



The Regional Municipality of Durham

Committee of the Whole Agenda

Council Chambers
Regional Headquarters Building
605 Rossland Road East, Whitby

Wednesday, May 11, 2022

9:30 AM

Please note: In an effort to help mitigate the spread of COVID-19 and to comply with public health measures, this meeting will be held in a hybrid meeting format with electronic and limited in-person participation. It is encouraged that members of the public [view the Committee meeting](#) via live streaming, instead of attending the meeting in-person. If in-person attendance is required, arrangements must be made by emailing clerks@durham.ca prior to the meeting date. Individuals are required to complete passive screening prior to entering Regional Headquarters and must wear a mask or face covering while on the premises.

1. Roll Call

2. Declarations of Interest

3. Statutory Public Meetings

There are no statutory public meetings

4. Delegations

There are no delegations

5. Presentations

There are no presentations

6. Correspondence

7. Reports

- A) Updated Construction Cost Estimate and Additional Capital Financing for the Beaverton Supportive Housing Project
(2022-COW-11)

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8. Confidential Matters

There are no confidential matters to be considered

9. Other Business

10. Adjournment

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The Regional Municipality of Durham Report

To: Committee of the Whole
From: Commissioner of Social Services, Commissioner of Finance, and
Acting Commissioner of Works
Report: #2022-COW-11
Date: May 11, 2022

Subject:

Updated Construction Cost Estimate and Additional Capital Financing for the Beaverton Supportive Housing Project

Recommendations:

That the Committee of the Whole recommends to Regional Council:

- A) That the total project budget for the construction of the Beaverton Supportive Housing Project, in the Township of Brock, be increased from a project budget of \$13,552,990 by \$11,672,010, for a revised project budget of \$25,225,000;
- B) That Year 4 (2022-23) Ontario Priorities Housing Initiative funding allocation in the amount of \$3,343,000 be allocated to the Beaverton Supportive Housing Project, subject to the approval of the Ministry of Municipal Affairs and Housing; and
- C) That the total estimated project cost of \$25,225,000 be financed as follows:

Previously Approved Financing (Project ID: G2016)

Social Housing Reserve Fund	\$7,932,090
Ontario Priorities Housing Initiative (years 2 and 3)	<u>5,620,900</u>
Total Previously Approved Financing	<u>\$13,552,990</u>

Additional Financing

Reallocation of Ontario Priorities Housing Initiative time-limited funding to other projects due to delays	\$(5,620,900)
2022-2023 Ontario Priorities Housing Initiative Funding	3,343,000
Social Services Relief Fund - Phase 4	6,336,813
One-time allocation from the 2021 Property Tax Surplus (Capital Impact component)	<u>7,313,097</u>
Total Additional Financing	<u>11,672,010</u>
Total Revised Project Financing	<u>\$25,225,000</u>

Report:**1. Purpose**

- 1.1 The purpose of this report is to provide Council with an updated construction cost estimate and obtain subsequent approval for additional capital financing for the construction of the Beaverton Supportive Housing Project in the Township of Brock.
- 1.2 Dollar amounts followed by asterisk (*) are before applicable taxes.

2. Background

- 2.1 The Regional Municipality of Durham (Region) Housing Forecast 2019-2028 report identified that approximately 75 new supportive housing units would be required each year to maintain the status quo while approximately 125 new units would need to be created each year to have a marginal impact on need.
- 2.2 In 2020, Council approved the Master Housing Strategy (#2020-COW-27) which included initiating the development of 1,000 new affordable/supportive units by 2024.
- 2.3 COVID-19 highlighted the need for permanent supportive housing in Durham Region. To expedite the process and maximize both Federal and Provincial funding available for such projects, staff investigated modular construction and suitable sites.
- 2.4 In July 2020, Regional Council approved Report #2020-SS-9 for the expedited development of a modular supportive housing project on Regional lands located at 133 Main Street, Beaverton. The proposed development consisted of

- approximately 50 units and the construction of an approximate 5,000 square foot ancillary structure for resident support services and congregate living. At that time, the estimated project cost was \$13,552,990, with the cost per unit based on recent modular construction projects approved in the City of Toronto.
- 2.5 The Beaverton location would allow the Region, as Service System Manager, to better serve the needs of residents in the North so that they would not have to rely on traveling south to access overburdened housing supply, supports and services. A suitability study was performed by OrgCode Consulting which found that the site was suitable for supportive housing.
- 2.6 Report #2020-SS-9 also authorized staff to enter into a sole source contract with Horizon North Inc. (or its affiliate NRB) for the design, delivery and installation of the supportive housing facility.
- 2.7 In August 2020, NRB was engaged and work began to complete all necessary on-site studies for the selected parcel as part of the due diligence process. Detailed design work on the facility also commenced. Meetings were held with Township of Brock (Brock) staff, their site plan review consultants, and the Lake Simcoe Regional Conservation Authority regarding the Site Plan Approval (SPA) requirements to support the application for Building Permit.
- 2.8 The first SPA submission was provided to Brock staff on December 18, 2020. On January 15, 2021, the Region received notification that the application was prohibited from proceeding as Brock Council had passed Interim Control By-Law #2994-2020 to prevent any lot, building or structure to be “used for the establishment of new Supportive Housing or Modular Construction or the expansion of existing Supportive Housing or Modular Construction within the Township”.
- 2.9 The Region continued to advance the project, submitting a Building Permit application for the project on February 5, 2021. This application review also did not advance due to the Interim Control By-law in place.
- 2.10 Subsequently, legal proceedings commenced between the Region and Brock related to the Interim Control By-law, which resulted in a negotiated Minutes of Settlement which were approved by Regional Council on November 24, 2021, as presented in Report #2021-A-21.
- 2.11 The second submission of the SPA was submitted to Brock staff on February 10, 2022. Comments on that submission were received on April 4, 2022, and

changes based on those comments are being incorporated into the design package. The Building Permit review has also commenced.

- 2.12 The contract with Horizon North Inc. (or its affiliate NRB) is expected to be executed in June 2022, after the building permit is issued. Building permit issuance is subject to completion of the SPA which will be executed before this time.
- 2.13 Site work is scheduled to commence in summer of 2022, with final completion and occupancy anticipated in the late spring/early summer of 2023.

3. Previous Reports

- 3.1 Report #2014-J-16 approved the At Home in Durham, the Durham Housing Plan 2014-2024. Key findings from the Durham Housing Review and Community Consultation identified the need for more supportive housing options in the Region.
- 3.2 Report #2020-SS-9 approved the development of a modular supportive housing project on Regional lands located at 133 Main Street, Beaverton.
- 3.3 Report #2020-COW-27 approved the Master Housing Strategy.
- 3.4 Confidential Report #2021-COW-4, Closed Matter under Municipal Freedom of Information and Protection of Privacy Act with respect to Provincial capital funding.
- 3.5 Report #2021-A-21 approved the negotiated Minutes of Settlement with Brock related to legal proceedings related to the Interim Control By-law #2994-2000.
- 3.6 Information Report #2021-INFO-115, Economic Update - Inflation Pressures, Supply Chain Disruptions, and Labour Shortages provided Regional Council with an overview of the current economic conditions and significant inflationary pressures driven by the pandemic and global supply and demand imbalances.
- 3.7 On March 1, 2022, the Ministry of Municipal Affairs and Housing (MMAH) approved a project specific allocation to the Region under Social Services Relief Fund (SSRF) Phase 4 for 18 units to be constructed as part of the Beaverton Supportive Housing Project in the amount of \$6,336,813.

4. Project Costs

- 4.1 In December 2020, NRB provided the Region with a project cost estimate for the construction of the supportive housing facility totalling \$15.3 million*. As the project advanced, additional project costs related to site studies, utility connections, permits and a project contingency of approximately \$1.8 million were estimated by Regional staff. The total project cost for the proposed design, which reflected early changes proposed to satisfy requests by Brock, increased to \$17.4 million. This estimate exceeded the approved project financing by \$3.8 million.
- 4.2 The initial cost estimate was based on 50-unit developments in the City of Toronto and City of Vancouver. These urban models rely on local supports, services and amenities to serve their residents. The urban design was adapted to meet the needs of a rural community which incorporates additional space for on-site supports, services, and recreation in addition to a community hub to serve the broader population. The site allowed for a larger footprint to accommodate the extra space required to create a “made in Durham” solution.
- 4.3 Regional related costs involving site services, noise and environmental studies, permit costs and bringing communications and hydro services to the site were updated as the detailed design and investigations progressed. In addition, there was no precedent cost information for the modular support hub construction available at the time the original budget estimate was developed. As the design worked progressed through the summer and fall of 2020, the project costs were refined, and a revised cost estimate was produced.
- 4.4 The resulting design received the 2020 Award of Excellence from Canadian Architect.
- 4.5 The project could not proceed due to the implementation of the Interim Control By-law. NRB was re-engaged in October 2021 as negotiations with Brock concluded and the site plan review commenced.
- 4.6 In April 2022, a Class A estimate for the project, based on the design from December 2020, adjusted to reflect comments from site plan review, was provided. The revised total project cost is \$25.225 million, broken down in the following chart.

Estimated Project Costs (\$ million)

	2020 Budget Estimate	Cost Estimate Dec. 18, 2020	Cost Estimate April 1, 2022	Project Cost Increase from 2020 Budget
Construction Costs:				
Modular Construction and site work	12.321	14.698	22.320	9.999
Design		0.582	0.632	0.632
Net HST		0.269	0.404	0.404
Total Construction Costs	12.321	15.549	23.356	11.035
Engineering Studies		0.150	0.150	0.150
Utility Connections		0.160	0.160	0.160
Other Contractors		0.110	0.075	0.075
Permits and Sundry		0.177	0.443	0.443
Contingency	1.232	1.232	1.041	(0.191)
Total Project Cost Estimate	<u>13.553</u>	<u>17.378</u>	<u>25.225</u>	<u>11.672</u>

4.7 The total cost increase of \$11.672 million between the original 2020 budget estimate and the April 1, 2022 cost estimate is broken down as follows:

	Project Cost Impact (in \$ million)
Changes in design and construction costs (including net HST):	
<ul style="list-style-type: none"> Facility design and modular construction costs based on detailed design and site work 	5.228
<ul style="list-style-type: none"> Cost escalation from 2020 to 2022/2023 construction costs 	5.557
<ul style="list-style-type: none"> Changes to storm water design per site plan review 	0.250
Subtotal - Change in design and construction costs (including net HST)	11.035

	Project Cost Impact (in \$ million)
Regional project costs not reflected in original budget estimate	0.668
Decrease to project contingency based on Class A Cost Estimate	(0.191)
Legal fees related to the Interim Control By-law Appeal	0.160
Total Project Cost Change	<u>11.672</u>

5. Financial Implications

- 5.1 Due to project delays, the \$5,620,900 funding allocation previously approved by Regional Council under the Ontario Priorities Housing Initiative (OPHI) 2020-21 (\$2.138 million) and 2021-22 (\$3.483 million) were reallocated to other projects to avoid the risk of losing the funding.
- 5.2 On April 27, 2022, the Region received a letter from the MMAH confirming the Region's 2022-23 OPHI Year 4 allocation in the amount of \$3,343,000. It is recommended that this funding be allocated to the Beaverton Supportive Housing project, subject to the approval of MMAH.
- 5.3 Through continued advocacy, the Region was able to secure additional funding in 2022 for the Beaverton Supportive Housing project under the Provincial SSRF Phase 4 in the amount of \$6,336,813.
- 5.4 Although the project scored high under the Federal Rapid Housing Initiative (RHI), staff were unable to secure funding due to the uncertainty surrounding the Interim Control Zoning By-Law approved by Brock Council.
- 5.5 As a result of the project cost increases, and the reallocation of the 2020-21 and 2021-22 OPHI funding, additional project financing is required. Staff will continue to pursue additional funding, including the next round of the RHI.
- 5.6 It is recommended that the shortfall in project financing be funded as follows:

Previously Approved Financing (Project ID: G2016)

Social Housing Reserve Fund	\$7,932,090
Ontario Priorities Housing Initiative (years 2 and 3)	<u>5,620,900</u>
Total Previously Approved Financing	<u>\$13,552,990</u>

Additional Financing

Reallocation of OPHI time-limited funding to other projects due to delays	\$(5,620,900)
2022-2023 Ontario Priorities Housing Initiative Funding	3,343,000
Social Services Relief Fund - Phase 4	6,336,813
One-time allocation from the 2021 Property Tax Surplus (Capital Impact component)	<u>7,313,097</u>
Total Additional Financing	<u>11,672,010</u>
Total Project Financing	<u>\$25,225,000</u>

- 5.7 Similar to the Region's experience in 2020, significant amounts of funding were issued to the Region by senior governments in 2021 for the continued response, including vaccination efforts, and recovery related to the COVID-19 pandemic. This additional funding was largely unknown when the 2021 Business Plans and Budgets were approved. As a result of the additional funding, a higher-than-expected Property Tax surplus occurred for 2021. It is recommended that a portion of the surplus which has been placed in the Capital Impact Stabilization reserve fund be utilized to fund this strategic social investment priority.

6. Relationship to Strategic Plan

- 6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 1 – Environmental Sustainability
 - Accelerate the adoption of green technologies and clean energy solutions through strategic partnerships and investment.
 - Demonstrate leadership in sustainability and addressing climate change.
 - b. Goal 4 – Social Investment
 - Revitalize community housing and improve housing choice, affordability and sustainability.
 - Expand access to existing life stabilization programs.

7. Conclusion

- 7.1 Approval of additional capital financing for the construction of the Beaverton Supportive Housing Development in the Township of Brock is required to execute the contract with Horizon North Inc. (or its affiliate NRB).
- 7.2 Staff will continue to pursue additional funding including the next round of the Rapid Housing Initiative. In the interim, it is proposed that the Region fund the shortfall at the discretion of the Commissioner of Finance.
- 7.3 This report has been reviewed by Corporate Services – Legal Services.
- 7.4 For additional information, contact: Jenni Demanuele, Acting Commissioner, Works, at 905-668-7711 extension 3456.

Respectfully submitted,

Original signed by:

Stella Danos-Papaconstantinou
Commissioner of Social Services

Original signed by:

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Original signed by:

Jenni Demanuele, CPA, CMA
Acting Commissioner of Works

Recommended for Presentation to Committee

Original signed by:

Elaine C. Baxter-Trahair
Chief Administrative Officer