City Council

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Type of Decision								
Meeting Date	August 13, 2019			Report Date	August 8, 2019			
Decision Requested	x	Yes		No	Priority		High		Low
	Direction Only			Type of Meeting	x	Open		Closed

Report Title

CMHA Home For Good Phase 1 Funding Request

Resolution

THAT the City of Greater Sudbury approves a contribution of $2.2 million, in the form of an interest free loan to Canadian Mental Health Association Sudbury/Manitoulin in order to ensure the successful completion of the 200 Larch Street Project and the location of a permanent homeless shelter, as outlined in the report entitled "CMHA Home For Good Phase 1 Funding Request" from the Interim General Manager of Community Development, presented at the City Council meeting on August 13, 2019; and

FURTHER, That the City of Greater Sudbury delegates authority to the General Manager of Community Development to establish the terms and conditions of the loan, including timing of repayments, to ensure that the interests, investment and services of the City of Greater Sudbury are protected to the greatest extent possible in all eventualities.

Relationship to the Strategic Plan/Health Impact Assessment

This report support's Council's Strategic Plan in the areas of creating a Healthier Community and Housing as it aligns with the Population Health Priorities of Mental Health, Compassionate City and Housing. Home For Good is a homelessness focused program that supports ending chronic homelessness by 2025.

Report Summary	Financial Implications
Canadian Mental Health Association - Sudbury Manitoulin is requesting a capital contribution of $1.756 million towards the Home For Good Project at 200 Larch Street, which is already under construction. This report provides background on the project and the financial request and recommends an alternate approach to address the group's request.	If approved by Council, the request will be funded from the investment portfolio as an interest free loan.

Report Prepared By	Division Review
for Cindi Briscoe Manager of Housing Services	for Cindi Briscoe Manager of Housing Services

Recommended by the Department	Financial Implications
Ian Wood Interim General Manager	Jim Lister Manager of Financial Planning and Budgeting

Recommended by the C.A.O.
Ed Archer Chief Administrative Officer

Executive Summary

This report provides background information on the project, its relevance to the City's goals and the steps that have been undertaken to date. At issue is CMHA's insufficient financing to complete building renovations at 200 Larch Street and its request for the city to provide the incremental funds needed to fully fund the project.

In 2017, the City of Greater Sudbury (City) was successful with an Expression of Interest submission to the Ministry of Municipal Affairs & Housing (MMAH) to proceed with the Home for Good proposal to renovate the building at 200 Larch Street to provide a permanent location for the Off the Street Shelter, a Harm Reduction Home, and the Sudbury District Nurse Practitioners Office. The Canadian Mental Health Association – Sudbury/Manitoulin (CMHA) took the lead on building development and a municipal property at 200 Larch Street was identified as the preferred site. In May, 2017, the existing building and property was transferred from the City to CMHA as an in-kind grant for the project and permanent shelter space. This was the only support for this capital project that was ever presented to the CGS.

CMHA issued a contract for construction and renovations at the site commenced in February 2019.

In June, CGS staff were advised that the construction financing and mortgage that CMHA had secured from the bank was insufficient to complete the renovations required at 200 Larch Street. Upon further investigation, staff learned that CMHA's negotiated agreement for construction financing was enough to cover only a portion of the capital costs, leaving insufficient secured funds to complete the renovations and potentially jeopardizing the entire project. Staff have worked with CMHA staff and the TD Bank over the past seven weeks to understand the situation. To date, there is no complete explanation as to why CMHA would initiate the construction contract without the funds secured to complete the work. A previous application had been made to Canada Mortgage and Housing for funding but this is still under review and unconfirmed.

A formal request for financial assistance for the project was received from the CMHA on July 9, 2019 and is attached as Appendix A. As part of the due diligence undertaken to review this request, staff engaged KPMG to examine the project's finances and operating costs so that Council could benefit from an independent verification prior to making a decision.

During this period of uncertainty, work has continued at the site and the building is now approximately 60% complete. As a result of the significant community and municipal interest in the successful completion of this project, the report recommends that Council consider an interest-free loan of $2.2 million to ensure the successful completion of the project, including the Off the Street Shelter program space. Funding would be subject to the successful execution of a Contribution Agreement that would define the terms associated with the City's provision of additional funds.

Background

Home for Good (HFG) is a homelessness focused program, funded by the Ministry of Municipal Affairs & Housing (MMHA) and delivered through Service Managers, that supports the Province's goal of ending chronic homelessness by 2025. In 2017 MMAH invited Service Managers across the Province to submit an expression of interest (EOI) to define their supportive housing needs, to inform the Minister about the Service Manager's ability to deliver housing assistance and support services, and identify community partners to deliver supportive housing services.

Under HFG, funding is provided to Housing Service Managers to assist people who fall within one or more of the provincial priority homelessness areas:

- Chronic homelessness;
- Youth homelessness;
- Indigenous homelessness; and
- Homelessness following transitions from provincially- funded institutions and service systems (e.g. hospitals and prisons).

This was the first funding opportunity that Service Managers had to request both operating and capital funding. Capital funding could be used to increase the supply of physical supportive housing units, which could be either transitional or long term supportive housing projects. Rental units were required to be linked to housing assistance and support services, funded through program operating dollars.

An Expression of Interest was developed and submitted in collaboration with community partners that would meet local gaps and included:

Phase One:

- Capital renovation of 200 Larch Street for a 15 bed residential Harm Reduction Home plus additional support positions; and
- Housing allowances for the Housing First Program participants plus one additional support position.

Phase Two:

- Capital funds for the development of a 38 unit affordable housing apartment building; and
- Operating funds for staffing of 38 unit affordable housing apartment building.
- This Phase Two project is related but entirely financially separate from the 200 Larch Street Project. It has not advanced significantly to date.

On May 30, 2017, Council approved the transfer of 200 Larch Street to CMHA and endorsed the municipality's submission for HFG funding. The transfer of 200 Larch Street was intended to be the City's full contribution towards the phase one build. CMHA then became responsible to coordinate securing a mortgage and completing renovations as agreed to in the executed contribution agreement. There was no request for the City to make a capital contribution as it was included in the overall project.

On September 11, 2017 the City of Greater Sudbury received notice from the Ministry of Housing that the Homes for Good expression of interest was successful and had been approved for funding. Under the capital allocation the City of Greater Sudbury received approximately $8 Million to build approximately 53 units between phase one and phase two capital builds. Phase two operating funding was not approved.

On October 17, 2017 City Council, through resolution CC2017-309, endorsed the steps described in the Summary of Ministry of Housing requirements section as outlined in the report entitled "Ministry of Housing - Home for Good (HFG) Funding".

The transfer payment agreement with the MMAH was completed, and contribution agreements were executed with CMHA for HFG capital and operating funding and Centre de Santé Communautaire de Sudbury for the HFG operating funding.

In a letter dated June 22, 2018, CMHA advised that the mortgage had been secured with the bank. There was no mention of this being a partial mortgage.

Summary of Recent Information

On June 17, 2019, staff were advised that the construction financing and mortgage that CMHA had secured from the bank was insufficient to complete the renovations required.

CMHA's current financial arrangements are not sufficient to cover the construction costs required to complete the project. The bank became aware of this situation earlier in June and notified CMHA that they will not issue the next construction finance draw until they have confirmation of secure and adequate funding sources to complete the project. There are three program spaces located at 200 Larch Street. The Harm Reduction Home located on the second floor, and the Nurse Practitioner Clinic and Off the Street Shelter located on the first floor.

CMHA previously indicated the project and its financing requirements were on track. Recently, CMHA has allocated the shortfall to the construction costs of the Off the Street Shelter and the Nurse Practitioners Clinic (NPC). They have reached out to their partners in these programs for help in addressing the situation. The NPC has advanced funding towards the capital project and the balance of the funds are to be acquired through a mortgage secured by CMHA. The NPC has signed a ten (10) year lease with the option to renew for an additional ten (10) years. The lease payments are expected to offset the mortgage payments for that portion of the building.

CMHA have requested financial assistance from CMHA Ontario. The request was denied.

In preparation for this report, staff engaged KPMG to conduct a review of the project to confirm the amount of financing needed to complete the project. The report from KPMG has identified a funding shortfall that is larger than the request by CMHA ($2.2 million versus $1.7 million). This includes a conservative calculation of expenses, revenues and construction cash flow and will ensure bridge financing is in place to fully complete the project. The report recommends that an interest free loan from the City be given to CMHA to complete the project as there are some outstanding sources of funds that CMHA may be able to access in order to pay back a portion of the loan. This report is included as Appendix B.

CMHA made an application to the CMHC Co-Investment Fund in the amount of $2.7 million. A response remains pending as of the date of this report regarding the status of the application. If successful, CMHA may receive a portion of the funding through the Co-Investment Fund in the form of a grant. CMHA will also be eligible for a HST rebate on the building which could also be used to repay the City.

Staff are recommending that the General Manager of Community Development be provided with delegated authority to establish the terms of the loan and the repayment arrangements. A report will be brought back to Council once the impact of any funding from CHMC is known and a final figure on the HST rebate is received to structure the final financing arrangement.

It is important to note that the KPMG report identifies that savings cannot be incurred by CMHA on this project by cutting the scope of the project. CMHA entered into a fixed price contract agreement with the contractor which limits the ability to reduce the size and scope of the project after the fact. At the same time, the contractor has continued to work in good faith and the project is approximately 60% complete.

Analysis & Risks

When completed, this project will bring significant benefits to the community. The Home for Good Program is a homelessness focused program that supports and aligns with the City's Corporate Strategic Plan, Population Health, and the Housing and Homelessness Plan. The Harm Reduction Home/Managed Alcohol Program will transition 15 individuals from chronic homelessness into permanent rental accommodations within the community. The Nurse Practitioner Clinic will align its hours of operation to meet the needs of the clients of the Off the Street Shelter in order for this vulnerable population to access much needed health services.

By contrast, should the project fail, this would have significant implications, including the loss of our community's permanent shelter and the loss of provincial operating funding for transitional beds and loss of permanent shelter. CGS has had considerable difficulty securing a temporary men's shelter since the Salvation Army closed May 10, 2019. Finding another permanent location would require considerable resources and additional capital dollars to renovate. The search for a temporary site, until 200 Larch Street is completed, has been difficult. Staff have worked with CMHA on reviewing several different properties in proximity to the downtown core that been deemed unsuitable.

The use and reconveyance agreement entered into as a condition of the transfer of the property by way of grant, contemplates the reconveyance of the building free of any mortgage to the City should the CMHA trigger a default event (i.e. use the building for a use not authorized by the use and reconveyance agreement, abandons the project, etc.).

It is unknown whether the CMHA, should it trigger a default event, would have sufficient assets to reconvey the building mortgage free to the City.

The Home for Good funding for Phase 1 was based on one (1) capital project worth $2.25 million and the balance in operating funding of twenty (20) housing allowances and one (1) full time position for the Housing First Program, as well as four (4) positions for the Harm Reduction Home at 200 Larch Street. This equates to approximately $546,000 annually in provincial funding. If the project is not completed, the CGS would lose out on approximately $3 million of HFG funding.

Recommended Option

Staff are recommending that Council approve an interest free loan of up to $2.2 million to be funded from the City's investment portfolio. It is also recommended that the General Manager of Community Development be given delegated authority from Council to negotiate and enter into the appropriate agreements that will protect the City's interests, investment and services for the project on an ongoing basis.

As has been noted, the amount and type of CMHC funding is uncertain at this time. It is possible that the CGS loan, if approved, could be repaid very quickly. There is a risk however, that CMHC might provide only a portion of what was requested. Staff will work with CMHA and KPMG to determine the appropriate terms and timing to repay the loan and report these back to Council as soon as possible.

Should this analysis determine that a portion of the loan be forgiven, this amount could be funded from the Social Housing Capital Reserve Fund, which currently has a balance of $7.9 million.

The Social Housing Capital Reserve Fund is to be used for social housing capital projects. The Association of Municipalities of Ontario document, "Housing in Ontario: A Primer for AMO Members," (Appendix C) clearly indicates that emergency shelters are part of the social housing continuum and this is supported by the fact that the Home for Good funding was provided through Housing Service managers across Ontario.

Alternate Option

Status Quo – the City does not agree to request for funding from CMHA. The project may be halted due to non-payment and CMHA may not be able to fulfill their obligations within the executed contribution agreements. Funding would be withdrawn from the Province and the City would no longer have definite plan for a permanent men's shelter. The community would also be without a fifteen (15) bed Harm Reduction Home for the chronically homeless or a Nurse Practitioners Clinic in the downtown core.

Provide Grant as Requested - The City provides a one-time capital contribution of $1.756 million or, based on the KPMG findings, $2.2 million from the Social Housing Capital Reserve Fund. This is not recommended as the information on CMHC support and a full analysis of the project, once complete, are not yet available.

Next Steps

If Council approves financial assistance, staff will draft the appropriate agreements with conditions to ensure the project is completed and that Council has appropriate ongoing oversight to ensure that the City's interests are protected over the long term.

An update and final financing recommendations will be provided to Council once the outcome of from the CMHC funding request is known along with a final estimate of the HST rebate.

References

Harm Reduction Program/Managed Alcohol Program – 200 Larch Street May 30, 2017
https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=19&id=1128

Ministry of Housing – Home for Good (HFG) Funding October 17, 2019
https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=19&id=1135

Canadian Mental Health Association
Sudbury/Manitoulin
Mental health for all

Association canadienne pour la santé mentale
Sudbury/Manitoulin
La santé mentale pour tous

100 *years of community*
ans dans la communauté

Ian Wood
Interim General Manager
Community Development
City of Greater Sudbury
200 Brady St,
Sudbury, ON P3A 5P3

July 9, 2019

Dear Ian,

Re: 200 Larch Street Project

CMHA - Sudbury/ Manitoulin (CMHA - S/M) has been working with the City of Greater Sudbury (CGS) for the past several years in the important work of the Housing and Homelessness Strategy. We continue to provide services to our community including supports for people who are in need of shelter, housing and medical needs (both mental health & addictions).

Currently we have started construction at 200 Larch Street and find ourselves in a financial shortfall for this project. We have been meeting with the CGS staff, TD Bank and the architect from Perry + Perry Architects to resolve the issue. We have revised the construction budget but require financial support for the shelter project costs.

We are asking the CGS to commit to the construction costs for the shelter space of $1,756,000. These construction costs include bringing the building up to code and retrofitting the space for the identified needs of the shelter program.

In July of 2018, CGS transferred ownership of 200 Larch to CMHA – S/M. Then CGS staff worked with CMHA – S/M on a Home for Good phase one application to renovate the building to house a fifteen unit social housing home for managed alcohol treatment. The building will also be home to a Nurse Practitioner Clinic and a permanent low barrier shelter that could operate twelve months a year. As a community we have been planning and designing this initiative together for the past three years.

In the planning stages CMHA – S/M applied for grants that have been successful:

- Home Depot $10,000 towards shelter
- Ontario Trillium Foundation $135,000 towards the shelter

Other funding sources that are pending:

- Canadian Mortgage & Housing Corporation (CMHC)- $2.7 million
- Downtown Sudbury Community Improvement Plan Grant- $35,000
- Sudbury Community Foundation Social Investment Partnership Grant- $20,000

We secured a mortgage with the TD Bank for the Home For Good funded portion of the project, and hired Prosperi Construction who started the project in March 2019. In June, the bank notified us that they are suspending any further construction payments for the project until more information is available to them. They require a financial plan that assures them there will be funds to cover the entire project cost for a total of $7,003,231 (plus HST). Prosperi Construction is aware of our current financial situation.

Below is a summary of the three projects (all before HST):

1. **<u>15 room Social Housing – Harm Reduction Home (Managed Alcohol Program)</u>**

<u>Project Budget</u>
Project budget for HRH is set at $3,504,577.

<u>Project Financing</u>
For the Home for Good funding to flow, a twenty year mortgage is required. Then the Home for Good Funds are paid to the CGS with funds flowing to CMHA-S/M to cover a portion of the mortgage. The HRH program is financed through $2,250,000 ($1,487,000 net of interest) Home For Good Funding, an additional mortgage negotiated by CMHA - S/M for $1,800,000 and CMHA - S/M reserve dollars of $217,577.

<u>Project Cost Covered to Date</u>

- TD bank advanced $352,980 to cover the construction costs
- CMHA paid $360,150 of the soft costs
- CMHA paid $186,813 of the construction costs

2. **<u>Nurse Practitioner Clinic</u> – Sudbury District Nurse Practitioner Clinic (SDNPC)**

The Bank also required us to have a commitment from the NP Clinic to cover their portion of the mortgage payment. This has been completed.

<u>Project Budget</u>

- Construction budget for the clinic is set at $1,414,031
- Soft cost budget for the shelter is set at $131,449

<u>Project Financing</u>
SDNPC paid $635,000 onetime towards construction, and for the remainder a separate mortgage is being negotiated with the bank with the mortgage payments covered through lease payments.

<u>Project Cost Covered to Date</u>

- $249,700 from the onetime payment has been applied to the construction costs
- CMHA paid $109,449 of the soft costs

3. Permanent low barrier shelter - Off the Street Shelter

Project Budget

- Construction budget for the shelter is set at $1,756,000
- Soft cost budget for the shelter is set at $197,174

Project Financing

This could be financed through a onetime lump payment or through negotiating an additional mortgage with the bank. The bank will require securities as to the monthly mortgage payments.

A Home Depot grant of $10,000 and Ontario Trillium Foundation funding of $135,000 has been secured by CMHA - S/M and will be used towards the shelter construction cost.

Project Cost Covered to Date

- CMHA – S/M paid $103,059 of the construction cost
- CMHA – S/M paid $164,174 of the soft costs

HST

CMHA - S/M is able to apply for HST rebates except for 3.94% which is a total of $275,927.

In conclusion, we are requesting $1,756,000 from CGS to cover the construction cost for the shelter space.

CMHA – S/M has appreciated the commitment and participation of CGS in the planning and design of the collaborative space which includes the shelter program. We anticipate that this central service collaborative will enhance programs and supports for the individuals in need within our community.

We would be happy to meet to discuss further.

Regards,

Marion Quigley
CEO

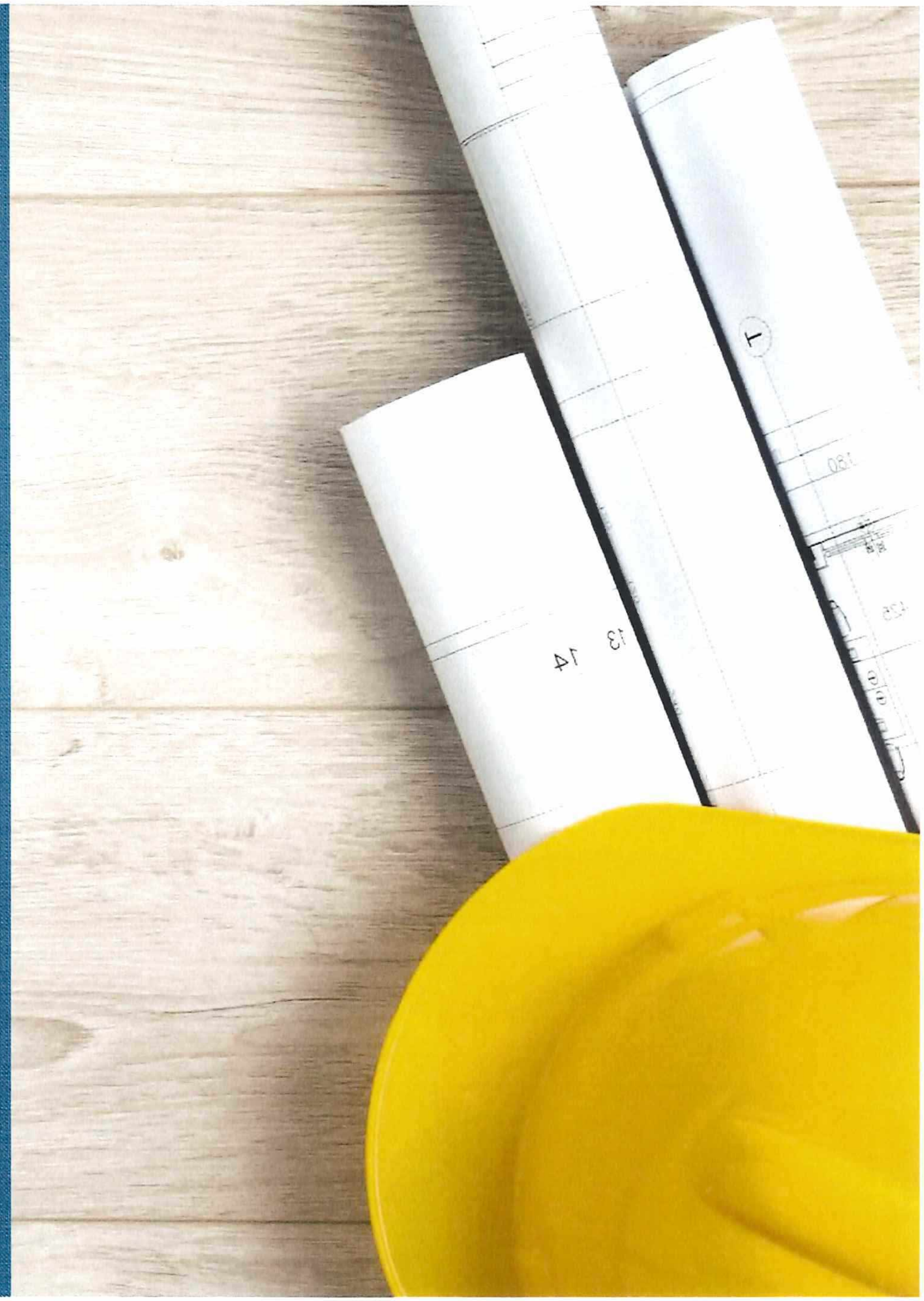
KPMG

City of Greater Sudbury

Review of the 200 Larch Street Capital Project

Final Report

August 13th, 2019



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KPMG

Introduction to the Review

Pursuant to our engagement letter dated July 31, 2019, KPMG LLP ("KPMG") has been retained by the City of Greater Sudbury (the "City") to undertake a review of financial and other matters relating to the 200 Larch Street Capital Project (the "Project"), currently under construction by the Canadian Mental Health Association Sudbury/Manitoulin ("CMHA"). We understand that our review has been requested in response to a request from the CMHA for a financial contribution in the amount of $1,756,000 from the City towards the capital costs of the Project.

This report outlines the results of our analysis and potential courses of action for consideration by the City.

A. Review Objectives

As outlined in our engagement letter, the objectives of our review included the following:

1. An assessment of the capital costs and associated funding sources for the Project, the intention of which is to identify funding shortfalls the may currently exist.
2. Where funding shortfalls are identified, the review will obtain CMHA's perspective as to the factors contributing to these shortfalls as well as their proposed course of action to secure additional funding.
3. A high-level review of financial projections relating to the ongoing (i.e. post-construction) operations of the Project intended to assess the overall financial viability of the Project.
4. The development of suggested courses of action for consideration by the City in response to the results of our analysis.

B. Structure of the Report

For the purposes of reporting on this matter, we have structured our report as follows:

- The *Overview of the Project* provides a brief summary of the history of the Project, as well as details concerning budgeted capital costs, capital funding sources and projected ongoing operating costs.
- The chapter on *KPMG Observations* key findings from our review with respect to potential funding gaps from both a capital and operating perspective.
- The *Root Cause Analysis* identifies the factors that have contributed to the current financial situation facing the Project.
- The chapter on *Items for Consideration* outlines potential courses of action that could be adopted by the City in response to the financial issues facing the Project, as well as other capital projects with City involvement in the future.

Introduction to the Review

C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to August 7th, 2019 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our observations and full report are confidential and are intended for the use of the City. Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of Greater Sudbury. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

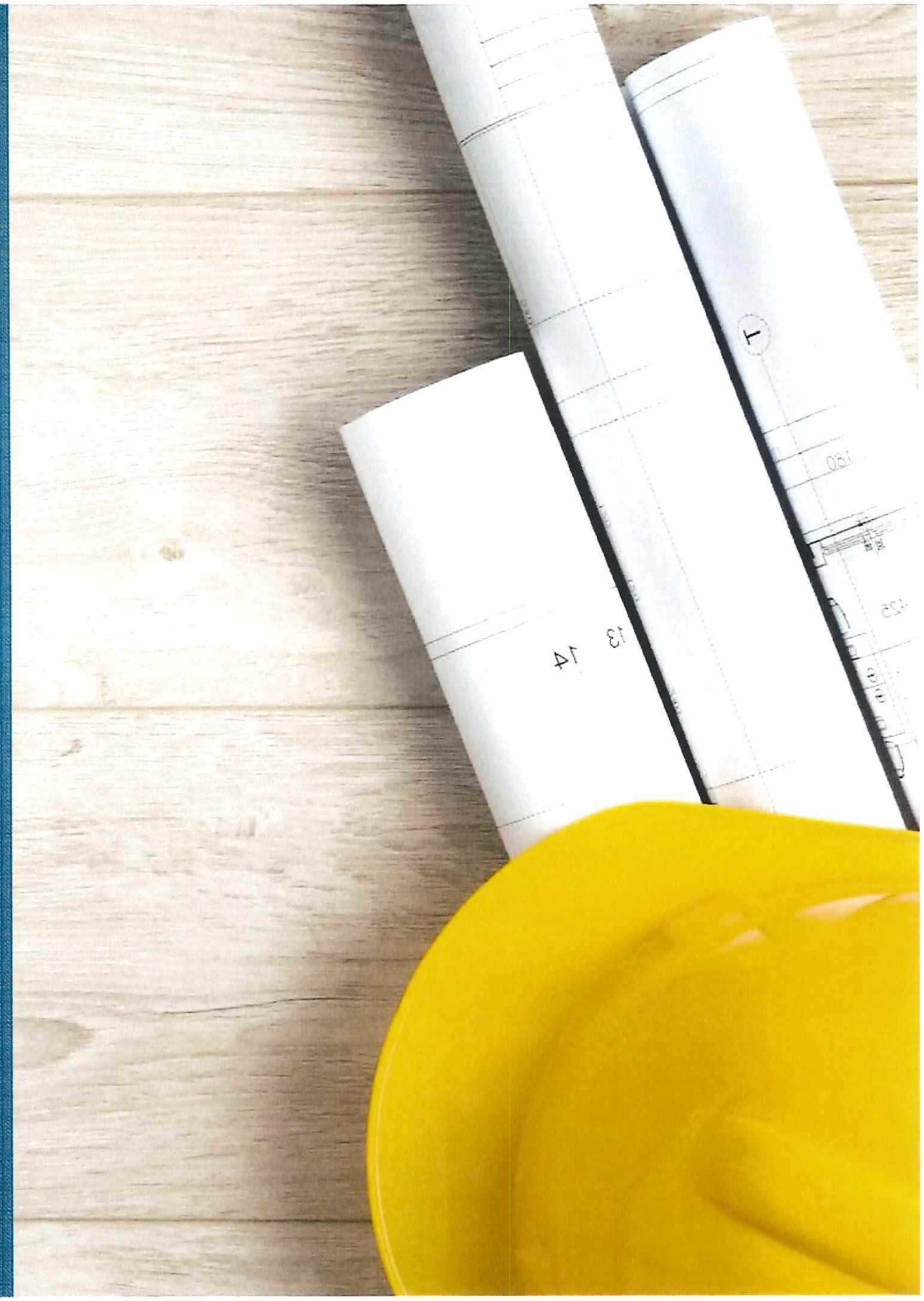
Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the City of Greater Sudbury nor are we an insider or associate of the City of Greater Sudbury or its management team. Our fees for this engagement are not contingent upon our findings or any other event. Notwithstanding the fact that KPMG provides auditing and other professional services to the City of Greater Sudbury, we believe we are independent of the City of Greater Sudbury and are acting objectively, based on the terms of our engagement.

KPMG

City of Greater Sudbury

Overview of the 200 Larch Street Project



Overview of the 200 Larch Street Project

A. The Sudbury Managed Alcohol Program

As defined by the McMaster Health Forum[1], a managed alcohol program ("MAP") is "*a harm-reduction approach for people living with severe alcohol dependence who often experience chronic homelessness or housing instability. Individuals in MAPs have had multiple and repeated attempts at detox and treatment, and often experience large gaps in health and social services. MAPs provide controlled access to alcohol and replace non-beverage alcohol (e.g. mouthwash, hand sanitizer, hairspray) among people for whom abstinence treatment as not worked. The primary focus of MAPs is to reduce harms (e.g. the minimization of antisocial behaviours, safely stabilizing consumption and replacing non-beverage alcohol with beverage alcohol), and some clients may choose to reduce consumption*".

The Sudbury MAP had its genesis in the Greater Sudbury Harm Reduction Initiative, which identified the need for a 15-bed Harm Reduction Home providing a 24-hour residential MAP where residents would live in the Harm Reduction Home and receive managed doses of alcohol. In connection with the Greater Sudbury Harm Reduction Initiative, the North East Local Health Integration Network ("NELHIN") designated the CMHA as the lead agency for the Harm Reduction Home, which we understand reflected the NELHIN's view that the MAP should be administered by a mental health agency and not an addictions agency.

At the time of the Greater Sudbury Harm Reduction Initiative, the CMHA did not have a facility that could host a 24-hour residential MAP and as such, established a harm reduction day program as a transitory measure. Established in December 2015, the day program was located on the first floor of the former Police Services Headquarters building (200 Larch Street)[2] and operated from 7:30 am to 11:00 pm, with a total capacity of eight clients. Operating funding for the day program, amounting to approximately $1 million annually, is provided by the NELHIN through a multi-sector service accountability agreement.

Concurrent with the establishment of the harm reduction day program, the CMHA commenced the search for a permanent facility to house the 24-hour residential MAP:

- In early 2016 the CMHA had made an offer to purchase a building located within the City's downtown core but was required to retract the offer in the face of community opposition.
- In the following year, the CMHA was offered the use of its former municipal archives building located on Lourdes Street but was once again faced with community opposition.

Following the withdrawal of the Lourdes Street facility, the City offered the CMHA the former Police Services Headquarters located at 200 Larch Street, at no cost, as the permanent location for the 24-hour residential MAP.

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1 Matheson CA, Belesitotis P, Wilson MG. Rapid synthesis: Determining the features of managed alcohol programs. Hamilton, Canada: McMaster Health Forum, 11 February 2019.

2 The harm reduction day program operated from 200 Larch Street pursuant to facility use agreements with the City until the program was temporarily relocated in April 2018 to accommodate the building renovations.

Overview of the 200 Larch Street Project

B. Facility Overview

The Project is planned to encompass the following community services:

- **Harm Reduction Home** (24-hour residential MAP), operated by the CMHA.
- **Off the Street Shelter**, operated by the CMHA and with operational funds provided by the City[3]. Initially established as a 30-bed seasonal (winter) emergency shelter operating from November 1st to April 15th, we understand that the City is contemplating the expansion of the program to a year-round emergency shelter.
- **Sudbury District Nurse Practitioner Clinics ("SDNPC")**, which will provide primary medical care to marginalized and homeless residents in the downtown area in conjunction with the CMHA.
- **Indigenous Healing Space**, which will allow for Indigenous smudging and other traditional ceremonies, as well as programming delivered by an Indigenous Social Worker.

The area allocated to each of these community services is summarized below.

Component	Net Area (Square Feet)[4]	Factored Area (Square Feet)[4]	Location	Planned Staff	Planned Residents
Harm Reduction Home	3,850	6,907	Second floor	4.0	15.0
Off the Street Shelter	3,890	5,695	First floor	2.0	30.0
Sudbury District Nurse Practitioner Clinics	1,450	2,770	First floor	10.0	–
Indigenous Healing Space	400	520	First floor	–	–
Total	9,590	15,892		16.0	45.0

Conceptual floor plans are provided on the following pages.

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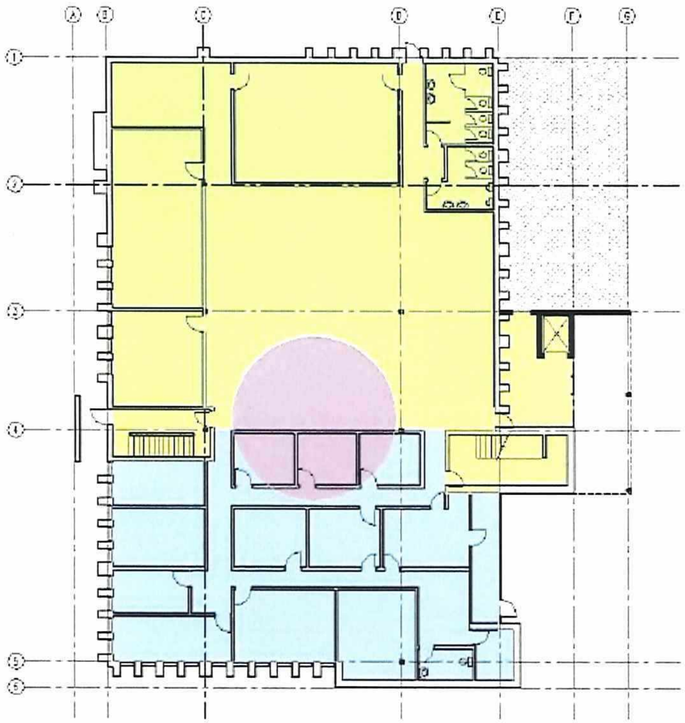
3 The CMHA was awarded the contract for the administration of the City's Off the Street homelessness shelter pursuant to a request for proposal process held in 2016.

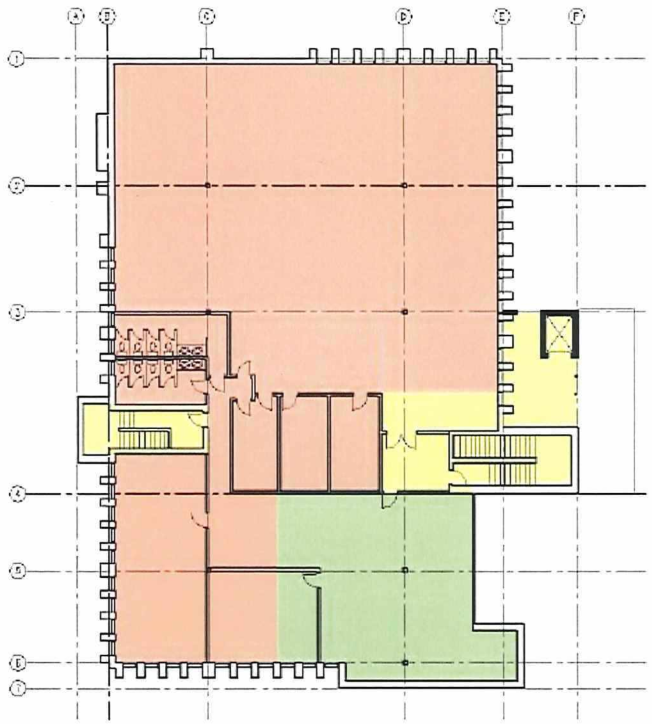
4 Net area represents space directly used by the specific programs (e.g. bedrooms, clinic rooms), while the factored area includes an allocation for common spaces and other areas.

Overview of the 200 Larch Street Project

200 Larch Street – Concept Floor Plans



FIRST FLOOR PLAN



SECOND FLOOR PLAN

CMHA HARM REDUCTION HOME

PRIMARY HEALTH CLINIC

CGS OFF THE STREET

COMMUNITY SPACE

INDIGENOUS HEALING SPACE

DENOTES CIRCULATION

Overview of the 200 Larch Street Project

SCHEMATIC DESIGN

Overview of the 200 Larch Street Project

C. Project Costs

During the course of our review, we noted that consolidated capital budgets for the Project (i.e. reflecting all components) were prepared at various times:

- Initial capital cost estimates were prepared in November 2018 based on a modified Class D Order of Magnitude estimate (±20%);
- A revised capital cost estimate was prepared in March 2019 following the finalization of the stipulated sum contract for the building renovations; and
- A revised capital cost estimate was prepared in May 2019 following the commencement of work on the building renovations.

	Planning Period (November 2018)	Post-Tender Period (March 2019)	Construction Period (May 2019)
Construction costs:			
• Harm Reduction Home	*Not separately presented*	$2,769,469	$2,819,469
• Off the Street Shelter and SDNPC		$3,120,031	$3,170,031
Total construction costs	**$4,258,598**	**$5,889,500**	**$5,989,500**
Project soft costs	$691,507	$894,289	$701,387
Site and other costs	$421,250	$355,509	$232,343
Contingency	$268,568	$356,964	$80,000
Total before HST	**$5,639,923**	**$7,496,262**	**$7,003,230**
Non-recoverable HST	Not identified	$277,318	$275,927
Total capital costs	**$5,639,923**	**$7,773,581**	**$7,279,157**

As noted above, the budgeted capital costs increased from approximately $5.6 million during the planning phase to just over $7.0 million at the commencement of construction, primarily due to a higher quantum of construction costs. This increase was offset by a reduction in the overall contingency provision, with the capital budgets prepared during the planning and post-tender periods including a contingency provision of 5%, while the construction period budget reflects a contingency of $80,000 (equal to 1.16% of the total indicated costs). However, our analysis of Project documentation indicates that the construction contract includes an additional contingency provision of $250,000, bringing the total available contingency to $330,000 (equal to 4.95% of total indicated costs).

Project soft costs and other costs appear to have been adjusted to reflect the actual level of costs incurred.

Overview of the 200 Larch Street Project

D. Project Financing

Based on the results of our review, we have identified a total of $5.359 million in committed funding towards the Project on a consolidated basis. Assuming a final construction cost of $7.279 million, this results in an indicated financing shortfall of $1.884 million, the majority of which ($1.611 million) relates to the Off the Street Shelter.

	Harm Reduction Home	Off The Street Shelter	SDNPC	Project Total
Credit facility (mortgage)[5]	$3,300,000	–	$800,000	$4,100,000
Ontario Trillium Foundation	–	$135,000	–	$135,000
Home Depot Community Impact Grant	–	$10,000	–	$10,000
CMHA reserve contribution	$500,000	–	–	$500,000
SDPNC contribution	–	–	$635,000	$650,000
Total confirmed financing	$3,800,000	$145,000	$1,435,000	$5,395,000
Budgeted capital costs (including non-refundable HST)	$4,109,126	$1,756,000	$1,414,031	$7,279,157
Financing shortfall	($309,126)	($1,611,000)	$20,969	($1,884,157)

In addition to the amounts noted above, the CMHA has received confirmation of $2.250 million in Provincial funding (non-repayable) for the Harm Reduction Home, representing $150,000 in funding per unit ($150,000 x 15 units). However, as this funding is payable to the CMHA over a 20-year period, it is not available to directly fund construction costs but rather is intended to fund future debt servicing costs associated with the credit facility.

The CMHA has also applied for $2.749 million in financing from the Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Co-Investment Fund, which may be in the form of a repayable mortgage, grant or some combination of the two. We understand that as of the date of this report, no formal announcement has been received from the CMHC with respect to this application. To the extent that this funding is received, it would be sufficient to eliminate the financing shortfall as well as reduce the required financing through the credit facility by approximately $900,000.

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5 In May 2018, the CMHA entered into a credit facility with its financial institution for a maximum of $3.3 million in funding, a copy of which was provided to KPMG during the course of our review. We have also been advised by the CMHA that its financial institution is prepared to provide an additional $800,000 in debt financing for costs relating to the SDNPC, conditional upon the finalization of a lease agreement between the CMHA and SDNPC. While we have been unable to confirm this arrangement with the CMHA's financial institution due to the timeframe for the preparation of our report, we have relied upon the assertions of the CMHA and have considered the $800,000 to be confirmed funding for the Project.

Overview of the 200 Larch Street Project

E. Ongoing Financial Performance

In connection with the Project, the CMHA has prepared a 12-month financial projection that forecasts anticipated revenues and expenditures relating to building occupancy costs for all four components (Harm Reduction Home, Off the Street Shelter, Nurse Practitioner Clinic, Indigenous Healing Space). Revenues and expenditures relating to clinical aspects of the operations have been excluded from the projection.

As noted below, the projected financial results anticipate breakeven financial results, with total revenues and expenditures amounting to approximately $540,000 on an annual basis.

Total Revenues	
LHIN funding for MAP occupancy costs	$152,772
Provincial funding for Harm Reduction Home	$111,468
CMHA allocation for occupancy costs	$82,800
Tenant rents (MAP residents)	$70,472
Sudbury District Nurse Practitioner Clinics rent	$96,000
City funding for Off the Street Shelter	$24,000
Total revenues	$537,512

Total Expenditures	
Debt servicing costs (CMHC and credit facility)	$395,790
Maintenance staff wages and benefits	$49,904
Utilities	$33,960
Repairs and maintenance costs	$31,760
Capital reserve contributions	$16,698
Security system, telecommunications and other	$9,406
Total expenditures	$537,518

With respect to the financial projections, we make the following comments and observations:

- The majority of operational financing is derived from confirmed funding sources;
- The largest single expenditure item (debt servicing costs) includes principal and interest payments on the CMHC mortgage, which has yet to be confirmed. In addition, the debt servicing costs do not include principal and interest payments on the $800,000 mortgage relating to the SDNPC;
- The CMHA has indicated that maintenance and utility costs are likely understated and have been adjusted so as to provide a break-even financial outcome; and
- We were advised by the CMHA that higher than anticipated operating costs would be financed through additional allocations from program funding. While this would provide the necessary financial resources for building operations and occupancy, it would reduce the amount of funding available for clinical aspects of the programs.

Overview of the 200 Larch Street Project

F. Current Project Status

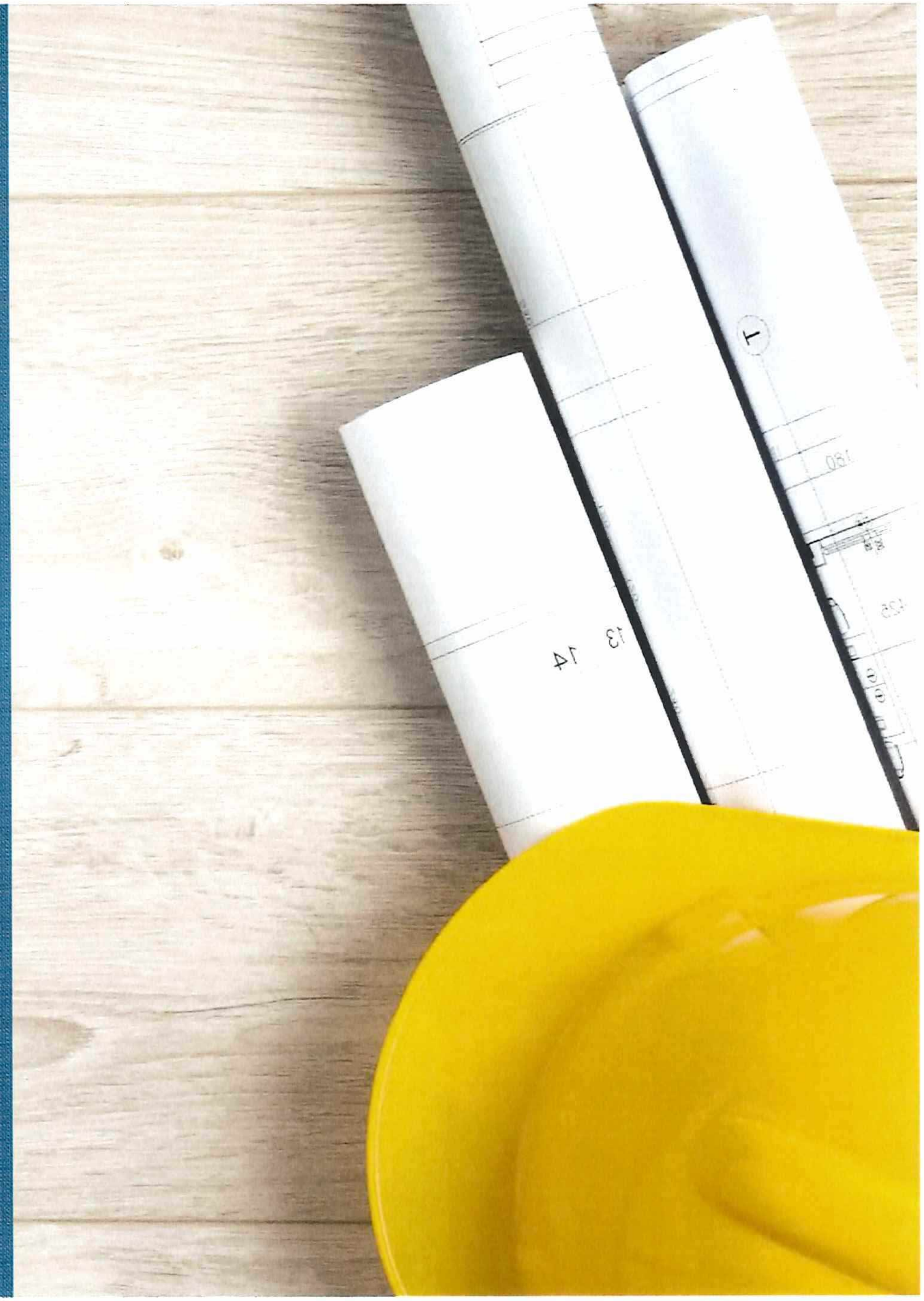
On February 22, 2019, the CMHA executed the stipulated sum contract for the renovations to 200 Larch Street, with a total contract cost of $5,989,500 plus HST. We understand that work commenced in April 2019, with total billings of $3,507,116 issued by the contractor to the end of July 2019 (58.6% of the total contract price).

With respect to the progress of the Project since the commencement of construction, we further understand the following:

- Upon receipt of the first contractor invoice, the CMHA entered into discussions with its financial institution concerning the process for payment of progress payment certificates and the drawdown of the credit facility. During these discussions, it became apparent that the while the renovation contract related to all components of the Project, the credit facility was only intended to finance the Harm Reduction Home.
- While the first contractor invoice was paid through the credit facility, the CMHA was advised by its financial institution on June 10, 2019 that additional funds from the credit facility would not be forthcoming until the CMHA confirmed sufficient financing from other sources to cover the full capital cost of the Project.
- Subsequent to notification from its financial institution, the CMHA approached potential funding agencies (3) during June 2019 but was unsuccessful in securing additional financing. The CMHA also negotiated an arrangement with the Sudbury District Nurse Practitioner Clinics for a one time contribution of $635,000.
- In July 2019, the CMHA paid 50% of the second contractor invoice but advised the contractor, both verbally and in writing, that future payments would not be forthcoming until such time as financing arrangements for the Project are finalized. Notwithstanding this notice, we understand that the contractor continues to perform work on the Project.
- On July 9, 2019, the CMHA sent a formal request to the City for a financial contribution of $1,756,000 relating to the Project's capital costs.

City of Greater Sudbury

KPMG Observations



KPMG Observations

A. What Caused the Financial Shortfall for the Project?

From a direct cause-and-effect perspective, the Project's financing shortfall is due to the commencement of work under a $5.989 million construction contract with only $3.945 million in financing in place[6]. During the course of our review, we inquired of CMHA's management as to why they would execute the contract without sufficient financing in place, particularly given that the amounts involved were readily apparent. While CMHA management identified a number of factors that contributed to the decision to proceed, they acknowledged that the decision was incorrect and should not have been made. This is consistent with management's report on the Project to the CMHA Board of Directors on June 17, 2019, during which management indicated "*In hindsight, we never should have started construction without having the financial plan solidly in place*".

Based on our review, we have identified the following factors that we believed contributed (in varying degrees) to the Project's financing shortfall.

1. **The CMHA failed to develop a financing strategy that addressed known financing shortfalls**. During the course of our review, we were provided with a capital budget analysis dated February 26, 2019 that identified that $309,755 financing gap after the inclusion of $2,711,356 in capital financing that was identified as unconfirmed. Excluding unconfirmed financing, the shortfall identified in this document was $3,021,111. Based on this document., we believe that the CMHA knew or should have known that insufficient financing was available prior to executing the construction contract, requiring them to either (i) confirm funding from the CMHC and other sources; and/or (ii) develop alternative funding sources prior to commencing work on the project. In the absence of this strategy, the Project was compromised from a financial perspective from the onset.

   The absence of an overall financing strategy was particularly impactful due to the change in the scope of the Project. Originally, the Project only appeared to involve the Harm Reduction Home, which had a budget of approximately $3.8 million, for which the CMHA had secured sufficient financing. However, while the addition of the Off the Street Shelter and SDNPC significantly increased the Project's capital costs, there was no corresponding increase in confirmed funding. Had the Project only involved the Harm Reduction Home, the financing shortfall currently facing the Project would likely have not been an issue.

2. **The Project was viewed from the perspective of the individual components and not on a consolidated basis**. Based on the results of our review, we identified an overarching tendency to view the Project as separate components – Harm Reduction Home, Off the Street Shelter, SDNPC – rather than as a single capital project. Our analysis indicates that the Project often lacked consolidated oversight, with the CMHA indicating that different individuals were tasked with responsibility for the various components, with little to no communication or coordination between the individuals. Financing applications were often only prepared for a single component and as a result, the overall magnitude of the financing requirement was often not identified during the application stage. As a result, the CMHA's financial institution only approved a credit facility for the Harm Reduction Home – excluding the Off the Street Shelter and SDNPC – while financing for the SDNPC was only negotiated after the CMHA's credit facility was suspended.

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[6] At the date of the construction contract execution, the CMHA had confirmed the following financing: $3.300 million credit facility, $0.135 million Trillium grant, $0.010 Home Depot grant and $0.500 million contribution from the CMHA. The funding relating to the SDNPC ($0.635 million contribution and $0.800 million credit facility) was secured after the execution of the construction contract.

KPMG Observations

3. **Overall project management was lacking**. While the CMHA did appoint a formal project manager for the Project, there appears to have been an absence of fundamental project management activities, including but not limited to establishing a project management office ("PMO") that would coordinate the various individuals involved in the Project as well as Project tracking of costs and financing. In the absence of effective project management, particularly prior to the execution of the construction contract, a coordinated and consolidated oversight of the Project was not undertaken.

4. **There appears to have been an overreliance on the Project's architect**. In connection with the Project, the CMHA retained the services of a professional architect to assist with the development of cost estimates, the evaluation of bids received for the renovations of 200 Larch Street, the certification of progress payment certificates, the approval of change orders and the overall management of the renovation process. However, in certain instances it appears that CMHA had assumed that the architect would also assist with financial project management, which is often outside the scope of architectural services. Accordingly, this may have created an expectation gap, whereby the CMHA assumed that financial project management were being addressed (in part) by the Project architect, while the architect's scope of services likely did not include this mandate.

While these factors are identified as contributing towards the current financial challenges facing the Project, we also believe they are symptomatic of the root cause of the situation – namely, the CMHA, as a human and social services agency, does not have the internal capacity and capabilities to undertake a large (+$7 million) capital project. While some resources were secured to assist with the Project, a significant portion of the oversight and decision-making responsibilities rested with CMHA staff who have no experience with the management of construction projects, the negotiation of financing agreements or the preparation of formal business plans. As a result, we suggest that in the absence of additional resources with the requisite experience, the successful completion of the Project was significantly challenged from its inception.

B. What is the Actual Financial Shortfall?

As noted earlier in our report, financial information provided by the CMHA indicates that the total financial shortfall is in the area of $1.9 million. With respect to this estimate, we make the following comments and observations:

- The cost estimates prepared for the Project do not include capitalized interest during the construction period, which would increase the total Project cost.
- While subject to legal interpretation, we believe that the CMHA is in contravention of the terms of the construction contract, which would allow the contractor to terminate the contract and receive payment for damages as a result of the termination. Potential costs relating to delay claims and other damages is not included in the Project cost estimates.
- The CMHA has entered into a stipulated sum contract for the renovations of 200 Larch Street. As this provides a guaranteed maximum price for a defined scope of work, the potential for cost overruns is generally limited to cash allowances and change orders. As noted earlier in our report, the construction contract includes a provision of $250,000 for cash allowances and change orders, of which $56,759 has been utilized to the current date (representing 23% of the available provision). Given the lower rate of utilization of the cash allowance and change order provision (23%) that the percentage of construction completed (59%), it appears that the potential for cost overruns is limited.

  While the use of a stipulated sum contract reduces the potential for cost overruns by establishing a guaranteed maximum price, it also restricts CMHA's ability to undertake so-called value-engineering designed to reduce construction costs. While a potential scope change may be possible, we suggest that it would likely be difficult due to the advance state of the renovations and the requirement to change the contractual scope of work.

KPMG Observations

- The Project cost estimates do not include any provision for furniture and equipment, reflecting the fact that the CMHA has already acquired the necessary assets using funding provided by the NELHIN, with the Project's furniture and equipment currently in storage pending completion of the Project. As such, the CMHA is of the view that the risk of potential cost overruns associated with furniture and equipment is minimal.
- We were advised by the CMHA that unforeseen work associated with the Project is limited to the following:
  - Greater Sudbury Utilities ("GSU") has indicated that it may be relocating certain of its infrastructure located in the basement of 200 Larch Street. We were further advised by the CMHA that the cost of any work would be funded by the GSU.
  - The City has indicated that it may be undertaking work associated with water and wastewater services in the vicinity of 200 Larch Street. We were further advised by the CMHA that the cost of this work is expected to be funded by the City.
- The Project cost estimate includes a provision of $0.620 million for architectural and project management services. Based on the results of our analysis, we note that $510,000 in fees have been incurred to the end of May 2019, with monthly fees ranging from $30,000 to $50,000. Given the anticipated completion date of October 2019 and an anticipated billing of $40,000 per month, this equates to estimated fees of $0.710 million, or approximately $90,000 more than the amount included in the Project cost estimate.
- The Project cost estimate reflects only the non-recoverable portion of HST and as such, does not reflect timing differences between when HST is paid and when HST rebates are received. Accordingly, while the total cost of HST is technically correct, the timing differences will increase the level of financing required on a temporary basis over the duration of the Project.

Based on the above-noted considerations, we believe that the total financing requirement associated for the Project is higher than the $1.9 million indicated in our previously summary. While we have not attempted to quantify the total impact of the items noted above, we would suggest that the actual financing requirement may be as high as $2.2 million, with the $0.300 million differential representing (i) additional costs not considered in the current Project cost estimates; and (ii) financing required due to timing differences on HST.

To the extent that the CMHA is successful in obtaining the requested financing from the CMHC ($2.749 million), the estimated financing shortfall of $2.2 million would exist until such time as the CMHC funds are advanced.

C. Is the Project Financially Viable From an Operating Perspective?

As noted earlier in our report, the CMHC has indicated that it has the ability to redirect operating funds from clinical activities in order to finance the ongoing occupancy costs associated with the Project and as such, the Project is technically financially viable from an operating perspective. That said, the results of our analysis also indicate that certain cost items, specifically maintenance and utility costs, are likely understated by as much as $50,000 to $70,000 annually. In addition, we note that the CMHA has prepared financial statements for a 12-month period and as such, the ongoing financial performance may be impacted by inflationary increases in operating costs that are greater than the increase in revenue sources.

To the extent that the CMHA is unable to redirect sufficient funds from clinical uses, the potential may exist for future funding requests relating to the occupancy costs of the Project.

KPMG Observations

D. What Could the CMHA Do To Address These Issues?

In order to facilitate the successful completion of the Project, as well as avoid similar issues on future capital projects, the CMHA may wish to consider adopting the following courses of action:

- Requiring formal business cases, subject to sufficient due diligence, as a condition of board approval for major capital projects. Given the need to ensure financial viability of the construction and operating phases of projects, we suggest that the business cases include a five-year operating projection as well as capital costs and financing.
- Establishing formal reporting mechanisms to the board of directors for major capital projects, which could include:
  - Project costs;
  - Project financing (confirmed and pending);
  - Contingency provisions, including the amount of contemplated and issued change orders and the status of cash allowances;
  - Projected costs to completion, projected variances from budget and emerging financing gaps; and
  - Project status, percentage of completion and progress against planned timeframes.
- Ensuring sufficient project management resources for the Project, including the establishment of a PMO with appropriate terms of reference.
- Undertaking training for staff and board members with respect to financial and business planning, capital project management and other matters of potential benefit.

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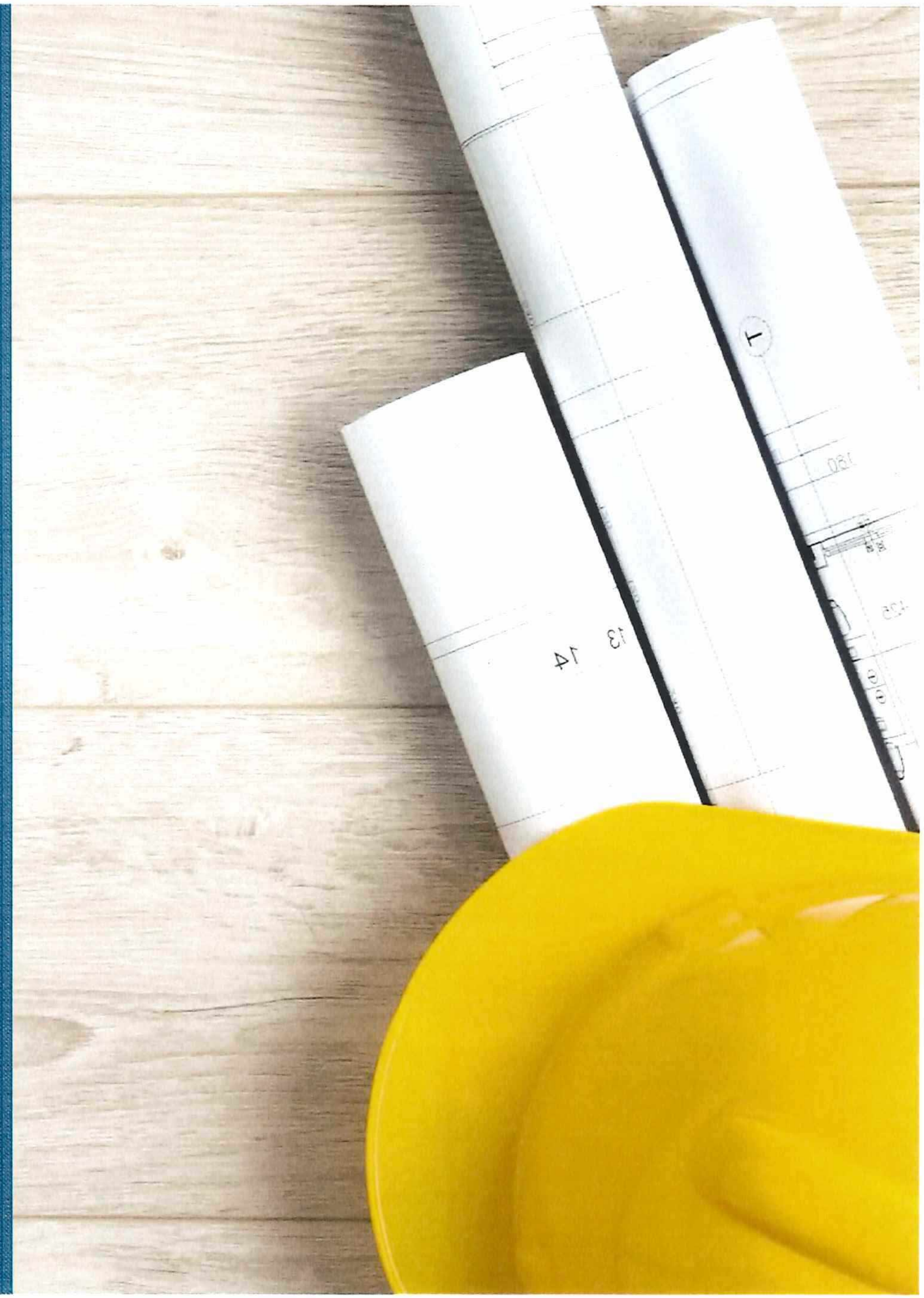
City of Greater Sudbury

Potential Courses of Action



Potential Courses of Action

While the magnitude of the financial shortfall poses a major challenge to the Project, the immediate issue facing the CMHA is the absence of access to its credit facility to finance costs incurred to date. As such, the Project is at a high risk of contractual default, which would result in significant cost increases beyond those considered in our report, as well as delays in Project completion. Given the nature of this Project, its anticipated social benefits and the past involvement of the City, we have predicated our comments on the assumption that the City will intervene to ensure the Project's completion.

A. Project-Specific Courses of Action

Based on the results of our analysis, and given the comments noted above, the City may wish to consider the following courses of action:

1. The City may wish to provide temporary financing to the CMHA to fund the Project to completion. This financing could be in the form of either (i) a loan to be repaid upon the receipt of funding from the CMHC and other funders[7]; (ii) a guarantee of additional financing to be provided by the CMHA's financial institution; (iii) a non-repayable grant (which would reduce future debt servicing costs and contribute towards the ongoing sustainability of the Project; or (iv) some combination of the above.

   To the extent that the City's course of action involves interest-bearing financing (either charged by the City or from the CMHA's financial institution by way of a City loan guarantee, this would increase the overall Project cost and associated financing shortfall.

2. As a condition of any financing, the City should require the CMHA to:
   - Establish a PMO, which would include representation from the City, to oversee the Project and monitor Project costs and financing;
   - Require the completion of a financing strategy for both the construction and ongoing operations of the Project; and
   - Provide periodic reporting to the City.

B. Additional Considerations

In addition to the potential courses of action suggested above, the City may wish to consider the following additional measures in connection with its involvement in capital projects undertaken by community organizations. Based on discussions with City staff, we understand that certain of these actions are already under development.

- The City may wish to consider establishing a single point of contact for projects involving multiple components. We understand that responsibility for the Project within the City has been divided between different departments (housing and social services), leading to the potential for a disconnect within the City.
- The City may wish to require formal business plans from community organizations prior to the City's involvement in or approval for major capital projects. This would provide a level of due diligence prior to the commencement of similar projects, potentially avoiding similar situations in the future.

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7 To the extent that funding is not forthcoming from the CMHC, the City would need to reevaluate the terms and conditions of the temporary financing provided, including reverting the loan to a long-term mortgage payable.

Potential Courses of Action

- The City may wish to consider assessing the readiness of community organizations to undertake major capital projects prior to the City's involvement in or approval for major capital projects. Where community organizations are considered to be lacking in required skills and competencies, the City could then require the additional of appropriate sufficient resources prior to approval for the project.

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Association of Municipalities Ontario

Housing in Ontario: A Primer for AMO Members

January 2017

Overview

Affordable housing contributes to the economic and social well-being of Ontario's communities and the Province as a whole. Ontario is the only province where social housing is a municipal responsibility. In other provinces, housing programs are fully funded and delivered by the provincial or territorial government with federal funding contributions.

While specific housing challenges vary across the province, providing sufficient affordable housing is becoming increasingly challenging for municipal governments, as social housing demand rises to record levels, housing stock ages and maintenance costs increase. The demand for social housing is exacerbated by the decline of affordable rental and ownership housing options provided through the housing market.

Municipal Legislative Requirements

- *Housing Services Act, 2011:* requires municipal service managers to develop ten-year housing and homelessness plans, and specifies service level standards including the number of subsidised units to be provided and eligibility for Rent Geared to Income (RGI) assistance.
- *Housing Policy Statement:* provides context and direction to service managers to support the development of housing and homelessness plans.

Some municipal housing programs are part of provincial and federal housing funding programs, meaning they are implemented by municipal governments with funding from other orders of government, and some are municipally-initiated and funded as a supplement. These initiatives include property tax concessions, reduced fees and charges for affordable housing, rent supplements, and direct funding (or land) to assist in social housing development, as well as incentives to the private sector for affordable housing development.[1] Municipal service managers must also manage waiting lists for social housing, which are currently at a record level, and as of 2016 are required to conduct homelessness enumeration in order to measure progress over time and better inform policy and programs.

Housing Facts

- In Ontario, municipalities contribute more than $1.2 billion to social housing every year, which is more than federal and provincial housing funding combined (AMO Housing Backgrounder, 2012).
- More than 171,000 households are on wait-lists for affordable housing (ONPHA, 2016 Waiting Lists Survey Report).
- Of the 270,000 social housing units in Ontario, most are between 18 and 50 years old, with a capital reserve shortfalls amounting to an estimated $1.5 billion (Housing Services Corporation, Social and Affordable Housing Primer, 2014).

Housing Definitions

Social vs. Affordable Housing: Social housing is subsidized by government or non-profit organizations, and requires ongoing municipal capital and operating subsidies to achieve affordability.
The Canada Mortgage and Housing Corporation (CMHC) defines housing as affordable if it costs less than 30 percent of total before-tax household income. If a household pays more than this amount on housing of median cost of the local area, and the housing does not meet standards of adequacy (not requiring major repairs), suitability (appropriate for the size and make-up of the household) or affordability, the household is considered to be in "core housing need".[1] Affordable housing is often jointly funded by all three orders of government with upfront capital and land contributions, as well municipal incentives such as development charge exemptions or deferrals, waiving fees.

Housing Continuum: the full range of housing options individuals may need over a lifetime, including temporary emergency shelters, transition housing, supportive housing, subsidized housing, market rental housing or market homeownership.

[1] Ontario Non-Profit Housing Association, "Funding sources for affordable housing development".

Municipal Advocacy in Housing

As housing programs and funding have changed over the past years, municipal governments have advocated for:

- *Funding*: long-term, predictable and sustainable funding programs; provincial and federal funding for operating costs, capital repairs, specific-interest housing, the Housing First approach, and increasing affordable rental housing.
- *Revenue tools*: the federal government should provide tax measures to stimulate purpose built affordable rental housing by the private sector; make available surplus crown land at no cost; enhance home ownership programs; and support the establishment of the Canada Housing Finance Authority.
- *Other tools*: municipal governments asked for the authority to choose to implement inclusionary zoning, which would require developers to include affordable unites in new developments. This authority was approved in the passing of the *Promoting Affordable Housing Act, 2016.*
- *Program approach*: flexibility for municipal governments to manage housing programs locally; integration of housing programs with other services, including child care, transportation, employment, health and social assistance; increased coordination among stakeholders and all levels of government; consultation and partnership with municipal governments for policy and funding design.
- *Special interest groups*: specific attention to the needs of northern and rural communities, the needs of seniors, Indigenous people and vulnerable populations (i.e. domestic abuse survivors).
- *Expiring federal operating agreements*: By 2033, all federal funding commitments and agreements will have expired for both capital and operating funding. Research has demonstrated that after the Operating Agreement subsidy ended, 40 percent of the housing units covered under agreements would be non-viable, while 80 percent of units covered under agreements would face the risk of not being able to operate under their current structure.[2] At the very least, the federal government should commit to maintaining the existing levels of investment in housing.

Housing Definitions (cont.)

Supportive Housing: subsidized housing as well as individualized, flexible support services for people with high needs related to physical or mental health, developmental disabilities or substance use.

Rent-geared-to-income (RGI): The cost of rent is set at 30 percent of an individual's income. Individuals that apply for government subsidized social housing apply for RGI housing.

Housing First: a recovery-oriented approach to ending homelessness that centers on quickly moving people experiencing homelessness into independent and permanent housing and then providing additional supports and services as needed.

Service Managers: Agencies or departments of municipal governments which deliver and administer housing programs. Service managers are also responsible for administering other social service programs such as Ontario Works and childcare.[1] There are two organizational forms of service managers:

- Consolidated Municipal Service Managers (CMSMs): may include regional governments, counties and separated cities
- District Social Services Administration Boards (DSSABs): boards established in each of the 10 districts in Northern Ontario

Housing Providers: a wide variety of owners of housing including private sector landlords, non-profit corporations, and non-profit cooperatives which provide housing.

Capital Repairs: Repairs that go beyond normal maintenance, including structural repairs and improvements to the building envelope and grounds. Capital repairs are designed to extend the life of the building, increase its energy and water efficiency, and address any health and safety concerns resulting from the age of the building.

Current Provincial Housing Programs

The Province provides funding through a number of programs managed by the Ministry of Housing and guided by the *Housing Services Act*, the Housing Policy Statement, and the Long-Term Affordable Housing Strategy (LTAHS).

- *Investment in Affordable Housing program (IAH)*: a 50-50 cost sharing program between the provincial and federal governments for the creation and repair of affordable housing, including rental housing, home ownership, renovation, and operating costs for rental supplement and housing allowance programs. This program was established in 2011 and has been extended from 2014 to 2020. The federal and provincial governments each pay

[2] Steve Pomeroy, Expiring Federal Housing Operating Agreements: Impacts and Implications for Providers and Service Managers, ONPHA Workshop, 2011.

$80 million per year for the five-year period to a total of $800 million. IAH includes $44.1 million for off-reserve Aboriginal housing. The Province works with Ontario Aboriginal Housing Services (OAHS) and the Miziwe Biik Development Corporation (MBDC) to deliver the programs.

- *Community Homelessness Prevention Initiative (CHPI):* previously comprised of separate homelessness and housing programs, administrated by two provincial ministries, it was consolidated in 2013. CHPI is a more flexible program to address local priorities and better meet the needs of individuals and families who are homeless or at risk of becoming homeless in their local communities. It includes emergency shelters, rental allowance, street and housing outreach, and homelessness prevention, including the Rent Bank, and the Emergency Energy Fund. For 2016-17, Ontario is investing $293.7 million in funding for the CHPI, and expected to increase by $30 million over the next two years.

- *Strong Communities Rent Supplement Program (SCRSP)*: provides funding for regular rent supplement units, as well as supportive housing units. It includes subsidies to non-profit housing providers, private landlords, co-operative housing providers, and directly to households through rent-geared-to-income. Municipal governments are responsible for tenant selection, administration, collaboration with landlords to determine levels of market rents, seeking new landlords and partner organizations. This program has provincial funding committed until 2023.

- *Infrastructure Ontario Affordable Housing Loan Program* (IO): offers low-interest loans to housing providers.

- *Promoting Affordable Housing Act:* passed in 2016, providing additional flexibility to social housing administrators, allowing municipal governments to introduce inclusionary zoning initiatives, removing the ability to implement development charges on secondary suites, and requiring all municipal governments to enforce residential property standards.

- *Renewed Long-Term Affordable Housing Strategy*: Invests a total of $178 million over three years to provide housing subsidies and benefits to additional households including a portable housing benefit pilot for survivors of domestic violence, funding for supportive housing, and increased funding for CHPI.

Current Federal Housing Programs

- *Social Housing Agreement:* provides funding for operating costs and mortgage payments on social housing in Ontario's municipalities. This funding will end in 2032.

- *Investment in Affordable Housing:* The federal government has committed to an investment of $1.9 billion nationally through the IAH over 8 years. Provinces and territories are cost-matching the federal investment.

- *The National Homelessness Partnering Strategy:* The Homelessness Partnering Strategy (HPS) is a community-based program aimed at preventing and reducing homelessness by providing direct support and funding to communities across Canada. Thirteen Ontario communities are supported through HPS. The Government of Canada's Economic Action Plan 2013 announced nearly $600 million over five years (2014-2019) starting in April 2014 to renew and refocus the HPS using a Housing First approach. The HPS supports 61 designated communities and some small, rural, northern and Aboriginal communities across Canada to develop local solutions to homelessness.

- *National Housing Strategy:* In 2016, the federal government launched a consultation to develop a national housing strategy. AMO has participated in this consultation by advocating for a commitment to dedicated, permanent, predictable, and sustainable funding for affordable housing; institute flexible, outcomes-based program approaches to funding affording housing and homelessness prevention; contributions to facilitate options along the continuum of housing in Canada's communities; a commitment to help end chronic homelessness; specific housing and homelessness prevention initiatives for Indigenous Peoples, in consultation with Indigenous Peoples; and a commitment to promote and support environmental sustainability of new and existing housing stock.

Timeline of Social Housing in Ontario (prepared by ONPHA)

LEGEND

- Federal Government Initiatives
- Provincial Government Initiatives
- Municipal Government Initiatives

1945–1950 — **Veterans Housing** (now sold off) *(Federal)*

1964–1975 — **Public Housing** developed predominantly by the Ontario Housing Corporation (OHC) and managed by Local Housing Authorities; 84,145 units created. *(Federal)*

1978 — First full federal **Social Housing Program** began. *(Federal)*

1978–1985 — **Federal Government took the lead** in funding and administering social housing in Ontario; 52,189 units created. *(Federal)*

1978–1985 — **The Province of Ontario** and **Municipalities** provided partial assistance for rent supplements (some to private landlords) and also some grant money to lower operating costs for 10-15 years. *(Provincial, Municipal)*

1985 — **Federal government stopped its federal program** when recession set in and interest rates shot up to about 20%, making its funding to lower mortgage costs very expensive.

1986 — **Province started housing programs** that it funded exclusively. 37,844 units were created between 1986 and 1995. *(Provincial)*

1986–1992 — Federal Government's funding role diminished under the **Federal/Provincial social housing program (1986-1992)**. CMHC offset a percentage of the costs of the F/P Program. *(Federal)*

1986–1992 — **The Provincial Government took over the lead role** in funding and administering social housing in Ontario under the Federal/Provincial program (1986-1992). During this period, 30,998 units were created. *(Federal, Provincial)*

1993 — Federal government announced that it would no longer fund any new social housing. *(Federal)*

1995 — The newly-elected **Provincial Government abruptly cancelled the provincial housing program**, but continued to make limited housing funding available for supportive housing. *(Provincial)*

1996–2000 — First extended period without government funding for new affordable housing for fifty years. Virtually no non-profit housing was developed in Ontario between 1996 and 2000.

1999 — Federal government off-loaded administration and funding of social housing to Ontario through the signing of the federal/provincial agreement. *(Federal)*

2000 — Federal Government's new **National Homelessness Initiative** started to provide funding for the **Supporting Community Partnerships Initiative (SCPI)**, which was targeted at transitional housing for the homeless. This funding was being administered by select municipalities. *(Federal)*

ONPHA

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2001

Province devolves funding and administration of existing social housing to 47 Municipal Service Managers but keeps responsibility for supportive housing (now with Ministry of Health/LTC and MCSS).

Federal Government returned to the funding of housing development programs and announced $680 million for an **Affordable Housing Program (AHP)** to be administered by provinces which provide matching funding.

2002

In its agreement with the Federal Government, the Provincial Government pledged only $2,000/unit, passing on responsibility for the other $23,000/unit of matching funds to municipalities, nonprofits and charities.

Federal Government signed an agreement with Ontario under the **Canada/Ontario Affordable Housing Program** pledging $245 million or $25,000/unit over 5 years to build 10,500 units of "affordable housing."

2003

Announcement of **Ontario Pilot Program** of 2,000 units under Canada/ Ontario (Municipal) Affordable Housing Program.

Federal government announced another $115 million for the **Canada/Ontario Affordable Housing Program** for Ontario.

2005

Strong Start program: approximately 1,500 units are released to fast-track new housing proposals. The next "Wave 1" allocation of 5,230 is allocated among all 47 SMs. For the Strong Start and "Wave 1" projects, Ontario matched the federal contribution.

2007

The Province allocated $392 million in funding to SMs for affordable housing including $127 million for **DOOR** (construction and rehabilitation), $185 million for **ROOF** (27,350 housing allowances) and $80 million for Urban Aboriginal Housing.

Federal government replaced National Homelessness Initiative with **Homelessness Partnership Strategy**, which aimed to build and improve upon the Initiative by focussing on a "HousingFirst" approach to homelessness, and funding is renewed every 2 years (current program expires in March 2014).

2008

Social housing providers became eligible for Infrastructure Ontario loans for capital investments (federally funded housing co-operatives excluded).

2009

Province renewed $5 million Rent Bank and made it permanent.

Federal and Provincial Governments committed a combined investment of over $1.25 billion for social and affordable housing in Ontario over the next two years: $704 million was allocated for **Social Housing and Retrofit Program (SHRRP)**; $545 million to extend **Canada-Ontario Affordable Housing Program (AHP)**, including funding for seniors and persons with disabilities. Economic stimulus was the priority for this funding.

2009–2013

The Federal government provides $110 million funding for the Mental Health Commission of Canada's At Home/Chez Soi research project. The study examines the effect of Housing First interventions for homeless individuals in five cities. In 2013 the Province pledged $4 million to extend the funding for Toronto participants. A report on the outcomes of the study was released in 2014.

2013

2010

The Province's **Long Term Affordable Housing Strategy** confirmed the devolution of social housing to municipalities, and required community-based local planning of housing and homelessness services including social housing in Ontario.

2011

The *Housing Services Act, 2011* sets basic Provincial policy directions while giving service managers greater flexibility and control in the planning and delivery of housing and homelessness services including social housing administration.

Investment in Affordable Housing (IAH) for Ontario: Federal and Provincial Governments will provide $480.6 million over 4 years for affordable housing creation and repair, rent supplements and housing allowances. Social housing market rent units eligible for rent supplements/housing allowances. All social housing ineligible for repair dollars.

2012

Province consolidates funding for five homelessness-related programs into the **Community Homelessness Prevention Initiative (CHPI)**, administered by MMAH. CHPI provides Service Managers with flexible funding that they can direct towards emergency shelter solutions, housing with supports, homelessness prevention, or other service and supports depending on greatest need.

2014

As part of Ontario's Poverty Reduction Strategy 2014-2019, the Province allocates $16 million to create 1,000 new supportive housing spaces. The Province also announces a funding enhancement of $42 million for the CHPI for 2014-2015.

The Federal & Provincial governments commit $801 million to extend funding for the Investment in Affordable Housing (IAH) Program for five years. Eligible programs include affordable homeownership, renovation, rent supplements and housing allowances, and the creation of affordable rental housing. Social housing units are ineligible for repair dollars. The extension ends on March 31, 2020.

2015

Promoting Affordable Housing Act is passed, providing additional flexibility to social housing administrators, allowing municipal inclusionary zoning initiatives, removing the ability to implement development charges on secondary suites, and requiring all municipal governments to enforce residential property standards.

2016

Green Investment Fund launched, including $10 million for a social housing electricity efficiency program and $82 million for a social housing retrofit program.

Phase Two of the Province's 10-year Mental Health and Addictions Strategy provides $16 million over three years, commencing in 2014–15, to create 1,000 new housing spaces for people with mental health or addictions issues, including $4 million for 248 supportive housing units in 2016–17.

Long-Term Affordable Housing Strategy Update: invested a total of $178 million over three years to provide housing subsidies and benefits to additional households including a portable housing benefit pilot for survivors of domestic violence, funding for supportive housing, and increased funding for CHPI.

National Housing Strategy consultation is initiated.

Investment in Affordable Housing Initiative: doubled to $504.4 million over two years.

Affordable housing for seniors: increased to $200.7 over two years.

Affordable Rental Housing Innovation Fund: $208.3 million over five years to support the construction of affordable rental housing.