



Date: February 9, 2023

Report to: Board of Directors
CityHousing Hamilton Corporation

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Chief Executive Officer/Secretary Manager, Development
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Subject: **Queenston Phase 2 – Invitational RFP for Design-Build Contract (Report #23003)**

RECOMMENDATION:

That the Board of Directors approve the following resolution to:

- (i) Authorize and direct staff to prepare an invitational request for proposals (RFP) to gain competitive pricing for a design-build team for a Rapid Housing Initiative round 3 project at 55 Queenston Rd Phase 2, with NRB Modular Solutions, ED Modular and Element5 as proponents;
- (ii) Authorize and direct staff to contract with the design-build proponent selected through the invitational RFP process, in consultation with the City of Hamilton’s Procurement Department, and with terms and conditions to the satisfaction of CityHousing Hamilton legal counsel, should sufficient funding be awarded;
- (iii) Report back to the Board detailing procurement results should sufficient funding be awarded;
- (iv) Support an application for the Rapid Housing Initiative round 3 funding at 55 Queenston Rd.

Adam Sweedland
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

On November 2023, CMHC announced the third round of the Rapid Housing Initiative (RHI3) funding to help address the urgent housing needs of vulnerable Canadians. This funding provides capital contributions for the rapid construction of new housing and/or acquisition of existing buildings for rehabilitation or conversion to permanent affordable housing.

CHH staff have reviewed the CHH portfolio and potential acquisitions to determine how best to proceed. The selected project must contain at least five new units and be completed within 18 months of the agreement being signed.

Due to the schedule requirement, it was important that CHH select a site that has been remediated to reduce potential delays. CHH proposed to Housing Services, who are administering a portion of funding for the RHI3, a 24-unit modular studio and/or 1-bed development on the Queenston Phase 2 site, which is also scalable to up to 50 units should funding permit.

To meet the 18-month RHI3 schedule, it is important that the design start as soon as possible. CHH has recommended through discussions with City Procurement an accelerated invitational procurement process in place of a single source. A selection of three proponents experienced in modular housing delivery under rapid timeframes would help ensure the greatest chance that a project can meet the required deadlines.

CHH staff is recommending that based on the results of the evaluation of the invitational RFP, that the Board provide authorization to contract with the successful design-build team, should the project be selected for adequate RHI funding, and should the terms and conditions of the contract be satisfactory to CHH legal counsel. The design-build team will be responsible for the full delivery of the project. Consolidating services under one design-build contract will enable integrated processes suited to modular prefabrication within a compressed timeframe and would align to the contract approach used previously for the CHH buildings at 8 Roxanne Dr, 257 King William St, and Jamesville.

BACKGROUND:

In 2017, CityHousing Hamilton highlighted the potential development opportunities to help revitalize the portfolio in Report #17021(a). In March 2018, the Board approved the recommended development plan through Report

#17021(b) which included 55 Queenston as one of the five developments. Due to the size and location of the 55 Queenston site, it was determined that it could accommodate a second phase to assist in addressing the growing need for affordable housing.

On November 2023, CMHC announced the third round of Rapid Housing Initiative funding. This funding will provide capital contributions for the rapid construction of new housing and/or acquisition of existing buildings for rehabilitation or conversion to permanent affordable housing, with applications due March 15th.

With the announcement of the RHI3, staff reviewed the CHH portfolio for eligible locations. Due to factors relating to the completion of remediation, approved zoning, a plan in the existing site plan and integration of services and amenities for a second building, a project for the second phase at 55 Queenston was envisioned. Additionally, given CHH's experience with volumetric modular development and design-build contracts, to address the timeline considerations, a design-build modular approach was confirmed. And to coordinate with the size of building that would be cost efficient, a minimum of a 24-unit building with studio and/or 1-bed units was proposed in a prequalification for RHI3 funding to Housing Services.

As part of the RHI application process, a design accompanied with a Class B costing estimate is required. CHH staff have been working with Procurement on an invitational process, which if approved, would close February 28, 2023, to align with the March 15th submission.

DISCUSSION:

The regular procurement process for a public RFP would take several months, effectively pushing the RHI required project schedule beyond the maximum allowable completion date; therefore, the use of an accelerated and invitational RFP is being recommended.

Although best practice is full public procurement, and the fastest procurement is sole sourcing, CHH has recommended that an invitational RFP be completed with a shortlist of known leading modular manufactures to ensure that cost and schedule commitments are competitive, and the timeline is accelerated.

As greater context for procurement of modular affordable housing, investigation in the research phase provided insight into the capabilities, limitations and experience of modular manufacturers, which aided the creation of a shortlist of proponents to invite. In addition, the process and experience of other municipalities with rapid modular housing projects was informative. The City of Vancouver began the rollout of modular new developments through a Request for Qualifications (RFQ) process that resulted in essentially one provider being able to deliver at the scale required housing. The City of Toronto followed in deploying modular housing, initially single sourcing their first two projects before moving to an RFQ process. Moreover, the City of Toronto has additionally approved non-competitive procurement for pre-development services to support the delivery of RHI projects.

Site

With the project located on phase two of the Queenston land, remediation was completed as part of the phase one project. With discussion with Planning and Housing Services it has been recommended that a Site Plan amendment be conducted to help further expedite the planning process, and a Formal Consultation has been requested to start this process.

Funding

The proposed project funding is highlighted in Table 1 below. Due to the funding requirements of RHI3, no incumbencies including loans can be on the property. CHH has also included a scalable option towards the maximum units that could be built on the site given the zoning if additional RHI3 funding was received. Should CHH be able to scale to a larger than minimum size building, this would allow for the fast tracking some units (and associated sold unit funds) from the future Macassa, which is awaiting both approvals from the City pertaining to proposed site uses, and new Federal funding program changes and top ups to enable financial feasibility. Additionally, the RHI3 funding will require as a condition of the program, but also enable through generous grant support, deep affordability of all units.

	RHI3 Funding	Sold Unit	DC Funding	Block Funding	Development Fund	Total
24 Units	6,600,000	6,650,000	479,595	500,000	100,000	14,329,595
48 Units	16,481,000	9,800,000	1,679,000	500,000	100,000	28,560,000

RHI funding: *Funding for Canada Mortgage and Housing Corporation funding for rapid housing initiative projects*
 Sold Unit Fund: *Funding from the sale of singles and semis units, used for the replacement of units.*
 DC Funding: *Development Charge Funding which the City of Hamilton formerly collected a portion of to fund net new CHH affordable units. With Bill 23, the City will no longer be collecting new funding for CHH.*
 Block Funding: *Is CHH's annual funding allotment as part of the City of Hamilton's capital budget.*

CONCLUSION:

The RHI3 funding program provides an ideal opportunity to further intensify and use the remediated and serviced land at the Queenston site to provide additional affordable housing. The central recommendation is to secure a modular design-build firm for a 24-unit (but scalable) building with studio and/or 1-bed units through an invitational process, should funding be confirmed.

ALIGNMENT TO THE 2023-2027 STRATEGIC PLAN:

This report implements:

FLOURISHING COMMUNITIES:

Empower tenants with the support and services they need to thrive.

NEIGHBOURHOOD REVITALIZATION:

Develop new and inclusive affordable mixed housing that builds strong and successful multi-generational communities.

AS/sb

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.