





Overview of Today's Presentation



- Purpose
- Background – Historical Context
- Background – Social Housing Programs
- Role of the Consolidated Municipal Service Manager
- Mandated vs. Non-Mandated Programs
- Portfolio Analysis for Non-Profit Housing Providers
- Project Viability of Non-Profit Housing Providers
- Summary of Viability Review
- Financial Analysis and Potential Impacts
- Areas for Further Consideration
- Conclusions



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Purpose of Today's Session



- To provide some background information with respect to social housing and the legislated responsibilities of the County of Simcoe as the Consolidated Municipal Service Manager (CMSM)
- To clarify the difference between mandated and non-mandated housing programs
- To share the long-term business viability projections of the non-profit housing providers related to the End of Operating Agreements/Mortgages (EOA/M) and capital repair pressures
- To *start* to consider options or potential solutions that can be used for further strategic planning purposes

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Definitions (Hand-out)



- SH = Social Housing
- CMSM = Consolidated Municipal Service Manager
- LHC = Local Housing Corporation (locally called SCHC, Simcoe County Housing Corporation)
- PR = Provincial Reform housing provider
- FF = Former Federal housing provider
- UN = Urban Native housing provider
- EOA/M = End of Operating Agreements/Mortgages
- SHA = Social Housing Agreement (Canada/Ontario)
- SHRA = Social Housing Reform Act, 2000 (Provincial legislation)
- HSA = Housing Services Act, 2011 (Provincial legislation)
- RGI = Rent-geared-to-income
- LEM = Low-end-of-market
- MMAH = Ministry of Municipal Affairs and Housing

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- Long history of Federal and Provincial involvement in creation of Social Housing
- Built roughly between 1947-94, funded with long term financing, corresponding with operating subsidy to help repay mortgages = low and affordable rents
- Various pieces of post-Second World War legislation, policies, and funding envelopes



- Social Housing Agreement, 1999 transferred federal funding and program responsibilities to the provinces
- In Ontario, responsibility for funding and overall administration has shifted over past decades so that municipal level is now responsible.
- Unique to Ontario compared to rest of Canada – role of municipal government in social housing
 - Allows for local flexibility
 - Larger impact on municipality



Background – Recent History of SH



Dates	History of Social Housing
1997	Local Services Realignment announced
1998/99	County starts to fund social housing
1999	Federal-Provincial Social Housing Agreement signed
2000	Social Housing Reform Act, 2000, included prescribed funding formula and administrative regulations for CMSMs
2001	First stage transfer of housing to CMSM's – Simcoe County Housing Corporation
2002	Second stage transfer of housing to CMSM's – Provincial Reform
2011	Social Housing Reform Act replaced by Housing Services Act, 2011; continued prescribed funding formula and CMSM functions under legislation
Since Devolution	More recent federal/provincial funding has been targeted for affordable housing; time-limited funding envelopes

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Housing System Management – Mandated/Legislated Role



- As the Consolidated Municipal Service Manager (CMSM), the County is responsible to plan, fund and manage the County's social housing system.
- Includes funding, administering and ensuring compliance of 4,113 Social Housing units transferred to County
 - Simcoe County Housing Corporation
 - Non-profit providers
- Business functions include:
 - Provision of subsidies to 27 housing providers
 - Centralized Wait List
 - Commercial Rent Supplement
- System Planning
 - 10-Year Housing and Homelessness Plan

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Housing System Management – Non-Mandated Role



- Non-mandated role: not prescribed in legislation, but still falls within CMSM role
- Strong Communities Rent Supplement
- Affordable Housing Programs
 - Homeownership
 - Ontario Renovates
 - Rent Supplement
 - Rental Development
 - Continued oversight of legacy programs developed under previous funding cycles



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Financial/Risk Analysis



- Today's presentation focuses on:
 - Mandated CMSM role in system management
 - Long-term business viability projections for housing units that are impacted by end of End of Operating Agreements/Mortgages (EOA/M)
 - Housing providers' capital repair pressures to 2031
- Projects created under Affordable Housing funding envelopes are non-mandated and therefore will not be a focus of today's discussion



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Background – What Does EOAM Mean?



- EOAM/M = End of Operating Agreements/Mortgages
- EOAM/M refers to both the expiry of federally-signed operating agreements as well as the expiry of mortgages and capital financing obligations in housing under the Housing Services Act (HSA)
- Some programs/projects were funded with only federal funding; others had a combination of federal and provincial subsidy (now funded as federal/municipal subsidy)
- Across Ontario, issue is commonly referred to as 'EOA'

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Background – Impact of EOAM on Different Types of Mandated Providers



- 4,113 units of SH across County
- Generally 4 different categories of SH:
 1. Former Federal (FF): 512 units (12% of SH)
 - Can leave social housing system at EOAM dates
 - RGI/LEM mix
 - Funding and CMSM responsibilities cease
 2. Urban Native (UN): 73 units (2% of SH)
 - Can leave social housing system but may be vulnerable/unsustainable after EOAM dates
 - 100% RGI
 - Funding and CMSM responsibilities cease

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Background – Impact of EOA/M on Different Types of Mandated Providers



3. Provincial Reform Provider (PR): 2,213 units (54% of SH)

- Remain part of housing system after EOA/M dates, as required under the Housing Services Act
- 60%/40% RGI/market rent mix
- Funding and CMSM responsibilities continue

4. Local Housing Corporation (LHC): 1,315 units (32% of SH)

- Owned by Simcoe County Housing Corporation, separate approach is taken for County-owned assets
- 100% RGI
- Funding and CMSM responsibilities continue



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Background – Legislative Requirements



■ Social Housing Reform Act, 2000 (SHRA):

- Transferred the administrative duties to the County as a Consolidated Municipal Service Manager (CMSM)
- Shifted the responsibility to pay subsidy from the province to the CMSM
- Revised the way the mandated subsidy is calculated, using a prescribed funding formula for Provincial Reformed providers

■ Housing Services Act, 2011 (HSA):

- Provincial Reform programs and Public Housing continue under the authority of the Housing Services Act
- Includes requirement for 10-year affordable housing and homelessness plans
- Affordable housing includes continuum of housing types; mandated social housing is one type of affordable housing



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Background – Legislative Requirements



- Housing Services Act, 2011, Part VI, s.68 – General Duty of CMSM:
 - “A service manager shall administer and fund a transferred housing program as it relates to a housing project designated in the regulations for the purposes of this subsection. 2011, c. 6, Sched. 1, s. 68 (1).”
 - CMSM responsibility to ensure the housing providers operate in a fiscally responsible manner, that they maintain their buildings in a good state of repair, and that the buildings are fit for occupancy.
- Housing Services Act, 2011, Part VI, s.69 – General Duty of Housing Provider:
 - The housing provider shall ensure that the project is well managed, maintained in a satisfactory state of repair and fit for occupancy. 2011, c. 6, Sched. 1, s. 69 (2).
 - Majority of PR providers have insufficient reserves, unable to access loans through traditional lenders or Infrastructure Ontario, leaving County as only source of additional funds to cover reserve shortfalls beyond legislated funding provided.

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Background – Alignment with Housing & Homelessness Strategy



- 10-Year Affordable Housing & Homelessness Prevention Strategy includes targets and recommendations
- “Moving Forward” model – creation of 2,685 affordable housing units over next 10 years
- Recommendation: “Protect public assets”
 - “Maintain and preserve existing housing assets and seize opportunities to renovate and improve other housing stock for the purpose of affordable housing.”
 - “Create a sub-committee to review the impact of the end of operating agreements on social housing stock and make recommendations to the County Council on managing this transition.”

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Recap – Role of the Consolidated Municipal Service Manager



- Role is defined in legislation and enhanced with the Long Term Housing and Homelessness Prevention Strategy recommendations
 - Administering a wide and diverse range of housing programs, some of which are mandated and others that are discretionary (E.g. Investment in Affordable Housing Program – non-mandated)
 - Planning, funding and managing the County’s social housing system within the prescribed service level standards; including ongoing obligation with no scheduled end dates for some programs
- As CMSM and owner of Simcoe County Housing Corporation, we have a vested interest in sustaining social housing as one component of affordable housing

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Role of CMSM – Pre-EOA/M



CMSM Role Pre-EOA/M	Simcoe County Housing Corporation (1,315 units)	Provincial Reform (2,213 units)	Former Federal (512 units)	Urban Native (73 units)
Ensure program compliance	✓	✓	✓	✓
Maintain Service Levels	✓	✓		
Flow federal subsidy dollars	✓		✓	✓
Flow municipal subsidy dollars (formerly prov.)	✓	✓		
Fund pay down of principal capital debt	✓	✓	✓	✓

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Role of CMSM – Post-EOA/M



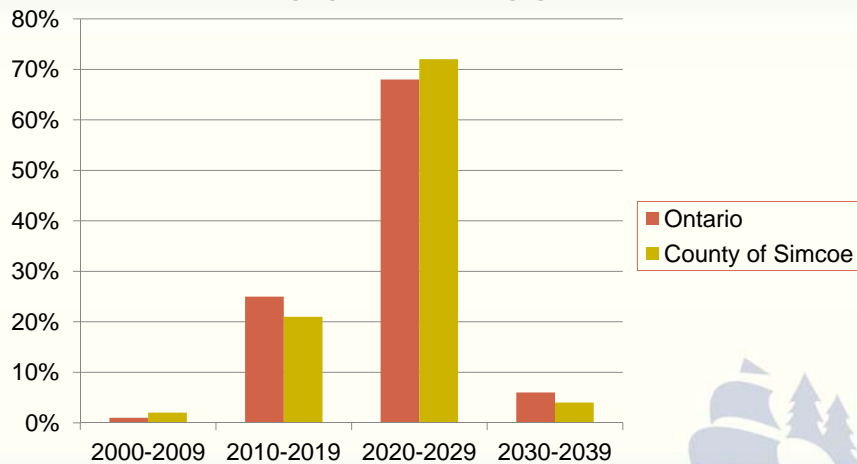
CMSM Role Post-EOA/M	Simcoe County Housing Corporation (1,315 units)	Provincial Reform (2,213 units)	Former Federal (512 units)	Urban Native (73 units)
Ensure program compliance	✓	✓	✗	✗
Maintain Service Levels	✓	✓		
Flow federal subsidy dollars	✗		✗	✗
Flow municipal subsidy dollars (formerly prov.)	✓	✓		
Fund pay down of principal capital debt (via subsidy)	✗	✗	✗	✗

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Portfolio Analysis for SH Providers



End of Operating Agreements/Mortgages



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Project Viability Testing Grid



- Created in housing sector specifically for purpose of EOAM analysis
- Used commonly by Ontario CMSM's and Housing Services Corporation for EOAM analysis
- Analyzed County portfolio using Project Viability Testing Grid with County capital repair info from BCA's

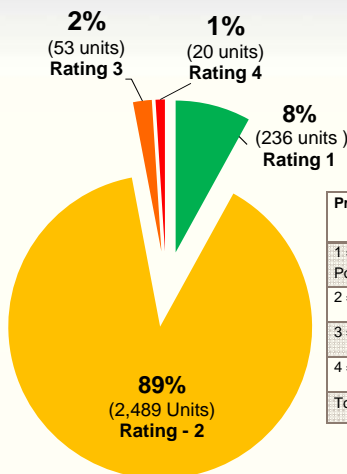
	Fully Funded Provider Capital Reserve	Under-funded Provider Capital Reserve
Positive Net Operating Income (NOI)	(1) Project is viable, can maintain current RGI market mix and is in sound physical condition	(2) Project generates a cash flow surplus, but asset is under-maintained.
Negative Net Operating Income (NOI)	(3) The project is not viable but the building is in good condition	(4) The project is not viable, and is unable to undertake necessary capital replacement. Project is at risk.

Project Viability in the County of Simcoe



County of Simcoe Post EOAM **

Ideal Rating to achieve = Rating 1



Project Viability Grid	# of Providers
1 = Positive Net operating Income (NOI) and Provider Capital Reserve Position	3
2 = Positive NOI but Negative Provider Capital Reserve Position	22
3 = Negative NOI but Positive Provider Capital Reserve Position	1
4 = Negative NOI and Negative Provider Capital Reserve Position	1
Total Number of Providers	27

Total Units, excluding SCHC = 2,798

** Assuming ongoing benchmark subsidy for Provincial Reform

Summary of Viability & Areas of Concern



- Majority (68%) of projects expiring for Simcoe occur during 2020-2029 (including LHC)
- 25% of projects already expiring during 2010-2019 (mostly LHC)
- Largest component of housing system that needs attention is PR, mostly for under-funded capital reserves
- UN portfolio needs unique attention (rating 3-4 on viability grid), although it is a very small percentage of portfolio

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Financial Projection & Impacts



- Viability testing useful to understand status of total portfolio but financial projection needed to understand municipal impact
- Particularly necessary because of large portion of social housing providers in rating #2 (positive NOI but under-funded Capital Reserve Position)
- To fully understand Provider capital reserve impact, financial projection conducted using following factors:
 - EOA/M dates
 - Providers' subsidies for operating and capital
 - County's Federal funding
 - Building Condition Assessments (BCA's) previously done
 - County SH reserve

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Operating Impact Before Capital Reserve

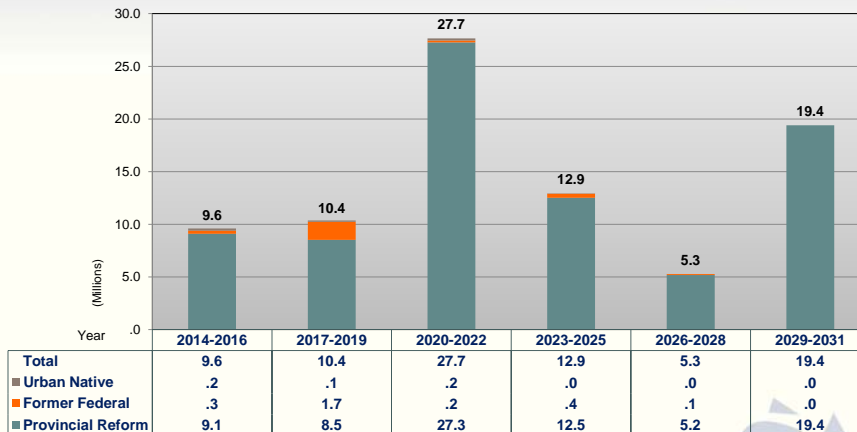


\$Millions	2014-16	2017-19	2020-22	2023-25	2026-28	2029-31
Mortgage	42.3	41.4	40.8	38.2	12.5	1.1
Property Taxes	8.8	9.3	9.9	10.5	11.1	11.8
Operating Costs	36.1	38.2	40.4	42.7	45.2	47.8
A Total Expenses	87.2	88.8	91.0	91.4	68.8	60.7
Rental Income	39.0	40.1	41.3	42.5	43.8	45.1
B Rent-Geared-to-Income Subsidy (Municipal)	30.5	31.5	32.4	33.4	34.4	35.5
Federal Funding	13.2	11.3	9.6	8.4	3.9	.3
C Total Revenue	82.8	82.9	83.3	84.3	82.1	80.9
D Operating Surplus/(Deficit) (C-A)	(4.4)	(5.9)	(7.7)	(7.1)	13.3	20.2

- Revenue and expenses excluding mortgages increase due to benchmark indices
- Mortgage expenses decrease due to mortgage maturity
- Municipal requirement in 2014-2016 of \$4.4 million vs. a municipal savings of \$20.2 million in 2029-2031

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Provider Capital Reserve Shortfall



- Provider capital shortfall represents capital needs after Providers fully exhaust their capital reserves
- Projected total Provider reserve capital shortfall is \$85 million between 2014 to 2031

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Total Municipal Impact

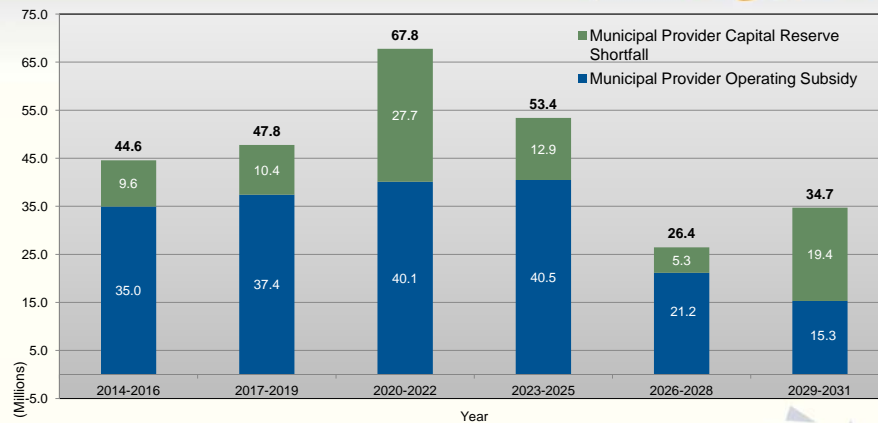


	\$Millions	2014-16	2017-19	2020-22	2023-25	2026-28	2029-31
Mortgage		42.3	41.4	40.8	38.2	12.5	1.1
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Operating Costs		36.1	38.2	40.4	42.7	45.2	47.8
A Total Expenses		87.2	88.8	91.0	91.4	68.8	60.7
Rental Income		39.0	40.1	41.3	42.5	43.8	45.1
Rent-Geared-to-Income Subsidy (Municipal)		30.5	31.5	32.4	33.4	34.4	35.5
Federal Funding		13.2	11.3	9.6	8.4	3.9	.3
C Total Revenue		82.8	82.9	83.3	84.3	82.1	80.9
D Operating Surplus/(Deficit) (C-A)		(4.4)	(5.9)	(7.7)	(7.1)	13.3	20.2
E Provider Capital Reserve Shortfall		(9.6)	(10.4)	(27.7)	(12.9)	(5.3)	(19.4)
F Total Surplus/(Deficit) (D+E)		(14.0)	(16.3)	(35.4)	(20.0)	8.0	0.8
Total Municipal Impact (B-F)		44.6	47.8	67.8	53.4	26.4	34.7



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Total Municipal Impact

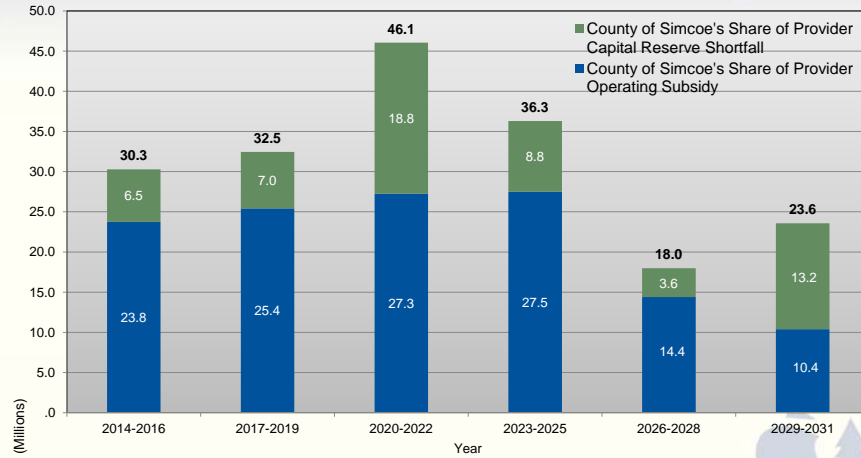


- Share of projected capital shortfall and operating subsidies payable to providers
- Share of projected capital shortfall is \$85 million between 2014 to 2031
- Share of projected operating subsidies decrease as provider mortgages and operating agreements expire



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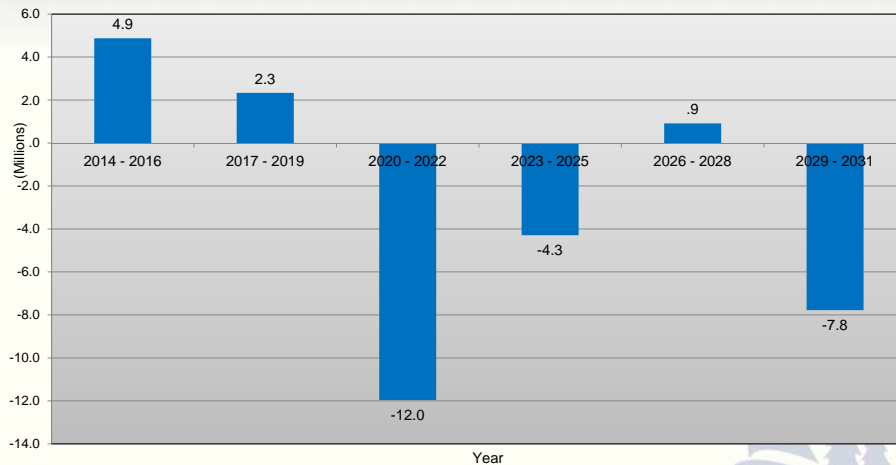
County of Simcoe Impact



- Share of total Provider capital reserve shortfall is \$58 million between 2014 to 2031

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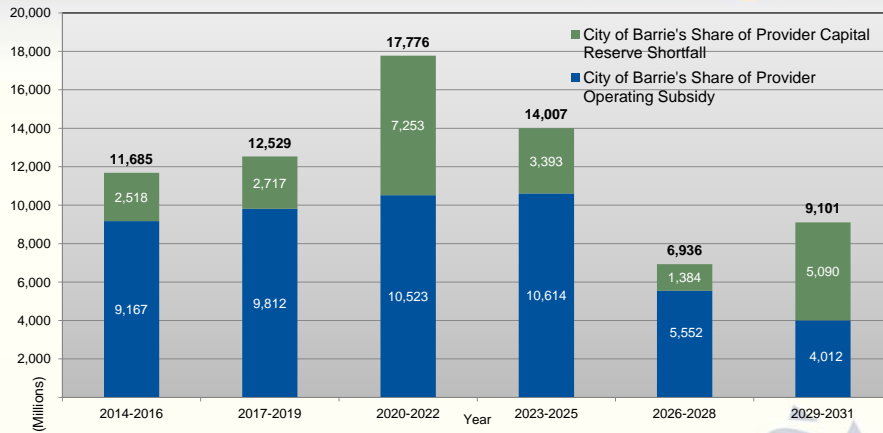
County Non Profit Reserve Impact



- County share of Provider capital shortfall equals \$58 million
- Figures include an annual contribution of \$1.5 million
- Projected overall additional reserve requirement of \$24 million from 2020 – 2031 or 18 years

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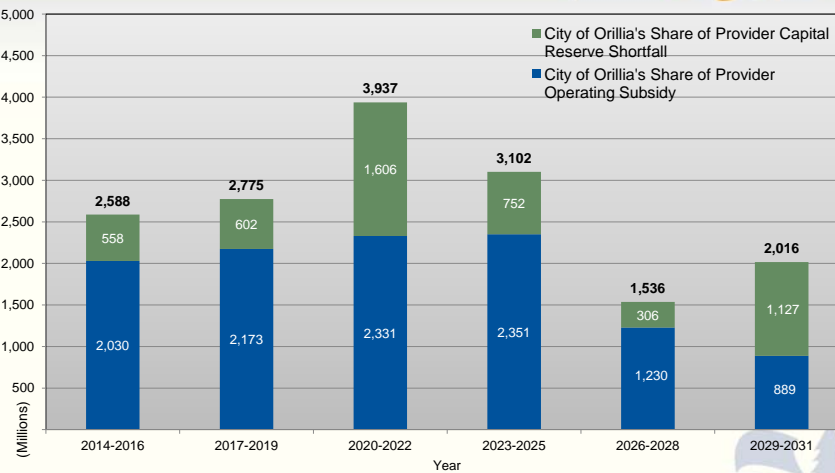
City of Barrie Impact



- Share of projected Provider capital reserve shortfall is \$22 million between 2014 to 2031

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City of Orillia Impact



- Share of projected Provider capital reserve shortfall is \$5 million between 2014 to 2031

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Financial Summary



- Most pressing Provider capital reserve shortfall will occur during 2020-2025
- There is available funding 2026-2031 from potential municipal surpluses, however, these occur after heaviest capital reserve pressures
- Will need to consider very long-term picture beyond 2031 for future cycles of building capital needs and reserve balances



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Areas for Further Consideration – Financial



- Consider potential annual surpluses for transfer to SH reserve
- Assume annual County contribution of \$1.5 million to SH reserve
- Consider increase to annual ongoing contributions to SH reserve
- Leverage County's borrowing power to support heaviest time period of EOA/M capital repair impact during 2020-2025
- Continue County levy beyond 2026, at 2026 levels, to support the providers' capital reserve pressures



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Areas for Further Consideration – Policy & Programs



- Develop policies and procedures for the use of County capital SH grant/loan program to ensure consistent, transparent access to SH reserve
- Identify lessons learned from current loan agreement process with PR provider
- Continue to share info and best practices with other CMSM's
- Engage Housing Providers in solutions
- Consider Urban Native (UN) portfolio and their unique pressures in a specialized process (in full collaboration with UN providers and other aboriginal support organizations)
- Encourage UN and FF providers to remain in the housing system (eg access to capital repair funds with conditions to remain part of County-led housing system)

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Areas for Further Consideration – Advocacy



- Continue advocacy efforts with Federal and Provincial governments, including County-initiated and as part of larger campaigns through:
 - Association of Municipalities of Ontario (AMO)
 - Federation of Canadian Municipalities (FCM)
 - Ontario Municipal Social Services Association (OMSSA)

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Conclusions



- Affordable Housing and Homelessness Prevention Strategy includes recommendations that support County action on this issue, in particular:
 - “Maintain and preserve existing housing assets and seize opportunities to renovate and improve other housing stock for the purpose of affordable housing.”
- Majority of County’s housing system could be viable post-EOAM if providers had access to capital repair funding
- To actualize “Moving Forward” model of creation of 2,685 affordable housing units, we can’t afford to lose social housing units from our existing system