



Sacajawea Non-Profit Housing Inc.
Phase V - Business Case

Leveraging Existing Older Detached Homes to Build
New Multi-Residential

September 12, 2016



SACAJAWEA NON-PROFIT HOUSING – PHASE V BUSINESS CASE

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1.0 Executive Summary

Sacajawea Non-Profit Housing Inc. (Sacajawea), an experienced housing provider for Aboriginal households in the City of Hamilton, is proposing to leverage a portion of its existing housing stock in order to increase the supply of Aboriginal rental housing in Hamilton.

Sacajawea acquired 28 single detached homes in the late 1980s and early 1990s. After 25 years of operations, Sacajawea recently undertook a successful first Phase of leveraging and regeneration through creating a 6-plex at 272-274 Main Street West (undertaken in co-operation with the City of Hamilton in its role of Service Manager). Sacajawea is now planning to undertake a second stage of regeneration in 2016-2017 by taking the equity from 8 homes - three of the five homes already sold plus the sale of five further homes - and using that equity to create a new 23-unit affordable housing development at 18 West Avenue S. in Hamilton. In addition to their own equity contribution, Sacajawea has been recommended by the Service Manager (City of Hamilton) for Federal-Provincial Investment in Affordable Housing funds of \$1,920,000. This investment in Sacajawea's proposed development goes to Council for approval in September 2016.

In keeping with the organization's strategic plan, reinvesting the proceeds from the sale of single detached homes into Phase IV (272 Main street) and Phase V (18 West Avenue S.) offers Sacajawea the opportunity to increase their portfolio from 28 to 47 homes. Importantly, the 6 new homes recently completed on Main Street and the proposed 23 apartments on West Avenue are more energy efficient and geared to smaller Aboriginal households in order to help address this significant housing need.

Also, a portion of the operational subsidy from Phase II and III properties will transfer so that five of the 23 apartments would be rented on a rent geared to income basis. The other 18 units would be rented at amounts which are set at 80% of the average market rents for the city or at the ODSP shelter rate. A decreased operating subsidy per unit provided by the City of Hamilton can be assumed due to new, more energy efficient units with lower maintenance costs.

The five homes to be sold from Phase II and Phase III currently have a mortgage. Through the Service Manager, Sacajawea is seeking Ministerial consent from the Ministry of Housing for the sale of these properties. Two properties are vacant and three other homes from Phase II and III will be identified for sale upon tenant turnover. Sacajawea has utilized a number of communication strategies to inform tenants, the membership and the broader community about the proposed development.

2.0 Introduction

Sacajawea Non-Profit Housing Inc. (Sacajawea) was incorporated on December 30, 1987. At that time, the organization worked with the Native Women's Centre to provide affordable housing to women with children, but upon incorporation expanded their mandate to include individuals and all family types. Within three years of incorporation, Sacajawea had established their portfolio of 28 single-detached three and four bedroom homes and the majority are located in Ward 2, 3 and 4 in Hamilton:

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- Phase I - 6 homes were purchased in 1988,
- Phase II - an additional 14 homes were purchased in 1989,
- Phase III - 8 more single homes were added to the portfolio in 1990 and 1991.

The City of Hamilton, Community Services Department, Housing Branch is one of 47 Service Managers across Ontario responsible for the administration and delivery of social housing as set out in the Housing Services Act (HSA), 2011. In Ontario, Service Managers must maintain a minimum number of the RGI and modified units referred to as service level standards. This means the loss of a RGI or modified units in one development must be provided elsewhere in the Service Manager area. While the *Housing Services Act, 2011* permits housing providers such as Sacajawea to sell housing units (Subsections 161(3), 162(3)), the legislation requires that the overall number of RGI households not be reduced.

Sacajawea's operating agreement is administered by the City of Hamilton but the actual agreement document is between Sacajawea and the Canada Mortgage and Housing Corporation (CMHC). Sacajawea, like many other social housing providers, anticipated significant post agreement challenges once the federal subsidy and terms and conditions in the operating agreement expire.

This proposed leveraging and expansion of Sacajawea's portfolio not only increases the supply of housing for Hamilton's quickly growing Aboriginal population but it will also moderately ease some of the financial pressures related to future expiry of operating agreements and federal subsidies.

Project Team

Proponent - Sacajawea Non-Profit Housing Inc.

Sacajawea provides and maintains rental housing units for low to moderate income Aboriginal families and individuals. Sacajawea has been providing affordable housing in Hamilton, Ontario for the past 27 years. Incorporated on December 30, 1987, Sacajawea Non-Profit Housing Inc. has successfully managed a scattered 28-unit non-profit housing corporation that provides services that specifically helps Aboriginal women and children who are safely and comfortably housed through important and transitional years of their lives. This non-profit housing organization provides culturally based supports that are critical for the lasting success of the residents.

In 2015 Sacajawea's board and its Executive Director, Melanie McAulay, gained experience in new housing development through leveraging the sale of two of its existing homes to invest in the creation of a newly rebuilt 6-unit apartment building at 272-74 Main Street West in Hamilton. Tenants moved into their new apartments March 1, 2016.

Housing Development Consultant - Tim Welch Consulting

Sacajawea Non-Profit Housing Inc. has retained Tim Welch Consulting Inc. as the housing development consultant for this project. TWC worked with Sacajawea as their development consultant on the 272-74 Main Street six-plex. Mr. Welch and his associates will work with Sacajawea Non-Profit Housing Inc. on budget preparation, business plan development, and project coordination. TWC staff, Suzanne Swanton and Luke Johns, will lead the planning approvals work for this development. Mr. Welch will

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work with various funders and levels of government to assure an attainable cost effective affordable housing project for Sacajawea Non-Profit Housing Inc.

Tim Welch Consulting Inc. (TWC) is a housing policy, research and development corporation located in Cambridge, Ontario. Tim Welch, Principal, possesses over twenty-five years' experience in affordable housing development and policy work. He has worked with over 20 housing providers based in Ontario to create more than 800 units of affordable housing under various government assistance programs, including the Investment in Affordable Housing program (IAH), the Canada-Ontario Affordable Housing Program (AHP) and the First Nation, Inuit, Métis Urban & Rural Housing Program (FIMUR). TWC has helped a number of housing proponents add to their existing portfolios through both intensification and regeneration.

Construction Firm

Sacajawea Non-Profit Housing Inc. has not made a decision on the builder for the new housing but will issue a proposal call in September of 2016 for builders experienced in multi-residential construction.

Architectural Firm – Two Row Architect

Sacajawea Non-Profit Housing Inc. has recently selected Two Row Architect, a LEED Accredited firm, to provide architectural services for the proposed 16-unit development at 18 West Avenue S. Established in 1992, Two Row Architect has designed a significant number of multi-residential buildings in a number of communities across Ontario for Aboriginal and non-Aboriginal clients. Their work has included affordable residential housing developments in the City of Hamilton. Brian Porter, Principal and Matthew Hickey are the architects for this project.

Property Management

Sacajawea will manage the property once construction is complete. As of June 2016 the organization is managing 29 rental homes for low and medium income Aboriginal households. With its 27 years of property management experience Sacajawea is in good standing with the City of Hamilton, the housing Service Manager. Ms. Melanie McAulay, Executive Director of Sacajawea Non-Profit Housing Inc., will coordinate a property management plan and rent up for the new units.

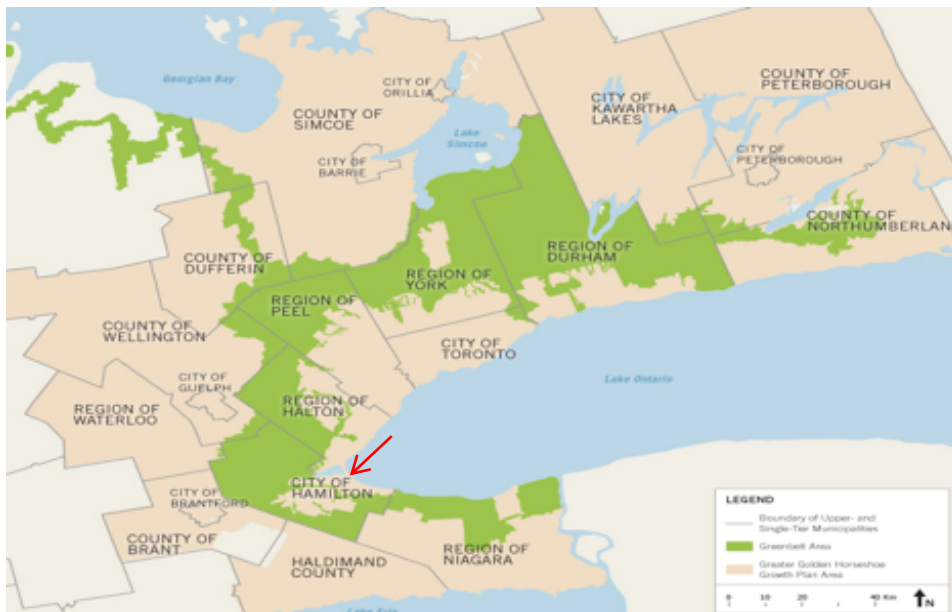
3.0 Housing Needs

Context: City of Hamilton

The City of Hamilton is located at the western end of Ontario's Golden Horseshoe Region and is approximately 70 kilometres southwest of Toronto.

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Figure 1: City of Hamilton within the Greater Golden Horseshoe



Source: Places to Grow: Growth Plan for the Greater Golden Horseshoe

Historically, Hamilton is known for its heavy manufacturing activities including the production of steel and iron products, automobiles and related parts, appliances and railroad equipment. While manufacturing continues to play a role in the local economy, its importance has diminished in previous decades as a result of factory closures, a shift to higher value manufacturing processes and the growing efficiency of industrial processes. The Province of Ontario has identified the Hamilton area as one of the Province's five advanced manufacturing hubs.¹ Further, Hamilton's economy has continued to diversify in the areas of post-secondary education, arts and culture, life sciences research and the service sector.

The City of Hamilton has experienced steady population growth over the last decade. According to Statistics Canada the City's population increased by 3.1% between 2006 and 2011, which was lower than the provincial average of 5.7% but still represents an increase of over 15,000 people in five years.

As shown in Table 1, this growth trend is expected to continue to 2031. Ontario's Places to Grow Plan forecasts Hamilton's population to grow at an annual rate of 0.9% reaching a population of 660,000 by 2031.

¹ Hamilton Advanced Manufacturing Industry Profile, 2006

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Table 1: Population Growth, City of Hamilton

Population Growth				
	2006	2011	2021	2031
City of Hamilton	504,449	519,949	590,000	660,000
Greater Golden Horseshoe	8,447,000	8,759,000	10,340,000	11,500,000
Province of Ontario	12,160,282	12,851,821	15,030,000	16,856,000

Source: Places to Grow Plan - Growth Forecasts for Hamilton, 2005

In recent years, Hamilton's population growth has been driven by a three broad trends: recent economic development, immigration from abroad, and the attraction of residents and businesses from other GTA communities (including Toronto) due to lower living and business costs. While increased GO train service is expected to attract more residents and businesses from the GTA, Statistics Canada predicts that two-thirds of future growth to the Hamilton CMA will occur through immigration from abroad.

The Aboriginal population in the province of Ontario increased by 60% from 188,315 individuals identifying as Aboriginal in 2001 to 301,430 in 2011. As shown in Table 2, the Aboriginal population in the City of Hamilton increased by 65% between 2001 and 2011.

Table 2: Aboriginal Population, City of Hamilton, Ontario

	Aboriginal Population			% Change
	2001	2006	2011	2001-2011
Hamilton	6,270	7,630	10,320	65%
Male	3,015	3,635	4,775	58%
Female	3,255	3,990	5,545	70%
Ontario	188,310	242,495	301,430	60%

Source: Statistics Canada, 2001, 2006 Census, 2011 National Household Survey

Over the past two decades, the portfolio of Aboriginal social and affordable housing available in Hamilton has not significantly increased to meet population growth.

Policy Context

Growth in Ontario is guided by various legislation. The Provincial Policy Statement, 2014 (PPS) is a general policy framework applied on a provincial-wide basis that addresses land use and development while protecting resources of provincial interest.

The Growth Plan for the Greater Golden Horseshoe, 2013 (the "Plan") provides a framework for implementing the Province's vision for economic growth, social equity and a high quality of life for communities in the greater golden horseshoe. The Plan stipulates that the City must accommodate a minimum of 40 percent of their forecasted population growth through residential intensification within the built-up area beginning in 2015. Further, municipalities must plan for a full range of housing options that include affordable housing.

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In addition to intensification, Hamilton’s Official Plan provides a policy framework to increase the mix and range of affordable housing units available throughout the city. Section 3.2.2 of the Official Plan states that the City’s significant shortage of affordable housing should be addressed by annually creating 377 new affordable units for moderate and low-income households.

The Rental Market

In terms of housing stock, the trend will be a decline in the growth rate of single detached homes and an increase in demand for row and apartment dwelling reflective of demographic changes; an aging population and smaller household size²

Table 3: Total Number of Private Households by Household Type, City of Hamilton

Household Size	Total	Percentage
Couples with children at home aged 24 or under	58,265	29%
Couple without children at home aged 24 or under	46,875	23%
One-person households	56,940	28%
Lone-parent families	21,710	11%
Other households types	20,010	9%
Total census private households	203,800	100%

Source: Statistics Canada, Community Profile, City of Hamilton, 2011

As shown in Table 3, couples without children living at home, lone parent families and one-person households comprise 62% of total private households in the City of Hamilton. In keeping with the demographic trend toward smaller household size the proposed West Ave development will have 16 one-bedroom apartments and 7 two-bedroom apartments.

Vacancy Rates and Average Market Rents

As noted, the proposed affordable housing development will help increase the supply of one and two-bedroom apartments. Average market rents for purpose built rental housing are typically higher than low and moderate income households can afford.

According to the CMHC Rental Market Report, fall 2015, rents for one and two-bedroom apartments increased by 3.8% in the City of Hamilton. This rate of increase is more than double the Government of Ontario’s rent guideline increase of 1.6 in 2015. The average one-bedroom rent is \$749 while the two-bedroom average rent is \$917 per month.

In this same time period, the rental vacancy rates for one-bedroom apartments was 3.5% while the vacancy rates for two-bedroom apartments was 4.1%. A vacancy rate of 3% is generally considered to be an acceptable balance between the supply and demand for rental accommodation by housing

² Growth Related Integrated Development Strategy: Growth Report, 2006.

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analysts. The data indicates that while there may be an adequate supply of purpose built one and two-bedroom apartments in the private market, the cost of rent is likely too high for many lower income households. For example, individuals who are paid minimum wage (currently \$11.25 per hour) and working full time (35 hours per week) earn less than \$1,800 a month before taxes. In this scenario, a sole income earner will spend approximately 45% of their gross income to rent a one-bedroom apartment. Households spending more than 30% of their income are generally considered to have a housing affordability problem.

Aboriginal Housing Need in Hamilton

The need for more affordable housing for Aboriginal persons is documented in the Social Planning and Research Council's Profile of Hamilton's Aboriginal Residents. The report notes that the poverty rate of Aboriginal residents in Hamilton is 29%, based on the 2011 National Household Survey, using the Low Income Measure as a poverty line. This rate is higher than both the average for Aboriginal people in Ontario (24%) and the general population in Hamilton (16%). According to this report, Aboriginal households in Hamilton have a higher rate of employment in the service and retail sectors than the general population, with many of the jobs in these sectors hiring at, or near minimum wage.

Housing Needs and Wait Lists

There continues to be an increasing number of households registered as seeking affordable housing in the Province of Ontario, according to the Ontario Non-Profit Housing Association's (ONPHA) 2016 Waiting Lists Survey which collects data up until December 31, 2015. As of December 2015, more than 171,360 households, the highest ever recorded number of applicants since the start of the centralized list, were waiting for community-based affordable housing. That figure has grown by over 45,000 households in the past eleven years.

The affordable housing demand in Hamilton is similarly large. According to ONPHA's most recent survey, there were 5,685 households on the waiting list for assisted housing in the City of Hamilton. As shown on Table 6, wait times vary with seniors waiting an average of 2.75 years, non-senior singles and couples waiting 2.60 years and families waiting an average of 4.63 years.

Table 6: City of Hamilton Social Housing Wait List and Average Wait Times

	Households Waiting	Average Wait Time for Housing
Seniors	657	2.75 years
Non-Senior Singles & Couples	2,527	2.60 years
Families	2,501	4.63 years
Total	5,685	3.32 years

Source: ONPHA, 2016

There are many more households not on waiting lists who require affordable housing. These households include those working for minimum wage, receiving social assistance or basic pensions. Prior to March 2016, with only single detached homes, Sacajawea did not have one or two bedroom units or a corresponding wait list for these types of units. Since their six-plex opened on Main Street,

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Sacajawea has received many inquiries and the organization now has 83 households on its waiting list for one and two-bedroom accommodation.

In addition to the lack of supply of smaller units, there are gaps in the type permanent, culturally specific, affordable housing units available in Hamilton. For example, Urban Native Homes manages 8 transitional apartments for single male residents, however, there are no permanent smaller units for these men to transition to. As noted, the proposed Sacajawea development will help address the affordable housing needs of one and two-person households.

[Alignment with Hamilton's Ten Year Housing & Homelessness Plan](#)

The Province of Ontario updated its social housing administration law, now entitled the Housing Services Act (2011) and issued its Long-Term Affordable Housing Strategy (2010). As part of this new legislative framework, Service Managers were required to complete a local housing and homelessness plan (HHP) to be implemented and monitored over a ten-year period starting January 1, 2014.

Hamilton's HHP has identified the need to increase the supply of affordable, quality housing. More specifically, the HHP targets the development of 300 new affordable rental housing units per year over the next ten years. Hamilton's HHP also outlines recommendations in five key areas: supply, affordability, equity, quality of housing and support services.³

[4.0 Sale of Properties from Phase I, II, III](#)

In 2005, Sacajawea retained the services of the Stonewell Group Inc. to complete a building condition assessment and a reserve fund study of their portfolio. The 28 homes that comprised the portfolio were built between 1880 and 1941. The Stonewell report provided the organization with an audit of each of their properties and capital forecast summary. The report also made recommendations with regards to establishing and maintaining a capital reserve fund.

After 25 years of operations, Sacajawea recently undertook a successful first stage of leveraging and regeneration on a 6-plex at 272-274 Main Street West (undertaken in co-operation with the City of Hamilton in its role of Service Manager). Sacajawea is now planning to undertake a second stage of regeneration in 2016-2017 at 18 West Avenue S. by taking the equity from 8 homes - three of the five homes already sold plus the sale of five further homes - and using that equity to create a new 23-unit affordable housing development on West Avenue in Hamilton. Sacajawea has also been recommended by the Service Manager (City of Hamilton) for Federal-Provincial Social Infrastructure Funds of \$1,920,000. This recommended investment in Sacajawea's development goes to Council for approval in September 2016.

As the five further homes to be sold currently have a mortgage, approval through the Service Manager and from the Ministry of Municipal Affairs and Housing is needed in order to release the identified homes from the mortgage.

³ Hamilton's Housing and Homelessness Action Plan Summary, October 2013

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Through the Service Manager, Sacajawea is seeking Ministerial consent from the Ministry of Municipal Affairs and Housing for the sale of five Phase II and Phase III properties. Two properties are currently vacant and three other homes from Phase II and III will be identified for sale upon turnover.

In keeping with the organization's strategic plan, reinvesting the proceeds from the sale of single detached homes into Phase IV and Phase V offers Sacajawea the opportunity to increase their portfolio from 28 to 47 homes.

Phase IV Expansion

In 2013, Sacajawea retained the services of Tim Welch Consulting Inc. (TWC) to locate a suitable site and complete a business plan to develop new affordable housing supported through Canada Mortgage and Housing Corporation (CMHC) seed funding.

In April of 2013, the mortgage on the Phase I properties was paid off and in 2014 and 2015, Sacajawea, in consultation with the City of Hamilton, sold five of these older mortgage-free Phase I properties. The sixth Phase I home was not sold given its combination of good condition and suitability for a larger family requiring four-bedroom accommodation.

In 2015, the equity from the sale of two of the five Phase I homes was used to purchase 272-74 Main Street West in Hamilton, or Phase IV. At the time of purchase, the Main Street property was a vacant six-plex damaged by fire in 2011. With an investment from the Ontario Aboriginal Housing Service (OAHS) of FIMUR funding, extensive renovations of this property were undertaken in 2015 and early 2016. In combination with the OAHS funds, Sacajawea was able to leverage the equity from the sale of two homes to revitalize this vacant six-plex comprised of one and two-bedroom units suitable for small Aboriginal households.

In October of 2015 Sacajawea representatives met with City of Hamilton housing administration staff both to fine tune the subsidies being transferred as well as the future direction and need for long-term operating subsidies

The City of Hamilton Housing Division committed to an operating subsidy for the six-plex --on a break even basis - to continue beyond the end of operating agreements. This effectively transferred the operating subsidy from the 5 units sold to all six apartments at the Main Street complex, therefore, helping an additional low-income household with a rent geared to income subsidy. This was achieved within the same amount of operating subsidy. This also helped the City to continue to meet its rent geared to income Service Level standards as required under the provincial law, the Housing Services Act and ensure the apartments are affordable for households receiving social assistance.

It is also worth noting that the size of the operating subsidy to be provided by the City of Hamilton was reduced as the operating costs of the six-plex are lower than that of the individual older homes recently sold due to lower utility and maintenance costs. This reduction of subsidy will not financially impact the operations of Sacajawea.

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Proposed Phase V Development

In January 2015, Sacajawea was approved for a second CMHC seed grant to locate a site and undertake pre-construction activities for new affordable rental housing, or Phase V. The property at 18 West Avenue S., owned by Good Shepherd, was purchased by Sacajawea and the property transferred on June 20, 2016. The goal is to build 23 new rental apartments (16 one-bedroom units and 7 two-bedroom units) through selling five further older rental homes and investing that equity, as well as the equity from the previously sold three homes, to develop this site.

Further, it is expected that some of the operational subsidy, originally from Phase II and III properties can be applied to the proposed West Avenue development. This would effectively mean that five of the 23 apartments would be rented on a rent geared to income basis so that, once again, the City of Hamilton does not see a decrease in the number of rent geared to income units. The other 18 units would be rented at amounts which are set at 80% of the average market rents for the city or at the ODSP shelter rate. A decreased operating subsidy per unit provided by the City of Hamilton can be assumed due to new, more energy efficient units with lower maintenance costs.

With the end of operating agreements in the next 7 – 9 years, the City of Hamilton will no longer be obligated to provide administrative oversight, nor financial subsidy of Sacajawea's portfolio. However, the City of Hamilton's Social Housing Division staff have indicated an ongoing role in providing financial subsidies not to exceed, and preferably less than, the amount currently funded. This enables the City of Hamilton as Service Manager to maintain their service levels as specified in the Act. As shown in Table 1, the following are the end dates for Sacajawea's three phases.

Table 1: End of Operating Agreements

Phase I	Phase 2	Phase 3
2023	2024	2025

Operating subsidies are determined by a formula that takes into account current mortgage rates, amount of mortgage debt and inflation. In the most recent fiscal year of 2014/15, the City of Hamilton budgeted a total of \$474,000 in operating subsidy for the 28 homes (or approximately \$16,900 per unit per year). The subsidies per unit in the six Phase I buildings was relatively lighter at \$11,750 per unit.

Table 2: Operating Subsidies as of May 1, 2014

Annual Subsidy Effective May 1, 2014		
Phase 1	Phase 2	Phase 3
\$70,521	247,685	\$155,767
Total Annual Subsidy for 28 unit portfolio - \$473,973		

There are several challenges inherent in the end of operating agreements given the current model:

- 1) All units are rented out on a rent-geared to income basis and generate low rents,

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- 2) The homes are 80 to 115 years old and in need of regular maintenance and repair, and
- 3) When the mortgages and operating agreements expire in 2023-2025, the \$470,000 annual operating subsidy would be scheduled to end and with it low income households would have to be economically evicted as they are currently paying an average of \$220 per month in rent.

It should be noted that part of the cause of this low average rent is a funding formula implemented by the Province which limits the amounts RGI tenants in receipt of social assistance pay to a rate which is less than half of the maximum shelter allowance other social assistance recipients are eligible for.

Sacajawea is working with City of Hamilton staff to maximize the provincially funded shelter allowances available for Sacajawea tenants so that the Service Manager can further reduce its operating subsidies without negatively impacting the tenants financially.

Many non-profit housing providers faced with the “financial cliff” of the end of operating agreements have begun to plan for and in some cases implement actions which will result in the preservation and potential increase in the affordable housing portfolio.

Sacajawea has already undertaken its first phase of renewing and planning through selling five Phase I homes and investing the proceeds of the sale of two of those homes into the new six-plex at 272-274 Main Street W.

The City of Hamilton staff recognized that there would indeed be economic eviction for the Sacajawea rent-geared-to-income tenants if subsidies were withdrawn at the end of operating agreements in 2023-2025. The City is planning to continue to offer subsidies after the end of operating agreements but Sacajawea and the City will both look for opportunities to reduce the amount of the operating subsidies.

In the transferring of operating subsidies to the 6 new apartments at 272-274 Main Street West, the actual amount of subsidies required per unit will drop from about \$11,750 per unit per year to about \$7,000 per year by 2022.

Sacajawea’s plan to undertake a second stage of regeneration in 2016 by taking the equity from 8 homes (3 Phase I properties sold and an additional 5 homes to be sold from Phase II and/or III) and use that equity to create the new 23-unit affordable housing development on 18 West Avenue S.

The City of Hamilton, as Service Manager, commits to allowing the transfer of subsidies up to a maximum amount of the current subsidy level for five properties (see Appendix B). The remaining 18 units having rents set at 80% of average market rents or ODSP shelter rate.

Based on the April 1, 2015 to March 31, 2016 budget, the current average subsidy levels required for 5 RGI homes in Phase II is \$102,000 per year or \$20,400 per unit. With 5 units in the new building, the subsidy levels can be reduced to \$88,460 or \$17,692 per unit per year, starting at the end of 2017. This is a slight reduction in the current operating subsidies of \$18,339 for Phase II and III.

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As part of the process of selling five additional homes, there may be opportunities for one or two of the existing Sacajawea rental families to buy their own homes, especially with down payment assistance through FIMUR, the housing assistance program operated by Ontario Aboriginal Housing Services. This would achieve a positive policy goal of helping Aboriginal households to improve their financial situation by building their assets.

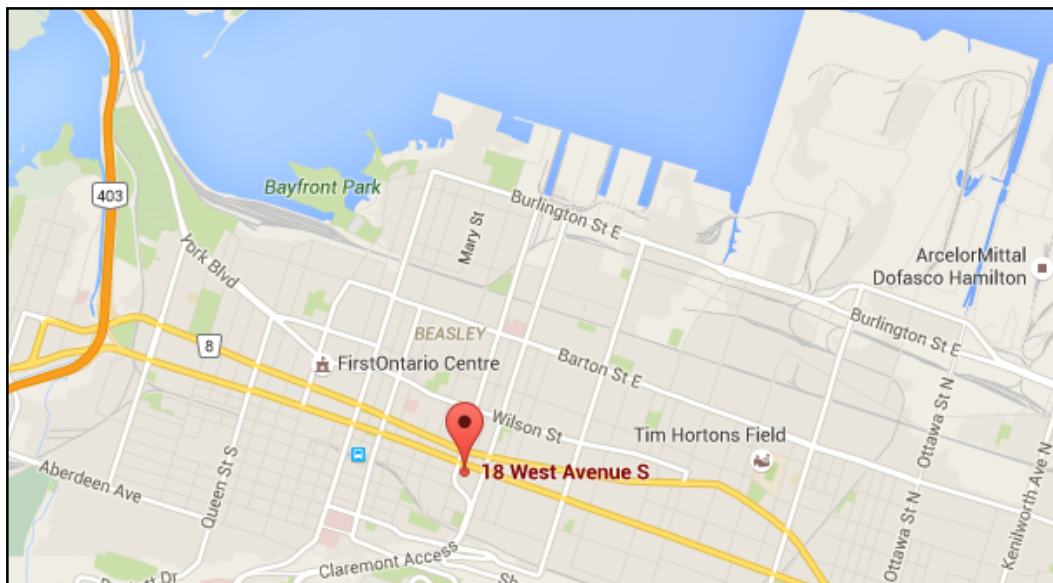
Between the two new developments of Main Street and West Avenue, Sacajawea could reduce operating subsidies by approximately \$11,000 per year as well as increase its total housing stock to 47 units - an increase of 68% - exceeding the organization's goal to increase the portfolio to 45% by the end of year 2019/20. It will also have a significantly newer housing stock on average with only 18 of the units being 85 years or older and 29 units being two years or newer. This will reduce the pressure on capital reserve expenditures.

Importantly, the 6 new homes recently completed on Main Street and the proposed 23 apartments on West Avenue are more energy efficient and geared to smaller Aboriginal households in order to help address this significant housing need.

5.0 Proposed New Multi-Residential Development

The subject property for the new development is south of Main Street between Wellington and Victoria on West Avenue South and is located just east of downtown Hamilton. The property is located within the Stinson Neighbourhood. The following services are located within a 15-minute walk of the proposed housing development: grocery shopping, parks, the De Dwa Da Dehs Nye Aboriginal Health Access Centre, schools, government services and retail shopping.

Figure 2: Map of Downtown Hamilton and Subject Property

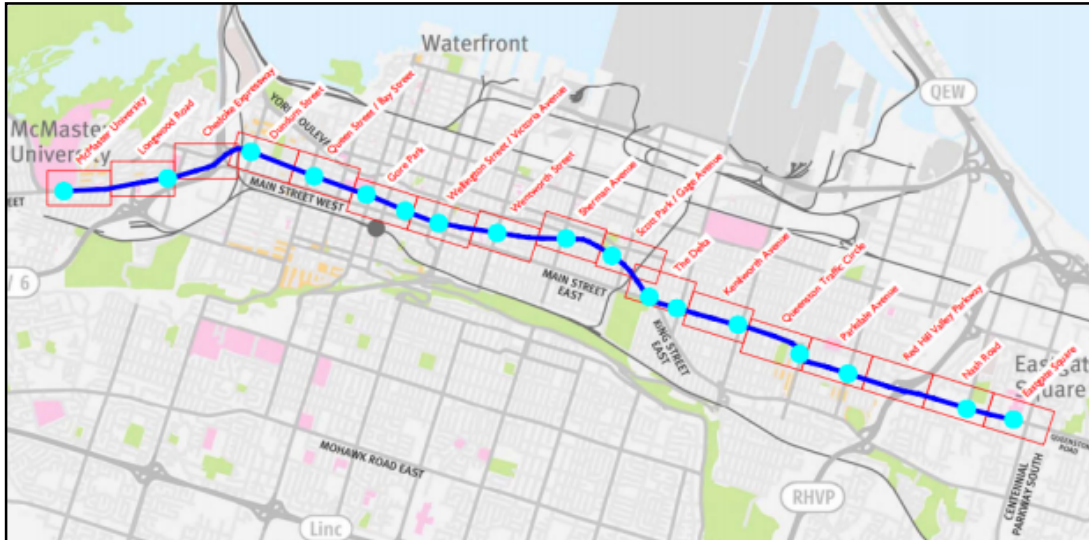


Source: Google Maps

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The location is also well served by public transit on the current Main and King street buses and the now fully funded Light Rail line for Hamilton is set to begin construction in 2019. The proposed LRT route includes a station on King Street between Wellington Street North and Victoria Avenue North. This would be about a five-minute walk from the proposed new Sacajawea housing on West Avenue S.

Figure 3: Proposed Light Rapid Transit Line



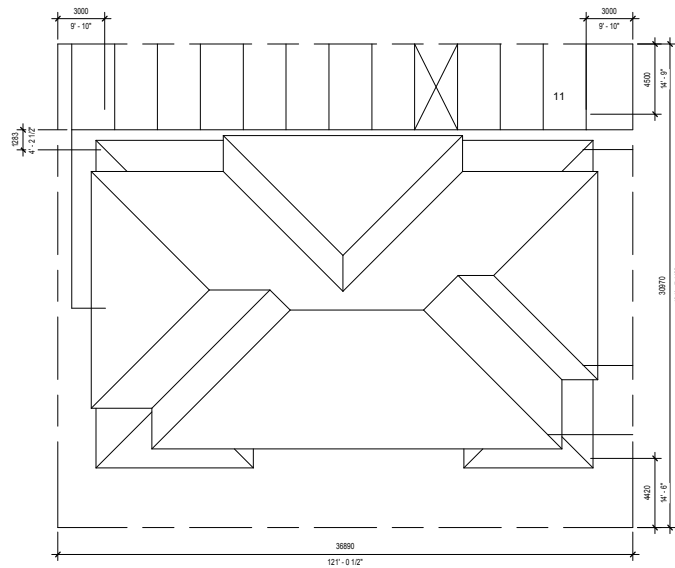
Building Form

The proposed 23-unit building would be in the form of a 3 storey walk up apartment building. This cost efficient layout would see four barrier free ground level units including 2 two-bedroom and 2 one-bedroom units. The main floor would also have amenity space, laundry area and the electrical/mechanical room. The second and third storey, accessed by internal staircases, would consist of an additional 16 one-bedroom apartments.

The site is currently zoned multi-residential and after a pre-consultation meeting with planning staff in early 2016 it was confirmed that only site specific amendments (committee of adjustment) rather than an Official Plan or zoning amendment would be required to permit the proposed use.

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Figure 4: Concept for 18 West Avenue S.



1 SITE PLAN
1 : 200

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TWO ROW ARCHITECT t. 519.445.2137 www.tworow.com e. info@tworow.com

SITE PLAN

Scale: 1 : 200
Drawn By: Author
Reviewed By: Checker
Dwg. Ref. No:

Job Number: 1622
Plot Date: JUNE 2016
Drawing No: A1

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Source: Two Row Architects

Given the modest incomes of the future residents as well as the strong transit availability of this site, a minor variance to further reduce the parking ratio will be undertaken. A variance to reduce side yard setbacks will also likely be necessary. The required planning approvals were verified through the process with City planning staff in early 2016. It is expected that the minor variances required will be confirmed through the site plan process. The application for site plan will be submitted in September 2016 and the variances filed soon after.

As part of due diligence on the property and with feedback from City staff, the following studies have been carried out by Sacajawea in late 2015 and 2016:

- Phase 1 ESA,
- Designated Substances Survey,
- Building Condition Audit,
- Geotechnical report,
- Heritage Impact study, and
- Archeological assessment

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A significant issue to emerge from these studies was heritage with the City's heritage committee recommending heritage designation for the property. On May 31, 2016, however, with strong support from the ward Councillor for 18 West Avenue S., the Planning committee of Council turned down the request for designation and this vote was ratified by full City Council on June 8th. A demolition permit was applied for in January 2016 by the current building owner, Good Shepherd Homes, and with the clarification that there will be no heritage designation of the existing building, the demolition permit can be activated and acted upon anytime in 2016. It is anticipated that demolition would occur just before construction in order to avoid having to fill and re-excavate the basement.

The stage 1 and 2 archeological assessment is completed and based on the findings of trenching in the rear of the property Stage 4 archeology is required, essentially to recover and document historic artifacts. The stage 4 archeological work will be completed in the fall of 2016.

Sacajawea, with the proceeds from the three previously sold homes as well as with a \$375,000 loan provide by the Hamilton Community Foundation, purchased 18 West Avenue South and the property transferred on June 20, 2016.

In early 2016, Sacajawea was also approved for \$100,000 in CMHC PDF funding which provides a loan (with 35% forgiveness) in order to provide funds for predevelopment work including architect and engineering fees.

The Hamilton Community Foundation as well as the CMHC PDF funding show significant levels of support for this development.

As noted in the previous section, in order to construct the proposed development, Sacajawea Non-Profit Homes Inc. is leveraging equity from their existing portfolio, investing the revenue from three of its homes sold in 2014-15 and is proposing to sell a further five homes in 2016-17. Subsidies will be transferred from the original Sacajawea properties to five of the new units in this development to offer a deeper level of subsidy to some of the households. The remaining 18 units will feature affordable rents based on 80% of average market rents (\$599 for a one bedroom and \$734 for a two bedroom) with a focus on housing lower-income working households.

Sacajawea is also in discussions with the De Dwa Da Dehs Nye Aboriginal Health Centre, to partner in providing support services to two to four households as they transition from homelessness.

City Housing staff recognize that there is a potential for long-term operating subsidy savings from the newly created homes compared to the approximately 100-year-old homes in Sacajawea's existing portfolio.

In the new development on West Ave., all units will incorporate energy efficient design options which are now standard and in some cases exceed the Ontario Building Code. These include:

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- Energy star rated appliances,
- High levels of insulation exceeding the Ontario building code,
- Energy efficient LED lighting, and
- The new homes will also feature low flow water fixtures.

Target Market

The proposed development includes one and two-bedroom apartments and is geared to one-person Aboriginal households and small families that have difficulty locating suitable housing in the private market.

Timeline

The proposed timeline illustrates the anticipated dates for project development. The existing building on site, which is currently being used for office purposes by Good Shepherd, will continue to be occupied until December 2016, with demolition to occur just before construction. The achievement of the minor variances required for the proposed development will take approximately 3-4 months to go through the City's approvals process.

Task	Date
Property purchased by Sacajawea	June 20 2016
Minor variance application filed	October 2016
Five existing Sacajawea homes listed for sale	September 2016 – April 2017
Minor variance application approved	December 2016
Detailed drawings undertaken and site plan application filed	September – December 2016
Building demolished	February or March 2017
Building Permit application filed	January 2017
Building permit issued/Construction begins	March 2017
Completion of sale of five homes	December 2017
Construction Completion	November 2017
Tenant Move-In	December 2017

6.0 Feasibility and Potential Benefits and Risks

The design for this site allows for the apartments to be constructed with wood-framing, which will provide a significant cost savings to the capital construction costs of the project. An ESA Phase 1 has been completed and no contamination was found. A Record of Site condition will be filed in late August 2016. The previous asbestos surrounding the pipes of the existing building on site have been professionally removed.

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Financial Considerations

As set out in the attached Capital and Operating Budget this project will be made viable through the investment of the equity by Sacajawea created by the sale of a total of the organization's 8 homes. The financial viability is further realized through a transfer by the City of Hamilton of operating subsidies to five of the new units to be created in the West Avenue S. development.

Proponent Equity

The proposed equity from the sale of the eight homes is \$1,190,000. Sacajawea has \$440,000 in cash from the proceeds of the recent sale of three of its Phase I homes. In part, the funds went towards the purchase of the West Ave property (the purchase price agreed to is \$730,000) and studies as part of due diligence. The balance of the purchase price was secured through a \$375,000 loan provided through the Hamilton Community Foundation in collaboration with the Community Forward Fund. The loan will be provided at a below market interest rate of 3.0% without interest payment until the fall of 2017.

The balance of the equity will occur through the sale of five further homes from Phases II and III of Sacajawea's existing scattered homes portfolio. As of March 31, 2015 the mortgages for the 22 homes of Phase II and Phase III were \$1,068,432, or \$48,565 per home. It is estimated that by March 2017 (likely mid-point of the sales of the five homes) the amount of the mortgages remaining in these two phases would be approximately \$920,000, or \$42,000 per home.

Sacajawea is committed to only selling the five homes upon tenant turnover. Two homes have become vacant – 84 Tisdale North (Ward 3) and 279 Julian (Ward 4) – and Sacajawea is currently undertaking minor clean-up and maintenance work with the goal of putting both for sale on the market. A residential realtor has appraised the home at 84 Tisdale North for a selling price of \$199,900. This sales price would result in a net revenue for the home of approximately \$145-150,000 (subtracting mortgage balance and realtor fees). As the other three homes turnover Sacajawea is estimating a similar net revenue (assisted by the continuing strengthening of the Hamilton real estate market) would result.

The approximately \$1.6 million first mortgage for the new 23-unit development will be covered by the rental revenues and the transferred operating subsidies for five units from the City. (see Appendix C).

Capital and operating budgets for the proposed development at 18 West Avenue S. are included in Appendix A.

Proposed Rents

The rents will have a mixture of affordability with five of the apartments rented on a rent geared to income basis and 18 of the apartments rented at the rate of 80% of average market rents (currently \$599 for a one-bedroom apartment and \$734 for a two-bedroom apartment).

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Marketing Risk

Given the mixture of rent geared to income apartments and the 80% of average market rents, combined with the long waiting list for affordable housing as well as the specific need for single person and small family housing for Aboriginal residents of Hamilton, there will be little difficulty in renting the 23 apartments.

Operational Risk

The pro-forma financial statements reflect construction and operating costs similar to other affordable housing projects that have recently been completed with this type of construction. The operating budget projects an annual surplus of \$19,839 per annum.

Turnover of Phase II and/or Phase III Homes

As noted, two Phase II properties are currently vacant. With Ministerial consent, the intent is to sell the two vacant homes, and three additional properties upon turnover; however, if this does not happen within the required timeline for the new development on West Avenue there are several options. These are:

- Work with Urban Native Homes to establish a protocol whereby Sacajawea families have the option of a UNH vacancy as they become available;
- Actively work to link existing Sacajawea households interested in homeownership to Ontario Aboriginal Housing Services to determine eligibility for down-payment assistance in order to buy their own rental home or another home;
- Remortgage the remaining Phase I property that currently has no mortgage; and/or
- Based on a good working relationship with both the Hamilton Community Foundation and the Community Forward fund, request to extend the term of the Bridge Loan provided by the Hamilton Community Foundation in cooperation with Community Forward Fund.

Communication Plan

Sacajawea has communicated this proposed new development to members of its Board of Directors as well as the general membership of the organization at its Annual General membership meeting held in August 2016. Sacajawea has also provided regular updates at the meetings of the Hamilton Executive Directors Aboriginal Coalition (HEDAC) whose membership have been enthusiastic about this new development. Sacajawea staff have communicated one-to-one with existing tenants about the opportunity to possibly buy their own homes through assistance from Ontario Aboriginal Non-Profit Homes and Services (OAHNS). Once the new funding for West Ave. is confirmed by City Council in September, a newsletter from Sacajawea will be sent to all of its existing residents about this positive announcement, including the opportunity to downsize to a smaller unit, if appropriate, in the new building. The newsletter will also make existing Sacajawea tenants aware of the home ownership down payment assistance available through OAHNS. As the new building moves forward closer to completion in 2017 a further newsletter to existing residents will be sent out.

7.0 Conclusion

Given the overall demand for affordable housing and a growing Aboriginal population in the City of Hamilton, the proposed new affordable rental housing at 18 West Avenue S. will help address current community housing needs. Sacajawea will also continue to maintain a number of three and four bedroom single detached homes suitable for families.

By using equity derived from the sale of eight of its existing houses, Sacajawea Non-Profit Housing Inc. has a good opportunity to leverage limited housing resources to address significant housing needs for smaller Aboriginal households. The proposed development at 18 West Avenue South will help to provide permanent affordable housing options for single men and women, couples and small women-led families. The proposed development also helps meet targets laid out in the City's Ten Year Housing & Homelessness Plan and meets intensification objectives in the City's Official Plan.

SACAJAWEA NON-PROFIT HOUSING – PHASE V BUSINESS CASE

8.0 Appendices

Appendix A – Capital and Operating Budgets

Sacajawea - 18 West Avenue S.**23 Units - General Information****Page - 1****GENERAL INFORMATION**

Site Area (Sq. feet)

Surface Parking 11

Enclosed Parking -

Total Floor Area 17,825 sf

Net Residential Floor Area

Base Construction cost/Square foot \$165.00

Types of Units to be Provided	Total number	Unit Size
		Sq. feet
One Bedroom	16	550.00
Two Bedroom	7	765.00
	23	-

SACAJAWEA NON-PROFIT HOUSING – PHASE V BUSINESS CASE

Sacajawea - 18 West Avenue S.

23 units

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CAPITAL BUDGET**1. Land & Property acquisition cost**

	<u>Amount</u>	<u>Notes and Assumptions</u>
(a) Property Cost	\$730,000	
(b) Phase I and RSC	\$6,000	Phase 1 ESA completed \$3860 + Quote \$1400 to file RSC
(c) Geotechnical Report	\$4,985	Completed
(d) Archeology - Stage 1 and 2	\$22,460	Estimate
(e) Building Condition Audit	\$2,855	Completed
(f) Cultural Heritage Assessment	\$6,775	Completed
(g) Designated Substance survey	\$1,825	Completed
(h) Survey	\$5,000	Estimate
(i) Appraisal	\$5,000	Estimate
(j) Legal	\$5,000	Estimate
(k) Demolition	\$30,000	Estimate
(l) Contingency	\$30,000	Further archeology
(m) HST	\$105,657	
(n) Land Transfer tax	\$11,075	.5% on 1st \$55,000, and 2% over \$400,000
Subtotal property acquisition	<u>\$966,632</u>	

2. Soft Costs

(a) Legal Fees (other than land)	18,000	
(b) Municipal approvals & permits		
Planning Fees		
Official Plan Amendment	\$0	Not required
Zoning Amendment	\$1,475	Minor variance - standard
Site Plan Application	\$6,500	\$4,000 Base Fee plus \$2,500 misc costs
Development Charges		
City Development Charges - 1 b/r units	\$227,400	1 b/r - \$15,064 per unit urban area and municipal + \$96 GO transit
City Development Charges - 2 b/r units	\$152,565	2 b/r - \$21,651 per unit + \$144 GO transit
Education Board Fees - 1 b/r	\$44,252	\$1,039 public + 885 catholic per unit
Parkland Fees	\$34,500	Estimate: 5% of Property Assessment
Building permit fees	\$23,764	\$14.35 * 1,656 m2
(c) Consultants		
Planner/ Development consultants	\$85,052	2.5% of Construction Cost
Architects, mechanical, electrical, civil	\$96,175	

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Sacajawea - 18 West Avenue. S.

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Proponent's Equity Contribution

Amount

Total Capital Cost of Project

\$5,551,636

Less:

Municipal Grants/Offsets

\$414,465

City Development Charges + Parkland fee

IAH Capital Funding

\$1,920,000

\$128,000 per unit (15 units)

HST Rebate (82%)

\$415,866

82% Rebate

Proponent Equity

\$1,190,000

current \$440,000 plus 5 homes at @150k each

Total Equity Provided

\$3,940,331

Proposed Loan

-\$1,611,305

Total mortgage

-\$1,611,304.81

SACAJAWEA NON-PROFIT HOUSING – PHASE V BUSINESS CASE

Sacajawea - 18 West Avenue S.

23 units

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Projected Income Statement

Annual Amt.

Revenue

1 Bedroom @ \$599	\$57,504	8 units at 80% of AMR
1 bedroom @ \$479	\$45,984	8 units at ODSP shelter allowance
Existing subsidies (4 one b/r and 1 two b/r)	\$88,460	Maximum \$17,692 per unit
2 Bedroom @ \$734	\$61,656	7 units at 80% of AMR
Parking	\$2,700	\$25 per mo. * 9 spaces
Laundry	\$3,000	

Gross Revenue

\$259,304

Less: Vacancy Allowance @ 3%

\$7,779

Net Revenue

251,525Expenditure

Hydro	12,420	hydro included in rent at \$45 per month
Heating	17,940	included in rent - estimated @ \$65 per unit per month
Water	9,660	included in rent - estimated @ \$35 per unit per month
Utilities Common Area	4,200	\$350 a month for heating/cooling, electrical
Maintenance	20,700	\$900 a unit
Garbage	2,400	Assumes \$200 per month
Snow Removal	1,500	Assumes \$300 per month for five months
Insurance/audit	9,000	Estimate
Legal, Banking, Office Costs	1,800	Assumes \$150 per month
Management fees	14,262	5.5% of gross income
Municipal taxes	25,300	\$1100 per unit
Replacement Reserves	15,558	6% of gross revenues
Interest on Mortgage/Loan Repayment	96,946	\$1,611,305 mortgage with a 3.5% int. rate and 25 yr. amc

-

Total Operating Expenses

231,686

Annual surplus (shortfall)

\$19,839