

Plan To Meet Immediate Housing Need

Progress Report

Recommendation

1. That Administration allocate funding from the Canada Mortgage and Housing Corporation Rapid Housing Initiative, as described in the November 16, 2020, Citizen Services report CS00137, to the Capital Profile 19-90-4100 Affordable Housing Land Acquisition & Site Development.
2. That the 2021 budget in Capital Profile 19-90-4100 Affordable Housing Land Acquisition & Site Development be increased by \$17,271,052 with funding from the Rapid Housing Initiative.
3. That Administration submit a detailed Housing Investment Plan to Canada Mortgage and Housing Corporation based on the Housing Investment Plan Overview described in Attachment 1 of the November 16, 2020, Citizen Services report CS00137.
4. That Attachments 1 and 2 of the November 16, 2020, Citizen Services report CS00137 remain private pursuant to Sections 21 (disclosure harmful to intergovernmental relations) and 24 (advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

Previous Council/Committee Action

At the October 5, 2020, City Council meeting, the following motion was passed:

1. That the actions outlined in Attachment 3 of the October 5, 2020, Citizen Services report CS00063, be approved.

Executive Summary

Administration continues to work with senior orders of government, Homeward Trust and other nonprofit housing providers on medium-term options to house people experiencing homelessness in Edmonton. On October 27, 2020, the Canada Mortgage and Housing Corporation announced immediate funding to the City of Edmonton through its Rapid Housing Initiative's Major Cities stream of \$17,271,052 to create a minimum of 78 units of new permanent affordable housing. On November 12, 2020, Administration signed the agreement and, once the Canada Mortgage and Housing Corporation signs the related Rapid Housing Initiative Contribution Agreement, these funds will be transferred to the

City Administration has identified two projects for this funding, which will result in the development of 80 units of modular supportive housing.

While these two projects will contribute to City Council's supportive housing goals, additional funding is required to achieve more significant progress. Further funding could be used to support the rapid construction of additional supportive housing projects and the purchase and conversion of existing hotels to supportive housing. The coordinated work of Administration, Homeward Trust, and other non-market housing providers has resulted in a second list of additional shovel-ready projects that the City intends to include in its Housing Investment Plan, for consideration under the Rapid Housing Initiative's Project Stream of funding. These shovel-ready projects represent a further 527 to 597 units of supportive or affordable housing that could proceed immediately with an additional funding contribution of approximately \$72.4 million dollars. Within that total, the City-led projects represent 210-280 units of supportive housing with an additional funding contribution of approximately \$36.1 million in Rapid Housing Initiative funding.

Report

On October 5, 2020, as part of the City of Edmonton's plan to meet immediate housing needs, City Council directed Administration to continue to work with Homeward Trust and Canada Mortgage and Housing Corporation to develop a list of supportive and affordable housing projects that may be eligible to receive Rapid Housing Initiative funding from the Government of Canada.

Administration has identified these projects (Attachment 1) as well as outlined several scenarios that could be used to fund the development of additional supportive housing projects (Attachment 2).

Rapid Housing Initiative - Background

In September 2020, the Government of Canada announced the new \$1 billion Rapid Housing Initiative. This initiative provides an opportunity for Edmonton to secure federal capital funding to increase its supply of supportive housing for people experiencing homelessness. The Rapid Housing Initiative is designed to help address the urgent housing needs of vulnerable Canadians, especially in the context of COVID-19, through the rapid construction of affordable housing.

The Rapid Housing Initiative will provide funding to cover up to 100 percent of the capital costs of:

- Acquisition of land and the construction of affordable multi-residential modular housing;
- Acquisition of land and buildings for the purpose of conversion of non-residential to affordable multi-residential housing; or
- Acquisition of land and buildings that are uninhabitable (disrepair or abandoned) into affordable multi-residential housing.

Operating funding to offset operating costs and/or provide rent subsidies or fund onsite health and social supports for each proposed development, is not included in the Rapid Housing Initiative's funding streams.

All affordable housing units must be dedicated to people and populations who are vulnerable and targeted under the National Housing Strategy, especially people experiencing or at risk of experiencing homelessness. The target populations groups can also include a range of sub-groups including racialized, marginalized, or otherwise disadvantaged populations, including people dealing with mental health and addictions issues.

The initiative is designed to result in the rapid acquisition and deployment of housing and projects must be completed in one year from approval.

There are two funding streams within the initiative:

- The Major Cities Stream will flow directly to pre-identified municipalities with the highest level of renters in severe housing need and people experiencing homelessness; and
- The Projects Stream will prioritize applications received from provincial, territorial, and municipal governments, Indigenous governing bodies and organizations and non-profit agencies through a competitive process.

The Canada Mortgage and Housing Corporation has notified Administration that the City of Edmonton will receive \$17,271,052 to create a minimum of 78 units of new permanent affordable housing through the Major Cities stream. This funding will be transferred to the municipality in full upon the successful execution of a Rapid Housing Initiative Agreement. Administration must prepare a Housing Investment Plan describing how the City intends to spend these funds. Administration estimates the funding allocated through the Major Cities stream is sufficient to fund the construction of two modular supportive housing developments with 80 housing units in total.

While this pre-allocated Major Cities stream funding is helpful, it is insufficient to address Edmonton's urgent supportive housing needs. The Canada Mortgage and Housing Corporation has advised Administration that the City may also request additional funding through the Projects Stream. Administration has worked with non-market housing sector agencies to identify additional projects that could yield a further 527 to 597 units of supportive or affordable housing that could proceed immediately with an additional funding contribution of approximately \$72.4 million dollars. Within that total, the City-led projects represent 210-280 units of supportive housing with an additional funding contribution of approximately \$36.1 million in Rapid Housing Initiative funding.

Under both funding streams, it is the City's responsibility to report to the Canada Mortgage and Housing Corporation how these additional funds are distributed, and the

accountability relationship is between the City and Canada Mortgage and Housing Corporation. In order to manage these funds in alignment with Canada Mortgage and Housing Corporation expectations, the City would need to establish parallel agreements with housing providers, similar to what was done with the provincial Cornerstones funding. One of the requirements of the Canada Mortgage and Housing Corporation agreement is that these projects remain operational for affordable housing use for a minimum of 20 years.

The City of Edmonton's Rapid Housing Initiative Housing Investment Plan

In response to the expectations identified by the Canada Mortgage and Housing Corporation, Administration has prepared a draft Housing Investment Plan that lists projects located in Edmonton that meet the eligibility requirements for the Rapid Housing Initiative (Attachment 1).

All of the projects listed in the Investment Plan support City Council's goal of increasing the supply of supportive housing for people experiencing or at risk of experiencing homelessness in Edmonton, can be executed within the accelerated timelines required by the Initiative, and are being lead by either the City or a trusted non-profit housing provider with a history of successful project development.

This Investment Plan includes three types of projects:

1. Modular Supportive Housing Projects on Previously Approved City-owned Sites
Administration has determined the potential exists to use an offsite or modular construction methodology to ensure supportive housing project delivery on an accelerated timeline on approved City-owned supportive housing sites (previously identified in CR_8190). The adaptation of these planned projects to deploy modular/offsite construction technology will allow these projects to qualify for Rapid Housing Initiative funding. Transitioning the construction methodology from conventional, on-site construction, to off-site/modular construction will be applied on the first four supportive housing sites that City Council approved to transfer to Homeward Trust, as well as one additional City-owned site, previously identified to pilot the use of modular/off-site construction for supportive housing.

Modular/off-site construction utilizes state of the art panelized building machinery to construct prefabricated building parts in an off-site, tightly controlled factory environment. Factories may be used to create flat components (walls and beams), volumetric modules (bedrooms or bathrooms), or even entire buildings. Building components are then transported for assembly on site. Offsite construction alleviates several problems associated with "onsite" or conventional methods by moving a large proportion of the work from a messy, open-air setting with limited working hours into a safe, controlled indoor factory setting with 24/7 production. As a result, offsite construction can result in shorter building times and

lower risk, higher building quality, lower costs, improved working environments for workers, and lower environmental impact.

Offsite construction has been used for projects as varied as high end single-family homes, hotels, multi-unit affordable housing and airport terminals. This construction methodology does not require compromises on design and buildings constructed using these methods are often indistinguishable from buildings constructed using traditional methods.

Over 30 of these buildings have been put up in municipalities across British Columbia, including Vancouver, as well as Toronto where this type of building construction has also been used to rapidly respond to homelessness.

There are no known technical reasons that prevent the use of modular construction methods for the supportive housing buildings on the first four City-owned supportive housing sites. Developing additional City-owned sites using modular construction is the fastest way of scaling-up the City's total number of supportive housing units, using grant funding contributions, as opposed to conventional construction and financing approaches, that would take several more years to complete.

High level estimates indicate that advancing the first four permanent supportive housing sites, plus a fifth City-owned site, using modular construction methods, could yield 190 to 210 units at an approximate cost of \$50.7 million dollars. Final costs won't be known until detailed design is complete and project delivery is confirmed, but estimates are based on Canada Mortgage and Housing Corporation's typical cost per unit for Edmonton.

2. City-led/supported hotel acquisition opportunities

Since early September 2020, Administration has been identifying hotel options for immediate bridge housing and/or acquisition for conversion into affordable housing. Working with Homeward Trust, a request for information was developed and sent to the hotel industry to solicit interest and prioritize suitable hotel purchase or leasing options. Based on the strong initial response there are many properties available and significantly more due diligence is required to finalize property selections and proceed to offers. Homeward Trust is currently conducting building condition assessments on short-listed properties and costing required renovations to qualify a small number of suitable properties for acquisition. Current high-level estimates indicate that hotel purchase and conversions could yield between 100 to 150 units of housing with an investment of between \$11 and \$18 million dollars (Attachments 1 and 2).

3. Preliminary Partner Submitted Projects

Administration is investigating partner submissions that address Council's priority for supportive housing and meet Rapid Housing Initiative eligibility criteria that emphasize addressing persons living in homelessness. Partner agencies with well defined projects that can be submitted for consideration before the end of November and undertaken within the one-year time frame required by the Rapid Housing Initiative are limited in number. However, four independent, partner-led projects have been identified by Administration for consideration to submit to the Project Stream. These projects include purchase and conversions of hotels, and the development of some smaller neighbourhood-scale supportive housing projects.

Projects in this partner-led category could yield an additional 317 units of supportive housing over an approximate investment of \$36.4 million.

The initiatives outlined in the Project Stream list could result in a cumulative total of 527-597 units of affordable or supportive housing over an investment of approximately \$72.45 million from Rapid Housing Initiative. This would be a major step forwards toward Council's goal of having 900 units of supportive housing by 2024.

Next Steps

- Funds in the sum of \$17,271,052 will be transferred from the Canada Mortgage and Housing Corporation to the City.
- The City will submit a Housing Investment Plan to the Canada Mortgage and Housing Corporation by November 27, 2020.
- December 8 Public Hearing for rezoning of the McArthur Industrial and Terrace Heights sites to RA8 and King Edward Park to RA7.
- Administration returns to Council to seek approval of modifications to some or all of the terms and conditions of the sale of the first four permanent housing sites (per Citizen Services report CR_8190 Sale of Lands for Permanent Supportive Housing to Homeward Trust Foundation) as may be necessary. Depending on the outcome of Project Stream submissions, additional reports to Council for approval of budget adjustments and parallel agreement approvals may be required.
- Administration completes project delivery of the modular housing for the McArthur Industrial and King Edward Park and any additional City-owned sites that receive Rapid Housing Initiative funding and Municipal Stimulus Program funding. The Capital Profile 19-90-4100 Affordable Housing Land Acquisition & Site Development is the source of funds.

Budget/Financial Implications

Through the Rapid Housing Initiative's Major Cities Stream, the City of Edmonton has been allocated \$17,271,052 for funding the purchase and construction of housing developments. These funds will be directed to Capital Profile 19-90-4100 Affordable

Housing Land Acquisition & Site Development. This funding will be used to service the two modular supportive housing sites and construct the buildings.

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 the Canada Mortgage and Housing Corporation's typical cost per unit for construction in Edmonton, preliminary estimates from non market housing providers, modular builders, and are informed by servicing studies and the experiences of other municipalities.

Legal Implications

The Rapid Housing Initiative Contribution Agreement places 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, with any and all necessary approvals sought from Council in respect of those agreements.

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

Corporate Outcome(s): Edmonton is a safe city			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Increased access to affordable housing	Number of supportive housing units developed	2009-2016: 201 2017 - present: 151	916 additional units by 2024
Increased supply of affordable housing units in all areas of the city	Number of new affordable housing units supported	2018-2020: 1151	2,500 by the end of 2022
Edmontonians have safe and adequate housing	Number of unsheltered individuals	September 2020: 1931	Decrease year over year

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
If recommendation is approved						
Customers/ Citizens	Individuals housed in bridge accommodation may not be able to move to housing before funding for interim strategies is completed	4 - Likely	3 - Major	12 - 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.	
If recommendation is not approved						
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.	1 - Rare	2 - Moderate	2 - Low	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. Edmonton Housing Investment Plan - Overview - Private
2. Edmonton Housing Investment Plan - Further Considerations - Private
3. Modular Construction Technology - More Information

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
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor