



**THE DISTRICT OF THUNDER BAY**  
SOCIAL SERVICES ADMINISTRATION BOARD

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ADMINISTRATION BOARD**

**BOARD REPORT**

	<b>REPORT NO.: 2014-05</b>
<b>MEETING DATE: FEBRUARY 27, 2014</b>	<b>DATE PREPARED: FEBRUARY 5, 2014</b>
<b>SUBJECT: END OF OPERATING AGREEMENTS (SOCIAL HOUSING)</b>	

**RECOMMENDATION**

For information only

**REPORT SUMMARY**

Administration is providing The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with an update and information that will form TBDSSAB's transition plan with respect to expiring Federal Operating Agreements, declining Federal subsidies and maturing mortgages which are encompassed under the broad term of End of Operating Agreements (EOA).

**BACKGROUND**

Service managers are responsible for the funding of social housing for all programs transferred under the former *Social Housing Reform Act, 2000* and subsequently the *Housing Services Act, 2011* (HSA). Under the HSA, service managers are required to ensure program compliance, maintain service level standards, flow Federal and Municipal subsidy dollars and fund the principal capital debt. The chart below illustrates service manager obligations pre and post EOA.

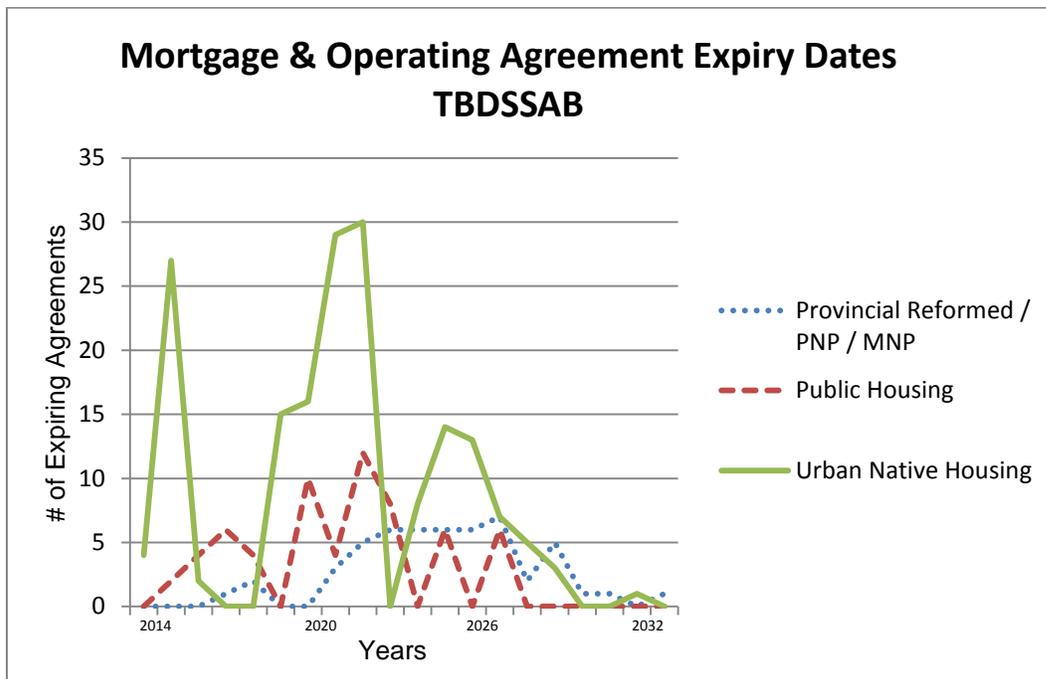
With regard to the costs of social housing, service managers receive a share of Federal dollars associated with social housing projects and programs. The funding covers what was the Federal share of operating subsidies and capital associated with the Federal and Federal/Provincial transferred housing programs. The Provincial share is now a service manager responsibility and is covered through the collection of municipal levies. The Federal flow through funding will be eliminated as individual project mortgages or debentures mature.

**Service Manager Obligations Pre & Post EOA**

Housing Program		Public Housing	Municipal Non-Profits	Private Non-Profits	Provincial Reformed	Limited Dividend	NP LEM Sec 26 & 27	Urban Native Programs	Rent Supplement Programs
No. Of Units		1,578	224	30	1,185	6	479	241	770
Pre-EOA	Ensure Program Compliance	✓	✓	✓	✓	✓	✓	✓	✓
	Maintain Service Levels	✓	X	X	✓	X	X	X	✓
	Flow Federal subsidy \$\$	✓	✓	✓	X	✓	✓	✓	✓
	Flow Municipal \$\$	✓	X	X	✓	X	X	X	✓
	Fund principal capital debt	✓	✓	✓	✓	X	X	✓	X
Post-EOA	Ensure Program Compliance	✓	X	X	✓	X	X	X	X
	Maintain Service Levels	✓	X	X	✓	X	X	X	✓
	Flow Federal subsidy \$\$	X	X	X	X	X	X	X	X
	Flow Municipal \$\$	✓	X	X	✓	X	X	X	✓
	Fund principal capital debt	X	X	X	X	X	X	X	X

- Rent Supplement Programs include units that are also identified in some of the other program categories.

By 2033, all mortgages and operating agreements will have expired and there is no further Federal funding currently planned. With respect to TBDSSAB, the drop in Federal funding will become material at about 2020 as shown in the graph below.



With the onset of mortgage maturity and expiring operating agreements, service managers are confronted with complex decisions about maintaining service level standards, while faced with aging housing stock and declining federal funding. Housing providers are faced with concerns with respect to operational viability when subsidies reduce or terminate at Operating Agreement / mortgage expiry.

Rent geared-to-income housing is an integral part of forming a healthy housing system in the District of Thunder Bay. Administration is in the process of developing an EOA transition plan to ensure that the housing needs of current tenants will be met while developing strategies to ensure a continuum of housing for our community.

**COMMENTS**

Preliminary analysis has been undertaken by Administration with respect to project viability post mortgage expiry and as part of the EOA transition plan on a portfolio basis. The data was based on 2011 financial data that was collected from the Housing Providers. The analysis included the assumption that the housing provider would continue to receive rent-geared-to-income subsidy or the subsidy would be replaced by market revenue. The adequacy of the replacement reserve fund was difficult to assess at the time of the analysis. This will be further reviewed upon completion of the Building Condition Assessment / Capital Reserve Study.

Summary of Initial Project Assessments

	<b>Fully Funded Capital Reserve</b>	<b>Under-funded Capital Reserve</b>
Positive NOI	(1) Project is viable, can maintain current RGI market mix and is in sound physical condition  <b>12</b>	(2) Project generates a cash flow surplus, but asset is under-maintained  <b>1</b>
Negative NOI	(3) The project is not viable but the building is in good condition  <b>8</b>	(4) The project is not viable and is unable to undertake necessary capital replacement. Project is at risk.  <b>0</b>

NOI – Net operating income

## EOA Transition Plan

TBDSSAB's EOA transition plan will include advocating with our housing partners for positive changes within the current legislation with respect to the lack of long-term policy framework relating to the financial impacts of EOA, uncertainty about service manager rules and obligations beyond EOA, mandated service level standards, the absence of legislated end dates and potential liability for future insured mortgages. TBDSSAB will also support income integration within the Public Housing Portfolio and an increase in market revenue for our Non-Profit housing providers, through rent supplement programs.

A project by project assessment of the TBDHC's current housing stock will be undertaken to determine non-viable projects and projects that are in a poor state of repair. A regeneration plan will be developed and implemented to attract market tenants to the public housing portfolio.

Dialogue will commence with Non-Profit housing providers to determine their EOA plans, project viability, their interest in remaining or exiting the program, and how they plan to sustain themselves if it is their intention to exit the program.

Consideration will be given to the Urban Native Program by engaging the Urban Aboriginal housing providers in discussions to determine their post EOA strategies. Administration in collaboration with these housing providers will explore the option of selling the single family homes to the existing tenants upon operating agreement expiry. Administration will engage in talks with the Ontario Aboriginal Housing Services (OAHS) to determine their interest in transferring the Urban Aboriginal Housing portfolio to their organization.

### **FINANCIAL IMPLICATIONS**

Three mortgages expire September 1, 2014 and one mortgage expires December 1, 2014, with a financial impact to TBDSSAB of approximately \$8,000 per year. This is currently being offset by Social Housing Agreement (SHA) untargeted funding. In years where there are additional resources in the Ministry's SHA allocation, the remaining untargeted funding is distributed to all Services Manager's based on the proportionate share of targeted funding. For TBDSSAB this equates to \$2,588,552 in additional subsidies between 2013 and 2017.

### **CONCLUSION**

It is concluded that TBDSSAB must have concrete projections of the financial implications of the EOAs while implementing the EOA Transition Plan. TBDSSAB must manage the financial implications associated with aging housing stock and declining Federal subsidy, while ensuring legislated service level standards are maintained.

TBDSSAB's EOA transition plan will support legislated policy change, evaluation of existing housing programs and project by project viability testing, consultation with housing stakeholders and best practices.

**REFERENCE MATERIALS ATTACHED**

None

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