

2016 ONPHA Conference and Trade Show

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Deciding the Future of our Assets

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ONPhA



Peterborough Housing Corporation (PHC)

- PHC is a stand alone LHC...arms length relationship with the Shareholder.
- Owns and manages 818 former public housing units and 8 supportive housing units, approx 250 rent supplements and under an agreement with the SM, we manage the centralized wait list for the City and County of Peterborough.
- Our Board is a 10 member governance board, skills based, that has community representation including 1 City and 1 County representative.



Peterborough Housing Corporation (PHC)

- **In 2005, PHC established** a development subsidiary called “Finally a Home”, in order to mitigate risk.
- **From 2005-2014, PHC built** 218 new affordable units of our own under 8 contribution agreements. Some were new developments and others were complete redevelopment of older, existing buildings
- **Leveraged** core competencies- PHC has, under contract, been the project manager for 4 non- profit agencies in their efforts to produce AHP projects
- We became quite **nimble** at seizing any grant or affordable housing funding opportunities as they came along



End of Debentures

- As we grew our housing portfolio, we were looking ahead to a time when our properties would no longer be encumbered with “debenture strings”, requiring Ministerial Consent
- We began a conversation about what the future might look like when we could use the equity in our portfolio.
- We could decide what properties we should improve, which needed to be rethought, sold or invested in
- Out of this discussion, four years ago, our board formed an **End Of Debenture Committee** with board members and staff.



Planning for the End of Debentures

- We had quarterly meetings, discussing possibilities and an opportunity to be the “captains of our own ship”.
- We took time to evaluate our needs as an organization, incorporate our vision into a new Strategic Plan using MMAH’s LTHAS as a guide.
- PHC was excited by the prospect of deciding our own future rather than “jumping” at any chance to be the benefactor of property or grants (not that we were not grateful).
- We began looking at the properties in the order the debenture debt expired and quickly realized that this was short sighted



Planning for the End of Debentures

- We decided to look at all of our social housing portfolio and spent the past 2 years focused on each property, looking at each one using the FCI generated from Asset Planner and other data pertinent to the property.
- We categorized them into three divisions:
 1. Properties we would always keep and improve
 2. Properties we wanted to strategize about (unsure of fate)
 3. Properties we needed to make critical decisions about (sell, tear down and redevelop, reconfigure)
- Subsequently...what new properties or land we would like to own, develop and in what location?



101-121 Anson Street

11- 3 bedroom units; ~18,000 square feet

Built in 1966

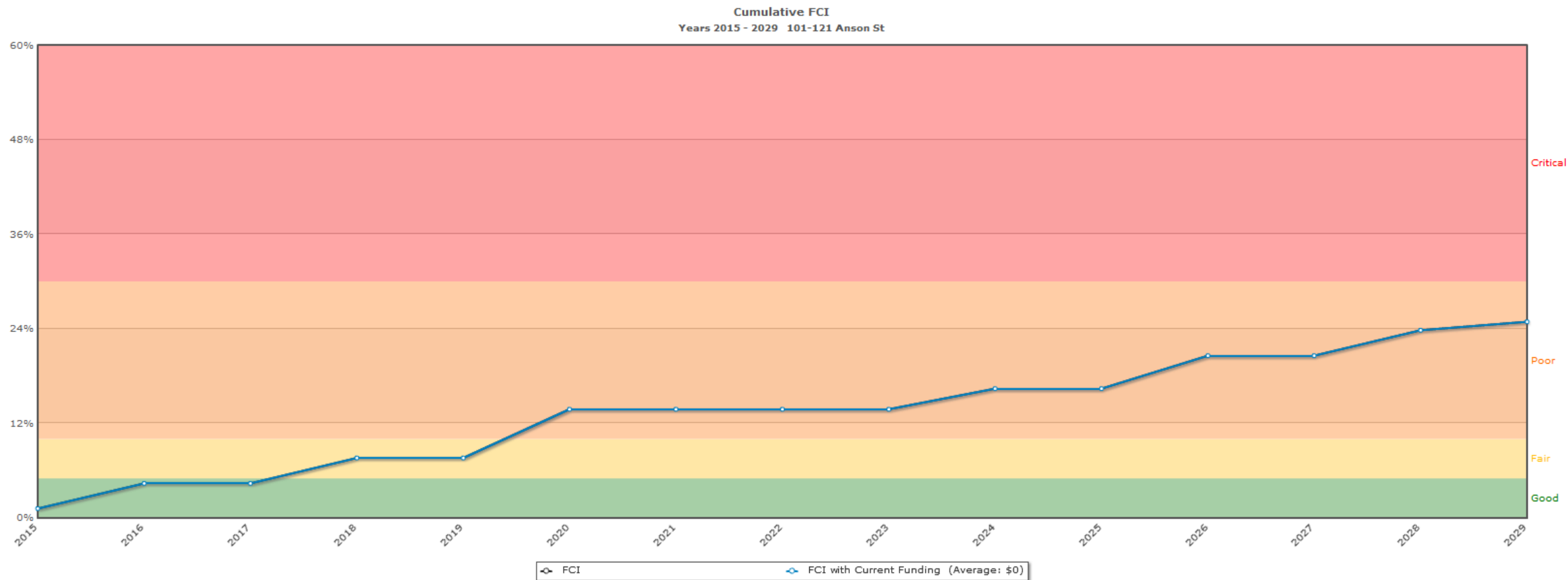
Site is 0.7 acres; includes 11 parking spaces

4 units overhoused; 2 units pending eviction; 1 unit requesting internal transfer

Debenture ends January 1st, 2015



Cumulative 15 year Facility Condition Index



Next Steps...

- End Of Debenture Committee and Board agreed we needed a long term plan, one that was inclusive and comprehensive.
- Our Board had a discussion with the Service Manager and an expenditure was approved to secure a consultant, using the work of the End of Debenture Committee as a baseline.
- PHC put out an Expression of Interest for a consultant to produce a Capital Financing and Community Revitalization Plan for PHC for the next 3/5/10 years, 9 firms responded.
- 4 Firms were selected to participate in an RFP and attend an information meeting.



Next Steps...

- They were evaluated on a matrix developed to give the highest score to the firm that most closely matched our goals (out of 70%).
- Second envelope; pricing was then considered, evaluated out of 30%.
- SHS Consulting was the firm selected.
- Working with a Steering Committee, PHC and our consultant developed a financial analysis, redevelopment schemes, revitalization plans and the future of PHC.



Vital information that we wanted to consider:

- PHC's vision was on of mixed income communities on sites that are currently 100% RGI.
- We had a desire to use residual RGI from any “disposal” in our affordable portfolio to have a mix of incomes in those, as well
- It was important to include improvements in our existing high rise buildings, increasing energy efficiency and accessibility, i.e. cooling, heating, internal systems, kitchens and bathrooms.
- Demographic analysis was critical to determine which units were no longer performing well or were no longer useful. i.e. selling 4 and 5 bedroom units to have more non-senior singles makes sense for PHC.



Desired Outcomes...

- Affordable home ownership initiatives for our tenants when considering selling stock.
- Investment schemes where the investor would purchase several units, PHC would manage and provide rent supplement; no change for tenant
- Some sites, originally on the outskirts of the City 45 yrs ago, lend themselves to intensification if reconfigured, including commercial space.
- We would like more community space for programs in our communities.

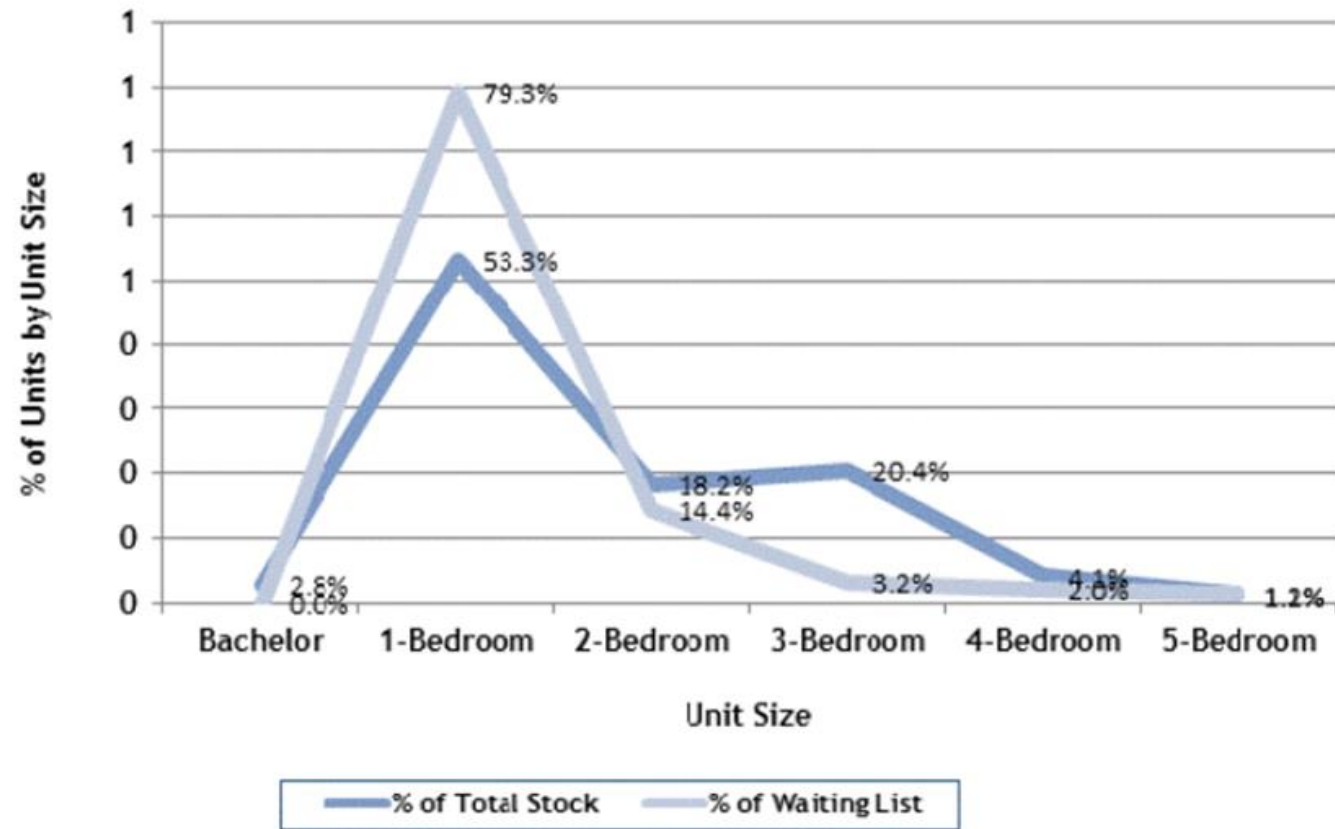


Our Consultants

- A team consisting of housing professionals, planners, architects, financial experts, private developers and more...they wowed us!
- All elements of our portfolio were studied, future demographics and growth patterns considered, concepts developed for our consideration
- The project took a year and included key stakeholders in the discussion



PHC waiting list vs existing stock



Source: Social Housing Provider Directory, 2015 and Housing Access Peterborough Waiting List November 2, 2015



Local Housing Demand

- Vacancies for some unit types demonstrate a good supply of housing at market rental rates
 - *Vacancies for 1 bedrooms and 3+ bedrooms over 3%*
- Rents have consistently increased in the Peterborough area
 - *Average market rent for all apartment units / \$843 inside the downtown core and \$959 outside the core*
- Market rents and ownership is out of reach for significant portion of households
- Centralized waiting list shows a demand for more one-bedroom units, especially for non-seniors



Community Housing Needs

Affordability Issues

- 18% of owners pay over 30% of income for housing
- 48% of renters pay over 30% of income for rent
- Just over 20% of households are in Core Housing Need (2013), among highest in Canadian CMA's

Addressing Future Need

- Rental housing that is smaller and affordable, particularly in downtown Peterborough
- Seniors housing near amenities and health services
- Affordable housing for families outside the downtown core

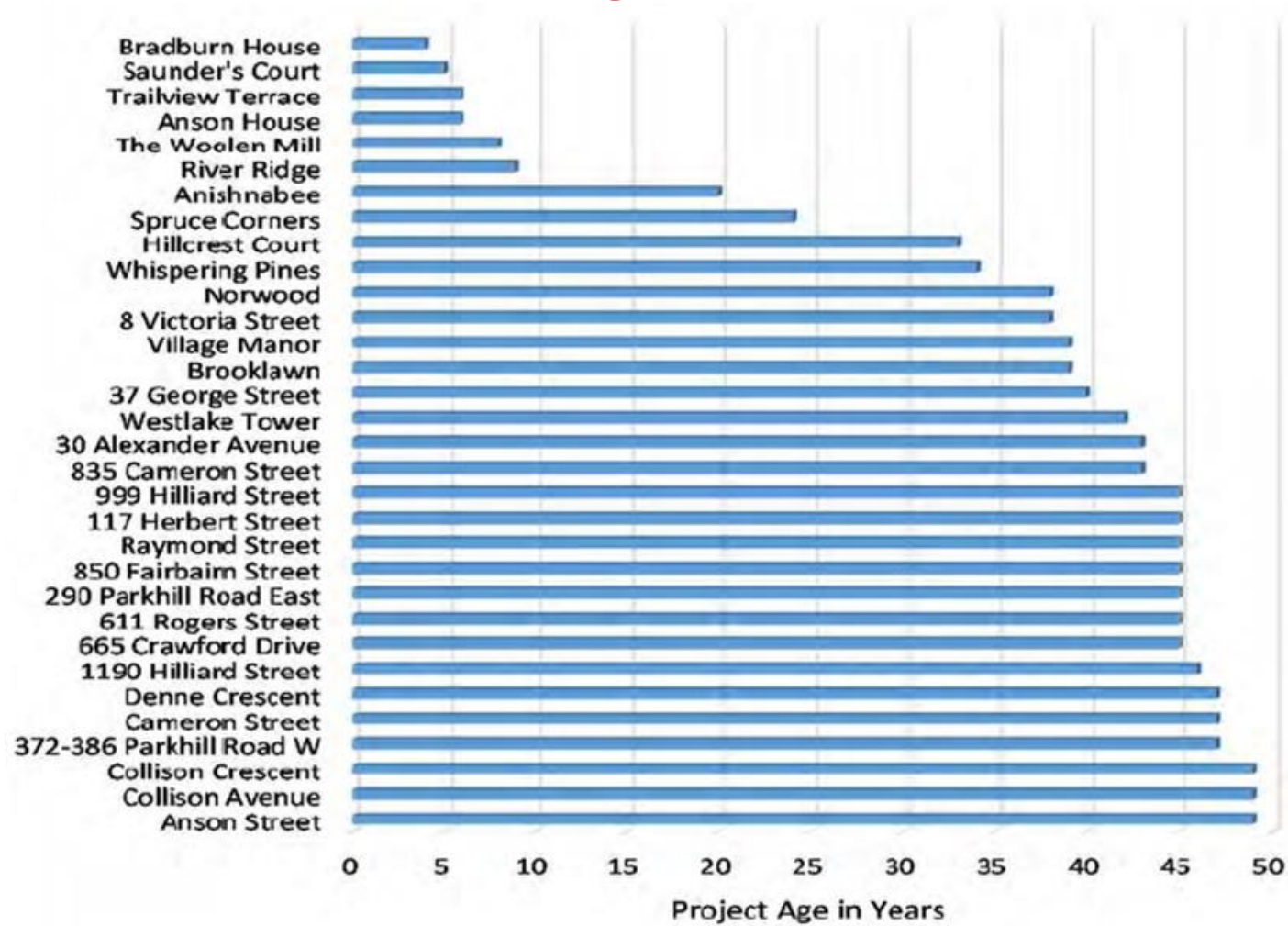


Neighbourhood Profiles

- All sites have proximity (within 500m) of bus transit
- High percentage of sites have proximity to parks, trails, bike routes and schools
- 6 sites have proximity to social services
- 5 sites are within 1km of a grocery store
- Evaluate prospective opportunities on a site by site basis

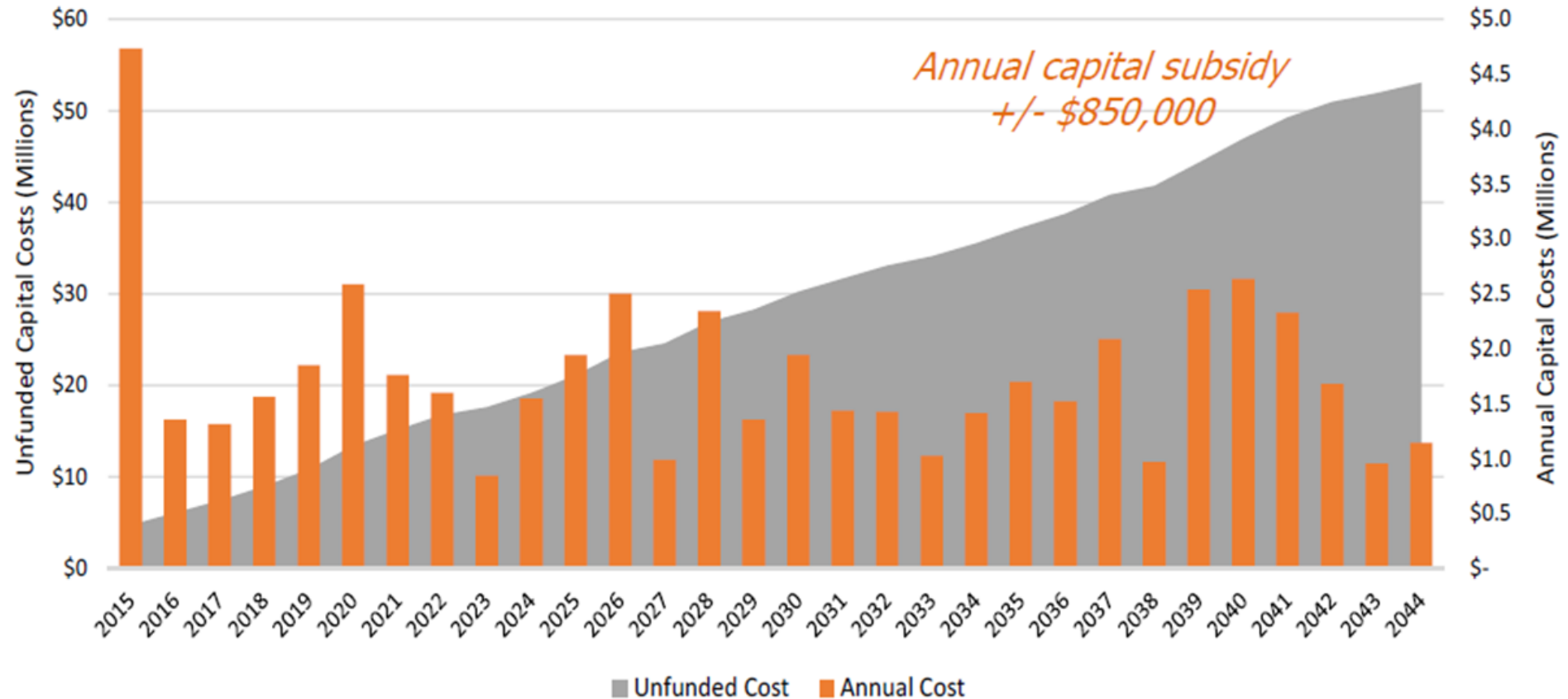


Asset Age Profile

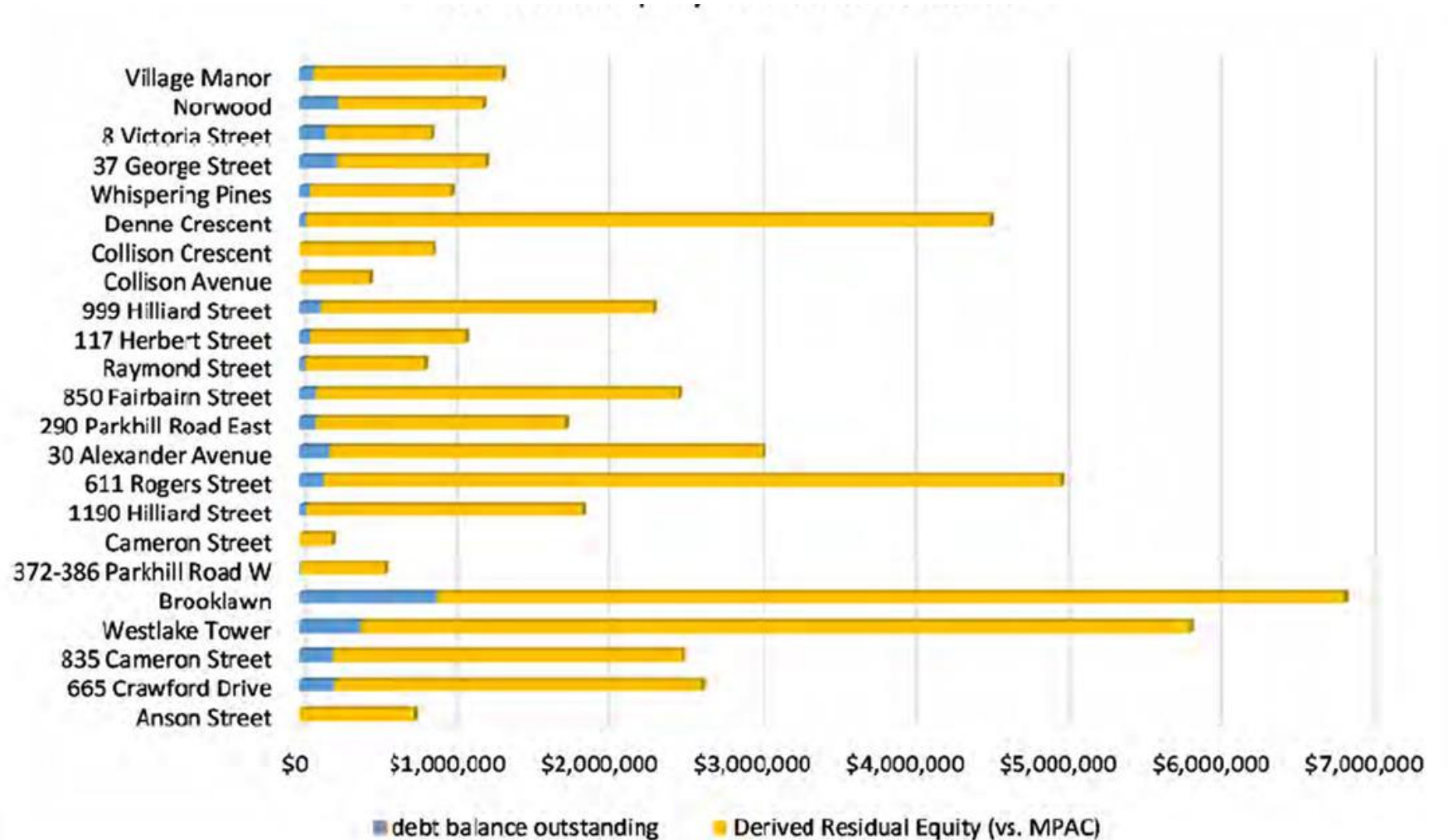


Capital Needs vs Funding

PHC's Growing Capital Gap

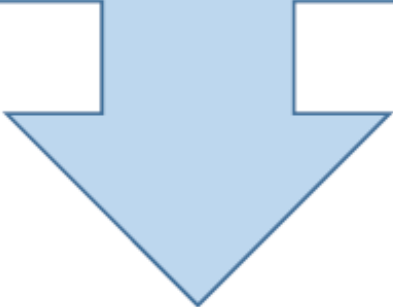


PHC residual equity



First Step...

Step 1 - Performance screen

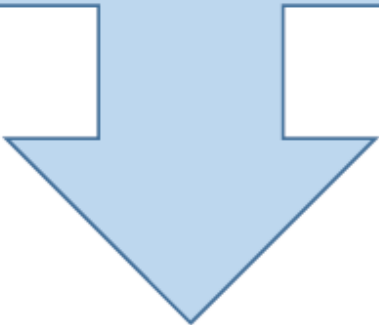
1. Rate projects by performance criteria to determine priority status/potential
 2. Roll-up results to prioritized portfolio view
- 

- Performance of each project was rated on the basis of 11 criteria across a range of indicative factors
- Criteria examined fell into three main categories:
 - *Sustainability (35% of score)*
 - *Performance (45% of score)*
 - *Potential (20% of score)*



Second Step...

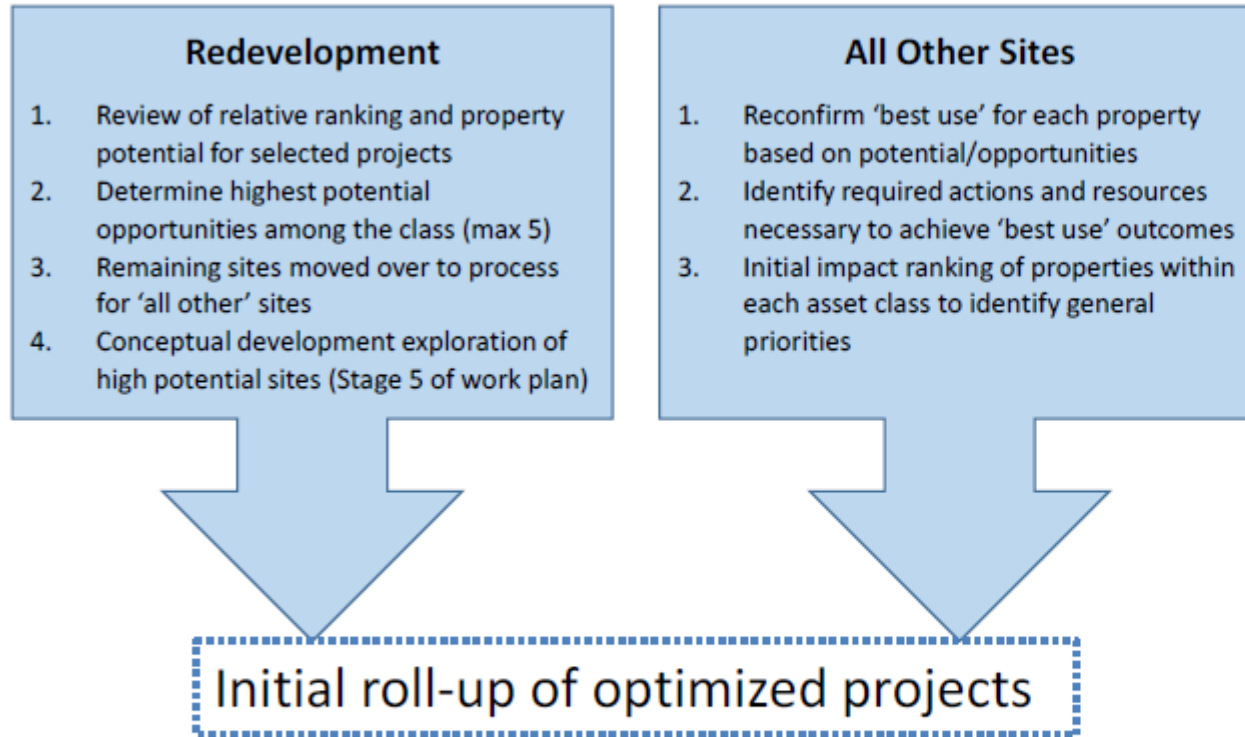
Step 2 – Preliminary class screen

1. Rate projects by classification criteria to determine preliminary class (performance-based)
 2. Roll-up results to portfolio view for class “check”
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- Baseline criteria developed for each asset class
- Using performance ratings, projects were scored for ‘fit’ with each asset class
- Projects sorted into 4 asset classes on a preliminary basis :
 - *Retain*
 - *Regenerate*
 - *Redevelopment*
 - *Disposal*



Third Step...

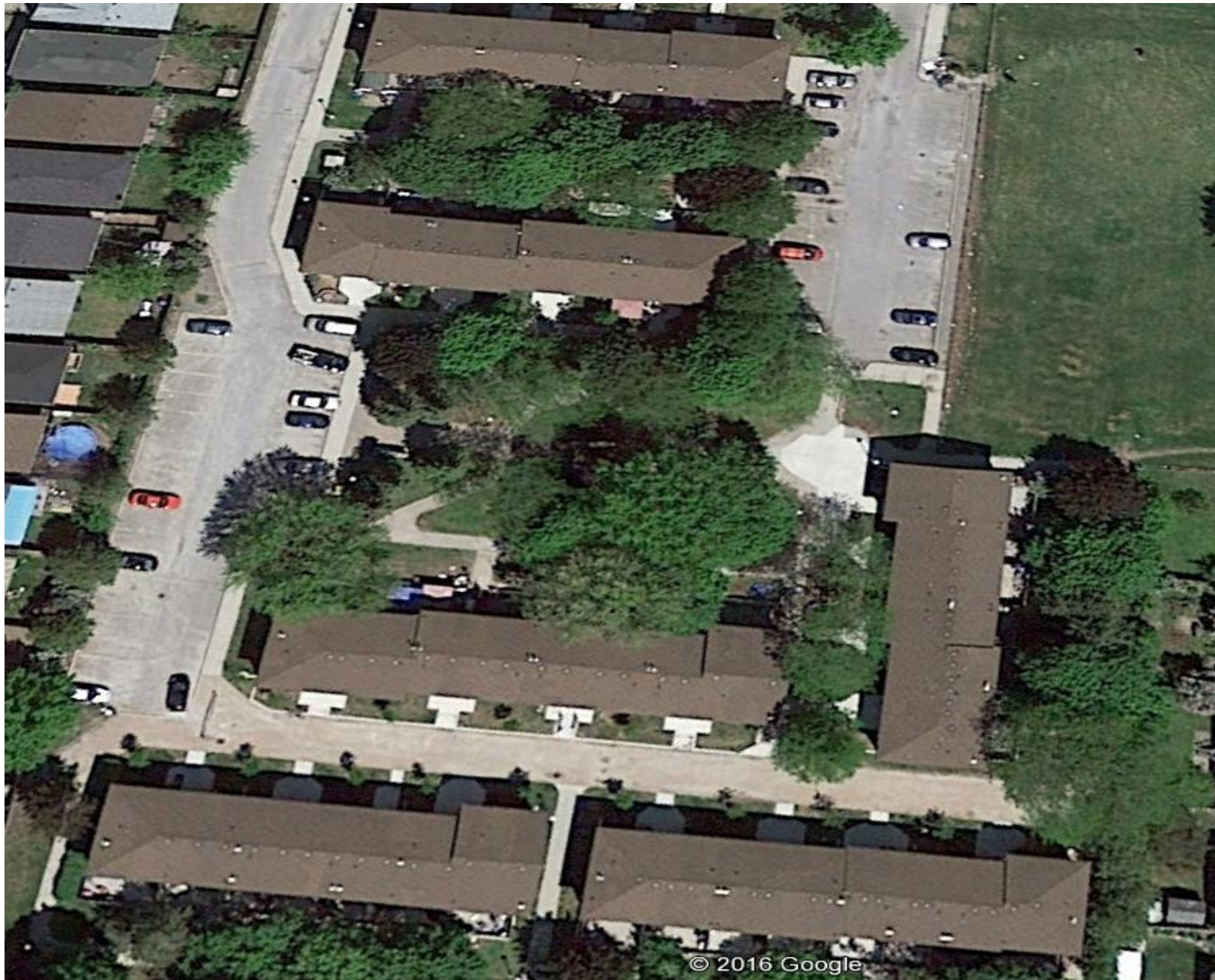


- Comparison of projects across 8 optimization factors to determine potential and 'best use'
- Based on results, revised classification of projects as well as ranking within each class
- Validation with PHC resulted in final classification for each project



835 Cameron Street – 2.75 acres







Capital Resourcing...

Raising Capital

- Land as equity
- F/P funding (e.g. IAH)
- Municipal incentives
- HST rebates
- Property tax relief
- Divestment of assets
- Other – SHIP + energy

Leveraging equity + Financing

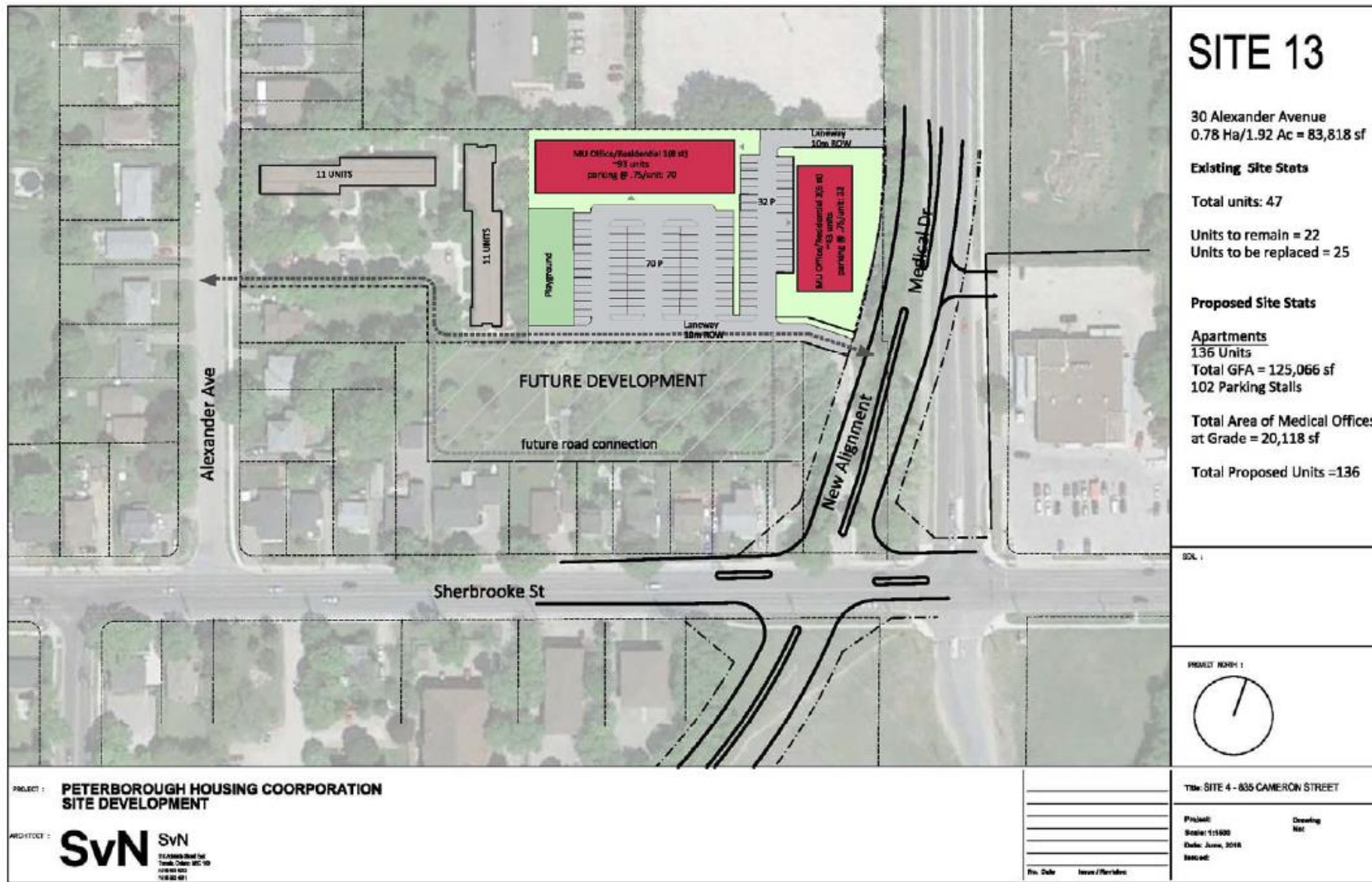
- Conservative estimate of equity is \$50M at maturity
- Access limited by loan to value ratio (50-60% max.) and debt service costs
- Conventional lending for redevelopment could raise +/- \$70M max.



The results:

- All along , EOD Committee believed there were 5 sites for total demolish/ develop with intensification possibilities
- We learned the 5 we chose initially were not the most appropriate and found new, exciting possibilities in sites we hadn't considered
- PHC has considered land banking in the vicinity of one site and already has acquired a partial property
- We have 5 new 'concepts' and think of them as just that
- When we include our new affordable aspirations (4 new builds) our 3/5/10 year plan is now a 15 year plan





Capital Financing & Community Revitalization Plan

Objective: The 15 year Portfolio Plan addresses stated PHC goals/principles by:

- Encouraging development of more integrated, mixed and dynamic communities
- Improving quality of existing stock
- Increasing supply of affordable housing through intensification
- Identifying innovative prospective financial tools
- Promoting additional on-site amenities and services



Addressing the Capital Gap...

Potential options for addressing the projected \$71.5M gap:

1. Non-traditional financing (i.e. creative capital)
2. Preferred lending conditions
3. Increase baseline capital funding from Service Manager
4. Secure affordable housing grants for new development at higher levels (e.g. IAH)
5. Access funding for social housing repairs (e.g. SHIP)
6. Obtain additional energy efficiency incentives
7. Set rents for some units at 'true' market rent
8. Pursuing capital through partnerships



Risk of Remaining Status Quo...

- Unfunded capital obligation estimated at \$12.5M
- Projects continue to age without improvements
- Investment in stick-frame buildings beyond useful life is not an effective use of resources
- Potential for residual development untapped
- Lenders may require additional guarantees to access new capital
 - some projects still have debentures
- PHC's borrowing capacity - capital needs of existing units versus availability of capital for new projects
- Current portfolio does not meet emerging housing needs



Risk Factors...

Issues which can negatively influence execution of the Plan:

- Insufficient financial resources/funding
- Inability to raise sufficient equity from PHC
- Limited capacity to execute the Plan
- Delays/adverse decisions for required approvals
- Changes in economic climate
- Tenant disruption
- Diminished housing market
- Lack of partner engagement/withdrawal of partner



Considering all of this:

Internally, we have set the stage to begin the work:

1. Amendments are drafted to our Shareholder's Agreement to allow the Board to present a full plan and have "global" approvals
2. PHC staffing model has transformed through a reorganization to prepare for future challenges
3. We have four new developments moving forward which will leave room for targets to be filled from units we sell



Next Steps...

1. Confirm proposed approach and staging
2. Secure support of the shareholder
3. Pursue creative capital (or decide not to)
4. Define strategy to address remaining capital gap
5. Identify and cultivate prospective partnerships
6. Develop project-specific plans
7. Secure necessary approvals and financing
8. Execute project-specific improvement/development plans



As we move towards the future

- Quarterly work plan reviews
- Community and resident consultations will ensure we are correct in our approach
- End of Debenture Committee will define a new role as part of the Board's Development Committee
- Continued consultation with our stakeholders is critical
- Some time lines will be moved as funding opportunities become available



Final Words

- PHC's vision is to have mixed income communities that meet the needs of all of our City and County residents.
- We want to provide opportunities to our residents and have our properties be a seamless part of the broader Peterborough fabric.
- We aspire to be the landlord of choice rather than the landlord of last resort
- PHC wants to continue to be a leader in the affordable housing sector



Thank you!



Questions?

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