

For Information Only

Update on Social Housing Funding

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Recommendation

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Finance Implications

By the end of 2015, there will be a reduction of approximately \$680,000 in federal funding, which was identified in the three year forecast.

BACKGROUND

In 1999, the Province and Canada Mortgage & Housing Corporation (CMHC) on behalf of the Federal government, signed the Social Housing Agreement. The purpose of the Agreement was to streamline the delivery of social housing programs in Ontario and help facilitate the consolidation of Federal and Provincial housing programs. Some of these programs had been in operation for over 35 years.

The Agreement transferred CMHC's social housing program administration and funding responsibilities to the Province. The Agreement also transferred the Federal funding associated with these CMHC programs to the Province.

In 2000, the Province, through the Social Housing Reform Act (SHRA), transferred the administrative and funding responsibilities for both the Provincial and former CMHC housing programs to the municipal sector. Since many of the transferred programs were either funded directly by CMHC or had previously been cost shared between the Province and CMHC, the Province agreed to forward the Federal share of the program funding to the municipalities. The funding would help offset the housing costs related to the CMHC programs.

Under the SHRA, municipalities assumed the Province's share of the CMHC cost shared programs and the cost associated with programs funded solely by the Province.

The CGS is required under the SHRA to provide funding to local non-profit housing providers. The list of

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providers includes the Greater Sudbury Housing Corporation (GSHC) and both non-profit housing corporations and not-for-profit co-operative housing providers. The subsidies help over 4,400 needy households to access decent, affordable housing. Clients include seniors, low income families, working poor and the disabled.

Of the local providers, 22 have projects which were developed and funded under Provincial unilateral programs. As there are no Federal dollars associated with these projects, the municipality assumed the full subsidy costs for these projects.

Of the remaining providers falling under the SHRA, 6 have projects which were developed and funded directly by CMHC while 17 providers have projects which were developed and funded under CMHC/Provincial cost shared programs. These providers now receive funding that is comprised of both Federal and municipal dollars.

Every five years, the Province provides municipalities with a schedule identifying the annual amount of Federal funding they will receive. In late April 2012, the Province provided the figures covering the period from 2013 to 2017.

Current Program Status

The Federal funding is provided on a declining scale. The rate of decline is directly related to the termination of program agreements originally signed between CMHC and the Province along with those signed by CMHC and local housing providers. Most agreements had a 35 year term though some had 50 year commitments. All Federal dollars related to the CMHC programs will expire by 2033.

Each municipality will feel the decline in Federal funding differently given that:

1. the amount of funding received is dependent on the number of housing providers funded unilaterally by CMHC or through Federal/Provincial agreements as at 2001, and
2. the actual amount of funding is based on the various program specific rules (funding formulas). The mix of programs may mean that municipalities may have the same number of units but different funding requirements, and
3. the actual termination date of the program agreements related to former CMHC housing providers unilaterally funded Federal programs.

Municipalities disburse the Federal dollars as part of the subsidies provided to providers previously funded by CMHC directly or through the former Federal/Provincial cost shared programs. This funding forms part of the legislated annual subsidies provided by municipalities. The annual subsidies cover mortgage costs, property taxes, utilities and other project maintenance/capital costs.

Since 2001, the amount of Federal dollars received by the CGS has hovered around \$5 million dollars per year. This represents approximately 22% of the total funding amount provided by the CGS under the various housing programs. Over the next few years, the amount of Federal dollars will begin to decline at a slightly faster pace.

The new Federal funding schedule shows that the CGS will see a decline in 2013 dollars of about \$67,000. This represents a 1.2% decrease from the 2012 funding amount. In 2014, there will be a further reduction of approximately \$566,000 representing a 10.4% decrease from the 2013 amount. For 2015, there will be another \$51,000 decline (1% decrease from the 2014 level). By the end of the 5 year period, the total decrease in Federal dollars will amount to \$678,511. This represents a 12.4% decrease from the 2012 total.

Municipalities are not required to continue subsidizing providers formerly funded directly by CMHC beyond the termination date of their operating agreements. As previously indicated in this report, the CGS has 6

such providers. However, if these projects are to remain affordable to needy households, they will require on-going subsidies beyond their agreement terminations.

It was originally anticipated that the project/program terminations would generate local subsidy savings. Unfortunately, these savings have been more than offset by increased provider operating costs (utilities, insurance, property taxes), additional housing provider capital repair costs incurred since 2001 and changes in legislation.

The SHRA has been repealed and replaced by the Housing Services Act, 2012 (HSA). The HSA allows for the extension of the CGS's obligation to subsidize the 17 former cost shared and 22 former Provincial unilaterally providers beyond their original operating agreement termination date. Once beyond the original termination date, the municipality must not only cover the former Provincial share of the housing costs, but the Federal share as well.

A Provincial regulation change will be required to remove the obligation to fund the providers. Prior to issuing such a regulation, the Province has indicated that it will review the long term funding issue with municipalities and other stakeholders. The review will examine the impact of the withdrawal of subsidies on the supply of affordable housing. A date for the program review has yet to be set.

In addition, the HSA sets a minimum municipal Service Level Standard for each municipality. The Standard identifies the annual number of rent-geared-to-income (RGI) units each municipality must fund. The CGS meets its Standard (3,603 RGI units) through the funding of local non-profit housing providers. These providers offer a mix of RGI and market rent units. The Province has indicated that it is not prepared to alter the municipal Services Level Standard until the above noted program review is completed.

The HSA prohibits the sale of social housing projects without the prior consent of the Province. As a condition of such a consent, it is expected that the municipality will replace the units being sold therefore maintaining their legislated Service Level Standard.

The HSA was designed to ensure the long term availability of affordable housing. This housing is an integral part of the CGS's safety net for local needy households and provides benefits to the community as a whole. Social housing fills a gap in the housing market that the private sector has traditionally had difficulty in addressing. There are currently close to 1,800 households seeking affordable accommodation through the CGS Housing Registry.

Next Steps

Housing Services will continue to work with local housing providers to ensure the cost efficient delivery of the housing programs.

The CGS budget for social housing will be adjusted annually to account for the decline in Federal funding.

Housing Services working in conjunction with other CGS departments (Planning, Building Services etc), will encourage the private sector to develop housing affordable to all household income levels.

Staff will continue to lobby the senior orders of government for additional funding to help offset the cost of providing decent affordable housing to local needy senior, family and disabled households.