

Implementing the Federal Rapid Housing Initiative - Phase Two

Date: September 7, 2021

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat, Executive Director, Corporate Real Estate Management

Wards: All

SUMMARY

The Rapid Housing Initiative (RHI) is a federal capital funding program which aims to create new affordable rental housing within a 12-month timeframe for vulnerable and marginalized people experiencing or at risk of homelessness. The second phase of RHI was announced by the Government of Canada on June 30, 2021 and will deliver \$1.5 billion in grant funding nationally to support the construction of more than 4,700 units across Canada. This funding will be delivered through the Canada Mortgage and Housing Corporation (CMHC), and will support the creation of new permanent affordable housing units through funding the construction of new rental housing, as well as the acquisition of land, and the conversion/rehabilitation of existing buildings to affordable housing. This builds on the \$1 billion invested nationally in late 2020 for the first phase of the RHI which allocated \$203 million under the Major Cities stream to Toronto and will create an estimated 540 new affordable rental homes.

On July 29, 2021, the Government of Canada announced Toronto's allocation for Phase Two of approximately \$132 million under the 'Cities' stream with a requirement to create a minimum of 233 new units of affordable rental housing. In addition to this guaranteed allocation, working with Indigenous and non-profit housing providers, the City has updated and resubmitted Phase One unfunded projects for consideration under the Phase Two 'Projects' stream, representing a total of almost 1,000 potential new units of affordable housing. Submissions under the 'Projects' stream compete nationally and final decisions on successful bids are expected in late October, 2021.

This report provides an update on progress in implementing Phase One of the RHI including lessons learned, it outlines key program changes for Phase Two, and recommends improvements to the City's internal processes to support successful implementation within a very tight timeframe as required by CMHC. This report also recommends that Council approve approximately \$40,161,171 in pre-approved Open Door incentives to support the creation of up to 1,000 affordable rental units under Phase Two of the program to support both City and non-profit led projects.

In addition to the above, a key staff recommendation for Phase Two is for the City to allocate at least 20% of its guaranteed funding to support Indigenous-owned and led projects. This recommendation supports the City's commitment under the HousingTO 2020-2030 Action Plan to increase the supply of new affordable and supportive housing opportunities 'For Indigenous, By Indigenous'. It also supports the City's commitment to truth, reconciliation and justice with Indigenous Peoples.

Furthermore, the report seeks Council approval: to declare the Phase One properties at 222 Spadina Avenue, 292 Parliament Street, and 4626 Kingston Road surplus; to issue a Request for Proposals to select future non-profit operators; and for the City to enter into long-term leases with the successful proponents based on the terms and conditions outlined in Attachment 1.

The federal RHI program has been welcomed as it is a one hundred per cent grant program which supports the delivery of deeply affordable housing for vulnerable and marginalized people in the city. RHI is helping the City to realize its 24-month COVID-19 housing recovery plan aimed at delivering 3,000 permanent affordable and supportive homes for people experiencing homelessness. However, additional capital funding will be required to help the City meet its targets by the end of 2022.

In addition to capital to create new homes, City Council has requested that the federal and provincial governments invest in operating funding (for housing benefits and support services) to help create supportive housing opportunities. Deeply affordable housing with a range of individualized, wrap-around social and health supports is key to ending chronic homelessness. Besides providing people with improved health and social outcomes, investments in permanent supportive housing will help reduce systemic and structural inequities; strengthen our housing, homeless and public health systems; and result in cost-savings for all orders of government.

RECOMMENDATIONS

The Executive Director, Housing Secretariat, and Executive Director, Corporate Real Estate Management recommend that:

RHI Phase Two

1. City Council authorize the Deputy City Manager, Community and Social Services, to enter into a Contribution Agreement under the Rapid Housing Initiative (the "Contribution Agreement") and/or related agreement(s) and amendments with the Canada Mortgage and Housing Corporation, the Government of Canada or any other federal entity necessary for the receipt and expenditure of funding under Phase Two of the Rapid Housing Initiative ("RHI Phase Two") on such terms and conditions as are satisfactory to the Executive Director, Housing Secretariat, in consultation with the Executive Director, Corporate Real Estate Management, and in a form approved by the City Solicitor.

2. City Council approve the receipt of the RHI Phase Two program funds, in accordance with the terms and conditions of the Contribution Agreement and any related agreements, directives or program guidelines.
3. City Council approve an allocation of \$132,151,611 (net \$0) fully funded from the RHI Phase Two to the Capital Revolving Reserve Fund for Affordable Housing (XR1058) to be overseen by the Executive Director, Housing Secretariat and used to support the acquisition by the City of real estate interests suitable for the RHI Phase Two, the purchase of modular housing, related pre-development and pre-construction costs (e.g. community engagement, planning, communications, environmental site assessments, cost consultant reports, permits, architectural or engineering reports, appraisals, legal/closing costs related to acquisition of land and buildings) and all other costs permitted under the RHI Phase Two to secure and develop affordable housing, in each instance on terms satisfactory to the Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management.
4. City Council increase the Approved 2021 Capital Budget for Housing Secretariat by \$132,151,611 (net \$0) fully funded from the RHI Phase Two to enable staff to begin project commitments, with the final cash flow adjustments between 2021 and 2022 to be requested through the third quarter variance report following completion of the Investment strategy.
5. City Council authorize staff to allocate at least 20% of the \$132,151,611 referenced in Recommendation 4 above to support the creation of affordable rental housing for Indigenous people, by Indigenous organizations.
6. City Council authorize the Executive Director, Housing Secretariat, to provide capital funding from the Development Charges Reserve Fund for Subsidized Housing (XR2116) in the amount not to exceed \$100,000, inclusive of the Harmonized Sales Tax and disbursements, to pay for due diligence work incurred to identify and prepare properties for consideration by CMHC under Phases One and Two of RHI.
7. City Council authorize the Executive Director, Housing Secretariat, as appropriate, to enter into agreements or other suitable arrangements with City agencies and/or corporations, the Government of Ontario and/or its agencies, community agencies, private entities and/or individuals to allocate and deliver the RHI Phase Two funded projects in accordance with the program guidelines.
8. City Council exempt up to 1,000 affordable rental homes to be developed through the RHI Phase Two from development charges, planning and building permit fees and parkland dedication fees.
9. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat, to approve the acquisition by the City of real estate interests suitable for the RHI Phase Two, and to approve related pre-development, pre-construction, construction, renovation and conversion costs (including environmental site assessments, cost consultant reports, permits, architectural or engineering reports, appraisals, legal costs, closing costs related to acquisition of land and buildings), in each instance on terms satisfactory to the

Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor, and provided that all related expenditures are to be funded through the capital funding that is advanced to the City under the RHI Phase Two Agreement.

10. City Council authorize the Executive Director, Corporate Real Estate Management and/or the Deputy City Manager, Corporate Services, to execute the agreements relating to the acquisitions referenced in Part 9 above, and any ancillary agreements and documents on behalf of the City of Toronto.

11. City Council request the Executive Director, Housing Secretariat, in consultation with the Executive Director, Corporate Real Estate Management, the Chief Planner and Executive Director, City Planning and the General Manager, Shelter, Support and Housing Administration to inform local Councillors in advance of any intention to purchase or develop properties using the RHI Phase Two funding in advance of any address being publicly released and to work with local Councillors on communication and community engagement.

12. City Council authorize the Executive Director, Corporate Real Estate Management, to administer and manage all transactions in consultation with the Executive Director, Housing Secretariat, including the provision of any consents, approvals, waivers, and notices, provided that they may, at any time, refer consideration of any such matters (including their content) to City Council for consideration and direction.

13. City Council authorize the Executive Director, Corporate Real Estate Management and/or the Executive Director, Housing Secretariat to negotiate and enter into any necessary agreements, including non-competitive agreements, with a value exceeding \$500,000 for which Committee or Council approval would normally be required under Chapter 195, Purchasing, for the provision of construction and professional services needed to complete the acquisition of suitable real estate interests and to carry out any necessary pre-development, pre-construction, construction, renovation or conversion of properties for the development of affordable housing for the development of affordable housing under the Rapid Housing Initiative, provided that:

- a. the procurement is necessary to meet the timelines of the Rapid Housing Initiative;
- b. the costs are eligible for and will be funded through the Rapid Housing Initiative; and
- c. the terms and conditions of any such agreements are acceptable to the Executive Director, Corporate Real Estate Management and in a form satisfactory to the City Solicitor.

14. City Council authorize the City Solicitor to negotiate and enter into any necessary retainers, including on a non-competitive basis, with a value exceeding \$500,000 for which Committee or Council approval would normally be required under Chapter 195, Purchasing, for the provision of legal services needed to complete the acquisition of suitable real estate interests and to carry out any necessary pre-development, pre-

construction, construction, renovation or conversion of properties for the development of affordable housing under the Rapid Housing Initiative, provided that:

- a. the procurement is necessary to meet the timelines of the Rapid Housing Initiative;
- b. the costs are eligible for and will be funded through the Rapid Housing Initiative; and
- c. the terms and conditions of any such retainers are acceptable to the City Solicitor.

15. 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 the Chief Building Official and Executive Director, Toronto Building to prioritize the review of sites identified as part of the RHI Phase Two, including sites suitable for the construction of new housing, land acquisitions, and the conversion of existing buildings to affordable housing or rehabilitation of existing buildings in disrepair, and identify ways to expedite the necessary building and planning approvals.

16. City Council authorize the Executive Director, Housing Secretariat, in consultation with the General Manager, Shelter, Support and Housing Administration, to issue Requests for Proposals and to select non-profit and Indigenous housing operators, to operate the affordable and supportive housing units to be developed under RHI Phase Two.

17. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute on behalf of the City, municipal housing project facility agreements for up to 99 years with the Indigenous and non-profit housing providers selected through the competitive process referred to in Part 16 above, or a related corporation, and any non-profit housing providers approved as intermediaries by CMHC 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.

18. City Council authorize the Executive Director, Housing Secretariat to engage non-profit sector and Indigenous housing providers, to help ensure that suitable organizations respond to the Requests for Proposals referenced in Recommendation 16 above.

19. City Council authorize severally the Executive Director, Housing Secretariat and General Manager, Shelter, Support and Housing Administration, to negotiate and enter into any agreements with the non-profit and Indigenous housing providers selected, 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 Executive Director, Housing Secretariat and/or the General Manager, Shelter, Support and Housing Administration and in a form approved by the City Solicitor.

20. 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 and Indigenous housing providers, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing project 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 City Council.

21. City Council re-iterate its request that the federal and provincial governments provide new, accelerated, and enhanced investments to deliver the City's 24-month plan (in Attachment 3 to Item PH16.8), including:

- RHI Phase 2 approvals and additional funding for remaining units to meet the target of 2,000 new permanent affordable and supportive homes created through modular housing, acquisitions and construction/conversion of properties;
- \$48 million in annual ongoing operating funding beginning 2022 (comprised of funding for housing benefits and wrap-around support services), to ensure the homes created result in new supportive housing opportunities for vulnerable and marginalized individuals, including people experiencing homelessness; and
- 1,000 additional portable Canada-Ontario Housing Benefits to help households secure housing available for rent in Toronto and across the region.

RHI Phase One

22. City Council declare the properties municipally known as 222 Spadina Avenue, 292 Parliament Street, and 4626 Kingston Road surplus, with the intended manner of disposal to be by way of a long-term lease to successful non-profit housing providers, and direct staff to take all steps necessary to comply with the City's real estate disposal process set out in Municipal Code Chapter 213, Real Property.

23. City Council delegate authority to the Executive Director, Corporate Real Estate Management, to approve and execute, on behalf of the City, long-term, nominal rent or below market rent leases and related agreements with the non-profit housing operators to be selected through a request for proposals process for 222 Spadina Avenue, 292 Parliament Street, and 4626 Kingston Road, substantially on the major terms and conditions set out in Attachment 1 to the report dated September 7, 2021, from the Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management, and on such other or amended terms and conditions acceptable to the Executive Director, Corporate Real Estate Management, in consultation with Executive Director, Housing Secretariat, and in a form satisfactory to the City Solicitor.

24. City Council authorize the Executive Director, Corporate Real Estate Management, or designate, in consultation with the Executive Director, Housing Secretariat to administer and manage the leases including the provision of any amendments, consents, approvals, waivers, notices, and notices of termination, provided that the Executive Director, Corporate Real Estate Management may, at any time, refer

consideration of such matters, including their content, to City Council for its determination and direction.

FINANCIAL IMPACT

Open Door Program Incentives

On July 29, 2021, the Government of Canada announced the City of Toronto's allocation under the Major Cities stream of Phase Two of the Rapid Housing Initiative, of \$132,151,611. This allocation is contingent on the City meeting the program criteria and timelines to create a minimum of 233 units of new permanent affordable housing.

To complement the RHI funding and help increase the number of homes to be delivered, this report recommends Open Door Affordable Rental Housing Program incentives of up to \$40,161,171 to support the creation of up to 1,000 affordable rental units, as outlined in Table 1 below.

Table 1 – City Financial Incentives

Affordable Rental Homes	Estimated Affordability Period	Estimated Development Charges*	Estimated Planning Fees and Charges**	Estimated Total Value of Incentives
1,000	99	\$33,358,000	\$6,803,172	\$40,161,171

*calculated using Nov 2020 rates.

**includes estimated 2021 building permit fees of \$995,880, 2021 planning fees of \$807,292, and parkland dedication fees of \$5,000,000.

The City's financial incentives include relief from development charges, building permit fees, planning application fees, parkland dedication fees.

The funding provided under the RHI is a capital contribution and does not need to be repaid provided the terms of the agreement to be signed between the City and CMHC are met.

Capital Funding for Supportive Housing

As previously mentioned, through Phase One of the RHI, the City is in track to deliver 540 new homes. Phase Two of RHI sets a target of at least 233 new homes. While the exact number of homes to be created in Phase Two is still to be determined (approximately 1,000 units were submitted), additional capital funding from the federal and provincial governments will be required to meet the City's 24-month COVID19 Housing and Homelessness Response Plan target of 2,000 new units before end of 2022.

Meeting this target is key to create the permanent homes urgently needed to relocate people in the shelter system, particularly as the pandemic subsidies and temporary shelter hotels close.

Together with an update on the successful RHI Phase Two projects once determined/approved by CMHC, staff will report back to Council on the additional capital investments needed to meet the 2,000 supportive homes target.

Operating Funding for Supportive Housing

As detailed in the City's 24-month COVID19 Housing and Homelessness Response Plan, an annual ongoing investment of \$48 million in operating funding (for rent supplements and supportive services) is required to create 2,000 supportive homes.

To-date, the Province has committed \$15.4 million in operating funding for 2021 to support a total of 1,098 supportive housing opportunities, including 540 supportive homes to be created in Phase One of the RHI. This \$15.4 million is a pro-rated amount (\$26.35 million annualized) based on when new supportive housing opportunities become available throughout 2021. It should also be noted that the 1,098 supportive housing opportunities included those created through RHI Phase One, City-funded projects plus Toronto Community Housing vacant units

To support the new RHI units to be created in Phase Two, as well as maintain the supportive housing opportunities created in RHI Phase One, it is critical that the Province of Ontario increase the operating funding allocations to the City to \$48 million beginning in 2022 to create 2,000 new supportive housing opportunities in total.

The Chief Financial Officer and Treasurer has been advised of the financial impacts and operating impacts associated with this program to be considered along with other priorities through the 2022 budget process.

EQUITY IMPACT STATEMENT

The HousingTO 2020-2030 Action Plan (HousingTO Plan) envisions a City in which all residents have equal opportunity to develop to their full potential, and is centred on a human rights based approach to housing. This approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building inclusive, healthy, sustainable, and livable communities. It also recognizes that resources must be prioritized to help those most in need.

A key component of the HousingTO Plan is to increase the supply of permanent affordable rental and supportive housing to help the most vulnerable and marginalized residents, including Indigenous Peoples and those from equity-deserving communities, live in dignified housing with appropriate supports. Approval of the recommendations in this report will enable City staff to implement the Rapid Housing Initiative in Toronto, creating new affordable and supportive housing opportunities for over 200 households, and will support vulnerable and marginalized residents in recovery from the impacts of the COVID-19 pandemic through a housing first approach. The program has a specific focus on ensuring new housing is targeted to support Indigenous Peoples, Black Canadians, women, and members of other equity-deserving communities.

Access to good quality, safe, affordable housing is an important social determinant of health and also improves the social and economic status of an individual. Good quality, affordable housing is also a cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region, and country as a whole.

DECISION HISTORY

At its meeting of July 14, 15, and 16, 2021, City Council adopted Item No. PH25.13 "Rapid Housing Initiative - 150 Dunn Avenue (Part of a Larger Parcel of Land Including 74, 82, 130, 160, and 162 Dunn Avenue, 1-17 Close Avenue, and 74 and 78 Springhurst Avenue)" to enable the creation of 51 new affordable supportive rental homes for people experiencing homelessness, in partnership with the University Health Network (UHN) Gattuso Centre for Social Medicine and United Way of Greater Toronto (UWGT). The City Council Decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH25.13>

At its meeting of June 8 and 9, 2021, City Council adopted Item No. PH23.7 "877 Yonge Street – Long-term Lease Agreement to Deliver Affordable Rental Homes with Support Services," authorizing the City to enter into lease and other agreements with St. Clare's Multi-faith Housing Society to deliver up to 252 permanent affordable rental housing units with wrap-around support services at 877 Yonge Street, achieved through the Rapid Housing Initiative. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH23.7>

At its meeting of May 5 and 6, 2021, City Council adopted Item No. PH22.9 "Rapid Housing Initiative – 222 Spadina Avenue and 877 Yonge Street" which requested the Minister of Municipal Affairs issue a Ministerial Zoning Order to permit the creation of supportive affordable housing in existing buildings within the timelines of the Rapid Housing Initiative. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH22.9>

At its meeting of April 7 and 8, 2021, City Council adopted Item No. MM31.42 "Rapid Housing Initiative Budget Update" which increased the 2021-2030 Housing Secretariat Capital Budget and Plan for the Rapid Housing Initiative by \$6,324,500 as a result of CMHC flowing funding for 3 additional City of Toronto affordable rental housing projects under Rapid Housing Initiative Phase One. The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.MM31.42>

At its meeting of December 16, 17, and 18 2020, City Council adopted Item No. PH19.11, "Emergency Housing Action" which included the City's 24-month COVID-19 Housing and Homelessness Response Plan to create 3,000 new permanent affordable and supportive housing units, and directed staff to expedite the delivery of 670 housing opportunities over an 8 to 12 week period. It also reiterated various requests of other orders of government to improve program delivery and ensure the success of new residents of these homes. The City Council decision can be found at:

<https://www.toronto.ca/legdocs/mmis/2020/cc/bgrd/backgroundfile-159533.pdf>

At its meeting of October 27-30, 2020, City Council adopted Item No. MM25.32 "Implementation of the Federal Rapid Housing Initiative," authorizing staff to enter into an agreement with Canada Mortgage and Housing Corporation to secure the City's allocation of \$203.3 million through this program, and identify projects that can be made available for occupancy within twelve (12) months, in accordance with the terms and conditions of the Rapid Housing Initiative. The City Council decision can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.32>

At its meeting of October 27-30 2020, City Council adopted the item PH17.3, "Taking Action to Increase Affordable and Supportive Housing Opportunities", which included an update on actions taken to-date by staff to proactively prepare to take advantage of the federal Rapid Housing Initiative. The City Council decision can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH17.3>

At its meeting of September 30 and October 1, 2020, City Council adopted, with amendments, Item No. PH16.8, "Addressing Housing and Homelessness in Toronto through Intergovernmental Partnership" which described needed investments from both the Provincial and Federal governments. The report also outlined the City's 24-Month COVID-19 Housing and Homelessness Recovery Response Plan aimed at providing dignified, stable permanent housing options for 3,000 people experiencing chronic homelessness within the shelter system, with the support of the Federal and Provincial governments. The City Council decision can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.8>

At its meeting of December 17-18, 2019 City Council adopted PH11.5 "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 home ownership. The City Council decision can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting on December 9, 2015, City Council in consultation with the Aboriginal Affairs Committee, identified eight Calls to Action from the Truth and Reconciliation Commission of Canada's report as priorities for implementation. Agenda Item History - 2015.EX10.16 (toronto.ca)

At its meeting of July 6, 2010, Toronto City Council adopted the report Statement of Commitment to Aboriginal Communities in Toronto – Towards a Framework for Urban Aboriginal Relations in Toronto. In that report it was recommended that an Action Plan be developed in consultation with the Aboriginal Affairs committee to give effect to the commitments contained in the report. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX45.5>

COMMENTS

RHI Phase One

Progress To-date on Delivery of New Homes

The first phase of the Rapid Housing Initiative (RHI) was announced by the Government of Canada on September 21, 2020, delivering \$1 billion in grant funding nationally to rapidly create new affordable rental housing. On October 27, 2020, the Government of Canada announced program allocations, including \$203,265,729 for the City of Toronto, subject to meeting the program criteria and timelines. Through this allocation, the City was required to create a minimum of 417 units of new permanent affordable housing and develop and submit an investment plan before November 27, 2020.

On January 15, 2021, City of Toronto and CMHC announced details of the approved investment plan for the \$203.3 million RHI allocation for Toronto. Under the approved plan, the City committed to create approximately 540 new affordable homes dedicated to people experiencing homelessness. The City also committed to allocate 20% of the homes to Indigenous communities and an additional 20% to women and girls. Other units will support seniors, youth and racialized communities.

Six projects have been individually announced and progressed through City planning approval processes since January 2021. Attachment 2 provides a list of the sites and the status to-date.

RHI Phase One Non-Profit Operators and Leases

This report seeks Council approval to declare the Phase One acquired properties at 222 Spadina Avenue, 292 Parliament Street, and 4626 Kingston Road surplus. It also seeks authorization of staff to issue a Request for Proposals to select future non-profit operators and for the City to enter into long-term leases with the successful proponents based on the terms and conditions outlined in Attachment 1.

Subject to Council's approval, staff will proceed to issue the Request for Proposals in early October with non-profit operators to be identified by mid-November.

Lessons Learned

1) Pre-development due-diligence

Given the tight timeline associated with submitting an investment plan to CMHC in 2020, there was limited opportunity for staff to undertake comprehensive pre-development due-diligence about potential RHI sites. This resulted in extended timelines needed to complete due-diligence after a project is approved for federal funding but prior to finalizing the purchase transactions. Challenges identified following CMHC approval have either added additional risk to project delivery or in some cases, resulted in the loss of projects at the pre-development stage. While staff in most cases have been able to re-allocate units and funds to other projects, it is critical that for possible future phases, staff are able to undertake comprehensive due-diligence at early stages to avoid potential losses both from financial and unit perspective.

To mitigate the risk of projects failing due to insufficient due diligence, and to better prepare the City for future phases of RHI and/or other federal and provincial funding programs, staff will request pre-development funding through the 2022 capital budget process to create a pipeline of 'development ready' projects.

2) Project delivery and governance framework

Given the complex nature of housing development, especially within a 12-month time frame as set by the federal government, staff from over 15 divisions have been working collaboratively to move the projects forward. As part of implementing the first phase of RHI, staff have identified opportunities for how to better manage projects which will be applied to future phase. This includes establishing a Project Charter at the beginning of the project clearly outlining roles and responsibilities/expectations of each division, designating a project manager role for each site, creating a site specific issue tracking dashboard and a more formal escalation and conflict resolution process at the Division Head level. This updated delivery framework will enable staff across the City to better position themselves for the implementation of RHI Phase Two.

It should also be noted that RHI funding does not cover staffing and other operational costs. Staff have been leveraging existing staffing resources to implement the Initiative but this has been very challenging and has resulted in other priorities other priorities across Divisions being delayed.

The City will continue to re-iterate its request to the federal government to make direct administration costs eligible for cost recovery under RHI and other federal programs. This was not incorporated for RHI Phase Two, however it will be essential for municipalities to successfully deliver these projects which help the federal government achieve its objective of reducing chronic homelessness by 2027.

3) Public education on supportive housing

Public engagement is a critical component of successfully delivering supportive housing projects. During the first phase of RHI, staff undertook multi-channel engagement approaches to provide accurate information and obtain feedback on each of the development proposals. The engagement meetings highlighted a gap in public awareness around what supportive housing is, and how it is essential to help solve homelessness by incorporating deeply affordable, permanent housing and wrap-around health and social support services.

Staff are currently developing more extensive educational materials to increase public awareness of what supportive housing is, and the benefits not only for vulnerable and marginalized residents, but also the wider community. It is pivotal that the federal and provincial governments also take steps to increase public awareness of the need for affordable and supportive housing, and support local engagement activities so that future projects can be successfully delivered in all areas across Toronto.

RHI Phase Two Program Overview

Phase Two of the RHI maintains the core focus of the initiative of creating net new affordable rental housing to meet the urgent housing needs of vulnerable Canadians. The program provides a 100% capital contribution to three project types:

- Acquisition of land and construction of affordable multi-residential housing units (modular and/or traditional construction)
- Acquisition of land and buildings for the purpose of conversion of non-residential to affordable multi-residential housing units and buildings
- Acquisition of buildings in disrepair or abandoned for the rehabilitation of lost units

RHI funding can be used to create a variety of affordable housing including standard rentals, transitional housing, permanent supportive housing, rooming houses (or single room occupancy SROs), and seniors housing. The program supports the City in achieving progress across the housing spectrum as described in the HousingTO Plan. All units developed through RHI must meet an income based definition of affordability and ensure households are paying less than 30% of their gross income on housing costs. Affordability must be maintained for a minimum of 20 years, however the City wherever possible aims to secure 99 year terms of affordability through this initiative.

The RHI program also advances objectives in enhancing accessibility and climate resilience. The program requires all new construction projects to meet a minimum accessibility of 5% or more above the local accessibility requirements of the jurisdiction, and 5% or more above the energy efficiency standards as set out in the National Energy Code for Buildings or meet the local/regional standard, whichever is higher.

City Council had requested a number of changes to RHI to improve project delivery and its success. While a number of items were not incorporated (such as staff costs being eligible as noted above), a number of changes have increased the flexibility provided to municipalities. Key changes to the RHI program from Phase One include:

- Removal of the requirement that new construction projects be modular; traditional construction is now permitted;
- New target that 25% of units serve women and/or women and their children, and an ongoing aim of 15% of units being identified to serve Indigenous peoples; and
- Changes to scoring and prioritization of projects, including more points allocated for longer durations of affordability, expediency of unit completion, and for projects that serve Indigenous People, Black Canadians, and women.

As with Phase One, the initiative is delivered through two funding streams:

- Cities Stream: flows allocated funding directly to municipalities to ensure funding is directed where chronic homelessness is most prevalent; and
- Projects Stream: which will prioritize applications received from provinces, Territories, municipalities, Indigenous governing bodies and organizations and non-profits.

As mentioned above, the City of Toronto has been allocated funding of \$132,151,611 through the Cities Stream to create a minimum of 233 units of permanent affordable housing. The City will endeavour to exceed this minimum number of units wherever possible. In the second phase of RHI, CMHC is welcoming applicants to update and resubmit projects that were submitted in Phase One and deemed eligible, but which

were not successful due to the limited funding available, or for projects that were no longer feasible, submit a replacement project. Working with Indigenous and non-profit partners, the City has updated and resubmitted 16 projects for CMHC consideration under the Project Stream for RHI2.

Cities Stream and Project Stream investment plans have already been submitted to CMHC to meet their August 31, 2021 deadline. CMHC intends to review all proposed projects by late October, make decisions on projects, execute required legal agreements and flow funding by December 1, 2021. Projects will then have 12 months from the signing of the Contribution Agreement to reach completion.

Staff will report to Council once CMHC has provided a list of projects approved for funding under RHI Phase Two.

Phase Two Implementation

1) Supporting Indigenous Communities

In 2010, the City adopted the Statement of Commitment to the Aboriginal Communities of Toronto, and in 2015 City Council, in consultation with the Aboriginal Affairs Committee, identified eight Calls to Action from the Truth and Reconciliation Commission's final report as priorities for implementation by the City. Included in this is the call to action for the federal, provincial, territorial, and municipal governments to fully adopt and implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as the framework for reconciliation.

To advance the City's commitments to truth, reconciliation, and justice, plus achieve the objectives outlined in the HousingTO Plan, the City is proposing the allocation of at least 20% of its Cities Stream funding to Indigenous-led and Indigenous-serving affordable housing projects. To support the principle of "For Indigenous, By Indigenous", the Housing Secretariat is recommending Council approval on establishing a memorandum of understanding with the Miziwe Biik Development Corporation (MBDC) to lead the engagement and partnership with Toronto's Indigenous housing providers, and has supported the City in identifying eligible projects for RHI funding as part of another report before Council.

2) Councillor and Community Engagement

Staff consulted with affected ward Councillors in advance of the submission of proposed projects to CMHC, and will continue to engage Councillors following the announcement of successful projects and prior to any intention to purchase or develop sites when funding is received. Councillors and their staff are key partners in ensuring project success and supporting community engagement, and will continue to be engaged on site-specific details and proposals.

Engagement with and support from local communities has been critical to the success of new affordable and supportive housing projects under the first phase of RHI and both phases of the Modular Housing Initiative (MHI). Applying learnings from RHI Phase

One, staff will lead community engagement processes that will inform local residents and stakeholders and provide opportunities for community input on development projects. Community liaison committees (CLCs) have been established for some Phase One sites, to facilitate dialogue and positive relationships between the City, the housing provider, and existing residents and community members. Staff will continue to support the development of CLCs where ongoing dialogue is needed.

3) *Non-Profit Operators and Affordability Requirements*

Projects funded under RHI are intended to achieve affordability for a minimum of 20 years. Pending approval of the recommendations in this report, staff will work with non-profit operators and mobilize City Open Door incentives to achieve longer terms of affordability, targeting 99 years where possible.

Subject to approval, Housing Secretariat staff will manage a request for proposals process to select experienced non-profit operators of the affordable and supportive housing to be created through RHI funding. Proponents will be evaluated based on their experience in successfully operating affordable and supportive housing including experience providing property management services and delivering on site supports for a range of needs, either independently or in partnership with other service providers. The operating model of Phase One MHI sites and innovative partnerships at the Social Medicine Initiative at 150 Dunn (with University Health Network) have illustrated the strengths of exploring partnership approaches to delivering successful supportive housing programs, and lessons learned will inform the RFP process for RHI Phase Two.

4) *Project Delivery Framework*

The Housing Secretariat has overall responsibility for ensuring the successful delivery of the RHI program and will work closely with City divisions and agencies to achieve this objective. From an implementation perspective, The Corporate Real Estate Management division will continue to act as the project lead in real estate and construction matters, with CreateTO acting as the City's agent as necessary. Corporate Real Estate Management, CreateTO and the Housing Secretariat will continue to work collaboratively on all aspects of the project work such as preparing sites through due diligence, submitting applications to obtain the required planning approvals and building permits, procuring the necessary consultants, goods, and services, and providing project management oversight to meet the expedited delivery timelines of the RHI.

Conclusion

The Rapid Housing Initiative provides much-needed capital funding to enable the delivery of new affordable and supportive housing. However, for these projects to be successful once completed, ongoing and sufficient operating funding is required from the Province of Ontario to ensure the necessary supports are available to successfully transition people out of homelessness and meet an objective shared by all governments. The City will continue working with the Province to secure the funding required to meet these outcomes.

Successful delivery of the Rapid Housing Initiative supports the implementation of the City's HousingTO Plan, with a specific focus on deeply affordable and supportive housing to help individuals successfully exiting homelessness. This program is one of many currently being delivered by the City to achieve progress across the housing continuum ranging from supportive housing, affordable and market rental housing to affordable homeownership. This program also helps the City achieve its objective of creating new affordable housing opportunities for Indigenous Peoples and those from equity-deserving groups including women, Black residents, seniors, and 2SLGBTQ+ individuals. Pending the announcement of successful projects by CMHC, the City's application for RHI funding will secure at least 233 net new units of much-needed affordable and supportive housing units

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ATTACHMENTS

Attachment 1: Proposed Lease Terms and Conditions
Attachment 2: Progress To-date on RHI Phase One Sites