

Funding for Rapid Housing Initiative Construction Monitoring

ISSUE

During Budget 2021, the Government of Canada announced an additional \$1.5 billion for the creation of permanent affordable housing under the Rapid Housing Initiative (Initiative). Under the Major Cities Stream of funding, the City of Saskatoon (City) has been allocated \$7,563,036 to create a minimum of 36 new permanent affordable housing units, with housing availability within 12 months of receiving the funding, while also requiring that affordability be maintained for a minimum of 20 years. Deadlines for submission of projects under the Major Cities Stream was August 31, 2021. Final approval of the submissions by the Canada Mortgage and Housing Corporation (CMHC) is expected in mid-October.

Under this program, the City is required to enter into an agreement with CMHC and funding will flow to the City. Subsequent agreements will be required between the City and each successful proponent. In this new role in housing for the City, there are additional implications for funding and resources to support the Initiative.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development, and Community Services recommend to City Council that a post-budget request for a 2021 Capital Project, at a cost of up to \$100,000, funded from the Affordable Housing Reserve, to engage a construction oversight manager for the projects submitted by the City for the Rapid Housing Initiative, be approved.

BACKGROUND

The Initiative was originally introduced in October 2020 and is administered through CMHC. Round 1 of the program consisted of \$1 billion to help address urgent housing needs of vulnerable people and create 3,000 new affordable housing units across Canada. Two funding streams were established as follows:

1. **Major Cities Stream** – funds were allocated to pre-determined municipalities for the cities to identify eligible projects. Saskatoon was not included in this stream in Round 1.
2. **Project Stream** – proponents submit their applications directly to CMHC.

Round 2 of the Initiative was announced in June 2021. Administration was notified that the City would receive \$7,563,036 under the Major Cities Stream to create a minimum of 36 new permanent affordable housing units, allocating a minimum of nine units for women and/or women and their children. The City would be required to enter into a Contribution Agreement with CMHC for the 20-year period that the units must remain affordable.

DISCUSSION/ANALYSIS

In the Major Cities Stream of the Initiative, the City is directly responsible for meeting the goals and objectives of the program, and the City commits to this via the Contribution Agreement with CMHC. In turn, the City will require each successful proponent to enter into an agreement that outlines the ongoing obligations and requirements for each party.

There are two separate ongoing requirements that the City will be responsible for:

1. 20-Year Annual Reporting

The City is required to report to CMHC on an ongoing annual basis on project status for each project for the 20-year term of the Contribution Agreement. This ongoing reporting requirement can be managed with existing resources in collaboration between Planning and Development and Finance Departments.

2. Short-Term Construction Monitoring and Reporting

To meet program objectives, projects must be completed and achieve building occupancy within 12 months of the date that the Contribution Agreement is executed. The City is responsible for ensuring the projects are completed on time and meet all requirements. During construction, the City will be required to provide quarterly update reports to CMHC to ensure the projects are staying on time, on budget and are being built to the specifications identified in the approved proposal.

The Initiative has put the City into a new role in the provision of housing units in the City. As a result, there are no internal resources currently in place that are suitable to provide the required short-term construction monitoring and reporting required for this program.

Construction Monitoring Requirements

In order to meet program requirements, the short-term monitoring and reporting outlined above must be carried out. This work would include regular on-site meetings, discussions of any impacts or changes to project viability and budget, inspections and progress reporting as well as post-construction deliverables to complete the project. This will ensure that project proponents are demonstrating the required progress on projects to meet deadlines, and that proactive measures can be taken if projects encounter challenges. This work would occur between late 2021 and early 2023.

In initial discussions with CMHC, they confirmed a portion of the funding allocated to the City could be used for a third-party construction oversight manager. However, given the land and construction costs anticipated for the projects, the Initiative funding is only sufficient to cover those costs. Using the Initiative funding to cover the project oversight costs would further impact the ability to deliver the required housing units in Saskatoon.

As an alternative, Administration has identified the Affordable Housing Reserve as a potential source of funding to support this cost, depending on what the final amount is determined to be. There was a vacancy in the Housing Analyst position for

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approximately five months in 2021 and unspent operating funds from the vacancy would be returned to the Affordable Housing Reserve at the end of the year. Additional unspent operating funds have also been identified, as the Public Housing Subsidies funding will be underspent in 2021 by approximately \$75,000, which as per policy, would also be directed to the Affordable Housing Reserve at the end of the year. It should be noted that using this funding would mean it would not be available to support affordable housing projects through the Innovative Housing Incentives Program.

FINANCIAL IMPLICATIONS

If funding from the noted favourable variances in the Attainable Housing operating budget are not sufficient to cover these services, a further report will be brought back to Committee for direction.

OTHER IMPLICATIONS

No other implications have been identified during the development of this report. Further reporting on other elements of the Initiative will be brought forward for approval and direction as required.

NEXT STEPS

If approved, the Planning and Development Department will hire a third-party Construction Oversight Manager to undertake this work for the required construction and reporting period.

REPORT APPROVAL

Written by: Lesley Anderson, Director of Planning and Development
Reviewed by: Kari Smith, Director of Finance
Approved by: Lynne Lacroix, General Manager, Community Services

SP/2021/PD/PDCS/Funding for Rapid Housing Initiative Construction Monitoring/gs