

Advisory Committee Meeting – June 21, 2021

Council-In-Committee – July 13, 2021

Subject: Haldimand Norfolk Housing Corporation Regeneration Master Plan and Strategic Asset Management Plan
Report Number: HSS 21-12
Division: Health and Social Services
Department: Haldimand Norfolk Social Services and Housing
Purpose: For Decision

Executive Summary:

The Haldimand Norfolk Housing Corporation (HNHC) retained Haerko Consulting to prepare a Regeneration Master Plan. The Plan provides four options for consideration to address the future of the Housing Corporation social housing stock and the potential to undertake new housing developments over the next fifteen years. A strategic asset management plan has also been completed by the consultants. It provides an overview of the current condition of all of the existing HNHC stock, a capital forecast and discussion related to capital asset management to support the options provided in the Regeneration Master Plan.

The purpose of this staff report is to present the Regeneration Master Plan, outline the four options provided by the consultants and obtain Council's direction on moving forward with business cases for new developments, revitalization of two of the existing social housing buildings and the disposal of some of the existing assets to fund new development. The strategic asset management plan is being presented and recommended to be received as information and considered alongside the Regeneration Master Plan.

Discussion:

Regeneration of social housing stock can mean different actions, all of which are taken to ensure that the housing remains in good repair and meets the current housing needs of the community. Regeneration activities can include significant repair and redesign, redevelopment (including tear down and building new) and/or selling of the existing stock to finance a new build. The latter example is commonly referred to as "leveraging the assets". Some of the existing social housing stock was built between 30 and 50 years ago and is either in need of significant repair or quite simply, it no longer meets

the community need, for example, large family houses and townhouses when the current waiting list pressures are for one bedroom apartments.

By way of a previous report, Council approved the asset classification that was completed by the consultants as part of the regeneration master planning process. All of the assets were classified in one of our categories: retain, revitalize, redevelop or dispose. Below is the final asset classification.

68 Selkirk Street, Caledonia	Revitalize
109 King Street, East, Hagersville	Retain
116-149 Elizabeth Cres., Dunnville	Dispose
440 Queen Street, Dunnville	Redevelop
527-542 Queen / Main St. E., Dunnville	Dispose
503 Main Street, Dunnville	Retain
39 Nichol Street, Waterford	Revitalize
5-79 Oakwood Ave / Ashton Drive, Simcoe	Dispose
11 Arthur Street, Simcoe	Redevelop
20 Scott Avenue, Simcoe	Revitalize
91 Oak Street, Simcoe	Revitalize
46-689 Banstead / Gibraltar St., Delhi	Dispose
54 William Street, Delhi	Redevelop
243 Western Avenue, Delhi	Retain
219 Regent Avenue, Port Dover	Redevelop
283 William Street, Delhi (Del Gold Villa)	Retain

The Regeneration Master Plan presents four options for consideration.

Option #1 is to continue the base level of operations, essentially the “do nothing” option. Staff do not recommend this option as the existing housing stock would continue to age, become in even greater disrepair and no new housing would be added to the existing stock.

Option #2 is to repair and revitalize the existing housing stock to attempt to maintain it in a good state of repair for as long as possible. While this is a viable option, it is not recommended as this option does not create any new affordable housing and it does not address the ongoing lack of smaller housing units, specifically one bedroom apartments, where there is the greatest need.

Option #3 is to undertake repair and renewal of the existing housing stock and dispose of some of the units classified under “disposal” to assist with funding two new affordable housing developments – one in Simcoe and one in Dunnville. Staff support this option in principle. Additional analysis needs to be undertaken with each municipality related to the financing of a new development and any requests for municipal contribution. Additionally, the Service Manager consent process to dispose of the properties would need to be considered at the time of the approval of the new development projects as this is being proposed as part of the financing of the projects.

Option #4 builds on options #2 and #3 and includes additional new developments in Hagersville and Delhi and an addition to the property located at 219 Regent Street in Port Dover. As with the above option, staff support this option in principle and request to work with Senior Staff in both Counties and the Housing Corporation to bring back further reports for Council's consideration, including any items for Service Manager consent to dispose of additional existing social housing properties.

The regeneration master plan also proposes revitalization of two HNHC properties; 68 Selkirk Street in Caledonia and 39 Nichol Street in Waterford, in a way that changes them from 100% rent geared to income housing into mixed affordability. The proposal is to replace the rent geared to income units that are being taken out of these buildings with units in new developments and portable housing benefits. Portable housing benefits, or housing allowances, are funding provided to tenants living in market rent to increase the level of affordability. These funds work like a bridge between the market rent level and the level that the tenant can afford. The *Housing Services Act* permits the use of portable housing benefits to count toward rent geared to income service level standards as long as they are municipally funded. Staff are proposing to work with the HNHC to get more detail on the plans for these two buildings so that a full financial and service level analysis can be completed for Council.

The proposals for new development that are contained within the Regeneration Master Plan also propose "affordable" rent levels that are based on an average of the existing market rents in Haldimand and Norfolk rather than the rent levels provided to the Service Manager by the Canada Mortgage and Housing Corporation (CMHC). A study was completed by the consultants that recommends "Alternate Average Market Rent" levels at the affordable level that are higher than what currently exists. Staff acknowledge that these alternate average market rents are based on the current rental market in the two County areas and would provide additional rent revenue to support new development. Staff also caution that increasing the average market rent and the "affordable" level of rent may have service impacts and may make it more challenging for those with deeper affordability needs to be housed. Staff are committed to bringing back a further report on the study that has been completed on this subject so that Council can evaluate.

At this time, Staff are recommending that Council approve the HNHC Regeneration Master Plan in principle and give Social Services & Housing Staff direction to work with Senior Staff in Haldimand and Norfolk Counties and the HNHC to bring forward additional reports related to option #4 as presented within the Regeneration Master Plan. This would involve preparing the following additional staff reports:

- Analysis and recommendation of the Alternate Average Market Rent Study;
- Analysis and recommendation of the revitalization proposal for 38 Selkirk Street in Caledonia and 39 Nichol Street in Waterford to change both buildings from 100% rent geared to income to mixed income;

- Analysis and recommendation of the business case for new housing development in Dunnville, including a recommendation related to Service Manager consent to dispose of existing assets for revenue generation;
- Analysis and recommendation of the business case for new housing development in Simcoe, including a recommendation related to Service Manager consent to dispose of existing assets for revenue generation.

Due to the time sensitivity to move forward with regeneration activities and the new developments proposed for Dunnville and Simcoe where land has been identified, Staff commit to working on these reports over the summer and presenting them to Councils in September. Future reports related to the proposed developments in Hagersville, Delhi and the redevelopment proposal for Regent Street in Port Dover would be prepared and presented as those developments become closer to being ready to proceed.

Financial Services Comments:

Norfolk

The 2021 Levy Supported Operating budget includes a combined transfer of \$1,694,400 for the Haldimand-Norfolk Housing Corporation to manage ongoing operational expenditures within their current asset portfolio. HNHC operations are funded primarily by each County based on the arbitration agreement for Social Housing costs, with the Ministry of Municipal Affairs and Housing providing funding for the Corporation's outstanding mortgage commitments.

Minor capital and other repair & maintenance funding may be provided on an 'as needed' basis and are typically funded through existing MMAH Programs or HNHC reserves (if funding has not been made available). Future major capital commitments have not been made at this time.

The needs identified in the HNHC asset management plan and regeneration master plan are not currently included in the county's Capital Plan. In addition, at this time Norfolk County has not been making specific contributions to Reserves to save for the provision or replacements of social housing infrastructure. These needs will be required to be included in the county's comprehensive Asset Management Plan, as non-core assets. Since these projects have not been included in the Capital Plan, the inclusion of these items in the AMP will increase the infrastructure gap for the County.

Haerko Consulting has outlined potential financial commitments for each option presented. A summary of their analysis can be found in Table 1.

Table 1 – Summary of the Four Options (in 000's of dollars from 2021 to 2035)

	Option 1	Option 2	Option 3	Option 4
Operating				
CMSM Subsidy (15 year total) ¹	22,176	19,108	19,151	19,322
Operating Subsidy in year 2035	1,971	1,631	1,588	1,594

Capital				
Capital Spend (15 year total)	9,598	28,786	67,243	112,798
Capital Financing Sources:				
Sale of Existing Assets	0	0	7,063	17,213
CMHC Debt	0	6,500	22,433	40,033
CMHC Contribution (est.)	0	500	6,500	11,000
Balance (CMSM Subsidy)²	9,598	21,786	31,247	44,551

*Per Haerko Consulting, page 5 of the HNHC Regeneration Master Plan dated March 2021

¹ Operating CMSM Subsidy – the substantial decrease from option 1 to options 2-4 is driven by less upkeep required due to new or replaced capital assets.

² Capital CMSM Subsidy – this is a worst-case scenario where federal and/or provincial funding and HNHC capital reserves are not available.

Based on a review of HNHC's 2020 Financial Statements, HNHC currently does not have significant capital reserves to help fund the options in Table 1. Therefore, it is assumed that the projects would be reliant on CMSM contributions should federal and/or provincial funding not be made available.

Based on staff's recommendation of the approval of Option 4, the subsidy to be provided from the CMSM is estimated at a maximum of \$44.6M over the 15 years (combined Haldimand and Norfolk Counties) if no provincial/federal funding is secured to offset these costs. Should these costs be completely borne by the counties, and if shared based on the cost sharing percentage for 2020, it is estimated that Norfolk County would be responsible for \$30.7M of these capital costs (68.8%), and Haldimand responsible for \$13.9M (31.2%). Actual cost sharing method utilized is likely to be based on the costs associated with the location of actual build, however it is recommended that a formal cost sharing discussion between the two counties be held prior to initiating these significant capital works, which should consider ensuring equitable access to grants for these projects.

Table 1, along with the rest of the HNHC Regeneration Master Plan, has not been reviewed in detail by Financial Services staff. With future reports, specific financial analysis will be included to determine the feasibility of each option, with a more detailed financial review being completed at that time. This will ensure Council will be prepared with the necessary information for their consideration. Both Counties have not undertaken capital commitments of this magnitude before concerning the HNHC since the cost sharing agreement was put in place. Staff recommend ongoing communication between both Counties to determine a fair and equitable way of sharing levy costs, should Council approve any capital commitments.

Haldimand

From a financial perspective, the Regeneration Master Plan is a complex and thorough document. It includes a number of detailed and complex financial considerations that warrants a more detailed review from the County's perspective. Haldimand has requested a meeting with representatives from the HNHC and their consulting team to provide a more detailed analysis of the specific financial impacts to Haldimand County.

This will allow staff to provide a more detailed analysis of these impacts directly to Haldimand County Council to better understand the potential financial impacts of the recommended approach/options.

Interdepartmental Implications:**Norfolk****Haldimand**

Haldimand County staff feel that it would be appropriate to support the RMP in principle at this time. However, further information as it pertains to Haldimand assets and future contributions, is required to be able to make specific recommendations to Haldimand County Council. It is expected that the AMP and RMP will be taken to Haldimand Council in early fall and staff will be in a better position at that time, to make recommendations to Council on which option is recommended with respect to the future of Haldimand's assets and options for financial support over the long term. At that time, Haldimand staff will include the necessary recommendations related to Service Manager consent.

Consultation(s):

CEO, Haldimand Norfolk Housing Corporation
General Manager, Corporate Services, Haldimand County

Strategic Plan Linkage:

This report aligns with the 2019-2022 Council Strategic Priorities "Build and Maintain Reliable, Quality Infrastructure" and "Focus on Service".

Explanation:

The maintenance of existing assets is vital to ensuring a consistent, safe and adequate supply of affordable housing in Haldimand and Norfolk. Additionally, opportunities for new affordable housing support the overall goals of meeting the community needs for affordable housing, now and into the future.

Conclusion:

The Haldimand Norfolk Housing Corporation has completed their Regeneration Master Plan. Staff are supportive of the overall goals presented in the plan and recommend that Council direct staff to move forward with preparing options for consideration of Haldimand and Norfolk Councils for new affordable housing developments and revitalization of existing properties.

Recommendation(s) of Health and Social Services Advisory Committee:**Recommendation(s):**

THAT Staff Report HSS 21-12, Haldimand Norfolk Housing Corporation Regeneration Master Plan and Strategic Asset Management Plan, be received as information;

AND THAT the Regeneration Master Plan and Strategic Asset Management Plan as prepared by Haerko Inc. and submitted by the Haldimand Norfolk Housing Corporation, be received as information;

AND FURTHER THAT more detailed information, including feasibility of the options for each individual municipality, be presented to the respective municipal Council for decisions to be made related to their assets;

AND FURTHER THAT the feasibility options be presented to each Council by September, 2021;

AND FURTHER THAT each Council/Shareholder make formal request to the SM for consent to dispose of assets, as determined at the individual Council meetings, based on the option(s) approved for new development;

AND FURTHER THAT Council direct the Social Services and Housing Department to work with Senior Staff in Haldimand and Norfolk Counties and the CEO of the Haldimand Norfolk Housing Corporation to bring back a report on the Alternate Average Market Rent (AAMR) Study, no later than September, 2021.

Attachment(s):

Attachment A – [Haldimand Norfolk Housing Corporation Regeneration Master Plan](#)

Attachment B – [Haldimand Norfolk Housing Corporation Regeneration Master Plan – Compendium of Reports](#)

Attachment C – [Haldimand Norfolk Housing Corporation Strategic Asset Management Plan](#)

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