



Date: October 26, 2021

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter,
Chief Executive
Officer/Secretary

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Subject: **Wellington-King William – Policy 11 Single Source Provider for Design Build (Report 21001(a))**

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;

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 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 15-unit conversion at 350 King St and a 20-unit modular development at 253 King William;



AND WHEREAS Report 21001 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 the required project timeline for rapid completion of the project is October 1, 2022, and CHH continues to await notification on the status of RHI funding award.

THEREFORE, be it resolved that:

- (l) The Board of Directors approve the development plan outlined in this report for the 253 King William modular project, to:
 - a. Authorize and direct staff to single source, in consultation with the City of Hamilton's Procurement Department, and, pursuant to Procurement Policy #11 – Non-competitive Procurements guidelines, a design-build team, based on funding criteria, to commence work on the project prior to a potential RHI funding award;
 - b. Have CHH staff report back to the Board detailing procurement results of project awarded;

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

Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

In Fall 2020, the federal government launched the Rapid Housing Initiative (RHI) which provides \$1B to help address the urgent housing needs of vulnerable Canadians through the construction of affordable housing. This funding initiative intends to create over 3,000 new affordable units with rapid timelines of six to 12 months. If a project is not completed within the designated timeframe, the funding must be returned, increasing the importance of expediting the project schedule where possible.

On December 22, CityHousing Hamilton (CHH) applied to RHI Major Projects Stream, to create 24 modular housing units at the Wellington-King William site for \$10.96M. In March 2021, CHH received confirmation that the project was not selected.

CHH had identified secondary project funding and on this basis continued project preparations. On March 11th the design review panel received and supported CHH application for the 253 King William modular development. Additionally, the project was awarded \$1.9M in COCHI funding on March 23rd, 2021.

On June 30th, CMHC announced that a second round of RHI funding would be available for projects that were not selected as part of the first round. Applications for this funding are due on August 30th.

With the RHI funding requiring the project to be completed by October 1, 2022. To meet this schedule, it is important that the design start as soon as possible. Given the availability of secondary funding as a backup, the project can technically begin even prior to RHI funding award. This would allow CHH to ensure that the designs are completed in timely manner and manufacturing capacity confirmed to allow align with the required schedule.

CHH has recommended that the Board provide authorization to single source, in advance of funding award, a design-build team to be responsible for the full delivery of the project. Consolidating services under one design-build contract will enable integrated processes suited to modular prefabrication within a compressed timeframe and would align to the contract approach used previously for the CHH buildings at Jamesville and Roxborough, and previously approved for the Wellington-King William project. Procuring through sole sourcing ahead of the potential RHI funding award will enable the project to achieve the timeline



requirements of the RHI program regardless of any further delay of funding announcement.

Under this proposed approach to securing the design-build team, if RHI funding is not secured, CHH would continue working with the sole sourced firm using the identified secondary funding sources to proceed with the project, demonstrating how new affordable housing can be created in Hamilton at a rapid pace to address the growing need for affordable housing.

BACKGROUND:

In 2017, CityHousing Hamilton highlighted the potential development opportunities to help revitalize the current aging housing stock in Report #17021(a). This strategy included the sale of 100 singles and semi-detached units to help finance future development.

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.

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.

CHH hired Toms+McNally from the Roster on November 18, 2020 to research and review the potential manufactures, site plans, and development approaches. A market review was conducted that evaluated the types of design, manufacturing and firms operating in the modular space.

CHH obtained authorization from the Board on November 24th to proceed with two applications including the creation of a 20-unit modular development at 253 King William, which CHH applied for through the RHI Projects Stream on December 22, 2020.

To help meet the strict deadlines of the RHI program, CHH also acquired authorization for Staff to conduct a modified and shortened competitive process to ensure the project's success through Report #20024.

On January 25, 2021 CHH received authorization through report 21001 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.

On March 11, 2021, the design review panel received and supported CityHousing Hamilton application for the 24 unit modular development. CHH also received confirmation that month that the project was not selected as part of the RHI Projects Stream.

Preparations for site work has continued, with the remediation being scoped, tendered and awarded, and encroachments and other site works coordination occurring.

On June 30th, 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 a \$10.96M budget, however the application results have been delayed and are currently expected mid-November.

DISCUSSION:

Although secondary funding has been identified, the RHI funding is preferable because of the significant portion of grant, 59% versus a likely maximum of 30% through alternative funding applications.

The regular procurement process for a design-build team would take several months and push the RHI required project schedule beyond the maximum allowable completion date; therefore, the use of sole sourcing is being recommended.

Although best practice is full public procurement, which CHH has been working towards, to ensure completion of the project within the RHI timeline. It is important that CHH accelerate the onboarding of a design-build firm through a non-competitive procurement process. For context, investigation in the research phase of King William provided insight into the process and experience of other municipalities which moved modular and rapid housing projects forward at an accelerated pace. The City of Vancouver began the rollout of modular new

developments through an RFQ process that resulted in essentially one provider being able to deliver at the scale required. The City of Toronto followed in deploying modular housing, initially single sourcing their first two projects. Moreover, this month the City of Toronto has additionally approved non-competitive procurement for pre-development services to support the delivery of RHI projects.

Site Condition

The site condition of 253 King William requires Ministry of Environment, Conservation and Parks (MOECC) approval after remediation. CHH has already completed a Phase 2 Environmental Site Assessment (ESA) supplementary testing, is dealing with encroachments, and is proceeding with remediation including removal of approximately 1.5m of soil towards a Record of Site Condition (RSC), working with the MOECC on the quickest pathway to a clean site which is currently underway.

Funding

On September 29, 2020, the CHH board approved the total project costs for the five new developments totalling \$107,282,758. Within this budget, \$13,648,115 was approved for the King William development, representing a proposed unit cost of \$682,406. Due to this high per unit cost, it was proposed that an alternative form of development may be better suited for this site.

Based on a modular approach to development, an updated cost of \$460,000 per unit was estimated for a 24-unit development, an increase in four units following spatial analysis of the site and typical manufacturing capabilities. This budget includes site remediation and 46% construction contingency for an estimated project cost of \$11M.

On March 23rd, 2021 CHH was awarded \$1.9M in funding through the COCHI funding.

It is expected through the RHI Projects Stream guidelines that this project would be eligible for 59% of the project costs if approved. However, the project must not receive any loan funding to be eligible as a result CHH can no longer apply for the FCM Sustainable Affordable Housing program. Table 1 outlines the updated

funding sources for this development if RHI funding is received. Notably, CHH would not need to utilize their serviceable debt nor all their possible equity. Should RHI funding not be secured, the project could proceed with secondary funding including a combination of owner equity, CMHC National Housing Co-Investment Funding, and FCM Sustainable Affordable Housing --this option, however, may require the unit configuration to be reduced due to the funding capacity.

Table 1 Wellington-King William Funding								
Option	Units	CHH Equity Funding (City Equity, DCs)		RHI Funding (59%)	COCHI Funding	CMHC Co- Investment Funding (20.7%)	Max Serviceable Debt (Report 17021(c))	Total Project Funding
Preferred Option	24 Units	1,888,977	711,185	6,475,844	1,900,000	0	0	10,976,006
Secondary Option	24 Units	4,438,000	711,185	0	1,900,000	2,270,821	1,656,000	10,976,006

CONCLUSION:

The RHI funding program provides an ideal opportunity to reimagine the Wellington-King William site and implement one of the first affordable housing projects in Canada to use a modular construction approach. If funding is confirmed through the RHI program the single sourcing of a design-build firm will enable the required project timelines to be met, in conjunction with the modular approach and the design-build contract itself. Notwithstanding the implementation hurdles of ensuring all regulatory requirements are met, and the project management execution being managed well, the single sourcing of the design-build firm will be one of the first major steps towards ensuring the success of this novel affordable housing demonstration project.

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:

None

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.