THE DISTRICT OF THUNDER BAY
SOCIAL SERVICES ADMINISTRATION BOARD

BOARD REPORT

	REPORT NO.: **2018-45**
MEETING DATE: **JUNE 28, 2018**	***DATE PREPARED:*** JUNE 13, 2018
SUBJECT: **IMPACT OF DECREASE IN FEDERAL FUNDING FOR SOCIAL HOUSING**	

RECOMMENDATION

For information only.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information relative to the decrease in Federal funding for Social Housing as mortgages mature and operating agreements expire, and the anticipated financial impact on TBDSSAB from 2019 to 2032.

BACKGROUND

TBDSSAB, as the designated Service Manager in the District of Thunder Bay, is responsible for funding and administering the Social Housing programs transferred pursuant to the *Social Housing Reform Act, 2000,* and, subsequently, the *Housing Services Act, 2011 (HSA).*

Federal funding for Social Housing is provided to Service Managers annually. The allocation of Federal funding in Ontario was determined based on the estimated Federal share of operating costs for each individual Social Housing project transferred to the Service Manager at the time of devolution. The allocation is adjusted each year to remove funding for projects that have had mortgages/debentures mature, or operating agreements expire.

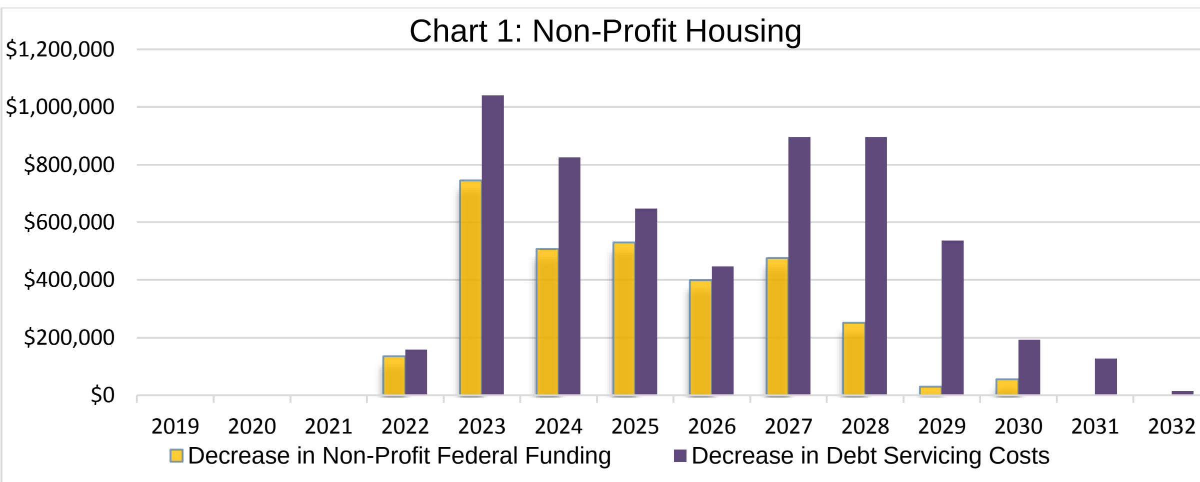
The annual TBDSSAB Operating Budget includes all costs related to Social Housing, including cost of administration, anticipated in the forthcoming year. These estimated costs are based on various factors, including housing provider estimates, annual inflationary cost indices issued by the Ministry of Housing, historical trends, management expertise, and strategic goals and objectives. The cost of Social Housing, less the Federal funding, is levied to Municipalities and Territories Without Municipal Organization (TWOMO).

COMMENTS

The amount of Federal funding for each transferred housing project was determined at point of transfer based on the estimated Federal share of operating costs, including debt servicing, at that time. Generally, these amounts have been maintained since 2001. The total amount of Federal funding is tied to the overall Service Manager portfolio of qualifying housing. However, to understand the financial impact of mortgage maturities and operating agreement expiries and the related decrease in Federal funding, each component of the Federal funding must be analyzed in isolation.

NON-PROFIT HOUSING

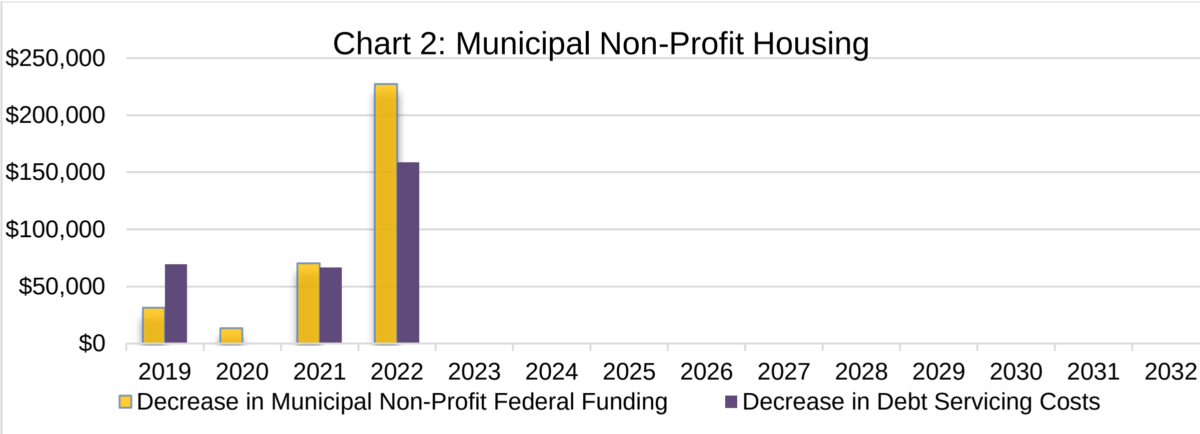
At point of transfer, the Federal share of operating costs for non-profit housing projects was calculated to be $3,131,403. The annual mortgage servicing costs for the 2018 year are approximately $5.8 million. As project mortgages mature, the amount of Federal funding assigned to each project decreases. Assuming continued inclusion of the non-profit housing projects in the overall TBDSSAB housing portfolio after the mortgages mature, the decrease in debt servicing expense for non-profit housing projects will exceed the decrease in Federal funding (Chart 1). This will result in a favourable impact to the annual levy to Municipalities and TWOMO.



MUNICIPAL NON-PROFIT HOUSING

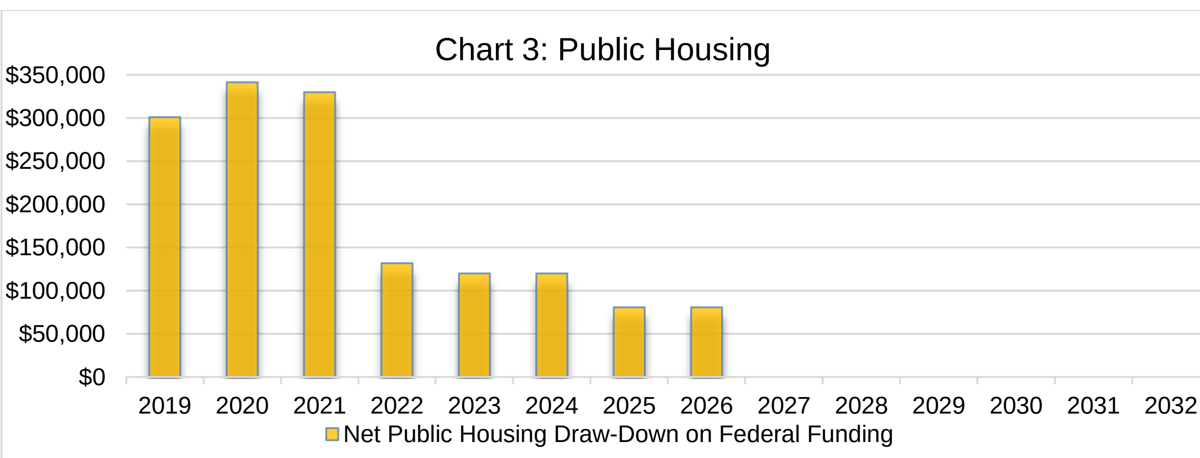
Similarly to non-profit housing, at point of transfer (adjusted in 2003), the Federal share of operating costs for Pre-1986 municipal non-profit housing projects was calculated to be $484,012.

The first mortgage related to municipal non-profit housing matured in 2017, the second in 2018, and the remaining two (2) mortgages will mature in 2021. Based on current debt servicing costs, Chart 2 shows that, in 2019, the decrease in debt servicing expense for municipal non-profit housing projects will exceed the decrease in Federal funding. However, in 2020 to 2022, the decrease in Federal funding will exceed the decrease in debt servicing expense, resulting in an unfavourable impact to the annual levy to Municipalities and TWOMO for those years.



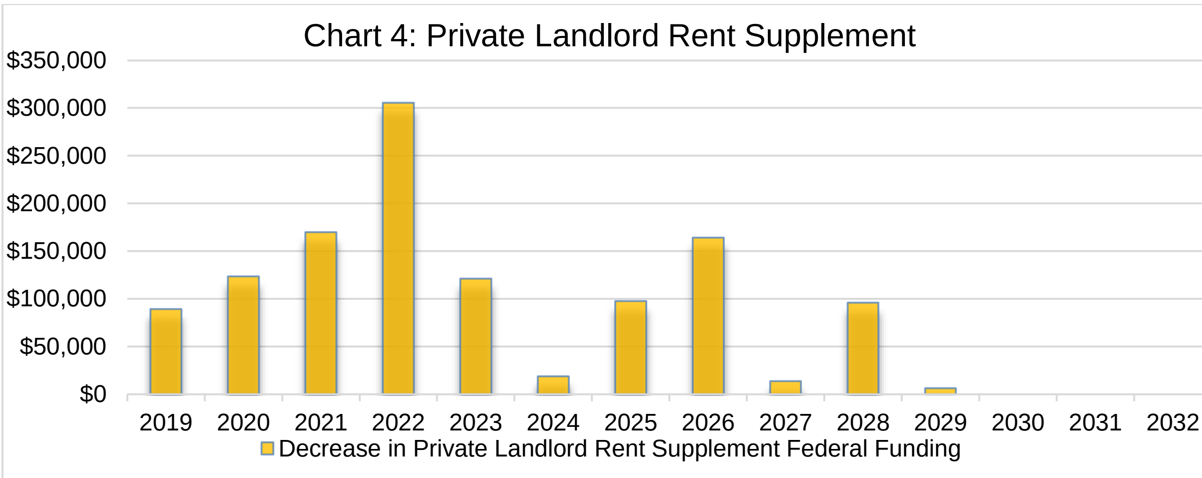
PUBLIC HOUSING

At point of transfer, the Federal share of costs for Public Housing projects was calculated to be $2,364,993. However, for these projects, responsibility for the debt, in the form of debentures, was retained by the Province. Therefore, the Province reduces the Federal funding provided to TBDSSAB by the annual debenture payment amounts. As project debentures mature, the Federal funding provided for that project decreases. In recent years, certain debentures have matured, however the amount of Federal funding tied to those projects was higher than the associated debt. As a result, the Public Housing component is now a net draw-down on the overall Federal funding provided to TBDSSAB. Chart 3 shows that, as future debentures mature, the net draw-down on Federal funding decreases. In this case, the maturation of debentures will have a favourable financial impact on TBDSSAB.



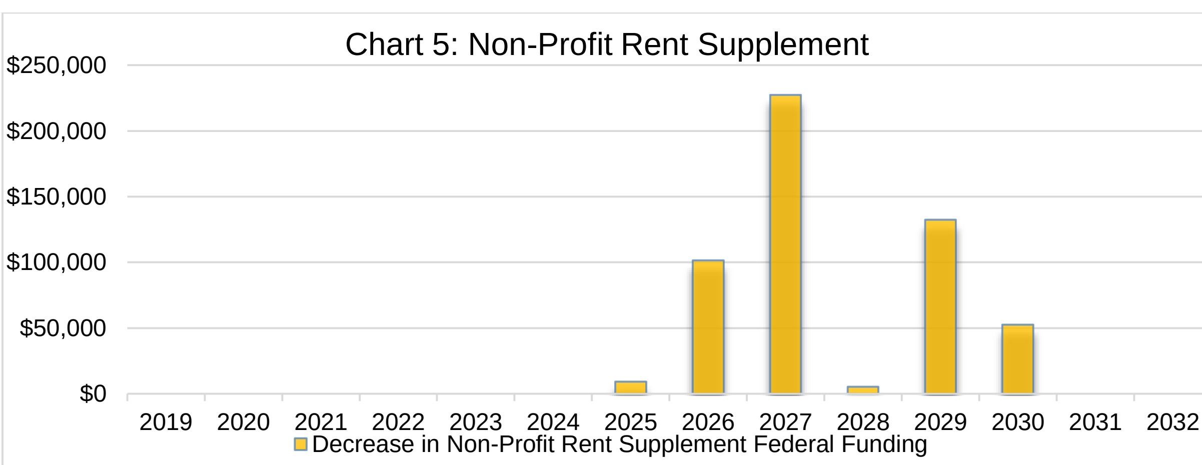
PRIVATE LANDLORD RENT SUPPLEMENT (PREVIOUSLY "COMMERCIAL" RENT SUPPLEMENT)

At point of transfer (adjusted in 2003), the Federal share of the Private Landlord Rent Supplement Program was calculated to be $1,431,136. These rent supplement agreements with private landlords have expiry dates and, as the original agreements expire, the Federal funding assigned to the agreement is reduced. Over the years, TBDSSAB has used Private Landlord Rent Supplements as a tool to move toward reaching its Service Level Standards, renegotiating, adding or deleting agreements. The 2018 TBDSSAB Operating Budget for the Private Landlord Rent Supplement Program was $3,395,800. This amount will continue to increase annually as market rents increase. Through Report No. 2018-32, Multi-Year Strategy for the Achievement of the TBDSSAB's Service Level Standards, the Board approved a strategy to significantly expand the Private Landlord Rent Supplement Program over the next 5 years. Chart 4 shows that the decrease in Federal funding will have a direct unfavourable financial impact as there is no corresponding cost reduction.



NON-PROFIT RENT SUPPLEMENT

At point of transfer (adjusted in 2003), the Federal share of the Non-Profit Rent Supplement Program was calculated to be $528,522. These units include the TBDSSAB direct-owned Andras Court and Sequoia Park, as well as certain units owned and operated by St. Joseph's Care Group and Native People of Thunder Bay Development Corporation. Similarly to the Private Landlord Rent Supplement Program, the agreements with non-profit housing providers have expiration dates. As the original agreements expire, the Federal funding assigned to the agreement will be reduced. Assuming continued inclusion of these units in the TBDSSAB rent supplement portfolio, Chart 5 shows that the decrease in Federal funding will have a direct unfavourable financial impact as there is no corresponding cost reduction.



Urban Native Housing

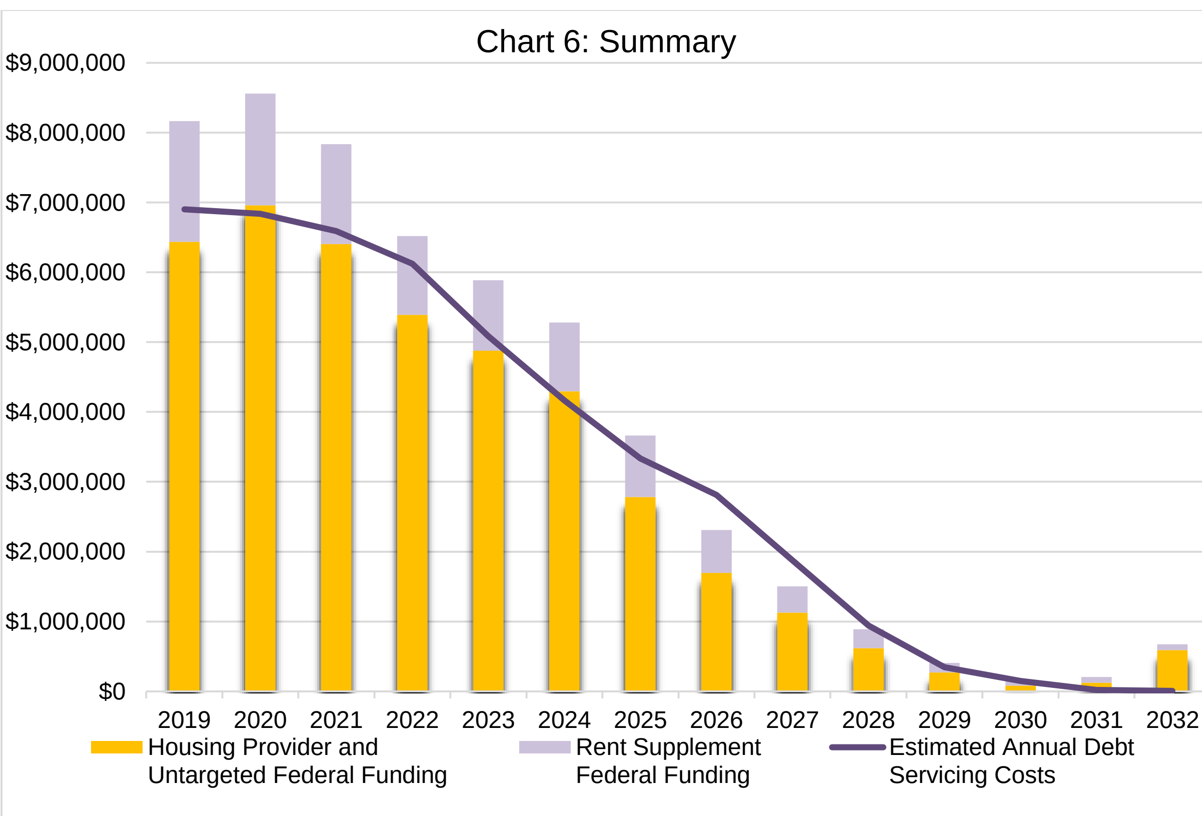
Similarly to the above programs, as the various Urban Native Housing Program operating agreements expire and the related mortgages mature, the amount of Federal funding decreases. However, since these units do not count toward TBDSSAB's Service Level Standards, Administration has implemented a strategy to discontinue direct funding of operations for those units, once the related mortgages mature. In some cases, where the unit fits TBDSSAB's waitlist demand, rent supplement assistance has been offered.

Untargeted Funding

Untargeted funding is a result of various assumptions and approaches used by CMHC and the Ministry of Housing. These funds are distributed proportionately among all Service Managers based on their share of the funding each year. The amount of funding allocated to TBDSSAB fluctuates from year to year.

Summary

Between 2019 and 2032, although debt servicing costs on Social Housing projects will decrease, TBDSSAB will experience an overall greater decrease in the amount of Federal funds provided (Chart 6). It is important to note that, due to the age of the Social Housing projects, and limited capital reserve funds, it may be necessary for housing providers to assume additional debt to finance major capital repairs. Administration is currently working with housing providers to plan for "End of Operating Agreements".



NATIONAL HOUSING STRATEGY

The National Housing Strategy announced by the Federal Government in 2018, included a new Federal Community Housing Initiative which would re-invest the Federal funding eliminated with mortgage maturity and expiring operating agreements. Under this program, beginning April 1, 2020, housing providers with operating agreements expiring between April 1, 2016, and March 31, 2027, would be eligible to participate in a new rental assistance program. Specific details on this program are not yet available. The Federal government will consult with housing providers on the development of this new program.

FINANCIAL IMPLICATIONS

Overall, the decrease in Federal funding will have an unfavourable financial impact on TBDSSAB. Specific financial considerations will be reflected in future annual TBDSSAB Operating Budgets.

CONCLUSION

It is concluded that, as Social Housing mortgages mature and operating agreements expire, the amount of Federal funding provided to TBDSSAB will decrease. Although debt servicing costs will also decrease, overall, the decrease in Federal funding will have an unfavourable financial impact on TBDSSAB.

REFERENCE MATERIALS ATTACHED

None.

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