



MEMO / NOTE DE SERVICE

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TO: Chair and Members Community and Protective Services Committee

**DESTINATAIRE : Présidente et membres du Comité des services
communautaires et de protection**

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**SUBJECT: OTTAWA COMMUNITY HOUSING CORPORATION CAPITAL FUNDING
INVESTMENT UPDATE**

**OBJET : MISE À JOUR SUR LE FINANCEMENT DES IMMOBILISATIONS DE LA
SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE D'OTTAWA**

PURPOSE

The purpose of this memo is to provide information to the Community and Protective Services Committee and Council on the use and investment of the significant City supported capital funding initiatives for Ottawa Community Housing Corporation (OCHC).

EXECUTIVE SUMMARY

City Council has supported strategic investment in capital funding initiatives for Ottawa Community Housing Corporation totalling \$156.9 million from 2010 to 2018. Funding from other levels of government in addition to OCHC's direct contribution represent a total investment of \$357.8 million. These initiatives have had a significant impact on the state of repair of OCHC communities, creating operational savings, and reducing OCHC's greenhouse gas emissions in its largest buildings. The key components of OCHC's capital funding strategies are:

- Mortgage refinancing with Infrastructure Ontario
- Savings from Property Tax Exemption
- Housing and Homeless Investment Plan Capital Funding Grants
- Provincial and Federal Capital Repair Funding Programs
- Capital Reserve Contributions from OCHC Operations

City staff will report on the state of repair of OCHC's communities and strategies being employed to address ongoing capital need in a 2020 report.

OBJET

La présente note de service vise à renseigner le Comité des services communautaires et de protection et le Conseil sur l'utilisation et l'investissement des importantes initiatives de financement d'immobilisations soutenues par la Ville pour la Société de logement communautaire d'Ottawa (SLCO).

RÉSUMÉ

Entre 2010 et 2018, le Conseil municipal a appuyé des investissements stratégiques dans des initiatives de financement des immobilisations de la Société de logement

communautaire d'Ottawa totalisant 156,9 millions de dollars. Le financement provenant des autres ordres de gouvernement, en plus de la contribution directe de la SLCO représente un investissement total de 357,8 millions de dollars. Ces initiatives ont permis à la SLCO de réparer considérablement son parc immobilier et ainsi de réaliser des économies d'entretien, en plus de réduire les émissions de gaz à effet de serre de ses grands immeubles. Voici les principaux éléments de sa stratégie de financement des immobilisations :

- Refinancement hypothécaire auprès d'Infrastructure Ontario;
- Réalisation d'économies grâce à des exemptions d'impôt foncier;
- Subventions pour le financement des immobilisations au titre du Plan d'investissement pour le secteur du logement social et l'itinérance;
- Programmes provincial et fédéral de financement des réparations majeures;
- Contributions au fonds de réserve.

Le personnel de la Ville déposera en 2020 un rapport sur l'état de réparation du parc immobilier de la SLCO et les stratégies adoptées pour répondre aux besoins récurrents en immobilisations.

BACKGROUND

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation representing approximately two thirds of the total social housing stock under the administration of the City of Ottawa, as Service Manager. The City of Ottawa is the sole shareholder of OCHC, a corporation that operates and manages an estimated \$2.5 billion-dollar asset. As a non-profit corporation, OCHC is governed by a Board of Directors composed of community volunteers and members of City Council.

The City of Ottawa, the Province of Ontario and the Federal government have all invested in the construction, acquisition and maintenance of the social housing stock that constitutes OCHC. Since 2001, the City of Ottawa has been the primary funder to support social housing programs, which includes ongoing operational, rent geared to income (RGI) and capital funding subsidies. As the age of OCHC's social housing stock is exceeding 40 years old, the capital repair needs have increased exponentially requiring increased capital funding and strategic initiatives to maintain this social asset in a good state of repair.

The City has directly supported OCHC to generate additional funds for capital repairs through several strategic initiatives as follows:

1. **Mortgage Refinancing** – Certain existing mortgages have been paid off in full on their respective renewal dates and have been replaced by new 30-year debts arranged through Infrastructure Ontario, offering long-term, stable borrowing rates (currently about 3.8% for 30 years). The extended obligation is consistent with the City's obligation as the Service Manager under the Housing Services Act, 2011 to provide and maintain 16,502 units of rent geared to income (RGI) housing on an ongoing basis (RGI Service Level Standards) of which OCHC is responsible to provide 12,272 of these RGI units. The loans continue the same annual mortgage funding that the City currently provides to OCHC, and were used to fully payout the existing mortgages, while the balance of the funds generated have been used toward priority capital repair work. As of 2018, OCHC's mortgage refinancing has generated \$133 million for capital repairs. City Council, with the recommendation of Community and Protective Services Committee, on five (5) previous occasions has approved initiatives for OCHC to refinance their mortgages; on March 28, 2012 (ACS2012-CMR-CPS-0006) for 2012 mortgage refinancing, February 27, 2013 (ACS2013-COS-CSS-0002) for 2013 mortgage refinancing, May 28, 2014 (ACS2014-COS-CSS-0005) 2014 mortgage refinancing), June 24, 2015 (ACS2015-COS-CSS-0011) for 2015 to 2018 mortgage refinancing, and April 24, 2019 (ACS2019-CSS-GEN-0005) for 2019 to 2021 mortgage refinancing.
2. **Housing and Homelessness Investment Program (HHIP) Capital Funding** – On May 11, 2011 (ACS2011-COS-CSS-0005) City Council approved the Housing and Poverty Reduction Investment Plan which included a capital repair program for social housing. Council committed \$14 million in annual funding, which is indexed annually. Approximately \$2.4 million of this funding is dedicated to social housing repairs on an annual basis. This funding has been allocated to all housing providers on a per unit basis from 2011 to 2015, and on a competitive request-for-proposal basis from 2016 to 2019. As of 2018, OCHC has received a cumulative total of \$11.9 million under the City's HHIP capital funding program.
3. **Property Tax Exemption** – City Council approved the exemption of Ottawa Community Housing properties from paying property taxes on December 10, 2014 (ACS2014-COS-CSS-0010). As of 2018, this has resulted in an annual savings of \$3 million and a cumulative savings of \$12 million that has been designated toward capital repair going forward as per Council direction.

On February 11, 2009, City Council (ACS2009-COS-HOU-0001) approved a new operating agreement with OCHC to increase the overall base level of funding and provide a more predictable and sustainable funding model similar to its provincial reformed program for its entire legislated social housing portfolio. In advance of implementing the new operating agreement, in 2007 the funding for OCHC's public housing and municipal non-profit programs increased by \$5.1 million with an additional increase of \$2.7 million for 2008. This new operating agreement was signed with OCHC on March 12, 2009. This agreement allowed OCHC to manage all their legislated funding programs and communities on a portfolio basis, with one predictable funding model. The funding the City provides annually through its legislated obligations now provides OCHC with over \$13.4 million in base capital funding plus an additional estimated \$1.4 million for 2019 that OCHC generates from its non-program portfolio which also contributes towards capital repairs.

In addition, OCHC has benefited from Provincial and Federal Capital Grant Programs administered by the City as follows:

1. **Social Housing Repair and Retrofit Program/Renewable Energy Initiative (SHRRP/REI)** – This federal and provincial program provided OCHC with over \$42 million to complete 140 retrofits. Repairs included roofing, windows/doors, foundation repairs, building envelope, solar panel installations, and a solar wall. This program commenced in 2009 and concluded in 2012.
2. **Social Housing Improvement Program (SHIP)** – This federal capital funding program provided OCHC with over \$8.7 million to complete 22 retrofits in 13 communities. Repairs included parking garage rehabilitation, fire alarm panels and systems, balcony repairs, generators and fuel tanks, balcony doors and window replacement. City Council approved the delegation of authority for Housing Services to administer this program and future on-time social housing repair funding programs on September 26, 2016 (ACS2016-CSS-GEN-0003).
3. **Social Housing Apartment Retrofit Program (SHARP)** – This provincial capital funding program provided OCHC with over \$11.8 million to complete 60 retrofits in 18 OCHC high-rise buildings with 150 units or more. Retrofits included energy efficient heating boilers, domestic hot water boilers, make-up air units, heating management control systems, increased insulation, and LED lighting. The program commenced August 2016 and concluded March 31, 2018. Community and Protective Services Committee reviewed the use of delegated authority

report on August 31, 2017 (ACS2017-CSS-GEN-0005) which covered Housing Services' allocation of this program.

4. **Social Housing Apartment Improvement Program (SHAIP)** – This provincial capital funding program is providing OCHC with over \$19.6 million to complete 42 planned retrofits to 16 high-rise buildings with over 150 units. Many of these buildings also received funding under SHARP. Retrofits include energy efficient boilers, domestic hot water boilers, make-up air units, building control systems, increased insulation, roof assemblies, windows, doors and sealants, building over cladding, and LED lighting. The program commenced April 1, 2018 and projects must be completed by March 31, 2020. Housing Services will report on the allocation of these agreements in an upcoming 2019 use of delegated authority report.

DISCUSSION

Despite the significant deferred maintenance and the annual funding shortfall for repairs that were identified through OCHC's various Building Condition Assessments, significant progress has been made in recent years with major capital works programs undertaken. Housing Services and OCHC continue to identify funding, leverage assets and pursue opportunities to increase revenue and reduce expenses. There have been visible improvements in OCHC communities as a result of major maintenance, capital repair and energy retrofit programs that have been completed. Significant operating efficiencies, greenhouse gas emission reductions, and lower operating expenditures have also occurred.

Reducing operating expenses has allowed OCHC to reinvest those savings into continued long-term improvements. The Social Housing Apartment Retrofit Program as an example, funded 60 energy efficiency retrofits in 18 high rise buildings. These retrofits specifically targeted greenhouse gas emission reducing retrofits, such as natural gas fueled mechanical systems, building automation systems, and increasing insulation in high rise apartment buildings. It is estimated that 900 tonnes of CO₂e will be reduced annually, which is equivalent to emissions from a vehicle that has been driven for 2.2 million miles in one year. OCHC is expected to have annual utility savings of \$500,000 per year. Additionally, a Provincial Renewable Energy Program that funded installation of solar panels on social housing buildings has generated approximately \$250,000 in annual revenue for OCHC each year since 2012. These programs increase OCHC's cash flow, supporting their operations, investment in capital repairs, and the

redevelopment of their housing portfolio, all while demonstrating environmental stewardship and reducing costs for tenants.

Between 2010 and 2018, capital funding investment in OCHC from all levels of government totalled \$229.4 million (an average of \$25.5 million per annum). The federal and provincial governments contributed \$72.5 million through one-time economic infrastructure stimulus capital funding programs. During this same period (2010-2018), City Council approved the provision of \$11.9 million through the Housing and Homelessness Investment Plan (HHIP) capital funding programs for social housing repair, provided a property tax exemption on the OCHC portfolio which totalled \$12 million, and directly approved and supported OCHC’s Infrastructure Ontario refinancing initiatives which totalled \$133 million in proceeds (see Table 1). This represents a total municipal contribution of \$156.9 million for the 2010-2018 period.

Table 1 Total Government Investments to OCHC from 2010 to 2018 (\$ millions)

Municipal Initiatives \$156.9			Provincial & Federal Government Capital Funding Programs	Total
Mortgage Refinancing	Property Tax Exemption	HHIP Grant Funding		
\$133.0	\$12.0	\$11.9	\$72.5	\$229.4

During this time period OCHC has also contributed \$128.4 million (see Table 3) to capital repairs from their own operating funding. These funds were used for capital repairs and to increase its social housing capital reserves by \$36.5 million.

The total capital funding investment from all levels of government and OCHC was \$357.8 million.

In 2019, the City continues to support strategic initiatives to support investments in improving OCHC’s communities including mortgage refinancing estimated to generate \$15.2 million, property tax exemption of \$3 million, and City Housing and Homelessness Plan capital grants of \$0.7 million for a total of \$18.9 million. OCHC is also estimated to receive \$8.5 million in milestone payments for the capital projects funded under the Social Housing Apartment Improvement Program (see Table 2).

Table 2 Projected Total Government Investments to OCHC in 2019 (\$ millions)

Municipal Initiatives \$18.9			Provincial & Federal Government Capital Funding Programs	Total
Mortgage Refinancing	Property Tax Exemption	HHIP Grant Funding		
\$15.2	\$3.0	\$0.7	\$8.5	\$27.4

A summary of completed capital repairs and retrofits, by category, that have occurred as a direct result of these capital funding investments are outlined in Table 3 below. As demonstrated in the table, these investments have been utilized for critical structural, life safety repairs and retrofits, all of which are fundamental to ensure the long-term preservation of the asset and the safety of residents.

Table 3 Capital Expenditures 2010 to 2018 by Building Category (\$ millions)

Category	Mortgage Refinancing	Capital Initiatives	OCHC Contributions	Total
**Community Revitalization Initiatives	\$43.8	\$12.3	\$42.3	\$98.4
Structural/Envelope/ Cladding/Roof	\$51.8	\$58.1	\$50.0	\$159.8
Elevator Modernization	\$7.4	\$1.1	\$7.2	\$15.7
Fire & Life Safety Systems	\$6.9	\$3.5	\$6.7	\$17.1
Mechanical, Electrical, Plumbing	\$23.1	\$21.4	\$22.2	\$66.7
Total	\$133.0	\$96.4	\$128.4	\$357.8

****Community Revitalization Initiatives include: \$65.7 million for interior renovations (kitchens, bathrooms, flooring, interior doors, walls, appliances and common areas), \$28.2 million for site revitalization (paving, sidewalks, parking lots, retaining walls, playgrounds, large scale landscaping, fencing), and \$4.5 million for 'other' repairs (primarily security access systems, fire and insurance restoration).**

Since 2010, these capital investments have had a significant impact on the deferred maintenance of the OCHC social housing portfolio and on their future capital needs to support long term viability. Preliminary findings indicate that projected future long-term capital repair requirements are approximately 20% lower than projected in 2013 due to this significant investment. This is substantial given the estimated \$2.5 billion asset valuation of the portfolio.

OCHC has updated their Building Condition Assessments in late 2018 and input the information into a City funded Asset Planner software that provides a comprehensive assessment of the state of the entire housing portfolio based on site inspections and the expected life cycle. This updated Building Condition Assessment has incorporated the benefits of the significant investments in the last nine (9) years in capital repair. OCHC has also proactively reviewed and planned for their projected capital needs over the long term and have implemented strategies to sustain operations, address current capital needs, and support further housing development. As part of this ongoing process, where appropriate, they continue to leverage their assets' equity to finance some of the much needed capital work.

Housing Services staff are currently undertaking a social housing capital needs assessment for the entire social housing portfolio under the administration of the City. The results of the OCHC Building Condition Assessment, their initiatives, as well as the projected 30-year future capital funding requirements, along with those of all social housing providers will be presented by City staff in a separate report to Council in 2020.

CONCLUSION

To date, capital investment initiatives from all levels of government have been an effective tool to support capital repair and energy efficiencies within the social housing portfolio. Preliminary findings indicate that projected future long-term capital repair requirements for the social housing portfolio are approximately 20% lower than previously projected as a result of this significant investment.

In 2020, Housing Services will report to Community and Protective Committee and Council on the capital needs of all social housing stock under the City's of Ottawa's administration, including the communities owned by OCHC. The report will include a thorough analysis of OCHC's current backlog, long-term capital needs, and the projected future funding to offset these capital needs.

City staff will also report on an analysis and recommendations pertaining to end of operating agreements and mortgages, and the steps being taken to transform the sector to ensure the long-term sustainability of the housing stock in Ottawa.

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SUPPORTING DOCUMENTATION

N/A