



	REPORT No.: 2018-38
MEETING DATE: JUNE 28, 2018	DATE PREPARED: MAY 24, 2018
SUBJECT: FIRST REPORT – BERTRAND COURT HIGHEST AND BEST USE STUDY RESULTS	

RECOMMENDATION

THAT with respect to Report No. 2018-38, (Housing Services Division), we, The District of Thunder Bay Social Services Administration Board (the Board), approve the receipt of the Draft Highest and Best Use Study – Bertrand Court Results;

AND THAT the Board direct Administration to prepare a report with recommended direction for the property to be presented at the October 2018 Board meeting.

REPORT SUMMARY

To provide the Board with information relative to the Draft Highest and Best Use Study – Bertrand Court Results for review and input. Recommendations regarding this report will be provided to the Board for approval at the October 2018 Board meeting.

BACKGROUND

At the February 23, 2017 Board meeting, Administration presented a report (Report No. 2017-07) that recommended a consultant be engaged to determine the current market value of the Bertrand Court property and identify the 'highest and best use' for the property. Housing Services Corporation (HSC) was the successful proponent for this project and studied the property. Based on the outcome of this study, recommendations on the most appropriate directions for the property were to be presented to the Board.

COMMENTS

HSC prepared a report on the Highest and Best Use of the Bertrand Court property, and is presented as Attachment #1.

Results of this review indicate that the Highest and Best Use for the Bertrand Court project is for TBDSSAB to retain ownership and to embark upon an incremental regeneration of the site.

There remain significant financial hurdles which must be overcome for this option to be financially viable. Highest among these is the access to capital funding through either a Federal or Federal/Provincial program (e.g. Investment in Affordable Housing) or securing financing through a program such as Canada Mortgage and Housing Corporation (CMHC) Rental Housing Construction Financing.

In addition to access to capital grant funding, the option to increase the social and affordable housing available on the site will require TBDSSAB funding support. This may be achieved through the use of the Capital Regeneration Reserve Fund, or other reserve funds as appropriate. The Capital Regeneration Reserve Fund has been recently augmented through the sale of surplus and under-utilized TBDSSAB-owned properties, with more sales to come. This direction was supported by the Board through Resolution No. 16/38.

An unknown at this time is the full impact the National Housing Strategy may have on the current housing stock and the availability of future housing funding opportunities. An initial capital funding program has just been announced under the Strategy, called the National Housing Co-Investment Fund. Administration will explore this and all available options under the National Housing Strategy and other provincial funding models and present recommendations to the Board as appropriate.

The next steps would be to undertake further strategic and financial analysis to determine the optimum mix of units and affordability levels while maximizing the equity available from both TBDSSAB and potential external funding sources. It is proposed that recommendations in this regard will be presented to the Board at the October 2018 meeting.

FINANCIAL IMPLICATIONS



There are no direct financial implications at this time. Administration will continue to explore the options indicated in the Report, perform financial modeling and analysis, and present the results to the Board in a subsequent report.

CONCLUSION

It is concluded that the Board should accept the Draft Highest and Best Use Study for Bertrand Court and that Administration will explore development and funding options and provide the Board with recommendations related to this property at the October 2018 Board meeting.

REFERENCE MATERIALS ATTACHED

Attachment #1 [Draft Highest and Best Use Study - Bertrand Court, dated April 30, 2018](#)

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HOUSING SERVICES CORPORATION

Draft Highest and Best Use Study – Bertrand Court

The District of Thunder Bay Social Services Administration Board

April 30, 2018

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Executive Summary

The District of Thunder Bay Social Services Administration Board (TBDSSAB) delivers services to the residents of 15 member municipalities, and the Territory without Municipal Organization within the District of Thunder Bay, an area of more than 103,000 square kilometers (“the District”). Through a portfolio review, the TBDSSAB has identified the Bertrand Court projects for a Highest and Best Use Study (the “Study”) the purpose of which is to evaluate options for the best future use for the projects, ensuring legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Housing Services Corporation and New Commons Development (the “Project Team”) have been retained to conduct the study for the Bertrand Court site.

In undertaking the Study, the financial feasibility of the current and any future assets on the Bertrand Court site were considered by the Project Team with a review of the current operating data, building condition data, and market data. In generating its recommendations, the Project Team undertook further review of the site and current conditions, including the location, servicing, building condition and environmental conditions. Significant analysis was done on the market conditions and the community needs, including the demographics of the current market in Thunder Bay as well as the TBDSSAB waitlist and demand.

Results of this review indicate that the Bertrand Court buildings are currently operating in a deficit position which is anticipated to continue to grow. A review of the Building Condition Assessments (BCA) completed in 2014 and the resultant Facility Condition Index (FCI) values suggest that the buildings are in poor-to-critical range, and that a significant financial investment must be made to these buildings in order to bring them to good condition. The operating costs for the project are significantly higher than the revenues that are currently generated by the project, and there is no indication that the properties will ever generate sufficient revenue to support the projected \$9,559,875 in capital repairs needed over the next 27 years.

Based on our analysis, the recommended Highest and Best Use for the Bertrand Court projects is for TBDSSAB to retain ownership and to embark upon an incremental regeneration of the site. The advantage of this approach is that it supports a number of priorities identified by the TBDSSAB, as the regenerated site can continue to house the current residents while growing the portfolio of social and affordable housing in Thunder Bay. This will ultimately serve to address waitlist demand and maximize the use of the available land, increasing the mix of affordable market rental to generate additional revenues that improve the operating viability of the new projects.

The Project Team is aware that there remain significant financial hurdles which must be overcome for this option to be financial viable. Chief among these is the access to capital dollars through either a Federal or Federal/Provincial program (e.g. Investment in Affordable Housing) or securing financing through a program such as CMHC Rental Housing Construction Financing. In addition to access to capital grant funding, the option to increase the social and affordable housing available on the site will require TBDSSAB funding support, this may be achieved through the deployment of a portion of unspent capital replacement reserves to achieve sustainable long term replacement.

If TBDSSAB wishes to pursue this option, the next steps would be to undertake further financial analysis to determine the optimum mix of units and affordability levels while maximizing the equity received from both the TBDSSAB and potential external funding sources. If the necessary funding is secured, TBDSSAB would need to engage an architect or urban designer to develop a preliminary design and secure the necessary geotechnical, environmental studies and service assessments, and complete the necessary re-zoning application.

That said, ensuring financially sustainable assets that promote the well-being of residents is a key pillar for any successful asset or housing portfolio plan. Initiating a study such as this is evidence that the TBDSSAB has a deep understanding of the assets that it holds and wishes to optimize these assets in order to continue to deliver on their commitment to providing quality housing choices and affordability for all.

1. Summary of Findings

Based on a full review, three general options were considered for the highest and best use at the Bertrand Court site:

1. Status Quo
2. Market Sale
3. Regeneration

STATUS QUO

Maintaining **Status Quo** is an option for the TBDSSAB; however it presents significant financial risk. The site currently houses 60 residents all of whom are 50+. The FCIs for both phases of Bertrand Court indicate a poor-to-critical rating with Immediate and 1-5 Year capital requirements of over \$3.3 Million. Both are operating in a growing deficit position. If Net Operating Costs continue to track higher than revenues (a reasonable assumption for an aging portfolio), there is no indication that the project will ever generate sufficient revenue to support the projected \$9,559,875 in capital repairs needed over next 27 years.

Maintaining the status quo may in fact be the only option if there are no opportunities for TBDSSAB to secure capital dollars or financing; however, it does present significant financial risks in the long term due to the age of the housing stock and the current state of the assets.

MARKET SALE

As part of the Market Sale analysis there were three possible options considered: (1) Sale for Market Ownership Development, (2) Sale for Market Rental Development, and (3) Sale for Commercial/Industrial Use.

The already weak market conditions in Thunder Bay are projected to worsen through 2019, which directly impacts the viability of the first two market-based options considered: Sale for Market Ownership Development and Sale for Market Rental Development.

The viability of the **Sale for Market Ownership Development** option was ruled out during the course of our study as we learned that two nearby sites are anticipated to be brought to market shortly (1230 Dawson Road and 640 Beverly Street). These sites would compete with the sale of Bertrand Court, but without the additional demolition costs Bertrand Court would require. With new market housing demand remaining stagnant and increasing interest rates predicted through 2019, the pro forma analysis of the Sale for Market Ownership Development option indicates that it is not feasible.

When the **Sale for Market Rental Development** option was subjected to a pro-forma analysis, the results were similarly poor as there would not be sufficient revenue to support the required debt servicing. The pro-forma analysis indicates that the profit is close to nil. With weak market conditions in Thunder Bay it is a risk that developers are likely unwilling to take, making the Sale for Market rental option not feasible.

A **Commercial/Industrial Sale** option was deemed a non-viable option early on in the review owing to the fact that existing inventory of build ready sites are being marketed below their replacement cost and are still not generating market take up. This option does not meet any of the TBDSSAB objectives for this Study and was not subject to a deeper pro-forma analysis as part of this review.

REGENERATION (RECOMMENDED)

Following a complete review of the site conditions, operating data, market conditions, community needs, and pro forma assessments, **the recommended option is for the TBDSSAB to retain ownership and regenerate the housing stock to a mix of social and affordable market housing.** This option is based on a phased approach based on availability of funding. Redevelopment will maximize the use of the available lands, replace the existing building and increase density with the potential to generate additional revenues to offset some of the costs of the new development. It is the Highest and Best Use option for the Bertrand Court site.

Once the capital funding is available for regenerating one building, detailed financial analysis needs to be conducted. The available funding will dictate the optimum building regeneration configuration including mix of units. In order to position the TBDSSAB better to receive funding from higher levels of government, it might be a good idea to develop a preliminary design.

If the TBDSSAB wishes to pursue this option, the next steps would be to undertake further financial analysis to determine the optimum mix of units and affordability levels while maximizing the equity received from both the TBDSSAB and potential external funding sources. If the necessary funding is secured, the TBDSSAB would need to engage an architect or urban designer to develop a preliminary design and secure the necessary geotechnical, environmental studies and service assessments, and complete the necessary re-zoning application.

2. Background

The TBDSSAB delivers services to the residents of its 15 member municipalities, and the Territory without Municipal Organization within the District of Thunder Bay, an area of more than 103,000 square kilometers (“the District”).

The TBDSSAB is responsible for delivering and administering Child Care, social and affordable housing, Ontario Works and local homelessness prevention services to people living in the District of Thunder Bay. The TBDSSAB owns 2,490 social housing units throughout the District. It also provides funding and administration for 929 units owned by 21 non-profit housing providers, and funds an additional 614 private rent supplement, supporting a total of 4,033 units.

The TBDSSAB’s 2017-2020 Strategic Plan focuses on the long range vision for the organization and the people it serves. Some key elements of this new Strategic Plan which directly relate to the scope of this project include:

- Increased flexible housing and programs
- Enhanced community partnerships
- Transparent & sustainable finances
- Personal well being

Ensuring financially sustainable assets that promote the well-being of residents is a key pillar for any successful asset or housing portfolio plan. Increasing housing programs and building community partnerships serve as an effective means to achieve these outcomes.

In 2016, the TBDSSAB funded and supports 4,033 social housing units with a chronological waitlist of approximately 895 residents. It is essential to the TBDSSAB that current social housing resources are maximized and opportunities for growth in the overall portfolio are considered and pursued.

Key to ensuring this viable supply is an understanding of the state of the current housing stock, and exploring opportunities for redevelopment, regeneration or sale of current housing assets as required. Through a portfolio review, the TBDSSAB has identified the Bertrand Court property for further study to identify the highest present value and to identify options which will bring the greatest net return for the foreseeable future. It is within this context that TBDSSAB released an Expression of Interest to undertake a Highest and Best Use Study of property located at 514, 520, 532 and 540 North Court Street (Bertrand Court).

3. Purpose and Methodology

In undertaking the Study, the Project team collected and reviewed housing project data, including building/structural data, operating data, community needs, topographic information, geotechnical data, environmental data, locational data, zoning by-laws, set-back requirements, MPAC values, site servicing data, and planning information. The Project Team also conducted a zoning investigation and spoke with the local municipal zoning by-law officials.

The analysis took into consideration key market indicators including diversity, demographics, need, income mix, amenities, waiting list, and demand analysis. The Project Team also conducted locational analysis, such as proximity to schools, churches, grocery stores, and ease and availability of transportation, walkability score, and availability of support services. When developing the options, consideration was given to the existing tenants of Bertrand Court.

The property was assessed to determine the feasibility of potential revitalization, repurposing, replacement or disposal of the asset, including a review of the potential risks posed by each approach based on the following key considerations:

1. **Legal Permissibility:** Legally permitted, including zoning, land-use planning and any other restriction.
2. **Physical Possibility:** Physically possible given the size, shape, topography and other characteristics of the site.
3. **Financial Feasibility:** Financially feasible, showing adequate revenue and/or cost avoidance.
4. **Maximum Productivity:** Generate the highest return, as determined as the highest net present value.

Following the collection and analysis of data, an Opportunity Matrix was created. The Opportunity Matrix captures the data collected related to the site - the site conditions, market demand, operating costs and community needs. While the Opportunity Matrix informed the review, a number of financial models were subsequently identified and subjected to pro forma analysis in order to identify the Financial Feasibility and Maximum Productivity for the site.

As the phased regeneration option began to emerge as the most viable, a range of scenarios were developed in consultation with TBDSSAB staff and subjected to a series of financial modelling. These scenarios are included in this report with detailed sensitivity analyses provided in separate documents. Further financial scenarios can be explored by the TBDSSAB using these tools provided - depending on the equity available, the desired depth of affordability, and the overall number of units - to determine the appropriate mix moving forward.

4. Site Review and Current Conditions

The Bertrand Court site is made up of two phases of development, both of which were built under the public housing program.

Bertrand Court I includes the buildings at 520, 532, and 540 North Court Street. These buildings were built in 1970. The structures consist of three single storey buildings, each with 16 units. All units on these sites are 1 bedroom units. The debentures for this phase expired on January 01, 2018.

Bertrand Court II is located at 514 North Court Street. This single storey building was built in 1968 and consists of 12 units; 6 bachelor and 6 1-bedroom units. The debentures for this phase expired on January 01, 2016. Both Bertrand Court I and II serve one demographic group (age 50+).

The Project Team considered the location, servicing, building condition and environmental conditions as part of the site review.

A review of the 2014 Building Condition Assessments (BCAs) and the resultant Facility Condition Index (FCI) values suggest that the buildings are in poor-to-critical range and that a significant financial investment must be made to these buildings in order to bring them to fair or good condition. This is an important consideration if the Status Quo option is to be maintained, as significant investment will be required by the TBDSSAB in this property.

More broadly, the results of the site review process indicate that there are no significant barriers to sale or redevelopment from a zoning, land-use planning or servicing perspective if these options are considered by the TBDSSAB moving forward.

Accessibility

The Bertrand Court site location is approximately 15 minutes by car from the downtown centre, and 44 minutes by public transit to the downtown centre. Public transit is located close to the site.

A review of the walkability and transit accessibility score of these sites indicate that it has a Walk Score of 31 and a Transit Score of 34.

Walk Score
31

Transit
Score 34

Walk Score is a method adopted by the real estate industry and measures the walkability of any address on a rating from 0-100. For each address, Walk Score analyzes hundreds of walking routes to nearby amenities. A Walk Score of 31 indicates that the area is Car Dependent with few amenities within walking distance.

The Transit Score is a measure of how well a location is served by public transit on a scale from 0 to 100. Although, there is a well-used bus stop in front of the buildings, the Bertrand Court site scores a Transit Score of 34. This indicates that there are a few nearby public transportation options.

Site Access

Currently there is an Easement/Right of Way Agreement between the City of Thunder Bay and TBDSSAB in place addressing the easement on the west side of the property.

The development to the north of the site is Dawson Court - a former home for the aged previously owned by the City of Thunder Bay. In spring 2017, the site was sold to a developer who plans to convert the complex to student housing in the future.

Although Bertrand Court has its own access road, many residents and services currently use the road which separates Bertrand Court from Dawson Court. There is no a formal agreement in place between the two developments for this shared use, and the availability of the road under a new Dawson Court development may be diminished. This may pose a minor risk to any redevelopment of the Bertrand Court site which will need to be addressed in the design to ensure proper access is maintained.



Zoning & Servicing

As part of the review, the Project Team engaged with the City of Thunder Bay Planning Services, Building Services, and Storm Water Management divisions, as well as Thunder Bay Hydro and Union Gas to understand implications of any changes to the use or density on the site.

A review of the zoning By-Law with local municipal zoning by-law officials indicates that the site is zoned MI; Major Institutional. MI zoning allows certain types of buildings/uses on this site, including: cemetery, community centre, crematorium, cultural facility, correctional centre, day care facility, dwelling unit accessory, educational institution, emergency services facility, medical office, open market, park, penitentiary, recreational facility, religious institution, research and development centre, residential care facility one, residential care facility two, or residential care facility three. Additional permitted uses include long term care facility, retirement residence or hospital. Of additional consideration for any future development is that fact that for MI zoning the minimum required separation distance between main building and lot should be 6.0 m.

With the MI zoning, the site is currently not zoned for residential. The sale of the land for residential use may be hampered by its current the zoning designation and the requirement to apply for rezoning. This may be of significant concern for any scenario which contemplates site sale for the development of market ownership or market rental creation.

Based on the recommended model, The City of Thunder Bay Planning Services staff indicated that as the property is owned by a public entity (TBDSSAB), there should be no concerns with rezoning the property.

There were no issues identified by the Water or Storm Water Management divisions in discussing further options related to this site. However, the City of Thunder Bay has requested that if the TBDSSAB were to move forward with a redevelopment of this property, the TBDSSAB hire a consultant to complete an overall assessment of the servicing of the property. This would include an examination of impacts to the City's water and storm water management systems and any potential upgrades that may be required.

Building Condition

BCAs were completed in 2014 for all of the buildings of the Bertrand Court site. These assessments indicate that capital repair needs up to 2044 for both phases are \$9,559,875 in current dollars.

Location	Capital Repair Needs to 2044
Bertrand Court Phase I	\$7,842,665
Bertrand Court Phase II	\$1,717,210
Total	9,559,875

As outlined in the BCAs, many elements in both phases of the Bertrand Court site are in need of large capital repairs. The overall financial requirements which have been identified by the BCAs for capital repairs are as follows:

Capital Needs	Immediate Needs	Year 1- 5 (including Immediate Need)	Year 5 -10	30 year	Spent since 2014
Bertrand Court I	\$1,521,035	\$2,896,335	\$220,600	\$7,842,665	\$112,959
Bertrand Court II	\$225,750	\$439,250	\$324,170	1,717,210	\$69,604
Total	\$1,746,785	\$3,335,585	\$544,770	\$9,559,875	\$182,563

While \$182,563 has been spent on capital repairs since 2014, these funds have not adequately addressed the critical issues identified in the BCA. According to the BCA, there is an immediate capital repair need of \$1,746,785 in order to address a number of building elements. If the decision is made to retain the building in the long term, elements identified in poor condition must be repaired immediately be made to avoid the costs of further deterioration.

The poor condition of the site is further demonstrated by the Building Facility Condition Index (FCI) values. Industry standards for FCI values suggest values above 10% mean that the asset is in poor condition, while FCI values above 30% mean the asset is deemed in critical condition.



The FCI for each of the two sites are as follows:

Location	FCI Value
Bertrand Court Phase I	FCI 37.1% (Critical)
Bertrand Court Phase II	FCI 22.58% (Poor)

Typically, if buildings have an FCI rating of critical, then it is recommended to regenerate rather than fund ongoing capital repairs. Funding the ongoing repairs will not address the underlying issue that the asset is beginning to fail. The fact that both phases are at or approach 50 years in age and with poor-to-critical FCIs suggests that the assets have come close to reaching the end of their useful life.

The above FCIs are based on replacement values provided by the TBDSSAB of \$4,296,800 for Bertrand Court I and \$1,048,000 for Bertrand Court II. It is worth noting that the Municipal Property Assessment Corporation (MPAC) values as of January 2016 are \$2,593,000 for Bertrand Court I and \$587,000 for Bertrand Court II. While MPAC values are not typically used for FCI calculations, they are of interest in understanding the value of these sites and were considered in the analysis of viable options.

Environmental and Geotechnical

A review of available site data did not produce any existing environmental or geotechnical reports. However, the Ministry of Northern Development and Mines Surficial Geology map of the area does not indicate anything of concern and in discussions with municipal officials there do not appear to be any known concerns. If a new development is planned, an Environmental Site Assessment Phase I and a Geotechnical Investigation Report will be required to confirm soil conditions.

5. Market Conditions

The housing market demand in Thunder Bay has been stagnant since 2012 with housing starts trending downward from that year and projected to continue to decline at least through 2019 (*CMHC, Housing Market Outlook Report, Fall 2017*). One positive growth segment in the market has been high-density new builds, which have been driven by the Census Metropolitan Area's (CMA) growing senior population. However, despite some activity in this sector, by 2019 starts for all housing types are projected to decline to between 140 and 180 units per year. These market trends will be exacerbated by interest rates, which are projected to continue to increase through 2019 with implications on housing affordability and purchaser decision-making.

Members of the Project Team participated in a market sounding day on January 4, 2018 during which they met with a number of developers, to understand and inform the review of market based options for Bertrand Court.

Anecdotally, Thunder Bay developers interviewed for this Study are holding significant inventory of development lots and are building cautiously to meet modest market demands and maintain prices for their new product. This ready inventory of serviced, zoned development sites has significant implications for potential options for Bertrand Court. Simply put, the value of Bertrand Court as a market housing site needs to be weighed against competing opportunities in Thundery Bay's CMA, many of which have better locational characteristics, require no demolition and do not need to address the costs and social implications of tenant displacement.

One direct comparison is the site of the former Port Arthur General Hospital to the south of Bertrand Court. This 5-acre property is larger than Bertrand Court, has the advantage of higher elevation (allowing for better water views) and has no demolition costs associated with redevelopment. Despite these advantages, however, this site has remained undeveloped since it became available in 2004, and serves as an example of the market headwind facing the Bertrand Court site.



The conclusion from the market conditions review undermines a market based approach to the site. A downward trending housing market, increasing interest rates, and stagnant development sites all conspire to reduce the redevelopment opportunities available for Bertrand Court.

6. Community Needs

To support the identification of a range of options with regard to maximum productivity of Bertrand Court, the community needs were examined, including the demographics of the current market in Thunder Bay as well as the waitlist and demand. The results indicate that the main growing sector of the marketplace in Thunder Bay is seniors, and identify an increasing need for single one bedroom units.

Demographics

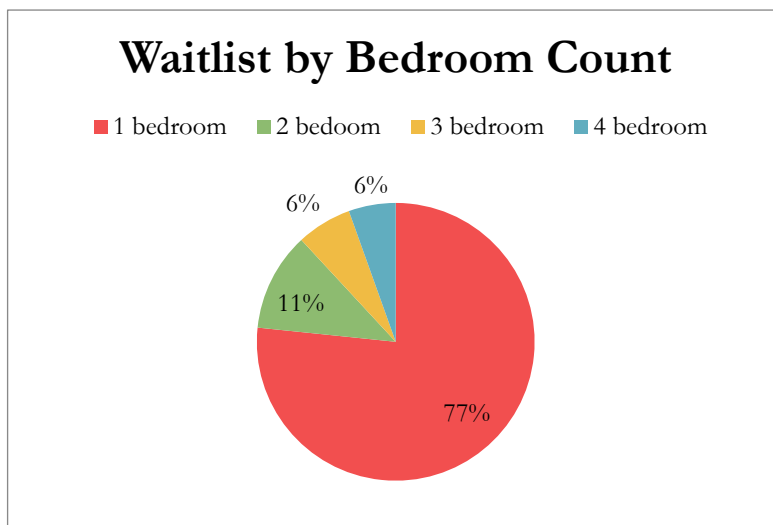
A review of the Thunder Bay CMA 2017 CMHC Rental Market Report indicates that seniors are a growing sector in Thunder Bay. Between census 2011 and 2016, the number of senior households renting in Thunder Bay grew by 17.3%. There is evidence that seniors from outlying areas are moving to the Thunder Bay CMA to access health services and typically moving into rental accommodations close to amenities.

Full time youth employment (14 to 25) has been trending upwards since the second quarter of 2017 and has contributed to rental increases. Finally, student demand has impacted the primary rental market, as result of both Lakehead University and Confederation College admitting record numbers of international students. The influx of students in the area brought a sharp decline to vacancy rate in the North Ward of CMA. With a limited number of on-campus resident spaces, some of the student demand was absorbed into the primary rental market.

Waitlist/Demand Analysis

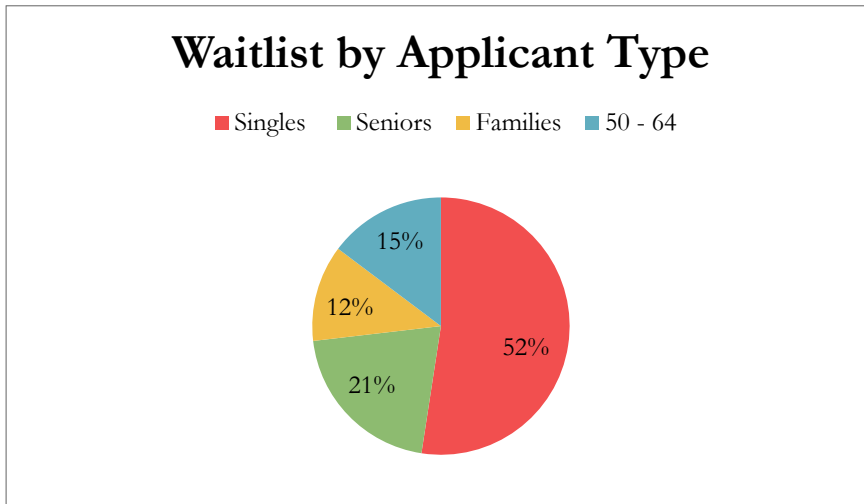
Based on TBDSSAB data from August 2017, there are 950 total applicants on the waiting list, including chronological, special priority, exceptional high needs homeless, and exceptional medical/youth. The number of applicants on the chronological waiting list is 895.

An analysis of waitlist by bedroom count indicates the following:



- 1 bedroom – 728
- 2 bedroom – 109
- 3 bedroom – 61
- 4 bedroom – 52

An analysis of waitlist by type indicates the following:



- Singles – 498
- Seniors - 197
- Families – 115
- 50 -64 – 140

A review of this waitlist data quickly points out that the highest demand for units are one bedroom units for both seniors and non-seniors.

Assuming that the current trend indicated by the CMHC Rental Market Report, 2017 continues, this need will continue to grow as larger numbers of the population move into the senior demographic.

7. Opportunity Matrix

Based on a full review of the site conditions, operating data, market conditions and community needs, five options were considered for the highest and best use at the Bertrand Court site.

1. Status Quo
2. Commercial / Industrial Sale
3. Sale for market ownership development
4. Sale for market rental development
5. TBDSSAB retains ownership and regenerates the housing stock to a mix of Social and Affordable market Housing

All five options were considered through the creation of an Opportunity Matrix, which links the review that was undertaken on the various elements related to the site: site conditions, market demand, operating costs and community needs. It also takes into account those priorities of the TBDSSAB with regard to maintaining service level standard and minimizing resident displacement. The results of this review are included in the Opportunity Matrix below. The colour representation of green, yellow and red denotes where the variable is considered positive, neutral or negative, respectively.

	Status Quo	Commercial/ Industrial	Market Ownership	Market Rental	Stock Regeneration
Land Disposition	DSSAB Retention	Commercial sale	Private sale	Private sale	DSSAB retention
Tenant Displacement Impact	None	Tenants displaced	Tenants displaced	Tenants displaced	Temporary; rehousing on site
Impact on Affordable Housing Service Levels	No net impact	Affordable units lost	Affordable units lost	Affordable units lost	Expansion of affordable units
Impact on Current Operating/Capital Deficit Issues	No net impact	Long term costs eliminated	Long term costs eliminated	Long term costs eliminated	DSSAB \$\$ required to support expansion
Market Viability in Thunder Bay CMA	Strong	Weak	Weak	Weak	Strong
Vehicle for delivery of anticipated FP Program \$\$s	No	No	No	Possibly some component	Yes

A quick glance at the Opportunity Matrix indicates that the stock Regeneration and the Status Quo options present most positively based on the review elements. However, financial modelling was undertaken for all options to further support this determination.

8. Financial Analysis

In order to determine the option(s) for Bertrand Court that offer the highest present value and bring in the greatest net return for the foreseeable future, financial modelling was undertaken. The modelling is presented as a series of pro formas which are provided as separate documents. Some key considerations built into the modelling are outlined in this section, including: Key Issues, Financial Performance and Capital Repair Requirements. An analysis of the Status Quo option for this site is also provided below.

Key Issues:

The Bertrand Court projects are facing a number of issues which affect the viability of some of the financial models, including:

- The new housing market demand in Thunder Bay has been stagnant since 2012 with housing starts trending downward from that year and projected to continue to decline at least through 2019.
- Interest rates are projected to continue to increase through 2019 with implications on housing affordability and purchaser decision-making.
- Results from the Market Sounding day indicate that there are many potential development sites in Thunder Bay with better locational characteristics than Bertrand Court.
- The FCI ratings for the buildings suggest that they are in poor condition and in need of considerable capital expenditures, both on an urgent and mid-term basis.
- The financial results from operations show a continuing deficit which can neither cover operating costs, nor support the level of capital expenditure required.
- A growing waiting list for one bedroom units.

Operations Financial Performance

A review of the financial statements for Bertrand Court note that operating deficits have increased from \$17,086 in 2014 to \$55,168 in 2016. This represents approximately \$920 in net costs per unit per year. The increase mainly was a result of snow, grounds, pest and hydro.

Bertrand Court Financials – Phase I and II

	2014		2015		2016	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
Total Expenses	\$266,011	\$4,434	\$266,556	\$4,443	\$310,532	\$5,176
Total Revenues	\$248,915	\$4,149	\$251,398	\$4,190	\$255,346	\$4,256
Surplus/(Deficit)	\$17,086	\$285	\$15,158	\$253	\$55,186	\$920

Data provided by the TBDSSAB indicates that the average rent in this project in 2016 is \$354/unit, demonstrating a persistent and growing operating cost gap of close to \$600 per unit per year.

There are very limited opportunities to increase the rent revenue for these sites as all units are RGI. The Bertrand Court project operates at full occupancy and serves one demographic group (50+).

Accordingly, it is assumed that the Net Operating Costs will continue to track higher than revenues for these properties. This is a reasonable assumption due to both the financial history of the properties and the fact that the buildings are aging and will have increased operating costs over time. With this assumption, there is no indication that the properties will ever generate sufficient revenue to support the projected \$9,559,875 in capital repairs needed over the next 27 years.

Capital Repair Requirements

As noted above and based on the results of the 2014 BCAs, Bertrand Court is facing immediate capital requirements in the amount of \$1,746,785.

Bertrand Court Capital Needs – Phase I and II

	2014	2015	2016
Capital Expenditures	N/A	\$58,818	\$120,061
Outstanding Capital Need	1,746,785	435,950	13,800

The amounts noted in “Outstanding Capital Need” row refer to annual Net Present Value (NPV) figures that were identified in the 2014 BCAs. The 2014 immediate need figure of \$1,746,785 was not spent; therefore the cumulative amount of outstanding capital need for this period is over \$2M and it continues to grow year over year.

The combined capital and operating costs of Bertrand Court as currently operated could be more than \$11M NPV to 2044, depending on inflation assumptions. This amount represents a significant investment in an asset that is almost 50 years old and nearing the end of its useful life.

Status Quo

As part of the analysis, the opportunity to maintain Status Quo was considered. This option has merit in that it allows current tenants to remain in place; however it fails to address the long-term operating and capital deficits generated by this project. Both phases of Bertrand Court are operating in a growing deficit and high capital needs. As a significant investment will be required by the TBDSSAB in this property, it is prudent to consider whether an investment is better made in a different way that would extend the life of this site.

9. Market Model Comparisons

As part of the analysis of the opportunities for the Bertrand Court site, a number of market models were explored. These models include: (1) Market Ownership Development, (2) Market Rental Development, and (3) Commercial/Industrial sale. The financial analysis of these market options suggests that they are not financially feasible and are unlikely to generate any market interest.

Sale for market ownership development

A pro forma analysis was undertaken for this option and is provided as a separate document. The analysis was conducted based on the assumption that a 60 unit stick built townhouse complex would be built on the site with required capital costs of \$373,414 per unit.

Built Form Assumptions	
High Density Townhouses	
Stick Built Construction	
Site Yield units	60
Average unit size ft ²	1,476

Capital Costs Assumptions		
	\$	\$/GFA*
Land	1,012,372	11
Soft Costs	2,866,168	33
Hard Costs	\$18,526,289	209
Total Capital	22,404,829	253
Total/Unit	373,414	

* GFA Refers to Gross Floor Area

With total costs of \$373,414 per unit, the required selling price would be in the range of \$410,000 – \$430,000 in order for the developer to achieve financial profitability. With MLS resale pricing expected to remain flat through 2019 and average resale prices projected in to be \$252,800-\$268,000, a significant gap exists which could not be met on this location. Accordingly, the Sale for Market Development option is not considered financially feasible.

Additional Observations:

- Some new sites in the target selling range will be on the market shortly - 1230 Dawson Road and 640 Beverly Street. These sites will complete with Bertrand Court without the additional demolition costs.
- The new housing market demand in Thunder Bay has been stagnant since 2012 with housing starts trending downward from that year and projected to continue to decline at least through 2019.
- Interest rates are projected to continue to increase through 2019 with implications on housing affordability and purchaser decision-making.
- Results from the Market Sounding day indicate that there are many potential development sites in Thunder Bay with a better location.

Sale for market rental development

The option to sell the land to a developer with the goal of creating market rental housing was also subject to a pro forma analysis which is provided in a separate document. The assumptions for this pro forma were that a single five story elevated apartment complex with 82 units would be developed on the site with required capital costs of \$13,047,404.

Built Form Assumptions	
Single 5-storey elevated apartment	
Phase One – Replaces one Bertrand Court Building	
74 – 1 bedroom units	
8 – 2 bedroom units	
82 units in total	
52,600 ft ² GFA	

Capital Costs Assumptions		
	\$	\$/GFA
Land	263,405	5
Soft Costs	1,744,085	33
Hard Costs	11,039,913	210
Total	13,047,404	248

Operating Cost Assumptions	
	\$
1 Bedroom Unit Rent	934
2 Bedroom Unit Rent	1,151
Total Operating Revenue	925,543
Municipal Taxes	164,000
Utilities	160,440
Other Operating Costs	268,240
Total Operating Costs	592,680
Net Operating Income (NOI)	\$ 332,863

As the below tables demonstrate, market rental scenarios were explored using two different construction types and therefore costs. The first, a steel frame with core slab, resulted in a Return on Investment (ROI) of 0.29%. The second, a stick built low rise construction, resulted in an ROI of .27%. It is a general industry assumption that the ROI for a market development must be at least 1% in order to generate sufficiently positive cash flow for financial viability, let alone profitability. Without demonstrating profitability, there will be no interest from the development community in the site. Based on these tables below, the development of market rental is not deemed feasible.

Built Form #1 - Financing Assumptions	
Steel Frame with Core Slab	\$230/ft ²
Mortgage Rate	4.00 %
Amortization Period	40 years
Debt Coverage Ratio (DCR) target	1.1
Equity for DCR Target	\$ 11,010,652
Equity per Suite	\$ 134,276
Cash on cash ROI/Profit	0.29%

Built Form #2 – Financing Assumptions	
Stick Built Low Rise Construction	\$160/ ft ²
Mortgage Rate	4.00 %
Amortization Period	40 years
Debt Coverage Ratio (DCR) target	1.1
Equity for DCR Target	\$ 4,863,308
Equity per Suite	\$ 59,309
Cash on cash ROI/Profit	0.27%

Not Feasible

Additional Observations

- The Average Market Rent (AMR) for Thunder Bay for 1 Bedroom units is \$778/month and for 2 Bedroom units it is \$959/month
- Assuming new construction can be rented at 1.2% of the AMR of \$934 (1 bedroom) and \$1,151 (2 bedroom) the NOI without the debt serving included is \$332,863. Once the Financing assumptions are factored into the calculations above, the projects are unable to generate sufficient profit where debt servicing is included in the financial calculation. Under both construction type scenarios the profit is marginal and high risk for a market developer.
- The weak rental market conditions support very limited debt servicing capacity for market rental redevelopment.

Commercial/Industrial Sale

The Project Team considered the option of selling the land for commercial or industrial use and re-housing residents at a different location. However, based on a review of the land use and real estate economics of this site, this option was not deemed sufficiently market viable to undertake a financial model. The Bertrand site is currently bordered on three sides by residential use and, although institutional in nature (student residence), residential on its fourth. If industrial and commercial property options were in short supply in Thunder Bay, there could be market potential to insert a commercial use (i.e. retail) onto this site. However, based on an examination of current commercial and industrial listings, there appear to be a number of improved and build-ready properties which are being marketed at a value well below their replacement cost. For instance, 246 Cumberland Street North - a 4,000 foot warehouse with adjacent parking - is being offered at \$269,000. Based only on the value attributed to the building, this represents \$67 in cost per ft², a number significantly below the replacement value of the building.

Given the low market value which exists for commercial/industrial sites in the area, and considering the TBDSSAB interest in identifying an option that will bring the greatest net return, this option was not further considered.

Conclusion

One of the key objectives of undertaking this Study is to analyze options that identify the highest present value and which bring the greatest net return. As noted above, the Commercial/Industrial Sale option does not meet these objectives as evidence suggest that the costs to prepare the site for such a use will not be recovered in the market. When pro forma analysis is done on both the Sale for Market Ownership Development and Sale for Market Rental Development options, it also becomes clear that neither option demonstrates a level of financial feasibility that would generate market interest. Even taking two different construction types into consideration, the pro forma demonstrates a marginal profit margin that poses a high risk for any developer. With weak market conditions in the Thunder Bay, it is a risk that developers are unlikely to take, making the Sale for Market rental option not feasible.

10. Regeneration Model Comparisons

As the phased regeneration of the Bertrand Court site began to emerge as the most viable option, and in consultation with TBDSSAB staff, the Project Team built two density scenarios for this option to explore the parameters of financial viability. Within those two scenarios, additional models were built with different financial assumptions with a total of five pro formas being developed. The following provides an overview of the two density scenarios built for this option, and the five financial models created to explore their viability.

For the purposes of the financial viability modelling for the regeneration options, preliminary analysis suggested that while developing single story structures similar to what is currently on site may be the most cost effective, it would not maximize the productivity or financial performance of the site.

If the assumption is made that there will be more than one storey and recognizing the current demographics of the residents, it is assumed that an elevator will be required. It was then necessary to consider the number of units needed to make the inclusion of an elevator financial feasible, while balancing the required capital cost and maximizing potential operating revenue. With these factors in mind, two general scenarios were developed, both of which assume that any redevelopment would be done on an iterative basis with only one of the current Bertrand Court structures being redeveloped and modelled at this time.

The first scenario which was analyzed is a **higher density, steel frame and hollow core slab structure with at least one hydraulic or cable elevator**. This scenario, for which two models were developed, assumes the contribution of capital dollars and the provision of a federal/provincial capital grant (similar to IAH programs).

The second scenario considered is a **lesser density, wood frame structure with a hydraulic elevator**. This scenario, for which three models were developed, suggests that viability can be achieved through securing a mortgage. The cost of such borrowing is included in the models.

The five models that were explored are intended to demonstrate that financial viability for regeneration is possible. The full details of each model are outlined in spreadsheets provided separately. Additional variables can be modelled and will have an impact on the bottom line, these include:

- Desired depth of affordability
- Value of equity from external sources
- Overall number of units to be built on the Bertrand Court site.

The assumptions and key factors related to each of the five assumptions are included in Appendix "A".

As previously noted, detailed pro formas were developed for each of the five models which have been identified to explore the financial viability of a phased regeneration of Bertrand Court to a mix of social and affordable market housing. These pro formas are provided as separate documents and summarized below to demonstrate the sensitivity analysis of the financial options and requirements for each.

Financial Modelling – Scenario 1 – High Density, Steel Frame, Capital Grant

The Pro forma modeling assumes significant TBDSSAB investment to achieve development viability. These investments include a zero-dollar land contribution and the value of projected capital expenditures that would have been incurred if existing Bertrand Court units were not redeveloped. Significantly, the pro forma also assumes Federal/Provincial (F/P) Co-investment funding anticipated in the next 12 to 18 months. The total value of F/P Co-investment funding in the model is set at \$150,000 per new affordable suite or \$6.3 m for 42 units in a 58-unit project (assuming 16 units of replacement housing). This amount of \$150,000 per suite has been a funding value extended in other jurisdictions under current programs but may be different under the Co-investment Fund, as details have not yet been announced. The estimated amount to be contributed by TBDSSAB is based on 75% of the capital needs identified in the BCA divided by 60 units and multiplied by 16 units. This takes into consideration maintaining remaining buildings until their regeneration. A summary of the financial analysis of this model is outlined the following three tables.

Table 1: Financial Modelling – Capital Grant Funding of \$6.3 Million

CHART 1: Analysis of Contributions Required to Achieve Financial Viability		
Financial Contribution - \$6.3M and 58 units		
Federal/Provincial Funding	\$150,000/unit	\$6,300,000
TBDSSAB Contribution from deferred capital repairs *	\$119,498 per replacement unit	\$1,911,972
HST Rebate	82%	\$1,040,780
Total		\$9,252,722

* The amount of \$1,911,972 represents 75% of the total capital needs projected over the 27 years divided by the total number of units (60) and multiplied by the 16 replacement units.

CHART 2: Analysis of Financing Requirements Financial Contribution - \$6.3M and 58 units	
Mortgage Amount	\$3,159,927
Annual Payment – 3.50% for 50 years	\$133,320

CHART 3: Projected Operating Budget Financial Contribution - \$6.3M and 58 units	
Operating Revenue	\$400,469
Operating Expenses	\$337,473
Debt Servicing / Mortgage	\$133,320
Financial Indicators – Cash Flow\Deficit	-\$70,324

As Chart 3 indicates, under this model there is a projected annual deficit of \$70,324. One option for the project to be sustainable would be the provision by the TBDSSAB of an annual operating subsidy in the amount of \$70,324.

Table 2: Financial Modelling – Capital Grant Funding of \$4.65 Million

It is noted that the total level of funding for the modelled project, \$6.3M for 58 suites, will exceed the level of funding that may be extended to the Thunder Bay area based on previous experience with the allocation of F/P program resources. If less than \$6.3M is available for this project then the TBDSSAB may elect to scale down the size of the replacement building while maintaining the capital contribution at \$150,000 per suite in order to maintain project viability. Based on further analysis, the project can continue to be viable with minor subsidy if \$4.65M was provided through a government capital grant program, however the building would need to be scaled down to a four storey building with 47 units (31 funded units and 16 replacement units) the financial analysis of which is outlined the following tables. The estimated amount to be contributed by TBDSSAB is based on 75% of the capital needs identified in the BCA divided by 60 units and multiplied by 16 units. This takes into consideration maintaining remaining buildings until their regeneration.

CHART 1: Analysis of Contributions Required to Achieve Financial Viability
Financial Contribution - \$4.65M and 47 units

Federal/Provincial Funding	\$150,000/unit	\$4,650,000
TBDSSAB Contribution from deferred capital repairs *	\$119,498 per replacement unit	\$1,911,972
HST Rebate	82%	\$860,146
Total		\$7,422,118

** The amount of \$1,911,972 represents 75% of the total capital needs projected over the 27 years divided by the total number of units (60) and multiplied by the 16 replacement units.*

CHART 2: Analysis of Financing Requirements
Financial Contribution - \$4.65M and 47 units

Mortgage Amount	\$2,869,380
Annual Payment – 3.50% for 50 years	\$121,062

CHART 3: Projected Operating Budget
Financial Contribution - \$4.65M and 47 units

Operating Revenue	\$314,630
Operating Expenses	\$292,889
Debt Servicing / Mortgage	\$121,062
Financial Indicators – Cash Flow/Deficit	-\$99,320

This model follows the same assumptions as the earlier Capital Grant Funding model of \$6.3 Million, but with the reduced capital grant to \$4.65 Million. With this reduced capital investment, the project generates a greater deficit position.

Further financial analysis has identified that any amount below the level of capital grant funding of \$4.65M and with the assumption of suite-for-suite replacement of existing Bertrand Court units will not be viable as the economics of replacement become increasingly difficult when economies of scale are lost.

For this model to be successful then commercial revenue will need to be sought or an operating subsidy will have to be put in place.

Financial Modelling – Scenario 2 – Low Density, Stick Built, Borrowing

The pro forma modelling for this scenario uses the consistent assumption of a stick built (conventional wood construction) two storey structure with 33 units and one hydraulic elevator. This model was then subject to three pro forma analyses; one with a break even option, the second with a capital subsidy to 120% of AMR and the third with rental supplement to 120% of AMR. None of the three models include any RGI units. All three models assume that the project qualifies for CMHC Rental Housing Construction Financing and those financing terms are the basis of the annual payment calculations.

CHART 1: Analysis of Financing Requirements			
	Model 1	Model 2	Model 3
Mortgage Amount	\$5,716,995	\$2,688,960	\$5,716,995
Annual Payment – 3.50% for 50 years	\$241,206	\$113,450	\$241,206

CHART 2: Projected Operating Budget			
	Model 1	Model 2	Model 3
Operating Revenue	\$521,885	\$369,455	\$521,885
Operating Expenses	\$280,679	\$256,005	\$280,679
Debt Servicing / Mortgage	\$241,206	\$113,450	\$241,206

Based on the results of this modelling, Model 1 is not feasible as it would result in the rents having to be charged at 171% of the AMR which is not marketable. Model 2 and 3 are based on the rents being calculated at 120% of the AMR which is a reasonable assumption due to the fact that it is new construction.

11. Recommendation

As part of the TBDSSAB's strategic goals, there is a desire to maximize the current social housing assets and to pursue growth opportunities for the housing stock to meet future demand. It is in this context that the Highest and Best Use Study was undertaken for 514, 520, 532 and 540 North Court Street (Bertrand Court).

Following research and data analysis related both to these properties and to the broader marketplace and need in Thunder Bay, three options were considered:

1. Status Quo
2. Market Sale
3. Regeneration

The results of the review indicate that there are very limited market based options available for this site. A weak market, declining demographics and increasing interest rates have combined to create an environment in which any market-based strategy will be the least successful option for Bertrand Court. Compounding the lack of financial viability for the market-based options for Bertrand Court is the displacement and re-housing of existing tenants required under any scenario other than the status quo. The Status Quo option was considered and this does continue to remain a possibility for this site. However the rising capital and operating needs of these properties will continue to generate growing operating deficits. A time will come when a redevelopment plan will have to be pursued for Bertrand Court as the value of the assets will no longer justify the financial investments that will need to be made by the TBDSSAB and the quality of life for current residents will be diminished.

It is in this context that the option to replace the current buildings with social and affordable market housing units is recommended. This option allows the TBDSSAB to increase the density on the site over time, and to offer a greater range of rental types that can generate sufficient operating revenue to achieve maximum viability..

The site regeneration option meets a number of priorities identified by the TBDSSAB; it will offer increased housing stock to address the key demographic and need on the current waitlist. With little purpose built affordable rental developments in Thunder Bay, it also bodes well for the take up of the affordable market units in future phases of this multi-phased redevelopment. Finally, this option allows the re-housing of current residents on the site, which minimizes displacement to the residents while improving housing conditions.

Although the phased regeneration/replacement of the current asset with mid-rise social and affordable rental is the recommended option, it is recognized that the financial feasibility of this option is predicated on a significant capital investment, whether through a capital grant program or through securing financing. A number of financial scenarios were modelled but many others could be explored by the TBDSSAB. Depending on the desired depth of affordability, the value of capital accessed from external sources, and the overall number of units to be built on the Bertrand Court site the project viability and level of operating subsidy required will be affected. That said, the benefits of increased density, the ability to re-house current residents at their current location, and the opportunity to increase rental mix to improve operating revenues and reduce reliance on operating subsidies over time make this the highest and best use option for the site.

References

1. TBDSSAB Operational Statistics – August 2017
2. Building Condition Assessment Report Bertrand Court three Buildings by Stantec dated 04/15/2014
3. Building Condition Assessment Report Bertrand Court (12 Units) by Stantec dated 04/15/2014
4. CMHC Housing Market Outlook Thunder Bay CMA– Fall 2017
5. CMHC Rental Market Report Thunder Bay CMA – 2017
6. Bertrand Court Expenses File for 2014 - 2016 (TB DSSAB)

Appendix A – Regeneration Models

Scenario 1: High Density, Steel Frame, Capital Grant Required

The following tables summarize the two pro forma models which were completed under this scenario; the key variance between the two models is in the number of units being delivered and the subsequent capital grant funding required to support those units. The full set of assumptions are noted in the tables below.

Built Form Assumptions - Model 1	Built Form Assumptions - Model 2
Single Five storey elevated apartment	Single Four storey elevated apartment
Phase One – Replaces one Bertrand Court Building	Phase One – Replaces one Bertrand Court Building
Steel frame, hollow core floor slab construction	Steel frame, hollow core floor slab construction
54 – 1 bedroom units (including 16 replacement units)	44 – 1 bedroom units (including 16 replacement units)
4 – 2 bedroom units	3 – 2 bedroom units
58 units in total	47 units in total
30,730 ft ² GFA	24,856 ft ² GFA
Base construction cost is \$230/ft ²	Base construction cost is \$230/ft ²

Capital Costs Assumptions Model 1			Capital Costs Assumptions Model 2		
	\$	\$/GFA		\$	\$/GFA
Land		-	Land		-
Soft Costs	996,267	32	Soft Costs	911,520	37
Hard Costs	11,416,382	372	Hard Costs	9,379,978	377
Total Capital Cost	12,412,649	404	Total Capital Cost	10,291,497	414
Total Cost/unit	214,011		Total Cost/Unit	218,968	

Operating Assumptions Model 1		Operating Assumptions Model 2	
	\$		\$
1 Bedroom Rent	622	1 Bedroom Rent	622
2 Bedroom Rent	767	2 Bedroom Rent	767
Replacement Unit Rent	354	Replacement Unit Rent	354
Net Income	400,469	Net Income	314,630
Municipal Taxes	58,945	Municipal Taxes	58,945
Total Operating Costs	337,473	Total Operating Costs	292,889
NOI	62,996	NOI	21,741
NOI/unit	1,086	NOI/unit	462

Model 1: Grant of \$ 6.3M		Model 2: Grant of \$4.6M	
	\$		\$
F/P Program Capital Grant	6,300,000	F/P Program Capital Grant	4,650,000
DSSAB Land	-	DSSAB Land	
DSSAB Capital Contribution	1,911,972	DSSAB Capital Contribution	1,911,972
HST Rebate	1,040,750	HST Rebate	860,146
TOTAL Capital Requirement	9,252,723	TOTAL Capital Requirement	7,422,118

Additional Observations

The economics of this scenario are driven by an assumption that Federal/Provincial program funding will be available under the National Housing Strategy. While program details have not been announced, our understanding is that the program will require 1/3 municipal cost sharing and that has been the basis of the analysis. This municipal cost sharing is modelled with the following assumptions:

- TBDSSAB contributes land at \$0
- TBDSSAB contributes 75% of the amount equivalent to the total capital needs projected over the 27 years divided by the total number of units (60) and multiplied by the 16 replacement units.
- Mortgage interest rate of 3.5% with an amortization of 50 years.

Scenario 2: Low Density, Stick Built, Borrowing

The following tables summarize the three pro forma models which were completed under this scenario; the key variance between the three models is in the type and rate of rent that is being charged. All three models assume zero rent geared to income units.

- Model 1 is based on achieving a break even position
- Model 2 is based on 120% of AMR
- Model 3 is a full rent supplement model

All models assume utilizing CMHC Rental Housing Construction Financing for the capital funding.

Built Form Assumptions
Single 2-storey elevated apartment
Phase One – Replaces one Bertrand Court Building
Stick Built Construction
31 – 1 bedroom units
2– 2 bedroom units
33 units in total
17,416 ft ² GFA

Capital Costs Assumptions		
	\$	\$/GFA
Land		-
Base Construction		160
Total Capital Cost	5,716,995	328
Total Cost/unit	173,241	

Operating Assumptions	Model 1	Model 2	Model 3
	\$	\$	\$
1 Bedroom Rent	1,333	934	400
2 Bedroom Rent	1,643	1,151	493
Net Income	521,885	369,455	160,453
Municipal Taxes	58,945	58,945	58,945
Total Operating Costs	280,679	256,005	280,679
NOI	241,206	113,450	241,206
NOI/unit	7,309	3,438	7,309
Debt Capacity	5,716,995	2,688,960	5,716,995
Capital Subsidy Required		3,028,035	
Capital Subsidy Required per Unit		91,759	

Additional Observations

- The total hard costs for the all models is \$4,829,457 and the total capital cost is \$5,716,995
- All three models assume utilizing CMHC Rental Housing Construction Financing with a mortgage interest rate of 3.5% with an amortization of 50 years.
- All three models rely on accessing CMHC Rental Construction Financing. This product has the following eligibility criteria that can be achieved through the three models analyzed:
 - Construction of new rental affordable housing
 - Rental properties with a minimum of five units
 - Fully self-contained units only
 - Non-residential component not to exceed 30% of total gross floor space nor 30% of total cost.
 - Residential Loan Component- from up to 90% - 100% Loan to Cost
 - Minimum Debt Coverage Ratio Requirements 1.10 (for residential loan component).
 - 10 year term (begins at first loan advance)
 - Fixed rate locked in at beginning of term
 - Interest only payments financed by the loan during construction through to occupancy permit.



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