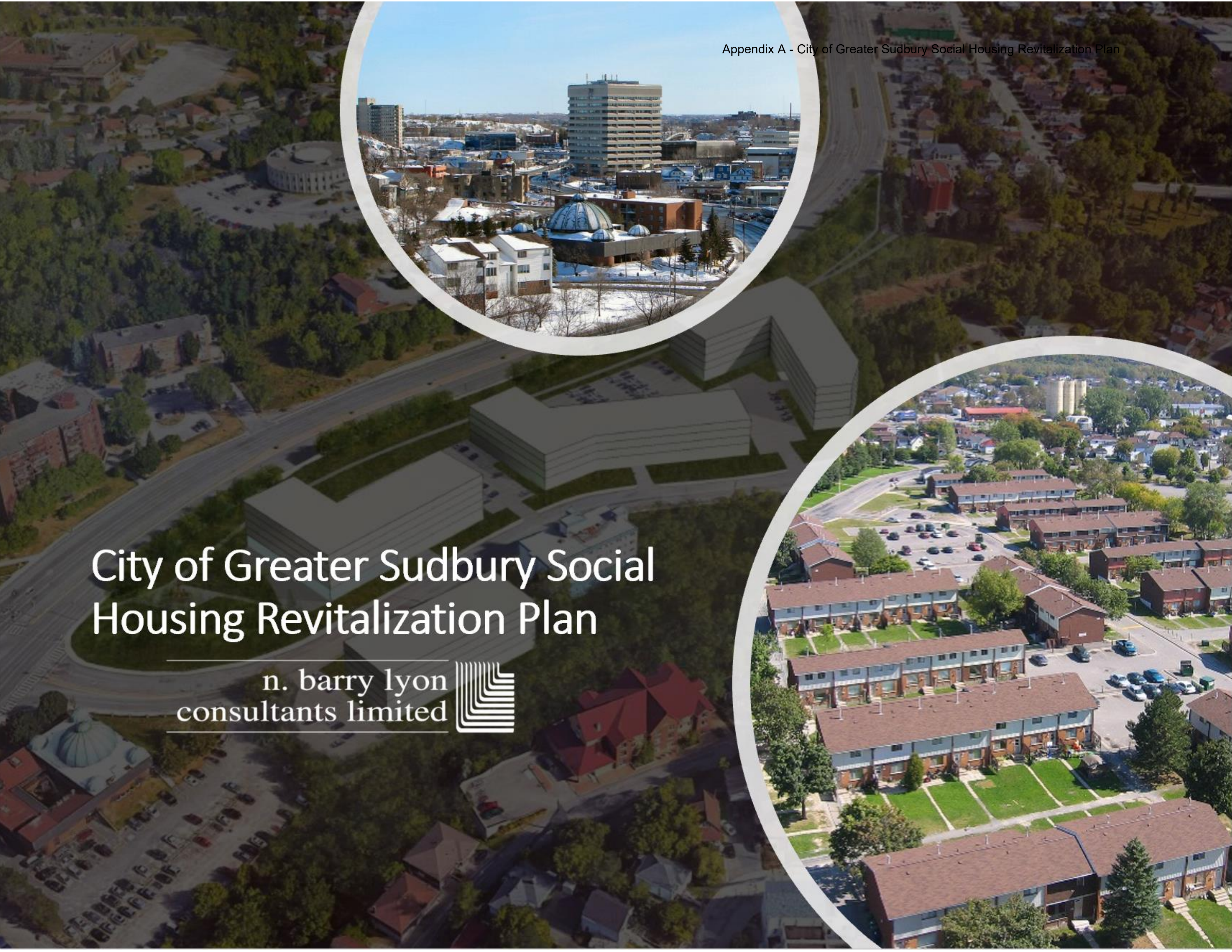

City of Greater Sudbury Social Housing Revitalization Plan

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City of Greater Sudbury:

Social Housing Revitalization Plan

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Executive Summary

The City of Greater Sudbury's social housing stock is currently facing a number of challenges that are in need of attention:

- The housing stock relies on significant operating and capital subsidies from the City. Without revitalization, the requirement for municipal funding will increase looking forward.
- The social housing stock does not align with current or projected demand from tenants. This mismatch is significant and results in the portfolio not meeting the needs of the City's most vulnerable households.
- There is not enough social housing in the City, as indicated by the lengthy wait list with over 1,000 households waiting as of Q1 2018. Many applicants will wait over four years prior to be housed.
- In many cases, the social housing stock is concentrated and/or segregated within low-income communities.
- Given the age of the social housing stock and limited capital funding, tenants have consistently reported poor building and living conditions.
- Some social housing units require substantial capital investments to remain fit for occupancy. Some units are also reaching the end of their useful life and/or are no longer useful components of the housing portfolio.
- In addition to base capital repairs, many mechanical components of buildings are outdated and inefficient. This results in high operating costs and capital expenditures on out-dated equipment.
- There are accessibility issues with the current housing stock, which will become an increasingly prominent issue as the City's population continues to age.
- There are minimal social services or other community services/spaces for tenants.

The City of Greater Sudbury's social housing stock requires a considerable financial commitment from the City to remain in operation. Currently, this housing stock costs the City over $10 million in annual operating and capital subsidies. This amount is projected to triple over the next twenty years if things remain status quo. It is important to note that this considerable financial commitment is required to operate and maintain the housing stock as it currently exists. It will not result in any major improvement to the housing stock, the living environment of tenants, or the long wait list for social housing

N. Barry Lyon Consultants Limited ("NBLC") has been retained by the City of Greater Sudbury to develop a Social Housing Revitalization Plan that aims to develop a range of strategies to revitalize and optimize the aging social housing stock. Strategies range from disposing of units that no longer service core needs, building new housing, addressing status quo funding and operational issues, implementing more strategic capital planning practices, planning for targeted site-specific interventions, and many others.

While revitalization efforts can be expensive when viewed in isolation, these expenses must be weighed against the costs of inaction that are highlighted in this report. Revitalizing the housing stock will work to reverse the financial unsustainability of the housing stock while also addressing many of the other issues currently plaguing the portfolio. Maintaining the status quo will perpetuate current conditions while also commanding significant financial resources from the City of Greater Sudbury.

1.0 Introduction

N. Barry Lyon Consultants Limited ("NBLC") has been retained by the City of Greater Sudbury to develop a Social Housing Revitalization Plan, which aims to develop a range of strategies designed to revitalize and optimize the aging social housing stock.

The City of Greater Sudbury has over of 4,700 social housing units within its funding and administrative envelope. These social housing units provide affordable housing to some of the most vulnerable households in the City. The social housing stock is comprised of a number of rent geared-to-income ("RGI") and low end of market ("LEM") housing, which is owned and operated by the City of Greater Sudbury as well as other non-profit and cooperative housing providers. The social housing stock is relatively old and was largely built between 1950 and 1993; the stock owned by the City was constructed 40 to 55 years ago.

A comparatively small amount of affordable housing has also been constructed since the 1990s, however this housing typically targets a shallower depth of affordability and has been deployed by both non-profit and market developers with the support of capital funding from local and senior levels of government. This housing is often referred to as housing at a proportion of Average Market Rent ("AMR"). The AMR of an area is determined by the Canadian Mortgage and Housing Corporation's annual market report for municipalities/ centres across the Province.

Figure 1 provides an illustration of the City of Greater Sudbury's social housing stock and the context/focus of this report.

1.1 Why Revitalization

The aging social housing stock is currently facing a number of challenges that require immediate attention. The following are some of the most pertinent issues impacting the housing portfolio, which are expanded on in Chapter 3 *"The Need for Revitalization"* later in this report:

- The housing stock relies on significant operating and capital subsidies from the City. Without revitalization, the requirement for municipal funding will increase looking forward.
- The social housing stock does not align with current or projected demand from tenants. This mismatch is

significant and results in the portfolio not meeting the needs of the City's most vulnerable.

- There is not enough social housing in the City, as indicated by the lengthy wait list with over 1,000 households waiting as of Q1 2018.
- In many cases, the social housing stock is concentrated and/or segregated within low-income communities.
- Given the age of the social housing stock and limited capital funding, tenants have reported poor building and living conditions.
- Some social housing units require significant capital investments to remain fit for occupancy. Some units are also reaching the end of their useful life and/or are no longer useful components of the housing portfolio.
- In addition to base capital repairs, many mechanical components of buildings are outdated and inefficient. This results in high operating costs and capital expenditures on out-dated equipment.
- There are accessibility issues with the current housing stock, which will become an increasingly prominent issue as the City's population continues to age.
- There are not enough social services or other community services/spaces for tenants.

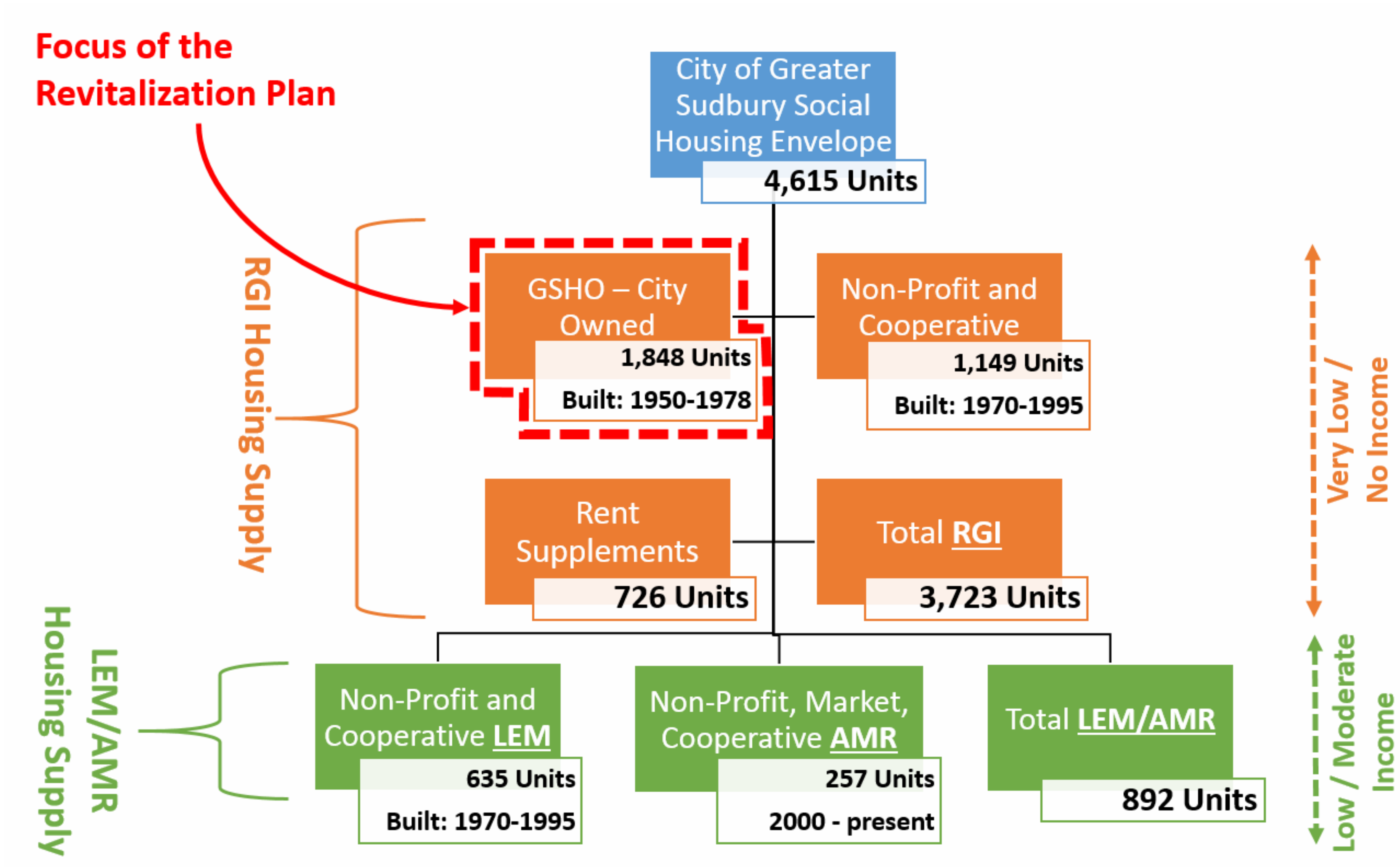
These challenges are impacting the ability of the housing stock to meet the needs of the City's most vulnerable and require targeted revitalization strategies.

1.2 Focus of the Revitalization Plan

This Revitalization Plan focuses on the social housing stock that is operated and maintained by the City of Greater Sudbury. Until recently, the Greater Sudbury Housing Corporation was responsible for the administration and operation of this portfolio on the City's behalf. However, Council passed a resolution in September 2018 to transfer the administration and operational components of this housing portfolio to the City. The City division responsible for this portfolio is now referred to as the City of Greater Sudbury Housing Operations ("GSHO").

The GSHO operates approximately 1,848 of the social housing units in the City, which are all RGI. In addition to the financial and administrative responsibility of this housing stock, the City also influences and ultimately controls the decision-making process and any resulting outcomes of this housing program.

Figure 1: Social Housing Envelope in Greater Sudbury



While the other social housing units remain under the City's administrative and funding envelope (see **Figure 1**) and are important components of the housing continuum, they are owned by private non-profit and cooperative housing providers. The City can therefore influence, but not directly make decisions, on behalf of these housing providers.

The goal of this Revitalization Plan is to offer a roadmap to help rectify the issues that currently plague the housing portfolio. The Plan will identify a number of revitalization strategies for the City's consideration along with a business case and implementation plan.

2.0 Background

Greater Sudbury Housing Operations (GSHO)

The GSHO is a City division that is responsible for operating approximately 1,848 of the social housing units in the City, making them the single largest landlord of affordable housing in Greater Sudbury.

The GSHO staff are responsible for operating and managing the assets of the Greater Sudbury Housing Corporation, which was the City's Local Housing Corporation. Local Housing Corporations were established across Ontario when the Province downloaded the social housing portfolio to municipalities in December 2000 under the Social Housing Reform Act. The GSHO housing stock ranges from 1 bedroom high-rise apartments to multi-bedroom single-family homes. The entire housing portfolio is rent-geared-to-income (RGI).

In addition to these "brick and mortar" assets, the GSHO also manages a rent supplement program, which provides funding to secure agreements with private landlords to house tenants from the social housing wait list. Rent supplements effectively cover the difference between market rents and the calculated RGI rent of a specific tenant. Rent supplements are advantageous in that they provide affordable housing in the private rental market, therefore negating the need for the City to own, operate, and maintain housing.

The GSHO Housing Portfolio

The GSHO portfolio consists of the following:

GSHO Housing Portfolio					
Unit Type	High-Rise Apartment	Walk-Up Apartment	Townhome	Scattered Homes	Total
Bachelor	30	8	0	0	38
1 Bedroom	570	170	0	0	740
2 Bedroom	154	86	109	4	353
3 Bedroom	12	30	292	176	510
4 Bedroom	0	0	117	44	161
5 Bedroom	0	0	29	17	46
Total	**766**	**294**	**547**	**241**	**1,848**

Approximately 40% of the housing stock is in high-rise buildings, which includes buildings over five-storeys in height with elevator access. Walk-up apartments make up 16% of the housing stock and are buildings below four-storeys with no elevator access.

GSHO Properties Clockwise from Top Left: Scattered Home in New Sudbury; High-Rise Apartment at 720 Bruce Street in the Cambrian Heights Neighbourhood; Townhome Complex (Ryan Heights) on Bruce Street in the Cambrian Heights Neighbourhood; Walk-Up Apartment on Louis Street in Downtown Sudbury;

Multi-bedroom townhomes and scattered units are 30% and 13% of the GSHO housing portfolio respectively.

The City's Relationship with the GSHO Housing Stock

As sole shareholder and Service Manager, the City is responsible for adequately funding the GSHO housing stock as per the Housing Services Act, 2011 (HSA). Adequate funding includes an annual operating subsidy to ensure the GSHO can cover the costs associated with running the housing portfolio. Given the low rental revenue the GSHO collects, which is due to the 100% RGI asset base (see RGI discussion to follow), operating costs will exceed portfolio revenues. An annual operating subsidy is therefore required for the GSHO to effectively break-even.

The City is also responsible for providing adequate capital funding to the GSHO portfolio. Given the limited revenue stream, the GSHO is not able to self-fund capital maintenance like a private landlord would. Instead, the City must provide the GSHO funding to undertake minor renovations, general maintenance, as well as large capital projects.

In 2017, the GSHO portfolio received a subsidy of $10.26 million from the City of Greater Sudbury for operating and capital expenses, which was 22% higher than the subsidy received in 2013. This subsidy amount will continue to increase year-over-year.

In addition to funding and operational responsibility, City Council also acts as the Board of Directors for these assets. The City therefore directly controls virtually every aspect and outcome of this housing program.

What is Rent Geared to Income Housing?

Rent Geared to Income (RGI) housing refers to rents set at 30% of a household's total gross monthly income. As a simple example, if a household earns $1,000 in a month, their rent would be calculated at $300 (actual calculation of RGI requires additional considerations as per the methodology set out in the HSA).

Notwithstanding the above, if a tenant is unemployed and receives social assistance (e.g. Ontario Works, Ontario Disability Support Program), the rent they will ultimately pay is based on the rent scales found in the HSA. These rent scales can significantly reduce the rents collected by the GSHO, as illustrated in the example on the following page. The average rent collected by the GSHO across their entire housing portfolio is approximately $300 per month.

A single person (in need of a one-bedroom unit) who receives Ontario Works assistance could collect a maximum of $376 for shelter costs. However, the HSA limits this amount to only $85 if the tenant is housed by any social housing provider. In this case, a tenant on social assistance would pay as little as $85 per month for a one-bedroom unit operated by the GSHO.

How is RGI Different from "Affordable" or "Market" Housing?

The definition of affordability is broad and is often a relative term that can assume many different definitions depending on the context. Questions such as "affordable for whom" are critical, as affordable housing options should be available to a broad range of household types such as those on social assistance, individuals with mental and physical disabilities, those who struggle with chronic or temporary homelessness, low and moderate income households that struggle to afford market housing, young people and students, single parents, and many others.

Given this broad perspective of affordability, the term "affordable housing" is often spoken of and referred to in a general sense. It is therefore important to fully understand the spectrum of affordable housing within the context of this Regeneration Plan.

RGI can be considered the lowest "peg" on the affordability spectrum, as temporary options such as shelters or transitional housing remain the only other safeguards for individuals before they become homeless. As noted previously, RGI rents are very low and often are as little as $85 per month for a one-bedroom unit.

The next affordability level would be Low End of Market ("LEM") housing supplied through cooperative and non-profit housing providers. Similar to the GSHO portfolio, many of these LEM housing providers supply RGI housing and receive ongoing operating and capital subsidies from the City. However, these groups also provide housing at LEM rates, which in Greater Sudbury averaged around $688 for a one-bedroom suite in 2017. Relative to RGI housing, LEM therefore targets households that are higher on the socio-economic spectrum.

The Canadian Mortgage and Housing Corporation ("CMHC") notes that the Average Market Rent ("AMR") in Greater Sudbury is $970 for all rental apartments and $848 for a one-bedroom suite in 2017. It is important to note that the AMR reported by CMHC captures the entire rent roll of all tenants in a building and is not therefore reflective of the rent a tenant would pay for a newly advertised unit. The rent charged by the private market often exceeds the AMR noted by CMHC. 80%-100% of AMR is therefore often cited as a mid-range affordability level that targets households higher on the socio-economic spectrum relative to LEM and especially RGI housing. This depth of affordability often requires an upfront capital contribution to be viable, but does not require long-term annual operating and capital subsidies.

Finally, market housing is the price of housing as determined by the private rental market. Rents are influenced by demand characteristics, growth in the rental supply, the quality of the rental supply, the vacancy rate, and factors such as population growth and socioeconomic shifts.

NBLC's rental survey of the City of Greater Sudbury showed that rents in the older housing stock ranged from around $775 to $1,000 for a one-bedroom apartment. One-bedroom apartments that had been recently renovated were securing leases as high as $1,200 per month, and rents were as high as $1,900 for the limited number of new one-bedroom apartments constructed in recent years.

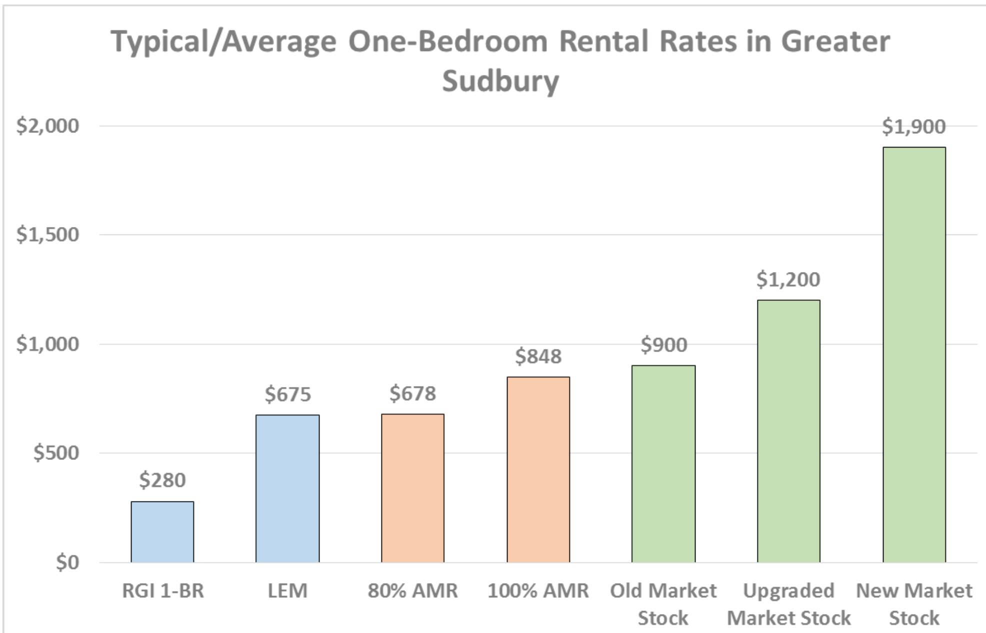
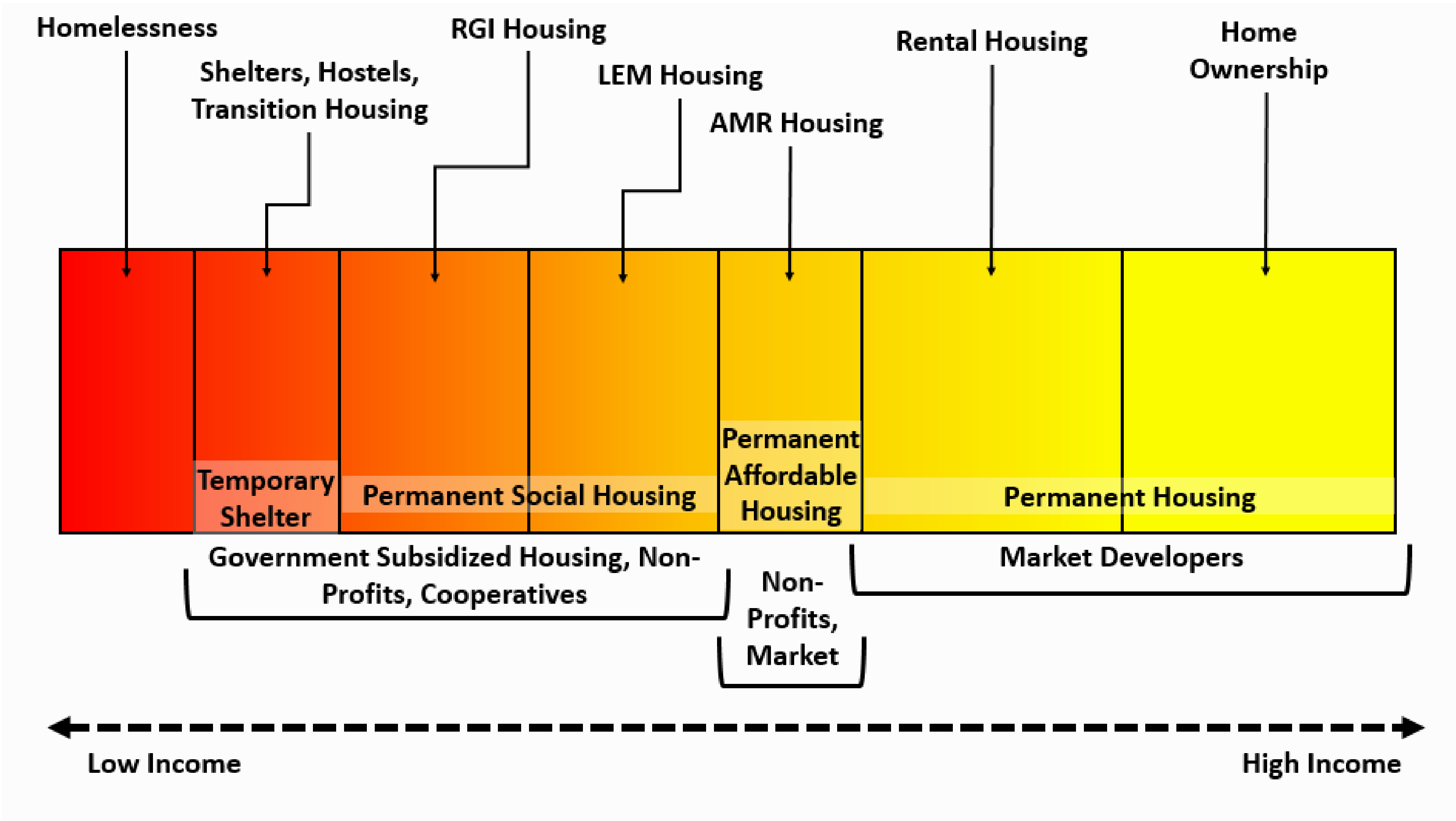


Figure 2: The Housing Continuum



Source: NBLC

Who Does the GSHO Typically House?

The characteristics of tenants housed within social housing have evolved since its creation in the 1960s and 1970s. The housing stock was originally intended to accommodate a high proportion of households with low to moderate incomes and a broad range of singles, couples, and families. Today, the GSHO social housing stock is more frequently servicing those with high needs.

The GSHO reports that nearly 60% of tenants currently living in the RGI social housing stock are on some form of social assistance (OW/ODSP). Further, only 21% currently have an income either through employment or employment insurance benefits (the remaining tenants receive pension benefits). This characteristic is responsible for the very low revenues collected by the GSHO, which have been static over the last several years (revenue from rent has increased by less than 1% between 2013 and 2017). Additionally, the demand for social housing now overwhelmingly favours single occupant households or couples without dependants, which is driving demand for one-bedroom units and weaker demand for family sized units.

The GSHO also accommodates a growing number of vulnerable tenants with special needs. This includes tenants without income, individuals with physical and mental health issues, those who frequently experience chronic homelessness, Aboriginal/First Nation/Metis populations, and many others. Due to this shift in tenant characteristics, housing providers are finding it difficult to cope with the growing number of tenants with special needs due to a lack of training and also a lack of support services for tenants[1].

These shifting tenant characteristics also result in higher tenant turnover, damage to units and evictions, which causes revenue loss and greater maintenance/ move out costs for the GSHO. The concentration and segregation of social housing in a community can also result in poor living conditions, stigmatized communities, and unsafe urban environments. Concentrated and identifiable affordable housing is prevalent in communities across Ontario, including Greater Sudbury.

The City of Greater Sudbury's population has been aging and is projected to continue to age to 2036 and beyond. While less than 20% of the GSHO's tenants are currently over the age of 65, this is expected to increase looking forward given the demographic projections.

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[1] As reported by the North East Local Health Integration Network Housing with Health Supports Strategic Plan 2016-2019.

Notwithstanding this commentary, the GSHO does still house some low/moderate income families, couples, and singles.

The Legislative Context

The social housing stock is subject to the HSA, which came into force in 2012 after replacing the Social Housing Reform Act that came into force in 2000. The Province of Ontario passed the Act to delegate the financial and administrative responsibilities of social housing to local municipalities, who are referred to as Service Managers.

The HSA established a number of key obligations for Service Managers, which include:

- Each Service Manager is required to maintain a prescribed number of RGI units, which was determined at the time of devolution. Greater Sudbury is required to provide 3,603 RGI units. Approximately half of these RGI units are operated by the GSHO, and the remainder are supplied by non-profit and cooperative housing providers as well as rent supplements in the private market.
- Under the HSA, Service Managers are required to administer and fund social housing projects transferred to them from the province. Subsidies must fund both operating and capital needs. This includes the housing portfolio managed by the GSHO and owned by the City as well as non-profit and cooperative housing developed under the various legacy social housing programs.
- For the GSHO, the Service Manager must provide "sufficient funding" to the local housing corporation to maintain these projects "in a satisfactory state of repair and fit for occupancy". There is no end date for this funding obligation.
- The funding obligations for the non-profit and cooperative housing is dependent on the specific legacy social housing program each project was developed under. Generally, the Service Manager provides funding based on a prescribed formula embedded within the HSA. Aside from a select few federal social housing legacy projects, there is no end date for the City's funding obligation to this portfolio.
- While the HSA does not explicitly state that the 611 unit rent supplement program administered by the GSHO must continue to be funded by the Service Manager, these units contribute to the City's RGI service level standard. If the City were to stop funding these units as their operating agreements expire, 611 units would have to be built in the City to make up the shortfall.

- The HSA requires that Service Managers develop a 10-year Housing and Homelessness Plan. Greater Sudbury completed this Plan in 2013 and is currently working towards a five year update.
- Service Managers are now able to take a more prominent role in asset management. Disposition of underperforming assets previously required approval from the Province. This authority has recently been delegated to the Service Managers.
- The HSA requires Service Managers to manage a centralized wait list for RGI housing.

Ultimately, the HSA will influence this Revitalization Plan due to the requirement to maintain the legislated number of RGI units. Any RGI units recommended for sale, demolition, or redevelopment must be replaced either through rent supplements/portable housing benefits or the construction of brick and mortar buildings. Similarly, any decrease in RGI rent supplements must be replaced in other ways to maintain RGI service levels. The HSA also requires that that the City continue to adequately fund the social housing stock in perpetuity.

Background Work and Appendices to this Study

In support of this Revitalization Plan, NBLC has completed the following background studies and analyses. Some of the documents are available as an appendix to this report.

Legislative Requirements and the End of Operating Agreements Background Report (January 2018): As the first step of the revitalization plan, this background report provides an overview of the legislative framework governing social housing projects in Ontario, the factors that could impact current funding and administrative obligations, as well as other considerations that could impact revitalization efforts.

Affordable Housing Supply and Demand Analysis Background Report (March 2018): The background report provides an analysis of housing supply and demand in the City of Greater Sudbury for both market and affordable housing. The purpose of the report is to understand current and projected demand for housing in the City relative to the current supply. The analysis identified where gaps in supply and demand exist and offered strategies to directly address these issues. The geography of Greater Sudbury was also assessed to understand where the greatest demand for affordable housing is concentrated.

Stakeholder Consultation (June 2018): NBLC undertook a four day consultation outreach with housing stakeholders. Stakeholders included staff at the City of Greater Sudbury, the City's Community Services Committee, the GSHO, and various stakeholders and members of the public at the Population Health Forum hosted at the Garson Community Centre.

Social Housing Revitalization Best Practices Background Report (July 2018): The background report provides an analysis of social housing revitalization efforts that have been undertaken by other Service Managers in Ontario. The report summarizes the approaches that have proven effective in other jurisdictions, illustrates the tools and funding mechanisms to implement revitalization efforts, and identified the parties involved that are instrumental to successful planning and implementation.

GSHO Real Estate Portfolio Analysis and Asset Management Framework (March - August 2018): NBLC has evaluated each of the real estate assets managed by the GSHO to understand the strengths and weaknesses of each building/project. Factors such as operating and capital costs, alignment with current and projected social housing demand, wait list indicators, end of debentures, required grant repayments, locational strengths/weakness, unit turnover rate, long term vacancy occurrences, redevelopment potential, and other similar items have all been evaluated. Based on the analysis undertaken, in addition to the consultation session with the GSHO and City of Greater Sudbury, the assets have been sorted into one or more of the following categories: Retain, Revitalize and Retain, (Re) Development, Dispose.

GSHO Operating and Capital Subsidy Projection - Base Case Analysis (August 2018): NBLC has prepared an analysis that illustrates how the operating subsidy and capital needs of the GSHO might increase looking forward if no revitalization actions are taken and funding practices remain static. This analysis is referred to as the base case or "do nothing" scenario.

3.0 The Need for Revitalization

The GSHO social housing stock was constructed 40-55 years ago; the average building is approximately 47 years old. Given the age of buildings and the limited capital funding available, the housing stock is showing its age.

Aside from base capital repairs, there has been no new major investments in the GSHO housing stock since the 1970s. Improvements are needed to address the physical quality of buildings, the cost of operating and maintaining the housing stock in its current condition, to realign the housing supply with current and forecasted demand, as well as a host of other factors to ensure the social housing stock is best meeting the needs of the City's most vulnerable.

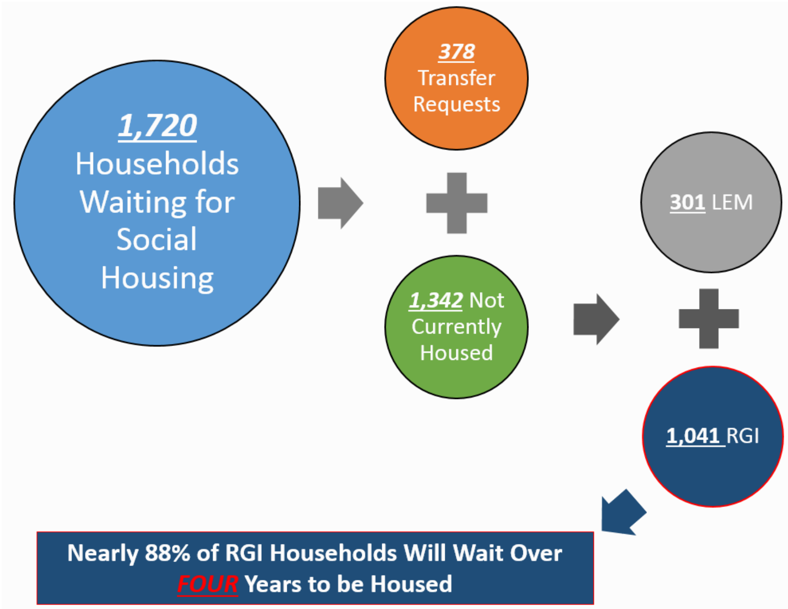
The following chapter summarizes the core factors driving the need for revitalizing the social housing stock.

Long Wait List for Social Housing

As of 2018, there were 1,720 households waiting for social housing in Greater Sudbury. Of these, 378 households are already in social housing but are requesting an internal transfer to another unit. That leaves 1,342 households in "core" need of social housing, the vast majority of whom require RGI housing.

Due to the large wait list for RGI units in the City, nearly 88% of these households will typically wait over four years until they are housed. Special Priority and Urgent Applicants (victims of domestic violence, human trafficking, homeless, and other similar characteristic) are given priority on the wait list and are often accommodated in less time.

Figure 3: Households on the Social Housing Wait List



RGI Housing is Expensive to Operate and Maintain

In 2017, the City of Greater Sudbury provided the GSHO a $10.6 million subsidy to fund operations, rent supplements, and capital as broken out by **Figure 4**.

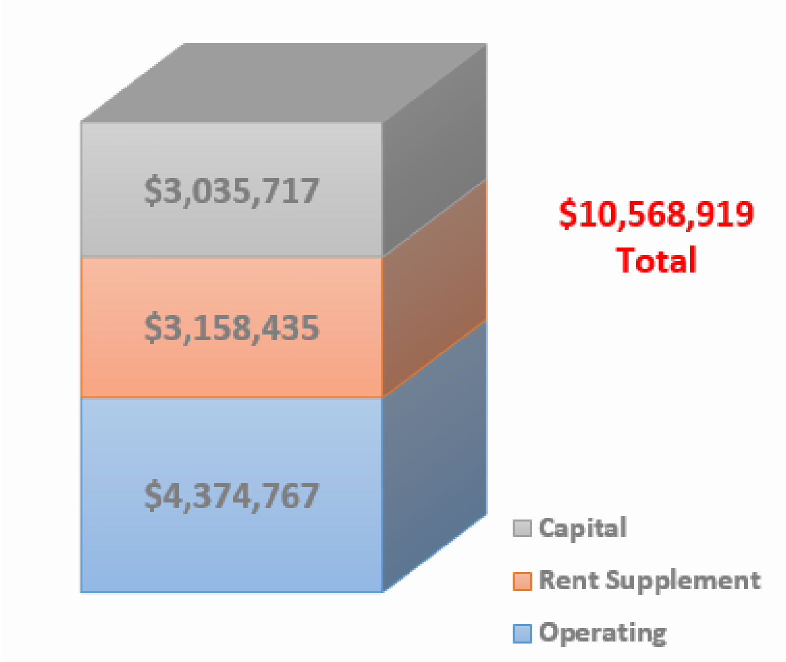
The GSHO requires an operating subsidy to cover relevant costs (e.g. utilities, general property maintenance, labour contracts, salaries and benefits, administration, etc.). Given the 100% RGI housing portfolio, there is not enough revenue to cover the costs of operating the portfolio.

The subsidy also funds rent supplements administered by the GSHO.

Over the past five years, the operating and rent supplement subsidies have increased by an annual average of 6.77% and 4.07% respectively. Overall, it is expected that these required subsidies will continue to increase looking forward due to factors such as rising utility rate fees, decaying/outdated building components and resulting impact on utility costs, need for security, rising labour costs, rising salaries and benefits, inflation, and rising market rents.

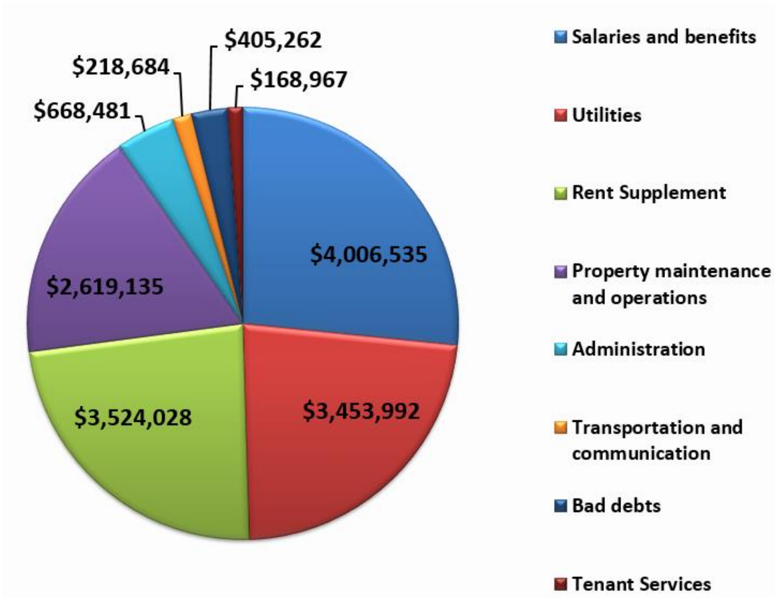
It is noted that the subsidy amount provided to the GSHO is based on a funding formula where budget items are benchmarked and increased using the relevant indices released by the Ministry of Municipal Affairs and Housing each year. If the GSHO year-end financials end up below the budgeted subsidy, a reserve is funded for operations.

Figure 4: GSHO Subsidy Amount from the City of Greater Sudbury (2017)



As illustrated through **Figure 5**, salaries and benefits, utilities, and property maintenance and operations represent nearly 70% of the GSHO's operating expenses. The implementation of revitalization strategies can significantly reduce some of these items while also improving revenues.

Figure 5: GSHO Operating Expense Breakout



Similar to the operating subsidy requirement, the GSHO does not earn enough revenue to cover needed capital repairs and maintenance. As noted in **Table 1**, the City provided the GSHO a set amount of $2.31 million in capital funding between 2000 and 2012, which was the determined amount set by the Province through the HSA. Since 2012, the benchmark subsidy has increased annually through the Cost Factor issued by the Ministry of Housing each year. In addition to this annual inflator, there have also been increases above the Capital Reserve Index in 2015 and 2016 as capital repairs were needed in excess of the budgeted capital amount.

In addition to the capital funding made available from the City of Greater Sudbury, the GSHO has also been able to secure capital funding from senior levels of government through various programs to address energy upgrades, building repairs, and other similar items over the past ten years.

Table 1

GSHO Annual Capital Subsidy			
Year	Increase %	Increase $	Subsidy Amount
2000 - 2012	-	-	$2,310,000
2013	1.2%	$28,644	$2,338,644
2014	0.5%	$11,459	$2,350,103
2015	13.0%	$305,220	$2,655,323
2016	12.4%	$330,000	$2,985,323
2017	1.7%	$50,394	$3,035,717

The City of Greater Sudbury has therefore invested nearly $43.4 million in the GSHO portfolio for capital repairs since 2000. This funding has been used by the GSHO to tackle projects ranging from roof and foundation repairs to energy conservation upgrades and infrastructure projects.

Despite the significant capital investment, the GSHO housing portfolio currently has a capital backlog of roughly $30.5 million as of 2017.

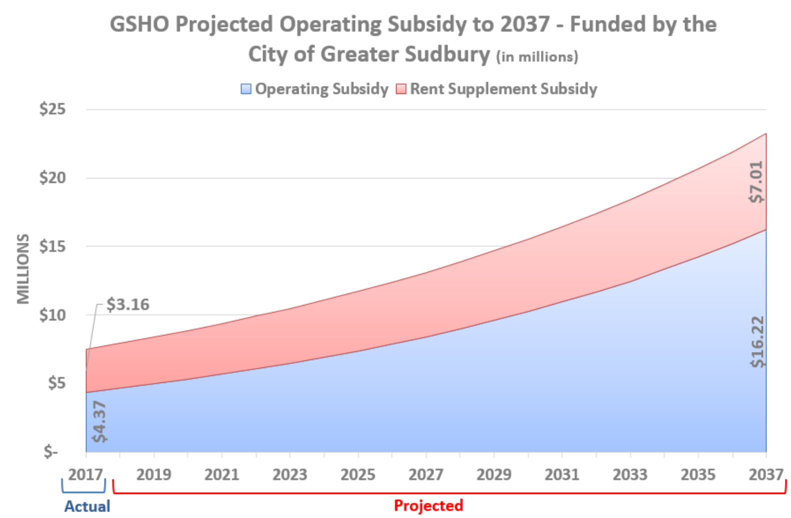
The current capital backlog is comprised of projects that are not “absolutely essential” (e.g. paint, floors, basement repairs, doors/windows, energy retrofits, property improvements, etc.), which means they are not required to be done through legislation, the building code, or pose a serious health/safety concern. Projects that are “absolutely essential” are undertaken with the capital dollars made available, which sometimes requires additional funding beyond the budgeted amount. Eventually however, projects that not currently “absolutely essential” will become essential. It is the City’s responsibility to address and sufficiently fund the capital needs of these assets.

It is also noted that the subsidies identified in this section pertain only to the GSHO housing portfolio. The City also provides subsidies to the other non-profit and cooperative housing providers that operate within the City’s social housing umbrella.

The Cost of Operating and Maintaining RGI Housing will Continue to Increase

The City’s financial commitment to the GSHO is projected to increase if no action is taken. **Figure 6** illustrates the projected annual operating and rent supplement subsidy that might be required over the next 20 years if current trends continue. The required operating subsidy of the GSHO will increase from the current amount of $4.37 million to over $16 million by 2037 if the annual rate of increase is sustained (6.77% annual average since 2013). Similarly, the rent supplement subsidy will increase from the current amount of $3.16 million to over $7.0 million by 2037 if the annual rate of increase is sustained (4.07% annual average since 2013). This represents a total annual commitment of roughly $23.2 million by 2037, which is more than 3 times higher than the current annual commitment for these items.

Figure 6

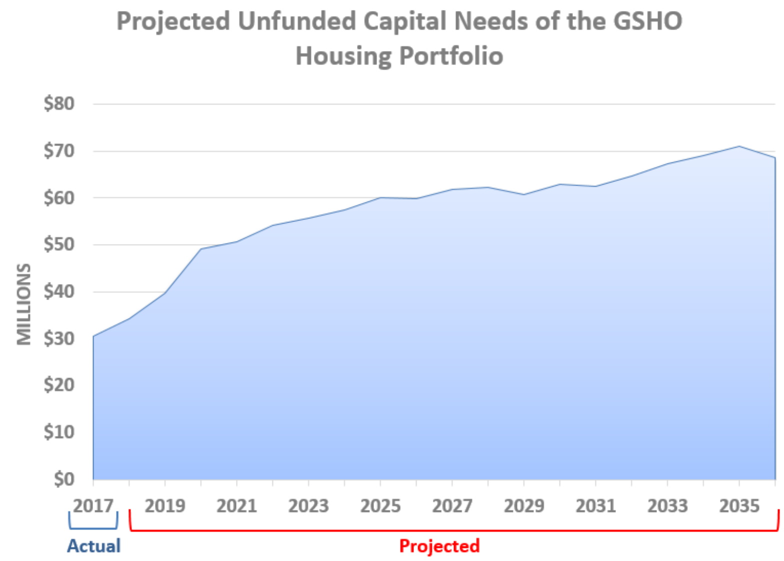


Given the 100% RGI tenant base, the revenue collected by the GSHO from rent has been static since 2013. Unlike the private market, the rent paid by a tenant does not typically increase or decrease as the market shifts. Rising operating costs will therefore not be offset by rising rental revenues, which will therefore require increased financial support from the City. The GSHO earns revenue from other sources such as parking, laundry, and management services, however this amount is modest and has a marginal impact on the GSHO's operating needs looking forward.

The capital needs of the portfolio will also increase looking forward if no action is taken. Given the age of this housing stock, the GSHO estimates that approximately $108.7 million in capital work is needed between 2018 and 2036, in addition to the current unfunded capital backlog of $30.5 million. This $142.3 million would require an annual commitment of nearly $7.5 million to fully address the capital needs of the portfolio (only $3.03 million was provided in 2017).

Figure 7 illustrates how the unfunded capital backlog will grow if no action is taken. This projection assumes that the 2017 capital subsidy of $3.04 million is inflated annually by 2%, which attempts to mimic the Capital Reserve Index released each year. With these assumptions, the $142.3 million capital need would be met with $73.8 million in funding from the City. This would result in the current unfunded capital backlog more than doubling from $30.5 million as of 2017 to over $68.5 million by 2036.

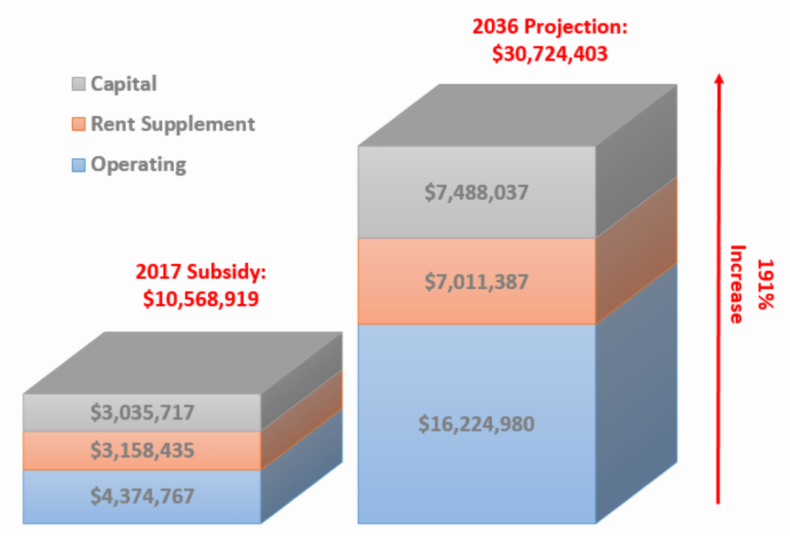
Figure 7



This projected unfunded capital backlog will have significant implications on the housing portfolio if current funding practices are maintained and/or no revitalization efforts are implemented. If capital projects cannot be funded, eventually the housing will become unsuitable for occupancy and be forced to close. At best, this situation will result in extremely poor and potentially unsafe living conditions for many RGI tenants. At its worst, this situation will result in the loss of RGI housing, which is already in short supply.

Figure 8 compares the 2017 subsidy provided to the GSHO by the City to the projected 2036 financial commitment. The capital subsidy incorporated into **Figure 8** assumes the City commits to tackling all capital needs of the housing portfolio to ensure there is no capital backlog.

Figure 8: Current and Projected GSHO Subsidy Requirements



The Supply of RGI Housing does not Align with Demand

NBLC has completed a detailed housing supply and demand analysis for the City of Greater Sudbury, which is available as an appendix to this report. The following summarizes some of the key findings of this study most pertinent to the Revitalization Plan.

There is Not Enough Social/Affordable Housing in the City

- Overall, there is not enough RGI housing in the City. As noted previously in this section, there are over 1,000 households looking for RGI housing in the City and most will wait several years before finding permanent housing with the GSHO or other non-profit/cooperative housing providers.
- While the wait list for LEM and AMR housing is relatively small (300 households), there are over 5,000 rental households in the City that are struggling to afford market rate housing according to the CMHC *Core Housing Need Study*. These households are therefore not actively seeking accommodation in social housing, but would benefit from the introduction of new AMR units.
- The City has experienced a modest amount of new AMR housing over the past decade, which was made possible by upfront capital contributions from senior levels of

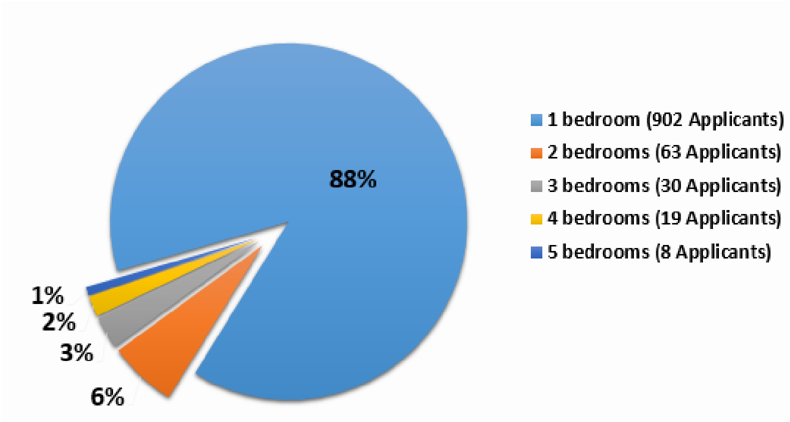
government (e.g. Investment in Affordable Housing Program – IAH). This housing provides accommodation to some of the households on the LEM waitlist and also some of the households identified to be in core housing need by CMHC.

- There has been virtually no expansion of RGI in the City since the social housing stock was built 40-55 years ago.

There is an Overwhelming Need to Increase the Supply of One-Bedroom Units

- Over 900 of the 1,041 households on the wait list for RGI housing are looking for a one-bedroom unit (**Figure 9**).
- Demand for RGI bedroom types is dependent on qualifying requirements based on tenant needs. A single adult for example will not qualify for a three-bedroom townhome.
- While 88% of households on the wait list for RGI housing are looking for a one-bedroom unit, these suites account for only 40% of the total supply of RGI housing.

Figure 9: Demand by Bedroom Type for RGI Housing



- The average tenant looking for a one-bedroom RGI home in the City of Greater Sudbury will wait between 3.5 - 4.5 years before finding accommodation with the GSHO. The wait times are even longer for one-bedroom RGI supplied through the private market (rent supplement) or another non-profit/cooperative housing provider.
- One-bedroom units have been the most in demand unit type by a large margin for over a decade (**Figure 10**). The number of households waiting for a one-bedroom suite has been stable since at least 2011, far exceeding demand for two - five bedroom units.

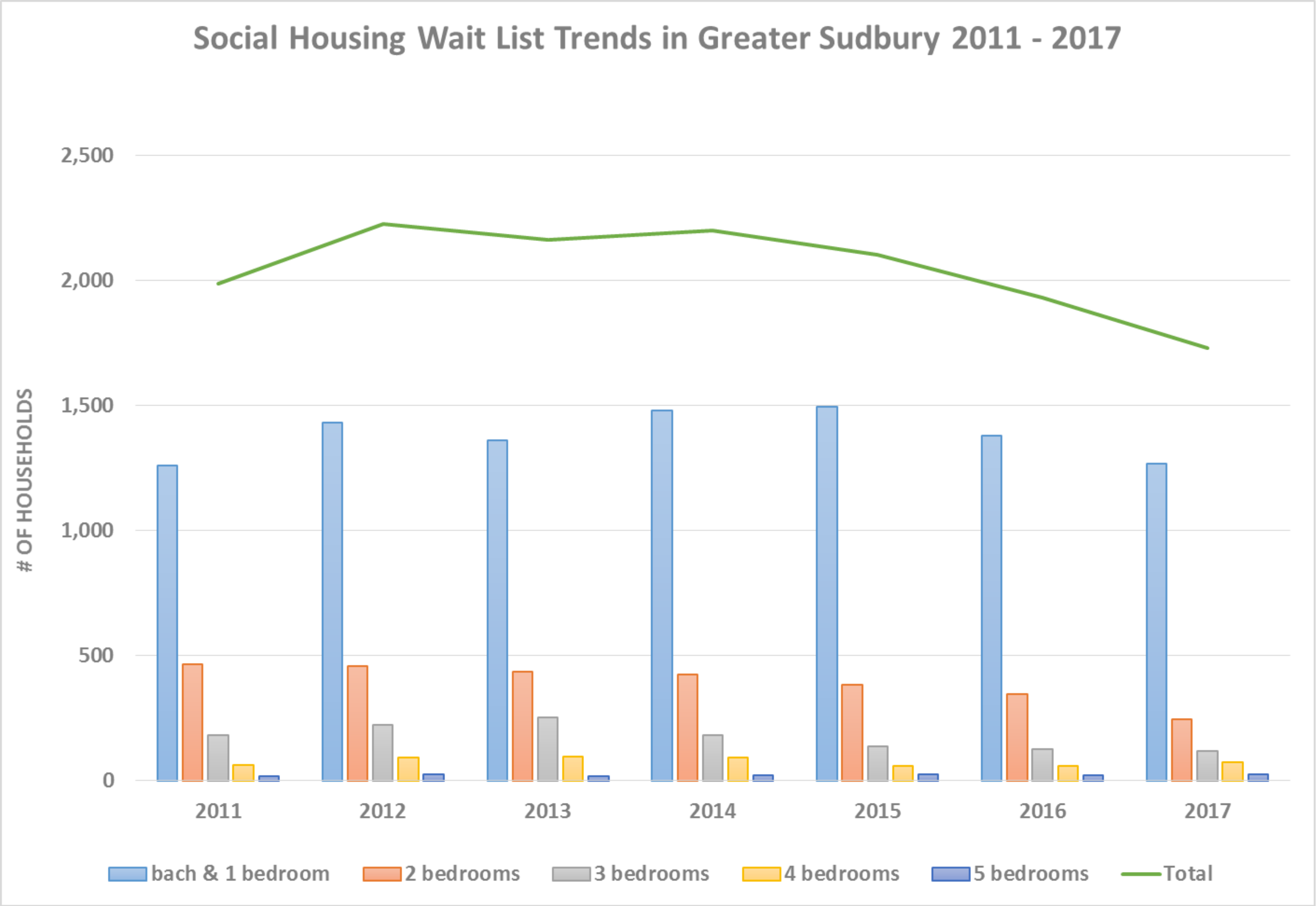
Conversely, Demand is Low (and shrinking) for Larger RGI Units

- Demand decreases in a linear fashion for larger units as indicated by the wait list for RGI housing (**Figure 9**).
- Less than 125 households are currently on the wait list for a two - five bedroom RGI unit, which is approximately 12% of the total wait list. Despite this, two - five bedrooms make up 60% of the total supply of RGI housing in the City.
- Depending on the unit requested, the wait time of a household will typically range from less than one year to around two years for a two - five bedroom RGI apartment or townhome operated by the GSHO or other non-profit/cooperative housing provider. These shorter wait times are a direct reflection of the demand and supply fundamentals (e.g. lower demand, higher supply).
- Demand for two and three bedroom suites has also shrunk since 2011 by 47% and 34% respectively. Demand for four and five bedrooms has remained low but relatively stable over this time (**Figure 10**).

Demand for Scattered RGI Housing is Stronger than Townhomes and Multi-Bedrooms Apartments

- Despite the macro data indicating low demand for two - five bedroom suites, the scattered single and semi-detached homes in Greater Sudbury experience strong demand.
- Many two - five bedroom apartment buildings and townhome communities will have as few as 2-10 households on the wait list.
- The three - five bedroom single and semi-detached homes that are scattered throughout New Sudbury often have upwards of 30-50 households waiting.
- Scattered single-family homes are often a popular social housing product type across Ontario. This housing is scattered within low-density neighbourhoods rather than within large and segregated apartment buildings or townhome blocks that exclusively house other RGI tenants.

Figure 10


Social Housing Wait List Trends in Greater Sudbury 2011 - 2017
OF HOUSEHOLDS
2,500
2,000
1,500
1,000
500
0
2011
2012
2013
2014
2015
2016
2017
bach & 1 bedroom
2 bedrooms
3 bedrooms
4 bedrooms
5 bedrooms
Total

- The poor design and quality of the townhome/multi-bedroom apartment buildings combined with the overall market preference for single-family homes also likely contributes to this trend.
- Conversely, the wait list for most apartment buildings with one-bedroom RGI units often exceed 300-400 households.

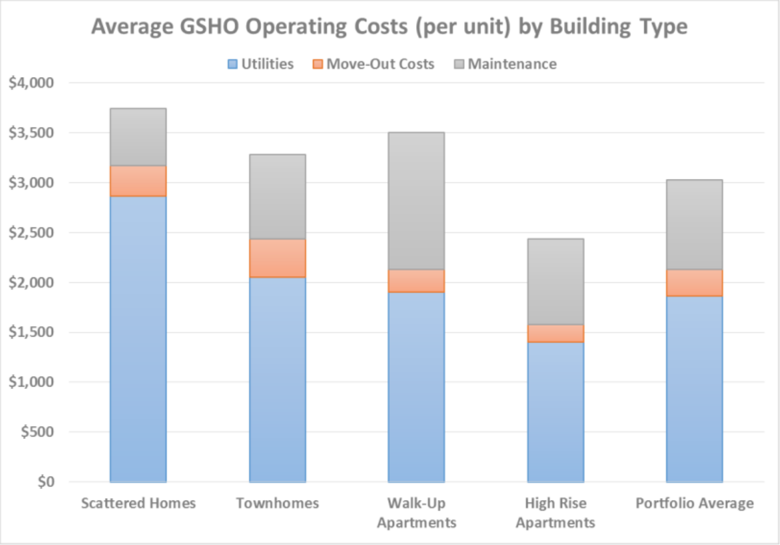
Demand for RGI Housing is not Consistent Across the Service Area

- Demand indicators are much stronger in the Former City of Sudbury relative to the outlying communities.
- The communities of New Sudbury, Downtown Sudbury, and South End appear to be the most desirable locations for new social housing. Existing buildings in these locations generally have the largest wait lists.

The Walk-Up Apartments, Townhomes, and Single-Family Homes are Expensive to Operate

- **Figure 11** illustrates the three largest operating costs the GSHO encounters that are specifically driven by the buildings, rather than the other organizational/ administrative costs of operating the housing portfolio.
- Utility costs are by far the largest expense generated by the housing stock. Utility fees are high due to the age of the buildings, with many properties having old and inefficient heating and cooling systems as well as building components and appliances (e.g. lighting, showers, toilets, leaky windows, etc.).

Figure 11



- Many tenants also do not pay utilities, due to the requirements set out in the HSA and limitations related to metering and monitoring every unit. As such, tenants are not motivated financially to conserve energy.

- High-rise apartments are by far the least expensive housing type for the GSHO to operate. Virtually all operating costs are less expensive for these units, which is due to a number of factors highlighted in the GSHO Real Estate Portfolio Analysis and Asset Management Framework (see appendix).

> If all units were as efficient to operate as the high-rise apartments, the GSHO would save nearly **$1.1 Million** in annual operating costs.

- The scattered homes, townhomes, and walk-up apartments are almost exclusively made up of two - four bedroom units. Not only are these product types in low demand relative to one-bedroom units, but they are also expensive to operate.
- Scattered units are the most expensive housing type to operate, which is due to the large size of the home and household size within. These characteristics drive a higher utility cost on a per-unit basis when compared to a one-bedroom apartment or two-bedroom townhome.
- The walk-up apartments and townhomes also experience relatively high turnover rates, which increases the GSHO's move-out costs as they prepare units for the next tenant. High turnover rates also contribute to revenue loss, as the GSHO does not receive rent during the vacancy/turnover period.
- While the GSHO has implemented energy conservation and management measures across the portfolio, the aging housing stock will remain a high operating expense for the City.
- New and/or renovated housing will accommodate significantly lower utility and maintenance costs. It is also likely that any new housing will be popular amongst tenants, which will reduce turnover rates and therefore reduce revenue loss and move-out costs.

Tenants have Consistently Reported Poor Building and Living Conditions

- There is a need to improve and maintain the existing social housing stock. The age of the social housing stock combined with the limited capital funding has resulted in the deterioration of building and living conditions.
- The City of Greater Sudbury's Housing and Homelessness Background Study (2013) reported that

many stakeholders and tenants raised concerns about the condition of the affordable rental housing stock, and identified health concerns related to mould and air quality. Further, many stakeholders and tenants complained about the overall quality of the housing stock.

- The GSHO has noted that the quality of social housing has been a message communicated by tenants consistently for the past decade. Concerns are increasing given the age of the housing stock, the lack of renovations, and the large unfunded capital backlog.

The Housing Stock has Physical Accessibility Issues

- The population of Greater Sudbury is projected to age looking forward to 2041. The proportion of seniors in the City is therefore projected to increase significantly.
- This trend is also likely to manifest in the social housing stock. While the majority of tenants living in a GSHO building are currently under the age of 65 (82%), it is likely that more seniors will require social housing looking forward given the demographic/economic trends.
- The current housing stock is primarily comprised of walk-up apartments and multi-level townhomes and scattered single family homes. These housing options are not accessible to those with mobility limitations and are therefore not likely to meet the needs of seniors or those with physical disabilities.
- Any affordable development should be constructed with accessibility in mind. The existing social housing supply may also have to be modified/renovated to improve accessibility and accommodate an increasingly older population.

There is a Lack of Social Services and Resources for Tenants with Special Needs

- A strategic plan developed by the North East Local Health Integration Network (NELHIN) Expert Panel on housing and health with support from Northern Ontario Service Delivers Association, Housing Services Corporation, SHS Consulting, and Canadian Mental Health Association (CMHA) Manitoulin-Sudbury identified a gap in the availability, consistency, and coordination of support services for the many vulnerable tenants living in social housing.
- Specifically, the NELHIN strategic plan noted that greater support services are needed for vulnerable social housing tenants such as those with mental health issues, seniors, aboriginal / first nation / metis

populations, LGBT populations, and for northern rural/remote communities. The report estimated that there are approximately 3,800 vulnerable tenants in the Greater Sudbury market that would benefit from additional support services.

- The strategic plan also noted that housing providers were finding it difficult to cope with the growing number of tenants with special needs due to a lack of training and resources.
- This sentiment was also shared with NBLC by many participants/stakeholders that took part in the Greater Sudbury Population Health Forum, which formed part of the consultation process undertaken for this Revitalization Plan.
- There is an opportunity to provide space for social services in new social housing developments through partnerships and the creation of community spaces.

The Social Housing Stock Isolates Low Income Households

- Much of the GSHO social housing stock is comprised of large blocks of housing that contain only RGI tenants and are distinctly separated from the surrounding communities. The GSHO communities are also often concentrated near other social housing within low-income communities. See **Figure 12** on the following page for an illustration of social housing concentration in the Cambrian Heights Community. Other examples include communities such as Rumball Terrace in the South End and Cabot Park in the Donovan neighbourhood.
- While other GSHO properties may not contain the same social housing density as the examples provided above, all of the GSHO properties are entirely RGI based and do not therefore contain a mix of socioeconomic groups.
- As a result, the vast majority of these social housing projects do not integrate well with the surrounding community and often become stigmatized.
- Due to the concentration of poverty in these communities, residents are often left feeling socially isolated from the rest of the city. Moreover, the design of public spaces within these communities tend to facilitate delinquency and undermine public safety.

Figure 12: Cambrian Heights Community – Bruce Avenue / Cambrian Heights Drive

- To promote social inclusion, cities are starting to reinvest in marginalized social housing projects and transforming them into vibrant mixed-income communities. Through mixed-income revitalization, cities can repair the aging housing stock but also improve the quality of life of residents by accommodating a socially and economically diverse population in a healthy and sustainable environment.
- Mixed-income communities have been shown to improve the dignity, pride in residence/ community, and several other quality of life metrics of residents.

Chapter Conclusions

The GSHO social housing stock currently costs the City of Sudbury over $10 million each year to operate and maintain, which is projected to triple over the next twenty years. This significant financial commitment is needed simply to operate and maintain the housing stock as it currently exists. It will not result in any major improvements to the housing stock or the living environment of tenants. It will also not address the long wait list for social housing or address current and projected demand characteristics.

Despite the significant financial commitment from the City of Greater Sudbury, the housing stock is old and has a large unfunded capital backlog. The housing stock was built at a time when social housing best practices involved large and segregated social housing communities. These conditions result in poor building and living conditions for tenants.

Further, the social housing stock is increasingly not meeting the needs of the population it is intended to serve. The housing stock is undersupplied, inefficient, inaccessible, lacks community spaces and tenant support services, and is substantially misaligned with current and projected demand. There is a need to increase the supply of one-bedroom RGI units in the City either through an expansion or realignment of the housing supply.

Revitalization efforts can lessen the financial burden of social housing to the City over the long-term, improve the quality of life of tenants and those in need of social housing, and achieve other City objectives such as neighbourhood/ downtown revitalization and homelessness reduction.

While revitalization is expensive, the cost of inaction is also immense as illustrated by this analysis. At the very least, revitalization efforts will ensure that the substantial financial commitment provided by the City will result in a better outcome for the City's most vulnerable by providing housing that better meets their needs.

4.0 Social Housing Revitalization Best Practices

NBLC has completed an analysis of social housing revitalization efforts that have been undertaken by other municipalities in Ontario. The analysis summarizes the approaches that have proven effective in other jurisdictions, illustrates the tools and funding mechanisms to implement revitalization efforts, and identifies the parties involved that are instrumental to successful planning and implementation. Our assessment was prepared through research, interviews, and NBLCs direct experience.

The best practices report highlighted eight Service Managers in Ontario, which ranged from high-growth areas such as Ottawa and Simcoe County to moderate and slow growth communities like Hamilton, Kingston, and Kawartha Lakes. The City of Windsor and the Regions of York and Peel were also evaluated. The report focused on revitalization efforts specific to the housing portfolio that is owned and managed directly by a Service Manager or by its Local Housing Corporation (rather than other non-profit and co-op housing providers).

For many years, the City of Toronto was leading the charge with respect to social housing revitalization. Large scale redevelopments of Toronto Community Housing ("TCH") communities such as Regent Park, Lawrence Heights, and Alexandra Park were initiated with significant investments from the City and senior levels of government. The City of Toronto and TCH were also able to leverage the strong real estate market in the City by securing private sector partners to develop mixed-income buildings and manage construction.

Regent Park Revitalization as of January 2017 (Urban Toronto)

In recent years, other municipalities in Ontario have also undertaken efforts to modernize and revitalize the City-owned social housing stock. The following chapter highlights the key findings of the best practices study.

4.1 Social Housing Revitalization Case Studies

The challenges facing the City of Greater Sudbury's social housing stock are not unique. In fact, these challenges are observed in all service areas across Ontario, which is due to the fact that these buildings were all constructed around the same time and each service area is subject to the same legislative environment that stipulates operational and funding requirements.

The following highlights the revitalization activities underway at three of the municipalities surveyed in the best practices report.

The City of Kingston provides generous funding for affordable housing and targets large scale revitalization and small scale expansion

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The City established two capital funding programs for the creation of affordable housing, which included a five year commitment to invest $2.0 million per year to a capital budget. Half of this capital program is dedicated to acquiring property that can be used for the development of affordable housing. The other half of the capital program is dedicated for direct capital contributions to projects seeking to build affordable housing. These capital programs can be combined and given as a package to qualifying projects and are also designed to be stacked with funding from senior levels of government. The capital programs are funded through the City's tax base and are in addition to City's funding commitment to the existing social housing stock.

The City of Kingston, together with the Kingston & Frontenac Housing Corporation (KFHC), identified the Rideau Heights social housing community as the most pressing property in need of revitalization. Rideau Heights was built over 50 years ago and is owned by the City through the housing corporation. The property is a segregated social housing neighbourhood that has poor building and living conditions, is unpopular amongst tenants, experiences safety concerns, and is expensive to operate and maintain relative to other properties.

The City and KFHC assembled a consultant team to develop a revitalization plan for the Rideau Heights community in 2013, which was endorsed by Council in 2015. The 25-year regeneration plan is designed to improve public safety, enhance community space and park design, facilitate a greater income mix of market, affordable, and RGI housing in both ownership and rental tenure, desegregate the social housing supply, create new housing, create a better living environment for tenants, and diversify KFHC revenue sources through the introduction of market rental units. The plan for the area is illustrated by **Figure 13**.

The City began Phase One of the revitalization plan by committing $12.5 million to redevelop the existing Shannon Park and construct a new community centre. The redevelopment of Shannon Park aims to solve the personal safety and security issues associated with the park due to the lack of visibility/connectivity.

Phase One also involved demolishing 30 RGI townhomes, which are being replaced with three to four storey apartment buildings throughout the City in an effort to deconcentrate social housing. These buildings are modest in size (29-35 units) and are being funded through Provincial and Federal funding mechanisms, the City's capital funding program, asset rationalization and the sale of scattered units, and debt servicing through the buildings' cash flow. The buildings contain a mix of RGI, AMR, and market units.

These mixed income buildings are entirely self-sufficient and even generate a small annual surplus that is contributed to a reserve fund. The replacement of the demolished RGI townhomes therefore improves the financial position of the City over the long-term.

Phase Two will begin next year and will require partnerships between all levels of government, the KFHC, and private market participants.

These projects were made possible because of the capital funding programs created by the City, the City prioritizing KFHC projects to receive senior level government funding, and Council's commitment and support for social housing revitalization.

Example of new KFHC Building at 40 Cliff Crescent

Figure 13: Rideau Heights Regeneration Plan

The City of Kawartha Lakes and Haliburton have built over 130 units since 2013 in a very slow market environment

The Kawartha Lakes-Haliburton Housing Corporation (KLHHC) is the City's local housing corporation. The KLHHC has no staff, with City of Kawartha Lakes staff performing the duties of the corporation, similar to the new operating structure of the GSHO. The KLHHC operates a total of 734 units that includes 467 RGI units, 210 non-profit affordable units, and a supply of new units built with IAH funding.

Since 2007, the KLHHC developed a business plan to sell the single-family RGI homes they operate and use the equity to invest in new and more efficient multi-residential affordable housing, with a goal of increasing the overall supply of affordable housing across the service area.

To date, a total of 64 single and semi-detached homes have been approved for disposal. Between 2014 and 2017, 36 of these homes were sold with a net proceed of $5.9 million to be invested towards new communities. When planning for the regeneration of its portfolio, the KLHHC proposed small buildings to match the availability of capital funds from senior levels of government and the City.

Over the past five years, the KLHHC has engaged in 7 new housing developments, resulting in 130 total units across buildings ranging in size from 12 to 30 units. Of this total, 36 units are RGI (to replace the RGI homes that were sold), with the residual units a mix of affordable and market.

The City of Kawartha Lakes and the County was instrumental to this plan being implemented as they allocated the federal-provincial IAH funding to the KLHHC projects, assisted with the KLHHC asset rationalization and the sale of scattered units, and made capital contributions.

The City also acted as the lender for both construction financing and long-term financing for these projects, which was funded through a City debenture. While the City and County made capital contributions in addition to planning/ development cost reductions (e.g. property tax, development charges, planning fees), the new buildings are all self-sufficient and do not require ongoing operating and capital subsidies. This has allowed the KLHHC to implement a self-sufficient social housing model that is modern, more aligned with demand characteristics, creates better social outcomes and living environments for tenants, and reduces the City's financial commitment to the social housing stock over the long-term.

The City of Hamilton is revitalizing the social housing stock through new development, redevelopment, sale of units, major retrofits and renovations

The City of Hamilton has created several capital funding programs to support social housing renewal and expansion, in addition to the mandated funding requirements set out in the HSA. A sizeable portion of the available funding was directed specifically to the City's housing corporation (CityHousing Hamilton – CHH). Capital programs were funded through the tax base and other means.

CHH and the City have been selling scattered single-family RGI homes since 2003, which has resulted in over $11.7 million in equity from the sale of 88 units. An additional 100 homes will be sold over the coming years, which is expected to yield another $14 million. CHH and the City have created the Sold Units Investment Fund with this equity, which is used to develop new affordable housing. Other government funding programs and local financial contributions are also provided to CHH to support project development.

Hamilton has been active in building new affordable housing over the years with the above funding strategy. The new buildings are more financially sufficient, experience significant energy cost savings, and better meet the needs of the City's most vulnerable.

CHH is now preparing two major projects in the City's West Harbour neighbourhood, which is a community targeted by Council in need of revitalization. CHH owns two properties in this neighbourhood, 500 MacNab and Jamesville:

- The 91-unit Jamesville townhome complex is not popular with tenants and is in need of a significant capital investment, which has driven the recommendation to revitalize the site. Given the improving real estate market in the City, CHH is seeking a developer who will redevelop a mixed income community using revenue from market housing to subsidize RGI units. The RGI units would revert back to CHH management once the development is complete. A Request for Expressions of Interest (RFEOI) was issued in May 2017 and we understand that a formal Request for Proposals (RFP) will be issued in early 2019, with the selection of a preferred developer by the end of 2019.
- The City-owned 500 MacNab social housing tower (17 storeys) is the oldest multi-residential building in the CHH portfolio. The building is located in a strong market area that is undergoing significant socioeconomic changes. At the same time, the building

is in need of significant capital repairs and renovations. CHH and the City have determined that a major retrofit of the building is the ideal solution to maintain affordable housing in the community and also improve living conditions for tenants. Other options such as sale and demolition were also considered.

Proposed Jamesville Social Housing Revitalization

Source: SvN Planners + Architects

- 500 MacNab is now planned to be completely retrofitted to the Passive House Standard. CHH's business case has been vetted and recommended for investment by CMHC as a potential funder under the CMHC Affordable Rental Innovation Fund, which could provide up to $50,000 per unit through a mixture of grant and loan. The City is also supporting the initiative.

To implement the new housing projects, a combination of equity contributions from the Sold Unit Reserve Fund, the National Housing Strategy, development charge reserves, refinancing of some CHH market rental buildings, rent supplements, and direct capital contributions from the City are being relied on.

In addition to major building and retrofit projects, CHH has worked with the City to address the capital backlog of the housing stock. In 2017, Council committed $50 million over ten years through the Poverty Reduction Investment Plan, of which $10 million was dedicated specifically to upgrade and improve the quality of CHH buildings. This amount is in addition to standard capital funding as required by the HSA.

CHH is now updating the building condition assessments for all buildings in the portfolio in order to determine the specific capital needs of each asset. This work will allow CHH to create an Asset Management Strategy that identifies a capital program for each building. It is the intention of CHH to provide the City with a multi-year capital program that notes the major capital initiatives that are planned, how they align with the City's Strategic Plan priorities, and what funding sources are anticipated.

Depending on the outcome of this work, this approach will allow both the City and CHH to be more strategic with capital funding and allows both to prepare for capital investments and secure funding from other sources as needed. This approach is in direct contrast to the approach of many Service Managers, including the City of Greater Sudbury.

4.2 Key Factors of Success

While the revitalization strategies and overall results differ across the Service Managers surveyed, there were many common factors that resulted in successful social housing revitalization planning and implementation. The following highlight the key factors of success noted by the best practices report:

- City Council prioritize social housing amongst other capital assets to address the deteriorating building conditions, growing unfunded capital liability, rapidly increasing operating expenses and subsidy requirements, flat annual revenue changes, stigmatized communities, and mismatched supply and demand.
- Municipalities establish dedicated annual funding stream(s) for social housing beyond the required capital and operating subsidies. Funding is dedicated for repairs and retrofits, property acquisition, and new development. Funding is crucial, as affordable housing projects are rarely, if ever, viable without a significant source of funding.
- To reduce or eliminate long-term operating and capital subsidies, funding is often allocated as an up-front capital contribution. The remaining development costs, after the capital contribution is subtracted, is financed through the project's cash flow, which also supports a small capital reserve.
- In many service areas, Service Managers recognize that a single source of funding is rarely sufficient to support even a small affordable housing project. As such, many stack local and senior government funding to maximize the depth of affordability and/or improve project self-sufficiency, the latter of which reduces the need for ongoing operating and capital subsidies. Many municipalities have prioritized funding specifically for the social housing stock that is owned by the City.
- New development typically occurs through the development of highly efficient buildings that target a range of income levels. The mix typically includes a combination of RGI, AMR, and market units to improve social mixing and project revenue.

- Many new social housing developments, outside of the GTA, are small scale projects rather than large comprehensive redevelopments. These projects replace RGI units that are sold or closed due to capital need. They also achieve the objective of deconcentrating social housing and implementing a mixed-income approach to affordable housing.
- Municipalities work closely with their housing corporation to develop strategies to revitalize the social housing stock. This includes asset rationalization, selling non-strategic assets, supporting new development, dedicating local and senior government funding, and others.
- Many municipalities are selling the scattered RGI housing stock as a result of asset rationalization. These units typically have high operating costs and do not reflect the demand characteristics of a service area. They also typically achieve high sale values relative to other social housing building types. The equity gained through sale is used to create new replacement housing that is more energy efficient and financially sustainable.
- Municipalities often align social housing revitalization with other items on the planning agenda, such as downtown renewal or homelessness reduction. This strategy is often successful in achieving multiple urban renewal objectives and addressing items in the City's strategic plan.
- Some municipalities have begun addressing the growing capital backlog of the portfolio through asset rationalization, refinancing of buildings, senior government funding, and direct municipal capital contributions.
- Municipalities are also investigating options to replace sold RGI units and/or expand the supply of affordable housing in ways that do not require the construction of brick and mortar housing. This includes rent supplements and portable housing benefits.
- Overall, the establishment of a business plan that is endorsed by City Council as well as a comprehensive financial plan for implementation are the two core pieces necessary for successful social housing revitalization. Collaboration amongst stakeholders is critical to any revitalization project, as project viability/approval begins and ends with City Council's authority and funding.

5.0 Strategic Asset Management Rationalization

Each of the real estate assets managed by the GSHO has been reviewed by NBLC to assess the strengths and weaknesses of each building/community. Of note, these the City of Greater Sudbury is the sole shareholder of these assets. Factors such as operating and capital costs, alignment with current and projected social housing demand, wait list indicators, end of debentures, required grant repayments, locational strengths/weakness, unit turnover rate, long term vacancy occurrences, redevelopment potential, and other similar items have all been evaluated. The full analysis is available as an appendix to this report.

Based on the analysis and stakeholder consultations, the City's assets have been sorted into one or more of the following categories: **Retain**, **Revitalize and Retain**, **Redevelopment**, and **Dispose** (See Table 2 for the definition of each classification).

These recommendations have been developed through a short to mid-range planning horizon. Appreciating that there are not enough financial resources or organizational capacity to fully revitalize every asset within the portfolio, some assets may be sorted into more than one category (e.g. retain until funding becomes available for redevelopment, both redevelopment and disposal could be considered, etc.).

Table 2: Classification Descriptions

<table>
<tr>
<td>Retain:

▪ These assets are typically the best properties in the GSHO portfolio. They are generally in good shape, and meet the needs of current and future tenants.
▪ These assets will require base capital repairs to ensure they can remain operational and can be safely occupied over the long term.
▪ Location aligns with community demand preferences.
▪ Renovations and other investments (e.g. energy retrofits, design interventions, green space implementation, etc.) could also be considered on a site by site basis.</td>
<td>Revitalize and Retain:

▪ These assets are well located, in moderate shape, and the unit types in the development meet the needs of current and future tenants.
▪ Some or all of the buildings require significant capital repairs to upgrade living conditions and the attractiveness of the asset/community, reduce the high operating costs and/or capital liability, and other actions to ensure the asset is restored.
▪ The community design is viewed as contributing to social issues. Public realm improvements such as parks and community programming are typically needed.
▪ Not easily disposed of.</td>
</tr>
<tr>
<td>(Re)Development:

▪ Buildings have high maintenance costs and require significant capital upgrades.
▪ Some, or all of the units, do not meet current or future projected demand forecasts.
▪ The property has a strategic value given its location in the community.
▪ All or part of the development should be demolished and replaced with new housing/community plan.</td>
<td>Dispose:

▪ These assets typically have high operating costs and capital improvement requirements.
▪ They do not meet the priorities or forecasted housing demands of the community.
▪ They are marketable and can be easily sold.
▪ Funds can be deployed for investment efforts elsewhere.</td>
</tr>
</table>

5.1 Asset Classification

The tables on the following pages illustrate the classification results based on the analysis and consultation completed. Some observations are noted:

- Nearly 70% of the portfolio falls within the **Retain** category, including 100% of the one-bedroom units in the portfolio.
- The assets recommended for retention have modest annual operating costs on a per unit basis ($3,620) relative to the assets classified as **Revitalize and Retain** ($4,558), **Redevelopment** ($5,281), and **Dispose** ($5,098).
- Similarly, the forecasted average capital need on a per unit basis to 2036 is lower for the assets recommended for retention ($66,268) when compared to the assets classified as **Revitalize and Retain** ($82,188), **Redevelopment** ($118,744) and **Dispose** ($94,685).
- The assets classified as Retain have a forecasted capital need of just over $82 million by 2036, representing approximately 60% of the total capital need of the entire portfolio.
- This capital need is estimated through Ameresco Asset Planner software, which uses component life duration, estimated costs, and date of last replacement to generate a comprehensive model of necessary capital work.
- While the Asset Planner software is an efficient tool to estimate the capital needs of a portfolio for reporting and forecasting purposes, a more detailed analysis is necessary when making capital investment decisions. More detailed analyses will consist of building component inspections and full building condition assessments.
- It is important to note that the Service Manager will remain responsible for the segment classified as Retain, which includes this forecasted capital need and the ongoing operating subsidy.
- Approximately 30% of the units in the portfolio are recommended to receive attention beyond base capital repairs, improvements, and renovations. The majority of these units include two and three bedroom suites, which have experienced declining waitlist numbers since 2011. Aside from the scattered homes, these units are made up of townhomes and low-rise apartments.

Asset Classification: RETAIN										
Property	Typology	Units						Capital Need to 2036	Capital Need to 2036 (per unit)	Operating Cost Per Unit (2017)
		1 BR	2 BR	3 BR	4 BR	5 BR	Total			
720 Bruce	High-Rise Apartment	250	1				251	$11,737,328	$46,762	$823,070
166 Louis	High-Rise Apartment	50					50	$2,903,361	$58,067	$171,998
1920 Paris	High-Rise Apartment	100	1				101	$8,055,031	$79,753	$313,690
1960 A Paris	High-Rise Apartment	100		1			101	$7,417,611	$73,442	$337,624
1960 B Paris	High-Rise Apartment		151	11			162	$14,288,726	$88,202	$727,691
1052 Belfry	High-Rise Apartment	100	1				101	$5,118,135	$50,675	$286,760
715 Burton	Low-Rise Apartment	20					20	$2,009,274	$100,464	$81,612
1528 Kennedy	Low-Rise Apartment	20					20	$1,025,395	$51,270	$69,308
3553 Montpellier	Low-Rise Apartment	41					41	$2,401,322	$58,569	$141,253
240 B Street	Low-Rise Apartment	26					26	$1,797,309	$69,127	$111,398
155 Lapointe	Low-Rise Apartment	27					27	$2,019,438	$74,794	$104,027
27 Hanna	Low-Rise Apartment	20					20	$1,668,575	$83,429	$91,958
35 Spruce	Low-Rise Apartment	24					24	$1,907,638	$79,485	$94,468
1200 Attlee	Townhouse		24	16	29	7	76	$5,717,634	$75,232	$370,150
1950 LaSalle	Townhouse		20	74	12		106	$7,400,510	$69,816	$479,830
241 Second	Townhouse			36	26	8	70	$3,732,799	$53,326	$333,766
491 Camelot	Townhouse		20	22			42	$2,840,194	$67,624	$169,811
Sub-Total/Average		**778**	**218**	**160**	**67**	**15**	**1,238**	**$82,040,281**	**$66,268**	**$449,057**
Percentage of Total		**100%**	**62%**	**31%**	**42%**	**33%**	**67%**	**70%**	**-**	**-**

Properties Outside the Retain Classification

Property	Typology	Asset Classification			
		Retain	Revitalize and Retain	(Re)development	Dispose
159 Louis	Low-Rise Apartment and Townhouse			×	×
Cabot Park	Low-Rise Apartment and Townhouse			×	×
Rumball Terrace	Townhouse		×		×
744 Bruce	Townhouse		×		
1778 LaSalle	Townhouse		×	×	
Scattered Units	Single-Family Home				×

Asset Classification: REVITALIZE AND RETAIN

Property	Typology	Units						Capital Need to 2036	Capital Need to 2036 (per unit)	Operating Cost Per Unit (2017)
		1 BR	2 BR	3 BR	4 BR	5 BR	Total			
Rumball Terrace	Townhouse			26	12	4	42	$2,754,826	$65,591	$4,286
744 Bruce	Townhouse		45	93	12		150	$13,117,315	$87,449	$4,529
1778 LaSalle	Townhouse			16	11	3	30	$2,373,550	$79,118	$5,084
Sub-Total/Average		**0**	**45**	**135**	**35**	**7**	**222**	**$18,245,690**	**$82,188**	**$4,558**
Percentage of Total		**0%**	**13%**	**26%**	**22%**	**15%**	**12%**	**16%**	-	-

Asset Classification: (RE)DEVELOPMENT										
Property	**Typology**	**Units**						**Capital Need to 2036**	**Capital Need to 2036 (per unit)**	**Operating Cost Per Unit (2017)**
		1 BR	**2 BR**	**3 BR**	**4 BR**	**5 BR**	**Total**			
Cabot Park	Low-Rise Apartment and Townhouse		20	44	24		88	$5,683,150	$64,581	$5,158
159 Louis	Low-Rise Apartment and Townhouse		66	39	15	7	127	$21,035,571	$165,634	$5,412
1778 LaSalle	Townhouse			16	11	3	30	$2,373,550	$79,118	$5,084
Bruce Avenue Property	Vacant Land						0	-	-	-
Other Available Lands	Vacant Land						0	-	-	-
Sub-Total/Average		**0**	**86**	**99**	**50**	**10**	**245**	**$29,092,271**	**$118,744**	**$5,281**
Percentage of Total		**0%**	**24%**	**19%**	**31%**	**22%**	**13%**	**25%**		**-**

Asset Classification: DISPOSE										
Property	**Typology**	**Units**						**Capital Need to 2036**	**Capital Need to 2036 (per unit)**	**Operating Cost Per Unit (2017)**
		1 BR	**2 BR**	**3 BR**	**4 BR**	**5 BR**	**Total**			
Cabot Park	Low-Rise Apartment and Townhouse		20	44	24		88	$5,683,150	$64,581	$5,158
159 Louis	Low-Rise Apartment and Townhouse		66	39	15	7	127	$21,035,571	$165,634	$5,412
Scattered Units	Single-Family Home		4	132	20	17	173	$11,240,962	$64,977	$5,035
Rumball Terrace	Townhouse			26	12	4	42	$2,754,826	$65,591	$4,286
Sub-Total/Average		**0**	**90**	**241**	**71**	**28**	**430**	**$40,714,509**	**$94,685**	**$5,098**
Percentage of Total		**0%**	**26%**	**47%**	**44%**	**61%**	**23%**	**35%**		**-**

5.2 Asset Management Strategy

Six GSHO projects have been classified as **Revitalize and Retain**, **(Re)Development,** and/or **Disposal**. The following briefly describes each of these assets, the classification(s) recommended, and the overall priority of revitalization efforts.

Sale of Scattered Units - High Priority

- These units are relatively popular amongst tenants and have lower capital needs relative to other assets in the portfolio, which is partially due to the receipt of capital grants from senior levels of government (e.g. SHRRP) over the past decade. These homes also represent a mixed-income approach to social housing, as they are scattered throughout market residential neighbourhoods across the entire City.
- However, these units are also very expensive to operate and do not match the core demand characteristics of current and forecasted social housing tenants and the need for accessible one-bedroom units.
- The scattered homes are also the most marketable assets owned by the GSHO from a sale perspective and typically have sale values ranging from $185,000 to $200,000[2]. Unlike some of the larger townhome projects managed by the GSHO, the scattered units do not contain the same site disposition challenges (e.g. require a plan of subdivision or part-lot control), although some semi-detached homes may require severances if they are sold.
- A forecasted revenue of $32.0 million is estimated if all 173 scattered homes could be sold for an average of $185,000 (2018), the benchmark appraisal value.
- The sale of scattered homes is a common practice across the Province. While these homes provide a benefit to a limited number of households, the sale of these homes can provide capital for other revitalization efforts and will also be an important first step in realigning the affordable housing supply with demand. It is also likely that if these units are sold, households on the wait list will redistribute to the townhome projects in the GSHO portfolio, which experience weaker demand from tenants but offer similar accommodation.
- In addition to sale values, the disposal of the 173 scattered units would result in a capital cost avoidance

[2] Per benchmark appraisals completed by Appraisals North Realty Inc. for the GSHO.

of $11.2 million to 2036 (i.e. the $11.2 million capital investment that is required for these units between 2018 and 2036 would not have to be made if they were sold).

- Some of the scattered homes could be sold to existing tenants or other qualifying households through an affordable ownership program. There are several models to consider, the most basic being that the City offer down payment assistance (in the form of a secured second mortgage) to qualifying purchasers. When the home is eventually sold by the home owner, the City is reimbursed through a repayment of the original loan plus a share of the gain in equity. This model allows existing tenants or other qualifying low-income household the opportunity to enter the home ownership market. It allows the City to provide assistance to these households, share in the long-term gain in equity of the real estate, and generate capital for revitalizing the social housing stock.
- Homes could be sold over the long-term at tenant turnover, with the equity put aside in a fund designated solely for the purpose of building new housing. The disposition program could be accelerated through offering a relocation incentive program to existing tenants.
- These RGI units would have to be replaced through some combination of new housing development, rent supplements, and/or portable housing benefits to maintain the RGI service level standard.
- While the majority of the scattered homes, including the New Sudbury scattered homes (A15C and A16C), no longer have outstanding debentures, some homes have debt that has yet to expire. Selling an asset prior to the end of debenture (EOD) will require debenture payout and could also result in other financial penalties. The scattered homes that have not reached EOD include Chelmsford St. Onge (2026), Garson Catherine/ Maplewood (2022), New Sudbury Colonial Court (2024), and New Sudbury Havenbrook/Springbrook (2026).
- Many of the scattered homes also have SHRRP grants tied to them, which generally range from as little as $700 to around $12,000. These grants were largely for renovation and retrofit capital programs that covered basement repairs and new windows and roofing. The funds were advanced at various points in 2010 and have a ten-year affordability requirement. Therefore, if any of these homes are sold prior to 2020, a pro-rated portion of the grant must be repaid. The City could therefore wait until 2020 to dispose of these assets, however the repayment amount would be insignificant

(e.g. $12,000 grant issued in 2010, if sale occurred in 2019 a pro-rated repayment of only $1,200 would be required).

- Notwithstanding the above, three of the scattered homes (2065 and 2110 Madison Avenue and 1157 Paquette Street) have significant grants attached to them in excess of $85,000. These should not be sold until the repayment window has expired.

Redevelop 159 Louis Street – High Priority

- This project is located adjacent to Greater Sudbury's downtown and contains 31 townhomes as well as 96 units in a series of walk-up apartments. The majority of the units are two and three bedrooms.
- As of 2017, demand was very low for these units as there were only 10 households waiting for 31 townhomes and 3 households waiting for 96 walk-up apartments. This compares to over 300 households waiting for a typical one-bedroom apartment in the GSHO portfolio.
- The turnover rate is also very high for the walk-up apartments, which indicates a general undesirability of the units and results in lost revenue through move-out costs and unit vacancy.
- These units are not popular due to accessibility issues associated with walk-up apartments and multi-storey townhomes. The adjacent GSHO high-rise building (166 Louis) offers 50 one-bedroom units and performs well from virtually every perspective (e.g. operating cost, capital needs, turnover rate, waitlist demand).
- The cost of operating these units is very high relative to other assets in the portfolio and the project also has high capital needs, exceeding $21 million by 2036.

- Revitalization actions are necessary at this site given the high costs, high capital needs, weak demand as per the wait list, and the overall inability of the property to adequately meet the needs of current and future tenants. Given these issues, the site has not been classified for retention.
- The property could be sold, however the units are likely to experience modest demand and value.
- Given the large size of the property and its strategic location adjacent to the downtown, it is instead recommended that the site be redeveloped with a mix of unit types and affordability levels. This mixed-income approach would revitalize the existing property, create a more financially sustainable model in the delivery of social housing, and increase the population (with a broad mix of socioeconomic characteristics) in the downtown, the latter of which is a council objective.
- Building on the above, the site is large and centrally located and could accommodate social service providers, community amenity space, and/or a community space opportunity. The GSHO has already investigated the potential of converting one of the walk-up apartments to a space dedicated for social service delivery. A lack of community space at this GSHO property has also been a concern of tenants as reported in 2018 by the media.
- The site could accommodate full or partial redevelopment, and could be undertaken incrementally in phases. Notwithstanding the benefits of redevelopment, the current lack of capital dollars is a major barrier to moving forward with a large scale redevelopment such as this.
- The project has reached EOD, however it has received significant SHRRP grants totalling $1.168 million. While the repayment window does not expire until 2020, it is highly unlikely that the City will be able to move forward with a large-scale redevelopment of this property within the next two years. There are therefore few obstacles for revitalization aside from maintaining RGI service level standards.

Dispose or Redevelop Cabot Park – High Priority

- The townhomes and low-rise apartments at Cabot Park experience low levels of demand from social housing tenants, with only 3 households waiting for the 20 apartment units and 2 households waiting for the 68 townhomes. At the same time, these units are very expensive to operate and experience high turnover rates relative to other assets in the portfolio. The property also requires nearly $5.7 million in capital repairs by 2036.
- The property is located in the Donovan neighbourhood, which is an area of the City that accommodates a significant concentration of social housing. As a result, the surrounding real estate market and socio-economic indicators for the community are weak.
- For the above reasons, the asset is not suitable for revitalization/retention nor does it meet the current or projected demand profile of tenants. It is therefore recommended that the property be either Redeveloped or Disposed.
- Disposal of the site could include selling the units as individual lots, similar to the approach of selling the scattered units. However, these homes are not currently located on separate, transferable lots. As a result, a plan of subdivision will be required to create a lot for each home. This will add costs, time, and complexity/uncertainty to disposing of the units.
- Alternatively, it could be possible to sell the units to College Boreal for student housing, or to another investor/rental operator interested in the current homes. This would avoid the need for a plan of subdivision.
- The appraised value of the townhome/semi-detached units is approximately $150,000 (per home) as per a 2017 appraisal prepared for the GSHO. This compares with an appraised value of between $185,000 and $200,000 for the New Sudbury scattered single-family homes. Selling these units could therefore result in approximately $10.2 million as well as $5.7 million in capital cost avoidance. The capital gained through this process can be used for revitalization and development efforts elsewhere.
- A comprehensive redevelopment of the property could also be undertaken, which could be implemented in phases. The large property could easily replace the existing 88 units in a much more compact and mixed-income development, and could possibly result in residual lands that could be sold or converted to public space (e.g. park).

- The GSHO could also retain the property and repurpose the homes to student rentals at market rates. While this would improve the revenues collected by the GSHO, it would negate any capital that would have been gained through the sale of these assets. The City would then have to fund the development of 88 RGI units (or rent supplements) at another location.
- Whichever direction is determined appropriate, the long-term operation of the property in its current form is not a desirable outcome. The property should be retained until a redevelopment plan is prepared and capital is secured, or the property should be sold or retained by the GSHO and repurposed to market rates.
- The project has reached EOD and also does not owe any SHRRP grants, therefore presenting few obstacles for revitalization aside from maintaining RGI service level standards.

Dispose or Revitalize Rumball Terrace – High Priority

- These townhomes are sandwiched between three high-rise social housing towers owned by the GSHO. This context makes them unpopular amongst families in need of social housing, which is the primary reason noted for the low demand experienced at these units.
- Currently there are only 3 households waiting for 42 townhomes. Unlike other projects in the GSHO portfolio offering 3-5 bedroom units, demand has been consistently low at this location since 2011.
- Notwithstanding these issues, the townhomes experience relatively low operating costs. In addition, the capital needs of the property are currently lower than the portfolio average and will continue to be modest to 2036. The property also does not reach EOD until 2021.
- Redeveloping the townhomes with apartments is not believed to be viable due to underground parking and other site challenges as noted by GSHO staff. The site has therefore not been classified for Redevelopment.
- Action is required at this property to address the low demand experienced. The site has therefore been classified as Dispose or Revitalize and Retain.
- It is possible to undertake significant renovations at these units to improve building conditions and the attractiveness of the project. The GSHO could also consider converting the townhomes to market rates to increase the social mix on the large property – however these RGI units would have to be replaced elsewhere.

- The sale value of these units is likely to be low due to the presence of a significant density of high-rise social housing buildings as well as the imposing built-form impacts that these buildings create. The sale of these homes may therefore result in a negligible equity gain.
- Notwithstanding the above, some of the townhomes could be demolished to create more park and amenity space on the site. This would provide an improved living environment for the families who live in the townhomes and apartment building at 1960(B) Paris. The open space could integrate with the multi-use centre already on the site, which could significantly improve the use and functionality of the space.
- A combination of these strategies could also be considered where some townhomes are demolished to integrate greater park and community space, units are renovated/improved, and some units are converted to market to allow greater income-mixing.
- Of note, the above strategies will result in the loss of RGI units, which will require replacement without any offsetting gain in equity. Notwithstanding this, this option could still be rationalized if the capital cost avoidance of the units as well as improved operating considerations (e.g. lower turnover/move out costs and revenue loss) are accounted for.
- While there have been significant capital grants allocated to this property over the past ten years, they have all been specific to the high-rise towers.

Revitalize or Redevelop 1778 LaSalle – Moderate Priority

- This townhome project is well located in New Sudbury and has frontage on LaSalle Boulevard. Its surrounding context likely will be supportive of a denser and more compact development consisting of mid-rise apartments, stacked townhomes, and compact traditional townhomes.
- Unlike other GSHO housing in New Sudbury, the wait list for this property is much lower, with only 12 households currently waiting for the 30 townhomes. This property is of poorer quality than the other GSHO townhomes in New Sudbury, which is contributing to low demand and a high level of unit turnover and resulting move-out costs and revenue loss.
- The operating costs and capital needs at this development are also very high relative to other assets in the portfolio.
- Notwithstanding the site's challenges, it is located in a "strong" market area that presents an opportunity to implement a mixed-income project. This asset has therefore been classified as Revitalize and Retain or

(Re)Development. Given the strategic location, disposal should not be considered.

- Strategic improvements at the site could increase the attractiveness and desirability of the project, such as interior renovations and improvements to unit functionality, base capital repairs, energy retrofit improvements to reduce utilities and operating costs, and other similar actions. These actions would likely improve many of the negative features observed at this project and result in the asset becoming a useful component of the GSHO housing portfolio over the long-term.
- On the other hand, this is a very well-located site that could likely be redeveloped with a higher intensity of development. Redeveloping this property with one-bedroom units would in all likelihood make the site one of the most popular offerings in the GSHO portfolio. This would also introduce much needed one-bedroom units into the New Sudbury community.
- While the site is a strong redevelopment opportunity, it is of a lower priority relative to the scattered units, Cabot Park, Rumball Terrace, and Louis Street in terms of immediate actions being needed.

Revitalize 744 Bruce – Moderate Priority

- The largest townhome community in the GSHO portfolio experiences high tenant turnover and weak demand, with only 12 households waiting for 150 townhomes. The costs of operating these units are expensive relative to other assets in the portfolio and there are considerable capital expenses required looking forward to 2036.
- The units at this site could be sold, however similar to Cabot Park, a plan of subdivision would be necessary and the sale values would likely be modest. New development on the site could also be contemplated, however there are several considerations that limit the attractiveness of this option:
  - The area is already dense with social housing.
  - The property is very large and would require significant financial and other resources to undertake a comprehensive redevelopment.
  - There is a vacant GSHO property just west of this site that could accommodate a new social housing building.
  - The large townhome property could become a more useful component of the GSHO portfolio if strategic improvements were implemented, which

would be a more cost-effective option relative to redeveloping the site.

- The property has therefore been classified as Revitalize and Retain. While the site is well utilized with a relatively efficient and compact development pattern, actions are required to improve demand on the property and reduce operating expenses.
- The sale of scattered units is likely to redirect demand for larger units to the GSHO townhomes. If improvements to the site (e.g. incorporating new and better integrated green space, community amenity space/community facilities) and renovations to the units were also implemented, the attractiveness of the property would likely improve.
- Some units could be sold at market rates or converted to market rents to improve the social mix at this very large and concentrated social housing project. Social mixing is often viewed as a positive step in improving behavioural issues at social housing developments. A mixed-income approach is also observed to improve overall living conditions, perceptions of safety, sense of community, decreasing operating expenses, and improved revenues. Improvements to the site, such as better integrated open space and community facilities, could be necessary to enhance the opportunities of income mixing.
- Similar to 1778 LaSalle, while revitalization actions are required at this property, it is a lower priority than the other GSHO sites identified in this chapter.

Development on Surplus City and GSHO Lands

In addition to the vacant property owned by the GSHO on Bruce Avenue, as well as redevelopment opportunities on GSHO owned properties, the identification of surplus City-owned properties that are appropriate for modest social housing buildings should be initiated. The development of new and modestly sized mixed-income buildings to replace the sold scattered units will be a vital component of the City and GSHO's ability to renew and revitalize the housing portfolio. This approach is currently being deployed by many Service Managers, including the City of Kingston.

6.0 Revitalization Strategies

The following revitalization strategies have been proposed to address the issues identified throughout this report. The implementation plan and business case recommends a combination of these strategies that can best achieve a revitalized social housing stock while also balancing the availability of funding and other financial resources.

6.1 Sell the scattered housing units

Similar to the direction of many Service Managers across Ontario, Greater Sudbury should begin a disposition program for the scattered housing units. As noted in the previous section, a forecasted revenue of $32 million is estimated if all 173 scattered homes are sold. Selling these homes will also result in a capital cost avoidance of nearly $11.2 million to the year 2036 based on current capital projections. The GSHO properties are also currently property tax exempt. If they are sold, they will begin paying property taxes.

The sale of scattered homes is a common practice across the Province. While these homes provide a benefit to a limited number of households, the sale of these homes can provide capital for other revitalization efforts and will also be an important first step in realigning the affordable housing supply with demand. It is also likely that if these units are sold, households on the wait list will redistribute to the townhome projects in the GSHO portfolio, which experience weaker demand from tenants but offer similar accommodation.

These homes should be sold over the long-term at tenant turnover, understanding that absorption limitations in the Greater Sudbury market will constrain the ability to sell all units at one time. Selling at unit turnover also limits any disturbance to existing tenants. Some homes could also be sold to existing tenants or other qualifying low-income households through an affordable homeownership program, which is a model that has proven effective in the Greater Sudbury market.

The revenue from the sale of homes should be allocated to a capital fund for the delivery of new affordable housing, which is expanded on in the following sub-section.

6.2 Establish a dedicated funding envelope for the development of new housing

Funding is a necessary component of any social housing revitalization plan. Despite generous funding opportunities through senior levels of government, additional funding from local Service Managers is core to the success of any revitalization plan.

The GSHO currently has a Social Housing Reserve Fund of over $7.5 million. It is recommended that the equity gained through the sale of scattered units be allocated to this fund, which will be used to develop new affordable housing. To increase the financial capacity of the fund, the City could also consider making annual contributions, which is similar to the approach of many Service Managers evaluated in the best practice review. This fund should only be used for the development of new housing.

This funding envelope, which will be "jump started" by the current balance of the fund and equity from the sale of scattered homes, will be a vital component of the City's ability to renew the housing stock.

6.3 Begin a strategic redevelopment program

Similar to other Service Managers across Ontario, the City of Greater Sudbury should begin a redevelopment program to renew the social housing stock. This program should replace the City's old social housing stock with affordable housing that better matches the demand profile of tenants and includes a mix of incomes that relies less on long-term operating and capital subsidies from the City.

To illustrate a possible redevelopment option, we have undertaken a high-level conceptual redesign of the GSHO property located at 159 Louis Street. As described in Section 5.2 of this report, 159 Louis Street contains 96 walk-up apartments and 31 townhomes, all of which are RGI. The property is not popular amongst tenants, does not match the demand characteristics of those in need of affordable housing, is not accessible to households with accessibility issues, and is expensive to operate. In addition to these issues, the property requires over $21 million in capital repairs by 2036 as estimated by the GSHO.

Currently, the large property is underutilized and can accommodate significant intensification (**Figure 14**). Its location adjacent to the downtown makes it a higher priority and more strategic opportunity relative to the other properties recommended for revitalization. Utilizing as-of-right zoning permissions and policy guidelines, a concept plan has been prepared by SvN Architects to illustrate the development potential of the property (**Figure 15**). It is noted that detailed design, planning, engineering, environmental, and other key analyses have not been completed to develop this conceptual design. The design is therefore for illustration purposes only.

Figure 14: 159 Louis Street Existing Conditions

Figure 15: 159 Louis Street Concept Plan – For Illustration Purposes Only

Completed by SvN Planners + Architects

The purpose of the concept plan is to demonstrate the possible density that could be achieved on the site as well as the costs and funding requirements that will be necessary to implement the project. If redevelopment is determined an appropriate solution by City council, more detailed design and costing will be necessary. Consultation with the general public, social housing tenants, and other relevant stakeholders will also be a crucial element. It is likely that the ultimate development plan created through a more detailed study/analysis will look very different from the concept plan shown in **Figure 15**.

Key elements of the concept plan include:

- The demolition of all walk-up apartments and townhomes comprised of 127 RGI units (ranging from 2-5 bedroom units).
- The existing five-storey GSHO building at 166 Louis Street remains, as recommended by the Strategic Asset Management Rationalization.
- Four new five-storey apartment buildings replace the demolished units, which is the maximum height currently permitted by the City's zoning by-law. The four apartment buildings are approximately 366,350 square feet in total.
- To implement a mixed-income approach, 35% of the gross floor area (GFA) is devoted to RGI units, 35% is devoted to affordable units benchmarked at 80% of the CMHC Median Market Rent (MMR), and the remaining 30% of units are set slightly below market rates (125% MMR).
- Given the demand characteristics evaluated earlier, the RGI units will all be one-bedroom and 650 square feet, and the 80%-125% MMR units are split between one, two, and three-bedroom units. All units will accommodate a high standard of accessibility.
- With these assumptions, the total unit count across the four apartment buildings would be 424 units. This is roughly three times the number of units currently on the property. Of this total, 167 would be RGI (an increase of 40 over current conditions), 138 of the units would be 80% MMR, and 119 of the units would be 125% MMR.
- In addition to the existing pedestrian path along Notre Dame Avenue and the surrounding green space, a generous 0.75 acre park has been incorporated at the intersection of Notre Dame Avenue and Louis Street. A new community space could be incorporated within the ground floor of the apartment building fronting the new

park, which can provide support services to tenants as well as flexible community/tenant space.

- Each new building will be built to passive-house standard and achieve significant energy efficiencies over the existing older buildings, resulting in lower operating costs.
- Surface parking has been incorporated to keep construction costs low. It is assumed the project would be phased over multiple years, one building at a time. It would not be uncommon for a project such as this to take 15 years or longer to complete.

To better understand the cost implications of undertaking a project like this, NBLC has prepared a high level financial pro forma analysis in consultation with the GSHO. The following tables and commentary illustrate the key assumptions and results from this analysis, which assesses the first building of this conceptual project:

Variable	Building A
Building Statistics	
Building Size (sq.ft.)	89,609
# Storeys	5
Total Units	104
RGI Suite Mix	
One-Bedroom (650 sq.ft.)	41
Total Units	41
80% MMR Suite Mix	
One-Bedroom (650 sq.ft.)	16
Two-Bedroom (800 sq.ft.)	13
Three-Bedroom (950 sq.ft.)	5
Total Units	34
125% MMR Suite Mix	
One-Bedroom (650 sq.ft.)	14
Two-Bedroom (800 sq.ft.)	11
Three-Bedroom (950 sq.ft.)	4
Total Units	29
Project Development Costs	
Hard Costs	$28.3 M
Soft Costs	$4.7 M
Total Costs	$33 M

***Above development costs include rebates and grants from the City's affordable housing CIP program (e.g. planning fee,* *building permit fee, feasibility grant, incentive grant). The cost of the park and community space has not been included.*

Variable	Building A
Rental Revenue Assumptions (per month)	
RGI 1BR	$280
80% MMR 1BR	$650
80% MMR 2BR	$800
80% MMR 3BR	$920
125% MMR 1BR	$1,016
125% MMR 2BR	$1,250
125% MMR 3BR	$1,438
Vending Machine	$66
Coin Laundry	$625
Parking	$944
Total Annual Revenue	**$864,000**

An operating expense of $277 per unit (per month) has been assumed, which has been estimated based on assumptions from the GSHO and operating costs of other new social housing projects in Ontario. This operating expense includes the costs of operating the unit, including staff resources, general maintenance and repairs, utilities, and insurance. In addition to these items, a reserve fund is also included in this amount to cover future capital expenses. An adequately funded capital reserve will negate the need for the City to provide an ongoing capital subsidy, as it currently does for all GSHO RGI units.

This assumption would result in an annual operating cost of nearly $350,000 for this building.

Variable	Building A
Cash Flow Variables	
Vacancy Year 1	10%
RGI Vacancy - Stabilized	1%
Market Vacancy - Stabilized	5%
RGI Rent Escalation	0.5%
MMR Rent Escalation	2%
Expense Escalation	2%

At stabilization, this project would produce a Net Operating Income (“NOI”) of approximately $490,000. This is arrived at by simply subtracting the operating expenses and vacancy from the total revenue received from rent and other sources (e.g. laundry, parking).

The federal government of Canada released the National Housing Strategy in 2017 to encourage the creation of affordable housing through a mix of funding, grants, and loans. The ten year, $40 billion plan is designed to reduce chronic homelessness, build up to 100,000 new homes, reinvest in existing affordable housing buildings, and others objectives.

The National Housing Strategy has implemented several loan and grant programs to address specific affordable housing initiatives. The program that is most appropriate for the redevelopment of 159 Louis is the Co-Investment Fund – New Construction Stream ("Co-Investment Fund"). The Co-Investment Fund provides low-cost loans and/or financial contributions to support and develop mixed-income, mixed-tenure, mixed-use affordable housing. Key details of the program are as follows:

- Low cost loan: 50 year amortization and a low-interest rate of 100 basis points above the government of Canada bond (estimated at 3.31%).
- Maximum Loan: Debt coverage ratio of 1.0, based on the project's Net Operating Income at stabilization.
- Loan Details: No payments are required during construction. Interest only payment in first year up to occupancy stabilization. Affordable rates are provided at ten year terms, which is renewable for another ten years.
- Capital Contribution: Possible to receive a capital contribution of up to 40% of eligible costs (hard construction costs).

To receive a loan and/or capital contribution, proponents must apply to CMHC. Funding will be granted based on a project's ability to meet specific qualifying requirements related to affordability, accessibility, energy efficiency, financial viability, partnerships, and others. Capital contributions will only be provided to projects that exceed the minimum qualifying requirements. It is therefore recommended that CMHC be consulted with when preparing a detailed redevelopment plan for all GSHO properties to ensure maximum funding can be secured. A project such as 159 Louis (as modelled in this report) would likely be well received by CMHC for both the loan and capital contribution due to the high energy efficiency (passive house standard), deep and permanent affordability (RGI and 80% MMR, owned and operated by the City), revitalization of the legacy social housing stock, improving accessibility for tenants, and others.

The Co-Investment fund will therefore result in the following financial considerations:

Variable	Building A
Financial Implications	
Total Project Cost	$33.0 M
NOI at Stabilization	$490,000
Maximum Supportable Loan from NOI (Co-Investment Fund)	$10.9 M
Equity Required for Project to be Viable	**$22.1 M**
Maximum Capital Contribution (Co-Investment Fund)	$10.1 M
Equity Required from the City for Project to be Viable	**$12.0 M**

Through the Co-Investment Fund's favourable loan conditions, the project could support a maximum loan of approximately $10.9 million. To be viable, an equity commitment of around $22.1 million would be required.

If the project was successful in securing a capital contribution from the Co-Investment Fund, which could be as much as $10.1 million (40% of building construction costs), the equity required from the City of Greater Sudbury would be reduced to approximately $12.0 million. An up-front equity commitment is necessary because the loan is insufficient to cover all construction costs, which is due to the affordable rents provided in the project (i.e. the rental revenue is insufficient to support a larger loan). An equity commitment is therefore necessary for the project to be financially viable, which can be partially offset by the sale of scattered units.

If this project is successful in securing the low-cost loan and the capital contribution from the Co-Investment Fund, the City would be required to cover the remaining equity required. The $12.0 million equity commitment from the City is approximately $115,000 per unit based on the 104 unit building. This equity commitment is in addition to the grants provided through the City's Affordable Housing CIP, which have already been accounted for.

We have assumed that it will take approximately 3.5 years to create a plan for the property, secure planning approvals, and construct the first building in the project. Assuming each building will take a similar timeline, the full build-out of the site will take approximately 14 years. Utilizing the required equity estimate of $115,000 per unit, the City of Greater Sudbury would be required to commit approximately $48.7 million (present day $) to the project over the 14 year development period. This assumes each of the four buildings receive loans and grants from the Co-Investment Fund.

While this funding request is significant, it is important to note that the City would be eliminating $21 million in capital repairs required for the existing assets to 2036. As noted, the operating budget of this building would self-fund a capital reserve, which should negate the need for ongoing capital support from the City.

In addition to capital considerations, the equity contribution from the City and the Co-Investment Fund would result in a financially self-sufficient project. The rental income would be sufficient to cover all operating costs (including capital repairs) and debt servicing. This should therefore also negate the need for ongoing operating subsidies from the City. As noted previously, the City committed an operating subsidy of $4.37 million in 2017 to the GSHO portfolio, which is projected to increase to $16.2 million by 2036. This results in an average per unit operating subsidy of $2,367 ($8,780 by 2036), which would no longer be necessary at any of the buildings at this project. For illustration, the existing 127 units require an annual operating subsidy of over $300,500 from the City as of 2017 ($1.1 M by 2036) that will no longer be necessary after redevelopment.

This investment would also begin to realign the affordable housing supply with demand, provide a mix of affordability and market rates adjacent the downtown, create a vastly improved living environment for tenants, the ability to incorporate greater park and community space/services, and a host of other factors.

Given Sudbury’s aging population, entire buildings or specific units can also be targeted specifically towards seniors across a variety of affordability types.

6.4 Address the capital needs of properties to be retained

While selling the scattered homes and beginning a strategic redevelopment of Louis Street will be a significant first step in revitalizing the social housing portfolio, the vast majority of the housing portfolio will be retained by the City over the long-term. This includes nearly 70% of the total units in the portfolio, with a total estimated capital need of over $82 million by 2036 (Section 5.1 of this report).

As identified in Chapter 3 of this report, the current capital subsidy approach is not effective. The social housing portfolio has a capital backlog of roughly $30.5 million, which is expected to more than double by 2036 if no action is taken. The growing unfunded capital backlog will impact the City's ability to continue offering social housing as the units may no longer be fit for occupancy if additional funding is not made available. This will result in the continued deterioration of the housing stock.

The current capital funding approach provides the GSHO with a set amount ($3.03 million in 2017), which is inflated each year. This subsidy is used by the GSHO to address capital deficiencies such as roof and foundation repairs, energy conservation projects, general building and site maintenance, and others. This results in a "reactive" approach to capital planning by the GSHO, where only critical capital repairs are undertaken with the funding made available each year. If all capital repairs cannot be completed, they are deferred. This situation has been occuring for decades, which results in the current unfunded capital backlog. A more strategic approach is necessary.

The GSHO currently plans for long-term capital needs through the database Asset Planner. Asset Planner is a useful tool in forecasting long-term capital need from a high-level perspective. Staff at the GSHO then determine the capital projects that require immediate attention, which is based on Asset Planner as well as building inspections.

It is recommended that the GSHO begin multi-year capital planning through a capital strategic plan. This will involve completing building condition assessments of all properties recommended for retention to better understand the capital needs of each asset and to develop a strategic investment plan for each building.   This will allow the GSHO and the City to be more strategic with the capital funding made available. Instead of small "band-aid" fixes, larger capital programs can be undertaken within an entire building, taking a building system approach. This could result in a full renovation and upgrade of an entire building, which would include targeted renovations, mechanical component upgrades, and necessary capital repairs.

The capital strategic plan would identify the capital work required, the investments planned over a multi-year period, the costs and outcome of each action, and anticipated funding sources.

For this program to be successful, it must be met with adequate capital funding. Some of this funding can be pursued through senior levels of government, however a greater funding commitment from the City of Greater Sudbury is necessary. The following funding approaches can be considered:

- The City could maintain the current operating subsidy delivered to the GSHO after the sale of scattered housing and any other redevelopment has been initiated. This should result in a measureable operational surplus, which can be devoted to in-year capital spending.

- The annual capital subsidy provided to the GSHO can be increased from the current benchmark.
- Rather than increasing the annual subsidy, the City could instead establish a new capital fund for the GSHO with annual contributions. The fund can be accessed to address specific items identified in the capital strategic plan.
- The GSHO should continue to pursue all senior level funding for capital repairs, such as the National Housing Strategies Co-Investment Fund – Repair and Renewal Stream.

6.5 Begin Planning for the Other Properties that Require Attention

Given the long-term development program for 159 Louis and the significant financial resources that will be necessary, it is recommended that planning be undertaken for the other properties identified for revitalization (Cabot Park, Rumball Terrace, 744 Bruce, and 1778 LaSalle).

As noted in the previous section, such actions could include the integration of park space, community space and buildings, targeted renovations, incorporating a mix of affordability levels, disposing of the property, and other similar strategies.

Preliminary long-term planning for these properties will allow the GSHO to be opportunistic should funding opportunities become available, an interested partner or purchaser emerge, and be more strategic with the deployment of operating and capital dollars (understanding that these assets are not necessarily to be retained over the long-term).

Planning should commence after a plan for the sale of scattered housing and the redevelopment of 159 Louis is approved and in the early stages of implementation.

6.6 Deconcentrate large and segregated social housing communities

Building off the above, the GSHO should begin exploring opportunities to desegregate/deconcentrate large social housing communities such as Louis Street, Rumball Terrace, Bruce Street, and Cabot Park. This can include disposing of units and replacing with mixed-income buildings elsewhere, converting units to market rents within these communities to encourage a greater social mix, relocating tenants with rent supplements, and other similar strategies.

6.7 Keep RGI replacement levels at a manageable level

While disposal, redevelopment, and strategies to deconcentrate large and segregated social housing communities are important elements of a revitalization strategy, it is important to keep the amount of RGI replacement units at a manageable level. The City is required to maintain a specific number of RGI units as per the HSA. Any RGI units that are sold, demolished, or turned to market rents must be replaced. While they do not have to be replaced immediately, there must be an approved implementing plan to replace the units.

It is not therefore recommended that the City sell all scattered units, demolish properties identified for redevelopment, deconcentrate large segregated social housing units, and other relevant strategies all at once. This will require significant financial commitment to replace the assets. This would also require significant organizational capacity, which does not currently exist within the GSHO.

Rather, these strategies should be implemented incrementally over time and be undertaken concurrently with the capital revitalization of assets to be retained.

6.8 Explore Options to Provide more Social Services and Public Space for Tenants

The GSHO and City of Greater Sudbury should explore opportunities to provide greater support services for vulnerable tenants as well as greater community space for tenants and tenant groups. This can include greater utilization of the GSHO multi-use centre at Rumball Terrace, the integration of community and social service space in new buildings, new community space at existing properties/new developments, and better utilization of public/ park spaces within existing properties.

6.9 Explore other RGI replacement strategies

The City should begin to explore other strategies to replace RGI housing outside of publicly funded brick and mortar redevelopments. As discussed in this report, strategies such as rent supplements and portable housing benefits are viable options.

The City should also encourage private-sector participation by engaging with the non-profit and for-profit development community. Offering strategic incentives through the City’s affordable housing community improvement plan or on City-owned surplus sites could encourage RGI replacement in projects undertaken by the private sector.

7.0 Implementation Plan and Business Case

The following provides two scenarios for the City of Greater Sudbury to consider:

- **Base Case (Do Nothing):** The "Do Nothing" scenario provides a high-level summary of the implications and costs of taking no action to revitalize the social housing stock. This scenario therefore assumes the portfolio continues to be operated and funded as per current practices.
- **Revitalization:** The scenario details the costs and implications of undertaking selected revitalization strategies. The Revitalization scenario will include both short and longer term implementation recommendations and detail all quantitative and qualitative considerations to formulate the basis of an implementation plan and business case.

7.1 Base Case "Do Nothing" Scenario

As discussed throughout this report, the costs of operating the social housing portfolio for the City of Greater Sudbury will continue to escalate quickly if no actions are taken. The GSHO's ongoing operating subsidy is projected to more than triple over the next twenty years (**Figure 6**), which will place increased strain on the City of Greater Sudbury to financially support this service. Capital maintenance requirements will grow to over $142 million by 2036. If current capital funding practices are maintained, the City will provide the GSHO with $73.8 million between 2017 and 2036 and still have an unfunded capital backlog of approximately $68.5 million (**Figure 7**). If capital projects cannot be funded, eventually the housing will become unsuitable for occupancy and be forced to close.

The financial consequences are further compounded by the fact that all of the issues that currently plague the housing portfolio will continue to be present despite the increased financial commitment required from the City. These issues include the mismatch between existing supply and demand, the overall financial unsustainability of the housing portfolio, inefficient/outdated utility infrastructure and building components, concentrated and/or segregated social housing, poor building/living environments, the lengthy wait list for social housing, lack of social/community services, and many others.

While revitalization efforts can be expensive when viewed in isolation, these costs must be weighed against the costs of inaction that are highlighted in this analysis. Revitalizing the housing stock will work to reverse these projected trends while also addressing many of the other issued noted above. Maintaining the status quo will perpetuate current conditions while also commanding significant financial resources from the City of Greater Sudbury.

7.2 Revitalization

7.2.1 Near-Term Actions

Sale of Scattered Units – Affordable Ownership Program: Establish an affordable ownership program that offers down payment assistance (e.g. second mortgage) to qualifying low-income households. A survey of existing tenants should be undertaken to gauge the level of interest and financial capacity of these households to participate. The program can then be offered to other qualifying households that are not current tenants.

Sale of Scattered Units – Market Sale: Begin selling the scattered housing units at tenant turnover at market prices. As units begin to turnover, engage with a broker to estimate the sale values and possibly implement small investments to increase value and market interest as appropriate on a site by site basis (e.g. new floors, kitchen or bathroom renovation, utility upgrades, etc.).

Establish a Dedicated Funding Envelope for the Development of New Affordable Housing: Allocate the equity gained from the sale of scattered housing to the existing Social Housing Capital Reserve Fund, which will be used exclusively for the development of new housing. To further enhance the financial capacity to create new housing, the City of Greater Sudbury should consider making an annual financial contribution to the fund. As noted, this fund currently has a balance of roughly $7.5 million, which could be enhanced with another $32 million through the sale of scattered homes.

Begin a Redevelopment Plan for 159 Louis Street: Engage a comprehensive consultant team to undertake a redevelopment plan for 159 Louis Street. The consultant team should include planning, engineering, market and financial, environmental, consultation, and other relevant experts. The project should have a strong consultation program with tenants, stakeholders, and the public. The project should result in a comprehensive redevelopment plan, all required planning approvals, cost estimates, financial pro formas, and all required building designs/ architectural plans in order to apply for the National Housing Strategy Co-Investment Fund. Communication with CMHC should be undertaken throughout the project to ensure maximum funding is secured and project qualification requirements are met.

Implement a Strategic Capital Planning Approach: Undertake a capital strategic plan that considers the asset rationalization analysis completed in this report and implement multi-year capital planning. As part of this work, building condition assessments of the assets recommended for retention over the long-term should be completed to better understand the capital needs of each asset and to develop a strategic investment plan for each building. The capital strategic plan will identify the capital work required, the investments planned over a multi-year period, the costs and outcome of each action, and anticipated funding sources. Depending on the outcomes of the analyses and availability of funding from other sources (e.g. National Housing Strategy), municipal funding must also be evaluated.

7.2.2 Mid-Term Actions

Begin the Revitalization of 159 Louis Street: Once planning approvals are in place and funding is secured from senior levels of government and the City, begin implementing the redevelopment. To allow the redevelopment to begin in a timely fashion and to minimize relocation requirements, the GSHO leave units vacant at turnover once the development plan is approved.

As discussed in the previous section, development should occur in phases over a period of 10 to 20 years, which will be dependent on the availability of funding and a number of other factors. Demand characteristics should continuously be monitored to ensure the built product best meets the needs of tenants (e.g. one-bedroom need, building(s) devoted to seniors, etc.). Upon project initiation, market soundings with potential private sector partners should be undertaken. The City should also explore potential partnerships with health and service groups to occupy community space within the project for tenants.

The preliminary concept plan evaluated in this report estimates that the City's total commitment to the project would be approximately $48.7 million for all phases. This is an estimate only, which has been arrived at through an order of magnitude financial analysis; more detailed design and costing is required. This estimate also assumes that all phases of the project would receive the maximum funding (grant and loan) through the Co-Investment Fund.

Notwithstanding the above funding requirement, the City's social housing reserve fund could have nearly $40 million to contribute (current balance + equity from sold scattered homes). The balance of the funding requirement would require a contribution from the City, however this could be allocated over the planning and development of the site (15+ years).

Begin Addressing the Capital Backlog and Overall Capital Needs of the Portfolio: Utilizing the capital strategic plan, begin undertaking strategic capital projects across the portfolio with funding from the City of Greater Sudbury (as mandated by the HSA) as well as funding from senior levels of government as it becomes available.

Table 3 illustrates the estimated impact of redeveloping 159 Louis Street and selling the scattered units. As described in this report, if funding practices and capital planning does not change, the GSHO housing portfolio will require approximately $142.2 million in capital repairs by 2036, which will be met with only $73.7 million in funding from the City. This will result in the current unfunded capital liability increasing from $30.5 million as of 2017 to over $68.5 million by 2036.

However, if the capital need associated with 159 Louis and the scattered homes are eliminated through disposition and redevelopment (approximately $32.2 million), the estimated capital need by 2036 is reduced to only $110 million. If funding practices are maintained, the unfunded capital backlog will be significantly reduced. There should be no corresponding increase in required capital investments with any new affordable housing as these projects are designed to self-fund a capital reserve.

Table 3

The Impact of Selling the Scattered Units and Redeveloping 159 Louis Street - Estimated Capital Need (2036)		
	Base Case	**Revitalization**
Current Unfunded Capital Backlog	$30,522,502	
Total Projected Capital Need (2017 - 2036)	$142,272,699	
Total Estimated City Funding (2017 - 2036)	$73,759,939	$73,759,939
Capital Cost Avoidance: Scattered Units (by 2036)	$0	$11,240,962
Capital Cost Avoidance: 159 Louis (by 2036)	$0	$21,035,571
Estimated Capital Backlog (by 2036)	**$68,512,760**	**$36,236,227**

It is noted that the capital need noted in T**able 3** is estimated by asset planner, which is based on the estimated life cycle and replacement costs of existing building components. However, the capital strategic plan is likely to identify more intensive capital projects (e.g. deep energy retrofits) that is likely to inflate the capital investments required. While some of this increase could be offset by federal/provincial funding, the City should also increase capital funding to fully address the capital need of all properties to be retained over the long-term.

To assist in addressing the capital projects, the City should maintain the existing operating subsidy granted to the GSHO housing portfolio even after the scattered homes are sold and the redevelopment of 159 Louis begins. The scattered homes and 159 Louis Street are approximately 16% of the total GSHO portfolio. Based on the current operating subsidy of $4.37 million, the GSHO portfolio should accumulate a reserve of approximately $710,000 (subject to other shifts in operating costs). This reserve should be granted to capital spending. This approach would significantly improve living condition in these older assets, reduce the capital backlog associated with these assets, and ensure tenants have access to affordable and suitable housing well into the future.

Monitor the Impact of Revitalization: Once the revitalization strategies are implemented, it is important to monitor the financial and non-financial impacts to help guide future investment decisions.

Offset the short-term loss of affordable housing with portable housing benefits and rent supplements: There will be a period when the scattered homes are sold and 159 Louis is being developed that the City will experience a measureable net loss of affordable housing. To minimize impacts to those in need of housing, the City should consider offering rent supplements and portable housing benefits.

Encourage RGI and affordable housing through private sector investment through the CIP: To address the full housing continuum, the City should continue to encourage affordable housing development by the private sector. The financial incentives and other non-financial tools offered through the City's Affordable Housing Community Improvement Plan will be instrumental to the private for-profit and non-profit sectors participating.

7.2.4 Longer-Term Actions

Begin Planning for the other GSHC properties in need of revitalization: Once 159 Louis Street is well underway, the City should begin a new revitalization plan to begin addressing the other properties noted in this analysis that are not to be retained over the long-term. The analysis in this report indicates that the Rumball Terrace townhomes and Cabot Park should be the priority properties. Other strategies to improve living conditions at properties to be retained over the long-term, desegregate or deconcentrate large social housing blocks, and offering increased tenant support and services should also be investigated.

7.3 Investment Implementation Guide

Figure 16: Investment Implementation Guide

Near-Term

- Dedicate the Social Housing Capital Reserve Fund for the Development of New Housing
- Begin a Redevelopment Plan for 159 Louis
- Begin Selling the Scattered Housing Units
- Allocate Equity from the Sale of Scattered Homes to the Social Housing Capital Reserve Fund
- Contribute Annual Funding to the Social Housing Capital Reserve Fund
- Secure Funding Through the Co-Investment Fund for 159 Louis Redevelopment
- Retain a Consultant to Undertake a Strategic Capital Plan
- Retain a Consultant to Complete Building Condition Assessments

Mid-Term

- Begin the Revitalization of 159 Louis Street
- Implement the Capital Strategic Plan
- Secure Municipal, Provincial, and Federal Funding for Larger Capital Projects
- Begin Implementing Strategic Capital Projects
- Monitor the Impact of Revitalization
- Encourage Private Sector Affordable Housing Participation
- Increase Short-Term Rent Supplements and Portable Housing Benefits

Longer-Term

- Reevaluate Demand and Supply Characteristics
- Implement Revitalization Strategies at Other Properties

Implementation Impacts and Considerations:

- Realign supply with demand to ensure the social housing portfolio best meets the needs of tenants.
- Replace old and inefficient buildings with new housing, which will:
  - Drastically improve living conditions for tenants.
  - Introduce self-sufficient units, reducing the subsidy requirement and capital need of the portfolio.
  - Implement a modern mixed-income development adjacent to downtown.
  - The ability to incorporate social support services and community space within a building.
- Implement capital repairs and strategic investments in other properties to improve building and living conditions.
- Become more financially sustainable by reversing the current capital and operating subsidy trends.
- Ensuring a broad range of households have access to suitable housing that is affordable to their needs (e.g. homeless, low and modest income households, seniors).
- Take advantage of strong funding opportunities through the National Housing Strategy.
- Become a leader in the delivery of social housing.

Sell the Scattered Housing

Equity Gain of
$32 Million

Capital Cost Avoidance of
$11.2 Million

Social Housing Capital Reserve Fund

Existing Balance
$7.5 Million

+

Sold Scattered Equity
$32 Million

=

Total Possible Balance
$39.5 Million

Redevelop Louis Street Property

Estimated Equity Contribution from the City over 15+ Years (assume project receives grants and loans from Co-Investment Fund)
$48.7 Million

−

Balance Available from Social Housing Reserve Fund
$39.5 Million

=

Remaining Estimated Equity Contribution from the City over 15+ Years
$9.2 Million

Capital Cost Avoidance of
$21 Million

Total Capital Cost Avoidance of
$32.2 Million

New Buildings will be financially self-sufficient. Should no longer require operating and capital subsidies

The sale of scattered homes and redevelopment of Louis could save the City as much as **$710,000** in operating costs each year

Use this surplus to address capital repairs and projects, increase portable housing benefits/rent supplements, and fund other revitalization projects

The Impact of Selling the Scattered Units and Redeveloping 159 Louis Street - Estimated Capital Need (2036)		
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Estimated Capital Backlog (by 2036)	**$68,512,760**	**$36,236,227**