TO: Chair and Members
   Emergency & Community Services Committee

WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: March 2, 2011

SUBJECT/REPORT NO:
Expenditures From Capital Reserve Fund (Account #112248) (CS10094(a)) (City Wide)
(Outstanding Business Item)

SUBMITTED BY:
Joe-Anne Priel
General Manager
Community Services Department

PREPARED BY:
Bob McKnight 905-546-2424 Ext. 3728
Gillian Hendry 905-546-2424 ext. 4818

SIGNATURE:

RECOMMENDATION

(a) That Capital Reserve Fund (Account#112248) be renamed the Social Housing Reserve Fund;

(b) That the revised policy and procedure for approval of expenditures from the Social Housing Reserve Fund, attached as Appendix A to Report CS10094(a) - Approval of Expenditures From Social Housing Reserve Fund (Account #112248) be approved;

(c) That in the event of an emergency repair, signing authority be delegated to the General Manager of Community Services, or designate;

(d) That Item “T” respecting Expenditures from Capital Reserve Fund (Account #112248) be considered complete and removed from the Outstanding Business List.

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
EXECUTIVE SUMMARY

At the October 6, 2010 meeting of the Emergency and Community Services (E&CS) Committee, staff brought forward Report CS10094 - Expenditures From Capital Reserve Fund (Account #112248) advising Council that a new policy and procedure should be developed for the reserve fund. The policy and procedures should be in alignment with the City of Hamilton’s corporate policies and procedures for reserve funds and the Ministry of Municipal Affairs and Housing’s (MMAH) intent for the funding. Housing and Homelessness Division staff were directed to report back with a revised policy and procedure by January 2011.

The revised policy and procedure is attached as Appendix A to Report CS10094(a) - Approval of Expenditures from the Social Housing Reserve Fund (Account #112248). For clarity, it is recommended that the name of the reserve be changed to the Social Housing Reserve Fund.

The new policy and procedure establishes a framework for expenditures from the Social Housing Reserve Fund. Social Housing providers may request a grant when they require funding for emergency capital repairs or in exceptional situations for their social housing stock when there are inadequate financial resources to cover the cost. The reserve may also be accessed for building reviews for social housing stock that are in financial difficulty. Expenditures will be approved either through a report to Council or will be delegated to the General Manager of Community Services, or designate, in the event of an emergency repair.

In 2001, MMAH provided this capital reserve fund to the City in the amount of $3,791,218. There remains $2,636,117 in the account. The reserve is to be used at the discretion of the municipality for building reviews, capital repairs and other social housing purposes. In the past, expenditures from the Capital Reserve Fund were not approved by E&CS Committee but instead were approved through an internal process within the Community Services Department’s Housing Division.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial:
There is a balance of $2, 636,117 in the account. Approval for all expenditures from the Social Housing Reserve Fund will be upon the approval of Council during the annual budget process or through a report to Council. In emergency situations, the General Manager of Community Services, or designate, may approve funding for emergency repairs.
Expenditures will be limited to social housing stock as listed in the Social Housing Reform Act, 2000, or as amended by subsequent legislation.

**Staffing:**
There are no staffing implications associated with Report CS10094(a)

**Legal:**
There are no legal implications associated with Report CS10094(a)

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**HISTORICAL BACKGROUND**

With the devolution of social housing to the municipalities in 2001, the Province provided a capital reserve fund of $3,791,218 to the City. The reserve was to be used at the discretion of the municipality for building condition audits, capital repairs and other social housing purposes.

In May 2003, an operational procedure was established for the application and approval of funding for emergency or special expenditures from the Capital Reserve Fund. The social housing provider was required to complete a business case to apply for the funding. The business case was reviewed and approved by the CityHousing Evaluation Committee that was comprised of the Director of Housing and other members of the Housing Management Team. If approved, a Special Advance Agreement was processed and signed by the housing provider and City of Hamilton staff. Expenditures were not approved by the E&CS Committee but instead through the internal review process.

In total, $4,304,365 has been issued from the Capital Reserve Fund for 18 emergency repairs and capital projects. A list of the disbursals was provided as Appendix A to Report CS10094 - Expenditures From Capital Reserve Fund (Account #112248).

MMAH confirmed in October 2010, that the reserve was to be used only for social housing stock, as listed in the Social Housing Reform Act, 2000. Prior to this confirmation, the reserve was used a single time for an affordable housing project under the Canada-Ontario Affordable Housing Program. Good Shepherd Non-Profit Homes was funded for a total of $1,172,000 to create 24 accessible units at 350 King Street West. Council approved this expenditure as outlined in Report CS10094 - Expenditures From Capital Reserve Fund (Account #112248). All other emergency and capital repairs drawn from this reserve were social housing related.
POLICY IMPLICATIONS

The revised policy reflects the Province’s intent for expenditures from the Reserve Fund and is in alignment with the City of Hamilton corporate policies and procedures for expenditures from reserve funds. The policy increases the transparency and lines of accountability in the issuance of funding from the reserve.

RELEVANT CONSULTATION

The City of Hamilton Corporate Services, Finance and Administration were consulted in the writing of the policy and procedure. No changes resulted from the consultation.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Approval for all future expenditures from the Social Housing Reserve Fund will be upon the approval of Council through the annual budget process or through a report to Council. In emergency situations, the General Manager of Community Services, or designate, may approve funding for emergency repairs.

Expenditures from the Social Housing Reserve Fund will be distributed in accordance with both the MMAH requirements and the City of Hamilton’s corporate policies and procedures for reserve funds and will be limited to social housing stock as listed in the Social Housing Reform Act, 2000, or as amended by subsequent legislation.

When emergency or exceptional capital expenditures are required for social housing stock and the social housing provider has inadequate financial resources; providers may request a grant from the Social Housing Reserve Fund. The policy and procedure notes that grants may be approved as follows:

- Emergency repairs that could pose imminent danger to the tenants such as:
  - Fire damage
  - Structural damage
  - Catastrophic weather events or
  - Municipal work orders

- Exceptional situations may include but are not limited to:
  - Retro-fits for energy efficiencies
  - Bridge financing for insurance claims or
  - Costs incurred due to transfer or amalgamation of projects.
The social housing provider is responsible for preparing a business case which will be evaluated by City of Hamilton staff, who will then prepare a report for the Director of Housing and Homelessness and the General Manager of Community Services. If approved, a report will be prepared for E&CS Committee.

The social housing provider will provide a financial analysis listing the funds available in their capital repair replacement funds, surplus accounts, escrow accounts and any other accounts. Once the amount of funding available from the social housing provider is determined, city staff will determine the amount of the grant.

When a grant is approved by Council or the General Manager of Community Services, a Special Advance Agreement between the social housing provider and the City of Hamilton will be executed to clearly establish the terms of the grant. When the City of Hamilton must respond quickly in emergency situations, the General Manager of Community Services is delegated the responsibility of approving the allocation of emergency grant from the Social Housing Reserve Fund. A past example of an emergency situation was the replacement of an inoperable elevator in a single elevator apartment building. A report will be provided to E&CS Committee advising them of the emergency expenditure.

**ALTERNATIVES FOR CONSIDERATION**

There are no alternatives for consideration.

**CORPORATE STRATEGIC PLAN**  (Linkage to Desired End Results)


**Skilled, Innovative & Respectful Organization**

- A culture of excellence

**Financial Sustainability**

- Financially Sustainable City by 2020

**Intergovernmental Relationships**

- Influence federal and provincial policy development to benefit Hamilton

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
APPENDICES / SCHEDULES

Appendix A to Report CS10094(a) – Approval of Expenditures from the Social Housing Reserve Fund (Account #112248)
City of Hamilton  
Community Services Department  
Housing and Homelessness Division  
Housing Programs  
Policy and Procedural Manual

<table>
<thead>
<tr>
<th>Chapter</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Section</td>
<td></td>
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<tr>
<td>Subject</td>
<td>Procedure for Expenditures from the Social Housing Reserve Fund (Account #112248) for Emergency Capital Repairs and Exceptional Situations</td>
</tr>
</tbody>
</table>

**Intent**

**Purpose**

To establish a framework for expenditures from the Social Housing Reserve Fund (Account #112248) (SHRF). This will ensure staff apply due diligence when requesting approval for expenditures from the SHRF while adhering to corporate reserve fund policies and related provincial legislation and guidelines.

**Background**

The (SHRF) was established and approved by Council (Report PD03021) in 2003. All payments from the SHRF are limited to social housing stock for emergency capital repairs and for exceptional situations. In a letter dated April 17, 2001, the Ministry of Municipal Affairs and Housing specified that the funds are to be used for building condition audits, capital repairs and other social housing purposes.

**Policy**

**Projects to be funded**

Social housing providers may request a grant from the City of Hamilton for emergency capital repairs or for exceptional situations, as follows. Payments from the reserve are limited to social housing stock as defined in the Social Housing Reform Act, 2000 or subsequent amending legislation.

**Emergency Capital Repairs**

Emergency situations that could pose imminent danger to the tenants may include but are not limited to:

- Fire  
- Structural damage compromising the integrity of the building  
- Mechanical breakdown such as a one elevator building  
- Major damages inflicted on units resulting in
vacancies and economic hardship for the social housing provider
- Catastrophic weather events causing major roofing damage
- Flooding
- Municipal work orders
- Fire code orders

**Exceptional Situations**

Exceptional situations may include:

a. Retro-fits, for example:
   - Energy Efficiencies
   - Modification and creation of accessible units for wheelchairs and/or special needs
   - Creation of larger units to address the need to accommodate larger families in the City of Hamilton

b. Bridge financing for insurance claims, for example:
   - Coverage for uninsured damage
   - Loans awaiting insurance coverage

c. Costs incurred due to transfer or amalgamation of projects, for example:
   - Payment of tax arrears
   - Upgrades
   - Debts

d. Grants for capital assets, for example:
   - Additions to existing capital assets
   - Replacement of existing capital assets
   - Improvements (expenditures which increase the capacity, quality, efficiency or useful life of the existing capital assets)
   - Improvements of major building components
   - Acquisition of new capital assets required to manage and maintain the portfolio

<table>
<thead>
<tr>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibilities of Social Housing Provider</strong></td>
</tr>
<tr>
<td>• A Business Case (attached as Appendix One) must be completed and forwarded to the Housing Officer.</td>
</tr>
<tr>
<td>• The business case should provide a financial overview costs incurred by the social housing</td>
</tr>
</tbody>
</table>
provider and quoted costs to complete the work.

- The business case should also outline alternate arrangements for tenants during construction, if applicable.
- If a payment from the SHRF is approved, the Special Advance Agreement (Appendix Two) must be signed by two duly authorized officers of the Social Housing Provider.
- Tendering procedures must be followed, as per the Social Housing Reform Act 2000 and documentation must be provided regarding the capital costs/expenses as required.

<table>
<thead>
<tr>
<th>Responsibilities of the City (Housing Program Team)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review the Social Housing Reserve annually and provide or update the associated financial plan, if necessary.</td>
</tr>
<tr>
<td>• Within five business days of receipt of the business case, the Housing Officer will acknowledge in writing to the social housing provider that the signed business case has been received and is under consideration.</td>
</tr>
<tr>
<td>• Depending upon the scope of work, within ten to twenty business days, a Housing Officer will complete a technical review of the proposed modifications and deem the estimate costs as acceptable, not acceptable, or undetermined.</td>
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<tr>
<td>• If the acceptability of the cost estimate cannot be determined, the Housing officer will identify, in writing, the additional information required from the social housing provider in order to complete the technical review.</td>
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<tr>
<td>• The Housing Officer will prepare a report for the Director of Housing and Homelessness Division recommending approval or not. If approved, the amount of funding will be specified.</td>
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<tr>
<td>• The expenditure from the SHRF must be approved by Council through a report, or in the event of an emergency, approval may be delegated to the General Manager of Community Services Department.</td>
</tr>
<tr>
<td>• If approved, the Special Advance Agreement will be forwarded to the social housing provider for</td>
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<tr>
<td>Appendices</td>
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<tr>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Business Case Template (Appendix One)</td>
</tr>
<tr>
<td>• Category Type for Grant Payments from the SHRF (Appendix three)</td>
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<thead>
<tr>
<th>History of Policy and Procedure</th>
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<tbody>
<tr>
<td>Prepared on January 28, 2011</td>
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<tr>
<td>Reviewed by: __________________</td>
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<td>Approved by: _________________</td>
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The Housing Officer will contact the social housing provided to discuss the terms of the agreement.

The Housing Officer will process a cheque requisition for the first payment, after approved documentation is received from the social housing provider.

Progress of advances will be tracked through the Major Capital Repairs Progress Draw Tracking Sheet.
Business Case Template (Appendix One)

A Business Case should be prepared when approval is being sought for an emergency situation or at the planning stage of a project.

The Business Case Template may be adapted to fit the specific aspects of the proposal.

Supporting documentation should be attached – for example, copies of a technical audit, legal opinions or letters and reports received from professionals.

The Business Case and supporting documentation should be submitted to the Social Housing Provider’s assigned Housing Officer, Housing and Homelessness Division.

Name of Social Housing Provider

Name of Project

Location

Type of Units (housing, elevated apartment building)

Age of Project

Number of Units

Identify the Situation

a) Description of the situation

b) Is this a health & safety issue? Is there a Municipal Work Order or Office of the Fire Marshal Order? Is it a major capital expenditure? Is it a preventative maintenance problem?

c) Describe the events leading up to the situation

d) Reference any technical or legal opinions. (with supporting documentation).

e) Describe actions/steps to remedy the situation.

f) Describe liability measures (Contractor or manufacturer warranty, insurance coverage, etc.)


**Analysis and Solutions**

Describe possible options to address the situation. For each option explain:

- Advantages
- Disadvantages
- Estimated cost
- Consequences of inaction or delay and associated costs, if applicable
- Whether it should be completed at one time or phased in

**Financial Analysis**

Provide a financial analysis for each option. The following table is provided as a reference.

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
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<tr>
<td>1. Balance of funds available</td>
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<tr>
<td>- replacement reserves</td>
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<td>- surpluses</td>
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<td>- escrow account (if any)</td>
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<tr>
<td>- other</td>
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<tr>
<td>Sub-total</td>
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<tr>
<td>2. Estimated cost including all professional fee and contingency costs</td>
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<tr>
<td>3. Funds available for the project</td>
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<tr>
<td>4. Total Funds required</td>
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**Recommendation**

State the recommended option including the reasons why.
Special Advance Agreement (Appendix Two)

This Agreement is made on the day of ,

BETWEEN The City of Hamilton
(referred to as the “City”)

Housing Provider
(referred to as the "Housing Provider")

RECITALS

The Housing Provider has asked the City of Hamilton to provide an advance(s) on grant payments which are payable on approved emergency repairs or exceptional situations from the Social Housing Reserve Fund as listed in Schedule A (attached)

CONSIDERATION

In consideration of the covenants and agreements contained in this Agreement and the sum of one dollar ($1.00) of lawful money of Canada now paid by each of the City of Hamilton and the Housing Provider to the other (the receipt and sufficiency of which are hereby acknowledged), the City of Hamilton and the Housing Provider agree with the terms as stated below.

TERMS OF THE AGREEMENT

1. The City of Hamilton will make grant payments up to a maximum amount of ($XXXXX) ("the Advance") to the Housing Provider, for the project(s) and repair(s) as listed in “Schedule A” as approved by the City.

2. In consideration of the City of Hamilton providing the Advance to the Housing Provider and subject to the City of Hamilton’s approval, the Housing Provider will commence and diligently pursue any action including any legal action which may be required to obtain compensation for any expense incurred by the Housing Provider and/or the City of Hamilton arising out of circumstances necessitating the Advance.

3. The Advance may be made by the City of Hamilton in one payment or in successive payments, as and when determined by the City of Hamilton in its sole discretion.
4. The Housing Provider shall follow such tendering procedures and provide such documentation regarding the capital costs/expenses as required by the City of Hamilton.

5. For individual capital projects over $50,000.00 in value the Housing Provider shall:
   • Contact City of Hamilton, Housing Programs Administration (HPA), Technical Coordinator for a meeting to determine preliminary scope of work.
   • Submit an electronic version of the tender package,
   • Submit an electronic summary of the tender results on the HPA standard form.
   • Advise HPA of the Pre-Construction Meeting date and subsequent construction meetings.

6. The Housing Provider shall request payments as required using the approved form attaching all invoices relating to the payment.

7. The Housing Provider agrees to comply with the provisions of the Construction Lien Act, R.S.O. 1990, c. C.30, as amended or replaced from time to time, and to maintain holdbacks in accordance with the said Act.

8. Any breach of this Agreement by the Housing Provider could result in a cancellation of the approved funding for the project.

9. Aside from the foregoing, it is agreed that all of the terms of the SHRA/Federal Operating Agreement will remain the same.

10. All the provisions of this Agreement shall be binding on and operate to the benefit of the City of Hamilton and the Housing Provider and their respective successors and permitted assigns.

11. This Agreement shall be governed by the City of Hamilton.

12. Nothing in this Agreement shall be deemed in any way or for any purpose to constitute the City of Hamilton and the Housing Provider as partners or any other similar relationship.

13. Time shall be of the essence of this Agreement.
The parties intending to be legally bound have signed this Agreement.

________________________________________________________________________
(Chair or authorized signing officer)

________________________________________________________________________
__________________________________________
                     ______________________
(titled)                                                         (date of signature)

________________________________________________________________________
( Authorized signing officer)

________________________________________________________________________
__________________________________________
                     ______________________
(titled)                                                         (date of signature)

I/we have authority to bind the corporation.

THE CITY OF HAMILTON

________________________________________________________________________
Director of Housing & Homelessness

________________________________________________________________________
(date of City of Hamilton signature)
**SCHEDULE A**

<table>
<thead>
<tr>
<th>Project</th>
<th>Approved Repairs</th>
<th>Approved Amount</th>
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<td><strong>TOTAL</strong></td>
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Expenditures from the SHRF
January 28, 2011
# Category Type For Expenditures from the Social Housing Reserve Fund (Appendix Three)

Please indicate under which category the provider’s request falls. More than one Advance Type can be chosen.

<table>
<thead>
<tr>
<th>Advance Type #</th>
<th>Type of Advance</th>
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<tbody>
<tr>
<td>1.</td>
<td>Emergency situations may include but are not limited to:</td>
</tr>
<tr>
<td></td>
<td>• Fire</td>
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<td></td>
<td>• Structural damage compromising the integrity of the building</td>
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<td>• Mechanical breakdown such as a one elevator building</td>
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<td>• Major damages inflicted on units resulting in vacancies and economic hardship for the housing provider</td>
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<tr>
<td></td>
<td>• Catastrophic weather events causing major roofing damage/flooding</td>
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<tr>
<td></td>
<td>• Municipal work orders/Fire code</td>
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<tr>
<td>2</td>
<td>Retro-fits may include but are not limited to:</td>
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<tr>
<td></td>
<td>• Retro-fits that should have been done as part of the construction of the project</td>
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<td></td>
<td>• To modify units for accessible units and/or special need</td>
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<tr>
<td></td>
<td>• Energy Efficiencies</td>
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<tr>
<td></td>
<td>• Creation of larger units</td>
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<td>3</td>
<td>Advances in lieu of Insurance may include but are not limited to:</td>
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<tr>
<td></td>
<td>• to cover uninsured damage</td>
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<tr>
<td></td>
<td>• loans awaiting insurance coverage</td>
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<tr>
<td>4</td>
<td>Costs incurred due to transfer or amalgamation of projects may include but are not limited to:</td>
</tr>
<tr>
<td></td>
<td>• payment of tax arrears</td>
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<td></td>
<td>• upgrades</td>
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<td>• debts</td>
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<tr>
<td>5</td>
<td>Grants for Capital Assets may include but are not limited to:</td>
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<tr>
<td></td>
<td>• Additions to existing capital assets,</td>
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<td>• Replacement of existing capital assets,</td>
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<td></td>
<td>• Improvements (expenditures which increase the capacity, quality, efficiency or useful life of the existing capital assets),</td>
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<tr>
<td></td>
<td>• Improvements of major building component</td>
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