



Office of the Commissioner  
Community and Health Services Department

## MEMORANDUM

To: Members of Committee of the Whole

From: Katherine Chislett  
Commissioner of Community and Health Services

Date: February 21, 2019

Re: Markham Inter-Church Committee for Affordable Housing Update

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This memorandum provides an update on the Markham Inter-Church Committee for Affordable Housing (MICAH) project at 18 Water Street in the City of Markham. This project is dependent upon Federal/Provincial Investment in Affordable Housing Extension (IAH-E) funding.

### Key Points:

- In its role as service system manager for housing, the Region has allocated \$4.8 million in Federal/Provincial Investment in Affordable Housing Funding to the MICAH project
- In 2018, MICAH encountered significant price increases that risked the project's viability
- MICAH has demonstrated the project viability and is now proceeding with a new contractor
- Construction has started and the Region has issued the first payment of IAH-E funds to MICAH

### **MICAH entered into a \$4.8 million Contribution Agreement under Federal/Provincial Investment in Affordable Housing Extension program**

In [September 2016](#) in its role as service system manager for housing, Council authorized execution of a \$4.8 million Contribution Agreement under the Investment in Affordable Housing Extension program to facilitate development of a 32-unit affordable rental apartment building in Markham.

MICAH had engaged an affordable housing consultant and, through a competitive process, procured a design-builder. This team had worked to achieve development approvals from the City of Markham on their design in the spring of 2018.

MICAH chose to wait to execute their agreement with the design-builder until the design was finalized and their mortgage secured. As a result of the delay, the design-builder exercised their right to increase the project price to reflect market rates related to trades and suppliers.

In June 2018, the design-builder advised MICAH there would be a significant increase in construction costs due to changes from the original design submitted and increased market rates related to trades and suppliers.

### **MICAH was required to demonstrate financial viability by October 31, 2018 to avoid termination of the Contribution Agreement**

As reported to Council in [September 2018](#), the project was at risk due to project price increases from MICAH's design-builder. The proposed cost increases exceeded project contingencies and could not be absorbed.

MICAH was given until October 31, 2018, to demonstrate viability of the project. Key conditions of the Contribution Agreement that needed to be met included securing a new contractor at a feasible price, confirmation that all sources of funding are secured, and demonstrating financial viability of the project.

### **MICAH demonstrated compliance with the Contribution Agreement and revised viable project financials**

Since September 2018, MICAH has worked diligently to keep the project viable. MICAH has negotiated a fixed price contract with a new contractor at market value. The price is financially feasible, as are project timelines.

### **MICAH has received IAH-E funds and the project is under construction**

IAH-E rules permit transference of the first 50 per cent payment upon start of construction. The new contractor has been working with MICAH, the project is underway, and IAH-E funds have been transferred.

The next payment milestone of 40 per cent of the funds allocated to this project will be transferred when structural framing is completed, and the remaining 10 per cent is payable upon occupancy of the building. Construction completion and occupancy is anticipated later this year.

MICAH was allocated \$4.8 million in IAH-E funds for the 18 Water Street project. IAH-E allocations are 100 per cent funded from the Federal/Provincial Investment in Affordable Housing Extension program and have no tax levy impact. As the project is owned by MICAH, it

is considered a flow-through in the Region's operating budget. With completion of the first project milestone, \$2.4 million of IAH-E funds have been transferred to MICAH.

With one of the lowest vacancy rates in Ontario, there is significant demand for affordable rental housing in York Region, especially in the southern municipalities. The MICAH project, when completed, will provide 32 new units of affordable housing in the City of Markham.

To summarize, MICAH was able to arrive at a financially viable agreement with a new contractor and satisfied the conditions of the Contribution Agreement with the Region to proceed with the project. The IAH-E funds were processed as originally approved. Staff will continue to monitor the project and work with MICAH to meet IAH-E program milestones and project completion.

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Katherine Chislett  
Commissioner of Community and Health Services

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