



Date: January 25, 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)

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 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;

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;

THEREFORE, be it resolved that:

- (l) The Board of Directors approve the development plan outlined in this report, conditional on RHI Project Stream funding being secured 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 design and build the project;
 - b. Have CHH staff report back to the Board detailing procurement results of project awarded;
 - c. Authorize and direct staff to apply for the FCM Sustainable Affordable Housing fund, including entering into any agreements and ancillary agreements.

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 which are to start within 90 days and have occupancy within 12 months of project approvals. If a project is not completed within this 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 Project Stream, to create 24 modular housing units at the Wellington-King William site. Due to the strict timelines of this program, it is critical that CHH source a team that can deliver a modular building, that also achieves program goals of high-quality and high-performance within the require time period.

CHH has recommended that the Board provide authorization to Single Source a Design-Build team to be responsible for the full delivery of the project similarly, to the real estate transactions at Jamesville and Roxborough. In this case the consolidation of services under one contract ensures one organization is responsible for delivering the project, and design, manufacturing and construction can then more seamlessly be integrated into a process with a compressed timeframe. This will allow CHH to ensure that the designs are completed in timely manner to allow the construction to be tendered and start within the projected schedule.

The aim of this report is to seek the necessary authorization needed to retain the design-build firm to ensure the procurement is completed within a timeframe that coincides with the short delivery timeline of the RHI program, should this funding be confirmed. If RHI funding is not secured, and/or more preferable funding is acquired without a stringent timeline, a competitive procurement process would be instead implemented.

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.

WalterFedy was hired by CHH to undertake an assessment on the design approaches used by CHH and to establish a proforma through Gabriel Denis & Associates to determine the feasibility of each new development in 2020. Due to market escalations causing constructions costs to dramatically increase, an additional contingency of 32-46% were added to each project based on their stage of development. These costs significantly impacted the King William development with a projected unit cost of \$682,406 in Report 17021(c) due to the building's small scale with large 3-bedroom units, making it a candidate for alternative forms of development.

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. This research also included soliciting and analyzing the project management experience from recent modular developments in Canada and included recommendations regarding Planning and Building approvals and the form of prefabricated developments. A market review was conducted that evaluated the types of design, manufacturing and construction management firms 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.

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. CHH applied for the RHI Project Stream on December 22, 2020.

DISCUSSION:

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

To ensure the completion date of the project is within one year, it is important that CHH streamlines the project schedule where possible including the procurement process and contract type. Research from Toms+McNally provided insight into the process and experience of other municipalities and complemented the growing corporate experience with procurement approaches beyond the standard design-bid-build.

Site Condition

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 project will require the expedition of Planning and Building approvals to be viable for consideration in the timeline for the RHI program. If the RHI deadlines are not met the funding would be required to be returned, as a result CHH has identified alternative funding for consideration if this program is not approved.

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 unit cost, it was proposed that an alternative form of development may be better suited for this site.

Based on the costing of recent modular developments, a development cost of \$460,000 was estimated for the 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.



Currently CHH has allocated \$5,149,185.00 in funding towards this project, as well as \$1,850,000 in approved serviceable debt through report 17021(c).

It is expected through the RHI Project Stream guidelines that this project would be eligible for 59% of the project costs if approved through this program. Table 1 outlines the funding sources for this development if RHI funding is received. CHH would not need to utilize their serviceable debt and could still apply to FCM Sustainable Affordable Housing fund to further reduce equity contribution. As one alternative, should RHI funding not be secured, the project could proceed with a combination of owner equity, loan, and CMHC National Housing Co-Investment Funding this option, however may required the unit configuration to be reduced due to the funding capacity.

Table 1

Wellington-King William Funding (Ability to afford without additional debt)								
Option	Units	CHH Equity Funding (City Equity, DCs)		RHI Funding (59%)	CMHC Co-Investment Funding (12.5%)	FCM Sustainable Affordable Housing (10%)	Max Serviceable Debt (Report 17021(c))	Total Project Funding
Option 1	24 Units	4,438,000	711,185	6,490,000	0	0	0	11,639,185
Option 2	24 Units	4,438,000	711,185	0	1,372,001	1,097,601	1,850,000	9,468,787

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 to use this 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 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 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:

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