10
NEW RENT SUPPLEMENT REQUIREMENTS
STRONG COMMUNITIES PROGRAM

The Community Services and Housing Committee recommends the adoption of the recommendations contained in the following report, May 27, 2004, from the Commissioner of Community Services and Housing:

1. RECOMMENDATIONS

It is recommended that:

1. The Region enter into the Strong Communities Rent Supplement Memorandum of Understanding (MOU) and the Commissioner of Community Services and Housing be authorized to execute the MOU on the Region's behalf, subject to the prior review by the Regional Solicitor.

2. The Commissioner of Community Services and Housing be authorized to approve the program take-up plan and take all necessary steps to give effect thereto.

3. The Commissioner of Community Services and Housing report back to Committee on a semi-annual basis with a summary of rent supplement program activity.

4. The Province increase program administration funding from the current monthly $13 per unit to a minimum of 20% of funding and to index the block funding allocation to address annual inflationary cost pressures.

5. The Region enter into an agreement with the Salvation Army to pilot a referral program for short term in-situ rent supplements for up to 12 households and that the Commissioner of Community Services and Housing be authorized to sign the agreement subject to prior review by the Regional Solicitor.

2. PURPOSE

This report seeks Committee and Council's approval to enter into an agreement with the Province to participate in the revised Strong Communities Rent Supplement Program and to allocate rent supplement units under this program. The financial risks inherent in this program are also addressed.

3. BACKGROUND

3.1 Provincially Funded Rent Supplement Program, January 2000–June 2004

On January 14, 2000, the Province announced a new Rent Supplement Program with annual funding of $50 million for an initial period of three to five years. This program provided 100% Provincial funding for a prescribed number of units in addition to the rent supplement programs already funded and administered by service managers. This program was primarily targeted to units located in private sector buildings.

In a Rent Supplement Program, the service manager enters into a contract with a landlord to pay the difference between an agreed market rent and the geared-to-income rent charged to a low or modest income household. The units are filled with applicants from the centralized waiting list. The Region invoices the Province for the full cost of subsidies provided under this program.

3.2 Revised Rent Supplement Program Framework, July 2004–March 2023

The Province reissued the Rent Supplement Program and introduced a new operating framework. In the original program, service managers delivered the program on behalf of the Province, with the Province fully responsible for all subsidy costs. Under the new program, service managers have greater control over program delivery. However, Provincial funding is provided as a block allocation. Service managers must either limit program costs to the funding provided or cover additional costs with municipal funds.

3.2.1 Introduction of Block Funding Approach

The new guidelines eliminate the invoicing process in favour of a fixed block funding allocation guaranteed to 2023. The Province will divide the $50 million among all service managers. On May 11, 2004, the Province announced an initial block funding allocation for York Region of $2,423,081.05.

The Ministry has indicated that funds recovered from service managers who decide not to participate in the program will be redistributed to those who do. As such, the Region’s $2.4 million could increase slightly. Once the final allocation number is established, it will be fixed until 2023. The Ministry is essentially limiting their liability to 2004 dollars. There is no provision to index the funds.

Staff are in the process of estimating the number of households that can be served with the Provincial funding. Given that rents in the Region are high relative to much of the Province, the expectation is that the number of units funded will be lower than the unit allocations the previous Provincial government had announced.

3.2.2 Conditions of Continued Provincial Funding

In order to continue delivering the program, service managers are required to execute an MOU with the Province. All participating service managers must also submit a program take-up plan specifying how all funding will be allocated. The final block funding amount will be set in accordance with the take-up plan, and reconciled to the actual program expenditures committed as of December 31, 2005. Any funds not in use at that time will be withdrawn.

If a service manager decides not to execute the MOU, the service manager cannot enter into any new agreements under the program. All existing agreements must be terminated.

The Ministry will continue to provide invoiced based funding until all units are eliminated through attrition. The funding associated with the terminated rent supplement units may be allocated to other service managers.

4. ANALYSIS AND OPTIONS

4.1 Implementation of Revised Rent Supplement Program

The Region initially received an allocation of 260 rent supplement units. An additional 95 units were allocated to the Region in 2002, bringing the total allocation to 355. The Province committed to fund 100% of the subsidy costs for these units until December 31, 2005. With the move to block funding, the final number of units will vary from the former unit allocation, depending on the actual subsidy cost of each unit funded under the program.

The implementation plan has a number of components, including maintaining units already allocated under the original program, temporarily placing units that will be required for planned new housing development initiatives, creating an in-situ pilot program and assisting with the supportive housing program. The components of the plan are set out as follows.

4.1.1 Rent Supplement Units Currently Committed

Of the 355 units originally allocated to the Region, 219 have currently been committed; 167 under rent supplement agreements with landlords and an additional 52 allocated to the Region’s Armitage Gardens project. It is proposed that these commitments be continued.

4.1.2 Reserving Rent Supplement Funding for New Development Initiatives

To date, the Province has not committed rent supplement funding to support new affordable housing constructed under the Federal/Provincial Community Rental Housing Program. As part of the Region’s affordable housing supply strategy, 87 of the 136 provincially funded units as yet uncommitted were reserved to support the Blue Willow Terrace (Vaughan Partnership Project), the Stickwood/Walker development and the Sutton Youth shelter.

However, as not all of these projects will be completed by the rent supplement funding allocation deadline of December 31, 2005, staff have investigated options to protect the funding through temporary allocations including placing units with existing social housing temporarily. Once block funding is finalized, under the Strong Communities Guidelines, the Region has the administrative flexibility to redistribute funds within the program.

4.1.3 Allocating Units within the Existing Social Housing Portfolio

The Region currently has Regionally funded rent supplement agreements with several Federal seniors housing providers. These projects have relatively low rent-geared-to-income (RGI) to market tenant ratios and would benefit from additional rent supplements. The Region has also received an expression of interest from a Federal co-operative. These housing providers have market rent tenants who have applied to the centralized waiting list for RGI assistance, which would enable the Region to expedite the funding expenditures. Additional rent supplements could also be placed in Housing York Inc.'s seniors' portfolio.

The Social Housing RGI Program in combination with the Region's administrative relationship with social housing providers will facilitate reallocation of the rent supplement units to new development projects as needed.

4.1.4 Homelessness Prevention Program Pilot In-Situ Referral Program Proposal

The Homelessness Prevention Program delivered by the Salvation Army assists York Region residents who need one-time financial support to retain their housing. Households who cannot afford their rent on an on-going basis are not eligible. Staff have initiated discussions with the Homelessness Prevention Program to pilot a program for households who are temporarily unable to afford their rent due to circumstances such as death of a spouse, serious medical conditions, marital break-down, involuntary loss of employment, etc. Under the pilot program, eligible households referred through the Homelessness Prevention Program could receive one-year of RGI assistance in their current residence, provided that the unit meets program standards and the landlord agrees to participate. The Homelessness Prevention Program will assess the applicant's probability of successfully regaining independence within the year and refer those most likely to benefit from the short-term program.

4.1.5 Supportive Housing Rent Supplement Program

In addition to the allocations assigned to service managers, the Province dedicated 20% of the total rent supplement funding to the Ministry of Health and Long Term Care and the Ministry of Community and Social Services. These Ministries in turn assigned the rent supplement funding to agencies such as those providing support to victims of violence and mental health clients. These Ministries are responsible to fund the services required to support these clients in rent supplement units. The agencies work with landlords to find appropriate housing for their clients. Regional staff assess the clients' income and calculate RGI subsidy assistance.

Rent supplement units have been assigned to a number of agencies serving clients in York Region, including: Independent Living for the Deaf/Blind, Community Living Newmarket/Aurora District, Yellow Brick House, Georgina Association for Community Living, Ontario March of Dimes, Reena, Canadian Mental Health Association (CMHA) and York Support Services Network (YSSN). At present 48 supported rent supplement units are occupied, with an additional 5 committed through agreements with landlords for units that will be available to the program in the near future. An additional 37 units were allocated to CMHC and YSSN. Regional staff are working with the agencies to implement the additional units.

5. FINANCIAL IMPLICATIONS

The Strong Communities Rent Supplement Program guarantees annual Provincial funding of $2.4 million for the Region until 2023. These funds enable the Region to assist low-income households that would otherwise not be served. However, as the funding is capped at $2.4 million, inflationary cost pressures will have to be managed either by contributing Regional funds or by reducing the number of assisted households. The assistance required for any rent supplement households remaining in their units beyond 2023 will also be a Regional cost.

5.1 Provincial Funding Cap

The Province has improved the program by guaranteeing funding beyond the initial three to five years to 2023. However, the block funding replaces an invoicing system where the Province reimbursed the Region for actual subsidy expenditures. As the block funding is not indexed, the Province has limited their liability to 2005 dollars for the life of the program or until such time as the program is revisited by this or a future government.

5.2 Risk Management Strategies

Under the program, rent increases in any given year are limited to the Provincial guideline amount prescribed under the *Tenant Protection Act*, which ensures that landlords cannot charge unfair rents to the Region to secure these units. However, market rents typically increase faster than the income of RGI tenants. As such, the number of units funded under the program must either be reduced each year in order to remain within the funding envelope or the Region becomes obligated to fund the difference.

5.2.1 Controlling Program Costs

Once a tenant is housed in a rent supplement unit, the Region is responsible to continue paying the landlord the RGI subsidy until the existing tenant moves out. This obligation remains even if the agreement with the landlord expires or is terminated. In order to reduce the number of units funded under the program, the Strong Communities Rent Supplement agreements will have to be structured to allow the Region to reduce the number of units during the term of the agreement as units turn-over.

The attrition requirement will be particularly difficult to manage in the supportive housing program where tenancies tend to be longer term. As with the child care fee assistance program, staff will have to carefully monitor subsidy expenditures at all times.

5.2.2 Managing Unfunded Program Costs.

During the roll-out of the new program, service manager staff repeatedly asked the Province to commit to indexing the block funding allocations annually to address inflationary pressures. In the absence of indexing, it is anticipated that despite careful monitoring the program may eventually incur costs in excess of the provincial funding. It is proposed that any overruns be managed through the Social Housing Program Budget; corrections can be made as unit vacancies allow.

With funding capped until 2023, the attrition rate required to operate within the Provincial funding allocation may be so great as to render the program inconsequential. The Region could choose to maintain the program at the initial operating level and fund the difference. At this time, it is proposed that the program be closely monitored and a report be brought back to Council prior to each annual budget cycle to allow funding decisions to be made as part of the annual budget setting process.

5.3 Administration Fee

When establishing the block funding amount, the Ministry allows service managers an administrative fee of $13 per unit per month. The resulting $156 per unit per year does not reflect the true cost of administering the program. Although Ministry staff have indicated that service managers will have some latitude around the long-term administrative use of program dollars, they have not agreed to increase the administrative amount for allocation purposes. It is recommended that the Region continue to press the Province to recognize the real costs of administering the program.

5.4 Long Term Financial Responsibility

The Strong Communities Rent Supplement funding expires in 2023. At that time, unless a future government expands the program, the Region will be fully responsible for the subsidy costs for any tenants remaining in rent supplement units until such time as those tenancies are terminated.

6. LOCAL MUNICIPAL IMPACT

The Rent Supplement Program enables the Region to assist households in private and public sector buildings located in any area of the Region. The administrative flexibility of the revised program also allows the Region to creatively address the housing needs of York Region residents.

7. CONCLUSION

Unless the Province improves the Strong Communities Rent Supplement funding, the number of units funded under the program will have to be reduced annually if the program is to operate within the available Provincial dollars. Otherwise, the costs will become a Regional responsibility.

However, as of April 30, 2004, there were 5885 households on the waiting list for Rent-Geared-to-Income housing in York Region. The Strong Communities Rent Supplement Program presents an opportunity to secure more than $2.4 million Provincial dollars annually to assist low income households. Furthermore, the increased flexibility in the new program guidelines enables the Region to more effectively allocate the available funding. In light of the need for RGI housing, the benefits of this program may outweigh the risks.

The Senior Management Group has reviewed this report.