



INFORMATION REPORT

TO:	Chair and Members Emergency & Community Services Committee
COMMITTEE DATE:	September 8, 2014
SUBJECT/REPORT NO:	Social Housing Reserve Fund Studies (CES14020) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

As part of the 2014 Tax-Supported Capital Budget (FCS13096) (Item 3.1) (November 28, 2013 General Issues Committee Agenda), the following amendment was approved:

- (a) That the 2014 Tax Supported Capital Levy in the amount of \$90,177,000, inclusive of the following amendments, be approved:
 - (i) Social Housing Building Assessments – 6731441302
 - (aa) That the funding source for the Social Housing Building Assessment project in the amount of \$500,000 be changed to Social Housing Program Reserves to reduce the 2014 Tax Levy Impact; and,
 - (bb) That staff report back to the Emergency and Community Services Committee during the 2014 calendar year with a plan that seeks a long term solution to maintenance and repair costs.

Information:

This report provides Council with an update on the plan to support the completion of social housing building condition assessments and reserve fund studies. The objective of the studies is to support social housing providers in their capital work planning, develop strategies for addressing the funding gap and lobby the Provincial and Federal governments for sustainable funding.

The project will consist of two main elements for each of Hamilton's social housing properties. A building condition assessment will itemize all significant components of

the building, estimate the replacement costs and forecast the remaining useful life of each component. The second element, a reserve study, will project over 30 years the building component replacement schedule and associated costs. Existing reserve fund balances for each of the social providers will be compared to the capital funding required to identify the one-time, or gradual, financial contributions required to maintain their positive reserve fund balance.

In 2001, the Province transferred the administration and funding for social housing to municipal governments. The City of Hamilton became Service Manager responsible for the administration and funding of 14,600 units of social housing in the City which are owned and operated by forty-three housing providers. At the same time, the Province transferred a significantly underfunded capital reserve fund of \$3.7 million (\$253 per unit).

In 2003, the City funded building condition assessments and reserve fund studies for all housing providers. It was determined that a one-time payment of \$135 million (\$9,246 per unit) from the Province would be required to fully fund reserve accounts, however, no funds were received by the City.

In the years following the downloading, the Federal and Provincial governments have acknowledged reserve fund shortfalls by providing one-time capital repair programs. From 2009-2010 and 2010-2011, the Province allocated \$33.7 million (\$2,311 per unit) to the City under the Social Housing Renovation and Retrofit Program (SHRRP). The program did not address the full backlog of capital projects and provincial staff has advised that there are no plans for additional capital repair programs.

Ten of the forty-three housing providers, including CityHousing Hamilton, have updated their building condition assessment/reserve fund studies in the past six years. The studies for just these ten housing providers project a deficit of over \$400 million in 20 years. These ten housing providers represent approximately 60% of social housing units.

Housing Services Division staff conducted an assessment of the housing providers' reserve fund studies in the spring of 2014. It was identified that only ten of the 43 social housing providers had current building condition assessments and reserve fund studies. Out of date reserve fund studies result in problems in the following areas:

- Capital work planning;
- Co-ordination of interdependent capital projects in consecutive years;
- Co-ordinating projects of similar work on multiple sites to obtain volume discounts;
- Developing a long term financial investment strategy for reserve fund investments; and,
- Lack of understanding by the housing provider of their long term financial obligations.

The Condominium Act, 1998 sets a standard of performing building condition assessment site visits every six years to generate a reserve fund study. Although the Act does not apply to social housing, it is a proven standard and should be considered a best practice that can be applied to the social housing sector. Applying this standard, the 33 housing providers whose reserve fund studies are over six years old require new studies. In addition, a plan will be developed for all housing providers to regularly update their reserve fund studies.

Housing providers have varying levels of financial resources from their capital reserve fund and accumulated operating surplus to undertake capital repairs and studies. Appendix A to Report CES14020 – 2013 Capital Work Financial Resources shows the resources of each housing provider which range from \$104 to \$17,600 per housing unit.

Housing Providers maintain their own reserve fund accounts separately from any emergency capital fund that the City establishes. Their ability to undertake capital work is dependent on funds in either their reserves or surpluses from their operating budgets. Appendix A to Report CES 14020 – Capital Work Financial Resources shows each provider's total financial resources to undertake capital work (a housing provider's reserve fund plus any operating budget accumulated surplus). The resources range between savings of a few hundred dollars per unit to almost \$18,000 per unit. The reserves are intended to be sufficient to maintain the affordable housing buildings over a period of decades. Consultants often recommend reserves be greater than \$25,000 per unit. The balances recommended for a fully funded reserve range between \$24,000 and \$72,000 per unit, which is well beyond the housing providers' resources.

Appendix B to Report CES14020 – 2013 Actual Reserve Balance vs. Fully Funded Reserve shows the ten housing providers with current reserve fund studies and the balance required for each housing provider's reserve to be fully funded. The consultant's recommended reserve fund balance, or full funding, is shown alongside the housing provider's actual balance. Most providers have less than 25% of the recommended funding levels in their capital reserve. The Canadian Reformed Society building does not show a full funding projection as their study is not yet final.

The City will partner with housing providers to complete the studies with each party paying 50% of the costs. A few housing providers would be required to draw down more than one third of their resources to pay for their portion of the reserve fund study. In these situations the City will pay 100% of the reserve fund study cost.

The building condition assessments and reserve fund studies will be co-ordinated by City of Hamilton staff in consultation with housing providers. The City will utilize consultants to perform the building condition assessment/reserve fund study work. A request for proposals will be issued and awarded by the City in Q1/2015.

The City's share of the cost is anticipated to be a maximum of \$500,000.

In September 2015, staff will report back to the Emergency and Community Services Committee with the findings of the building condition assessments and the reserve fund studies and an overall strategy for the maintenance of social housing stock in Hamilton.

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES14020: 2013 Capital Work Financial Resources

Appendix B to Report CES14020: 2013 Actual Reserve Balance vs. Fully Funded Reserve