
Was Chicken Little Right?

Case Studies on the Impact of Expiring Social Housing Operating Agreements:

Ontario Addendum

Ontario Addendum Prepared for
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Acknowledgments

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This companion report, focusing more specifically on Ontario was produced for the Social Housing Services Corporation (SHSC), which contributed funding to this portion of the research study.

Executive Summary

This paper is an addendum to a research study commissioned by the Canadian Housing and Renewal Association to illustrate possible outcomes with the expiry of subsidy agreements between housing providers and funders across Canada. The research study seeks to raise awareness among providers, funding agencies and governments of both the implications of expiry and some possible remedies to protect the long-term availability and viability of social housing assets. The current addendum is focused on the situation in Ontario.

The review of projects tests two key questions:

- a) Will the project be viable when the operating agreement expires? That is, will it generate enough rental income, from RGI and where applicable market units, to cover operating costs?
- b) Does the project have sufficient capital reserves combined with ongoing allocations to replacement reserves, to meet need for expenditures on capital replacement?

Quick viability test

As a basic rule of thumb, a simple formula identifies whether a project is likely to have a post-agreement viability problem. Basically, ***if current annual subsidy is greater than total annual mortgage payments (P&I) the project is very likely to experience post-expiry difficulty.*** With no corrective actions, a project in this situation today will have negative net operating income (NOI) at expiry.

To assess if capital reserves and contributions are sufficient a benchmark measure has been created based on an ***ideal*** project, which should have sufficient capital (from its interest earning reserve and from the annual contribution) to be able to spend an average of \$750 per unit on capital replacement each year for remainder of the life of its mortgage.

Against this ballpark benchmark of \$750 it is possible to compare the average annual amount available based on the current (most recent fiscal year) actual reserve balance and the current ongoing level of annual contribution.

The report includes a range of potential remedies that providers can explore as options to rectify non-viability issues. Some of these can be implemented internally; others implicate government in renewal or extension of some level of subsidy.

Conclusions of the review

Overall, for most non-profit providers included in the Canada-wide study, the conclusion is that the sky is not falling. Most will be viable, or have the potential to implement

remedies (detailed in section 3) that will make them viable. In Ontario, however, the prospect is less rosy.

Generally, pre-86 non-profit projects have a greater probability of operating viability. They have a relatively high number of market-rent residents and market rents are generally higher than operating costs.

For non-profit providers with predominantly post-85 projects, there is a greater mix of outcomes. These portfolios tend to have fewer units at market rent and thus a greater proportion of RGI units with constrained revenues (incomes of low-income households tend to be fixed or stagnant).

There is no specific RGI proportion that can be identified as a tipping point – viability varies by degree of RGI assistance as well as by market area. However there is a much higher probability of problems as the RGI proportion exceeds 65%.

Another problem facing Northern providers is that they can expect to have difficulties raising their market rents sufficiently to keep pace with increases in operating cost. These providers run a very high risk of being unviable, regardless of their percentage of RGI households.

Most urban native and public housing projects will not be viable upon retirement of their debt because of the very high percentage of their residents who require RGI.

In combination, projects anticipated to be in difficulty – Public Housing, Urban Native and some portion of Post 85 Non-Profit, probably will account for well over 50% of the total stock of social housing, so this is a significant problem.

A second issue is the adequacy of capital replacement reserves. In a number of cases, projects appear to be increasing their annual contribution to reserves and can expect to afford an annual expenditure of at least the \$750 benchmark used in this study. However, individual cases will vary so much that it is essential that all providers undertake a building condition assessment and reserve fund study. As noted above, many service managers have already agreed to underwrite the cost of this work.

Those projects with weak or non-viable post expiry operating positions also tend to be those with poorly funded reserves – especially Public Housing. In Ontario, this stock is now owned by the service managers, who arguably don't have the financial resources to address these problems on their own, thus the campaign by Toronto Community Housing Company to obtain assistance from the federal and provincial government to address its capital shortfall, which is somewhere in the neighbourhood of \$240 million.

Neither the main study nor the Ontario addendum examined the corollary of the expiry issue – the reduced expenditures that will be realized by the federal, provincial/territorial and municipal governments. In total, these governments will realize more than \$3.5 billion annually across Canada in reduced expenditure by the time all the operating agreements expire. Based on the percentage of Canada's total social housing in Ontario, we can expect roughly 40% of this saving to accrue in this Province. This should provide

adequate financial resources both to reinvest in projects where viability is a problem (e.g. provide ongoing rent supplements) and to fund necessary capital replacement to ensure the projects are in sound condition. These assets have already been paid for. It is far less expensive to invest in sustaining them than it is to replace them with new housing.

In this regard, it is important to keep in mind that under the terms of the Social Housing Reform Act, service managers must maintain “service-level standards” even after the providers’ debt is retired. These standards are the specific number of households the service manager must ensure receive rental assistance every year. Thus, it seems like a useful solution to explore the signing of rent-supplement agreements between providers and service managers after expiry. This will allow providers the cash flow they need to promote their viability and enable service managers to meet their legislated obligation to serve low-income households. These rent-supplement agreements should not involve any “new” money since they would merely be the continuation of current expenditures by the service managers.

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1. Introduction

In the children's nursery tale, when Chicken Little was hit on the head by a falling of acorn he raced to the king, exclaiming "the sky is falling, the sky is falling." On further analysis, and consultation with others, he found that in fact the sky was not falling; a falling acorn was a normal occurrence.

By the same token, with the anticipation of expiring operating agreements there is a fear in the social housing sector that a disaster is pending. Again, some analysis can raise awareness and help social housing providers understand the implications for their project or portfolio when the capital debt has been retired and the funder's obligation to provide subsidy expires. Will individual social housing projects or portfolios of projects be able to continue to provide affordable housing and to maintain their assets into the future?

This report is an Ontario-focussed addendum to a research study commissioned by Canadian Housing and Renewal Association (CHRA). Funded by the Social Housing Service Corporation (SHSC), it focuses on examples of providers in Ontario that illustrate possible outcomes following the expiry of operating agreements.¹

The study also seeks to raise awareness among providers, funding agencies and governments of both the implications of expiry and some possible remedies to protect the long-term availability and viability of social housing assets.

Most public and social housing developed in Canada over the postwar period has involved long-term ongoing subsidy linked to the amortization period of the project mortgage. In most cases, debt repayment is the single largest expense and cause for subsidy.² The underlying presumption in program design is that once the mortgages mature, cash flow requirements will substantially decline and projects will be able to operate at affordable rent levels and continue to serve low-income clients without further subsidy from government. This was not a stated objective of any program, but is implicit in the notion of a term-limited subsidy agreement. In many cases, this presumption will prove to be true; but in others it will not.

¹ Technically, the term "expiry of operating agreements" no longer applies to providers who were downloaded from provincial funding and administration to the service managers. This is because the Social Housing Reform Act cancelled the agreements providers used to have with the Province. However, we still use the term for two reasons. First of all, it is the terminology used by all other social housing providers in Canada that are not funded through the SHRA. Secondly, even for SHRA providers, the underlying dynamic remains that at some point their mortgage will be paid off and at that point the Minister may allow the service manager to stop providing subsidy. Also, "expiry of operating agreements" does not apply to public housing providers either, but they too must plan for the day that their capital debentures have been retired and CMHC is no longer obliged to provide any subsidy to MMAH on account of them.

² The exceptions are public housing and Sec. 27 non-profits with 50-year mortgages, which were built at relatively low cost during a period of historically low interest rates. For these portfolios, utilities or other operating expenses are the biggest cost. The retirement of the debt financing will not have as big an impact on post-expiry cash flow as it will for projects funded under more recent programs.

Hypothesis about Viability

Previous analysis of this issue determined that where the total present-day annual mortgage payments exceed the total present-day annual subsidy then, after expiry, the debt-free project should be viable without ongoing subsidy.³ The subsidy design of existing programs is known, so it is possible to predict those programs in which projects will probably be viable without ongoing subsidy; or conversely will be unviable with their current level of low-income tenancies:

- In the pre-86 sec 56.1 (renumbered to sec 95) program, the subsidy calculation was based on the difference in mortgage payments calculated at the prevailing mortgage rate (original and at renewal) and the payments at a rate of 2%. By design, the subsidy will be less than total mortgage amount and the hypothesis is that the project should be viable with the current RGI mix.
- In programs with open-ended assistance (such as Public Housing and enriched Urban Native), where subsidy matches the operating deficit (but budget is subject to funders' approval), the relationship between the size of the mortgage payment and total subsidy will depend largely on the proportion and characteristics of RGI tenancies. Where there is a high proportion of RGI households and especially when these involve deep subsidy (i.e. very low-income households), the hypothesis is that the projects will not be viable at expiry.
- In the post-85 program that was devolved to service managers, where projects are funded according to the formula set out in the SHRA, the most important determinant of longer-term viability is the provider's ability to match increases in operating costs with increases in rents. The hypothesis is that providers operating in a well-functioning rental market will be more likely to achieve the necessary increases, but those operating in a stagnant rental market may have difficulty being viable when the subsidy is removed upon expiry of the mortgage.
- There may be special circumstances that affect these general expectations. These include properties on leased land with a scheduled lease payment due after expiry; projects that have experienced difficulties due to weak markets and have resorted to filling vacancies with low-income tenants even where income-tested subsidy funding is not available; and the Pre 86 (2%) program, where a nuance in the administration of subsidy recalculation on renewal erodes the amount of RGI assistance.⁴
- Another special circumstance will affect the SHRA-funded providers significantly. The post-expiry projection posits a scenario where both market rents

³ *Guaranteeing a Future: The Challenge to Social Housing as Operating Agreements Expire*, by Connelly Consulting, Focus Consulting and Dowling Consulting, June 2003.

⁴ In the pre-85 Sec 95 program subsidy is calculated based on the difference between the full mortgage at contracted mortgage rate and the theoretical payment at 2%. However this determination has been incorrectly administered in cases where mortgage rates drop at renewal, with a result that total subsidy declines more than total mortgage payments, meaning there is less money available for RGI subsidy.

and operating costs increase at an annual rate of 2%. As noted above, providers in stagnant rental markets are expected to risk non-viability. In other parts of the Province, even if providers can achieve rental increases, if operating costs increase at a rate much higher than 2%, especially in the next few years, it is quite likely that providers' viability will be threatened even before expiry of the mortgage subsidy.

As part of the earlier 2003 research, an analysis template was created for CHRA to support analyses at both the project and portfolio level.⁵ To date, few providers have used the template and provided results to CHRA, giving rise to a concern that providers and funders⁶ may not be giving this issue the attention it deserves – in part because there is a perception that expiry is a future issue.

While many projects and providers may not have expiring operating agreements in the near term (next 5 years) the earlier research observed that remedies would require some time to implement (e.g. to shift the trajectory of project level revenues and incomes in order to remedy non viability). Even if providers do not make changes (i.e. shift tenant and RGI mix as units turnover) and fall back on funders to solve the problem, funders will need to plan ahead to accommodate these eventualities.

Thus, it is very important to raise the profile of the issue and communicate to key stakeholder audiences, including both providers and funders. The current study seeks to help achieve this objective by undertaking a cross-section of case studies, with a focus on providers in Ontario.

2. Methodology and Format for Case Studies

As indicated above, the scope of this research is a qualitative exploration to illustrate possible outcomes at both the project and, where applicable, the portfolio level (i.e. multiple projects owned and operated by a single non-profit corporation or society). It is not a quantitative analysis. The outcomes illustrated here have not been developed with a rigorous statistical framework and thus are not statistically representative. But they are illustrative and are intended to help social housing providers learn from the examples of cases with similar characteristics to their own.

⁵ The EOA Financial Analysis Template and User Guide (available in single project, or portfolio versions) is available and can be downloaded from the CHRA web-site <http://www.chra-achru.ca/> look under “Policy and Research tab, then Future Of Social Housing Subsidies And Assets.

⁶ The term “funder” is used in the report to refer to the particular order of government that provides subsidy. In Ontario, this usually means a service manager, which relies on the municipal tax base. In other parts of the country, it generally refers either to the province/territory or to CMHC.

Cross-section of cases

Two types of case study have been completed: first, a range of individual projects (which may in some cases be part of a larger portfolio or may be single-project providers) and secondly, portfolio-level cases, which illustrate how a portfolio of projects can in some cases cross-subsidize internally.

The characteristics of the individual case studies are summarized in the table below, including a general indication of market conditions – weak versus strong (the latter meaning low vacancies and therefore fairly constant pressure on rents) – and region of the Province.

| Case Number | Program | % RGI Units | Location & Market type |
|-------------|-----------------------------|-------------|-------------------------------------|
| 1 | Provincial | 69% | GTA strong market |
| 2 | Provincial | 63% | Suburban GTA, strong market |
| 3 | Provincial | 50% | Southern Ont., urban, strong market |
| 4 | Provincial | 57% | Suburban GTA, strong market |
| 5 | Sect 95 (2% write-down) | 25% | GTA, strong market |
| 6 | Provincial | 71% | Suburban GTA, strong market |
| 7 | F/P (Post 85) | 68% | Northern Ont., weak market |
| 8a | Provincial | 53% | Northern Ont., weak market |
| 8b | Provincial | 82% | Northern Ont., weak market |
| 11a | Urban Native Post 85 Sec 95 | 71% | GTA, strong market |
| 11b | Urban Native Post 85 Sec 95 | 100% | GTA, strong market |

In addition to these individual cases we examined two portfolios to gauge the potential for internal cross-subsidy. The discussion of those portfolios is in Section 5, below.

2.1. Analysis template and data elements

In the 2003 research work, an analysis template was created for CHRA to help providers undertake self-assessment of their post-expiry viability. This template uses basic information about the project (and in case of portfolios, groups of projects), including revenues (RGI, market and other); operating expenses (admin, maintenance, utilities, taxes) and mortgage details. The data elements can be easily used to calculate and project the net operating income (NOI) generated by the project at expiry.

As discussed further below, *net operating income (NOI) is the main indicator of viability*. A NOI greater than zero means the project has enough cash revenue to cover all of its expenses; conversely a negative NOI (below zero) means a project is not viable, since it is running a deficit.

In the CHRA Expiry of Operating Agreement (EOA) Analysis Template, both revenue and operating expenses are projected into the future using inflation factors that can be adjusted across different categories. For example, if RGI rents are expected to lag inflation they can be projected at a lower rate of increase than market rents. Similarly, specific operating categories (such as utility costs) can be projected at a different rate than other categories. In the current analysis, the base-case projection uses an annual inflation factor of 2% for market and other revenues and a similar 2% for all operating expenses.

However, RGI rent revenues are projected to rise at only 1% annually. Thus, a project with a high proportion of RGI units and generally low revenues may see non-subsidy revenue lag behind growth in expenses over the remaining years of the operating agreement.

Understanding NOI

Net Operating Income is a standard concept in rental real estate. It refers to net income *before* considering mortgage payments. NOI helps investors determine the income generated by the project so they can, in turn, determine the amount of mortgage they can afford.

NOI is not typically used in social housing because it is complicated by a unique source of income, the subsidy. In a post-expiry situation there is no subsidy and also no mortgage, so NOI is the same thing as net cash flow.

In this study the concept of NOI is used during the period of the operating agreement to refer to the total revenue less expenses, BEFORE taking subsidy revenue or mortgage into consideration. Because current NOI excludes subsidy amounts, a project may have a negative NOI but this does not necessarily mean it is operating at a deficit.

A base-case projection is first generated to identify NOI both in the years immediately before and after expiry and thus to estimate post-expiry viability. The template then provides options to adjust some variables in order to explore possible ways to improve future viability. These options including changing the mix and revenue levels of both RGI and market units, as well as the level of contribution allocated to capital replacement reserves.

The EOA template does not use subsidy amount. This was excluded because of the numerous subsidy formulae across different programs and jurisdictions and the difficulty projecting this number of variations into the future. Also, our focus is on the circumstances that will exist immediately following expiry of operating agreement, so knowledge of subsidy is not required.

While subsidy revenue is not used in the EOA Financial Analysis template model, in the current study providers were asked to provide the subsidy amount for the most recent fiscal year. When compared to the current annual mortgage costs (P&I) the current year subsidy data provides a useful indicator, or rule of thumb about post expiry viability.

Quick viability test

As a basic rule of thumb, a simple formula identifies whether a project is likely to have a post-agreement viability problem. Basically, *if current annual subsidy is greater than total annual mortgage payments (P&I) the project is very likely to experience post-expiry difficulty*. With no corrective actions, a project in this situation today will have negative NOI at expiry.

Benchmarks

It is important to keep in mind that MMAH has just completed a benchmarking exercise that will re-set the base-year budgets of all Post-85 non-profit providers who were devolved from MMAH administration to the service managers. The data used in this report is mostly from 2005, which is generally the last year before benchmarks will be imposed.

It is still important to look at current-year NOI, though. When they originally began operating, providers would generally have had a positive NOI unless they had very high RGI levels. If they ended up with a negative NOI in 2005, it is very likely that the pressures that created a negative NOI in former years are still active and will make the provider non-viable at expiry.

2.2. Proxy approach to assess capital reserve adequacy

A critical element for the remainder of the operating agreement, as well as beyond, is the level of capital replacement needed relative to the available funding in, and annual contribution to, capital reserves.

If a project has insufficient funds to undertake necessary capital replacement (e.g. replace roof shingles, boiler, appliances etc), the project may fall into poor condition and have difficulty either retaining existing or attracting new tenants, especially shallow-RGI and market tenants. Thus, there is a relationship between adequacy of reserves, the ongoing replacement plan and project viability.

Most properties are in their third decade or beyond, and many are in a phase of high need for capital replacement. While the template includes an option to adjust annual contributions to capital reserve, it does not assess adequacy of reserves or building condition. A separate building condition assessment is instead recommended. Many providers have been reluctant to undertake a detailed capital assessment because of the expense of such a detailed engineering study. In Ontario, where the municipalities (in their role as service managers as defined in legislation) are responsible for program administration and subsidy, many service managers have underwritten the cost of these – a justifiable expense since it also helps the funder anticipate future impacts on subsidy

need. Funders in some other jurisdictions have also taken this initiative, but greater attention is required to deal with this issue.

The issue of reserve adequacy is of direct interest to the current work because building condition affects marketability, and thus viability. In addition, where reserves are seriously under-funded this may endanger a project that may otherwise appear to be viable at expiry. According to the most recent data available SHSC, the average level of reserves per unit varies in different parts of the province:

| | |
|------------------|--------------|
| Northern Ontario | \$7,016/unit |
| South/Southwest | \$6,088/unit |
| Central Region | 5,213/unit |
| East | \$4,941/unit |
| Toronto | \$3,040/unit |

Developing a simple benchmark

The critical issues for capital replacement are whether historically a provider has set aside sufficient reserves and whether its current allocations to reserves are sufficient to enable withdrawals necessary for capital replacement.

In 1997, a detailed engineering review of capital reserve adequacy in Ontario was undertaken (Trow Report). Based on then-current replacement costs and a schedule of replacement based on typical life of a wide range of capital items, the Trow Report recommended that annual allocations to capital reserves should be in the order of \$470 per unit per year. Over the past decade costs have further increased, and more recent assessments indicate that something in the order of \$500-\$550 is more likely required. This is the level of annual allocation, not the level of withdrawal to pay for new capital items.

A capital reserve fund is typically invested to generate compounding earnings. The reserve fund grows more rapidly in early years before the capital replacement cycle commences. Thereafter, annual contributions are offset to some degree by annual withdrawals.

In a more recent assessment of Ontario providers, SHSC has been determined that current annual allocations in the order of \$1,200 are needed to meet required replacement. This level of allocation has been determined based on a number of considerations. First, in most non-profit programs the annual reserve allocations were relatively small, far below the \$470 recommended by Trow. This resulted in only small reserves, and often these were not invested to maximize earnings. In addition, as part of a constraint program in the mid-late 1990s the Government of Ontario imposed a contributions holiday (i.e. no annual allocations to reserves), further exacerbating the inadequacy of reserves. Accordingly, the more recent \$1,200 estimate is to a large degree a catch-up level, seeking to compensate for the insufficient and missing early contributions.

In the current analysis we have developed a proxy measure to create an *indicator of capital reserve adequacy*. This is a crude measure and ignores the actual history of replacement in the project (e.g. if the roof and 50% of appliances have recently been replaced, it is likely that the reserve account will be relatively depleted, but also will have lower requirement in next few years, compared with a building than has not replaced such major items).

To generate the proxy benchmark for this assessment we have envisaged an *ideal* project that allocated \$450 per unit per year annually since the beginning of the operating agreement (despite the fact that in the real world providers typically made much lower contributions in early years). Based on the Trow estimates and recent increasing costs, this represents the minimum necessary level of contributions. We further assumed the fund earns an average annual rate of return of 3% throughout the term of the operating agreement. Finally, we assumed there were no withdrawals for the first 10 years and, beginning in year 11, withdrawals commence at a rate that ultimately expends all the capital at the date of expiry of the operating agreement.

With this set of assumptions – an admittedly crude methodology – we estimate that such a project should have sufficient capital (from reserve and from the annual contribution) to be able to spend an average of \$750 per unit on capital replacement each year for remainder of term. ***This is the annual capital required*** to meet average capital expenditures and is likely a low estimate of necessary capital.

Against this ballpark benchmark of \$750 it is possible to compare the average annual amount available based on the current (most recent fiscal year) actual reserve balance and the current ongoing level of annual contribution. ***This is the capital available on an average annual basis***.

If the combination of the reserve balance and ongoing contributions generates an average *available* amount that is less than the \$750 benchmark, we deem the fund insufficient to meet ongoing capital spending need; if the funds available exceed the \$750 level we deem that the reserve is reasonable (keeping in mind that \$750 is only a rough guide and may be at the low end of the optimum range).⁷

This is not a definitive test, but is merely an indicator. We strongly encourage providers and funders to undertake a detailed building condition and reserve adequacy assessment.⁸

⁷ Because this approach assumes that \$450 has been allocated every year from beginning of operating agreement, this overcomes the reality of low early contributions and the non-funding of allocations in Ontario. The resulting benchmark value is a theoretical value of funds available and as such is not comparable to the \$1,200 annual (catch-up) contributions suggested by SHSC in Ontario.

⁸ In our efforts to generate this benchmark, the consulting team has explored more sophisticated proxy approaches, including a simple spreadsheet model that can be used to predict capital needs based on a typical set of replacement items. This suggests some potential as a more sophisticated tool than the crude benchmark, but not necessarily requiring a detailed engineering study. It is beyond the scope of the current assignment, but this approach could be refined separately and might offer a complementary assessment tool.

2.3. Case study outputs

For each case study project or portfolio, the base year (usually 2005) data for total subsidy and total mortgage were used first to determine whether current subsidy exceeds current mortgage payments, a prime indicator of future viability. Secondly, revenue and operating data were entered into the CHRA “End of Operating Agreement Financial Analysis” template to generate a projection of the financial position of the project in the year of expiry (as well as years immediately prior and following). Finally, both the current balance of the capital reserve fund and ongoing level of contributions were amortized into an average annual amount available for capital replacement. These outputs are summarized in single-page profiles that provide the following details:

| | | |
|----------------------------------|---|----------|
| Case #: | Expiry year: | Program: |
| Current Annual Mortgage pmt: | Current annual subsidy: | |
| Program/Project details | Program; single project vs. part of portfolio; Building type (was it originally new or a rehab) | |
| Client type and RGI mix | Family, senior, single etc; % units RGI; % rev from RGI | |
| Any special circumstances? | e.g. was a project in difficulty had a workout; separate stacked rent supplements etc. | |
| Key market characteristics | Inner city vs. suburban; Tight vs. soft, recent trend in vacancy rates and rents | |
| Is project viable at expiry? | Current (base year) NOI; NOI at expiry | |
| | | |
| Current Capital Reserve Balance: | Annual Reserve Allocation: | |
| Current building condition | Well maintained and updated; satisfactory; poor condition – needs above average level of reinvestment | |
| Adequacy of capital reserve | | |
| Overall commentary | | |

This information is supported by two graphs, one displaying the Net Operating Income (NOI) both at present (base year for which data was provided, usually 2004 or 2005) and projected to the year of expiry; the other highlighting the annual capital available for replacement funding. The summaries and graphs present NOI and capital reserve data on a per-unit basis, as this is more useful for comparison across projects.

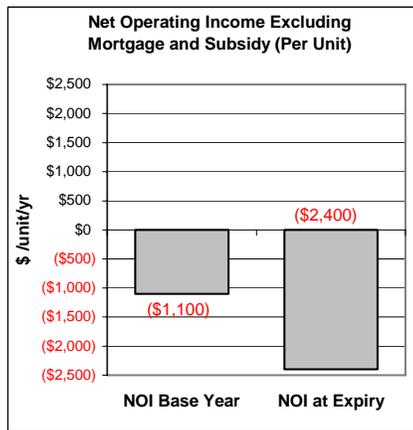
*Note, as explained earlier, NOI before expiry is not the same as operating surplus or deficit. Once the mortgage payment and current subsidy are included, a project with negative NOI may have a current operating surplus.*⁹

Each of the output graphs is described below using two scenarios and displaying first operating viability and second, the adequacy of capital reserves.

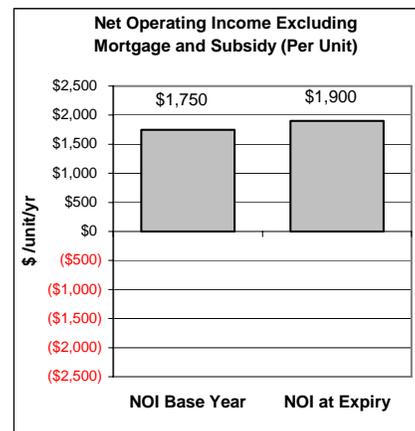
Viability Assessment (Net Operating Income)

Project viability is based on total revenues less total expenses, excluding subsidy or mortgage payment. It is shown for the most recent financial year for which data were provided, as well as at expiry. Note: the base year (usually 2005) NOI is net of both mortgage payments and subsidy.

Case 1: Not Viable



Case 2: Viable



In case 1, the NOI is currently negative, with a deficit of roughly \$1,100 (before subsidy). Over the remaining years to expiry, the deficit grows because operating expenses are increasing faster than revenues (which are mainly from RGI tenants).

Conversely, case 2 has positive NOI of \$1,700, increasing to \$1,900 by expiry due to gains in market rents relative to operating costs. With a positive NOI at expiry, case 2 has the option of refinancing to raise capital for capital replacement in the event that reserves are insufficient.

Capital Reserve Adequacy

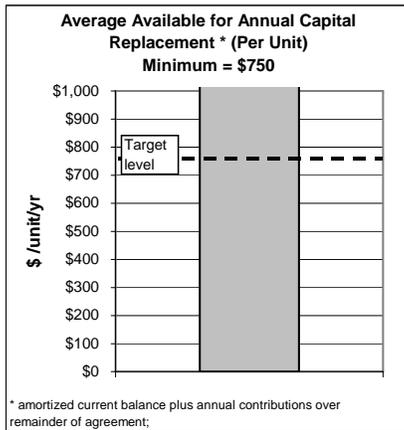
The assessment of capital reserves is based on the proxy benchmark described above. The benchmark requires a project to have a combination of reserve balance and ongoing annual contributions sufficient to permit spending of \$750 per unit in capital replacement annually from the base year till expiry of subsidy. The graphs on the following page show

⁹ Data was not collected on current operating surplus (deficit) nor was any accumulated surplus or deficit information used. Projects with an accumulated deficit may already be in financial difficulty and more detailed review and analysis will be required to address current issues, before considering expiry issues.

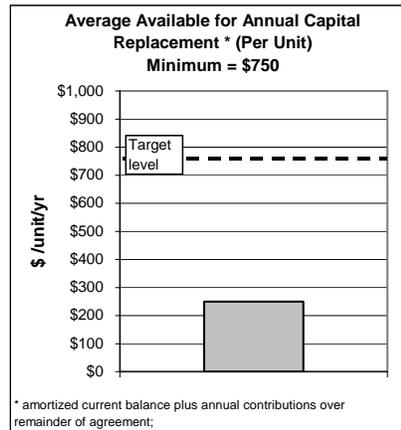
two examples of the average annual cash available (bar) compared to this benchmark (dotted line).

In case 1, the combination of reserves and contributions generates just over \$1,000 in available capital funding annually, which, assuming the property is in good state of repair and has been kept up to date, should be sufficient. Case 2 has only \$250 per annum available on average and is likely to be far short of the amount it needs to pay for all the necessary replacement items.

Case 1: Reserve & contributions sufficient



Case 2: Reserve & contributions insufficient



Potential scenarios

From these potential situations each project can be categorized in one of four situations, as outlined in the following matrix.

| Possible Outcomes | | |
|--------------------------|--|--|
| | Fully Funded Capital Reserve | Under-funded Capital Reserve |
| Positive NOI | (1) Project is viable, can maintain current RGI market mix and is in sound physical condition | (2) Project generates a cash flow surplus, but asset is under-maintained. May be possible to use surplus to leverage new financing for capital investment and necessary upgrades |
| Negative NOI | (3) The project is not viable and cannot sustain the current RGI/market mix. Some adjustment is necessary either to increase market rents or shift profile and mix of RGI units so that RGI revenues are higher. Building is in good condition, which may help in attracting/improving market revenue. | (4) The project is not viable, and is unable to undertake necessary capital replacement. Careful assessment of current revenues, relative to market may provide some potential to increase viability. Project may have difficulty without some form of assistance and capital infusion. Project is at risk |

3. Identifying possible remedies

The Analysis tool helps providers predict whether they will be viable at expiry. The separate assessment of capital replacement requirements compared to available funding provides a further level of insight to consider, which, in some cases, may be an issue before expiry.

The key question is now what? Is there anything providers can do to remedy non-viability or under-funded replacement reserves?

The following remedies are potentially available and are referenced in the case studies in section 4 of this report.

1. Addressing Post-Expiry Viability Problems

This set of options is related to projects that are predicted to have negative net operating income at expiry. Given the objective of social housing to provide affordable housing, there is a desire to maintain and optimize the number of assisted RGI units. Thus, remedies initially focus on maintaining this objective. However, it may not be possible to achieve this objective in all cases, especially where the proportion of RGI units has crept up from the original level due to soft markets, excess need, or change in incomes of in-situ tenants. Efforts should focus first on improving market revenues, then move to approaches to raise RGI revenue, by selecting new tenants on turnover that require shallower subsidy, or by adjusting RGI rates.

- a) Increase market revenue – where some proportion of units is market (or so called low end of market), there is a possibility that rents may not be optimized. This is an obvious source of increased revenue that enables provider to maintain current RGI mix and depth of subsidy. Provider should undertake a market assessment (compare rents in market units to median and comparable private market rents) to determine potential to improve market revenues.
- b) Where a project is part of a portfolio, there may be opportunities to transfer surplus from one project to another.
- c) Increase RGI revenue – in cases where all units are RGI, and/or there is no potential to increase revenues on the market side it may be possible to improve RGI revenue. This can be implemented as existing RGI tenants leave. New RGI tenants that have a shallower need could be selected.¹⁰ This will retain the overall proportion of RGI units, but improve rent revenues from these tenants.

¹⁰ This will not be possible for projects subject to the SHRA. These projects must choose their residents from households on a central waiting list, generally on a first-come-first-served basis, without regard for the level of subsidy required, or else according to a local priority list, which usually will mean deep subsidy.

- d) A further option is to increase the RGI ratio charged to tenants, for example increase this to 32% or 35% of income. This reduces the degree of assistance but still offers relief from much higher market rent alternatives. This option is only available to providers not funded through the SHRA.
- e) Negotiate a new rent supplement agreement – where the provider has no capacity to resolve the viability problem without some form of assistance, it can approach the funder for a new subsidy, potentially structured as a rent supplement agreement. As projects’ operating agreements expire, funders will benefit from lower expenditures. It makes sense to reinvest any such saving to preserve existing social housing units (assuming the units are in reasonable condition).¹¹
- f) In cases where a project is unviable **and** in a poor state of repair, it may be appropriate to assess whether the project should be retained. This will depend on local market conditions, need, available capital programs for renewal and the objectives of the non-profit owner. If there is surplus land or the project is at low density, there may be redevelopment potential. Urban public housing providers in particular may have intensification potential if they own extensive low-rise developments

To help with the analysis of these options, the CHRA EOA Financial Analysis template includes a feature that allows users to adjust the mix and revenue levels of both market and RGI units.

Any attempt to shift the tenant and market/RGI unit mix will require gradual implementation, especially since turnover in RGI units tends, in most markets, to be slow. Thus, even projects that will not face expiry for 10 or more years should soon develop a long-term plan to implement this transition rather than waiting until they are close to expiry.

2. Addressing insufficient capital reserves

As indicated in the matrix above, there are two general scenarios for providers with insufficient capital reserves. A project will either be viable on an operating basis, that is, it will have a positive net cash flow; or it will have negative cash flow. Clearly, a provider in the first category has more options than one in the second. ***In all cases, a formal building condition assessment should be undertaken to quantify the level of expenditure involved.***

A further issue to consider is a situation where the capital reserve is under-funded, and, as a consequence, a project is deferring capital replacement spending. This may have negative consequences. Ideally, if there is a cash flow capacity, it would be desirable to

¹¹ In Ontario, the Social Housing Reform Act sets service-level standards for service managers, including the requirement to retain an absolute number of RGI units that doesn’t decline even when mortgages expire. There may be some incentive on the municipality’s part to enter into this negotiation in order to comply with legislation.

borrow before expiry¹² as a way to fund these needed replacements. Such capacity may exist especially in pre-1986 private non-profit projects since these programs encourage providers to accrue surplus in a reserve whereas the post-85 subsidy program calls for providers to return 50% of annual surplus after accumulating a reserve of \$300 per unit. In these earlier portfolios, which typically include market rent units, if the project is not operating with a surplus cash flow, careful examination of project “market” rents compared to potential rents should be a first priority. A gradual increase in rents (especially on unit turnover) can improve cash flow and create the capacity to borrow for capital replacement.

Again, beginning with approaches that prioritize retaining the social housing asset as a source of affordable housing, the following options are possible:

- a) Some projects may already generate an operating surplus. In such cases, it may not be necessary to wait until expiry to address capital replacement need. The existing surplus should first be examined and potentially enhanced by examining current market rents relative to potential in the local market. Existing surplus cash flows might be used to augment reserve contributions, or to immediately secure financing to fund capital improvements (which in turn may improve rental potential – e.g. new carpets, appliances etc). Note, however there may be program policy restrictions on refinancing and prior approval of the funding agency may be required.
- b) Where a project is part of a portfolio, there may be opportunities to transfer surplus from one project to another as a way to finance capital replacement, or even to transfer capital reserves from one project to another. The ability to do so may be constrained by timing of expiry in the donor project. If still under an operating agreement, flexibility to reallocate reserves may be regulated, so permission of funder may be required.
- c) Where projects cannot improve revenues to generate a surplus and thus create opportunity to leverage financing, the most likely source of additional capital funding is a public source. This might be structured either as a grant, forgivable loan (linked to extension of an operating agreement to continue providing RGI units), or, in cases where project is viable post expiry, as a deferred loan not repayable until after expiry.
- d) Again, where a project is both non-viable and in poor state of repair, a careful decision is necessary on whether to preserve the project, redevelop or dispose of the property (with any proceeds reinvested in affordable housing (see option ‘f’ above).

¹² Providing the operating agreement with the funder permits taking on any debt in addition to the mortgage.

3.1. Special Circumstances

There may be some cases where a unique set of circumstances needs to be taken into consideration. The EOA Analysis Template does not readily accommodate such cases.

In the case studies undertaken here some such cases have been encountered, including the impact of mortgage renewal in Pre-86 Non-profits with the 2% mortgage write-down subsidy formula, and also projects on leased land with additional lease payments still to be made, either during the remainder of the operating agreement or after expiry.

In a number of cases properties may be functionally obsolescent, thus requiring major regeneration and renewal. Such options have not been assessed here.

4. Case Studies

As outlined above, the primary objective of this report is to provide a cross section of case studies to examine and illustrate the consequences of expiry of operating agreements. This section of the report accordingly presents a series of illustrative examples, all drawn from actual projects across a range of programs and regions. This section focuses on individual projects (either single project providers or projects extracted from a portfolio); the following section expands the assessment to consider three portfolio cases.

Before presenting the individual case studies, we provide a brief overview of the key findings.

4.1. Overview of findings

The table in Appendix A highlights three viability tests:

- Test 1 is NOI today. If the mortgage and the subsidy both disappeared today, would the project be viable? In most cases, if a project fails this test, it will still be unviable at expiry unless remedial steps are implemented.
- The second test uses the proxy measure described in Section 2.2 to estimate the adequacy of capital reserves. The result of this test qualifies the pure NOI viability test. It is a warning for projects that appear viable at expiry, but may face a challenge maintaining the asset during the remainder of the operating agreement
- The third test examines the situation at expiry. With no more mortgages and no more subsidy, net operating income (NOI) is the same as net cash flow. If this is negative, the project will not be viable. Often, estimated viability at expiry is worse than today if a project has a high percentage of RGI clients. This is because

it is assumed that operating costs have been inflated at double the rate (2%) as RGI revenues (1%)

In addition, the summary uses matrix of viability and capital adequacy described in Section 2.1 to divide the projects into four categories, with 1 being best (viable with adequate capital reserves) and 4 worst (not viable, and insufficient capital reserve). Category 2 (viable with insufficient capital reserves) and 3 (not viable but sufficient capital reserves) require close monitoring and may be candidates for internal remedies. It is likely that category 4 projects will require external assistance in the form of infusion of capital for replacement and, perhaps, extended subsidy assistance.

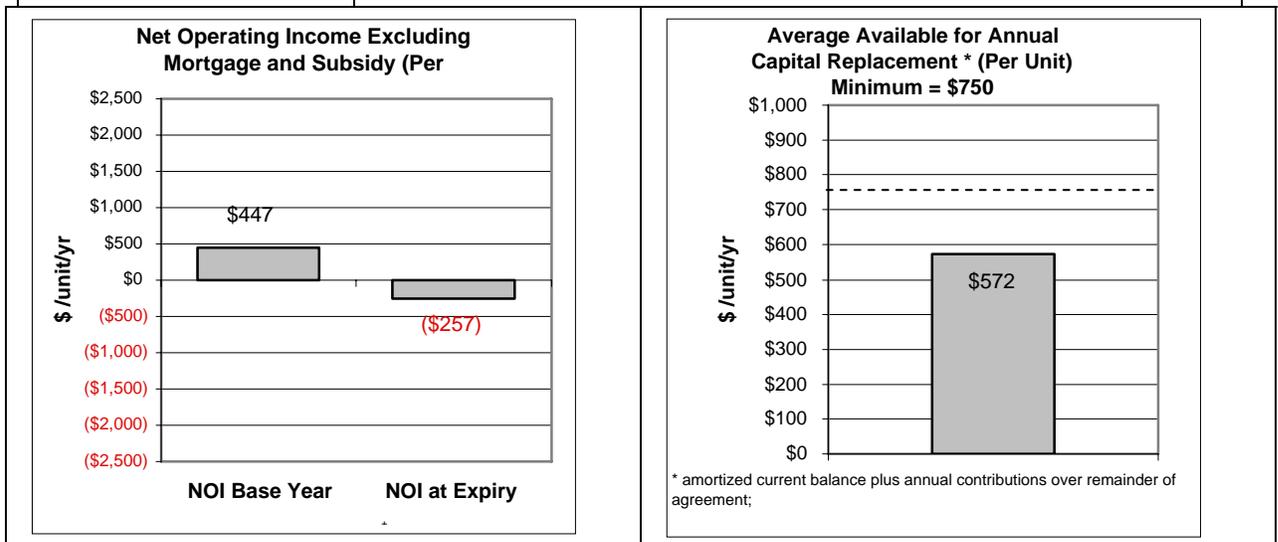
In reviewing the original hypothesis, we can state the following conclusions:

- Public Housing Projects, with their high percentage of low-income tenants, generally will not be viable. Rents will not be able to cover operating costs.
- Section 95 (2% write-down) projects will tend to be viable if they have a moderate percentage of RGI tenants. Our sample project (Ont. 6) has 25% RGI. Each provider will have to use the CHRA tool to estimate for itself the precise “tipping point” into non-viability, using its own projections about percentage of RGI households and ability to raise rents.
- Urban Native projects generally will not be viable. They will need ongoing assistance so that they can continue in their mission to serve low-income households from their own community.
- Among the post-85 providers that were devolved from MMAH to Service Managers, providers in the north are likely to have a negative NOI in the current year and will likely be non-viable at expiry. This is because they operate in a soft market that does not allow them to raise rents sufficiently to cover cost increases.
- In other parts of the Province, the main determinant of viability is percentage of RGI households. In our study sample, the “tipping point” was 63%. Any provider that had more than this percentage of RGI households was estimated to be not viable at expiry. This “tipping point” is likely to vary from provider to provider, so we encourage all non-profits to use the CHRA analysis tool to examine their own situation.

4.2. Case Study Profiles

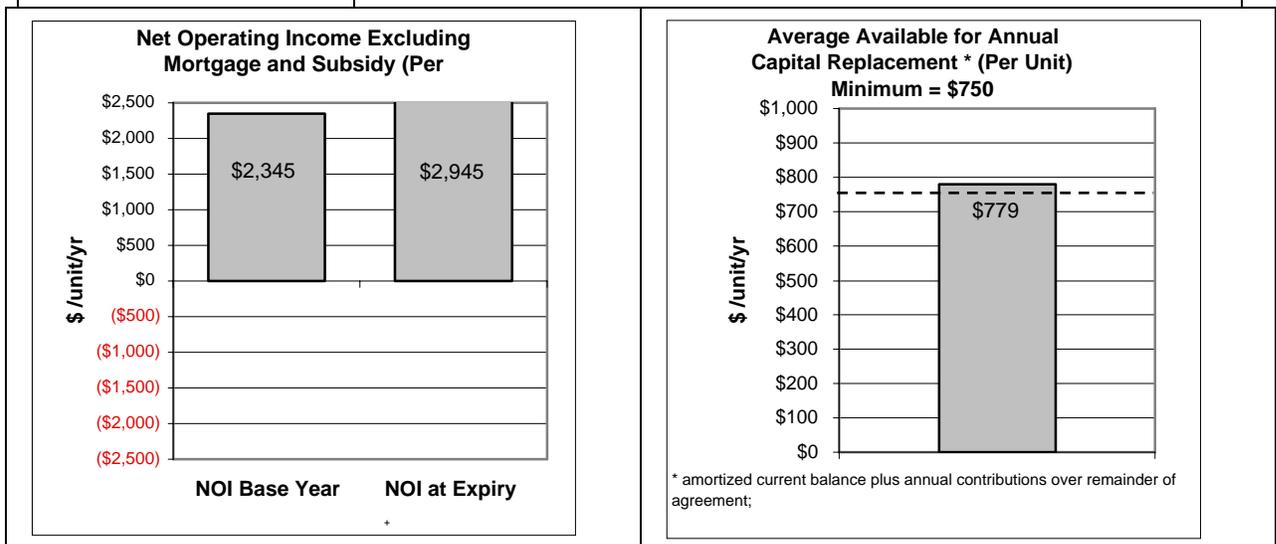
An overview for each case study profile follows, explaining the context and outcomes for both operating viability and capital adequacy

| | | |
|---|---|--|
| Case # Ont. 1 | Expiry year: 2032 | Program: Provincial |
| Current Annual Mortgage pmt: \$1,075,191 | | Current annual subsidy: \$1,016,200 |
| Project details | Single project, apartment building with 8 townhouses in Toronto | |
| Client type and RGI mix | Family project 69% units RGI; 45% rev from RGI | |
| Any special circumstances? | Non-standard built form (apartment building with townhouses in one project) | |
| Key market characteristics | Inner city; Tight rental market, rising market rents, recent slight increase in vacancy rates and softening of rate of rental increase | |
| Is project viable at expiry? | Current NOI is positive, but NOI at expiry will be negative. This is a function of the high RGI percentage of units. Viability problem exacerbated by insufficiency of capital reserves | |



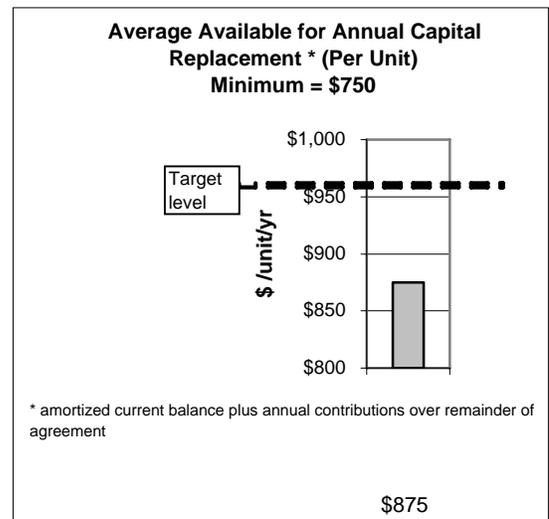
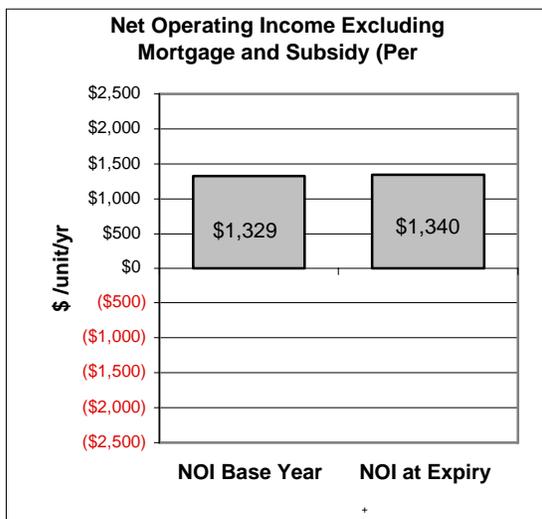
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| Current Capital Reserve Balance: \$3,950/unit | | Annual Reserve Allocation: \$460/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Projection shows there will be less than the minimum of \$750 available annually per unit to spend on capital replacement. Annual allocation is also less than the amount SHSC recommends. | |
| Overall commentary | <p>Not viable upon expiry, even before calculating capital reserve shortfall. Note relatively high RGI percentage of units.</p> <p>Possible remedies – will need to increase contribution to capital reserves, make sure BCA and investment strategy are up to date, make arrangement with service manager to extend RGI after mortgage expires.</p> | |

| | | |
|---|---|--|
| Case # Ont. 2 | Expiry year: 2027 | Program: Provincial Unilateral |
| Current Annual Mortgage pmt: \$691,788 | | Current annual subsidy: \$412,746 |
| Project details | Single project; Building type: New apartment building | |
| Client type and RGI mix | Seniors' building: 63% units RGI; 46% of rents are from RGI | |
| Any special circumstances? | No special circumstances | |
| Key market characteristics | Suburban (GTA); Tight rental market, rising rents | |
| Is project viable at expiry? | Significant NOI now and at expiry. Project appears likely to be viable at EOA | |



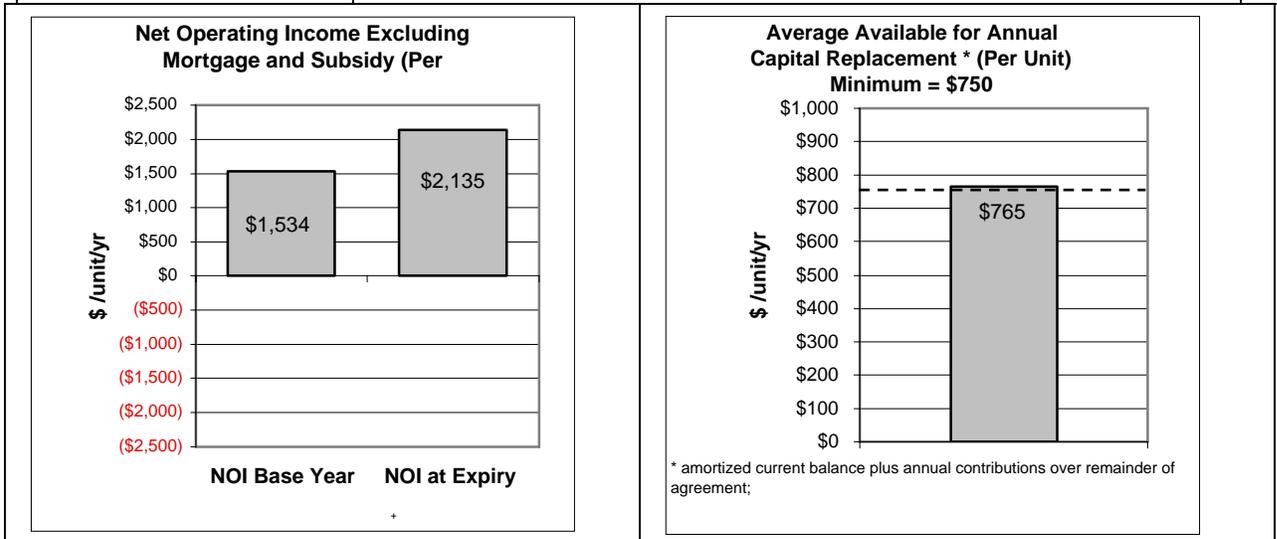
| | | |
|--|---|--|
| Current Capital Reserve Balance: 5,213/unit | | Annual Reserve Allocation: 542/unit |
| Current building condition | Well maintained; still relatively new, just beginning its first round of major spending on capital reserves. | |
| Adequacy of capital reserve | Projected annual availability is above benchmark used for this exercise (\$779 vs. \$750). Allocation is significantly below the annual allocation recommended by SHSC (\$542 vs. \$1,200). | |
| Overall commentary | <p>Appears viable; will have enough NOI after expiry to refinance to pay for any shortfall in capital reserves.</p> <p>Possible action in the short term: increase current allocation to capital reserves (may require service manager's permission since technically service manager is entitled to 50% of annual operating surplus). Upon EOA, project may be able to maintain a significant percentage of RGI units without needing ongoing subsidy.</p> | |

| | | |
|---|--|--|
| Case # Ont. 3 | Expiry year: 2027 | Program: Prov Unilateral |
| Current Annual Mortgage pmt: \$658,776 | | Current annual subsidy: \$552,430 |
| Project details | Apartment; Single project. Project-managed by another non-profit; | |
| Client type and RGI mix | Family, 50% units RGI; 36% rev from RGI | |
| Any special circumstances? | New property manager | |
| Key market characteristics | Suburban – Southern Ontario not GTA; Relatively soft rental market, some rental increases still possible, but vacancies can be a problem | |
| Is project viable at expiry? | Current NOI: \$1329, NOI at expiry: \$1,340. Project appears to be viable when mortgage expires. | |



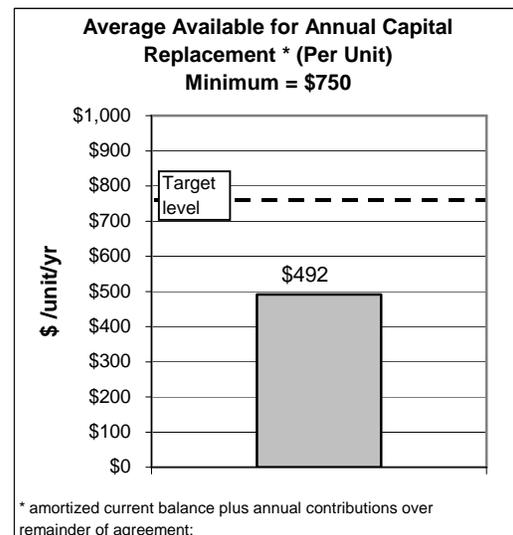
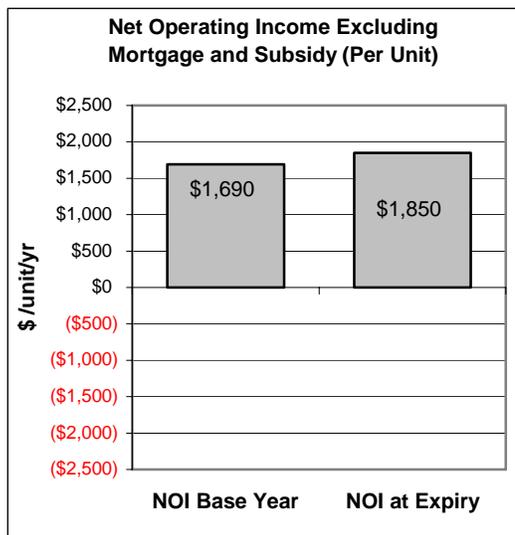
| | | |
|--|---|---|
| Current Capital Reserve Balance: \$7,976/unit | | Annual Reserve Allocation: \$512 |
| Current building condition | Well maintained; still relatively new, just beginning its first round of major spending on capital reserves. | |
| Adequacy of capital reserve | Capital reserve contributions are below the amount recommended by SHSC, but projected annual availability of funds is higher than the model used in this discussion. | |
| Overall commentary | <p>Apparently viable at EOA, based on NOI. Capital spending is about to increase, so current reserves may fall. Extra contributions to capital reserve out of operations are likely to be needed (probably subject to service manager's approval).</p> <p>Current RGI mix sustainable with some subsidy from the service manager.</p> | |

| | | |
|---|--|--|
| Case # Ont. 4 | Expiry year: 2028 | Program: Provincial |
| Current Annual Mortgage pmt: \$1,028,058 | | Current annual subsidy: \$871,588 |
| Project details | New construction townhouse project | |
| Client type and RGI mix | Families; 57% units RGI; 28% rev from RGI | |
| Any special circumstances? | No special circumstances | |
| Key market characteristics | Suburban GTA; Relatively tight rental market, with rising rents, recent increase in vacancy rates, competition from ownership opportunities. | |
| Is project viable at expiry? | Current NOI and NOI at expiry both are projected to be positive, therefore project appears it will be viable. | |



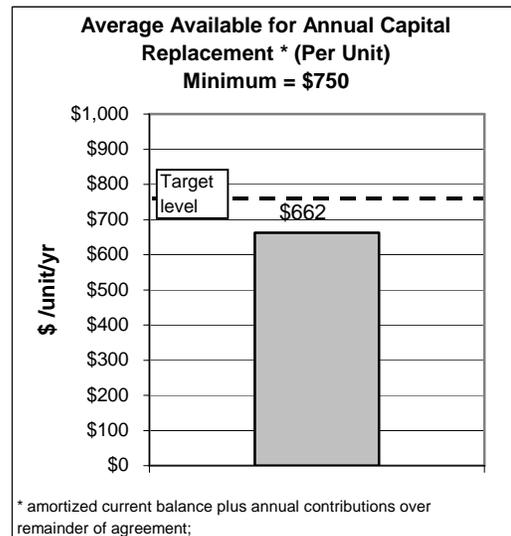
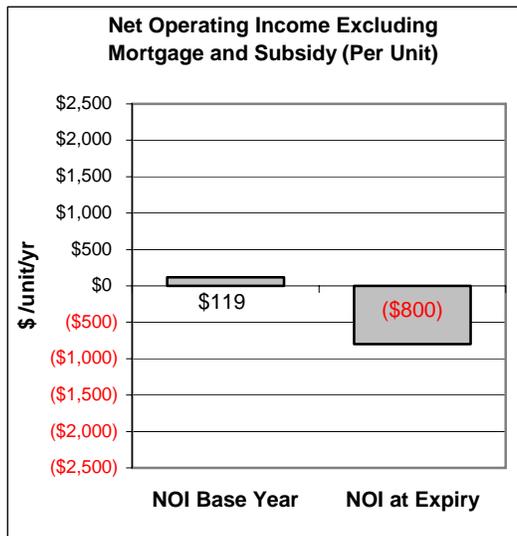
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|--|---|--|
| Current Capital Reserve Balance: \$7,512/unit | | Annual Reserve Allocation: \$538/unit |
| Current building condition | Well maintained, just about to start period of increased capital spending | |
| Adequacy of capital reserve | Annual availability meets the threshold used in current study, but allocation is below the number recommended by SHSC. | |
| Overall commentary | <p>Appears viable; will have enough NOI after expiry to refinance to pay for any shortfall in capital reserves.</p> <p>Possible action in the short term: increase current allocation to capital reserves (may require service manager's permission since technically service manager is entitled to 50% of annual operating surplus). Upon EOA, project may be able to maintain a significant percentage of RGI units without needing ongoing subsidy.</p> | |

| | | |
|---|--|---|
| Case # Ont. 5 | Expiry year: 2016 | Program: Pre 86 Sec 95 |
| Current Annual Mortgage pmt: \$232,648 | | Current annual subsidy: \$78,859 |
| Project details | Single project provider Apartment Building, built new but is now 25 years old. | |
| Client type and RGI mix | Seniors' project with 25% units at RGI; 18% rev from RGI | |
| Any special circumstances? | Chronic shortage of operating funds due to subsidy "glitch" in formula for Sec. 95 (2%) as result of renewal at lower mortgage rate | |
| Key market characteristics | Inner city (Toronto); Tight rental market, rate of rental increases slowing slightly, vacancy rates increasing slightly | |
| Is project viable at expiry? | The current NOI is roughly \$1,700 and by expiry in 2016 this is projected to rise a little due to inflation of market rents (75% of units). Thus, project is viable at expiry | |



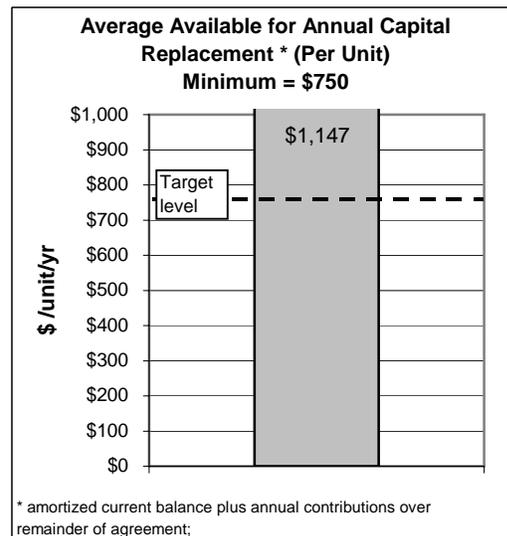
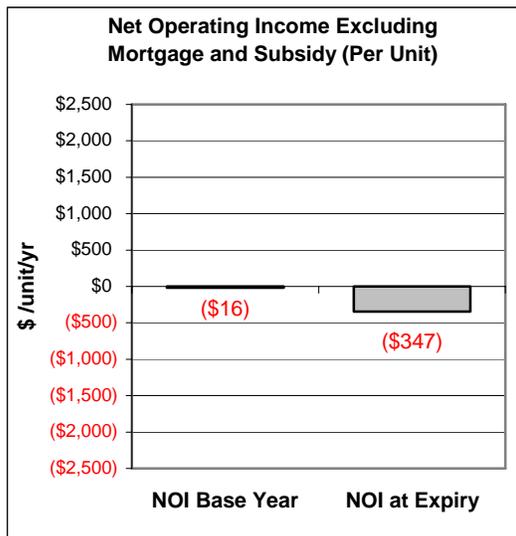
| | | |
|--|---|--|
| Current Capital Reserve Balance: \$479/unit | | Annual Reserve Allocation: \$448/unit |
| Current building condition | Satisfactory level of maintenance, but now needs high capital investment because of age of building. | |
| Adequacy of capital reserve | Capital reserve availability is well below benchmark (\$492 vs. \$750), in large part because current allocations are low (\$448) and insufficient to make up for backlog of lower earlier reserves. | |
| Overall commentary | Based on operations alone project is viable at EOA. Relatively low level of RGI, so it may be possible to maintain some of this upon expiry without continued government support. However, reserves are underfunded. Surplus NOI should be allocated to reserves, but before expiry an increased contribution from operations to capital reserves will be needed. | |

| | | |
|---|---|--|
| Case # Ont. 6 | Expiry year: 2030 | Program: Provincial Unilateral |
| Current Annual Mortgage pmt: \$1,185,459 | | Current annual subsidy: \$1,169,735 |
| Project details | Single project provider; Apartment Building (new construction) | |
| Client type and RGI mix | Families and singles with special needs 71% units RGI; 51% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Suburban GTA; Relatively tight rental market, although recent increase in vacancy rates has limited opportunity for rental increase in market units | |
| Is project viable at expiry? | Current NOI shows slight surplus, but this will be slowly eroded as rents lag inflation in the RGI units (which are a majority of units). This will result in a negative NOI at expiry - so not viable at expiry. | |



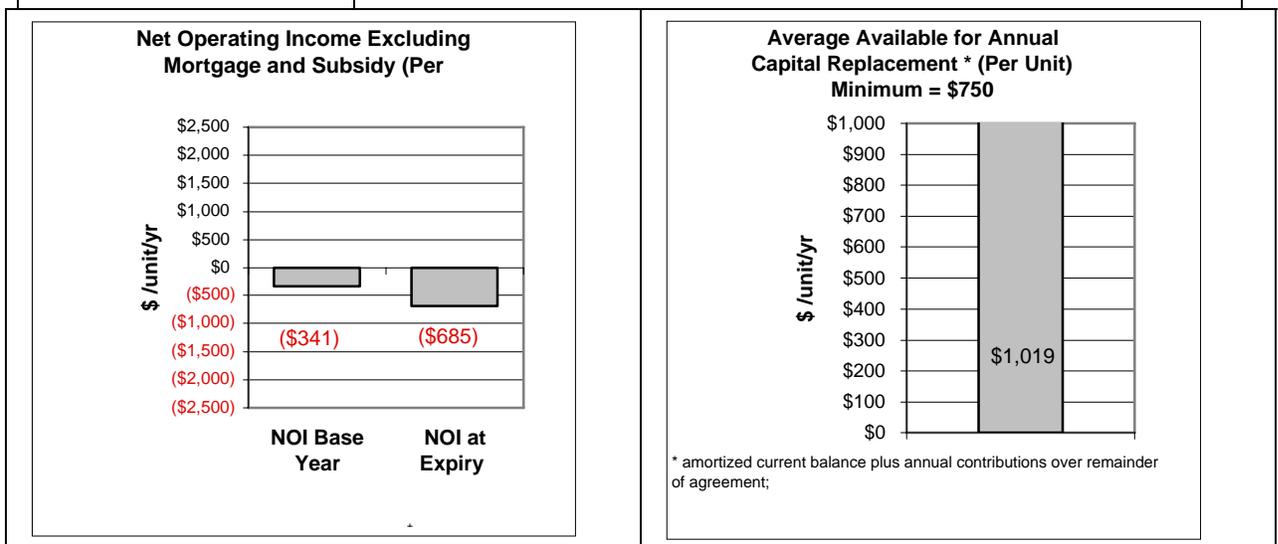
| | |
|--|--|
| Current Capital Reserve Balance: \$5,213/unit | Annual Reserve Allocation: \$454/unit |
| Current building condition | Well maintained; |
| Adequacy of capital reserve | Building is relatively new, so has not entered intensive stage of capital spending. Current reserve projection (\$662) is below benchmark of \$750 minimum. Current allocations is also well below SHSC recommendation of \$1,200 necessary to overcome backlog shortfall. |
| Overall commentary | Project will not be viable at EOA without some remedial actions to increase revenues (shallower RGI, shift some units to market, or increase market rents in the existing market units). The need for an increased capital allocation will make this situation worse. May require ongoing RGI subsidy from service manager, if internal remedies cannot be implemented. |

| | | |
|--|---|---|
| Case # Ont. 7 | Expiry year: 2023 | Program: Sec 95 Post-85 Non-Profit |
| Current Annual Mortgage pmt: 54,590 | | Current annual subsidy: 54,745 |
| Project details | Part of portfolio; Building type: apartment, new construction | |
| Client type and RGI mix | Seniors: 50 % units RGI; 44 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Rural, northern; Soft rental market, difficult to raise rents. | |
| Is project viable at expiry? | Current NOI is negative, and although only 50% RGI, market rents (other 50% units) are relatively low, so revenue growth is limited. Meanwhile operating costs, especially utilities, are inflating faster. As a result, NOI at expiry will be marginally negative (and on a continued downward trend). | |



| | | |
|--|---|--|
| Current Capital Reserve Balance: \$7,016/unit | | Annual Reserve Allocation: \$757/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Current allocation to replacement reserve is \$757 on an already relatively healthy reserve balance, so the amount available for replacement funding annually is above the minimal benchmark of \$750. The current allocation is below the \$1,200 estimate determined by the SHSC; so a building condition assessment) is advisable. | |
| Overall commentary | Difficult to raise rents in this market so provider is unlikely to have capacity to implement internal remedy. Service manager will likely be required to contribute additional post-expiry assistance to maintain service level standards. | |

| | | |
|---|---|--|
| Case # Ont. 8a | Expiry year: 2024 | Program: Provincial |
| Current Annual Mortgage pmt: 235,856 | | Current annual subsidy: 249,488 |
| Project details | Part of portfolio; Building type: apartment, new construction | |
| Client type and RGI mix | Seniors 53 % units RGI; 43 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Rural, northern; Soft rental market, difficult to raise rents. | |
| Is project viable at expiry? | Current NOI is negative, NOI expected to be negative at expiry; projected to be not viable. | |

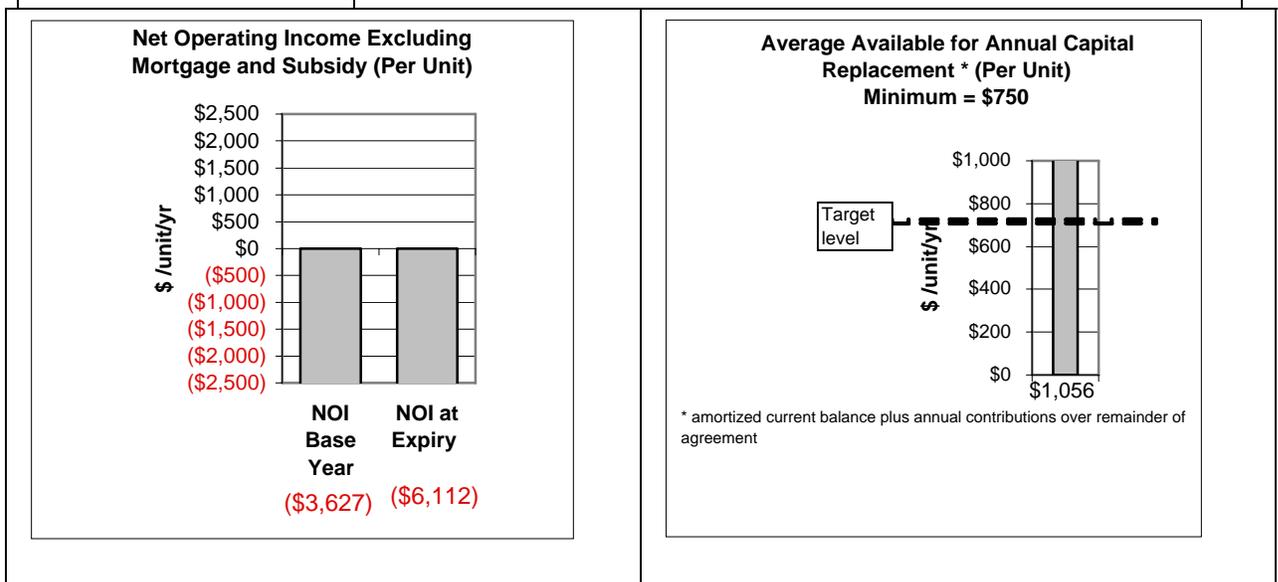


| | | |
|--|---|--|
| Current Capital Reserve Balance: \$7,016/unit | | Annual Reserve Allocation: \$650/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Though the annual allocation to the reserve is lower than the level recommended by SHSC, the projected annual amount available per unit is significantly higher than the benchmark amount for this exercise. | |
| Overall commentary | <p>Will not be viable without ongoing assistance. Difficult to raise rents. Service manager will be required to contribute RGI anyway to maintain service level standards.</p> <p>Possible remedy: maintain ongoing RGI assistance.</p> | |

| | | |
|---|---|--|
| Case # Ont. 8b | Expiry year: 2026 | Program: Provincial |
| Current Annual Mortgage pmt: 305,161 | | Current annual subsidy: 387,395 |
| Project details | Part of portfolio; Building type: townhouses, new construction | |
| Client type and RGI mix | Families: 82% units RGI; 53 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Rural, northern; Soft rental market, difficult to raise rents. | |
| Is project viable at expiry? | Current NOI and NOI at expiry are both negative. RGI percentage is not sustainable without ongoing subsidy. | |

| <p>Net Operating Income Excluding Mortgage and Subsidy (Per</p> <table border="1"> <caption>Net Operating Income Excluding Mortgage and Subsidy (Per unit/yr)</caption> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>NOI Base Year</td> <td>(\$1,827)</td> </tr> <tr> <td>NOI at Expiry</td> <td>(\$2,914)</td> </tr> </tbody> </table> | Category | Value (\$/unit/yr) | NOI Base Year | (\$1,827) | NOI at Expiry | (\$2,914) | <p>Average Available for Annual Capital Replacement * (Per Unit) Minimum = \$750</p> <table border="1"> <caption>Average Available for Annual Capital Replacement * (Per Unit)</caption> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>Average Available</td> <td>\$984</td> </tr> <tr> <td>Minimum</td> <td>\$750</td> </tr> </tbody> </table> <p><small>* amortized current balance plus annual contributions over remainder of agreement;</small></p> | Category | Value (\$/unit/yr) | Average Available | \$984 | Minimum | \$750 |
|--|--|--------------------|---------------|-----------|---------------|-----------|--|----------|--------------------|-------------------|-------|---------|-------|
| Category | Value (\$/unit/yr) | | | | | | | | | | | | |
| NOI Base Year | (\$1,827) | | | | | | | | | | | | |
| NOI at Expiry | (\$2,914) | | | | | | | | | | | | |
| Category | Value (\$/unit/yr) | | | | | | | | | | | | |
| Average Available | \$984 | | | | | | | | | | | | |
| Minimum | \$750 | | | | | | | | | | | | |
| Current Capital Reserve Balance: \$7,016/unit | Annual Reserve Allocation: \$650/unit | | | | | | | | | | | | |
| Current building condition | Satisfactory | | | | | | | | | | | | |
| Adequacy of capital reserve | Capital reserves available are above benchmark for current discussion, but annual contributions are below the amount recommended by SHSC. | | | | | | | | | | | | |
| Overall commentary | Will not be viable without ongoing RGI subsidy from service manager (who must meet standards set in the SHRA). Provider should carry out (or update) a BCA and reserve fund study to determine adequacy of reserves. | | | | | | | | | | | | |

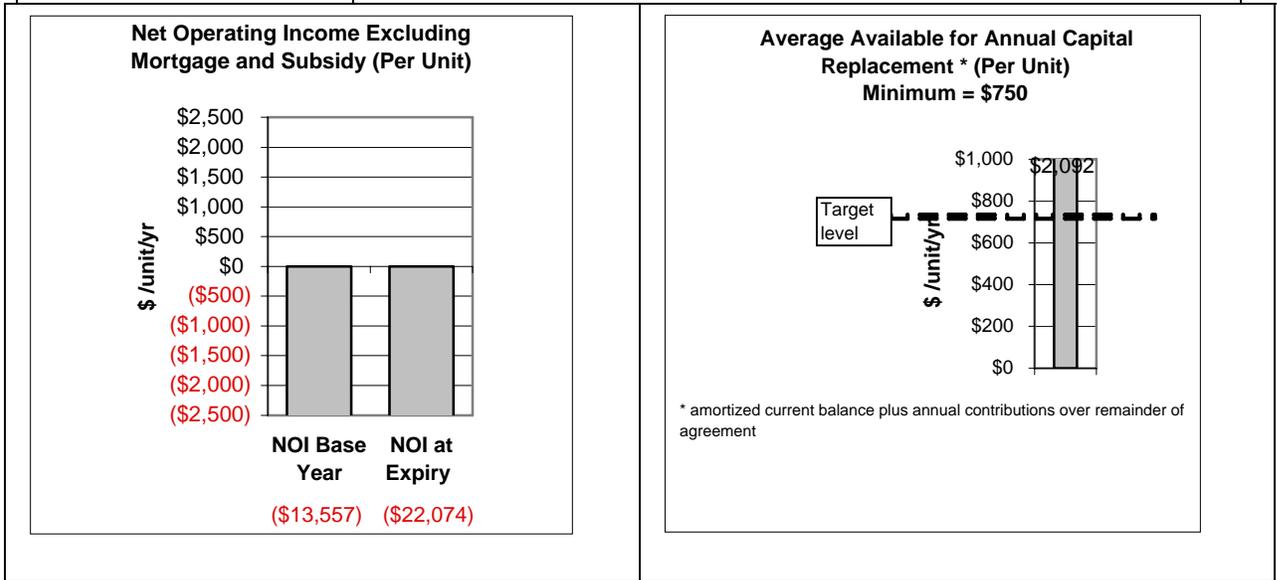
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|---|--|--|
| Case # Ont. 11a | Expiry year: 2022 | Program: Urban Native |
| Current Annual Mortgage pmt: \$205,763 | | Current annual subsidy: \$261,184 |
| Project details | Part of portfolio; Building type: New apartment (low rise) | |
| Client type and RGI mix | Families 71% units RGI; 64% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Toronto, low vacancy rates, but rates rising somewhat, lack of many alternatives for urban native people. | |
| Is project viable at expiry? | Current NOI is negative, NOI at expiry expected to be negative | |



| | |
|--|--|
| Current Capital Reserve Balance: \$5,358/unit | Annual Reserve Allocation: \$740/unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Just over half way through the amortization period. Some major capital items should be approaching need for replacement. Funds available annually are higher than the benchmark for this discussion (\$1,056 vs \$750), but annual contribution is lower than recommended by SHSC. |

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| Overall commentary | Not viable without ongoing subsidy Updating the BCA and reserve allocation plan will help determine if increased capital reserve allocation is necessary. |
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| Case # Ont. 11b | Expiry year: 2022 | Program: Urban Native |
| Current Annual Mortgage pmt: \$169,184 | | Current annual subsidy: \$326,698 |
| Project details | Part of portfolio; Building type: scattered units, acquisition-rehab houses | |
| Client type and RGI mix | Families 100% units RGI; 95% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Toronto, low vacancy rates, but rates rising somewhat; lack of many alternatives for urban native people. | |
| Is project viable at expiry? | Current NOI is negative, NOI at expiry expected to be negative | |



| | |
|--|--|
| Current Capital Reserve Balance: 5,358 per unit | Annual Reserve Allocation: 1,777 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Just over half way through the amortization period. Some major capital items should be approaching need for replacement. Funds available are higher than the benchmark for this discussion (\$2,092 vs \$750), but scattered units will require higher per-unit spending than the base case. |
| Overall commentary | Not viable without ongoing subsidy Capital reserves probably adequate. Updating the BCA and reserve |

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| | allocation plan will help determine if this is so. |
|--|--|

5. Portfolio Analysis

The individual cases presented in section 4 provide useful illustrations across a range of possible outcomes at expiry. This section expands on this by examining two portfolios. It was hypothesized that at the portfolio level it should be possible to provide remedies to non-viable projects through internal cross-subsidy (either of operating surpluses or capital reserves). To a degree this appears to be true for the Nepean non-profit portfolio, which is fairly strong with no really challenging projects. On the other hand, the Nipissing Public Housing Portfolio exhibits a different characteristic – the entire portfolio is non-viable without continued subsidies, and the problem simply worsens as each successive project expires.

5.1. Ontario Suburban Portfolio

This portfolio is located in suburban Ottawa. It reflects a small, younger portfolio, predominantly post-1986. This provider has also undertaken new development outside of the traditional federal and provincial programs; and operates them without subsidy, except for a rent supplement contract on a portion of the units (excluded from table below).

| Projects | Program | Units |
|-----------------|----------------------|--------------|
| 3 | Post 85 Sec 95 (F/P) | 206 |
| 2 | Prov. Unilateral | 181 |

The market

The portfolio is located in one of the older, but still expanding suburbs of Ottawa in an area where there is a good mix of private rental and ownership housing. The vacancy rate in Ottawa was very low through the 1997-2002 period, but has more recently edged back up to 3.9% in 2004, thus creating some challenges for social housing providers to attract and retain market tenants – especially given the attraction of relatively affordable ownership opportunities in the area.

Post expiry viability assessment

| Summary of Case Studies – Nepean | | | | | | | | | | |
|----------------------------------|--------|-------------|-----------------------|--------------|------------------------------------|--|-------------------------------|-------------|-----------------------|----------------------|
| Sub-Program | ID | % RGI Units | Test 1: NOI Today (1) | Viable Today | Annual Reserve Allocation per unit | Annual Reserves Available per unit (2) | Test 2: Reserves Adequate (3) | Expiry Year | Test 3: NOI at Expiry | Viable at Expiry (4) |
| Post 85 | Ont.9a | 57% | \$1,407 | Yes | 613 | \$1,391 | Yes | 2022 | \$1,581 | Yes |
| Post 85 | Ont.9b | 67% | \$987 | Yes | 586 | \$966 | Yes | 2024 | \$863 | Yes |
| Prov. Unilateral | Ont.9c | 62% | \$632 | Yes | 498 | \$764 | Yes | 2024 | \$410 | Yes |
| Prov. Unilateral | Ont.9d | 69% | \$443 | Yes | 524 | \$783 | Yes | 2028 | \$7 | Yes |
| Post 85P | Ont.9e | 65% | \$988 | Yes | 615 | \$723 | No | 2028 | \$876 | Yes |

Notes:

1. This test determines whether total revenues, excluding subsidy, are greater than total expenses excluding mortgage payment
2. Annual reserve available combines current balance of reserve amortized over remainder of operating agreement plus annual contributions.
3. Adequacy based on comparing amount available (prev column) against the benchmark of \$750 that would be available if annual contributions of \$450 had been made throughout operating agreement and earned 3% interest, compounded annually with no withdrawals until year 11. It is assumed that withdrawals commence in year 11 at an amount that depletes the reserve at expiry.
4. Based on projected revenues and expense are revenues greater than total expenses in year immediately following expiry of subsidy and maturity of the mortgage?

This portfolio does not have the benefit of earlier (Pre-86) programs that provide stronger revenue potential due to greater income mixing. An examination of current NOI indicates these five properties are viable but only marginally. In four of the five the projects, NOI declines between current and expiry. Each of these projects has a high proportion of RGI units and it is assumed RGI rents will lag increases in operating costs. While all are viable at expiry, one (9d) is only barely so, and slips into deficit one year later. All projects require close monitoring and some adjustment in the RGI/market mix or depth of RGI assistance, in order to ensure they remain viable. Alternatively, since the service manager will have to meet ongoing service level standards (under the Ontario Social Housing Reform Act), even after the provider's mortgages have been paid off, there may be an opportunity to negotiate a rent-supplement agreement with the service manager.

Capital Reserves

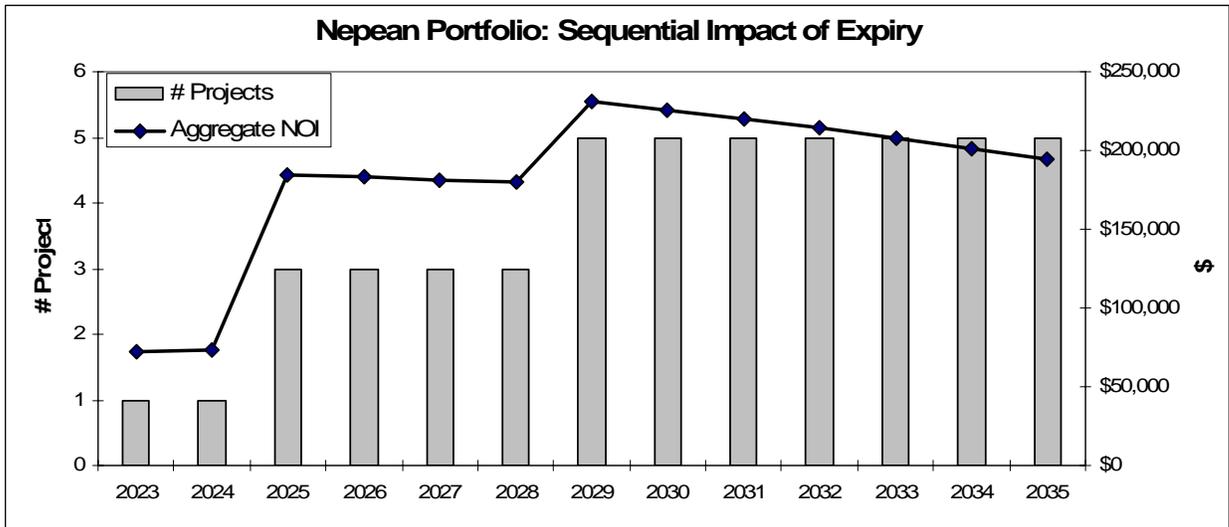
All but one project can meet the derived minimum benchmark of \$750 available for annual capital reinvestment, although two are only just above this threshold. In an analysis of reserve adequacy, the Social Housing Services Corporation (SHSC) has determined that annual contribution levels in the order of \$1,200 are necessary (largely to offset insufficient reserves in early years as well as non-funding of reserves for a few years of constraints in the late 1990's).

The projects in this portfolio are somewhat younger than average and have fewer years of low (or zero) contributions, so \$1,200 may be an overestimate of requirements. However,

a building condition assessment would be prudent to determine whether the current allocations (roughly \$500-\$600) are sufficient.

Portfolio Summary

Because all projects are viable at expiry, as individual projects reach this event, the aggregate portfolio has an increasingly positive cash flow; at least until the final two expire in 2028. At that point, the tenuous viability of project 9d, together with the overall weighting of RGI units with low or stagnant revenue trajectory, begins to have a noticeable effect, and the annual surplus begins a gradual downward trend. This is not a catastrophic trend, but it is an early warning and something that, together with capital replacement adequacy, should continue to be carefully monitored.



One looming danger this provider faces is the possibility that operating costs, especially in the near term, will rise at a faster rate than rents. If this should happen for a number of years in a row, the provider will not have as healthy an NOI as the expiries begin as is shown in the chart above. This means the provider would be more likely to have a negative NOI, and thus not be viable, when the weaker projects are no longer receiving subsidy.

5.2. Northern Public Housing Portfolio

This portfolio is located in Nipissing District, which includes the town of North Bay. The portfolio consists of a total of 575 units in 19 projects built between the late 1950s and the mid-1970s. The provider also manages the local municipal non-profit portfolio, but there is no ability for cross subsidy.

The Market

Since it is in Northern Ontario, the portfolio has experienced chronic stagnation of the rental market. There is limited ability to raise rents. Overall, vacancy rates rose in the late 1990s to a high of 5.5% in 2000, while the average Ontario rate at the time was 1.6%. Since then, rates have dropped in North Bay (to 3.7% in 2004), but the entire region is still suffering the effects of recent high vacancies.

Capital Reserves

Before public housing was devolved to the service managers, OHC used an annual allocation model to determine current-year spending on capital upgrades and replacements. Thus, these projects did not have the option of accruing reserves for capital replacement. MMAH has claimed that as part of devolution it created sufficient tax room for service managers to allocate capital funding to public housing, but this allocation was not on an equal per-unit basis. This means it is up to each individual service manager to find the funds to provide for capital upgrades to the public housing portfolio.

Portfolio Summary

None of the projects is viable at expiry, so the aggregate portfolio would have an increasingly negative cash flow unless the service manager provides immediate subsidy as each debenture is retired.

Post-Expiry Viability Assessment

It is clear that this public housing provider, like all of public housing across the province, will require ongoing subsidy after the debentures that financed the original construction are paid off. Upon retirement of the debentures, CMHC's obligation to provide any operating subsidy with regard to the public housing stock will be terminated. This means the entire burden of providing ongoing rental subsidy will lie with the service managers. This increased burden will begin in 2009 for the portfolio under discussion.

Note that the portfolio's non-viability is not a function of its northern location. Rather it is a function of the fact that almost 100% of its residents require RGI subsidy. Thus, since it shares this characteristic with all public housing in Ontario, it is reasonable to predict that all of public housing will face the same predicament.

It is important to note that public housing accounts for roughly 30% of the social housing stock in Ontario. Since the federal funding will be withdrawn beginning very soon, stakeholders must plan to address this vital problem as soon as possible.

6. Conclusions

Overall, for most non-profit providers included in the Canada-wide study, the conclusion is that the sky is not falling. Most will be viable, or have the potential to implement

remedies (detailed in section 3) that will make them viable. In Ontario, however, the prospect is less rosy.

Generally, pre-86 non-profit projects have a greater probability of operating viability. They have a relatively high number of market-rent residents and market rents are generally higher than operating costs.

For non-profit providers with predominantly post-85 projects, there is a greater mix of outcomes. These portfolios tend to have fewer units at market rent and thus a greater proportion of RGI units with constrained revenues (incomes of low-income households tend to be fixed or stagnant).

There is no specific RGI proportion that can be identified as a tipping point – viability varies by degree of RGI assistance as well as by market area. However there is a much higher probability of problems as the RGI proportion exceeds 65%.

Another problem facing Northern providers is that they can expect to have difficulties raising their market rents sufficiently to keep pace with increases in operating cost. These providers run a very high risk of being unviable, regardless of their percentage of RGI households.

Most urban native and public housing projects will not be viable upon retirement of their debt because of the very high percentage of their residents who require RGI.

In combination, projects anticipated to be in difficulty – Public Housing, Urban Native and some portion of Post 85 Non-Profit, probably will account for well over 50% of the total stock of social housing, so this is a significant problem.

A second issue is the adequacy of capital replacement reserves. In a number of cases, projects appear to be increasing their annual contribution to reserves and can expect to afford an annual expenditure of at least the \$750 benchmark used in this study. However, individual cases will vary so much that it is essential that all providers undertake a building condition assessment and reserve fund study. As noted above, many service managers have already agreed to underwrite the cost of this work.

Those projects with weak or non-viable post expiry operating positions also tend to be those with poorly funded reserves – especially Public Housing. In Ontario, this stock is now owned by the service managers, who arguably don't have the financial resources to address these problems on their own, thus the campaign by Toronto Community Housing Company to obtain assistance from the federal and provincial government to address its capital shortfall, which is somewhere in the neighbourhood of \$240 million.

Neither the main study nor the Ontario addendum examined the corollary of the expiry issue – the reduced expenditures that will be realized by the federal, provincial/territorial and municipal governments. In total, these governments will realize more than \$3.5 billion annually across Canada in reduced expenditure by the time all the operating agreements expire. Based on the percentage of Canada's total social housing in Ontario, we can expect roughly 40% of this saving to accrue in this Province. This should provide

adequate financial resources both to reinvest in projects where viability is a problem (e.g. provide ongoing rent supplements) and to fund necessary capital replacement to ensure the projects are in sound condition. These assets have already been paid for. It is far less expensive to invest in sustaining them than it is to replace them with new housing.

In this regard, it is important to keep in mind that under the terms of the Social Housing Reform Act, service managers must maintain “service-level standards” even after the providers’ debt is retired. These standards are the specific number of households the service manager must ensure receive rental assistance every year. Thus, it seems like a useful solution to explore the signing of rent-supplement agreements between providers and service managers after expiry. This will allow providers the cash flow they need to promote their viability and enable service managers to meet their legislated obligation to serve low-income households. These rent-supplement agreements should not involve any “new” money since they would merely be the continuation of current expenditures by the service managers.

Appendix A:

| Summary of Individual Project Case Studies | | | | | | | | | | | |
|--|-----------|--------------------|------------------------------|---------------------|---|---|--------------------------------------|--------------------|------------------------------|-----------------------------|-----------------------------|
| Sub- Program | ID | % RGI Units | Test 1: NOI Today (1) | Viable Today | Annual Reserve Allocation per unit | Annual Reserves Available per unit (2) | Test 2: Reserves Adequate (3) | Expiry Year | Test 3: NOI at Expiry | Viable at Expiry (4) | Outcome Category (5) |
| Provincial | 1 | 69% | \$447 | Yes | \$459 | \$605 | No | 2032 | (\$257) | No | 4 |
| Provincial | 2 | 63% | \$2,345 | Yes | \$542 | \$779 | Yes | 2027 | \$2,945 | Yes | 1 |
| Provincial | 3 | 50% | \$1,329 | Yes | \$512 | \$874 | Yes | 2027 | \$1,340 | Yes | 1 |
| Provincial | 4 | 57% | \$1,534 | Yes | \$538 | \$864 | Yes | 2028 | \$2,135 | Yes | 1 |
| Sect 95 (2% write-down) | 5 | 25% | \$1,690 | Yes | \$448 | \$491 | No | 2016 | \$1,850 | Yes | 2 |
| Provincial | 6 | 71% | \$119 | Yes | \$453 | \$692 | No | 2030 | (\$800) | No | 4 |
| F/P (Post 85) | 7 | 68% | (\$16) | No | \$756 | \$915 | Yes | 2023 | (\$347) | No | 3 |
| Provincial | 8a | 53% | (\$341) | No | \$650 | \$1019 | Yes | 2024 | (\$685) | No | 3 |
| Provincial | 8b | 82% | (\$1,827) | No | \$650 | \$984 | Yes | 2026 | (\$2,914) | No | 3 |
| Urban Native Post 85 Sec 95 | 11a | 71% | (\$3,627) | No | \$740 | \$1055 | Yes | 2022 | (\$6,112) | No | 3 |
| Urban Native Post 85 Sec 95 | 11b | 100% | (\$13,557) | No | \$1,777 | \$2,092 | Yes | 2022 | (\$22,074) | No | 3 |
| Notes: | | | | | | | | | | | |
| 1. This test determines whether total revenues, excluding subsidy, are greater than total expenses excluding mortgage payment | | | | | | | | | | | |
| 2. Annual reserve available combines current balance of reserve amortized over remainder of operating agreement plus annual contributions. | | | | | | | | | | | |
| 3. Adequacy based on comparing amount available (prev column) against the benchmark of \$750 that would be available if annual contributions of \$450 had been made throughout operating agreement and earned 3% interest, compounded annually with no withdrawals until year 11. It is assumed that withdrawals commence in year 11 at an amount that depletes the reserve at expiry. | | | | | | | | | | | |
| 4. Are projected revenues greater than projected expenses in year immediately following expiry of subsidy and maturity of mortgage? | | | | | | | | | | | |
| 5. The outcome category is based on the four potential outcomes described in Section 2. 1 = viable with adequate capital reserves, 2 = viable with insufficient capital reserves; 3 = not viable but sufficient capital reserves; 4 = not viable, and insufficient capital reserve. | | | | | | | | | | | |

Appendix B:

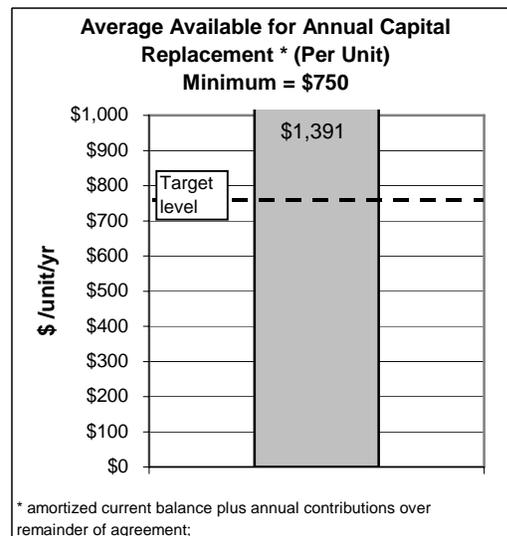
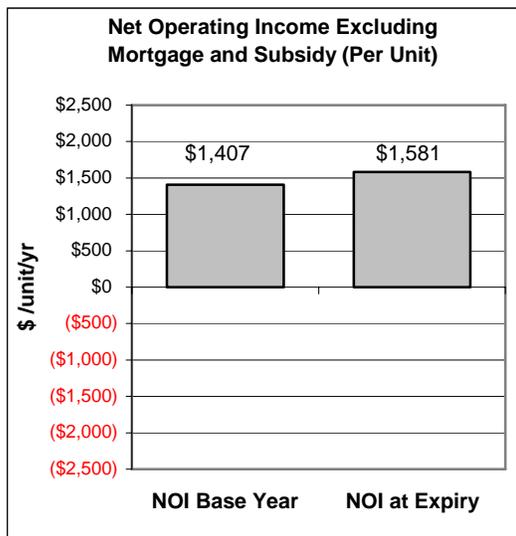
Detailed Project Profiles for the Two Portfolio Studies

Individual Cases

Ont. 9 a – e: Nepean Non Profit Portfolio

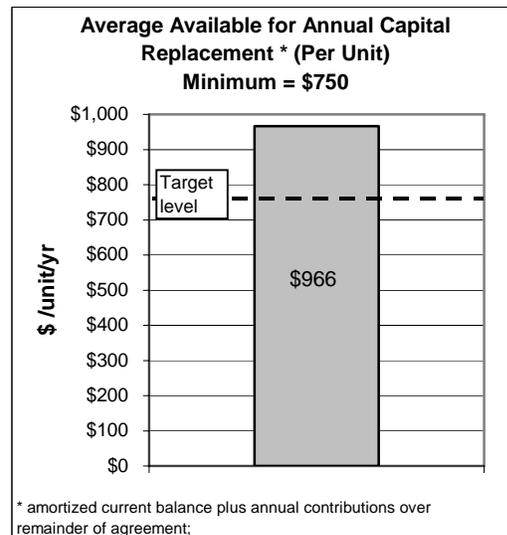
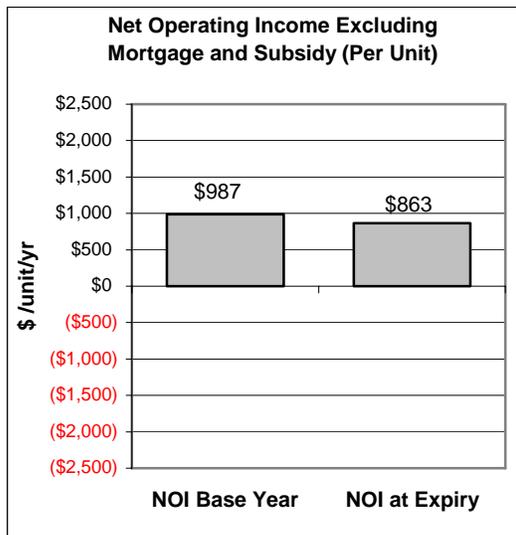
Ont. 10 a – s: Nipissing District Public Housing Portfolio

| | | |
|--|---|---|
| Case # Ont. 9a | Expiry year: 2023 | Program: Post 85 Sec 95 FP |
| Current Annual Mortgage pmt: \$54,590 | | Current annual subsidy: \$54,745 |
| Project details | Part of portfolio; Building type: townhouses, new construction | |
| Client type and RGI mix | Families 57 % units RGI; 30 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Eastern Ontario, low vacancy rates, but rates rising somewhat, some competition from ownership market, slow rise in rents. | |
| Is project viable at expiry? | Current NOI and NOI at expiry expected to be positive | |



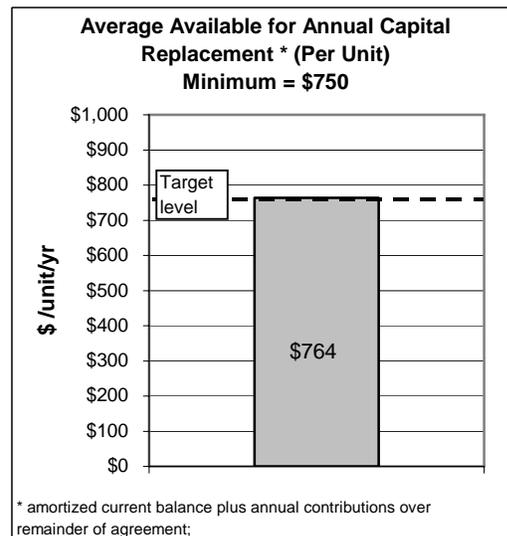
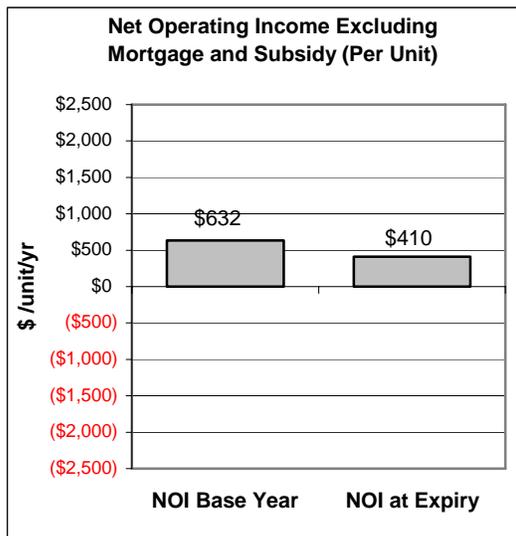
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|---|---|
| Current Capital Reserve Balance: 13,215/unit | Annual Reserve Allocation: \$613/unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Building is of an age where capital replacements have begun to be significant. Funds available are above benchmark of \$750, mainly due to a solid current reserve, but annual contribution of \$613 is lower than (\$1,200) recommended by SHSC. |
| Overall commentary | Project generates a healthy NOI at expiry and accordingly is viable May have to increase allocation to capital reserves. Updating the BCA and reserve allocation plan will help determine if such allocation is necessary. |

| | | |
|---|---|--|
| Case # Ont. 9b | Expiry year: 2024 | Program: Post 85 Sec 95 FP |
| Current Annual Mortgage pmt: \$413,823 | | Current annual subsidy: \$315,147 |
| Project details | Part of portfolio; Building type: townhouses, new construction | |
| Client type and RGI mix | 67% units RGI; 40 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Eastern Ontario, low vacancy rates, but rates rising somewhat, some competition from ownership market, slow rise in rents. | |
| Is project viable at expiry? | Current NOI is positive, NOI at expiry expected to be positive, also. Reduction in NOI probably due to high percentage of RGI units. | |



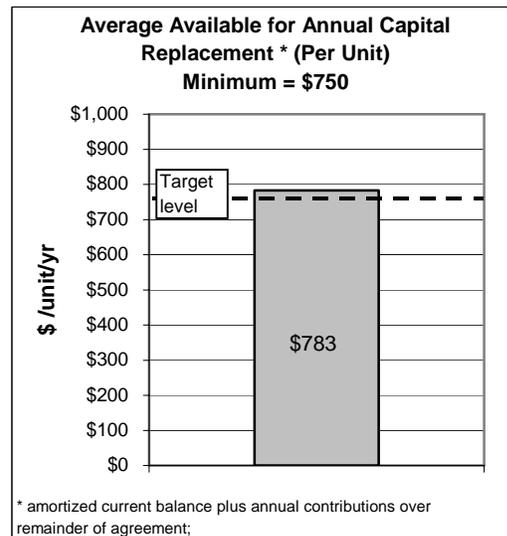
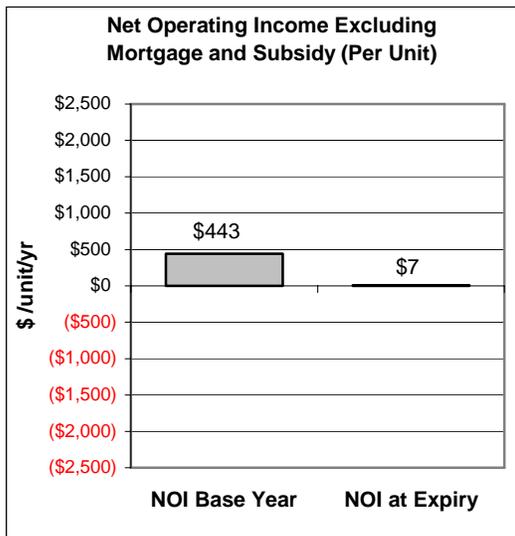
| | | |
|--|--|--|
| Current Capital Reserve Balance: 7,230/unit | | Annual Reserve Allocation: \$586/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Building is of an age where capital replacements have begun to be significant. Funds available suggest that reserves and current allocation may be appropriate, although allocation is below the separate benchmark suggested by recent SHSC study (\$1,200) | |
| Overall commentary | Apparently viable, since NOI at present time and at EOA are both positive. May have to increase allocation to capital reserves. Updating the BCA and reserve allocation plan will help determine if such allocation is necessary. | |

| | | |
|---|---|--|
| Case # Ont. 9c | Expiry year: 2024 | Program: Provincial Non-Profit |
| Current Annual Mortgage pmt: 381,803 | | Current annual subsidy: 343,252 |
| Project details | Part of portfolio; Building type: apartment & townhouses, new construction | |
| Client type and RGI mix | 62% units RGI; 33 % rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Eastern Ontario, low vacancy rates, but rates rising somewhat, some competition from ownership market, slow rise in rents. | |
| Is project viable at expiry? | Current NOI is positive, NOI at expiry expected to be positive, also. Reduction in NOI probably due to high percentage of RGI units. | |



| | | |
|--|--|--|
| Current Capital Reserve Balance: \$5,045/unit | | Annual Reserve Allocation: \$498/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Building is of an age where capital replacements have begun to be significant. Funds available are at the benchmark for this discussion, but annual contribution is lower than recommended by SHSC. | |
| Overall commentary | Apparently viable, since NOI at present time and at EOA are both positive. May have to increase allocation to capital reserves. Updating the BCA and reserve allocation plan will help determine if such allocation is necessary. | |

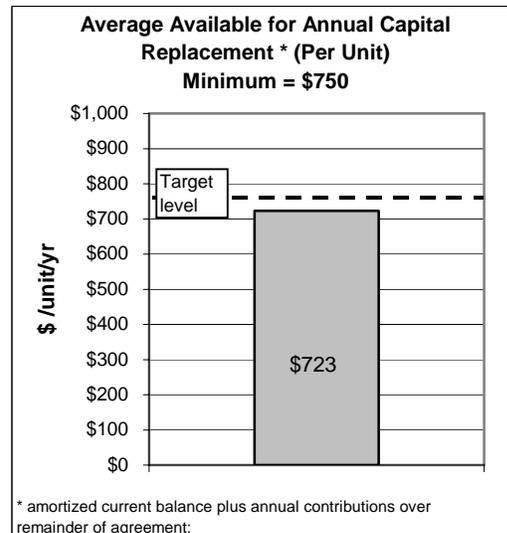
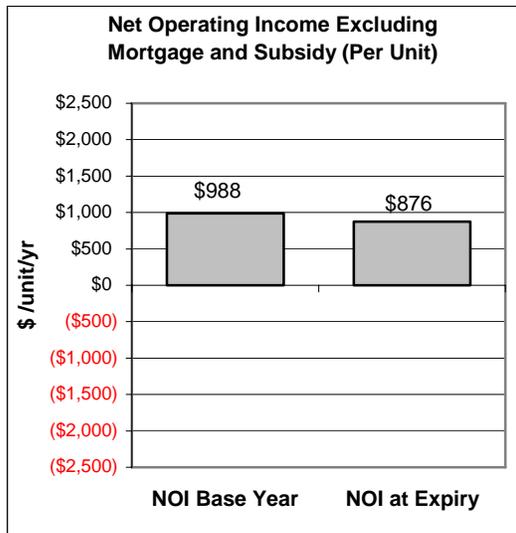
| | | |
|---|---|--|
| Case # Ont. 9d | Expiry year: 2028 | Program: Provincial Non-Profit |
| Current Annual Mortgage pmt: 856,512 | | Current annual subsidy: 803,375 |
| Project details | Part of portfolio; Building type: apartment & townhouses, new construction | |
| Client type and RGI mix | 69% units RGI; 39% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Eastern Ontario, low vacancy rates, but rates rising somewhat, some competition from ownership market, slow rise in rents. | |
| Is project viable at expiry? | Current NOI is positive, NOI at expiry expected to be positive, also. Reduction in NOI probably due to high percentage of RGI units. | |



| | | |
|--|---|--|
| Current Capital Reserve Balance: \$5,943/unit | | Annual Reserve Allocation: \$524/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Still relatively new, just beginning its first round of major spending on capital reserves. Funds available are just at the benchmark for this discussion, but annual contribution is lower than recommended by SHSC. | |
| Overall commentary | NOI at present time is positive, but at EOA is only slightly over zero. This is caused by high proportion of RGI units and aging rents. Without some adjustment the project runs the risk of being unviable at EOA. Updating the BCA and reserve allocation plan will help determine a larger reserve allocation is necessary. Will probably need cross-subsidy from other properties in the portfolio if any additional funds need to be | |

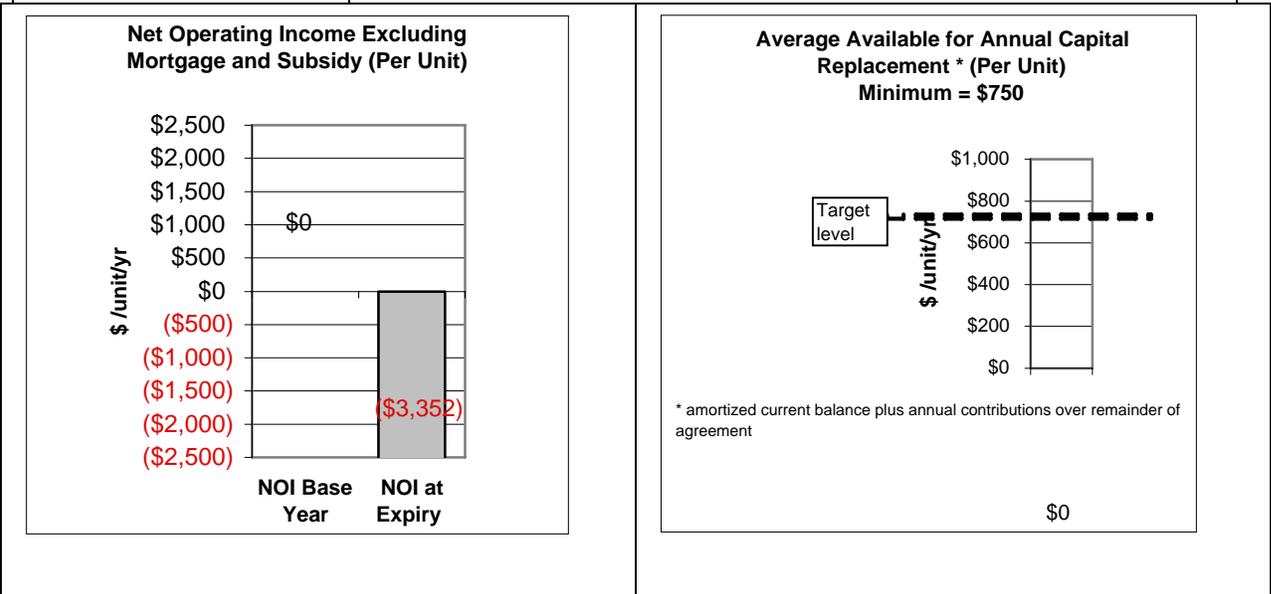
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| | transferred from operating to capital or if there has to be a re-financing upon EOA to do major capital upgrades. |
|--|---|

| | | |
|---|---|--|
| Case # Ont. 9e | Expiry year: 2028 | Program: Post 85 Sec 95 FP |
| Current Annual Mortgage pmt: \$309,399 | | Current annual subsidy: \$250,099 |
| Project details | Part of portfolio; Building type: townhouses, new construction | |
| Client type and RGI mix | Families 65% units RGI; 37% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Large Urban, Eastern Ontario, low vacancy rates, but rates rising somewhat, some competition from ownership market, slow rise in rents. | |
| Is project viable at expiry? | Current NOI and NOI at expiry expected to be positive | |



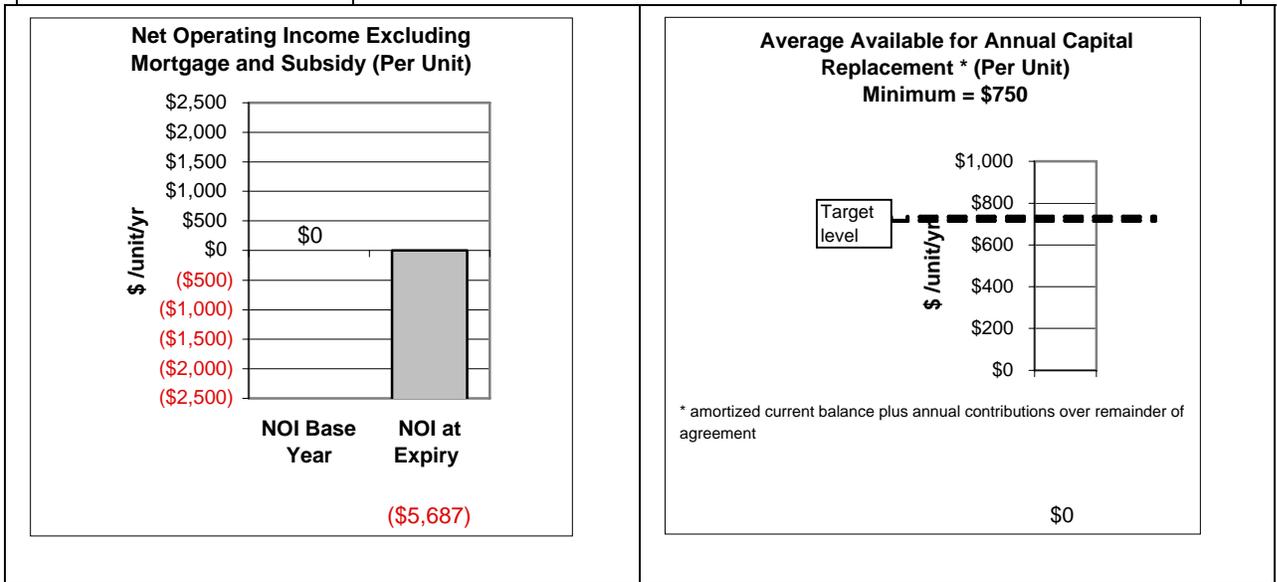
| | | |
|---|--|--|
| Current Capital Reserve Balance: \$ 2,493/unit | | Annual Reserve Allocation: \$615/unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Still relatively new, just beginning its first round of major spending on capital reserves. Funds available are just below the \$750 benchmark for but annual contribution is lower considerably than the \$1,200 recommended by SHSC. | |
| Overall commentary | Project is viable at expiry, although NOI is on a declining trend, based on the projection used here (RGI rents lagging inflation. RGI mix and revenues should be monitored to ensure a positive revenue trajectory, relative to operating costs. May have to increase allocation to capital reserves. Updating the BCA and reserve allocation plan will help determine if such allocation is necessary. | |

| | | |
|---|--|--|
| Case # Ont. 10a | Expiry year: 2016 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$60,841 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apartments | |
| Client type and RGI mix | Families 100% units RGI; 99% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



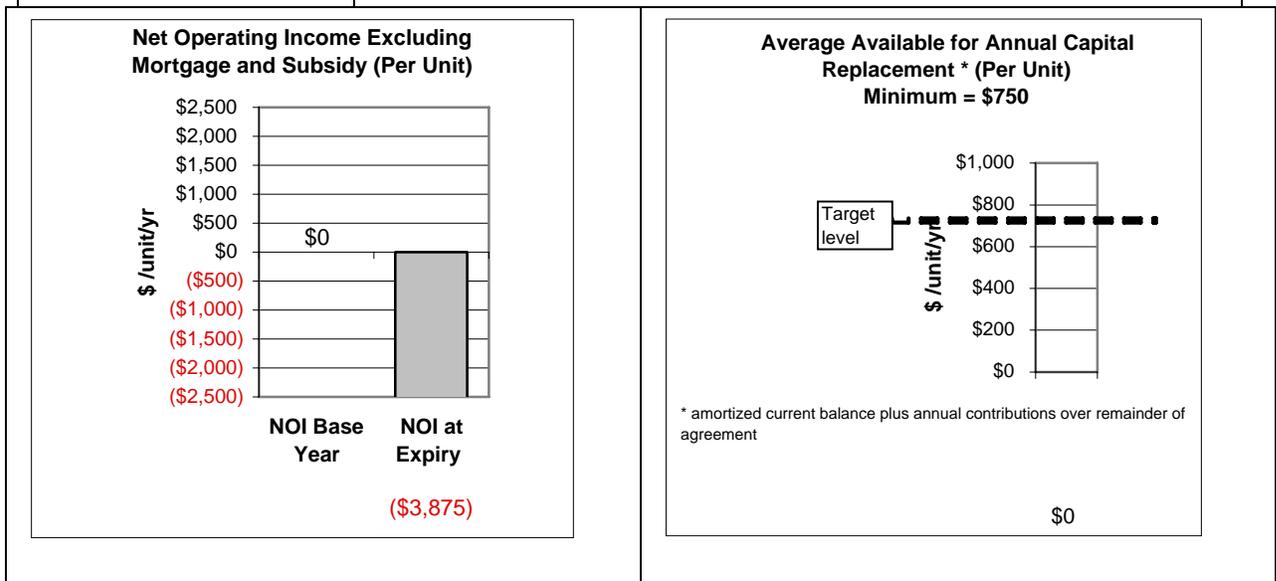
| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10b | Expiry year: 2014 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$39,529 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: row houses | |
| Client type and RGI mix | Families 100% units RGI; 96% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



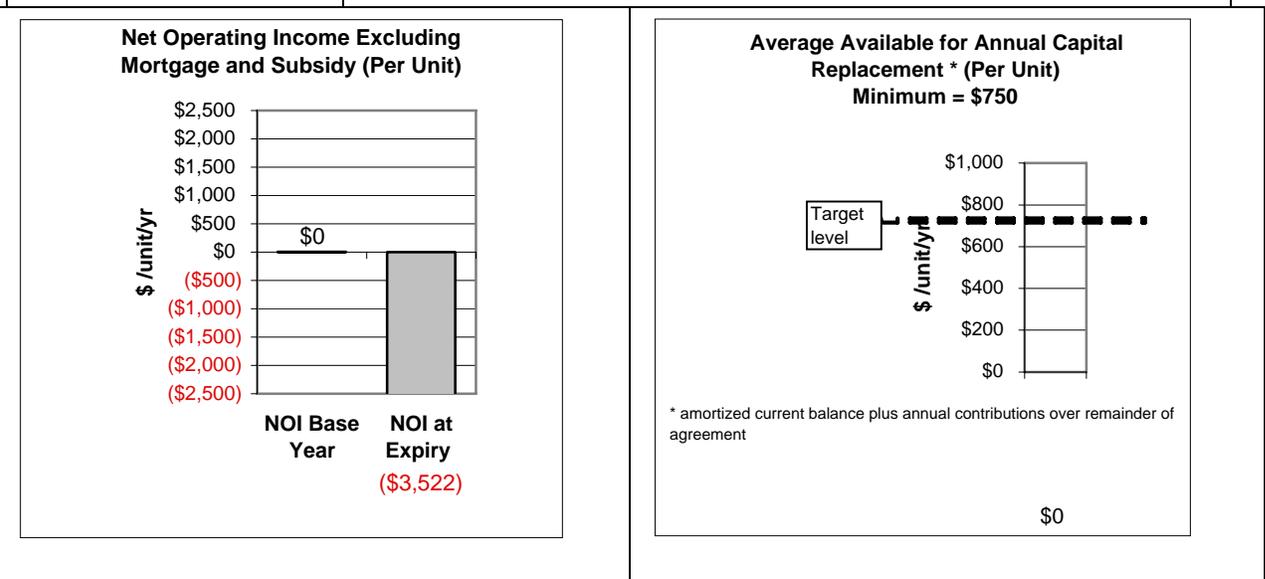
| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10c | Expiry year: 2019 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$37,328 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: row houses | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

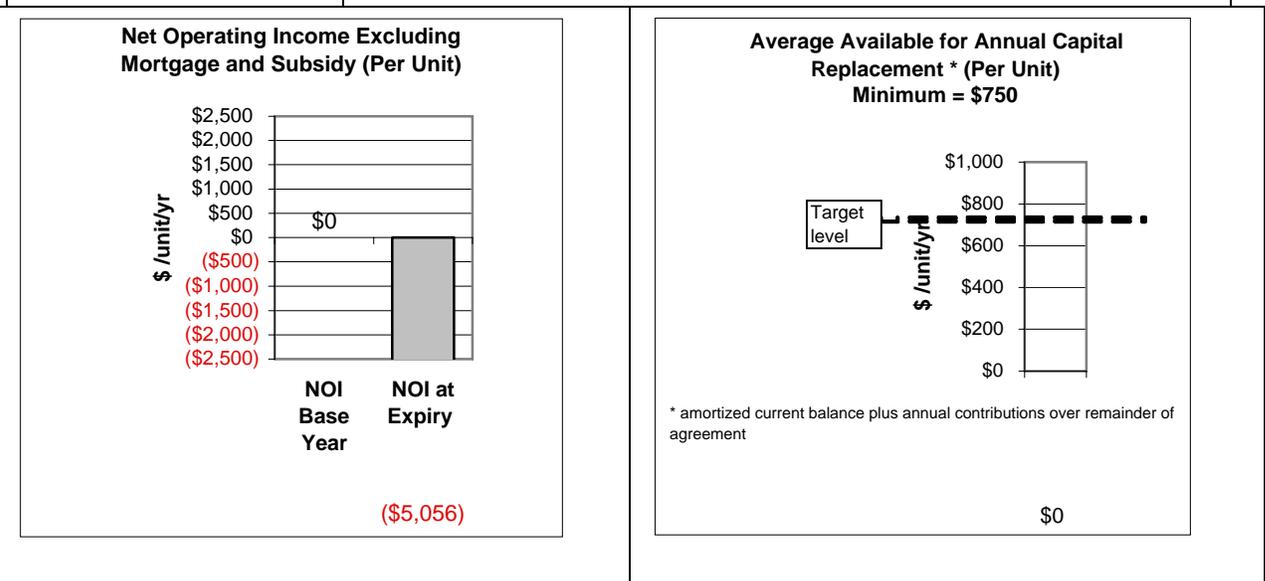
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|---|--|--|
| Case # Ont. 10d | Expiry year: 2020 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$32,415 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apartments | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

| Case # Ont. 10e | Expiry year: 2024 | Program: Public Housing | | | | | | |
|---|---|--|----------|--------------------|---------------|-----|---------------|-----------|
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$60,841 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture | | | | | | |
| Project details | Part of portfolio; Building type: apartments | | | | | | | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | | | | | | | |
| Any special circumstances? | None | | | | | | | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | | | | | | | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | | | | | | | |
| <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Net Operating Income Excluding Mortgage and Subsidy (Per Unit)</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>NOI Base Year</td> <td>\$0</td> </tr> <tr> <td>NOI at Expiry</td> <td>(\$6,082)</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p>Average Available for Annual Capital Replacement * (Per Unit) Minimum = \$750</p> <p>* amortized current balance plus annual contributions over remainder of agreement</p> </div> </div> | | | Category | Value (\$/unit/yr) | NOI Base Year | \$0 | NOI at Expiry | (\$6,082) |
| Category | Value (\$/unit/yr) | | | | | | | |
| NOI Base Year | \$0 | | | | | | | |
| NOI at Expiry | (\$6,082) | | | | | | | |
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit | | | | | | |
| Current building condition | Satisfactory | | | | | | | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | | | | | | | |
| Overall commentary | Not viable without ongoing subsidy | | | | | | | |

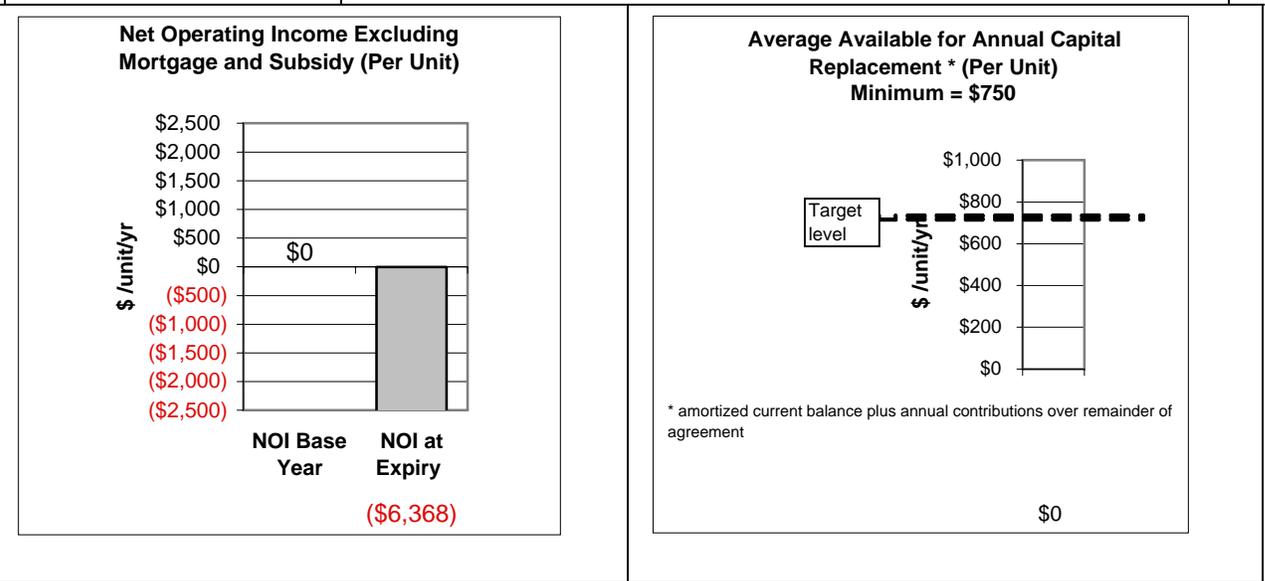
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|---|--|--|
| Case # Ont. 10f | Expiry year: 2009 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$12,299 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: houses | |
| Client type and RGI mix | Families 100% units RGI; 92% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

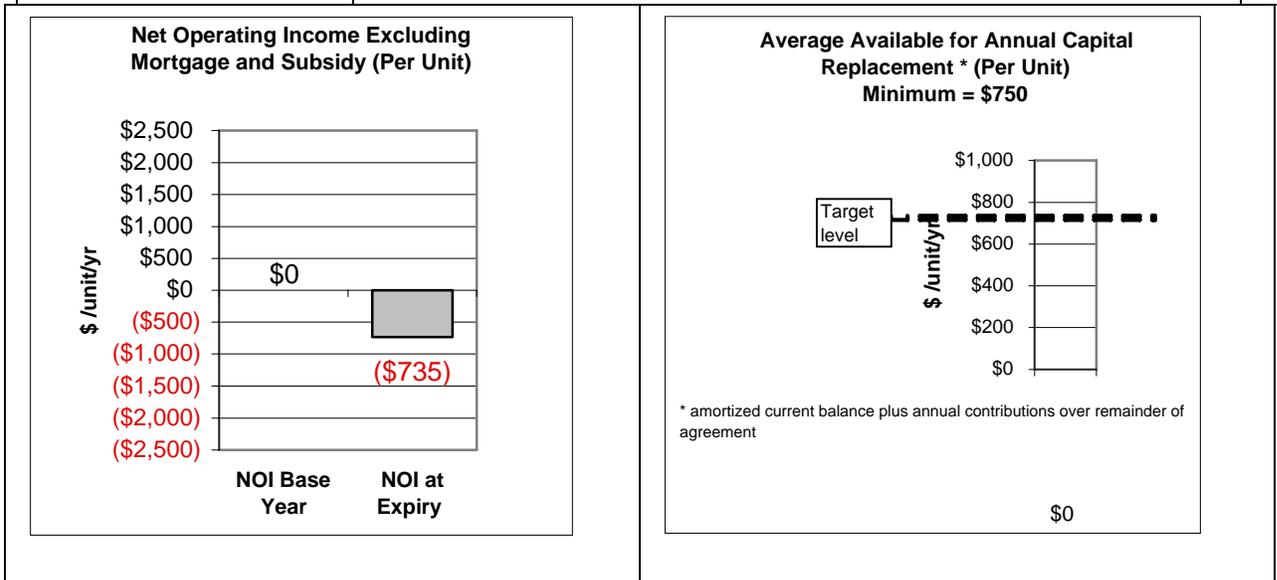
| Case # Ont. 10g | Expiry year: 2016 | Program: Public Housing | | | | | | |
|---|---|--|----------|--------------------|---------------|-----|---------------|-----------|
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$89,582 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture | | | | | | |
| Project details | Part of portfolio; Building type: apartments | | | | | | | |
| Client type and RGI mix | Families 100% units RGI; 96% rev from RGI | | | | | | | |
| Any special circumstances? | None | | | | | | | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | | | | | | | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | | | | | | | |
| <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Net Operating Income Excluding Mortgage and Subsidy (Per Unit)</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>NOI Base Year</td> <td>\$0</td> </tr> <tr> <td>NOI at Expiry</td> <td>(\$4,325)</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p>Average Available for Annual Capital Replacement * (Per Unit) Minimum = \$750</p> <p>* amortized current balance plus annual contributions over remainder of agreement</p> </div> </div> | | | Category | Value (\$/unit/yr) | NOI Base Year | \$0 | NOI at Expiry | (\$4,325) |
| Category | Value (\$/unit/yr) | | | | | | | |
| NOI Base Year | \$0 | | | | | | | |
| NOI at Expiry | (\$4,325) | | | | | | | |
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit | | | | | | |
| Current building condition | Satisfactory | | | | | | | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | | | | | | | |
| Overall commentary | Not viable without ongoing subsidy | | | | | | | |

| | | |
|---|--|---|
| Case # Ont. 10h | Expiry year: 2020 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$205,047 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apartments | |
| Client type and RGI mix | Families 100% units RGI; 97% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



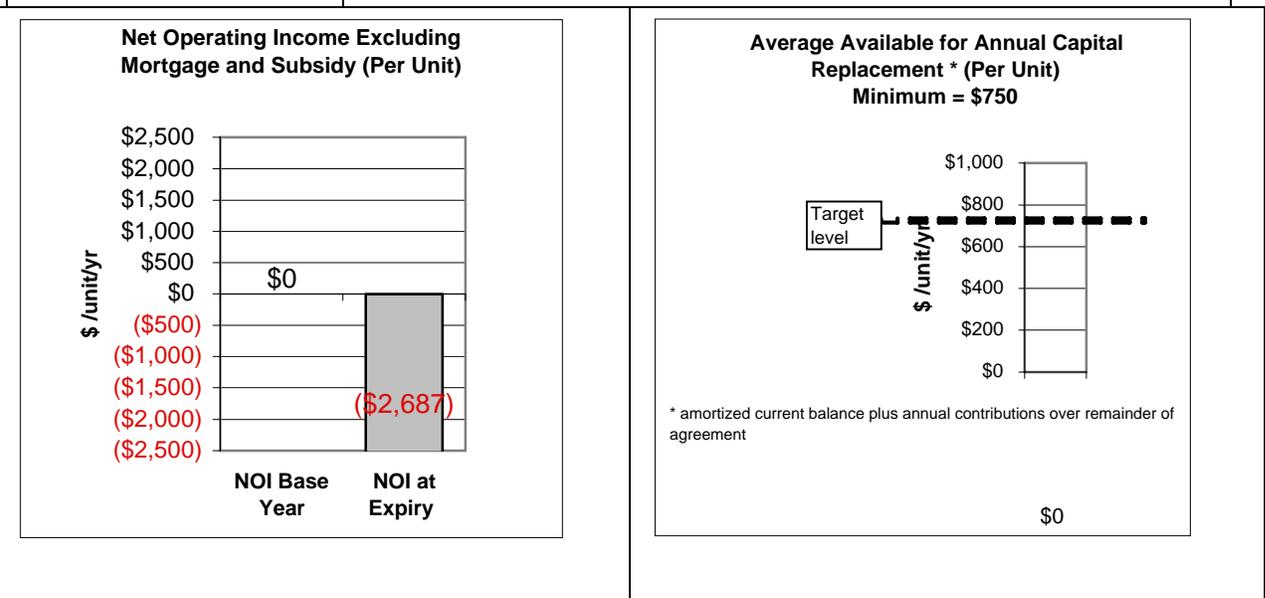
| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

| | | |
|---|--|---|
| Case # Ont. 10i | Expiry year: 2022 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$207,216 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apartments | |
| Client type and RGI mix | Families 100% units RGI; 98% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

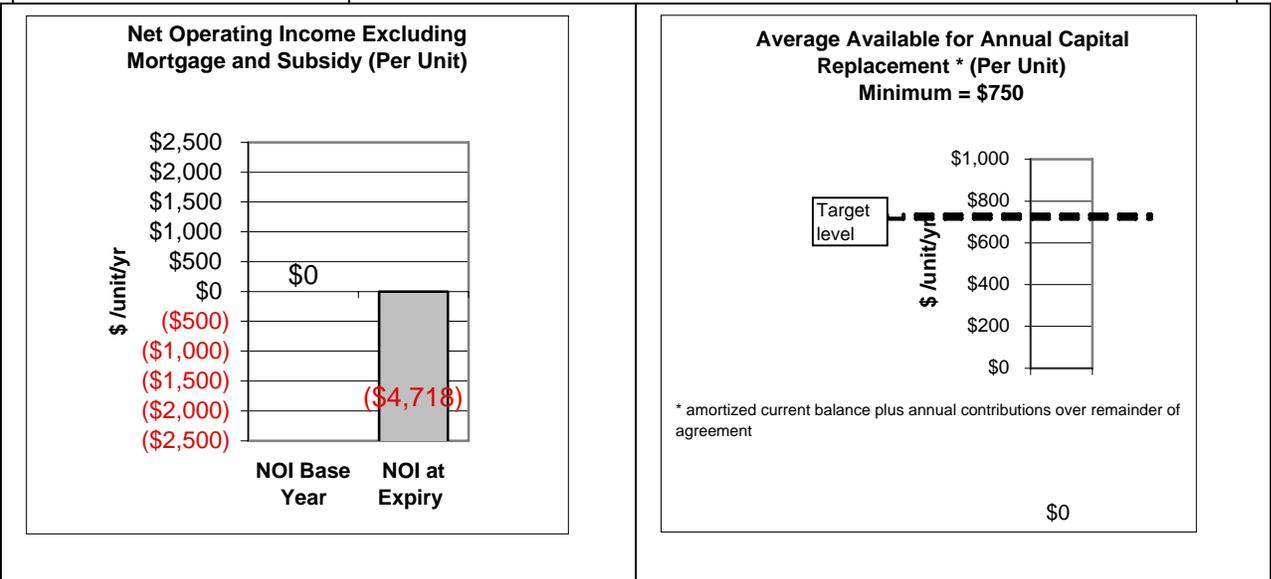
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|---|--|---|
| Case # Ont. 10j | Expiry year: 2021 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$267,477 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apartments | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

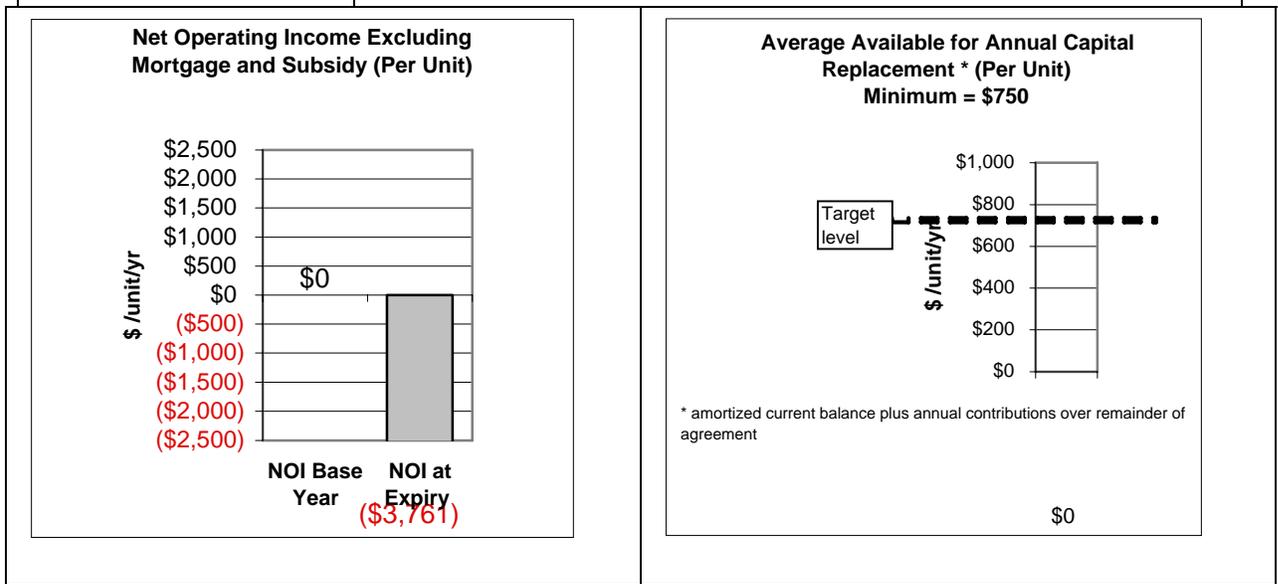
| Case # Ont. 10k | Expiry year: 2024 | Program: Public Housing | | | | | | | | | | | | | | |
|--|---|--|----------|--------------------|---------------|-----|---------------|-----------|----------|--------------------|--------------------------|-------|--------------|-------|------------------|-------|
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$31,465 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture | | | | | | | | | | | | | | |
| Project details | Part of portfolio; Building type: apts | | | | | | | | | | | | | | | |
| Client type and RGI mix | Families 100% units RGI; 96% rev from RGI | | | | | | | | | | | | | | | |
| Any special circumstances? | None | | | | | | | | | | | | | | | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | | | | | | | | | | | | | | | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | | | | | | | | | | | | | | | |
| <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Net Operating Income Excluding Mortgage and Subsidy (Per Unit)</p> <table border="1"> <caption>Net Operating Income Excluding Mortgage and Subsidy (Per Unit)</caption> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>NOI Base Year</td> <td>\$0</td> </tr> <tr> <td>NOI at Expiry</td> <td>(\$1,576)</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p>Average Available for Annual Capital Replacement * (Per Unit) Minimum = \$750</p> <table border="1"> <caption>Average Available for Annual Capital Replacement * (Per Unit)</caption> <thead> <tr> <th>Category</th> <th>Value (\$/unit/yr)</th> </tr> </thead> <tbody> <tr> <td>Actual Average Available</td> <td>\$800</td> </tr> <tr> <td>Target Level</td> <td>\$800</td> </tr> <tr> <td>Minimum Required</td> <td>\$750</td> </tr> </tbody> </table> <p><small>* amortized current balance plus annual contributions over remainder of agreement</small></p> </div> </div> | | | Category | Value (\$/unit/yr) | NOI Base Year | \$0 | NOI at Expiry | (\$1,576) | Category | Value (\$/unit/yr) | Actual Average Available | \$800 | Target Level | \$800 | Minimum Required | \$750 |
| Category | Value (\$/unit/yr) | | | | | | | | | | | | | | | |
| NOI Base Year | \$0 | | | | | | | | | | | | | | | |
| NOI at Expiry | (\$1,576) | | | | | | | | | | | | | | | |
| Category | Value (\$/unit/yr) | | | | | | | | | | | | | | | |
| Actual Average Available | \$800 | | | | | | | | | | | | | | | |
| Target Level | \$800 | | | | | | | | | | | | | | | |
| Minimum Required | \$750 | | | | | | | | | | | | | | | |
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit | | | | | | | | | | | | | | |
| Current building condition | Satisfactory | | | | | | | | | | | | | | | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | | | | | | | | | | | | | | | |
| Overall commentary | Not viable without ongoing subsidy | | | | | | | | | | | | | | | |

| | | |
|---|--|--|
| Case # Ont. 101 | Expiry year: 2027 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$12,525 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; apartments | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



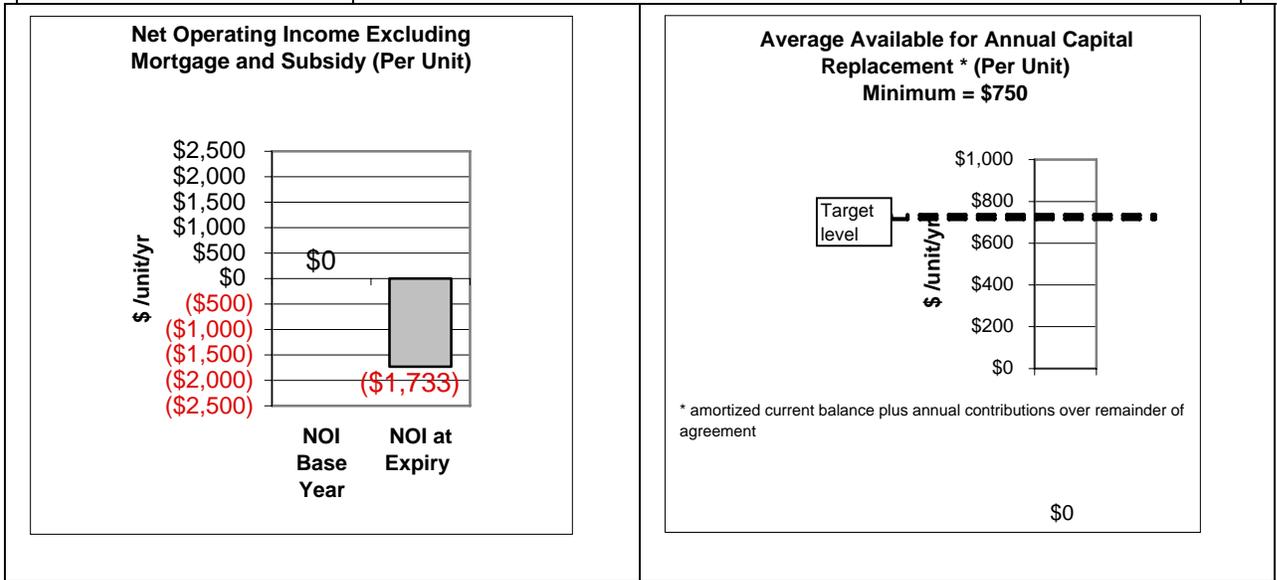
| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10m | Expiry year: 2016 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$76,315 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apts | |
| Client type and RGI mix | Families 100% units RGI; 99% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



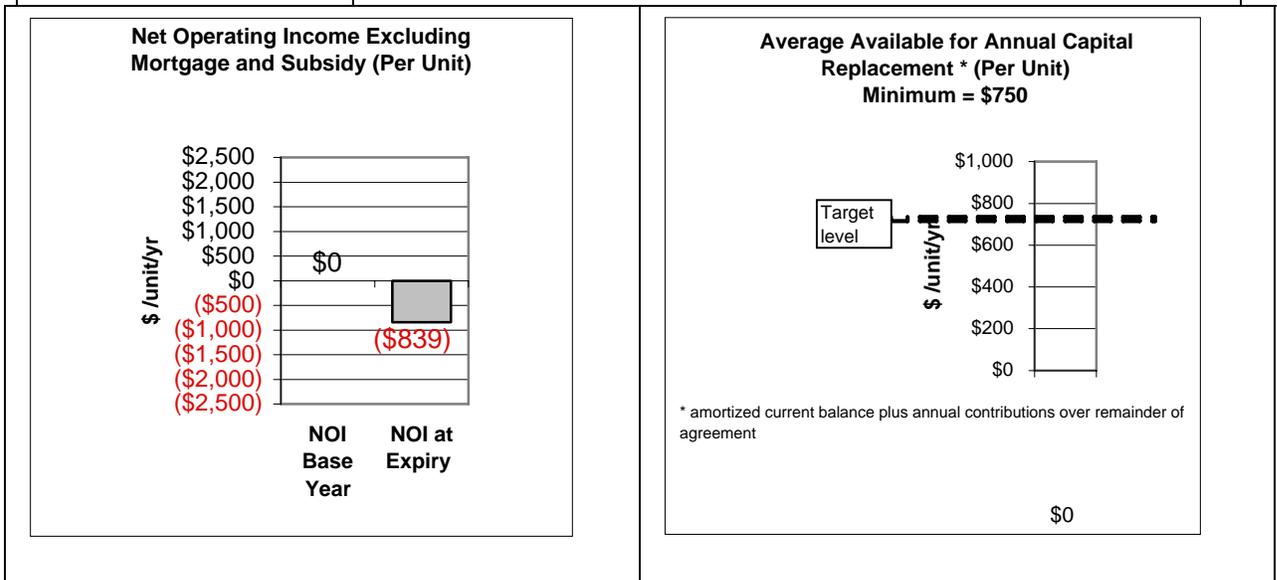
| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10n | Expiry year: 2020 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$41,138 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apts | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



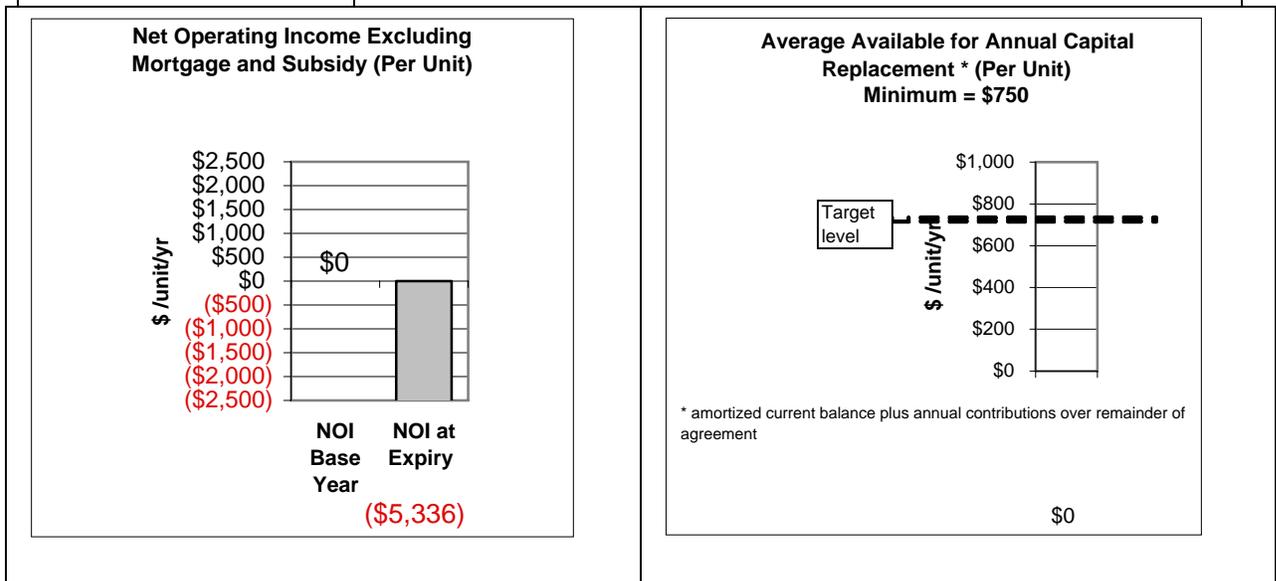
| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

| | | |
|---|--|---|
| Case # Ont. 100 | Expiry year: 2023 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$118,424 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apts | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



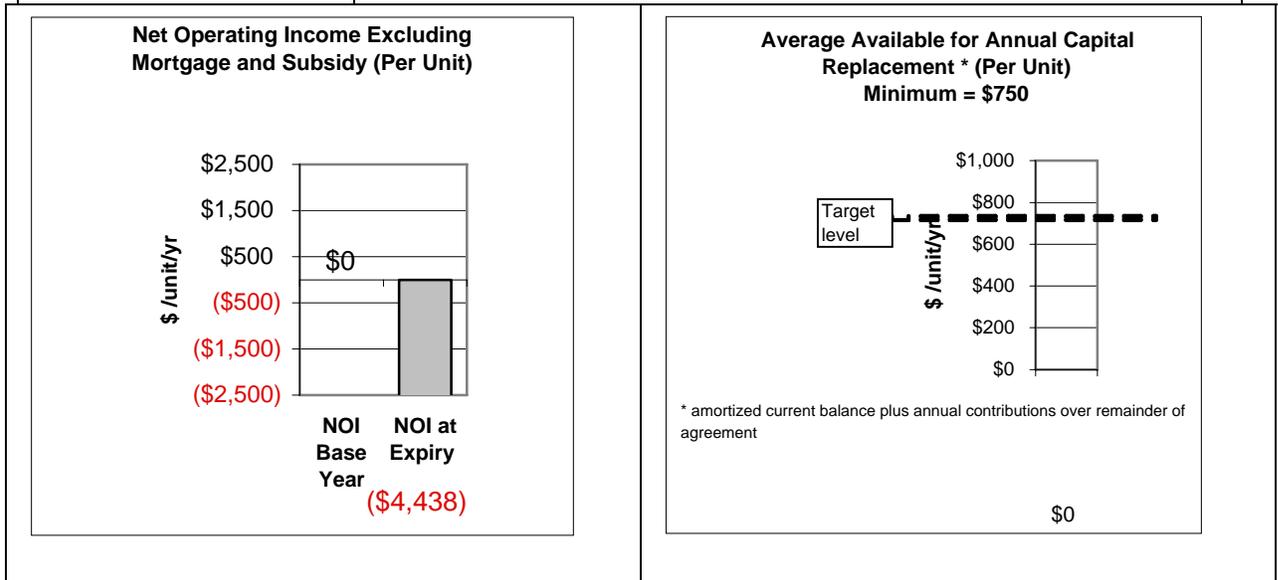
| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

| | | |
|---|--|--|
| Case # Ont. 10p | Expiry year: 2023 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$12,947 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: houses | |
| Client type and RGI mix | Families 100% units RGI; 96% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



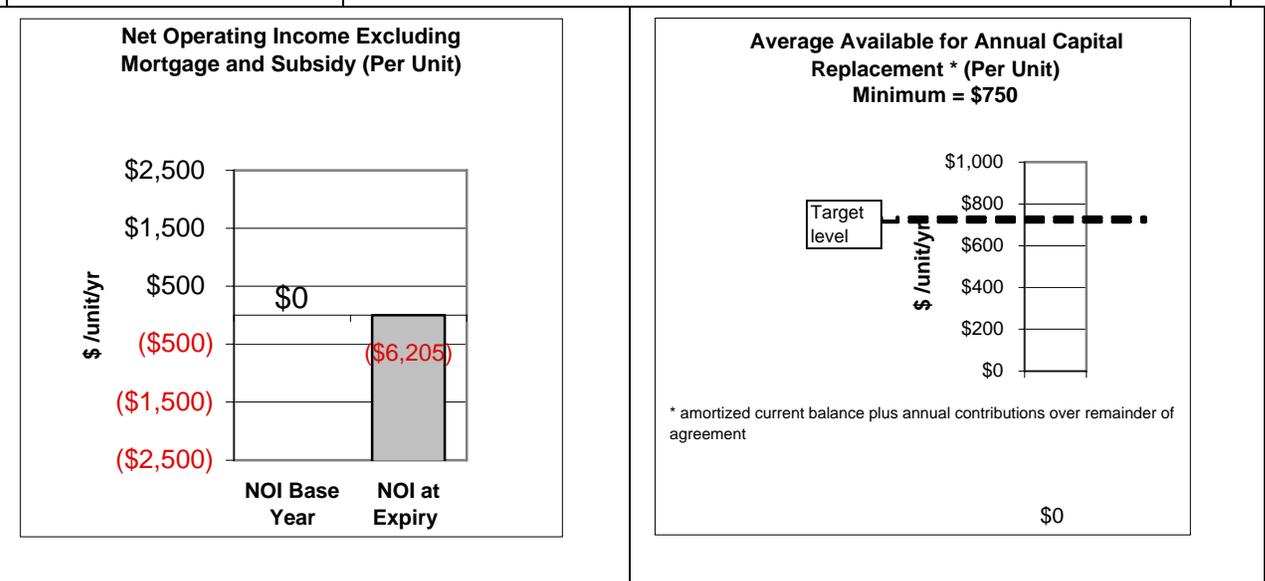
| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |

| | | |
|---|--|--|
| Case # Ont. 10q | Expiry year: 2023 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$39,844 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apts | |
| Client type and RGI mix | Families 100% units RGI; 100% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



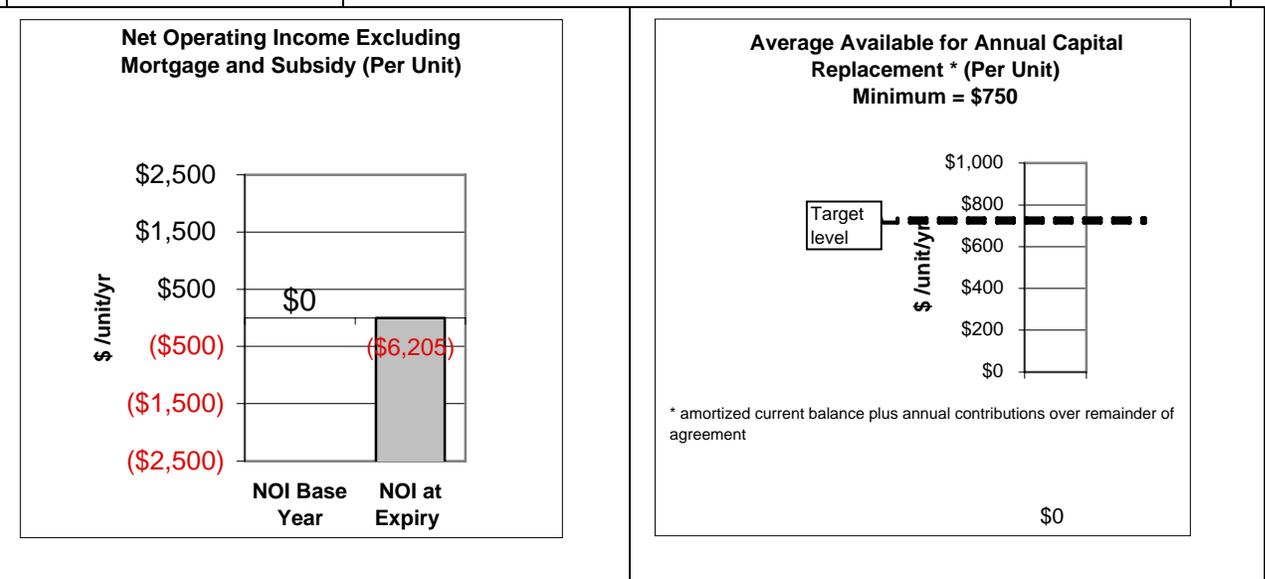
| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10r | Expiry year: 2023 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$14,699 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: houses | |
| Client type and RGI mix | Families 100% units RGI; 91% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | |
|--|---|
| Current Capital Reserve Balance: 0 per unit | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. |
| Overall commentary | Not viable without ongoing subsidy |

| | | |
|---|--|--|
| Case # Ont. 10s | Expiry year: 2023 | Program: Public Housing |
| Current Annual Mortgage pmt: 0 Debt is a debenture paid for by the Province. Cost is deducted from subsidy | | Current annual subsidy: \$28,566 This figure is net of the federal subsidy held back by MMAH to cover annual cost of the debenture |
| Project details | Part of portfolio; Building type: apts | |
| Client type and RGI mix | Families 100% units RGI; 99% rev from RGI | |
| Any special circumstances? | None | |
| Key market characteristics | Northern Urban, vacancy rates have historically been high, but rates are now below the provincial average. | |
| Is project viable at expiry? | Current NOI is zero, NOI at expiry expected to be negative | |



| | | |
|--|---|--|
| Current Capital Reserve Balance: 0 per unit | | Annual Reserve Allocation: 0 per unit |
| Current building condition | Satisfactory | |
| Adequacy of capital reserve | Before devolution, capital replacements were funded annually through an allocation from Ontario Housing Corporation. Therefore, no funds built up. New funding method required. | |
| Overall commentary | Not viable without ongoing subsidy | |