



City of
Peterborough

To: **Members of the General Committee**

From: **Patricia Lester**
Commissioner of Corporate and Legislative Services

Meeting Date: **December 3, 2018**

Subject: **Report CLSFS18-054**
Update - Brock Mission Redevelopment

Purpose

A report to provide an update to Council on the status of the redevelopment of Brock Mission, to seek approval from Council as a Shareholder of Peterborough Housing Corporation ("PHC"), to transfer the lands known as 217 Murray Street from PHC to Brock Mission Peterborough ("Brock"); provide construction financing to Brock; and to enter into a Tri-Party Agreement with PHC and Brock, relating to the redevelopment, construction and operation of the Brock Mission Redevelopment (the "Project").

Recommendations

That Council approve the recommendations outlined in Report CLSFS18-054 dated December 3, 2018, of the Commissioner of Corporate and Legislative Services, as follows:

- a) That pursuant to Article 5.3 of the Shareholder Direction and Declaration, dated October 3, 2016, the City of Peterborough as the sole shareholder of Peterborough Housing Corporation, consent to the disposition of the property at 217 Murray Street to Brock Mission Peterborough;
- b) That a by-law be passed to authorize the sale of lands municipally known as 217 Murray Street to Brock Mission Peterborough;

- c) That the City, as Service Manager consent to the assignment of two Affordable Housing Project Facility Agreements with the City, from Peterborough Housing Corporation to Brock Mission Peterborough, namely: Social Infrastructure Fund – Investment in Affordable Housing and the Investment in Affordable Housing - 2014 Extension Agreements, dated February 17, 2017, for the construction of 15 affordable housing units at 217 Murray Street;
- d) That the City, acting as Brock Mission Peterborough's Agent, provide up to \$8,050,000 construction financing for the Project and that promissory notes be executed and secured against the property (217 Murray Street Peterborough) intermittently as payments are made by the City, as permitted through the federal and provincial government funding agencies;
- e) That the City be authorized to provide all necessary documentation, including loan guarantees, up to the Project current debt approvals, to support a National Co-Investment Fund application;
- f) That Council approve the Business Terms and Principles for a Tri-Party agreement between the City, Brock Mission Peterborough and Peterborough Housing Corporation for the Brock Mission Redevelopment Project;
- g) That the Mayor and the City Clerk be authorized for and on behalf of the City to do all such acts and things and to execute and deliver all such documents as may be necessary to proceed with the development of the Project, in the forms reviewed and approved by the CAO and the City Solicitor.

Budget and Financial Implications

As a placeholder in the 2019 Draft Capital Budget, staff have estimated, pending detailed value engineering efforts with the successful Construction Manager, a total Project budget of \$9.3 million.

This budget includes the temporary relocation, abatement/demolition that has already been completed, the re-design, contract administration and construction along with a Project contingency. This revised estimate is \$1,753,000 higher than the approved Project budget of \$7,547,000.

If successful, an application to the National Co-Investment Fund combined with a \$250,000 further fundraising effort from Brock will fund this increase. Chart 1 outlines the proposed funding for the Project.

Chart 1**Proposed Funding for the Brock Redevelopment Project**

Ref	Description	Proposed Funding
1	Social Services Capital Budget – Brock Street Mission Revitalization (2018 Capital Budget Ref # 6-10.01)	\$1,250,000
2	Investment in Affordable Housing 2014 Extension and Social Infrastructure Fund – Investment in Affordable Housing (IAH-E/SIF Capital (Housing Portion only)	\$1,500,000
3	Brock Fundraising	\$1,250,000
4	National Co-Investment Fund (combined grant and loan)	\$5,300,000
5	Total Funding	\$9,300,000

Background

In consideration of Report PLHD17-003 Council approved the purchase of the Brock Mission property at 217 Murray Street and on March 31, 2018 conveyed the property to PHC for the redevelopment of a new shelter and 15 affordable housing units, at an estimated cost of \$8 million. This included a \$3.8 million debt burden against the City's non-tax supported debt capacity.

However, when PHC's Invitational Tender closed, the lowest bid submission was over budget by an amount of \$3.2 million.

City Council at its meeting of July 9, 2018, in considering report CLSFS18-033, provided the following direction to staff:

- a) That Report CLSFS 18-033 be referred back to staff and that, given the updated costs estimate, City staff work directly with Brock staff to make appropriate accommodations to the design of the proposed new men's emergency shelter facility at 217 Murray Street with a goal of reducing the cost estimate and having the project re-tendered to the original pre-qualified bidders for this project in the fall of 2018;
- b) That City staff work with Brock to ensure contingency plans are in place for the continued provision of men's emergency shelter services while a longer-term solution for men's emergency shelter services is being developed; and
- c) That if the cost estimate is within the original budget, the project be re-tendered and if the cost estimate is more than the original budget, staff report back to Council.

Since July, City staff from the CAO's Office, Financial Services, Facilities and Planning Initiatives, Housing, Social Services and Legal Services have been working with Brock and PHC staff to respond to Council's direction. Through a re-design without compromising the functionality, the parties have been able to reduce construction costs, although not by the full \$3.2 million amount. An application for a new funding source from Canadian Mortgage and Housing Corporation ("CMHC") has been submitted which would make up the difference and therefore, at this time, there is no necessity to seek additional funding.

This Report, which has been reviewed by PHC and Brock, will detail the actions taken to-date and the plan relating to securing funding for the Project; the transfer of the lands from PHC to Brock; construction and project management; property management/maintenance, shelter operations and the business terms and principles upon which the various legal agreements will be based.

Brock has indicated that they can continue to provide shelter services from their alternative location, 120 Murray Street, during construction, for the foreseeable future.

A. Funding - National Housing Co-Investment Fund

In May 2018, the federal government launched the National Housing Co-Investment Fund ("Co-Investment Fund"), the largest housing fund in Canada's history. The Co-Investment Fund primarily provides low-cost loans and in some cases financial contributions to support and develop mixed-income, mixed-tenure, mixed-use affordable housing. This housing must be energy efficient, accessible and socially inclusive.

The Co-Investment Fund prioritizes projects that support partnerships between governments, non-profits, private sector, and others to maximize federal investment.

On October 30, 2018, the City applied, on behalf of Brock, to the Co-Investment Fund for a combined loan/grant of \$5.3 million. Brock, as a non-profit entity owning the facility, is eligible for higher grants and loans than the City or PHC. On November 16, 2018, the City was advised that the Project meets the preliminary eligibility requirements and are currently awaiting approvals to move to the next phase of assessment. If successful, the City, Brock and CMHC will work closely to further advance the application by providing all necessary documentation to support the underwriting process. It is anticipated that a final decision will be provided by March 2019.

The City, acting as Brock's agent, will procure all contracts and provide non-interest bearing construction financing for the design and construction of the Project. With the exception of the \$1.25 million Social Services contribution, the estimated \$8,050,000 proceeds from the various funding sources will flow directly to Brock, with Brock reimbursing the City for all Project related costs as they are incurred. The City will require that promissory notes be executed and secured against the property, while accommodating the federal and provincial government's lien priority as required.

If the Co-Investment Fund application is not successful, Brock will be required to secure conventional take-out financing at Project completion.

**Social Infrastructure Fund – Investment in Affordable Housing Agreement
Investment in Affordable Housing - 2014 Extension Agreement**

These two agreements which provide funding in the amount of \$1.5 million require an assignment from PHC to Brock and the City as Service Manager must approve the assignment. Any residual funds that have been released to PHC through AIH will be transferred to Brock. Housing staff have revised the existing PIF – Project Information Form and have confirmed with the Ministry of Municipal Affairs and Housing that these arrangements are compliant with the Ministry and City's Service Manager Administrative Agreement. Housing staff will continue to administer and provide the applicable funding under the agreements.

B. Transfer of the Property – 217 Murray Street

Discussions with PHC and Brock have resulted in the recommendation to transfer the lands from PHC back to Brock for a number of reasons. The primary reason being that Brock as the property owner and a non-profit charitable organization can qualify for greater funding through the Co-Investment Fund than either the City or PHC. The City is also in a more favourable position than PHC to provide construction financing for the Project.

In addition, PHC is presently redeveloping the former McRae Campus for 34 units of affordable rental housing. A future phase of the McRae development will include 81 units of supportive housing community for seniors, which is being developed in partnerships with Peterborough Regional Health Centre, the Central East LHIN and the Community Care Access Centre. These PHC projects will require a significant time commitment for their Project Manager, not allowing them to fully commit to the Brock Project. The City is able to project manage as it has extensive experience in this area.

The Brock Board has approved the transfer of the property at its meeting of September 10, 2018. Likewise, PHC, at its meeting of November 22, 2018, approved the disposition of the property to Brock.

C. Update on the Design and Construction

City staff has worked directly with Brock staff to make appropriate accommodations to the design with a goal of reducing the capital project costs.

City, Brock and PHC staff met with the Project prime consultant LGA Architectural Partners, who had been retained by Brock, on July 18, 2018 to review potential cost saving options to align the Project construction costs with the budget. LGA were unable to provide value engineering options based on the current design that would offer a significant savings opportunity for the Project.

It was determined that the optimal way to proceed would be a complete redesign of the building to achieve a lower construction cost. LGA Architectural Partners were not able to offer a competitive fee for redesign and agreed not to continue with the Project.

With City staff taking the role of Construction Project Lead, the redesign could be undertaken by the City's Consulting Team of Record under RFP P-19-16 approved in consideration of Report CPPS16-018 dated July 25, 2016. Through Report CLSFPI18-003, dated October 17, 2018, Administrative Staff Committee approved Lett Architect Inc. to provide prime consulting services for the redesign of the Project at a cost of \$595,000 plus HST of \$77,350 for a total cost of \$672,350.

The new Consulting Team have committed to a fairly aggressive schedule to enable the Project to be ready for an early spring 2019 construction start. The Project is now through the first phase of conceptual design.

To further address the schedule requirements the Project will proceed utilizing a Construction Management approach allowing an opportunity to bring broader expertise onto the Project team and allowing Brock to pursue gifts-in-kind donations for building materials pertaining to the construction. The successful Construction Manager will join the Project early in the design development stage and oversee such elements as schedule, cost, construction methodology and building technology. This method is a collaborative approach to building and provides the continuous opportunity for value engineering as the Project develops. City staff issued RFP P-29-18 for Construction Management Services to the previously pre-qualified list of General Contractors on Thursday, November 18, 2018. This RFP closed on November 29, 2018 and is currently undergoing evaluation for award.

PHC will act in an advisory capacity during the development and construction phases.

It is anticipated that, with a spring 2019 construction start, the Project will be complete late summer 2020.

D. Post- Construction – Property Maintenance

It is anticipated that PHC will provide property maintenance services but discussions are ongoing.

E. Tenancy Management and Shelter Operations

With regards to the management of tenants in the 15 rental units, Brock will administer these arrangements working with Four Counties Addiction Services ("FourCAST"). This arrangement is similar to the arrangement the City has with Brock in operating Cameron House and FourCAST is funded by the City to provide case management for individual tenants. Tenant selection will come from the City/County By-Name list, which prioritizes the most chronic homeless individuals within the community. The Service Agreement between the City and Brock will detail the tenancy arrangements.

Brock will also provide 24/7 on site staffing to support individuals in both the shelter and affordable housing units, such services include but are not limited to the following:

- Assistance in accessing housing
- Diversion from shelter to alternative housing options
- Assistance in activities of daily living
- Access to food and regular meals
- Referral and assistance in accessing medical aid (physical and mental) and other support services

The Social Services (including Housing) Division of Community Services will continue to provide shelter operational funding under a service agreement between the City and Brock. This will also include funding directed to FourCAST for a clinical outreach worker on-site at Brock, as well as other homelessness services operating out of Brock as a service hub.

For the 15 affordable housing units, funding will be provided through the provincial Home for Good supportive housing program for rent supplements (up to \$300/unit/month) plus an Intensive Care Manager and two Housing Support Workers (hired through FourCAST).

F. Agreement - Business Terms and Principles

The redevelopment of the Brock Mission is a complex project that requires clarity for all parties as to their responsibilities and relationship to one another. Therefore, there is the necessity for a tri-party agreement between the City, Brock and PHC.

Following approval by each respective board and City Council of the terms set out below, each of the parties will enter into applicable legally binding agreements to carry out the intent and accomplish the purposes of the business terms and principles.

The following are the material terms upon which the parties have discussed developing the Project.

1. Brock's role is to:
 - (a) Own the Property;
 - (b) With the City acting as agent for Brock, undertake construction of the Project, and
 - (c) Provide tenancy management and shelter services.
2. The City's role is to:
 - (a) Aid Brock respecting the construction of the Project including acting as its agent in the administration of contracts relating to the Project;
 - (b) Aid Brock in applications for funding from third parties;
 - (c) Aid Brock with construction financing for the purpose of construction of the Project, and

- (d) Provide funding to Brock under a Shelter Services Agreement, allowing for the provision of emergency shelter services including safe and secure accommodations, food and persona support and connection to external case management.
- 3. PHC's role is to
 - (a) Transfer the property to Brock, and
 - (b) Advisor during the development and construction phases.

Summary

Following Council's direction in July, City, PHC and Brock staff have worked diligently and have a plan to redevelop the Brock Mission into a modern facility to meet the needs of homeless and at risk single men in the city.

Submitted by,

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Commissioner of Corporate and Legislative Services

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