

Interim Housing Recommendations and Financial Implications

Recommendation

That the May 25, 2020, Citizen Services report CR_7838, be received for information.

Previous Council/Committee Action

At the December 4, 2019, Community and Public Services Committee meeting, the following motion was passed:

1. That Administration bring back a detailed proposal, with recommendations, outlining:
 - a. project costs, for expedited short term bridge housing and modular permanent supportive housing, and
 - b. additional analysis on the financial implications of funding the first four permanent supportive housing sites currently being planned, without provincial and/or federal government support.

Executive Summary

Administration has developed a proposed approach to deliver 207 units of permanent supportive housing and 36 units of bridge housing. The proposal includes:

- temporary bridge housing using an existing City-owned asset with 36 units
- a temporary modular supportive housing building with 57 units of permanent supportive housing
- four purpose-built permanent supportive housing developments with a total of 150 units

The two temporary projects would be able to house individuals experiencing homelessness on an interim basis while advancing the first four permanent supportive housing sites. The bridge housing option is a cost-effective approach that makes use of an existing City asset. Construction of modular housing could be completed in 40 to 50 percent less time than traditional construction using a vacant parcel of City-owned land that is awaiting a future permanent development.

Using additional City funding to fund the development of 150 units, without the support of the Government of Alberta, would directly impact the City's ability to deliver the

balance of the 900 permanent supportive housing units and similarly would require a revision to the Affordable Housing Investment Plan priorities.

Report

Ending chronic homelessness in Edmonton requires increasing the supply of permanent supportive housing by 900 units by 2024. However, as the City works to secure funding commitments in collaboration with the Government of Alberta and Government of Canada, there remains an immediate need to house nearly 500 unsheltered individuals experiencing complex mental and physical health issues.

In December 2019, Community and Public Services Committee directed Administration to complete an analysis to better understand the cost implications of moving forward with the development of six projects. The projects include development of four permanent supportive housing sites previously identified, a bridge housing project and a modular permanent supportive housing building.

Bridge Housing

A temporary opportunity to repurpose an existing city-owned building to provide bridge housing is available on the Exhibition Lands site, for a period of approximately 3 years. This interim use of the building would require Administration to initiate public engagement and return to Council or Committee with a report seeking approval of a below market lease, with a specified lease term of not more than three years.

Bridge housing is short-term, continuous-stay accommodation for individuals awaiting placement into permanent housing. Individuals typically stay for 30 to 90 days in a congregate-living environment with private or semi-private rooms and a shared kitchen. The process of moving someone to permanent housing involves several steps that vary based on individual circumstances and can take an average of 45 days. Bridge housing allows individuals to immediately access short-term housing and corresponding health and social supports while going through the necessary steps to move into permanent housing. Bridge housing contributes to the performance of the housing first system by reducing the challenges faced by housing workers trying to locate and connect with their unsheltered clients.

Administration searched the City's inventory to locate a suitable building in advance of the 2019/2020 winter season to be able to respond if the extreme weather protocol was activated and temporary shelter space was required. A dormitory building at Exhibition Lands was identified as a potential location; however, Administration moved ahead with using the Commonwealth Community Recreation Centre, recognizing that while the dormitory building would be well-suited for the temporary provision of bridge housing, it requires some rehabilitation. Renovations to the dormitory building can be completed quickly and would cost less than a purpose-built structure.

Administration recognizes that the use of this building is temporary as the land is slated for future development. The Exhibition Lands Planning Framework identifies the redevelopment timeline as 30 years. The dormitory building is in the Medium Term phase of development that would begin after the demolition of structures and requires the extension of mixed use collector roads and infrastructure.

The dormitory building is the most viable option reviewed to date. It is a City-owned building that is presently unoccupied, immediately available for adaptive reuse as bridge housing, and would provide 36 units with an occupancy for up to 78 residents. This equates to approximately 200 to 300 residents flowing through the building in a year, if the building was at full occupancy with residents staying for 90 days each. In January 2020, a development permit to allow for bridge housing was approved and the building has undergone preliminary maintenance, which has involved cleaning and the removal of surplus chattels.

Rehabilitating the building for the temporary purpose of bridge housing will require a capital investment of approximately \$600,000. An equivalent building on the private market would cost more than \$2.4 million to purchase. Administration explored other options for bridge housing, such as the purchase of a hotel or an existing congregate care facility; however, these options were all in excess of \$5 million to purchase, had unsuitable layouts, or required significant renovations in order to make the building suitable for bridge housing.

As next steps, Administration will initiate public engagement and seek approval of a below-market lease, limited to a 3 year term, to a non-market housing provider. If a short term lease is approved, the renovations would begin immediately and could be completed by the end of 2020. Homeward Trust Foundation would be the building operator, having already confirmed funding of \$1.2 million in annual operating funding.

Modular Permanent Supportive Housing

Modular construction is one avenue that can deliver permanent supportive housing projects 50 percent faster than conventional construction methods. Modular housing is factory-built; the building is pre-fabricated in a controlled environment at the same time as the site is being prepared. This process reduces scheduling and cost risks due to the precision of factory-built modules as well as lessening site and construction disruptions. Modular structures can also be disassembled and quickly relocated to different locations as required.

Administration circulated an information request to experienced modular housing suppliers in order to establish a reasonable cost estimate, timeline for delivery, and the industry's ability to deliver a product that meets permanent supportive housing design specifications. The industry response confirmed that an estimated cost for a 57-unit building with an elevator and commercial kitchen would be approximately \$9.5 million and could be manufactured and assembled on-site within eight months of placing an

order. The estimate does not include costs and time needed for land acquisition, instead assuming the project site will be an existing City-owned property.

Administration has identified potential sites for a modular housing project but has not pursued any further assessment of any of the sites. If project funding is secured, Administration would complete further technical analysis to identify a preferred site, determine rezoning requirements of the site including any public engagement required to support the land use, and seek approval of a below-market value lease.

Permanent Supportive Housing - First Four Sites

In August 2019, the City of Edmonton and a non-market housing provider submitted a portfolio funding application to the Canada Mortgage and Housing Corporation for the construction of 900 permanent supportive housing units. Contributions from the City, the Canada Mortgage and Housing Corporation and the Government of Alberta (to be determined) are detailed below.

Funding Source	Anticipated Required Capital Contribution	Contribution Type
City of Edmonton	\$37.5 million	grants, development-ready parcels of land, in-kind contributions and site servicing costs
Canada Mortgage and Housing Corporation	\$80 million	forgivable and repayable loans
Government of Alberta	\$124 million <i>(plus \$24 million in annual operating costs)</i>	to be determined
Total	\$241.5 million	

Administration and the Government of Alberta remain in discussions about what contributions each group can make. The capital cost of the 900 units was estimated at \$241.5 million, and this represents approximately 20 individual development sites. The non-market housing provider is unable to carry the loan required to support the construction of 900 units of permanent supportive housing. Canada Mortgage and Housing Corporation suggested that a reduced portfolio of 300 units is one possibility and would be financially viable for the non-market housing provider, if operating and capital contributions are provided by the Government of Alberta. In the absence of funding from the Government of Alberta, the City would only be able to consider capital funding for the first four permanent supportive housing sites, or approximately 125 units.

The City and the non-market housing provider have continued with project planning activities for the first four permanent supportive housing projects, including engagement planning and activities, zoning approvals, building design and pre-development work. This will enable development of the first four sites to progress towards being shovel-ready. The first four projects were designed as conventional builds, aligning with Canada Mortgage and Housing Corporation’s accessibility and energy efficiency targets.

Permanent Supportive Housing Unit Counts

The four permanent supportive housing projects plus modular permanent supportive housing would deliver 207 units representing 35 percent of City Council’s goal of 600 units by the end of 2022, and 23 percent of City Council’s goal of 900 units by 2024.

Project	Approximate Unit Count
Permanent Supportive Housing Site 1	40
Permanent Supportive Housing Site 2	30
Permanent Supportive Housing Site 3	50
Permanent Supportive Housing Site 4	30
Modular Permanent Supportive Housing	57
Total Units	207

Funding Scenarios

Administration developed two funding scenarios (Attachment 1) based on the assumption of no capital funding from the Government of Alberta for the six projects (four permanent supportive housing projects, modular permanent supportive housing project, and bridge housing project). Both scenarios use the total capital cost of \$53.4 million for delivering the six projects. The operating costs for the projects are estimated between \$7.5 million and \$7.8 million annually. A non-market housing provider has indicated their capacity to cover operating costs associated with each of the projects, however, advocacy for alternate sources is continuing.

Scenario One

Scenario One assumes the City of Edmonton would fund 100 percent of the capital costs of the projects. The total capital costs of the six projects are estimated at \$53.4 million, comprising approximately \$45.3 million in funding (capital costs) and approximately \$8.1 million in land and lease contributions.

Scenario Two

Scenario Two assumes that the City of Edmonton would fund 100 percent of the capital costs for the modular and bridge housing projects and that the Canada Mortgage and Housing Corporation would contribute 35 percent of the capital cost for the four permanent supportive housing projects, with the City covering the remaining 65 percent. The conventional build permanent supportive housing units are part of a portfolio application presently under Canada Mortgage and Housing Corporation consideration and the contributions modeled in Scenario Two align with the funding parameters of the application. Canada Mortgage and Housing Corporation's contribution would be funded through a mix of forgivable loans and conventional loans.

Under Scenario Two, the total capital cost of the six projects is estimated at \$53.4 million. The City's contribution would decrease to an estimated \$31.3 million in funding (capital costs), but would remain at approximately \$8.1 million in land and lease contributions. If approved, Canada Mortgage and Housing Corporation's contribution would be approximately \$9.5 million in conventional financing and \$4.5 million in forgivable loans.

Next Steps

Bridge Housing

Administration will initiate public engagement and seek approval of a short-term below-market lease to a non-market housing provider in mid 2020. If the lease is approved, Administration will begin renovations to the building and prepare the building for opening in late 2020.

Modular Permanent Supportive Housing

Should funding be made available for a modular permanent supportive housing project, either through reallocation of existing budgets or from other orders of government, Administration would proceed with site selection and carrying out the necessary next steps to contribute a development-ready site, including public engagement, rezoning, servicing, and the approval of a below-market lease.

Permanent Supportive Housing - First Four Sites

Administration will start public engagement to support the land preparation and land use approvals on the first four permanent supportive housing sites. Future steps include rezoning sites, as necessary, and transferring ownership of land to the operator of the site. Administration will bring forward a report seeking approval of the below market sale of City-owned land for the purpose of building permanent supportive housing units.

Administration will continue to hold discussions with the Canada Mortgage and Housing Corporation, the Government of Alberta, and non-market housing providers to

confirm the funding contributions of the respective parties, which may provide an alternate scenario to fund the four sites as well as future projects. If an agreement or alternate scenario cannot be reached, Administration would seek City Council approval for revised Priority Investment Areas of the Affordable Housing Investment Plan (2019-2022). A report outlining the reallocation of capital commitments will be prepared in advance of City Council's consideration of fall supplemental capital and operating budget adjustments where any adjustments will be brought forward.

Budget/Financial Implications

In October 2018, City Council approved the Priority Investment Areas of the Affordable Housing Investment Plan (2019-2022) The Affordable Housing Investment Plan 2019-2022 included a fiscal framework and was based on leveraging funding with other orders of government; however, due to COVID-19 this plan may encounter ongoing funding challenges. As part of the plan, Capital Profile 19-90-4100 Affordable Housing Land Acquisition & Site Development was approved for a total of \$53 million, \$37.5 million of which has been allocated toward permanent supportive housing. Under the plan, the City was to be a limited funding partner, making contributions that would not typically exceed 25 percent of the capital costs of a development. Funding from other orders of government has not yet been secured, prompting Administration to explore alternative funding scenarios.

Administration will continue to pursue opportunities to secure alternate funding sourcing on these or future projects to fulfil the preferred role as a limited funding partner (as opposed to the sole funder). Accordingly, the role as a limited funding partner would be maintained if contributions from the Government of Alberta materialize.

Both scenarios outlined above demonstrate funding frameworks that do not align with the Affordable Housing Investment Plan 2019-2022. Pursuing either scenario would require a review of the City's affordable housing priorities and targets, as well as reallocation of available funding.

The total capital costs of the six projects is estimated at \$53.4 million. Administration currently has \$37.5 million allocated towards permanent supportive housing. Funds drawn from this capital profile to advance these six projects would compromise the City's ability to acquire more land and develop further units and diminish the City's ability to prepare surplus school sites for affordable housing development. Administration is evaluating the alternate funding sources that the City could use to fund all or a portion of the required funding for the six projects. A request for further funding would return to a future supplemental capital budget adjustment for Council's consideration.

Similarly, drawing from the Affordable Housing Reserve, remaining provincial

Cornerstones Grant Funding, or using tax levy would impact affordable housing programs such as the City's Affordable Housing Investment Program.

Administration can evaluate alternative avenues for generating capital to fund development of the first four permanent supportive housing sites, including identification of process steps to facilitate selling surplus school sites presently held for affordable housing. Given the magnitude of the funds to be reallocated and the noted departure from the Affordable Housing Investment Plan, Administration would seek City Council approval of the Priority Investment Areas of the Affordable Housing Investment Plan (2019-2022).

Community Involvement and Consultation

Bridge Housing

Administration met with representatives of the Parkdale Cromdale and Bellevue Community Leagues to discuss concerns with the proposed use and to share information about the planned operations. Administration will continue to involve the community on a proactive basis as appropriate, given restrictions due to COVID-19. Information-sharing and engagement methods will include virtual meetings with community leagues and a virtual public information session/tour of the facility once renovated. In addition, community input will be collected and considered by the housing operator to establish a Good Neighbour Plan.

Modular Permanent Supportive Housing

Further review and technical assessment of potential sites for modular housing is required prior to making a recommendation on a particular site. Public engagement is also required to inform decisions specific to modular supportive housing on the sites under consideration. Should a modular housing project move forward, a communications and public engagement plan will be developed.

Permanent Supportive Housing - First Four Sites

Administration has developed a digital communications and public engagement plan for the first four permanent supportive housing sites, taking into account restrictions due to COVID-19. A multi-phased engagement approach will ensure there are multiple opportunities for residents and stakeholders to participate in a variety of formats and will identify the decisions where public input can shape the process.

Key engagement and communications milestones include the following:

- Phase 1 - Pre-Engagement: one-on-one conversations, conducted virtually or by phone, with select community members to build key relationships and gather initial feedback from the community.
- Phase 2 - Small Format Engagement: following a public announcement of the sites, small, virtual engagement sessions will be held with community members

to expand relationships in the community and better understand critical concerns and issues.

- Phase 3 - Large Scale Engagement: an online survey and large-scale virtual engagement opportunities will be used to gather input on Good Neighbour Plans and certain design elements.
- What We Heard Report: A What We Heard Report will capture key themes and be shared with the community following the engagement process. The report will demonstrate how the input from the public was considered in the final recommendation.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is a safe city.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmontonians have safe and adequate housing	Number of unsheltered individuals	January 2020: 451	Decrease annually
Increased access to affordable housing	Number of permanent supportive housing units developed	2009-2016: 201 2017 - present: 79	900 units by 2024

Attachments

1. Financial Analysis

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- B. Andriachuk, City Solicitor