



**Date:** May 24, 2022

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

**Submitted by:** Ed VanderWindt, Acting Chief Executive Officer/Secretary  
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**Subject:** Wellington-King William - Budget Update (Report 21001(b))

**RECOMMENDATION:**

**NOTE:** Report #21001(b) is a public document, with the exception of Appendix "B" to that report.

Discussion of Appendix "B" to this Report #21001(b), 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 #21001(b), Appendix "B", Wellington-King William Budget Update remain confidential as the subject matter pertains to financial acquisitions.



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;

AND WHEREAS a motion on Modular, to prepare, coordinate, and support the rapid delivery of modular 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, 2020 to accept and administer RHI Major Cities Stream funding and provide support to projects applying to the RHI Projects Stream;

AND WHEREAS a report was brought forward by CHH to the Board authorizing to proceed with two Rapid Housing Initiative (RHI) project applications including a commercial conversion at 350 King St and a modular development at 253 King William;

AND WHEREAS a report was brought forward by CHH to the Board authorizing to single source, in consultation with the City of Hamilton's Procurement Department, a Design-Build team conditional on RHI Projects Stream funding being secured;

AND WHEREAS tendered costing has been received by the Design-Build team that exceeds the original projected budget;

THEREFORE, be it resolved that:

- (I) That up to \$0.875M from CHH's allocation of the Poverty Reduction Fund be used to fund additional costs in for the 257 King William 24-unit rapid housing project;
- (II) That this report be forwarded on to Housing Services for information purposes for their role administering Poverty Reduction Funds;

(III) That Appendix “A” and “B” be received for information.

(IV) That Report #21001(b), Appendix “B”, Wellington-King William Budget Update, remain confidential as the subject matter pertains to financial acquisitions

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Ed VanderWindt  
(Acting) Chief Executive Officer/Secretary

**EXECUTIVE SUMMARY:**

In Fall 2020 CHH identified the Wellington and King William site as a ‘shovel read’ candidate for rapid delivery focused affordable housing funding programs and developed a concept for a proposed 24-unit modular low-rise. The proposed project was first successful in securing a \$1.9M grant from Canada-Ontario Community Housing Initiative (COCHI) in March 2021, and then a \$6.48M grant from RHI in January 2022, providing a total of \$8.38M in grants for the estimated \$10.97M project.

In parallel, due to the extreme pace of development required by funding, in January 2021 CHH conducted a single source of an experienced modular design-build team, consisting of NRB Modular Solutions and Montgomery Sisam Architects, who previously were commissioned for projects for clients such as BC Housing and CreateTO.

An initial Limited Notice to Proceed (LNTP) agreement was made in November 2021 to facilitate detailed design, while a complete design-build contract (CCDC-14) was being prepared.

Design development is now complete, and the detailed design has been used as the basis for tendering to subtrades for market pricing. Although a Class C costing estimate of the in-design building, that was made in October 2021, aligned with the \$10.97M budget, market conditions have continued to place pressure on labour

and materials resulting in tendered costs arriving at \$13.47M. In addition, escalations are expected to continue as they relate to competitive and volatile supply of labour and materials, necessitating a contingency in addition, proposed at 7%, to bring the total project cost to \$14.4M. This will allow for a 3% escalation and 4% contingency on the project.

The \$3.43M funding gap can be addressed through the full utilization of the previously approved Sold Unit Fund allocation attributable to the sold units being rebuilt in this project (the full amount being \$4.438M, where as previously only a portion was included in the budget) and the reallocation of a portion of Poverty Reduction Funding nearing expiry that is currently assigned to the latest staged CHH project to date \$0.875M

#### **BACKGROUND:**

##### Project Inception

In a Board Report on development strategy in July 2017 (Report #17021(a)), the Wellington-King William site was identified for development, with strategic considerations outlined and financial modelling provided.

Two key funding mechanisms were approved to enable much of the CHH development work:

- On April 11, 2017, the CHH Board approved the sale of 100 single and semi-detached units that would provide equity to leverage upper level of government funds to rebuild units and expand the portfolio with net new units;
- On September 20, 2017, Council approved report (CES16043(a)) stating that Poverty Reduction Investment Plan, would allocate the first 50% of the \$20M funding to CityHousing Hamilton.

In March 2018, the Board approved the recommended development plan through Report #17021(b) which included 253 King William St. as one of the five developments.



## Rapid Delivery Funding

In Fall 2020, the federal government launched the Rapid Housing Initiative (RHI) to help address the urgent housing needs of vulnerable Canadians through the construction of affordable housing. This funding initiative was expanded in Summer 2021 and in total intends to fund over 10,000 affordable units nationwide with rapid timelines.

Applications for funding were then conducted:

- CHH obtained authorization from the Board on November 24<sup>th</sup>, 2020 to proceed with two applications, including a modular development at 253 King William, which CHH applied for through the RHI Projects Stream on December 22, 2020.
- In March, CHH received notification that the project was not selected as part of the RHI Round 1 funding. To help increase the feasibility of the project, CHH began identifying alternative funding for the project. On March 23<sup>rd</sup> 2021, the project was awarded \$1.9M in COCHI funding.
- On June 30<sup>th</sup> 2021, CMHC announced that a second round of RHI funding would be available for projects that were not selected as part of the first round. In collaboration with Housing Services, CHH submitted an updated application in August for a City-endorsed project at 253 King William and was awarded \$6.48M in funding on January 25<sup>th</sup> 2022.

## Procurement

To help meet the strict deadlines of the RHI program, both Housing Services and the CHH Board approved measures in November 2020 to enable competition for rapid delivery projects:

- 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 (HSC20056)
- CHH acquired authorization for a modified and shortened competitive process to address funding timelines (Report #20024).

After conducting research on rapid delivery project models, in January 2021 CHH conducted a single sourcing of an experienced modular design-build team consisting of NRB Modular Solutions and Montgomery Sisam Architects, who previously were commissioned for projects for clients such as BC Housing and CreateTO.

Ahead of a complete design-build contract (CCDC-14), an initial Limited Notice to Proceed (LNTP) agreement was entered in November 2021 to facilitate detailed design which was needed for costing and Planning and Building approvals.

### Costing and Funding

On October 2021, NRB provided a Class C costing estimate, based on the in-design building, which aligned with the approved budget of \$10.97M.

As detailed design progressed to completion, subtrade construction tenders were conducted; due to the volatility of the marketplace and supply chain issues, the total development cost increased to \$13.47M. With the addition of a 7% contingency, the project totals \$14.4M.

Two sources of funding can be utilized to address the shortfall of \$3.43M:

- The Sold Unit Fund allocation attributable to this project of \$4.338M can be fully deployed, contributing an additional \$2.549M;
- The Poverty Reduction Fund allocation to CHH has a condition of use by 2025, and a reassignment from the longest lead time project, Riverdale, can ensure it is deployed, contributing an additional \$0.875M.

## **DISCUSSION:**

### Cost and Value Considerations

Detailed analysis of the tender pricing has identified legitimate cost pressures from subtrades for labour and materials. For example, these escalations have included increases of up to 40-60% for heating, ventilation and air conditioning (HVAC) equipment.

Data from other housing providers in-province confirms very similar pricing escalations are being seen across the sector. In addition, recent cost estimates for

two other CHH projects, 55 Queenston Rd and 106 Bay St N, indicate there will likely be substantial escalations in tendered costs forthcoming. Therefore, the current cost to develop this project, although unprecedented historically, is in alignment with current development costs being experienced in the market.

With \$8.38M in grants for a \$14.4M project, 58% of the project is covered through equity from upper levels of government, approximately double that of current projections for funding modelled for other in-development CHH projects. It therefore reflects a significant proportion of grant funding, and therefore tremendous value.

The scope of items included in the project is considered. Every effort has been made to optimize and bring efficiencies to the design and construction through 'value engineering' of the building. Further editing of the building and site plan will result in a notable deterioration in product quality for the future tenants and maintenance and repair teams. The related alternative of staged implementation of site works has also been considered, and would temporarily address costs due now, but only delay necessary and integral elements of the building and site, likely resulting in increased costs. Therefore, continuing with the full scope of work tendered is the optimal and recommended approach.

### Funding

CHH has identified adequate funding to fill the gap created in the budget from market escalations. Using the full proportion of Sold Unit Funds attributable to the 14 units being rebuilt does not negatively impact any other project, as these funds were not yet assigned. Additionally, the 10 net new units being enabled by this project qualify for use from CHH's Poverty Reduction Fund allocation. Currently Riverdale is the farthest out from development and with the requirement for use of Poverty Reduction Funding by 2025, a reallocation of the proportion needed is prudent.

Table 1 provides a summary of the existing and proposed funding details:

**Table 1**

**257 King William Funding Models**

	Units	CHH Equity Funding (Sold Units, DCs)		RHI Funding (59%)	COCHI Funding	Poverty Reduction Fund	Total Project Cost
Proposed	24	4,438,000	711,185	6,475,844	1,900,000	875,348	14,400,377
Existing	24	1,888,977	711,185	6,475,844	1,900,000	0	10,976,006

The recommendation to include additional contingency beyond the tendered \$13.47M, in an amount equivalent to 7%, for up to \$0.875M, does not equate to guaranteed additional costs. A process will be established through the contract documents to assess and verify any claims against this contingency. Any unneeded and unused portion would not be reallocated to this project. The contingency is recommended to be secured now to logistically handle any potential further overages in a timely manner.

**CONCLUSION:**

The rapid delivery of the 24 units at 253 King William through high-performance modular is an innovative approach to housing that addresses the multiple complementary priorities of fast, high-quality, environmentally sensitive, and affordable housing. As the cost of construction has reached unprecedented levels and is continuing to put pressure on communities seeking housing that is affordable, shoring the budget is essential to project continuation. Deploying the full amount of previously approved Sold Unit Funds, and reallocating Poverty Reduction Funds to a project sequencing earlier, CHH can continue on track with delivering replacement and net new units, while leveraging upper level government funding for nearly 60% of project costs in grant.





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

This report implements:

**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 - Costing Volatility**
- Appendix B – CONFIDENTIAL - Comparison Letter**

**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.