



Report To: DSB Property Planning Committee
From: Connie Morphet, Director of Finance
Date: Sept. 27, 2017
Re: Housing Services Corporation - Issue Report

Purpose

In a [letter](#) dated August 31, 2017, the Ministry of Housing (MOH) requested the Manitoulin-Sudbury DSB's opinion on the Housing Services Corporation (HSC) services to inform the development of potential government policy.

Background

The Long-Term Affordable Housing Strategy Update released in March 2016 notes that the sustainability of social housing providers in the province is essential.

Housing Services Corporation (HSC) is an independent, not-for-profit organization that was created by the Social Housing Reform Act, 2000 (SHRA) as part of the provincial transfer of public housing ownership and social housing oversight to Service Managers. It is not a Crown Agency, and is led by a Board of Directors with representation from across the housing sector, and its programs and mandate are established under the current Housing Services Act, 2011 (HSA).

Core Services

Housing Services Corporation (HSC) is required by the *Housing Services Act, 2011* to provide the following core services to social housing providers and the majority of providers are required to participate in them. This reciprocal obligation guarantees HSC a base of customers and guarantees housing providers access to these services. provides three core services:

HSC Property Insurance Program

The insurance program is managed by HSC's subsidiary, HSC Insurance Inc. (formerly SoHo Insurance), and assures providers of continuity of coverage in the event of "catastrophic" loss, for example as a result of fire or flood, regardless of provider claim history. Local Housing Corporations and non-profit providers must participate but co-

operative housing providers do not have to participate as they access group insurance through CHF-Canada. Local Housing Corporations (but not non-profit providers) can “opt-out” of the legislative requirement to participate by ministerial consent.

The program operates on a “strength of many” principal, where pooled providers spread risk and ensure premiums are not adversely affected, and stay affordable even after major claims.

In 2013, as part of a broader program redesign, HSC started allowing providers to seek other insurance providers under certain circumstances, in exchange for an administration fee of 2.5% of the annual premium. As part its program, HSC provides education and risk management training to providers to assist in controlling risk and claims (e.g. hoarding, kitchen fires, etc.). The HSC program provides insurance to a broader range of providers than those required to participate – including some emergency shelters and supportive housing providers.

HSC Bulk Natural Gas Purchasing Program

The purchase of bulk natural gas is negotiated by HSC with natural gas wholesalers. Local Housing Corporations must participate, but can “opt-out” of the legislative requirement to participate by ministerial consent. Non-profit housing and co-operative housing providers are not required to participate.

HSC also provides value-added services with the gas program such as energy monitoring tools, and conservation measures and programs. HSC is currently in the midst of implementing a program redesign.

HSC Pooled Capital Reserve Investment Program

This program enables housing providers to pool their capital reserves and operating surpluses in registered investment vehicles to maximize their returns and protect their capital. The pooling of capital and operating reserves is managed by Encasa Financial Inc. Local Housing Corporations and non-profit providers must participate. Co-operative housing providers are not required to participate in the capital reserve pooling program. At the time the SHRA came into effect, predecessors to Toronto Community Housing Corporation, Peel Housing Corporation, and Ottawa Community Housing Corporation were exempted from participation and continue to be exempt under the HSA.

HSC has taken steps to broaden its market and participation in the fund through new partners. In 2014, HSC divested portions of its interest in Encasa to the British Columbia Non-Profit Housing Association, the Co-operative Housing Federation Canada, and the Co-operative Housing Federation of British Columbia.

HSC and Manitoulin-Sudbury DSB Relationship

Manitoulin-Sudbury DSB and Housing Services Corporation have had a working relationship since 2002.

HSC Property Insurance Program

Across the province 26 billion in total assets are insured by HSC's group insurance program with guaranteed coverage. The total insured value for the Manitoulin-Sudbury DSB is \$36.7 million. HSC has been the insurance broker for both social housing and all other program insurance coverage since November 2015; prior to that, HSC was the broker for the other program insurance coverage for two years; and was the mandatory provider for the social housing prior to November 2012.

There are 5 providers, including the DSB as one provider, within the Manitoulin-Sudbury DSB, that are insured by HSC; these providers have 372 units. There are 4 tenants that have tenant coverage.

The size and scale of the province-wide group enables HSC to guarantee coverage, steady costs and deliver value-adds - such as hands-on training and tenant insurance.

HSC Bulk Natural Gas Purchasing Program

Manitoulin-Sudbury DSB purchases natural gas through the HSC bulk purchasing for all social housing units. There is a \$600 savings in Natural Gas purchase costs through this program during 2017 due to the 2017 program redesign. There are 3 social housing buildings that have natural gas and they are all using free benchmark reports on energy consumption.

HSC gas program gives participants Province-wide group buying power

- ✓ Gas rate has dropped by +40% since 2013

HSC has provided 16 workshops for 261 Northern residents & staff since 2015 focused on driving energy conservation.

\$3.1 Million has been Claimed by Northern providers since 2015.

32 Northern Providers are viewed as high risk based on claims history.

HSC Pooled Capital Reserve Investment Program

There is \$764,000 invested by 2 Manitoulin-Sudbury DSB providers.

HSC has low management fees, top tier fund performance

- ✓ 15 years of investment advice
- ✓ Considerably stronger returns than GICs

HSC Asset Management and Renewal Program

HSC has worked with Manitoulin-Sudbury to produce a report on financial and capital needs to plan for the end of federal operating funding for its social housing portfolio.

300 Units are tracked with HSC's capital planning software.

305 Units are managed with HSC's property management software.

Requested Information

Q1. Have you, your Local Housing Corporation, and/or your local housing providers made use of HSC's non-mandatory programs and services? If so, do you have an opinion regarding their value?

A. Manitoulin-Sudbury DSB currently uses Housing Services Corporation for several non-mandatory programs and services. The insurance coverage for all non-social housing units to have one provider/broker for all insurance coverage has proven to be cost effective and a savings to the overall budget several year ago.

The current Asset Management Software and Property Management Software that is used by Manitoulin-Sudbury DSB is provided through HSC as a non-mandatory program and is considerably more cost effective than the older software that is being phased out.

Q2. Have you, as Service Manager, examined alternatives to – mandatory programs? If so, what is your assessment of those alternatives?

A. Before November 2015, Manitoulin-Sudbury DSB annually reviewed and compared the insurance coverages and cost to ensure that the mandatory portion of the insurance coverage is a reasonable amount compared to other providers. The insurance provided by HSC was comparable and thus all insurance coverage including the mandatory social housing insurance has been purchased through HSC since November 2015. In 2017, HSC is attempting to obtain one policy for each NOSDA member for all insurance coverage, instead of the two policies required at the present time.

Q3. Would you support the elimination of the reciprocal obligation related to HSC's programs, which would give housing providers and Local Housing Corporations the freedom to choose vendors for insurance, natural gas, and capital reserve investments, but would also give HSC the right to refuse providing those services to your Local Housing Corporation or housing providers?

Manitoulin-Sudbury DSB does rely on HSC for cost effective insurance coverages. There are several Northern housing providers, risky providers, that may be unable to obtain insurance coverage if HSC insurance is not mandatory.

Manitoulin-Sudbury DSB is using and is satisfied with performance of the property management software, and asset management software.

Recommendation

Staff are recommending that the Manitoulin-Sudbury DSB support that Housing Service Corporation remain as a mandatory service provider.