The City of Greater Sudbury

Social Housing Revitalization Best Practices

Background Report

N. BARRY LYON CONSULTANTS LIMITED

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Social Housing Regeneration Best Practices Background Report

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1.0 Introduction

N. Barry Lyon Consultants Limited 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 following background report provides an analysis of social housing revitalization efforts that have been undertaken by other service managers in Ontario. The purpose of this report is to inform the larger Revitalization Plan with respect to approaches that:

- have proven effective in other jurisdictions;
- illustrate tools and funding mechanisms to implement revitalization efforts;
- identify the parties involved that are instrumental to successful planning and implementation; and
- other high-level lessons to be learned from the experience of others across the Province.

The commentary found in this report has been prepared through research, interviews with service managers and housing corporations, and NBLC's direct experience. Our review is focused on service managers in Ontario and their local housing corporations (LHC) given the following:

- The Ontario service managers are all operating within the framework of the Housing Services Act, Residential Tenancies Act, etc.
- The Ontario service managers are exposed to the same periodical funding opportunities from senior levels of government.
- Many of the service managers have different types of housing in their service areas including the public housing stock (i.e. RGI units), non-profit housing, and co-op housing. The public housing stock is typically operated by the LHC, an agency owned by the service manager, or in certain areas this housing stock is directly owned and operated by the service manager.
- In some service areas, the portfolio of the LHC also includes non-profit and co-op housing due to transfers and/or amalgamations that occurred in the past.
- The age of social housing buildings across Ontario is largely similar, especially for those that were constructed under the same program (e.g. Public Housing, Provincial Reformed).
- The LHCs and service managers across Ontario also face similar issues. This includes a deteriorating housing stock, limited funding, growing wait list, stigmatized communities due to the concentration of marginalized population, misalignment between supply and demand due to demographic changes, and many other related concerns.

This case study analysis has been focused on revitalization efforts specific to the housing portfolio that is owned and managed directly by a service manager or by its LHC (rather than other non-profit and co-op housing providers). The public housing stock is owned by the local service managers who therefore have direct authority over all key investment and management decisions, which is not the case for the other housing providers. Given the fact that this housing stock typically serves the most vulnerable population, and that these assets require significant public funding for both operations and capital maintenance/repairs, revitalizing this portfolio is a primary objective for many service managers across the Province.

With the considerations above, we have studied eight service managers in Ontario that have taken steps to revitalize their social housing stock. **Table 1** summarizes the portfolio size and makeup of each LHC. It also provides a few key indicators on local demographic and private housing market conditions that influence social housing revitalization efforts.

Table 1

Summary of Service Managers Studied (Ranked by # RGI)

Service Manager	Local Housing Corporation			Local Housing Market Condition Indicators			Population Increase (2011-2016)
	Name	#RGI[1]	#Non-RGI[1]	Avg. Vacancy Rate[2] (2013-2017)	Avg. 2-Bed Rents[2] (2017)	Avg. Shelter Cost[3] (2016)	
City of Ottawa	Ottawa Community Housing Corporation	12,272	2,528	2.8%	$1,234	$444,589	5.8%
City of Hamilton	CityHousing Hamilton	5,800	1,300	3.5%	$1,030	$430,555	3.3%
Region of Peel	Peel Living	4,574	2,339	1.6%	$1,318	$618,409	6.5%
Windsor and Essex	Windsor Essex Community Housing Corporation	3,537	1,170	4.0%	$860	$204,510	3.0%
City of Greater Sudbury	**Greater Sudbury Housing Corporation**	**1,848**	**0**	**4.1%**	**$1,058**	**$218,109**	**1.7%**
County of Simcoe	Simcoe County Housing Corporation	1,315	79	2.4%	$1,099	$416,640	7.5%
York Region	Housing York Inc.	2,600		1.5%	$1,340	$871,831	7.5%
City of Kingston	Kingston & Frontenac Housing Corporation	966	127	2.1%	$1,155	$357,365	0.4%
City of Kawartha Lakes and Haliburton	Kawartha Lakes-Haliburton Housing Corporation (no staff, part of City)	467	210	1.3%	$1,083	$347,722	3.0%

1. Approximate and subject to change due to (re)developments and revitalization efforts.
2. Averages across the local private purpose-built rental apartment universe in the local area.
3. Dollar amount expected by the owner if the asset were to be sold according to 2016 Census.
Source: Canada Mortgage and Housing Corporation, Statistics Canada 2016 Census

Of the eight service managers studied:

- Four are high growth areas, including the City of Ottawa, Simcoe County, and the regional municipalities of Peel and York. Higher growth areas are often accompanied by high housing values and rents as well as low vacancy rates. These all create a favourable market condition for LHCs, who are typically rich in land but short on cash, to consider revitalization efforts. At the same time, these market characteristics also increase the need for affordable housing options.
- Three are moderate growth areas, including City of Hamilton, Windsor and Essex, and City of Kawartha Lakes and Haliburton.
- The City of Kingston is considered a lower growth area, however the market for higher density rental housing is relatively strong compared to other low growth areas.
- Unlike the Greater Sudbury Housing Corporation, none of the surveyed LHC's housing portfolio is 100% RGI.

2.0 Regeneration Case Studies

The following sub-sections summarize the revitalization efforts in the eight service areas evaluated. Chapter 4 of this report summarizes the key findings and strategies that are most relevant for the City of Greater Sudbury's consideration.

2.1 City of Ottawa

Summary of key factors to success:

- Clearly defined revitalization objectives, supported by dedicated funding envelopes. These envelopes include capital programs that are funded directly by the City from its tax base to support affordable housing renewal and expansion.
- Strong relationship and collaboration between the City and the Housing Corporation.
- The City and Housing Corporation worked closely in aligning funding from various sources and managing redevelopment projects.
- The Housing Corporation improved their financial capacity through the sale of scattered units and implementing cost saving measures.
- The City also supported revitalization by supporting the refinancing of assets, extending subsidies, and waiving municipal fees for revitalization projects.

The City of Ottawa has about 16,500 RGI units in its service area. It is the sole shareholder of the Ottawa Community Housing Corporation (OCHC), which manages over 14,800 units. The OCHC's housing portfolio includes a mix of public housing (RGI) units (58% of total OCHC portfolio), Provincial Reformed units (18%), Municipal Non-Profit (7%) units, Federal projects (7%), and 'equity' stock (10%). In total, the OCHC is responsible for 12,272 RGI units, which is about 74% of the City's service level standard.

2.1.1 OCHC Long Range Financial Strategy

In 2008, OCHC completed a Building Condition Assessment (BCA) on its entire housing stock. The BCA identified $211.4 million in capital repairs classified as "past due and immediately required" and another $121 million was identified for the five years to follow.

In 2013, the OCHC developed a Long Range Financial Strategy (LRFS) that identified key strategies to address the need to acquire sufficient funds to sustain operations, address current repair needs, and support further housing development. Key strategies were focused in the following areas:

- Sustain and pursue funding through a streamlined operating agreement, grants and other sources.

    - The OCHC signed a new Operating Agreement with the City of Ottawa in 2009. Under the new Agreement, the calculation of subsidy funding for the Public Housing program was revised to a formula similar to the Provincial Reformed program. The new formula allows for both an operating and a capital reserve for the Public Housing program. This streamlined funding arrangement gives OCHC more predictable and stable funding and allows OCHC to better manage its operation on a portfolio basis.

- Develop a sustainable debt financing strategy to generate funding for capital repairs while maintaining affordable debt payments.
    - Between 2012 and 2017, OCHC refinanced a total of 43 properties, all of which were with Infrastructure Ontario (IO). This raised a total of $108 million to be contributed to OCHC's Capital Fund to be used for capital repairs. Section 2.1.2 offers further detail on OCHC's refinancing.
- Leverage existing assets through asset rationalization (e.g. divestiture, intensification, and redevelopment).
    - The OCHC developed a Portfolio Management Framework to assist in divestiture decisions and the (re)development of the portfolio.
    - Between 2013 and 2017 a total of 45 properties were sold, which resulted in $13 million that was subsequently invested into OCHC's Community Reinvestment Fund (CRF). The same number of RGI units are being replaced in newer, more efficient, and compact developments (discussed further in this subsection).
    - With the CRF, the OCHC has the capacity to align its own resources with the funding opportunities from senior level governments to engage in intensification, redevelopment, and RGI replacement.
- Control expenses and reduce costs through the implementation of the OCHC Green Plan, group purchasing, and other similar features.
    - A Green Reserve Fund was established that is dedicated to utility conservation programs.
    - Over 700 OCHC properties have been exempted from municipal and school property taxes for a minimum of 20 years, which will result in net savings of approximately $3 million per year. The savings will be used for capital repairs.
    - A pilot program that uses the LEAN business improvement model was implemented in 2016 to refine the telephone service delivery for tenants. The model aims to identify instances of waste in the work process and uses performance measures throughout a project and afterwards to seek continuous improvement. The results of the pilot program indicated improved services and efficient operation, and OCHC is considering broadening the use of LEAN across the organization.

- Increase other revenue streams such as parking, laundry, renewable energy revenue, and commercial advertising.

2.1.2 Mortgage Refinancing

Following the BCA, which identified the backlog of capital repairs, there have been renovation and rehabilitation funding from the City (e.g. Housing and Poverty Reduction Program) and senior level governments (e.g. SHRRP) which helped address some of the backlog. However, the level of funding received has not been sufficient.

To generate capital that can be used towards the repair of the aging housing stock, OCHC proactively approached the City of Ottawa to refinance some of their assets. The City agreed to the approach provided the new monthly debt payment remained similar to the pre-existing debt payments.

As previously noted, OCHC's housing portfolio consists of a wide range of legacy housing programs. In their refinancing efforts, OCHC has been targeting the Provincial Reformed and Municipal Non-Profit projects because they were financed through short-term 'pooled' mortgages, as opposed to long-term debentures for Public Housing projects and long-term mortgages for federal projects. Refinancing these projects at renewal does not incur a mortgage penalty as other programs would. The Provincial Reform projects also collect higher rents than the public housing buildings, which allows greater debt financing capacity.

A total of 43 properties were refinanced between 2012 and 2017 with Infrastructure Ontario (IO). These projects were selected because the new monthly debt payment for their loan with IO is calculated to be the same as their previous mortgage payment, which fulfilled the City's requirement.

Compared to private lending institutions, IO provides long-term, fixed rate lending, designed to benefit public institutions like OCHC. IO offered an extended amortization period of 30 years at a fixed interest rate (varied between 3.27% and 4.45% depending on the project). This effectively eliminated the risk of fluctuations in interest associated with the original short-term mortgages at these projects.

For each of the refinanced projects, IO required the City of Ottawa to continue the current level of mortgage subsidy until the end of the loan. As per IO's requirement, the City of Ottawa will pay 360 equal monthly installments directly to the lender, and this payment will be deducted from the City's subsidy to the OCHC. The loans were secured by the City – not the real estate.

After subtracting the amount to payout the original mortgage, over $108 million in net proceeds from refinancing 43 properties was contributed to OCHC's Capital Fund dedicated for repairs and upgrades.

2.1.3 Intensification and Redevelopment

While most of its efforts were focused on maintaining the existing buildings, OCHC has been creating new housing where it can, leveraging the funding opportunities made available by the City and senior levels of governments. At the City level, Ottawa offers two affordable housing capital funding programs:

- the Ten Year Housing and Homelessness Investment Program; and
- the Housing and Poverty Reduction Investment Program.

Both programs offer forgivable loans as capital assistance.

In 2015, OCHC established a Portfolio Management Framework (PMF) to guide decisions on maintenance, renewal, expansion, and divestiture of properties. It provides long term-direction for the portfolio and establishes targets and performance standards. The PMF included an evaluation of the OCHC stock, which identified properties that are best positioned for divestiture, retention, redevelopment and infill. The PMF has significantly assisted OCHC to position itself to respond to opportunities for potential growth and redevelopment.

The OCHC established a goal to replace 1% of their 15,000-unit portfolio each year, meaning disposing of 150 units and replacing 150 new units annually. Between 2013 and 2017, the OCHC has sold 45 properties, resulting in proceeds of $12 to $13 million that was contributed to OCHC's Community Reinvestment Fund (CRF), a funding envelope dedicated for developing new housing or services.

Table 2 summarizes the OCHC's new developments and redevelopments in recent years, as well as their funding sources. The following are key observations from these developments:

- The majority of the projects are small in scale with under 30 units. These smaller projects are less demanding on upfront capital contributions and are easier and faster to get planning approval. Many of the new projects are stacked and traditional townhomes in response to a growing demand for affordable family sized units in the city.
- Most of the projects are infill developments built on OCHC's surplus lands or redevelopment of under-utilized OCHC properties, which results in savings on land cost.
- OCHC made significant contribution from its own reserve fund (CRF) for all projects. In addition to OCHC contributions, all of the projects have received capital contributions from other funding sources, including the Canada-Ontario Investment in Affordable Housing (IAH) program and the previously mentioned municipal capital programs. Affordable mortgages were obtained at some projects.
- In addition to capital forgivable loans, the City of Ottawa also offered exemptions for municipal development charges, planning fees, and parkland levies, and paid the school board charges for many projects.

Table 2

New Developments and Redevelopments by OCHC

Address	Completion Year	Previous Use	New Use	Total Units	# RGI Units Replaced	# Units Increase	Total Cost (Mil $)	Funding (Mil $)	Funding Source	Notes
Carson's Road	2013	Vacant	Stacked Townhome	27	0	27	$7.39	$4.00 $3.40	Ottawa's Ten Year Housing and Homeless Investment Plan OCHC's reserve fund and mortgage financing	City also exempted municipal DC, planning fees, parkland levies, and paid the school board charges (Total City Contribution: $4.2 million)
454-456 Old St. Patrick	2014	OCHC Duplex	Stacked Townhome	10	2	8	$2.88	$1.20 $1.68	Ottawa's Ten Year Housing and Homeless Investment Plan OCHC's reserve fund	Replaced a duplex with a 10-unit stacked townhome project targeting families.
Hayley Court	2016	OCHC Townhome	Stacked Townhome	16	14	2	$4.80	$0.93 $3.87	Insurer OCHC's Capital Reserve	The old housing was damaged by fire. New development was constructed on the foundation of existing structure.
Michele Heights	2016	Vacant	Townhomes	6	0	6	$2.25	$0.80 $1.45	Canada-Ontario Investment in Affordable Housing (IAH) OCHC's Community Reinvestment Fund	Infill development in the existing Michele Heights Community. Family sized homes.
3225 Uplands Drive	2018 (est.)	Vacant	Townhome and Triplex	16	0	16	$4.90	$2.40 $2.60	Canada-Ontario Investment in Affordable Housing (IAH) OCHC's Community Reinvestment Fund	Infill development to create 16 family units.
Rochester Heights	2020 (est.)	OCHC Townhome	Apartment	148	26	122	$40.80	$11.00 $12.5-$14.0 $12.8-$14.3	Canada-Ontario Investment in Affordable Housing (IAH) OCHC's Community Reinvestment Fund Affordable Mortgage	Replace 26 townhomes with an 8-storey apartment building with a mix of dwelling sizes. OCHC's first net-zero building with a bank of solar panels.
Carlington Community Health Club	2020 (est.)	Surface Parking	Apartment	42	0	42	$18.00	$4.60 $5.10 $8.00	Canada-Ontario Investment in Affordable Housing (IAH) OCHC's Community Reinvestment Fund Carlington Community Health Centre (CCHC)	JV with CCHC to expand the existing health clinic and build 42 seniors housing units, integrating primary medical care and support services under one roof.
Gladstone Village	-	Canada Lands Company property	Mixed Use Community	-	-	-	$7.10	$3.55 $3.55	OCHC's Community Reinvestment Fund OCHC Line of Credit borrowing	OCHC purchased the 7.26-acre site in 2017 for $7.1 million. It will partner with the City and CEPEO (French Public School) to build a mixed-income community with subsidized, affordable, and market housing, a French-language school, commercial uses and open space.

Source: Ottawa Community Housing Corporation

- Most of the projects are strategically located in neighbourhoods where a mix of services and public infrastructure are available.
- All projects have enhanced accessibility and integrated energy efficient features.

2.1.4 Green Initiatives

In 2010, OCHC made it a strategic priority to improve its sustainable practices and established a Green Fund Reserve to support specific operational or capital expenditures that increase the environmental sustainability of the Corporation. The Green Fund Reserve is replenished by energy grants (e.g. EcoENERGY Retrofit and Ontario Homes Energy Savings Program, SHRRP), rebates and incentives, net savings generated from previous sustainability projects (where monitoring is possible), and new income generated by sustainability projects (i.e. sale of energy).

Shortly after, OCHC launched the Green Plan that identified projects focusing on renewable energy and utility savings. In 2014, it was reported that an annual saving of over $3.5 million was achieved through implementing numerous energy saving projects, including:

- Installing solar photovoltaic panels in 35 different communities. This has generated excess electricity and became a revenue source for OCHC.
- Retrofitting plumbing and replacing toilets, shower heads and aerators in all 15,000 OCHC homes, which reduced water consumption by 40% across the portfolio.
- A heating energy management system pilot that reduced heat consumption by 31%.
    - One of the biggest energy efficiency challenge is the large number of centrally heated high-rise buildings where OCHC is responsible for all heating costs. In 2013, three OCHC high-rises were identified for a pilot using an innovative Canadian technology that provides apartments with sufficient heat without excess capacity. With the support of Hydro Ottawa and Enbridge, OCHC will recover approximately 50% of the retrofit costs. OCHC has projected the annual utility savings from these three buildings at $55,000 and a resulting payback period of 3 to 4 years. This system is expected to be rolled out to all electrically heated buildings.
- Weatherization and air sealing: OCHC participated in Enbridge's "Home Winterproofing Program" and partnered with EnviroCentre in retrofitting uninsulated basements of over 800 townhomes, which has resulted in significant natural gas savings.

In the five years of implementing the Green Plan, comprehensive energy retrofits to the existing housing stock were completed that generated significant savings for the OCHC. The Corporation reported that incentive and rebate programs available from utility providers and their partners have been a key enabler of implementing the organization's Green Plan. In 2016, the OCHC approved a new green strategy, the ECO^2 Plan, which shifts the priority for the next five years to sustainable design, construction and management of the portfolio, tenant and staff education, and engagement in waste diversion.

2.2 City of Hamilton

Summary of key factors to success:

- The City has funded capital programs to support housing renewal and expansion. Within these capital programs, a sizeable portion of the available funds are directed specifically to the Housing Corporation.
- The Housing Corporation improved their financial capacity through the sale of scattered units and implementing cost saving measures.
- The Housing Corporation and the City work closely to identify and plan for revitalization efforts.
- The Housing Corporation prioritized revitalization projects that support other urban renewal initiatives in the City, which allows Council to achieve multiple objectives with funding commitments.
- New developments are designed with a more self-sustaining operating model by offering different levels of affordability, which also improves social outcomes.

The City of Hamilton has approximately 14,000 social housing units in its service area. Nearly half of the units are managed by the LHC, CityHousing Hamilton (CHH). The CHH has a diverse housing portfolio with approximately 7,100 housing units, of which about 5,800 (82%) are RGI units and the remaining are affordable or market rent units.

2.2.1 City of Hamilton Capital Investment Programs

The housing market in the City of Hamilton has experienced rapid change in the past several years due to increasing home prices and rental rates as well as a decreasing rental apartment vacancy rate. In response to eroding affordability and a growing social housing wait list, the City of Hamilton has bolstered its investment in affordable housing:

- In January 2016, Council approved $3 million for social housing repairs and regeneration. $1.5 million went to CHH and $1.5 million to the other 42 social housing providers. This funding was specifically targeted for rehabilitating vacant units, preserving units at risk of becoming inhabitable, and/or addressing conditions that posed a serious health and safety issue.
- As part of the 2016 budget, the City of Hamilton also approved the new Hamilton Housing Allowance Program. This annual commitment of $1.1 million will be used for the establishment of a portable rent subsidy program.
- In its 10-year Tax Supported Capital Program (2017-2026), the City made capital investments in rehabilitation programs of its existing assets, which included social housing.

- In 2017, the City of Hamilton committed $50 million over 10 years to housing through the Poverty Reduction Investment Plan. This funding was sourced from the following:
    - $20 million by extending the payback term (from 2031 to 2036) for existing city loans from the Hamilton Future Fund.
    - In 2002, the City of Hamilton sold Hamilton Hydro for $137 million. The proceeds were used to create the Hamilton Future Fund, which provides funding for various City and community organizations, projects, and initiatives.
    - $30 million at $3 million per year for 10 years derived from dividends resulting from the merger of Horizontal Utilities Corporation and other local utilities into the new entity known as Alectra.
- According to the approved 10-year spending plan for the Poverty Reduction Investment Fund:
    - $20 million is allocated for upgrading and improving the quality of social housing over 10 years, of which $10 million will be directed to the CHH;
    - $20 million over the first five years is allocated to address the supply of new affordable rental housing; and,
    - $10 million over the next ten years for indigenous housing and poverty reduction services.

2.2.2 Recent Changes to CityHousing Hamilton Subsidy and Operations

In the past five years, there were a few changes to the subsidy and operation arrangement between the CHH and its service manager, the City of Hamilton, which offered more predictability and stability between the two parties and simplified the funding procedures to some extent. This involved:

- Revised Funding Formula: In 2012, the City of Hamilton entered into an Operating Agreement with CHH that streamlined the calculation of subsidy for Public Housing projects with Provincial Reformed projects. With this new formula, revenue and expenses are benchmarked by the Province under the Housing Service Act, 2011. The new formula allows for a more stable and predictable subsidy for CHH. It also supports multi-year planning by CHH, which is critical in effective asset management practices.
- Property Tax Exemption: From 2017, the subsidized properties in CHH are exempt from paying property taxes. The City of Hamilton does not need to flow property tax related subsidy for subsidized portfolios, however the CHH still has to pay on the market portfolios.
- Multi-year Budgeting: In 2018, CHH participated in the City's new multi-year budgeting initiative, though this is not a requirement for CHH. A Multi-Year Business Plan was completed by CHH that identifies the major capital initiatives, how they align with the

City's Strategic Plan priorities, and what funding sources are anticipated. Operating budgets are still approved on an annual basis, however a three-year forecast in addition to the current budget year now accompanies the annual budget.

2.2.3 CityHousing Hamilton Social Housing Regeneration

The CHH is currently in the early stage of revitalizing its social housing portfolio through extensive retrofit of existing assets, new development that replaces sold units, and creation of net new units. The revitalization intends to create a more sustainable social housing portfolio that meets the needs of residents. The CHH seeks to address the unfunded capital repairs issue, reconfigure the portfolio (e.g. facilitate income mixing), and realign the housing supply with current demand.

At the time of this study (May 2018), CHH is actively engaged in the following projects:

- Sale of single- and semi-detached properties.
- Redevelopment of West Harbour CHH properties.
- Creating an Asset Management Strategy.

Scattered Units Disposal

The CHH owns 479 single- and semi-detached homes scattered throughout the City. From 2003 to 2012, the CHH sold 88 such homes, which generated $11.7 million. About $10.1 million of the proceeds was reinvested in developing a 50-unit apartment building and a 14-unit stacked townhome project. To maintain the Service Level Standards, 24 units were replaced through rent supplements.

In 2017, CityHousing Hamilton received approval to sell another 100 single- and semi-detached homes. At the time of approval, 47 of these homes were vacant and ready for sale. The market value of these homes is estimated to be $14 million. In the rationale to justify the disposal, it was mentioned that these properties cost CHH an average of $25,000 per home just to provide basic repairs and maintenance, which is much higher than the maintenance of townhomes and apartments.

The proceeds from the scattered home disposal will contribute to the Sold Units Investment Fund Reserve, which was established to support the future development of new units. The development of new units are anticipated to be higher density and will be more cost effective from an operations perspective. This includes the building of RGI replacement units to sustain the Service Level Standards.

Between October 2017 and March 2018, the City has sold an additional 26 scattered homes, which brought in approximately $8.3 million in revenue, with an average sale price of $320,500.

Redevelopment of West Harbour CHH Properties

CHH has two properties in the West Harbour area, including the Jamesville townhome complex with 91 units and 500 MacNab, a 17–storey building with 146 units, most of which are bachelor apartments. Both projects are in need of redevelopment or deep renovations as they have been suffering deteriorating building and unit conditions and high crime rates. Redeveloping these properties also aligns with the City's West Harbour Community Redevelopment Initiative, which makes them a priority for revitalization.

- The 500 MacNab building is planned to be completely retrofitted to the Passive House Standard. CHH's business case has already 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. More detail on financing/funding considerations is provided later in this section.
- The 91-unit Jamesville townhome complex is not popular with tenants and in need of 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.

Creating an Asset Management Strategy

CHH is currently updating its Building Condition Assessments (BCAs). New information from this update, along with other basic building data, will be inputted into an asset planning software. This will be used to inform the development of an Asset Management Strategy, which will guide the approach CHH takes to reinvestment, divestment, reconfiguration, and growth of the CHH portfolio through a broad lens of social and financial strategies.

Replacement of RGI units and Financing

With the approved sale of 100 scattered units and the 91 townhomes to be demolished in Jamesville, a total of 191 RGI units will need to be replaced. The development of replacement units, along with the deep retrofit of 500 MacNab, requires significant equity contributions as well as debt financing. To avoid a heavy reliance on City subsidies, which is a key issue that CHH experiences currently, CHH has the following strategic considerations to guide project planning:

- Develop a financial model for each building to ensure self-sustainability and overall financial health of the portfolio.
- Incorporate market units into RGI replacement developments to increase the spectrum of affordability provided and facilitate income mixing.

- Set all market rents to 100% AMR, to ensure they are providing adequate cash flow to the portfolio while still providing affordability.
- Construction of cost-effective buildings that allow for lower operating costs but high quality features.

To date, CHH has five projects in the pre-development phase, including 500 MacNab and four new projects containing replacement units. Each project has had financial modelling completed to arrive at the optimal debt-to-equity ratios. At these ratios, each project will be self-sustaining (under the condition that existing RGI subsidy continues) and requires no additional tax levy. For the four new projects, three are planned on vacant properties donated by the City of Hamilton, and one is planned on a site CHH purchased with funding from Sold Unit Fund Reserve.

Table 3 summarizes each of the five proposals. In total, the four new developments contain 146 RGI replacement units as well as 45 units at 100% AMR. The proposed new projects are all small in scale ranging from 20 to 65 units.

Table 3

CityHousing Hamilton Retrofit/Rebuild Plan						
Project	Units				Project Cost	Debt to Equity Ratio
	Total	Retrofit	RGI Replacement	Net New		
Retrofit						
500 MacNab	146	146			$ 15,650,000	62:38
New Development on CHH Purchased Land						
55 Queenston Road	41		41		$ 10,120,000	0:100
New Development on City Donated Land						
104-106 Bay St. N	65		46	19	$ 17,066,000	50:50
253 King William St.	20		14	6	$ 5,520,000	30:70
701 Upper Sherman Ave.	65		45	20	$ 14,950,000	31:69
Total/Avg.	**337**	**146**	**146**	**45**	**$63,306,000**	**39:61**
Source: CityHousing Hamilton Development Strategy Update						

The five projects are estimated to cost around $63.3 million in total. Based on the debt-to-equity ratios developed for each project, they need a total of $38.6 million capital contribution and require the City to take on $24.6 million in debt (by guaranteeing the debt with the lender).

- The equity contribution is expected to come from the Sold Unit Fund, the City's new $50 million Poverty Reduction Investment Fund, annual capital budget, block funding, development charges, and refinancing of market properties.
- Table 4 summarizes CHH's estimate of capital contribution from each source. It is estimated that approximately $49 million in capital will be available over a 7 year period to fund redevelopment work, along with over $3 million in potential refinancing opportunities.

Table 4

Source of Capital Contribution						
Year	**Sold Unit Fund**	**Annual Capital Allocation**	**Development Charges**	**Block Funding**	**City of Hamilton Poverty Reduction Fund**	**Refinancing of Market Properties**
2016-17	$1,300,000	$1,800,000	$800,000		$1,000,000	$2,100,000
2018	$7,000,000	$1,000,000	$800,000		$1,000,000	$1,200,000
2019	$7,000,000	$1,100,000	$800,000	$500,000	$1,000,000	
2020	$7,000,000	$900,000		$500,000	$1,000,000	
2021	$7,000,000	$1,000,000		$500,000	$1,000,000	
2022		$1,000,000		$500,000	$1,000,000	
2023		$1,000,000		$500,000	$1,000,000	
Total	**$29,300,000**	**$7,800,000**	**$2,400,000**	**$2,500,000**	**$7,000,000**	**$3,300,000**
Source: CityHousing Hamilton Development Strategy Update						

- Of note, about $29.3 million (60%) out of the $49 million identified funding comes from the CHH's own Sold Unit Reserve Fund. Additionally, the remaining capital contributions are all from CHH and the City of Hamilton. CHH will still actively pursue funding from senior levels of government such as IAH to complement its identified equity sources or lower the debt requirement, but it recognizes that such funding is made available only periodically and successful acquisition of this funding is not predictable.
- Infrastructure Ontario has been identified as the primary source of debt financing for each project, however other sources will also be considered if they offer enhanced value. The City of Hamilton has been supportive in sourcing the low cost, 35-year financing from IO by guaranteeing the debt – even if the proposed projects are able to cover the debt servicing requirements through internal operating cash flow. It is estimated that the $24.6 million debt will result in an annual payment of between $1.2 and $1.6 million.
- The efficiency of these social housing developments will result lower operating subsidy requirements from the City. However, we understand that the City continues to provide a new CHH development the same operating subsidy as the older replaced stock. This funding, in addition to the increased revenues of incorporating market units, will allow a new building to have greater debt servicing capacity as well as a capital reserve (subject to the debt to equity ratio). This approach results in a revitalized and financially sustainable housing stock while maintaining existing subsidy commitments.

2.3 City of Kingston

Summary of key factors to success:

- City Council specifically identified affordable housing as a priority in their strategic plan, with a focus on renewing the Rideau Heights RGI community.
- The City created capital programs to support housing renewal and expansion. These capital programs include annual contributions from the tax base.
- The Housing Corporation prioritized revitalization projects that support multiple urban renewal and social objectives in the City.
- Strong relationship and collaboration between the City and the Housing Corporation.
- The City and Housing Corporation work closely in aligning funding from various sources and managing redevelopment projects.
- New developments are designed with a more self-sustaining operating model by offering different levels of affordability, which is also subject to up-front capital funding.
- The City supports revitalization by offering a guarantee for debt financing and extending current subsidies.
- The City has been creative in using cash-in-lieu of parkland funds to support revitalization efforts.

The City of Kingston is the service manager for the City of Kingston, the Townships of Central Frontenac, Frontenac Islands, North Frontenac, and South Frontenac. It has a legislated service level standard of 2,003 RGI units. Of these units, about half, or 966 units, are managed and owned by the Kingston & Frontenac Housing Corporation (KFHC).

2.3.1 Background of Rideau Heights Redevelopment

In its 2011-2014 Strategic Plan, the City of Kingston made it a priority to invest in affordable housing. The Plan specifically called for a community renewal plan for the KFHC owned Rideau Heights neighbourhood. This neighbourhood was identified for renewal for the following reasons:

- The Rideau Heights neighbourhood is identified as the most challenged area of the City from the perspective of a variety of socio-economic indicators. It is an important part of the city's north end revitalization initiative.
- The public housing stock in Rideau Heights is noticeably different from other public housing sites in the City. The buildings have higher operating cost on a per unit basis, greater tenant behavioural issues, higher vacancy rate, low demand from tenants as reflected through the central waitlist data, higher turnover rate/cost, and more service calls from police.

- Over half of the KFHC's RGI units are concentrated in the Rideau Heights neighbourhood. Common to public housing communities built in the early 1960s, these projects feature a concentration of households experiencing severe poverty.
- Outdated community design and circulation/accessibility patterns also foster segregation and isolation from the surrounding community, which does not support passive surveillance.

In 2012, the Kingston City Council approved two capital programs for the development of affordable housing:

- Land Acquisition and Disposition Program:

  Council made a five-year commitment to invest $1 million per year, within the City's annual capital budget, into the Land Acquisition and Disposition Program. This $5-million funding program is established to secure strategic sites within the City with the intent of disposing of the properties, at a discounted price, for affordable housing developments.

- Affordable Housing Capital Investment Program:

  Council made a five-year commitment to invest $1 million per year, within the City's annual capital budget, into the Affordable Housing Capital Investment Program. This funding was established to facilitate and encourage the construction of affordable housing units. Funding under this program is made available in the form of a forgivable loan, offered at a maximum of $50,000 per affordable housing unit for an affordable period of a minimum of 15 years. Higher levels of funding ($140,000 to $150,000) have been provided if a project provides a greater depth of affordability.

These two capital funding programs were later used as funding tools to realize some of the Rideau Heights regeneration objectives. Of the two, the City's annual $1 million contribution to the Affordable Housing Capital Investment fund was renewed after its initial five years, and it is council's intention to continue the annual contribution and encourage housing construction until the rental vacancy rate in the City reaches a heathy level of 3% (it was as tight as 0.7% in 2017).

In spring 2013, the City of Kingston, in partnership with the KFHC, assembled a consultant team to develop a regeneration strategy for the Rideau Heights community. In November 2015, the Rideau Heights Regeneration Strategy was presented and endorsed by Council. The 25-year regeneration plan included a few key objectives and strategies:

- Improve public safety and community desirability through:
  - Redesigning road networks to improve accessibility and passive surveillance; and,
  - Enhance park spaces and community facilities to support improved usage.
- Facilitate a greater income mix in Rideau Heights through:
  - Reducing a minimum of 100 RGI units in the neighbourhood (to be replaced elsewhere in the City); and,

- Introducing market rental and ownership housing to be developed and sold/rented within the private sector.

- Diversify KFHC revenue sources through:
  - Selling social housing lands to accommodate market housing and parkland; and,
  - Developing KFHC market rental townhome and apartment units.
- Rehabilitate and enhance energy efficiencies of retained social housing units through ongoing capital improvements.

2.3.2 Phase One Regeneration

The regeneration plan recognizes that significant improvement to the community at early stages is necessary to change the negative perceptions of the neighbourhood and attract market housing in subsequent phases. In 2013, City Council approved $12.5 million in the capital budget to redevelop the largest community open space, Shannon Park, and construct a new community centre that marked the start of the implementation of the first phase.

The redevelopment of Shannon Park aims to solve the personal safety and security issues associated with the park due to its design. The redevelopment involved opening up dead ends and increasing passive surveillance and visibility into the park. To achieve this, a 30-unit KFHC RGI townhome complex was demolished in 2015, and KFHC received $0.5 million from the City as compensation for the loss of their asset, a value determined by KFHC's appraiser. This compensation was funded by the City's Cash-in-Lieu of Parkland Reserve Fund.

There were additional reasons to decommission the 30 RGI townhomes besides making way for the new Shannon Park:

1) It addressed operational and financial challenges associated with the age and condition of the buildings;

2) Eligible applicants on the Centralized Waiting List for RGI housing tend not to select this location as a preferred place of residence. The annual turnover rate is also substantially higher than other RGI properties; and,

3) It was supported by the residents in the Rideau Heights neighbourhood.

To maintain the legislated Service Level Standard, the City of Kingston and KFHC have been working in collaboration to replace the 30 demolished RGI units strategically:

- In 2015, the KFHC proposed to construct a 4-storey wood-frame apartment building at 40 Cliff Crescent, a parcel owned by KFHC closer to downtown.
  - The proposed building contains 29 units, including 13 market rental units, 6 affordable units (80% AMR), and 10 RGI units that are counted as part of the replacement units of the demolished RGI units at Rideau Heights.
  - To finance this project, the City of Kingston allocated a $1,797,966 capital contribution, including $697,966 from the Canada-Ontario Investment in Affordable Housing (IAH) program for the 6 affordable units and $1.1 million from the City's Affordable Housing Capital Investment Program for the 10 RGI units. The remaining project costs, estimated to be 50% of total cost, was debt financed by KFHC with Infrastructure Ontario, using the cash flow generated by the mixed-income approach. Notwithstanding the project's ability to cover debt servicing, IO required the City of Kingston to guarantee the loan for KFHC over the 20-year term.
  - The building was completed in March 2017. With the large upfront capital contribution, the project is self-sustaining and generates approximately $500 per unit per year for a reserve fund.
- In 2016, the KFHC proposed to construct a 3-storey apartment building at 645 Brock Street, a former catholic school site purchased by the City of Kingston under the aforementioned Land Acquisition and Disposition Program. The parcel was then sold to KFHC at 75% of the land price to facilitate affordable housing construction.
  - The proposed building contains 29 units, including 9 market rental units, 10 affordable units (80% AMR), and 10 RGI units that will be counted as part of the replacement of the demolished RGI units in Rideau Heights.
  - The project was awarded $1.34 million capital contribution from the Federal-Provincial Funding for the 10 affordable units and $1.16 million from the City's Affordable Housing Capital Investment Program for the 10 RGI units.

- In 2018, the City of Kingston sold a parcel at 7 Wright Crescent, which it purchased in 2012 under the Land Acquisition and Disposition Program, to Town Homes Kingston (a non-profit organization) and CJM Property Management for the purpose of an affordable housing development.
  - The Land Acquisition and Disposition Program requires a total of 35 affordable units at 80% AMR for 25 years. The proponent has subsequently been granted a total of $1.2 million in capital funding to deepen affordability. Of the $1.2 million, $786,812 come from the Canada-Ontario IAH program, and the balance are from the municipal Capital Investment in Affordable Housing Program.
  - With the significant upfront capital contribution, the development proposal includes a total of 95 units, including 47 market rental units, 28 units at 80% AMR, 10 at 60% AMR, and 10 RGI units which will be counted as part of the replacement units of the demolished RGI units in Rideau Heights.
  - The owner, which is a local non-profit housing provider, will also receive ongoing RGI subsidy from the service manager for the 10 RGI units.

In total, the City committed over $5.50 million in capital contributions[1] for the three projects noted in this case study, including about $2.83 million from the Canada-Ontario IAH Program and the remaining $2.67 million coming from the City's own Affordable Housing Capital Investment Program. In total, this will bring 153 new rental units to the City of Kingston, including 69 market rental units, 54 affordable units (60%-80% AMR), and 30 RGI replacement units, owned and managed by KFHC and a non-profit housing provider.

City staff highlighted a few key factors / conditions that contributed to the progress that has been made so far:

- The collaboration between the service manager and housing providers, especially the KFHC, was crucial to successful and timely project delivery. In Kingston's experience, the service manager has made RGI unit replacement a priority. The service manager has worked closely with housing providers, tracked/monitored the schedule of their projects, created municipally funded affordable housing capital programs, aligned and allocated the federal-provincial funding and municipal funding to these projects, and supported their debt financing in some cases.
- The service manager determined that the KFHC should be prioritized as the recipient for IAH funding to help deliver new affordable housing and revitalize the existing housing stock due to the following:

[1] This does not include the contribution made through the Land Acquisition and Distribution Program under which the city acquires parcels and disposes at 75% of the purchase price.

  - With stronger personnel in property management, finance, and project management, the KFHC has better capacity and is more experienced to take on a new development compared to many smaller housing providers.
  - It is KFHC's mandate to deliver affordable housing programs that naturally guarantees a higher level of commitment to maintain the responsibilities specified by the funding requirement. It is also easier for the service manager, which is the sole shareholder of KFHC, to manage the new housing stock and funding over time.
  - Similarly, this funding facilitates the revitalization of the aging housing stock, which the service manager owns through the KFHC.
- The rental vacancy rate in the City has been very tight in the past decade, creating a favourable, lower risk environment for introducing additional market rental and affordable rental units. To a non-profit housing provider such as the KFHC, this represents a revenue stream that could be utilized to improve the viability of a mixed income project.
- Income mixing has been a guiding consideration during the Rideau Heights revitalization planning, which is to counter the concentration of RGI units that contributed to the social issues observed in Rideau Heights.
- Introduce small projects compared to larger projects, as it is easier for smaller projects to receive planning approval, they require less upfront capital contribution, and they involve less risk to lease up from a market perspective.

2.3.3 Phase Two Regeneration

The first phase of Rideau Heights redevelopment is expected to conclude in winter 2018 with the completion of a new community centre, a library, and Shannon Park improvements. This report is written at the start of the second phase, which includes new public roads, redevelopment of the Headway Park, new KFHC housing, and market housing. Its implementation requires the participation of the following partners:

- The City will fund the new public roads, related infrastructure (e.g. street lights) and the redevelopment of the Headway Park;
- KFHC will fund its new affordable and market housing. The housing corporation undertook a business plan to ensure funding opportunities are explored fully and that its future capital planning aligns with the Rideau Heights Regeneration Phasing Strategy. Potential funding sources include:
  - Strategic redirection of KFHC's annual capital maintenance subsidy budget.
  - Redirection of savings realized by new, more efficient and less costly units.
  - Leverage KFHC's existing building equity where mortgages or debentures have been paid in full.
  - Consideration of the sale of assets, including existing scattered units.

  - Review of alternative options for redevelopment such as rent supplements with other landlords.

- Funding for the development of the market housing components will be the responsibility of the selected private developer. Preliminary market analysis for the area indicates that there could be market demand for relatively affordable ground-oriented homes (e.g. semi-detached and townhomes) for first-time buyers. The low vacancy rate and a lack of quality new rental housing in the city also offers a favourable environment for new market rental. The City consulted local private developers who have indicated interests in developing in Rideau Heights.

- The regeneration strategy states that the full realization of the plan requires funding support from senior levels of government, who led the creation of the social housing units currently in Rideau Heights. To that end the City acquired consultants to conduct a total cost estimate for implementing the strategy in full. It is expected the adoption of the plan and the detail costing of the overall project should assist in building a case for requesting funding from senior government.

2.4 Region of Peel

Summary of key factors to success:

- The Region funds capital programs from the tax base and other sources (e.g. development charges) to support housing renewal and expansion, with a sizable portion directed to Peel Living (LHC).
- Municipally funded capital programs are directed towards reducing the Centralized Wait List and renewing the existing housing portfolio.
- The Region reviewed its real property assets to identify surplus properties that would be appropriate for affordable housing.
- The Housing Corporation continuously seeks to find efficiencies to improve financial well-being.
- The Housing Corporation and the City work closely to identify renewal opportunities, development sites, private partnerships, and funding availability.

The Region of Peel has over 15,000 units of social housing located across the Region. In recent years the Region experienced high population growth and housing prices have also increased rapidly. In response, the Region has been investing in affordable housing: between 2003 and 2015, the Region facilitated the construction of 11 affordable housing projects in partnership with its housing corporation and other housing providers, which resulted in a total of 1,361 new affordable housing units. These projects represent a total capital cost of $268.4 million, of which $128.4 million (48%) came from the Provincial/Federal funding (AHP) and Provincial infrastructure funding, and the remaining came from Regional funding ($43.6 million), Regional borrowing ($77.5 million), and partner funding ($19.0 million).

In 2014, the Region introduced a Housing System Investment Framework (2014-2018) which had a total of $126.2 million upon establishment to support development projects and programs along the housing continuum. The funding is a pool with sources including the IAH ($63.2 million), Development Charges Funding ($36 million), and Peel Reserve Funds ($27 million).

In 2016, the Framework was realigned to focus priority on projects/programs that address the Centralized Waiting List (CWL), with $98.4 million allocated to support affordable rental development. Other new funding sources were added to the pool and included the new Social Infrastructure Fund ($25 million), New General Working Fund ($50 million), and an additional $9 million annually of Regional funds derived from directing the remaining tax room generated from the Ontario Works benefits upload.

The framework also contains a series of complementary support programs to increase affordable housing options, including:

- Affordable Housing Capacity Building program that offers a small grant to facilitate affordable housing/regeneration efforts (e.g. fees for consultants, architects etc.);
- Acquisition of new condominium units and/or rental units in existing buildings; and,
- Land purchase of surplus school sites for affordable housing development.

To identify further opportunities on land cost saving, the Region of Peel also reviewed the 272 real property assets it owns to identify potential assets for affordable housing development.

2.4.1 Peel Living Housing Projects

Peel Living is the Region's non-profit housing corporation and it operates 4,574 RGI units and 2,339 market units.

As part of the Region's Housing System Investment Framework, a notional allocation of $32 million of the Framework funding was directed to the Peel Living to support regeneration projects on existing land and/or the creation of new affordable housing units for applicants from the CWL. The Region set a target for this funding to create a minimum of 100 new units. By 2018, Peel Living has been engaged in two major redevelopment projects:

- 958 and 960 East Avenue: the property is occupied by 2 two-storey buildings operated by Peel Living, totaling 30 units.
    - Consultants tested mixed-income development scenarios including mid-rise apartments and stacked townhomes and determined that the optimal scenario could yield 156 units, which is a net increase of 126 units on site. Preliminary financial projections for the project have been completed using a 60/40 split between market units and affordable units.
    - The preliminary budget for the project is $45 million, with $32 million funded from Housing System Investment Framework's allocation to Peel Living, and $13 million from external debt.
- Twin Pines: Peel Living has started to redevelop the 25-acre Twin Pine lands, currently a mobile home park. Peel Living intends to create a community that provides a mix of housing options on the Twin Pines land. Preliminary concept plans demonstrate the ability to support 200 affordable units at 80% AMR, over 400 market traditional and stacked townhomes, as well as commercial and park space. A shared risk model that involves partnering with a private developer is the recommended approach at this project to maximize the value of the lands. The very high land value associated with the development helps to underwrite its feasibility.

In addition to the redevelopment of existing properties, Peel Living continues to examine processes and find efficiencies impacting financial well-being. In 2017, Peel Living has engaged in the following:

- A building-by-building financial review;

- Address arrears management;
- Develop risk management plan including actions to ensure tenants are insured;
- Review procurement processes and identify areas to improve efficiencies and client experience;
- An analysis of 19 potential redevelopment sites; and,
- Design and refine the 2018-2027 10-year Capital Plan and finalize the base-line service metric (Net Operating Income).
    - Historically, Peel Living have been able to complete an average of $12 million in state of good repair work each year. The interim 10-year Capital Plan identified a need of between $21.8 million to $45 million per year for a total 10-year plan of $330 million. Peel Living aims to reduce this overall capital need through redevelopment and regeneration of properties but also seeks to increase Peel Living's resource and funding capacity.

2.5 City of Windsor and Essex County

Summary of key factors to success:

- The Regeneration Project is still in the very early stages.

The City of Windsor is the service manager for both the City and Essex County. It has about 8,750 units across its service area. Windsor Essex Community Housing Corporation (WECHC) is the LHC owned by the City of Windsor. It owns and manages a total of 4,707 units, including 3,537 RGI units and 1,170 affordable units.

The Public Housing stock in WECHC's portfolio is funded by the original HSA methodology where subsidy is determined though a budgeting process. This allows for no capital or operating reserve for the Public Housing stock, which also provides no incentive for efficient management practices. WECHC forecasts that if the current funding level continues, the operating subsidy requirement by 2030 will increase by over 100%, as a result of increasing operating expenses and flat revenue increase (due to the primarily RGI stock). Similarly, the unfunded capital needs of the portfolio will also grow significantly if current funding practices are maintained.

In 2017, WECHC initiated a regeneration study to mitigate the growing gap between the current subsidy commitment and actual need. The regeneration is also expected to address a list of other problems associated with the existing stock, including:

- Mismatched supply and demand: the study identified a shortage of one-bedroom units in general as well as an unmet demand for affordable market housing.
- A need to increase the RGI housing stock due to a large and growing wait list.
- The quality of the existing units are deteriorating and some of the buildings have physical limitations (e.g. accessibility issues).
- A need to move towards more financially and socially sustainable solutions.

As the first step of a regeneration strategy for the WECHC stock, an asset classification assessment was completed to evaluate every property in WECHC's portfolio. This analysis sorted each property into the following categories based on their current performance and go-forward strategy:

- Retain – when a building is performing adequately;
- Disposal – when a building is at the end of the lifecycle and redevelopment is not feasible or a property simply does not meet current or projected demand. Benefits of disposal include using equity from the sale to create a reinvestment fund, as well as capital cost avoidance.
- Revitalize – when a building has shortcomings but can be addressed through renovations;

- Redevelop – when a building has major issues and is at or near the end of its lifecycle. Redevelopment of the property would maximize its value.
- New development – when vacant parcels and intensification opportunities are identified.

The regeneration project was initiated by the WECHC with limited program and funding support from the service manager. Given the local market conditions, there is also limited private sector interest to leverage. As such, the general approach was to focus on internal capacity building in the near term by implementing a series of cost reduction and revenue generating strategies. These strategies included:

- Increase the market rent in WECHC buildings to maximize revenue.
  - In some RGI buildings the "market rent" is the ceiling a tenant pays even if it is lower than 30% of a tenant's income. This "market rent" is usually artificially low and should be adjusted to true market rent.
- Reduce turnover of units through the introduction of support services, limiting internal transfers, and minimizing vacancy loss though practices such as choice based letting, bulk offers, or lottery system wait lists. Vacancy loss and long term vacancies were a major issue for some WECHC properties. Improving the quality of the housing stock through renovation and redevelopment could also address both turnover and vacancy loss issues.
- Implement strategic procurement practices by using standardized products to allow for bulk purchasing, introduce competitive processes for contractors, and other similar items.
- Investigate and implement energy retrofits to reduce energy consumption and utility costs.
- Investigate the feasibility and social consequences of charging for parking.
- Investigate the feasibility and revenue possibility of passing utilities to the tenant (given HSA regulations).
- Dispose of identified properties and reinvest proceeds in the existing housing stock or initiate development opportunities.
- Revise the funding formula of the public housing stock to the Provincial Reform approach where operating costs are benchmarked and inflated. This will provide surplus dollars if the above measures result in cost savings or revenue increases.
- Place all surplus revenue and equity into a "Regeneration Fund", which will be used to undertake more significant regeneration efforts such as capital repairs, renovations, and development.

In addition to capacity building, it was recommended that the WECHC take a longer term view to redevelopment by identifying priority sites and undertaking preliminary planning and design work. This will allow the WECHC to be opportunistic when senior level funding is made available, which can be stacked with capital from their newly implemented Regeneration Fund as well as capital/long-term funding commitments from the City. It was recommended that the Glengarry property in the City's downtown be the priority redevelopment site, which also aligns with the City's objective of reinvesting in the downtown core.

The WECHC is in the early stages of implementing this plan.

2.6 County of Simcoe

Summary of key factors to success:

- The County reviewed all properties owned by the Housing Corporation to identify opportunities for housing (re)development.
- Strong relationship and collaboration between the City and the Housing Corporation.
- The County strategically directed future IAH funding to the Housing Corporation. This also involved taking steps to proactively overcome challenges in meeting IAH requirements such as designing the project to ensure it is shovel ready, securing funding and confirming financial resources, and selecting a property and affordability mix that would result in the greatest positive impact for residents.
- The County covered part of the soft costs associated with early design work necessary to secure funding.
- The County supported the Housing Corporation's redevelopment projects by providing capital funding and encouraging contributions from lower-tier municipalities.

The County of Simcoe is the service manager with 4,113 social housing units across the County, including 3,035 RGI units. In its 10-Year Affordable Housing and Homelessness Prevention Strategy, the County of Simcoe acknowledged the significant population growth and a net loss of rental stock over the past 15 years, which has resulted in rising apartment rents and an increase in demand for affordable housing. To address the affordability issue, the strategy established a target of building a minimum of 2,685 new affordable housing units throughout the region by 2024, which includes new rental, secondary suites, affordable ownership housing, and rent supplements/housing allowances.

The Simcoe County Housing Corporation (SCHC), owned by the County of Simcoe, is the largest social housing provider in the County. It owns and operates 1,315 RGI units and 79 affordable units.

2.6.1 SCHC Redevelopment Plan

In 2007, the County of Simcoe received a one-time capital grant of $4.59 million from the Province under the Developing Opportunities for Ontario Renters Program (DOOR), which was intended for new affordable housing or to rehabilitate existing social housing. This program, along with the reserve fund of the SCHC, funded two projects, both of which are connected to an existing SCHC building, including:

- A 25-unit addition to an old SCHC building in Bradford West Gwillimbury was completed in 2010, with land donated by the Town of Bradford West Gwillimbury. The new building is connected to the existing building and it provides improved barrier free access and elevator service for the existing tenants. The project was funded by the DOOR program and Social Housing Reserve.

- A 5-storey addition with 54 units over the existing 53-unit SCHC building in Barrie was completed in 2016. This project was funded by the DOOR program, Cities of Barrie and Orillia, and the County's Social Housing Development Charge Reserve. In addition to adding new units, the project also completely upgraded the old building with a new elevator, laundry facility, common space, as well as an energy recovery system and high efficiency boilers, heating system, LED lighting in common area, and upgraded the building envelope with better insulation.

These two initial projects provided good insight for potential intensification of SCHC properties. This inspired the County to conduct a review of all SCHC properties to determine if there were opportunities for intensification and redevelopment, as well as the need for selling properties and acquiring new lands. A multi-year redevelopment plan was initiated to evaluate each site from the following perspectives: real estate market conditions, municipal zoning and neighbourhood composition, Facilities Condition Index, annual operating cost, location / desirability, and intensification potential. A few key findings were developed as a result of the study:

- The scattered SCHC properties are generally low in value and not likely to present a positive cost/benefit position to support disposal, aside from the scattered units in the City of Barrie where real estate conditions are more favourable. Staff recommended developing a rationalization plan specific to Barrie that incorporates the sale of scattered units.
- Redevelopment for higher density that is not supported by zoning could encounter delays and will involve higher risk of community opposition and not being granted zoning approval. Redevelopments on sites with favourable zoning would be easier to execute.
- Upon analyzing actual operating costs for multi-residential building as well as scattered units, staff concluded that on a per unit basis the operating expenses of scattered houses are higher than the multi-residential buildings. Future redevelopment plans should consider large multi-residential site development rather than ground oriented homes.
- Location and desirability is an important consideration for future development, intensification, and acquisition of property to maximize rent and financial viability.
- Most of SCHC's sites are not suitable for intensification due to their modest size. However two sites are identified that meet the criteria of site size, zoning, and locational desirability.
  - One of the two sites currently under development is in Collingwood. The proposal includes demolishing 30 existing SCHC townhomes with an annual operating cost around $7,000 per unit, and replacing them with two buildings totalling 147 new units with a forecasted operating cost of $4,000 per unit. The total cost of the development is estimated to be $39.6 million, of which $27.1 million will be paid by the County and the remaining $12.5 million will be paid by the Cities of Barrie and Orillia. On the County's side, funding sources include Development Charges ($11 million),

Social Housing Reserve ($4 million), and internal and external debt financing ($12.1 million).

2.6.2 *Aligning Funding Opportunities*

In 2016, Council decided that the $3 million funding under the IAH in each of the future 2017/18 and 2018/19 years will be used for rental development by SCHC. The County recognized two crucial factors that prompt the need for pre-planning:

1) Any development by SCHC will require additional resources beyond the IAH funding; and,

2) Projects that use the 2017/18 IAH funds must start construction by 2018 as required by IAH guidelines.

To address the two considerations, the County of Simcoe encouraged area municipalities to provide contributions by committing County funding to support rental development in addition to the Federal-Provincial IAH funding. The County used a Call for Proposals (CFP) process to seek partnership opportunities with area municipalities who indicated interests in sharing resources (e.g. donating land) for affordable housing construction. A key consideration of the CFP included:

- location within the settlement area;
- proximity to community amenities, social services and other SCHC sites;
- municipal contribution and incentives;
- realistic timelines;
- alignment with SCHC redevelopment plans; and,
- suitability of land topography and environment.

The CFP has spurred a strong response from municipalities that are willing to offer land, buildings, as well as various incentives such as waivers of building permit and planning application fees, and property tax grants, which can be used by SCHC to build new affordable rental housing. The top scoring project was recommended for schematic design and cost analysis to meet the 2017/18 deadline and IAH qualifying requirements. Soft costs related to early design work are shared by the County and local municipality, with the County's portion funded by the Social Housing Reserve.

2.7 York Region

Summary of key factors to success:

- The Region makes annual contributions to a grant program that funds building retrofits, energy efficiency improvements and other innovative programs.
- The Region delivers its own rent supplement-like program to reduce the Centralized Waiting List and support new affordable housing projects by increasing their revenue.
- The Region engages in long-range planning with regards to its housing stock to ensure its long term well-being.
- The Region undertakes multiple measures to improve energy efficiency and minimize operating costs.

York Region is the service manager for over 6,000 units located across the Region. Over the past years, the Region experienced steep population growth as well as rising home prices, resulting in an undersupply of mid and low range housing options. As housing affordability becomes an increasingly prominent issue, the Region has advanced its investment in housing, which includes the following:

- Since the early 2000s, York Region has been continuously supporting its housing corporation, Housing York Inc. (HYI) to build new affordable housing, utilizing capital grant programs offered by the senior levels of government, as well as the contributions from regional and local municipalities.
- The Region invests $500,000 annually in the Social Housing Innovation Fund. The fund provides grants for building retrofits, improving accessibility, playgrounds, energy efficiency and other innovative programs.
- The Region has invested $3.8 million (as of 2014) to offset development charges for affordable housing.
- York Region delivers its own rent supplement-like program, the Regional Rent Assistance Program. This rent subsidy program, introduced in 2010, is funded solely by the Region.
    - The program is designed specifically for new affordable housing projects built under the Canada-Ontario Affordable Housing Program. As of 2016, the program funds 266 units in 6 non-profit housing communities.
    - Under this program, rents are calculated annually, while a mid-year adjustment occurs if the tenant experiences an annual income loss of 20% or more. Income is based on income tax return information.
    - For OW and ODSP renters, rents are based on maximum shelter allowance. The subsidy also includes utility allowance which is based on average actual costs.
    - The implementation of this program has achieved the following benefits:

        - Applicants are housed from the Region's Subsidized Housing Wait List;
        - The rent calculation is simple and predictable for tenants;
        - Administration for housing providers is less onerous; and,
        - Subsidy cost is less than traditional RGI subsidy: Based on 2016 statistics, average annual RGI subsidy in the Region is $7,840 per unit, while the average annual Rent Assistance subsidy is $5,570 per unit.
    - While York Region has requested the Province to count these units towards the Service Level Standards, they are currently not considered eligible to be counted.

The Region has also introduced several initiatives that are focused on long-term planning and sustainability. This includes completing a reserve fund analysis for all housing providers, piloting energy audit programs for housing providers, transitioning housing providers from annual capital plans to 10-year capital plans, and coordinating and issuing bulk tenders with housing providers to decrease operating costs.

Housing York Inc. (HYI) is York Region's non-profit housing corporation. It is an amalgamation of the Region of York Housing Corporation (823 units, market and RGI) and York Region Housing Corporation (872 RGI units) in 2003. It manages about 2,600 units, of which nearly 1,000 units were built or acquired between 2004 and 2016. The lower RGI concentration in HYI's portfolio puts it in a better position compared to many other housing corporations across Ontario. This section highlights a few strategies that the HYI employs to achieve higher operating efficiency.

- Long-Term Budget Planning: In 2015, HYI introduced a multi-year budgeting for operating and capital budgets, which is used to strengthen its financial planning and management. This work has been further improved subsequently by enhancing financial forecasting to ensure resources are used effectively.
    - The improved operational and capital budgeting process with better forecasts and reporting could allow HYI to support York Region's goal of developing a consolidated Region-wide State of Infrastructure Report.
- Long-Term Capital Planning: in 2016, HYI completed an Asset Management Plan. The Plan outlines the characteristics and conditions of assets, the level of service expected from them, planned actions to ensure the assets are providing the expected level of service, and financing strategies to implement the planned actions.
- Long-Term Fiscal Plan: in 2017, HYI's Board of Directors approved a new long-term fiscal plan for the corporation. The fiscal plan was developed to ensure HYI remains fiscally responsible, safeguard its assets and is accountable for effectively managing its resources.
- Promote energy efficiency: Targeted properties with above average energy consumption and provided education and guidance to tenants to reduce usage and improve energy efficiency. HYI shared energy usage data is tracked and real energy savings yield to motivate tenants to be more energy conscious.

- HYI takes the following steps to increase the efficiency of unit turnover:
    - Standardizing building material;
    - Maximizing occupancy – vacant market units are advertised more aggressively through internet, print publications and signage.
    - Expand the move-in readiness program – work with applicants nearing the top of the waiting list to make sure their housing choices match their needs and that vacancies can be filled quickly.

In 2015, Housing York introduced a new rent subsidy model called the Tiered Rent Program to its most recent project, Richmond Hill Community Hub. Under this model, different bands of affordable rents are established for the building, and the band of affordability a household qualifies for depends on the corresponding incomes band it belongs to, as is demonstrated in **Figure 1** to follow. By establishing standard rental rates for the entire year based on income range, this model simplifies the administration of rents. The program sets up the targeted number of units for each income/rent band. This could allow for stable rental revenue for the building, it could also ensure that rent revenue will cover all operating costs, reserve fund requirements, and generate a surplus that will support future developments.

During its implementation, staff has learned that some applicants refused offers because they prefer to wait for the traditional RGI units that offer more security. Nevertheless, benefits of the Tiered Rent Program are identified as:

- Simple and transparent program rules and predictable rent for tenants;
- 90% of the tenants in the building pay a reduced rent;
- Majority of tenants are selected from the Region's subsidized housing waiting list;
- The project is self-sustaining and requires no annual funding; and,
- Administration for housing providers is less onerous.

Figure 1 – Tiered Rents Program

Rent Level	Incoming Tenant Income Range ($) Min	Max	Unit Type	Target Plan (# of Units)	Rent*
Band 1 **Maximum Market Rent**	80,001		1 bed		$2,030
			2 bed		$2,315
Band 2 **(Affordable Market Rent)**		80,000	1 bed	18	$1,225
			2 bed	4	$1,400
			Subtotal	**22**	
Band 3 **(80% of Affordable Market)**	34,001	41,000	1 bed	73	$980
	40,001	48,000	2 bed	7	$1,120
			Subtotal	**80**	
Band 4 **(65% of Affordable Market)**	27,001	34,000	1 bed	20	$796
	32,001	40,000	2 bed	0	$910
			Subtotal	**20**	
Band 5 **(50% of Affordable Market)**	21,001	27,000	1 bed	36	$613
	24,001	32,000	2 bed	7	$700
			Subtotal	**43**	
Band 6 **Minimum Rent Band** **(35% of Affordable Market)**		21,000	1 bed	35	$429
		24,000	2 bed	2	$490
			Subtotal	**37**	
			TOTAL	**202**	13

2.8 City of Kawartha Lakes and Haliburton

Summary of key factors to success:

- The City/Housing Corporation sold older, less efficient ground-oriented units and replaced them with more efficient multi-residential housing projects.
- The new housing projects are designed to be self-sufficient, mixed income, and energy efficient.
- The City/Housing Corporation aligned resources from senior levels of government, its own capital funding, contribution from lower-tier municipalities, and proceeds from the sale of scattered units to fund new housing developments.
- The City also financed the projects as a lender, enabled by a City debenture, which reduced project costs.
- The City/Housing Corporation employed a number of cost saving measures to reduce operating subsidy requirements.

The City of Kawartha Lakes is the service manager for about 950 social housing units in the service area that includes the City of Kawartha Lakes and Municipalities/Townships of Dysart, Highlands East, Algonquin Highlands, and Minden Hills. The Joint Social and Housing Services Advisory Commitment (JAC), with membership drawn from City and County Councils, advises the Council of the City of Kawartha Lakes on social housing matters. The City and County have an ongoing agreement that includes cost sharing formulas for social housing.

The Kawartha Lakes-Haliburton Housing Corporation (KLHHC) is a local housing corporation and non-profit housing provider owned by the City of Kawartha Lakes. The KLHHC has no staff, with City of Kawartha Lakes staff performing the duties of the corporation on behalf of KLHHC. The KLHHC operates a total of 734 units, this includes 467 RGI units, 210 non-profit affordable units as a result of the amalgamation of KLHHC and the Lindsay Non-Profit Housing Corporation, and 24 new units built under the IAH program in 2013.

Since 2007, KLHHC has explored the feasibility and developed a business plan to sell some, or all of their 16 single detached and 60 semi-detached units that are older and less energy efficient. The equity gained through the sale of these units is being invested into new, 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 were approved for disposal. Between 2014 and 2017, 36 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, KLHHC decided to keep the project scale small to better align with the amount of funding from senior levels of government. Over the past five years, the KLHHC has engaged in 7 new housing developments (**Table 5**) which includes replacement RGI units as well as affordable market rent units. During the lease up period for two of the new developments, WP Phase 1 and Devan Court, KLHHC found that many of the households on the wait list for a one-bedroom unit could not afford the 80% AMR rate established for those projects. Moving forward, the KLHHC repositioned new developments to meet the 80% AMR requirement as an overall average, rather than every single unit being 80% of AMR. This allowed the project to offer units above and below 80% AMR, which is an acceptable method using the IAH model.

Table 5

New KLHHC Developments						
Built Year	**Municipality**	**Total Units**	**# RGI Replacement**	**# Net New Units**	**Funding Source**	**Note**
2013	Haliburton (WP Phase 1)	24	0	24	Cash donation from County; Discounted land price from Dysart; Waived building permit/planning fees; Waived requirements for securities; Property tax reduction; IAH funding; Debenture.	All 1B Units; Rezoned in 2011 for 36 units but capital funding only allowed for 24 units.
2015	Lindsay (Devan Court)	29	18	11	KLHHC, IAH, seed funding from CMHC, waived development charges and building permit fees.	-
2017	Minden (Pinegrove Place)	12	0	12	Cash donation from County, KLHHC, seed funding from CMHC, lower property tax rate and land donation from Township of Minden Hills	-
2018	Lindsay (Flynn Gardens)	16	9	7	Revenue from sales, municipal incentives, CMHC seed and PDF funding, KLHHC reserves.	Addition to existing building
2018	Lindsay (Bond by the River)	12	9	3	Revenue from sales, municipal incentives, CMHC seed and Proposal Development funding, KLHHC reserves.	Family townhomes
2019	Lindsay (Housing and Office Space)	24	0	24	IAH funding, Debenture	Incorporated office space for the City's Human Services Department
2019	Haliburton (WP Phase 2)	12	0	12	Cash donation from County; KLHHC reserve; IAH funding; Waived planning and building permit fees; and property tax reduction.	Rezoning done in 2011.
Total		**129**	**36**	**93**		
Source: Kawartha Lakes						

The City of Kawartha Lakes had acted as the lender both for construction financing and long-term financing for these projects, which was funded through a City debenture. The KLHHC services the debt by using the proceeds from the sale of scattered units and the cash flow of each project.

This approach to financing eliminated the requirement for CMHC mortgage insurance, thereby reducing the project capital cost by approximately $20,000.

All of the new build projects follow a financial model that allows for self-sufficiency to the extent that no municipal operating or capital subsidies are needed. The annual operating budget for each project includes a contribution to a capital replacement reserve (4% of revenue). KLH Housing Corp anticipates increases in rental revenue through the additional units, and lower expenses are forecasted across the new buildings due to increased energy efficiency.

In 2017, the KLHHC noted a 4% increase of affordable housing units across the region since 2015, while a 48% decrease of total subsidy requested from the City. The reduction in operating subsidy KLHHC's 2018 and 2019 budget was enabled by the operating surplus, estimated at $150,000 in 2016. Part of the reason that contributed to the surplus is a series of operating efficiencies created by KLHHC, which included the blending of staff positions to reduce overall head count, restructuring overtime protocol and using technology to find savings, and other measures. Participation in various energy savings programs such as hydro, gas and lighting have also added to the reduced operating costs.

3.0 Other Revitalization Considerations

Chapter 2 of this report described the procedures and the systematic approaches undertaken by the service managers and housing corporations to regenerate their housing stock. In this section, we highlight a few best practices that are new to the social housing world in Canada. Despite local housing market and demographic conditions, these practices and techniques could be beneficial in any service area.

3.1 Portable Housing Benefits

In 2017, Ontario announced an amendment to the Housing Services Act (HSA) to give service managers the option to offer locally-funded portable housing benefits (PHB) in addition to traditional RGI programs, and allow these units to be counted towards their Service Level Standards.

A PHB provides direct financial assistance to low-income households that qualify for assistance with their housing expenses. Service managers are given flexibility in the PHB subsidy calculation, however, the minimum benefit is the difference between an affordable rent (defined as 30% of household income) and 80% of the average rent in the household's local housing market. Unlike RGI and traditional rent supplement programs, PHBs are tied to households rather than the physical building or a housing provider. Households are not required to live in a dedicated unit and can take their benefits with them if their housing needs or preferences change.

There are several advantages of PHBs:

- It allows households to have increased choices of where to live. This could to some extent facilitate income mixing and reduce the concentration of poverty in certain areas.
    - While income mixing is generally considered desirable in the social housing industry today, recent research/evidence shows that it could have more long-lasting impacts on families with young children. A 2015 study[2] in the US demonstrated that moving to a neighbourhood with less poverty, enabled by a housing voucher, significantly improves college attendance rates and earnings for children who were young (below 13 years old) when their families moved. These children also live in better neighbourhoods themselves as adults and are less likely to become single parents.
- The PHB program is designed to only reassess household income annually based on tax returns, which means recipients can keep more of what they earned during the year. By comparison, the current RGI system has a complex income and rent calculation methodology that can be confusing to both housing providers and tenants. It also requires

[2] Chetty, Raj, et al (2015). The Effects of Exposure to Better Neighbourhood on Children: New Evidence from the Moving to Opportunity Experiment.

that a tenant declare every time their income changes, which could create barriers and disincentives to work.

- This calculation is adjusted for those on social assistance (e.g. OW and ODSP), allowing the rent charged to be the maximum shelter allowances payable under social assistance benefits. This could potentially lower the subsidy cost to the service manager for social assistance recipients without any financial impact on these recipients.
    - Currently under the HSA, rent for tenants on social assistance is based on a rent scale which is significantly lower than the social assistance maximum shelter allowance. For instance, the rent for a single person on OW living in social housing is $85 based on HSA, while under the PHB the rent would be $384, which is the maximum shelter allowance under OW. This results in a $299 saving per month to the service manager.
- The program allows service managers to have the flexibility to replace and/or augment the supply of RGI units in the social housing portfolio by providing a PHB to applicants on the centralized wait list.
- PHBs also allow the service manager to move away from brick and mortar assets, eliminating the need for long-term capital funding of these buildings.
- The program can help people at risk to keep their existing home, provided that the unit they reside in meets the PHB guidelines, further allowing for consistency, anonymity and freedom to live closer to work, school, and community.
- This housing benefit can offer incentive to increase affordable housing development.
    - In the US, some public housing authorities have replaced public housing with portable housing choice vouchers. These vouchers are sometimes used when the public housing authority is redeveloping older housing stock.

However, there are drawbacks of portable housing benefits as well:

- If there is a low vacancy rate and a lack of available rental options at the lower end of market, the ability for the market to support tenants could be compromised and result in a very high wait list for traditional RGI units.
- The costs of providing PHBs in high rent markets such as the GTHA would be significant.
- Notwithstanding the above two points, the City of Greater Sudbury's current housing market conditions (e.g. high vacancy rate and low rents) largely negate these drawbacks.
- Some have noted that brick and mortar social housing assets that are managed directly by a housing corporation is better suited than the private sector in ensuring the needs of the City's most vulnerable are met.

3.2 Passive House Standard

Passive House is the most rigorous standard for energy efficiency in the design and construction industry today. In a passive house building the primary goal is to achieve a superbly well-insulated and tightly sealed building envelope, then introduce fresh air via a high-efficiency heat recovery ventilation system. This approach can be combined with renewable energy technologies to supply heat or electricity to maximize social benefits.

The major benefit of adopting the Passive Housing standard is significant reduction in ongoing energy usage and improved indoor air quality: a Passive House certified building is estimated to have an 80% to 90% reduction in annual heating/cooling fuel consumption compared to a conventional building built to the Ontario Building Code standard. This standard could be achieved regardless of the building type developed (e.g. high-rise apartment and single family home).

The incremental cost of reaching passive house performance depends on several factors, including the severity of the climate, the type of building, and the availability of high quality building components. There could be other issues with implementing Passive House standard that have cost implications: for instance, some early examples in Canada indicated the design work took a year to complete in order to meet the Passive House standard, compared to 3 to 4 months for a traditional building. Overall, the incremental cost of building a Passive House in Canada is estimated to be 10%, assuming the builder has some experience in this type of construction.

Despite the cost premium, Passive House gained advocates in the social housing sector in Canada for its significant potential reduction in operating costs. For long-term housing operators, the additional construction cost could be justified by sizable ongoing savings on operating costs.

A recent Passive House example in Ontario is the Salus Clementine - Karen’s Place in Ottawa. Karen’s place is a 42-unit apartment building owned by Ottawa Salus Corporation and provides housing to people who are living with psychiatric illness. Completed in 2016, the building has been certified LEED Platinum and is also targeting the Passive Housing certification. The building is designed to rely on insulation, ventilation, and heat from their occupants and the sun to maintain perfect temperature. It requires no furnace, air conditioner, or any other kind of active climate control to keep its residents comfortable. The building is designed to use 66% less energy than a conventional building, each unit costs about $30 a year to heat. Karen’s Place cost $9.1 million to build, which is an estimated 6% to 9% more expensive than a similar complex built to Ontario Building Code.

3.3 Choice Base Letting

In most service areas in Ontario, the household at the top of the waiting list will be notified when an RGI unit becomes available, and households can refuse up to three offers of social housing. In the City of Toronto, it takes an average of 45 days to fill a RGI vacancy in 2013 despite an extensive and growing waiting list. On an annual basis, Toronto Community Housing Corporation (TCHC) budgets about $5.5 million for revenue loss due to unfilled RGI vacancies.

In February 2014, TCHC and Housing Connections launched a pilot project named My Choice Rental Pilot in 12 TCHC buildings. The general approach is advertising a vacant RGI unit online or through Housing Connection or community partners. Applicants can express their interest and they will be ranked based on chronological and priority status. Top respondents will be contacted to view the unit, and finally the unit will be offered to the household with the highest priority.

The result of the 8-month pilot has demonstrated significant improvements:

- Number of calls by housing staff to fill an RGI unit reduced from 9 to 1.6 phone calls;
- Acceptance rate for offered units increased from 24% to 73%; and,
- Length of time to fill a vacant unit from posting to lease signing dropped from 45 days to 20 days, which could translate to a potential savings of $3 million in vacancy loss for TCHC.

The implementation of the choice-base letting approach requires the support of outreach and education programs – the TCHC participation survey indicated that 50% of the participants did not bid for any unit because they did not receive the invitation letter; 35% of them did not bid as they do not understand the program; and only 27% of them did not bid as they did not like the building.

3.4 Community Based Capital Improvement

In 2015, the TCHC launched the ReSet pilot program in three communities to deliver faster, less disruptive and lower-cost capital repairs. The basic idea is that the program will bundle multiple capital repair jobs in each community and deliver them as one project. Residents were engaged to provide input on planning, designing, and decision making on the repair works in their community, and all the capital works identified are subsequently completed at the same time. Benefits of the ReSet program is summarized into four aspects:

- Faster repairs: by bundling all capital repairs under a single general contractor, work will be done more efficiently, more effectively and with the least amount of disruption to residents;
- Cost saving: common building materials are purchased in bulk and installed community by community through a general contractor, creating significant cost savings;
- Increased community safety: improvements to community include environmental design principles aiming at crime prevention, such as safe access to parking, street lighting, etc.
- Better local services: the program engages local residents to identify program and service that their communities need and then find partners to deliver the services.

3.5 Affordable Housing Financial Assistance Programs

There are a number of financial assistance programs offered by the federal and provincial governments that are intended to encourage new affordable housing construction. Many of these programs were created recently under the National Housing Strategy and Ontario Fair Housing Plan. This subsection provides an overview of these programs.

3.5.1 National Housing Co-Investment Fund – New Construction Stream

The Fund is part of the National Housing Strategy to provide capital contributions and/or low-cost loans to build new affordable housing. It encourages the development of mixed-income, mixed-tenure, and mixed-use housing near transit and other amenities, integrated with supports and services, with additional focus on environmental efficiency, accessibility, social inclusion and partnerships. In total, the new construction stream offers $5.19 billion in loans and $2.26 billion in capital contributions over 10 years.

Type of Assistance: Low cost loan and/or contribution.

- A minimum of $1 million loan and/or contribution.
- Maximum contribution (for projects exceeding minimum requirements): up to 40% of eligible costs for co-operative, non-profits, indigenous groups; up to 30% of eligible costs for government bodies; up to 15% for private sectors.
- Maximum loans (for projects exceeding minimum requirements): up to 95% of eligible cost (residential component) for co-operatives, non-profits, indigenous groups; up to 75% of eligible costs (residential) for government bodies and private sector, and for non-residential component.
- Loan amortization: up to 50 years.
- Interest rate on loans: below market rates, fixed rate for up to 20 years, rates reset every 10 years.

Eligible Applicants: non-profit housing organizations or co-operatives, government bodies and their agencies, indigenous government and organizations, and private sector applicants. Applicants are required to have experience in property management (5 years) and construction management, and excellent credit and repayment history.

Program Requirements:

- Provincial and/or municipal contributions are required to apply for this funding. Contribution could be monetary or in-kind, including but not limited to: provision of land, inclusionary zoning provisions, accelerated approval processes, waiving development charges and fees, tax rebates, and other government loans.
- Projects need to have a minimum of five units/beds.

- Rents for at least 30% of the units must be less than 80% of the Median Market Rent and maintained for a minimum of 20 years.
- Applicants must demonstrate financial and operational ability to carry the project and to provide evidence of the financial viability of the proposed project, and capacity to deal with development risks such as cost over-runs and delays.
- Minimum debt coverage ratio: 1.00 for residential loan component, 1.40 for non-residential.
- The borrower and guarantor (if applicable) must provide their covenant/guarantee for 100% of the loan during construction and rent-up.
- Reserve requirement: a minimum of 4% of Effective Gross Income for long-term financial viability and maintenance of the property.
- Achieve a minimum 25% decrease in energy consumption and GHG emission over the most recent national building and energy codes.
- 20% of units within the project must meet or exceed accessibility standards and common areas must be barrier free or have full universal design applied.

Prioritized Projects: priority is given to projects with: greater number of units, deeper affordability, greater energy efficiency and accessibility, proximity to amenities and community supports, strong partnerships, social inclusion, and support to priority groups (e.g. domestic violence victim, seniors, etc.)

3.5.2 National Housing Co-Investment Fund – Repair and Renewal Stream

The Fund is part of the National Housing Strategy to provide capital contributions and/or low-cost loans to support repair and renewal of existing community and affordable housing, and make them more sustainable from a community, environmental, and financial perspective. In total, the repair and renewal stream offers $3.46 billion in loans and $2.26 billion in capital contributions over 10 years.

Type of Assistance: Low cost loan and/or contribution.

- A minimum of $250,000 loan and/or contribution.
- Maximum contribution (for projects exceeding minimum requirements): up to 40% of eligible costs for co-operative, non-profits, indigenous groups; up to 30% of eligible costs for government bodies; up to 15% for private sectors.
- Maximum loans (for projects exceeding minimum requirements): up to 85% loan-to-value (improved value) for residential component; up to 75% of loan-to-value (improved value) for non-residential component.
- Loan amortization: up to 50 years.

- Interest rate on loans: below market rates, fixed rate for up to 20 years, rates reset every 10 years.

Eligible Applicants: non-profit housing organizations or co-operatives, government bodies and their agencies, indigenous government and organizations, and private sector applicants. Applicants are required to have experience in property management (5 years) and construction management, and excellent credit and repayment history.

Program Requirements:

- Provincial and/or municipal contribution is required to apply for this funding. Contribution could be monetary or in-kind, including but not limited to: provision of land, inclusionary zoning provisions, accelerated approval processes, waiving development charges and fees, tax rebates, and other government loans.
- A minimum of five units/beds.
- Rents for at least 30% of the units must be less than 80% of the Median Market Rent and maintained for a minimum of 20 years.
- Applicant must demonstrate financial and operational ability to carry the project and to provide evidence of the financial viability of the proposed project, and capacity to deal with development risks such as cost over-runs and delays.
- Minimum debt coverage ratio: 1.00 for residential loan component, 1.40 for no-residential.
- The borrower and guarantor (if applicable) must provide their covenant/guarantee for 100% of the loan during construction and rent-up.
- Reserve requirement: a minimum of 4% of Effective Gross Income for long-term financial viability and maintenance of the property.
- Achieve a minimum 25% decrease in energy consumption and GHG emission over the most recent national building and energy codes.
- 20% of units within the project must meet or exceed accessibility standards and common areas must be barrier free.

Prioritized Projects: priority is given to projects with: greater number of units, deeper affordability, greater energy efficiency and accessibility, proximity to amenities and community supports, strong partnerships, social inclusion, and support to priority groups (e.g. domestic violence victim, seniors, etc.)

3.5.3 Affordable Housing Innovation Fund

The $200 million Fund is part of the National Housing Strategy to encourage new funding models and innovative building techniques in the affordable housing sector.

Type of Assistance: Loans, forgivable loans, contributions, equity capital investments, minority ownership models, dividend payments, other innovative funding arrangement.

Eligible Applicants: municipalities, private sector, and non-profit housing providers that want to build new affordable housing or repair and renew existing housing in response to a demonstrated community need.

Program Requirements:

- Applicants must demonstrate overall financial resources to support the level funding required to ensure project viability.
- At least 5 new units, renovations or retrofits must be considered affordable defined by municipality.
- Demonstrate the use of innovative solutions for affordable housing, including financing models or unique designs used to overcome barriers and lower the costs and risks associated with housing projects.
- Demonstrate the project is able to and will remain affordable for at least 10 years.
- Achieve a minimum 10% decrease in energy intensity and GHG emission relative to the National Energy Code of Canada for Buildings 2015 (NECB).
- At least 10% of units within the project must meet or exceed accessibility standards.
- Plans for viability and sustainability without long-term government subsidies.
- Other factors, e.g. replicable designs, easy access to transit, focus on social inclusion.

Prioritized Projects: projects that exceed mandatory requirements, bring more partners and additional investments, and address the need of vulnerable populations.

3.5.4 Rental Construction Financing Program

The program is part of the National Housing Strategy to encourage the construction of new rental housing across Canada. It provides up to $3.75 billion in loans and will run from 2017 to 2021.

Type of Assistance: Low-cost loans.

- A minimum of $1 million loan and/or contribution.
- Maximum loan to cost: 90% to 100% loan to cost for residential loan component, up to 75% loan to cost for non-residential loan component.
- 100% loan to cost is for projects offering the greatest social outcomes of affordability, accessibility, energy efficiency, stacking of government programs, and transit orientation.
- Loan amortization: up to 50 years.

- Interest rate on loans: fixed rate option (10 year term, locked at beginning of term) and hybrid option (10 year term, floating during construction, fixed at occupancy permit).

Eligible Applicants: municipalities, rental co-operative, public or private non-profit housing organization, private sector. Applicants need to demonstrate property management experience (5 years minimum) and excellent credit and repayment history, and have a minimum net worth equal to at least 25% of the loan amount, with a minimum of $100,000.

Program Requirements:

- Projects need to have a minimum of 5 units, residential need to be the primary use, non-residential does not exceed 30% of total gross floor space nor 30% of total cost.
- Demonstrate financial and operational ability to carry the project without ongoing operating subsidies. Provide evidence of the financial viability of the proposed project and capacity to deal with development risks such as cost over-runs and delays.
- Minimum debt coverage ratio: 1.10 for residential loan component, 1.40 for non-residential.
- The borrower and guarantor (if applicable) must provide their covenant/guarantee for 100% of the loan during construction and rent-up.
- Affordability requirement: total residential rental income of the project must be at least 10% below its gross achievable residential rental income as supported by an independent appraisal report. And a minimum of 20% of the units must be affordable with rents at or below 30% of the median household income in the subject market.
- Affordability requirement can also be met if a project is approved under other housing program initiatives (federal, provincial, or municipal) that provide support for the development.
- Affordability must be maintained for at least 10 years.
- Achieve a minimum 15% decrease in energy intensity and GHG emission relative to the National Energy Code of Canada for Buildings 2015 (NECB).
- 10% of units within the project must meet or exceed local accessibility standards and common areas must be barrier free.

Prioritized Projects: projects with other government supports and partnerships, and projects that offer access to public transit.

3.5.5 Investment in Affordable Housing (2014 Extension) – Rental Housing Component

The IAH-2014E for Ontario program provides $800 million in federal and provincial funding to improve access to affordable housing over 6 years, with the program ending in 2020. This funding was bolstered by the Social Infrastructure Fund (SIF) in 2016 which totals another $640 million.

In Ontario, this funding is allocated annually to service managers based on the service manager's share of households and the number of households in core need.

Type of Assistance: forgivable capital loan calculated to be 75% of the total capital cost per unit or $150,000 per unit, whichever is lower. Total capital costs include land, financing, hard (construction) and soft costs but less any HST rebates.

Eligible Applicants: government bodies, non-profit organizations, private sector,

Program Requirements:

- Projects need to be one of the following:
  - New construction, including additions and extensions;
  - Acquisition and rehabilitation of existing residential building to maintain or increase the affordable rental housing stock;
  - Conversion of non-residential buildings or units to purpose-built rental building/units.
  - Note that social housing projects/units that receive ongoing federal and/or provincial subsidies (e.g. demolition and replacement of existing social housing units) are not eligible.
- Units must be modest in size and amenities relative to other housing in the community, subject to service manager's requirements.
- Have all the required municipal planning approvals, be able to sign a Contribution Agreement (CA) no later than December 31st of each program year.
- Start construction within 120 days after signing a CA.
- Be financially viable from a construction and operating cost perspective.
- Have rents that on average for the project are at or below 80% AMR for a minimum of 20 years.
- Provide the required equity: 10% for private proponents, 4% for partnership between private and non-profit, and 0% for non-profit organizations.
- Have an occupancy plan to ensure units will be occupied in a timely manner.
- Target client group of the project should be households that are on or eligible to be on social housing waitlists.

Prioritized Projects: Service managers are encouraged to give priority to:

- Projects that address the needs of victims of domestic violence and other local groups identified in service manager's Housing and Homelessness Plans.

- Projects that have contribution by others, including the service manager, host municipality, or sponsored by providers that agree to project affordability periods beyond the 20-year minimum.
- Projects with energy efficiency features and/or accessibility features.
- Service managers are required to give priority consideration to the employment of apprentices in the residential housing sector.

3.5.6 Seed Funding Program

The CMHC has a Seed Funding Program which offers financial assistance to cover soft costs at early stages of an affordable housing project, such as incorporation, preliminary financial feasibility, developing a business plan, project drawings/specifications, as well as a variety of professional fees. Seed Funding can also be used for activities such as capital replacement planning or energy audits to help housing project whose viability is at risk.

Type of Assistance and Amount: non-repayable contribution up to $50,000. Additional funds may be made available in the form of a fully repayable, interest free loan of up to $200,000.

Eligible Applicants: individuals and organizations building affordable housing in Canada, could include but not limited to private developers, non-profit housing organizations/co-operatives, municipalities, etc.

Program Requirements: Projects must have a minimum of 5 affordable units, with affordability determined by the municipality. There are no restrictions on tenure, build form, or future residents.

3.5.7 Ontario Development Charges Rebate Program

The provincial Development Charges Rebate Program is part of the Ontario Fair Housing Plan introduced in April 2017. Under the program, a total of $125 million over 5 years is available as rebates for development charges, starting with 2018-19.

Eligible Applicants: individuals and organizations building affordable housing in Canada, could include but not limited to private developers, non-profit housing organizations/co-operatives, municipalities, etc.

Program Requirements: Municipalities have the flexibility to determine the rental housing developments and units that will receive funding based on local need, but within broad provincial program criteria:

- Developments must be consistent with provincial planning policies;
- Developments must align with other provincial priorities and lead to net new additional public good, e.g. rental housing, family sized units.

- Developments and units receiving provincial rebates must remain affordable for a minimum of 20 years.
- No luxury rental units, where starting rents do not exceed 175% AMR.

In addition to the financial assistance program above, there are also land programs at both federal and provincial levels, where surplus lands and buildings identified will be transferred to eligible participants at discounted to no cost. Typically discount will depend on the maximization of socio-economic and environmental outcomes.

4.0 Summary of Key Findings

This background report has reviewed the social housing revitalization efforts in eight service areas with varying local market conditions. Common to many service areas across Ontario is a deteriorating legacy social housing stock, a growing unfunded capital liability, rapidly increasing operating expenses and subsidy requirements, flat annual revenue changes, mismatched housing supply and demand, stigmatized communities, and a complex RGI rent calculation system.

The social housing system has exposed a number of deficiencies from both a hardware (i.e. physical condition) and software (i.e. operations) perspective, which has resulted in it being one of many items on the planning agenda of municipalities. In many cases it may not appear to be the most pressing issue and was therefore not given priority in the municipal budgeting process. This study captured service managers that have recognized the urgent need for social housing regeneration and provided generous support when needed (additional examples also exist). This decision is mostly driven by the objective to achieve a combination of the following:

- Dilute and improve areas suffering poverty and stigma (e.g. Kingston Rideau Heights, Hamilton West Harbour).
- Address the shortage of housing in the face of rapid population growth. Strengthen the weak or missing components along the housing continuum (e.g. Peel, York, Simcoe).
- Take action to reduce the large capital liability (e.g. Ottawa, Peel).
- Make an impact on the growing waiting list (All);
- Replace older, costly units with newer, more efficient units for cost saving (All).

In reviewing the regeneration efforts, we have concluded the following key findings:

Service managers are well invested and involved in the regeneration planning and implementation:

All of the service managers reviewed in this study, aside from Windsor-Essex who are still early in developing their regeneration efforts, are well invested in the social housing stock, which is crucial to enable the implementation of any regeneration plan.

- Some service managers align housing revitalization projects with other items on local the planning agenda. Examples include West Harbour in Hamilton and Rideau Heights in Kingston. In these examples, supporting housing revitalization is a key initial step in the improvement of a larger community and these efforts usually help service managers achieve multiple urban renewal objectives.
- A common practice of the reviewed service managers is the establishment of a dedicated funding source/reserve for repairing or retrofitting the existing housing stock and/or building new housing. In Ottawa, separate funding envelopes with identified funding

sources have been established for each objective of their revitalization plan, which includes:

  - Capital Fund for capital repairs, with funds generated from mortgage refinancing;
  - Community Reinvestment Fund for new construction, with funds from the sale of scattered units; and
  - Green Reserve Fund for utility conservation programs, with funds from grants and savings from improved energy efficiency.

- Similarly, other service managers such as Kingston, Hamilton, and Peel have established municipal-funded capital investment programs to support housing. In Kingston, which is considered a relatively weak market area, Council made annual incremental contributions to a funding program dedicated for social housing. The contribution is built in its annual capital budget, and the program eventually grew into a sizable fund, which was crucial in enabling Kingston's Rideau Heights regeneration plan.
- The municipal funding programs have proven to be a vital component in any regeneration scheme, as the capital funding from senior levels of governments (e.g. IAH) is rarely sufficient to support an affordable housing (re)development project that is self-sustaining. Moreover, in cases where RGI replacement units are incorporated in a project, the RGI replacement component can only be funded by sources other than the IAH due to the program requirement of the IAH funding (i.e. demolition and replacement of existing social housing units are not eligible for IAH). Further, a revitalized social housing stock requires a broad and multi-faceted approach, which in turn will require significant funding from a variety of sources to tackle a wide-range of issues.
- In addition to the establishment of municipally led funding programs, other municipal contributions observed in the case studies have included one-time capital funding, guaranteeing debt and refinancing of existing assets, strategically directing city reserves such as parkland dedication to support revitalization, waiving planning fees and development charges for new development, etc.
  - In stronger market areas such as York, Peel, and Simcoe, funding has come from development charges, which has reduced the funding commitment's burden on the tax levy.
  - In Kingston, the parkland dedication fund was utilized to compensate the housing corporation for demolishing deteriorating housing to create public open space. The compensation was then reinvested by the housing corporation into developing new affordable housing.
  - In Hamilton, part of their affordable housing funding program is from the dividends and profits earned through public entities.

- In cases where housing providers have pursued debt or have refinanced existing assets, it is a common security requirement from lenders that the service manager guarantee the debt:
  - In Ottawa's refinancing endeavors, the City was required to continue the same level of mortgage subsidy that they were previously providing the building for the length of the new loan.
  - In Hamilton's mixed-income developments that include RGI replacement units, the City guaranteed their debt service and committed to continue flowing operating subsidy to the new replacement units. This extended commitment was an essential component that contributed to a viable financial model of the new developments.
  - In both cases, the service manager has agreed to extend their mortgage and operating subsidy beyond the original end of operating agreement (EOA) or mortgage terms. Both Ottawa and Hamilton have capped subsidies at the same level as pre-development/pre-refinancing to avoid putting extra burden on the City's annual expenditure on housing. Using this approach, the City could deeply retrofit the older stock or replace them with new units that are more financially sustainable and cost-effective to operate, with the same level of annual expenditure on housing they currently experience.
  - Refinancing of existing assets were seen in both Ottawa and Hamilton, however in both cities the refinanced projects are either provincial reformed or market rent projects. In speaking to Ontario Ministry of Housing (MOH) and Infrastructure Ontario (IO), NBLC confirmed that it is possible to refinance Public Housing projects, but lenders like IO typically require City to guarantee the loan. In assessing such financing requests, lenders like IO typically look at the commitment the City has to paying the RGI subsidies and the length of such commitments. This subsidy commitment directly affects the borrower's ability to service the proposed debt and the amount that can be mortgaged.
- It is also common that municipalities supported affordable housing developments by waiving a series of fees including planning application fees, development charges, building permit fees, property tax, etc.

- Many service managers recognize that the LHC assets are the City's assets. As such they provide assistance to facilitate the LHCs to regenerate its portfolio and ensure its long term viability. In Simcoe's case, the County allocated IAH funding to SCHC and helped the SCHC prepare an IAH application two years in advance. The County also incentivized local municipalities to contribute financially, in order to ensure that SCHC's regeneration project met the funding requirement.
- In many service areas, service managers recognize that a single source of funding could rarely support even a small to medium sized new development or redevelopment. Many

of them would prioritize the LHCs when allocating capital funding from municipal and senior levels of governments. To maximize the impact of the capital assistance programs and offer deeper affordability and/or improve project self-sufficiency, service managers commonly stack their own funding on top of other funding opportunities (e.g. IAH), and/or align social housing regeneration with other city initiatives to improve the viability/attractiveness of a project.

- Some service managers such as York Region and the City of Hamilton have engaged the LHCs to conduct multi-year business plan, capital plan, or multi-year budgeting, which could be used to strengthen financial planning and management.
- Some service managers conducted a review of City/Region/County owned properties to identify suitable properties for housing development. Some others purchased properties deemed appropriate for housing development. These properties are donated or sold at a discounted price to housing providers to support affordable housing development.
- Some service managers coordinated bulk purchasing opportunities with all housing service providers for cost saving.

The Local Housing Corporation is an important part of portfolio regeneration planning and finding cost saving opportunities in housing operation:

- In LHC regeneration planning, we observed two major planning approaches:
  - Planning efforts and resources are directed to a targeted community (e.g. Rideau Heights), when there is a large concentration of LHC units and when priority is given to dilute the concentration to achieve multiple objectives (e.g. reduce crime); or,
  - More commonly, planning efforts start with a review of the entire portfolio to identify the capital requirements and overall social/financial performance project by project, which is used to inform the decisions to redevelop, retrofit, regular maintenance, or divestiture. This type of analysis could help LHCs prepare themselves to respond to opportunities for potential growth and redevelopment.
  - Many LHCs are also undertaking long range financial and capital planning, such as Ottawa and York, to identify funding strategies for implementing the portfolio management decisions systematically, and ensuring resources are used effectively. Similarly, CityHousing Hamilton conducts multi-year business planning that identifies major initiatives, how they align with the City's strategic priorities, and the anticipated funding sources.
- Many LHCs actively identify potential cost saving (e.g. choice base letting, energy saving education, optimizing human resources/consolidate staff positions) and revenue generation (e.g. sale of energy) opportunities. Some LHCs negotiated with the city to keep the savings and contribute to a reserve fund for capital repairs or new construction. By granting this, the City incentivizes LHCs to increase revenues while controlling costs.

Sale of scattered units is a low-hanging fruit in most areas to start regenerating the housing stock:

Sale of scattered LHC units is a common practice in many service areas. To many LHCs, this is a low hanging fruit to achieve several regeneration objectives:

- The scattered units typically have higher operating costs. It is therefore cost effective to replace them with newer, energy efficient and higher density units;
- In most service areas the demand for large, family sized units is low compared to smaller unit types. Selling these units offers an opportunity to realign demand and supply;
- In most service areas the sale of scattered units is relatively easy due to a general desirability of ground-oriented units in the private ownership market. This could generate funding for replacing the sold RGI units and potentially introduce new net units.
- In most service areas the proceeds are contributed to a funding envelope for a specified use, which is usually to build new housing.

New Developments and redevelopments are self-sufficient, energy efficient, and mostly small in scale:

New developments across the service areas reviewed share a few common traits:

- They are designed to follow a self-sufficient financial model with no requirement for additional ongoing subsidy. This is usually achieved by securing a significant upfront capital contribution, incorporating a range of housing and incomes (e.g. RGI, AMR, market), and building an energy efficient building.
- As previously discussed, the capital contribution is typically from a mix of funding sources and incentives, including IAH, service manager and/or lower-tier municipal contribution of capital and/or land, planning fees/levies exemption, contribution from private/non-profit/institutional partners, and LHC reserve (e.g. proceeds from scattered unit sales). Service managers play a key role in allocating, securing, and strategically aligning these funds, as well as endorsing debt financing.
- In tighter rental markets, the inclusion of a market rent component could also contribute to the self-sufficiency of a new project. Adopting this method would promote income mixing at the same time, which has further social and financial benefits.
- New housing developments, whether developed by LHCs or other providers, are mostly offering affordable rents, ranging from 60% to 100% AMR, depending on the level of capital contribution received. New RGI units at these projects are replacement units for the sold or demolished units. There are few examples of a service manager expanding the RGI supply, which is simply due to the short and long term financial burden they present.
- Where RGI replacements are involved, the “self-sufficient” financial model typically involves continued operating subsidy commitment from the service managers. This

commitment is allocated towards "project revenue" by lending institutions during mortgage/loan approval process. Given the low rental rates of RGI housing, continued ongoing subsidy from the service manager is required.

- The majority of the new developments are small in scale. The reasons for this include:
  - Under the premise of self-sufficiency, available funding can only support small projects.
  - Smaller projects could lower the risk of community opposition and delays in planning approval.
  - Smaller projects can also be scattered across a service area, contributing to lower concentration of affordable housing and a diversified offering across many communities.
- Most new projects are located in areas where a mix of services and public infrastructure are available.
- The new developments are typically designed with enhanced accessibility features and the highest level of energy efficiency features to minimize ongoing operating costs.

Affordable housing redevelopment across the service areas generally include:

- Intensification, e.g. replace a duplex with a group of townhomes.
- Additions to existing structure.
- Modest mid-rise buildings.
- There are few large scale redevelopments outside of Toronto. This type of redevelopment could not rely solely on government and LHC funding and would typically require partnership with development industry through the introduction of market housing.

Consider alternatives to building new housing:

In many of the service areas, new units are introduced to address the lack of affordable rental housing in the area, indicated by a tight vacancy rate and escalating rents. In the City of Greater Sudbury, where rental vacancy is among the highest in Ontario, extra caution should be taken before introducing new units. There are a few options undertaken by other service managers to deliver RGI assistance and fulfill service level standards without having to build brick-and-mortar projects. These options include:

- Hamilton replaced part of the sold RGI units through rent supplement, the city also funds its own housing allowance program;
- The recent HSA amendments enable portable housing benefits to be counted towards service level standards. As discussed in this report, portable housing benefits are more effective in a market like Greater Sudbury, where vacancy rates are higher and rents are relatively low, than in areas where housing options are very tight.