

Toronto 2017 BUDGET



CAPITAL BUDGET NOTES



Shelter, Support and Housing Administration

2017 – 2026 CAPITAL BUDGET AND PLAN OVERVIEW

Shelter, Support and Housing Administration (SSHA) is primarily responsible for maintaining the City's 16 owned and operated or leased facilities in a state of good repair for the delivery of shelter services.

Recognizing the need to proceed with a Transition Plan for current Seaton House residents as a first step towards George Street Revitalization, the Preliminary 10-Year Capital Plan includes funding to acquire/ lease and renovate a total of 4 shelters (2 temporary, 2 permanent) and provide funding to operate the 2 temporary sites for the duration of the project.

There is sufficient funding in the Capital Plan for project management and consulting costs necessary to conduct a due diligence review of work completed to date and support the development of the Project Specific Output Specifications (PSOS) with Infrastructure Ontario's support which will guide the next phase of this multi-year project.

Finally, funding of \$13.5 million has been dedicated to the capital maintenance program to support infrastructure upgrades and major maintenance in City-operated and leased shelters and \$4.4 million to complete the modernization of 389 Church Street.

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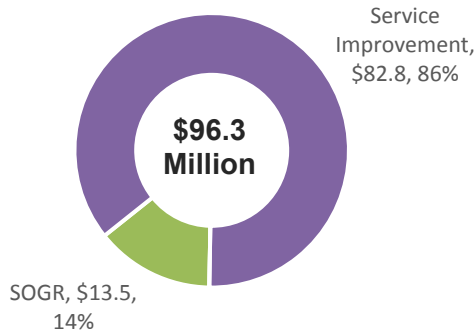
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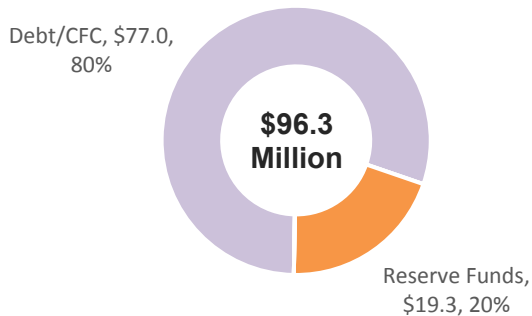
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Capital Spending and Financing

2017-2026 Capital Budget and Plan By Project Category



By Funding Source



Where the money goes:

The 2017–2026 Preliminary Capital Budget and Plan totalling \$96.317 million provides funding for:

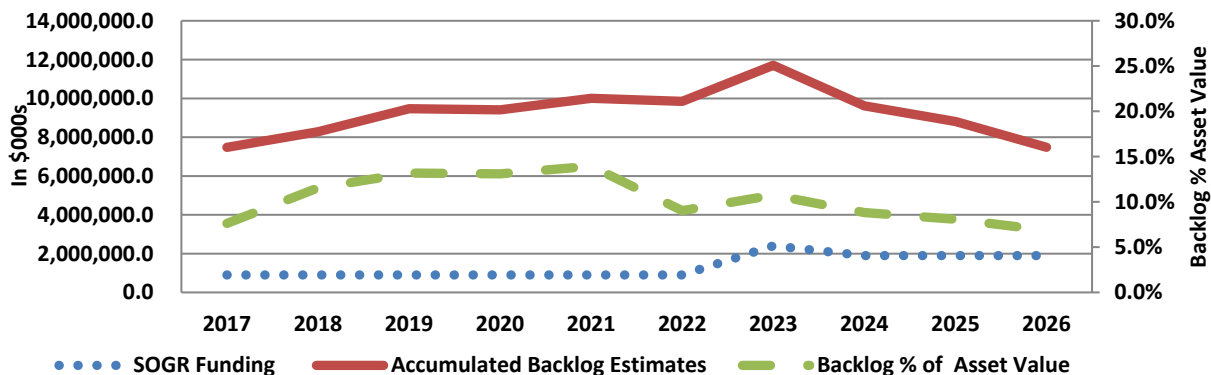
- State of Good Repair (SOGR) projects that support the SOGR in the 16 City owned and leased shelter facilities.
- Service Improvements to the shelter system by providing:
 - Funding for the Seaton House Transition plan;
 - Project management, architecture and preconstruction consulting work necessary to achieve construction readiness and successful implementation of the procurement model adopted by City Council should Council decide to proceed with the project at a future date; and,
 - Funding to secure locations for existing shelter operators to provide stability in the shelter system and to create affordable and transitional housing.

Where the money comes from:

- Debt funding of \$77.047 million or 80% of total funding, which is slightly (\$0.790 million) under the debt target guideline over the 10-year planning period;
- Reserve funding of \$12.700 million will be provided from the Social Housing Stabilization Reserve for the Seaton House Transition plan as well as project management and preconstruction consulting costs;
- Reserve funding of \$6.570 million for the acquisition of land for future shelter sites.

State of Good Repair Backlog

The Preliminary 10-Year Capital Plan includes cash flow funding of \$13.500 million for State of Good Repair to address the backlog. The SOGR backlog as a % of asset replacement value will decrease from 7.6% in 2017 to 6.9% in 2026.



Our Key Issues & Priority Actions

- **Sufficient funding to begin transitioning Seaton House residents** in advance of the GSR project construction start as conditions at Seaton House are not sustainable. Current occupants will therefore need to be temporarily relocated to other locations as the current site must be vacant and ready for demolition within a limited time-frame once the project funding is in place and it is ready to proceed.
 - The 10-Year Capital Plan includes funding of \$61.820 million for the acquisition/ leasing, construction and renovation of 4 sites, 2 permanent and 2 temporary as well as funding to operate 2 of these sites starting as early as 2017 as part of the transition process, and
 - Funding of \$10.027 million is included for project management and preconstruction consulting work necessary for the commencement of construction using the Design-Build-Finance procurement model approved by Council.

- **Maintaining Existing Shelter Capacity** under rising and competitive real estate market rates and the need to upgrade existing shelter facilities has put a pressure on the shelter system.
 - Funding of \$13.500 million is included to support SSHA's ongoing major maintenance requirements and major infrastructure upgrades in the City's shelters.
 - Funding of \$10.970 million is provided to purchase one new shelter location and renovate another to provide stability to existing shelter operators facing uncertainty in their current location and to maintain the shelter occupancy at or below 90%.

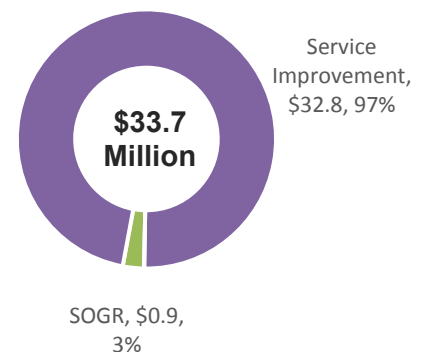


2017 Capital Budget Highlights

The 2017 Preliminary Capital Budget for Shelter, Support and Housing Administration of \$33.732 million, excluding carry forward funding, will:

- Provide funding to continue the capital maintenance program for ongoing repairs in the City's 16 shelter sites;
- Provide funding for the implementation of the Seaton House Transition Plan under Phase II of the George Street Revitalization (GSR) Project;
- Continue project management, architecture and preconstruction work for the GSR Project;
- Complete renovations at 389 Church Street, which is owned by the Toronto Community Housing Corporation.

2017 Capital Budget By Project Category



Actions for Consideration

Approval of the 2017 Preliminary Capital Budget as presented in these notes requires that:

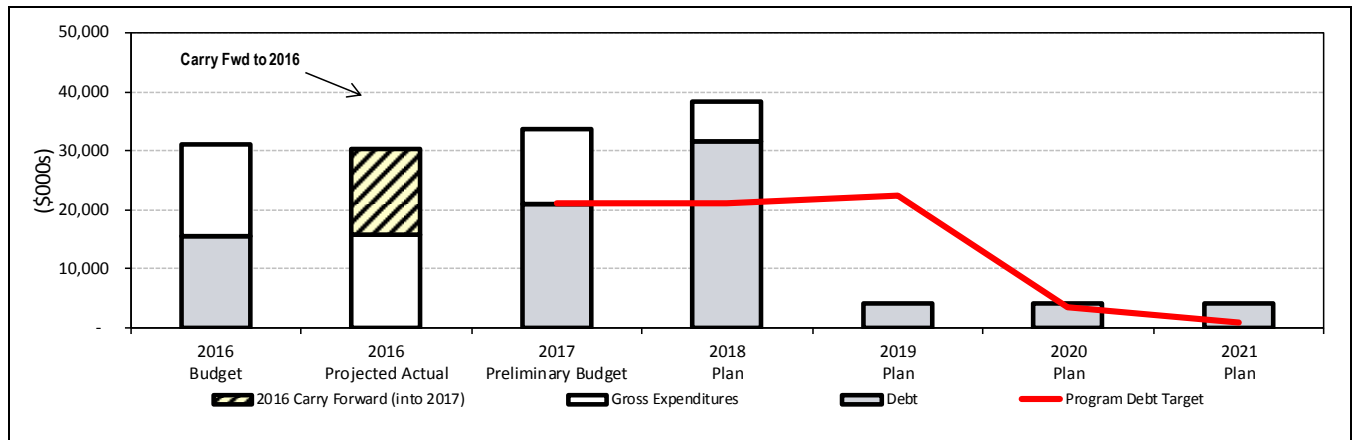
1. City Council approve the 2017 Preliminary Capital Budget for Shelter Support and Housing Administration with a total project cost of \$72.747 million, and 2017 cash flow of \$48.009 million and future year commitments of \$49.985 million comprised of the following:
 - a) New Cash Flow Funds for:
 - i. 4 new / change in scope projects with a 2017 total project cost of \$72.747 million that requires cash flow of \$29.332 million in 2017 and future year cash flow commitments of \$30.751 million for 2018; \$3.226 million for 2019; \$3.146 million for 2020; \$3.146 million for 2021; and \$3.146 million for 2022;
 - ii. 2 previously approved projects with a 2017 cash flow of \$4.400 million; and future year cash flow commitments of \$6.570 million for 2018;
 - b) 2016 approved cash flow for 1 previously approved projects with carry forward funding from 2016 into 2017 totalling \$14.277 million.
2. City Council approve the 2018 - 2026 Preliminary Capital Plan for Shelter, Support and Housing Administration totalling \$12.600 million in project estimates, comprised of \$0.900 million for 2018; \$0.900 million for 2019; \$0.900 million for 2020; \$0.900 million for 2021; \$0.900 million for 2022; \$2.400 million for 2023; \$1.900 million for 2024; \$1.900 million for 2025 and \$1.900 million in 2026.
3. City Council consider the operating costs of \$1.151 million net in 2018; \$0.412 million net in 2019 resulting from the approval of the 2017 Preliminary Capital Budget for inclusion in the 2017 and future year operating budgets.
4. City Council approve 1 new temporary capital positions for the delivery of 2017 capital projects and that the duration for this temporary position not exceed seven (7) years from 2017 to 2023.



Part 1:

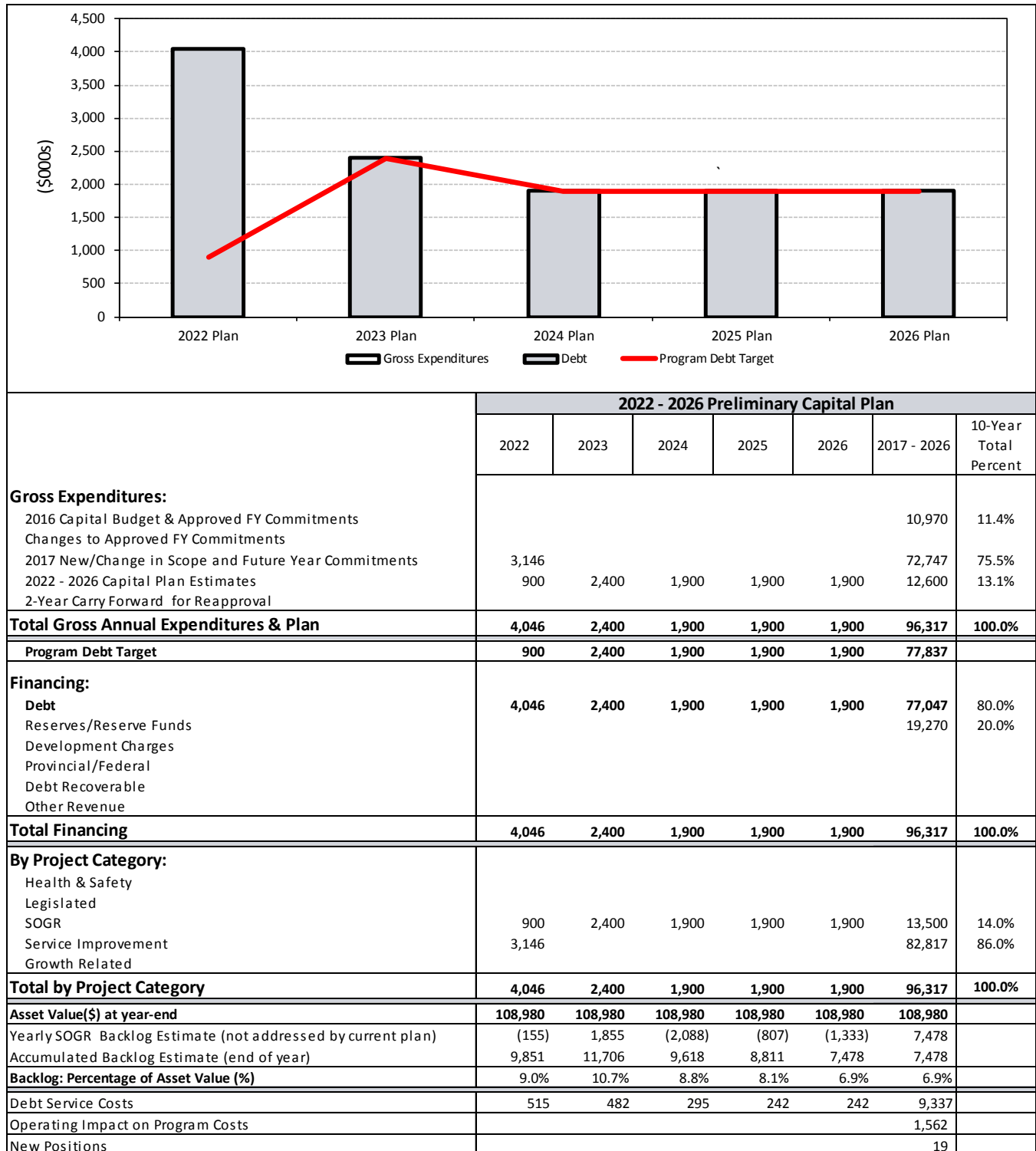
Preliminary 2017 – 2026 Capital Plan

Figure 1a
10-Year Capital Plan
2017 Preliminary Capital Budget and 2018 - 2021 Preliminary Capital Plan



	2017 Prelim. Capital Budget and 2018 - 2021 Prelim. Capital Plan								
	2016		2017	2018	2019	2020	2021	2017 - 2021	5-Year Total Percent
	Budget	Projected Actual							
Gross Expenditures:									
2016 Capital Budget & Approved FY Commitments	31,076	15,908	4,400	6,570				10,970	13.0%
Changes to Approved FY Commitments									
2017 New/Change in Scope and Future Year Commitments			29,332	30,751	3,226	3,146	3,146	69,601	82.7%
2018 - 2021 Capital Plan Estimates				900	900	900	900	3,600	4.3%
2-Year Carry Forward for Reapproval									
1-Year Carry Forward to 2017		14,277							
Total Gross Annual Expenditures & Plan	31,076		33,732	38,221	4,126	4,046	4,046	84,171	100.0%
Program Debt Target			21,032	21,032	22,449	3,424	900	68,837	
Financing:									
Debt	15,541		21,032	31,651	4,126	4,046	4,046	64,901	77.1%
Reserves/Reserve Funds	2,468		12,700	6,570				19,270	22.9%
Development Charges									
Provincial/Federal									
Debt Recoverable									
Other Revenue									
Total Financing	18,009		33,732	38,221	4,126	4,046	4,046	84,171	100.0%
By Project Category:									
Health & Safety									
Legislated									
SOGR	900		900	900	900	900	900	4,500	5.3%
Service Improvement	17,109		32,832	37,321	3,226	3,146	3,146	79,671	94.7%
Growth Related									
Total by Project Category	18,009		33,732	38,221	4,126	4,046	4,046	84,171	100.0%
Asset Value (\$) at year-end	98,103		98,103	71,780	71,780	71,780	71,780	71,780	
Yearly SOGR Backlog Estimate (not addressed by current plan)			7,477	804	1,185	(59)	599	10,006	
Accumulated Backlog Estimate (end of year)			7,477	8,281	9,466	9,407	10,006	10,006	
Backlog: Percentage of Asset Value (%)	0.0%		7.6%	11.5%	13.2%	13.1%	13.9%		
Debt Service Costs			315	2,747	3,462	523	515	7,562	
Operating Impact on Program Costs				1,151	412			1,562	
New Positions			1	18				19	

Table 1b
10-Year Capital Plan
2022 - 2026 Preliminary Capital Plan

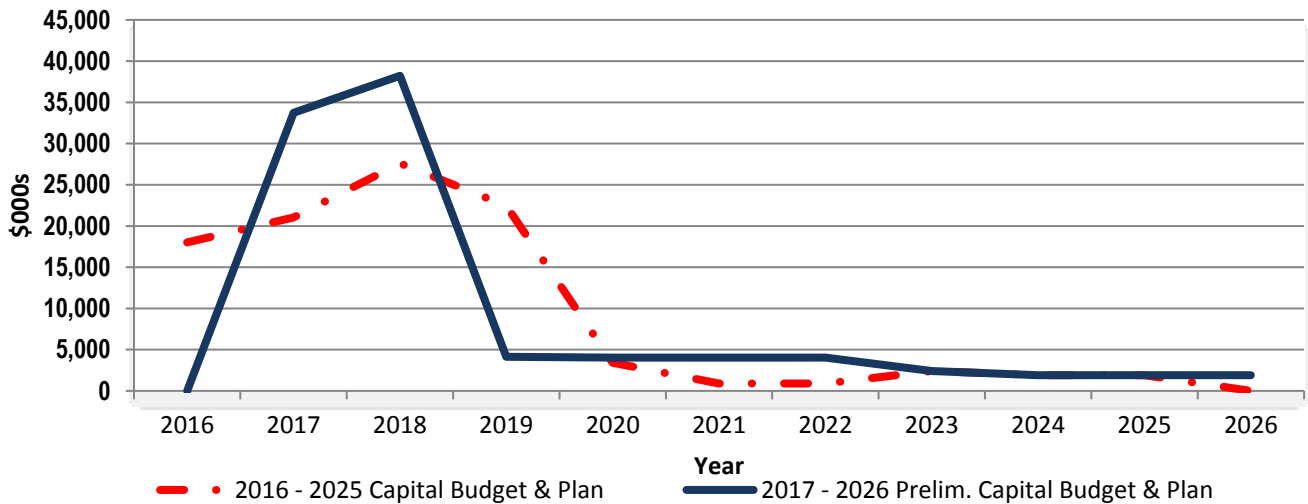


Key Changes to the 2016 - 2025 Approved Capital Plan

The 2017 Preliminary Capital Budget and the 2018 – 2026 Preliminary Capital Plan reflects a decrease of \$4.199 million in capital funding from the 2016 - 2025 Approved Capital Plan.

The chart and table below provides a breakdown of the \$4.199 million or 4.2% decrease in the Capital Program on an annual basis from 2016 to 2026.

Chart 1
Changes to the 2016 - 2025 Approved Capital Plan (In \$000s)



(\$000s)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	10-Year Total
2016 - 2025	18,009	21,032	27,602	22,449	3,424	900	900	2,400	1,900	1,900		100,516
2017 - 2026		33,732	38,221	4,126	4,046	4,046	4,046	2,400	1,900	1,900	1,900	96,317
Change %		60.4%	38.5%	(81.6%)	18.2%	349.6%	349.6%	0.0%	0.0%	0.0%		(4.2%)
Change \$		12,700	10,619	(18,323)	622	3,146	3,146	0	0	0		(4,199)

As made evident in the chart above, the \$4.199 million decrease in the Capital Program reflects maintenance of the same funding levels for the capital maintenance program over the next 10 years as well as the completion of service improvement projects by 2022.

As reflected in Table 2 on the following page, changes to the 2016 – 2025 Approved Capital Plan, specifically the \$11.910 million increase in capital funding over the nine common years of the Capital Plans (2017 – 2025) arise from SSHA's capital projects based on the following factors:

- Additional funding was added to the 10-year Capital Plan to advance the Transition Plan for Seaton House, and
- Complete the project management and preconstruction consulting work required before the construction phase of the GSR project can begin.

A summary of project changes for the years 2017 to 2025 totalling \$11.910 million are provided in Table 2 on the next page:

Table 2

Summary of Project Changes (In \$000s)

	Total Project Cost	2017	2018	2019	2020	2021	2022	2023	2024	2025	2017 - 2025	Revised Total Project Cost
Previously Approved												
GSR - PM and Architecture Fees	600											600
GSR - Phase II-Transition and Redevelopment	9,641											9,641
GSR - Phase II-Redevelopment Costs		(15,732)	(20,132)	(21,549)	(2,524)						(59,937)	(59,937)
Total Previously Approved	10,241	(15,732)	(20,132)	(21,549)	(2,524)						(59,937)	(49,696)
New												
GSR Phase II - Project Management/Pre-construction	*	3,163	6,864								10,027	10,027
GSR - Transition-Seaton House	*	25,269	23,887	3,226	3,146	3,146	3,146				61,820	61,820
Total New		28,432	30,751	3,226	3,146	3,146	3,146				71,847	71,847
Total Changes	10,241	12,700	10,619	(18,323)	622	3,146	3,146				(11,910)	22,151

* Previously approved project was split into 2 discreet projects

Significant Capital Project Changes in Shelter, Support and Housing Administration:

Cash flow funding for the following previously approved capital projects have been adjusted based on historical spending rates, capacity and expected progress and completion of the projects, as outlined below:

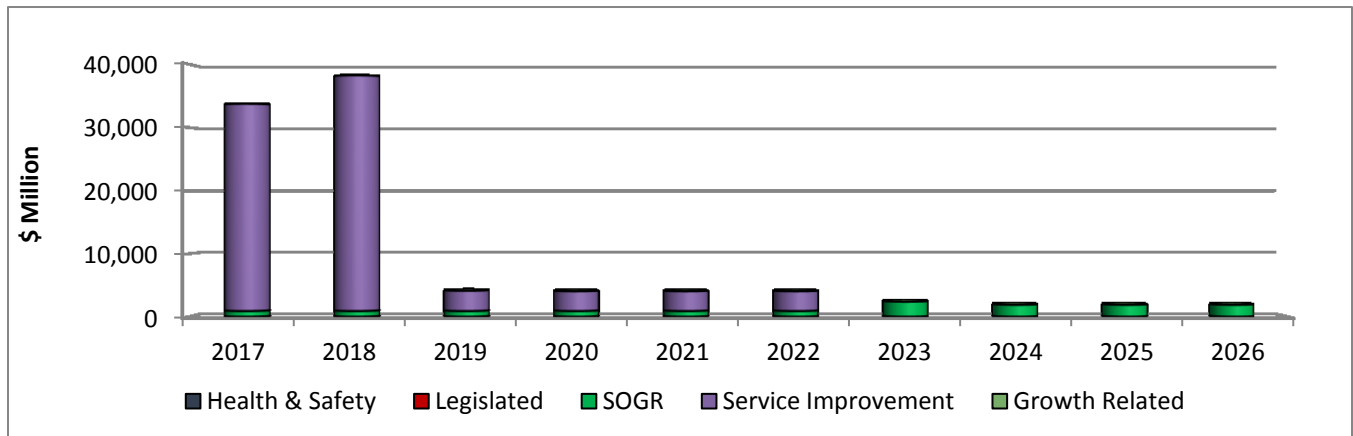
Project Cost Increases:

- **George Street Revitalization Project (GSR) – Phase II:**
 - Following approval of the Design-Build-Finance (DBF) procurement model for the GSR Revitalization project in July 2016, Council directed staff to begin implementing the Seaton House Transition Plan, with funds available in the SSHA's 2016 Approved Capital Budget.
 - To give effect to this direction, costs and cash flow estimates have been further refined and the previously approved GSR Phase II – Redevelopment project with cash flow funding of \$59.937 million has been split into 2 discreet projects, GSR – Transition Seaton House project and GSR Phase II – Project Management/Pre-construction project to allow for better planning and financial management of these sub-projects and the project costs for this phase have been increased by \$11.910 million based on the most recent cost assumptions and project requirements.
 - The additional funding is necessary to complete the Seaton House Transition Plan and commence the project management and consulting costs necessary to conduct a due diligence review of work completed to date and support the development of the Project Specific Output Specifications (PSOS) with Infrastructure Ontario's support before the construction phase (GSR Phase III) of the project can begin.
 - The 2017 – 2026 Capital Plan does not include funding for the construction phase (GSR Phase III) of the project, estimated at \$485.872 million.

2017 – 2026 Preliminary Capital Plan

Chart 2

2017 – 2026 Preliminary Capital Plan by Project Category (In \$000s)



- As illustrated in the chart above, the Preliminary 10-Year Capital Plan for Shelter Support and Housing Administration of \$96.317 million provides 86.0% for Service Improvement projects as priorities and 14.0% funding for State of Good Repair (SOGR) projects.
- \$13.500 million has been dedicated to State of Good Repair projects to be directed towards ongoing maintenance of City's owned and leased shelter facilities.
- Service Improvement projects account for \$82.817 million of the total funding in SSHA's Capital Plan. The majority of this funding will go towards the Transition Plan for Seaton House to relocate 600 homeless men currently residing at the facility to allow for the demolition and redevelopment of the existing facility.
 - City Council at its meeting of July 12, 3, 14 and 15, 2016, authorized the General Manager, Shelter, Support and Housing Administration, to begin the implementation of the Seaton House Transition Plan since conditions at the facility are not sustainable and also approved the lease of the property at 731 Runnymede Road for use as one of the temporary sites required for the transition. This facility is expected to commence operations early in the coming year. Work is currently underway to identify the second transitional shelter site.
 - Funding of \$17.740 million is included to the 10-year capital plan to operate the 2 temporary transitional shelters for 6 years (2017-2022) when the new George Street Facility will be completed.
 - In addition, there is funding for the acquisition of land for future shelter sites as well as the redevelopment and modernization of 389 Church Street.

The following table provides details by project category within the 2017 – 2026 Preliminary Capital Budget and Plan for Shelter Support and Housing Administration:

Table 3

2017 - 2026 Capital Plan by Project Category (In \$000s)

	Total App'd Cash Flows to Date	2017 Budget	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2017 - 2026 Total	Total Project Cost
Total Expenditures by Category													
State of Good Repair													
Capital Repairs/Replacement - Leased Buildings*		100	100	100	100	100	100	300	272	272	272	1,716	1,716
Capital Repairs/Replacement - City Operated Buildings*		800	800	800	800	800	800	2,100	1,628	1,628	1,628	11,784	11,784
Sub-Total		900	900	900	900	900	900	2,400	1,900	1,900	1,900	13,500	13,500
Service Improvements													
Shelter Land Acquisition 389 Church Street	6,138	4,400	6,570									6,570	6,570
GSR Phase II - Project Management/Pre-construction**		3,163	6,864									10,027	10,027
GSR Transition - Seaton House**		25,269	23,887	3,226	3,146	3,146	3,146					61,820	61,820
Sub-Total	6,138	32,832	37,321	3,226	3,146	3,146	3,146					82,817	88,955
Total Expenditures by Category (excluding carry forward)	6,138	33,732	38,221	4,126	4,046	4,046	4,046	2,400	1,900	1,900	1,900	96,317	102,455

*Life to Date approved cash flows are provided for multi-year capital projects with cash flow approvals prior to 2016, excluding ongoing capital projects (i.e. Civic Improvement projects)

**For full cost of the GSR project please refer to the Issues Section.

2017 – 2026 Capital Projects

The Preliminary 10-Year Capital Plan supports Shelter, Support and Housing Administration's objectives to redevelop aging shelters including 389 Church Street, begin the Seaton House Transition Plan and complete the necessary project management, architecture and preconstruction consulting work required for the successful implementation of the procurement model to advance to the next phase of the George Street Revitalization project. In addition, the 10-year Capital Plan continues to provide funding for SOGR maintenance for the City's owned and leased facilities.

State of Good Repair (SOGR)

- SOGR projects account for \$13.500 million or 14.0% of the total Preliminary 10-Year Capital Plan.
- The Preliminary 10-Year Capital Plan incorporates new investment included in 2023 and beyond dedicated to further reducing the backlog and providing structural upgrades in the Family Residences and Fort York Women's Shelter.

Service Improvements

- Service Improvement projects account for \$82.817 million or 86.0% of the total Preliminary 10-Year Capital Plan.
 - *Shelter Land Acquisition (\$6.570 million)* – This project is fully funded from reserves with the intent to purchase a shelter site for long term use and secure system capacity.
 - *389 Church Street (\$4.400 million)* – This project will renovate and modernize the 13-story residential property owned by Toronto Community Housing Corporation. The redeveloped property will contain 132 permanent self-contained one and two bedroom affordable housing units for women and children.
 - *George Street Revitalization- Transition Seaton House (\$61.820 million)* – This project will transition the current occupants of Seaton House into 2 temporary and 2 permanent shelters to enable the demolition and redevelopment of the existing facility. Another 200 homeless men will be housed by purchase-of-service facilities currently operated by the City's community based service partners.
 - *George Street Revitalization- Phase II- Project Management/Preconstruction (\$10.027 million)* – This project will complete all project management, architecture documentation and preconstruction consulting and contracting work required before construction phase of the George Street Revitalization project can commence. Specifically, it facilitates the engagement of various consultants as well as negotiations with

Infrastructure Ontario (IO) in the preparation of the Project Specific Output Specifications (PSOS) for the project.

2017 Preliminary Capital Budget and Future Year Commitments

Included as a sub-set of the 10-Year Capital Plan is the 2017 Preliminary Capital Budget and Future Year Commitments, that consists of 2017 and future year cash flow for projects previously approved by Council; adjustments (Scope Change) to those previously approved projects; as well as new projects that collectively require Council approval to begin, continue or complete capital work.

- Table 3a below lists the 2017 Preliminary Capital Budget and Future Year Commitments for Shelter Support and Housing Administration.

Table 3a

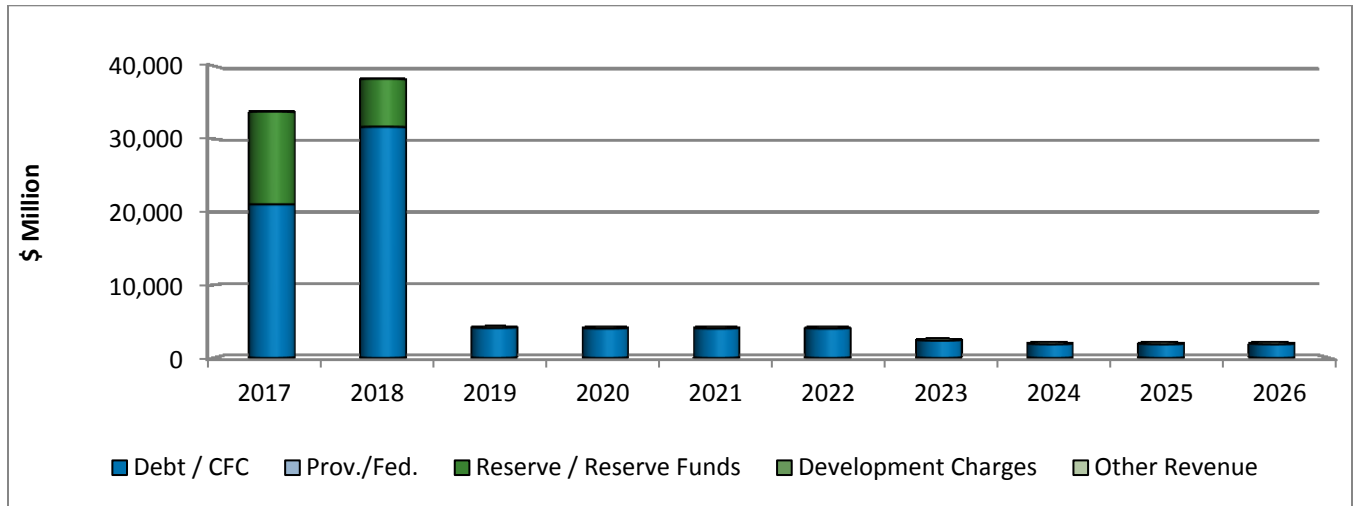
2017 Cash Flow & Future Year Commitments (In \$000s)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total 2017 Cash Flow & FY Commits
Expenditures:											
Previously Approved											
<i>Shelter Land Acquisition</i>		6,570									6,570
<i>389 Church Street</i>	4,400										4,400
Subtotal	4,400	6,570									10,970
Change in Scope											
<i>GSR-Transition - Seaton House</i>	25,269	23,887	3,226	3,146	3,146	3,146					61,820
<i>GSR-Phase II-Project Management and Preconstruction</i>	3,163	6,864									10,027
Subtotal	28,432	30,751	3,226	3,146	3,146	3,146					71,847
New w/Future Year											
<i>Capital Repairs - Leased Buildings</i>	100										100
<i>Capital Repairs - City Operated Buildings</i>	800										800
Subtotal	900										900
Total Expenditure	33,732	37,321	3,226	3,146	3,146	3,146					83,717
Financing:											
Debt/CFC	21,032	30,751	3,226	3,146	3,146	3,146					64,447
Reserves/Res Funds	12,700	6,570									19,270
Total Financing	33,732	37,321	3,226	3,146	3,146	3,146					83,717

- Approval of the 2017 Preliminary Capital Budget of \$33.732 million will result in the future year funding commitments of \$37.321 million in 2018, \$3.226 million in 2019, \$3.146 million each in 2020, 2021 and 2022 for a total of \$83.717 million.

Chart 3

2017 – 2026 Preliminary Capital Plan by Funding Source (In \$000s)



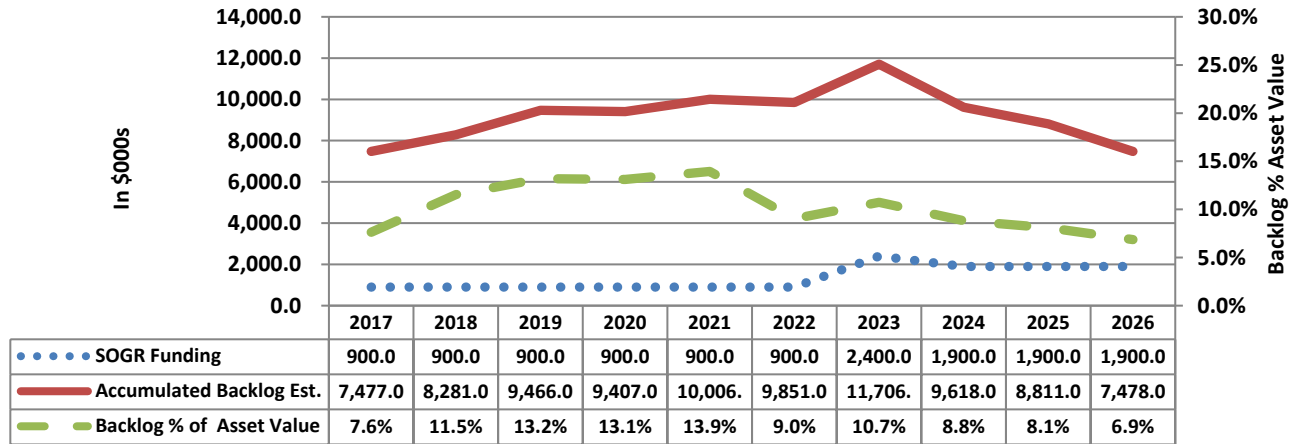
The Preliminary 10-Year Capital Plan of \$96.317 million cash flow funding will be financed by the following sources:

- Debt accounts for \$77.047 million or 80% of the financing over the 10-year period.
 - The debt funding is slightly below the 10-year debt target of \$77.837 million allocated to this Program by \$0.790 million, dedicated to SOGR and the following Service Improvement projects:
 - GSR –Transition-Seaton House
 - GSR – Phase II - Project Management/Preconstruction
- Reserve and Reserve Funds constitute \$19.270 million or 20.0% of required funding over 10 years for the following:
 - GSR – Transition-Seaton House: \$12.700 million from the Social Housing Stabilization Reserve; and Shelter Land Acquisition: \$6.570 million from other Reserve.

State of Good Repair (SOGR) Backlog

Chart 4

SOGR Funding & Backlog (In \$000s)



- SSHA is responsible for maintaining 16 City’s facilities, including 12 shelter sites, 1 administrative site, 2 social housing sites; and 1 assessment and referral center, with an asset replacement value of \$98.103 million as of 2016. Of the 16 Shelters sites, 7 are leased to operators under purchase-of-service agreements.
- Facilities Management estimates SSHA’s SOGR backlog at approximately \$7.477 million or 7.6% of the Program’s asset value. The backlog is projected to increase to \$11.706 million or 10.7% of asset value in 2023.
- The added investment in SOGR from 2023 to 2026 is however projected to bring the SOGR backlog back down to \$7.478 million or 6.9% of asset value in 2026.
- Consistent with prior years, the 10-year Capital Plan dedicates funding of \$0.900 million each year from 2017 to 2022 to constrain the growth of the SOGR backlog. Additional funding is provided from 2023 and to 2026 to fund upgrades to the Family Residence and Fort York Women’s shelters.

Table 4

SOGR Backlog by Asset Category (In \$000s)

Total	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
State of Good Repair Funding	900	900	900	900	900	900	900	2,400	1,900	1,900
Accumulated Backlog Est. (yr end)	7,477	8,281	9,466	9,407	10,006	9,851	11,706	9,618	8,811	7,478
Backlog %Asset Value	7.6%	11.5%	13.2%	13.1%	13.9%	9.0%	10.7%	8.8%	8.1%	6.9%
Asset Value	98,103	71,780	71,780	71,780	71,780	108,980	108,980	108,980	108,980	108,980
Infrastructure-Leased Shelter Buildings										
State of Good Repair Funding	100	100	100	100	100	100	100	300	272	272
Accumulated Backlog Est. (yr end)	498	509	420	400	300	213	303	193	489	474
Backlog %Asset Value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Value										
Infrastructure-City Operated Shelter Buildings										
State of Good Repair Funding	800	800	800	800	800	800	800	2,100	1,628	1,628
Accumulated Backlog Est. (yr end)	6,979	7,772	9,046	9,007	9,706	9,638	11,403	9,425	8,322	7,004
Backlog %Asset Value	7.1%	10.8%	12.6%	12.5%	13.5%	8.8%	10.5%	8.6%	7.6%	6.4%
Asset Value	98,103	71,780	71,780	71,780	71,780	108,980	108,980	108,980	108,980	108,980

- The SOGR backlog as presented assumes that Seaton House will be redeveloped as part of the GSR project.
- Asset values drops from \$98.103 million in 2017 to \$71.080 million in 2018, to reflect the demolition of the Seaton House (\$26.323 million). Seaton House is expected to be completed by 2022; therefore asset values will increase by \$37.200 million to \$108.980 million.
- SSHA is also making efforts to reduce the SOGR backlog further by increasing the rate of project completion. The Program is currently recruiting an Asset Manager and continues its collaboration with Facilities Management to identify SOGR projects and help coordinate and deliver the SOGR program for City owned and leased shelters.

10-Year Capital Plan: Net Operating Budget Impact

Table 5

Net Operating Impact Summary (In \$000s)

Projects	2017 Budget		2018 Plan		2019 Plan		2020 Plan		2021 Plan		2017 - 2021		2017 - 2026	
	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions
Previously Approved														
Shelter Land Acquisition			(84.0)								(84.0)		(84.0)	
New Projects - 2017														
GSR Transition - Seaton House			1,234.5	18.0	411.5						1,646.0	18.0	1,646.0	18.0
Total (Net)			1,150.5	18.0	411.5						1,562.0	18.0	1,562.0	18.0

The Preliminary 10-Year Capital Plan will increase future year Operating Budgets by a total of \$1.562 million over the 2017 – 2026 period, beginning in 2018.

This is comprised of savings and expenditures from the following capital project:

- *Shelter Land Acquisition*: Savings of \$0.084 million are expected from reduced funding required for a purchase of service agreement from a non-profit shelter operator as they will no longer be required to pay lease costs at their new site.
- *GSR Transition –Seaton House*: The plan calls for the relocation of current occupants of Seaton House to four new shelter facilities, two of which will be permanent. One of the permanent sites is anticipated to commence operations early 2018 while the other will be operational by the end of 2018. These two permanent shelter sites will require an additional 18 staff and result in operating pressures of \$1.235 million in 2018 with an incremental impact of \$0.412 million in 2019.
- Future operating impacts will be reviewed each year as part of the annual Budget process.

Table 6

Capital Project Delivery: New Temporary Positions

Position Title	CAPTOR Project Number	# of Positions	Project Delivery		Salary and Benefits \$ Amount(\$000s)					
			Start Date	End Date (m/d/yr)	2017	2018	2019	2020	2021	2022 - 2026
Supervisor, Program		1.0			132,816.0	138,185.0	143,764.0			
Total		1.0			132,816.0	138,185.0	143,764.0			

Approval of the 2017 – 2026 Preliminary Capital Budget and Plan will result in a requirement for 1 new temporary capital project delivery position to implement the GSR - Seaton House Transition Plan

It is recommended that Council approve this new temporary capital position for the delivery of the above capital sub-project and that the duration of this temporary position not exceed 7 years (2017 to 2023).



Part 1:

Issues for Discussion

Issues for Discussion

Issues Impacting the 2017 Capital Budget

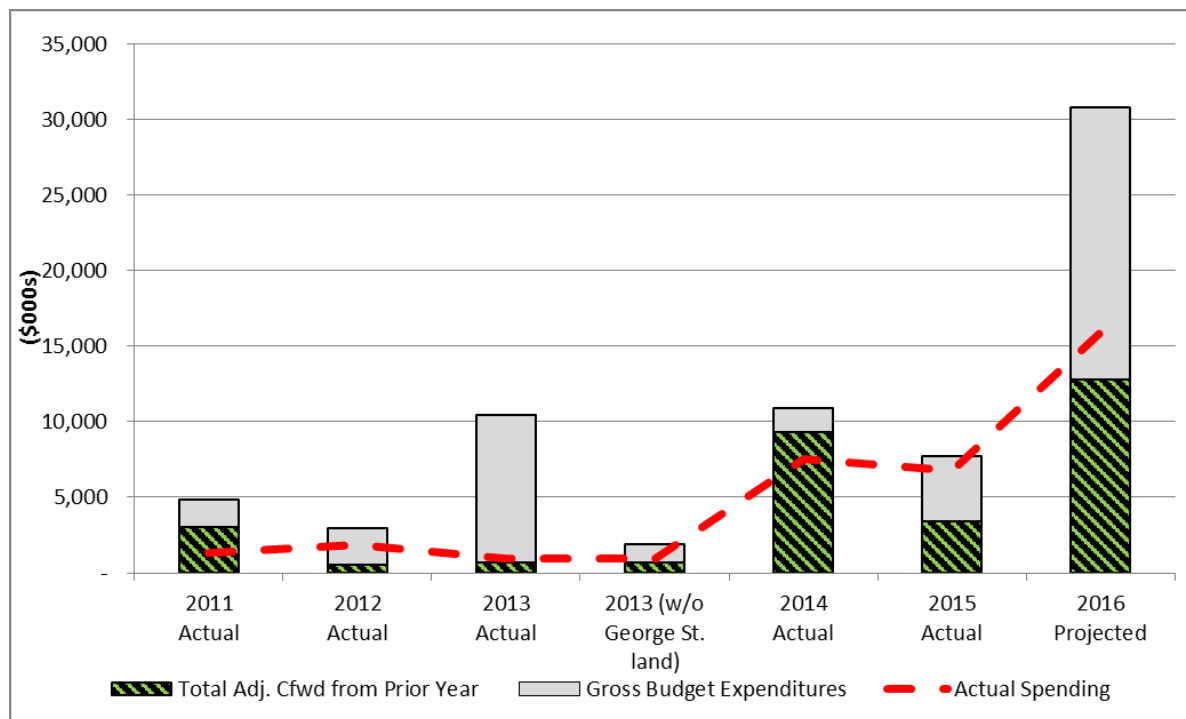
Program Spending Capacity and Readiness to Proceed with Capital Projects

- City Council, at its meeting of July 12, 2016 considered the report *EX16.37 2017 Budget Process – Budget Directions and Schedule* and directed staff to:
 - Submit their 2017 - 2026 Capital Budget and Plans requiring that annual cash flow funding estimates be examined to more realistically match cash flow spending to project activities and timing, especially in the first 5 years of the Capital Plan's timeframe.

<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94519.pdf>

- The chart below shows the Shelter, Support and Housing Administration spending rates since 2012. The bars are split between new annual cash flows and funding carried forward from prior years.

Capacity to Spend – Budget vs. Actual (In \$000s)



Category	2012			2013			2014			2015			2016			Spending Rate 5 Year 2012-2016 Avg. %
	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Actual	Spending Rate %	Budget	Projected Actual *	Spending Rate %	
SOGR	1,600	604	37.8%	1,600	604	37.8%	1,139	438	38.5%	1,601	765	47.8%	1,735	1,086	62.6%	45.6%
Service Improvement	1,392	1,222	87.8%	8,814	317	3.6%	9,761	7,060	72.3%	17,324	5,093	29.4%	29,341	14,822	50.5%	42.8%
Total	2,992	1,826	61.0%	10,414	921	8.8%	10,900	7,498	68.8%	18,925	5,858	31.0%	31,076	15,908	51.2%	43.1%

- This chart illustrates that 2016 spending projections of 51.2% show projected spending gains of 8.1% when compared to the 5-year average spending rate of 43.1% with improvements in both State of Good Repair and Service Improvement project spending.

- The 2016 projected under spending in the Service Improvement category, includes funding for the George Street Revitalization Phase II project, which was expected as the cash flows were subject to Council approval of the overall GSR project.
- For 2017, further efforts were made to better align budgeted cash flow funding with the Program's capacity to spend. All projects were analyzed to ensure the projects were ready to proceed and the cash flows reflected the projects' actual delivery schedules and timelines, while taking into consideration the Program debt targets with the following actions taken:
 - Cost and cash flow requirements for the George Street Revitalization project have been further refined and grouped into two phases: Transition and Construction to reflect the magnitude of this undertaking and delineate the various activities and funding requirements for each phase of the project.
 - Cash flows for the 389 Church Street Modernization project were re - aligned with revised project timelines to reflect delays experienced in relocating existing tenants before renovation work can commence at the project site. Architects are however engaged in the conceptual design work to proceed with construction once tenant relocation is completed.
 - It should be noted that efforts are ongoing to ensure continuous improvement in the Program's spending rates. In the past, SSHA had some difficulty coordinating the maintenance projects at various locations. The Program is in the process of adding an Asset Manager and is working in collaboration with Facilities Management to expedite capital maintenance projects and further improve the spend rates.

Issues Referred to the 2017 Budget Process

George Street Revitalization (GSR)

- The GSR project proposes to close Seaton House, Toronto's largest shelter for men, and rebuild a smaller emergency shelter, a transitional program, affordable housing and a long-term care home in its place. The intent is to transition from the large institutionalized setting of the current Seaton House site. Instead, the new shelters will be smaller (100 beds maximum) and will offer clients increased privacy and dignity. Through a decrease in the number of individuals assigned to each room/dormitory, this model will allow for improved staff-client interactions.
- This project is being developed in 3 phases:

Phase I Project Management, Architecture and Project Cost Development

- Involved the project management and architectural services required to support the development of a project delivery model and initial project cost estimates. This phase is now complete.

Phase II Transition and Preconstruction

- Currently the GSR project is in Phase II and involves 2 distinct activities:
 - Relocation of the current occupants of Seaton House into two temporary and two permanent facilities to allow for the decanting and redevelopment of the facility (referred to as the Seaton House Transition Plan), and,
 - Project Management, Architectural and Preconstruction consulting activities necessary to achieve construction readiness and successful implementation of the procurement model adopted by City Council should Council decide to proceed with the construction of the facility. Further details of this phase are provided in the "*Phase II Transition and Preconstruction*" section of this report.

Phase III Construction:

- Will involve the construction of a new purpose built facility as earlier described as well as the redevelopment of George Street. Funding for this phase is not included in the 2017-2026 Preliminary Capital Budget and Plan. Please refer to the "*Unmet Needs*" section of this report for further details.

Project Cost Estimates

- Based on the most recent estimates, the total cost of the GSR project is approximately \$584.411 million. As shown in the table below, the project will be funded with a combination of debt, draws from the Land Acquisition and Social Housing Stabilization Reserves, Recoverable Debt from the Ministry of Health and Long Care (MHLTC) and affordable housing grants under the Investment in Social Housing-Social Infrastructure Fund (IAH-SIF).

George Street Revitalization Project (In millions)	2017	2018 - 2026	Total
Approved cashflows to date			16.320
Transition - Seaton House	32.678	36.551	69.229
Project Management/Architecture/Preconstruction	3.163	6.864	10.027
Construction		485.872	485.872
Incremental Operating Costs of Permanent Sites		2.962	2.962
Total Project Cost	35.841	532.250	584.411
Financing:			
Debt	23.141	44.205	494.848
Land Acquisition Reserve Fund (LARF)	9.822		9.822
Social Housing Stabilization Reserve	12.700		12.700
Recoverable Debt from the MHLTC (2023 to 2047)		9.741	60.079
Investment in Affordable Housing - Social Infrastructure Fund Grant (2023)		3.200	3.200
Other - Operating			2.962
Total Financing	45.663	57.146	584.411

Phase II Transition and Preconstruction

- At its meeting on November 3 and 4, 2015, City Council adopted EX9.6 "George Street Revitalisation- Recommended Scope and Approach" which included the project scope and a transition plan for Seaton House. Council directed staff to retain procurement option consultants and report on a recommended delivery model, the implementation funding needed and refined capital cost estimates for the project. (<http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-84497.pdf>)
- In its adoption of EX16.13" George Street Revitalization: Recommended Procurement and Delivery Strategy" on July 12, 3, 14 and 15, 2016, City Council authorized staff to proceed with an Alternative Financing and Procurement AFP (model) using a Design-Build-Finance (DBF) approach and referred the project to the 2017 budget process. Council also authorized staff to initiate negotiations towards an agreement with infrastructure Ontario (IO) as commercial procurement lead. (<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94286.pdf>)
- In the same report, Council authorized the General Manager, Shelter, Support and Housing Administration, to begin implementing the Seaton House Transition Plan recognizing that Seaton House needs to be redeveloped regardless of the outcome of the larger George Street revitalization as the conditions at Seaton House are not sustainable. The facility, with its aging physical plant and environment does not meet the needs of vulnerable men and is in critical need of redevelopment.
- Consequently, the first step towards the redevelopment of George St. is to commence the transition of current occupants of Seaton House to temporary or permanent facilities. Financial Planning in collaboration with SSHA, Long Term Care Homes and Services (LTCHS) and Facilities Management undertook a detailed review to determine the funding required for this project.
- In order to proceed with the decanting and redevelopment of Seaton House, a comprehensive transition plan for the 600 men currently residing at this facility is required. Two temporary emergency shelters and two permanent shelters will be required to meet the needs of men who experience homelessness during the revitalisation project.
- Real Estate Services identified the property at 731 Runnymede Road as a potential site for an emergency shelter in January 2016. Following the completion of necessary due diligence on the property, City Council at its meeting on October 5, 6, and 7, 2016, adopted the recommendations in CD14.9 "Proposal for Emergency Men's shelter at 731 Runnymede Road" to enter into a lease agreement for the property. The property will serve as a City operated temporary emergency shelter with a phased-in occupancy of 50 men with the flexibility to add additional beds in

response to extreme weather conditions. The Shelter at 731 Runnymede will commence operations in the first quarter of 2017. (<http://www.toronto.ca/legdocs/mmis/2016/cd/bgrd/backgroundfile-95982.pdf>)

- As required by the Seaton House Transition Plan, efforts are also underway to locate a suitable site for a second temporary shelter anticipated to open in the second half of 2017 subject to necessary due diligence protocols and City Council approval. Two permanent sites are also required to house an additional 200 men, which will be needed sometime in 2018. In order to maintain current service levels and system capacity, the rest of the current occupants of Seaton House (approximately 200 men) will transition to facilities operated by the City's community partners (Habitat and Housing Follow-up) under Purchase-of-Service agreements.
- Based on current estimates, the capital outlay required for the implementation of the Seaton House Transition Plan is \$69.229 million as detailed in the chart below which is \$19.229 million higher than the previous estimate of \$50 million. The costs to operate 2 transitional sites starting in 2017 and for the term of the project will require an additional \$17.739 million which will also be funded from capital during the interim period.
- Funding of \$10.027 million is also required for Preconstruction activities for the GSR facility including the development of Project Specific Output Specifications (PSOS) by the City's retained consultants with Infrastructure Ontario's support activities slated for Phase III, Construction phase.
- The 2017-2026 Capital Plan includes funding of \$79.256 million gross, \$59.937 million debt to provide funding for the Seaton House Transition Plan and Preconstruction activities.

Issues impacting the 10 year Plan

Unmet Needs

Project Description	Total Project Expenditure	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
George Street Revitalisation-Phase III- Construction	485,870.0			7,229.0	4,954.0	4,954.0	455,793.0	5,635.0	2,435.0	2,435.0	2,435.0
Choice Based IT Letting System-SSHA	4,357.0		3,261.0	989.0	107.0						
Total	490,227.0	-	3,261.0	8,218.0	5,061.0	4,954.0	455,793.0	5,635.0	2,435.0	2,435.0	2,435.0

George Street Revitalization Phase III-Construction

- As earlier noted in this report, City Council in its adoption of the recommendations contained in EX 16.13, approved a Design-Build-Finance (DBF) procurement and delivery model for the construction phase of the GSR project on the basis of EY's recommendations and extensive due diligence.
- A DBF model transfers the responsibilities and associated risks for the design, construction and financing of the facility to the private sector and leverages on project investments made to date. This model is projected to yield an estimated Value for Money (VFM) of 8.1%, equivalent to \$43.9 million to the City on a present value basis. As a P3 model, construction payments for a DBF will be made upon substantial completion of construction, projected in 2022 or beyond.
- The revised construction cost estimate for the George Street Revitalisation Project-Phase III is \$485.872 million which currently falls outside the City's debt affordability and listed as an unmet need. This is comprised of project management, architecture and consulting costs of \$26.972 million and construction costs of \$458.900 million.
- Upon completion, the City of Toronto will be eligible for \$3.200 million in Affordable Housing Grants as well as \$60.879 million in recoverable debt payments from the Ministry of Health and Long Term Care reflecting the Construction Funding Subsidy (CFS) on a per diem basis cash flowed over a 25-year period following the completion of the project.

Choice Based Letting System

- Following the success of the My Choice Rental pilot project, City Council, in July 2014 directed SSHA to implement a choice based system for the selection of households for vacant Rent-Geared-to-Income (RGI) units. Council further provided direction to expand the City’s choice based system to include other housing benefits options.
- In September 2015, SSHA issued a Request for Information (RFI) to gather information and generate options for replacing the Toronto Area Waiting List (TAWL) currently used to manage the Centralized Waiting List (CWL) as required under the Housing Services Act (HSA). TAWL is past its useful and an assessment of its capabilities determined that it lacks the capacity to support the service improvements directed by City Council.
- Work is underway to evaluate options that may include purchasing of an exiting “out of the box” application that would require no design or build costs but System implementation and rollout would require modification to ensure compatibility with the City’s IT environment and data migration work.
- The project is estimated to cost \$4.4 million, is expected to begin in 2018 and will go through IT Governance and Gating process in 2017 to ensure alignment with corporate IT standards and policies including IT Governance along with alignment to corporate priorities.

The "Unmet Needs" identified above cannot be accommodated within the City's debt affordability targets and are therefore not included in the 2017 – 2026 Capital Plan for Shelter, Support and Housing Administration but will be considered in conjunction with the revenue options and tools identified in the report *"The City of Toronto's Immediate and Longer-term Revenue Strategy Direction"* from the City Manager and Deputy City Manager & CFO for the 2018 Budget process.



Appendices

Appendix 1 2016 Performance

2016 Key Accomplishments

In 2016, Shelter, Support and Housing Administration made significant progress and accomplished the following:

- ✓ **George Street Revitalization – Transition Seaton House:** Obtained Council approval of the creation of a new shelter for single men at 731 Runnymede Road to be operated by the City. The shelter will be the first to open as part of the plan of the Seaton House transition plan.
- ✓ **Acquisition of 3306 Kingston Road:** Completed the purchase of 3306 Kingston Road to provide a new home for Birchmount Residence. This facility will provide emergency shelter services to senior people experiencing homelessness in Toronto. The shelter will resume operations at the new location in 2017.

2016 Financial Performance

2016 Budget Variance Analysis (in \$000's)

2016 Budget	As of Sept. 30, 2016		Projected Actuals at Year-End		Unspent Balance	
\$	\$	% Spent	\$	% Spent	\$ Unspent	% Unspent
31,076	12,336	39.7%	15,908	51.2%	15,168	48.8%

* Based on 2016 Third Quarter Capital Variance Report

Impact of the 2016 Capital Variance on the 2017 Preliminary Capital Budget

- As a result of the delays in the capital projects described in the 2016 Q3 Capital Variance Report, funding of \$14.277 million is being carried forward to the 2017 Preliminary Capital Budget to continue capital work.
- A detailed review of the 2017 – 2026 Preliminary Capital Budget and Plan has been conducted and the necessary adjustments has been made to the timing of cash flow funding for unique and major capital projects which are the major contributors to annual under expenditures. By deferring the cash flow funding to future years, the 2017 Preliminary Capital Budget reflects readiness to proceed and will lead to a higher rate of spending.

For additional information regarding the 2016 Q3 capital variances and year-end projections for Shelter Support and Housing Administration, please refer to the attached link for the report entitled "*Capital Variance Report for the Nine-Month Period Ended September 30, 2016*" considered by City Council at its meeting on December 13, 2016. (<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-98394.pdf>)

Appendix 2

2017 Preliminary Capital Budget; 2018 to 2026 Preliminary Capital Plan (\$000s)

Project	Total Project Cost	Prior Year Carry Forward	2017	2018	2019	2020	2021	2017 - 2021	2022	2023	2024	2025	2026	2017 - 2026 Total
State of Good Repair:														
<i>Capital Repairs and Replacement-Leased Buildings</i>	*		100	100	100	100	100	500	100	300	272	272	272	1,716
<i>Capital Repairs and Replacement-City Operated Buildings</i>	*		800	800	800	800	800	4,000	800	2,100	1,628	1,628	1,628	11,784
Sub-Total			900	900	900	900	900	4,500	900	2,400	1,900	1,900	1,900	13,500
Service Improvements:														
<i>Shelter Land Acquisition</i>	7,300	6,868		6,570				13,438						13,438
<i>389 Church Street</i>	10,538		4,400					4,400						4,400
<i>GSR - Phase 2-Transition-Seaton House</i>		7,409	25,269	23,887	3,226	3,146	3,146	66,083	3,146					69,229
<i>GSR - Phase 2-Project Management/Preconstruction</i>			3,163	6,864				10,027						10,027
Sub-Total	17,838	14,277	32,832	37,321	3,226	3,146	3,146	93,948	3,146					97,094
Total		14,277	33,732	38,221	4,126	4,046	4,046	98,448	4,046	2,400	1,900	1,900	1,900	110,594

Appendix 3

2017 Preliminary Capital Budget; 2018 to 2026 Preliminary Capital Plan

Appendix 4

2017 Cash Flow and Future Year Commitments

Appendix 5

2017 Preliminary Capital Budget with Financing Detail

Appendix 6

Reserve / Reserve Fund Review - Corporate

(\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as at Dec 31, 2016 *	Contributions / (Withdrawals)										2017 - 2026 Total Contributions / (Withdrawals)	
			2017 Budget	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan		
Land Acquisition Reserve Fund (XR1012)	Beginning Balance	72,486	72,486	72,486	65,916	65,916	65,916	65,916	65,916	65,916	65,916	65,916	65,916	
	Withdrawals (-)													
	<i>Shelter Land Acquisition</i>			(6,570)										(6,570)
	Total Withdrawals		-	(6,570)	-	-	-	-	-	-	-	-	-	(6,570)
Other Program/Agency Net Withdrawals (-) and Contributions (+)														-
Total Reserve Fund Balance at Year-End		72,486	72,486	65,916	65,916	65,916	65,916	65,916	65,916	65,916	65,916	65,916	65,916	(6,570)

* Based on the 2016 Q3 Variance Report