

Update on New Affordable Housing Development Projects

EXECUTIVE SUMMARY

This report updates Administration's progress developing 97 affordable housing units on three sites in the communities of Crescent Heights, Kingsland and Parkdale. In order to meet the original goal of providing new affordable housing units, on a variety of sites, within a modest development budget, Administration proposes a new design and parking concept, a reallocation of units amongst sites and the replacement of the Parkdale site with a new site in Wildwood.

ADMINISTRATION RECOMMENDATION(S)

That the Land and Asset Strategy Committee recommend that Council:

1. Approve the development of 16 units on 210 15 AVE NE (Crescent Heights);
2. Approve the development of 32 units on 6704 6 ST SW (Kingsland);
3. Approve the development of 48 units on 4012 Bow Trail SW (Wildwood);
4. Direct Administration to prepare a method of disposition for 3416 3 AVE NW (Parkdale) that includes the option of direct negotiation with Attainable Homes Calgary;
5. Approve redistribution of the \$21,691,526 remaining capital budget appropriation in the Office of Land Servicing & Housing's (OLSH) Program 489;
6. Approve the relinquishment of \$238,212 of capital budget appropriations from the Housing Capital Initiatives grant funding;
7. Approve the relinquishment of \$450,000 of commercial space capital budget;
8. Approve consolidation of the three projects as a single activity within OLSH's Program 489, approve the option to redistribute the funds amongst the three sites, as required; and
9. Request that the Recommendations, Report and Attachments remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the "Freedom of Information and Protection of Privacy Act" until the report is published in the Council Agenda.

RECOMMENDATION OF THE LAND AND ASSET STRATEGY COMMITTEE, 2014 MARCH 20:

That the Administration Recommendations 1-8 contained in Report LAS2014-11 be approved.

Excerpt from the Minutes of the 2014 March 20 Regular Meeting of the Land and Asset Strategy Committee:

"9. Request that the Recommendations, Report and Attachments remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the "Freedom of Information and Protection of Privacy Act" until the report is published in the Council Agenda."

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2011 September 19 Regular Meeting, Council approved LAS2011-60, Alternate Provincial Funding for Affordable Housing Projects to develop 97 units of affordable housing over three sites in Crescent Heights (27 units), Kingsland (45 units) and Parkdale (25 units).

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At the 2012 October 9 Regular Meeting, Council approved LAS2012-48, Proposed Change of Scope – City of Calgary Affordable Housing Direct Build Project, allocating \$450,000 from the Corporate Housing Reserve for construction of commercial space in Parkdale.

BACKGROUND

A design consultant was engaged to design buildings for all three sites that would satisfy the \$167,000 per unit construction budget; site specific planning requirements, including parking to bylaw requirements; Provincial and City accessibility and design requirements; and Calgary Housing Company operational best practices.

In February 2013, the Crescent Heights site received development permit approval and a construction tender was issued using the City Finance & Supply procurement process. Each of the three submissions received in response exceeded the construction budget, including contingency, by 65%. Significant scope reductions were identified, and numerous value engineering exercises were performed in an attempt to reduce construction costs. Adopting all recommendations would have still exceeded the construction budget by 35%. Given the design similarities between all three sites, construction costs were deemed unfeasible and the three projects were placed on hold. A comprehensive review of the entire development process was undertaken to identify entirely new options for developing the 97 units of affordable housing.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Investigation

The comprehensive review identified the following areas of concern:

- The competitive nature of the Provincial Housing Capital Initiatives program requires a successful funding request to reflect modest per unit development costs. The resulting City submission used aggressive cost parameters, and maximized the number of units per site;
- Limited funding and time to complete an adequate feasibility study led Administration to replicate cost parameters from two recent, successful, affordable housing acquisitions from motivated sellers. These inaccurately represented changing construction costs, and contributed to over-estimating the number of units feasible;
- Satisfying the parking bylaw required inclusion of two levels of underground parking, at a cost of one-third the construction budget;
- Commercial space requirements for Parkdale rendered the site uneconomical;
- Geotechnical studies revealed a high water table necessitating significant upgrades to footing size, foundation design, and extensive dewatering costs;
- Because The City is an owner-developer, more expensive design options were included to ensure long-term durability and minimize operational costs, costs not included in the funding request;
- Inadequate contingencies were included for the overall development budget;
- Design requirements for Provincial and City funded buildings require more stringent, and costly specifications and accessibility standards than required by the Alberta Building Code;
- Attempts to reduce future operational costs for Calgary Housing Company significantly increased costs; and

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- City procurement processes and standard conditions that are geared towards the construction of municipal infrastructure may limit the ability for smaller-scale firms with lower overhead and sub-trade costs to participate in construction tenders.

Alternatives

Four alternatives to satisfy the original development criteria were investigated.

1. Increase the budget, covering anticipated significant budget overruns from the Corporate Affordable Housing reserve. This would increase the municipal funding burden and per unit costs would significantly exceed industry standards.
2. Purchase 97 existing market units and repurpose them to affordable units. This would not increase the rental stock.
3. Abandon delivery of new units entirely and return provincial grant funds to the Province.
4. Develop a new design that would satisfy the original objectives and approved budget.

Alternative 4 would achieve the original objectives of providing new affordable housing units that would be indistinguishable from private sector developments, be feasible on a variety of sites, satisfy owner-developer building requirements and satisfy a modest development budget.

Analysis

The redesign resulted in a stacked townhouse design with surface parking that would:

- Increase the number of three bedroom family-size units from 2 to 24;
- Provide a replicable design viable for a variety of future sites and configurations;
- Satisfy the original construction budget, including an acceptable amount for contingency;
- Satisfy Area Redevelopment Plans and Community Redevelopment Guidelines;
- Require replacement of the Parkdale site with a new site in Wildwood;
- Remove the opportunity to pilot a residential/commercial mixed-use model in Parkdale;
- Change per unit allocations to 16 units on Crescent Heights, 32 units on Kingsland, no units on Parkdale and 48 units on Wildwood (balance from the original site designs); and
- Require a 50% per site parking relaxation that can be mitigated and justified by Crescent Heights and Kingsland parking studies, indicating a sufficient per unit ratio would be closer to 0.5 stalls per unit. Calgary Housing Company has committed to match tenant parking needs with available stalls so as to not contribute to any perceived on-street parking problem and Roads/Traffic/Calgary Parking Authority have committed to eliminating on-street parking permits for residents of the buildings.

Stakeholder Engagement, Research and Communication

- Crescent Heights and Kingsland Community Associations find the new designs and parking solutions acceptable;
- Community engagement for Wildwood and re-engagement for Parkdale will be required;
- CHC approves of the new designs, parking solution and additional three bedroom units;
- All Councillors on the Land & Asset Strategy Committee and representing the development sites were presented the design and parking proposals;
- The City's Transportation Department supports the proposed parking solution;
- The design consultant has re-designed at no additional cost; and

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- The designs and parking proposal were submitted to the Corporate Planning Applications Group for a pre-application review.

Strategic Alignment

Development of additional affordable housing units aligns with the Province's 10 Year Plan to End Homelessness. It also supports City sustainability principles that encourage strategic redevelopment within existing communities and incorporating green technology in new buildings. It aligns with Municipal Development Plan policies that encourage housing opportunities for low and moderate income households, varied community composition, and small-scale and family-oriented affordable housing in areas close to amenities.

Social, Environmental, Economic (External)

Social/Economic (External) -

Lower wage earners are a vital component of the economic development and sustainability of Calgary's economy. With a vacancy rate of less than 1% for rental housing, Calgary has a significant need for affordable housing.

Environmental

All three projects will be certified Built Green™ Silver.

Financial Capacity

Current and Future Operating Budget:

The proposed developments will follow Calgary Housing Company's existing, mixed-market rental model that allows the buildings to be operationally self sustaining.

Current and Future Capital Budget:

The original \$23,229,548 budget allocated a combination of Housing Capital Initiative, Block and Municipal Sustainability Initiative funding amongst the three projects. An additional \$450,000 of Corporate Housing Reserve funding was allocated to develop commercial space in the Parkdale development. Existing budgets will need to be realigned to reflect the new design and unit configuration. Site analysis and consultant work completed to date have been re-used in the development of the new design. Both the original configuration, including funds spent to date, and the proposed configuration are identified in Attachment 1.

In total, 96 new units will be constructed rather than the originally approved 97. The figures in Attachment 1 account for relinquishing \$238,212 of capital budget to the Province (for the one unit no longer being developed) and the \$450,000 in commercial space funding for the Parkdale site to the Corporate Housing Reserve. The remaining \$21,691,526 from the previously approved capital budget appropriation in OLSH's Program 489 would be re-allocated as outlined in the proposed configuration in Attachment 1.

Administration is recommending that the three projects be recognized as a single development within OLSH's Program 489 to provide the option to reallocate funds amongst projects, as required to satisfy individual project budgets. This accounts for the unequal distribution of funds spent to date and the potential for construction costs increases during the community

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engagement period for Wildwood. Individual project budgets, including amounts spent to date, would continue to be tracked.

The revised budget for the new design allocates 15% to construction contingency and a further 10% to the overall project contingency. A Class C construction cost estimate based upon the new design confirms funding feasibility within the revised combined budget

Reallocating units to the Wildwood site would free up the Parkdale site for disposition, with proceeds covering the acquisition cost of the Wildwood site.

Capital expenditure projections would be reallocated to \$3,144,322 in 2014, \$11,924,646 in 2015 and \$6,622,558 in 2016.

Risk Assessment

Successful implementation of the proposed concept is contingent on a number of factors:

- Council approval to use the Wildwood site as well as to realign previously allocated funds;
- Provincial approval to realign funds amongst projects. Disapproval could result in the loss of all grant funds and no new units being developed. Potentially, The City's reputation of delivering units once funds have been committed could be damaged;
- 2014 construction starts for Crescent Heights and Kingsland, to lower the risk of further construction cost escalations exceeding construction budgets. Planning approvals will be required in a timely manner; and
- Community support in Wildwood for the land use redesignation, proposed design and parking solution.

REASON(S) FOR RECOMMENDATION(S):

Administration's recommended approach satisfies the key aspects of the original affordable housing development proposal, creates a design option that can be replicated on new sites and includes acceptable contingencies for both the construction and project budgets. Completion of all three projects would expand The City's existing affordable housing stock and significantly increase the number of three-bedroom family oriented units. Reallocation of the funding amounts will increase Administration's ability to satisfy the original individual project budgets.

ATTACHMENT(S)

1. Original and Proposed Budgets and Funding Sources
2. Crescent Heights Site Map
3. Kingsland Site Map
4. Parkdale Site Map
5. Wildwood Site Map