

# Request for Decision City Council



Type of Decision										
Meeting Date	July 14, 2005				Report Date	June 29, 2005				
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority		High		Low	
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open		Closed	

Report Title
Social Housing Challenges & Update on the New Federal/Provincial Affordable Housing Program

Policy Implication + Budget Impact	
<input type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
There will be no impact on the current budget.	
<input checked="" type="checkbox"/>	Background Attached

Recommendation
FOR INFORMATION ONLY
Recommendation Continued

Recommended by the General Manager
 Catherine Matheson General Manager, Community Development

Recommended by the C.A.O.
 Mark Miero Chief Administrative Officer

Date: July 14, 2005

**Report Prepared By**



Denis Desmeules  
Manager, Housing Services

**Division Review**

**BACKGROUND**

The attached discussion paper on social housing provides an overview of the top issues facing service managers/municipalities in administering the federal and provincial programs which were downloaded in 2001. The paper was prepared by the Service Manager Housing Network of which the City, through Housing Services, is a member. The topics include the current short and long term funding pressures, legislative reform, changing resident needs and touches on what is needed to keep the housing portfolio viable. There are over 4,500 households housed in social housing throughout the CGS.

In April 2005, the Federal and Provincial governments signed a new Affordable Housing Agreement which will commit \$602 million over the next four years to increase the supply of affordable housing in the province. The new federal/provincial agreement includes a commitment of \$301 million from each level of government. The program is a step in the right direction to assist municipalities in addressing local needs.

The agreement speaks of financing the following type of activities:

- a new rent supplement/housing allowance component for low-income households
- incentives for developers to create new affordable housing units
- rental units targeted to people on or eligible to be on social housing waiting list
- supportive housing for persons with mental illness
- housing for victims of domestic violence
- a small home ownership sub-program for families with low to moderate incomes
- the provision or renovation of affordable housing for low-income persons in Northern Ontario

**Key Outstanding Issues/Questions:**

- the Province has not decided if a municipal financial contribution will be required. If one will be required, the amount and timing has yet to be worked out.
- the program details for each of the program sub-components have yet to be worked out
- how funding will be allocated/distributed among the various program options and across the Province has not been decided
- the extent of role the service manager will play in the program has not been decided

**Program Timing**

- the Province is currently consulting with stakeholders regarding program details.
- some program details and funding may be available in the fall

Housing Services will provide more program details as these become available.



## SOCIAL HOUSING IN ONTARIO

A Discussion Paper of the Service Manager Housing Network

# THE FUTURE IS NOW

Housing is much more than bricks and mortar: it is a human service, a determinant of individual well-being, and an essential element in the planning of healthy, prosperous communities. Social housing is a public investment made over the course of many years, and a tool for governments to achieve a range of goals now and into the future. After disengaging for a decade or more, senior levels of government are once again recognizing the long-term value and multiple benefits of social housing.

At the municipal level, where program delivery happens, social housing poses both challenges and opportunities. Over the several years since the program was devolved from the Province to 47 service managers, a clearer picture of implications has emerged. The purpose of this discussion paper is to provide a snapshot of the past, present, and future of social housing from the perspective of municipal service managers.

Delivery of social housing is still a relatively new function at the municipal level. Service managers have achieved many successes to date as funders and administrators of this complex program. While many of the challenges are financial in nature, exciting opportunities lie ahead related to the potential integration of social housing with human services and community planning functions at the local level.

### CAN MUNICIPALITIES AFFORD SOCIAL HOUSING ON THEIR OWN - TODAY?

Much has been said about the inappropriateness of funding social housing out of the property tax base, which has been the situation since 1998. That municipal governments have managed as well as they have can be attributed partly to finding local efficiencies, and partly to declining interest rates available as social housing mortgages were renewed.

Beginning January 2006, service managers will fund most housing providers using a funding formula based on the premise that base-year costs and revenues be established, and that year-over-year increases to revenues will offset cost increases. The success of this model is dependent on the assumption that the rental market can sustain annual increases sufficient to offset "controlled" costs. Largely uncontrollable cost increases (such as for insurance or utilities), new costs associated with new legislative requirements (such as the Building Code), and/or a soft rental market could jeopardize providers' financial viability.

### SUCCESSES

Managing housing programs locally allows service managers to work proactively with housing providers to manage financial issues and ensure ongoing viability.

Service managers have found new opportunities to integrate service delivery and improve community services, while stretching funding dollars across programs.

### CHALLENGES

When interest rates inevitably increase, mortgage costs, which make up some 70 per cent of total social housing costs, will rise as well, presenting a near-term challenge to local governments.

Adjustments to the current funding formula will likely be required. Any change to the formula will likely result in additional costs for service managers.

### SERVICE MANAGER HOUSING NETWORK

The Service Manager Housing Network links the staff responsible for administration of social housing in the 47 service managers across Ontario. Established earlier this year to replace the Ontario Regions Social Housing Group, the network is intended to facilitate communication among service managers and their partners, to promote professional development amongst its members and to manage and advise on social housing policy and program issues from the service managers' perspective.

The network will operate as a pilot project over the next two years, permitting service managers to explore the role of social housing as a local community service and promote stronger relationships with stakeholders such as the Social Housing Services Corporation (SHSC), the Ontario Municipal Social Services Association (OMSSA), the Co-operative Housing Federation of Canada (CHFC) and the Ontario Non-Profit Housing Association (ONHA).



## CAN MUNICIPALITIES AFFORD SOCIAL HOUSING ON THEIR OWN - IN THE LONG RUN?

Local governments face three major challenges to the long-term sustainability of social housing in their communities and limited flexibility to address them.

- **End of federal funding:** federal government funding for close to 224,000 housing units will expire over the next 25 years, starting before 2010. Most portfolios will have trouble operating from their rental revenues alone.
- **Aging buildings and underfunded capital reserves:** 84,000 units of older public housing province-wide share fixed cost-shared funding for annual capital repairs of \$100 million, inadequate to meet their needs and building standards. Newer non-profits have inadequate capital funding and low reserves, putting pressure on maintenance budgets and leading to depleted reserves within 10 years for most providers.
- **Program Funding Problems and External Requirements:**
  - shortfalls in "rent supplement" funds (paying the gap between real rents and what low-income residents can afford), which are not indexed to inflation or real costs
  - large drops in federal subsidy for older buildings when mortgage renewal rates drop drastically
  - higher energy and insurance costs, and the costs of meeting building code and other imposed regulatory changes
  - provincial regulations set the number of subsidized units in each service manager area, and even after federal subsidies expire, only the Province can decide when municipal subsidies to housing projects can end.

### SUCCESES

Service managers and sector organizations such as CHRA, SHSC, OMSSA, CHF and ONPHA have come together to begin to address issues:

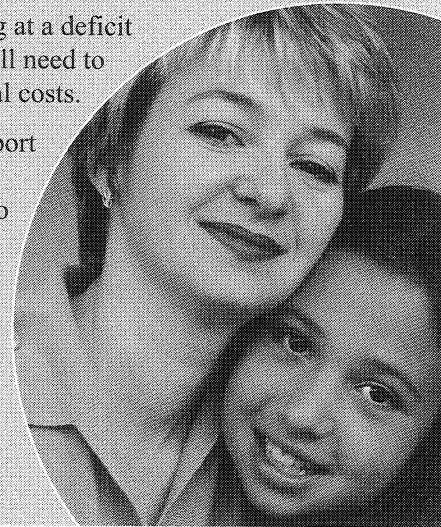
1. Work has begun to analyze the impact of expiring operating agreements and to prevent the privatization of social housing when agreements expire.
2. Service managers and the Social Housing Services Corporation are working collaboratively to assess the extent of the problem and develop best practices to mitigate it.
3. Analyzing the impact of program and external pressures is ongoing for service managers, housing providers, and sector associations.

### CHALLENGES

Portfolios at risk of operating at a deficit after federal funding ends will need to secure subsidies to match real costs.

Both legal and financial support from senior levels of government will be needed to fully address the reserve fund inadequacies.

Collective review and actions on program flaws, regulations, and external cost pressures are needed to reflect local municipal realities.



## ARE REGULATIONS GETTING IN THE WAY OF ADDRESSING LOCAL NEEDS?

Provincial legislation limits service managers' ability to make rules for determining eligibility, occupancy standards, and waiting list management. As well, service managers need new flexibility in order to fully implement service integration initiatives to meet local needs. Service managers need:

- regulatory flexibility, so that legislation and regulations are responsive to community needs and service managers are empowered to create policies and procedures that address local situations
- reduced administrative complexity, so that scarce resources can go to housing, not paperwork.

### SUCCESES

Substantive consultations with housing providers and other stakeholders enabled service managers to put forward consensus recommendations to the Province, which were reflected in a number of amendments to regulations in May 2004.

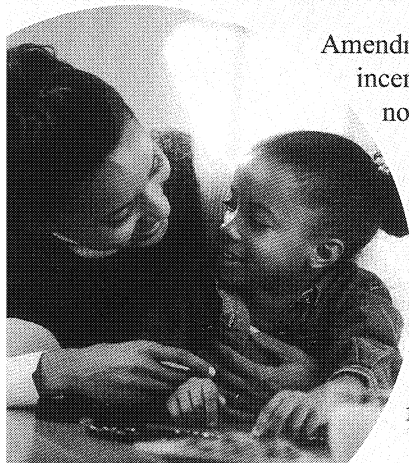
Amendments to regulations under the Municipal Act in May 2001 enabled service managers to provide incentives to encourage the creation of affordable housing through partnerships with private and non-profit entities.

### CHALLENGES

Action is needed by the provincial government to respond to outstanding regulatory issues and create a simpler and more flexible regulatory framework.

Keeping abreast of relevant legislation and regulations is challenging. Service managers need to set up a framework to monitor existing and new legislation.

Legislation must reflect the varied needs of service manager from large to small, urban to rural, and from all regions of the province.





## HOW CAN WE MEET THE CHANGING NEEDS OF RESIDENTS?

Since the transfer of social housing to the local level, residents' needs have changed financially, socially and culturally:

**Cultural Diversity and an Aging Population:** In many communities, there is growing cultural diversity, and/or an aging population, which have created challenges for community development, intercultural relations among residents, and a greater need for frail elderly housing supports.

**Maintaining Income Integration:** The ideal of income mix to maintain balance in non-profit communities is hard to achieve when waiting lists increasingly reflect those at the lowest income levels.

**Deepening Poverty:** Deepening poverty results in social challenges, and more complex needs which lead to property management issues and greater costs. More directly, the lower the household income, the more municipalities pay in subsidy.

**Special Priority Program:** Households that have a member or members who are abused have a mandatory priority for housing under provincial law. While the policy goal is laudable, in practice this requirement creates costs and strains on communities. Housing programs are not designed or funded to support these most vulnerable households.

## WHAT IS OUR ROLE WITH RESPECT TO FIRST NATIONS PEOPLES?

Aboriginal migration to urban centres has increased dramatically over the past few years. Many non-profits are housing an increasing number of First Nations residents. There are cultural considerations for this population and support services are limited or nonexistent. Meeting this community's needs can be enhanced and supported through increased federal and/or provincial funding.

Many native housing providers believe that the Canadian Constitution makes it the obligation of the federal government to administer matters relating to First Nations Peoples. They believe their issues remain a federal responsibility.

### SUCCESSSES

In many areas, service managers and urban native housing providers are developing good working relationships and developing practices and procedures that comply with Operating Agreements, incorporate some aspects of the SHRA where useful and address the needs of the Aboriginal community.

### CHALLENGES

Consultation with native housing providers, the Province and service managers is needed to ensure that programs can be implemented and are funded at a sustainable level by the federal government.

## HOW CAN WE MEET THE CHANGING NEEDS OF HOUSING PROVIDERS?

Housing provider boards are typically volunteers who demonstrate their commitment to their community by providing housing to those in need or members of a housing co-operative who come together to operate the community in which they live. The changing landscape of social housing has impacted board members and their staff in significant ways. Concerns include:

**Lack of Control:** Provincial requirements and a sense of lack of control over key costs and decisions have left some board members feeling less able to direct and manage their portfolio, leaving many wondering why they are still involved.

**Aging Buildings – Limited Funding:** Increased costs for capital repairs and inadequate capital reserve funds are causing concern about keeping the portfolio habitable and attractive, and in compliance with legislated requirements.

**Deepening Complexity of Resident Needs:** Boards and staff are managing more difficult issues, with little or no support services in a challenging legal environment.

**Staff Frustration and Isolation:** Boards are managing staff and management companies who struggle with numerous challenges such as increased resident issues, legislative requirements, and adjusting to the new relationship with their service manager.

### SUCCESSSES

In many communities, service managers and housing providers have come together to share skills, develop policies and supports that work in their communities, identify and meet training needs, and work collectively on advocating for long-term funding.

### CHALLENGES

Service managers and housing providers will need to work together to better understand the limitations and requirements of social housing programs in order to create positive change.



## HOW CAN WE MEET LOCAL AND DIVERSE HOUSING NEEDS?

Stakeholders as diverse as small businesses, banks, governments, Boards of Trade, and community groups see the importance of affordable housing as a community asset.

Province-wide, some 125,000 households are on waiting lists for subsidized housing. In most communities, there is a long wait for social housing, however market conditions vary considerably across the province demanding a variety of responses to meet local needs. For example, some service managers in rural and northern areas face vacancies and short waits lists, compelling municipalities to fund empty units, while being precluded by regulation from implementing creative solutions to match vacancies to community need.

The recent announcement of \$602 million under the revised federal-provincial Affordable Housing Agreement is indeed good news. However, even before that announcement, new affordable housing had begun to emerge. Significant contributions from municipalities and proponents themselves have been required to make many pilot projects viable.

### SUCCESSSES

Approximately 500 new affordable rental units built through the Community Rental Housing Program are now occupied, with a further 3,000 units at various stages of planning or construction. Non-profit, municipal, and private proponents have taken part. Substantially increased provincial contributions, together with the waiver of Canada Mortgage and Housing Corporation insurance premiums and underwriting flexibilities, are encouraging signs of co-operation and the desire to see development succeed.

### CHALLENGES

Flexibility is a key to an effective and innovative affordable housing program that meets the diverse and changing needs of all

service managers – whether large or small, urban or rural. Funding programs must be designed to ensure equitable access to much-needed funding for all service managers.

The units produced to date are marginally “affordable” from a market rent perspective and additional capital dollars should ensure greater affordability in the future. Increases in senior government funding and program streamlining, which offer the ability to “package” funding sources, will mean substantially more affordable housing can be produced where needed.

Other key considerations include new rent supplement funds to shelter low income households, the availability of affordable developable land, and supports to build personal and family stability. True partnerships between all stakeholders must be forged. Banks and mortgage insurers must be engaged further and government funding must accommodate other public interests, including energy efficiency, barrier-free access and associated supports for housing.



## DO WE HAVE THE PEOPLE AND SKILLS WE NEED TO MEET THE CHALLENGES?

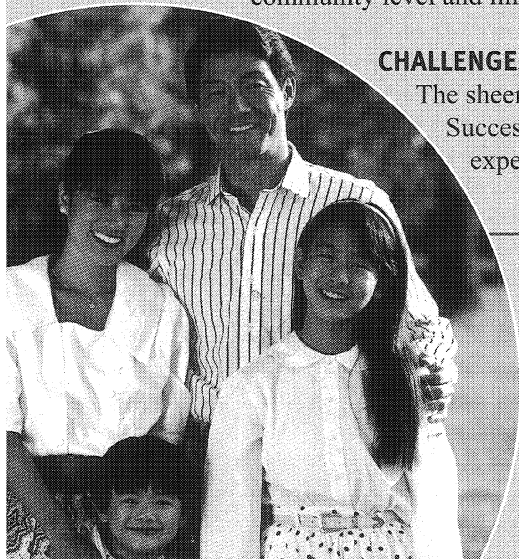
The ability for service managers to build on existing internal capacity and develop new capacity is a key to the successful delivery of social housing.

### SUCCESSSES

Many creative initiatives have sprung up across Ontario, taking advantage of the opportunity to integrate services at the community level and link housing to a broad range of activities.

### CHALLENGES

The sheer lack of trained professionals will challenge the housing sector over the coming years. Succession planning will be a critical issue for service managers and housing providers as experienced staff either retire or move into other roles.



Compiled by the Regional Municipality of York (Community Services and Housing Department) for the Service Manager Housing Network (SMHN), a network for service manager staff who deliver publicly funded housing programs across Ontario. Thanks to the writing team of staff from Peel, Halton, Durham, Toronto, London, Peterborough, Waterloo, Simcoe County, Thunder Bay, Greater Sudbury, Rainy River, Niagara, Nipissing, the Social Housing Services Corporation and the Ontario Municipal Social Services Association. For more information, please contact Rob Cressman (SMHN), Chair at (905) 825-6000, ext. 4445.