

MEMORANDUM



Date: January 17, 2020
To: Eric Moschopedis, Sunnyhill Co-operative Development Committee
From: Lee Prevost, Housing Development Lead - Urban Matters C.C.C.
File: 4700.0001.01
Subject: Sunnyhill Co-op Preservation Program

SUMMARY RECOMMENDATIONS

The following recommendation summary is the result of a four month process to investigate Sunnyhill's opportunity to regenerate their existing buildings utilizing primary funding from the National Housing Strategy (NHS). The NHS has specific performance pre-requisites that must be achieved in order to be eligible for capital funding. Those requirements include ensuring that at least 20% of units are accessible, and achieving a minimum reduction in energy consumption of 25%. Recognizing these and other program application criteria for receiving funding via the NHS, and guided by discussions with the program administrator - Canada Mortgage and Housing Corporation (CMHC), Urban Matters worked to resolve information gaps related to unit and co-op accessibility, sustainability opportunities, and the existing condition of assets, while acknowledging membership aspirations, land lease requirements and stakeholder interests. A significant portion of the research was provided through work previously completed by the Sunnyhill Development Committee, the result of previous efforts to address changing needs of the co-op.

Guiding Principles

Through the project initiation meeting and membership engagement, the following five guiding principles were identified to serve as checkpoints for evaluating redevelopment options.

1. Strong membership support for aging-in-place opportunities,
2. Strong commitment to energy efficiency/sustainability upgrades,
3. Successful land lease/purchase from the City of Calgary,
4. Ability to satisfy funding (CMHC) opportunities, and
5. Impact to operating pro-forma, debt-servicing ability and rents.

Two options were evaluated for their ability to satisfy the guiding principles. The first was a program focused on upgrades to existing residences that would address the deteriorating nature of the building envelopes while improving overall energy performance. The second evaluated the additional benefits of introducing new units to address both the accessibility requirements of the NHS and the aging-in-place aspirations of the membership. Both options are summarized below.

OPTION 1 – Building Envelope Upgrades

The focus included upgrades to the building envelope necessary to achieve NHS performance requirements while identifying practicable improvements to the accessibility of existing residential units. With this background, this opportunity to address aging-in-place opportunities, to support a lease extension with the City of Calgary and to elicit funding from via CMHC was evaluated. Several positives were identified including;

- Reduced chance tenants would need to be temporarily displaced,
- Lower capital borrowing requirement, greater likelihood of maintaining affordability,
- Less Phase 2 feasibility requirements, resulting in a quicker timeline to construction, and
- Perceived less complex process to gain a lease extension from the City.

But through the research activities it was determined that Option 1 would have difficulty satisfying several guiding principles. Some of the areas where it would fall short are;

- Would not address the key membership desire for age-in-place units,
- Would not meet minimum CMHC accessibility requirements,
- Given direction in the City of Calgary's Affordable Housing Strategy to support development of new units of affordable housing with below-market land sales, a lack of new units could be a barrier to successful lease extension or land purchase negotiations that are required to receive capital funding, and
- Limited opportunities to identify capital and operating partnerships.

OPTION 2 – Building Envelope Upgrades + New Age-In-Place Units

The second option was to proceed with the building envelope upgrades while adding an additional 16 fully accessible age-in-place units. While significantly more complex, within the existing competitive evaluation process to receive funding, additional age-in-place fully accessible units could provide a far more compelling funding narrative. In addition, the following benefits could be recognized;

- Would provide the cradle to retirement housing options identified as key to the membership,
- Would better address the City's program to support affordable housing providers through a below-market land sale by leading to the development of new units. A below-market value land sale from the City would also be recognized as a development partnership, a key aspect of successful funding applications,
- Introduces new fully accessible units sufficient to meet NHS funding requirements, while opening up additional funding avenues for accessibility upgrades to existing units and the campus as a whole,
- Potential for an additional revenue stream (new rents) to address capital borrowing carrying costs, and
- A more competitive CMCH application since in addition to preserving existing units, new affordable units would be provided in the accessibility and age-in-place spaces that are identified as of critical need.

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In addition to better satisfying the Guiding Principles for this project, any feasibility steps undertaken to confirm the viability of the second option, would equally inform the viability of Options 1, creating a fall-back possibility in the event Option 2 cannot be realized. The same would not likely be achieved through a feasibility analysis performed on Option 1.

Weighing the benefits and challenges of both options, and recognizing the significant risks of proceeding with any development undertaking, our recommendation is that Option 2 presents as most able to satisfy the membership's desire for age-in-place options while meeting the same energy efficiency/sustainability options as would be achieved with Option 1. It would also better support a lease extension or purchase from the City of Calgary, the latter of which could help secure a permanent future for Sunnyhill in its established, supported location. Option 2 also has the much better chance of meeting the CMHC's accessibility requirements and thereby contributing to a competitive funding application because it addresses the accessibility requirement. And lastly, Option 2 provides more options to find partnership capital contributions and operating proforma supports.

Thank you for the opportunity to support Sunnyhill in this investigation. We're keenly interested in how existing affordable housing units can be regenerated in order to provide successive generations with the level of support and sense of community that is unique to co-operatives. We're happy to discuss further our recommendation. If you have any questions, please don't hesitate to contact me.

Sincerely,



Urban Matters CCC

Lee Prevost

Housing Development Lead