




CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 20, 2024
SUBJECT/REPORT NO:	Service Manager Consent for Hamilton East Kiwanis Non-Profit Homes to Encumber 71 Sanford Avenue North (HSC24046) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	George Gambioli (905) 977-8123 Pilar Homerston (905) 973-1129
SUBMITTED BY:	Michelle Baird Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION

- (a) That the City in its capacity as Service Manager under the *Housing Services Act, 2011* consent to Hamilton East Kiwanis Non-Profit Homes Incorporated encumbering the property municipally known as 71 Sanford Ave. N. in the amount of \$2,987,220 subject to Hamilton East Kiwanis Non-Profit Homes Incorporated obtaining approval for a grant and loan by Canada Mortgage and Housing Corporation through their Canada Greener Affordable Housing Funding to facilitate the completion of a deep energy retrofit of their apartment buildings at 21 and 71 Sanford Ave. N.; and,
- (b) That the General Manager of Healthy and Safe Communities be authorized to enter and execute any ancillary agreements and documents necessary to give effect to the Service Manager consent for Hamilton East Kiwanis Non-Profit Homes Incorporated.

EXECUTIVE SUMMARY

Hamilton East Kiwanis Non-Profit Homes (Kiwanis) operates 462 units of apartments, townhouses, and single-family dwellings in Hamilton. These units were built and

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.

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developed under Provincially Funded Programs. 21 and 71 Sanford Ave. North were completed in 1994 under the Homes Now Program. Since the City of Hamilton would not be in a position to provide Kiwanis with a grant of \$6.7 M in one lump sum, this proposal allows the City to retain capital funding for less sophisticated housing providers who require capital funding and who are not eligible for this type of CMHC funding.

Hamilton East Kiwanis Non-Profit Homes Inc. has been offered a combination of a forgivable grant for \$6.7M and a repayable loan of \$3M from Canada Mortgage and Housing Corporation for a total contribution of approximately \$9.7M through the Canada Greener Affordable Housing Funding. The repayable loan of approximately \$3M must be registered on title of the property at 71 Sanford Ave. N. All funds must be utilized to facilitate the completion of a deep energy retrofit in accordance with the Hamilton East Kiwanis Non-Profit Homes submission to Canada Mortgage and Housing Corporation at 21 & 71 Sanford Ave N.

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

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There are no financial implications with Report

Staffing: There are no financial implications with Report

Legal: The *Housing Services Act, 2011* requires the consent of the Service Manager before Victoria Park Community Homes Inc can encumber the assets.

This Canada Mortgage and Housing Corporation Funding will be on the same municipal lot and PIN as 21 and 71 Sanford Ave. North. Canada Mortgage and Housing Corporation holds the current mortgage on 21 and 71 Sanford Ave. North which expires on March 1, 2029. CMHC has agreed to be in second position on title for the site to allow the project to move ahead.

HISTORICAL BACKGROUND

Kiwanis operates 462 units of housing projects which were funded initially by the Province of Ontario. 21 and 71 Sanford Ave. North were completed in 1994 under the Homes Now Program.

These housing projects were included as part of the devolution of social housing to municipalities in 2001. As part of the transfer, these provincially funded housing

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projects became administered by the City, as Service Manager, pursuant to the *Housing Services Act, 2011* (the “Act”). These are commonly referred to as “Provincial Projects”.

In 2019, Kiwanis developed a new strategic plan which included an ambitious target of creating 1,000 new units by 2028. In addition, the preservation of existing units and obtaining government funding from other sources other than the City of Hamilton became important to preserve the existing units.

Kiwanis began liaising with Housing Services on July 5, 2019 regarding securing the necessary consents and financing for the project. Given the size and scale, Hamilton East Kiwanis hired consultants to complete an energy audit, accessibility audit and deep energy retrofit feasibility study, and building condition assessment. In July of 2023, the studies were completed, and this requisite documentation was submitted within the application for Greener Affordable Housing (CGAH) Funding.

Hamilton East Kiwanis was informed by Canada Mortgage & Housing Corporation (CMHC) in writing on September 20, 2024 that were approved for CMHC Greener Affordable Housing (CGAH) Funding in the amount of \$9,687,220. This is comprised of a \$6,700,000 forgivable loan and \$2,987,220 repayable loan.

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.

On July 14, 2023, City Council approved to delegate to the General Manager of the Healthy and Safe Communities Department or designate, the authority to provide consent pursuant to section 161 of the *Housing Services Act, 2011* for housing projects designated under the *Housing Services Act, 2011* to mortgage or develop a designated housing project or the land when the following circumstances are met:

- (i) The encumbrance does not relate to additional debt for the project in question, except for debt owed to the City of Hamilton through a loan or grant; and
- (ii) For any proposed development of the property it does not temporarily or permanently reduce the overall number of units in the project.

As this encumbrance request will relate to additional debt for their project, Council approval is required.

RELEVANT CONSULTATION

Hamilton East Kiwanis Non-Profit Homes has provided a business case, as well as all the relevant supporting documentation.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Service Manager consent for Hamilton East Kiwanis Non-Profit Homes to encumber 71 Sanford Ave. N. is recommended because Hamilton East Kiwanis Non-Profit Home has been a strong and consistent partner for many years. They have demonstrated an ability to manage their portfolio.

Hamilton East Kiwanis Non-Profit Homes has presented a sound business case to the City of Hamilton detailing their proposal. The City also conducted its own financial analysis of Hamilton East Kiwanis Non-Profit Homes. Our analysis has indicated that with this additional debt, the provincial portfolio would be operating at a debt service coverage ratio of 0.74 and it is desired by banks to typically operate at a ratio of 1.1 This indicates that Hamilton East Kiwanis Non-Profit Homes is heavily operated using debt rather than cash generated through business operations. This will result in them relying heavily on cash flows from other properties outside of the provincial portfolio to meet the debt payments for 71 Sanford. The 40-year terms of both loans will commit them to these payments over a long period, potentially restricting future financial flexibility. This adds financial pressure on the portfolio, especially if there are unexpected costs. Hamilton East Kiwanis Non-Profit Homes is aware of this pressure and has agreed to use income from other projects outside of this provincial portfolio to fund the deficit. This property will be reaching end of mortgage in 2029. At that time, the city will be negotiating a service agreement with the provider and discussing opportunities to support the viability of the property. This may result in funding through the levy base to ensure there is sufficient revenue to meet the operating expenses of this property.

The four distinct potential benefits that will result from this funding in the long term and they are:

1. Decreased Operational costs as a result of lower energy consumption;
2. Decreased capital costs through completion of significant capital repairs to the building as a result of planned improvements arising from the deep energy retrofit;
3. Decreased risk of future carbon tax changes due to substantive decrease in greenhouse gas emissions arising from the DER project;
4. Increased quality of life for residents because of planned changes to the building heating and cooling systems. This should result in fewer complaints from the tenants in this building regarding their heating.

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This represents an opportunity for Hamilton East Kiwanis as well as Canada Mortgage and Housing Corporation's funding programs to improve energy efficiency and aging housing stock.

ALTERNATIVES FOR CONSIDERATION

The alternative would be to not provide consent. This would result in Hamilton East Kiwanis Non-Profit Homes Incorporated to attempt to meet the \$3M loan requirement through alternate securities on properties not within the provincial portfolio.

APPENDICES AND SCHEDULES ATTACHED

None