



**Date:** April 11, 2017

**Report to:** Board of Directors  
CityHousing Hamilton Corporation

**Submitted by:** Tom Hunter  
Chief Executive  
Officer/Secretary

**Prepared by:** Sean Botham  
Senior Development  
Project Manager

**Subject:** **500 MacNab St. N., Ken Soble Tower Renewal – Funding Application (Report # 17006)**

**RECOMMENDATION:**

That the Board of Directors approve the following resolution:

WHEREAS CITYHOUSING HAMILTON CORPORATION is investigating the feasibility of a Passive House tower renewal at 500 MacNab St N, including the potential funding sources;

AND WHEREAS a requirement of one potential funding source requires a resolution of support to enable eligibility of grant and loan funds;

THEREFORE BE IT RESOLVED THAT:

1. Both a grant for \$750K and a loan for \$5M, or proportionately more of both as funding priorities allow, be requested of the Federation of Canadian Municipalities (FCM);
2. And that the Board of Directors acknowledge and support the funding application to FCM's Green Municipal Fund for these funds.

A handwritten signature in blue ink that reads "Tom Hunter".

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Tom Hunter  
Chief Executive Officer/Secretary

## **EXECUTIVE SUMMARY:**

CityHousing Hamilton (CHH) owns two significant West Harbour properties that have been under consideration for sale, replacement and redevelopment for years. With the Board resolution to maintain and redevelop the Ken Soble Tower in September 2016, CHH staff has been focused on determining the optimal approach. Alongside a standard retrofit, an enhanced retrofit option is now under consideration which would make the project eligible for innovation funding. The recommended resolution would acknowledge and support the application for funding to the Federation of Canadian Municipalities' (FCM) Green Municipal Fund, as is a requirement of the funding application. This acknowledgement and support for the application does not in any way bind CHH to pursuing the enhanced retrofit option, but is simply a requirement of funding. As part of communicating this potential funding source to the province, a draft letter is also provided for information.

## **BACKGROUND:**

### **Historical Context**

For many years CHH has been working on the redevelopment of its properties in the West Harbour. The focus on the buildings in this area is due not only to the age of the infrastructure and the requirement for capital repair dollars, but also the opportunities that exist with the revitalization of the waterfront and the entire West Harbour neighbourhood.

In considering the strategic approaches to these buildings, CHH assessed the following options:

- Replacement and/or renovation of the existing units on the existing site.
- Replacement of the existing units on alternative sites, including the infill capacity of City-owned assets in the West Harbour.
- Replacement of the existing units on a combination of existing and alternative sites.

For approaching redevelopment in general, the following principles provide guidance:

- Significantly intensify the lands
- Achieve an income mix
- Achieve a tenure mix
- Express quality design
- Provide a mix of unit sizes
- Provide accessibility
- Ensure affordability
- Build community support capacity

- Optimize the number of affordable housing units

With regards to the Ken Soble Tower specifically, on September 20, 2016 (Report #16034) the CityHousing Hamilton Board confirmed its intention to retain, renovate and repair 500 MacNab Street North at an estimated cost of \$6.5M. Staff was directed to:

- Meet with the local Service Manager to discuss funding applications and opportunities for Municipal, Provincial and Federal housing resources.
- Prepare a transition plan for the remaining tenants at 500 MacNab to facilitate the necessary repairs at this location.
- Prepare a summary of the information and subsequent CHH board decisions be communicated to the tenants of 500 MacNab.

### **Recent Progress**

Staff researched and assessed funding opportunities, which led to identifying two separate approaches to the retrofit of the Ken Soble Tower. One is the basic renovation scoped in the building condition assessments (BCAs) that would provide standard renewal of assets; while the other is an enhanced retrofit option that would provide significant operational savings and also qualify for innovation funding by using the Passive House approach.

CHH has engaged the firm ERA Architects to complete a feasibility study on the Passive House tower renewal option and assist in the preparation of funding applications. CHH required a consultant to build a highly compelling and innovative business case and complete funding applications.

The consultants have prepared a unique business case and comprehensive applications which include: affordable housing considerations, financial and building science innovation, pro forma and sensitivity analysis, long-term viability analysis, efficiency strategy, site development potential and replicability and scalability assessment.

If successful, this is expected to be the first Passive House retrofit of a high-rise in North America, and within the first 10 worldwide.

## **DISCUSSION:**

### **Passive House**

Passive House is an innovative fabric first approach to building design, both for retrofit and new construction. Although well established in Europe, Passive House ( Passivhaus in German, where the term has its origins ) is relatively new in North America. The approach incorporates efficiency considerations beyond those specified in building codes that provide dramatic utility savings, enhanced thermal comfort, and lower maintenance costs. Key project highlights include:

#### Social Impact:

- Rehabilitation of 146 deeply affordable rental units.
- Improved indoor air quality and thermal comfort.
- Increased accessibility of 10% of units to COH barrier-free standards.

#### Financial Impact:

- 70% reduction in energy intensity.
- Lower maintenance and asset renewal costs.
- Extended life of the building.

#### Environmental Impact:

- 90% reduction in GHG emissions.

#### Economic Impact:

- Replicable model for nearly 2,000 postwar apartment towers in Ontario.

### **Financial Viability**

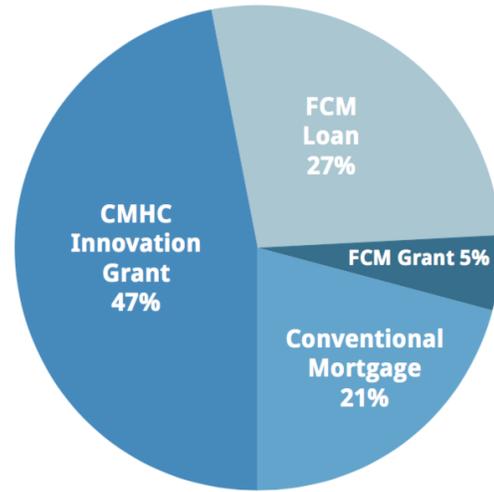
Base costs for the standard BCA retrofit amounts to \$6.5M, while the full cost for the enhanced Passive House retrofit is estimated to be \$15.7M. The enhanced project cost includes the functionality of all the items in the basic BCA retrofit plus: 1) upgraded building systems and components that impact energy consumption and indoor air quality; 2) the additional recladding of the building; and 3) the additional enhancements to accessibility and community space.

There are opportunities for the enhanced retrofit to be funded in full or in part by innovation funds that have been applied for coupled with debt financing from operational savings. In addition, there are other government funding sources that are currently being explored through ongoing dialogue with various ministries on CHH's behalf by the consultants.

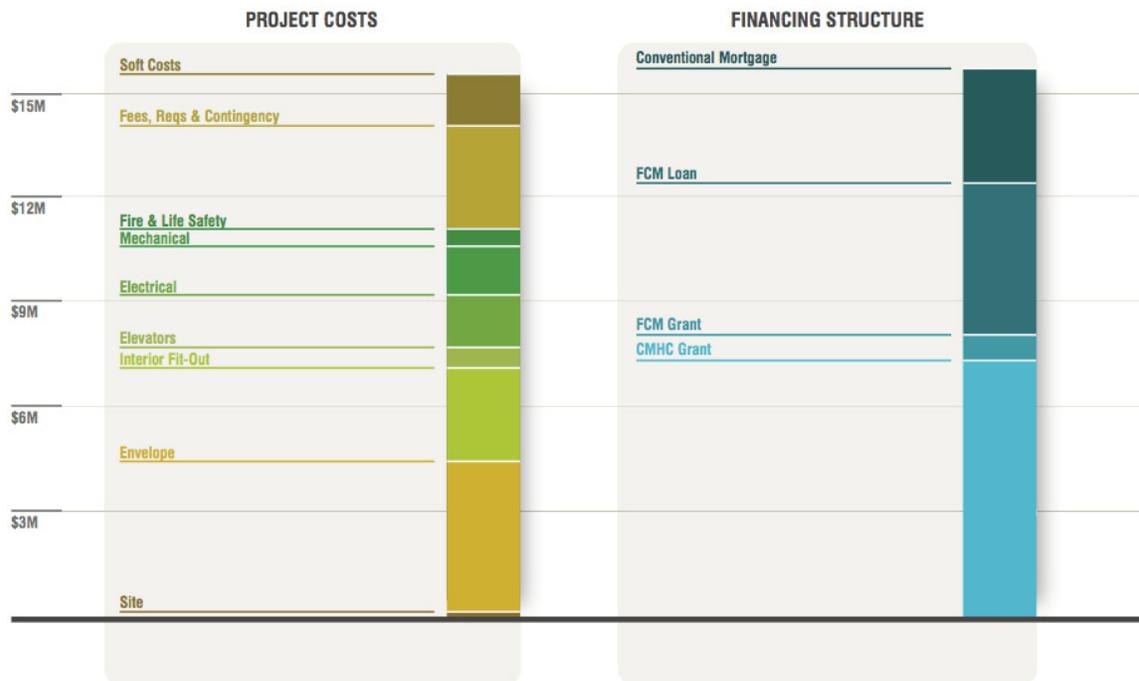
One possible funding scenario has been envisioned in the business case and feasibility study attached in Appendix A. In this scenario, the total enhanced retrofit project cost can be funded with innovation grants and project financing leveraged from significantly reduced operational costs. These operational savings are from a combination of innovation in both efficiency and in financial

structure, which together create \$505,315 in annual free cash flow that can service \$7.6M in debt.

The efficiency and financial structure optimizations that allow this level of debt servicing also enable the project to be eligible for innovation funding. To provide a high level overview of the feasibility study and business case, if CHH were to receive the entire amount of funding applied for to date from Canada Mortgage and Housing's (CMHC) Affordable Rental Innovation Fund, and FCM's Green Municipal Fund, and then borrow the remaining from conventional sources, the breakdown of funding would be as shown to the right.



In terms of scale and breakdown of project costs, the following diagram illustrates the project costs in relation to the financing structure.



The complete business case for funding the enhanced retrofit through this approach has been laid out in detail in Appendix A, section 6.0 Financial & Business Case Assessment.

## Funding Applications

The enhanced Passive House retrofit project is eligible for three funding sources for which applications have been submitted. In addition, discussions have progressed at both the Provincial and Federal level regarding additional project funding due to the innovative approach proposed. The following details the funding opportunities and the current status of CHH applications:

- *CMHC Seed Funding Program*: aims to help cover initial soft costs by providing a grant of up to \$50,000 and an interest-free loan of up to \$200,000. Proposals are evaluated based on experience, capability, capacity, need, viability and plan.

Status: application was made and notice of funding approval has been received and is now in process.

- *CMHC's Affordable Rental Innovation Fund (ARIF)*: aims to encourage new funding models and innovative building techniques by providing up to \$50,000 per unit (\$7.3M for 146 units) through a mixture of grant and loan. Proposals are evaluated on innovation in design and financing as well as replicability.

Status: application was made and a preliminary evaluation completed with favourable feedback given on the submission. CMHC is completing legal preparations for funding release and a site evaluation is to be completed by CMHC. In mid-June CHH will pitch in-person to CMHC's i3 Committee and a final decision on funding will follow shortly.

- *FCM's Green Municipal Fund (GMF), Energy Capital Project*: aims to generate new lessons and models in environmental performance for municipalities, normally through a loan of up to \$5 million with a grant of 15% of the loan. Proposals are evaluated on environmental performance and associated benefits.

Status: Initial Review submitted and approved. Detailed Study is to be submitted April 13<sup>th</sup>. Decision expected September 29<sup>th</sup> following completion of the assessment and peer review processes.

- *Additional funding sources*: this project is in line with several major Federal and Provincial initiatives and is gaining traction as it is being discussed.

Status: conversations are occurring with government around the possibility of the Ken Soble Tower Renewal project being funded as a demonstration of innovation in energy efficiency that would address GHG reduction priorities.

The following table summarizes these funding sources:

<b>Funding Source</b>	<b>Potential Type and Amount</b>	<b>Status</b>
Seed Funding	\$50,000 grant and \$200,000 loan.	Fully secured.
ARIF	Up to \$7.3 million in grant and loan (no set division).	Evaluation underway.
GMF	Up to \$750,000 grant and \$5 million loan (or more as funds are available).	Initial evaluation phase completed. Second evaluation phase beginning April 13 <sup>th</sup> .
Additional	<i>Unknown</i>	Discussions underway.

### **Resolution of Acknowledgement and Support**

The recommendation from this report is to pass a resolution to acknowledge and support the application to the FCM Green Municipal Fund for a grant and loan, with this being a requirement in the application process.

This is not a formal commitment to the Passive House enhanced retrofit project, but simply the necessary acknowledgment and support required to complete the application process. When the final grants and financing requirements are known, Staff will return with further details to the Board.

### **Provincial Consultation**

An additional requirement of the FCM Green Municipal Fund is for formal consultation with the province, and the draft letter supplied in Appendix B will be provided the province.

### **CONCLUSION:**

Based on the eligibility requirement from FCM's Green Municipal Fund to have acknowledgement and support of the CHH application, the resolution for the same has been recommended and the draft letter to the province has been provided for information.

Given the innovative nature of the enhanced Passive House retrofit, to date there have been favourable responses in discussions on funding applications and additional funding opportunities.

As the results of funding applications and discussions are confirmed, updated information will be provided.

## **OPERATIONAL PLAN:**

This report implements:

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

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

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

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

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

TH/sb

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