

# Rapid Housing Initiative

## Updated Housing Investment Plan

### Recommendation

1. That the 2021 revenue and expenditure operating budget for the Social Development branch be increased by \$14,884,530, to recognize anticipated receipt of Rapid Housing Initiative funding from the Canada Mortgage and Housing Corporation Rapid Housing Initiative Cities Stream (revenue), as well as operating contributions (expenditure) to external organizations for the purposes of funding the projects described in Attachment 1 of the August 16, 2021, Citizen Services report CS00733.
2. That the 2021 revenue and expenditure operating budget for the Social Development branch be increased by \$6,724,740 with funding from provincial block funding (\$5,043,555) and the Affordable Housing Reserve (\$1,681,185) for the City contribution towards the projects described in Attachment 1 of the August 16, 2021, Citizen Services report CS00733.
3. That Administration submit an updated Housing Investment Plan to Canada Mortgage and Housing Corporation based on the Housing Investment Plan - Second Intake as described in Attachment 1 of the August 16, 2021, Citizen Services report CS00733.
4. That Attachment 1 of the August 16, 2021, Citizen Services report CS00733, remain private pursuant to sections 21 (disclosure harmful to intergovernmental relations), 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

### Executive Summary

On July 6, 2021, the Government of Canada announced that the City of Edmonton would receive \$14.9 million through the Rapid Housing Initiative's Cities Stream to create a minimum of 68 units of new permanent affordable housing.

In order to access the funding, the City is required to update its Housing Investment Plan by August 31, 2021. The plan was previously presented to City Council and sent to Canadian Mortgage and Housing Corporation in November 2020. The updated Housing Investment Plan identifies a request for funding in the amount of \$49.4 million to provide 360 new units of housing for Edmonton's most vulnerable people.

Within the Housing Investment Plan there is a Cities Stream and a Project Stream. The Cities Stream submission includes two medium-size hotel conversions that could result in 138 units of housing, while the Project Stream submission would also involve the conversion of two larger hotels resulting in 222 units of housing for people at risk of experiencing homelessness. All projects have been proposed by, and would be owned and operated by, non-market housing providers.

### **Report**

Through Budget 2021, the Government of Canada is investing an additional \$1.5 billion for the Rapid Housing Initiative, which provides capital funding for the construction, purchase and renovation to create new self-contained units of permanent housing. There are two funding streams within the initiative, administered through Canada Mortgage and Housing Corporation:

- The Cities Stream (\$500 million)
- The Projects Stream (\$1 billion)

#### *Cities Stream*

Under the Cities Stream, the Government of Canada allocated funding to 30 municipalities based on the number of renters in severe housing need, regional coverage, and local market housing cost in their respective rental housing markets. Each municipality is required to submit recommended projects for this funding that demonstrate alignment with the Rapid Housing Initiative criteria. Municipalities must submit their recommended projects through Canada Mortgage and Housing Corporation's online portal by August 31, 2021, and funding confirmation is expected between late August to mid October 2021. Edmonton's allocation through this stream is \$14.9 million.

#### *Project Stream*

Under the Project Stream, Canada Mortgage and Housing Corporation is focusing on funding projects that were unfunded from the first intake and will review and prioritize the applications based on program criteria by the end of October 2021 with the intent to notify all applicants of the status of their application by March 31, 2022.

Administration has prepared an updated Housing Investment Plan containing details of recommended projects for the Cities Stream funding as well as additional proposed projects for the Project Stream (Attachment 1).

#### Proposed Approach

The Rapid Housing Initiative will only fund projects that can be completed and opened within one year. This timeline favours shovel-ready projects that are planned or can be completed with relative ease.

There were four hotel conversion projects that were not funded in the first submission to the Rapid Housing Initiative. The City's pre-allocation of \$14.9 million in the second round of the Rapid Housing Initiative is insufficient to fund the conversion of one of the larger hotels, but it can be leveraged, with a City contribution, to fund the conversion of two smaller hotels.

Hotel conversions that can house people in as little as three to six months are awarded additional points through the Canada Mortgage and Housing Corporation's application review process which improve their chances of securing funding. Accordingly, Administration proposes to focus the City's second intake submission on funding non-market housing providers to purchase and convert existing hotels into housing. Experienced non-market housing providers currently have the hotels under agreement to purchase and the City would provide approved Rapid Housing Initiative funding to the non-market housing providers, in conjunction with an affordable housing funding agreement, to support the project.

The acquisition and conversion of existing hotels for supportive housing offers some advantages including potentially lower cost per unit, supporting the repositioning of vacant and underused buildings, and securing additional lands around the hotel's parking areas for additional amenities, services or development. In the time since the first intake of the Rapid Housing Initiative, the non-market housing providers have been able to complete further due diligence on hotels, refine their development concepts and operating plans, and in some cases have been actively leasing and operating the hotels proposed for conversion. The experience of leasing the hotels and refining their plans for conversion has provided further insight into the suitability and complexities of the buildings.

The inclusion of these projects in the revised investment plan means that specific non-market housing providers that have developed plans for hotel purchase and development are able to enact those plans.

### Next Steps

Prior to releasing funding to the City, Canadian Mortgage and Housing Corporation requires the City to submit an updated Housing Investment Plan identifying how the City intends to allocate the \$14.9 million and what projects are endorsed for consideration for funding under the Project Stream which is a merit-based, competitive evaluation process.

Canadian Mortgage and Housing Corporation will review the Housing Investment Plan within 45 days of closing the intake and provide the City with a Rapid Housing Initiative agreement in respect of approved Cities Stream projects. Within 10 days of signing the related Rapid Housing Initiative Contribution Agreement, these funds will be transferred to the City.

The Rapid Housing Initiative does not provide operational funding. Administration is continuing discussions about operational funding commitments with the appropriate ministries in the Government of Alberta to encourage appropriate operating supports are put in place and the housing developed with the Rapid Housing funding is sustainable.

For any projects funded, Administration would prepare an affordable housing agreement and seek appropriate approvals to transfer the funds to the non-market housing provider in accordance with requirements of the Rapid Housing Initiative program parameters, with appropriate caveats or other instruments registered on title.

### **Budget/Financial Implications**

If approved, the \$14.9 million allocated to the City through the Cities Stream would be directed to the Affordable Housing operating budget and used to fund the purchase and conversion of two hotel sites to housing for people at risk of or experiencing homelessness. The City would contribute an additional \$6.7 million towards these projects from existing funds within the Affordable Housing Reserve and provincial block funding.

If any of the Project Stream submissions are awarded funding, Administration would return to a future City Council meeting to seek approval to allocate funds to the Affordable Housing operating budget. The Project Stream submission includes a potential City of Edmonton funding contribution of \$7.3 million which increases the scoring of the project and improves its potential of attracting additional Canada Mortgage and Housing Corporation funding. Although this funding commitment is being made for the purposes of the submission to Canadian Mortgage and Housing Corporation, City Council approval is not required at this time. Administration would return to City Council to identify the source of funds from the Affordable Housing Reserve and bring forward the appropriate recommendation for approval.

Project costs described in this report are high level estimates and final costs won't be known until detailed design is complete and project delivery is confirmed. The estimates described in the report are informed by preliminary estimates from non-market housing providers and represent agreed upon purchase prices and estimated conversion costs.

### **Legal Implications**

Although the form of Rapid Housing Initiative Contribution Agreement for the second intake has not yet been provided to the City for review, Administration anticipates it will place requirements on the City, as the recipient, as to how the funds are used with progress reporting and a minimum 20-year affordability commitment. The City, in its capacity as the recipient of the contribution, could enter into parallel agreements that impose matching obligations on the housing providers.

Notwithstanding the use of parallel agreements, the City does remain at all times liable to the Canada Mortgage and Housing Corporation for the fulfillment of obligations under the Rapid Housing Initiative Contribution Agreement. A breach of the parallel agreement could impact the City’s ability to fulfill its obligations to the Canada Mortgage and Housing Corporation under the Rapid Housing Initiative Contribution Agreement.

**Public Engagement**

Public engagement was not conducted for this report.

**Corporate Outcomes and Performance Management**

<b>Corporate Outcome(s):</b> Edmonton is a safe city.			
<b>Outcome(s)</b>	<b>Measure(s)</b>	<b>Result(s)</b>	<b>Target(s)</b>
Increased access to affordable housing	Number of supportive housing units developed	2021: 72 2020: 210 2019: 79 2009-2016: 201	916 additional units by end of 2024
Increased supply of affordable housing units in all areas of the city	Number of new affordable housing units supported	2021: 418 2020: 286 2019: 648 2018: 189	2,500 by the end of 2022
Edmontonians have safe and adequate housing	Number of unsheltered individuals	June 2021: 2,526 June 2020: 1,693 June 2019: 1,219	Decrease year over year

**Risk Assessment**

<b>Risk Element</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Score (with current mitigations)</b>	<b>Current Mitigations</b>	<b>Potential Future Mitigations</b>
<b>If recommendation is approved</b>						
Customers/ Citizens	Individuals housed in bridge accommodation may not be able to move to housing before funding for interim strategies is completed	4 - Likely	2 - Moderate	8 - Medium	Administration will work to increase the supply of permanent supportive housing in the medium term by applying to the Canada Mortgage and Housing Corporation’s Rapid Housing Initiative Program.	

Commercial	Edmonton's nonprofit homeless-serving sector may lack the capacity or staff to manage project delivery (modular housing, hotel purchase and conversion)	3 - Possible	3 - Major	9 - Medium	Administration is working with agencies to assess capacity and encourage collaboration, and identify the best method of project delivery.	
<b>If recommendation is not approved</b>						
Financial	If the City does not sign the contribution agreement, funding will not be transferred to the City. If the City fails to submit a Housing Investment Plan it will not be eligible for additional funding.	4 - Likely	2 - Moderate	8 - Medium	Administration has confirmed that the funding agreement can be entered into without imposing significant restrictions on the City beyond expected and appropriate level of reporting requirements.	Enter into parallel funding agreements with nonprofit homeless serving sector as required to ensure appropriate financial management and project completion.

**Attachments**

1. Housing Investment Plan - Second Intake - PRIVATE

**Others Reviewing this Report**

- C. Owen, Deputy City Manager, Communications and Engagement
- D. Croft, Acting Deputy City Manager, Financial and Corporate Services
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Planning and Economy
- K. Fallis-Howell, Acting City Solicitor