



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	December 6, 2023
<b>SUBJECT/REPORT NO:</b>	Ontario Priorities Housing Initiative and Poverty Reduction Funding for 1540 Upper Wentworth Street (HSC22038(a)) (Ward 7)
<b>WARD(S) AFFECTED:</b>	Ward 7
<b>PREPARED BY:</b>	Jennifer Roth (905) 546-2424 Ext. 7242 Al Fletcher (905) 546-2424 Ext. 4711
<b>SUBMITTED BY:</b>	Michelle Baird Director, Housing Services Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That Council approve the City entering into an agreement with Hamilton East Kiwanis Non-Profit Homes Inc. for up to a maximum amount of \$3.5M funded by the sources below, for the development of 20 Program Units of 126 affordable rental units on the property municipally known as 1540 Upper Wentworth Street with terms and conditions as identified in Appendix “A” to Report HSC22038(a) and that the General Manager of Healthy and Safe Communities be authorized to amend the terms and conditions in Appendix “A” as long as they do not conflict with the terms of the Ontario Priorities Housing Initiative Rental Housing Component Year 5 program guidelines and do not conflict with the funding source maximums identified below:
- (i) That the Ministry of Municipal Affairs and Housing be advised that the City of Hamilton recommends that Ontario Priorities Housing Initiative Rental Housing Component Year 5 funding (“OPHI Funding”), up to a maximum of \$2,559,040 (Project ID 6732341321);
  - (ii) That up to a maximum of \$631,005 of Poverty Reduction Fund (Project ID 6731741609) (“Poverty Reduction Funding”); and,

- (iii) That up to a maximum of \$309,955 of funding from the Affordable Housing Property Reserve (# 112256) (“Affordable Housing Reserve Funding”);
- (b) That the General Manager of Healthy and Safe Communities, or their designate, be authorized to execute the agreement and any ancillary documents in a form satisfactory to the City Solicitor; and,
- (c) That the 40 Rent-Geared-to-Income subsidies approved by Item 9 of Emergency and Community Services Report 22-012 being report HSC22038, totalling \$277,969 be referred to the 2026 budget process, rather than the 2024 Budget process as previously approved.

## **EXECUTIVE SUMMARY**

Through a review of the Hamilton East Kiwanis Non-Profit Homes Inc. (Kiwanis Homes) assets, they have proposed redevelopment of their outdated projects to increase density and with an intent to increase the net residential units. Report HSC22038(a) seeks approval to bridge the funding gap to provide for financial viability for the development of the proposed 8 storey purpose-built rental building with 126 units, located at 1540 Upper Wentworth Street. The zoning permissions to permit the proposed development were approved by Council on July 8, 2022 (Report PED22149). The proposed development received Conditional Site Plan Approval on August 14, 2023. The project proposes 40 Rent Geared to Income units, 11 units at or below 67% Average Mortgage Rents and the remaining 75 units will be at or below 125% Average Market Rent. This configuration of rents provides for the revenue to provide for financial sustainability of the project in the longer term.

Kiwanis Homes is investing \$20M in equity into the \$64M project, along with the other funding sources noted within the report in the amount of approximately \$43.5M, which leaves a funding gap of approximately \$3.5M. To address the funding gap in the development, Housing Services staff are recommending the allocation of the 2023 Ontario Priorities Housing Initiative (OPHI) New Rental Housing Component Year 5 funding, up to \$2,559,040, Poverty Reduction Fund funding, up to \$631,005 and \$309,955 from the Affordable Housing Property Reserve for a combined maximum of \$3.5M which will secure 20 of the 126 units at a minimum of 80% of Average Market Rent. With this funding, Kiwanis Homes’ project becomes financially viable while ensuring the City is compliant with the requirements of the Ontario Priorities Housing Initiative and simultaneously provides much needed rental housing within the City of Hamilton. The terms and conditions of the funding of a total of \$3.5 M are identified identified in Appendix “A” to Report HSC22038(a).

Funding of the Proposed project provides approximately 36% of the stretch target goal of 350 new affordable housing units per year within the Housing and Homelessness Action Plan.

**Alternatives for Consideration** – Not Applicable

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The Ontario Priorities Housing Initiative Year 5 funding, to a maximum amount of \$2,559,040 from Project ID 6732341321 shall be combined with approximately \$631,005 of Poverty Reduction Fund funding (Project ID 6731741609) and approximately \$309,955 of funding from the Affordable Housing Property Reserve (Reserve Account # 112256). The combined total funding of up to a maximum of \$3.5M shall be administered by Finance staff ensuring applicable funding guidelines are followed.

Under the Ontario Priority Housing Initiatives requirements, we are required to have the implementing contribution agreement and security registered on title by January 31, 2024.

As this project won't require the funding operational subsidies until 2026, it has been recommended that \$277,969 previously recommended in Council Report HSC22038 to be added to the 2024 Tax Operating Budget be deferred to the 2026 Tax Operating Budget.

**Staffing:** N/A

**Legal:** Legal Services staff have reviewed the report and will be involved in the drafting of the contribution agreement and any ancillary agreements as may be required to deliver the Ontario Priorities Housing Initiative program, funding from the Poverty Reduction Fund and Affordable Housing Funding Reserve to ensure that the City complies with the terms.

## **HISTORICAL BACKGROUND**

Kiwanis Homes have been reviewing their existing assets to determine where opportunities exist for intensification with the ultimate goal of creating 1000 net new affordable rental units. 1540 Upper Wentworth Street is the first project moving forward which removes 15 townhouse units to create 126 rental units. Kiwanis Homes has been updating Housing Services Division staff on an ongoing basis, from the initial concept of the project to the current stage of development. Costs to construct remain high and as a result, even with an approximate \$20 million equity infusion from Kiwanis Homes, and the multiple other funding sources outlined in the report, there remains a funding gap.

On July 8, 2022, Council approved Item 5 of Planning Committee Report 22-011 being report PED22149 which approved Hamilton East Kiwanis' application for a Zoning By-law Amendment for the lands located at 1540 Upper Wentworth Street to permit the development of an eight storey, 126-unit multiple dwelling on a portion of the site. Hamilton East Kiwanis has subsequently applied for and received Conditional Site Plan Approval on August 14, 2023.

On August 12, 2022 Council approved Item 9 of Emergency and Community Services Report 22-012 being report HSC22038, which provided Service Manager Consent to permit the demolition of 15 townhouses, the subsequent intensification of 1540 Upper Wentworth Street and the transfer of 15 existing Rent-Geared-to-Income subsidies and the creation of 25 additional Rent-Geared-to-Income subsidies for 40 of the 126 units. All tenants who previously lived in the 15 townhouses have been relocated to other Kiwanis Homes units. By October 31, 2023, Kiwanis Homes was able to relocate all tenants from the existing units into other Kiwanis Home units.

On June 23, 2023 Council approved Item 7 of Emergency and Community Services Report 23-008 being report HSC22025(a), which authorized the General Manager of the Healthy and Safe Communities Department or their designate, to deliver and administer the Canada-Ontario Community Housing Initiative and Ontario Priorities Housing Initiative programs including executing all agreements and documents required to give effect thereto or for the provision of funding pursuant to the Canada-Ontario Community Housing Initiative and the Ontario Priorities Housing Initiative programs. The guidelines for the project permit the City to undertake a competitive process to evaluate projects or seek council approval for the recommended funding.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The Ministry of Municipal Affairs and Housing has provided Ontario Priorities Housing Initiative Year 5 funding to address local priorities in the areas of housing supply and affordability, including affordable rental construction. The proposed development is consistent with the goals and objectives of the Housing and Homelessness Action Plan targets as well as the directions resulting from the Housing Sustainability and Investment Roadmap.

## **RELEVANT CONSULTATION**

Kiwanis Homes has provided updated costing in the form of a Class B Costing prepared by Turner and Townsend, a Quantity Surveyor, for the intensification of 1540 Upper Wentworth Street. Kiwanis Homes believes that should the approximately \$3.5M recommended funding be infused into the project, it will become financially viable and will result in the construction of 126 affordable units.

Legal Services and Corporate Finance staff will continue to be consulted on the preparation and execution of a Contribution Agreement between Kiwanis Homes and the City of Hamilton.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

### **Supply**

The Housing and Homelessness Action Plan has outlined a stretch goal to construct 350 affordable units annually. Housing Services Division staff continue to seek opportunities to increase the supply of affordable housing and administer funding allocations received from all levels of Government including the Province of Ontario.

The proposed project will contribute to achieving approximately 36% of the annual stretch target goal of 350 new affordable through the development of an 8-storey purpose-built rental building with 126 units (111 net new units) that will include a mix of 1-, 2- and 3- bedroom units. The affordability of the units ranges and includes 40 Rent Geared to Income units, 11 units with rent set at 67% AMR and 75 units with rent set at 120% AMR. Further, this proposed project meets the City's intensification goals and contributes to providing diversification in housing type and tenure on the Hamilton Mountain.

### **Financing**

Kiwanis Homes has informed Housing Services Division staff that the total project costs are approximately \$64M (approximately \$507,000 per door), of which \$20 million is owner equity. With funding from various sources listed in Table 1 below, a funding shortfall of approximately \$3.5M exists. Kiwanis intends to undertake a value engineering review once the final site plan is approved and building permit drawings are completed. See the summary in Table 1 for the general funding overview.

Table 1: Funding Overview

Source of Funds	Amount	Percent of Total Costs	Notes
Kiwanis Equity Contribution	\$22M	34.2%	Includes land and equity.
City of Hamilton Fee Waivers	\$3.5M	5.4%	Includes Development Charge exemptions and Planning fee waivers
Canada Mortgage and Housing Corporation	\$24.1M	37.5%	Includes Seed funding, COI grant and mortgage. Assumes \$75,000 / unit in

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			grant. Letter of intent could not be issued by CMHC until the funding gap was closed.
Federation of Canadian Municipalities	\$10.1M	16%	Includes study grant, loan and capital grant
Province of ON – Social Services funding	\$1M	1.5%	
Funding Gap	\$3.5M	5.6%	
<b>Total Project Cost</b>	<b>\$64.3M</b>	<b>100%</b>	

Table 1 illustrates that the project’s financial viability relies significantly on Kiwanis Homes’ equity contribution, which includes the land value as well as equity to be used for the capital costs.

By providing the recommended \$3.5M funding, it will allow Kiwanis Homes to secure Federal funding through Canada Mortgage and Housing Corporation’s Co-Investment Fund. As the Co-Investment Program is predicated on other financial partner investments, the contribution of the Municipal funding will ensure that the Co-Investment financing and maximum grant amount can be secured.

The development of 1540 Upper Wentworth Street provides an effective return on a municipal investment given the total number of units that will be constructed. Specifically, for the \$3.5M funding, 126 units will be constructed, of which 40 units are targeted for Rent Geared to Income units, 11 units will be offered at 67% Average Market rent, and the remaining 75 units will be at a maximum of 125% Average Market Rent. The City will secure the funding and units through a capital contribution agreement with terms and conditions outlined in Appendix “A” to Report HSC22038(a).

**Timing**

On July 8, 2022, Council approved Item 5 of Planning Committee Report 22-011 being report PED22149 which approved Kiwanis Homes’ application for a Zoning By-law Amendment for the lands located at 1540 Upper Wentworth Street to permit the development of an eight storey, 126 unit multiple dwelling on a portion of the site. Hamilton East Kiwanis has subsequently applied for and received Conditional Site Plan Approval on August 14, 2023. Final Site Plan Approval is anticipated in the spring of 2024, demolition of the 15 existing units March 2024, with construction of the new building commencing summer 2024. An anticipated 24-month construction timeline is expected with occupancy in summer 2026.

Of the projects that Housing Services Division staff are aware of, 1540 Upper Wentworth Street is the only one that has advanced the planning processes far enough that they will meet the requirements of the Ontario Priorities Housing Initiative.

Specifically, the proposed project will be able to meet the construction start timeframe of 120 days from execution of a Contribution Agreement, which is to be registered by January 31, 2024. With an expected 24-month construction duration, the units will be completed well within the 4-year timeframe mandated by the Ontario Priorities Housing Initiative program guidelines.

Given the construction duration, it is expected that occupancy will occur in the summer of 2026 and as a result, the approved Rent-Geared-to-Income subsidies are recommended to be referred to the 2026 budget.

### **Other City Supports**

Through approval of Report HSC22038, Council support for this project has already been demonstrated through Service Manager Consent for the transfer of 15 existing Rent-Geared-to-Income subsidies and the creation of 25 new Rent-Geared-to-Income subsidies. The project will qualify for Development Charge exemptions as provided for in Section 4.2 of the *Development Charges Act, 1997, S.O. 1997, c. 27*. The project received additional municipal support through the waiving of Planning fees.

At this time, no additional operational grants or rent subsidies are being requested and as a result the financial exposure to the City is limited to funding that has already been contemplated within the municipal capital and operating budgets.

### **Terms of Contribution Agreement**

A Contribution Agreement along with a security registered on title will be utilized to secure the City's investment of funding. The terms and conditions outlined in Appendix "A" to this report includes details of the affordability requirements, provisions for default and remedy. The Contribution Agreement terms are standard for affordable housing projects. The Contribution Agreement will secure 20 of the 126 units at a minimum of 80% of Average Market Rent for an affordability period of 50 years.

### **ALTERNATIVES FOR CONSIDERATION**

None.

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report CM22038(a) – Term Sheet for Forgivable Loan from Ontario Priorities Housing Initiative funding, City of Hamilton's Poverty Reduction Fund and Affordable Housing Property Reserve