

SOCIAL HOUSING SECTOR OVERVIEW

Provided by Social Housing Services Corporation

RESPONSIBILITY FOR SOCIAL HOUSING PORTFOLIO

Province is responsible for:

- Obligations to the federal government: maintaining the federal portfolio; the amount of federal funding expended on eligible programs; accept the contingent liability/risk
- Supporting municipal delivery through: the transfer of federal social housing funds, setting accountability and policy framework, conducting mortgage renewals;
- Ensuring provincial interests including: maintaining the number of subsidized units; priority access to housing for victims of domestic violence, safeguarding number of modified units for people with physical disabilities, special social housing application rules for homeless;
- Providing CMHC with an audited report for SHA funding and compliance; and

Service managers (municipalities/DSSABs) are responsible for administration, delivering and funding social housing under the SHRA:

- Maintaining service level standards (minimum number of RGI, high need, and modified units);
- Providing RGI financial assistance and maintaining waiting list;
- Providing advice and guidance to housing providers;
- Ensuring housing providers adhere to program requirements;
- Adhering to special priority policy for victims of domestic violence;
- Full funding responsibility of social housing providers based on SHRA and surviving operating agreements;
- Reporting on social housing to the province; and
- Oversight and subsidy of housing providers

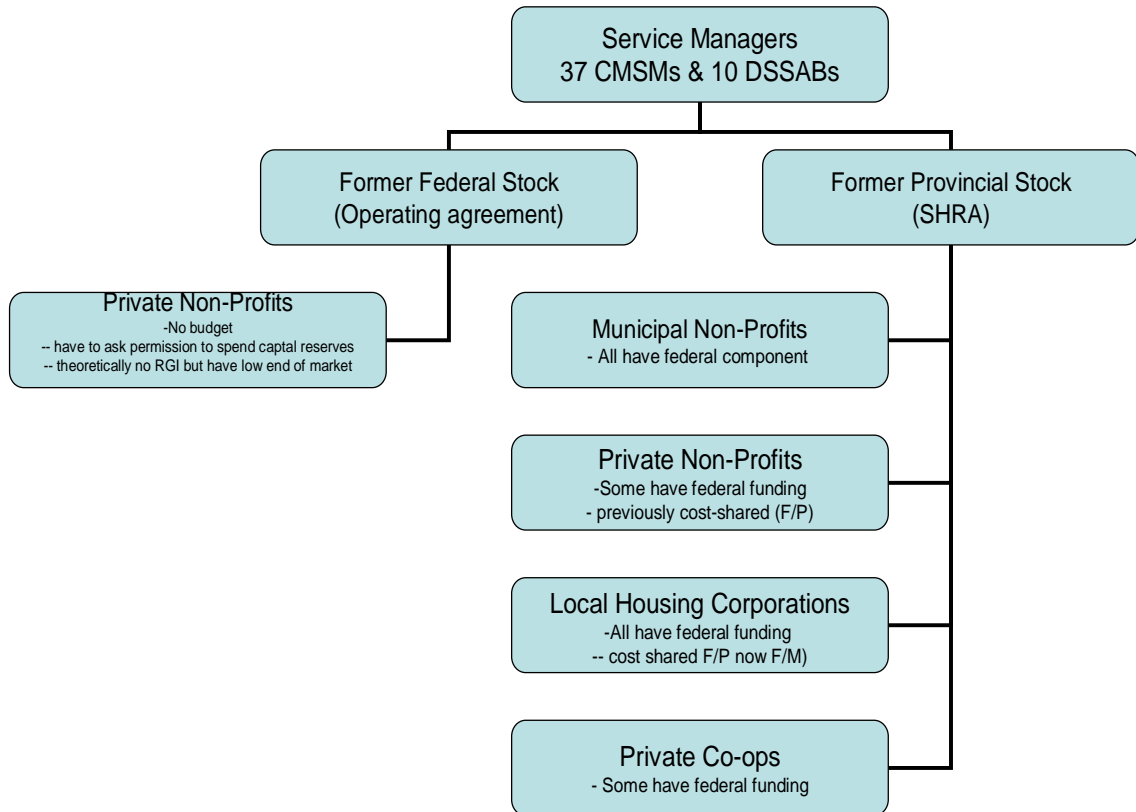
Social Housing Services Corporation (SHSC) - Board controlled by service managers and providers to provide services to the social housing sector which include:

- Coordinating insurance programs for prescribed housing providers under prescribed housing programs;
- Managing the pooling of capital reserve funds for prescribed housing providers;
- Establishing and managing schemes for the joint purchase of goods and services by prescribed housing providers under prescribed housing programs; and
- Undertaking studies and providing advice to the province, service managers and prescribed housing providers with respect to the establishment and use of benchmarks and best practices to achieve the efficient and effective provision of housing.

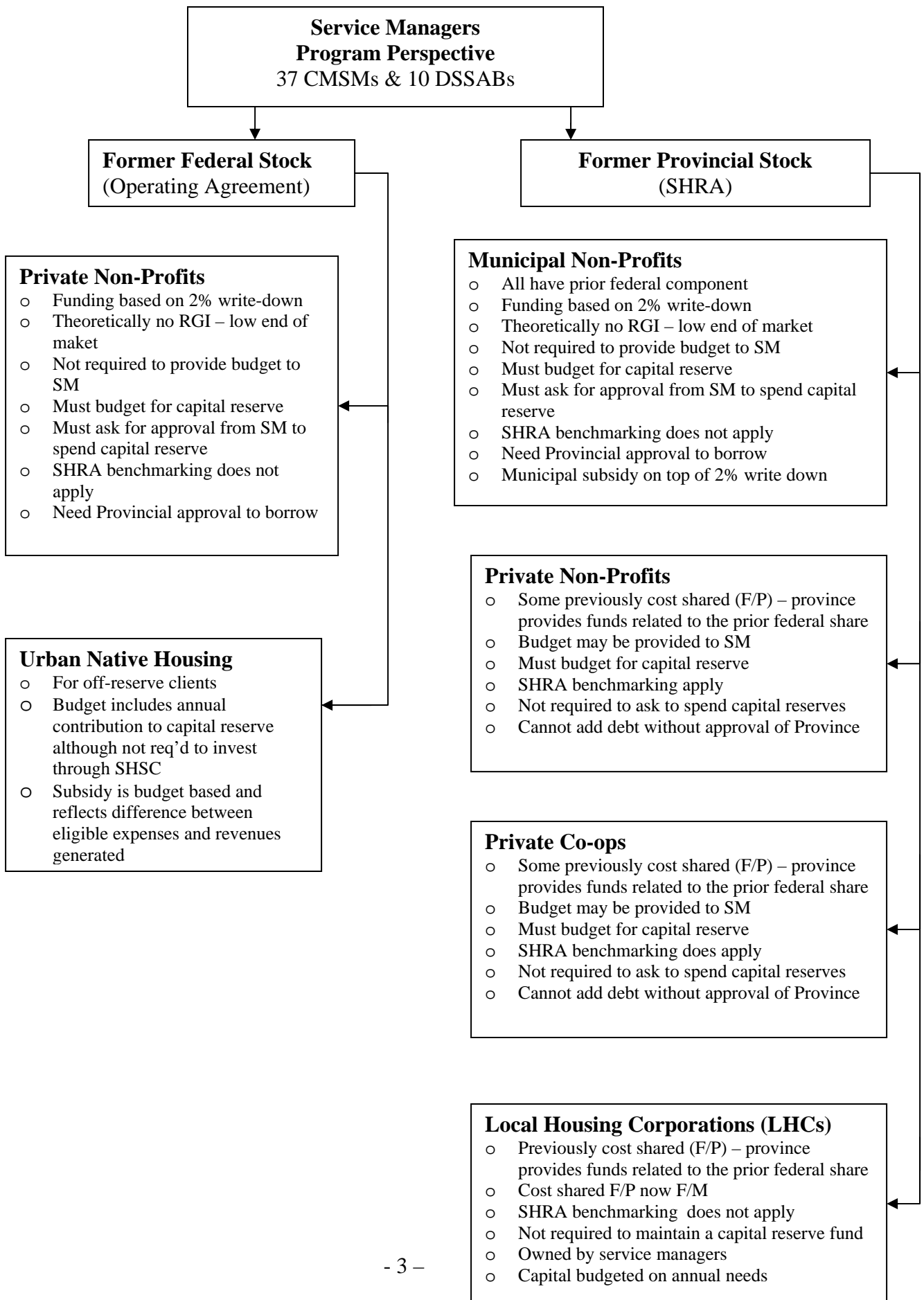
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Housing providers are responsible for managing and maintaining housing projects in compliance with SHRA and operating agreements, meeting landlord/tenant obligations and reporting to service managers.

The chart below provides an overview of the housing portfolio from an operating framework perspective.



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FINANCIAL MODEL - Background

Federal Funding

With the signing of the Social Housing Agreement, 1999 between MMAH and the federal government, the province assumed responsibility for the prior federal component of the social housing portfolio in Ontario.

Under this arrangement, federal funds are provided to the province to offset the prior federal portion of social housing costs (operating costs and mortgage payments) for transferred programs.

MMAH flows federal funding to service managers as “block” funding to offset the costs of the portfolio of transferred social housing programs. Service managers are responsible for the debt servicing amounts for the debentures on public housing. The debt servicing amounts are deducted by MMAH from federal funding before block funds are flowed to the service managers.

Service managers must transfer to the housing provider funding related to their entitlement under the SHRA or operating agreement.

Service managers have full discretion to determine how the federal funding is used to offset eligible program cost within their jurisdiction.

Mortgage savings accrue to service managers. On mortgage renewals at lower rates, providers pay lower mortgage payments but service managers continue to receive block funding based on higher rates.

As mortgages and/or operating agreements end, the federal subsidy ends (\$525M in 2000 to \$0 in 2033) and the province’s flow of related federal funding to service managers declines proportionally.

The withdrawal of subsidy is linked to the date when a housing provider’s mortgage or debenture is paid off. Subsidy formulas vary among social housing programs, and so will the effect of the subsidy withdrawal. But one thing is clear: when the agreement expires, the service manager will no longer receive federal funds to offset prior federal shares and the provider will no longer have a mortgage payment.

Capital Reserves:

All non-profit and co-operative housing providers are required to allocate a certain portion of their subsidy to capital reserves annually.

Local Housing Corporations are not required to contribute to a capital reserve fund but are required to budget for capital reserves annually.

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Capital reserves must be deposited for projects with subsidy provided under the SHRA with the Social Housing Services Corporation (SHSC). There's approximately \$356M currently on deposit with SHSC.

Former federal private non-profits and municipal non-profits are required to ask service managers for permission to spend capital reserve.

Private non-profits and private co-ops (former provincial stock governed by SHRA) do not have to ask service managers before spending, unlike federal non-profits, but are subject to verification at audit time. Private non-profits and private co-ops would have to ask if expenditures were greater than capital reserve balance.

Contingent Liability:

Ontario, under the Social Housing Agreement, pledged to indemnify CMHC for any costs associated with financial default of non-profit housing providers that was transferred to the province by CMHC.

Ontario also bears environmental liability of the transferred portfolio.

Current contingent liability is approximately \$7.9 billion as at April 2008 related to non-profits and co-op mortgages managed through the provincial renewal process.

Liability means service managers can't easily borrow against equity to make capital repairs/redevelopment.

Social Housing Benchmarks:

- The SHRA required the establishment of benchmarks for operating costs and revenues as part of the new social housing funding model.
- The benchmarks determine a minimum level of subsidy that service managers are required to provide to social housing providers.
- Benchmarking as set out in the SHRA applies to private non-profit and private co-op housing providers (former provincial stock governed by SHRA) and not to the other housing providers.

FINANCIAL MODEL - Subsidy Payable to Housing Providers

- Under the SHRA, service managers are obligated to pay a subsidy to the housing provider within its service area.

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- Service managers have two main sources of funding:
 - Currently approximately \$410M in federal funds flowed through province on a declining basis to offset the service manager's costs
 - Municipal property taxes and grants

- All housing providers receive some sort of subsidy to bridge the gap between the actual operating costs and the rents tenants can afford. These subsidies come from municipal, federal and provincial programs. Some non-profits receive additional funds to provide support services for frail elderly, mentally ill, disabled or chronically homeless people.

Private Non-Profit (former federal stock) & Municipal Non-Profit

- Funding provided by service manager is based on write-down of mortgage to 2%. For example, if the current mortgage rate is 6%, the service manager's subsidy to the housing provider is calculated as 4% of the outstanding mortgage.

Urban Native Non-Profit Housing

- Full funding based on budget and eligible costs.
- Federal flow through of "block" funding to service managers includes funds to offset the costs of Urban Native programs and declines based on operating agreement termination.

Private Non-Profit and Private Co-op (former Provincial Stock)

- A typical budget will be as follows:

EXPENSES	=	REVENUES
<ul style="list-style-type: none"> ○ Mortgages (60%-70% of total exp) ○ Admin. & Mtce. ○ Property Taxes ○ Insurance ○ Utilities ○ Capital Reserves 	=	<ul style="list-style-type: none"> ○ Rents Charged (Market units & RGI) ○ Non-rental revenues (e.g. parking, laundry, etc.) ○ Mortgage Subsidy (flow through) ○ Property Taxes ○ Service Manager Subsidy which includes RGI subsidy plus any additional amounts to make up shortfall.

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- Excess cash flow can only be generated if the housing provider generates a surplus at year end. A surplus can be achieved if revenues exceed expenditures.
 - Revenues can be greater than expenses if:
 - the housing provider charges its tenants more than market rent, or
 - costs are reduced because of efficiencies.
- Under SHRA, a service manager is required to receive 50% of a housing provider's surplus for the fiscal year, or may choose to receive a lesser amount, from 0% to 50%.
- Non-profit and private co-op housing providers are prohibited by provincial legislation from encumbering the project. S.95(3) of SHRA points out:
 - A housing provider shall not mortgage, replace an existing mortgage or otherwise encumber the housing project, or extend the term of or otherwise amend any existing or approved mortgage or other encumbrance of the housing project, unless,
 - (a) it does so in compliance with such rules as may be prescribed; or
 - (b) the Minister has given his or her prior written consent. 2000, c. 27, s. 95 (3).

Local Housing Corporations (LHCs)

- Annual subsidy by service manager = operating/capital costs less tenant revenue and any ancillary revenues (shown below)

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	o Service Manager's Subsidy
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- o Each LHC is required to have an operating and capital budget and must prepare 5 year capital plans.
- o They are not required to make an annual contribution to capital reserves. Capital requirements are budgeted for annually on actual need.
- o Debenture terms cannot exceed 50 years.
- o Debt servicing costs related to the debentures are deducted by MMAH from the federal funding prior to flowing to service managers.
- o A portion of the federal funding currently provided to service managers to offset for the LHC properties end at the time of debenture (mortgage) retirement.
- o Rents collected for the properties do not usually cover the overall operating cost, which potentially means that the service manager will have to pick up the costs for the operating difference.

* Not all service managers have LHCs in their jurisdictions as some service managers have abolished their LHCs and simply operate the LHC as a departments of the service manager with no separate and distinct "LHC governing board".

SIMILARITIES AND DIFFERENCES

Similarities:

- o It appears that all housing providers are restricted from adding debt without the approval of the Province.

S.95(3) of SHRA points out:

A housing provider shall not mortgage, replace an existing mortgage or otherwise encumber the housing project, or extend the term of or otherwise amend any existing or approved mortgage or other encumbrance of the housing project, unless,

(a) it does so in compliance with such rules as may be prescribed; or

(b) the Minister has given his or her prior written consent. 2000, c. 27, s. 95 (3).

- o All housing providers receive a subsidy from their respective service manager.

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Differences:

- Local Housing Corporations (LHCs) do not require approval of the Province to undertake long term borrowing.

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LIST OF CONSOLIDATED MUNICIPAL SERVICE MANAGERS (CMSMs/DSSABs)

Consolidated Municipal Service Managers (CMSM)	Geographic Area
City of Toronto	City of Toronto
Region of Durham	Region of Durham
Region of Halton	Region of Halton
Region of Peel	Region of Peel
Region of York	Region of York
Region of Waterloo	Region of Waterloo
Region of Niagara	Region of Niagara
District of Muskoka	District of Muskoka
City of Greater Sudbury	City of Greater Sudbury
City of Hamilton	City of Hamilton
Norfolk County	County of Norfolk and County of Haldimand
City of Ottawa	City of Ottawa
City of Brantford	Brantford and Brant County
City of Cornwall	Stormont, Dundas and Glengarry and City of Cornwall
City of Kawartha Lakes	Kawartha Lakes and Haliburton County
City of Kingston	Frontenac County and City of Kingston
City of London	Middlesex County and City of London
City of Peterborough	Peterborough County and City of Peterborough
City of St. Thomas	Elgin County and St. Thomas
City of Stratford	City of Stratford and Perth County
City of Windsor	City of Windsor and County Essex
County of Bruce	County of Bruce
County of Dufferin	County of Dufferin
County of Grey	County of Grey

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Consolidated Municipal Service Managers (CMSM)	Geographic Area
County of Hastings	Hastings County and City of Belleville
County of Huron	County of Huron
County of Lambton	County of Lambton
County of Lanark	County of Lanark
County of Northumberland	County of Northumberland
County of Oxford	County of Oxford
County of Renfrew	Renfrew County and City of Pembroke
County of Simcoe	Simcoe County, City of Barrie and City of Orillia
County of Wellington	Wellington County and City of Guelph
Municipality of Chatham-Kent	Chatham-Kent
County of Lennox & Addington	Prince Edward County and County of Lennox & Addington
County of Leeds & Grenville	Leeds & Grenville, City of Brockville, Town of Prescott and Town of Gananoque
County of Prescott & Russell	Prescott and Russell

District Social Services Administration Boards (DSSAB)	Geographic Area
Algoma DSSAB	District of Algoma (excl. Sault Ste. Marie and Tp Prince)
Cochrane DSSAB	District of Cochrane
Kenora DSSAB	District of Kenora
Manitoulin-Sudbury DSSAB	District of Manitoulin and District of Sudbury

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Nipissing DSSAB	District of Nipissing
Parry Sound DSSAB	District of Parry Sound
Rainy River DSSAB	District of Rainy River
Sault Ste. Marie DSSAB	City of Sault Ste. Marie and Twp of Prince
Thunder Bay DSSAB	District of Thunder Bay
Timiskaming DSSAB	District of Timiskaming