



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	April 21, 2022
SUBJECT/REPORT NO:	Lost Revenue Replacement Due to Fire at Stoney Creek Community Homes 110 Stoneybrook Drive (HSC22022) (Ward 10)
WARD(S) AFFECTED:	Ward 10
PREPARED BY:	Carin Finch (905) 546-2424 Ext. 4837 Brian Kreps (905) 546-2424 Ext. 1782
SUBMITTED BY:	Edward John Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the General Manager of the Healthy and Safe Communities Department or their designate be authorized and directed to allow Stoney Creek Community Homes to retain their overpayment of subsidy from the fiscal year end of 2021 up to a maximum of \$146,000 to address costs at 110 Stoney Brook not covered by their insurer after April 1, 2022;
- (b) That the General Manager of Healthy and Safe Communities Department or their designate be authorized and directed to allocate funds from other providers' recoveries of overpaid subsidy, if Stoney Creek Community Homes' surplus does not meet the \$146,000 cap; and,
- (c) That the General Manager of the Healthy and Safe Communities Department or their designate be authorized and directed to recover any payments made to Stoney Creek Community Homes by their insurer or tenants' insurers covering income replacement beyond April 1, 2022.

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.

EXECUTIVE SUMMARY

Stoney Creek Community Home's (SCCH) senior's apartment building at 110 Stoney Brook Drive experienced a fire on April 14, 2021. The damage was extensive, and the restoration is anticipated to take 17 months.

SCCH's insurance coverage only pays business interruption expenses for a maximum of 12 months. The business interruption loss in the amount of \$146,000 for an additional five months will be devastating for SCCH as their expenses will continue to mount during this period.

It is recommended that funding be provided to SCCH to cover the additional five months of business interruption loss. Stoney Creek Community Homes will have a significant overpayment of subsidy for the year ending December 31, 2021. Their RGI subsidy has been under-utilized because they are under their target of Rent-Geared-to-Income subsidies, and they have 30 vacant senior units due to the fire.

It is anticipated that the recoveries in 2022 may be lower than in 2021. In 2021, the Stoney Creek Community Homes (SCCH) provider portfolio contributed to the Housing Services Division surplus with a subsidy recovery of \$222 K related to the 2020 calendar year.

It has been determined by SCCH that they have a deficit of \$29,200 a month in operating costs for 5 months, or until September 2022, that cannot be recovered through the insurance company. The City of Hamilton, as the Service Manager, would like to remedy this deficit by allowing SCCH to retain up to \$146,000 of subsidy in 2022 related to the 2021 calendar year.

In the event SCCH's recovery payable to the City is less than the \$146,000, the balance would be drawn from the recovery of overpaid subsidy from other housing providers.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Over the past several years, the Housing Services Division has had budget surpluses due to the recovery of overpaid social housing operating subsidy to housing providers. The recovery in 2021 totalled \$2.4 M with the budgeted recoveries from social housing providers of \$1 M, the net surplus was \$1.4 M.

This will reduce the subsidy amount recovered but is not expected to negatively impact on the overall budgeted recoveries for 2022.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On April 14, 2021, a fire broke out at 110 Stoneybrook Drive, a senior's building owned by Stoney Creek Community Homes (SCCH). 18 units were severely damaged by fire and water, and tenants from all 30 units were displaced. Most displaced tenants were temporarily re-housed in vacant units managed by Stoney Creek Community Homes or other social housing providers. Some displaced tenants opted to stay with family or in a hotel paid for by their renters' insurance. All have the option to return to their home once the restoration has been completed.

The cost of the restoration estimated to be in the millions, was turned over to their insurance company. It was originally anticipated that restoration would take more than 12 months, but an exact timeline was difficult to obtain due to anticipated supply chain issues.

In the immediate days following the fire, SCCH had incurred significant expenses for security, electrical work and elevator work that needed to be addressed immediately. Thus far, the insurance company is denying the request for reimbursement for these expenses.

SCCH has hired legal representation to speed the claim process and advocate that the full amount of the claim be paid which is an additional expense they have incurred.

There has been a significant financial impact on SCCH operations. Not only the lost revenue from the 30 units that will remain vacant until the restoration is completed, but there has also been an increase in utilities such as hydro while it's being used by the contractors for the restoration.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The City of Hamilton is designated as the Service Manager (SM) for Social Housing under the *Housing Services Act, 2001*. Under the Act, the City is required to pay Stoney Creek Community Homes (SCCH) an annual subsidy according to the formula contained in the legislation. SM are allowed, but not required, to provide additional funding to support the operation of listed projects under The Act.

As SM the City is required to meet a Service Level Standard which specifies how many Rent-Geared-to-Income units must be provided annually. The 30 units at 110 Stoney Brook contribute to that Service Level Standard.

RELEVANT CONSULTATION

Discussions have taken place with Stoney Creek Community Homes to determine the financial impact associated with the loss of business interruption expenses in the amount of \$29,200 per month.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Due to the COVID-19 pandemic, there have been many delays in the restoration of 110 Stoney Brook Drive. The restoration is anticipated to take at least 17 months to complete.

Stoney Creek Community Homes (SCCH) was informed by their insurer that they do not cover business interruption expenses beyond 12 months and as a result the coverage will end April 2022.

As of February 2022, SCCH has only received one draw from their insurance company in the amount of \$150,000. The insurer has not yet paid any portion of the business interruption expenses and is auditing Stoney Creek Community Homes' business interruption expenses claim. Stoney Creek Community Homes estimates that to date they are out of pocket \$277,000. SCCH have hired legal representation to speed the claim process and advocate that the full amount of the claim be paid.

Assuming SCCH receives the full amount claimed as business interruption expenses for the 12-month period, they will have to cover the remaining loss out of their own operating expenses until the restoration is complete. This will be in the amount of \$29,200 per month which will cause significant financial hardship for the non-profit housing provider.

It is recommended that the City assist SCCH to address loss of revenue when their business interruption expenses insurance coverage ends at the end of April. The proposed amount cap is based on 5 months at a monthly loss. It is proposed that the funding be drawn from SCCH's anticipated repayment to the City as part of their 2021 social housing subsidy reconciliation.

If SCCH is paid for the extended period by their insurer, the amounts paid out will be due back to the City of Hamilton in full.

ALTERNATIVES FOR CONSIDERATION

None

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

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

APPENDICES AND SCHEDULES ATTACHED

None