HALDIMAND COUNTY

Report CSS-03-2021 Affordable Housing Projects and Financial Implications

For Consideration by Council in Committee on September 14, 2021

OBJECTIVE:

To review options related to asset management, regeneration and new development opportunities for the Haldimand Norfolk Housing Corporation portfolio in Haldimand County and examine financial considerations.

RECOMMENDATIONS:

1. THAT Report CSS-03-2021 Affordable Housing Projects and Financial Implications, be received;
2. AND THAT the "hybrid option" proposed by staff, including repair of existing assets in the Haldimand Norfolk Housing Corporation (HNHC) - Haldimand portfolio, as outlined in the HNHC Asset Management Plan, and a new build in Dunnville as per the HNHC presentation, be approved based on the estimates provided in Report CSS-03-2021, with the annual level impacts of the preferred option be included in the 2022 Draft Tax Supported Operating Budget as a Council Approved Initiative, with staff providing financial options to limit the levy impact to a maximum of 1.0%;
3. AND THAT the waiver of fees as outlined in CSS-03-2021 be approved in principle and once these amounts are confirmed, these be included in the 2022 Tax Supported Operating Budget as a Council Approved Initiative funded from the Social Housing Reserve;
4. AND THAT the asset plan as developed for the existing HNHC housing stock for Haldimand assets be adopted and the financial impacts be included in future annual HMHC capital budget requests for retained housing stock;
5. AND THAT staff be directed to work with the Service Manager and HNHC staff to develop a financial plan to address the long term capital and operating needs of HNHC for the housing stock in Haldimand;
6. AND THAT the proposed disposal of existing single and semi-detached units in the HNHC housing stock in Haldimand County be approved, in principle, and that staff bring back a strategic plan, in conjunction with the Service Manager, as to the specific units and timing of such disposals;
7. AND THAT a by-law be presented for enactment to authorize the transfer of approximately 1.5 acres of land in the Frank Marshall Business Park area to the Haldimand Norfolk Housing Corporation;
8. AND THAT that this development be deemed a Municipal Housing Facility and that a Municipal Capital Facility By-law be presented for enactment, for the transfer of this land and funding of permit fees associated with the Dunnville development.

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Respectfully submitted: Cathy Case, General Manager of Corporate & Social Services

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

It is evident across the country and locally that there is a significant need for more affordable housing options. Determining solutions to the national housing crisis is an extraordinarily complex and costly endeavour – one of which is impossible for municipal government to solely fund. Demonstrated by the figures presented in this report, the ability of the municipality to solve the housing crisis is very limited overall. Local Municipalities have limited revenue sources and rely primarily on property tax levy to support the current Social/Affordable housing needs.

It must be noted that the proposed Social/Affordable housing options outlined in this report are developed specifically related to the Haldimand Norfolk Housing Corporation's (HNHC) long term financial plan and underlying housing stock (see Attachment 1). The HNHC only represents a portion of the current social/affordable housing options currently available within the County. In addition to the HNHC current housing stock in the County, there also other public/private Not-for-Profit Housing providers as well as other social housing benefits administered by the Service Manager through Norfolk County. The County's current annual levy towards these initiatives is approximately $1.1 million while the annual contribution to HNHC is approximately $590,000.

Given the significant financial impacts of the proposed options, at this time staff cannot recommend support of the full request from HNHC which includes an asset management program, regeneration of the Selkirk Street property in Caledonia, a redevelopment project in Dunnville and a second new development in the Hagersville area. The full request would significantly impact the tax rate for the next ten years, at a level staff is not comfortable with recommending. However there is an opportunity for Haldimand to contribute to a local solution by increasing annual financial contributions to the HNHC asset management program to adequately maintain existing assets, as well as contributing to the new development of a mixed housing unit on or near Ramsey Drive in Dunnville. The new development would allow for higher density housing to meet the demonstrated need in the community for single bedroom units, with a reduction, by sale, of existing multi-bedroom units to offset new build costs.

The net new units added to the HNHC housing portfolio as a result of a new build in Dunnville would be 17. This comes at a cost to the municipality of approximately $685,000 per year for the next 15 to 20 years (assuming a 20 year debenture of the municipal contribution for the Dunnville build), equating to approximately a 1% increase to the tax levy in 2022. This cost excludes the requested waiver of fees and charges which are recommended to be funded from the Social Housing Reserve. In addition, the above noted costs do not include the donation of 1.5 acres of land at an estimated market value of $450,000. Staff propose this approach as a financially feasible solution that will slightly increase housing units overall and replace outdated housing with more energy efficient housing that will support the need for single/seniors housing in the community for many years to come. It is important to note that this decision will place an added commitment on the operating budget over the next 20 years. If Council approves this approach, specific costing will be built into the upcoming Draft 2022 Tax Supported Operating Budget as a Council Approved Initiative.

BACKGROUND:

Haldimand County Council has identified affordable housing as a Term of Council Priority. As a first step, the Health & Social Services Department updated its 10 Year Housing and Homeless Plan for Haldimand and Norfolk which outlines strategies the Counties can consider, including working with developers and other community partners to increase affordable housing stock.

The matter of housing is a very complex one, with traditional social housing in the County being based on rent that is geared to individual income. Social housing units were initially generated by the Province and legislation requires that the existing level of social housing units be maintained, or, specific Minister approval be sought to reduce the number of social housing units in an area or convert those types of units to a different type of housing. In recent years, the trend has moved to Affordable Housing. When discussing "affordable housing", it is important to distinguish the difference between the Affordable Housing Program that is subsidized by upper levels of government and basically means housing that is 80% of market value, versus general housing affordability overall which is currently a national challenge with continually rising housing markets. In this report, reference to "affordable housing" means housing units under the Affordable Housing Program and not general affordability.

The housing continuum diagram shown below outlines the spectrum from homelessness to home ownership.

HOUSING CONTINUUM

NON-MARKET HOUSING						MARKET HOUSING	
Homelessness	**Shelters & Transitional Housing**	**Supportive Housing**	**Social Housing**	**Affordable Rental Housing**	**Affordable Home Ownership**	**Market Rental Housing**	**Market Home Ownership**
People without housing	*Short term housing until more permanent solutions can be found*	*Housing that provides supports (medical or social) to aid in living independently*	*Rent fluctuates based on actual income (RGI)*	*Fixed rent based on a percentage of market rate*	*Assistance provided for down payment based on income*	*People who can afford market rent*	*People who can afford to buy a house*

The focus of this report is related to opportunities presented to the County by the Haldimand Norfolk Housing Corporation (HNHC), that involve social, affordable and market rental housing in Haldimand County (outlined above in red). The HNHC is a jointly owned local housing provider and is owned by Haldimand County (minority shareholder) and Norfolk County (majority shareholder). This report relates to options for existing housing assets of the HNHC that are located in the geographical boundary of Haldimand County as well as the future regeneration or redevelopment of these assets. The report does not cover housing assets owned and operated by other publicly funded/privately owned non-profit housing providers in the community.

In December, 2020 Council considered Report CSS-02-2020 HNHC – Housing Project Proposal, which was related to a mixed housing project in Dunnville. At that time Council approved in principle, providing 1.5 acres of land in the Frank Marshall Business Park vicinity, pending further investigation into the land for ownership and planning purposes. The planning process for this area is multifaceted and is proceeding as planned.

The report also directed staff to request that the Service Manager conduct a study on Alternate Average Market Rents (AAMR) to determine the current market rents in the Haldimand area. This study has been completed by Norfolk and will be presented to the Health & Social Services Advisory Committee at their September meeting. It is important to note that the business case developed by HNHC for the new housing projects being requested, uses a revised AAMR, which allows for rents to be charged that are more in line with today's current market, to make the projects feasible. It is possible that the AAMR will not be revised by the Service Manager due to the fact that it will increase rents throughout the social and affordable housing portfolio in the two Counties, which may lead to some individuals or families being unable to afford the revised rent. If this should happen, the shortfall in the HNHC funding requirements to make the developments sustainable, needs to be considered as it is likely that the HNHC will be looking to the municipality to offset the difference.

Through the 2020 report, Council also directed staff and the HNHC to report back on municipal financing options for this particular project. In order to report back, a comprehensive review of the entire HNHC housing portfolio in Haldimand was necessary, to understand the competing financial needs.

Throughout 2020 and early in 2021, HNHC along with the provincially designated Service Manager (Norfolk County), undertook a complete review of its housing portfolio for the purposes of developing an Asset Management Plan and a Regeneration Study. These two plans were finalized and then presented to the Health & Social Services Advisory Committee in June, 2021.

The Regeneration and Asset Management Plans are being presented to Council in conjunction with this staff report. The Plans will be presented by Matt Bowen of the HNHC and information will be available from Heidy Van Dyk, representative for the Service Manager.

The purpose of this staff report is to identify options available to Council in consideration of municipal financial contributions related to three main elements: a) maintenance and repair of existing assets; b) regeneration of existing assets; and/or c) replacement of existing assets with new development including additional housing units. Furthermore, when considering the various financial options, Council will also need to decide whether or not to approve the sale of existing assets to help fund one or more of the three elements noted above.

ANALYSIS:

The Regeneration study as presented by HNHC, in conjunction with their consultants Haerko Inc., is very comprehensive and detailed plan. The Study includes the impacts/recommendations from the HNHC's Asset Management Plan as well as the impact of various proposed options to address some of the housing needs identified in the 10 Year Housing and Homeless Plan for Haldimand and Norfolk. It should be noted, this plan is developed from HNHC's perspective and the financial impacts were evaluated relative to the overall financial operations of HNHC, not the direct impacts to the respective municipalities themselves. As such, it is not a comprehensive plan to address all the County's overall housing needs as identified in the aforementioned 10 year Housing Plan.

As outlined in the recently enacted Shareholder's Agreement between Haldimand/Norfolk Councils respectively and the HNHC, each municipality is financially responsible for the specifically identified share of the operational/maintenance and capital costs related to the housing stock located geographically within its respective boundaries. Each municipality must also share the annual administrative costs based on the relative ownership of the HNHC (currently established as a 40/60 split - Haldimand/Norfolk respectively).

As a result, to evaluate the financial impacts specific to Haldimand County's share of the HNHC's portfolio/stock, it was requested that Haerko Inc. provide Haldimand staff with the specific financial impacts of each of their proposal options under the Regeneration Plan. This information provided the fundamental basis for staff to evaluate each option and recommend the most viable option to Council that addresses their priority related to Affordable Housing in Haldimand County. It should be noted the financial analysis is based on the information provided by Haerko Inc. and is very complex and detailed and is based on numerous financial assumptions over a 15 year period. Staff have reviewed the details of the financial analysis and believes the information/estimates accurately reflect the magnitude of the financial impact of each proposed option. Having said that, as this was a financial plan developed for the HNHC as a whole, based on Council direction/preferred option, a detailed financial plan needs to be developed from the County's perspective to adequately plan for its immediate and future financial commitments.

As noted, the HNHC's Regeneration Master plan includes various options to address future housing needs based on a combination of the following goals: disposal of existing "under-performing" assets (all single and semi-detached homes), retain/repair/regeneration of existing stock, and a number of proposed new builds that include mixed income housing types.

Disposal of Existing Housing Stock:

The Regeneration Master Plan recommends disposal of a total of 41 units currently located in Dunnville (25 single family units on Elizabeth Crescent and 16 semi-detached units on Queen/Main Street). Although some of the options proposed by HNHC recommends disposal of some of these units to help fund the proposed options, there is no comprehensive plan on how or when to dispose and replace all 41 units. Additionally, the proposed units to be disposed, represent all of the HNHC's existing housing stock of units with more than 1 bedroom as noted in the chart below:

Chart 1: Summary of Existing HNHC Housing Stock in Haldimand County

Location	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Total
109 King, Hagersville		15				15
400 Queen, Dunnville		23				23
440 Queen, Dunnville	3	8				11
503 Main, Dunnville		44				44
68 Selkirk, Caledonia		20				20
Elizabeth Cres, Dunnville (single family)				25		25
Queen/Main, Dunnville (semi- detached)			6	8	2	16
Total	**3**	**110**	**6**	**33**	**2**	**154**

As the Regeneration Master Plan points out, semi-detached and single family units are not financially sustainable and do not provide for the opportunity of mixed-income diversification or financial economies of scale. Although fundamentally it makes sense from both a financial and affordable housing perspective to dispose of these units, there needs to be a comprehensive plan developed on how to best dispose/utilize these assets to maximize the County's return and increase the number of Affordable Housing units within Haldimand County. The Service Manager will require approval from the Ministry of Municipal Affairs and Housing in order to dispose of the units and transfer existing RGI units to the new build. Although staff do not see any obstacles with this request being approved by the Ministry, it is critical that a review of the disposal plan is conducted to ensure the correct number of units are being disposed of and that any unintended consequences are prevented. The new project is recommending building all one bedroom units and a couple of 2 bedroom units, which is supported by the current Central Waiting List for social housing. Council needs assurance that they are approving the correct number of units to be sold/retained, so as not to create a future family housing shortage in the Haldimand area. The timing of disposal will also be critical with respect to balancing the prevention of displacement of current tenants with allowing maximized revenue from the sale during an active real estate market, to contribute financially to the new builds. It is recommended that Haldimand County Staff work with the Service Manager to develop a comprehensive plan to dispose/replace these units to meet the County's objective of more Affordable Housing.

Summary of HNHC's Proposed Options:

There are four options included in the Regeneration Master plan and the fundamental principles of each option are based on:

- Capital repair backlog;
- Target facility conditions (FCI);
- Number and mix of units allocated between: Rent Geared to Income (RGI), Affordable units (80% market rent), Market rents and limited commercial space;
- Financial needs of each option over next 15 years (ending 2035): including Operating Subsidy and total capital spend (which includes annual repair, regeneration and new build costs).
- Financing options which includes: Potential sale of existing stock, CMHC funding, CHMC loans and Municipal contribution.

For each option, the facility condition is determined by a Facility Condition Index (FCI) which is a generally accepted industry standard to evaluate building condition. Simply put, the facility condition index is the cost of total building repair/upgrade/renewal needs divided by current replacement value of the building components. Based on industry benchmarks, the ranges are identified as follows: 0 to 5% - Good, 5 to 10% - Fair, and 10 to 30% FCI – Poor. Based on the Regeneration Master Plan, anything over 10% is considered below an acceptable level.

The key components of each option are noted below followed by a chart showing the cumulative financial impacts to 2035 for each option.

1. Base Case:

As outlined in the Regeneration Master Plan, the Base Case is intended to be the "baseline" to compare the other options to. This is primarily predicated on the "do nothing" approach and highlights the impacts and implications of inaction. Under this option, no existing stock is disposed or revitalized/redeveloped or built new.

Details of this option are as follows:

- Cumulative backlog of capital repairs is increasing from approximately $1.6 million in 2021 to nearly $20 million by 2035.
- Current average FCI of existing stock is 2%; Target FCI is 30% which is significantly below the recommended minimum standard of 10%.
- There are currently 154 RGI units spread across 7 housing developments in Haldimand County. Under this option it is anticipated that 20 units in Caledonia would come out of service in 2030 due to poor conditions. These units would need to be replaced by some other form of Social Housing (e.g. portable social housing benefits or another service provider).
- Although there are no redevelopments/new builds to fund under this option, there are additional capital and operating costs anticipated to meet the planned 30% FCI. The cumulative financial needs under this option are estimated to be approximately **$12.7 million** over the next 15 years requiring a cumulative impact over existing funding of approximately **$3.8 million**.
- Funding for this option is assumed to be additional annual contribution from the County.

Pros: There are limited pros to this option given is was developed as the "baseline" to highlight the fact that a "do nothing" approach is not feasible. This option does highlight the need for significant capital investment over the next 15 years.

Cons: This approach would see a reduction in the overall number of housing units that currently exist. Considering the national housing crisis, this is not a desirable option. Given the nature of this option, there are other numerous negative impacts associated:

- Increased annual operating and capital levy requirements;
- Loss of 20 units by 2030 and the need to finance/replace the loss of those RGI units;
- Overall poor conditions of remaining asset would not sufficiently meet the needs of residents/tenants.

2. Renewal and Repair:

The renewal and repair option will renew and repair all existing housing stock in HNHC's portfolio to an established acceptable condition. In addition, two developments have been identified to undergo redevelopment including a Deep Energy Retrofit (DER). One of these facilities is located at 68 Selkirk Street in Caledonia that currently provides 20 RGI units. This option will also introduce mixed income housing into the Selkirk Street redevelopment as some RGI units are proposed to be converted to a mix of Affordable and Market rent units. These displaced units would need to be replaced by some other form of Social Housing (e.g. portable social housing benefits or another service provider).

Details of this option are as follows:

- Cumulative backlog of capital repairs is increasing from approximately $2.3 million in 2021 to approximately $6.6 million by 2035 based on optimal capital financing proposed under this option.
- Current average FCI of existing stock is 3%; Target FCI is 10% which is meets the recommended minimum standard of 10%.
- There are currently 154 RGI units spread across 7 housing developments in Haldimand County. Under this option it is anticipated that 20 units in Caledonia would be regenerated to become an energy efficient, mix-income housing development. In aggregate this represents a net <u>loss</u> of <u>3</u> RGI/Affordable Housing units. The RGI units converted to affordable/market rents (totalling 8 units) would need to be replaced by some other form of Social Housing (e.g. portable social housing benefits or another service provider in order to maintain the required number of RGI units within the portfolio).
- Under this option, there are additional capital and operating costs anticipated to meet the planned 10% FCI as well as to fund the planned regeneration. The cumulative financial needs under this option are estimated to be approximately **$16.3 million** over the next 15 years requiring a cumulative impact over existing funding of approximately **$7.5 million**. Based on the financial model, the redevelopment of 68 Selkirk Street is anticipated to be completed by the end of 2025.
- Funding for this option is assumed to be an additional annual contribution from the County for the repair/asset management of existing stock to maintain a state of good repair and additional funding for the County's share of the regeneration of 68 Selkirk Street in Caledonia is estimated to be approximately $2.1 million (which is included as part of the overall $16.3 million operating capital needs over the next 15 years).

Pros: The relative advantages of this option are as follows:

- Provides an annual level of capital repairs/upgrades to maintain all HNHC owned units in Haldimand County at an acceptable condition into the future.
- Ensures all stock remains in service at acceptable levels.
- Ensures the County's investment in these units is protected and continues to serve the underlying intended purpose.
- Provides a mixed income development that is more financially sustainable.

- Reduces anticipated annual operating costs of the housing stock.

Cons: The relative disadvantages of this option are as follows:

- Given the conversion of 8 RGI units to a mix of Affordable and Market units, there is a net loss of 3 RGI/Affordable housing units within Haldimand County;
- The net loss of these units needs to be replaced within Haldimand County and staff are not aware of any Social Housing benefits/provider willing to do that at this time.
- There is a significant financial impact to the County without increasing the affordable housing stock in Haldimand County.

This option is not recommended by staff.

3. Option 1 – Renewal, Repair and New Build in Dunnville:

This option includes the components of the Renewal and Repair option and adds a proposed new build in Dunnville. The business case for a proposed Dunnville build was presented to Council in late 2020 and was approved in principle. As part of this presentation/report, Council also approved, in principle, the use/transfer at no cost, with an estimated value of approximately $450,000, of 1.5 acres of land in the Frank Marshall Business Park area, subject to further review and necessary planning approvals, designations and authorizations. It should be noted that such a transfer at less than fair market value will require a Municipal Housing Capital Facility by-law. In addition to the conversion of 8 RGI units to a mix of Affordable and Market rent units as part of the regeneration of Selkirk Street in Caledonia, the new build in Dunnville is proposed to include 35 new units in total including a mix of RGI, Affordable and Market units (11 RGI, 16 Affordable and 8 Market) plus some commercial market rental space. The proposed new mixed income development is also based on disposing of a recommended 10 singles/semis - existing RGI units in Dunnville located on Elizabeth Crescent, Queen Street and/or Main Street in Dunnville.

Details of this option are as follows:

- Cumulative backlog of capital repairs is increasing from approximately $2.1 million in 2021 to approximately $6.1 million by 2035 based on optimal capital financing proposed under this option.
- Current average FCI of existing stock is 3%; Target FCI is 10% which is meets the recommended minimum standard of 10%.
- There are currently 154 RGI units spread across 7 housing developments in Haldimand County. Under this option it is anticipated that 20 units in Caledonia would be regenerated to become an energy efficient, mix-income housing development of 12 RGI units, 5 Affordable Units and 3 Market units. The proposed new build in Dunnville will add 11 RGI units and 16 affordable housing, funded in part by the disposal of 10 existing RGI units. In aggregate, this is an net addition of 14 RGI/Affordable units in Haldimand County as well as a mix of market and limited commercial units. These RGI units converted to affordable/market rents (totalling 8 units) would need to be replace by some other form of Social Housing (e.g. portable social housing benefits or another service provider).
- Under this option, there are additional capital and operating costs anticipated to meet the planned 10% FCI as well as to fund the planned regeneration. The cumulative financial needs under this option are estimated to be approximately **$21.1 million** over the next 15 years requiring a cumulative impact over existing funding of approximately **$12.3 million**. Based on the financial modeling, the redevelopment of 68 Selkirk Street is anticipated to be in service by 2025 and the new build in Dunnville will be in service by 2024.
- Funding for this option is assumed to be an additional annual level from the County for the repair/asset management of existing stock to maintain a state of good repair. This option also

requires additional funding for the County's share of: (i) the regeneration of 68 Selkirk Street in Caledonia estimated to be approximately $2.1 million; and (ii) the contribution from the County for the Dunnville build (estimated to be approximately $4.5 million). All these components/financial needs, with the exception of the waiving of the fees/charges for the Dunnville build (estimated to be $400,000), are included as part of the overall $21.1 million operating/capital needs over the next 15 years.

Pros:

- Provides an annual level of capital repairs/upgrades to maintain all HNHC owned units in Haldimand County at an acceptable condition level into the future.
- Ensures all stock remains in service at acceptable levels.
- Ensures the County's investment in these units is protected and continues to serve the underlying intended purpose.
- Provides an additional investment in new mixed income community of 14 new RGI/Affordable units (a <u>reduction</u> of 7 RGI units and 21 <u>new</u> affordable units).
- Utilizes the revenue from the disposal of 10 "underperforming" assets to develop a more modern housing facility, realizing efficiencies that come with a brand new development and assisting in meeting local housing needs for many years to come.
- Provides a mixed income development that is more financially sustainable.
- Reduces anticipated annual operating costs of the housing stock.

Cons:

- The redevelopment at 68 Selkirk Street recommends the conversion of 8 RGI units to a mix of Affordable and Market units, there is a net loss of 3 RGI/Affordable housing unit within Haldimand County and requires an investment from the County of approximately $2.1 million.
- The units proposed to be sold (single or semi-detached homes) represent some of the HNHC's only 3 and 4 bedroom units available at this time.
- The net loss of 7 RGI units needs to be replaced within Haldimand County and staff are not aware of any Social Housing benefits/provider willing to do that at this time.
- An Alternate Average Market Rent (AAMR) study is currently underway that will potentially increase rents on all units significantly and may result in rents that are difficult to afford for seniors and low income tenants with deeper affordability needs.
- The Dunnville Business Case assumes that a AAMR study will return a higher market rent than currently used under the CMHC's market rent – thereby providing additional revenues to make the proposed build "self-funding" from and operational perspective. If the AAMR is not approved by the Service Manager, it will mean a shortfall in the revenues needed for the Dunnville project to allow it to be "self-funded". This shortfall may be requested to be covered annually by the County.
- The new Dunnville project addresses the need for single bedroom units in the portfolio. However some degree of caution needs to be exercised to ensure that one problem is not being slightly addressed (singles and seniors) at the expense of another sector in need of housing (families). Unfortunately, the housing crisis is so significant that the municipality cannot solve the issue for all sectors, therefore it is important that either a) a balance is found to allow family housing and singles/seniors housing to exist within the portfolio, or b) it is determined what the target sector is in the community and focus is put on that sector (i.e. singles/seniors versus family housing)

4. Option 2: Renewal, Repair and New Builds in Dunnville and Hagersville:

This option builds on the components of Option 1: Renewal, Repair and new build in Dunnville option and adds a proposed new build in Hagersville. The proposed Hagersville build consist of 30 units in total and similar to the Dunnville build includes a mix of units including 9 RGI units, 14 Affordable units, 7 market units and some commercial market space available. This is in addition to the conversion of 8 RGI units to a mix of Affordable and Market rent units as part of the regeneration of Selkirk Street in Caledonia and the proposed 35 new units in Dunnville (11 RGI, 16 Affordable and 8 Market plus some commercial market rental space). The proposed new mixed income developments in Dunnville/Hagersville is also based on disposing of a total of 19 singles/semi existing RGI units in Dunnville located on either Elizabeth Crescent and/or Queen/Main Street in Dunnville.

Details of this option are as follows:

- Cumulative backlog of capital repairs is increasing from approximately $2.0 million in 2021 to approximately $5.5 million by 2035 based on optimal capital financing proposed under this option.
- Current average FCI of existing stock is 4%; Target FCI is 10% which is meets the recommended minimum standard of 10%.
- There are currently 154 RGI units spread across 7 housing developments in Haldimand County. Under this option it is anticipated that 20 units in Caledonia would be regenerated to become an energy efficient, mix-income housing development of 12 RGI units, 5 Affordable Units and 3 Market units. The proposed new build in Dunnville will add 11 RGI units and 16 affordable housing, funded in part by the disposal of 10 existing RGI units. The proposed new build in Hagersville will add 9 RGI units and 14 affordable housing, funded in part by the disposal of 9 existing RGI units. In aggregate, this is an net additional of 28 RGI/Affordable units in Haldimand County as well as a mix of market and limited commercial units. These RGI units converted to affordable/market rents (totalling 7 units) would need to be replace by some other form of Social Housing (e.g. portable social housing benefits or another service provider).
- Under this option, there are additional capital and operating costs anticipated to meet the planned 10% FCI as well as to fund the planned regeneration. The cumulative financial needs under this option are estimated to be approximately **$23.5 million** over the next 15 years requiring a cumulative impact over existing funding of approximately **$14.7 million**. Based on the financial modeling, the redevelopment of 68 Selkirk Street is anticipated to be in service by 2025, the new build in Dunnville will be in service by 2024 and the new build in Hagersville will be in service by 2029.
- Funding for this option is assumed to be an additional annual level from the County for the repair/asset management of existing stock to maintain a state of good repair. This option also requires additional funding for the County's share of: (i) the regeneration of 68 Selkirk Street in Caledonia estimated to be approximately $2.1 million; and (ii) the contribution from the County for the Dunnville build (estimated to be approximately $4.5 million). All these components/financial needs, with the exception of the waiving of the fees/charges for the Dunnville build (estimated to be $400,000), are included as part of the overall $21.1 million operating/capital needs over the next 15 years.

Pros:

- Provides an annual level of capital repairs/upgrades to maintain all HNHC owned units in Haldimand County at an acceptable condition level into the future.
- Ensures all stock remains in service at acceptable levels.
- Ensures the County's investment in these units is protected and continues to serve the underlying intended purpose.
- Provides an additional investment in net new, mixed income units, of 28 RGI/Affordable units (a <u>reduction</u> of 7 RGI units and 35 <u>new</u> affordable units).
- Utilizes the revenue from the disposal of 19 "underperforming" assets to develop a more modern housing facility, realizing efficiencies that come with a brand new development and assisting in meeting local housing needs for many years to come.

- Provides a mixed income development that is more financially sustainable.
- Reduces anticipated annual operating costs of the housing stock.

Cons:

- The redevelopment at 68 Selkirk street recommends the conversion of 8 RGI units to a mix of Affordable and Market units, there is a net loss of 3 RGI/Affordable housing unit within Haldimand County and requires an investment from the County of approximately $2.1 million.
- The units proposed to be sold (single or semi-detached homes) represent almost half of the HNHC's only 3 and 4 bedroom units available at this time.
- The net loss of 7 RGI units needs to be replaced within Haldimand County and staff are not aware of any Social Housing benefits/provider willing to do that at this time.
- The concerns related to AAMR, the target sector, etc. that are mentioned in Option 1 are also the same for this option.

Chart 2: Summary of Cumulative Financial Impacts – 2021 to 2035

Financing Details - Haldimand Only:	***Base Case***	***Renewal & Repair***	***Option 1***	***Option 2***
Financing Needs (2021 to 2035)				
Operating Subsidy	$8,870,501	$7,593,318	$7,606,801	$7,617,681
Total Capital Contribution	$3,839,204	$8,714,425	$13,499,439	$15,887,400
Total Annual Contributions	**$12,709,705**	**$16,307,743**	**$21,106,240**	**$23,505,081**
Existing Funding of $589,900/yr. for 15 years	$8,848,500	$8,848,500	$8,848,500	$8,848,500
Cumulative Shortfall ($) - 2021 to 2035	**$3,861,205**	**$7,459,243**	**$12,257,740**	**$14,656,581**

After a comprehensive review of each option provided by HNHC, and the relative financial implications of each (noted in more detail in the Financial/Legal Implications section), **staff are proposing a hybrid solution** that would see the "repair" aspect of the Renewal and Repair option, combined with a new build in Dunnville. Staff do not recommend the renewal of Selkirk Street in Caledonia as the impacts and return on investment for this proposal would not allow for the new build in Dunnville to be feasible from a tax levy perspective. At this time, staff also cannot recommend a new build in Hagersville for the same reasons.

In determining the preferred option, Council should consider the following:

- What is the overall goal that is trying to be achieved? Is it more physical housing units in aggregate, is it replacement of existing housing with newer and more efficient housing, or is it targeting a certain sector of the community in need of housing? The recommended proposal would see an additional 17 housing units added to the overall HNHC portfolio. It also sees the 17 new units and a number of other units (35 overall) as one brand new development creating efficiencies and a modern facility that will provide community housing for years to come. The new proposal provides mainly 1 bedroom housing for singles/seniors in the community, and uses the funds from selling multi-bedroom dwellings to offset capital costs, thereby removing these multi-bedroom units from the overall inventory owned by HNHC.
- The financial plan hinges on the approval of the updated AAMR. There are pros and cons to updating the AAMR. The advantage of having an AAMR that is more in line with the true market conditions is that it may attract private developers to build affordable housing in Haldimand. If the AAMR remains at today's levels, it is quite possible that it could be a deterrent to some private developers. The disadvantage of an updated AAMR is that it will directly impact the people that are most in need of housing that is affordable. By increasing the AAMR, it increases the rent charged to tenants. Rents may increase several hundred dollars per month under a

revised AAMR which has the potential to negatively impact those in the community with the deepest affordability needs. Without a shelter system in Haldimand and Norfolk, if a revised AAMR displaces people in deeper low income situations, will homelessness increase and how will these members of the community have their housing needs met?

- Is the investment of $4.5 million plus waiver of fees and charges, and transfer of land at no cost, providing the value Council wishes to receive. The proposal would see the repair of all necessary units to bring them up to an acceptable standard. It would also see the sale of 10 units and a brand new, efficient and modernized facility with 35 mixed income units, with a life expectancy well into the future. The net increase in units to the overall HNHC Haldimand portfolio would be 17 units.

FINANCIAL/LEGAL IMPLICATIONS:

Evaluation of Financial Impacts of Each Proposed Option:

As noted previously, in addition to the lack of available units/supports, the provision of Social and Affordable Housing in the province of Ontario and across Canada is a very costly endeavour and is currently chronically under funded. This not and never should have been a municipally funded service. Not only is this a national/provincial issue, local municipal governments are not well suited to fund these types of large scale social needs. Local municipalities have limited revenue sources and rely primarily on property tax levy to support the current social/affordable housing needs. This is highlighted by the significant estimated financial impacts of the options noted above.

It must be reiterated that the proposed social/affordable housing options outlined in this report are developed specifically related to the HNHC's long term financial plan and underlying housing stock. The HNHC only represents a portion of the current social/affordable housing options currently available within the County. In addition to the HNHC current housing stock in the County, there also other public/private not-for-profit housing providers as well as other social housing benefits administered by the Service Manager (Norfolk County). The County's current annual levy towards these initiatives is approximately $1.1 million while the annual contribution to HNHC is approximately $590,000.

Based on the financial modeling provided by HNHC, as noted above, all of the proposed options have significant financial impacts over the next 15 years. The following charts provide a financial analysis of the various options as well as what staff feel is the most viable option – which is a hybrid of two of the proposed options. It must be noted the following analysis utilizes the financial information/modeling provided by HNHC's consultants and it was not developed to be used as a long term financial plan to address the County's current social/affordable housing needs. Ultimately the County will need to develop a comprehensive long term plan with specific targets to fully understand the County's total financial needs in this regard.

Chart 3: Summary of Net new RGI/Affordable Units and Required Municipal Share Per Unit

	HNHC Options				
Options	**Base Case**	**Renewal & Repair**	**Option 1**	**Option 2**	**Recommended**
Details	*Current state continues, no change in funding*	*Base Case + Repair & Renewal 68 Selkirk, Caledonia*	***Renewal plus Dunnville Build***	***Renewal plus Dunnville & Hagersville Build***	***State of Good Repair plus Dunnville Build***
Unit Details - Haldimand Only:	*By 2030*	*By 2025*	*By 2024*	*By 2029*	*By 2024*
Out of Service Due to Poor Condition	20	0	0	0	0
# of Units Strategically Disposed	0	0	10	19	10
Total # of New Units	0	0	35	65	35
# of HNHC Owned RGI	154	146	147	147	155
# of Affordable Units	0	5	21	35	16
# of Market Units	0	3	11	18	8
	134	**154**	**179**	**200**	**179**
Current RGI	**154**	**154**	**154**	**154**	**154**
Net New RGI/Affordable Units	**-20**	**-3**	**14**	**28**	**17**
# of Portable Housing Benefits to Replace Lost RGI Units	**0**	**8**	**7**	**7**	**0**
Haldimand's Requested Renewal/New Build Contribution	$0	$2,074,876	$6,653,787	$9,104,816	$4,578,911
Cost Per Net New units - Haldimand's share	n/a	-$691,625	$475,271	$325,172	$269,348

' - New Build Costs excludes one-time upfront waiver fees for Option1 and Option 2*

The above noted chart summarizes the net number of new RGI/Affordable units that would be available after the proposed developments under each option. The chart also summarizes the total new "investment " by Haldimand County under each option and the relative cost under each option. As identified in the chart above, the "by-bred" options provides the most new RGI/Affordable Housing units at the least financial impact on a per unit basis. In addition, it is the only option that does not reduce the current number of RGI units available through HNHC – in fact, it adds 1 additional RG unit on top of the 16 new Affordable units.

Chart 4: Annual Levy Impact of Options

	HNHC Options				
Annual Funding Impacts	***Base Case***	***Renewal & Repair***	***Option 1***	***Option 2***	***Recommended***
Average Annual Subsidy	$591,367	$506,221	$507,120	$507,845	$507,120
Asset Management/State of Good Repair	$255,947	$442,637	$460,360	$476,217	$460,360
Minimum Annual Contributions	$847,314	$948,858	$967,480	$984,062	$967,480
Current Funding	$589,900	$589,900	$589,900	$589,900	$589,900
Average Annual levy Impact - $	$257,414	$358,958	$377,580	$394,162	$377,580
Average Annual levy Impact - $	0.4%	0.5%	0.5%	0.5%	0.5%
Add Annual Capitl Levy Impacts (new builds/retrofit)					
Regeneration of 68 Selkirk - annual debenture costs		$140,979	$140,979	$140,979	
New Dunnville Build - annual debenture costs			$307,058	$307,058	$307,058
New Hagersville Build - annual debenture costs				$146,091	
Estimated Annual Debt Costs (20 years)	$0	$140,979	$448,037	$594,128	$307,058
Add One Time Capital Costs					
Upfront Waiver of Fees (excluding land)	$0	$0	$400,000	$800,000	$400,000
Average Annual levy Impact - $ (excluding one-time capital)	$257,414	$499,937	$825,617	$988,290	$684,638
Average Annual levy Impact - % (excluding one-time capital)	0.4%	0.7%	1.1%	1.4%	0.9%
Cumulative Levy Impact - 2022 - $	$257,414	$499,937	$1,225,617	$1,788,290	$1,084,638
Cumulative Levy Impact - 2022 - %	0.4%	0.7%	1.7%	2.5%	1.5%

The above chart summarizes the estimated annual levy impact under each option. It assumes any increased annual operating and capital needs for repairing/maintain retained housing stock would be funded from increases in the annual levy required to fund the HNHC's annual Haldimand County municipal contribution. As this represents an annual need on an ongoing basis, similar to other base budget impacts, there is no other source of funding to offset these impacts over the timeframe required (i.e. 15 years). In relation to the current aggregate annual funding of approximately $590,000, to meet the anticipated increased municipal contribution (for both the operating and estimated capital funding to maintain the housing stock at an acceptable level), the annual impact is an increased levy/municipal contribution to HNHC of approximately **$380,000 or 0.5%** under the preferred hybrid option (ultimately, the annual levy impact is approximately 0.5% under all viable options).

The County has limited dedicated financial resources available to fund the redeveloped/new builds proposed by HNHC. Even under the recommended approach, despite providing the most net new RGI/Affordable housing units at the lowest cost per unit, the estimated direct municipal contribution is approximately **$4.5 million** (excluding the requested waiver of fees and permits costs). The only dedicated funds currently available for all Social Hosing initiatives (not just those proposed by HNHC) is the Social Housing Reserve. This reserve currently has a projected balance at the start of 2021 of $2.3 million and was established not only to mitigate/stabilize and net operating levy impacts associated with the provision of Social Housing, it was also intended to offset future capital related cost associated with Social Housing stock (both maintaining existing stock as well as funding additional units). As such, given the potential needs on this reserve in the future and relatively small impact it would have on the levy impacts of the existing proposed build in Dunnville, it is recommended the use of this reserve be limited to the one-time waiver of fees requested by HNHC for this build (see details below). As a result, the entire requested municipal contribution, estimated at $4.5 million, would require a new debt issuance. Based on the County's debt issuance policy/principles, this would result in a 20 year debenture issuance at an estimated 3.5% interest rate resulting in annual debenture payments of approximately $310,000 or an additional annual levy impact of approximately 0.5%.

Under the recommended hybrid option, the total annual levy impact is approximately 1.0% compared to HNHC's options that range from 0.7% to 1.4% (excluding any one-time fee waiver costs). Adding in the required one-time costs, the total levy impact increases to 1.5% and HNHC options increase to between 0.7% and 2.5%.

HNHC has requested that applicable Development Charges and permit fees be "waived" for the Dunnville and Hagersville build. For the recommended approach, this has been estimated in the Dunnville build case by HNHC as a one-time cost of approximately $400,000. It should be noted to Council, that such a waiver/subsidy has never been provided to any private development in the County related to Social/Affordable housing. The County has provided loan guarantees and even a one-time upfront financial subsidy of $250,000 in the past (funded by the Social Housing Reserve). Given the magnitude and social/affordable housing impacts in the County, staff are recommending to approve this request. Given the fees requested to be "waived" must be paid into their applicable accounts due to legislation/approved by-laws, staff are recommending using the Social Housing Reserve to fund these amounts. Once these amounts are determined based on actual costs, these amounts will be applied to the required operating revenue accounts and funded from the Social Housing Reserve. The "waiving" of these fees will also need Council to designate this development as a Municipal Housing Facility and pass a Municipal Capital Facilities By-law.

Based on the above, it is staff recommendations that the one-time cost from the Dunnville build to be funded form the Social Housing Reserve and the anticipated levy impacts of the hybrid options, estimated to be a levy increase of approximately 1.0%, be included in the Draft 2022 Tax Supported Operating Budget as Council Approved Initiatives.

Other Financial Impacts/Considerations:

There a number of specific and generic financial considerations associated with the recommended approach above.

Firstly, as all the annual impacts are estimates based on financial information provided by HNHC, the County will need to develop our own long term financial plan. This plan will need to incorporate the asset management plans specifically related to housing stock in Haldimand County as well as the County's required contributions for the proposed Dunnville build. Given the complexity of these financial plans, this may require the assistance of consultants to help staff develop these plans.

Additionally, it should be noted that the financial information provided by HNHC is based on a number of significant estimates that are subject to change. Specifically, as previously noted, the impacts of the AAMR study and the proceeds from the sale of existing stock could change the estimates significantly. Any changes to these estimates will impact the County's overall financial contribution.

The proposed use of debt to finance the County's share of the Dunnville build will impact the County's available debt capacity. Based on the estimated annual debt payments, this proposed develop with have limited impact on our debt capacity and is within our principles for annual debt repayment limits. It is unknown how this unplanned debt issuance with be viewed by Standard & Poor's during their annual credit rating as they had cautioned against unplanned debt issuances in the future.

It should be noted that the above noted financial analysis assumes no existing or new grant funding opportunities are available for the recommended approach. Staff will continue to monitor the availability of any senior level of Governments funding available specifically for Affordable Housing.

STAKEHOLDER IMPACTS:

There are several stakeholders impacted by the decisions related to this report. In preparing the report, staff consulted numerous times with the HNHC representatives and consultants and Heidy Van Dyk who represents the Service Manager. There is a direct impact on the HNHC as they try to renew their portfolio and provide adequate housing for the Haldimand community. The Service Manager role is to review the proposals with respect to the overall housing environment in the County, and make recommendations to the Ministry of Municipal Affairs and Housing on behalf of Haldimand and Norfolk and based on the overall housing needs within the community – not just the HNHC portfolio or mandate. The key stakeholders in this matter are truly those who are in need of RGI or Affordable Housing. The current housing environment, nationally, is in crisis and the municipality is one very small part of the solution. It is hopeful that other levels of government will introduce new funding measures in the future to assist in resolving the housing crisis for all Canadians.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. Haldimand Norfolk Housing Corporation Executive Summary of Proposed Options.