
Subject: Rapid Housing Initiative (RHI) Capital Funding

Report to: Corporate Services Committee

Report date: Wednesday, August 11, 2021

Recommendations

1. That, contingent on Federal government approval of Niagara's RHI submission, a gross capital budget adjustment in the amount of \$13,577,582 and \$0 net, **BE APPROVED (and INITIATED)** for the Welland Multi-Residential Intensification Project; and
2. That the project **BE FUNDED** as follows:
 - Federal RHI Grant - \$10,515,033
 - Development Charges – Social Housing - \$2,465,243
 - Municipal Contributions - \$597,306

Key Facts

- The purpose of this report is to notify Regional Council of staff's intention to submit the Welland Multi-Residential Intensification project under the recently announced RHI City Stream funding program and to seek approval for the required budget adjustment.
- The Rapid Housing Initiative (RHI) is a Federal funding program created in 2020 to address the urgent housing needs of vulnerable populations. New Construction or Major Renovation projects must add net new units, and be completed within one (1) year of funding agreement.
 - RHI Round 2 funding was announced by the Federal government for 2021, totalling \$1.5 billion to be delivered through two separate funding streams: the Cities Stream (administered by each municipality receiving funds), and the Projects Stream (capital grant directly allocated to project applicants).
 - The Regional Municipality of Niagara has received \$10.5 million in Capital Grant, to be allocated to local affordable housing project(s) selected by the Region.
- Section 6.6(b) of the Budget Control By-Law allows for the creation of an in-year Capital Project if external funding is received for that project. Budget adjustments exceeding \$1 million require Regional Council approval.
 - Staff have identified that non-Federally funded costs associated for this project are eligible for Development Charges as the units are new to Niagara's affordable housing inventory.

- Consistent with other similar projects with funds provided to the Region for a housing project, a legal operating agreement will likely be required between NRH (Niagara Regional Housing) and Niagara Region outlining responsibilities depending on the requirements of the RHI funding programs.
- The City of Welland is in full support of the project; at a pre-consultation meeting in December 2020, City staff confirmed exemption from zoning bylaws, Development Charge and Planning fee waivers, and expedited approvals to meet the RHI timeline.
- The funding announcement under the Cities Stream will allow Niagara Region to transfer the NRH current proposed project from the RHI Project Stream to the Cities Stream; NRH may then submit a replacement project into the RHI Project Stream for application for full capital funding (to be considered in a subsequent call for proposals across the country).
- In accordance with the Niagara Region budget planning by-law and capital financing policy, operating costs associated with new capital are to be approved in the year the capital project is approved in order to ensure all required funding is established.

Financial Considerations

This project was identified in NRH's 2022 capital budget forecast and is now being recommended for RHI funding as it is shovel ready. Confirmation of the Federal capital funding is pending approval based on a business case to be submitted by Niagara Region to CMHC (Canadian Mortgage & Housing Corporation) through the RHI City Stream by August 31, 2021. It is anticipated that Niagara Region will be notified of the final decision regarding the business case by mid October 2021. The project must be completed 12 months after signing the agreement and all of the funds will be advanced to Niagara Region once the project is approved. Details of the business case and funding submission process are outlined in the Analysis section of this report.

The project budget originated in 2020 with a \$100,000 transfer of NRH surplus operating funds in order to get Region owned land shovel ready for this project. The anticipated capital costs being requested as part of this budget adjustment are \$13.6 million, funded by Federal RHI grant in the amount of \$10.5 million, \$2.5 by Social Housing Development Charges (DCs) and \$0.6 million in municipal contributions through Development Charge Grants/Exemptions. The Regional portion of the DC grants/exemptions is funded from the levy similar to all other DC grants.

If the proposed capital costs of the project cannot be funded through RHI, Niagara Region would consider the project as a 2022 capital budget request, funded by DCs and reserves, as previously planned.

Development charges of \$2.5 million are recommended to fund a part of this project since the \$10.5 million provided under RHI is not sufficient to fund construction of all 42 units of the project. A minimum of 41 units are required in order to receive RHI funding and 42 units is preferred based on project design.

Niagara Region's 2017 Development Charge Background study includes \$26 million in total capital projects with \$20 million for additional housing units which may be used to fund the Region's share of this project. The province proclaimed amendments to the DC Act on September 18, 2020 which removed a mandatory 10% reduction of funding of eligible Development Charge therefore the full \$2.5 million may be funded from DCs. Social housing reserves were \$2.5 million at the 2020 year-end before capital commitments. Net of commitments the balance is forecast to be negative \$11 million. The pace of Regional construction activity has not realized the same level of DC collections/revenues in the Social Housing Development Reserve however any projected DC deficits as a result of capital commitments will be recovered through future DC collections under both the current and future DC by-laws. The reserve is projected to be positive by 2024 based on projected annual collections of \$3.0 million.

A requirement under the Niagara Region budget planning by-law and capital financing policy is that operating costs associated with new capital are budgeted in the year the project is approved in order to ensure all required funding is established. Also, it is best practice for housing developments to be self-sustaining once constructed and occupied, meaning that tenant rents collected are sufficient to fund operating and capital requirements of the facility without a levy impact. It should be noted that in light of the fact that RHI funding targets vulnerable populations and requires a certain tenant portfolio mix based on all unit rents being based on Rent Geared to Income, the budget for anticipated tenant rents is expected to be sufficient to fund operating costs. The Region's current asset management practice is to include, in the operating budget of any new incremental capital asset, a contribution to reserves in accordance with best practice in asset management that ranges from 2-3% based on the useful life of the assets. The budget for tenant rents will fund \$64,000 (0.6%) transfer to capital reserves leaving a shortfall of approximately \$163,000 per year which staff will make best efforts to address in the 2022 budget.

Estimated operating budget:

Type of Revenue/Expense	Estimated Annual Amount	Details
Rental Income (100% RGI)	\$ (268,000)	Includes \$5,000 estimated laundry income

Type of Revenue/Expense	Estimated Annual Amount	Details
Facility Expenses	\$ 204,000	Includes utilities, property taxes, maintenance, janitorial, snow, insurance
Contribution to Reserves (alignment with asset management direction)	\$ 227,000	Based on 2% of replacement cost
Total Estimated Shortfall	\$ 163,000	Shortfall of 1.44% of replacement cost

Capital funding from the Federal and provincial governments has most recently been provided without considering the ongoing operating budget needs once the asset is in-service. In light of the positive social outcomes that it will achieve for the vulnerable populations that are targeted, Niagara Region remains committed to this project even though this development would not be fully self-sustaining for capital replacement. The 2021 operating budget for NRH will be adjusted to reflect the estimated annual operating revenues and expenses for this project to a net impact of zero.

Analysis

Project Summary:

In 2019, Niagara Regional Housing (NRH) acquired a 0.58 acre vacant lot in Welland for the purposes of residential development to help address Niagara's housing crisis. NRH has continued front-end planning for a new multi-unit, modular, affordable apartment on the property. In response to the Federal government's July 2021 announcement of the Rapid Housing Initiative Round 2, development work for the project has been accelerated to meet the aggressive timelines of this funding program.

The guiding principle for this project is the creation of "safe, affordable, and sustainable" housing for vulnerable members of the population, including women, Indigenous groups and minorities who are all highly represented on NRH's centralized waitlist. The project will serve people in both the highest core need and longest NRH wait-time segments. (e.g. Welland's 16-year wait for an affordable 1-bed unit, or 7-year wait for a 2-bed unit).

The project involves construction of a 42-unit mid-rise modular apartment, with a combination of 1-bedroom, 2-bedroom and studio / bachelor units. All units will be full RGI with rents set to the maximum shelter allowance. Six units will be dedicated to supportive housing through the Region's Housing First program.

The building is to remain affordable in perpetuity, title shall remain in the name of NRH and it will be operated by NRH as part of its housing portfolio in accordance with existing agreements between NRH and Niagara Region.

By selecting a modular design / construction approach, NRH is adopting an innovative delivery method that should provide the following benefits: government funding to offset the majority of capital costs, resulting in reduced operating expenses compared to a conventional build; and a compressed construction schedule that will allow NRH to put people in new units in a significantly shortened timeframe, meeting the rapid implementation requirements of the funding.

The project will exceed both accessibility and energy efficiency requirements. NRH continues to incorporate Niagara's Facility Accessible Design Standards (FADS) on all new projects, as well as industry-approved barrier-free principles.

Niagara Region Public Health - HEIP

As identified in BRC-C 8-2021 Health Equity-Informed Planning (HEIP) Project Update, a cross sectional, interdepartmental team of staff have been guiding the Health Impact Assessment (HIA) process at Niagara Region. This is aligned with the HEIP Project, part of the Council strategic priority, Fostering a Healthy and Vibrant Community. The initial stages of an HIA involves screening projects for information to aid in the understanding of what social determinants of health (SDOH) the capital project may impact. The Welland Multi-Residential Intensification project was selected to be part of this process. Results of this initial screen along with other select projects will be summarized as part of the 2022 Capital Budget Report.

Alternatives Reviewed

- Council approve gross capital budget adjustment, and project proceeds as per RHI 2 funding schedule.
- Council not approve gross capital budget adjustment, and project is delayed until alternative funding becomes available and Niagara Region will forfeit the receipt of the RHI City Stream funding allocation of \$10.5 million.

Relationship to Council Strategic Priorities

Since RHI funding provides an opportunity to increase affordable housing stock in Niagara in support of vulnerable populations, this project is aligned with the Council Strategic Priority of Healthy and Vibrant Communities.

Other Pertinent Reports

N/A

Prepared by:

Cameron Banach
Manager Housing Operations
Community Services/Acting CEO
Niagara Regional Housing

Recommended by:

Adrienne Jugley
Commissioner
Community Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was prepared in consultation with Donovan D'Amboise, Manager of Program Financial Support (Acting), Gordon Szaszi, Housing Development Project Manager, Sterling Wood, Legal Counsel, and Helen Chamberlain, Director of Financial Management & Planning/Deputy Treasurer.