



**Date:** November 24, 2020

**Report to:** Board of Directors  
CityHousing Hamilton Corporation

**Submitted by:** Tom Hunter,  
Chief Executive  
Officer/Secretary

**Prepared by:** Sean Botham  
Senior Development Project  
Manager;  
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Development Coordinator

**Subject:** **Rapid Housing Initiative - Development Project (Report #20024)**

**RECOMMENDATION:**

That the Board of Directors approve the following resolution:

WHEREAS the Rapid Housing Initiative (RHI), a Federal program delivered through CMHC to fund commercial conversions to residential and modular construction, was announced September 21, 2020, with the City of Hamilton receiving a \$10.8M allocation for distribution, and housing providers the opportunity for additional funds through a separate application process;

AND WHEREAS a motion on Modular, to prepare, coordinate, and support the rapid delivery of modular pilot developments, was presented to Council on September 24, 2020;

AND WHEREAS a report was brought by Housing Services to General Issues Committee (GIC) on November 4 to accept and administer RHI Major Cities Stream funding and provide support to projects applying to the RHI Projects Stream;

THEREFORE, be it resolved that:

- (I) That the Board of Directors approve the development plan outlined in this report to:

- a. Proceed with the two RHI projects as detailed in Report #20024;
- b. Authorize and direct Staff to apply to the Rapid Housing Initiative Major Cities and Projects Streams, including: entering into any agreements and ancillary agreements, approving purchase orders; planning applications, exempting actions from approved City policies, procedures, and business practices as needed to meet RHI timelines; and taking other actions needed to ensure success; and,
- c. Authorize staff to conduct a modified and shortened competitive process to meet the RHI timelines needed to ensure success; and
- d. That Staff return with updated budgets and for any relevant consents needed following project application approval and further cost definition.

A handwritten signature in blue ink that reads "Tom Hunter".

Tom Hunter  
Chief Executive Officer/Secretary

## EXECUTIVE SUMMARY:

With the federal government's creation of Rapid Housing Initiative (RHI), CityHousing Hamilton (CHH) has begun evaluating potential development opportunities eligible for this funding. The RHI would provide up front capital support for either modular housing, commercial to residential conversion or the rehabilitation of uninhabitable housing.

Through the program there are two streams in which CHH can apply for funding. The RHI Major Cities Stream, which has allocated \$10.8M to the City of Hamilton, as well as the Project Stream.

For the Major Cities Stream, a detailed investment plan recommending specific projects to CMHC must be provided by the City of Hamilton to CMHC by November 27, 2020. CHH has already begun working with Housing Services through an intake process which began on November 16, 2020 and will have submitted a business case by November 20, 2020 to formally determine if the projects will be recommended as part of the Major Cities Stream submission. All projects must be occupied within 12 months from approval of the investment plan and no later than March 31, 2022. If a project is unable to be occupied within this timeline, RHI funding must be returned.

The Project Stream applications will be accepted by CMHC until December 31, 2020. Through discussion with Housing Services it is understood that any sound project which is not chosen to be included within the Major Cities Stream will still be supported by Housing Services in a Project Stream application. This stream includes application criteria set by CMHC with prioritization going to projects which can be completed on time, target specific demographics, and which can exceed accessibility, the duration of affordability, and energy standards. Project are expected to be reviewed and selected by March 31, 2021.

CHH has proposed two projects:

- 350 King St E (First Place): a commercial conversion of vacant ground floor office space fronting Main St E to 15 residential units, which would require a minor variance, for an estimated \$3.1M.
- 253 King William (Wellington-King William): a modular building of approximately 20 units, requiring a Record of Site Condition (RSC), for an estimated \$11M.



The aim of this report is to highlight the scope of the two recommended projects, and seek the necessary authorization needed to fast track processes to ensure these projects can be completed within the one year timeline.

#### **BACKGROUND:**

On October 27, 2020, the Federal Government publicly announced an investment of \$1B through the Rapid Housing Initiative to fund production of affordable housing across Canada within one year. The City of Hamilton received an allocation of \$10.8M under the RHI Major Cities Stream to support projects selected by the City.

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

With the programs 12-month completion deadline, CHH has begun reviewing the processes that must be taken to ensure each project can be occupied within the required timeframe.

On November 4<sup>th</sup>, Housing Services brought forward a report to General Issues Committee to provide support to projects applying to the Rapid Housing Initiative Projects Stream. This included receiving authorization for the GM to enter into any agreements and ancillary agreements considered appropriate; approving purchase orders; exempting actions from approved City policies, procedures, and business practices as needed to meet RHI timelines.

Applications for the Major Cities Stream program will be due on November 20<sup>th</sup> (ahead of Housing Services November 27<sup>th</sup> submission), with Project Stream deadlines following with a deadline of December 31, 2020.

## **DISCUSSION:**

### First Place Conversion

The first project recommended by Staff, is a conversion to the under-utilized first-floor commercial space at 350 King St. This conversion would convert 9,500 sq. ft. of commercial space to build 15 additional units, including two barrier free units, and is expected to cost approximately \$3.1M and have a construction schedule of 6 months, with the full project complete after 10 months.

The programming details include for each unit to be 300 sq. ft. and nested against one another to best utilize the space as shown in Appendix A to Report #20024. The feasibility work was completed by Invizij Architects to schematic design with Class D costing. This proposal economically provides new housing and uses vacant commercial units which have been unsuccessful in being rented and have remained vacant for several years.

Historically, 350 King St. was zoned as a D2, due to the commercial space located on the first floor. This zoning prohibits residential units on the ground floor. CHH has hired T. Johns Consulting, to review the zoning of this building. Based on the surrounding building being a D1, which permits residential units on the first floor, it may be possible for a minor variance to enable this required adjustment. If development plans are approved through this report, a minor variance application may be made to the Committee of Adjustment (COA) by December 9<sup>th</sup> for the January 21<sup>st</sup> meeting to allow part of the commercial space to be converted to residential units, or any other planning process pursued that could facilitate this outcome.

A procurement process will then be required to award the design and construction work. CHH has discussed with Procurement regarding the necessary requirements to complete the selection process in a timely matter. Options to improve the time effectiveness of the selection process include an invitational tender, use of the Certified Contractor List, and use of the Roster. A condensed process will help to ensure that the contractor can be awarded quickly to meet the one year from agreement occupancy deadline.

The funding source for the conversion as envisioned would be exclusively from the RHI program, but further consideration would be given to a reduced amount, although at this time no CHH equity is available for an investment.

### Wellington-King William Modular

The second project recommended by Staff is to create 20 modular housing at the Wellington-King William site, which is being transferred to CHH for development.

CHH has hired Toms + McNally, to help review the potential manufactures and site plans that meet the RHI time requirements. This research includes analyzing the feedback from previous housing providers of modular developments, recommendations regarding planning approvals and the types of prefabricated developments. This work will also inform the exact size and bedroom count of units through the availability of component and product options, and therefore, guide the scale of the building and unit count.

This project would reduce the expected project cost reported in the Reset Development Study (Report #17021(c)) from the proposed \$682,406 to approximately \$550,000 per unit for a 20-unit development, including site remediation and 46% contingency used at this budget stage, for an estimated \$11M total. The budget costing for this project was derived from the average construction costs across all sites completed for the Reset Development Study, remediation and costs from recent reference projects, and in consultation with several construction managers (CMs), modular manufactures, and design teams on completed projects.

Due to the one-year construction and occupancy timeframe, it is recommended that a streamlined procurement process is used to expedite securing a project partner and compress the schedule.

The project will require the expedition of Planning and Building approvals to be viable for consideration in the timeline for the RHI program.

The site condition of 253 King William requires Ministry of Environment (MOE) approval after remediation. CHH has already completed a Phase 2 Environmental Site Assessment (ESA) and is currently in the process of supplementary testing towards determining the remediation pathway to a Record of Site Condition (RSC), and has begun discussions with the MOE on the quickest pathway to a clean site.



The funding expectation for this project is at least 59% through RHI, as per Project Stream guidelines, although submission is being made under the Major Cities Stream in the hopes that the full 100% would be covered.

Due to the execution risk of the MOE, Planning, and Building approvals needed, Staff has identified an alternative funding pathway to mitigate risk should the RHI timeline not be met. Currently CHH has allocated \$4,834,576 in sold unit equity funding based on a 20-unit development per Appendix A to Report #17021(c). This funding includes the equity from 14 sold units, as well as the development charge funding for the 6 net new units in the originally envisioned project. CHH can also apply to CMHC Co-Investment funding if not successful for the RHI funding. This funding provides up to 30% non-forgivable loans, with 20% being a target eligibility amount. Together with loan that can be cash flowed through the project, a similar scale development can be funded. The following table provides a summary of the total budget available in equity should the RHI timeline not become feasible.

**Table 1**

Wellington-King William Funding (Ability to afford without additional debt)						
Units	CHH Equity Funding (City Equity, DCs)		CMHC Funding (20%)	Max Serviceable Debt (Report 17021(c))	Total Project Budget	Unit Cost
14 Units	4,438,000	-	887,600	1,850,000	7,175,600	512,543
20 Units	4,438,000	396,576	887,600	1,850,000	7,572,176	378,609

**CONCLUSION:**

The RHI program is unmistakably an ambitious attempt to drive innovation in the delivery of housing through new means and methods by offering equity to cover 59-100% of project costs in exchange for a one-year occupancy. The approval processes for the MOE, Planning, and Building all need to be coordinated in ways that save time, but also preserve the integrity of their intent. On the construction side, manufacturing of components and modules will be required on the modular project to concurrently begin the build off-site and expedite the overall development process.



The First Place commercial conversion and Wellington-King William modular build both carry execution risk regarding timeline but have been assessed as carrying an expectation of success through interdepartmental collaboration and coordination at all three levels of government to deliver new housing in a dramatically short timeframe.

The result of these two projects would be the rapid implementation of housing solutions that would broaden the pathways to project delivery in the future and provide 35 housing units within a year.

**ALIGNMENT TO THE 2017-2021 STRATEGIC PLAN:**

This report implements:

**Clean and Green**

CityHousing Hamilton strives to be an environmental steward by minimizing our environment footprint by implementing sustainable water and energy efficiencies in our housing stock.

**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 – First Place Proposed Conversion Floor Plan**

TH/sb

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