

# SILVER BIRCH HAVEN

## LAP GRANT CONVERSION PROPOSAL

### EXECUTIVE SUMMARY

Heartland Housing Foundation's mandate is to provide affordable housing options to low and moderate income seniors and low income families. Throughout our history, we have been able to provide affordable and subsidized housing options as a result of government funding for capital growth, Strathcona County's support through debt financing as well as grant initiatives through provincial and federal programs. With our most recent construction project, we identified a need within the community for an affordable supportive living option to Strathcona County's senior population with moderate income levels that would not otherwise be eligible under our existing subsidized lodge program.

Silver Birch Haven (the "Haven") is a 94 unit complex attached to our existing 100 unit, Silver Birch Lodge. With shared kitchen services and amenities, the Haven offers studio, one and two bedroom units to the Strathcona community. Since opening in April 2019, we have filled 35 of the units. While there has been great interest from the community over the past three years since we began construction, there appears to be a reduction in demand this year due to economic shifts as well as a slow down in the housing markets. The clients we anticipated on attracting are now holding on to condos and houses awaiting the housing market to regain momentum.

In addition to a shift in demand from the moderate income seniors that would not otherwise be eligible for the subsidized lodge program (income higher than \$28,000), we continue to maintain an active waitlist in the community of over 115 applicants. The majority of these applicants are eligible for government subsidies and in immediate need of supportive living housing, and yet our applicants could wait up to 2.5 years before housing is available.

Heartland Housing Foundation is requesting that the Municipal Councils of Strathcona County and City of Fort Saskatchewan support its application to the Minister of Seniors and Housing to convert 28 studio units at Silver Birch Haven to be added to our Ministerial Order. This would allow HHF to be eligible for requisitioning as well as be eligible for the provincial Lodge Assistance Program (LAP) Grant. With 66 units maintaining an affordable rate for the moderate income seniors, HHF strongly believes the building will remain self-sufficient and will not rely on annual requisitions from the Municipalities.

## HOUSING MANDATE

Over the past 20 years, Heartland Housing Foundation and its predecessor Housing Management Bodies within the community have been vital in the construction of affordable housing within the region. In collaboration with our local municipalities and Alberta Government, HHF has built 284 supportive living units, 130 affordable senior and family units since 2000 and an additional 150 units coming on board within the next year. We believe building these affordable housing units provides opportunities to both communities.

Our vision of building **Homes for All** plays an important part in delivering Strathcona County's strategic results of "building strong communities to support the diverse needs of residents" (2013-2030 Strategic Plan). The Strategic Plan outlines Strategic Results under Goal 1 that would mark achievement of the vision of **becoming Canada's most livable Community**. Heartland Housing Foundation is actively assisting the Community through these strategic results by targeting:

- *"Diverse and inclusive communities"; and*
- *"Programming meets the changing needs of residents"*

HHF believes in creating sustainable housing models that require less financial operating support from municipalities and provincial government through mixed housing models. Through the concept of delivering profit for purpose, HHF can deliver a mixed affordable housing model will allow for subsidy programs to assist those in need while offering more affordable and market housing to help offset the operating costs associated with the subsidy program.

Silver Birch Haven is our first construction that has been built on a model of profit for purpose. With the return on investment from this supportive living complex, we will be able to continue building more affordable housing options for this growing and diverse community for future family and seniors populations. The existing model for Silver Birch Haven was built with the idea that the moderate income seniors needed a place to call home as they age without the inadequate supports of remaining in their home, yet affordable community living that mirrors their financial means. In contrast to the subsidized lodge program, residents of the Haven are paying approximately \$1,000-\$1,500 more for the services that are offered to low income seniors within the LAP eligible lodge program. During the design of the building, 28 studio units were created to provide HHF the ability to use those units as LAP grant housing. While HHF had considerable interest for affordable supportive living options during construction, we wanted the ability to offer subsidized housing options if there was a demand.

On June 26, 2019, the Board of Directors for Heartland Housing Foundation (“HHF”) passed a motion to convert 28 units of the newly built Silver Birch Haven (“Haven”) to the subsidized supportive living program. In order to fully execute the motion, the Board of Directors requires letters of support from both municipalities that are represented within our Housing Management Body. With the support of our Municipalities, HHF will make an application to the Minister of Seniors and Housing (Minister Pon) to revise Schedule A of our Ministerial Order and have the additional 28 units included in our portfolio. Through this revision, HHF has the opportunity to reduce our existing waitlist for lodge applicants, maintain self-sufficient operations of the Haven and continue to make an impact on the strategic goals of Strathcona County.

## WAITLIST MANAGEMENT

There are currently over 115 individuals (*Table 1*) on our waitlist for Silver Birch Lodge, of which, the majority would not be able to afford the rental fee structure as it exists at the Haven. With 67 seniors in immediate need of subsidized housing, HHF would be able to fill the 28 units and apply for the LAP Grant to subsidize some of the operating costs associated with housing low income seniors.

**Table 1 – Silver Birch Lodge waitlist, May 2019**

Waitlist Summary	Income Range (Monthly)	LAP Grant
67 approved applicants	\$678 - \$2,376	Eligible
29 approved applicants	\$2,400 - \$3,200	Non-Eligible
20 approved applicants	\$3,200 +	Non-Eligible

Silver Birch Haven opened April 1<sup>st</sup> 2019. It opened with the expectation that 100% of the building would serve a moderate income population within the community offering monthly rents in the range of \$2,800 to \$3,100 per month. Currently, the Haven is 39% occupied. Converting the 28 studios to Lodge Program would increase our occupancy immediately to 64% and also provide stronger marketing opportunities to fill the remaining 32 units.

## FINANCIAL SELF-SUFFICIENCY

Silver Birch Haven was built with the expectation of meeting a demand of upcoming seniors that required supportive living but would not be eligible for subsidized lodge program. As a result, this construction project was not funded with any government support or grant programs. HHF is wholly responsible for repaying the construction debt of this project, which

requires a mixed rental model to maintain operations and ability to repay debt. While our initial intent was to keep all of the supportive living units at the Haven as affordable, we recognize the opportunity we have to also reduce our subsidized lodge waitlist.

Through review of the financial viability of the new property, it has been determined that the building will remain self-sustaining regardless of the classification of the 28 studio units. By applying for the LAP grant (Government of Alberta), we will maintain profit for purpose which can be redistributed to future affordable housing programs. Appendix A provides a financial summary for the upcoming year providing financial results under both programs (Mixed Housing vs. Affordable Housing). Overall, the comparatives show that Silver Birch Haven will remain self-sufficient and maintain its ability to meet debt requirements and capital reserves even under the Mixed Housing Model.

## CONCLUSION

Heartland Housing Foundation's vision is **Homes For All** with a mission to **Provide safe and affordable homes for all residents...** It is important that we continue to serve those residents within our communities that are only able to afford low income housing options through mixed housing models. Since the Haven was built without any provincial or federal funding, it is necessary to operate under a mixed income model to be sustainable without further requisition dollars. 28 units would account for approximately 30% units within the building.

In order to convert these 28 units to the Lodge Program, the following actions must be completed:

- 1) HHF Board approval of the proposed changes to our rental structure and a motion to move ahead with formal requests made to the two municipalities and to the Minister of Alberta Seniors and Housing (Motion made June 26, 2019);
- 2) Receipt of letters of support from both municipalities:
  - a. Presenting to Strathcona County Council meeting on July 23, 2019
  - b. Presenting to City of Fort Saskatchewan in late August, 2019
- 3) Report prepared for the Minister including our proposal, history of the building and inclusion of Mayoral support to transition these units to Schedule A of the Ministerial Order
- 4) Pending approval from the Ministry, Management will begin reviewing waitlist for eligible applicants to move in to the studio suites.

## APPENDIX A – SILVER BIRCH HAVEN – LAP PROGRAM PROPOSAL

	Program Options *					
	Mixed Income		Affordable		Difference	
<b>Revenue</b>						
Studio suites (\$2,600/mth)	425,198		873,600	-	448,402	
One Bedroom	2,016,000		2,016,000		-	
Two Bedroom	212,400		212,400		-	
LAP Grant	135,211		-		135,211	
Vacancy - 2%	- 55,776	-	62,040		6,264	
Resident Services	106,152		106,152		-	
<b>Total Revenue</b>	<b>2,839,185</b>		<b>3,146,112</b>	-	<b>306,927</b>	Note 1
<b>Expenses</b>						
Taxes	-		75,000		<b>75,000</b>	Note 2
Utilities	306,045		306,045		-	
Operating	347,720		347,320			
Maintenance	73,833		73,833		-	
Wages & Benefits	660,000		614,000	-	<b>46,000</b>	Note 3
Administration	130,306		130,306		-	
Interest and reserves						
Debenture Interest	503,949		503,949		-	
Maintenance reserve	80,000		120,000		40,000	Note 4
Debt repayment reserve	80,000		120,000		40,000	Note 4
<b>TOTAL EXPENSES</b>	<b>2,181,852</b>		<b>2,290,452</b>		<b>109,000</b>	
<b>Excess of Revenue over Expenses</b>						
	<b>657,332</b>		<b>855,660</b>	-	<b>198,327</b>	
<b>Cash Flow</b>						
<b>Cash Flow, opening month</b>	-		-		-	
Less: Annual principal payments	- 559,051	-	559,051		-	
<b>Operating Cash inflow from operations</b>	<b>98,281</b>		<b>296,609</b>	-	<b>198,327</b>	Note 5

**\* Program options defined as:**

**Mixed income** 30% of lodge units within Silver Birch Haven are designated under the Lodge Assistance Program (LAP) and residents eligible for both LAP grant and requisition from municipalities if needed. Remaining 70% of units are offered to community members of moderate income means

**Affordable** Lodge living offered to moderate income seniors with rental rates including meal services range from \$2,800-\$3,100.

**Note Disclosure**

**Note 1 - rental rates**

Revising the allocation of 28 studio units to the subsidized lodge program would result in an overall reduction of revenue in the amount of \$306,000. The existing rental rate for these units would go from \$2,800/mth to roughly \$1,900/mth (tenant rent and LAP grant)

**Note 2 - Property taxes**

Through conversion of our 28 units to low income lodge units, we believe the County will exempt the entire building of property taxes consistent with other local municipalities

**Note 3 - Wages and benefits**

Increased wages required under the LAP grant program to provide weekly housekeeping and linen services to the 28 residents

**Note 5 - Reserves**

Under the Mixed Income model, we would reduce our year over year reserves to help maintain sustainable operating surpluses ensuring self-sustainability

**Note 4 - Net cash flows**

Net impact would result in a \$200,000 decrease in surplus, however maintain positive cash flows even after debt repayment and substantial reserves set aside for future capital and maintenance improvements