

Status Report Update on St. Hilda's Towers Seniors Housing

Date: June 5, 2018
To: Executive Committee
From: Director Affordable Housing Office
General Manager, Shelter, Support and Housing Administration
Wards: Ward 15 Eglinton-Lawrence

SUMMARY

St. Hilda's Towers Inc. and the affiliated corporation, St. Hilda's Towers Lewis Garnsworthy Residence (collectively 'St. Hilda's'), owns and operates three residential social housing buildings located at the corner of Dufferin Street and Eglinton Avenue West, containing a total of 461 units designated for seniors.

St. Hilda's is in financial difficulty due to high vacancy rates of over 60% resulting from capital repair issues in two of their three buildings (Dufferin and Vaughan Towers), and an unsustainable operating model. Due to these issues, St. Hilda's is seeking the City's urgent support on a modernization and future operating plan to maintain much-needed social housing units for seniors in the City.

As directed by Council, the City's Affordable Housing Office and Shelter, Support and Housing Administration Division have been working with St. Hilda's, the Toronto Central Local Integration Network (TC-LHIN), the Ministry of Housing, and ERA Architects to develop a modernization strategy to rehabilitate the Dufferin and Vaughan Towers on the St. Hilda's site.

The purpose of this report is to update Council on the results of the due diligence work completed to-date, and to recommend a funding model and modernization strategy to ensure the long-term sustainability of affordable seniors housing in Ward 15 Eglinton-Lawrence.

This report is recommending a full modernization program with an estimated cost of \$38.2 million, funded and financed by a variety of available government funding streams, in order to preserve the affordable homes in the St. Hilda's buildings.

This report also supports and amplifies the need for strategic action regarding the preservation and rehabilitation of affordable units designated for seniors in Toronto. Building on the Toronto Seniors Strategy Version 2.0, the St. Hilda's modernization initiative promotes a systems level approach to meeting the needs of seniors in the city.

RECOMMENDATIONS

The Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration, recommend that:

1. City Council authorize the Director, Affordable Housing Office, to provide capital funding from the Development Charges Reserve Fund for Subsidized Housing (XR2116) to St. Hilda's Towers Inc., or a related corporation in an amount not to exceed \$750,000, to fund pre-development expenses including but not limited to architectural and project management costs related to the modernization of the St. Hilda's Vaughan and Dufferin Towers.
2. City Council authorize the Director, Affordable Housing Office to enter into a pre-development agreement with St. Hilda's or a related corporation, to provide the pre-development funding set out in Recommendation #1 and to set out the terms of engagement of the City, the implementation steps to be taken and the timelines to be followed, in the modernization of St. Hilda's Dufferin and Vaughan Towers, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form acceptable to the City Solicitor.
3. City Council authorize the Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration to support St. Hilda's or a related corporation, on an application to Canada Mortgage and Housing Corporation to secure capital funding and financing, for the modernization project, under the recently announced National Housing Strategy Co-Investment Fund.
4. City Council authorize the Director, Affordable Housing Office, in consultation with the General Manager, Shelter, Support and Housing Administration and the Toronto Central Local Health Integration Network to support St. Hilda's or a related corporation, in issuing a competitive proposal call to secure non-profit supportive housing provider(s) and to select the most qualified non-profits(s) to assume and operate the affordable housing buildings on the St. Hilda's site.
5. City Council authorize that the proposed modernization project at St. Hilda's be exempt from the payment of development charges, planning and parkland dedication fees and building permits under existing City policy, where applicable.
6. City Council authorize the Director, Affordable Housing Office and General Manager, Shelter, Support and Housing Administration to assign City representatives in an advisory role to the St. Hilda's modernization committee to participate in overseeing the implementation of the modernization of St. Hilda's.
7. City Council authorize the General Manager, Shelter, Support and Housing Administration to provide funding from the 2019-2020 and 2020-2021 allocation of the Social Housing Apartment Improvement Program in an amount up to and not to exceed \$8,000,000 to St. Hilda's Towers or a related corporation.

8. City Council authorize the Director, Affordable Housing Office to negotiate, enter into, and execute on behalf of the City, a municipal housing facility agreement known as the City's "Contribution Agreement", with St. Hilda's or a related corporation, to secure the financial assistance being provided and to set out the terms of the modernization and operation of St. Hilda's, on terms and conditions satisfactory to the Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration and in a form approved by the City Solicitor.

9. City Council authorize the General Manager, Shelter, Support and Housing Administration to provide on behalf of the City all necessary social housing service manager consents under the Housing Services Act to transfer or mortgage any of the housing projects or the land where they are located on terms and conditions satisfactory to the General Manager and in a form acceptable to the city Solicitor and to provide all necessary notices to the Minister of Housing.

10. City Council authorize the City Solicitor, to execute, on behalf of the City, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by St. Hilda's or a related corporation, or its mortgagee(s) to complete construction and conventional financing and subsequent refinancing, where and when required during the term of the municipal housing facility agreement.

11. City Council authorize the City Solicitor to execute, on behalf of the City, any postponement, confirmation of status, discharge or consent documents relating to the security given to secure the Contribution Agreement entered into with St. Hilda's or a related corporation, for the construction or operation of affordable rental housing on the St. Hilda's site as required by normal business practices.

12. City Council request the Director, Affordable Housing Office and the General Manager, Shelter, Support and Housing Administration to report to the Executive Committee in early 2019 to provide a project status update, results of the National Co-Investment Fund application and to make any further recommendations to ensure the physical and financial viability of the St. Hilda's properties.

FINANCIAL IMPACT

The St. Hilda's modernization strategy can be broken down into two distinct stages being stabilization and rehabilitation, each with separate financial considerations, as outlined below:

1) Stabilization Stage

Under the stabilization stage, the City has committed to a one-time advance of \$0.25 million as bridge grant funding from Shelter, Support and Housing Administration's 2018 Operating Budget, through the Housing Support Stabilization (HSS) Fund. HSS funds are already included in SSHA's 2018 Operating Budget, therefore, the advance will have a net zero impact to the City in 2018.

St. Hilda's will use the funds advanced by SSHA to ensure continuity of operations at the towers and make any necessary unit repairs in advance of the shelter client arrivals. The funds are subject to the execution of a Pre-Development Agreement.

In addition, the City has also been working with St. Hilda's to secure approximately 30 units within the Vaughan Tower for temporary housing for clients within the shelter system. Funding provided will go towards modest capital improvements to ensure the units are clean, safe and ready for occupancy, including the provision of flooring, washroom fixtures and furniture, as units have deteriorated from years of being vacant.

Following occupancy, a per diem will be provided to St. Hilda's to cover rent, meals, and other necessary services. This interim plan will ensure a stable income stream for the organization during the modernization pre-development phase leading up to construction completion of the first tower in 2021. It would also assist the City in creating temporary relief within the shelter system.

The stabilization plan proposes to relocate all clients residing in the premises to one tower while construction and renovation proceeds on the other. Coupled with St. Hilda's efforts to improve operational efficiencies this operating model can be sustained until construction, renovation and transfer of both towers is completed, beginning in 2021.

Program design is currently underway and will help to quantify the financial implications of support funding under a new operating model to assure the long-term sustainability of the program. Any additional funding / resources required will be submitted for consideration through the 2019 Budget Process.

Further, TC-LHIN provided pressure funding of \$0.450 million to St. Hilda's Inc. in 2017. TC-LHIN has indicated its willingness to continue assistance in 2018 to further support the towers during the stabilization and rehabilitation stages of the plan.

The potential future involvement of TC-LHIN is yet to be confirmed at this time and will be based on the program design of the modernized towers. However, the absence of funding support from TC LHIN is not expected to negatively impact the successful implementation of the stabilization and rehabilitation plan for the towers.

2) Rehabilitation Stage

ERA Architects was hired in January 2018 to complete a feasibility analysis and order of magnitude costing on the financial requirements to successfully implement a modernization initiative to create 301 self-contained affordable housing units. This unit count is based on the rehabilitation of the Dufferin and Vaughan Towers and the reconfiguration of bachelor units into larger one-bedroom units.

The estimated cost to complete the St. Hilda's modernization project is \$38.2 million, inclusive of hard and soft costs. The work contemplated to be done will also make the project more energy efficient, resulting in future operating cost savings.

The charts below outline the capital funding sources potentially available to complete this project along with the City's Open Door Incentives:

St. Hilda's Project Finance Summary

Activity	Estimated Cost
Full Modernization of Dufferin and Vaughan Towers	\$38,200,000
Funding Sources Identified	
Development Charges Reserve Fund for Subsidized Housing (XR2116)	\$750,000
Home For Good Affordability Payments (2018/19)	\$12,000,000*
SIF/IAH-Toronto Renovates (2018/19)	\$3,000,000
Social Housing Apartment Improvement Program (2019/2020 and 2020/21)**	\$4,000,000**
Refinancing Building (Vaughan Tower)	\$8,894,000
Total Available:	\$28,644,000
Federal National Co-Investment Request: (Combination of Grants and Financing)	Balance Required to Fully Fund Project

*Home For Good Affordability Payments over 20 years are contingent on the St. Hilda's successfully securing upfront financing in the equivalent amount. Should this not occur, or if St. Hilda's is unsuccessful in obtaining mortgage financing to contribute its own equity to the project, the National Co-Investment Fund request will be increased.

**SHAIP funding must be directly linked to Green House Gas reduction. Funding amount may increase based on further component costing

St. Hilda's Modernization- Contributions

Affordable Rental Homes	Value of Contribution (Per Unit)	Total Support (301 units)
City Incentives (Planning and Building Fees)	\$156	\$47,000
City Capital Contributions	\$2,492	\$750,000
Total City Contribution	\$2,648	\$797,000
Federal and Provincial Housing Programs	\$94,714	\$28,509,000
Refinancing Building	\$29,549	\$8,894,000
Total:	\$126,911	\$38,200,000

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT STATEMENT

There are now more Torontonians aged 65 and older than children aged 15 and below. The steady rise in this demographic is heightening the need to protect existing social housing that provides affordable living options for the growing number of seniors in the city.

The St. Hilda's modernization initiative proposed in this report supports the Toronto Seniors Strategy 2.0 by addressing the specific and growing needs of older Torontonians through the creation of new affordable housing as well as funding housing repairs and accessibility modifications for seniors by way of federal-provincial-City funding and City initiatives.

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's Housing Opportunities Toronto Action Plan 2010-2020 and the Housing Stability Service Planning Framework. It also supports the City's Poverty Reduction Strategy.

DECISION HISTORY

At its meeting on January 31 and February 1, 2018, City Council adopted EX30.20 "Status Report of St. Hilda's Towers Seniors Housing" where Council authorized the Director, Affordable Housing Office and General Manager, Shelter, Support and Housing Administration to continue due diligence activities on the modernization of the St. Hilda's Towers and to report back to Executive Committee on a recommended course of action to secure a long-term viable future for the Dufferin and Vaughan Towers and the residents there. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.20>

At its meeting on December 5, 6, 7 and 8, 2017, City Council adopted MM37.12 "Maintaining and Modernizing Social Housing at St. Hilda's" where Council authorized the Director, Affordable Housing Office and General Manager, Shelter, Support and Housing Administration to undertake discussions with the Ministry of Housing, Toronto Central Local Health Integration Network and Canada Mortgage and Housing Corporation on funding and financing opportunities to undertake the modernization, capital repairs and energy retrofits, including the potential acquisition of the Vaughan and Dufferin towers, and to report to the Executive Committee on January 24, 2018 on the results, including appropriate recommendations. The Council decision can be found here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.MM35.12>

COMMENTS

Results of Due Diligence

In January 2018, as directed by Council, the Affordable Housing Office engaged ERA Architects to produce a feasibility assessment for the Dufferin and Vaughan Towers on the St. Hilda's campus, located at 2339 Dufferin Street. This study examined the operation, restructuring and rehabilitation program required to ensure that the campus is able to financially address state of repair needs, retain its mission to provide affordable housing to seniors, and follow an operating model that fosters long-term financial sustainability.

ERA Architects scope of work also included developing an activation and implementation strategy to access recently announced federal housing funding under the National Housing Strategy; execute the design, transition, and project management plan to modernize 301 units of affordable housing; and develop a future governance model to preserve the new affordable housing created through the modernization project.

The full modernization program is estimated to be completed by mid-2022 taking into account tenant relocations and the transfer of the Dufferin and Vaughan Towers to a future non-profit operator.

CMHC National Housing Strategy Co-Investment Fund

Announced in November 2017 and launched in May 2018, the National Housing Co-Investment Fund presents a new opportunity for housing in Canada. The Co-Investment Fund provides over \$13 Billion in low-interest long-term loans and direct grant support to housing projects over 10 years. The aim of the National Housing Co-Investment Fund is to provide a pipeline of funding to enable the rehabilitation and new construction of affordable public, non-profit and private housing.

The National Housing Strategy (NHS) aims to support housing, which is affordable, sustainable and accessible. The program has three minimum requirements which include: that 30% of units within a housing project are secured at 80% Average Market Rent long term; that energy performance is improved 20% over baseline; and that 20% of units are made accessible.

The National Housing Co-Investment Fund has the potential to provide deep support for housing modernization, with non-profit housing projects eligible for as much as 95% funding, 40% of which is provided as direct grant contribution.

The National Housing Co-Investment Fund accepts applications on 60-day cycles, with the first cycle beginning this May 2018. The program is prioritizing proposals that surpass base outcomes, more specifically, applications that demonstrate excellence in:

- Affordability
- Energy efficiency
- Accessibility

- Proximity to transit, amenities and community supports
- Collaboration/partnerships
- Social inclusion
- Supporting federal priority groups

St. Hilda's is an ideal candidate for the NHS Co-Investment Fund, with its ability to meet and surpass all program criteria. The modernization of St. Hilda's presents both an opportunity to transform this community, and showcase the broader goals of resilient housing nationwide.

Project Management Structure

A non-profit Board of Directors currently manages St. Hilda's. The modernization of the Vaughan and Dufferin Towers will require the City's support of the Board and the expertise of a strong development manager and team of consultants.

The proposed organizational structure to carry out the modernization would be the formation of a modernization committee to manage funds and provide high-level project direction. The modernization committee would in turn delegate authority to a development or project manager who would be in charge of retaining a team of expert consultants and providing day-to-day direction on the project. The roles of the groups are more clearly defined below:

1. Modernization Committee

The role of the committee is to make executive decisions related to the project, such as controlling funds and defining project scope. The committee may include representatives from St. Hilda's and TC-LHIN along with other relevant stakeholders. City representation would be in an advisory capacity only.

The committee would also work to refine the project program, secure a new non-profit operator, and retain the key consultant team and development manager. The committee would delegate authority to the development manager to act as the St. Hilda's representative for day-to-day activities.

2. Development Manager

The development manager will act as the St. Hilda's representative and as the chief project manager for the project, directing the other consultants and construction manager. The modernization committee will make core decisions, with day-to-day decisions made by the development manager. The development manager will also oversee and be responsible for procuring services necessary for the modernization to move forward.

Further, the development manager will oversee the allocation of funds, coordinate all development activities, and ultimately be responsible for handing over a complete building to the new non-profit operator selected by the modernization committee. The development manager will also select a construction manager to engage in an integrated design process and overall construction activities on site.

The modernization committee will create an accountability structure for project delivery, with the development manager and consultant team ensuring project objectives are met. Key to project delivery will be an integrated design process between the key consultant team, development manager and construction manager, with the modernization committee as the ultimate authority for high-level project direction and decision-making.

Selection and Involvement of Non-Profit Operator

Through discussions with its Board and funders, St. Hilda's has determined that an appropriate path forward is to engage in a process with the City and in consultation with the TC-LHIN to secure qualified non-profit operator(s) to transfer both the Dufferin and Vaughan Towers to moving forward. The third building, the Lewis Garnsworthy Residence, although fully occupied, is also currently under consideration by St. Hilda's for transfer to a future operator.

It is anticipated that the selected non-profit operator(s) may also have a role on the modernization committee. The process to commence a search, is scheduled to begin in fall 2018.

Transition and Relocation

The vacancy rate in both the Dufferin and Vaughan Towers is over 60%. Combined, there are currently only 120 occupied units including up to 50 beds of which are designated for Alternative Level of Care and funded by the TC-LHIN in the Dufferin Tower.

As a result of the high vacancy rate at the site, which continues to increase due to factors outlined earlier in the report, it is anticipated that tenants will be relocated between towers facilitating the modernization work to be done on a staged basis, one tower at a time. The plan assumes that the modernization will see the Vaughan Tower completed first, followed by the Dufferin Tower.

In terms of supporting tenants through the process, a Tenant Relocation and Assistance Implementation Plan ('TRAIP') will be developed by St. Hilda's, with support from the modernization committee, and will require approval by the General Manager, Shelter, Support and Housing Administration prior to relocation of tenants. The TRAIP will set out St. Hilda's commitment to tenants during the relocation process as well as outline the level of supports that will be provided to tenants during the transition.

Project Timeline

Subject to Council approval, the next steps in the St. Hilda's modernization will commence as follows:

Timeframe:	Work Required:
Immediate	<ul style="list-style-type: none"> • Execute pre-development agreement • Advance stabilization funds • Apply for funding programs needed to fund development
Fall 2018	<ul style="list-style-type: none"> • Strike modernization committee • Engage in pre-development work • Secure development manager • Confirm TC-LHIN involvement • Develop TRAIP • Issue proposal to select new non-profit operator(s)
2019	<ul style="list-style-type: none"> • Select non-profit operator(s) • Secure project financing • Secure construction manager • Secure planning approvals and permits • Engage in tenant relocation from Vaughan Tower • Begin construction of Vaughan Tower
2020	<ul style="list-style-type: none"> • Continue construction of Vaughan Tower • Secure permits for Dufferin Tower
2021	<ul style="list-style-type: none"> • Complete construction of Vaughan Tower • Selected non-profit(s) to begin operation of Vaughan Tower • Transition/relocate tenants back to newly renovated Vaughan tower • Begin construction of Dufferin Tower
2022	<ul style="list-style-type: none"> • Complete construction of Dufferin Tower • Selected non-profit(s) to begin operation of Dufferin Tower • St. Hilda's modernization committee dissolved

Preserving Seniors Housing and Expanding Supports

Maintaining a wide seniors mandate is important for the modernization program. With funding under the Home For Good program, there will be supports dedicated to assisting those seniors who are chronically homeless or transitioning from provincially funded institutions. Further, the operating funding attached to the Home for Good program will be used to provide additional wrap around housing supports and allowances.

During the design phase of this project, the modernization committee will also work to establish a program model, based on anticipated target groups, to ensure the needs of future residents are adequately accommodated.

Conclusion

Two of the three St. Hilda's Towers properties are almost 40 years-old and have fallen into a crisis as a result of a general unfunded capital repair backlog, inefficient building systems, an unsustainable operating model and an inability to attract new residents.

As of 2018, one-third, or roughly 32,000 households on the City's social housing waitlist are seniors who are in need of housing.

The St. Hilda's modernization initiative recommended in this report represents a unique opportunity to preserve and revitalize over 300 seniors designated social housing units, some of which have reached the end of their operating agreement. In the event that these units were to close or be lost, the cost to replace 301 units would be about \$115 million or three times that of the current capital cost estimate of \$38.2 million to undertake the modernization project.

From a financial, City building, and equity perspective, this modernization project supports the City of Toronto objectives of creating housing for seniors including those from other equity seeking groups, and represents good value for money.

Approving the recommendations in this report will contribute to increasing the supply of quality housing with adequate supports and creating greater affordability for senior residents in Toronto.

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SIGNATURE

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ATTACHMENTS

Attachment 1- Aerial of St. Hilda's Dufferin and Vaughan Towers

Attachment 1: Aerial of St. Hilda's Dufferin and Vaughan Towers

