Agenda – Executive Policy Committee – July 20, 2021

REPORTS

Item No. 1 City of Winnipeg Rapid Housing Initiative (RHI) Round 2 Federal Funding

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the City of Winnipeg accept funding from the Government of Canada, through Canada Mortgage and Housing Corporation, for up to a maximum amount of $12,775,743 to help address urgent housing needs of vulnerable Canadians, in the context of COVID-19, be approved.

2. That the City enter into, execute, and deliver a Rapid Housing Initiative funding agreement with the Government of Canada, through Canada Mortgage and Housing Corporation, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the funding agreement in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

3. That all funding received from the Government of Canada, through CMHC, for the Rapid Housing Initiative be deposited to the Housing Rehabilitation Investment Reserve.

4. That authority be granted to the Chief Administrative Officer to finalize an Investment Plan that allocates up to $12,775,743 to one or more projects that qualify with the program requirements outlined under the Rapid Housing Initiative and submit that Investment Plan to Canada Mortgage and Housing Corporation on or before the program deadline of August 31, 2021.

5. That the Public Service report back to Council in September 2021 regarding the Investment Plan as submitted, for confirmation and ratification by Council.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: City of Winnipeg Rapid Housing Initiative (RHI) Round 2 Federal Funding

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Jack	M. Ruta	C. Kloepfer	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The Government of Canada, through Canada Mortgage and Housing Corporation (CMHC), has launched a second round of the Rapid Housing Initiative (RHI), with an additional $1.5 billion dollars to help address urgent housing needs of vulnerable Canadians, especially in the context of COVID-19, through the rapid construction of affordable housing. The initiative provides capital contributions (upon signing a funding agreement with CMHC) under two streams to expedite the delivery of affordable housing. The City of Winnipeg has been announced as one of 30 pre-determined municipalities that will be receiving RHI funding through the $500 million Major Cities stream.

RHI Round 2 funding will:

- Support the creation of up to 4,500 new permanent affordable housing units;
- Cover the construction of new housing, as well as the acquisition of land, and the conversion/rehabilitation of existing buildings to affordable housing;
- Aim to commit all funds within 12 months of signing of the funding contribution agreement with CMHC, and ensure housing is available within 12 months of approval by CMHC of the City's Investment Plan.

This Report seeks Council approval to participate in Round 2 of the RHI Program, and recommends delegation of authority to the CAO to finalize and submit the list of one or more worthy projects to which the Public Service is recommending allocation of the $12,775,743 in available funding. The purpose of the recommended delegation is to ensure the Public Service can perform the required due diligence in the proper vetting of submitted proposals, while also meeting the August 31, 2021 deadline imposed under the RHI.

Should the delegation be approved, the Public Service will report back to Council in September 2021 for confirmation and ratification of the list. At that time, it would be open to Council to reject any of the projects submitted by the August 31, 2021 deadline.

RECOMMENDATIONS

1. That the City of Winnipeg accept funding from the Government of Canada, through Canada Mortgage and Housing Corporation, for up to a maximum amount of $12,775,743 to help address urgent housing needs of vulnerable Canadians, in the context of COVID-19, be approved.

2. That the City enter into, execute, and deliver a Rapid Housing Initiative funding agreement with the Government of Canada, through Canada Mortgage and Housing Corporation, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing, and that authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the funding agreement in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

3. That all funding received from the Government of Canada, through CMHC, for the Rapid Housing Initiative be deposited to the Housing Rehabilitation Investment Reserve.

4. That authority be granted to the Chief Administrative Officer to finalize an Investment Plan that allocates up to $12,775,743 to one or more projects that qualify with the program requirements outlined under the Rapid Housing Initiative and submit that Investment Plan to Canada Mortgage and Housing Corporation on or before the program deadline of August 31, 2021.

5. That the Public Service report back to Council in September 2021 regarding the Investment Plan as submitted, for confirmation and ratification by Council.

6. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to formally accept and enter into an agreement with the Government of Canada, through CMHC, for the RHI funding that has been allocated to the City of Winnipeg through the RHI Major Cities stream.

A delegation of authority from Council to the CAO is also required to permit the CAO to submit an Investment Plan to CMHC prior to the August 31, 2021.

IMPLICATIONS OF THE RECOMMENDATIONS

If the above recommendations are approved, the City will accept funding from the Government of Canada, through CMHC, in order to then fund projects advanced by third-party intermediaries for project delivery.

There are a number of risks associated with entering into intermediary grant agreements for this purpose. Although the RHI funding agreement with CMHC allows for the City to provide the

funding to third-party intermediaries to carry out the housing projects, the terms of the agreement indicate that the City shall remain at all times primarily liable to CMHC for the fulfillment of all obligations under the RHI funding agreement. The City could be required to repay grant funds to CMHC in the event that any of the final projects of the intermediaries failed to meet the requirements of the RHI funding agreement or in the event that an intermediary breached any other term of the agreement, including reporting requirements, during the 20 year affordability period. Although the City can enter into third party agreements with the intermediaries setting out their responsibilities, this ultimate responsibility to CMHC would remain with the City in the event that an intermediary was unable to repay any required amount of their individual grant.

An additional risk is that the City would have no external insurance coverage in the event that the City makes any accidental or intentional errors in fulfilling reporting requirements to CMHC as the City is self-insured for such issues. The City can require in its grant agreements with the third-party intermediaries that they are required to purchase errors and omissions insurance; however, their coverage would be void in the event that an intermediary intentionally made a misrepresentation, in which case the City would be held liable by CMHC as per the RHI funding agreement. The City would not have external insurance coverage for this event and would be held financially liable to CMHC.

HISTORY/DISCUSSION

Round 1 RHI Funding

The Government of Canada, through CMHC, launched in 2020 the Rapid Housing Initiative (RHI), a $1 billion program to help address urgent housing needs of vulnerable Canadians, especially in the context of COVID-19, through the rapid construction of affordable housing. The initiative provides capital contributions (upon signing a funding agreement with CMHC) under two streams to expedite the delivery of affordable housing. Round 1 of RHI funding:

- Supported the creation of up to 3,000 new permanent affordable housing units;
- Covered the construction of modular housing, as well as the acquisition of land, and the conversion/rehabilitation of existing buildings to affordable housing;
- Aimed to commit all funds before March 31, 2021, and ensure housing is available within 12 months of approval by CMHC of the City's Investment Plan.

RHI delivers funding under two streams:

- the first being the Major Cities stream, to pre-identified municipalities with the highest level of renters in severe housing need and people experiencing homelessness;
- the second being the Projects stream, to municipalities, provinces and territories, Indigenous governing bodies and organizations, and non-profit organizations where applications will be prioritized based on the strength of the application.

In 2020, the City of Winnipeg received $12.5M in funding under the Major Cities Stream: to create a minimum of 49 units of low-income housing for 20 years. The City undertook a review process in line with CMHC's prioritization schedule and presented to Council five projects for consideration, which were approved by Council at its November 26, 2020 meeting.

One major obstacle that the Public Service noted in its November 26, 2020 report to Council was the limiting nature of the existing zoning in certain neighbourhoods, as many organizations were considering properties otherwise vacant or boarded-up, but that would, in some form,

require a rezoning or land-use policy change prior to proceeding with the density proposed within their projects. As these processes would have required an inordinate amount of time, in context of the RHI, these projects were not able to proceed on the Round 1 shortlist. To address this obstacle, Council considered and approved a report at its May 27, 2021 meeting to amend the Dwelling Unit Density Provisions in the Development Procedures By-law No. 104/2020. Accordingly, this particular issue is no longer a limiting factor, allowing some projects that were not able to be seriously considered during round 1 to now be eligible under RHI round 2 timelines.

Round 2 RHI Funding

With the federal announcement of Budget 2021, a second round of RHI funding was tentatively announced. CMHC announced its list of eligible municipalities via its Major Cities stream on June 30, 2021. Winnipeg was included alongside 30 other municipalities. On July 19, 2021, the federal government announced that the City of Winnipeg would be eligible for $12,775,743 to create a minimum of 51 units of affordable housing for 20 years.

Round 2 funding includes a number of notable differences from Round 1 funding:

- For all streams:
    - Funding will be allocated via CMHC to hit a target of 25% women, and women and children fleeing violence; there will also be a general focus on projects led by or targeting indigenous populations and black Canadians;
    - New traditional construction is eligible (rather than only modular construction as per Round 1 of funding);
- For the Major Cities stream, municipalities may now flow funds through to other levels of government (ie. the Province of Manitoba);
- For the Projects stream:
    - Only projects that were previously submitted for Round 1 funding are eligible;
    - CMHC has provided an updated list of documentation required at the time of application for any project to be considered; see Appendix 2.

As in Round 1 funding, the City of Winnipeg will be the funding recipient of the Major Cities Stream funding, in order to then fund projects advanced by third-party intermediaries for project delivery.

Process

In its allocation of Round 1 of RHI funding, the City received 33 applications for consideration, some of which did not meet the RHI minimum requirements for eligibility. From the applications that were eligible, the Public Service took measures to reduce the risk as identified above through a number of factors, including:

- Applying its own eligibility criteria, as laid out in the November 26, 2020 report to Council; and
- Reviewing projects through the lenses of the proponent's history of delivering and managing targeted housing developments, the availability of sustainable operating funding, and the speed at which these projects could be developed.

For Round 2 funding, the City has until August 31, 2021 to submit its list of proposed RHI projects to CMHC for consideration. Considering the limited time available, the Public Service is proposing that it follow the same application requirements as the CMHC Projects stream,

including documentation requirements as publicly laid out at the CMHC website, included here as Appendix 1. This is for a number of reasons:

- This will provide a higher level of municipal review and risk mitigation, and allow the City to identify the most robust, shovel-ready projects for funding; and
- The City will then be prioritizing its funding allocation to the following targets: 25% women and women and their families fleeing violence, and the remainder to projects either led by or targeting indigenous populations and black Canadians.

One notable difference between the Major Cities Stream and the Projects Stream is that new projects (which weren't already submitted for consideration under RHI Round 1 Projects Stream funding) are not eligible under the Round 2 Projects Stream, but are eligible under the Major Cities Stream. Accordingly, the City of Winnipeg is able to bring forward new projects, while still acknowledging that the spirit of Round 2 funding is to capture as many Round 1 applicants as possible.

Accordingly, the Public Service reached out to its Major Cities Stream Round 1 proponents who were not successful in 2020 to advise them of the new funding opportunities and documentation requirements for consideration for Round 2 funding under the City of Winnipeg's Major Cities Stream allocation. Thirty-three applications were received in 2020, of which 5 were funded; of the remaining 28 proposals, 2 were eventually fully funded through other means, and were therefore no longer eligible under RHI, leaving 26 proposals from Round 1. From these Round 1 proponents, the City received 10 total applications for Round 2 funding consideration: nine existing projects, and one new project.

Additionally, the Public Service reached out to CMHC as well as its network of local community partners and stakeholders to identify a total of two other new projects up for consideration.

Overall, the City has received 12 project applications from 11 proponents for consideration. Of these, four appear to be eligible under RHI requirements, including:

- Nature of the entity: eligible entities under RHI are limited to municipal, provincial, and territorial governments and their agencies; indigenous governing bodies and organizations; and non-profit organizations;
- Minimum funding request: minimum contribution request is $1M;
- Projected completion date: projects under the Major Cities Stream must be able to reach full occupancy within 12 months of signing of the contribution agreement;
- Experience: Proponents or their contractors must provide 5 years demonstrated property management and construction management experience; and
- Financial viability: Proponents must demonstrate operational funding sufficient to cover the ongoing operating and programming expenses for a period of at least 20 years.

The current cost estimates submitted for these four projects exceed the City of Winnipeg Major Cities Stream Round 2 RHI funding allocation by approximately $2.5M. Overall, the eligible projects represent approximately 100 units that would target the specific populations for Round 2 funding, including women and women and their children fleeing violence, and indigenous peoples, in addition to those individuals who are homeless or at risk of homelessness.

Accordingly, more time is needed to consult with the proponents to determine where cost estimates may be modified, whether through available project scope changes or otherwise. One other possibility will be that the City will not be able to include all four projects within its Investment Plan submitted to CMHC by August 31, 2021.

Timing

With Round 2 of RHI funding, the City faces an unintended time constraint. While the Government of Canada / CMHC had intended to provide municipalities with even more time under Round 2 than was provided in Round 1, the fact that Council is scheduled to meet on July 22, 2021 (then not scheduled to meet again until the end of September 2021) requires that the selection and vetting process, outlined above, be completed and presented to Council by July 22, 2021 to approve the list of projects prior to August 31, 2021.

In order to provide the Public Service with sufficient time to review, analyze and select a list of appropriate projects, delegation to the CAO is recommended herein to comply with the CMHC deadline. This would allow for the following possible synergies:

- The Public Service would have time to allow its subject matter experts to conduct more meaningful reviews of the eligible projects, to further reduce the City's risk;
- Eligible proponents will be allowed a little more time to further explore alternate funding sources (eg. fundraising) to cover an increased portion of their proposed project, thereby reducing the amount of funding required from the City's Major Cities Stream Round 2 allocation; and
- The Public Service would have time to reach out to other levels of government to determine if there are any opportunities for funding or project management partnerships.

Should Council disagree with any of the projects advanced under the CAO's delegated authority, it will have the opportunity at September Council to reject any of those selections.

FINANCIAL IMPACT

Financial Impact Statement

Date: July 19, 2021

Project Name:

City of Winnipeg Rapid Housing Initiative (RHI) Round 2 Federal Funding

First Year of Program **2021**

	2021	2022	2023	2024	2025
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 12,775,743	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	12,775,743	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

1) Direct Costs represents the Rapid Housing Initiative grant expenditure to the approved Intermediaries. Payments to Intermediaries will be made on a claims basis from the Housing Rehabilitation Investment Reserve.

2) Incremental Revenue/Recovery represents the grant revenue to be received from Canada Mortgage and Housing Corporation to be deposited to the Housing Rehabilitation Investment Reserve. Any amounts not paid out based on eligible expenditures are required to be returned to the Canada Mortgage and Housing Corporation.

3) The City will accept funding from the Government of Canada, through CMHC, and in turn enter into grant agreements with Intermediaries for project delivery. The City remains at all times primarily liable to CMHC for the fulfilment of all obligations under the RHI funding agreement. The City could be required to repay grant funds to CMHC in the event that an intermediary failed to meet the requirements of the RHI funding agreement or in the event that an Intermediary breached any other term of the agreement, including reporting requirements, during the 20 year affordability period.

"electronically approved by J. Peters"

Jocelyn Peters CPA, CGA
Manager of Finance & Administration (Campus)

CONSULTATION

This Report has been prepared in consultation with:

Canada Mortgage and Housing Corporation
Legal Services (as to legal issues)
Community Services Department
Corporate Finance
Planning, Property & Development Department

OURWINNIPEG POLICY ALIGNMENT

01-3 PROSPERITY
Direction 5: Demonstrate visionary civic leadership and commitment to sustainable long-term planning

01-4 HOUSING
Direction 1: Support diverse housing options in each neighbourhood or neighbourhood cluster throughout the city
Direction 2: Collaborate with other levels of government and other partners to renew and regenerate Winnipeg's housing stock
Direction 3: Establish partnerships with the private, not-for-profit and government sectors to provide affordable housing throughout the city, with particular focus on locations near a variety of transportation options

03-1 OPPORTUNITY
Direction 3: Work with community partners to foster an inclusive and equitable community
Direction 4: Work within municipal service areas as a collaborator on poverty reduction.
Direction 5: Acknowledge that Aboriginal Winnipeggers bring a diverse richness of cultures, traditions, languages, teachings, values, skills and perspectives to our city
Direction 9: Collaborate with developers, community organizations and other partners to foster an age-friendly and accessible urban environment

03-2 VITALITY
Direction 2: Deliver a coordinated, integrated, and seamless service response to address community needs and priorities that contribute to building healthy communities
Direction 3: Work in partnership with communities to identify and address neighbourhood issues

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #1 Corporate Leadership:
Key Direction 1.9 Work with Indigenous Communities, the Province, and the Federal Government to Advance Climate Action

- Collaborate with senior levels of government for increasing investment in programs supporting climate action.
- Leverage funding from the province and federal governments to advance climate action.

- Engage Winnipeg's Indigenous population on issues around climate change.

Strategic Opportunity #2 Empower Community Leaders and Collaborate with Stakeholders

Key Direction 2.3 Create Conditions to Enable Community Climate Action

- Develop and implement a strategy to empower and celebrate community-led climate action success by advising on funding opportunities, technical expertise and facilitating organization/industry/government linkages.
- Encourage and partner to advance innovative pilot and demonstration projects.

Strategic Opportunity #5 Low Carbon and Energy Efficient Buildings

Key Direction 5.2 Improve Energy Performance of New Buildings

- Provide resources and incentives such as property tax relief or permit cost reduction program to building owners that demonstrate high energy efficiency

Key Direction 5.4 Build Climate Equity

- Build partnerships with key stakeholders such as the local neighbourhood associations, Building Urban Industries for Local Development (BUILD) and Centre for Aboriginal Human Resources Development (CAHRD) to build local capacity and equity.

SUBMITTED BY

Department: Office of the CAO
Prepared by: Michael Jack
Date: July 19, 2021

Attachments:

Appendix 1: RHI Applicant Guide 2021

Appendix 2: RHI Documentation Requirements

Appendix 3: July 19, 2021 CMHC Announcement of $12.8M in RHI funding to Winnipeg