



NIAGARA REGIONAL HOUSING

Campbell East, 3rd Floor
1815 Sir Isaac Brock Way, P.O. Box 344
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Minutes

Directors:

Shirley Cordiner, Chair
Public-at-Large, Welland

Henry D'Angela, Vice-Chair
Councillor, Thorold

Karen Blackley, Secretary
Stakeholder, Thorold

Patrick O'Neill, Treasurer
Stakeholder,
Niagara-on-the-Lake

Linda Allen
Tenant, St. Catharines

Barbara Carroll
Public-at-Large, St. Catharines

Ken Goka
Stakeholder, Welland

Paul Grenier,
Councillor, Welland

James Hyatt
Stakeholder, St. Catharines

Kelly Kendrick
Stakeholder, Fort Erie

John Osczytko
Public-at-Large, St. Catharines

Andrew Petrowski
Councillor, St. Catharines

Walter Sendzik
Councillor St. Catharines

Selina Volpatti
Councillor, Niagara Falls

NIAGARA REGIONAL HOUSING Board of Directors Meeting

#147 – 2015

NRH Boardroom
Campbell East, 3rd Floor
1815 Sir Isaac Brock Way
Thorold, ON

November 27, 2015 – 9:00 A.M.

Attendees

Directors/ Members:

S. Cordiner, H. D'Angela, J. Hyatt, J. Osczytko,
K Goka, , P. O'Neill, P. Grenier, B. Carroll, L. Allen,
W. Sendzik till 11:35 A.M., S. Volpatti till 11:37 A.M.

Regrets:

K. Blackley, K. Kendrick, A. Petrowski (attended
first 5 min only)

NRH Staff:

E. Balmain, W. Thompson, D. Woiceshyn,
V. Amato

Regional Staff:

Adrienne Jugley, Interim Commissioner Community
and Social Services, till 11:28 A.M.
Tracey Frena, Program Financial Analyst
Frank Marccella, Business Consultant for item 3
Chris McQueen, Dir Org Performance
Erin Brittnell, Performance Coordinator

Guests:

Jason Ducharme, Partner, Consulting, MNP for item 3
by teleconference

A quorum being present, the meeting was called to order at 9:05 A.M.

1. Adoption of Agenda/Declaration of Conflict

Item 4.1. Value for Money Audit to be considered directly after
Approval of Agenda, to allow Jason Ducharme to attend a previously
scheduled meeting at 10:00 A.M.

*Moved by P. O'Neill
Seconded by J. Hyatt*

That the agenda be ADOPTED as amended.

CARRIED

There were no conflicts of interest declared.

- 4.1. Value for Money Audit & Management Response – Report 15-147-4.1.
Slideshow and full report emailed to Board members prior to meeting and a hard copy was provided at the meeting.

Presentation: J. Ducharme, Partner of Consulting, MNP presented a slideshow with assistance from F. Marcella.

The Value for Money audit report is a comparative analysis and evaluation of the management of two capital reconstruction projects. Mr. Ducharme stressed that the two projects (Broadoak & Fitch) audited by his firm were like night and day. The report is structured to allow for a comparison between the two projects to demonstrate that many of the issues confronted on the earlier Broadoak were not repeated or evident on the subsequent Fitch Street project. For the two projects, Mr. Ducharme detailed the most significant findings and explained that each finding was evaluated based on risk level.

Broadoak

Project Origin: Broadoak is a 55-unit social housing townhouse project located in Niagara Falls, originally owned and managed by the Broadoak Charitable Foundation. Constructed in 1982, but as early as 2001, the program was identified by the Province as a Project in Difficulty (“PID”), with a number of problems that affected its financial viability, operation, safety and physical condition. The Province transferred to Niagara Region administration in 2004. Significant and worsening problems continued including; asbestos, mould, chronic vacancy, no reserves, condition deficiencies and a -\$140,000 annual operating deficit.

In 2009, Broadoak Charitable Foundation expressed desire to relinquish ownership and control of project to the Region/NRH. The Region/NRH had no choice but to inherit this liability.

Redevelopment: The original Business Plan prepared and approved in 2010. The NRH split the construction into two phases: Phasing allowed 18 existing tenants to remain on site throughout the redevelopment period, which reduced disruption, avoided relocation costs, and provided NRH with rental revenues. The phased approach allowed for the immediate advancement of Phase One thus taking advantage of available government funding.

To implement construction, NRH entered into an engineering agreement (which included a General Contractor role) with VirtaEnergy Consultants on May 28th, 2010. Broadoak project was developed as an environmental “showcase”, including innovative conservation technologies. The new community was fully completed and occupied in June 2013

Capital Costs: As detailed in the final report from MNP, the original 2010 business case estimated cost was \$4.5 - \$6.2 million plus 6% consultant fees. “Typical” Townhouse Development of this type should probably have been estimated to be \$10.9 million +/-, based on construction cost benchmarks, and making allowances for specialized features such as environmental enhancements, landscaping, mortgage discharge, and contingencies. This benchmark estimated cost is \$5.2 million higher than the original 2010 Business Case, and \$1.7 million lower than the final cost

Funding for the project was from various sources including over \$7.0M from federal government grants, \$4.5M in mortgage through Infrastructure Ontario and the remainder from Regional reserves, property tax rebates and NRH prior year surplus.

Operating Cost and Sustainability: Project is now operating at a small surplus. Region/NRH no longer have to pay the \$140,000 annual deficit to support Broadoak.

Key Findings & Value for Money: NRH acted quickly to access and secure senior government funding to support the remediation of deficiencies, and the rebuild the project.

The NRH was able to convert a significant and unavoidable liability (annual subsidies, limited reserves, vacancies, large capital backlog, and public safety issues associated with mould) into a regionally owned \$12 million asset that is self-financing, safe, environmentally award winning, largely paid for by other levels of government and addresses the Region’s pressing housing needs.

In addition to operating at a surplus, the reduced vacancy rate and higher rents in the new building has eliminated the previous need to provide an annual rent supplement subsidy of \$140,000 to stabilize finances – a further savings to NRH and the Region.

Serious Concerns with Broadoak: A poor Business Case, with inadequate cost estimates and under resourced planning; No contingency; Dramatic and inadequately documented cost increases; Confusion between “net” and “gross” budgets; Poor project delivery model included a lack of “owners” representation, independent from project delivery, lack of protections/risk transfer for the Region/NRH, weak contract with Virta with flawed incentive structure, untendered procurement of Virta who were not well qualified, lack of risk management, litigation and claims, post construction deficiencies, reported examples of waste and inefficiency, although hard to prove due to lack of documentation.

A good trail of governance decisions regarding the Broadoak project exists; however, the errors made at the beginning of the project, such as budget development and a lack of dedicated NRH staff for oversight, frustrated the project throughout. An accounting trail for all costs exists but a paper trail on change orders is missing. The General Contractor was paid \$3,170,570 for general contracting work, an additional \$110,410 was issued for various direct services the contractor provided such as drywall, painting and carpentry and a further \$615,200 for management fees. A flaw in the project was that the GC was in a position to approve its own change orders.

D. Woiceshyn advised that there is a spreadsheet of all payments made for Broadoak, all payments went through proper sign-off and approval levels. Managers involved in this project are no longer with NRH to consult. At the time this project was in progress, staff was also involved in Operational review.

Staff was directed to forward Board spreadsheet of payments made for Broadoak.

Action by: D. Woiceshyn

Broadoak capital reserves are low and should be increased.

Fitch

Project Overview: To address the Region's urgent affordable housing needs the NRH identified an underutilized site in Welland that had potential to accommodate an additional 3 story, 67 unit apartment building for seniors. Initial feasibility studies funded by the Canada Mortgage & Housing Corporation ("CMHC"), were undertaken in 2011. A Development Committee comprised of NRH Board members, NRH and Regional staff and community stakeholders was formed to guide development. A public procurement process was used to hire engineer-MacDonald Zuberec Ensslen Architects Inc. ("MZE") in September, 2011.

Detailed investigations, design and budgeting led to NRH approval of the project budget in May, 2012, with Regional Approval following in July. MZE worked on the Fitch Street Development Project for approximately the next 36 months, including oversight and management of the GC (Brouwer). Building completed and occupied in 2014.

Capital Cost: \$9.3 million. Project came in under budget, even after accounting for post-construction addition of backsplashes for all units.

Operating Cost and Sustainability: Project is now operating at a small surplus. Longer term forecasts, including 70-year replacement reserve analysis, have been completed and confirm continued sustainability. No deficit requiring subsidy from Regional tax levy.

Key Findings & Value for Money: NRH secure senior government funding to pay for the project. Region/NRH now owns a \$10 million asset that is self-financing, safe, environment friendly, largely paid for by other levels of government, and addresses the Region's pressing housing needs. Project was well managed and delivered under budget. Appropriate governance structure, with Development

Committee. Contract structure was appropriate and properly procured. Minor issues and risks were addressed. This was a completely different project than Broadoak.

The MNP report provides six recommendations for future consideration to ensure that past issues are remedied.

In summary, the facts surrounding the Fitch project are quite different than that of Broadoak, and according to MNP's research and interviews, the lessons learned from Broadoak were used to ensure that the Fitch project was successfully delivered. Very few, if any, of the problems encountered on the Broadoak project were observed on the Fitch project.

Positive Outcomes discussed:

- Broadoak pitfalls were not repeated with Fitch
- Taxpayers no longer subsidize Broadoak by \$140,000 per year.
- Both Broadoak and Fitch St. are self-sustaining projects with new and innovative features.
- The projects provide over 100 units of affordable housing in Niagara at no cost ongoing costs to taxpayers. Rents cover the mortgage, capital reserves and operating expenses, and both projects are operating at a small surplus.
- NRH now owns an additional "\$22.6 m in assets with a modest capital contribution of approximately \$1.1 m for both projects"

NRH Management Responses

The NRH Management responses to the report were reviewed; responses agree with MNP recommendations. Final response will be presented to Council on December 3rd.

CEO to email Management Responses and costing to Board.

Action by E. Balmain

2. Approval of Minutes

2.1.a Minutes of the October 30, 2015 Meeting

2.1.b Minutes of the November 23, 2015 Meeting – emailed and hard copy provided at the meeting

Moved by P. O'Neill

Seconded by J. Osczytko

That the minutes of the October 30 & November 23, 2015 meetings be ADOPTED.

CARRIED

2.2. Business Arising

2.2.1. Motion to exempt NRH from Property Taxes DEFERRED
(CL 17-2015, Nov. 12, 2015)

Provided for information; Council to consider at the first meeting following the adoption of the 2016 budget.

2.1.2. Cease to Qualify

The CEO presented a comprehensive Cease to Qualify slide show. Topics included:

- Factors Considered
- Public Housing Mandate, program rules and criteria
- Niagara's Service Level Standards
- Service Level Standards (SLS) were explained
- Household Income Limits (HILS) set yearly by the Ministry
- Legislation indicating how tenants become ineligible for RGI
- Residential Tenancies Act exemptions for Social Housing units
- Ministry does not allow local rules that would *grandfather* subsidy for households
- 2012 HSC Survey chart displayed 5 Housing Corporations reporting 0 market rent units
- Who has implemented cease to qualify
- Reasons why some Service Managers (SMs) have market rent units
- Cease to Qualify outcomes to-date:
 - Tenants in need of community supports are receiving assistance they need
 - 65 Households have re-qualified for RGI
 - 4 - Tenants occupying a larger unit (too many bedrooms) have agreed to move to an appropriate size unit and have had RGI status reinstated. I.e. a unit that could house a mother and child, was being occupied by single adult.
 - The process has helped to identifying tenants misrepresenting income and subletting rooms

Staff shared concern that a blanket moratorium on eviction of market rent tenants would allow all tenants whose subsidy has been revoked (including over housed households, and those committing fraud) to remain in their units as well.

Mitigation strategy - Staff are working with tenants/households individually; no vulnerable tenants have been, nor will be evicted due to *Incoming-out* of rent-geared-to-income eligibility.

The CEO apologized for language used in letters to tenants that has been interpreted by some as harsh. The same language was used in Stratford without issue. The intention was to be clear and concise; unfortunately the language came across as uncompassionate.

Staff was directed to supply the number of tenants receiving letters who are over the age of 75.

Action by: E. Balmain

*Moved by H. D'Angela
Seconded by W. Sendzik*

That the NRH Board of Directors ACCEPT the staff presentation on Cease to Qualify, with comments made by Directors, and that the Chair request the Chair of Public

Health and Social Services Committee to hold a special meeting in December to consider this item.

CARRIED

W. Sendzik left the meeting at 11:35 A.M.
S. Volpatti left the meeting at 11:37 A.M.

3. Presentations – see items 4.1. and 2.1.2.

4. Staff Reports

4.1. Value for Money Audit & Management Response – Report 15-147-4.1.

See above.

4.2. Fitch Street Capital Project Mortgage – Report REV 15-147-4.2.

Moved by P. Grenier

Seconded by J. Osczytko

That the Niagara Regional Housing Board of Directors **APPROVES** the final mortgage and financing plan for the Fitch Street capital project as follows:

1. That Federation of Canadian Municipalities financing in the amount of \$1,090,910 for the funding of Niagara Regional Housing's Fitch Street project **BE APPROVED.**
2. That the Board **APPROVE** a loan agreement with Federation of Canadian Municipalities (FCM) on behalf of the Regional Municipality of Niagara and Niagara Regional Housing for long term borrowing.
3. That the Board **APPROVE** the balance of debt financing to be withdrawn from the Niagara Regional Housing Reserve Fund.
4. That the Board **ENDORSE** CSD 85-2015, outlining the process for the Region of Niagara to proceed with execution of a loan agreement with Federation of Municipalities (FMC) on behalf of the Region and Niagara Regional Housing for long term borrowing.

CARRIED

5. New Business

There was no new business

6. General Manager's Report

6.1. Financial Statements as at October 31, 2015 - Report 15-147-6.1.

D. Woiceshyn advised that during the past week, NRH taxes for the City of Niagara Falls were reduced by \$100,000 re: development. Additionally, NRH received a credit of \$25,000 from Greenshield the Employee Benefits insurance carrier. Neither of these credits are reflected in this statement.

Moved by P. O'Neill

Seconded by H. D'Angela

That the Niagara Regional Housing Board of Directors RECEIVE the financial statements as at October 31, 2015.

CARRIED

7. Closed Session – not required

8. Committee Reports

8.1. Appeals Hearings

Minutes of the October 27 & November 10, 2015 hearings were provided for information.

Moved by H. D'Angela

Seconded by J. Osczytko

THAT the Niagara Regional Housing Board of Directors RECEIVE the minutes of the October 27 & November 10, 2015 Appeal Hearings for information.

CARRIED

9. For Information

9.1. Action Items from Previous Meetings

9.2. Letter to Chair Caslin and Members of Council from NRH Chair, dated Nov. 17, 2015 re: NRH Org. Structure & Moratorium on Evictions of Market Rent tenants.

9.3. The Chair advised that she would be announcing the winner of the "Be a Voice" contest this afternoon in celebration of National Housing Day. The event will be held in the atrium with refreshments from 2:30 to 3:30 and review of the very talented submissions from 3:30 to 4:30 P.M. All are invited to attend.

10. Other Business

There was no other business

11. Next Meeting

Friday, January 22 at 9:00 A.M.
NRH Board Room
Campbell East, 3rd Floor
1815 Sir Isaac Brock Way
Thorold

12. Adjournment

Motion to ADJOURN at 11:50 A.M.

Moved by P. Grouse

Seconded by B. Carroll

CARRIED

Minutes Approved

Shirley A. Grouse
Chair

Barbara M. Carroll
Secretary