



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

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| <b>TO:</b>                | Chair and Members<br>Healthy & Safe Communities Committee  |
| <b>COMMITTEE DATE:</b>    | April 9, 2018  |
| <b>SUBJECT/REPORT NO:</b> | CityHousing Hamilton - Request for Service Manager<br>Consent to Mortgage 500 MacNab Street North (HSC18016)<br>(Ward 2) |
| <b>WARD(S) AFFECTED:</b>  | Ward 2   |
| <b>PREPARED BY:</b>       | Adam Sweedland 905-546-2424 Ext. 1782  |
| <b>SUBMITTED BY:</b>      | Vicki Woodcox<br>Acting Director, Housing Services Division<br>Healthy and Safe Communities Department                   |
| <b>SIGNATURE:</b>         |  |

## RECOMMENDATION

That Council, in its capacity as Service Manager for social housing, approve the request from CityHousing Hamilton for Service Manager consent, as required by the *Housing Services Act, 2011*, to mortgage its housing asset at 500 MacNab Street North to obtain the required financing to support a comprehensive retrofit of the building.

## EXECUTIVE SUMMARY

CityHousing Hamilton (CHH) proposes to mortgage its property at 500 MacNab Street North (Ken Soble Towers) to obtain financing in the total amount of \$9.9M to support a total “Passive House” retrofit of the building.

Passive House buildings have ultra-low energy demands, eliminating dependence on fossil fuels for heating and cooling, while significantly reducing greenhouse gas emissions and operating costs. The total cost of the retrofit project is \$15.65M and CHH has already obtained conditional approvals for grants totalling \$5.75M. The cost to service the new debt can be achieved through operating revenues and does not require additional subsidy or funds from the City.

The Board of Directors approved the regeneration plan for Ken Soble Towers on March 27, 2018, subject to obtaining Service Manager consent and shareholder approval. The Board’s approval will be presented to the City, in its capacity as shareholder, at a shareholder meeting.

Under the *Housing Services Act, 2011*, Service Manager consent is required to encumber housing projects transferred as social housing by the Province to municipalities.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: There are no financial implications with Report HSC18016.

Staffing: There are no staffing implications with Report HSC18016.

Legal: There are no legal implications with Report HSC18016.

**HISTORICAL BACKGROUND**

The Ken Soble Towers, located at 500 MacNab Street North, is a 146 unit, 17-storey high-rise building constructed in 1967. It was transferred to CityHousing Hamilton (CHH) as part of the devolution of social housing to municipalities in 2001, forming part of the public housing portfolio and being 100% rent-geared-to-income. It is comprised of mostly bachelor and one bedroom units and is the oldest multi-residential tower in the CHH portfolio.

In July, 2016, CHH retained Effective Building Engineers Ltd. to complete a visual building condition assessment of the Ken Soble Towers which valued its repair deficit at approximately \$6.8M.

In 2017, CHH completed a feasibility study and business case for a transformational retrofit of the Ken Soble Towers that will result in North America's first Passive House retrofit, achieving significant reductions in greenhouse gas emissions and operating costs.

In 2018, based primarily on its plans for the Passive House retrofit, CHH was able to meet the eligibility criteria from the Social Housing Apartment Improvement Program and was approved for a grant of \$4M to support this retrofit. This is in addition to other conditional grants obtained of \$1.75M.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Under the *Housing Services Act, 2011*, Service Manager consent is required to encumber housing projects transferred as part of the devolution of social housing by the Province to municipalities.

## **RELEVANT CONSULTATION**

CityHousing Hamilton staff was consulted and their input informed the recommendation and background in Report HSC18016.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Service Manager consent for CityHousing Hamilton (CHH) to mortgage the housing project at 500 MacNab Street North is recommended as it represents a complete rehabilitation of 146 units of rent-geared-to-income housing (all of which are currently in poor states of condition). In addition, based on its proposed retrofit plan, CHH will achieve a renovation to Passive House standards which will create a “best-in-class” energy performer with an unparalleled reduction in greenhouse gas emissions. This project will virtually eliminate fossil fuels and would visibly signal a change in the way aging towers are rehabilitated. It will also be the first Passive House retrofit in North America.

This housing project can generate sufficient revenues (RGI rental revenue and existing City funded rent supplements) to service the new debt and does not require additional levy funding.

| Operating Model  |             |
|--|-------------|
| Estimated annual revenues (RGI rents/rent supplements)                                 | \$1,067,350 |
| Less: estimated annual mortgage costs (debt servicing costs)                           | (478,000)   |
| Less: estimated annual operating expenses (including contribution to capital reserves) | (540,240)   |
| Operating Surplus  | \$49,110    |

The Ken Soble Towers requires extensive rehabilitation and renovation in order to support future occupancy. It is essentially uninhabitable in its current condition. Units becoming vacant through attrition have not been filled in anticipation of a comprehensive renovation. CHH has since transitioned the remaining tenants from this building to other suitable homes. The proposed renovation will return 146 newly renovated units to the system that will be substantially improved for tenants in terms of comfort and air quality, while reducing the environmental footprint of the building and achieving reductions in operating costs. The renovation will be completed by March, 2020.

## **ALTERNATIVES FOR CONSIDERATION**

There are no alternatives being recommended.

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

### **Clean and Green**

*Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.*

### **Built Environment and Infrastructure**

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

### **Our People and Performance**

*Hamiltonians have a high level of trust and confidence in their City government.*

## **APPENDICES AND SCHEDULES ATTACHED**

None