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FEDERAL AND PROVINCIAL INVESTMENT IN SOCIAL HOUSING INFRASTRUCTURE

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report dated June 2, 2009, from the Commissioner of Community and Health Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Region be authorized to enter into an Administration Agreement with the Minister of Municipal Affairs and Housing with respect to the federal and provincial economic stimulus funding and the Commissioner of Community and Health Services be authorized to execute the Agreement on the Region's behalf, subject to the prior review of Legal Services.
2. The Commissioner of Community and Health Services be authorized to submit expenditure plans for both new development and repair and retrofit to the Province for approval and that staff be authorized to implement and update the plans, if required, and seek provincial approval, as necessary, to ensure that program funds will be expended within the timeframes provided.
3. Funds received from the Province for the repair and rehabilitation of social housing buildings be held in a special account and withdrawn, as required, to fund expenditures made under the approved plans.
4. Funds be advanced to housing providers in the form of grants, in accordance with the federal and provincial requirements described in this report and that the Commissioner of Community and Health Services be authorized to approve and execute on behalf of the Region, agreements with housing providers in respect to the repair and rehabilitation funding, subject to prior review by Legal Services.
5. Council approve an increase to the staff complement of six full-time positions to provide increased technical support, project management, contract management, financial controls and administrative support to the program, costs to be funded through program administration and project management fees to the extent possible and any costs not funded offset through the Social Housing Reserve Fund.
6. Staff report back to Council in the fall regarding funding expenditures and project details.

2. PURPOSE

This report provides information about the federal/provincial social housing infrastructure funding and seeks approval for a framework within which the Region may accept and begin spending four funding streams totalling approximately \$48 million to \$58 million. The Province will distribute these funds in three phases, commencing in June 2009. This money will allow the Region to build 250–300 new units of affordable housing and fund 170–210 repair and retrofit projects.

Although the Region is not in receipt of provincial guidelines and funding allocations, provincial staff have advised that Service Managers must be ready to begin program and administration funding once the announcements have been made in order to take full advantage of the opportunity for our community. This report also requests approval to hire additional staff necessary to move forward quickly given the amount of work required in a relatively short timeframe.

Additional staff will also help to put the Region in a position to take advantage of additional funds that are available for reallocation should other Service Managers be unable to make use of them.

3. BACKGROUND

Federal and provincial budget announcements for repair and renovation funding and new construction funding over two years

Federal and provincial budget announcements committed both governments to a joint investment of \$1.2 billion in social and affordable housing in Ontario over the next two years.

Of this amount, \$704 million is designated for the renovation and retrofit of existing social housing stock. \$365 million will be invested in the construction of new affordable housing for low-income seniors and people with disabilities and \$175 million will be available to extend the current Canada-Ontario Affordable Housing Program.

It is critical to spend the money in the year committed or risk the possibility of losing it

Economic stimulus is the critical driver for this high priority funding. The federal government is messaging a strict “use it or lose it” policy and a stringent reporting process in order to meet its quarterly reporting commitment. Funds, not spent in the fiscal year they are committed, may be reallocated to other Service Managers or taken back by the federal government to be redirected to other provinces or territories.

4. ANALYSIS AND OPTIONS

4.1 PROGRAM AND FUNDING DETAILS ARE SPARSE

Few program details have been announced to date. There is a very strong focus on energy conservation and the emerging green economy. The investment is designed to stimulate the economy, create green collar jobs and provide capital repairs for social housing. The Province has advised that detailed guidelines on eligible costs and other program criteria will be provided as soon as they are available.

4.2 ALTHOUGH PROGRAM DETAILS AND FUNDING ALLOCATIONS HAVE NOT BEEN ANNOUNCED, THERE IS SOME INFORMATION TO HELP US MOVE FORWARD

Repair and Retrofit Funding

- Funding is offered on a strict “use it or lose it” basis similar to other infrastructure program funding. It is anticipated that money not spent by the end of each fiscal year may be recalled.
- Funding for repair work not commenced within three months of commitment could be reallocated.
- Economic stimulus is the critical priority for funding. Repair work must create jobs as well as meet one of the following project priorities:
 - reduction of waiting lists
 - restoration of vacant or abandoned units
 - health and safety
 - enhanced energy efficiency
 - reduced operating costs
 - enhanced accessibility
- Service Managers will be required to submit plans to the Province for approval before any funding is allocated.
- Service Managers may build in administration and project management costs, but it is unlikely that these costs will be fully covered.
- Funds must be released to housing providers as grants, not loans.
- All housing programs that were part of the *Social Housing Reform Act, 2000* transfer are eligible to be considered for funding.

New Construction Funding

- The Affordable Housing Program extension will likely have similar rules to the current program although Service Managers have asked for a significant increase to the current funding of \$70,000 per unit. Current discussions suggest funding could increase to \$120,000 per unit.

- Funding for projects for seniors and people with disabilities can be included in the same buildings but not for the same units.
- Projects must be ready to go forward in a very tight timeframe.

4.3 BASED ON PAST FUNDING ALLOCATIONS, STAFF HAVE ESTIMATED THE REGION'S SHARE OF THE TOTAL ONTARIO FUNDING AT \$48 MILLION TO \$58 MILLION

Repair and Retrofit Funding

The Region may receive \$16 million to \$20 million, which is four to five times the amount being managed by the Region at this time for building repairs. The Province will likely give Service Managers notional allocations which may change if funding is not spent within the rigid timeframes. The Region must submit detailed expenditure plans to the Province before any funds are released.

Quick Start Submission—110 Repair Projects

The Province asked Service Managers to identify by May 8, 2009, repairs and retrofit projects that could be ready to proceed in spring and summer 2009. The Region submitted a request for \$13.9 million for quick start projects. This list comprises 65 projects for housing providers as well as 45 projects for Housing York Inc. The Region also submitted one development project as a quick start.

New Development Funding—Potential for 250–300 New Units

The Region may receive \$29 million to \$33 million for the extension to the Affordable Housing Program and an estimated amount of \$3 million to \$5 million for housing for seniors and people with disabilities. The Region could develop 250–300 new units with these funds.

4.4 THERE IS SIGNIFICANT RISK OF LOSING FUNDING SHOULD PROJECTS BE DELAYED

The funding must be spent over a two-year period. From the information provided by the Province to date, it appears that funding will be allocated each fiscal year and the funds allocated must be spent within that fiscal year or it will be returned and/or reallocated.

This “use it or lose it” approach carries a significant risk of funding loss should projects be delayed for any reason or if the program rules change. This applies for both repair and retrofit and new development funding. It is imperative that work start promptly on approved projects. If repair or construction work has not commenced within three months of approval, the funding could be reallocated.

The risk must be clearly communicated to housing providers and developers.

4.5 ADDITIONAL STAFF WILL BE REQUIRED TO TAKE FULL ADVANTAGE OF THE MONEY

As previously mentioned, the Region must move quickly given the funding restrictions. With the amount of work required to ensure the funds are spent within a relatively short period of time, the existing staff complement will not be able to meet these objectives.

A total of six, full-time staff positions, at a total estimated annual cost of \$530,000 for salaries and benefits, plus the cost of furniture, equipment and accommodation, will be required to carry out this work, as outlined below.

Although funding allocations are not confirmed, things are proceeding quickly. Staff fully expect that funds will be in place before any additional staff are hired.

Funding to support the additional positions will come partly from project and administration costs approved by the Province. If these costs are not fully covered by the Province, it is recommended that they could be funded from the Social Housing Reserve. It should be noted that the Region would have had to cover the cost of repairs for housing providers if the stimulus funding was not available. The staffing costs, if the Region has to pay them, are modest in comparison to the expected program funding of \$16 million to \$20 million.

As the delivery cycle of this funding will proceed over a two to three year period, it is proposed to hire staff on a full-time, permanent basis. It is anticipated that growth in the Housing York Inc. (HYI) portfolio will support the majority of the staff at the end of the funding cycle. Any balance will be managed through attrition and in accordance with the collective agreement.

Staff to Support Repair and Retrofit Funding

The Region has 43 housing providers, including HYI, in its portfolio. HYI comprises approximately one third of the total units and as such would likely receive that share of the funding allocation. HYI currently has a technical team that supports capital work for regionally-owned units.

Technical support is provided for the other housing providers as well. Technical staff assist the volunteer boards to make decisions on such things as determining what work is required, assisting with the procurement of consultants, helping with tendering processes, ensuring compliance with the Region's policies and guidelines and other by-laws as well as other asset management activities.

Strict and rigorous reporting will be required by the Province. Provincial staff have advised that agreements will be required for each project and that there will be three

payment periods for each project. Written reports will be required for each payment. In addition, the Region must make full reports to the Province at least quarterly.

The additional funding will represent four to five times the annual amount current staff typically manage. The existing staff complement will need additional resources immediately in order to take advantage of \$16 million to \$20 million in additional capital repair funds for housing providers.

Five full-time staff positions will be required at an annual cost of \$430,000 for salaries and benefits to support the repair and retrofit work. This cost may be partially offset by project management fees from the Province.

Staff to Support New Development Funding

The recent budget announcement of the extension of the Federal/Provincial Affordable Housing Program and the recently announced Federal Infrastructure funding is expected to provide York Region with an estimated \$32 million to \$38 million for the creation of new affordable housing over the next two to three years. A Request for Proposals will go out this summer to identify development opportunities for the use of these funds. Staff will return to Council in the fall to present options for consideration.

The expected funding is greater than the funding previously received under the Canada-Ontario Affordable Housing Program and could generate approximately 300 additional units of affordable housing within the next two to three years.

One full-time staff position will be required at an annual salary and benefits cost of \$100,000 to manage the delivery of these additional units. Duties would include preparing applications for funding, co-ordinating proposal calls to identify housing providers, both non-profit and private sector, and monitoring the development and construction of new housing to ensure program compliance.

Alternative to permanent staffing is likely to cost up to \$1,000,000 or more

Options such as the use of consultants and contract employees were considered, however our evaluation concluded that there is significant advantage to training and maintaining staff over a two-year intensive period and that the constraints of managing turnover and the terms of the collective agreement for temporary staff during this period would support the decision to create permanent positions.

5. FINANCIAL IMPLICATIONS

Building Condition Assessment and Capital Reserve Studies, completed in 2005, have projected that housing providers' additional capital funding requirements will total approximately \$65 million by 2020. Infusion of this economic stimulus funding will

protect existing reserve balances and reduce the long-term liability for both housing providers and the Region. In addition, the Region will be able to make creative use of the new development funding to provide additional affordable housing units for York Region residents.

This program does not require cost sharing of the project costs. However, some additional administrative and legal costs are anticipated.

The cost for additional staff may be defrayed by the approval of administration costs by the Province, although full costs will not likely be covered. It is proposed that costs not covered by the Province could be funded from the Social Housing Reserve.

A request for both administration and project management costs will be included in the Region's submission to the Province.

6. LOCAL MUNICIPAL IMPACT

Social housing buildings are located in every municipality in the Region. Enabling housing providers to appropriately maintain their properties ensures that the residents of these properties have suitable living environments and that local neighbourhood concerns are addressed.

The provision of additional affordable housing in our communities contributes to economic viability and stable housing for lower income households.

7. CONCLUSION

Social housing properties are valuable community assets. Providing access to funding to appropriately maintain these properties is a prudent investment in the stability of local communities. Investment in new affordable housing will create much needed housing for our residents.

The additional funding will help to create jobs in our communities and provide long term economic benefits.

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.