9
ADEQUACY OF SOCIAL HOUSING RESERVE FUND

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, May 6, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

1. It is recommended that:
   1. The target for the Social Housing Reserve Fund be increased on a preliminary basis from $25 million to $72 million. This target is to be reset subsequent to staff's review of a study to be completed by Hemson Inc.

2. PURPOSE

This report is to provide information on the adequacy of the Social Housing Reserve Fund.

3. BACKGROUND

At its meeting of March 11, 2004 the Finance and Administration Committee requested that the Commissioner of Finance and Treasurer report on the adequacy of the Region's Social Housing Reserve Fund.

The Social Housing Reserve Fund which as at December 31, 2003 had a balance of $40.5 million was established in 1998 to fund unanticipated pooling costs and future capital expenditures associated with new social housing units within York Region. The initial target of $25 million was based on expenses experienced in other jurisdictions for similar housing stock. Funding for the Social Housing Reserve has been provided from 80% of any unspent budget savings from the Social Housing program including "pooling" expenditures, as well as from funds directed from unbudgeted supplementary tax revenues.

4. ANALYSIS AND OPTIONS

The original target of $25 million for the Social Housing Reserve Fund was set in April 2000 and was based on expenses experienced in other jurisdictions for similar housing stock. GTA pooling costs, which were based on 1997 service levels, increase year to year due to changes in inflation, mortgage rates and assessment levels. However, the impact from these variables is not expected to result in significant demands on the reserve fund.

In 2002, Council adopted a Housing Supply Strategy which outlined the Region's direction for the production of affordable home ownership, rental and non-profit housing. Current objectives are to provide up to 200 units of affordable housing per year over the next 10 years.

Capital costs for social housing requirements are projected to total $168 million over that time period. On a preliminary basis, funding is budgeted from the sources summarized in Table 1. These capital costs are not subject to funding by way of the Development Charge Reserve as currently there is no D.C. levy in place to fund Social Housing (including non-profit housing) requirements. Therefore, funding designated to come from reserves ($72 million) must be derived from the Region's own source revenues.

Table 1
Housing Supply Strategy
New Capital Requirements
Sources of Funds

Source	**Amount**
Reserves	$72,000,000
Debentures	74,000,000
Senior Government Contributions	22,000,000
Total	**$168,000,000**

Additionally, social housing provider reserves for capital repair and replacement are significantly underfunded by approximately $50 to $60 million.

Hemson Consulting Ltd has been engaged by the Region to determine more precise social housing requirements. The results of that study and a range of options to provide for any funding requirement will be presented to Council later in 2004.

Based on current projections, it is recommended that the target for this reserve be increased by at least $47 million to arrive at a preliminary target of $72 million with a subsequent target to be determined after staff's analysis of the Hemson study.

5. FINANCIAL IMPLICATIONS

Analysis indicates the Social Housing Reserve Fund is currently underfunded by approximately $47 million. No specific recommendation regarding the funding of this shortfall is being presented at this time subject to further analysis of the findings of the Hemson study. Any changes to current reserve policy along with an implementation plan will be presented in the 2005 Budget and Business Plan.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact contained in this report.

7. CONCLUSION

Based on analysis of current and potential needs, the Social Housing Reserve Fund appears to be substantially underfunded. Early indications point to additional funding requirements in the magnitude of approximately $47 million. However, the needs of the Social Housing Reserve Fund still need to be fully analyzed based on the results of the pending Hemson study.

The Senior Management Group has reviewed this report.