

Managers' Reports

Request for Recommendation Priorities Committee



Type of Decision

Meeting Date	June 23, 2004				Report Date	June 14, 2004			
Recommendation	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title

**Execution of a Memorandum of Understanding for the
Strong Communities Rent Supplement Program**

Policy Implications + Budget Impact

This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified

There is no budget impact provided that increases in costs to administer the Strong Communities Program are offset through attrition wherever possible.

Background attached

Recommendation

THAT the General Manager of Health and Social Services and Clerk be authorized to sign the Memorandum of Understanding between the City of Greater Sudbury as Service Manager and the Minister of Municipal Affairs and Housing to enable participation in and funding of the Strong Communities Rent Supplement Program; and

Recommendation attached

Recommended by the General Manager

Catherine Matheson, General Manager
Health and Social Services

Recommended by the C.A.O.

Mark Mieta
C. A. O.

Date: June 14, 2004

Report Authored By

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S. Upton
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Division Review

D.R. Desmeules / sh

D. R. Desmeules
Director, Housing Services

Recommendation Cont'd.

That the Director of Housing Services be authorized to implement and deliver the Strong Communities Rent Supplement Program; and

That the Director of Housing Services be authorized to execute the necessary rent supplement agreements to implement the Strong Communities Rent Supplement Program provided:

- i. such agreements are in a form satisfactory to the City Solicitor; and
- ii. such agreements are in compliance with the program; and
- iii. the costs of such agreements does not exceed the fixed funding amounts provided by the provincial government.

That the Program be delivered in a manner consistent with current rent supplement programs.

BACKGROUND

The purpose of this report is to inform Council about changes to rent supplement programming and seek Council approval to enter into an agreement to participate in and facilitate the program changes.

Social housing programs in City of Greater Sudbury are administered through the Housing Services Division of the Health and Social Services Department.

The social housing portfolio within the City of Greater Sudbury service area is as follows:

Program	Number of Units
Former Federal Housing Providers	587
Non-Profit Housing Providers	825
Co-operative Housing Providers	636
Greater Sudbury Housing Corporation	1848
Regular Rent Supplement Program	553
Strong Communities Rent Supplement Program	104
Total Number of Units under Administration	4553

The Housing Registry receives and processes applications for subsidized (RGI) housing for the City of Greater Sudbury service area. There are currently 1517 households on the centralized wait list for subsidized housing.

Bedroom Size Required	Current Wait list
Bachelor	87
1 Bedroom	770
2 Bedroom	427
3 Bedroom	203
4 Bedroom	69
5 Bedroom	12

Rent Supplement Program Evolution

The Federal and Provincial governments have funded Rent Supplement (RS) programs for over 30 years as a method of quickly creating Rent-Geared-to-Income (RGI) units in communities without any capital investment required. The rent supplement program allows the City, as the service manager to contract with private landlords to offer rent-geared-to-income accommodation in privately owned buildings. Program administration rules are regulated by the Province.

A rent supplement is a housing subsidy provided by service managers to bridge the gap between the full market rent for a rental unit and the amount of rent a household can pay based on its income. The rent-geared-to-income (RGI) portion of rent paid by the household is usually 30 per cent of the gross monthly household income.

The rent supplement agreement are typically secured by way of written one to five year agreements containing a clause that, should the program funding be terminated at the expiration of the agreement, the program will continue to supplement the household's rent after expiration and until the household vacates the unit or is otherwise ineligible for subsidized housing. The service manager has the option of renewing the agreement at the end of the term.

The Regular Rent Supplement program has a budget of just over \$2.5 million for 2004. The City receives close to \$1.25 million in federal funding annually to help offset the cost of the program. The remaining \$1.3 million is funded municipally. The rent supplement program is currently delivered by the Greater Sudbury Housing Corporation on behalf of the service manager.

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Strong Communities Rent Supplement Program

Between 1999 and 2003, the Province launched and fully funded two other rent supplement programs called the *Homelessness Rent Supplement Program* and the *New Tomorrow Rent Supplement Program*. The City received an allocation of 104 units under these programs at a total cost of approximately \$400,000 annually. The programs had a funding commitment which was scheduled to expire in 2005.

The Province recently announced significant changes to the way in which funding and delivery of the *Homelessness and New Tomorrow Rent Supplement Programs* will be provided. As a result of the funding and delivery model changes the "*Homelessness and New Tomorrow*" Rent Supplement Programs have been combined and re-named the "*Strong Communities Rent Supplement Program*." Once fully implemented, it will provide up to \$50 million in annual funding for regular and supportive housing rent supplement units across Ontario. The redesigned program provides service managers with the assurance of long-term fixed funding to the year 2023, in addition to greater flexibility in program delivery and streamlined reporting.

The program provides funding for regular rent supplement units, as well as supportive housing units in partnership with the Ministry of Health and Long-Term Care (MOHLTC) and the Ministry of Community and Social Services (MCSS).

Of the 104 units funded under the *Strong Communities Rent Supplement* program, 24 are dedicated to households requiring support services. Supportive housing units are defined as those units that are occupied by households receiving formal support services to maintain their tenancy and live independently in the community. Support service agencies receive service funding from the Ministry of Community and Social Services (MCSS) or the Ministry of Health and Long-Term Care (MOHLTC) to provide support to specific target groups.

The service manager is not responsible for arranging or funding support services for households residing in the 24 supportive rent supplement units. Unlike regular rent supplement units, access to the supportive units is based on the primary need for the support services. A household not requiring services is not eligible for the unit. A supportive housing applicant may or may not require rent-geared-to-income assistance.

Strong Community Rent Supplement Program - Memorandum of Understanding (MOU)

Although the program has been in operation since 1999 and the units have already been committed, the Province has decided to formalize the service manager participation through a Memorandum of Understanding (MOU) with the Ministry of Municipal Affairs & Housing.

The purpose of the MOU is to establish the administrative and funding framework for delivery of the program. The MOU specifically addresses roles and responsibilities of each party, households to be served, program funding, exit provisions, and conflict of interest provisions.

If the City of Greater Sudbury declined to enter into the MOU agreement, the service manager will not have the proper authority or governance structure in place to continue to administer the program. In addition, the MOU is the only mechanism that extends the provincial government's commitment to fund the program beyond March 31, 2005.

The execution of the MOU will permit the acquisition of new rent supplement units under the Strong Communities Program. It will also allow existing agreements to renew beyond the 2005 program sunset date.

While the province will continue to provide funding for the currently committed units, no additional funding would be received. To maintain the current 104 units until 2023, the service manager will be required to provide top-up funding to offset items such as increased rental rates or increases in tenant subsidy requirements. This is the same situation as currently exists in the regular rent supplement program. Unlike the regular rent supplement program, however, the service manager has the option to gradually wind down the number of units and agreements under the *Strong Communities* program through attrition.

By reducing the number of units, the service manager can reduce the amount of municipal dollars required in the program. This reduction also decreases the number of units available to needy households in the community. The reduction in units would only take effect upon unit turnover.

The MOU term is effective as of the date it is executed by the Minister and will terminate on March 31, 2023. The provisions of the MOU and program funding will end once the term expires. Program funding will expire in March 2005 for those Service Managers that do not enter into the MOU.

Advantages

Advantages to signing the MOU include the extension of funding and flexible delivery model options available to the Service Manager.

- *Funding Extension to March 2023*
Participating in the *Strong Communities* program provides the opportunity to continue to receive provincial funds to pay for rent supplement costs. Prudent management of this program can result in 100% provincial funding for part of the rent supplement portfolio.
- *Delivery Model Flexibility*
Another benefit of participating in the program is the opportunity for Service Managers to design program delivery models to address specific local housing needs.

Disadvantages

The primary disadvantage of the *Strong Communities* program is the lack of cost indexing and possible loss of provincial funding in March 2005 if a MOU is not signed by the City.

- *Lack of Indexing*
The province currently funds 100% of the cost of the 104 units in the *Strong Communities* program. The absence of an indexing component to offset increasing program costs over the years is a disadvantage of the fixed amount block funding arrangement. Service Managers will be required to prudently manage this portion of the Rent Supplement portfolio to avoid increased cost to the local taxpayer. The net effect of ensuring that provincial funds will continue to pay for 100% of the costs is a reduction in the number of rent supplement units over the years. Housing Services will monitor the program to ensure provincial funds continue to pay for 100% of the cost of the units under this program.

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- *Loss of funding*

The most significant disadvantage in not signing the MOU is loss of provincial funding in March 2005. If the City, as service manager, is not prepared to fund the cost of the program after March 2005, then the 104 unit will be phased out by the Province through attrition. The community will lose the units much quicker.

It is recommended the MOU be executed to ensure the continued funding of the existing 104 units. It is further recommended that increases in costs to administer the program be offset through attrition wherever possible. This strategy is to be implemented while minimizing the impact on the program and existing tenants.

Strong Communities Rent Supplement Funding

The *Strong Communities* program currently costs approximately \$400,000 annually and is fully funded by the province. If the City of Greater Sudbury elects to participate in the new program design by signing the MOU, provincial funding for this program will continue but remain fixed until March 2023.

Prior to that point in time, service managers will need to develop an exit strategy. Among other things, the service manager must decide whether to continue funding existing agreements with municipal dollars, begin the process of attrition by terminating agreements, or notify households that RGI benefits will end with the termination of the program.

Service Managers are required to submit a Program Take-Up Plan to the Minister of Municipal Affairs & Housing along with the MOU. Fixed block funding payments from the province will be made in accordance with the expenditures outlined in the Take Up Plan. The provincial fixed funding payments will not exceed the costs of the original Take-Up Plan throughout the term of the program (March 2023)

At inception there is no cost to the City of Greater Sudbury for the rent supplement units allocated under the *Strong Communities Rent Supplement* program.

Subsidy requirements may increase over time as market rents increase in the community or if the income of the households housed under this program does not increase at the same rate as market rent increases. The fixed funding will be insufficient to cover 100% costs of these units over the years. Service managers will need to modify their Program Take-Up Plans to manage these cost increases. One way of maintaining existing expenditure levels is to reduce the number of units in the program through attrition.

If circumstances were such where the provincial block funding proves insufficient to cover 100% of the cost, Council may at that time:

- a. reduce the number of units under the program to correspond to the amount of block funding received
- b. exercise their privilege to terminate the MOU with 12 months written notice and implement an exit strategy

It is recommended that increases in costs to administer the *Strong Communities* program are offset through attrition wherever possible. This strategy is to be implemented while minimizing the impact on the program and existing tenants.

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Program Delivery Requirements

The MMAH has indicated that the service manager will now be allowed the flexibility to introduce local options in delivering units under the *Strong Communities Rent Supplement Program*. Program delivery may now, but not necessarily, include various delivery models not permitted under previous rent supplement programming. Unlike rent supplement programs in the past, Housing Services now has the flexibility to implement one or more of the following delivery models:

Market units can be acquired:

1. Through agreements with private landlords;
2. Through agreements with non-profit housing providers;
3. Through agreements with co-operative housing providers;
4. Directly by RGI households; and
5. Through an in-situ arrangement.

These are explained below:

Service managers must enter into subsidy agreements with the respective parties for each of these program delivery options.

In-Situ Assistance

In past rent supplement programs, households were required to move only to a unit that was governed by a rent supplement agreement between the funder and the Landlord. This requirement has been eliminated. The service manager may develop a program where the household may receive rent supplement funding for the unit the household already occupies. The rent supplement portion of the rent payment would be paid directly to the Landlord.

Directly to Recipient Household

An agreement for rent supplement may be made directly with a household where funding is paid directly to the household and become portable with that household. The household would be responsible to remit the full rent payment to the Landlord.

Ontario Works/Ontario Disability Support Program

The service manager may choose to assist households who are exiting Ontario Works or the Ontario Disability Support Program but are unable to secure affordable housing because their employment income is insufficient to support market rents in the service area. The province's intent is to use the funding as a bridge to permit these households to move off assistance.

Agreements with Private Landlords or Non Profit/Co-op Housing Providers

Service managers can enter into traditional rent supplement agreements with landlords (private or non-profit) whereby an eligible household pays a geared-to-income amount and the service manager pays the landlord the difference between the amount the household pays and the established market rent for the unit. The units for which subsidy is being provided are to be modest, self-contained accommodation. Units are to be clean, fit for habitation, in a satisfactory state of repair, and must be in compliance with applicable Building Code and Fire Code requirements.

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Other Delivery Models

The MMAH will consider other delivery models submitted by service managers throughout the program period.

Delivery Recommendation

All units currently funded through the *Strong Communities Rent Supplement* program have been acquired through agreements with private landlords. This is consistent with all other rent supplement programs under administration.

It is recommended that this approach to acquisition of units continue, ensuring consistency across all programs. This approach also maintains the ongoing partnership with private landlords in the delivery of affordable housing. The day to day delivery of the program can continue in the manner it has operated over the program's past 5 years

The rules for RGI assistance within the *Strong Communities Rent Supplement* program are in most cases the same as those that apply to transferred housing projects subject to Part V of the SHRA and Ontario Regulation 298/01. The areas of flexibility specific to the program are as follows:

- Centralized waiting list;
- Local eligibility rules;
- Special priority, and
- Occupancy standards

Tenant Selection

Although it is not a requirement to select tenants from the Central Housing Registry under this program, to not do so like the other program options, requires additional provincial approvals. These options require further development and in some cases, would require the establishment of duplicate systems. For example: under the current process, all RGI units are filled with applicants from the centralized social housing waiting list. Under the *Strong Communities Rent Supplement Program* the service managers can select households from their centralized social housing waiting list or create a separate waiting list(s) specifically for the program. Service managers may even choose to establish more than one list for the program, each with its own method of ranking applicants. Households may also be selected through referrals from social service organizations, e.g. local support service agencies, escaping abuse, etc.

Since the units are allocated and systems are currently in place to deliver the program, it is recommended that the current practice of selecting all RGI households from the centralized wait list continue to be followed for the *Strong Communities Rent Supplement Program* as it ensures the consistent treatment of all households in need of affordable housing. This approach will simplify the application process for applicants and be more cost effective. Having to redesign a separate wait list and eligibility rules etc. would result in duplication and additional costs to administer the program.

It is recommended that priority in placement be given to victims of domestic violence (special priority), local eligibility rules be followed and occupancy standards be consistently applied across all housing programs including the *Strong Communities program*.

Under another option, the subsidy would be paid directly to an eligible RGI household and landlord participation in the subsidy arrangement is not required. However, this approach duplicates the current shelter allowance program already offered through the Ontario Works program.

The development of any new delivery model must include achieving the balance between ensuring the proper accountability and control of public funds, maximizing assistance to target households in a timely manner and protecting the fairness and integrity of the existing central waiting list system to ensure all households are treated and selected in a fair manner.

Conclusion

Rent supplement units form an integral part of the supply of rent-geared-to-income housing stock in the City of Greater Sudbury. The need for subsidized housing continues to exceed the supply. If Council elects not to participate in the *Strong Communities Rent Supplement Program* by entering into the Memorandum of Understanding with the Province then a reduction in the number of rent-geared-to-income units will occur.

The advantages and opportunities provided by participating in the program appear to out weigh the disadvantages.