

Request for Decision

City of Greater Sudbury Social Housing Portfolio Revitalization Plan

Presented To: Community Services Committee

Presented: Monday, Jun 19, 2017

Report Date: Wednesday, May 31, 2017

Type: Managers' Reports

Resolution

THAT the City of Greater Sudbury approves the development of a Portfolio Revitalization and Capital Financing Plan and supports the funding application submitted to the Ministry of Housing for the Innovation, Evidence and Capacity Building Fund to fund up to \$100,000 of the cost of the revitalization plan;

AND THAT the costs of the revitalization plan in excess of Ministry funding be funded up to \$200,000 from the Social Housing Capital Reserve Fund as outlined in the report entitled "City of Greater Sudbury Social Housing Portfolio Revitalization Plan" from the General Manager of Community Development dated May 31, 2017.

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

There will be a positive impact on the community which will identify where the social housing gaps are and develop a plan that aligns the social housing portfolio with the needs of the community.

Report Summary

City Of Greater Sudbury Housing Services in partnership with the Greater Sudbury Housing Corporation (GSHC) are supporting a Request for Proposal (RFP) to develop a Portfolio Revitalization and Capital Financing Plan (Plan).

The goal is to have a practical and comprehensive plan that will enable the City of Greater Sudbury (CGS) and GSHC to move forward with revitalization of the portfolio in a fiscally prudent manner. The Plan will help meet the goals and objectives of Greater Together – City Of Greater Sudbury Corporate Strategic Plan, the

Signed By

Report Prepared By

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Health Impact Review

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Division Review

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Recommended by the Department

Catherine Matheson
General Manager of Community Development
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Financial Implications

Liisa Brule
Coordinator of Budgets
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Recommended by the C.A.O.

Ed Archer
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GSHC Strategic Plan, the City Of Greater Sudbury Housing and Homelessness Plan as well as other City Of Greater Sudbury initiatives related to the social housing sector. Revitalization plans are well recognized as excellent capital asset management plans in Social Housing Industry.

Financial Implications

If approved, the cost of the Plan up to \$200,000 will be funded from the Social Housing Capital Reserve Fund with no impact to the tax levy.

Background

History of Public Housing

Prior to the enactment of the Social Housing Reform Act (SHRA), the social housing stock was comprised of two (2) major types of social housing. Public housing was owned by the Ontario Housing Corporation (OHC) and operated by the local housing authorities. The second type, non-profit housing, was owned by individual non-profit and cooperative housing corporations. Both types of social housing providers were linked to the Province by a variety of operating agreements and funding arrangements. The non-profit sector was further divided between provincially led housing programs and federally led housing programs. Like the Province, the Federal government played a major role in housing. It cost shared programs with the Province as well as directly delivered social housing through the Canada Mortgage & Housing Corporation (CMHC).

Devolution

With the passing of the SHRA in December 2000, the Province transferred to the municipal sector both its provincial social housing program funding and administrative responsibilities and the federal non-profit housing responsibilities. The Province designated 47 Service Managers to assume the former provincial role. The legislation also transferred the public housing portfolio to the Service Manager, making the municipality the sole shareholder of the local housing corporation (Greater Sudbury Housing Corporation).

Legislation that was enacted made the municipality responsible for the provision of 3,749 rent-geared-to-income units in the community. Housing Services accomplished this through its funding of the local non-profit providers. The legislation also made City Of Greater Sudbury responsible for the operation of a central social housing wait list registry for rent-geared-to-income applicants.

In 2012, the Province repealed the Social Housing Reform Act and replaced it with the Housing Services Act, 2011 (HSA). The HSA expands on the municipality's role of service manager. Additional duties included the creation and implementation of a 10 year Housing and Homelessness Plan. Council adopted its initial plan in December 2013. Planning, Housing and Social Services provide annual updates to Council regarding the progress made in the plan.

Non-Profit Housing Portfolio

The local portfolio is comprised of 22 non-profit, 14 cooperative, and 5 federal social housing providers. A total of 4,448 social housing units fall within Housing Services' funding and administration envelope. Of the total social housing units, 1848 are owned and managed by Greater Sudbury Housing Corporation; 746 are rent supplement units that are offered through private landlords, and the remaining 1854 units are broken down as follows:

| Non Profits | RGI # | Total Units | 1 Bed | 2 Bed | 3 Bed | 4 Bed | 5 Bed | 1 Bed Mod | 2 Bed Mod | 3 Bed Mod |
|-------------|-------|-------------|-------|-------|-------|-------|-------|-----------|-----------|-----------|
| 22 | 659 | 825 | 490 | 244 | 86 | 5 | 0 | 46 | 18 | 8 |

| Cooperatives | RGI # | Total Units | 1 Bed | 2 Bed | 3 Bed | 4 Bed | 5 Bed | 1 Bed Mod | 2 Bed Mod | 3 Bed Mod |
|--------------|-------|-------------|-------|-------|-------|-------|-------|-----------|-----------|-----------|
| 14 | 496 | 636 | 144 | 257 | 217 | 18 | 0 | 10 | 20 | 8 |

| Federal | RGI # | Total Units | 1 Bed | 2 Bed | 3 Bed | 4 Bed | 5 Bed | 1 Bed Mod | 2 Bed Mod | 3 Bed Mod |
|----------------|--------------|--------------------|--------------|--------------|--------------|--------------|--------------|------------------|------------------|------------------|
| 5 | | 393 | 218 | 87 | 78 | 10 | 0 | 15 | 3 | 0 |

End of operating Agreements (EOA)

End of operating agreements refers to the expiry of the operating agreements that are in place for each social housing project. Operating agreements set out the amount, duration and conditions of the subsidy provided by the municipality and their expiry, often tied to a 35 year amortization period, meaning that when the mortgage expires, social housing providers are solely responsible for their projects ongoing financial viability. Social Housing providers will no longer be subsidized and therefore eligible to set their own unit rent charges..

When the projects were built and the operating agreements developed, the philosophy was that following repayment of the mortgage, a social housing project should be able to generate sufficient revenue to maintain its viability, while continuing to provide affordable housing. However, the reality today is that maintaining financial viability in a post EOA environment is more challenging. Buildings that house a high percentage of tenants on a rent geared to income basis, and those social housing providers with fewer number of units, will have a more difficult time generating sufficient revenues to meet operating needs. In addition, the physical condition of the building may affect viability where there are not sufficient reserves to meet current and/or future capital needs. EOA creates a risk that the subsidized rent charges will have to be increased to market rents in order to generate sufficient revenue to cover their ongoing operating and capital requirements.

The Service Manager is working with staff at the social housing projects that are coming to the end of their operating agreements to ensure that they are aware of their financial obligations at the end of their agreements.

Below is a list of mortgage expiry dates:

| Date | Non Profit | Cooperative | Federal | Total Units |
|-------------|-------------------|--------------------|----------------|--------------------|
| 2018 | | | 1 | 20 |
| 2019 | | | 1 | 155 |
| 2020 | | | 2 | 110 |
| 2021 | | | 2 | 61 |
| 2022 | | 1 | | 44 |
| 2023 | 2 | 2 | 1 | 192 |
| 2024 | | | 1 | 6 |
| 2025 | 3 | 1 | 2 | 159 |
| 2026 | 4 | 1 | | 128 |
| 2027 | 8 | 3 | 1 | 515 |
| 2028 | 3 | 3 | 4 | 293 |
| 2029 | | 3 | | 126 |
| 2030 | | 1 | | 45 |
| Total | | | | 1854 |

GSHC Housing Portfolio

A shareholder's declaration and operating framework were adopted by Council in 2003. This document outlines the City's relationship with GSHC.

City Of Greater Sudbury's first relationship with the GSHC is that of sole shareholder. This role is defined by the Business Corporations Act. Council assumes the role of shareholder at the AGM and/or special GSHC shareholder meetings. Council has control over the governance structure of the GSHC. As shareholder, Council can decide on the board composition, appoint board members, limit the powers of the Board, select the auditors, assess GSHC's performance, and establish a communication protocol.

City Of Greater Sudbury's second relationship with the GSHC is that of service manager. The operating framework ensures stable and predictable funding for the GSHC, simplifies and harmonizes the social housing program structures and funding models in order to reduce administration costs, acknowledges that the service manager requires timely information, and establishes rules governing the accountability of the GSHC to City Of Greater Sudbury.

| GSHC | RGI # | Total Units | 1 Bed | 2 Bed | 3 Bed | 4 Bed | 5 Bed | 1 Bed Mod | 2 Bed Mod | 3 Bed Mod |
|------|-------|-------------|-------|-------|-------|-------|-------|-----------|-----------|-----------|
| | 1848 | 1848 | 778 | 338 | 525 | 161 | 46 | 0 | 0 | 0 |

The GSHC owns and manages 1,848 rental units and is the largest social housing landlord in the City Of Greater Sudbury. All units are rent geared- to-income (RGI); the GSHC currently has no dedicated market rent or affordable housing (low end of market) components. Properties range in type from high rise buildings to single family homes.

Revitalization Plan Considerations

Revitalization refers to the process of renewing existing housing assets to create an improved living environment over the long-term. Social housing revitalization includes a range of changes in relation to land, buildings and associated infrastructure. Revitalization initiatives can be large, such as demolishing existing properties and rebuilding them from scratch or they can be small, such as adding a new section to an existing building or giving a "face lift" to a building's units. Social housing providers can revitalize their assets in a number of ways that include:

- Redeveloping under-utilized parcels of land/current sites
- Creating new, modern and energy efficient units
- Redeveloping or retrofitting existing buildings and units to make them more energy and operationally efficient
- Redeveloping or retrofitting existing buildings and units to better meet shifting demand of social housing
- Making changes to the mix of RGI units and market rent units to improve cash flow and better integration of tenants
- Refinancing existing assets and/or selling assets to fund redevelopments and capital improvement work
- Identifying threats and opportunities for the City of Greater Sudbury related to the end of operating agreements with local non-profit social housing providers

Revitalization can assist social housing providers to operate their portfolios more cost effectively and improve the quality of the housing services provided to tenants. It can also result in positive social changes that improve the communities and neighbourhoods where social housing buildings are located.

Demographics

The Plan will incorporate current demographics and forecasted changes to the population and demographic base in the City of Greater Sudbury. Demographic information will be made available to consultants via the City Of Greater Sudbury Housing and Homelessness Background Study, the North East Local Health Integration Network Innovative Housing with Health Supports in Northeastern Ontario Strategic Plan, the GSHC property management software data base, and the City of Greater Sudbury GIS data.

Need / Demand

Wait lists for social housing are managed by the City Of Greater Sudbury Housing Services office, Central Housing Registry. Currently, the highest demand is for one bedroom senior and adult units followed by two bedroom units. Demand for larger social housing units with 3, 4 and 5 bedrooms is weak. Currently, the social housing stock does not meet the demographic need reflected on the wait lists now or as projected in the future. There is a significant mismatch between available social housing stock and wait list demand.

Housing Options

The Plan will examine a range of possibilities and housing options, including but not limited to:

- Intensification through demolition and reconstruction
- Capital revitalization and renewal of existing properties
- Leveraging current assets (mortgage or disposal)
- Acquisition of existing residential rental housing (non-profit sector or private sector)
- Acquisition and conversion to residential rental housing
- Market rent housing (outside of the social housing program)
- Low end of market housing (affordable housing)
- Affordable home ownership
- Supportive housing, and
- Mixed use with a supportive housing component

Plan Deliverables

Development of the Plan will include two phases.

The first phase will be development of a strategic asset management framework which will guide actions, plans and decisions for revitalization, repurposing, replacement or disposing of assets and any financing initiatives including mortgaging current assets.

The second phase will involve development of the Plan including specific deliverables. The final version of the Plan will be presented to the GSHC Board of Directors and to the Shareholder – City of Greater Sudbury Council for consideration and approval.

Phase 1 – Information Gathering and General Direction

- A work plan will be developed demonstrating how the consultant will organize, undertake and facilitate stakeholder engagement to inform the general direction of the Plan. This work plan will include meeting with, but not limited to, the City Of Greater Sudbury General Manager of Community Development and Manager of Housing Services/Municipal Service Manager, the GSHC Asset Management Committee, CEO and Senior Management Team, social housing property managers, and tenant group(s).
- In collaboration with various City Of Greater Sudbury and GSHC staff, the consultant will gather relevant information and data from various sources such as Asset Planner software, Yardi Voyager Software, City of Greater Sudbury GIS data, GSHC Strategic Plan Environmental Scan, City of Greater Sudbury Housing and Homelessness Plan, NE LHIN Housing with Health Supports Strategic Plan, and other published reports.
- Meetings with City of Greater Sudbury/GSHC Senior staff to review baseline information and the portfolio rationalization results, and refine the general direction of the assets management framework.
- A review of findings of current local housing studies, reports, trends and analysis that have already been completed on the current and future need/demand for affordable housing in the City of Greater Sudbury. The Plan will include a high level summary of findings and will comment on items such as wait list demand, demand for specific unit sizes/ types, target groups etc. in the City of Greater Sudbury.
- Develop the strategic asset management framework which will guide development of the Plan and any Plan actions, recommendations and decisions for revitalization, repurposing, replacement or disposing of assets and any financing initiatives including mortgaging current assets.

Phase 2 – Plan Development

The successful proponent will be expected to develop a complete and comprehensive Portfolio Revitalization and Capital Financing Plan which will include but not be limited to six (6) key deliverable areas; Acquiring/Creating, Maintaining, Redeveloping, Selling/Disposing, Repurposing and Refinancing.

- A concise direction and plan which identifies and prioritizes specific actions for implementation to revitalize the social housing portfolio (specifically the GSHC stock) through acquiring/creating, maintaining current stock, redeveloping/refurbishing stock, repurposing, acquisitions or conversions, and the options for financing specific actions including divestment or refinancing.
- Business plans and proposed conceptual site plan design containing building(s) location, size and description for each property identified and recommended for redevelopment, renewal, repurposing acquisition or conversion. Financing options and financial analysis for these revitalization opportunities, inclusive of financial forecasting using current and future revenue streams and operating costs based on a variety of possible scenarios including income from mixed income housing, unit intensification, market rent units and commercial leased space.

- Business plans and proposed conceptual site plan design containing building(s) location, size and description for any opportunities for new development on either existing GSHC lands which are underutilized or City of Greater Sudbury surplus lands. Financing options and financial analysis for these opportunities, inclusive of financial forecasting using projected revenue streams and operating costs based on a variety of possible scenarios including revenue from mixed income housing, market rent units and commercial leased space.
- An assessment of properties suitable for redevelopment or potential sites for development and their relationship to neighbouring properties and the broader community, to identify opportunities for engaging and leveraging community support services and City of Greater Sudbury community development opportunities to promote quality of life and place, and age friendly communities.
- An assessment of the marketability of new units and current units after redevelopment under different tenures (e.g. market rent, affordable low end of market, rent-geared-to-income, portable housing benefits, etc.).
- An analysis and assessment of potential funding and financing options.
- An environmental scan on the general condition of the non-profit housing portfolio stock based on a review of building condition assessments that have been completed by providers.
- An analysis of the threats and opportunities for revitalization of local non-profit housing related to the end of operating agreements including refinancing, sale or amalgamation.
- A cost benefit analysis and assessment of the feasibility and practicability of selling current portfolio assets (single family dwellings) to reduce operating costs and raise capital to facilitate revitalization initiatives. This work will include an analysis of the potential net proceeds from sale considering current real estate market conditions, any requirements of the Social Housing Service Agreement and reimbursement to senior levels of government and any requirements of the Housing Services Act.
- A risk assessment of each recommended revitalization action which will identify potential risks and challenges, legal requirements and barriers, assess the impact of potential risks/barriers and provide solutions to eliminate barriers and mitigate risk to the GSHC and City of Greater Sudbury as Shareholder.
- A timeline for implementation and completion of each of the portfolio revitalization opportunities and a timeline for completion of the entire Portfolio Revitalization and Capital Financing Plan indicating mitigating factors that could impact timing.

Potential Funding – Ministry of Housing Innovation, Evidence and Capacity Building Fund

The Ministry of Housing has launched an Innovation, Evidence and Capacity Building (IEC) Fund that will provide funding of up to \$100,000 for approved projects/initiatives that support the Province's Long Term Affordable Housing Strategy (LTAHS) and increases Service Managers' ability to manage change, develop new skills, and take advantage of new opportunities. The development of a revitalization plan for the Social Housing portfolio in the City of Greater Sudbury would provide the necessary framework in order to identify the risks and opportunities with respect to the existing housing stock, and develop strategies to create a sustainable supply of social housing units that aligns with waitlist demand. City of Greater Sudbury Housing Services and the Greater Sudbury Housing Corporation (GSHC) in partnership have prepared and submitted a proposal to take advantage of this funding opportunity. The deadline to apply was May 26, 2017.

Next Steps

City of Greater Sudbury Housing Services and GSHC will collaborate with the City of Greater Sudbury Purchasing Department to develop an RFP for the creation of the Revitalization Plan. The RFP award will be contingent upon grant approval to contribute to the cost of the project. City of Greater Sudbury Housing Services will continue to work with Non-Profit Providers on the completion of their Building Condition Assessments and gather the necessary information in order to complete the Plan. Updates on the status of the IEC funding application and RFP for the Revitalization Plan will be provided to Council in the Fall of 2017. Should the grant application not be successful, the RFP will not be awarded until staff seeks Council's direction regarding alternative funding sources.

References

SHRA (Social Housing Reform Act), December 2000, <https://www.ontario.ca/laws>

Housing Services Act, 2011 (HAS), January 2012, <https://www.ontario.ca/laws>

City Council, September 23, 2003, Shareholder's Declaration and Operating Framework between the City of Greater Sudbury and the Greater Sudbury Housing Corporation