



Staff Report for Committee of the Whole Meeting

Date of Meeting: April 3, 2024

Report Number: SRCM.24.03

Department: Office of the City Manager
Division: Strategy and Transformation

Subject: **SRCM.24.03 Housing Enabling Water Systems Fund**

Purpose:

The purpose of this report is to seek Council approval to submit an application for funding to the Housing Enabling Water Systems Fund (Ontario Ministry of Infrastructure), including approval of capital funding for the Arnold Crescent, Highland Lane and Elizabeth Street Road Reconstruction project not covered by the grant should the City's application be successful.

Recommendation(s):

- a) That the City's submission of an application to the Housing Enabling Water Systems Fund as outlined in SRCM.24.03 be endorsed; and
- b) That should the City's Housing Enabling Water Systems Fund grant application be successful, Council approve:
 - i. \$200,000 budget increase to the existing Arnold Crescent, Highland Court and Elizabeth Street Road Reconstruction Design project for additional wastewater and stormwater infrastructure, and intersection upgrades as outlined in this report, with approximately \$95,000 to be funded from the Provincial Housing Enabling Water Systems Fund, and the remaining City portion to be funded from appropriate funding sources as determined by the Treasurer, including Development Charges, Transportation Network R&R, Sanitary Sewer R&R, and Watermain R&R reserve funds;
 - ii. \$13.70M budget be established for the Arnold Crescent, Highland Court and Elizabeth Street Road Reconstruction Construction project, with approximately \$2.73M to be funded from the Provincial Housing Enabling Water Systems Fund, and the remaining City portion to be funded from appropriate funding sources as determined by the Treasurer, including Development Charges, Transportation Network R&R, Sanitary Sewer R&R, and Watermain R&R reserve funds.

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Report Approval:

Submitted by: Anthony Iannucci, Chief Transformation Officer

Approved by: Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Background:

In the 2023 fall economic statement the Province of Ontario announced the Housing Enabling Water Systems Fund (HEWS). This program will invest \$200 million over three years in the expansion, repair and rehabilitation of core water, wastewater, and stormwater projects to unlock more housing opportunities, support the province's growing population, protect communities, and enhance economic growth.

The HEWS fund was formally launched on January 29, 2024 by the Ontario Ministry of Infrastructure. This grant fund program aims to support water system infrastructure projects (e.g. drinking water, stormwater, wastewater assets) that will enable new housing development. It has been designed to complement the Ministry of Municipal Affairs and Housing Building Faster Fund (BFF) to assist municipalities in meeting housing targets set out by the Provincial Housing Pledge. Importantly, the HEWS in its existing format is a one-time funding opportunity, that will provide funding for a single project/application per municipality. The HEWS fund is not a long-term funding source. It will not offset lost development charge revenue resulting from numerous changes to provincial development charge legislation over the last several years, but rather, as the guidelines set out, will support one specific project that enables residential development.

This competitive grant will provide funding of up to 73% of eligible design and construction project costs for one primary infrastructure project that will directly enable housing development. Eligible projects must already be in the planning or design phase and be completed no later than March 31, 2027. The deadline for applications is April 19, 2024.

The HEWS fund requires that the City demonstrate how the proposed infrastructure will help to directly facilitate new housing development, including the identification of specific housing development applications that are already underway for which the infrastructure is needed. Staff have reviewed all guideline requirements and identified a portion of water system infrastructure works within the Arnold Crescent, Highland Lane and Elizabeth Street Road Reconstruction project ("the project") as the best suited project candidate for this funding opportunity.

While Council endorsement is not an explicit HEWS grant application requirement, should the project be approved for grant funding, the City is committing to securing the necessary capital financing for the remaining portion of project costs not covered by the grant. In accordance with the Capital Budget Financial Monitoring Policy, Council approval is required to proceed with the submission of applications for funding when the City's portion of the cost exceeds \$500,000 and the project has not received capital budget approval.

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The project includes both state-of-good-repair and growth-related components that will unlock more housing opportunities.

The City's capital infrastructure planning and delivery includes both state-of-good-repair and growth-related projects. State-of-good-repair projects are investments in existing capital assets to maintain their current function or life span, such as the rehabilitation of a road. Growth-related projects are investments in new or existing infrastructure that will benefit current and future residents, such as upgrading the size of a watermain to enable increased service capacity for future housing development needs.

As the City's infrastructure delivery approach evolves to meet our community needs within a context of fiscal restraint, the Arnold Crescent, Highland Lane and Elizabeth Street Road Reconstruction includes work that spans both state-of-good-repair (replacement) components and growth related (enhancement) components. Consistent with the City's general approach to road reconstruction projects that maximizes cost efficiencies and minimizes resident disruption, the scope of work includes underground infrastructure work in addition to the surface level road reconstruction and improvements.

In the 2023 Capital Budget, Council approved \$890,000 to complete the design component for Arnold Crescent, Highland Lane and Elizabeth Street Road Reconstructions. These projects are being delivered within a single project scope due to their close proximity and connected infrastructure systems. The City is currently in the process of detailed design for the reconstruction of the following specific areas:

1. Arnold Crescent from Major Mackenzie Drive West to Yonge Street
2. Highland Lane from Arnold Crescent to the Cul-de-Sac
3. Elizabeth Street from Arnold Crescent to Richmond Street

In accordance with the City's standard for road reconstruction projects, the scope of work for this project includes reconstruction of the roads to urban standards with new asphalt pavement, curbs, gutters, sidewalks and storm sewers, along with watermain and wastewater replacement/enhancement, and streetlight improvements, as appropriate.

The full scope of the project is not eligible for the Housing Enabling Water Systems Fund. As noted above, this grant fund specifically provides funding for housing enabling water system infrastructure only. While the grant application will be assessed on various criteria points, the emphasis of this fund is to support projects that have an immediate and demonstrable impact to the housing supply in our community. The application requires that the City provide the amount of net new units that may be enabled by the infrastructure project, including details on the status of corresponding development applications that are already underway for the serviced area.

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Staff have identified growth-related infrastructure upgrades within the larger project scope that are required to enable servicing for anticipated housing development on the northwest corner of Major Mackenzie Drive West and Arnold Crescent. The City is currently reviewing Official Plan and Zoning By-law Amendment applications concerning a residential development that proposes approximately 518 dwelling units on these lands (City Files D01-20014 and D02-20028). While these development applications have not yet been considered by Council for approval, the growth-related infrastructure outlined in this report will be generally required for any future housing development on these lands. The scope of work for this project abuts/crosses Major Mackenzie Drive West, identified as a local corridor by the City's Official Plan. This infrastructure directly supports the City's work related to meeting housing targets set out by the Provincial Housing Pledge, as the City continues to direct intensification to its centres and corridors.

As Richmond Hill works to facilitate more homes and housing options in our community, the growth-related components of underground infrastructure work included in this project (watermain, stormwater and wastewater assets) directly enable the servicing needs of an area of land for which the City anticipates a housing development application will be contemplated. As such, this portion of the project aligns directly with the HEWS grant requirements and priorities.

Project Scope and Potential Funding

In consideration of the HEWS funding requirements, staff are recommending that the existing project scope be expanded to include an upgrade to stormwater infrastructure on Arnold Crescent, and wastewater infrastructure south of Major Mackenzie Drive West. Staff have confirmed with the Region of York that they support this work in principle and will not object to the City working within the regional roadway to complete required works.

The need for wastewater and stormwater infrastructure upgrades, along with surface level intersection upgrades, have been identified as the current development applications on this site have progressed toward a site plan application. Importantly, should the City elect to not complete this additional work as part of the road reconstruction project that is currently underway, a developer looking to build housing on this site would be required to build the necessary servicing infrastructure. This would result in significant disruption to the neighbourhood and throw away costs, as some of the new infrastructure installed through the road reconstruction project would have to be removed and replaced by the developer. To minimize resident disruption, and maximize the City's capital budget investment, it is most efficient for the City to complete the additional wastewater, stormwater and intersection work as part of a broader reconstruction of the area. Staff will negotiate appropriate cost recoveries from the owner of this property for completing these upgrades. Additionally, as the HEWS fund seeks to directly assist municipalities in providing water system infrastructure required for new housing, the inclusion of this necessary growth-related servicing infrastructure

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ensures the project is eligible for funding. The expanded project scope will result in a project that directly enables housing development along a local corridor, and moreover maximizes the potential amount of funding available through the HEWS grant opportunity.

Financial/Staffing/Other Implications:

In support of enabling and accelerating the delivery of housing in our City and to best meet the Housing Enabling Water Systems Fund requirements, additional design and construction work must be completed to accommodate the expanded scope of the wastewater, stormwater and intersection upgrades. In response to the HEWS funding opportunity, staff have prepared an updated project budget.

Contingent upon a successful Housing Enabling Water Systems Fund grant application, staff recommend that Council approve a further budget of \$13,900,000 towards the design and construction of eligible (\$3,880,000) and related ineligible (\$10,020,000) project costs. This approval is requested in advance of the typical annual capital budget process. If successful, the potential HEWS funding will be approximately \$2,832,000.

The additional funding was projected in the 2024 Capital Budget and Forecast, for \$10,110,000 in 2025. The budget requested in advance of the 2025 Budget process is relatively higher due to the expanded scope of work as well as updated cost estimates. The table below sets out the total estimated project budget, identifying the potential HEWS funding amount and the residual City funding contribution required that will be submitted in the HEWS grant fund application.

Additional Budget Requested in Advance of the Budget Process

Cost Category	2023 Approved Budget	Additional Budget Requested	Total Project Budget	Potential HEWS Funding Amount	City Funding Contribution
Design	\$890,000	\$200,000	\$1,090,000	\$95,000	\$995,000
Construction	\$-	\$13,700,000	\$13,700,000	\$2,737,000	\$10,963,000
Total	\$890,000	\$13,900,000	\$14,790,000	\$2,832,000	\$11,958,000

In order to submit an application for funding to the HEWS grant program, Richmond Hill must commit the City portion of the project costs. Staff are requesting that Council approve the following capital funding sources contingent on a successful Housing Enabling Water Systems Fund grant application:

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- For the Arnold Crescent, Highland Court and Elizabeth Street Road Reconstruction Design Budget, a \$200,000 increase to the existing capital budget (2023) of \$890,000 to complete design works for additional wastewater infrastructure and intersection upgrades as outlined in this report, with approximately \$95,000 of this amount to be funded from the Provincial Housing Enabling Water Systems Fund, and the remaining City portion to be funded from appropriate funding sources as determined by the Treasurer, including Development Charges reserve funds, Transportation Network R&R reserve fund, Sanitary Sewer R&R reserve fund, and Watermain R&R reserve fund.
- For the Arnold Crescent, Highland Court and Elizabeth Street Road Reconstruction Construction Budget, a new capital budget approval of \$13.70M, with approximately \$2.73M to be funded from the Provincial Housing Enabling Water Systems Fund, and the remaining City portion to be funded from appropriate funding sources as determined by the Treasurer, including Development Charges reserve funds, Transportation Network R&R reserve fund, Sanitary Sewer R&R reserve fund, and Watermain R&R reserve fund.

Importantly, this approval is contingent on Richmond Hill being awarded HEWS grant funding. In the event that the grant application is unsuccessful, no funds will be advanced and capital budget allocations for this project will be requested through the normal capital budget process.

Relationship to the Strategic Plan:

This report aligns with Pillar 1 Building a Livable, Sustainable Community, Priority 1: Manage growth in a way that enables choice and connection for the City, its residents and businesses now and in the future, including supporting increased housing options and building infrastructure to support this.

It also aligns with Pillar 3 Strengthening Our Foundations, Priority 1: Make decisions that are evidence based and data driven to enable the City's long term financial sustainability, as well as social, environmental and economic sustainability. Identifying grant funding opportunities supports financial sustainability, as does incorporating best practices in asset management planning in our capital investments.

Climate Change Considerations:

Enhancing the City's water, wastewater and stormwater infrastructure supports climate change adaptation. Climate change is expected to increase the amount and intensity of rainfall in the future, and the City's systems will need to have enough capacity to handle this change. Wastewater and stormwater systems are particularly vulnerable to more extreme rainfall events, and upgrading the infrastructure will increase the overall resiliency of these assets and the area they service. In addition, new stormwater infrastructure within Richmond Hill is designed using a rainfall distribution that takes into account climate projections to 2050.

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Conclusion:

The City of Richmond Hill is committed to taking action to enable and facilitate housing. In early 2024, the Province of Ontario launched the Housing Enabling Water Systems Fund (HEWS). Upon review of funding requirements and priorities, staff recommend submitting an application for funding for growth-related infrastructure work being completed as part of the Arnold Crescent, Highland Lane and Elizabeth Street Road Reconstruction project. In support of accelerating residential development along a local corridor, and to maximize the HEWS funding opportunity, Council approval is required to expand the scope of this project and to commit the City's portion of the project budget should the HEWS request for funding be successful.

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Report Approval Details

Document Title:	SRCM.24.03 Housing Enabling Water Systems Fund.docx
Attachments:	
Final Approval Date:	Mar 26, 2024

This report and all of its attachments were approved and signed as outlined below:

Anthony Iannucci - Mar 25, 2024 - 3:33 PM

Gigi Li - Mar 25, 2024 - 3:37 PM

Darlene Joslin - Mar 26, 2024 - 8:44 AM