8
SOCIAL HOUSING BUILDING REPAIR PROGRAM OVERVIEW

The Community and Health Services Committee recommends the adoption of the recommendations contained in the following report dated April 30, 2010, from the Commissioner of Community and Health Services.

1. RECOMMENDATIONS

It is recommended that:

1. Council authorize the Commissioner of Community and Health Services to approve the distribution of the $365,000 remaining from the $2.676 million provincial building repair funding provided in 2008, as grants to housing providers having eligible building repair requirements in accordance with provincial program guidelines.

2. Council authorize the Commissioner of Community and Health Services in consultation with the Commissioner of Finance, to amend the secured loan framework for social housing building repairs as needed to secure the Region's investments in the social housing portfolio in a manner that complies with the eligibility requirements of the provincially administered social housing mortgage pool, subject to prior review by Legal Services.

2. PURPOSE

This report describes the various programs currently in place to fund social housing providers' building repairs and fulfills the annual reporting requirement established by Council. The report also addresses the need to revise the Regional requirements established for distribution of one-time provincial repair funding and to amend the secured loan framework previously approved by Council.

3. BACKGROUND

Housing provider's long-term building repair requirements are not adequately funded

Housing providers contribute a portion of their annual revenues to reserve funds set aside for building repairs. Although significant building repair costs are a normal part of managing residential properties, federal and provincial social housing programs have historically failed to incorporate sufficient reserve contributions to fund repairs for the duration of the life cycle of the buildings.

In 2005, the Region completed Building Condition Assessments to determine the condition of the housing portfolio and to project long-term building repair funding requirements. The Building Condition Assessment results estimated that housing providers would need an additional $65 million from 2006 to 2020.

The federal, provincial and regional governments all have a role in funding social housing building repairs

Currently, housing provider building repairs are funded through four sources:
1. Housing provider repair reserve funds.
2. Regional additional subsidy and secured loan program.
3. 2008 Provincial repair funds.
4. Federal/provincial economic stimulus funding (Social Housing Repair and Retrofit Program).

The Provincial Municipal Fiscal Service Delivery Review reaffirmed social housing as a municipal funding and administrative responsibility. Although both the provincial and federal governments have recently implemented programs to provide Service System Managers with social housing repair funding, the programs are time-limited, one-time only funding with no on-going commitments. Once funding provided through these programs is exhausted, housing providers' only recourse for additional repair funding is to the Region.

The Region provides technical support to assist housing providers in effective use of repair funds

Most housing providers are small organizations with limited staff. Very few have the technical expertise required to project manage major repairs. Regional staff provide technical advice and project management support to assist housing providers with development of requests for proposals, tender packages, bid awards, contract management, etc. Where possible, Regional staff also facilitate joint tenders for multiple housing providers requiring similar work. These Regional supports ensure that appropriate work is completed in a cost effective and professional manner. Where a housing provider is funding the repairs from their reserves, the Region's technical supports are available as an optional resource. The agreements governing work funded through Regionally administered programs require Regional involvement in the process.

4. ANALYSIS AND OPTIONS

Building repairs are partially funded by housing provider reserve funds

Most housing providers are able to fund at least a portion of their building repairs from their existing reserves. Even housing providers with depleted reserves are able to cover minor repair or capital item replacements through their annual budgeted reserve allocations. However, most of the buildings in the social housing portfolio are currently fifteen to twenty years old, a point in the typical building life cycle where significant repairs are routinely required. Major building components such as roofs, windows, doors and furnaces are reaching the end of their useful life and the resulting costs are a significant drain on existing reserves.

The Region supports enhanced contributions to housing provider reserves

The Region supports housing provider efforts to build their reserves by allowing providers to contribute 50% of any in-year operating surpluses to their reserves. Under the requirements of the *Social Housing Reform Act, 2000* and some federal operating agreements, housing providers' annual surpluses could be subject to recovery by the Region. These provisions created an incentive for providers to maximize their annual spending. Allowing providers to retain surpluses creates an incentive to good business practices and builds reserve balances. Surplus retention is conditional upon the housing providers' compliance with the requirement to submit capital plans for Regional approval and to spend only in accordance with Regionally approved plans.

The Region provides additional subsidy advances to fund building repairs

In 2007, through the adoption of Clause No. 7 of Report No. 7 of the Community Services and Housing Committee at the Regional Council meeting of September 27, 2007, the Region established an interim strategy to fund housing provider building repairs. The strategy authorized the Commissioner of Community Services, Housing and Health Services to approve additional subsidy advances of up to $500,000 per housing provider subject to availability of funds in the approved budget as an interim measure pending completion of the Provincial Municipal Fiscal Service Delivery Review. Additional subsidy advances are repayable to the Region in accordance with the provisions of the *Social Housing Reform Act, 2000* and are non-interest bearing.

The additional subsidy advance program committed $3.3 million in repair funding from 2007 through 2009

Additional subsidy advances are allocated to participating housing providers through an agreement that describes the scope of the work to be completed and establishes an accountability framework to ensure that the work is completed in a prudent and cost effective manner. Funds are advanced in accordance with the progress schedule of the work. Committed funds that are not expended within the calendar year are contributed to the Region's Non-Profit Building Repair Reserve and then withdrawn as required to provide progress payments to the housing provider.

For the fiscal years 2007 through 2009, additional subsidy agreements with a total commitment of $3.3 million were executed with 8 housing providers.

The Region has approved a secured loan program to fund building repairs

In 2008, through the adoption of Clause No. 2 of Report No. 2 of the Community Services and Housing Committee at Council on March 27, 2008, the interim strategy to fund housing provider building repairs was expanded to include a provision for secured loans for total advances per provider exceeding $500,000, approved jointly by the Commissioners of Community and Health Services and Finance.

The approved loan framework requires:

- Registration on title of an assignment of rents, general security agreement and collateral mortgage ranking behind the primary lender's first mortgage, subject to Ministerial Consent.
- Repayment beginning when the Region determines the housing provider has the financial capacity to pay or at the latest upon retirement of the first mortgage.
- Interest rates set in consultation with the Commissioner of Finance, based on the Social Housing Services Corporation Capital Reserve Fund investment pool returns.
- Submission of annual capital plans for Regional approval and expenditures only in accordance with the approved plan until the loan and all accrued interest is paid in full.
- That the housing provider continues to comply with social housing program obligations until the loan and all accrued interest is paid in full with a prohibition against third party refinancing or sale without the Region's written consent.

As a result of the federal/provincial stimulus funding announced in 2009, no housing provider has yet exceeded the $500,000 funding threshold that would necessitate a secured loan.

The Region's secured loan framework enhances the Region's ability to maintain service level standards

The requirement to comply with social housing program obligations until the loan and interest are repaid has important long-term housing policy implications. The *Social Housing Reform Act, 2000*, establishes rent-geared-to-income (RGI) service level standards that the Region must maintain. The Region also faces on-going waiting list pressures as the need for RGI continues to outstrip the supply. However, once housing providers' first mortgages expire, their obligations under the program effectively conclude. The potential loss of RGI and affordable market units represents a significant risk to the Region's ability to maintain service levels. The secured loan instruments enable the Region to extend housing providers' program obligations.

The secured loan framework must be amended to ensure the Region continues to achieve savings through the Provincial social housing mortgage pool

The Province bulk tenders all social housing mortgages and in so doing currently achieves savings of 2.5% to 3%. As the Region funds housing provider mortgage costs, these savings are a significant financial benefit for the Region. Subsequent to Council approval of the secured loan framework, Ministry of Municipal Affairs and Housing (the Ministry) staff advised the Region that the interest and repayment provisions of the loan template would disqualify a participating provider's first mortgage for inclusion in the provincially administered social housing mortgage pool. Debt instruments in the pool must be pristine and any other secured debt that performs during the term of the first mortgage renders the first mortgage ineligible for the pool. This issue was not identified in previous discussions with the Ministry as the only secured loan previously approved was for a provider who had already been removed from the mortgage pool as a result of property tax default.

Regional Finance and Community and Health Services staff have identified options to secure the Region's investment while maintaining mortgage pool eligibility. For example, the loan agreement could incorporate a future value calculation corresponding with interest accrual and the housing provider could be required to deposit repayment funds in an interest bearing, restricted account with the funds only transferred to the Region once the first mortgage is discharged.

As the secured loan framework was Council approved, Council authority is required to empower the Commissioners of Finance and Community and Health Services to work with the Ministry to establish a loan agreement that secures the Region's investment in the social housing properties without comprising mortgage pool eligibility.

In 2008, the Province provided one-time building repair funding

In 2008, the Provincial government announced $100 million in repair funding for social housing buildings. The Region's share of these funds was $2.676 million. The provincial funding guidelines allowed the Region discretion as to whether the funds were distributed to housing providers as grants or as repayable loans. Any interest or repayments of these funds must be reinvested in social housing repairs. Clause No 5 of Report No. 6 of the Community Services and Housing Committee approved at Regional Council on September 18, 2008, authorized distribution of these funds within the additional subsidy and secured loan framework previously approved by Council.

Additional subsidy agreements are voluntary and typically undertaken only when the housing provider has no alternate sources of funding. The 2009 announcement of economic stimulus funding grants for social housing repairs has made it difficult to fully commit the 2008 provincial funding through additional subsidy agreements. At present a total of $2.31 million has been committed to six providers. The Region is required to report commitment of this funding to the Province. There is a risk that the Province could require repayment of the uncommitted $365,000. As such, this report recommends that the Commissioner of Community and Health Services be authorized to approve distribution of the remaining funds as grants to fund eligible building repairs.

The federal and provincial governments are providing economic stimulus funding for building repairs through the Social Housing Repair and Retrofit Program

As part of the economic stimulus plan, the federal and provincial governments have jointly committed $1.2 billion to fund social housing building repairs in Ontario. Although the program was announced in the March 2009 provincial budget, Service Managers were not given Social Housing Repair Retrofit Program (the Program) details or their target allocations until June 30, 2009. Service Managers were required to demonstrate that targeted funds could be spent within tight project timeframes as funds were allocated on a "use it or lose it" basis. Service Managers were required to provide the funds as grants.

The Program funds are allocated over two April to March fiscal years. Year one of the program concluded March 31, 2010. Service Managers were required to submit preliminary program expenditure plans for the full two-year allocation in September 2009. Service Managers were subsequently required to submit individual project information forms to the Province for each project proposed for funding. Work must start on all projects within 90 days of Ministry approval. The Region achieved full commitment of the original year one Program allocation of $8,184,654 as well as a further $61,306 designated to the Region through the Provincial exercise to reallocate remaining Program funds. A summary of the year one funding allocations is attached to this report as *Attachment 1* The Region's target allocation for year two is $6,288,366 and staff are working closely with housing providers to ensure that funds are fully committed by March 31, 2011 in accordance with program requirements. The final year two allocation will be reported to Council in 2011.

The Region received Social Housing Repair and Retrofit Program administration funding

In addition to repair funds, the Program provided each Service Manager with $100,000 in administration fees and the opportunity to submit a business case to request additional administration funds. Staff prepared a business case for provincial consideration and successfully secured commitment of an additional $893,000 in provincial administration fees.

In total, the Social Housing Repair and Retrofit Program will provide the Region with approximately $15.4 million in building repair and program administration funding.

Building Condition Assessments and Energy Audits should be done in 2011 to update repair funding requirements and to position the Region to respond to any future federal or provincial funding initiatives

Within the residential property management industry, Building Condition Assessments are typically updated every three to five years. The social housing portfolio Assessment was last undertaken in 2005 with an update tentatively scheduled for 2010. However, with the influx of federal and provincial building repair funds, a new baseline will be required to inform future year cost projections. As year two project allocations to be funded under the Social Housing Repair and Retrofit Program will not be finalized until March 2011, the Building Condition Assessments could be updated in fall 2011. The Assessments data is a vital component of the Region's management of the social housing portfolio. Quantifying the continuing funding shortfall will also be integral to future funding discussions with the provincial government. The Assessments' costs of approximately $250,000 will be identified as part of the 2011 budget process.

5. FINANCIAL IMPLICATIONS

The social housing portfolio has a replacement value of approximately $1.3 billion. Timely building repairs avoid the compounding costs of deferred maintenance and ensure that the portfolio is appropriately maintained.

Building repairs are funded through housing provider reserves, the Region's additional subsidy program as well as a one-time provincial funding allocation and Social Housing Repair and Retrofit Program, the time-limited federal/provincial economic stimulus program. The Region's additional subsidy program had a tax levy impact totalling $3.3 million from 2007 through 2009.

The Region's experience with the additional subsidy program and the proactive investment in technical staff resources positioned the Region to maximize the provincial Social Housing Repair and Retrofit Program allocations. The Region's social housing portfolio will benefit from approximately $15.4 million in building repair and program administration funding through this program.

The 2008 provincial funds and the Social Housing Repair and Retrofit Program coincided well with the life-cycle cost peak for the social housing portfolio. However, these programs are one-time funding that will not address the longer-term repair funding requirements. A 2011 Building Condition Assessment update will enable the Region to quantify longer-term needs. As the Provincial Municipal Fiscal Service Delivery Review confirmed Service Managers' responsibility for social housing, a long term strategy to fund repairs will be required. Potential strategies to address the Social Housing Reserve and the Non-Profit Building Repair Reserve will be included in a June report to the Finance and Administration Committee.

6. LOCAL MUNICIPAL IMPACT

Social housing buildings are located in every municipality in the Region. The portfolio is home to approximately 6,000 households, many of whom are among the most vulnerable residents in our communities.

The Region's proactive building repair funding strategies and technical supports give housing providers access to the tools they need to maintain their properties in a state of good repair and to provide good quality housing to their residents.

7. CONCLUSION

The social housing portfolio is a valuable community asset, both as a real estate portfolio and more importantly, as home to approximately 6,000 households in the Region. Social housing providers do not have sufficient financial resources to fully fund their long-term building repair requirements. The Region has established a program of additional subsidies and secured loans and provides technical support to assist housing providers with necessary repairs. The federal and provincial governments have also introduced short-term building repair programs, primarily as part of the economic stimulus package. Funding from these programs, totalling more than $18 million, will conclude in 2011.

For more information on this report, please contact Sylvia Patterson, General Manager, Housing and Long Term Care at Ext. 2091.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the May 12, 2010 Committee meeting.)

ATTACHMENT 1

Table 1
Social Housing Renovation and Retrofit Program (SHRRP)
Year 1 – Allocations per Housing Provider

Municipality	Housing Provider (HP)	# Units	SHRRP Allocations
Aurora	Charles Darrow Housing Co-operative Inc.	107	$877,000
	Machell's Corners Housing Co-operative Inc.	67	$139,440
Georgina	Bethany Co-operative Homes Inc.	68	$80,000
Markham	Calvary House (Markham) Corp.	100	$39,392
	Rougebank Foundation	118	$440,000
	Thornhill - St. Luke's Seniors Home Inc.	96	$220,000
Newmarket	Davis Drive Non-Profit	119	$350,000
	German Canadian Housing of Newmarket Inc.	135	$206,825
	Interfaith Homes Manor Green	101	$33,000
Richmond Hill	Centre Green Co-operative Homes	42	$243,110
	Ja’fari Islamic Housing Corporation	170	$451,626
	Landsberg-Lewis Housing Co-operative Inc.	149	$257,066
	Prophetic Non-Profit (Richmond Hill) Inc. Genesis Place	212	$336,565
	Richmond Hill Co-operative Homes Inc.	105	$1,112,048
	Richmond Hill Ecumenical	350	$550,000
Vaughan	Branch 414 Legion Village	30	$57,960
Whitchurch Stouffville	Parkview Village Retirement Community Association of York Region	124	$500,000
8 Municipalities	Housing York Inc.	1,398	$2,351,928
TOTAL		**3,491**	**$8,245,960**