



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Implementing the Toronto Modular Housing Initiative as an Urgent Response to the COVID-19 Pandemic

Date: April 29, 2020

To: City Council

From: City Manager

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with information explicitly supplied in confidence to the City of Toronto by the Canada Mortgage and Housing Corporation.

SUMMARY

At its meeting on June 18 and 19, 2019, City Council requested staff to report to the Planning and Housing Committee with a plan to implement a new modular supportive housing initiative. In response to this request, staff prepared a report for the March 23, 2020 meeting of the Planning and Housing Committee which was subsequently cancelled due to suspension of Council and Committee meetings due the COVID-19 emergency.

This report includes the content of that planned report with an added urgency to increase the supply of affordable housing as soon as possible, in response to the COVID-19 pandemic. This report recommends Council approve the purchase and installation of 110 modular units to be used as supportive housing for homeless individuals within the City's shelter system by September 2020 and another 140 units in 2021.

COVID-19 and Housing & Homelessness

Prior to the onset of the COVID-19 pandemic, Toronto was already experiencing an unprecedented demand for homeless services due to various factors including a lack of affordable housing options in the city. Despite adding 3,000 shelter spaces since 2015, shelter occupancy remains at capacity with over 8,000 shelter users each night.

The current COVID-19 pandemic has quickly amplified the pre-existing challenges within Toronto's housing and homeless systems. In addition, it has caused considerable added strain on the emergency shelter system largely due to requirements around physical distancing and isolation.

In late March, in response to the health emergency impacting the well-being of residents in the city, and the urgent need to find safe and secure accommodation for the City's homeless population, the Mayor asked staff to find ways to expedite the delivery of modular supportive housing, with the aim of getting 110 new homes ("Phase One") open by September 2020, subject to final approval by Council. These modular homes are intended to be used as supportive housing by layering in housing benefits and health supports to the affordable rental homes, utilizing financial support from other orders of government.

By implementing modular supportive housing to provide homes for those living outside or in our shelter system, the City is creating permanent housing solutions to help some of our most marginalized residents live in dignified housing with supports. During the COVID-19 pandemic, this initiative will also save lives by providing individuals with safe spaces to exercise physical distancing and self-isolation.

Modular Housing and Required Authorities

Modular housing, which is prefabricated housing built in a factory and then transported to the site where it is assembled, is considered a faster and a more cost-effective construction option than conventional construction methods. As showcased in many jurisdictions in North America, modular housing provides an opportunity to respond rapidly to the city's urgent homelessness situation.

Following the Mayor's request, an inter-divisional team of CreateTO and City staff reached out to a number of modular housing providers across Canada to ascertain which ones could deliver Phase One of the modular housing initiative within the tight timeframe. Based on discussions and research, staff recommended to the Mayor that preliminary discussions proceed immediately with Horizon North Inc. (or its subsidiary, NRB) with respect to Phase One, subject to negotiation of an acceptable agreement and Council approval to proceed with a non-competitive process.

This report seeks Council authority for staff to enter into negotiations and formalize agreements with Horizon North Inc. or its subsidiary NRB, for the design and installation of Phase One. Staff recommendation to proceed with a non-competitive process for Phase One only, is based on research and outreach to a number of modular manufacturers in the Greater Toronto Area and across Canada taking the following factors into account:

- a) There is limited competition in the market with only a handful of companies that have actually delivered residential modular housing;
- b) Horizon North Inc./NRB has extensive experience (over 40 years) in the modular residential housing industry;

- c) Horizon North Inc./NRB has successfully delivered hundreds of modular homes in City of Vancouver and across the province of British Columbia; and
- d) This is the only manufacturer contacted who confirmed they can meet the urgent, emergency timelines required for Phase One.

This report also seeks authority for the Housing Secretariat, Corporate Real Estate Management and CreateTO, in consultation with other City divisions, to identify sites appropriate for the modular housing initiative. Additionally, it seeks approval to allocate \$28.75 million in City funding and about \$12.76 million in Open Door program incentives to support the creation of up to 250 modular supportive homes, with 110 homes to be delivered by the end of September 2020 and the remaining 140 homes to be delivered in early 2021. For clarity, the City funding and Open Door incentives have been budgeted in the Housing Secretariat's affordable housing investment plan and are not new/unplanned costs for the City.

The modular housing initiative will be the subject of a further report to Council to obtain the required authority to enter into the leases with the chosen non-profit housing operators for the City sites to be identified.

Intergovernmental Support to Deliver Modular Housing

Staff have been working with the Canada Mortgage and Housing Corporation (CMHC) to secure funding and financing to deliver this project by way of a submission to the CMHC Innovation Fund. CMHC has reviewed the submission, is supportive of making a significant investment, and is currently working with the City to finalize the legal agreements to facilitate the delivery of Phase One plus an additional 140 units as part of a future phase ("Phase Two") (See Attachment 6).

The overall cost to deliver 250 modular supportive homes is estimated to be \$47.5 million, excluding land and City incentives. It is proposed that this amount be funded through a combination of the City's Development Charges Reserve Fund for Subsidized Housing (XR2116) and funding and financing from CMHC's Affordable Housing Innovation Fund. The financing obligations will be supported through rent payments made to the City by the future non-profit operators for the sites, funded through their operating revenues. However, the City of Toronto will ultimately be responsible to CMHC for the debt obligation.

Operating funding for health related support services and housing subsidies will also be requested from the Province, so that deeply affordable supportive homes can be delivered at the sites. It should be noted that there is a risk of not being able to operate these units as deeply affordable supportive housing in the absence of financial support from other orders of government.

The partnership model proposed in this report for developing and operating new supportive homes, through support from all orders of government and community partners, is critical to reducing homelessness.

Implementing modular housing would also reduce ongoing and sunk costs to the public sector and make a profound contribution towards expediting Toronto's recovery from COVID-19. To illustrate this point, supportive housing on average, costs roughly \$2,000/unit/month to operate versus emergency shelters which costs almost double to operate pre-COVID (and about triple under the current COVID-19 situation). Helping people find permanent affordable and supportive housing also reduces costs to the health care and justice systems.

Much like other investments in infrastructure, affordable housing also has an economic stimulus effect in terms of jobs created due to design, manufacture, construction or renovation, etc. which would help "jump start" economic recovery from the COVID-19 pandemic.

Therefore, now is the time for all orders of government to act to protect residents from the life threatening coronavirus and other vulnerabilities, and build our resilience as a city, region and country. It is essential that all orders of government also align resources immediately and shift the focus away from providing costly emergency measures to providing suitable, adequate and affordable housing with wrap around services to reduce homelessness and improve the health and overall well-being of our most vulnerable.

RECOMMENDATIONS

The City Manager recommends that:

Implementation Considerations

1. City Council authorize the Deputy City Manager, Corporate Services, in consultation with Chief Executive Officer, CreateTO and the Executive Director, Housing Secretariat to negotiate and enter into a non-competitive agreement with Horizon North Inc. (or its affiliate NRB) for the design, delivery and installation of up to 110 modular rental units ("Phase One") to be used as permanent supportive housing on sites to be identified and based on terms and conditions satisfactory to the Deputy City Manager, Corporate Services, and in a form satisfactory to the City Solicitor.
2. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Executive Officer, CreateTO and the Executive Director, Corporate Real Estate Management to conduct a Request for Proposals ("RFP") process and to select a manufacturer to design, build, and install modular homes for subsequent phases of the modular housing initiative.
3. City Council authorize the Executive Director, Housing Secretariat to issue an RFP and to select non-profit housing providers to operate the supportive housing units to be developed under Phase One of the modular supportive housing initiative.

4. City Council authorize the Executive Director, Housing Secretariat, to negotiate and execute on behalf of the City, a municipal housing facility agreement (the City's "Contribution Agreement"), with the non-profit housing providers selected through the competitive process referred to in Recommendation 3, or a related corporation, to secure the financial assistance being provided and to set out the terms of the operation of the new affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.
5. City Council authorize the General Manager, Shelter, Support and Housing Administration to negotiate and enter into any agreements with the non-profits housing providers selected to operate the modular housing projects, for any operating funding that may be available, including, but not limited to rent supplement or grant funding agreements, on terms and conditions agreed to by the General Manager, Shelter, Support and Housing Administration and in a form approved by the City Solicitor.
6. City Council authorize severally each of the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration to execute, on behalf of the City, any security or financing documents required by the non-profit housing providers selected for each of the modular supportive housing sites to secure the financing necessary to acquire the leasehold interest in the land and modular units, as well as any subsequent refinancing, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing facility agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by Council.
7. City Council authorize the Chief Executive Officer, CreateTO to act as the City's agent and to submit all required applications required to obtain required planning approvals.
8. City Council request the Chief Planner and Executive Director, City Planning in consultation with the Executive Director, Housing Secretariat, the Executive Director, Corporate Real Estate Management and Chief Building Official and Executive Director, Toronto Building to:
 - a. prioritize Phase One and future modular housing sites, identifying ways to expedite the necessary building and planning approvals; and
 - b. develop design guidelines for subsequent phases of the modular housing initiative in consultation with the General Manager, Shelter, Support & Housing Administration and non-profit operators.

Funding and Financing Considerations

9. City Council authorize the Executive Director, Housing Secretariat to negotiate and enter into any agreement with Canada Mortgage and Housing Corporation ("CMHC") for any funding and financing available to support the modular housing initiative, substantially on the terms outlined in Confidential Attachment 1, and on such other or

amended terms and conditions as may be acceptable to the Chief Financial Officer and Treasurer and in a form approved by the City Solicitor.

10. City Council authorize the Deputy City Manager, Community & Social Services to urgently request the Ontario Government to make available operating funding to support the City's modular supportive housing initiative and authorize the Executive Director, Housing Secretariat and the General Manager, Shelter, Support and Housing Administration to negotiate and enter into any agreements necessary to secure such funding.

11. City Council amend the 2020 - 2029 Capital Budget and Plan for Shelter Support and Housing Administration by adding a new capital project called "Modular Homes Project" with a total project cost of \$47.5 million and cash flows of \$20.9 million in 2020 and \$26.6 million in 2021, with budgeted funding of \$28.75 million provided from the Development Charges Reserve Fund for Affordable Housing (XR2116), and the balance in grant and re-payable loans from CMHC and recoverable debt from non-profit housing providers by way of lease payments to the City, subject to finalizing negotiations with CMHC.

12. City Council approve the establishment of an obligatory reserve fund account called the "Modular Housing Reserve Fund" in Schedule 15 - Third Party Agreements Obligatory Reserve Funds, of the City of Toronto Municipal Code Chapter 227, the purpose of which is to receive funds from Canada Mortgage and Housing Corporation for the design/purchase/installation of modular housing as well as lease payments from non-profit operators to repay the CMHC loan, as set out in Appendix A.

13. City Council authorize the City Solicitor to complete the transactions provided for in City Council's decision on behalf of the City, including making payment of any necessary expenses related to finalizing the funding and financing agreements with Canada Mortgage and Housing Corporation, and amending or waiving the terms and conditions, as the City Solicitor may from time to time consider reasonable.

14. City Council authorize the Executive Director, Housing Secretariat to compensate CreateTO on a direct cost-recovery basis for provision of the following goods and services to be performed by CreateTO and its contractors, with prior approval from the Executive Director, Housing Secretariat for such expenses:

- a. Preparing the identified sites for construction, including undertaking necessary environmental studies and remediation, community consultations, planning and other consultant studies to support expedited delivery of the identified sites for modular supportive housing; and
- b. Entering into and administering the contract or any other agreements required to be entered into with the manufacturer of modular units, for the manufacture and installation of the modular units.

15. City Council exempt the 250 modular affordable rental homes to be developed in Phases One and Two of the modular housing initiative from development charges, planning and permit fees, and parkland dedication all units (as outlined in Table 1).
16. City Council exempt the 250 modular affordable rental homes to be developed on the identified sites in Phases One and Two, from taxation for municipal and school purposes for the term of the municipal housing facility agreement (as outlined in Table 2).
17. City Council authorize City staff to cancel or refund any taxes paid after the effective date of the municipal housing facility agreement.
18. City Council direct that Confidential Attachment 1 to the report dated April 27, 2020, from the City Manager remain confidential in its entirety until such time as Canada Mortgage and Housing advises the Executive Director, Housing Secretariat that the same may be disclosed to the public.

FINANCIAL IMPACT

Land Value

CreateTO and the Corporate Real Estate Management Division, in consultation with staff from the Housing Secretariat, City Planning and Toronto Building are in the process of identifying City owned/controlled sites appropriate for the development of modular housing. Subject to Council approval as part of a future report, the City will offer the identified sites through 35-year long leases for nominal sums to non-profit operators selected as part of a request for proposals process.

Capital Funding

It is estimated that the purchase and construction of 250 modular supportive units will cost approximately \$47.5 million. A range of funding and financial incentives is required to complete Phase One and Phase Two including: the City's Development Charges Reserve Fund for Subsidized Housing (XR2116); and CMHC funding and financing.

Operating funding for support services will also be required from the Province to operate these units as deeply affordable supportive housing.

The uncommitted balance in the Development Charges Reserve Fund for Subsidized Housing (XR2116) as of April 23, 2020 is sufficient to support the City front-ending the entire capital cost to expedite the project, until receipt of funds from CMHC.

a) City Funding

To implement the modular supportive housing initiative, this report seeks Council approval for the allocation of up to \$28.75 million in funds from the Development Charges Reserve Fund for Subsidized Housing (XR2116) to be used towards the

capital development costs of the modular units on three City owned/controlled sites. As noted earlier, the costs to deliver modular housing are already included within the Housing Secretariat's affordable housing investment plan, and will not add unplanned, incremental costs to the City.

CreateTO, acting as agent for the City, will oversee the due-diligence and purchasing of goods and services related to the pilot on behalf of the City and the Corporate Real Estate Management Division will oversee the construction work onsite.

The Housing Secretariat will provide budget oversight and reimbursement of all project-related costs.

b) CMHC Funding through the Affordable Housing Innovation Fund

The Affordable Housing Innovation Fund was created as part of the National Housing Strategy to support the development of innovative approaches to affordable housing with a focus on solutions contributing to effective responses to homelessness.

City staff submitted an application to CMHC in 2019 requesting support under the Innovation Fund to deliver modular supportive housing as a rapid housing response to the growing homelessness issues in Toronto.

The application incorporated the innovation of making the modular units permanent with wrap-around supports for vulnerable clients, as well as increased energy efficiency and accessibility standards. The proposal also outlined that the City will deploy some modular homes at locations close to where people are sleeping outside.

After the onset of the COVID-19 crisis, City staff requested that CMHC expedite the approval process due to the urgent need to support homeless individuals from the life-threatening virus. CMHC and the City are now working to finalize legal agreements to advance the funding. The proposed key terms are outlined in this report, but some elements may change prior to finalizing negotiations and agreements.

CMHC's proposed contribution to the project is \$18.75 million in funding and financing under terms and conditions outlined in Confidential Attachment 1. The City will front-end the entire capital cost to expedite the project and will concurrently work with CMHC to secure their contribution (grant and re-payable loan) to the project.

c) Non-profit Operator Contribution

It is contemplated that future non-profit operators for the modular sites will be responsible for lease payments to the City to re-pay CMHC loan obligations. The loan obligation is outlined in Confidential Attachment 1. This debt that can be supported through operating revenues – or an outright equity contribution from the non-profit organization. However, the City of Toronto will ultimately be responsible to CMHC for the debt obligation.

Operating Funding for Supportive Housing

Operating funding for the supportive homes will be required from the Province. This funding would enable the provision of on-site support services including a 24/7 staffing model, a meal program, health care services and rental supports.

Besides improving the health, housing and social outcomes for individuals, investments in supportive housing would result in substantial cost savings for the public sector (approx. 50%) when compared to providing emergency shelter services. Helping people to find permanent affordable and supportive housing also reduces costs to the health care and justice systems.

As noted earlier, there is a risk of not being able to operate these units as deeply affordable supportive housing in the absence of financial support from other orders of government.

Financial Incentives

This report recommends that City Council, as part of the Open Door Program, allocate financial incentives to support the creation of 250 modular supportive units.

This report is based on the best available data at this time. The total number of modular units will be determined based on the results of the RFP process, selection of successful proponents, and the planning review and approval process.

This report proposes investments of approximately \$12.76 million in City incentives for up to 250 modular units over a 35-year term, as summarized in Table 1.

The City's financial incentives include relief from development charges, building permit fees, planning application fees and parkland dedication fees as well as property taxes for municipal and school purposes starting from occupancy.

The estimated contribution of roughly \$12.76 million is not a direct capital payment as it represents the forgiveness of City levies and is thus foregone revenue to the City. Any impact on divisional services will be considered through annual budget processes.

Table 1 – City Financial Incentives

	Estimated Affordability Period (Years)	Estimated Development Charges*	Estimated Fees and Charges	Estimated Net Present Value of Property Taxes	Estimated Total Value of Incentives
Phase One (110 modular homes)	35	\$3,372,160	\$622,072	\$1,629,420	\$5,623,652
Phase Two (140 modular homes)	35	\$4,291,840	\$773,634	\$2,073,808	\$7,139,282

	Estimated Affordability Period (Years)	Estimated Development Charges*	Estimated Fees and Charges	Estimated Net Present Value of Property Taxes	Estimated Total Value of Incentives
Total - 250 modular homes	35	\$7,664,000	\$1,395,706	\$3,703,228	\$12,762,934

* Calculated using November 2020 rates.

The value of the annual property tax exemption is estimated at \$0.172 million at 2019 rates. The net present value over the 35 year-term is estimated at \$3.7 million captured under the City Financial Incentives in the table above and summarized in greater detail below:

Table 2 – Property Taxes

Property Tax	Annual	Net Present Value (35 years)
City	\$126,593	\$2,720,138
Education	\$45,135	\$969,826
City Building	\$617	\$13,264
Total	\$172,346	\$3,703,228

The Chief Financial Officer has reviewed this report and agrees with the Financial Impact information.

EQUITY IMPACT STATEMENT

By implementing modular supportive housing to provide homes for those living outside or in our shelter system, the City is creating permanent housing solutions to help some of our most marginalized residents live in dignified housing with supports. During the COVID-19 pandemic, this initiative will also save lives by providing individuals with safe spaces to exercise physical distancing and self-isolation.

This initiative will create housing opportunities for low-income and marginalized individuals, as well as those from equity-seeking groups, e.g. Indigenous people, to access safe, healthy and adequate homes

Access to good quality, safe, affordable housing is an important determinant of health, supports the environment and improves the socio-economic status of individuals, families, and communities as a whole.

DECISION HISTORY

At its meeting of February 26, 2020, City Council adopted PH13.5 – "Plan to Create Supportive Housing Opportunities", outlining plans to develop 600 supportive housing opportunities in 2020 and requested the Federal and Provincial Governments, as part of their 2020 Budgets, to commit to capital and operating funding to support the creation of 1,800 new units of supportive housing annually, in order to reduce homelessness in Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH13.5>

At its meeting of December 17 and 18, 2019, City Council, adopted with amendments, "HousingTO 2020-2030 Action Plan" as the framework to address Toronto's housing and homelessness challenges by 2030. This Plan includes a number of actions and targets to address critical needs across the housing spectrum including emergency shelters and transitional housing, social and supportive housing, market and affordable rental housing and homeownership. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of June 18 and 19, 2019, City Council adopted MM 8.49 – "Providing a Rapid Housing Response to Homelessness through a New Modular Supportive Housing Pilot Initiative". Council directed staff to report back on the development of a new modular supportive housing initiative. It called for interdivisional coordination to identify potential sites and to expedite the development of supportive housing. It also called for consultation with the Toronto Alliance to End Homelessness. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM8.49>

At its meeting of January 30 and 31, 2019 City Council adopted MM 2.9 – "Expanding Supportive Housing in Toronto". One aspect of the report called for an aggressive build plan for supportive and transitional housing. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM2.9>

At its meeting of March 26 and 27, 2018, City Council adopted CD 26.5 – "Emergency Shelter Services Update". Council set a target of creating 18,000 new units of supportive housing over the next 10 years, approximately 1,800 supportive units per year. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CD26.5>

COMMENTS

HousingTO 2020-2030 Action Plan

In December 2019, City Council adopted the HousingTO 2020-2030 Action Plan which proposes a number of actions to address critical needs across the housing spectrum

including emergency shelters and transitional housing, social and supportive housing, market and affordable rental housing and homeownership.

Recognizing the need to provide permanent housing with supports to effectively reduce homelessness, the HousingTO 2020-2030 Action Plan established an approval target of 18,000 supportive housing opportunities, including a minimum of 1,000 modular rental units, over the next ten years.

Due to the health risks posed by COVID-19, the City is urging other orders of government to help expedite delivery of permanent affordable, including supportive rental homes to protect vulnerable residents. This includes scaling up the delivery of modular housing on an expedited basis.

Much like other investments in infrastructure, affordable housing also has an economic stimulus effect in terms of jobs created due to design, manufacture, construction or renovation, etc. which would also help "jump start" economic recovery from the COVID-19 pandemic.

Guiding Principles for Implementing Modular Supportive Housing

- Provide a rapid, dignified response to connect people experiencing homelessness with homes and appropriate supports to help them achieve housing stability.
- Develop a supportive housing model based on partnerships with other orders of government, the non-profit and the private sectors.
- Create permanent, high quality, energy efficient modular homes to ensure that people can establish housing stability and connect to their local community.
- Prioritize the selection of sites that are close to public transit and the provision of community and social services.
- Prioritize the retention of City-owned sites by negotiating long-term land leases.
- Achieve highest possible public benefits from City-owned land.
- Commit to meaningful public consultation and engagement with City Councillors and local community.

Delivery Framework

The Housing Secretariat as program owner, will oversee implementation of this initiative with support from an interdivisional working group comprised of staff from CreateTO, Corporate Real Estate Management, City Planning and Toronto Buildings. This interdivisional working group has already been established and is actively working to expedite delivery of Phase One as an urgent response to the COVID-19 crisis.

1. Site Selection

Staff from the Housing Secretariat, CreateTO, Corporate Real Estate Management, City Planning and Toronto Building are currently reviewing City-owned sites using the criteria outlined in Attachment 2, along with input from the HousingTO 2020-2030 Action Plan supportive housing consultations.

The criteria includes ownership/control of the land, current land-use/zoning, environmental issues, development potential, approval timelines, lease and legal considerations, access to transit, access to health services, site access and servicing, financial considerations. A short list of appropriate sites is being developed which will be finalized in consultation with local Councillors and affected City agencies. Staff will also undertake appropriate dialogue and engagement with the community in coordination with the local Councillors.

The modular housing initiative will be the subject of a further report to Council to obtain the required authority to enter into the leases for City land with the chosen non-profit housing providers.

2. Pre-development Due Diligence and Expediting Planning Approvals

The development process for modular housing follows many of the same pre-development stages of traditional construction methods including the requirement to meet Official Plan, Zoning and Building Code requirements.

CreateTO and Corporate Real Estate Management, in consultation with Housing Secretariat and other City divisions, will retain consultants to undertake pre-development due diligence work required to prepare the sites for construction.

Similar to the approach approved by City Council as part of the Housing Now Initiative, City staff will develop key principles and guidelines for each site and, where appropriate, initiate Zoning By-law amendments. Through the work done as part of Phase One, staff will also develop standard designs and massing options. This work will advance future phases on an expedited basis through key stages of the approval process, providing the selected modular contractors with an expedited route to construction and occupancy.

3. Selection and Approval of Manufacturers

This report seeks Council authority for City staff to enter into negotiations and formalize agreements with Horizon North Inc. or its subsidiary NRB, for the design and installation of Phase One, on terms and conditions satisfactory to the Deputy City Manager, Corporate Services, and in a form satisfactory to the City Solicitor.

The recommendation to proceed with a non-competitive process for Phase One is based on research and outreach to a number of modular manufactures in the Greater Toronto Area and across Canada, taking various factors into account including proven experience developing modular affordable rental housing and ability to design and install within the specified timeframe.

For all future phases, staff will undertake a competitive process to select a qualified manufacturer for the design and construction of modular homes. The evaluation framework will assess each proposal based on a range of criteria including but not limited to experience of modular housing delivery, the price, the speed of delivery and overall readiness to complete the initiative project (as has been done for Phase One through the non-competitive process).

4. Selection and Approval of Non-profit Operators and Tenants

This report also recommends that an RFP be issued by the Housing Secretariat in consultation with the Corporate Real Estate Management Division and the Shelter, Support and Housing Administration Division to select non-profit organizations to lease and operate the completed modular supportive housing projects. The evaluation framework used to assess proponents will include experience successfully operating supportive housing for medium and high-needs clients, including property management services as well as onsite support services, including supports for mental health and addiction issues, either directly or in partnership with other providers.

An access plan will be established in coordination with the non-profit operators. This access plan will set the framework for the selection of tenants through the City's Coordinated Access to Housing support process, which prioritizes those living outdoors and in shelters with the highest needs. Staff will work with the non-profit operators to ensure that tenants have a smooth transition into their new homes and community.

Supportive Services

As mentioned earlier, it is critical that the Provincial government provide operating funding sufficient for the homes to be rented at deeply affordable rents. Sufficient funding will also be required from the provincial government for appropriate on-site support services including a 24/7 staffing model, a meal program and health and housing supports. In the longer term, the public sector would reduce expenses while ensuring better housing and health outcomes for residents.

5. Planning Approval of Modular Initiative Projects

CreateTO will secure all permits and approvals required for the developments, including but not limited to zoning by-law and building permit approvals. City Planning and Toronto Building will work with CreateTO to expedite the approval process.

City and CreateTO staff will engage with the local Councillors and community to have a dialogue about site specific details and proposed plans.

6. Design and Delivery of Modular Homes

Following completion of the design stage, the modular homes (including interior finishes) will be constructed in a factory and delivered to the site to be stacked on top of each other. Stairwells and corridors are typically constructed on site following installation. Services such as water and electricity are then connected onsite as well.

The Corporate Real Estate Management Division will oversee the construction work onsite.

Proposed Development Timeline

Subject to Council approval of this report, staff aim to complete the Phase One by September 2020, with Phase Two to be completed by April 2021.

Attachment 4 outlines a proposed timeline for the development and occupancy of Phase One starting from approval of this report. Staff will explore whether lessons learned from this initiative can further expedite the delivery of future sites.

Engagement with the Toronto Alliance to End Homelessness (TAEH)

In June 2019, as part of the HousingTO 2020-2030 Action Plan, the City and TAEH co-hosted a supportive housing charrette. The charrette participants supported modular housing as one of the means to introduce new supportive housing in Toronto. A number of other considerations were also shared and are outlined in Attachment 3.

The City welcomes the support of the TAEH in delivery of this initiative project, working together to explore whether the approach can be expended to sites owned by the supportive housing sector as part of their ongoing asset mapping exercise.

Conclusion and Next Steps

The COVID-19 pandemic has highlighted that the lack of suitable, adequate and affordable housing is as much of an individual health risk as it is a larger public health risk. The lack of permanent housing has also resulted in costly emergency responses from all orders of government as cities work around the clock to protect the homeless population from the spread of the virus.

Although ensuring adequate emergency shelter response for people in immediate need is important, providing appropriate permanent housing opportunities with supports is critical to reducing homelessness. As such, immediate action is required to create new supportive homes for people experiencing chronic homelessness.

Subject to Council approval of this report, staff will move ahead with negotiating with Horizon North/NRB for Phase One of the modular housing initiative. A formal RFP will be issued to select manufactures for future phases. Staff will also reach out to the Province to request the financial support required to operate the modular homes as deeply affordable supportive homes.

In addition to support from other orders of government, support from the private and non-profit sectors is essential to scaling up the initiative and delivering new supportive housing options on both City and non-profit owned land.

The modular supportive homes created through this initiative will contribute to the targets set under the HousingTO 2020-2030 Action Plan which includes the approval of

40,000 new affordable rental units (including 18,000 supportive homes), and increasing housing stability for Toronto residents over the next ten years.

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SIGNATURE

Chris Murray
City Manager

ATTACHMENTS

Confidential Attachment 1 – Proposed Terms and Conditions of Funding and Financing Agreement between the City and CMHC

Attachment 2 - Site Selection Criteria

Attachment 3- Input from Supportive Housing Charrette

Attachment 4- Anticipated Modular Project Timeline

Attachment 5 - Best Practices from other Jurisdictions

Attachment 6 – Letter of Support from CMHC.

APPENDIX A

MODULAR HOUSING RESERVE FUND

1) Location within the Consolidated Reserves/ Reserve Funds Schedule:

Schedule No. 15 –Third Party Agreements Obligatory Reserve Funds

2) Statement of Purpose:

Receives funds from Canada Mortgage and Housing Corporation ("CMHC) for the design/purchase/installation of modular housing as well as lease payments from non-profit operators to repay the CMHC loan.

3) Service Area or Beneficiary Program:

Corporate Real Estate Management

4) Initial Contribution:

Not Applicable

5) Contribution Policy:

Contributions to be received from Canada Mortgage and Housing Corporation for the modular housing initiative, as well as from non-profit operators providing lease payments.

6) Withdrawal Policy:

Funds to be withdrawn will be authorized through the annual budget process or by the Chief Financial Officer and Treasurer on an annual basis,

7) Review Cycle:

Every five (5) Years.