



Date: July 22, 2022

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Ed VanderWindt, (Acting) Chief Executive Officer/Secretary **Prepared by:** Sean Botham, Manager, Development

Subject: **Development Update - CMHC (Report #17021(e))**

RECOMMENDATION:

That the Board of Directors approve the following resolution:

WHEREAS CityHousing Hamilton Corporation (CHH) approved a development plan for 104 Bay St N and 55 Queenston Rd in March 2018 (Report #17021(b));

WHEREAS Canada Mortgage and Housing Corporation (CMHC) provided indicative project funding through standardized Viability Scoring, and which was confirmed through consultations with CHH, beginning in Fall 2020;

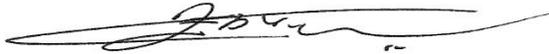
WHEREAS the CHH Board approved an updated development strategy with indicative CMHC funding in September 2020 (Report 17021(c));

WHEREAS CHH proceeded to procure design and construction teams and progress the projects from feasibility to construction tender, with imminent construction start dates in August 2022;

AND WHEREAS CMHC made unannounced and significant changes to the Co-Investment Fund, identified on June 13, 2022, and which date back to May 26, 2022, that apply to in-application projects, including 104 Bay St N and 55 Queenston Rd, that with escalating construction costs result in an estimated gap of \$5.4M;

THEREFORE, be it resolved that the CityHousing Hamilton Board of Directors:

- (i) That the estimated funding gap of \$5.4M for the affordable housing projects at 104 Bay St N and 55 Queenston Rd be brought to the Emergency and Community Services Committee for consideration of financial support in the form of an equity contribution, with repayment equivalent to any additional CMHC funding secured on these projects.

A handwritten signature in black ink, appearing to read "Ed VanderWindt", is written over a horizontal line.

Ed VanderWindt
(Acting) Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CMHC Co-Investment Fund applications were made for the 104 Bay St N and 55 Queenston Rd in December 2020. As part of the regular course of the submission process, further supporting documents were gathered and provided as the projects progressed through design and planning towards construction, which is estimated to commence in August 2022.

Without any prior indication, CityHousing Hamilton (CHH) received notice on June 13, 2022 that projects in the application stage that have not reached final funding commitments were being capped at new lower funding levels or otherwise are to receive less than the eligible maximum funding limit.

The program changes result in an estimated gap of a combined \$5.4M for 104 Bay St N and 55 Queenston Rd, to be confirmed post construction tender close for 55 Queenston Rd in early August.

It is recommended that a funding request be brought to the Emergency and Community Services Committee for consideration for an equity investment to backstop the projects by covering the funding gap, with repayment to the City made for any additional CMHC funding secured on these projects as negotiations continue with the funder.

BACKGROUND:

CHH is expected to begin construction in August 2022 on 95 affordable housing units at the 104 Bay St N and 55 Queenston Rd sites. These projects will deliver deeply affordable, near-net zero, community-focused housing for families and singles/couples. In the case of 104 Bay St N, they will replace 45 units of the Jamesville site and an additional 10 moderately affordable net new units. For 55 Queenston Rd, it will replace 40 single and semi-detached homes previously sold.

Alongside equity proceeds from sales, a core component of funding enabling each new development project is a contribution from the Federal Government through CMHC's National Housing Strategy (NHS) programs. The Co-Investment Fund, as the flagship program of the NHS, has been used as the basis for all pro forma. Using detailed project scoring criteria that provide standardized indicative funding estimates, the Co-Investment Fund has enabled housing providers to return to active housing revitalization and new development.

Through regular project discussions with CMHC staff, on June 13, 2022 CHH learned that CMHC had significantly revised the Co-Investment Fund, and that changes would apply to in-application projects, including 104 Bay St N and 55 Queenston Rd. The changes result in an estimated gap of \$5.4M, to be confirmed post construction tender close for 55 Queenston Rd in early August.

The issue was escalated to Board President, Councillor Farr, and Member of Parliament, Chad Collins, and subsequently brought to the CHH Board on June 21 as part of a CEO update. In addition, ongoing discussion has continued with CMHC staff, but no resolution has been found which would adequately address the gap created by the program changes.

DISCUSSION:

The unannounced changes to the CMHC Co-Investment program for in-process applications reduce the original indicative funding levels significantly for 104 Bay St N and 55 Queenston Rd.

The main program change effectively decouples CMHC investment from project cost, limiting their exposure to escalations by tying contribution instead to the number of units. Based on the application progress at time of program change, this change applies specifically to 55 Queenston. The secondary change is

discretionary and artificially limits the award of funds to below the maximum eligible. This change is applicable to 104 Bay St N, where a moderate funding commitment is being maintained, but one that is still short of a full entitlement.

Through discussions with CMHC and pro forma analysis, it has been determined there is an impact of \$800k for 104 Bay St N, and an estimated (as construction tender is still underway) \$4.6M for 55 Queenston, for a combined funding gap of \$5.4M.

Despite ongoing dialogue with CMHC on the impact of these changes, including the identification of two in-program mechanisms that exist to significantly increase funding, there is no indication that the funding gap created by the program changes will be bridged by CMHC.

Both these projects are set to begin construction in August 2022. Report 17021(d), addressing 104 Bay St N at the July 22, 2022 Board meeting, proposed project continuation and sustained efforts to source the remaining \$800k. For 55 Queenston Rd, the construction tender is currently underway, and final costs will be known shortly, however, with a funding gap of \$4.6M, additional funding is critical to it continuing to be viable.

The maximum serviceable debt has been modelled and incorporated into pro forma for both projects, meaning the additional funding required is in the form of equity rather than loan.

CONCLUSION:

As a result of the change in contribution level from CMHC, CHH is at a critical stage given 104 Bay St N and 55 Queenston Rd are expected to begin construction shortly. These projects represent 95 units of affordable housing for which there is a definitive need in the community.

The decreased funding commitment by CMHC enhances the effect of budgets already strained from escalating construction costs.

The recommendation is for the combined funding gap of \$5.4M to be brought to the Emergency and Community Services Committee for consideration of support. With discussions continuing with CMHC, any further contribution federally could then offset the City contribution through a repayment.



ALIGNMENT TO THE 2017-2021 STRATEGIC PLAN:

This report implements:

Healthy and Strong Communities

CityHousing Hamilton believes that housing is a key influential determinant of health and is strongly tied to the quality of life as it impacts the physical, social, emotional and mental health of all persons.

Built Environment and Social Infrastructure

CityHousing Hamilton is committed to finding new ways to be innovative that will contribute to a dynamic City characterized by unique infrastructure, buildings, and public spaces. The maintenance, renewal and new development of our housing stock will ensure that the quality of life, well-being and enjoyment of our residents', influences the design and planning of our homes.

APPENDICES:

Appendix "A" - Motion on CityHousing Hamilton Project Underfunding

EV/sb

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.