



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; Samantha Blackley, Development Coordinator

Subject: Development Update (Report #17021(d))

RECOMMENDATION:

NOTE: Report #17021(d) is a public document, with the exception of Appendix "A" to that report.

Discussion of Appendix "A" to this Report #17021(d), in closed session is subject to the following requirement(s) Pursuant to Section 9.1, Sub-sections (e) and (k) of the City's Procedural By-law 21-021; and, Section 239(2), Sub-sections (e) and (k) of the *Ontario Municipal Act, 2001*, as amended, as the subject matter pertains to a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization;

- A proposed financial acquisition by CityHousing Hamilton.

Staff are recommending that Report #17021(d), Appendix "A", Development Update remain confidential as the subject matter pertains to financial acquisitions.

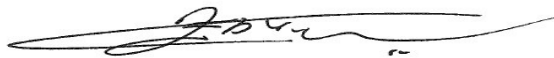
That the Board of Directors approve the following resolution:

WHEREAS CITYHOUSING HAMILTON CORPORATION (CHH) has an approved budget of \$25.097M for the 104 Bay St N through Report 17021(c);

AND WHEREAS a requirement of the Shareholder's Direction is the approval of any debt;

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

- (i) That CHH be given authorization to proceed with the 104 Bay St N development based on the updated budget and funding expectations described in Report #17021(d);
- (ii) That the CEO of CityHousing Hamilton (CHH) be authorized to negotiate, enter into, and execute legal agreements for Canada Mortgage and Housing's (CMHC) National Housing Co-Investment Fund, the Canada-Ontario Community Housing Initiative (COCHI), Ontario Priorities Housing Initiative (OPHI), in a form satisfactory to the CHH's legal;
- (iii) That the Board of Directors acknowledge and support the funding applications to Canada Mortgage and Housing's (CMHC) National Housing Co-Investment Fund, the Canada-Ontario Community Housing Initiative (COCHI), Ontario Priorities Housing Initiative (OPHI) to contribute towards the development costs associated with the project;
- (iv) The Board of Directors approve to reallocate a portion of Poverty Reduction Funding as described in Report #17021(d);
- (v) That Report #17021(d) be forwarded to the City of Hamilton in its capacity as Service Manager for approval of all necessary consents.



Ed VanderWindt
(Acting) Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CityHousing Hamilton's (CHH) is pursuing the development of the Bay-Cannon site to deliver deeply affordable, near-net zero, community-focused housing for families and singles/couples.

Bay-Cannon will accommodate the transfer of 45 RGI units from the Jamesville site which is undergoing redevelopment, as well as include 10 additional moderately affordable market units for a spectrum of affordability.



On September 29, 2020 CHH Board approved the project budget for Bay-Cannon of \$25.097M based on a Class C cost estimate. CHH has since received the Class A estimate and completed tendering for the project. Due to the increasing cost of construction, the project budget has increased to \$26.937M. CHH has identified alternative funding sources to bridge this gap including reallocating poverty reduction funds. Additionally, the project maintains a 7.5% construction contingency.

With all construction work tendered, CHH has until July 29 to provide direction to the Construction Manager, Schilthuis Construction Inc., through an increased Purchase Order for the additional cost of the work so they can procure all the trades before trade bids expire.

CHH is seeking Board approval for the new proposed project budget as outlined in Report 17021(d) and authorization to enter and execute funding agreements for the development.

BACKGROUND:

At the July 18, 2017, CityHousing Hamilton Board meeting, CHH highlighted potential development opportunities to begin portfolio revitalization in CHH Report #17021(a). This strategy included using the proceeds of the sale of 100 singles and semi-detached units to help finance future development.

In response to CHH Report #17021(a), the CHH Board directed staff to prioritize a site list and recommendation on the potential development opportunities. In March 2018, the Board approved the recommended development plan through CHH Report #17021(b) which include the following five developments:

- 500 MacNab St N (MacNab)
- 55 Queenston Rd Phase 1 (Queenston)
- 104-106 Bay St N (Bay-Cannon)
- 253 King William St (Wellington-King William)
- 701 Upper Sherman Ave, unused portion (Macassa)

Through Council support for new affordable housing development, the Bay-Cannon site was motioned for transfer to CityHousing Hamilton on February 28, 2018 at the Affordable Housing Site Selection Sub-Committee.



The Jamesville redevelopment, as detailed in Report #17007(a) on September 25, 2018, summarizes the research and rationale that has established importance of the Bay-Cannon site for relocation of 45 RGI units from that site.

In September 2020, through CHH Report 17021(c), CHH reviewed the costing and design strategies of new development of other affordable housing providers and cost consultants to gain a better understanding of industry expectations.

The proposed approach to address market escalations and potential future volatility, included the sequencing of the first phases of Bay-Cannon and Queenston immediately, while budgeting for the sources of funding to include the estimated CMHC Co-Investment Fund contribution and using the options of current project specific serviceable debt capacity over an extended amortization period.

At its September 29, 2020 meeting, CityHousing Hamilton's Board approved a revised development strategy based on updated costing figures.

On November 19, 2020 an update was provided to Council regarding the Poverty Reduction Fund which included \$3.5M in funding being allocated to the Bay-Cannon development.

On December 10, 2020 a report went forward to Emergency & Community Services, authorizing Service Manager consent to proceed with the Bay-Cannon development and the approval to enter into, execute and administer an operating agreement with CityHousing Hamilton for their affordable housing project at 106-104 Bay St. N. - Phase 1 to reflect the use of up to \$2.1M from the proceeds of the sale of a portion of the Jamesville property.

CMHC announced on May 26, 2022 a new stream of funding for the CMHC Co-Investment program which would provide contribution only, rather than previous forgivable loan/ loan format. This stream will provide a per unit funding rather than the previous percentage of project cost. This change to the funding program allows project funds to be expedited, however, it reduces the original projected funding significantly. CHH is in discussions with CMHC regarding these changes and will report back to the Board.

DISCUSSION:

Construction Escalation

Construction costs have escalated considerably, driving up the price of new housing development. Through discussions with our consultant team and contractor, reports of up to 40-60% price increases have occurred as shown in Table 1. With all cost impacts considered, and including a construction contingency of 7.5%, construction escalation has resulted in an increase of \$1.84M for Bay-Cannon.

Table 1

Escalation Tracking	
Type	Increase
Mechanical	11-14%
Sheet Metal	35-45%
HVAC	40-60%

As with the construction cost increases experienced recently by the 253 King William St modular project, all costs are thoroughly vetted by the project team including by CHH’s project management team as well as the architect as lead consultant, and the construction manager. Other housing providers across Province are experiencing escalations in line with those CHH is encountering.

CMHC Funding Challenge

In addition, CMHC has updated their flagship program of the National Housing Strategy, the Co-Investment Fund, to cap funding entitlements. CHH has worked with CMHC staff to resolve the issue created for in-process applications during this surprise change. With leadership efforts from the CHH Board President, and a special thanks to MP Collins, CHH has been working with the Federal government and CMHC staff, and have a minimum commitment on offer and under negotiation (identified in Table 2).

Impacts for other projects are still being determined.



Other Funding Sources

Due to the increase to construction costs, and the program change at CMHC, CHH has identified additional funding sources to ensure viability of this project.

The CHH allocation of the Poverty Reduction Fund (PRF) can be used to substantially address the increase in construction cost. This funding was originally allocated to the Riverdale project in Report (CES16043(d)), however notice has been provided that the project as originally envisioned, as a collaboration with the Hamilton-Wentworth District School Board (HWDSB) and Hamilton-Wentworth Catholic District School Board (HWDCSB) and City, will not be able to proceed as expected. Therefore, the PRF that is required to be used by 2025 will need reallocation and is proposed to be used at Bay-Cannon.

Table 2 highlights the funding sources identified for the project totalling \$26.937M. This funding includes a 7.5% construction contingency. There remains a funding gap of approximately \$800k which may be filled by either CMHC or one of the COCHI or OPHI, each of which CHH is pursuing, and this less secure funding is highlighted in grey.

Table 2

Units	Bay-Cannon Funding						Total Project Cost
	CHH Equity Funding (City Equity, DCs)		CMHC Co-Investment	Poverty Reduction Fund	IO Loan	CMHC/CO CHI/OPHI	
55	4,769,700	515,388	5,527,505	9,124,652	6,200,000	800,282	26,937,527

CONCLUSION:

Due to construction cost escalations, CityHousing Hamilton is faced with higher project costs for the Bay-Cannon development.

Simultaneously, a program change at CMHC has resulted in a decreased funding commitment.



The majority of additional funds required to continue the project can be secured through reallocation of the PRF, however, approximately a \$800k gap still remains to be bridged.

Staff are seeking authority from the Board of Directors to approve the increase project budget and the new identified funding sources, to proceed with the development as outlined.

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" - Report #17021(d) is a public document, with the exception of Appendix "A" to that report. Discussion of Appendix "A" to this Report #17021(d), in closed session – as noted above

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.