



REPORT FOR ACTION

Ontario Climate Action Plan - Social Housing Apartment Improvement Program (SHAIP)

Date: January 11, 2018

To: Budget Committee

From: General Manager, Shelter, Support and Housing Administration

Wards: All

SUMMARY

Supporting their Climate Change Action Plan, the Province is making available \$556 million for the Social Housing Apartment Improvement Program (SHAIP) over four years across Ontario. SHAIP will provide funding to complete retrofits on eligible social housing high-rise apartment buildings which will help reduce greenhouse gas (GHG) emissions, improve the quality and sustainability of social housing stock and enhance the quality of life of tenant households.

The City of Toronto has been provided with a conditional allocation of \$299.8 million over the four years of the program. Funding is dependent upon revenues generated through future provincial carbon market auctions. At present \$80.7 million in year one funds have been confirmed. This is not net new funding and is included in the 2018-2027 Preliminary Capital Budget and Plan for Shelter, Support and Housing Administration as an allocation to TCHC to address its capital plan requirements.

Table 1: SHAIP Conditional and Confirmed Allocation

Program Year	Conditional Allocation	Confirmed Allocation*
2017/18	\$119,502,075	\$80,663,900
2018/19	\$60,111,054	-
2019/20	\$60,111,054	-
2020/21	\$60,111,054	-
Total	\$299,835,237	\$80,663,900

*Note: Final confirmed allocation pending future provincial carbon market auctions

This report recommends actions necessary to enable the City deliver the activities funded from the Program.

All SHAIP funding for years one and two will be allocated for retrofit projects in Toronto Community Housing Corporation (TCHC) buildings. As Toronto's largest housing provider, TCHC has the need and capacity to utilize this funding in the short-term to address necessary state-of-good-repair priorities that can generate the necessary GHG reductions.

Building condition assessments and/or energy audits will be completed on SHAIP eligible non-profit and co-operative housing providers under SSHA administration. With a comprehensive understanding of the current capital needs across the portfolio, SSHA will be better positioned to make informed funding allocations through SHAIP for program years three and four.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration (SSHA), recommends that:

1. City Council approve the acceptance of \$80,663,900, as the confirmed allocation, and up to \$299,835,237, as the conditional allocation, from the Ministry of Housing for renovations and retrofit of eligible social housing buildings under the Social Housing Apartment Improvement Program;
2. City Council authorize the General Manager, SSHA, in consultation with the City Solicitor, to enter into a Transfer Payment or similar Agreement with the Ministry of Housing for Social Housing Apartment Improvement Program funding on terms and conditions addressing program administration, funding, building condition assessments and monitoring, energy audit and reporting requirements that are satisfactory to the General Manager, SSHA, and in a form satisfactory to the City Solicitor;
3. City Council authorize the General Manager, SSHA, to utilize any administrative funding approved by the Ministry of Housing to administer Social Housing Apartment Improvement Program implementation;
4. City Council amend the 2018 Preliminary Operating Budget for SSHA by \$2,070,000 gross and \$0 net, under the Social Housing Apartment Improvement Program, to pay for the cost of building condition assessments for non-profit and co-operative housing providers; Ashrae Level 3 energy audits for proposed retrofit projects; and authorize the General Manager, SSHA, to enter into agreements with Toronto Community Housing Corporation and non-profit and co-operative housing providers, and/or private sector organizations to carry out the necessary building condition assessments, energy audits and evaluations required;
5. City Council amend the 2018 Preliminary Operating Budget for SSHA by \$256,000 gross and \$0 net, under the Social Housing Apartment Improvement Program (SHAIP),

to hire two full time temporary Agency Review Officers and a full time temporary Financial Systems Analyst to assist with the administration of SHAIP; and

6. City Council authorize the General Manager, SSHA, to enter into agreements with Toronto Community Housing Corporation, non-profit and co-operative housing providers and other service providers on terms and conditions addressing funding, building condition assessments and monitoring, energy audit and reporting requirements satisfactory to the General Manager, SSHA, and in a form satisfactory to the City Solicitor to utilize \$80,663,900 and up to \$119,502,075 in funding for Social Housing Apartment Improvement Program (SHAIP) year 1 (2017-18), and up to \$60,111,054 in funding for each of SHAIP year 2 (2018-19), year 3 (2019-20), and year 4 (2020-21), plus any additional Ministry of Housing funding allocations, to carry out retrofit work and all required audits and evaluations associated with SHAIP.

FINANCIAL IMPACT

In total the City may receive up to \$299.8 million in Social Housing Apartment Improvement Program (SHAIP) funding conditional on revenues received by the Province through future carbon market auctions. At present, \$80.7 million in year one funds have been confirmed. Funding for SHAIP is allocated within four program years with a requirement that funded activities for each year are completed within three years.

Table 2: SHAIP Program Funding Overview

Program Year		Conditional Allocation	Confirmed Allocation*	Project Completion
Year 1	Apr. 2017 - Mar. 2018	\$119,502,075	\$80,663,900	Mar. 31, 2020
Year 2	Apr. 2018 - Mar. 2019	\$60,111,054	-	Mar. 31, 2021
Year 3	Apr. 2019 - Mar. 2020	\$60,111,054	-	Mar. 31, 2022
Year 4	Apr. 2020 - Mar. 2021	\$60,111,054	-	Mar. 31, 2023
Total		\$299,835,237	\$80,663,900	

*Note: Final confirmed allocation pending future provincial carbon market auctions

The SSHA's 2018-2027 Preliminary Capital Budget and Plan presented to the Budget Committee assumes SHAIP funding of \$120 million from the province to be allocated to TCHC for the Provincial 2018/2019 fiscal year (2019 for the City), subject to provincial confirmation and the timing of the funding. Of this, the province has confirmed \$80.7 million.

SHAIP provides administration funding of up to 5% up to the actual dollar amount requested by the Service Manager or 5% of total full year confirmed allocation, whichever is less. Administration funding based on the confirmed SHAIP allocation of \$80.7 million is \$4.0 million for 2018.

For 2018, three full-time temporary staff positions (with an estimated start date of May 1, 2018) to administer the program and the completion of building condition assessments and energy audits for non-profit and co-operative housing providers that will inform funding allocations for future years of the program. The positions will be required for the duration of the program and the building condition assessments and energy audits are a one-time expense.

This will require SSHA's 2018 Preliminary Operating Budget to be increased by \$0.256 million gross and \$0 net to be fully funded by SHAIP for these positions plus a one-time increase of \$2.070 million to fund Building Condition Assessments for a total increase of \$2.326 million in 2018.

The annualized salary and benefit impact of the three positions is \$0.384 million.

Table 3: SHAIP Administration Expenses

Expense	2018 Budget	2019 Incremental
	Administration Funding	Administration Funding
Salaries and Benefits (Start Date: May 1, 2018)	256,000	128,000
Building Condition Assessments and Energy Audits (one-time)	2,070,000	(2,070,000)
Total	2,326,000	(1,942,000)

The full year salary and benefit costs of \$0.384 million as well as other operating budget requirements for future years, pending additional confirmed SHAIP funding, will be included in future years budget process and will be fully funded from SHAIP.

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

COMMENTS

On August 24, 2017, the Province announced that it would be investing up to \$556 million through the proceeds from carbon market auctions for social housing retrofits to further improve energy efficiency and reduce greenhouse gas (GHG) emissions from high-rise apartment buildings across Ontario.

The City received notification from the Ministry of Housing on October 6, 2017 that it had been conditionally allocated \$299.8 million of Social Housing Apartment

Improvement Program (SHAIP) funding over four program years from 2017 to 2021. On October 30, 2017, the City received Program Guidelines and a confirmed SHAIP funding allocation of \$50.8 million and on December 8, 2017 an additional confirmed SHAIP funding allocation of \$29.9 million, for a total of \$80.7 million, pending execution of a Transfer Payment Agreement.

SHAIP Program Criteria

SHAIP funding is intended to fund repairs and retrofits that have the greatest impact on greenhouse gas reductions in large social housing high-rise apartment buildings.

Social housing providers are eligible to receive SHAIP funding if their proposed projects meet the following eligibility criteria:

- Must be a single high-rise apartment building;
- Must contain 150 or more units for Year 1 and 100 or more units for Year 2 through Year 4, unless otherwise approved through a business case;
- Must be elevator-serviced; and
- Must be social housing under the Housing Services Act, 2011.

All SHAIP funded projects must demonstrate decreased greenhouse gas emissions and increased energy efficiency. Only the following project types will be eligible:

- Replacing building heating and/or cooling systems, equipment, and associated sub-components;
- Upgrading exterior or interior building insulation;
- Solar walls;
- Upgrading building windows and/or exterior doors;
- Upgrading building lighting systems;
- Re-cladding or upgrading building envelopes;
- Retrofits that utilize latest low-carbon and carbon-free energy technologies/ systems; and
- The costs of required building energy audit reports.

SHAIP Funding Allocations

All SHAIP funding for years one and two will be allocated for retrofit projects in TCHC buildings. Further investigation will be conducted to determine the opportunities within the other non-profits and co-operatives administered by SSHA for SHAIP funding for years three and four.

As Toronto's largest housing provider, TCHC has an immediate need and the internal capacity to utilize this funding in the short-term to address necessary state-of-good-repair priorities. For 2018 and 2019, TCHC requires \$399.183 million to maintain its existing inventory in a state of good repair. In keeping with City Council's direction at its meeting held on July 4, 2017 (EX26.1), an interim funding model for TCHC was established and is included in the 2018-2027 Preliminary Capital Budget and Plan for

SSHA to support TCHC in addressing its capital plan requirements until a permanent funding solution is developed.

The 2018-2027 Preliminary Capital Budget and Plan for SSHA has been established after taking into consideration the funding under the SHAIP program. In partnership with the Province, \$320 million will be provided to TCHC to address SOGR backlog requirements to avoid any permanent unit closures in 2018 and 2019 as well as position TCHC to reach a 10% FCI by 2026. To better align the receipt of provincial funding with project deliverables, the City will front end \$200 million in debt funding (\$160 million in 2018 and the remaining \$40 million in 2019). The Provincial SHAIP funding of \$120 million, of which \$80.7 million has been confirmed, will be allocated to TCHC in 2019. The remaining SHAIP funding will be considered for allocation as part of the annual budget process.

SSHA will work with TCHC to determine which eligible projects will be prioritized for year one and two funding that address the current capital repair needs and can deliver the necessary GHG reductions. Upon execution of the Transfer Payment Agreement, SSHA will confirm with TCHC which eligible projects will be prioritized to receive year one and two SHAIP funding.

Many of the City's other 218 non-profit and co-operative housing providers could also contribute to the reduction of GHG emissions through strategic retrofits. By utilizing SHAIP administrative funding, SSHA will conduct building condition assessment and energy audits for SHAIP eligible non-profit and co-operative housing providers under SSHA administration to determine potential opportunities.

With a comprehensive understanding of the current capital needs across the portfolio, SSHA will be better positioned to make informed recommendations for SHAIP funding for years three and four which could include funding of projects within non-profits and co-operative housing providers or additional projects within TCHC.

SHAIP Administration

SHAIP provides administration funding of up to 5% up to the actual dollar amount requested by the Service Manager or 5% of total full year confirmed allocation, whichever is less.

SHAIP administrative funding of \$2.326 million will be used to fund three temporary full-time staff positions to administer the program. As well, administration funding will be used to develop a comprehensive understanding of the condition of the social housing stock through updated building condition, completion of energy audits, and data collection and analysis.

SHAIP guidelines require post-project measurement and verification. These requirements will be incorporated into funding agreements with TCHC and other non-profit and co-operative housing providers.

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SIGNATURE

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