

Federal Rapid Housing Initiative - Program Update and Phase Three Implementation

Date: November 16, 2023

To: Planning and Housing Committee

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

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

Confidential Attachment 1 contains information explicitly supplied in confidence to the City of Toronto and Toronto Community Housing Corporation (TCHC) by the Canada Mortgage and Housing Corporation (CMHC).

SUMMARY

At its meeting of November 8 and 9, 2023, City Council adopted [Item EX9.3 – “Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes”](#), which outlined the urgent need for new and enhanced government investments to strengthen and shift the housing system to increase the supply of public and non-profit owned homes. These homes are critical to adequately address the unmet housing needs of low- and moderate-income households.

A key federal program that has supported the City and the Indigenous and non-profit sectors to create new deeply affordable supportive housing is the federal Rapid Housing Initiative (RHI). The RHI program provides up to 100% capital grant funding towards the costs to build or acquire and renovate properties to create net new affordable and supportive rental homes for people experiencing or at risk of homelessness. With almost \$440 million in federal investments over Phases One and Two of the RHI program, the City has been able to accelerate the delivery of almost 1,100 new homes to successfully move people out of homelessness.

As part of Budget 2022, the Government of Canada announced Phase Three of the RHI and allocated \$1.5 billion to create over 4,500 affordable rental homes across Canada. In July, 2022, through [Item PH35.21](#), City Council authorized staff to submit an application to the Canada Mortgage and Housing Corporation (CMHC) for funding

under this new phase of program and to report back on the outcome of the application, once known. This report responds to Council's request and provides an update on the City's RHI funding application.

As part of Phase Three of the RHI program, CMHC has recently approved a total investment of \$169.4 million in grant funding to support 9 projects, estimated to create 416 net new rent-g geared-to-income (RGI) homes across Toronto over the next 18 months. While this allocation falls short of the City's requested funding to deliver over 1,300 affordable and supportive homes, the City greatly appreciates this federal commitment and looks forward to additional opportunities for collaboration and enhanced partnership. Approved and announced projects are outlined in this report, and Confidential Attachment 1 to this report provides details of the approved and unannounced projects, which must remain confidential until publicly announced by CMHC, as required in the City's funding agreement with CMHC.

To deliver deeply affordable rental and supportive housing, a tri-government partnership approach is essential. To complement federal capital investments, the City has committed its own land and financial incentives to support delivery of the new homes. This report recommends that City Council request the provincial government to also join federal and City efforts and commit to incremental and sustained operating funding (for housing benefits and support services) to help create net new supportive housing opportunities. This is on top of the \$48 million annual commitment made by the provincial government for 2023-2025 to support an estimated 2,000 supportive housing opportunities created over 2021 and 2022 through new construction, acquisitions, and layering on supports to existing rental units. Deeply affordable homes with a range of individualized, wraparound social and health supports are key to ending chronic homelessness. Besides providing people with improved health and social outcomes, investments in permanent affordable and supportive housing help reduce systemic and structural inequities; strengthen our housing, homeless and public health systems; and result in avoided costs and cost-savings for all orders of government.

This report also provides a status update on in-flight rapid and modular housing projects, in line with direction from City Council in July 2023 through [Item AU2.7](#). Specifically, Item AU2.7 from the Auditor General recommended that staff provide Council with more regular updates on the status of modular housing projects. Further, this report seeks City Council approval for staff to allocate funding from the Housing Secretariat approved 2023 Capital and Operating Budgets, as well as federal and provincial sources, to previously approved RHI projects, including proponent-led projects, subject to funding availability and conditions specified by the Housing Secretariat. These authorities are required to ensure that in-flight City, Indigenous and non-profit projects, which are essential to relieving pressure on the emergency shelter system, can continue to advance despite the current challenging construction environment with rapidly escalating labour and material costs.

A whole-of-government and whole-of-community approach is needed to effectively address the housing and homelessness crisis which threatens the social, economic, and cultural growth and prosperity of Toronto, Ontario, and Canada. As outlined in Item EX9.3, new and enhanced policy, program, and financial tools are urgently needed to meet the shared housing supply and growth targets of all orders of government. This

includes a commitment from the federal and provincial governments to invest in the HousingTO 2020-2030 Action Plan. Investments in upstream interventions, including changes to social assistance programs to reflect the current cost of living, and increased access to health and social services, are also urgently needed to prevent more households from falling into poverty, housing precarity and homelessness.

RECOMMENDATIONS

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

Program and Implementation Considerations

1. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains information explicitly supplied in confidence to the City of Toronto and Toronto Community Housing Corporation by the Canada Mortgage and Housing Corporation (CMHC).
2. City Council authorize the public release of Confidential Attachment 1 once the City is permitted to do so pursuant to the funding agreement with CMHC following the public disclosure of the same information by CMHC.
3. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat, to approve and execute, on behalf of the City, a long-term, nominal rent lease and related agreements with the non-profit housing operator to be selected through a request for proposals process for 65 Dundas Street East, substantially on the major terms and conditions set out in Attachment 2, and such other terms as deemed appropriate by the Executive Director, Corporate Real Estate Management, in consultation with Executive Director, Housing Secretariat, and in a form satisfactory to the City Solicitor.
4. City Council consider the lease referenced in Recommendation 3 above to be in the interests of the City.
5. 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 lease 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.
6. City Council authorize the General Manager, Shelter, Support and Housing Administration to enter into a data sharing agreement with University Health Network, to receive patient data for consenting patients who are experiencing homelessness and who are high-frequency users of the hospital emergency departments, and to share information with respect to the By-Name List, for the

purposes of assessing eligibility and prioritizing for supportive housing opportunities at 150 Dunn Ave., on terms and conditions satisfactory to the General Manager, Shelter, Support and Housing Administration in consultation with the Executive Director, Housing Secretariat, and in a form satisfactory with the City Solicitor.

Financial Considerations

7. City Council increase the 2024 Operating Budget for Housing Secretariat by \$93,863,862.16, fully funded from the RHI Phase Three, to enable staff to begin flowing capital funding to non-profit and Indigenous housing projects approved under RHI Phase 3, and in accordance with applicable program guidelines and Contribution Agreements to be executed between the City and the non-profit and Indigenous housing providers.
8. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Chief Financial Officer and Treasurer, to allocate any available provincial or federal funding for capital projects to any Rapid Housing Initiative projects led by Indigenous and non-profit housing providers approved as intermediaries by CMHC in any past, current, or future phases of the Rapid Housing Initiative ("Housing Providers"), provided that:
 - a. the Executive Director, Housing Secretariat, is satisfied that the funding is required to close any funding gaps to complete the Rapid Housing Initiative project;
 - b. in the case of provincial or federal grant funding, the province or the federal government, as applicable, have approved the use of the funding for the purpose of the Rapid Housing Initiative project, where necessary.
9. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute, on behalf of the City of Toronto, any agreements, including amendments to any existing agreements, with the Housing Providers to secure the financial assistance provided pursuant to Recommendation 8 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.
10. City Council authorize an exemption from taxation for municipal and school purposes for the affordable rental homes developed as part of RHI Phase Two and for the periods of time described in Table 2 below in the Financial Impact section of this report.
11. City Council authorize the Controller to cancel or refund any taxes paid after the effective date of the exemption from taxation for municipal and school purposes as set out in the applicable municipal housing facility agreement (the City's Contribution Agreement).

Intergovernmental Considerations

- 12. City Council request the Government of Canada extend the Rapid Housing Initiative to include additional phases, and increase the funding allocated to Toronto based on demonstrated need and demand.
- 13. City Council request the Government of Canada to amend the Rapid Housing Initiative program guidelines to cover cost overruns resulting from unavoidable market or other conditions, or allow projects to be eligible for low-cost financing through other National Housing Strategy programs, including the National Co-Investment Fund, to ensure successful completion of the projects.
- 14. City Council re-iterate its requests to the Government of Canada and the Government of Ontario to urgently scale up investments in the Canada-Ontario Housing Benefit program and commit to providing at least 3,100 net new allocations per year in Toronto.
- 15. City Council request the Government of Ontario to expand on its recent commitment to partner with the City of Toronto to create new supportive homes for people experiencing or at risk of homelessness, by providing an incremental \$60 million in operating funding annually, beginning in 2025, for wraparound health and social supports to enable the creation of 2,500 net new supportive housing opportunities.

FINANCIAL IMPACT

Investments in net new RGI and Supportive Housing

New RHI Phase 3 Funding Allocation

As noted earlier, through Phase 3 of RHI, CMHC has allocated an additional \$169.4 million in capital grant funding to create 416 homes across Toronto. This grant funding is critical to creating the rent-gear-to-income and supportive homes needed to respond to the homelessness crisis. This investment brings the total capital funding received by Toronto under the three phases of the RHI program to \$610 million.

Of this total allocation, funding of \$93.9 million gross (\$0 net) will be added to the 2024 Housing Secretariat Operating Budget for disbursement to Indigenous and non-profit proponents. Capital funding for City-led projects of \$69.4 million is already included in the Housing Secretariat 2023 Capital Plan and will be carried forward to 2024. A further \$6.1 million will be provided directly to Toronto Community Housing Corporation by CMHC.

Table 1: Rapid Housing Initiative funding requests and approvals, 2020-2023

Rapid Housing Initiative (in \$ millions)	Capital Funding Requested		Capital Funding Approved		Difference	
	Amount	Units	Amount	Units	Amount	Units

Rapid Housing Initiative (in \$ millions)	Capital Funding Requested		Capital Funding Approved		Difference	
Phase 1	628.9	1,548	238.0	661	(390.9)	(887)
Phase 2	446.9	952	203.4	427	(243.5)	(525)
Phase 3	591.0	1,352	169.4	416	(421.6)	(936)
Total	1,666.8	3,852	610.8	1,504	(1,068)	(2,348)

Despite this significant investment, the amount of funding received by Toronto has progressively declined with each new round of the Rapid Housing Initiative. In Phase 3, the City and its partners requested \$591 million in capital grant funding to deliver over 1,350 homes but received only a quarter of what was requested, due to the overall national demand. The high take up of the program also demonstrates its effectiveness in assisting cities and non-profit organizations to build or acquire new homes to support low-income households, including people experiencing homelessness.

Managing Costs and Project Risks

Despite being one of the most effective housing supply programs, the RHI does not currently provide any additional funding to address cost escalations experienced during construction. CMHC also does not allow cost overruns to be covered through its other financing programs. With the unpredictability of the residential construction market in Toronto and across Canada, and the significant year-over-year cost escalations in labour and materials (65% in Toronto between 2019 and 2022), the lack of options to deal with cost overruns adds significant risks to projects, and their ability to reach completion. As such, this report recommends that CMHC amend the RHI program to help cities and non-profit organizations manage unavoidable costs and risks.

In the immediate term, there are in-flight Indigenous and non-profit-led projects that are at high risk of being stalled due to cost overruns not covered by CMHC. To ensure completion of these projects, this report recommends that Council authorize the Executive Director, Housing Secretariat, to provide any available funding to these organizations from other federal and provincial sources. Such sources could include any unallocated Ontario Priorities Housing Initiative (OPHI), Homelessness Prevention Program (HPP) funding, or other new housing programs as they become available.

Provincial Operating Funding for Supportive Housing

In 2023, the Province announced a recurring three-year commitment of \$48 million to the City of Toronto for supportive housing through the Homelessness Prevention Program. This contribution is now funding the delivery of wrap-around services to residents of more than 2,000 supportive homes completed since 2020.

Incremental funding commitments from the Government of Ontario are needed to scale up the supply of supportive housing opportunities. This funding is critical to provide

wraparound supports that help individuals exiting homelessness achieve housing stability and improve their health and well-being.

This report recommends City Council request the Province commit to provide this funding along with the annual \$60 million beginning in 2025, previously requested in May, 2022, to fund the operating costs of a further 2,500 supportive homes in the City’s 2023-2024 24-Month Housing Recovery Plan. As part of this incremental \$60 million, the estimated annual operating cost impact for the net new supportive homes to be created through RHI Phase 3 is \$6.6 million, beginning in 2025.

City of Toronto and Partner Investments

The developments approved under Phase 3 of the Rapid Housing Initiative all unlock public, non-profit, and Indigenous-owned land to create new deeply affordable and supportive housing. In addition, the City's Open Door Affordable Housing Program will provide financial incentives for Rapid Housing sites, including relief from development charges, building permit fees, planning application fees and parkland dedication fees as well as an exemption from property taxes for the affordability period. Subject to City Council approval of this report, including property tax exemptions for previously approved RHI projects, it is estimated the City will be contributing approximately \$111.29 million in Open Door Program incentives to support the creation of 1,504 deeply affordable and supportive rental homes through all phases of the Rapid Housing Initiative to date.

This report requests City Council approval of property tax exemptions for previously approved Rapid Housing Initiative Phase 2 projects, that are all currently in development and expected to reach completion in 2024 and 2025. Open Door Program incentives were approved for these projects in October 1-4, 2021, with City Council’s adoption of Item PH26.4. The table below summarizes the estimated net present value of these property tax exemptions. This is not a direct capital payment from the City but rather foregone revenues that the City waives or forgives under the program. The exemptions essentially constitute indirect City funding to achieve affordable housing objectives and are considered a type of tax expenditure.

Table 2: Property tax exemptions for previously approved RHI Phase 2 projects

Proponent	Address	Ward	Affordable Homes	Affordability Period	City	Education	City Building	Net Present Value of Property Tax Exemption
TBD – Successful proponent under the RFP	65 Dundas St. E.	13	280	50 years	\$6,346,564	\$1,918,721	\$90,230	\$8,355,515
Canadian Helen Keller Centre	150 Eighth St	3	58	40 years	\$1,181,034	\$357,055	\$16,791	\$1,554,880

Proponent	Address	Ward	Affordable Homes	Affordability Period	City	Education	City Building	Net Present Value of Property Tax Exemption
St. Felix Social Ministries Outreach	25 Augusta Ave.	10	31	40 years	\$631,242	\$190,840	\$8,974	\$831,057
St. Clare's – Monaco Place	1120 Ossington Ave.	9	25	40 years	\$529,429	\$160,059	\$7,527	\$697,015
WoodGreen Community Housing Inc.	60 Bowden St.	14	50	40 years	\$1,018,133	\$307,806	\$14,475	\$1,340,414
WoodGreen Community Housing Inc.	1080 Queen St. E.	14	9	40 years	\$183,264	\$55,405	\$2,605	\$241,275
Akwa Honsta (Non-Profit Aboriginal Homes) Inc.**	136 Kingston Rd	19	24	40 years	\$241,085	\$72,886	\$3,428	\$317,399
Total					\$10,130,752	\$3,062,773	\$144,031	\$13,337,555

*Calculated using 2023 property tax rates

** Prior Approval received in 2017, for 25 years (EX27.14), staff are requesting an additional 15 years through this report

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

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. It is centred in a human rights-based approach to housing, which recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, inclusive and sustainable communities. It is also focused on increasing the supply of new affordable homes, protecting the existing housing stock and helping renters to achieve and maintain housing stability.

The City of Toronto's existing housing strategies and plans seek to improve housing outcomes for a range of residents and to support equity and climate resilience. Creating new affordable and supportive homes through the RHI program will increase opportunities for low-income Indigenous residents and people from equity-deserving groups to access safe, secure and adequate homes.

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

The City utilizes property tax exemptions as a tool in its strategy to secure affordable units in new housing developments. Households residing in the homes/units that are property tax exempt do not pay property taxes directly or indirectly through rent.

The Canada Revenue Agency has advised the City that tenants paying rent in affordable units are not eligible for The Ontario Energy and Property Tax component of the Ontario Trillium Benefit (OTB) (administered by the Canada Revenue Agency) which seeks to help low-to moderate income Ontarians pay for energy costs, sales, and property taxes.

Those living in affordable housing projects, including those in the projects recommended in this staff report will be ineligible for the OTB. Tenants may be required to repay tax credit amounts they received in the past but were ineligible to receive.

DECISION HISTORY

At its meeting of November 8-10, 2023, City Council adopted Item No. EX9.3, "Generational Transformation of Toronto's Housing System to Urgently Build More Homes," which updated the City's HousingTO 2020-2030 Action Plan targets and introduced a series of new actions across to advance a systemic shift in Toronto's housing system to build more non-market homes affordable to residents on low to moderate incomes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

At its meeting of July 19-20, 2023, City Council adopted Item No. AU2.7, "City of Toronto's Modular Housing Initiative: The Need to Balance Fast Delivery with Stronger Management of Contracts and Costs," which presented a series of recommendations to improve the management and delivery of the City's modular housing initiative.

<https://secure.toronto.ca/council/#/committees/2462/23196>

At its meeting on March 21, 2023, the Executive Committee adopted "2023 Housing Action Plan" which provided a workplan to support delivery of the Housing Action Plan, and to meet or exceed the provincial delivery target of 285,000 new homes over the next 10 years.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX3.1>

At its meeting of February 7, 2023, City Council adopted Item No. PH1.9, "Creating New Affordable and Supportive Homes for People Experiencing Homelessness," requesting staff report back in 2023 on the outcome of the City's application for funding under the Rapid Housing Initiative Phase 3 and request additional authorities required to deliver rapid supportive housing.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.PH1.9>

At its meeting of July 19-22, 2022, City Council adopted Item No. PH35.21, "Advancing Affordable and Supportive Housing Projects, Programs, and Initiatives" which authorized City staff to submit an application for funding under any time-sensitive federal or provincial funding program announced during the term of the Council break, enter into a Contribution Agreement with CMHC for funding under the program, and extended a number of authorities previously provided under PH26.4, to enable staff to advance affordable and supportive housing projects.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.PH35.21>

At its meeting of May 11, 2022, City Council adopted Item No. PH33.3, which amended the City of Toronto Zoning By-Law to permit a three-storey residential building containing up to 60 residential dwelling units at 175 Cummer Ave.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.PH33.3>

At its meeting of October 1 and 4, 2021, City Council adopted Item No. PH26.4, "Implementing the Federal Rapid Housing Initiative – Phase Two," authorizing staff to enter into an agreement with Canada Mortgage and Housing Corporation to secure the City's funding allocation and delegated authority to rapidly deliver the new affordable homes to be funded under this program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH26.4>

At its meeting of June 8 and 9, 2021, City Council adopted Item No. PH23.3, "Modular Housing Initiative: Phase Two – 175 Cummer Avenue – Final Report" which authorized the Executive Director, Housing Secretariat, to issue a Request for Proposals to select a qualified non-profit housing provider to operate the homes with supports to be developed at the site, and enter into a Municipal Housing Facility Agreement with the selected provider.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH23.4>

At its meeting of December 16, 2020 City Council adopted report PH19.11 - Emergency Housing Action which was a response to a request from Planning and Housing Committee for staff to report on a plan for the City to accelerate affordable housing opportunities. The report contained a number of recommendations requesting staff authority related to achieving new affordable housing, including authorizing staff to work with the Toronto Alliance to End Homelessness to collaboratively advance the City's 24-Month Housing and Homelessness Plan. The City Council Decision can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH19.11>

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, and authorized the Executive Director, Housing Secretariat, to issue Requests for Proposals to select qualified non-profit housing providers to operate the RHI-funded sites and enter into Municipal Housing Facility Agreements with the selected operators . The City Council decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.32>

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 April 30, 2020, City Council adopted CC20.6 "Implementing the Toronto Modular Housing Initiative as an Urgent Response to the COVID-19 Pandemic" which launched the modular housing initiative (MHI) and authorized tax exemptions of 35 years on MHI projects.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC20.6>

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. This item also authorized staff to work with the Toronto Alliance to End Homelessness to expand the Coordinated Access to Housing and Supports System and to increase housing outcomes for people experiencing homelessness. The City Council decision can be found at:

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

COMMENTS

Progress on Supportive Housing since 2020

As an urgent response to the COVID-19 pandemic, in 2020 City Council approved the 24-Month Plan COVID-19 Housing and Homelessness Response Plan. This Plan aimed to expedite the delivery of the HousingTO 2020-2030 Action Plan and create 2,000 supportive housing opportunities and 1,000 affordable rental homes within 24 months to move people out of the shelter system into permanent housing with appropriate supports.

As a result of partnerships between all levels of government, and participation by the community and non-profit sector, the City has exceeded these targets. By mid-2023,

2,900 affordable and supportive housing opportunities had been created under the plan, with funding in place and construction underway to bring a further 545 homes online by early 2024. This was made possible through partnerships across governments and sectors, as well as a number of key programs, including:

- The Rapid Rehousing Initiative, which provides urgent access to vacant Toronto Community Housing Corporation (TCHC) and Toronto Seniors Housing Corporation (TSHC) units for people experiencing homelessness with additional wrap-around support services;
- New supply programs that support the creation of deeply affordable and supportive housing, such as the Rapid Housing Initiative, Modular Housing Initiative, Home for Good, and the Open Door program; and
- The Canada-Ontario Housing Benefit (COHB), which provides a portable benefit for households to secure affordable rental homes in the private market across Ontario.

Investments from all orders of government were critical to reaching these targets, including \$440 million in federal capital grant funding through two rounds of the Rapid Housing Initiative, \$78 million in City capital funding through the Modular and Emergency Housing Initiative, and City financial incentives valued at over \$55 million.

Operating funding from the federal and provincial governments through COHB (and one-time City funding in 2023), and funding from the provincial government for support services were also essential in meeting this target. This includes a three-year provincial commitment of \$48 million annually.

To build on this momentum, in May 2022 City Council adopted the Housing Recovery and Resilience Plan for 2023-2024 to create a further 4,000 permanent, affordable and supportive housing opportunities prioritizing people experiencing homelessness. This target is proposed to be comprised of:

- 2,500 supportive housing opportunities through acquisitions, modular housing, re-purposing existing stock, and investments in operating costs for support services; and
- 1,500 affordable housing through housing benefits (including the Canada-Ontario Housing Benefit).

The federal capital funding received through RHI Phase 3 will contribute to the City reaching its goals under this plan, however, it falls short of what is required to meet the 24-month target. Staff estimate that to meet these Council approved targets, funding for 1,300 new units of supportive housing is urgently needed over 2023 and 2024, with the remainder to be delivered through the Rapid Rehousing Initiative. This scale of need informed the City's Investment Plan submission (i.e. RHI funding application) to CMHC, which requested funding for over 1,350 new deeply affordable and supportive homes.

Additionally, as net new supportive housing opportunities are created, incremental operating funding for support services from the province will be required. As such, this report recommends City Council request the Government of Ontario expand on its recent commitment to partner with the City of Toronto by providing an additional \$60

million in operating funding annually, beginning in 2025, for wrap around housing support services to enable the creation of 2,500 new supportive homes. This includes the estimated \$6.6 million detailed in the Financial Impact section required for support services in the new RHI supportive homes approved through this report.

Lessons Learned from RHI Phase 1 and 2

1) *Pre-Development Due Diligence*

In Phase 3, the federal government revised the RHI application process, permitting applicants more time to prepare the Investment Plan submission. This enabled staff to undertake a more thorough approach to due diligence on potential acquisition, conversion, and development sites, which included several new activities:

- additional sub-surface utility investigations;
- civil engineering consultant review of servicing capacity;
- topographic surveys; and
- the procurement of a construction management consultant to evaluate mechanical, architectural, electrical and conversion feasibility of acquisition sites.

This enhanced due diligence process, led by the Housing Secretariat, Corporate Real Estate Management, and CreateTO, involved the review of sites by several key City Divisions including City Planning, Engineering & Construction Services, Shelter, Support & Housing Administration, Toronto Building, and Toronto Water. This approach ensured that there would be increased certainty of development feasibility, reduced risk of changes and re-scoping, and stronger cost estimates for projects submitted in the investment plan for CMHC approval. Staff also established monthly and then weekly meetings with CMHC, to ensure potential project risks were cleared with CMHC and the City would have the strongest possible Investment Plan that met all requirements.

This more extensive approach to due diligence also implements key recommendations of the City's Auditor General outlined in the recent audit of the Modular Housing Initiative (Item AU2.7).

2) *Project Management and Governance Framework*

Additional time to prepare the Investment Plan enabled staff to put in place a more robust interdivisional project management team to oversee the assessment of over 100 potential projects, and ensure that informed decisions could be made quickly. Project oversight was provided by an Executive Steering Committee sponsored by the Deputy City Manager, Community and Social Services and Deputy City Manager, Corporate Services.

Lessons learned from RHI 1 and 2, as well as findings from the Modular Housing audit, have informed new approaches to program and project governance for RHI Phase 3. Key Divisions are collaborating to prepare a more detailed Program Charter which will accompany existing program management documents, such as a RACI chart outlining responsibilities of teams in the project and how they change over phases of delivery. A key component of this improved approach is a revised inter-divisional financial management and tracking system, which will implement recommendations of the

Auditor General to improve how CREM and the Housing Secretariat work together to manage project budgets, cost forecasting, and financial reporting.

3) Procurement of Builder(s) and Non-profit Operators

In anticipation of a successful application, at the end of 2022 CREM began a two-stage procurement process to establish a roster of pre-qualified design-builders to work with the City on new build and conversion projects. Lessons learned from prior rounds of RHI and recommendations of the Auditor General related to procurement are being applied, including ensuring this procurement is led out of City Divisions (rather than CreateTO), and that a strong vendor management program is put in place to manage performance.

In prior rounds, limited internal resources and very aggressive delivery timelines prevented the Division from front-ending the selection of housing providers. Community stakeholders and members of Council have indicated the importance of including non-profit housing providers earlier in the development process, particularly in community engagement. In RHI Phase 3, Housing Secretariat will be launching housing provider procurement for new City sites at the end of 2023, ensuring partners are in place earlier in the process to inform both building design and community engagement exercises.

4) Support for Non-profit and Indigenous Partners

With more time and staff resources, Housing Secretariat was able to provide additional support to Indigenous and non-profit housing providers seeking funding under the RHI 3 program. Staff undertook a thorough review of the details of proposals (including due diligence, costing, and schedules) and provided one-on-one support to approximately 20 potential applicants in understanding and meeting the RHI program requirements.

As outlined in the Financial Impact section, the RHI program provides no additional funding for cost escalations, and program restrictions also do not permit non-profits to access construction financing (through CMHC or other sources) to cover these cost escalations. With the unpredictability of the residential construction market in Toronto and across Canada, and the significant year-over-year cost escalations in labour and materials (65% in Toronto between 2019 and 2022), the lack of options to deal with cost overruns adds significant risks to projects, and their ability to reach completion. As such, this report recommends that CMHC amend the RHI program to help cities and non-profit organizations manage unavoidable costs and risks.

In the immediate term, there are in-flight Indigenous and non-profit-led projects that are at high risk of being stalled due to cost overruns not covered by CMHC. To ensure completion of these projects, this report recommends that Council authorize the Executive Director, Housing Secretariat, to provide any available funding to these organizations from other federal and provincial sources. Such sources could include any unallocated Ontario Priorities Housing Initiative (OPHI), Homelessness Prevention Program (HPP) funding, or other new housing programs as they become available.

RHI Phase 3 Program Overview

The Government of Canada announced a third Phase of the initiative in November 2022 which will deliver \$1.5 billion in funding nationally to support the construction of more than 4,500 homes within 18 months. The City and CMHC executed a Contribution Agreement on February 14, 2023 to secure a Cities Stream allocation to Toronto of \$109.4 million, and outline requirements under the program. On March 15, 2023, the City submitted its Investment Plan to CMHC, reflecting the input of several City Divisions and almost 20 Indigenous and non-profit housing providers in Toronto.

Outcome of the City’s Application to RHI Phase 3

On June 13, July 28, and October 20, 2023, the City and CMHC agreed on terms for the projects approved for funding under the program and amended the agreement between CMHC and the City for Phase 3 accordingly. A summary of what was requested in the Investment Plan, and actual funding approved by CMHC, is provided in the table below. CMHC has indicated to staff that there was significant competition and demand for the program across the country, with a total of \$5.2 billion in funding requested for over 16,300 units. This meant many strong projects could not be funded, including in Toronto.

Table 3: RHI Phase 3 Submission and Approvals

	Investment Plan Submission	Approved
Number of Projects	26	9
Number of Homes	1,352	416
Capital Funding	\$591 million	\$169.4 million

The size of the Investment Plan submission is a demonstration of the critical need for grant funding programs similar to RHI that enable the construction of supportive housing, as well as the capacity and readiness of the City and many Indigenous and non-profit housing providers to deliver. The level of funding requested by the City reflects the funding needed to meet Council approved 24-Month Housing Recovery Plan of creating 2,500 new supportive housing opportunities by the end of 2024.

The following four projects are among the nine approved by CMHC for RHI Phase 3 funding and have been announced by CMHC at the time of submission of this report.

Table 4: RHI Phase 3 Sites Approved and Announced by CMHC

Address	Ward	Proponent	Units
11 Brock Ave.	4	City of Toronto	40
393 Dundas St. E.	13	St. Jude Community Homes	12
7 Vanauley St.	10	YMCA	31
155-165 Elm Ridge Dr.	8	Reena Inc.	106

Confidential Attachment 1 to this report provides details of the remaining approved but unannounced projects, which must remain confidential until publicly announced by CMHC.

The City welcomes all capital grant funding received from the federal government through the program, including substantial investments in Phase 1 and 2. However, the level of funding received in Phase 3 insufficient to meet the escalating housing and homelessness crisis in Toronto. As a summary:

- The City received approximately 28% of the funding it requested in the Investment Plan;
- Of the \$1.5 billion available nationally through the program, Toronto only received 11% of the funding available, meanwhile Toronto may shelter anywhere from 19% to 43% of the national homeless population;
- Of the \$1 billion in funding available through the competitive Projects Stream, Toronto secured only 6% of the funding available; and
- Toronto's funding under the program has consistently declined since Phase 1, from \$238 million in Phase 1, to \$201 million in Phase 2. At the same time, the need for new supportive and affordable housing in the City has only grown.

While CMHC has indicated that the level of investment in Toronto still surpassed that provided to other municipalities, this is an indication that the funding allocated to this program needs to be increased, rather than it being an adequate investment for the level of need in the city.

Housing Secretariat continues to support Indigenous and non-profit projects that were not approved by CMHC, including to navigate to other funding opportunities and providing other development advice. In the absence of substantial capital funding from other orders of government, the City does not have the resources to provide funding needed to take these projects from shovel ready to under construction.

Staff recommend that City Council request the federal government immediately allocate additional funding to Phase 3 of the Rapid Housing Initiative, or other capital grant programs to meet the estimated \$500 million to \$800 million needed in Toronto annually to deliver on the HousingTO Plan. This report also requests that the federal government immediately plan for an extension of the program and an increase in funding for Toronto reflective of the level of need.

Program Guidelines

The Rapid Housing Initiative – Phase 3 maintains the key program criteria of earlier rounds with a focus on creating new affordable rental housing for vulnerable residents in severe housing need or experiencing or at risk of homelessness. This program provides 100% capital grant funding to approved projects. This depth of grant funding has not been provided for new housing across Canada in decades and is critical to building the deeply affordable and supportive housing needed to end chronic homelessness. Key program criteria are outlined below:

- Eligible project types include modular construction, traditional construction, acquisition of non-residential land and buildings (e.g. hotels) for conversion to

rental housing, and acquisition of uninhabitable land and buildings for return to the rental housing stock;

- All units must operate as rent-geared-to-income homes, and ensure households are paying no more than 30% of their gross income on rent;
- Affordability must be maintained for a minimum of 20 years (the City always works to exceed this minimum); and
- Multiple housing types are eligible, including standard rental, supportive housing, transitional housing, rooming houses (multi-tenant homes), and seniors housing.

The program places an emphasis on a range of equity-deserving groups which align with the City's own HousingTO priorities, with a specific focus on creating new rental housing for Indigenous residents, Black residents, and women.

Key program changes made by CMHC for RHI Phase 3 include:

- **Providing applicants additional time to prepare and submit their Investment Plan.** In Phase 3, the City and its partners had approximately four months to prepare their submissions. This time allowed for more thorough due diligence and strengthens the project proposals. Phase 1 and 2 permitted staff only one and two months to prepare the submissions, respectively.
- **Extending the timeline for projects to meet rapid requirements from 12 to 18 months.** Prior rounds of RHI required projects to reach completion within 12 months. City Council and staff repeatedly requested these timelines be extended. In Phase 3, the project delivery requirement has been extended to 18 months.
- **New prioritization of previously unfunded organizations and projects.** CMHC changed some scoring criteria, adding more points for projects from municipalities or organizations that have not been previously funded. This change may have placed Toronto at a disadvantage, having received funding previously, and does not necessarily align with a needs-based approach to allocating funding.

RHI Phase 3 Implementation

1) Supporting Indigenous Communities

To advance the City's commitments to truth, reconciliation, and justice, and achieve the objectives outlined in the HousingTO Plan, the City committed to provide at least 20% of its Cities Stream allocation of \$109.4 million to Indigenous-led and Indigenous-serving affordable housing projects. The City exceeded this requirement in Phase 3, providing 28.5% of the allocation to an Indigenous-led project. With recent additional funding to Toronto provided in October, all Indigenous-led projects proposed to CMHC have been approved and funded.

The City also exceeded this target in RHI Phase 2, providing 27% of its allocation to Indigenous partners. As part of the memorandum of understanding with the City, Miziwe Biik Development Corporation (MBDC) assisted with engagement with Toronto's Indigenous housing providers, including in identifying eligible projects for RHI.

2) Councillor and Community Engagement

Staff consulted with affected ward councillors as part of the submission of proposed projects to CMHC and will continue to engage councillors in the development of community engagement and communications plans. Engagement with local communities has been critical to the success of new affordable and supportive housing projects under previous phases of RHI. Housing Secretariat has retained the services of two engagement consultants with extensive experience in affordable and supportive housing to support the implementation of Phase 3.

Community engagement for individual project sites will begin following consultation with affected ward councillors and project-specific funding announcements from CMHC.

3) Non-Profit Operators and Affordability Requirements

All City-led RHI developments will achieve a minimum affordability period of 99 years. Housing Secretariat staff will issue a request for proposals in Q4 2023 to select experienced non-profit housing providers to lease and operate the affordable and supportive housing to be created through RHI funding. This will ensure operators are selected earlier, to support community engagement and building design and construction.

For any RHI-funded projects to be led by Indigenous or non-profit partners, the City will execute Contribution Agreements to flow the CMHC RHI funding to these proponents. The City will also provide Open Door incentives and aim to ensure maximum affordability periods are secured, with a target of 50 or more years. Housing Secretariat development staff will work closely with these partners to navigate municipal approvals and ensure they are supported to advance their development on RHI timelines.

4) Project Delivery Framework

Housing Secretariat is the program owner and responsible for the successful delivery of the RHI program, in partnership with multiple City Divisions. Housing Secretariat also manages the relationship with CMHC including on behalf of all non-profit and Indigenous led projects being delivered in the city under the program.

With the adoption of EX9.3, Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes, City Council directed staff to implement a delivery framework to realize Council's ambition of shifting the housing system to greater public and non-profit delivery. Staff are reviewing existing executive and project level delivery structures utilized under RHI rounds 1 and 2 for opportunities to implement the framework adopted in EX9.3. Importantly, recent Divisional realignments and process improvements in the Development & Growth Service Area provide the City greater coordination and efficiency in the review of development applications on city and proponent-led projects.

Corporate Real Estate Management will continue to act as project lead on real estate and construction matters, including procurement of design-build vendors. These vendors will be responsible for securing planning and building approvals, and manage construction and delivery of the new homes. City Planning, Toronto Building, C2K, and

other Divisions involved in development review and approval are also critical partners in rapidly advancing the program.

Modular Housing Progress Update

In April 2020, as an urgent response to the COVID-19 pandemic City Council approved the Modular Housing Initiative to rapidly create 250 new modular homes with support services for people experiencing homelessness. The Initiative combines federal grant and loan funding from CMHC with City capital funding and incentives. Four of five development projects under this initiative have now completed construction, providing 216, safe affordable homes with support services for people who were previously living in shelters or sleeping outdoors.

Over 2022 and 2023, the City's Auditor General conducted an audit of the Modular Housing Initiative culminating in a report adopted by City Council on July 19-20, 2023 with 20 recommendations to strengthen the City's ability to deliver modular housing program. Management agrees with all of the recommendations and implementation is underway. Among the Auditor's 20 recommendations adopted by Council was a recommendation (# 6) that the Housing Secretariat report to City Council regularly on the progress of modular housing projects, including on timelines and budgets and providing rationale for delays or changes.

This report provides City Council with an update on the timelines of active modular housing projects and current project budgets with explanations for budget or schedule changes experienced since Council's last update on the program as contained in the report from the Auditor General. This update includes both projects funded under the Modular Housing Initiative that were the subject of the audit, as well as other projects using modular construction but funded under other housing programs. Housing Secretariat will continue to report annually on the progress of modular housing sites in accordance with the recommendations of the Auditor General and City Council.

Modular Housing Projects – Budget Update

Modular housing as a construction method can deliver new housing more quickly than traditional construction, and can also be more cost-effective, in part due to the time saved in construction. During the time of implementing the Modular Housing Initiative, the residential construction environment in Toronto has been extremely challenging. Costs increased by 65% from the end of 2019 to 2022, and this cost escalation trend has continued into Q3 of 2023, with a 13% increase in construction costs over the same quarter of 2022. This has been driven in part by the effects of the Covid-19 pandemic, including border closures, global supply chain disruptions and materials shortages, and local labour disruptions and shortages.

The tables below summarize the cost escalations for the City's modular housing projects. As identified by the Auditor General, these costs have also been driven by insufficient site due diligence at the onset of launching projects, in part a consequence of the rapid project submission and delivery timelines required of federal agreements funding these projects. The improved site due diligence approach referenced in this

report is one way improvements are being made to strengthen the City’s delivery of modular housing.

Table 5: Costs of previously completed modular housing projects

Location	Units	Adjusted Budget	Final / Forecasted Costs	Variance (%)	Final / Forecasted Cost per Unit
11 Macey Ave	56	\$10.6m	\$12.2m	15%	\$217,857
321 Dovercourt Rd	44	\$8.3m	\$9.8m	18%	\$222,727
540 Cedarvale Ave	59	\$11.2m	\$20m	78%	\$338,983

The costs shown above are final costs for 11 Macy Ave. and 321 Dovercourt Rd. which completed in 2020, and 2021, and anticipated final costs for 540 Cedarvale Ave.

Table 6: Costs of modular housing projects recently completed or in-flight

Location	Units	Adjusted Budget	Final / Forecasted Costs	Variance (%)	Final / Forecasted Cost per Unit
39 Dundalk Dr	57	\$10.8m	\$21.9m	102%	\$384,210
150 Dunn Ave.	51	\$14m	\$21.7m	55%	\$425,490
4626 Kingston Rd.	64	\$15.5m	\$27.2m	75%	\$425,000
175 Cummer Ave.	59	\$11.2m	\$23m	105%	\$389,830

Modular Housing Projects – Schedule Updates

Previously completed projects

- 11 Macey Ave and 321 Dovercourt Rd. (Phase One projects) were completed in December 2020 and January 2021, respectively.
- 540 Cedarvale Ave. was completed in November, 2022.

Recently completed and in-flight projects

- 39 Dundalk Dr. reached partial occupancy on October 30, 2023, and has been leased in part to the non-profit housing provider, Homes First. This was an approximate 3-month delay from the anticipated date of July 2023 provided in the update to Council in the Auditor General’s report. The project delays are due to additional time required for site finishes once the modules were craned into place, and for the building to satisfy all occupancy requirements through the commissioning process.

- 150 Dunn Ave., was originally approved under the Rapid Housing Initiative in 2021. At the time, 150 Dunn was projected to be completed by March 2022, however faced significant delays as a result of industry-wide residential construction disruptions (materials shortages, supply chain, labour disruptions), as well as unforeseen underground site conditions that required additional unexpected work. The City has kept CMHC apprised of project delays and mitigation tactics through quarterly reporting under the RHI program. The project is expected to finish construction at the beginning of 2024.
- 4626 Kingston Rd. was approved under the Rapid Housing Initiative in 2021 was originally targeted to be completed in summer 2022, but faced similar industry-wide delays as the project at 150 Dunn Ave. Detailed infrastructure requirements related to water servicing also delayed this project, and required coordination with other private landowners in the area undertaking their own developments. The project is expected to be completed in Spring 2024. CMHC has been kept apprised of reasons for delays and mitigation strategies through quarterly reporting.
- 175 Cummer Ave. remains subject to an appeal to the Ontario Land Tribunal. A hearing was held on November 1-3, 2023. Project completion timelines are contingent on the outcome of the OLT hearing.

Prioritizing the tenanting of 150 Dunn Avenue Social Medicine Initiatives housing units for Individuals Experiencing Homelessness

It is critical for the City to strengthen its collaboration with health partners to address the increasingly complex mental and physical health needs of people experiencing homelessness.

The use of emergency departments by individuals experiencing homelessness is well documented. Recent data from UHN shows that over 57% of high-needs patients with chronic disease are living in low-income neighbourhoods, or currently without stable housing. This data is supported by Statistics Canada, Ontario Health and IC/ES (formerly the Institute for Clinical and Evaluative Sciences) data that detail the disparities in healthcare access for low-income individuals, including those experiencing homelessness, when compared to housed individuals of higher incomes.

Recognizing the complex link between poverty, health and social outcomes, and the need to take a systemic approach to improving the lives of residents across the city, the UHN, the United Way of Greater Toronto (UWGT) and the City of Toronto entered into a Memorandum of Understanding (MOU) to establish the Social Medicine Initiative in 2019. Through the implementation of the Social Medicine Initiative at 150 Dunn Ave. the City, UHN, and UWGT seek to provide housing and support services to individuals with complex health conditions experiencing homelessness who are also utilizing UHN emergency room services at higher rates than the general population.

The City's Coordinated Access system provides a consistent way to assess, prioritize and connect people experiencing homelessness to City-funded housing and supports.

To prioritize the distribution of housing opportunities to individuals experiencing homelessness, the City's Coordinated Access system uses a By-Name List (BNL). A BNL is a federal and provincial requirement and is a real-time list of people experiencing homelessness in Toronto who are utilizing overnight services provided by the City and its community partners.

To support the tenanting of 150 Dunn Ave, the City must first verify that the individuals being referred for housing by UHN are experiencing homelessness. To proceed, Shelter, Support and Housing Administration (SSHA) must establish a data sharing agreement with UHN that allows for SSHA to receive patient data from UHN for consenting patients who are high-frequency users of their hospital emergency departments for purposes of cross-referencing the BNL to confirm homelessness and share back this confirmation with UHN.

The Social Medicine Initiative at 150 Dunn Ave is the first project of its kind in Toronto and will demonstrate the value of all orders of government, healthcare services and community support providers working together to deliver innovative and cost-effective supportive housing that connects residents with a range of health and social services delivered onsite. The Social Medicine Initiative supportive housing at 150 Dunn Ave embodies the social medicine value of addressing an array of social determinants of health to support the improved quality of life including positive health outcomes for individuals experiencing homelessness. It is an important representation of the innovative and necessary partnerships between diverse sector partners to provide needed supports – including access to healthcare – to address the increasingly complex experience of homelessness in a wholistic and systematic manner.

Conclusion

Since 2020, the City, working in collaboration with all orders of government, has created over 2,700 new supportive housing opportunities across Toronto. With federal and provincial support through the Canada-Ontario Housing Benefit, an additional 5,300 lower income households have been assisted to afford homes in the private market.

While the City continues to take strong action within its financial and jurisdictional capacity, the worsening housing and homelessness crisis demands heightened action from all orders of government. Recognizing the urgency, on November 8, 2023, City Council approved Item EX9.3, which included new housing targets and a robust plan aimed at making generational transformation of Toronto's housing system after decades of insufficient public investments in housing. The plan is focused on urgently increasing the number of non-market homes (i.e. public and non-profit owned homes) needed support low-and-moderate income households, whose housing needs are not being adequately met by the private rental market.

The recommendations in this report will support delivery of the City's housing plans and targets, as well as shared federal and provincial housing targets. However, significant new and enhanced investments, including future phases of RHI, are urgently needed to accelerate the supply of new affordable homes as the housing affordability crisis continues to grow. Concurrently, all orders of government need to invest in protecting the existing stock of rental homes and strengthen protection for renters. In the absence

of these critical actions, the continued social, economic and cultural prosperity of Toronto, Ontario and Canada is at high risk.

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ATTACHMENTS

Confidential Attachment 1: Approved and Unannounced Rapid Housing Initiative Phase 3 Projects

Attachment 2: Proposed Licence and Lease Terms for 65 Dundas St. E.

Attachment 3: Progress To-Date on RHI Phase 1 and Phase 2 Sites