

## Haldimand Norfolk Housing Corporation – Regeneration Master Plan

### Executive Summary

Haldimand Norfolk Housing Corporation (HNHC) retained Haerko Inc. in May 2020 to complete a 15-year Regeneration Master Plan (RMP)

HNHC is the Local Housing Corporation for Haldimand and Norfolk who are joint sole shareholders. HNHC owns and manages 544 of the mandated 826 social housing units in the service area on behalf of the SM. HNHC owns 416 of the 544 units and manages the balance for other housing providers as a service. As of 2021, the average age of HNHC's assets is 47 years old.

HNHC is facing the following challenges:

1. The current social housing and funding model is unsustainable based on current levels of funding. The operational subsidies will continue to increase year over year as rent revenue does not keep pace with expenses.
2. The increasing capital liability results in a correspondingly growing Facility Condition Index (FCI) that reaches 30% in 2035, as can be seen below in Figure 1. Certain units may therefore need to be shut down due to their condition.

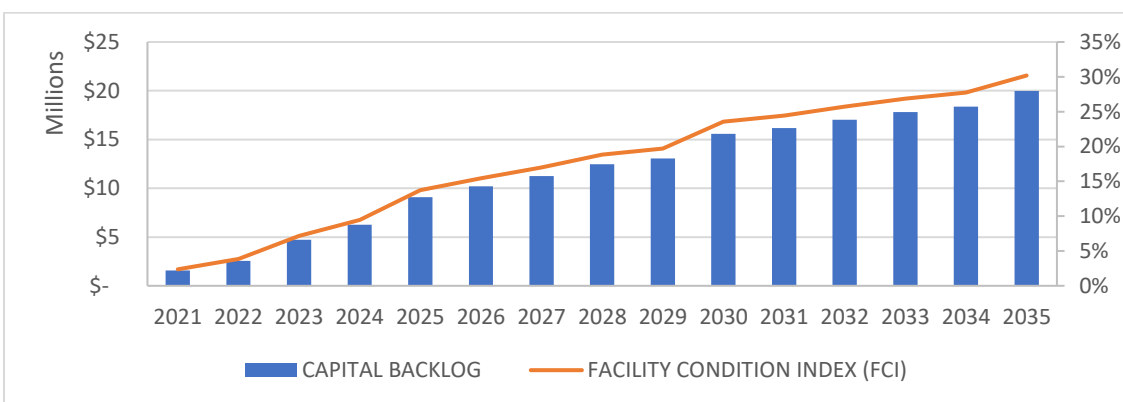


Figure 1 Capital Backlog with Corresponding FCI for HNHC's Assets

3. HNHC's housing stock is 97% social housing, which concentrates and segregates low-income households in a few buildings or parts of a subdivision. Mixed-income communities integrate a wider range of socioeconomic households, creating a sustainable community without blight and stigmatization.
4. Housing prices and rents continue to increase as demand outstrips supply, while vacancy rates are currently at an all-time low. Correspondingly, the centralized waitlist has continued to grow. (See Figure 2) Furthermore, due to the lack of social and affordable housing in the service area, households housed in emergency and transitional housing find it difficult to secure rental housing.

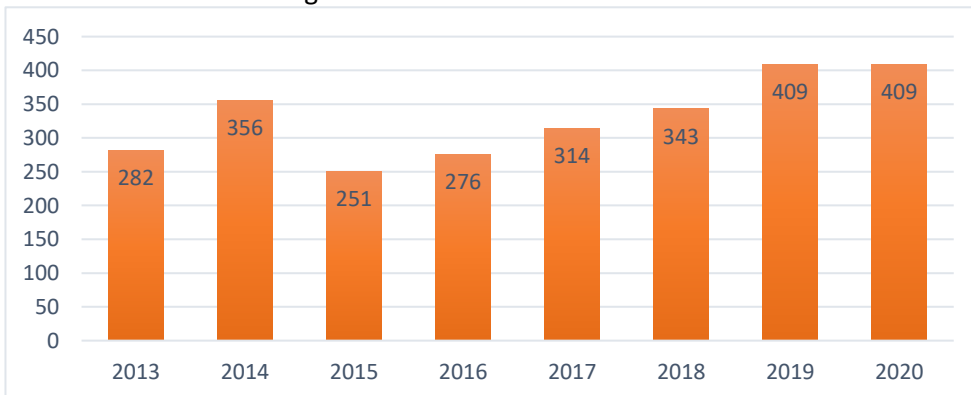


Figure 2 Number of Households on the Waitlist Per Year (data provided March 9, 2021)

Strategies were developed to address the issues HNHC is facing as shown in Figure 3.

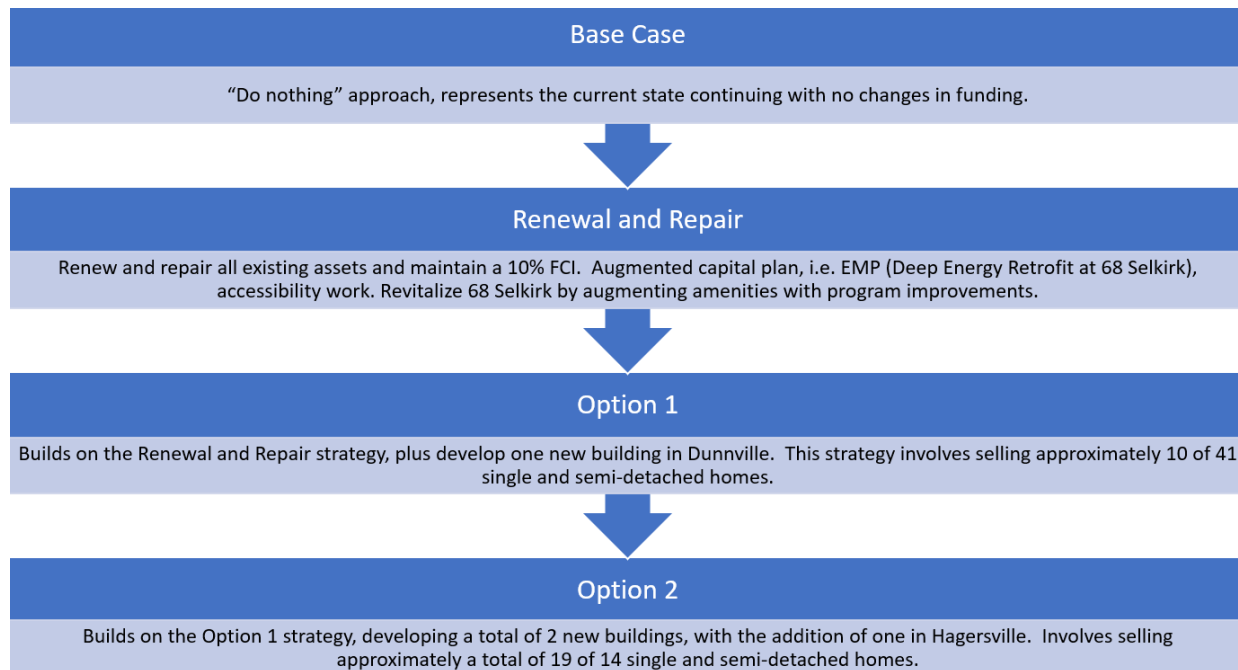


Figure 3: Regeneration Master Plan Strategies.

Comprehensive business cases were prepared for each new development and re-development project as well as a 15-year operational and capital financial model that consolidates the financial impact and benefits of each option. The outcome of this analysis for Haldimand County is shown in Figure 4.

STRATEGY	BASE CASE	RENEWAL AND REPAIR	OPTION 1	OPTION 2
<b>Portfolio Condition and Mix by 2035</b>				
Portfolio FCI of Legacy Units	32%	10%	10%	10%
Capital Backlog of Legacy Units	\$7.3M	\$2.3M	\$2.1M	\$2.0M
Average Age of Assets (years)	64 years	64 years	53 years	45 years
Units out of Service Due to Poor Condition	20	0	0	0
# of Units Strategically Disposed	0	0	10	19
# of New Units	0	0	35	65
Net # of Units	<b>154</b>	<b>162</b>	<b>186</b>	<b>207</b>
# of HNHC's Owned RGI Units	134	146	147	147
# of RGI Portable Housing Benefits	20	8	7	7
# of Affordable Units	0	5	21	35
# of Market Units	0	3	11	18
<b>Financials from 2021-2035 (\$ Thousands)*</b>				
Operating Subsidy	\$8,871	\$7,593	\$7,607	\$7,618
Operating Subsidy in year 2035	\$788	\$643	\$627	\$619
Total Capital Spend	<b>\$3,839</b>	<b>\$11,514</b>	<b>\$27,731</b>	<b>\$40,279</b>
Capital Subsidy	\$3,839	\$8,714	\$13,499	\$15,887
Sale of Existing Assets	\$0	\$0	\$2,877	\$6,023
CMHC Debt**	\$0	\$2,600	\$8,655	\$14,169
CMHC Contribution**	\$0	\$200	\$2,700	\$4,200

\*Resulting financials are dependent on numerous factors and decisions made Haldimand County.

\*\* CMHC debt and contribution are estimated, they have not been promised nor secured.

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Figure 4: Financial and Unit Statistic Summary of Each Regeneration Master Plan Strategy.

HNHC aims to pursue the Option 2 strategy outlined in the Regeneration Master Plan. Over the next 15 years, HNHC's plans to modernize HNHC's housing portfolio to better serve the residents of Haldimand County, align with broader municipal and provincial plans, and create a more financially self sustainable housing portfolio. (See Figure 5) Option 2 meets the clear need for more affordable housing and housing options in Haldimand County by retaining and renewing existing housing units and building net new rental units with RGI, affordable and market units.

### Alignment with Haldimand County's Plans

- Haldimand's and Norfolk's Housing and Homelessness Plan
- Haldimand's Council Affordable Housing Strategies
- Haldimand's Energy Management Plan

### Alignment with the Province's Direction

- Housing Services Act
- Provincial Community Housing Renewal Strategy
- More Homes, More Choices - Provincial Plan
- Ontario's Long-Term Affordable Housing Strategy

*Figure 5: HNHC's Option 2 Strategy Alignment with Municipal and Provincial Goals, Plans and Strategies.*

Through a partnership with Haldimand County, the Service Manager and the federal government (CMHC' Co-Investment funding program), under HNHC's Option 2 strategy, HNHC will:

#### MAINTAIN SERVICE LEVEL STANDARDS

#### RETAIN, UPDATE AND MODERNIZE EXISTING HOUSING PORTFOLIO

- Renew and repair existing units
- Revitalize and implement a Deep Energy Retrofit at 68 Selkirk

#### GROW THE HOUSING PORTFOLIO

- Strategically divest select housing units
- Build two new modern and energy efficient developments
- 53 net new RGI, affordable and market units

#### IMPLEMENT ENERGY PERFORMANCE UPGRADES

- Reduce carbon emissions
- Reduce utility usage and costs
- Improve living conditions for residents

#### STRENGTHEN COMMUNITIES

- Modernize the housing portfolio
- Introduce mixed income communities
- Create community partnerships
- Improve the accessibility of the housing portfolio

*Figure 6: Option 2 Outcomes*

To execute HNHC's plan, HNHC requires both financial and serviced land contribution from Haldimand County to access CMHC Co-Investment funding. CMHC currently offers significant grant and below market interest rate loans to housing providers to renew and repair their existing housing stock, and to build new rental units. Furthermore, the Ministry's approval of the Alternative Average Market Rents (AAMR) is required for the success of HNHC's plan. Establishing AAMR will allow HNHC to access significant CMHC funding.

Over the next 15 years, HNHC's requires an operating subsidy of \$7.6M and a capital subsidy of \$16M. Haldimand's capital contribution will unlock an estimated \$18M in federal CMHC funding in the form of grant and low interest loans. Thus, for every additional dollar provided by Haldimand County above current capital funding level, an estimated \$1.47 will be provided by CMHC.

HNHC understands the significant contribution required from Haldimand County and has explored alternative strategies if the Option 2 strategy is not approved, with an understanding the Renewal and Repair strategy is the minimum sustainable investment strategy. The Renewal and Repair strategy requires a contribution of \$7.5M for operational expenses, and \$8.7M for capital work from Haldimand County over a 7.5-year period to properly maintain the current

housing portfolio. It is estimated that CMHC will provide \$2.8M in funding (grant and low interest loan) for the Renewal and Repair strategy.

HNHC seeks to help address the housing and homelessness issues faced by the residents of Haldimand County, modernize HNHC’s housing portfolio and organization to become more financially self-sustainable and better align with community needs. HNHC’s plans to execute the Option 2 strategy described in the Regeneration Master Plan which aligns with broader municipal and provincial plans and addresses the growing affordable housing waitlist. HNHC seeks to continue to partner with Haldimand County, the Service Manager and the federal government to ensure the sustainability and vitality of social and affordable housing in Haldimand County for years to come.

Haldimand Norfolk Housing Corporation – Asset Management Plan

Executive Summary

Haldimand Norfolk Housing Corporation (HNHC) retained Haerko Inc. in May 2020 to complete an Asset Management Plan (AMP).

Haldimand Norfolk Housing Corporation's (HNHC) assets are located in 17 developments across Haldimand and Norfolk Counties, providing housing for 416 households (416 units). In addition, HNHC manages 128 units on behalf of other housing organizations that are not included in this AMP. Figure 1 below provides further information on HNHC's assets.

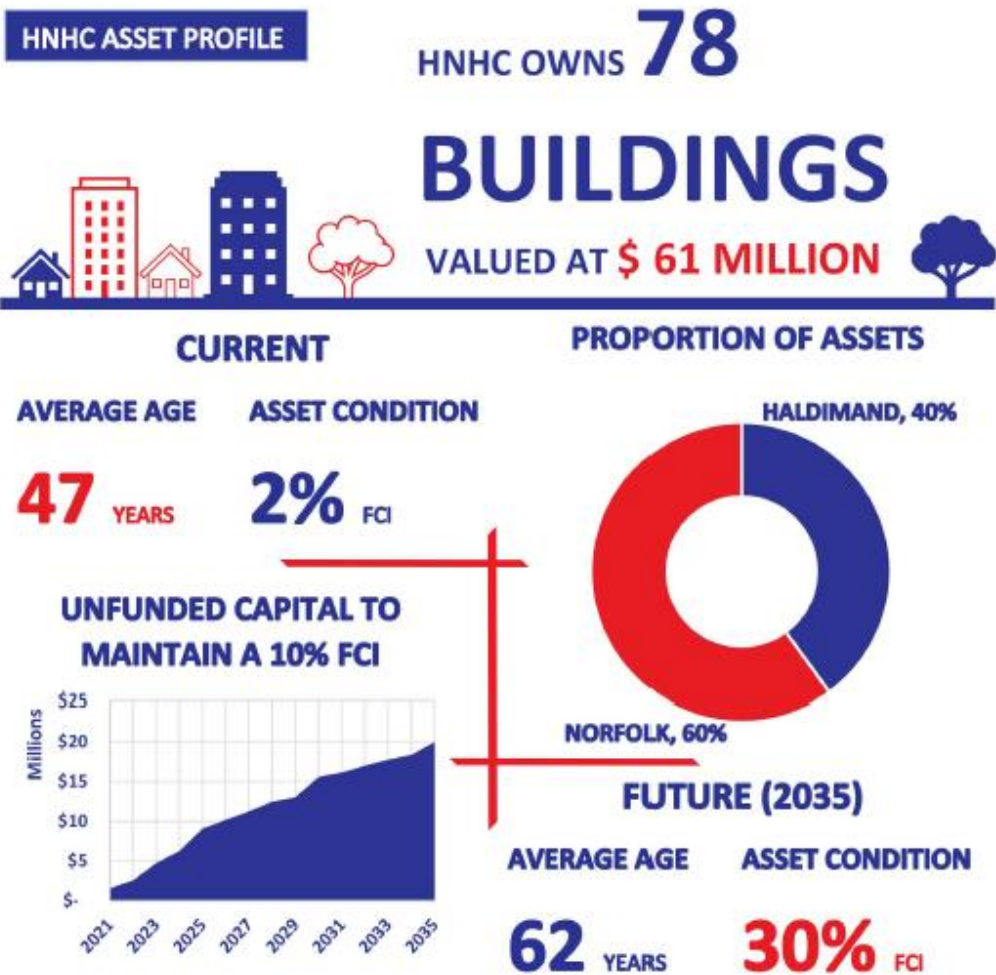


Figure 1: HNHC asset profile.

The AMP serves as a strategic document ensuring HNHC's portfolio of assets are managed based on sound asset management practices and principles, while optimizing available resources and maintaining the required Level of Service (LOS). The objective of the report is to establish the LOS, determine how HNHC's assets are performing, estimate funding requirements for the established LOS, identify the funding shortfall and risks and determine methods to mitigate the funding gap and risks. Furthermore, this report will be provided to both Haldimand and Norfolk Counties so that they may consolidate this AMP with the AMP of each county to ensure compliance with Ontario Regulation 588/17 in 2023.

The assets are currently in good to fair condition, with a portfolio average of 2% Facility Condition Index (FCI). Over a 15-year period, the FCI increases to 30%, indicating that HNHC's capital funding is insufficient to sustainably maintain the current housing stock. An additional \$19.99M in capital subsidy is required from the counties over the same 15-year period to maintain a 10% FCI. The operating costs increase marginally over the same 15-year period. As the total revenue is less than the total expenses, the corresponding annual deficit is funded by an operating subsidy received from the municipalities.

Continuing the status quo, HNHC's assets will deteriorate, increasing the possibility that units will be taken out of service due to their condition starting in 2030. In response, HNHC published a comprehensive Regeneration Master Plan (RMP) in March 2021, outlining the Base Case (status quo) and three other strategies that provide solutions of varying magnitude and identify the required funding.

HNHC aims to pursue the Option 2 strategy, understanding that the Renewal and Repair strategy is required for the long-term sustainability of the housing stock. Option 2 allows HNHC to maintain service level standards as set out in the Housing Services Act, build net new affordable units and achieve the broader municipal goals set forth in the Housing and Homelessness Plan and energy management plans. The strategic direction and results of HNHC's AMP is dependent on the RMP strategy selected by the counties.

The AMP assesses the state of HNHC's infrastructure, develops the LOS and corresponding Key Performance Indicators (KPIs), and analyzes and discusses asset and financial strategies to manage HNHC's assets effectively based on sound asset management principles.