



Date: July 18, 2017

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter
Chief Executive
Officer/Secretary

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Subject: **Sale of CHH Singles and Semi-detached Units (Report # 17011(b))**

RECOMMENDATION:

That the Board of Directors approve the following resolution:

WHEREAS CITYHOUSING HAMILTON CORPORATION has received approval for the sale of 100 single and semi-detached units of social housing;

AND WHEREAS a requirement of these sales is that before each unit is sold, CHH will provide the Service Manager with a copy of the Board of Director's Resolution of the specific units that are being sold;

THEREFORE BE IT RESOLVED THAT:

The below list of 9 vacant single and semi-detached units that are vacant will be sold.

Number	Street	Neighbourhood
13	Bernard Street	McQuesten
61	Bingham Road	McQuesten
65	Bingham Road	McQuesten
65	Eastvale Place	McQuesten
9	Grimsby Avenue	McQuesten
35	Glengrove Avenue	McQuesten
24	Sumach Street	McQuesten
34	Dartford Place	Berrisfield
491	East 25th Street	Burkholme



Tom Hunter
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CHH has received the required approvals to sell 100 single and semi-detached homes. At the present time, there are an additional 9 vacant units that are ready to sell (47 units in report #17011 plus 9 units in current report for a total of 56 units). As part of the process for the disposition of these properties, the Board is required to approve the specific properties that have been identified for sale.

A disposition strategy has been developed to ensure the optimal sale of these properties. Based on the assessed values from the Municipal Property Assessment Corporation, the current market value of the 9 units is \$ 2.5M. These funds will be invested into the Sold Units Investment Fund reserve. The funds would then be reinvested into the future development of social and affordable housing projects to replace the sold units.

With the units being vacant there will be no displacement of current residents. The community will be informed of the sale of these homes through a media release and there will be an individual identified to address the calls and information requests that will be received.

BACKGROUND:

CityHousing Hamilton (CHH) owns 479 single and semi-detached units, which vary in age, size and building condition. These units are scattered throughout the City of Hamilton, although the majority of the units may be found on the Hamilton Mountain and in the vicinity of Red Hill Creek in the east end of the lower City.

CHH's housing stock is, on average, older than the stock of most other providers in Hamilton. This creates additional maintenance and capital pressure, which cannot be addressed through a corresponding increase in current municipal operating or capital funding. There is also no predictable source of provincial or federal funding to address these kinds of pressure in the housing stock.

In 2016, CHH received \$8.2M for capital repairs. Based on 2011 building condition assessments, the identified capital demands for 2016 were \$51M which identified a shortfall of \$43M in a single year. Over the last 5 years there has

been \$89M in deferred capital expenditures and the capital forecast for the next ten years is an additional \$172M.

From an operating perspective, CHH also experiences challenges in managing the maintenance costs associated with its portfolio. Limited funding to repair units has resulted in units being unavailable to rent across the entire portfolio. To exacerbate this matter, over the past seven years, pest control costs have significantly impacted the maintenance budget. In 2009, 3% (\$300K) of the maintenance budget was required to manage pest control and in 2016, this had grown to 11% (\$1.2M), reducing the amount available to repair units. Of the 100 single and semi-detached properties that CHH is proposing to sell, 49 units are currently vacant, because there is insufficient funding available to address maintenance repairs and 7 have been sold till July 2017.

In September of 2015, CHH completed a case study, “*Revitalizing CityHousing Hamilton*”. This case study identified each of the CHH properties as either good, fair or poor performer. Over 65% of the single and semi-detached homes were determined to fall within the “poor performer” category. As well, the Report identified that CHH has a disproportionately high number of singles and semi-detached homes in comparison to similar housing providers. This indicated that there is an opportunity for the revitalization of this housing stock.

The sale of single and semi-detached homes is a routine practice with housing providers and a past practice at CHH. In 2003, the CHH Board and City Council approved the sale of 88 singles and semi-detached homes. The sale of these units was completed in 2012 and resulted in \$11.7M in additional revenue, of which \$10.1 was reinvested to develop a 50-unit building at 690 Stone Church Road West and 14 units at Bridgewater Court. The other 24 units were replaced by making units at First Place (350 King Street East) into rent-gear-to-income units.

In November 2016, Council approved Report CES16053 which approved the sale and subsequent replacement of 100 single and semi-detached units of CHH social housing. This Report provides complete and comprehensive information and strategies on selling these units.

DISCUSSION:

In addition to seeking Board approval for the sale of an additional 9 identified CHH properties, this Report will present the context and actions relating to the sale of these 9 **vacant** properties.

Objectives for Selling Units

Overall, CHHs main objectives of its proposed sale are to:

- Sell selected older units and replace them with new social housing units that better meet the needs and demands of the community;
- Ensure that no individual is displaced or made homeless as a result of the sale;
- Reinvest the revenues from the sale of “poor performers” to create more efficient affordable housing options;
- Create increased sustainability within its social housing stock by focussing on energy efficiency, sustainable building practices and operational economies of scale; and,
- Support the long-term financial health of CHH’s operation of its social housing portfolio to ensure that the needs of the community can continue to be met for many more years.

Method of Disposition of the Housing Units

CHH worked with the City’s Real Estate Division in formulating a disposition strategy.

CHH anticipates that the sale of the identified units will take 3 to 4 years to complete. The following timelines have been established as targets:

- Current 9 vacant units: 6 months to 1 year;
- Units which become vacant (including units with over-housed tenants): 6 months to 1 year following vacancy;
- Units which require substantial repairs: 6 months to 1 year following the relocation of the household; and,
- Sale of units with households capable and willing to purchase units; 2 to 4 years (subject to available down payment assistance programs).

As per this Report, CHH will provide the Service Manager with a copy of the Board of Director’s Resolution to sell the specific units, all Agreements of Purchase and Sale, and copies of the full final reporting of the sale.

Reinvestment Strategy for Proceeds of Sale

The revenue generated through the sale of these units will be invested in CHH’s Sold Unit Investment Fund reserve for future development projects. At the present time, CHH is working on plans for the development of certain properties. This includes the options of building units that vary in type from bachelors to larger apartment units (i.e. 3 to 4 bedrooms), and stacked townhouses. These developments will lend themselves to more intense and energy efficient housing. As well, there is the ability for CHH to provide mixed housing that reflects various needs of the community. It also allows benefits such as aging in place and flexibility of shifting population demographics.

The sale of these units will position CHH financially to better respond to any opportunities for strategic redevelopment and replacement of the housing stock that presents through the identified work above. This will help to ensure that CHH can be considered a strategic and important part of any potential partnership with the private and not-for-profit development community.

Communication Strategy

Considering that the current 9 units for sale are vacant, the communication strategy will be more streamlined than if there were residents living in the houses. There will be a media release to inform the public that the units are for sale. As well, the media release will identify a point person to which questions and information requests can be directed. Over the past years there has been considerable interest in these vacant houses so it is anticipated that there will be numerous inquiries about these properties.

Benefit Analysis

Based on the assessed values from the Municipal Property Assessment Corporation, the current market value of the 9 units is \$ 2.5M. These funds would be invested into the Sold Units Investment Fund reserve. The funds would then be reinvested into future development of social housing projects to replace the sold units, at a minimum, in accordance with the following principles:

- Leveraging other redevelopment opportunities and studies currently underway;
- Conducting a needs and location demand analysis based on demographic information determined from the City of Hamilton's centralized waitlist;
- Taking advantage of surplus land opportunities;
- Prioritizing opportunities which result in a net gain of units; and,
- Creating housing that stewards resources through energy efficiency, sustainable building practices and operational economies of scale.

CONCLUSION:

CHH is positioned to sell an additional 9 vacant single and semi-detached homes. As part of the process for the disposition of these properties, the Board is required to approve the specific properties that have been identified for sale.

CHH has received approval from the Service Manager and the province for the sale of 100 single and semi-detached homes. The balance of the units would be sold as they are vacated and meet the criteria for sale. There will be no net loss of rental housing stock in the community and there will be no displacement of current residents throughout the process.

The sale of these properties is one component of in the asset renewal strategy at CHH. In moving forward, it is imperative that CHH recognizes the requirement for unique and innovative approaches to renewing the affordable housing infrastructure in the City of Hamilton. Selling the current 9 vacant homes and up to 100 homes in the future will assist in providing the opportunity to create more suitable and sustainable units for CHH and the City of Hamilton.

OPERATIONAL PLAN:

This report implements:

Goal 1. Create Financial Sustainability: Ensure that CityHousing Hamilton has sufficient capital to invest in buildings to minimize the impact on City of Hamilton taxpayers.

Goal 2. Maintain and Improve Building Conditions. Ensure the CityHousing Hamilton portfolio is managed effectively and sensitively and is in a good state of repair to need the affordable housing requirements of Hamilton residents now and in the future.

Goal 3. Create Healthy, Secure Communities. Ensure that Hamilton residents have access to affordable housing opportunities and support initiatives that will enhance quality of life, increase client empowerment and decrease dependency.

Goal 4. Reinvest in Communities and Increase Affordable Housing. Expand the supply of affordable housing in Hamilton through new development, redevelopment and partnerships with the private sector and community housing stakeholders that will leverage additional funding and resources.

Goal 5. Leadership: influence and adapt Social Housing Reform. Advocate to the community, City Council, the Provincial Government and the Federal Government on policy, program and legislative solutions to affordable housing issues in Hamilton and issues affecting CityHousing Hamilton and other social housing providers in Hamilton.

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Mission: CHH provides affordable housing that is safe, well maintained, cost effective and that supports the diverse needs of our many communities.