

Municipality Of Chatham-Kent

Community Human Services

Housing Services

To: Mayor and Members of Council

From: Shelley Wilkins, (Hon) BPA
Director, Housing Services

Date: January 4, 2019

Subject: Chatham Hope Non Profit Housing Inc. – Replacement Unit
for 98 McGuigan Ave., Chatham (Sold)

Recommendations

It is recommended that:

1. The Director, Housing Services and General Manager, Community Human Services be authorized to enter into a non-performing mortgage agreement with Chatham Hope Non Profit Housing Inc. to add one four-bedroom unit to their social housing portfolio, and that said unit be treated as if it were a prescribed unit subject to the Housing Services Act, 2011 and its successor legislation.
2. The Director, Housing Services be authorized to issue a non-performing mortgage payment of up to \$120,000 to Chatham Hope Non Profit Housing Inc. pursuant to a non-performing mortgage agreement, and that the up to \$120,000 for the non-performing mortgage expense be paid from the Social Housing General Reserve.

Background

Chatham Hope Non-Profit Housing Inc. (CHNPHI) is one of the fourteen social housing providers currently program-administered and funded by the Municipality of Chatham-Kent.¹ Pursuant to the Social Housing Reform Act, 2000 (SHRA), the Director of Housing Services required the thirteen external social housing providers of Chatham-Kent to register restrictions on their respective land titles, which serve to prohibit those housing providers from selling (or further encumbering) title without obtaining both

¹ The Municipality of Chatham-Kent program administers and funds eleven private non-profit, two private non-profit co-operative housing providers and its directly owned and operated public housing (including rent supplement programs with multiple private for profit landlords).

Service Manager (i.e., Municipality of Chatham-Kent) Consent and Ministry of Municipal Affairs and Housing (i.e., Ministerial) Consent.

The SHRA was repealed and replaced by the Housing Services Act, 2011 (HSA). The HSA provides that the consent requirements imposed by the SHRA (with respect to most consents, including adding or discharging mortgages, or the sale of social housing projects) are deemed instead to refer to the new consent requirements of the HSA. Ministerial consent is no longer required in this case; only Service Manager Consent is required. As well, by Ministerial directive, Service Managers are instructed to ensure that all net proceeds from any sale of the property be reinvested for social housing purposes only.

In February 2017, the contracted property manager for CHNPHI contacted the Director to investigate a proposal to sell one of its scattered single family dwelling units due to the repair issues they were facing for this unit. Over the next several months, the property management firm worked with the Director, gathering the required information to support this request, and submitted a formal request under a letter dated November 15, 2017 to sell its property at 98 McGuigan Ave., Chatham. This background information included:

- CHNPHI notice to Housing Services that this property sat vacant since December 2015 due to foundation issues.
- January 13, 2016 Building Damage Assessment Report, prepared by Chall.Eng Corporation (CEC), Consulting Engineers (Windsor, ON) – Basement Wall Review.
- January 20, 2017 Opinion of Value, prepared by Deborah A. Rhodes, Sales Representative for Royal LePage Peifer Realty Inc. Brokerage (Chatham and Blenheim).
- November 6, 2017 cost estimate to bring the unit to minimum habitable standards, prepared by Cardinal Property Management (contracted property manager for CHNPHI).
- November 15, 2017 confirmation of 2011 Social Housing Renovation and Repair Program (SHRRP) funding issued to this property under agreement reference FA-CHK-0012/SHR-CHK-RAR-079 AA was limited to the value of the Building Condition Assessment Report cost completed via the Municipality of Chatham-Kent (external consultant contract), provided by the Manager, Housing Assets North, Municipality of Chatham-Kent.
- November 15, 2017 Review of CHNPHI Centralized Wait List (CWL) and Vacancy for Multi-Bedroom Units report, prepared by the Program Manager, Housing Services, Municipality of Chatham-Kent. Report identifies four-bedroom unit size as most in demand.

- CHNPHI Municipal Property Assessment Report for Phase I properties.
- CHNPHI Financial Statements for year ending November 30, 2016.
- November 15, 2017 formal request of Cardinal Property Management, on behalf of the CHNPHI Board to sell the subject unit and to replace the unit.

On the basis of the foregoing information the Director, Housing Services agreed that the request of the CHNPHI Board to sell 98 McGuigan Ave., Chatham made sense and worked with the property manager, the Ministry of Municipal Affairs and Housing, the mortgage holder, and the Manager of Legal Services for the Municipality of Chatham-Kent to lift the restrictions on title² to allow the discharge of the (CHNPHI Phase I) mortgage on this property, and subsequently the sale of the property.

CHNPHI sold 98 McGuigan Ave., Chatham on January 31, 2018 for a total of \$61,125.00 and as instructed by the Director, Housing Services, the net proceeds from the sale (at \$53,557.91) were deposited into CHNPHI's capital reserve fund on February 9, 2018.

The Director met with the CHNPHI Board and property management on March 26, 2018 and provided a follow up confirmation email of what would be required to proceed with a request to Council to replace the three-bedroom unit at 98 McGuigan Ave. with another unit and to have it treated as if it were a prescribed unit subject to the *HSA*, as the now sold unit had been.

Comments

On September 7, 2018, the property management of CHNPHI submitted a formal request by email to replace the unit that was sold. The Board is asking to replace the unit with a four-bedroom unit. 98 McGuigan Ave was one half of a duplex building with significant foundation issues. The owner of the adjoining unit did not want to do any of the required work to repair the foundation. The Board is generally looking to purchase in the southeast quadrant of Chatham; the request included sample real estate listings for Edgar St., Patteson Ave., and Robertson Ave.

The Board proposes that the net proceeds from the sale of 98 McGuigan would be applied as the down payment, and they are asking that the remaining net loan required be provided as a non-performing mortgage through the Municipality of Chatham-Kent. They have requested that the loan amount be pre-approved for up to \$120,000. The CHNPHI Board is also requesting that Council approve an operating agreement for the unit to treat it as if it were under the current HSA, just as 98 McGuigan was.

The Municipality of Chatham-Kent is required to maintain a service level standard of 1,365 rent geared to income units pursuant to Schedule 4 of Ontario Regulation 367/11 under the HSA. CHNPHI has four designated projects (Phases I through IV) pursuant to

² Service Manager Consent to lift the restrictions on title was issued December 19, 2017 by the Director, Housing Services as Service Manager representative for the Municipality of Chatham-Kent.

Ontario Regulation 368/11 under the HSA. CHNPHI has a total portfolio of 134 units, the vast majority of which are scattered units (detached single family, or duplex dwellings). 98 McGuigan was part of the Phase I unit count for CHNPHI.

The Director supports the Board's request to replace the sold three-bedroom unit with a four-bedroom unit, using the net sale proceeds as a down payment, and a non-performing mortgage agreement (i.e., loan) from the Municipality to pay for the remaining amount, up to \$120,000 as requested.

Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

Consultation

The Manager, Legal Services assisted in facilitating the process to lift the restrictions registered on title pursuant to the SHRA re 98 McGuigan, and has also agreed to assist in preparing and/or reviewing the requisite non-performing mortgage agreement.

Financial Implications

Non-performing mortgage expense of up to \$120,000 to come from the Social Housing general reserve fund. It is proposed that CHNPHI would commence repayment of this loan once their current Phase I mortgage is fully amortized (December 1, 2022). The non-performing mortgage agreement will be similar to previous agreements made with other funded non-profit social housing providers.

Prepared by:

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Reviewed by:

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Community Human Services

Consulted and confirmed the content of the consultation section of the report by:

Dave Taylor,
Manager, Legal Services

Attachment: None

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