SUBJECT: Impact of the Provincial Benchmarks on Social Housing Providers (SPH05037) (City Wide)

COMMENDATION:

(a) That the Social Housing Providers' benchmarks for the City of Hamilton submitted by staff to the Ministry of Municipal Affairs & Housing in May 2005 be endorsed.

(b) That the new Social Housing Providers' benchmarks be referred to the 2006 budget deliberations for consideration.

Joe-Anne Priel, General Manager
Public Health and Community Services

EXECUTIVE SUMMARY:

The Province transferred the responsibility for social housing to municipal governments pursuant to the provisions of the Social Housing Reform Act (SHRA). In the City of Hamilton the administration of 14,200 units of social housing were transferred by the Province on December 1st, 2001.

The SHRA mandates that service managers utilize a consistent funding formula (benchmarks) to ensure funding is administered in a fair and equitable manner to all social housing providers. The province has developed these benchmarks over the past 18 months with significant input from municipal service managers. These benchmarks, which come into effect in 2006 have just recently been announced to service managers. Staff has reviewed these benchmarks with all social housing providers in Hamilton. The financial impact of the proposed benchmarks is estimated at approximately $1.8 million dollars for 2006. Staff is recommending that this be incorporated into the 2006 budget process.
BACKGROUND:

The social housing service manager currently administers (provides funding and ensures compliance with the SHRA) 14,200 social housing units or 36 housing providers in the City of Hamilton. This includes some large housing providers such as Victoria Park, CityHousing Hamilton, Hamilton East Kiwanis, Stoney Creek Non Profit as well as some smaller housing providers such as Corktown Co-operative and Heritage Green.

When the Province administered social housing their funding was set each year based on provincial calculations of increases in operating costs in relation to expected increases in rent revenue. Under the new SHRA, service managers are required to provide funding based on a funding formula (benchmarks) to ensure that all housing providers are funded in a consistent and equitable manner. Since benchmarks were not in place at the point of transfer, the Province has annually prescribed interim benchmarks. Unfortunately the interim benchmarks have not kept pace with the Housing Providers’ market conditions and costs, especially utilities and insurance.

The SHRA funding formula (benchmarks) is designed to allow housing providers to operate more like private sector businesses where revenues are sufficient to meet all of the organizations operating costs. Benchmarks are set, initially to determine how much revenue the housing provider can reasonably be expected to generate if all units were rented at a market based rent. Subsequent to this all of the major operating expenses are established for each housing provider and include maintenance, administration, utilities, insurance, bad debt, and capital reserve fund contributions. The operating expenses do not include the mortgage and property tax costs since these are reconciled to actuals on a yearly basis and paid automatically by the service manager.

The Province has been developing these benchmarks over the past 18 months and has had significant input from service managers across Ontario. There have been several revisions made to the benchmarks and the final ones were distributed to the service managers on April 29th, 2005. Staff has reviewed the proposed benchmarks with each housing provider (36) and believe that in most cases the current benchmarks are fair and accurately reflect the required financial needs of the housing providers. Staff has submitted as requested their recommendations back to the province by May 11, 2005. The service manager had the option if they did not agree with the benchmarks, to submit a business case suggesting a more realistic figure based on actual revenues and expenditures. Out of the 36 provider benchmarks that were submitted, staff put forward 8 business cases for further review and possible adjustments.

The Ministry acknowledged receipt of the City of Hamilton’s benchmark submission on June 30th, 2005. Housing providers have the option to appeal their proposed benchmarks prior to October 31, 2005. The Province does however have the final authority on the benchmarks. Staff will receive final approval from the Province by December 31, 2005. Staff will not be able to provide an accurate amount on the financial impact of the benchmarks until after this final approval is received. However, staff is not
anticipating significant changes in the projected costs presented in this report since most housing providers have expressed satisfaction with their projected benchmarks.

Although the service managers have not as yet received final analysis of the impact of the benchmarks for all of Ontario, most service managers are indicating an increase similar to what is being projected for Hamilton.

**ANALYSIS OF ALTERNATIVES:**

There is no alternative since the benchmarks are prescribed and mandated by the Social Housing Reform Act. The only discretionary cost within this budget is the administration of the social housing program which is currently $445,000. Previous analysis of other municipalities indicates that our current administration cost to administer this program is lower than other comparable municipalities with similar housing portfolios.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial

The maximum net increase estimated for 2006 to the social housing administration budget is approximately $1,800,000.

Historically the Province has directed an annual inflation factor increase (3% to 4%) to the subsidies disbursed to housing providers. A comparison was made of the impact on the budget (using a 3.6% inflation factor) should benchmarks not have been implemented. This factor would have increased the subsidy by approximately $500,000 for 2006. The annualized net impact of the benchmarks which is projected to be approximately $1,600,000 with the additional $500,000 inflation factor equates to a total of $2,100,000. Since there are a few housing providers that do not renew their contract with the service manager until April 1, 2006, the actual impact for 2006 is $1,800,000.

Even though there is quite a substantial impact to the budget (6.7% increase), historically the housing providers have been under funded. The City of Hamilton Housing budget has been declining over time since devolution from 32.9M in 2001 to 31.5M in 2004. There was a further reduction in 2005 of 2.0 M because of savings in mortgage renewals and increased revenues from market rent. It was noted in the 2005 budget discussions however that this reduction would be of a temporary nature pending the results of the benchmarks.

The anticipated benchmark figures for utilities, maintenance and other expenses were expected to correct the under funding issue that historically existed and cause the funding requirements to rise significantly. These benchmarks should provide stability and predictability for providers’ budgets in the future.

Staff will continue to look for ways to mitigate this increase through mortgage renewals and increased revenue from Rent-Geared-To-Income (RGI)/Market rent, but they do not anticipate any significant savings in 2006, since most of these adjustments/savings have
been used in previous years to offset the municipal levy deficit with a resulting reduction in the housing budget.

**Staffing** – N/A

**Legal** – Benchmarks are prescribed under the Social Housing Reform Act.

**POLICIES AFFECTING PROPOSAL:**

N/A

**CONSULTATION WITH RELEVANT DEPARTMENTS/AGENCIES:**

Corporate Services has been advised of this pressure for the 2006 year budget.

**CITY STRATEGIC COMMITMENT:**

Hamilton’s strategic direction is a “A City of Growth and Opportunity” and a “Great City in Which to Live”. It addresses developing partnerships for Hamilton with other levels of government and Council will urge its government partners to take the steps necessary to support the City in its efforts.

It also addresses the City of Hamilton’s Mission statement that identifies the need for a safe, healthy, sustainable community and a great place in which to work, live and play.

This report seeks to both maintain, and where possible, enhance the City of Hamilton's economic investments by ensuring that all downloaded social housing projects are financially viable and in a state of good repair.