



Hamilton

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

<b>TO:</b>	Chair and Members Emergency and Community Services Committee
<b>COMMITTEE DATE:</b>	August 15, 2019
<b>SUBJECT/REPORT NO:</b>	Accessing Capital Repair Funds from the National Housing Strategy - Co-Investment Fund for CityHousing Hamilton HSC19048 (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Joshua Van Kampen (905) 546-2424 Ext. 4592
<b>SUBMITTED BY:</b>	Edward John Director, Housing Services Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- a) That the General Manager of Corporate Services, the General Manager of Healthy and Safe Communities, and the Chief Executive Officer of CityHousing Hamilton be directed to engage in discussions with the Canada Mortgage and Housing Corporation to:
  - i) Negotiate funding principles and to determine the extent of the municipal contribution with respect to the CityHousing Hamilton repair/renewal portfolio wide funding application under the National Housing Strategy – Co-investment Fund repair/renewal stream;
- (b) That staff report back to the Emergency and Community Services Committee with an update as soon as practical on the proposed funding agreement, expected municipal contribution and implementation strategy for CityHousing Hamilton repair/renewal funding application; and,
- (c) That staff apply any future year-end Alectra and/or Hamilton Utilities Corporation dividend surpluses to reduce the reliance on debt financing for Council approved

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Housing projects, and that staff report back on amended reliance on debt through future Tax Supported Capital Budget reports/presentations.

## **EXECUTIVE SUMMARY**

In partnership, the City of Hamilton and CityHousing Hamilton (CHH) have submitted a ten-year portfolio-wide application to the Canada Mortgage and Housing Corporation (CMHC) under the National Housing Co-Investment Fund – Repair and Renewal Stream. A moderate, portfolio-wide long-term investment plan can enable strategic planning which in turn can minimize costs by avoiding expensive reactive emergency repairs, maximize benefits, and minimize negative impacts on tenants. Such planning can take advantage of economies of scale and leverage projects to create multiple benefits with city-wide impacts.

The application currently requested \$408 M over 10 years for the repair and renewal of all 7,000 CHH units. Through early discussions with CMHC, staff understand that CMHC requires a contribution commitment from the benefitting municipality prior to awarding the funding and providing precise loan and grant details. It is understood based on preliminary discussions with CMHC that upwards of \$170 M could be available to CHH based on CHH's proportion of the province's social housing units. It is also understood that this funding would be delivered through a combination of low interest loans and capital grants, at an anticipated ratio of approximately 60% loan and 40% grant. Should the application to CMHC not realize the full requested amount of \$408 M and instead, as expected, be closer to \$170 M, staff would accordingly revise and scope the work program to ensure the required critical improvements to the same number of units is achieved while scaling back a number of less urgent improvements.

The capital investments being proposed to CMHC, if approved, will keep over 7,000 housing units online for another 50 plus years, improve operating, energy, and water efficiencies while saving up to \$1.6 M annually in cost avoidance, and improve the accessibility of up to 1,400 units.

The portfolio renewal and modernization planned over the next decade will provide thousands of residents with improved comfort, increase accessibility, reduce the amount of deferred maintenance, substantially extend CHH's portfolio useful life, and dramatically decrease energy costs.

## **Alternatives for Consideration – Not Applicable**

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** There are no financial implications associated to Report HSC19048.

**Staffing:** There are no staffing implications associated to Report HSC19048.

**Legal:** Legal Services will review any forthcoming funding agreements with CMHC.

## **HISTORICAL BACKGROUND**

On November 22, 2017, the federal government released “Canada’s National Housing Strategy: A Place to Call Home.” The goal of the National Housing Strategy (NHS) is to, over ten years, deliver a range of housing program initiatives.

One NHS program, the National Housing Co-investment Fund (NHCF) was launched on May 2, 2018. The NHCF is a \$16.6 B federal investment, \$5 B of which is new funding, with two funding streams: New Construction of affordable housing and Repair/Renewal of social housing. Staff have high expectations that CMHC will provide funding and financing for capital repairs for CityHousing Hamilton and in the future, for Hamilton’s other social housing providers.

There are approximately 14,000 social housing units in Hamilton, of which CHH has just over 7,000. These units were built post-war and continue to provide critical affordable housing for thousands of Hamilton residents. Many of the major systems in these units are at the end of their life cycle, and the state of repair and quality of these units have been in decline due to a lack of reinvestment and deferred maintenance as a result of limited financial resources.

The City of Hamilton and CHH have submitted a ten-year portfolio-wide application to CMHC under the NHCF – Repair and Renewal Stream. The application requests \$408 M in financing and capital grants, which is based on established repair and renewal needs across the CityHousing Hamilton portfolio. It is understood based on preliminary discussions with CMHC that upwards of \$170 M could be available to CHH based on CHH’s proportion of the province’s social housing units. The funds would be allocated over ten years (2019-2029) with an estimated 60% loan/40% grant split. Should the amount received be below the requested figure (\$408 M), re-prioritization of anticipated outcomes would be made to ensure the same number of units receive critical improvements and their immediate capital investment needs satisfied.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

In December 2013, Council approved the City’s 10-year Housing and Homelessness Action Plan which is a strategic and implementation plan to address affordable housing and homelessness in Hamilton (Report CS11017(c)). The development of the Action Plan was informed by extensive community engagement and a comprehensive needs analysis

and provides a framework to inform decisions about housing resource allocation in Hamilton.

The Action Plan is currently in the process of its 5-year review however, the following strategies remain fundamental considerations. These current strategies set out several considerations which are designed to address the improvement and quality of Hamilton's affordable housing stock:

- Explore the potential for new funding programs and expand and promote more broadly existing programs for rehabilitating the housing stock, including:
  - Ontario renovates
  - Grassroots, neighbourhood or community-based quality-improvement initiatives.
- Inventory, rate and increase the number of social housing units that meet the needs of persons with disabilities through existing and new housing opportunities.
- Adequately fund capital reserves for social housing based on building condition assessments.
- Encourage all social housing providers to ensure that tenant safety is ensured through capital and infrastructure audits and improvements. (e.g. comprehensive lighting and building security systems)
- Plan and implement community building efforts that will develop a sense of community in all social housing (e.g. activities that will positively enhance neighbour relations).

## **RELEVANT CONSULTATION**

- CityHousing Hamilton has been consulted and provided comment on this report.
- Corporate Services – Capital Budgets has been consulted and provided comment on this report.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

The need for investment in social and affordable housing in Hamilton is tremendous. Without significant sustained investment, Hamilton's social and affordable housing stock is at risk of becoming uninhabitable and requiring costly emergency repairs. The City is legislatively required to maintain a certain number of social housing units and is liable for the cost of doing so. A portfolio-wide approach, that is supported through long-term investment of funds available now, enables strategic planning and significant impacts on current building condition issues. The ability to plan repair and renewal projects on a portfolio-wide and ten-year time frame, can minimize costs, maximize benefits, and minimize negative impacts on tenants. Such planning can take advantage of economies of scale, and proper sequencing and timing of projects can leverage projects to create

multiple benefits for the buildings and the broader community. Investing now also capitalizes on the current low interest rates. The proposed strategic investment leverages federal funds which may not be available in the future.

The proposed investment will create broad city-wide benefits over the next ten years including job creation, economic spin-off, meeting the needs of vulnerable Hamiltonians, and preparing Hamilton's social and affordable housing for the future.

CHH has just over 7,000 old and aging, energy inefficient, and inaccessible housing units with key systems at the end of their life cycle, which urgently require preservation, modernization and energy efficiency retrofits. Approximately \$408 M in capital investments in CHH's housing stock have been identified to keep the units operating, maintain safe and healthy living conditions for tenants, and contribute to the long-term sustainability of CHH. Accessibility improvements are important to meet the needs of Hamilton's aging population.

The primary goals of the projects that would be funded through the NHCF are:

- Urgent repairs needed to mitigate risk of system or building failures;
- Energy efficiency improvements; and,
- Accessibility improvements.

If CHH's application is approved, the resulting funded projects would have significant social benefits, improving 7,000 housing units in the following ways:

- modernize Hamilton's social housing;
- massively reduce the need for repair and renewal;
- extend the life of the housing stock for up to 50 years by renewing essential building systems;
- significantly increase energy and water efficiency, thus reducing environmental impacts, improving tenant comfort, and avoiding costs over the long-term;
- increase the accessibility of both buildings and units;
- keep over 7,000 units online to meet the housing needs of Hamilton's most vulnerable for decades to come, and
- secure the long-term sustainability of CHH.

The funded projects would meet the requirements of the NHCF regarding affordability, energy efficiency, and accessibility. It is estimated that that the energy and water retrofits would reduce energy consumption by 25%, equating to over 3.3 million in CO<sub>2</sub>e annual greenhouse gas emissions and potential \$1.6 M in annual utility cost avoidance. The National Housing Co-investment Fund investment would also improve the accessibility of approximately 1,400 units.

The total impact of the National Housing Co-investment Funding on both the quality and sustainability of CHH's housing stock would be dramatic. The lifespan of 7,000 units would be extended for decades. Most importantly, residents would experience increased quality of life, safety, health and accessibility.

CHH owns and manages only half of Hamilton's social and affordable housing stock. Therefore, a second NHCF proposal will soon be put forward for similar improvements to the other half owned and managed by the remaining housing providers.

Based on preliminary discussions with CMHC it is anticipated that of the \$408 M portfolio wide application, \$170 M is likely to be made available to CHH. The funding will be split between a low interest loan and a grant, with a current interest rate of 1.75% (final rate will be determined on the date funds are drawn). Similar funding agreements with other municipalities have been in the form of a 60% loan and 40% grant with a repayment period of 25 years for the loan portion. This translates to approximately \$100 M in loan and \$70 M in grant.

#### Potential Funding Options

Based on the information to date, staff have examined the funding options regarding the \$100 M loan component based on 15, 20 and 25-year amortization periods. Assumptions are that the \$100 M loan would be based on a 10-year housing repair program, requiring \$10 M spent from this funding source annually. The proposed \$100 M loan would be loaned over 10 years with each year receiving a \$10 M loan. On this basis, the potential levy impact implications are shown in Table 1, based on 15, 20, and 25-year amortization periods.

Table 1 identifies, as an example, the potential annual levy impact required to pay back the \$100 M CMHC loan, based on receiving \$10 M per year over 10 years. The assumptions noted in the table include \$80,000 per year in annual operating, utility savings, and expiring mortgages which are levy funded in the City's Housing portfolio which will reduce the annual levy impact of the loan repayments. The table also shows how the total cost of the loans would equate over 15, 20, and 25-year amortization periods.

It is noted that these figures are used for illustrative periods and that negotiations with both CMHC and CHH would be required to ensure reasonable financial outcomes.

Table 1

<b>Net Levy Impact \$100 M loan 15, 20, 25 Yr. Amortizations</b>			
<b>Assumptions</b>			
<ul style="list-style-type: none"> <li>• New Debt issued Jan.1 following annual repair program for 10-yrs (2021 - 2030)</li> <li>• Net of 50% of annual operational and/or utility savings used for debt repayment (\$80 K for 10-yrs)</li> <li>• Net of Mortgage Retirements from existing levy-funded mortgages</li> </ul>			
<b>AMORTIZATION AND NET LEVY IMPACT</b>			
Year	15-YR	20-YR	25-YR
	\$	\$	\$
2020	0	0	0
2021	685,000	520,000	420,000
2022	567,534	402,534	302,534
2023	441,568	276,568	176,568
2024	546,022	381,022	281,022
2025	511,915	346,915	246,915
2026	430,683	265,683	165,683
2027	317,198	152,198	52,198
2028	685,000	520,000	420,000
2029	685,000	520,000	420,000
2030	685,000	520,000	420,000
<b>Total Annual Levy Impact</b>	5,554,920	3,904,920	2,904,920
<b>Total Cost of \$100 M Loan</b>	\$114,750,000	\$120,000,000	\$125,000,000

Potential Repayment Options

To address the total loan impact, several avenues will be explored and negotiated in order to reduce and/or eliminate any new impacts to the levy. Considerations of any cost avoidances/savings due to operating and utility charges, expiring mortgages, additional CHH revenue, and existing capital program funding could be re-evaluated to address any additional impact to the levy.

Staff will also consider the option of using a portion of the existing funding contained in the City of Hamilton's 10-year Capital Budget Funding Strategy, which has incorporated a base 0.5% total levy increase dedicated for additional capital repair and rehabilitation to tackle its infrastructure deficit. This amounts to approximately \$4.4 M annually. As previously stated, staff will conduct a comprehensive evaluation on the potential repayment strategies with regard to funding the debt once the eligible amount has been determined in negotiation with CMHC.

A future report will be brought forward to the Emergency and Community Services Committee to provide a detailed summary and evaluation of funding strategies for debt servicing and staffing costs, as well as confirmation on the amount and next steps to secure funding.

### **ALTERNATIVES FOR CONSIDERATION**

None

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

#### **Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

#### **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**

None