
2024 to 2026 Issue Paper

NCHC Capital Growth Strategy – Increased Investment

Purpose

This issue paper seeks to begin to increase investment into the Northumberland County Housing Corporation (NCHC) Capital Repair program on an annual basis.

Background

The NCHC is the largest community housing provider in the County. In addition to the vital role that NCHC plays in serving low- to moderate-income households, it is also an important delivery and development stakeholder for the County. As the sole shareholder of NCHC, the County has a legislatively mandated interest in ensuring that the existing housing stock remains accessible for households in need, while seeking opportunities to expand and grow the NCHC portfolio to meet future demand. The NCHC is led by an independent Board of Directors comprised predominately of community members alongside the County Chief Administrative Officer and two County Council representatives. The NCHC is registered under the *Ontario Business Corporations Act, R.S.O. 1990 (OBCA)*, and is governed by Corporate By-Laws, Shareholder Direction and Purchased Services Agreement with the County.

The NCHC Asset Management Plan was approved in 2023 and sets a direction for the NCHC and the County in maintaining this critical community housing stock. The Asset Management Plan found that the NCHC housing stock is providing housing to many households across the County. The NCHC housing stock is meeting significant community need and the data highlights how critical it is to ensure that the existing housing units are protected, maintained, and where possible, expanded. It was also identified in the Asset Management Plan that the cost to replace NCHC's existing housing stock would be \$58,000,000 in present day dollars and considering construction cost inflations.

As a part of the Asset Management Plan, Building Condition Audits (BCA), Elevator/Lift Audits, Accessibility Audits, Energy Audits and Capital Reserve Replacement Forecasts were completed on the full NCHC stock. This is the first time that BCAs have been



completed for the NCHC stock. Through these studies, it was identified that there is \$18,500,000 of unfunded capital liability between 2022 and 2031 within the NCHC portfolio.

Recognizing that the average age of the NCHC stock is 50 years, with the youngest project being 42 years. It is anticipated that there will be a significant requirement for investment into this housing stock over the next several years. Significant investments are needed in areas such as: fire safety, cladding, heat, water, electrical, health and safety and accessibility. Having regularly updated BCAs allows for a more accurate picture of what needs to be done. To develop a comprehensive repair and capital plan, comprehensive studies are needed to make strategic investment decisions with the goal of extending lifecycles of NCHC stock and to further understand the current state of critical equipment as identified in the BCAs.

Further, the BCAs indicate a Facility Condition Index (FCI) ¹ for the NCHC portfolio, the majority of NCHC properties fall within the “Poor” category (11% to 30% of building requires renewal), while 2 properties fall into the “Critical” category (over 30% of the building value requires renewal). While these findings are stark, it is not unexpected. As previously noted, the buildings in the NCHC housing portfolio have an average age of 50 years. Buildings of this age will require significant maintenance or replacement to major building components, which will be demonstrated by higher-than-average outstanding repairs, renewal or upgrade requirements (which is a key variable in the FCI calculation). In addition, the FCI ratings for public housing stock across Ontario are typically lower than those achieved by non-profit and co-operative housing projects. This is because, while non-profit and co-operative housing projects are required to establish capital reserves and are provided operating subsidy to support annual contributions to those reserves, the public housing stock was not required or funded to create such a reserve. In fact, until the County created a capital reserve contribution in 2012, the NCHC housing stock never had an annual contribution to a capital reserve. This lack of historical capital reserve funding from the time of building construction has led to lower FCI ratings for public housing buildings generally and mirrors what is being evidenced for NCHC.

To address the forecasted capital need over the next ten years, it is proposed that the annual capital investment for the NCHC be increased gradually over the next three years working to double the County’s investment by 2026. The current annual investment of \$600,000 has not been increased in ten years. While doubling this investment is a substantial increase in the capital budget, it will not fully fund the unfunded capital liability, however this will work to substantially support the capital

¹ An FCI is an industry standard methodology used to calculate a per building rating, or index, based on the amount of unfunded renewal and repair, divided by the asset replacement value.



funding gap. Further, County staff will work to seek outside financing opportunities to increase the total capital investment into the NCHC by all levels of government.

Consultation/Options

In the development of this issue paper, consultations occurred with the Department of Finance, Department of Public Works and the Chief Administrative Officer. Further this request has been led by the NCHC Board of Directors and has been based on building condition audits and recommendations in the NCHC Asset Management Plan and the NCHC Strategic Plan. A letter of support has been included from the NCHC Board of Directors for this request.

While the proposed increased investment is not sufficient to meet the overall need of the NCHC portfolio, it is anticipated that it will support a short-term response to improve the portfolio FCI ranking and avoid a portfolio ranking of a 'Critical' over the next ten years, in fact the portfolio ranking would not reach 'critical' until at least 2038.

The implementation of this request is supported by a Public Works Issue Paper for an additional Project Manager to oversee large capital repairs at the NCHC in support of strong asset management practices.

In addition to this increased funding, staff will work to develop a long-term financing strategy to support critical repairs to support the long-term viability of NCHC properties and to address the unfunded capital liability. It is also anticipated that as part of the service level standards work currently underway, a target FCI level will be established for the NCHC as part of the Asset Management Plan implementation plan.

Increasing County investments into the NCHC capital program aligns with the NCHC Strategic Plan, NCHC Asset Management Plan and the Community Housing Master Plan. Staff will work to develop a long-term strategy for increasing the investment into the capital program from all levels of government.

Financial Impact

The financial impact of this issue paper over the next three years is:

2024 – \$300,000
2025 – \$450,000
2026 – \$600,000

This will be in addition to the current \$600,000 annual investment into the NCHC capital repair program.



Risk Considerations

Risk has been considered throughout the request to re-invest into the Housing Reserves. The risk associated with not increasing the County investment into the NCHC capital program is that the housing stock is at increased risk of experiencing unpredictable and significant building system failures.

Through increasing investment, the NCHC will be able to complete comprehensive studies of building systems and adequately plan for replacement and renewal of components. This investment will support strong asset management as is required of the NCHC and the County.

Impacts to Member Municipalities/Partners

The current NCHC portfolio is located within five of the member municipalities. Through this investment, residents of these municipalities will continue to have safe and affordable housing.

Included in 2023 Long Term Plan: YES/NO

No.