



	REPORT NO.: 2018-15
MEETING DATE: MARCH 15, 2018	DATE PREPARED: MARCH 5, 2018
SUBJECT: TBDSSAB Property Mortgage Expiry – Paterson Court	

RECOMMENDATION

For information only.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information regarding the Paterson Court mortgage maturity and the related implications.

BACKGROUND

Across the province, District Social Service Administration Boards (DSSAB's) and Consolidated Municipal Service Managers (CMSM's) are responsible for the administration of social housing as defined by the *Housing Services Act, 2011* (HSA). Under the HSA, Service Managers are required to ensure program compliance, maintain service level standards, manage federal and provincial investments and ensure the effective operation of housing stock. All properties covered by HSA are designated under Ontario Regulation 368/11: Designated Housing Projects.

Service Managers receive federal funding allocations each year through the Ministry of Housing. The allocation is based on the costs of individual social housing projects transferred to each Service Manager at the time of transfer (targeted funding). In years where there are additional resources in the Ministry's Social Housing Agreement allocation - i.e. mortgages require less funding than originally estimated in the targeted funding, any remaining untargeted funding is distributed to all Service Managers based on their proportionate share of the original targeted funding.

As the debentures related to public housing properties and mortgages for non-profit provider properties mature and operating agreements expire, the amount of federal funding will decrease. However, as long as the property remains listed in O. Reg 368/11, TBDSSAB, as the Service Manager, is responsible to ensure the long-term viability of the project. Upon consent of the Service Manager, a waiver may be obtained to remove the project from O.Reg 368/11.

The Service Manager is still responsible for meeting the established service level standards despite the decrease in federal funding or if the project is removed from O.Reg 368/11.

Overall, federal funding is decreasing over time as mortgages and debentures mature and operating agreements expire. TBDSSAB's federal funding has increased in recent years due to additional untargeted funding. However, the federal allocation forecast, as presented in the Ontario Gazette, indicates a decrease in federal funding over the next few years as mortgages reach maturity.

The difference between the calculated cost of social housing programs in the District of Thunder Bay and the federal funding provided, is levied to member Municipalities and to Ontario for the Territories without Municipal Organization share.

COMMENTS

With mortgage maturity, Service Managers will face decisions about maintaining existing housing stock and service level standards, while addressing the current and future needs of the community they serve. As mortgage maturity approaches, extensive analysis must be performed for each project to determine if the project is financially viable once the mortgage servicing costs and operating subsidies are removed, and estimate the amount of annual subsidy that would be required to ensure long term financial sustainability. Consideration must also be given to the physical condition of the project, the long-term capital needs, and the available capital reserve funds.

Over the years a number of debentures related to TBDSSAB direct-owned properties have matured. On March 1, 2018, the mortgage for direct-owned project known as Paterson Court matured. This property is located at 148 North May Street in Thunder Bay. It is determined that this property has been well maintained, does not require extensive upgrades in order to continue operating and has a very low vacancy rate. Further, the property has a low Facilities Condition Index (FCI) rating.

At this point it is the recommendation to retain this property and continue to operate it as social housing, as the needs in the District currently exceed the supply of housing units. Administration will be completing a portfolio evaluation over the coming months to determine which, if any, of the current direct-owned properties may be recommended for elimination following debenture or mortgage maturity. This information will be presented to the Board for review and approval.

FINANCIAL IMPLICATIONS

With the expiry of the Paterson Court mortgage, monthly mortgage servicing costs of \$23,159 will be eliminated (\$277,908 per annum). It is not possible to determine the exact decrease in federal subsidy related to these mortgages, as this level of detail is not provided by the Province. However, the financial impact of the mortgage payment savings



and overall decrease in Federal funding was factored into the Board approved 2018 TBDSSAB Operating Budget.

CONCLUSION

It is concluded that the expiry of mortgage on the direct-owned property, Paterson Court, will result in a reduction in mortgage servicing costs and related federal subsidy. Further, it is concluded that this property should be retained and continue to operate as social housing under the requirements of the *Housing Services Act*.

REFERENCE MATERIALS ATTACHED

None

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