SUBJECT: Funding Formula of the Federal National Housing Act (NHA) Section 95 Social Housing Program (SSC06021) (City Wide)

RECOMMENDATION:

(a) That Council correspond with the Provincial Minister of Municipal Affairs and Housing and the Federal Minister of Labour and Housing and request that the funding formula for Federal National Housing Act (NHA) Section 95 be revised to ensure sustainable funding.

(b) That this letter be copied to the Association of Municipalities of Ontario (AMO), the Ontario Municipal Social Service Association (OMSSA), the Service Managers Housing Network (SMHN), the Ontario Non-Profit Housing Association (ONPHA), the Co-operative Housing Federation of Canada (CHF) and the Social Housing Services Corporation (SHSC).

Joe-Anne Priel
General Manager
Community Services Department

EXECUTIVE SUMMARY:

The funding formula of the Federal National Housing Act (NHA) Section 95 social housing program is flawed since the subsidy for these programs is decreasing over time. This results in the federal non-profit housing providers, under this program (2,396
units), to be in a serious financial situation. This funding formula needs to be revised by the federal government through their housing agent, the Canada and Mortgage Housing Corporation (CMHC). Staff are recommending that Council correspond with the appropriate provincial and federal governments requesting that the funding formula be revised to ensure future financial sustainability.

BACKGROUND:

The Mayor and Housing Branch staff met with representatives of Hamilton East Kiwanis Non-Profit Homes Inc. on April 5, 2006. The purpose of the meeting was for Hamilton East Kiwanis Non-Profit Homes Inc., which is one of twenty-two housing providers in Hamilton that are negatively impacted by the Section 95 funding model, to request that the City, as Service Manager responsible for the administration of these projects, ask both provincial and federal Ministers for a review of the funding formula on which they are based.

In 1999, the federal and provincial governments signed the Social Housing Agreement which included Section 95. Under this agreement:

- CMHC transferred control of the management and administration of all non-profit social housing programs to the province,
- The province assumed all of CMHC’s financial and other obligations with respect to these programs; and,
- In return, CMHC agreed to provide the province with fixed amounts of funding each year for housing providers under Section 95 until such time as the agreements with providers expired.

In 2001, the Social Housing Reform Act (SHRA) came into affect, which transferred the previously administered provincial housing programs to the municipalities in addition to the CMHC administered programs. The City of Hamilton was downloaded 14,200 social housing units, of which 2,396 units fall under Section 95.

As a result of the Social Housing Agreement the funding formula for Section 95 housing providers has not changed, even though there is recognition by all levels of government that the funding formula as outlined in the agreement is flawed.

ANALYSIS/RATIONAL:

Currently, Section 95 housing providers are or will be experiencing a decrease in subsidy from the federal government at the time of mortgage renewal. It is believed that when this formula was established that these results had not been anticipated. Further to this, the funding formula is not consistent with other housing programs that have been administered by the Ministry of Municipal Affairs and Housing.

The Ministry of Municipal Affairs and Housing needs to address this flaw in the funding formula with the federal government and CMHC. If the funding formula is not revised, the non-profit social housing providers under this program are liable to go into mortgage default, which puts the contingent liability on the City of Hamilton.
**ANALYSIS OF ALTERNATIVES:**

There is no capacity in the City of Hamilton’s budget to fund this shortfall.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial - There are no financial implications for the City of Hamilton as funding for this program is from the federal government; however, should a housing provider under this program default on their mortgage, the funding shortfall would become the responsibility of the City of Hamilton.

All mortgages in this program are insured by CMHC. Under the Federal/Provincial Agreement, CMHC can bill the provincial Ministry of Municipal Affairs and Housing for the default costs. Under the SHRA, all the assets and liabilities for social housing have been transferred to the City of Hamilton, so the City of Hamilton in turn would assume responsibility for the default costs.

The housing providers would be asked to try to mitigate this decrease in funding by reducing operating expenditures and/or increasing their market rents. Should they not be able to realize additional savings, the City of Hamilton may have to increase the subsidy to the housing provider to address this shortfall.

Staffing - There are no staffing implications.

Legal - There are no legal implications.

**POLICIES AFFECTING PROPOSAL:**

Not applicable.

**RELEVANT CONSULTATION:**

This information is also being shared with the SHSC, OMSSA, SMHN, ONPHA, CHF, and AMO.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Public services and programs are delivered in an equitable manner, coordinated, efficient, effective and easily accessible to all citizens.

**Environmental Well-Being is enhanced.** ☑ Yes  ☐ No
Human health and safety are protected.

**Economic Well-Being is enhanced.** ☑ Yes  ☐ No
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines? ☑ Yes  ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes  ☑ No