

ADOPTED by Council at its meeting held January 6, 2014 [M17-2014]

RB

Windsor, Ontario, January 6, 2014

**REPORT NO. 193 of the
SOCIAL DEVELOPMENT,
HEALTH & CULTURE STANDING COMMITTEE**
of its meeting held November 6, 2013


Present:
Councillor Ed Sleiman, Chair
Councillor Jo-Anne Gignac
Councillor Alan Halberstadt
Councillor Fulvio Valentinis

That the following recommendation of the Social Development, Health and Culture Standing Committee **BE APPROVED** as follows:


Moved by Councillor Gignac, seconded by Councillor Valentinis,
THAT the report entitled "Social Housing – Expiry of Federal Operating Agreement and loss of Federal Block Funding" authored by the Social Housing Analyst dated October 17, 2013 **BE RECEIVED** for information.
Carried.

Livelihood 16747, GH2013

Clerk's Note: The administrative report authored by the Social Housing Analyst dated October 17, 2013 entitled "Social Housing – Expiry of Federal Operating Agreements and loss of Federal Block Funding" is attached as background information.

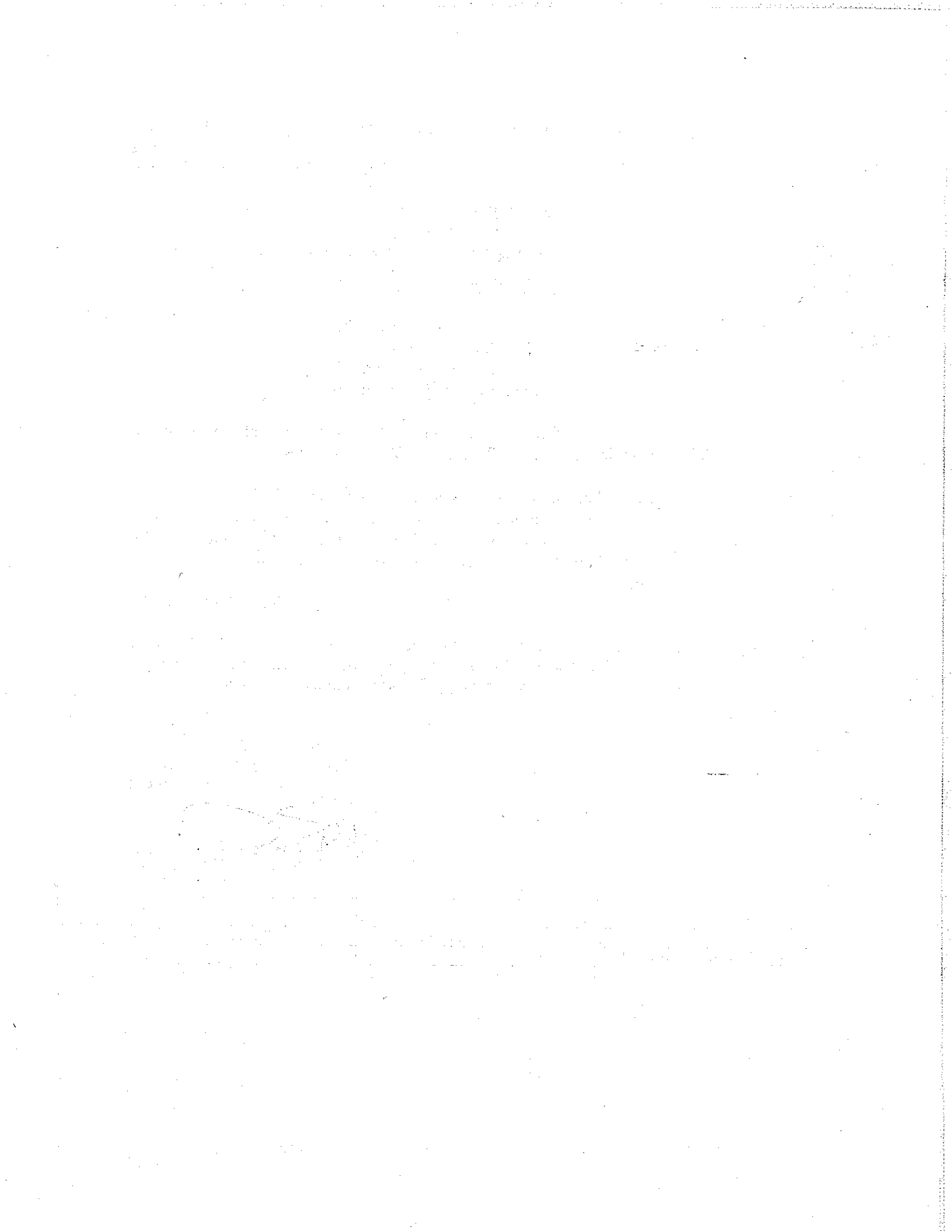


CHAIRPERSON



COUNCIL SECRETARIAT

NOTIFICATION :				
Name	Address	Email Address	Telephone	FAX
See notification in report				



THE CORPORATION OF THE CITY OF WINDSOR
Social Development, Health and Culture Standing Committee-
Administrative Report



MISSION STATEMENT:

"The City of Windsor, with the involvement of its citizens, will deliver effective and responsive municipal services, and will mobilize innovative community partnerships"

LiveLink REPORT #: 16747 GH2013	Report Date: October 17, 2013
Author's Name: Mike Deimling	Date to Standing Committee: November 6, 2013
Author's Phone: 519 255-5200 ext. 5358	Classification #:
Author's E-mail: mdeimling@city.windsor.on.ca	

To: Social Development, Health and Culture Standing Committee

Subject: Social Housing – Expiry of Federal Operating Agreements and loss of Federal Block Funding

1. RECOMMENDATION:

City Wide: Ward(s): _____

To Committee for Information.

EXECUTIVE SUMMARY:

N/A

2. BACKGROUND:

The purpose of this report is to advise the Social Development, Health and Culture Sub-Committee of the expiry of Federal operating agreements for Social Housing and the resulting loss of Federal Block Funding that started in 2011 and to outline the pending future loss of funding over the next 20 years as future Federal operating agreements expire.

Funding shortfalls experienced in the years 2011 to 2013 have been managed with expense savings in-year by Housing Services. In 2014, the City of Windsor will continue to experience additional ongoing permanent losses of senior level funding. This report will provide an estimate of the effect of these losses on the tax base of the City of Windsor.

Effective January 1, 1998, as part of Local Services Realignment, funding responsibility for the Province of Ontario's share of Public Housing and provincially administered non-profit housing was transferred to the municipal level. In 1999, the Ontario government and the Federal government completed negotiations of the Social Housing Agreement, paving the way for the

administrative transfer of most federal housing programs together with the funding required to comply with the Operating Agreements.

Administrative responsibility for the public housing portfolio (Windsor - Essex Community Housing Corporation) was transferred to the City of Windsor effective January 1, 2001 (3,535 units). Administration of the provincial non-profit and co-op housing and federal non-profit programs including rent supplement was transferred on January 1, 2002 (5,128 units). With these transfers the City of Windsor, as service manager for Windsor and Essex County, was responsible to administer and fund the many social housing programs legislated under the Social Housing Reform Act, 2000 (SHRA). Effective January 1, 2012 the SHRA has been replaced by the Housing Services Act (HSA).

As part of the transfer of social housing from the Federal and Provincial governments to the municipality, the Federal government continued to provide funding based on operating agreements between Canada Mortgage and Housing Corporation (CMHC) and the housing provider (Federal Agreements) or between CMHC, the Province and the provider (Federal/Provincial Agreements). These agreements have defined terms ranging from 35 to 50 years expiring between 2004 and 2031.

On devolution, the administration of these agreements was downloaded but as a result of the Social Housing Agreement between the Federal and Provincial governments, Federal funding is now transferred to the Province as a yearly lump sum amount and referred to as **Federal Block Funding**. The funding is to cover the subsidies associated with federal/provincial cost shared programs for the balance of the term of the Federal Operating Agreements assumed by the Service Manager on devolution. At devolution, the Province began transferring this lump-sum Federal funding to the municipality and the City has been responsible for paying all subsidies directly to providers.

This Federal Block funding to the Service Manager will cease as provider operating agreements expire at the end of their operating agreements and the maturity of the first mortgage. The link between the end of the agreement and the end of mortgage reflected the belief that once the mortgage was paid off, there would be no need for continued government support. This assumed that tenant rents would be high enough to pay ongoing operating costs as well as fund needed or future capital repairs. Research undertaken to-date by organizations such as Canadian Housing and Renewal Association (CHRA) and Housing Services Corporation (HSC) demonstrate that a significant number of housing projects house tenants of low income and do not generate sufficient income to pay for these ongoing costs. As such, the implication of the expiry of operating agreements and the loss of government subsidy is significant.

Public Housing units, which were owned by the Province prior to downloading in 2001, were funded by both Federal and Provincial governments. Public housing projects were financed at construction by provincial debentures on the same term as the operating agreements. These public housing debentures were not transferred to the City on devolution but remain as a debt to the Province. As such, the Federal Block funding amount received for these units is offset by the debenture debt payments with respect to these projects.

Between 2004 and 2009 three Federal provider operating agreements have expired. All three agreements pertained to Public Housing projects owned and operated by Windsor Essex Community Housing Corporation (WECHC). As a result of the Social Housing Reform Act, 2000 (SHRA), the City is the sole shareholder of the corporation. Since 2004, total yearly Block

Funding was reduced as a result of these expiring agreements but the effects have been managed within yearly approved operating budgets.

On January 1, 2011 a fourth agreement expired resulting in a net yearly reduction of federal block funding of \$412,579. This agreement pertains to another large project owned by Windsor Essex Community Housing Corporation (WECHC). The expiry of this agreement resulted in a loss of \$520,395 in gross Federal funding offset by the mortgage debenture cost savings of \$107,816. This reduction was not under the control of the City of Windsor.

Operating agreements and the maturity of mortgages for the remainder of the housing providers downloaded to the City at devolution will occur over the next 20 years (estimated from 2014 – 2031). The estimated effect to the City of Windsor as service manager for Windsor/Essex is reviewed and discussed later in this report.

The Social Housing Reform Act, 2000 (s134 (1)) outlined the requirement of the Province to “pay to each service manager the amount of federal funding for the year that the Minister determines”. A notice outlining the total federal funds to be paid is published in *The Ontario Gazette* at five year intervals. A notice was published for the years 2001 to 2005 and later revised to include the years 2003 to 2007. A further notice for the period 2008 to 2012 was published in 2007. In April 2012, the schedule for the years 2013 to 2017 was published in *The Ontario Gazette* (by program stream). A copy of the 2013 to 2017 Annual Apportionment of Federal Funds by Social Housing Program for the City of Windsor is attached as Appendix 1.

Housing services staff has experienced difficulty determining the federal block funding attached to each specific provider, especially in the Public Housing area. Despite numerous requests for assistance, the Ministry of Municipal Affairs and Housing have not provided complete supporting documentation in this regard. As such, the Federal funding estimates included in this report were prepared based on the information that administration has been able to obtain from MMAH and files received at downloading and projections have been made to highlight the estimated net loss of revenue on a yearly basis to 2032.

3. DISCUSSION:

The current social housing business encompasses the delivery of a number of housing programs that were downloaded to the City, as service manager, with the adoption of the SHRA effective January 1, 2001.

Downloaded housing programs include:

- a) Public Housing – 3,538 units owned and operated by Windsor Essex Community Housing. This program comprises the housing programs administered before January 2001 by Local Housing Authorities for the purpose of providing housing to applicants in need of geared to income housing in units that were owned by Ontario Housing Corporation (OHC) or jointly by the OHC and CMHC. Public Housing providers also delivered a number of Rent Supplement programs jointly funded by the federal government. These programs extend rent geared-to-income assistance to units in buildings owned and operated by private landlords (148 units at October 2013).
- b) Federal programs – 1915 units owned and operated by 12 non-profit corporations. Each of the federal projects fall under one of the following:
 - Municipal Non-Profit – NHA Section 26 Program (597 units) – Housing projects owned by municipal non-profit housing companies with preferred mortgage

interest rates at time of commitment and no ongoing subsidy. No Federal Block Funding is received for these providers.

- Private Non-Profit NHA Section 27 Program (175 units) – Housing projects owned by private non-profit housing companies with preferred mortgage interest rates at time of commitment and no ongoing subsidy. No Federal Block Funding is received for these providers.
 - Non-Profit Section 95 Program (1059 units)– Housing projects owned by public and private non-profit housing companies that receive ongoing subsidy funding based on a write down of the current interest rate (to 2%) at the time of each renewal.
 - Urban Native Section 95 (Pre-1986) Program (3 units) – Housing projects owned by urban native non-profit housing companies that receive ongoing subsidy funding based on a write down of the current interest rate (to 2%) at the time of each renewal. In addition these providers receive additional assistance to allow them to be fully funded based on approved budgets.
 - Urban Native Section 95 (Post-1986) Program (81 units)– Housing projects owned by urban native non-profit housing companies that receive ongoing subsidy for full funding based on approved budgets.
- c) Provincial Non-Profit Programs – 2,458 units owned and operated by 28 non-profit corporations. Each of these projects fall under one of the following:
- Non-Profit Full Assistance Housing Program (903 units)– These programs were administered by MMAH prior to January 1, 2001 and include projects owned by municipal non-profit housing companies, private non-profit housing companies or housing co-operatives. At least 25% of the units are geared-to-income (RGI). Subsidies are paid to the providers to reduce operating costs and to provide RGI assistance to households in the project. The operating agreements for these providers terminated at January 1, 2001 and administration and funding legislation were assumed by the Social Housing Reform Act (SHRA).
 - Federal/Provincial Non-Profit Housing Program (1986-1993) (1535 units) – Providers include projects owned by municipal non-profit housing companies, private non-profit housing companies or housing co-operatives. At least 25% of the units are geared-to-income (RGI). Subsidies are paid to the providers to reduce operating costs and to provide RGI assistance to households in the project. The operating agreements for these providers terminated at January 1, 2001 and administration and funding legislation were assumed by the Social Housing Reform Act (SHRA).
 - Pre '86 Municipal Non-Profit Housing Program (1986-1993) (20 units) – Providers include projects owned by municipal non-profit housing companies. As CMHC is a signatory to these agreements the operating agreements are not terminated. Funding is similar to the Federal section 95 programs above and the additional assistance is provided to fully fund the project.
 - Rent Supplement Programs (298 units included in programs above) – These programs administered prior to January 1, 2001 by MMAH included additional funding with respect to units in projects owned, leased or administered by non-profit housing providers or co-operative housing providers.

With the exception of the providers devolved under the Non-Profit Full Assistance Housing Program above (15 of 28), all social housing providers administered and funded by the City of Windsor received various levels of funding from the Federal government prior to the downloading of social housing. As such, the federal funding received yearly by the City is

earmarked to offset yearly operating costs in delivering the downloaded social housing programs.

The federal operating agreements have defined terms, typically 35 – 50 years. The terminated Provincial operating agreements likewise had defined terms, but those were rescinded and replaced by legislation (SHRA). The SHRA and now the HSA binds both the Service Manager and housing provider indefinitely, with the only provision for termination residing in Section 102(2) of the SHRA: “the duty to pay subsidy for a housing project is terminated on the date prescribed by the Minister”. No such date has been set.

In addition, the Act also prescribes service level standards for each service area. The Windsor Essex service area is required by legislation to maintain certain levels of RGI units (5,726) in Windsor/Essex despite the expiry of housing program operating agreements. It is unclear how this requirement will be met should providers choose not to retain affordable units on expiry of their operating agreement in the coming years.

Loss of Federal Funding from a Service Manager Perspective

When determining the potential effect of the loss of federal block funding over the next 20 years a number of factors must be taken into account. The expiry of agreements under each housing program will generally result in a different outcome to the service manager. These are outlined as follows:

- Public Housing Program – These units are owned by Windsor Essex Community Housing Corporation. The City is the sole shareholder and as such, as operating agreements expire, the City continues to be responsible for providing ongoing subsidy to operate the projects. As operating agreements with the federal government expire, ongoing yearly federal block funding will be reduced. This will be offset by a savings as debt payments will reduce as the debentures relating to these projects mature. This represents a net yearly loss of funding to the City and result in additional yearly budget costs. The remaining federal operating agreements pertaining to these properties expire by January 1, 2024.
- Federal Programs – A number of providers (section 26 and 27) receive no ongoing subsidy from the City and the City receives no federal block funding for these providers. For providers receiving funding under the federal section 95 programs, the City will no longer receive federal block funding but will also no longer be required to provide ongoing subsidy to these providers. Block funding received from the federal government is based on subsidy levels at downloading (2001). In a number of cases, current actual subsidy paid to the providers has reduced as a result of lower interest rate mortgage renewals. In this case, the savings to the City as provider subsidy payments are reduced will be less than the amount of Federal Block funding lost to the City and thereby representing a net yearly loss of funding to the City. The federal block funding to the City with respect to these housing programs will cease as operating agreements expire between 2013 and 2022.
- Provincial Programs – The City will generally experience a net benefit on the expiry of the 35 year mortgages of those former provincial housing programs. The legislated subsidy funding required to be paid to providers by the Service Manager under the HSA is generally in excess of the federal block funding received by the City. It is estimated that subsidy costs will be reduced as a result of the maturity of provider mortgages in excess of the loss of the federal funding. Federal block funding with respect to these housing programs expire between 2022 and 2031.

Loss of Federal Funding from a Provider Perspective

The maturity of operating agreements and loss of ongoing subsidy funding from the City will have different effects on the social housing provider ongoing financial viability. These can be summarized as follows:

- **Public Housing Program** – The City is the sole shareholder of WECHC and will continue to be responsible for providing ongoing subsidy based on yearly submitted operating budgets included in the yearly City of Windsor budget cycle. As such, there will be no change or loss in funding as the service manager under the HSA is obligated to “maintain the housing in a good state of repair and sound structural condition”.
- **Federal Programs** – A number of providers (section 26 and 27) receive no ongoing subsidy from the City. As a result of the expiry of operating agreements and the expiry of their mortgage the provider should experience a net gain as mortgage debt payments will no longer be required on a monthly basis. For providers under the federal section 95 programs, the provider will no longer be receiving an ongoing subsidy to offset operating costs but will also no longer have mortgage debt to pay. In the case that mortgage payments are in excess of subsidy revenue, the provider will experience a net gain. If the opposite situation occurs, the provider will be in a net loss position which could affect project viability. The largest effect will occur with respect to the providers who receive full funding from the service manager (Urban Native programs). These providers receive funding to offset operating costs in addition to mortgage debt. On expiry of the operating agreement and cessation of ongoing operating subsidies, the provider will not be able to sustain the current operations without significant restructuring or additional assistance from the service manager or another agency. The loss of subsidy revenue will far outweigh the savings as a result of the expiry of the mortgage.
- **Provincial Programs** – Former provincial providers will generally not experience a net loss as a result of the maturity of their 35 year mortgages.. At present the HSA outlines the funding model and specific formula for ongoing subsidy assistance. Providers currently receive subsidies in three areas: Operating subsidies, property tax subsidies and rent geared-to-income subsidies. All providers have an approved tenant target plan and provide at minimum, under the original operating program, 25% of their units to RGI tenants. In accordance with the current terms of the HSA, the service manager will have to maintain subsidy funding at a reduced level. As such, these providers should continue to remain viable.

Current Situation

In 2011 the expiring operating agreement related to a 207 unit-public housing project resulted in a net funding loss of \$ 412,579 (\$ 520,395 reduction in block funding offset by \$ 107,816 in debenture cost savings). Housing Services identified this issue during the 2011 operating budget process. When an increase in base budget funding was requested the budget adjustment was not accepted, the 2011 operating budget was not increased for this issue, and Housing Services was directed to find savings in-year to manage this shortfall. Housing Services was successful in 2011 in finding savings and ended the 2011 year with an overall net city surplus of \$ 59,531. It should be noted that this shortfall in 2011, the result of a reduction in federal funding, has resulted in the need for an increase in municipal contributions.

In 2012, a small additional reduction in yearly federal funding levels was identified (\$11,319) and reported to the administrative budget committee. Once again, Housing Services was requested to find savings to offset this federal funding (\$412,579 + \$11,319 = \$ 423,898 in 2012) in-year and it was recommended that a report be prepared outlining the potential effect of expiry of operating agreements on a year-by-year basis for Council information and review. In April 2012 the 2013 – 2017 Federal Block funding schedule was released and as such Housing Services is able to provide the attached estimates. In 2012, Housing Services was once again able to manage the 2012 yearly funding loss within the current year operating budget.

In 2013, budget approval was received for a realignment of a budget surplus in the Non-Profit Housing area to offset the net Federal Block Funding loss.

For 2014, modest savings in non-profit subsidy projections as a result of favourable rate mortgage renewals and general reductions in rent geared-to-income (RGI) subsidy costs based on a rise in tenant household incomes will allow a realignment of the surplus from Non-Profit to offset the net 2014 Federal Block funding loss.

Next Steps

The expiry of operating agreements and impending loss of federal funding is not an issue that is isolated to the City of Windsor. All 47 social housing service managers in the province of Ontario are affected by this federal funding reduction. Each will be unique in its significance to the social housing units in their service area. A number of sector organizations have completed research papers on the potential impact of the expiry of social housing operating agreements but no concrete actions have taken place to date.

Financial implications of these options are outlined in the Financial Matter section of this report. The preferred option chosen by the service manager will be cost shared with the County of Essex. Based on the current weighted assessment for 2013, the County is responsible for approximately 33.38 % of the municipal share for social housing subsidy costs in Windsor Essex.

4. RISK ANALYSIS

The source of risk involved in the loss of Federal Block funding to the City, as service manager for Social Housing in the Windsor Essex service area, can be identified as a resource risk in that it will impact on the financial resources of the City. A significant stream of yearly revenue is expiring over the next twenty years and is not controlled by the City of Windsor. The estimated loss of revenue is significant in some years. These losses will need to be recovered from the tax base of the City of Windsor.

In addition, the actions taken by the City, as a result of this loss of revenue and the impending social housing operating agreement expiries and reduction/elimination of housing subsidies to non-profit housing providers, could expose the City to criticism from both a community impact and political perspective.

Risk level can be considered high as it will have a significant financial impact on the organization. The risk is certain as it is known that federal Block funding will be reduced on expiry of housing operating agreements over the next twenty years. The overall risk can be considered critical and requires immediate action. The potential financial risk is identified in the Financial Matters section of this report.

In calculating funding the loss from a reserve, an external borrowing interest rate of 3% is assumed. We are now in a period of unprecedented low interest rates. Although the immediate forecast is for rates to stay relatively constant, the general consensus is that rates are very likely to increase over the 15-20 year time frame identified in this report. That being said, any projections using these rates without adjustments will likely understate the true interest costs of borrowing against the reserves.

5. FINANCIAL MATTERS:

Since 2001 the City has received Federal Block funding transferred from the Province to the City of Windsor to offset the costs of delivering the social housing programs downloaded as a result of Local Services Realignment in 1998 and the eventual passing of the Social Housing Reform Act, 2000.

The Council approved 2013 Housing Operating Budget indicates the following:

Program	Gross Cost	Federal Block Funding	County Cost	City Cost
Housing Administration	\$770,798	\$0	\$251,860	\$518,938
WECHC (Public Housing)	\$16,035,640	\$4,481,673	\$3,848,384	\$7,705,583
Non- Profit Subsidies	\$18,154,968	\$6,210,781	\$3,978,358	\$7,965,829
Total	\$34,961,406	\$10,692,454	\$8,078,602	\$16,190,350
% of Cost	100 %	30.6 %	23.1 %	46.3%

As such it can be noted that Federal Block funding represents approximately 30.6% of the 2013 costs for the delivery of Social Housing in Windsor and Essex County.

Housing Services has performed an analysis of the potential financial effect of the declining Federal Block Funding based on information received on downloading. In 2011 and early 2012, a number of requests for information and clarification have been made to Ministry officials in Toronto without success. MMAH appears either unwilling or unable to provide supporting backup and confirmation of the actual schedule of the Federal funding decline for the City of Windsor. In April 2012, the City received notification of the Federal Funding for the years 2013 to 2017. At that time, MMAH provided a '2013-2017 SHA Funding Project-by Project Decrease' schedule. A request for a similar breakdown for the period past 2017 was denied by the Ministry who indicated that they were 'pleased to see Service Managers thinking beyond the 2013-2017 time horizon' but that they were not able to provide any detailed provider and/or Service Manager information for 2018 and beyond. It was noted that this information can only be provided through *The Ontario Gazette*.

A summary analysis of the projected impact to the City of Windsor is outlined on Appendix 2 as explained below and attached to this report. The schedule outlines the potential net loss of funding on a year-by-year basis and the resulting NET Municipal and City Variance by Year for the period 2014 to 2032 at which time the federal funding will cease. The County of Essex will share in the Federal Block Funding loss based on weighted assessment calculations. Appendix 2 reflects the impact to the City of Windsor only. This report will be shared with the County of Essex.

An additional analysis was completed based on the discontinuation of funding for providers outlined in Section 3 c but is not presented in this report. The Housing Services Act outlines a

service manager duty to pay subsidy until a date determined by the "Minister". As no date has been currently legislated this action has not been determined as a valid option and is therefore not presented in this report.

Three options are presented for consideration in dealing with the reduction of the federal Block Funding. Each option assumes all funding to former Federal Housing Providers (section 3b) will cease on the expiration of their operating agreements. Funding to specific Non-Profit housing providers (terminated provincial housing agreements-section 3c) will continue, as legislated, past the expiration of the Federal Block Funding.

1. Option 1 – Fund the annual shortfall of the Federal Block Funding from the tax base of the City of Windsor. (See Appendix 2)
 - Will require annual budget increase for first eight years starting in 2015.
 - City of Windsor operating budget reductions are estimated to begin in 2023.
 - This option will result in an estimated \$3,373,479 being reduced from the City of Windsor's operating budget by 2035.
 - The payments beyond the expiration of the Federal Block Funding are related to subsidizing operating cost and not mortgage costs which have matured.

2. Option 2 – Fund the annual shortfall of the Federal Block Funding through an annual transfer from a reserve fund. (See Appendix 2)
 - This option will result in the Federal Block Revenue shortfall being funded through a Reserve Fund. Reserve fund would go into a \$17.5 million deficit in 2026. Interest at the rates of 3.0% per annum has been factored into these projections resulting in total estimated interest costs of \$5,242,101 to 2034. When the operating budget surplus begins in year 2023, the surplus will be used to reduce the Reserve fund deficit on an annual basis until the Reserve fund is paid in year 2034.
 - Once the reserve fund deficit is paid off, it is projected that the City of Windsor operating budget will be reduced by an estimated \$3,373,479 by the year 2035.
 - The payments beyond the expiration of the Federal Block Funding are related to subsidizing operating cost (not mortgage costs which have matured).
 - In any year, given other corporate-wide priorities, city cash flows may not be able to support this funding option.

3. Option 3 – Another option available to the City of Windsor to fund the Federal Block funding shortfall, not noted in the appendix, is a mixture of Option 1 and 2 based on budget pressures each year. If the annual operating budget **can** absorb the impact of the Federal Block Funding loss then the City of Windsor has the ability to choose option 1 (fund from the tax base in-year). If the annual operating budget **cannot** absorb the impact of the Federal Block Funding loss then the City of Windsor has the ability to choose option 2 (fund from Reserve fund)

In preparing the Federal Funding Reduction Estimates schedule a number of assumptions have been made. They are as follows:

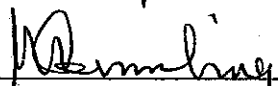
- i) Public Housing units (section 3a) - Housing Services was unable to determine the loss of federal funding on a project by project basis beyond 2017. For purposes of this analysis, Public Housing units block funding was estimated on a per unit basis and assumed to cease at the maturity of each building debenture. It is assumed that ongoing operating subsidy costs will continue as the City is the sole shareholder of WECHC and the units owned by WECHC are a large part of the service level required by legislation.
- ii) Former Federal Housing Programs (section 3b) - It is assumed the providers previously administered by the Federal government (old CMHC programs) will cease to receive subsidy at the end of their 35 year-operating agreements. Block funding for these providers will also cease at that time.
- iii) Former Provincial Providers (section 3c) - For purposes of this analysis, estimates are based on current subsidy levels with a 1% yearly increase (for Provincial Reformed providers funded per HSA legislation) over the next 20 years.
- iv) Untargeted SHA Funding – As part of the Federal Funding dollars for the period 2013-2017, this amount represents unallocated Federal funding dollars that will be distributed to all Service Managers based on their proportionate share of 'targeted' funding in each of the years 2013 – 2017. **For this analysis it is assumed that this amount will not continue past 2017.** When enquires were made with respect to this funding, MMAH was unable to provide any comment or assistance with respect to the continuation of this funding beyond 2018.
- v) County Calculation is based on current weighted assessment rates and the current ratio of city versus county units.
- vi) Interest Rates on Reserve Fund were calculated based on an interest rate of 3.0% annually. (Provided by Taxation and Financial Projects Division). If internal funds are available to fund the reserve, the cost of interest would lower.

6. CONSULTATIONS:

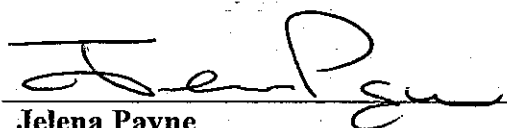
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7. CONCLUSION:


Affordable and secure housing is a significant factor in a community's stability and in the social and economic well-being of its residents. The decline of Federal Funding to the City of Windsor, as Service Manager, for Windsor Essex presents significant challenges both for the City as the funder and for Social Housing providers as delivery agent for much needed affordable housing in this region. An update and recommendation for the recommendation of funding this shortfall will be presented during the 2015 budget deliberations.



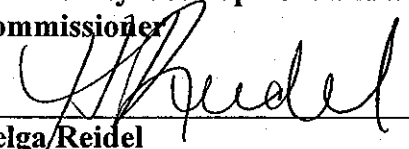
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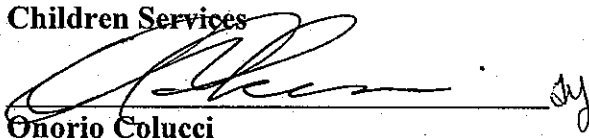
Jelena Payne
Community Development and Health
Commissioner



Debbie Cercone
Executive Director of Housing and
Children Services



Helga Reidel
Chief Administrative Officer



Onorio Colucci
Chief Financial Officer and City
Treasurer

jh

APPENDICES:

Appendix 1 – MMAH Annual Apportionment to City of Windsor of Federal Funds by Social Housing Program for years 2013 2017

Appendix 2 – Funding Beyond Expiry of Federal Block Funding

DEPARTMENTS/OTHERS CONSULTED:

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Parkwood NPHC		parkwood@mnsi.net		
Windsor Residence Inc.		pcoupe@windsorresidenceinc.com		
River Park NPHC		riverparknonprofit@cogeco.net		
Ryegate Co-Op Homes		dzock@rogers.com		
Ryegate Co-Op Homes		ryegate@bellnet.ca		
Ser-Rise Community Housing		serrise@cogeco.net		
St. Angela NPHC		steveaiuto@live.ca		
Tilbury West Development Corporation		mderikx@sympatico.ca		
Windsor Coalition NP Homes		gary@whci.ca		

Appendix 1

Ministry of Municipal Affairs & Housing
 Annual Apportionment of Federal Funds by Social Housing Program
 City of Windsor

Section 3	No. Of Units	Programs	2013	2014	2015	2016	2017
		Previously Provincial Administered and Federal/Provincial Cost-Shared					
c	2,438	Non-Profit-(Non-Profit and Coop housing)	3,528,608	3,528,608	3,528,608	3,528,608	3,528,608
a	3,538	Public Housing (PH)	4,052,212	3,588,000	2,881,222	2,877,515	2,448,153
a	148	Rent Supplement-Commercial (LHC)	429,461	429,461	429,461	429,461	429,461
b,c	298	Rent Supplement-(RS units within Non-Profit buildings)	186,373	186,373	186,373	186,373	186,373
		Toronto Community Housing Company	-	-	-	-	-
		Sub-Total Provincial Lead Programs (1)	8,196,654	7,732,443	7,025,668	7,021,957	6,592,936
		Prior Federal Administered and Funded					
b	1,059	Private Non-Profit (Section 95)	1,324,228	1,318,773	876,708	402,772	349,420
b	20	Municipal Non-Profit	19,609	19,609	19,609	19,609	8,170
b	81	Urban Native Post '85	1,058,400	962,960	843,886	707,139	554,370
b	3	Urban Native Pre '86	13,167	-	-	-	-
b	see above	Municipal Non-Profit - Override Assistance	5,185	5,185	5,185	5,185	2,593
		Sub-Total Federal Lead Programs (2)	2,410,590	2,306,528	1,745,386	1,134,706	814,553
		Untargeted SHA Funding (3)	7,521,013	103,1024	359,742	651,907	895,649
		Total Federal Funding Published (1-2+3)	10,692,457	10,142,074	9,130,798	8,811,570	8,407,997
		Less:					
a	see PH above	Public Housing Debentures	3,239,694	3,053,980	2,660,784	2,654,943	2,628,621
a		Public Housing FP Debentures/Loans	122,066	122,066	122,066	122,066	-
a		Debenture Credit	(75,018)	(75,018)	(75,018)	(75,018)	(75,018)
		Sub-Total OHC Net Debenture Costs	3,286,742	3,101,028	2,707,832	2,701,991	2,553,602
		Net Annual Federal Funding Disbursed	7,405,715	7,041,046	6,422,966	6,109,579	5,854,395

Resource: The Ontario Gazette (April 28, 2012)

Note: The Federal funding past 2017 is not known at this time. The federal funding from 2018-2023 will be published by The Ontario Gazette by spring 2017. The federal funding loss per year past 2017 is an estimate at this time.

* Section 3: See section 3 in the report.

Appendix 2

Funding the former Provincial Non-Profit Providers past the expiration of the agreement					
Funded From:	(Option 1) Annual Operating City Budget	(Option 2) Reserve Fund			
Year	Annual Estimated Change (Decrease)/Increase	Annual Estimated Transfer (From)/To Operating Fund	Annual Estimated Interest	Cumulative Estimated Reserve Balance- (Deficit)/Surplus	Annual Estimated Operating Budget (Decrease)/Increase
2014	0	0		0	0
2015	447,242	447,242	13,417	(460,660)	0
2016	41,756	488,999	28,490	(978,148)	0
2017	193,664	682,663	49,824	(1,710,635)	0
2018	832,313	1,514,977	96,768	(3,322,380)	0
2019	99,068	1,614,045	148,093	(5,084,518)	0
2020	135,661	1,749,706	205,027	(7,039,250)	0
2021	179,755	1,929,461	269,061	(9,237,772)	0
2022	141,227	2,070,687	339,254	(11,647,713)	0
2023	(449,791)	1,620,896	398,058	(13,666,668)	0
2024	(10,119)	1,610,777	458,323	(15,735,768)	0
2025	(518,736)	1,092,041	504,834	(17,332,643)	0
2026	(1,430,348)	(338,307)	509,830	(17,504,166)	0
2027	(1,064,979)	(1,403,286)	483,026	(16,583,906)	0
2028	(640,506)	(2,043,792)	436,203	(14,976,318)	0
2029	30,379	(2,013,413)	388,887	(13,351,792)	0
2030	(46,055)	(2,059,468)	338,770	(11,631,094)	0
2031	(71,873)	(2,131,340)	284,993	(9,784,746)	0
2032	(1,242,139)	(3,373,479)	192,338	(6,603,605)	0
2033	0	(3,373,479)	96,904	(3,327,029)	0
2034	0	(3,327,029)	0	0	(46,450)
2035	0	0		0	(3,327,029)
Total Change (2014-2035)	(3,373,479)	(5,242,101)	5,242,101	0	(3,373,479)

Option 1 Funded From Annual Operating Budget

This option will result in a budget increase each year until the Year 2022, when the operating budget will begin to decrease each year until the Year 2032.

In Year 2035, the City Operating Budget (Based on the Current Weighted Assessment Rate) will be reduced by \$3,373,479.

Subsidy payments are based on Federal funding agreements and/or HSA legislation. Funding used to offset operating costs as well as subsidize tenancies. Non-Profit providers with a higher percentage of RGI units may experience financial viability issues should subsidies cease as scheduled at the end of operating agreements /maturity of 1st mortgage.

The City is the sole shareholder of WECHC and will continue to be responsible for providing ongoing subsidy based on yearly submitted operating budgets.

The amount of Federal Block Funding to the year 2017 has been published in *The Ontario Gazette* and has been reflected in these estimates.

Option 2 Funded From a Reserve Fund

This option will NOT result in an annual budget impact. The shortfall would be funded from a Reserve Fund until the year 2025, when surpluses in the operating budget would allow the Reserve fund to begin being paid back. The annual transfer from the Reserve fund from 2014 until 2025 will result in a Cumulative Reserve Fund Balance of \$17,504,166 (include interest rate of 3.0% annually). With continue surpluses from Year 2026 until Year 2034, the Reserve fund may be paid. In Year 2034, the operating budget will begin to be reduced until the Year 2035.

In Year 2035, the City Operating Budget (Based on the Current Weighted Assessment Rate) will be reduced by \$3,373,479.

Subsidy payments are based on Federal funding agreements and/or HSA legislation. Funding used to offset operating costs as well as subsidize tenancies. Non-Profit providers with a higher percentage of RGI units may experience financial viability issues should subsidies cease as scheduled at the end of operating agreements /maturity of 1st mortgage.

The amount of Federal Block Funding to the year 2017 has been published in *The Ontario Gazette* and has been reflected in these estimates.

- Assumptions**
- a) Public Housing - Block funding per project past 2017 was estimated on a per unit basis and is scheduled to end at the maturity of the debenture funding.
 - b) Former Federal Housing Programs-providers previously administered by the Federal government will cease to receive subsidy at the end of their 35 year operating agreements. Block funding for these providers will also cease at that time.
 - c) A 1% annual inflationary increase was factored into the subsidy payments provided to the former provincial reformed housing operators.
 - d) Untargeted SHA Funding will not continue past 2017.
 - e) City/County Cost Sharing is based on current Weighted Assessment Rate and current ratio of city versus county units.
 - f) Interest Rates on Reserve Fund was calculated annually based on an interest rate of 3.0%. This interest rate was provided by the Taxation and Financial Projects division.

