SUBJECT: Strong Start Funding Under the Canada-Ontario Affordable Housing Program (SPH05058) (Ward 1 and Ward 2)

RECOMMENDATION:

(a) That the Minister of Municipal Affairs and Housing be advised that the City of Hamilton will participate in the Strong Start component of the Canada-Ontario Affordable Housing Program and recommends the following prioritized proponents and proposed rental housing projects receive Strong Start funding:

(i) Priority One - Spallacci Contracting Limited, 260-280 King Street East, Hamilton (123 apartment units); and,
(ii) Priority Two - Hellenic Community of Hamilton and District, 37 Strathcona Avenue North, Hamilton (39 apartment units).

Joe-Anne Priel
General Manager
Public Health and Community Services

EXECUTIVE SUMMARY:

On August 31, 2005, the Honourable Joe Fontana, Federal Minister of Labour and Housing, and the Honourable John Gerretsen, Ontario Minister of Municipal Affairs and Housing announced $322 million for housing units in Ontario under Wave One of the Canada-Ontario Affordable Housing Program. Through Wave One, the City of Hamilton
was allocated 175 units ($12.25 million) under the Rental and Supportive Capital component and 250 units ($3.0 million) under the Housing Allowances component.

Strong Start funding is one component of the Wave One of the Canada-Ontario Affordable Housing Program. Up to $24 million has been allocated to fast track the development of up to 500 affordable rental housing projects across the Province of Ontario. Under Strong Start, affordable rental housing projects that are ready to proceed immediately will be eligible for funding and may start construction. The deadline for participation in Strong Start was October 31, 2005 for municipal staff to forward a prioritized list of projects to the Ministry of Municipal Affairs and Housing which was to be followed by a formal recommendation from Council.

Strong Start will provide successful proponents with capital grants to lower the cost of constructing new rental housing. The rental projects then will be economically viable and will be sustainable without any on-going operating subsidies. A condition of receiving the capital funding is that the monthly market rent will be at least 20% below the average market rent for similar rental accommodation in the area.

The federal contributions will not exceed an average of $35,000 per unit across the City of Hamilton. The provincial contributions will not exceed an average of $35,000 per unit across the City of Hamilton. The amount of provincial funding will match the federal funding. Although authority for final approval of Strong Start projects rests solely with the Province of Ontario, the City of Hamilton would oversee the development of any projects selected and ensure that proponents adhere to all funding conditions.

The timeframe for municipal participation in Strong Start was very short from the August 31, 2005 announcement. However, building on the success and momentum generated from the Community Rental Housing Program, the City and Housing Branch staff were very committed to provide community-led and private sector housing providers in Hamilton the opportunity to seek Strong Start funding.

Nine proposals were submitted under Expression of Interest EOI-HB-001, which was released on October 7, 2005 and closed on October 21, 2005. The submission from Spallacci Contracting Ltd. was an 11-storey, 123-unit apartment building located at 260-280 King Street East (Ward 2) for seniors, singles and families, and is prioritized as number one. The “Terraces on King” will be constructed within the $70,000 per unit Strong Start funding envelope and is a cost-effective rental residential development that will provide rents at 20% below average market rents in the City of Hamilton for 25 years. The construction of this development represents a pivotal strategic opportunity to revitalize the eastern segment of Hamilton’s downtown core on an underutilized building site that has been vacant for two decades and has garnered support from the International Village Business Improvement Area.

Prioritized as number two, the proposal from the Hellenic Community of Hamilton is the culmination of a community group saving money for many years with the goal of building affordable rental housing for senior citizens. They have saved approximately
$900,000 in cash and the value of the land which will be committed to their 5-storey, 39-unit apartment building for senior citizens located at 37 Strathcona Avenue North (Ward 1). The cash equity contribution plus the land value equity have allowed the Hellenic Community of Hamilton to reduce their request for Strong Start funding to $65,000 per unit and offer rents that are 20% below average market rents in the City of Hamilton for 25 years. Location Maps of both Strong Start submissions are attached “A and B” to Report SPH05058.

**BACKGROUND:**

**The Strong Start Program:**

On August 31, 2005, the Honourable Joe Fontana, Federal Minister of Labour and Housing, and the Honourable John Gerretsen, Ontario Minister of Municipal Affairs and Housing announced $322 million for housing units in Ontario under Wave One of the Canada-Ontario Affordable Housing Program. Through Wave One, the City of Hamilton was allocated 175 units ($12.25 million) under the Rental and Supportive Capital component and 250 units ($3.0 million) under the Housing Allowances component.

As an interim measure while program guidelines for Wave One of the Affordable Housing Program are being developed by the Ministry of Municipal Affairs and Housing, up to $24 million under a separate program initiative called Strong Start was created to fast track the development of up to 500 affordable housing units across the Province of Ontario. Under Strong Start, affordable rental housing projects that are ready to proceed immediately will be able to receive funding and start construction without waiting for the completion of the new program design and approvals process. The deadline for participation in the Strong Start program was October 31 for municipal staff to forward a prioritized list of projects to the Ministry of Municipal Affairs which was to be followed by a formal recommendation from Council.

Strong Start will provide successful proponents with capital grants to lower the cost of constructing new rental housing. The rental projects then will be economically viable and will be sustainable without any on-going operating subsidies. A condition of receiving the capital funding is that the monthly market rent will be at least 20% below the average market rent for similar rental accommodation in the area.

The federal contributions will not exceed an average of $35,000 per unit across the City of Hamilton. The provincial contributions will not exceed an average of $35,000 per unit across the City of Hamilton. The amount of provincial funding will match the federal funding. Contributions by the City of Hamilton will not be required as a cost-matching element for the federal funds. The maximum senior level of government funding per rental unit will be $70,000.

Not all Strong Start projects that meet program requirements will necessarily be funded as the Ministry of Municipal Affairs and Housing will be evaluating and comparing all proposals submitted from various Service Managers across the Province. In other words, there is no guarantee of funding for any top-ranked proposal submitted by the
respectively Service Manager for consideration of Strong Start funding. Strong Start funding will be made up of the following components:

- Proponent contributions in the form of equity and/or land for not-for-profit proponents;
- Municipal contributions in the form of waiving development charges;
- Provincial contribution; and
- Federal contribution.

To demonstrate commitment and help ensure the viability of selected projects, the municipality, non-profit groups and/or charitable organizations will be expected to provide financial or in-kind contributions.

Although authority for final approval of Strong Start projects rests solely with the Province of Ontario, the City of Hamilton would oversee the development of any projects selected and ensure that proponents adhere to all funding conditions.

**City of Hamilton “Expression of Interest” for Strong Start Funding:**

Under Strong Start, the role of the City of Hamilton as Service Manager is to identify and recommend to the Province a prioritized list of suitable and appropriate housing projects that adhere to program requirements and that can be built and occupied as quickly as possible. The City of Hamilton issued a formal “Expression of Interest” (EOI - HB-EOI-001) on October 7th with a closing date of October 21st and was advertised in the Hamilton Spectator on October 7th and October 14th.

This EOI was undertaken in response to Ministry documentation that noted municipalities “are expected to recommend and select projects through a process in accordance with approved municipal procurement practices”. The EOI was necessary to secure and recommend the best proposals in a fair, competitive, and transparent process consistent with the objectives of the Strong Start program.

Proposals which were then evaluated by a City of Hamilton Staff Evaluation Committee representing the Housing Branch, Development Planning, Finance, and Downtown Renewal. Key evaluation criteria that were identified in the EOI document included:

- Strength and Background of the Bidder;
- Site Characteristics and Development Concept;
- Business Plan;
- Development Schedule;
- Strategic Opportunities within the City of Hamilton;
- Affordability of Rents;
- Priority Groups (as identified by the Ministry of Municipal Affairs and Housing);
- Community Partnerships; and
- Special Features.
Nine proposals were submitted. Despite the short time frame of the EOI, this is clear evidence of the expanding interest and capacity of private sector and community-led housing providers in the City of Hamilton to construct affordable rental housing projects and this bodes well for the take-up of future Federal-Provincial housing programs.

A brief description of each submitted proposal is listed below:

- Spallacci Contracting Ltd., 260-280 King Street East; Demolition of existing building followed by new construction, apartments, 123 units;
- Hellenic Community of Hamilton and District, 37 Strathcona Avenue North; Demolition of existing building followed by new construction, apartments, 39 units;
- Good Shepherd Centre, 398 King Street West; New construction, apartments, 24 units;
- Lyric Century Apartments Inc., 14-18 Mary Street; New construction but incorporating the existing front façade, apartments, 55 units;
- Royal Vista Garden Apartments, 1489-1495 Upper Gage Avenue; new construction, apartments, 40 units;
- Urban Native Homes Inc., 42 Mary Street; Renovation of existing building and new addition, apartments, 21 units;
- 1612713 Ontario Ltd., 832 Concession Street; Renovation of existing building, apartments, 12 units;
- St. Leonard’s Society of Hamilton, 592 Barton Street East; Renovation of existing building, apartments, 18 units; and
- R.N. Donnell, 547 King Street East; New construction, apartments, 16 units.

The proposals submitted by Spallacci Contracting Ltd. and the Hellenic Community of Hamilton and District (see Appendix “A” for Report SPH05058 for the Location Maps) were ranked first and second in scoring as part of the evaluation process and were consistent with the following Strong Start objectives:

- projects are well advanced in the development approvals process;
- the proponent is in a position to sign a Contribution Agreement by March 31, 2006;
- housing affordability targets are satisfied;
- project occupancy will be achieved by March, 2007; and,
- the proposed development capitalizes on strategic opportunities.

The submission from Spallacci Contracting Ltd. was the highest rated proposal, an 11 storey, 123-unit apartment building for seniors, singles and families and is prioritized as number one. “The Terraces on King” at 260-280 King Street East (Ward 1) will be constructed within the $70,000 per unit Strong Start funding envelope and is a cost-effective rental residential development that will provide rents at 20% below average market rents in the City of Hamilton. The construction of this development represents a pivotal strategic opportunity to revitalize the eastern segment of Hamilton’s downtown.
core on an underutilized building site that has been vacant for two decades and has resulted in strong support from the International Village Business Improvement Area.

Spallacci Contracting Ltd. has indicated they will extend the affordability period of the rental units to 25 years from the minimum required 20 years. The proponent is committing $1,200,000 of their own equity to the project. The building is designed to reflect the historic storefront character of King Street. It will be targeted to priority groups, specifically seniors and persons with physical disabilities. Spallacci Contracting Ltd. and the architect Lorne Haverty Ltd. are well experienced in residential development processes in the City of Hamilton.

Prioritized as number two, the proposal from the Hellenic Community of Hamilton is the culmination of a community group saving money for literally decades with the goal of building affordable rental housing for senior citizens. The Hellenic Community of Hamilton has a long history of holding Greek Festivals in the Strathcona Neighbourhood. They have saved approximately $900,000 in cash and the value of the land which will be committed to their 39-unit 5 storey senior citizen apartment building at 37 Strathcona Avenue North (Ward 2). The cash equity contribution plus the land value equity have allowed the Hellenic Community of Hamilton to reduce their request for Strong Start funding to $65,000 per unit and achieve average market rents 20% below the average market rent level in the City of Hamilton.

The proponent has also committed to a 25-year affordability period and they will set aside four units that will have rents set at the Ontario Disability Support Program (ODSP) shelter allowance component, which is 31% below average market rents for the City of Hamilton. The proposed development is located near public transit, community services and shopping and is an example of sensitive residential intensification. The proponent has also committed to utilize energy efficient design details and universal design throughout the building to accommodate aging-in-place.

The table below summarizes the extent of potential City financial assistance if the projects are approved by the Provincial Government. City financial assistance is in the form of Development Charge relief and the approximate 20-year nominal value of the property tax assistance through the “New Multi-Residential” tax class as opposed to the “Multi-Residential” tax class. There are no on-going operating subsidies to be provided by the City of Hamilton for the operation of these rental housing projects.

<table>
<thead>
<tr>
<th>Priority of Proponents</th>
<th>Total Potential City Financial Assistance</th>
<th>Estimated Nominal Value of Property Tax Savings (20 years)</th>
<th>Development Charge Relief (Affordable Housing and Downtown Exemption)</th>
<th>Potential Provincial Strong Start Contribution</th>
<th>Potential Federal Strong Start Contribution</th>
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SUBJECT: Strong Start Funding Under the Canada-Ontario Affordable Housing Program (SPH05058) (Ward 1 and Ward 2) - Page 6 of 9
Staff from the Development and Real Estate Division, Planning and Development Department, have advised that the only required planning approvals remaining for both these projects is site plan approval and the issuance of building permits.

**ANALYSIS/RATIONALE:**

The response to the Strong Start EOI is indicative of the “reawakening” of community-led and private sector affordable housing stakeholders within Hamilton. Participating in Strong Start, will demonstrate to the senior levels of government that the City of Hamilton is a credible and committed partner to deliver affordable housing program initiatives.

As well, the City of Hamilton’s previous participation in the Community Rental Housing Program has helped to build significant capacity and expertise within the private and not-for-profit housing development community. Hamilton is well-positioned to participate, deliver, and implement Strong Start. In addition to capacity building, participation will result in community-wide housing, economic, and social benefits to the City of Hamilton, including brownfield redevelopment, residential intensification, and downtown revitalization. The funding amount and unit allocation not only provides the means to create much needed affordable housing, but also generates demand for construction and spin-off jobs, private and social profit for the community, and urban and neighbourhood renewal.

The proposals submitted by Spallacci Contracting Ltd. and the Hellenic Community of Hamilton are excellent candidates for Strong Start funding. The projects are development-ready, represent strategic opportunities in Hamilton, offer affordable rents beyond the minimum 20-year affordability period, and target priority groups identified by the Ministry of Municipal Affairs and Housing.

**ALTERNATIVES FOR CONSIDERATION:**

There are no alternatives for delivery of Strong Start. The delivery framework has been determined by the Federal and Provincial Governments and the only delivery option is through the Service Manager. Non-acceptance of the recommendations would
eliminate the two projects from being considered for Strong Start funding as Council recommendation is required for the Provincial Government to consider the proposals. In the absence of the Strong Start funding and exemption of Development Charges, it is likely these new development initiatives would not proceed.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial – Under Strong Start, the Province will pay a one-time fee for municipal delivery and administration of approximately $863.28 per unit. The amount received by the City will depend on the number of projects in Hamilton selected by the Province. These administrative revenues go toward funding existing staffing costs.

Staffing – None. Delivery of the Strong Start program is being accommodated within the existing staff complement of the Housing Branch.

Legal – There are no legal implications. Housing Branch staff will work closely with Legal Services staff where necessary on program delivery elements.

**POLICIES AFFECTING PROPOSAL:**

None.

**RELEVANT CONSULTATION:**

The Purchasing Division, Development and Real Estate Division, Downtown Renewal Division and the Budgets and Finance Division were involved in all aspects of the Expression of Interest and the evaluation of the submitted projects. Staff from the Ministry of Municipal Affairs and Housing was also involved.

**CITY STRATEGIC COMMITMENT:**

If approved by the Provincial Government, the development of the two (2) recommended projects will result in the creation of 162 new affordable rental housing units in Hamilton. This supports the following goals of the City’s Strategic Plan:

1. **A City of Growth and Opportunity**
   d) Attracting and Retaining Business
   “Council will explore the best methods and quantity of resources necessary to attract and retain business.”

2. **A Great City in Which to Live**
   b) Supporting People in Need, with Care
“Council will seek to work with other levels of Government and the community to ensure that people in need are supported and cared for.”

3. **A Healthy, Safe and Green City**
   i) Municipal Housing Program
   “Develop and implement a municipal affordable housing program.”

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.** ☑ Yes ☐ No
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

**Environmental Well-Being is enhanced.** ☐ Yes ☑ No
Not applicable.

**Economic Well-Being is enhanced.** ☑ Yes ☐ No
Poverty is reduced.

**Does the option you are recommending create value across all three bottom lines?**
☑ Yes ☐ No

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?**
☐ Yes ☑ No
Not applicable.