



**CITY OF HAMILTON**  
**COMMUNITY & EMERGENCY SERVICES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Emergency and Community Services Committee
<b>COMMITTEE DATE:</b>	October 24, 2016
<b>SUBJECT/REPORT NO:</b>	CityHousing Hamilton - Request for Service Manager and Ministerial Consent to Sell Units (CES16053) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Adam Sweedland 905-546-2424 ext. 1782
<b>SUBMITTED BY:</b>	Julie Western Set Director, Housing Services Community & Emergency Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Council, in its capacity as Service Manager under the *Housing Services Act, 2011*, approve the request of CityHousing Hamilton to sell and replace 100 single and semi-detached units of social housing, as set out in the “Business Case for Service Manager/Ministerial Consent”, attached as Appendix A to Report CES16053, subject to the following condition:
- (i) that the sale proceeds to be invested into CityHousing Hamilton’s Sold Units Investment Fund to be used for the development of a sufficient number of new units of social housing to replace, at a minimum, the 100 units being sold; and,
  - (ii) that CityHousing Hamilton work with Housing Services’ Division staff to ensure that the new units are developed as part of a plan that best meets the needs of the community in terms of unit size, amenities, accessibility and location;
- (b) That the General Manager of Community and Emergency Services forward a copy of Council’s resolution approving Recommendation (a) of Report CES16053 together with a request, on behalf of CityHousing Hamilton, to the Honourable Chris Ballard, Minister of Housing, for his consent to the request to sell and replace 100 single and semi-detached units, as required under the *Housing Services Act, 2011*.

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## **EXECUTIVE SUMMARY**

CityHousing Hamilton (“CHH”) is requesting Service Manager and Ministerial Consent to sell 100 single and semi-detached units. CHH owns 479 single and semi-detached units in total, which vary in age, size and building condition. These units are scattered throughout the City of Hamilton, although the majority of the units may be found on the Hamilton Mountain and in the vicinity of Red Hill Creek in the east end of the lower City. Building Condition Assessments show that an overwhelming majority of these units are in poor condition and require a disproportionate amount of resources.

CHH wishes to sell poor performing housing stock and reinvest the revenue into the development of new higher density housing. The revenues generated from the sale will be required to be reinvested into the development of new units that replace the sold units on a 1:1 basis, at a minimum, and would allow CHH to manage these new units on a more cost effective basis. This means reducing existing long term capital pressures, administrative costs and energy costs. Higher density housing, such as townhouses and apartments, is more cost effective to operate and can be developed in a manner that better meets the needs of the community *and* creates buildings that reflect the City’s commitment to energy efficiency, environmental stewardship and improved value for taxpayers’ dollars.

In accordance with the requirements of the *Housing Services Act, 2011* (the “Act”), consent from the Minister of Housing is required prior to the sale or disposition of any social housing project. In addition, the City of Hamilton, in its capacity as Service Manager under the Act, must also approve the proposed initiative prior to submitting the request for ministerial consent on behalf of CHH. CHH has submitted a Business Case, attached as Appendix A to Report CES16053, which sets out the process for determining the units which should be sold, including a list of 35 vacant units which can be sold immediately following consent.

The overarching principle of the Business Case is that no tenant will be displaced as a result of the sale of a unit. CHH will apply the following principles to establish the order of sale of units:

1. The 35 units which are currently vacant;
2. Units which become vacant through attrition and (i) are chronically vacant due to poor location, unsuitability for tenants’ needs or condition; (ii) have a market value which is above the current median sale price, or; (iii) have anticipated repair expenses in excess of \$25,000;
3. Units which can be purchased by current tenants;
4. Units in which tenants have been identified as being “over-housed” and will be relocated to units which meet the current Service Manager’s Occupancy Standards; and,

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5. Units which require repairs of such enormity that the tenant needs to be relocated due to health and safety concerns (subject to the provisions of the *Residential Tenancies Act*).

It is conservatively estimated, based on the assessed values from the Municipal Property Assessment Corporation, that the current market value of the 35 units is approximately \$10M. Assuming a similar average per unit value, the remaining 65 units could yield an additional \$15M for a total of \$25M. This funding will be reinvested into CHH's Sold Units Investment Fund reserve. Funds from the reserve are to be reinvested into future development of social housing projects to replace the 100 units sold, at a minimum, in accordance with the following principles:

- Leveraging other redevelopment opportunities and studies currently underway;
- Conducting a needs and location demand analysis based on demographic information determined from the City of Hamilton's centralized waitlist;
- Taking advantage of surplus land opportunities; and,
- Creating housing that stewards energy efficiency, sustainable building practices and operational economies of scale.

It is anticipated that the cost of replacing the 100 units will be from \$25M to \$30M and could result in up to \$75K in annual maintenance and energy savings, which can be reinvested back into the larger portfolio.

***Alternatives for Consideration – See Page 12***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** There are no financial implications for the City as a result of the recommendations in Report CES16053. However, the City of Hamilton subsidizes the operations of CityHousing Hamilton as required under the *Housing Services Act, 2011*. As such, any efficiencies or reductions in capital pressures realized by the sale of the 100 properties and reinvestment into new developments can be reasonably expected to result in reduced subsidy costs.

**Staffing:** There are no staffing implications associated with the recommendations in Report CES16053.

**Legal:** The *Housing Services Act, 2011* requires the consents of the Service Manager and the Minister of Housing before CityHousing Hamilton may sell any units of social housing.

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## **HISTORICAL BACKGROUND**

With the devolution of housing responsibilities to the local level under the *Social Housing Reform Act, 2000* (subsequently repealed and replaced by the *Housing Services Act, 2011*), municipalities have taken on a leadership role in the provision of affordable housing. This has created considerable pressure on municipalities to maintain housing infrastructure and to build new affordable housing.

Hamilton has the third largest social housing stock in Ontario. There are approximately 13,800 units operated by 43 providers. Hamilton's legislated service level standards are 9,579 of rent-geared-to-income housing and it is currently only achieving approximately 8,600. There are approximately 6,000 households waiting for rent-geared-to-income housing assistance in Hamilton.

CityHousing Hamilton ("CHH") is the largest provider in Hamilton with approximately 7,000 units. Approximately 82% of CHH's rental stock is subsidized, 17% is market based and 1% is commercial. In addition to the *Housing Services Act, 2011* and the *Ontario Business Corporations Act*, CHH's governance includes a Shareholder Directive from the City of Hamilton and an Operating Agreement with the City, in its capacity as Service Manager.

CHH's stock is, on average, older than the stock of most other providers in Hamilton. This creates additional maintenance and capital repair pressures, which cannot be adequately addressed through corresponding increases in current municipal funding. There is also no predictable source of provincial or federal funding to address these kinds of pressures in the social housing stock.

In 2003, the CHH Board and City Council approved the sale of 88 singles and semi-detached homes with an ancillary replacement program. Ministerial Consent was granted on September 1, 2005. The sale of these units was completed in 2012 and resulted in \$11.7M in additional revenue, of which \$10.1 was reinvested to develop a 50 unit building at 690 Stone Church Road West and 14 units at 4 Bridgewater Court. The other 24 units were replaced by making units at First Place (350 King Street East) into rent-geared-to-income units. The remaining revenue of \$1.6M is still held in the Sold Unit Investment Fund Reserve. All interest on these funds are treated as operating income; however, \$560,000 has been drawn for capital repairs.

In 2016, CHH received \$8.2M for capital repairs. Based on 2011 building condition assessments, the identified capital demands for 2016 are \$51M which identifies a shortfall of \$43M in a single year. Over the last 5 years there has been \$89M in deferred capital expenditures and the capital forecast for the next ten years is \$172M. CHH will need to invest almost \$261M in capital repairs over 10 years to fully fix its aging buildings.

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From an operating perspective, CHH also experiences challenges in managing the maintenance costs associated with its portfolio. Limited funding to repair units has resulted in almost 100 units being unavailable to rent across the entire portfolio. To aggravate this matter, over the past seven years, ballooning pest control costs have significantly impacted the maintenance budget. In 2009, 3% (\$300K) of the maintenance budget was required to manage pest control and in 2016, this has grown to 11% (\$1.2M) required to support the pest control team, reducing the amount available to repair units. Of the 100 singles and semi-detached properties that CHH is proposing to sell, 35 units are currently vacant because there is insufficient funding available to address the required maintenance.

CHH completed a case study, “Revitalizing CityHousing Hamilton”, which was presented to the General Issues Committee on September 16, 2015. This case study, using property management sector accepted criteria, identified each of the CHH properties as either a good, fair or poor performer. Based on these criteria, over 65% of the singles and semi-detached homes owned by CHH were determined to fall within the “poor performer” category. All units to be proposed for sale as part of this business case are or will be those classified as “poor performers”.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

### **Housing Services Act, 2011**

Subsection 161(3) of the *Housing Services Act, 2011* requires housing providers to obtain the written consent of the Minister prior to any transfers of social housing units. To ensure that the City can meet its service level standards, CHH must commit to replacing each unit on a 1:1 basis, at a minimum, as part of the Service Manager’s consent.

### **Province of Ontario’s Long-term Affordable Housing Strategy – 2016 Update**

On March 14, 2016 the Province released an update of Ontario’s Long-Term Affordable Housing Strategy, including a commitment to “modernize social housing in Ontario.”

The Province is introducing policy, legislative, and regulatory changes to, among other things:

- Increase local flexibility to manage housing assets and meet local needs; and,
- Support vibrant mixed-income communities and encourage a healthy mix of rent-geared-to-income and market rent tenants.

## **RELEVANT CONSULTATION**

Housing Services’ staff consulted extensively with CityHousing Hamilton to review its business case.

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Housing Services' staff consulted with staff from the Ministry of Housing. The Ministry of Housing will not review for consent until the Service Manager has provided its approval.

Staff from the Corporate Services Department (Finance and Administration Division) were consulted and their comments and advice were incorporated into Report CES16053.

The Legal Services' Division has also reviewed the request and their comments and advice were incorporated into Report CES16053.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

### **Objectives for Selling Units**

CityHousing Hamilton's (CHH) main objectives of its proposed sale are to:

- Sell selected older units and replace them with new social housing units that better meet the needs and demands of the community;
- Ensure that no individual is displaced or made homeless as a result of the sale;
- Reinvest the revenues from the sale of "poor performers" to create more efficient affordable housing options;
- Create increased sustainability within its social housing stock by focusing on energy efficiency, sustainable building practices and operational economies of scale; and,
- Support the long term financial health of CHH's operation of its social housing portfolio to ensure that the needs of the community can continue to be met for many more years.

The Business Case identifies six key areas necessary to achieve the objectives:

- Identifying the Housing Units and Process for Sale
- Method of Disposition of the Housing Units
- Reinvestment Strategy for Proceeds of Sale
- Resolutions and Consents
- Communications Strategy
- Tenant Engagement & Disruption Mitigation Plan

### *Identifying the Housing Units and Process for Sale*

The overarching principle was that no household must be made homeless by this process and that households must be accommodated to the extent possible in terms of preferred location and unit type. Within this context, the following outlines the process used for identifying the units to be proposed for sale as part of the Business Case:

1. Units which are currently vacant;

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2. Units which become vacant through attrition and (i) are chronically vacant due to poor location, unsuitable for tenants' needs; (ii) have a market value which is above the current median sale price based on MLS Real Estate sales data in the related geographical are/vicinity; or (iii) have anticipated repair expenses in excess of \$25,000;
3. Units which can be purchased by current tenants;
4. Units in which tenants have been identified as being "over-housed" and can be relocated to units that meet the Service Manager's Occupancy Standards; and,
5. Units which require repairs of such enormity that the tenant must be relocated due to health and safety concerns (subject to the provisions of the *Residential Tenancies Act*);

*Method of Disposition of the Housing Units*

CHH will engage the services of the Planning & Economic Development Department, Real Estate Division, to market and sell the properties. Subject to the criteria noted in above, properties will be marketed using the established policies for the sale of City lands which includes offering the properties for sale on the City's website and using the MLS real estate service.

CHH anticipates that the sale of the identified units will take 4 to 6 years to complete. The following timelines have been established as targets:

- Current 35 vacant units as of date of approval of business case: 6 months to 1 year;
- Units which become vacant (including units with over-housed tenants) following approval of business case: 6 months to 1 year following vacancy;
- Units which require substantial repairs: 6 months to 1 year following relocation of household; and,
- Sale of units with households capable and willing to purchase units: 2 to 6 years (subject to available down payment assistance programs).

The 35 units which are current vacant are:

No.	Street	Neighbourhood
18	Airdrie Avenue	McQuesten West
4	Bingham Road	McQuesten West
10	Bingham Road	McQuesten West
59	Bingham Road	McQuesten West
4	Blair Avenue	McQuesten West
48	Blair Avenue	McQuesten West
25	Eastvale Place	McQuesten West

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21	Eaton Place	McQuesten West
33	Eaton Place	McQuesten West
64	Eaton Place	McQuesten West
68	Eaton Place	McQuesten West
17	Grimsby Avenue	McQuesten West
27	Grimsby Avenue	McQuesten West
4	Martha Street	McQuesten West
71	Martha Street	McQuesten West
89	Martha Street	McQuesten West
15	Sumach Street	McQuesten East
34	Sumach Street	McQuesten East
685	Britannia Avenue	McQuesten West
686	Britannia Avenue	McQuesten West
689	Britannia Avenue	McQuesten West
752	Britannia Avenue	McQuesten West
180	Tragina Avenue North	Berrisfield
94	Rand Street	Satelite City
385	Catherine Street North	North End East
523	Catherine Street North	North End East
373	East 23rd Street	Burkholme
305	East 24th Street	Burkholme
641	Upper Wentworth Street	Burkholme
14	Bogart Court	Lisgar
49	Bellingham Drive	Lawfield
62	Berko Avenue	Lawfield
82	Palmer Road	Berrisfield
211	Rexford Drive	Randall
12	Lisa Court	Lawfield

Before each sale of a unit, CHH will provide the Service Manager with a copy of the Board of Director’s Resolution to sell the unit, together with a summary of how any impacted tenants are to be relocated and accommodated, if applicable. In addition, CHH will provide the Service Manager with copies of all Agreements of Purchase and Sale and copies of the full final reporting of the sale.

*Reinvestment Strategy for Proceeds of Sale*

The revenue generated through the sale of these units will be invested in CHH’s Sold Unit Investment Fund reserve for future redevelopment projects. At the present time CHH is working on a comprehensive plan for the revitalization of specific properties. This would include potential work in the West Harbour areas (e.g. Jamesville, 191 York and Barton/Tiffany); where there are opportunities to incorporate social housing options



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ranging from bachelors to large apartments and stacked townhomes. Development on most of these properties lends itself to more intense and energy efficient housing. As well, there is the opportunity for CHH to provide mixed housing that reflects various needs that more appropriately meet the needs of the community. It also allows benefits such as aging in place and flexibility of shifting population demographics.

The sale of these units will position CHH financially to be able to respond to any opportunities for strategic redevelopment and replacement of the stock that presents through the identified work above. This will also ensure that CHH can be considered a strategic and important part of any potential partnership with the private development community.

#### *Resolution and Consents*

In order to sell public housing properties, the following is required as part of the submission to the Minister of Housing by the Service Manager:

- A resolution of Council for the City of Hamilton and a resolution of the Board of Directors for CHH;
- For redevelopment, a tenant disruption and maintenance of service delivery plan; and,
- Identification of any known environmental issues or any outstanding legal disputes.

#### *Communications Strategy*

CHH will implement an effective and appropriate communications strategy and approach in advance of selling the units set out in this business case. This strategy will include:

- Developing a specific strategy for communicating with the tenants to ensure that there is clear understanding of their rights, options and available assistance; and,
- Developing a general communications plan for other stakeholders (such as taxpayers, potential tenants, housing advocates and community partners, and other housing providers) that holds CHH accountable to meeting the objectives of its Business Case, particularly the objective that no individual is displaced as a result of the sale of units.

#### *Tenant Engagement and Disruption Mitigation Plan*

CHH will develop and employ a plan to ensure that tenants are properly engaged and included in any process which involves relocating a tenant to another home. The Tenant Engagement and Disruption Mitigation Plan must ensure that every tenant impacted by the sale of units is relocated into a suitable and quality home that meets the tenants' needs in terms of affordability, accessibility and, where possible, location.

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As part of the Tenant Engagement and Disruption Mitigation Plan, CHH will include a plan and resources to assist households with any reasonable relocation costs.

CHH will also ensure that existing target levels, as set out in the Operating Agreement with the Service Manager, can be maintained within its remaining portfolio.

Prior to offering units for sale to current tenants, CHH will ensure that:

- Households are financially capable of carrying the costs of homeownership, including mortgage principal and interest, property taxes, utility costs and maintenance;
- Households are provided with a copy of a home inspection of the unit, at the cost of CHH, and given at least 7 business days to opt out of the purchase on the basis of this home inspection; and,
- Households are informed of any available down payment assistance programs that may be available through the private sector, the Service Manager, including any incentives that CHH may develop.

**Current Cost Considerations**

CHH analyzed its entire asset portfolio to reflect budget revenue and category expenses. The results of the analysis resulted in three categories of assets:

*GOOD Performers: properties which are predictably good revenue producers, require minimal maintenance and do not have disproportionately high capital forecasts;*

*FAIR Performers: properties which are predictably good revenue producers but are challenging to maintain and are likely to have disproportionately high capital forecasts;*

*POOR Performers: properties which are chronically vacant, are challenging to maintain, have predetermined capital costs which will be challenging to address and may pose a serious health and safety risk to tenants*

Approximately 65% of the POOR Performers are singles and semis. All 100 units that will be sold by CHH in its Business Case will be units which were rated as “POOR performers” using this analysis.

The estimated annual cost of maintenance of the 35 units is \$350K. According to the most recent Building Condition Assessments, these 35 units require an estimated \$3M of repairs over the next 25 years. Extrapolated to 100 units, it can be assumed that this cost would be closer to \$9M. In addition, because of the scattered nature of these

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properties, they require greater staff time and have a significant impact on efficient allocation of current resources.

### **Benefit Analysis**

Conservatively based on the assessed values from the Municipal Property Assessment Corporation, the current market value of the 100 units is \$25M. This funding would be reinvested into the Sold Units Investment Fund reserve, which currently has a balance of approximately \$1.6M. Funds from the reserve would be reinvested into future development of social housing projects to replace the 100 units sold, at a minimum, in accordance with the following principles:

- Leveraging other redevelopment opportunities and studies currently underway;
- Conducting a needs and location demand analysis based on demographic information determined from the City of Hamilton’s centralized waitlist;
- Taking advantage of surplus land opportunities;
- Prioritizing opportunities which result in a net gain of units; and,
- Creating housing that stewards energy efficiency, sustainable building practices and operational economies of scale.

### **Preliminary Social Housing Type Demand Analysis**

The current CHH stock does not fully meet the needs of the changing population and the proposed sale of inefficient units creates an opportunity to create new units which better align with the current needs.

Data obtained from the City of Hamilton’s coordinated social housing waitlist shows that the demand for one bedroom homes is the greatest, followed by demand for large units of 3 bedrooms or more. The demand for one bedroom homes is driven, in part, by the number of households that are deemed to be “over-housed” and thus, addressing the supply of one-bedroom units should have a positive impact on the waitlist.<sup>1</sup>

The following factors impact the need for a variety of unit types and sizes:

- Growing accessibility requirements;
- Reduced unit turnover as the senior population chooses to age in place longer;
- Newcomer households, particularly those with traditionally larger families; and,
- An increase in the number of single persons seeking rent-geared-to-income housing.

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<sup>1</sup> Over-housed means households which occupy units that exceed the Service Manager’s Occupancy Standards. This is a natural occurrence as households mature within a unit that originally met the Occupancy Standards but household composition changes due to relationship breakdown or as children move on to other living arrangements. Over-housed households are required to choose a minimum of five selections on the City’s Access-to-Housing waitlist that meet the standards for the household’s new composition.

### **Municipal Service Manager Comparisons**

The sale of inefficient single and semi-detached units is a well-utilized strategy among housing providers throughout municipalities in Ontario. In October 2011, Toronto Community Housing Corporation began the process of selling of 872 single family homes within which the repairs were estimated to be nearing \$751M. CityHousing Hamilton has also previously received approval to sell 88 single family homes. Other providers within Hamilton's portfolio are reviewing this strategy.

Other social housing providers impacted by the expiration of federal operating agreements are already taking this strategic action as a way of revitalizing portfolios without the necessity of the Service Manager or Minister's consent (or knowledge).

### **ALTERNATIVES FOR CONSIDERATION**

CityHousing Hamilton could renovate and restore the 35 units which are currently vacant for occupancy and continue to operate the 100 units as social housing units. The building condition assessments estimate the required capital cost to restore the 35 units at approximately \$3M. Extrapolated to 100 units, there could be additional capital costs of approximately \$9M required to keep all 100 units suitable for occupancy. In addition to capital costs, it costs approximately \$350K annually to maintain 100 units of single houses. This alternative would not meet the objectives of reducing ongoing capital and maintenance costs or generating revenue to allow CHH to leverage other redevelopment opportunities or create housing that is more energy efficient and sustainable.

### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

#### **Community Engagement & Participation**

*Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.*

#### **Healthy and Safe Communities**

*Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.*

#### **Built Environment and Infrastructure**

*Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.*

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report CES16053: Business Case for Service Manager/Ministerial Consent

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