November 6, 2007

Mayor Fred Eisenberger
City of Hamilton
77 James Street North
Hamilton, Ontario
L8R 2K3

Dear Mayor Eisenberger:

Hamilton East Kiwanis Non-Profit Homes (Kiwanis Homes) is a charitable non-profit social housing provider incorporated in 1982. Our housing portfolio consists of 203 units previously administered by Canada Mortgage and Housing Corporation (CMHC) and 464 units previously administered by the Ministry of Municipal Affairs and Housing (MMAH).

This correspondence is specific to the CMHC portfolio funded under Section 95 agreements commonly referred to as the “2% write-down” housing program. When projects funded under this program came into operation, interest rates were anywhere between 18% to 22%. Unfortunately, when mortgages came to be renewed, the prevailing interest rates were significantly lower than they had been at inception and housing providers discovered that their subsidy decreased more than the decrease in the monthly cost of their mortgage. The compounded decrease in subsidy has made it impossible to continue to administer the portfolio; the portfolio is in crisis.

As a result of the 1999 Social Housing Devolution Agreement the administration of social housing was transferred from the Government of Canada to the Government of Ontario. As a result of the Social Housing Reform Act, 2000, the responsibility for funding and administration of most social housing in Ontario was transferred to the 47 Service Managers across the province. Although CMHC and MMAH acknowledge that the Section 95 program funding is flawed, neither accepts responsibility for a resolution as a result of the transfer of administration. In fact, as the enclosed letter from MMAH Deputy Minister John S. Burke once again reminds us, it is their position that the Service Manager is responsible and MMAH continues to forward the City the same level of funding for this program that was in place prior to devolution.
The Kiwanis Homes Board of Directors participated in a number of strategy meetings dating back to 2005 in an attempt to address the CMHC funding formula crisis. Kiwanis Homes has been persistent in communicating the financial crisis by conversing with, meeting with or writing to CMHC, MMAH, the City of Hamilton, Members of Provincial Parliament and Members of Federal Parliament. Unfortunately, the responses from the various levels of government direct us to another level of government and the funding crisis has not been resolved.

The enclosed letter dated October 18, 2007 from MMAH Deputy Minister John S. Burke directs us back to the City of Hamilton for a resolution. As a result of his comments, the Kiwanis Homes Board of Directors respectfully requests the termination of the Section 95 operating agreement by replacing it with the terms and conditions of the Social Housing Reform Act, 2000.

Yours truly,

Karen Davis

On behalf of the Board of Directors
Karen Davis, Executive Director
Hamilton East Kiwanis Non-Profit Homes Inc.
905-545-4654 #228
kiwanis1@bellnet.ca

cc Mr. Chris Murray, Director of Housing, City of Hamilton
Mr. Bob McKnight, Program Manager, City of Hamilton

Encl. Letter from the office of the Deputy Minister
October 18, 2007

Ms. Karen Davis
Executive Director
Hamilton East Kiwanis Non-Profit Homes Inc.
281 Queenston Road
Hamilton ON L8K 1G9

Dear Ms. Davis:

Thank you for your letter of August 21, 2007 – addressed to Premier Dalton McGuinty – regarding the financial difficulties experienced by Kiwanis Homes through the application of the subsidy formula for section-95 housing programs. I have been asked to respond to you on behalf of the Minister.

I would encourage you to work closely with your municipal service manager – the City of Hamilton. Under the Social Housing Reform Act, 2000, municipal service managers are responsible for funding and administering social housing in their respective jurisdictions.

As stated in your letter, the Board of Directors made a decision to sell all or a portion of the former CMHC social-housing portfolio, and your business case requesting ministerial consent was forwarded to the City of Hamilton. I concur with your comment regarding the upheaval that this will have on the families being housed by Kiwanis Homes.

In your letter, you referred to actions taken by CMHC as well as the Ministry of Health and Long-Term Care regarding the funding of housing providers under section 56.1. All operating agreements were transferred to local service managers. All files for federal programs were transferred to local service managers at the same time as the administration of all social-housing programs was transferred. The ministry continues to supply to the City of Hamilton the identical level of funding as was in place prior to devolution to the City of Hamilton to assist housing providers under section 56.1.

I wish to bring to your attention section 157 of the Social Housing Reform Act, 2000. There, if both parties agree, the service manager and housing provider may terminate the section-95 operating agreement and replace it with all the terms and conditions of the Social Housing Reform Act, 2000. Both parties must agree to this change in writing. If such a change were to take place, Kiwanis Homes would have its revenues and operating costs benchmarked and would be bound by all provisions of the act.
Ms. Karen Davis

I encourage you to contact your service manager, the City of Hamilton, to explore this alternative option, which may alleviate your funding problem. You can contact Mr. Bob McKnight, Program Manager for Public Health and Community Services in the Housing Division at the City of Hamilton. His telephone number is 905-546-8424, extension 3728. You may wish to impress upon him again the urgency of receiving the same level of funding as was in place prior to devolution to support your housing complex.

Once again, thank you for bringing your concerns to our attention.

Yours truly,

[Signature]

John S. Burke
Deputy Minister

c:  The Premier of Ontario
    Mr. Bob McKnight, Program Manager, City of Hamilton