



Date: July 11, 2018

Report to: Board of Directors,
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
Senior Development
Project Manager

Subject: 500 MacNab Tower Renewal Update (Report #18012)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

That the CEO of CityHousing Hamilton is directed and authorized to negotiate and enter into a single source contract with ERA Architects Inc. as the prime design consultant for the Passive House tower renewal of 500 MacNab St N, due to the required project completion timeline from a funder, with terms acceptable to legal counsel.

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Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CityHousing Hamilton (CHH) staff has been working on an ultra-low energy, socially sustainable demonstration project to rehabilitate the aging 17-storey 500 MacNab St N (500 MacNab) apartment tower. The transformation will convert this asset, built in 1967, into state-of-the-art housing reaching the Passive House retrofit standard. This project will bring together innovations in ultra-low energy retrofit, financing, and community benefit.

This Report seeks to provide an update on funding, and present the options explored and pathway to complying with project schedule requirements through sole-sourcing the prime design consultant (PDC).

BACKGROUND:

At the CHH Board of Directors meeting on September 20, 2016 (Report 16034) the CHH Board confirmed its intention to retain, renovate and repair 500 MacNab to a state of good repair based on building condition assessments, at an estimated cost of \$6.5M.

Staff began the due diligence to proceed with this work and returned to the Board on April 11, 2017 (Report 17006) with an update on an enhanced \$15.65M project that would provide significant operational savings over an extended building life, along with resident and community benefits, and be funded through a combination of grant and debt serviced through cash flow of the now debenture free property. A recommendation was approved to acknowledge and support the pursuit of funding for this enhanced project.

At the CHH Board of Directors meeting on March 27, 2018 (Report 17021(b)), the revitalization of the CHH portfolio was discussed in detail, with a recommendation approved to proceed with the enhanced retrofit of 500 MacNab along with the new development of four sites. The City of Hamilton as Shareholder then provided consent and approvals which were ratified by Council on April 11, 2017.

DISCUSSION:

The retrofit approach to 500 MacNab will uniquely apply the principles of the highest quality new construction occurring in such places as New York and Vancouver to establish a best-in-class retrofit approach for aging postwar residential towers.

The replicability potential of this improved retrofit approach extends to the more than 2000 postwar apartment towers that exist in Ontario. The type of enhanced quality housing that can be achieved through this approach is also complimented by reductions of 90% in greenhouse gas emissions and 70% in energy intensity. The self-financing model CHH is pursuing, supported by grants at this early market stage, will act as a demonstration and potential catalyst for the rehabilitation of this asset type.

Funding

The financial terms of the \$15.65M retrofit were detailed in the March 27, 2018 development update (Report 17021(b)). To summarize, \$5.9M in grant contribution has been secured, along with \$9.75M in low interest loans.

Although all required project funding has been arranged through this funding package, an additional application was recently made through a National

Housing Strategy funding initiative. The grant contribution applied for, which is currently under review, could be used for any or a combination of: replacing debt financing, further enhancing accessibility, and/or addressing any escalated costs.

Schedule and Timeline

Following notification in August 2017 that a grant previously qualified for would be significantly reduced, CHH sought replacement funding which was finally secured in March 2018. When funding amounts were reasonably confirmed with each funder, approvals were then sequentially secured through the CHH Board (17021(b)), Healthy and Safe Communities Committee (HSC18016), Audit, Finance and Administration Committee (FCS18011) and the CHH Shareholder (18-001), along with Council ratification being provided on April 11, 2018. Extensive negotiations of funding agreements have continued until present and are nearing completion.

A detailed preliminary schedule was created in collaboration with City of Hamilton staff and the development consultant assisting with project management. This incorporated timelines from the original Feasibility Study, a third party assessment of timelines and procurement guidance from City staff. The resulting timeline estimates the duration of the project at approximately 29 months.

Critically, the \$4.15M in funding secured in March 2018 has a timeline for the eligible work, which includes the entire package of work required to meet the Passive House retrofit standard (EnerPHit), to be completed by March 31, 2020. As of July 9th, 2018, there are approximately 21 months until this deadline.

Therefore, with an immediate start, the project is on a trajectory of approximately 8 months past the required funding deadline.

Options to Reduce Timeline

CHH and City of Hamilton staff have been working together and with a development consultant on procurement and project management approaches to ensure the success of this ground-breaking retrofit and to streamline the schedule for a shortened duration.

Towards this end, assessments were made of procurement options. These included: design-bid-build (DBB), construction management (CM), design-build (DB) and integrated project delivery (IPD). The conclusion was, given the structure of the DBB approach and the familiarity of City of Hamilton staff with it, who it is the intention of CHH to have manage this project, the limited time savings in the other approaches would be offset by greater uncertainties on price and process.

Also considered were alternative approaches to qualifying the contractor. It is understood that moving from an RFQ and RFT to an RFP process, or scheduling the RFQ simultaneously with the full design work, could reduce the project timeline by approximately 3 months. This is an option that can be seamlessly integrated into the schedule.

The largest intervention would be sole sourcing the prime design consultant (PDC) and developing their agreement concurrently with the start of the design work. Approximately 4 months can be saved by completing a non-competitive procurement process in this way. CHH has begun this process with a Policy 11 Form on July 6th and continues this approach in seeking approval of the Board for the full PDC fees.

For the remaining approximately 1 month of gap from schedule to required completion date, a provisional extension has been suggested to be possible by the funder for minor delays to be bridged.

Non-Competitive Procurement

Under CHH's Non-Competitive Procurements policy, for consulting services that exceed \$100k, the CHH Board of Directors must approve the purchase.

By sole sourcing a PDC, who would be responsible for the full project design, including assembling the consultant team and leading the design and construction document creation, CHH would shorten the project schedule by approximately 4 months. Combined with the other timeline intervention of contractor qualification, and utilizing a provisional extension if other timeline efficiencies cannot be found during the project process, the required completion deadline can be achieved.

ERA Architects, who completed the initial Feasibility Study for the Passive House renewal of 500 MacNab, is the recommended firm for the PDC. The firm has extensive expertise in building restoration, including deep energy retrofits of concrete apartment blocks, and have a proven track record of drawing together interdisciplinary teams of leading experts, including international expertise in Passive House retrofits. ERA Architects are also leaders in driving policy around the renewal of affordable housing. Recent work through their non-profit initiative, the Tower Renewal Partnership (TRP), has helped the federal government to establish retrofit performance targets for the National Housing Strategy, and has informed the development of the National Model Retrofit Building Code using Passive House principles. One of their principals, Graeme Stewart, and an associate, Ya'el Santopinto, who CHH has previously worked with, are directors at the TRP and through their work with CHH and in the sector we have developed a keen understanding of their expertise and capabilities.

Following an approval of the sole-source of the PDC, a City-supported contract would be created and approved. This comprehensive agreement will be based on the City's Prime Design Consultant Contract and will notably include that the PDC team is required to have senior staff on the project to ensure the continued success of the design and schedule.

The cost estimated for the PDC in the 500 MacNab Feasibility Study was 7.7% of the estimated construction cost, or \$1,091,849. This percentage compares favourably to a range of 8-9% of the total construction value suggested for a complex project of this value in Building Category 2 in the Royal Architectural Institute of Canada's guide to "Determining Appropriate Fees for the Services of an Architect."

CONCLUSION:

The proposed non-competitive procurement of 500 MacNab is intended to complement other procurement and process interventions to enable this ambitious rehabilitation project to be completed within the required timeline of a funder who is making a significant investment in the physical and social infrastructure of Hamilton.

Given the financial constraints of the social and affordable housing context in Ontario, the grant of \$4.15M is significant. Since it is the largest non-debt contribution to this demonstration project it enables all the other funder investments to be implemented by ensuring the project moves forward.

Without additional options for significant interventions in timeline to hit the funder required completion date, selecting a firm outside of a formal process, while not the preferred route, is the most reasonable path. Utilizing the services of a firm with a unique focus on tower renewal in the region, and who is a leader in establishing best practices for the sector, validates the choice in this situation.

Ensuring the 500 MacNab tower renewal continues to move forward is in alignment with the imperative of providing socially sustainable housing for some of the most vulnerable residents of Hamilton. In this unique case, the sole sourcing of the PDC provides the opportunity to secure significant investment into CHH's oldest high-rise asset to comprehensively rehabilitate this landmark building into a home for 146 resident households, and visibly signal to the neighbourhood the renewal of public housing.

OPERATIONAL PLAN:

This report implements:

Goal 1. Create Financial Sustainability – *Ensure that CityHousing Hamilton has sufficient capital to invest in buildings to minimize the impact on City of Hamilton taxpayers.*

Goal 2. Maintain and Improve Building Conditions - *Ensure that the CityHousing Hamilton portfolio is managed effectively and sensitively and is in a good state of repair to meet the affordable housing requirements of Hamilton residents now and in the future.*

Goal 3. Create Healthy, Secure Communities - *Ensure that Hamilton residents have access to affordable housing opportunities and support initiatives that will enhance quality-of-life, increase client empowerment and decrease dependency.*

Goal 4. Reinvest in communities and increase affordable housing - *Expand the supply of affordable housing in Hamilton through new development, redevelopment and partnerships with the private sector and community housing stakeholders that will lever additional funding and resources.*

Goal 5. Leadership: Influence and adapt Social Housing Reform - *Advocate to the community, City Council, the Provincial Government and the Federal Government on policy, program and legislative solutions to affordable housing issues in Hamilton and issues affecting CityHousing Hamilton and other social housing providers in Hamilton.*

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DISCUSSION:

The retrofit approach to 500 MacNab will uniquely apply the principles of the highest quality new construction occurring in such places as New York and Vancouver to establish a best-in-class retrofit approach for aging postwar residential towers.

The replicability potential of this improved retrofit approach extends to the more than 2000 postwar apartment towers that exist in Ontario. The type of enhanced quality housing that can be achieved through this approach is also complimented by reductions of 90% in greenhouse gas emissions and 70% in energy intensity. The self-financing model CHH is pursuing, supported by grants at this early market stage, will act as a demonstration and potential catalyst for the rehabilitation of this asset type.

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Schedule and Timeline

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A detailed preliminary schedule was created in collaboration with City of Hamilton staff and the development consultant assisting with project management. This incorporated timelines from the original Feasibility Study, a third party assessment of timelines and procurement guidance from City staff. The resulting timeline estimates the duration of the project at approximately 29 months.

Critically, the \$4.15M in funding secured in March 2018 has a timeline for the eligible work, which includes the entire package of work required to meet the Passive House retrofit standard (EnerPHit), to be completed by March 31, 2020. As of July 9th, 2018, there are approximately 21 months until this deadline.

Therefore, with an immediate start, the project is on a trajectory of approximately 8 months past the required funding deadline.

Options to Reduce Timeline

CHH and City of Hamilton staff have been working together and with a development consultant on procurement and project management approaches to ensure the success of this ground-breaking retrofit and to streamline the schedule for a shortened duration.

Towards this end, assessments were made of procurement options. These included: design-bid-build (DBB), construction management (CM), design-build (DB) and integrated project delivery (IPD). The conclusion was, given the structure of the DBB approach and the familiarity of City of Hamilton staff with it, who it is the intention of CHH to have manage this project, the limited time savings in the other approaches would be offset by greater uncertainties on price and process.

Also considered were alternative approaches to qualifying the contractor. It is understood that moving from an RFQ and RFT to an RFP process, or scheduling the RFQ simultaneously with the full design work, could reduce the project timeline by approximately 3 months. This is an option that can be seamlessly integrated into the schedule.

The largest intervention would be sole sourcing the prime design consultant (PDC) and developing their agreement concurrently with the start of the design work. Approximately 4 months can be saved by completing a non-competitive procurement process in this way. CHH has begun this process with a Policy 11 Form on July 6th and continues this approach in seeking approval of the Board for the full PDC fees.

For the remaining approximately 1 month of gap from schedule to required completion date, a provisional extension has been suggested to be possible by the funder for minor delays to be bridged.

Non-Competitive Procurement

Under CHH's Non-Competitive Procurements policy, for consulting services that exceed \$100k, the CHH Board of Directors must approve the purchase.

By sole sourcing a PDC, who would be responsible for the full project design, including assembling the consultant team and leading the design and construction document creation, CHH would shorten the project schedule by approximately 4 months. Combined with the other timeline intervention of contractor qualification, and utilizing a provisional extension if other timeline efficiencies cannot be found during the project process, the required completion deadline can be achieved.

ERA Architects, who completed the initial Feasibility Study for the Passive House renewal of 500 MacNab, is the recommended firm for the PDC. The firm has extensive expertise in building restoration, including deep energy retrofits of concrete apartment blocks, and have a proven track record of drawing together interdisciplinary teams of leading experts, including international expertise in Passive House retrofits. ERA Architects are also leaders in driving policy around the renewal of affordable housing. Recent work through their non-profit initiative, the Tower Renewal Partnership (TRP), has helped the federal government to establish retrofit performance targets for the National Housing Strategy, and has informed the development of the National Model Retrofit Building Code using Passive House principles. One of their principals, Graeme Stewart, and an associate, Ya'el Santopinto, who CHH has previously worked with, are directors at the TRP and through their work with CHH and in the sector we have developed a keen understanding of their expertise and capabilities.

Following an approval of the sole-source of the PDC, a City-supported contract would be created and approved. This comprehensive agreement will be based on the City's Prime Design Consultant Contract and will notably include that the PDC team is required to have senior staff on the project to ensure the continued success of the design and schedule.

The cost estimated for the PDC in the 500 MacNab Feasibility Study was 7.7% of the estimated construction cost, or \$1,091,849. This percentage compares favourably to a range of 8-9% of the total construction value suggested for a complex project of this value in Building Category 2 in the Royal Architectural Institute of Canada's guide to "Determining Appropriate Fees for the Services of an Architect."

CONCLUSION:

The proposed non-competitive procurement of 500 MacNab is intended to complement other procurement and process interventions to enable this ambitious rehabilitation project to be completed within the required timeline of a funder who is making a significant investment in the physical and social infrastructure of Hamilton.

Given the financial constraints of the social and affordable housing context in Ontario, the grant of \$4.15M is significant. Since it is the largest non-debt contribution to this demonstration project it enables all the other funder investments to be implemented by ensuring the project moves forward.

Without additional options for significant interventions in timeline to hit the funder required completion date, selecting a firm outside of a formal process, while not the preferred route, is the most reasonable path. Utilizing the services of a firm with a unique focus on tower renewal in the region, and who is a leader in establishing best practices for the sector, validates the choice in this situation.

Ensuring the 500 MacNab tower renewal continues to move forward is in alignment with the imperative of providing socially sustainable housing for some of the most vulnerable residents of Hamilton. In this unique case, the sole sourcing of the PDC provides the opportunity to secure significant investment into CHH's oldest high-rise asset to comprehensively rehabilitate this landmark building into a home for 146 resident households, and visibly signal to the neighbourhood the renewal of public housing.

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TH/sb



Date: July 11, 2018

Report to: Board of Directors,
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
Senior Development
Project Manager

Subject: 500 MacNab Tower Renewal Update (Report #18012)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

That the CEO of CityHousing Hamilton is directed and authorized to negotiate and enter into a single source contract with ERA Architects Inc. as the prime design consultant for the Passive House tower renewal of 500 MacNab St N, due to the required project completion timeline from a funder, with terms acceptable to legal counsel.

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CityHousing Hamilton (CHH) staff has been working on an ultra-low energy, socially sustainable demonstration project to rehabilitate the aging 17-storey 500 MacNab St N (500 MacNab) apartment tower. The transformation will convert this asset, built in 1967, into state-of-the-art housing reaching the Passive House retrofit standard. This project will bring together innovations in ultra-low energy retrofit, financing, and community benefit.

This Report seeks to provide an update on funding, and present the options explored and pathway to complying with project schedule requirements through sole-sourcing the prime design consultant (PDC).

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TH/sb



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Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
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Therefore, with an immediate start, the project is on a trajectory of approximately 8 months past the required funding deadline.

Options to Reduce Timeline

CHH and City of Hamilton staff have been working together and with a development consultant on procurement and project management approaches to ensure the success of this ground-breaking retrofit and to streamline the schedule for a shortened duration.

Towards this end, assessments were made of procurement options. These included: design-bid-build (DBB), construction management (CM), design-build (DB) and integrated project delivery (IPD). The conclusion was, given the structure of the DBB approach and the familiarity of City of Hamilton staff with it, who it is the intention of CHH to have manage this project, the limited time savings in the other approaches would be offset by greater uncertainties on price and process.

Also considered were alternative approaches to qualifying the contractor. It is understood that moving from an RFQ and RFT to an RFP process, or scheduling the RFQ simultaneously with the full design work, could reduce the project timeline by approximately 3 months. This is an option that can be seamlessly integrated into the schedule.

The largest intervention would be sole sourcing the prime design consultant (PDC) and developing their agreement concurrently with the start of the design work. Approximately 4 months can be saved by completing a non-competitive procurement process in this way. CHH has begun this process with a Policy 11 Form on July 6th and continues this approach in seeking approval of the Board for the full PDC fees.

For the remaining approximately 1 month of gap from schedule to required completion date, a provisional extension has been suggested to be possible by the funder for minor delays to be bridged.

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The cost estimated for the PDC in the 500 MacNab Feasibility Study was 7.7% of the estimated construction cost, or \$1,091,849. This percentage compares favourably to a range of 8-9% of the total construction value suggested for a complex project of this value in Building Category 2 in the Royal Architectural Institute of Canada's guide to "Determining Appropriate Fees for the Services of an Architect."

CONCLUSION:

The proposed non-competitive procurement of 500 MacNab is intended to complement other procurement and process interventions to enable this ambitious rehabilitation project to be completed within the required timeline of a funder who is making a significant investment in the physical and social infrastructure of Hamilton.

Given the financial constraints of the social and affordable housing context in Ontario, the grant of \$4.15M is significant. Since it is the largest non-debt contribution to this demonstration project it enables all the other funder investments to be implemented by ensuring the project moves forward.

Without additional options for significant interventions in timeline to hit the funder required completion date, selecting a firm outside of a formal process, while not the preferred route, is the most reasonable path. Utilizing the services of a firm with a unique focus on tower renewal in the region, and who is a leader in establishing best practices for the sector, validates the choice in this situation.

Ensuring the 500 MacNab tower renewal continues to move forward is in alignment with the imperative of providing socially sustainable housing for some of the most vulnerable residents of Hamilton. In this unique case, the sole sourcing of the PDC provides the opportunity to secure significant investment into CHH's oldest high-rise asset to comprehensively rehabilitate this landmark building into a home for 146 resident households, and visibly signal to the neighbourhood the renewal of public housing.

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TH/sb



Date: July 11, 2018

Report to: Board of Directors,
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
Senior Development
Project Manager

Subject: 500 MacNab Tower Renewal Update (Report #18012)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

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CityHousing Hamilton (CHH) staff has been working on an ultra-low energy, socially sustainable demonstration project to rehabilitate the aging 17-storey 500 MacNab St N (500 MacNab) apartment tower. The transformation will convert this asset, built in 1967, into state-of-the-art housing reaching the Passive House retrofit standard. This project will bring together innovations in ultra-low energy retrofit, financing, and community benefit.

This Report seeks to provide an update on funding, and present the options explored and pathway to complying with project schedule requirements through sole-sourcing the prime design consultant (PDC).

BACKGROUND:

At the CHH Board of Directors meeting on September 20, 2016 (Report 16034) the CHH Board confirmed its intention to retain, renovate and repair 500 MacNab to a state of good repair based on building condition assessments, at an estimated cost of \$6.5M.

Staff began the due diligence to proceed with this work and returned to the Board on April 11, 2017 (Report 17006) with an update on an enhanced \$15.65M project that would provide significant operational savings over an extended building life, along with resident and community benefits, and be funded through a combination of grant and debt serviced through cash flow of the now debenture free property. A recommendation was approved to acknowledge and support the pursuit of funding for this enhanced project.

At the CHH Board of Directors meeting on March 27, 2018 (Report 17021(b)), the revitalization of the CHH portfolio was discussed in detail, with a recommendation approved to proceed with the enhanced retrofit of 500 MacNab along with the new development of four sites. The City of Hamilton as Shareholder then provided consent and approvals which were ratified by Council on April 11, 2017.

DISCUSSION:

The retrofit approach to 500 MacNab will uniquely apply the principles of the highest quality new construction occurring in such places as New York and Vancouver to establish a best-in-class retrofit approach for aging postwar residential towers.

The replicability potential of this improved retrofit approach extends to the more than 2000 postwar apartment towers that exist in Ontario. The type of enhanced quality housing that can be achieved through this approach is also complimented by reductions of 90% in greenhouse gas emissions and 70% in energy intensity. The self-financing model CHH is pursuing, supported by grants at this early market stage, will act as a demonstration and potential catalyst for the rehabilitation of this asset type.

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Prepared by: Sean Botham,
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The cost estimated for the PDC in the 500 MacNab Feasibility Study was 7.7% of the estimated construction cost, or \$1,091,849. This percentage compares favourably to a range of 8-9% of the total construction value suggested for a complex project of this value in Building Category 2 in the Royal Architectural Institute of Canada's guide to "Determining Appropriate Fees for the Services of an Architect."

CONCLUSION:

The proposed non-competitive procurement of 500 MacNab is intended to complement other procurement and process interventions to enable this ambitious rehabilitation project to be completed within the required timeline of a funder who is making a significant investment in the physical and social infrastructure of Hamilton.

Given the financial constraints of the social and affordable housing context in Ontario, the grant of \$4.15M is significant. Since it is the largest non-debt contribution to this demonstration project it enables all the other funder investments to be implemented by ensuring the project moves forward.

Without additional options for significant interventions in timeline to hit the funder required completion date, selecting a firm outside of a formal process, while not the preferred route, is the most reasonable path. Utilizing the services of a firm with a unique focus on tower renewal in the region, and who is a leader in establishing best practices for the sector, validates the choice in this situation.

Ensuring the 500 MacNab tower renewal continues to move forward is in alignment with the imperative of providing socially sustainable housing for some of the most vulnerable residents of Hamilton. In this unique case, the sole sourcing of the PDC provides the opportunity to secure significant investment into CHH's oldest high-rise asset to comprehensively rehabilitate this landmark building into a home for 146 resident households, and visibly signal to the neighbourhood the renewal of public housing.

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TH/sb



Date: July 11, 2018

Report to: Board of Directors,
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
Senior Development
Project Manager

Subject: 500 MacNab Tower Renewal Update (Report #18012)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

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Chief Executive Officer/Secretary

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CityHousing Hamilton (CHH) staff has been working on an ultra-low energy, socially sustainable demonstration project to rehabilitate the aging 17-storey 500 MacNab St N (500 MacNab) apartment tower. The transformation will convert this asset, built in 1967, into state-of-the-art housing reaching the Passive House retrofit standard. This project will bring together innovations in ultra-low energy retrofit, financing, and community benefit.

This Report seeks to provide an update on funding, and present the options explored and pathway to complying with project schedule requirements through sole-sourcing the prime design consultant (PDC).

BACKGROUND:

At the CHH Board of Directors meeting on September 20, 2016 (Report 16034) the CHH Board confirmed its intention to retain, renovate and repair 500 MacNab to a state of good repair based on building condition assessments, at an estimated cost of \$6.5M.

Staff began the due diligence to proceed with this work and returned to the Board on April 11, 2017 (Report 17006) with an update on an enhanced \$15.65M project that would provide significant operational savings over an extended building life, along with resident and community benefits, and be funded through a combination of grant and debt serviced through cash flow of the now debenture free property. A recommendation was approved to acknowledge and support the pursuit of funding for this enhanced project.

At the CHH Board of Directors meeting on March 27, 2018 (Report 17021(b)), the revitalization of the CHH portfolio was discussed in detail, with a recommendation approved to proceed with the enhanced retrofit of 500 MacNab along with the new development of four sites. The City of Hamilton as Shareholder then provided consent and approvals which were ratified by Council on April 11, 2017.

DISCUSSION:

The retrofit approach to 500 MacNab will uniquely apply the principles of the highest quality new construction occurring in such places as New York and Vancouver to establish a best-in-class retrofit approach for aging postwar residential towers.

The replicability potential of this improved retrofit approach extends to the more than 2000 postwar apartment towers that exist in Ontario. The type of enhanced quality housing that can be achieved through this approach is also complimented by reductions of 90% in greenhouse gas emissions and 70% in energy intensity. The self-financing model CHH is pursuing, supported by grants at this early market stage, will act as a demonstration and potential catalyst for the rehabilitation of this asset type.

Funding

The financial terms of the \$15.65M retrofit were detailed in the March 27, 2018 development update (Report 17021(b)). To summarize, \$5.9M in grant contribution has been secured, along with \$9.75M in low interest loans.

Although all required project funding has been arranged through this funding package, an additional application was recently made through a National

Housing Strategy funding initiative. The grant contribution applied for, which is currently under review, could be used for any or a combination of: replacing debt financing, further enhancing accessibility, and/or addressing any escalated costs.

Schedule and Timeline

Following notification in August 2017 that a grant previously qualified for would be significantly reduced, CHH sought replacement funding which was finally secured in March 2018. When funding amounts were reasonably confirmed with each funder, approvals were then sequentially secured through the CHH Board (17021(b)), Healthy and Safe Communities Committee (HSC18016), Audit, Finance and Administration Committee (FCS18011) and the CHH Shareholder (18-001), along with Council ratification being provided on April 11, 2018. Extensive negotiations of funding agreements have continued until present and are nearing completion.

A detailed preliminary schedule was created in collaboration with City of Hamilton staff and the development consultant assisting with project management. This incorporated timelines from the original Feasibility Study, a third party assessment of timelines and procurement guidance from City staff. The resulting timeline estimates the duration of the project at approximately 29 months.

Critically, the \$4.15M in funding secured in March 2018 has a timeline for the eligible work, which includes the entire package of work required to meet the Passive House retrofit standard (EnerPHit), to be completed by March 31, 2020. As of July 9th, 2018, there are approximately 21 months until this deadline.

Therefore, with an immediate start, the project is on a trajectory of approximately 8 months past the required funding deadline.

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Prepared by: Sean Botham,
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Following an approval of the sole-source of the PDC, a City-supported contract would be created and approved. This comprehensive agreement will be based on the City's Prime Design Consultant Contract and will notably include that the PDC team is required to have senior staff on the project to ensure the continued success of the design and schedule.

The cost estimated for the PDC in the 500 MacNab Feasibility Study was 7.7% of the estimated construction cost, or \$1,091,849. This percentage compares favourably to a range of 8-9% of the total construction value suggested for a complex project of this value in Building Category 2 in the Royal Architectural Institute of Canada's guide to "Determining Appropriate Fees for the Services of an Architect."

CONCLUSION:

The proposed non-competitive procurement of 500 MacNab is intended to complement other procurement and process interventions to enable this ambitious rehabilitation project to be completed within the required timeline of a funder who is making a significant investment in the physical and social infrastructure of Hamilton.

Given the financial constraints of the social and affordable housing context in Ontario, the grant of \$4.15M is significant. Since it is the largest non-debt contribution to this demonstration project it enables all the other funder investments to be implemented by ensuring the project moves forward.

Without additional options for significant interventions in timeline to hit the funder required completion date, selecting a firm outside of a formal process, while not the preferred route, is the most reasonable path. Utilizing the services of a firm with a unique focus on tower renewal in the region, and who is a leader in establishing best practices for the sector, validates the choice in this situation.

Ensuring the 500 MacNab tower renewal continues to move forward is in alignment with the imperative of providing socially sustainable housing for some of the most vulnerable residents of Hamilton. In this unique case, the sole sourcing of the PDC provides the opportunity to secure significant investment into CHH's oldest high-rise asset to comprehensively rehabilitate this landmark building into a home for 146 resident households, and visibly signal to the neighbourhood the renewal of public housing.

OPERATIONAL PLAN:

This report implements:

Goal 1. Create Financial Sustainability – *Ensure that CityHousing Hamilton has sufficient capital to invest in buildings to minimize the impact on City of Hamilton taxpayers.*

Goal 2. Maintain and Improve Building Conditions - *Ensure that the CityHousing Hamilton portfolio is managed effectively and sensitively and is in a good state of repair to meet the affordable housing requirements of Hamilton residents now and in the future.*

Goal 3. Create Healthy, Secure Communities - *Ensure that Hamilton residents have access to affordable housing opportunities and support initiatives that will enhance quality-of-life, increase client empowerment and decrease dependency.*

Goal 4. Reinvest in communities and increase affordable housing - *Expand the supply of affordable housing in Hamilton through new development, redevelopment and partnerships with the private sector and community housing stakeholders that will lever additional funding and resources.*

Goal 5. Leadership: Influence and adapt Social Housing Reform - *Advocate to the community, City Council, the Provincial Government and the Federal Government on policy, program and legislative solutions to affordable housing issues in Hamilton and issues affecting CityHousing Hamilton and other social housing providers in Hamilton.*

TH/sb



Date: July 11, 2018

Report to: Board of Directors,
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

Prepared by: Sean Botham,
Senior Development
Project Manager

Subject: 500 MacNab Tower Renewal Update (Report #18012)

RECOMMENDATION:

That the Board of Directors approve the following resolution:

That the CEO of CityHousing Hamilton is directed and authorized to negotiate and enter into a single source contract with ERA Architects Inc. as the prime design consultant for the Passive House tower renewal of 500 MacNab St N, due to the required project completion timeline from a funder, with terms acceptable to legal counsel.

A handwritten signature in blue ink that reads "Tom Hunter".

Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CityHousing Hamilton (CHH) staff has been working on an ultra-low energy, socially sustainable demonstration project to rehabilitate the aging 17-storey 500 MacNab St N (500 MacNab) apartment tower. The transformation will convert this asset, built in 1967, into state-of-the-art housing reaching the Passive House retrofit standard. This project will bring together innovations in ultra-low energy retrofit, financing, and community benefit.

This Report seeks to provide an update on funding, and present the options explored and pathway to complying with project schedule requirements through sole-sourcing the prime design consultant (PDC).

BACKGROUND:

At the CHH Board of Directors meeting on September 20, 2016 (Report 16034) the CHH Board confirmed its intention to retain, renovate and repair 500 MacNab to a state of good repair based on building condition assessments, at an estimated cost of \$6.5M.

Staff began the due diligence to proceed with this work and returned to the Board on April 11, 2017 (Report 17006) with an update on an enhanced \$15.65M project that would provide significant operational savings over an extended building life, along with resident and community benefits, and be funded through a combination of grant and debt serviced through cash flow of the now debenture free property. A recommendation was approved to acknowledge and support the pursuit of funding for this enhanced project.

At the CHH Board of Directors meeting on March 27, 2018 (Report 17021(b)), the revitalization of the CHH portfolio was discussed in detail, with a recommendation approved to proceed with the enhanced retrofit of 500 MacNab along with the new development of four sites. The City of Hamilton as Shareholder then provided consent and approvals which were ratified by Council on April 11, 2017.

DISCUSSION:

The retrofit approach to 500 MacNab will uniquely apply the principles of the highest quality new construction occurring in such places as New York and Vancouver to establish a best-in-class retrofit approach for aging postwar residential towers.

The replicability potential of this improved retrofit approach extends to the more than 2000 postwar apartment towers that exist in Ontario. The type of enhanced quality housing that can be achieved through this approach is also complimented by reductions of 90% in greenhouse gas emissions and 70% in energy intensity. The self-financing model CHH is pursuing, supported by grants at this early market stage, will act as a demonstration and potential catalyst for the rehabilitation of this asset type.

Funding

The financial terms of the \$15.65M retrofit were detailed in the March 27, 2018 development update (Report 17021(b)). To summarize, \$5.9M in grant contribution has been secured, along with \$9.75M in low interest loans.

Although all required project funding has been arranged through this funding package, an additional application was recently made through a National

Housing Strategy funding initiative. The grant contribution applied for, which is currently under review, could be used for any or a combination of: replacing debt financing, further enhancing accessibility, and/or addressing any escalated costs.

Schedule and Timeline

Following notification in August 2017 that a grant previously qualified for would be significantly reduced, CHH sought replacement funding which was finally secured in March 2018. When funding amounts were reasonably confirmed with each funder, approvals were then sequentially secured through the CHH Board (17021(b)), Healthy and Safe Communities Committee (HSC18016), Audit, Finance and Administration Committee (FCS18011) and the CHH Shareholder (18-001), along with Council ratification being provided on April 11, 2018. Extensive negotiations of funding agreements have continued until present and are nearing completion.

A detailed preliminary schedule was created in collaboration with City of Hamilton staff and the development consultant assisting with project management. This incorporated timelines from the original Feasibility Study, a third party assessment of timelines and procurement guidance from City staff. The resulting timeline estimates the duration of the project at approximately 29 months.

Critically, the \$4.15M in funding secured in March 2018 has a timeline for the eligible work, which includes the entire package of work required to meet the Passive House retrofit standard (EnerPHit), to be completed by March 31, 2020. As of July 9th, 2018, there are approximately 21 months until this deadline.

Therefore, with an immediate start, the project is on a trajectory of approximately 8 months past the required funding deadline.

Options to Reduce Timeline

CHH and City of Hamilton staff have been working together and with a development consultant on procurement and project management approaches to ensure the success of this ground-breaking retrofit and to streamline the schedule for a shortened duration.

Towards this end, assessments were made of procurement options. These included: design-bid-build (DBB), construction management (CM), design-build (DB) and integrated project delivery (IPD). The conclusion was, given the structure of the DBB approach and the familiarity of City of Hamilton staff with it, who it is the intention of CHH to have manage this project, the limited time savings in the other approaches would be offset by greater uncertainties on price and process.

Also considered were alternative approaches to qualifying the contractor. It is understood that moving from an RFQ and RFT to an RFP process, or scheduling the RFQ simultaneously with the full design work, could reduce the project timeline by approximately 3 months. This is an option that can be seamlessly integrated into the schedule.

The largest intervention would be sole sourcing the prime design consultant (PDC) and developing their agreement concurrently with the start of the design work. Approximately 4 months can be saved by completing a non-competitive procurement process in this way. CHH has begun this process with a Policy 11 Form on July 6th and continues this approach in seeking approval of the Board for the full PDC fees.

For the remaining approximately 1 month of gap from schedule to required completion date, a provisional extension has been suggested to be possible by the funder for minor delays to be bridged.

Non-Competitive Procurement

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TH/sb



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Prepared by: Sean Botham,
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