

Report to Community and Protective Services Committee

To: Chair and Members
Community and Protective Services Committee

From: Scott Mathers MPA, P. Eng, Deputy City Manager, Planning and Economic Development

Subject: Award of RFP-2024-233: Municipal Land for Affordable Housing Development at 1958 Duluth Crescent, Block 5.

Date: October 1, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the following actions **BE TAKEN** with respect to the award of a project partnership following a Request for Proposal, RFP-2024-233 Municipal Land for Affordable Housing Development:

- a) In accordance with s. 12 of the Procurement of Goods and Services Policy, Wastell Developments Inc. (“Wastell Homes”) **BE APPROVED** as the City’s project partner to advance an affordable housing development at Block 5, 1958 Duluth Crescent (the “Property”); and
- b) Civic Administration **BE AUTHORIZED** to divest the Property to Wastell Homes and allocate the Property value plus the pre-development costs as a municipal contribution to Wastell Homes to support the project development; and
- c) Civic Administration **BE AUTHORIZED** to align \$2.3 Million from the Ontario Priorities Housing Initiative (OPHI) Year 6 funding to support the construction of new affordable housing units on the Property; noting that these funds must be committed to the project by December 2024; and
- d) Civic Administration **BE DIRECTED** to prepare a Contribution Agreement or other necessary agreements between The Corporation of the City of London and Wastell Homes (the “Agreement”) and seek authorization from Municipal Council for the Mayor and the City Clerk to execute the Agreement(s); and
- e) Civic Administration **BE AUTHORIZED** to undertake all administrative acts necessary to implement these recommendations, including to transfer title of the Property from the Housing Development Corporation, London to Wastell Homes at the appropriate time in the project plan; and
- f) The approvals given herein **BE CONDITIONAL** upon the Corporation entering into a Contribution Agreement with Wastell Homes; and
- g) Civic Administration **BE DIRECTED** to request the use of Strong Mayor Powers for future affordable housing contract awards funded under the the Roadmap to 3,000 Affordable Units to expedite the approval process for new affordable units.

IT BEING NOTED that title to the subdivision established for 1958 Duluth Crescent is currently held by the Housing Development Corporation, London (HDC). An HDC Board resolution, attached as Appendix A, authorizes Civic Administration to administer the strategic initiatives and activities described in this report.

Executive Summary

The recommendations of this report support the award of shovel-ready lands located at Block 5, 1958 Duluth Crescent (the “Property”) to Wastell Homes to construct a 100-unit residential development through a project partnership with the City. Consistent with the standard Roadmap contribution agreement eligibility requirements outlined in the July 15,

2024 CPSC report, the City's investment and affordable housing interests will be secured for a 25-year term and registered on title. The final Contribution Agreement and any other necessary agreements will be brought back to Council for approval in the coming months.

Additionally, Civic Administration has aligned \$2.3 Million from the Ontario Priorities Housing Initiative (OPHI) Year 6 funding to further support this development. The City must execute the Contribution Agreement with Wastell Homes by December 2024 and commence the project by April 2025 to secure the OPHI funding.

Completion of the project described in this report will contribute to the measurable outcomes of London's Housing Supply Challenge, the Housing Accelerator Fund initiatives, the Housing Stability Action Plan, and the Roadmap to 3,000 Affordable Units Action Plan.

Linkage to the Corporate Strategic Plan

Council and staff continue to recognize the importance of actions to support housing, as reflected in the 2023-2027 - Strategic Plan for the City of London. Specifically, the efforts described in this report address the following Areas of Focus, including:

Housing and Homelessness

Outcome 1 - The City of London demonstrates leadership and builds partnerships to increase quality, affordable, and supportive housing options.

Expected Result 1.1 - Increased access to a range of quality, affordable and supportive housing options that meet the unique needs of Londoners.

Strategy

(a) Increase the supply, range, and depth of affordability of quality housing options where people feel safe.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter:

- [Update to the Roadmap to 3,000 Affordable Units: "Roadmap 2.0"](#) (CPSC: July 15, 2024)
- [SS-2024-143 Single Source: Prime Consultant to Design an Affordable Housing Project at 1958 Duluth Cres. Block 5](#) (CPSC: May 21, 2024)
- [Public Participation Meeting - 1958 Duluth Crescent \(OZ-9638 / 39T-23504\)](#) (PEC: October 23, 2023)
- [Closed School Sites: Evaluations and Approach \(18 Elm St. and 1958 Duluth Cres.\)](#) (PEC: May 27, 2019)

1.2 Background

A. 1958 Duluth Crescent

In 2020, the former St. Robert school property located at 1958 Duluth Crescent was purchased by the Housing Development Corporation for the purpose of creating new affordable housing. At that time, the structures were razed, and planning began for a residential infill development containing a range of single-family, multi-family, and mixed-use housing options.

Since April 2022, Municipal Housing Development continued to advance the land use assembly and development planning work required to establish the recent Council-approved Draft Plan of Subdivision for 1958 Duluth Crescent. The subdivision plan provides for the extension of Duluth Crescent to Admiral Drive, a neighbourhood park, and seven residential development parcels consisting of two single-family lots, four multi-family

blocks, and a mixed-use block containing two municipal interests: a small-scale ground floor community facility and affordable housing.

Through an HDC Board resolution attached as Appendix A, Civic Administration was authorized to advance all strategic initiatives required to leverage and activate the subdivided lots and blocks of the new Duluth subdivision plan through partnerships, and to execute agreements and contracts related to the project partnerships and the professional services procured to deliver these initiatives.

B. Stage One Procurement to align Affordable Housing Project Partners

In November 2023, Municipal Housing Development initiated a 3-year two stage procurement program to prequalify and align potential future project partners to meet Roadmap to 3,000 targets. Interested organizations were able to prequalify under one or more of the following partnership categories:

1. Not-for-Profit Corporations, Business Corporations and Property Owners.
2. Builders and Developers of Not-for-Profit and/or Private Housing.
3. Operators of Affordable, Supportive, Community and/or Social Housing.

In the first year, the stage one prequalification process (RFPQ-2023-810) received 81 submissions from 54 different organizations, of which 66 submissions from 49 different organizations passed the RFPQ requirements. A total of 29 organizations prequalified in Category 1; 31 organizations prequalified in Category 2; 6 organizations prequalified in Category 3, and several organizations prequalified in all 3 categories.

The second year, stage one prequalification process is planned for release in Q4-2024.

C. Stage Two Procurement to align Affordable Housing Project Partners

A number of second stage Request for Proposal (RFP) opportunities are now underway, inviting successfully prequalified organizations to submit proposals applicable to the partnership category to which they've prequalified. RFPs released or planned for release in Year 1 are listed below and aligned to the incentive being leveraged.

Roadmap Grant Funding – providing \$45,000 per affordable unit developed:

- i. RFP-2024-225: Affordable Housing Conversion Projects
- ii. RFP-2024-226: Affordable Housing In-Progress Partner Projects
- iii. RFP-2024-227: New Affordable Housing Development and Intensification Projects

Municipal Land for Affordable Housing Development – providing shovel-ready lands:

- i. RFP-2024-148: 1364 - 1408 Hyde Park Road
- ii. RFP-2024-233: 1958 Duluth Crescent, Block 5

Second year RFPs for release in 2025 are in the initial planning stages and may include tiny home developments in addition to other opportunities on shovel-ready lands and/or grant funding for affordable units.

2.0 Discussion and Considerations

2.1 1958 Duluth Crescent Block 5

The site plan concept established for 1958 Duluth Crescent Block 5 provides for the creation of two low-rise apartment buildings consisting of:

- Building A: 4-storey, 44-Unit apartment consisting of single occupant units.
- Building B: 4-storey, 56-Unit apartment consisting of a mix of studio, 1, 2, and 3-bedroom configurations.

The two buildings are separated by a single access driveway and the concept provides sufficient surface parking to support the 100-unit affordable housing project.

2.2 Procurement to align a Project Partner for 1958 Duluth Crescent Block 5

Request for Proposal #RFP-2024-233 invited prequalified Category 2 Proponents to submit a proposal to develop affordable housing at 1958 Duluth Crescent Block 5. The RFP was released on July 16, 2024 and closed on August 30, 2024.

The project requirements described in RFP-2024-233 are summarized to include:

- a. The Opportunity: Partner with the City to develop an affordable housing project and the City will divest the land and pre-development costs and services as its municipal contribution.
- b. Partnership Model: Model 2 (City Directed, 3rd Party Operated Projects) whereby the successful Proponent becomes the future owner/operator of the property, the completed project, and any financing required to construct the project.
- c. Project Delivery Framework: Buildings created through the project may be developed simultaneously or in phases.
- d. Project Delivery Strategy: Replicate recently built project plans to expedite the development approvals required to meet the OPHI funding timeline requirements.
- e. Minimum Equity and Financing: Proponents that are charitable organizations and not-for-profits are not required to contribute equity to construct the Project but may find it necessary to establish a viable proforma and budget. Proponents that are private organizations are required to provide a 10% equity contribution of the total project cost in order to develop a viable budget.

Of the thirty-one Proponents invited to RFP-2024-233, eight registered to participate. From the registered participants, two submitted a proposal and one submitted a No Bid Response. From the two submissions received, the proposal from Wastell Homes achieved the highest points score. Additionally, the Wastell Homes proposal offered best value through its intent to construct all 100 units in both buildings under a single phase.

2.3 Roadmap Contribution to support the creation of Affordable Rental Housing

The municipal contribution to support the creation of new affordable rental housing units includes:

- a. The market value of the property and transfer of title from the Corporation of the City of London to the partner at an appropriate time in the project delivery plan.
- b. The value of the pre-development costs incurred by the City to prepare the land to support the Project.
- c. Prioritized and collaborative services of City staff to support completion of the design, site plan approval, and building permit required to deliver the Project.
- d. Support to apply for suitable sources of financing to construct the project.
- e. Support to administer the construction tender and contract administration to complete the project, where desired by the Partner.

To ensure the housing affordability is maintained, the partner is required to enter into a Contribution Agreement with the City which is secured for a 25-year term and remains the depth of affordability at a minimum of 80% Average Market Rent.

2.4 Infrastructure Design and Development

Detailed engineering design work for water, sanitary, stormwater and the extension of Duluth Crescent is currently underway to support the development of each new draft approved lot and block. Construction of the road extension and services is anticipated to commence early 2025 to support the development activities on Block 5.

2.5 Prime Consultant (Architect) for 1958 Duluth Crescent Block 5

Through a single source award in June 2024, Council approved prime consultant services to expedite the delivery and to support the OPHI funding timeline requirements. Subject to Council approval, Wastell Homes will begin working with Municipal Housing Development and the prime consultant to complete the project drawings and submit for a building permit.

3.0 Financial Impact/Considerations

3.1 Ontario Priorities Housing Initiative (OPHI) Funding

As part of Ontario's Community Housing Renewal Strategy, the City has aligned a forgivable capital loan of \$2.3 Million through the Ontario Priorities Housing Initiative (OPHI) Year 6 funding. To apply these OPHI funds, the City must commit to the project through a Project Initiation Form to the Province by December 15, 2024, and a building permit must be in place to commence construction by no later than April 15, 2025.

3.2 Infrastructure Design and Development Costs

The design and construction of the associated infrastructure to support the subdivision are underway. City-staff in Environment and Infrastructure are leading the design work, which is close to completion. A servicing tender will be issued in Q4 of 2024 or Q1 of 2025.

The servicing costs associated with this new development will be proportionately attributed as part of the overall municipal contribution to the project and included in the Municipal Contribution Agreement.

3.3 Land Assembly and Pre-Development Costs

The City and former Housing Development Corporation have invested approximately \$1.8 Million to-date to undertake acquisition, demolition, and pre-development activities to prepare and advance the former surplus school site to a subdivision plan containing new shovel-ready residential lots and blocks. Subject to Council approval, these costs, will be proportionately attributed in the municipal contribution and captured in the Contribution Agreement with Wastell Homes to deliver 100 units of new affordable housing at 1958 Duluth Crescent Block 5.

3.4 Roadmap Contribution and Agreement for 1958 Duluth Crescent Block 5

The total municipal contribution to Wastell Homes to construct 100 units of new affordable rental housing, at 1958 Duluth Crescent Block 5 will be outlined in the Contribution Agreement. The forgivable loan will be secured for the 25-year term of the Agreement. Details of the Contribution Agreement will be brought back to Council for approval in the coming months.

As project details are further understood, detailed capital and operating proforma along with the proposed mix of market and affordable units will be established in the coming months and reflected in the contribution agreement.

4.0 Next Steps

4.1 Following Award of Contract

Subject to Council approval, Municipal Housing Development will begin working with Wastell Homes to complete the design 1958 Duluth Crescent Block 5. Through this work, a project pro forma including the final capital and operating budget will be prepared and the municipal contribution details will be finalized. At that time, the final capital budget and funding strategy to construct the project and details of the Contribution Agreement will be brought back to Council for approval.

4.2 Use of Strong Mayor Powers for Award of Roadmap to 3,000 Projects

In addition to the awarding a project partnership and municipal lands at 1958 Duluth Crescent, Civic Administration is currently working on several procurement activities to support the implementation of the Roadmap to 3,000 Affordable Housing Units program.

These include seeking partners who can undertake the following:

- Conversions to Affordable Housing

- Partner Land and Building Projects
- In-Progress Residential Developments
- Municipal Lands for Affordable Housing Development at 1364-1408 Hyde Park Rd.

Through Council's direction, there the City is actively working towards the development of as many affordable units as possible under the Roadmap to 3,000 program. In some cases, timing could be critical to secure Federal government funding and multiple partners could be selected to deliver multiple projects.

To allow potential partners to advance discussions on critical project timelines and details, the reporting cycle can be between 4 and 6-weeks from the time a procurement closes, is evaluated and a report is recommended to Council through Committee. Considering that one of the key factors in a development moving forward is the interest rate and the source of capital funds to construct, establishing certainty earlier in the development process for the proponent to negotiate with financial partners reduces the overall cost.

To support this, Civic Administration will explore opportunities to request that the Mayor consider exercising Strong Mayor Powers to advance the award of these projects that are funded through the Roadmap to 3,000 which is a property tax funded program.

Conclusion

Approval of the recommendations of this report will award shovel-ready land located at 1958 Duluth Crescent Block 5 to Wastell Homes to construct a 100-unit residential development.

Additionally, \$2.3 Million will be committed through the Ontario Priorities Housing Initiative (OPHI) funding to construct the project.

In alignment with the Roadmap program and RFP requirements, the City's investment and affordable housing interests related to 1958 Duluth Crescent Block 5 will be secured for a 25-year term through a Contribution Agreement that will be registered on title to the Property.

Prepared by: **Kimberly Wood**
Senior Housing Development Coordinator
Municipal Housing Development

Submitted by: **Matt Feldberg, MPA, CET**
Director, Municipal Housing Development

Recommended by: **Scott Mathers, MPA, P.Eng.**
Deputy City Manager, Planning and Economic Development

Attached: APPENDIX A – HDC Board Resolution

APPENDIX A – HDC Board Resolution



July 16, 2024

RE: Activating 1958 Duluth Crescent - Draft Plan of Subdivision

I hereby certify that the HDC Board, at the June 8, 2024, Special Board meeting via email, resolved:

That, on the recommendation of the HDC President and CEO, the following actions **BE TAKEN** with respect to the approved Draft Plan of Subdivision for the former surplus school site turned vacant lands at 1958 Duluth Crescent:

1. That Civic Administration and City of London staff **BE AUTHORIZED** to advance strategic initiatives required to activate residential development opportunities related to each subdivided parcel, including but not limited to the following next steps actions:
 - a. Seek sources of funding with City Finance, Canada Mortgage and Housing Corporation, and other levels of government to offset capital costs associated with the municipal infrastructure and housing projects, where appropriate;
 - b. Prepare and administer procurement activities in alignment with the City of London Procurement of Goods and Services Policy, as required to obtain professional services and align project partners to deliver future housing projects on the subdivided development parcels; and
 - c. Prepare and execute agreements and contracts associated with professional services and project partners aligned to deliver strategic project initiatives, subject to review and concurrence of the City Solicitor's Office and Finance.

IT BEING NOTED THAT, the HDC Board requested that the HDC President and CEO ensure that engagement of Civic Administration with the Housing Stability Services team is built into the procurement processes to ensure the alignment of unit matching is identified early.

Matt Feldberg
President & CEO
on behalf of the HDC Board