



City of  
**Peterborough**

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**To:** **Members of the Committee of the Whole**

**From:** **Jeffrey Humble, Director, Planning and Development Services**

**Meeting Date:** **July 24, 2017**

**Subject:** **Report PLHD17-001  
Peterborough Housing Corporation Acquisition of Sunshine  
Homes Non-Profit Inc.**

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## **Purpose**

A report to recommend Service Manager Consent for the Peterborough Housing Corporation's acquisition of property currently owned by Sunshine Homes Non-Profit Inc.

## **Recommendations**

That Council approve the recommendations outlined in Report PLPD17-001 dated July 24, 2016, of the Director, Planning & Development Services, as follows:

- a) That City Council, acting as Service Manager under the Housing Services Act, 2011 (HSA), provide consent pursuant to subsection 162 (2), to the transfer by Sunshine Homes Non-Profit Incorporated of 572 Crystal Drive to Peterborough Housing Corporation (PHC);
- b) That pursuant to Article 5.3 of the Shareholder Direction, the City of Peterborough as the sole shareholder of PHC, consents to the acquisition of 572 Crystal Drive for the purchase price of \$2.00, plus the assumption of the current mortgage assigned to the property of approximately \$3.0M;
- c) That the City, as Service Manager, request that the Ministry of Housing make a regulation under the Housing Services Act, 2011, to exempt the transfer from the application of tax under the Land Transfer Tax Act; and

- d) That the Mayor and Clerk be authorized to amend the Renewable Energy Initiative Program Loan Agreement between the City and Sunshine Homes Non-Profit Incorporated dated March 16, 2011, to add the new owner, Peterborough Housing Corporation.

## **Budget and Financial Implications**

The property has a Municipal Property Assessment Corporation (MPAC) assessed value of approximately \$8.5M. The assumption of debt totals approximately \$3.5M. PHC's financial statements are consolidated with the City's financial statements and therefore prudent fiscal management of PHC is a City interest. Once transferred, the \$3.5M debt burden will be a draw against the City's non-tax supported debt capacity.

There are three other reports being presented on July 24, 2017 that also commit non-tax supported debt capacity. The reports and draws on City's non-tax supported debt capacity are as follows:

- Report CPFS17-044 for Peterborough Housing Corporation – Financing for McRae Construction - \$24.433 million
- Report CPPS17-027 to award the Request for Tenders for the Peterborough Operations Centre - \$3.078 million
- Report PLHD17-003 for Peterborough Housing Corporation Acquisition of the Property at 217 Murray Street (Brock Street Mission) - \$3.8 million

After these four commitments the balance of available non-tax supported debt will be \$15.4 million.

In 2017, the Board of Directors for Sunshine Homes approached Peterborough Housing Corporation to determine if PHC would accept the transfer of its property, maintain the tenancies and operate the housing units without significant impacts on existing residents. The PHC Board of Directors has considered the opportunity and believes that it is a prudent decision for the Corporation.

Mobilizing PHC's comprehensive infrastructure to take on Sunshine Homes is a straightforward solution to what might otherwise be an arduous and expensive problem. The Board of Directors for Sunshine Homes has done admirable work in improving the position of a struggling housing provider, and they are ready to step back.

PHC has demonstrated that they have experience and infrastructure to take on a challenged housing provider and create positive outcomes. Tenants at Sunshine Homes will not see significant disruption. A staged approach will be followed, with PHC stepping in to provide property management as a first step.

PHC is sought out within the Peterborough region and across the province for advice on housing management, and recognized for their organizational and training excellence.

Transferring 110 units – a significant portion of the legislated Service Levels – to PHC will ensure their long-term stability and honour the legacy of Sunshine Homes.

## **Background**

### **Service Manager Consent**

Until recently, the transfer of property between providers of social housing required an application for Ministerial Consent from the Minister of Housing, an onerous and time-consuming process. However, since January 1, 2017, Service Managers have authority to grant consent to housing providers to sell, transfer, mortgage or redevelop social housing properties. By transferring these authorities, the Province recognizes that Service Managers know best concerning their local housing needs and the appropriate program responses. Decision making for the transfer of social housing will allow Service Managers to better meet local housing needs in a more timely and efficient manner.

### **PHC Shareholder Direction**

The Shareholder Direction to Peterborough Housing Corporation (PHC) explicitly recognizes PHC as a resource to the City, to “absorb social housing communities that no longer have the resources or aspirations to continue to operate independently” (PLPD16-072). This principle was not drafted to address any specific project or circumstance, but recognizes that independent housing providers may struggle to become or remain self-sufficient, as is the situation with Sunshine Homes.

### **Sunshine Homes**

Sunshine Homes Non-Profit Inc. is a community of 110 townhouse units on 7.65 acres of land at 572 Crystal Drive, in the south-east of the city. It is the second-largest mainstream social housing provider in the city of Peterborough after PHC. Before the transfer of funding responsibility and administrative oversight to the City, the Ministry of Municipal Affairs and Housing (MMAH) identified Sunshine Homes as a Project in Difficulty (PID). In 2005, MMAH removed responsibility for the company from its Board of Directors and placed it under the control of a receiver.

Significant City staff time and effort went into bringing Sunshine Homes out of receivership, including supporting improvements to governance, financial management, and operational practices. In 2008, the Service Manager recruited a new Board of Directors comprised of experienced and community-minded individuals, committed to addressing the issues that had made Sunshine Homes a PID. Once in place, control was transferred from the receiver to the Board of Directors.

The Board put in place a staff-managed operational model. This was a more expensive approach than a contract with a property management company, but it was felt that dedicated resources would help Sunshine Homes resolve ongoing vacancy loss problems and eliminate the accumulated deficit.

In 2012, the City engaged the services of a board mentor through the Ontario Non-Profit Housing Association. One of the objectives of the board mentor was to develop a deficit reduction plan. Sunshine Homes has made slow progress, but the staff-managed operational model increased the difficulty of reaching a surplus position. At the same time, the Board of Directors has struggled to retain members, despite assistance from the Service Manager.

Sunshine Homes is the only social housing provider in Peterborough that was created through direct investment with a private developer. That the organization was able to sustain itself for over 25 years without the stabilizing benefit of a sponsoring organization, such as a church, service club or community agency, is a remarkable achievement.

### **Risk-Benefit Analysis**

The transfer of Sunshine Homes to PHC mitigates potential risk, and will reduce cost to the Service Manager. Service Managers have contingent liability for the delivery of housing services, which means that if a housing provider becomes unable to continue operations, the Service Manager is legally obligated to step in. Sunshine Homes' proactive approach in coming forward to plan for the transfer to PHC sidesteps the risks that could arise from an emergency takeover or receivership situation. On an ongoing basis, PHC brings a more efficient management model and economies of scale to bear that can reduce overall operating costs.

The transfer of Sunshine Homes' assets has an associated debt burden of \$3.5M, comprised of a mortgage and forgivable loan. The MPAC assessed value of the assets is \$8.5M, some of which could be used as equity to support PHC's Capital Financing and Community Revitalization Plan which will address PHC's entire portfolio of social and affordable housing.

Like most social housing providers, approximately half of Sunshine's mortgage and operating costs are paid by tenant rents; their provincially benchmarked subsidy covers remaining costs. This subsidy has been included in the City budget since the transfer of responsibility for social housing to municipal Service Managers; the difference after transfer will be that the debt will directly contribute to the City's debt burden. As part of a social housing mortgage pool through CMHC, Sunshine Homes currently benefits from preferred interest rates; this benefit would transfer to PHC moving forward.

## **Land Transfer Tax Exemption**

The Province continues to be involved in a number of social housing operational matters, including processing requests for exemption under the **Housing Services Act, 2011** from the application of the **Land Transfer Tax Act**. These exemptions are achieved through a regulation amendment that requires the approval of the Lieutenant Governor in Council. A request for Land Transfer Tax exemption has been initiated; City Council approval for the transfer is required for approval of the exemption.

Submitted by,

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