation;
- (e) That the value of the rent supplement paid on the units at 1540 Upper Wentworth Street be increased annually by the allowable rent increase guideline set by the Ministry of Municipal Affairs and Housing; and,
- (f) That staff be directed to maintain Hamilton East Kiwanis Non-profit full subsidy for 1540 Upper Wentworth Street until occupancy of the new development is achieved.

EXECUTIVE SUMMARY

Hamilton East Kiwanis Non-Profit Homes (Kiwanis Homes) operates 462 units of apartments, townhouses and single-family dwellings in Hamilton. These units were built and developed under Provincially Funded Programs. This includes 100% Rent-Geared-to-Income (RGI) 84 town house unit project at 1540 Upper Wentworth St.

Kiwanis Homes has a strategic plan to develop 1,000 housing units by 2028 and has identified 1540 Upper Wentworth St. as an appropriate location for redevelopment and intensification. It is planning to develop a 126 units of mixed-income mid-rise community housing on a portion of the property. Development of the new mid-rise building will require the demolition of 15 existing units. When redevelopment is completed in 2024, the site will contain 69 town homes and 126 apartments. This is a \$53 M project.

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In order to maintain the same number of RGI units on the site, it is recommended that the 15 RGI units and associated subsidy be transferred to the new mid-rise building. The new building represents an opportunity to expand the RGI units in Hamilton, so it is recommended that an additional subsidy be provided to increase the number of RGI units in the mid-rise by 25 to a total of 40 RGI units.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The budgeted operating subsidy in 2022 for Hamilton East Kiwanis Non-Profit Homes benchmarked Provincial Portfolio is \$4,953,163 (Dept ID 625063). The portion associated with 15 units is \$32,135. To fully fund RGI subsidy for the 15 units transferred to the new building, an additional subsidy of \$90,625 would be required starting January 1, 2024. It is recommended that the additional subsidy be referred to the 2024 budget process. The RGI subsidy required to fully fund the 25 additional units would be \$187,344 which is recommended to be referred to the 2024 budget process.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

Kiwanis Homes operates 462 units of housing projects which were funded initially by the Province of Ontario.

1540 Upper Wentworth St. was completed in 1991 under the Homes Now Program.

These housing projects were included as part of the devolution of social housing to municipalities in 2001. As part of the transfer, these provincially funded housing projects became administered by the City, as Service Manager, pursuant to the *Housing Services Act, 2011* (the “Act”). These are commonly referred to as “Provincial Projects”.

In 2018, Kiwanis Homes developed a new strategic plan which included an ambitious target of creating 1,000 new units by 2028.

Kiwanis Homes began liaising with Housing Services on July 5, 2019 regarding securing the necessary consents and financing for the project.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The *Housing Services Act, 2011* (“Act”) requires that Service Manager pay subsidies calculated based on set formulas. The obligation continues for provincial projects even once their mortgage has been paid. There is no end date currently associated with this obligation.

The Act further requires housing providers to obtain the written consent of the City, as Service Manager, prior to selling or mortgaging social housing units. As part of this consent, the City of Hamilton requests replacing each unit on a 1:1 basis, at a minimum so that service levels are maintained. In addition, the consent must be conditional upon a tenant relocation plan, satisfactory to the Service Manager, and that any of the displaced tenants be offered a unit in the new building to be built on this site.

One of the Housing and Homelessness Action Plan targets is the reduction of the Social Housing Waitlist by 50% by 2023. The additional 25 units that will receive an RGI Subsidy will be filled from the Access to Housing Waitlist and help us to meet that goal.

RELEVANT CONSULTATION

Hamilton East Kiwanis Non-profit Homes has reviewed the funding and calculations and confirmed the assumptions.

Corporate Finance has confirmed the budgeted figures and calculations used in this report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The current town houses in the development are a low-density form of development. The site at 1540 Upper Wentworth represents an opportunity to increase density and provide additional units of community housing. The mid-rise apartment building will consist of 126 units. 15 existing townhouse units will need to be demolished to make way for the redevelopment. To maintain service levels it is recommended that 15 of the units in the new building receive Rent-Geared -to-Income subsidy which will be transferred from the 15 units being demolished this will allow for Kiwanis Homes to maintain their level of service on the site. It is anticipated the project will be completed in late 2024.

The units being demolished will also be replaced by similar size units so there is a limited loss of bedrooms. 13 of the units being demolished are three-bedroom units and two of the units being demolished are two-bedroom units, However, the town homes will

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be replaced in the new building with nine three-bedroom units and six units will be two-bedroom units.

Since the new mid-rise apartment building is going to be constructed it will be energy efficient and LEED Gold Certified which will result in lower utility consumption and lower greenhouse gas emissions.

Kiwanis Homes has offered to make an additional 25 units available for Rent-Geared-to-Income housing. In order to do this, additional rent subsidy will need to be provided. This would represent a net increase to the number of RGI units on the site by 25. 24 of these units will be two-bedroom units and one unit will be a one-bedroom unit.

Kiwanis Homes has prepared a detailed tenant relocation plan. Kiwanis Homes' plan states that any tenant whose unit is being demolished will be given at least five months written notice. The notice will include a deadline for moving out of their unit. Displaced tenants will be housed in other Kiwanis Homes housing projects where possible and the displaced tenants will have the right to return to the new building provided they have signed a Relocation Agreement.

A time lag will exist between the time that Kiwanis Homes demolishes the 15 units and the completion of the new 126 unit building on the property. It is recommended that Kiwanis Homes retain the subsidy associated with the 15 units and apply it to the development costs of the new building.

This \$53 M project is being funded through a variety of sources including CMHC Seed Funding Grant, FCM Feasibility Study Grant, FCM Capital Loan, FCM Capital Grant, CMHC Co-Investment Grant and CMHC Permanent Mortgage. Kiwanis Homes is contributing \$5.5 M of its own equity to the project. Their development pro-forma assumes that City of Hamilton development charges will be waived. Report FSC22073/HSC22050 will address a long-term plan for supporting the financing of waived development charges and will be considered at the August 12, 2022 Council meeting.

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.

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APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report HSC22038 – Term Sheet for Rent Supplement Agreement
1540 Upper Wentworth Street

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