

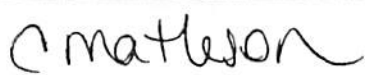

# Request for Decision City Council




| Type of Decision   |                                     |     |                          |             |                  |                                     |      |                          |        |
|--------------------|-------------------------------------|-----|--------------------------|-------------|------------------|-------------------------------------|------|--------------------------|--------|
| Meeting Date       | December 13, 2006                   |     |                          | Report Date | November 3, 2006 |                                     |      |                          |        |
| Decision Requested | <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                                 |
|----------------------------------------------|
| Greater Sudbury Housing Corporation Reserves |

| Budget Impact & Policy Implication  |                                                                                                   | Recommendation                                                                                                                                                           |
|-------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | This report has been reviewed by the Finance Division and the funding source has been identified. |                                                                                                                                                                          |
|                                     | No budget impact at this time.                                                                    | That Council endorses the creation of the Reserve accounts for Greater Sudbury Housing Corporation as outlined in the attached report beginning in the 2007 fiscal year. |
| <input checked="" type="checkbox"/> | Background Attached                                                                               | Recommendation Continued                                                                                                                                                 |

| Recommended by the Department                                                                                                                       | Recommended by the C.A.O.                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <br>Catherine Matheson<br>General Manager, Community Development | <br>Mark Mieta<br>Chief Administrative Officer |

Date: November 3, 2006

| Report Prepared By                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------|
| <br>Denis Desmeules<br>Manager, Housing Services |

| Division Review |
|-----------------|
| Name<br>Title   |

**Background**

The Greater Sudbury Housing Corporation (GSHC) is one of 44 independent non-profit housing providers in our community who offer rent-geared-to-income housing to needy households. The GSHC was created by the Province in 2001. Through the Social Housing Reform Act (SHRA), the corporation inherited the local Public Housing portfolio formerly owned by the Ontario Housing Corporation. The GSHC owns and operates over 1800 units across the CGS.

Housing Services, acting as Service Manager on behalf of the CGS, oversees the funding and program compliance of the GSHC and other local housing providers.

**Details**

Housing provider funding is subject to SHRA rules and regulations. These were put in place to ensure providers a consistent funding base. Due to historical funding patterns held by the Province prior to the downloading of social housing, there are differences in the funding mechanisms between the GSHC and the other local providers. One area of difference involves the funding of provider held reserves.

The Province requires Service Managers to fund housing provider replacement reserves. This reserve is used to offset future provider capital expenditures. The replacement reserve funding is included as part of the annual subsidies forwarded to providers by the CGS.

Housing providers are also able to retain under expenditures from their CGS operating subsidies and place the funds in an operating reserve. The monies are used at a later time to help offset emergency operating expenditures or unforeseen cost pressures i.e. high utility costs.

The funding mechanism utilized by the Province to fund the former Public Housing portfolio was different then the formula utilized for the other non-profit housing corporations. That mechanism saw the Province provide annual funds to the Ontario Housing Corporation to offset its annual program expenditures. There was no allowance for capital or operating reserves. Any underspending was recovered by the Province. The Province continued this approach through the download of housing. As a result, the GSHC does not currently retain reserves for any of its three program streams. Although the Province could have eliminated this funding difference at the point of the social housing transfer, it chose to leave the decision to the local Service Managers.

The GSHC has now asked the Service Manager to allow it to establish reserves. If permitted, the GSHC would fund the reserves through annual underspending and/or savings. The reserves would then be used to offset emergencies and/or in-year cost pressures. Interest from the reserve funds would accrue to the funds therefore further increasing the pool of available funds.

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Annual subsidies from the City to the GSHC are governed by a funding formula. As such, the amount of CGS annual subsidy is predetermined and adjusted annually for inflation. It is not intended that the annual subsidy will be automatically increased as a means of increasing the reserve. Once the province provides the adjusting factors, Housing Services determines the annual subsidy. At year end, Housing Services reviews the GSHC's annual audited statements to ensure compliance to program requirements.

The GSHC currently receives over \$8 million in subsidies annually from the CGS. Since 2001, GSHC underspending for all 3 program areas has never exceeded \$300,000 in any given year. The majority of the underspending has been in the Rent Supplement Program stream. The GSHC has been unable to obtain and fund the full number of units allocated under that program. They continue to make progress in this area though local market conditions have made the acquisition of new units more difficult and the cost of existing units more expensive. Underspending on capital generally occurs due to favourable tender results. Savings in operating are generally realized through savings on utility costs due to favourable weather conditions or through the collection of higher rental revenues as a result of increased employment opportunities in the community.

The following is a list identifying the advantages and disadvantages in allowing the GSHC establish the reserves:

Pros:

- the GSHC would be provided with an additional incentive to operate efficiently. Any savings would be available for future GSHC needs
- the GSHC would be expected to fund its emergencies and in year cost pressures from the reserves. This is consistent with the process followed by the other housing providers
- the creation of GSHC reserves could postpone additional funding requests to the CGS. Only when the reserves had been depleted would the GSHC be able to submit a business case to the CGS for additional subsidies
- the establishment of the reserves gives the GSHC the same level of autonomy and accountability as other local housing providers
- the reserves would assist the GSHC in its long term planning and viability

Cons:

- what the GSHC considers surplus or underspending is in fact, a CGS subsidy overpayment. If the GSHC did not require the subsidy to meet its obligations or needs, whether due to reduced spending, higher revenues etc., the funding is to be returned to the CGS. The CGS could use these funds for other housing programs or municipal services
- currently, the recovery of subsidy overpayments can be used by the CGS to offset its funding pressures. Allowing the GSHC to retain the subsidies would mean that these funds would no longer be available

Should the GSHC reserves be permitted, the GSHC would establish and retain three (3) separate accounts: a capital reserve, an operating reserve and a rent supplement reserve. Similar to the other non-profit programs, the GSHC would be able to contribute to and/or withdraw monies from the reserves only with the prior written consent of Housing Services, acting on behalf of the Service Manager. Such consent would be at the sole discretion of the Housing Services. This is consistent with the requirement for Municipal Non-Profit Housing projects and for Federal housing providers. Further, the Service Manager could recall the reserve funds at any time should it be deemed necessary and appropriate to do so.

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At this time, we do not anticipate setting a limit on the capital and rent supplement reserve. The budgets for these program areas are very tight and the capacity for underspending is limited. It is proposed that the operating reserve would retain the same limit imposed by the Province for other non-profit providers (\$500 per unit). Consistent with the program requirement for other non-profit housing providers, the contribution would be shared 50/50 with the Service Manager once the unit limit had been reached. The GSHC would also require Service Manager approval of its reserve investment policy.

It is recommended that the GSHC be permitted to establish reserves for each of its program areas as detailed above. Each reserve is to be funded from GSHC annual under expenditures in that specific program area. Contributions/withdrawals from the reserves will require Housing Services prior approval.