



CITY OF HAMILTON
COMMUNITY AND EMERGENCY SERVICES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency & Community Services Committee
COMMITTEE DATE:	August 10, 2016
SUBJECT/REPORT NO:	Capital Funding Proportional Allocation Policy for Social Housing (CES16030) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Julie Western Set Director, Housing Services Division Community and Emergency Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the “Capital Funding – Proportional Allocations” policy attached as Appendix A to Report CES16030 be approved;
- (b) That the General Manager of Community & Emergency Services Department be authorized and directed to approve and execute capital funding agreements, prepared in a form satisfactory to the City Solicitor, on behalf of the City of Hamilton for funding allocations made with respect to recommendation (a) of Report CES16030; and,
- (c) That the Capital Funding – Proportional Allocation policy be identified as complete and removed from the Emergency and Community Services Committee Outstanding Business List.

EXECUTIVE SUMMARY

On April 13, 2016, Council passed the following motion:

“That Community & Emergency Services staff be directed to report to the Emergency & Community Services Committee with a policy for allocating intermittent additional capital funding from the provincial or federal governments to CityHousing Hamilton in an amount that is proportionate to the number of units in its inventory, subject to the terms and conditions associated with any such funding.”

The “Capital Funding – Proportional Allocations” policy (the “Policy”), attached to Report CES16030 as Appendix A, responds to this direction by establishing the criteria and

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conditions for applying a proportional funding formula for any future capital funding for social housing provided by the provincial or federal governments. If capital funding is provided to the City without specific requirements regarding the process for its allocation or use, funding can be allocated to social housing providers in an amount proportionate to the number of active social housing units within the provider's portfolio.

For example:

- There are approximately 14,000 social housing homes in Hamilton;
- CityHousing Hamilton operates approximately 7,000 homes or 50%; and,
- Accordingly, CityHousing Hamilton would receive approximately 50% of any funding from federal or provincial governments subject to the terms and conditions associated with such funding and the Policy.

The federal and provincial governments have committed significant funding for housing through their respective budgets. In particular, anticipated funding is focused on social housing infrastructure, including energy efficiency related retrofits. In addition, the province, in the recent update to its Long-term Affordable Housing Strategy, has identified a number of changes to modernize social housing legislation, which may include increased flexibility for Service Managers to better enable Service Managers to address the local needs at the community level.

Report CES16030 and the Policy enable the City, as Service Manager, to be responsive and flexible in allocating and approving capital funding allocations for social housing. In the absence of specific funding rules, terms and conditions, the Policy will help guide the Service Manager to prioritize a ratio of capital funding from senior levels of government allocated to social housing providers on a basis that is approximately equivalent to the ratio of social housing. The Policy establishes a process for proportional funding allocation, subject to the terms and conditions associated with any such capital funding. The Policy also reserves the right to allocate funding through a competitive process where the Service Manager, in its opinion, has identified that proportional allocation is not appropriate to achieve a desired outcome or meet a specific need.

The City has also been leading a process to complete the Building Condition Assessments ("BCAs") for all housing providers. The BCAs are expected to be completed by the end of summer, 2016 and will result in a comprehensive and prioritized list of necessary capital repairs that will be required to sustain the physical condition of the social housing projects in Hamilton. In particular, the Policy will enable the Service Manager, in the absence of any other requirement, to allocate future funding in a timely and efficient manner to social housing providers to address items identified in the BCAs.

Alternatives for Consideration – See Page 7

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There are no financial implications associated with Report CES16030.

Staffing: There are no staffing implications associated with Report CES16030.

Legal: Legal Services will prepare and approve the form of any capital funding agreements with housing providers.

HISTORICAL BACKGROUND

With the downloading of social housing to the municipalities in 2001, the Province provided one-time capital funding of \$3,791,218 to the City which was placed in a reserve to be used only for social housing purposes. The Social Housing Reserve Fund is for emergency capital costs or in exceptional capital expenditure situations when there are insufficient replacement reserves for social housing providers to cover the costs. The reserve is to be used at the discretion of the municipality for building condition audits, capital repairs and other social housing purposes including additions to existing capital assets. The majority of the Social Housing Reserve Fund has been depleted and now has a current balance of approximately \$706K. Allocations from the Social Housing Reserve Fund require Council approval.

The other source of capital funding for social housing providers is the City of Hamilton's annual Tax Support Capital Budget allocation. Historically, this amount has been \$500K. For 2016, CityHousing Hamilton was allocated \$2.3M (with \$800K coming from former Councillor Scott Duvall's Ward 7 area-rated funds) and \$1.5M was allocated for the other social housing providers. Capital funds distributed from the annual capital budget are made in the form of grants to local non-profit social housing providers to purchase, construct, or renovate capital assets. Allocations from the 2016 funding are being made based on submissions received from social housing providers, which are evaluated based on factors such as health and safety, vacant unit rehabilitation and accessibility.

In 2009, the Social Housing Renovation and Retrofit Program (SHRRP) was introduced to municipalities as a component of the Canada-Ontario Affordable Housing Program. This was a capital grant program which provided the City with a one-time allocation of \$37,122,231 which included \$33,747,633 for the repair and regeneration of eligible social housing projects and \$3,224,450 to be used toward renewal energy initiatives. This program expired on March 31, 2012 and funding was fully allocated. Council approval was obtained for funding allocations made through SHRRP.

Aside from the Social Housing Reserve Fund and without ongoing SHRRP funding, social housing providers have limited options to assist with the cost of capital and emergency repairs. All social housing providers in Hamilton have insufficient reserves to fully address the cost of outstanding capital repairs and most would need to approach the City for funding for any serious emergency repairs.

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As a result of recent Federal and Provincial budget announcements, as well as the update to the Province's Long-Term Affordable Housing Strategy, further capital funding opportunities are becoming available. The terms and conditions associated with any such funding will likely vary or include restrictions on use or allocation. However, in an effort to be prepared for any future capital funding opportunities, on April 13, 2016, Council passed the following motion:

“That Community & Emergency Services staff be directed to report to the Emergency & Community Services Committee with a policy for allocating intermittent additional capital funding from the provincial or federal governments to CityHousing Hamilton in an amount that is proportionate to the number of units in its inventory, subject to the terms and conditions associated with any such funding.”

The Policy, attached to Report CES16030 as Appendix A, responds to this direction and establishes the criteria and conditions for applying proportional allocations to future funding.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

City of Hamilton By-law 16-070 (Procurement Policy)

The City delivers the legislated services required under the *Housing Services Act, 2011* through non-profit and cooperative social housing providers. Funding allocated to social housing providers generally meets the criteria set out in “Policy 22, Schedule B – Exemptions” under subsection (1)(d) Grants, loans and levies; subsection (3)(a) Providers of community services; and subsection (3)(b) Accommodates provided as part of City-approved programs and projects for the homeless and other living in poverty. As such, capital funding allocations to social housing providers are exempt from the requirements of the Procurement Policy. Social housing providers are, in turn, required to maintain and adhere to a competitive, fair and transparent procurement process approved by its Board of Directors.

RELEVANT CONSULTATION

Legal Services Division has been consulted and their comments have been considered and incorporated into Report CES16030 and the Policy.

Social housing providers were not consulted on the final Policy. However, through regular engagement and previous consultation on this issue, as recent as March 2016, social housing providers in Hamilton have routinely requested a fair and transparent policy for allocating capital funding, provided it incorporates some flexibility for the Service Manager respond to unique and emergency situations. Specifically, proportional allocation has been suggested as a basis for establishing a fair starting point.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The City of Hamilton, designated as a Service Manager, is responsible for the funding and administration of social housing in Hamilton governed under the *Housing Services Act, 2011* (“HSA”). The downloading of social housing responsibilities to municipalities in 2001 shifted operational and capital funding to the municipal tax levy.

The City is ultimately responsible for maintaining social housing to meet the legislated minimum service level standards under the HSA. However, as part of its commitment through 10-year Housing and Homelessness Action Plan to ensure that everyone in Hamilton has a good quality, safe and affordable home, the City has signalled a clear desire to steward the protection of social housing to meet the needs of the community.

In Hamilton, there are 43 non-profit social housing providers, operating a total of approximately 14,000 homes. CityHousing Hamilton (“CHH”), which is the largest social housing provider, operates approximately 7,000 homes or half of the current social housing portfolio.

Overall, the City's social housing buildings range from 20 to over 80 years old with an average age of 40 years. The aging housing stock is contributing to a significant unfunded capital repair deficiency. CHH's capital repair backlog alone is assessed at nearly \$100M. The other social housing providers also require significant capital repairs to their stock and Building Condition Assessments are currently being completed to fully understand the extent of those pressures. The providers' current reserves are inadequate to fund even the current known capital requirements of these buildings. With increasing need for capital repairs and regeneration, the City, as Service Manager for social housing, needs to be prepared to respond efficiently if any intermittent funding is distributed by senior levels of government for capital repairs.

When the responsibility for social housing was transferred to municipalities in 2001, the Province provided one-time capital funding of \$3,791,218 to the City which was placed in the Social Housing Reserve Fund. The majority of the Social Housing Reserve Fund has been depleted and now has a current balance of approximately \$706K.

In 2009, the Social Housing Renovation and Retrofit Program (SHRRP) provided a one-time allocation of \$37,122,231 which included \$33,747,633 for the repair and regeneration of eligible social housing projects and \$3,224,450 to be used toward renewal energy initiatives. This funding was fully allocated and the program ended in March, 2012.

The only ongoing source of capital funding for social housing providers has been the City of Hamilton's annual capital budget allocation. As part of the 2016 capital budget process, CityHousing Hamilton was allocated \$2.3M (with \$800K coming from some Councillors' Area Rating funds) and \$1.5M was allocated for the other social housing

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providers through the 2016 Municipal Capital Grant Program for Social Housing Repairs and Regeneration (“MCGP”).

In 2016, both the federal and provincial governments included housing as a significant focus of their respective budgets. In early 2016, the Province of Ontario established the Social Housing Apartment Retrofit Program through the Green Investment Fund. Through this program, the City was allocated \$7.17M which will be distributed to eligible social housing providers for retrofits for energy efficiency that will result in the reduction of greenhouse gas emissions. A Request for Proposals will be issued for allocations under this funding program.

Other than the Social Housing Capital Reserve Fund policy, the City does not have a framework for allocating other forms of social housing capital funding. In the past, capital funding has been issued to social housing providers who:

- Operate strictly as a not-for-profit organization, with an active Board of Directors and/or Executive Committee/Officers; and
- Have units within the boundaries of the City of Hamilton.

Funding has been allocated based on individual social housing provider needs, community need and the availability of capital funds.

For the 2016 MCGP, Housing Services changed the allocation process to achieve a more transparent and fair allocation. It released a “call for applications” to follow a competitive process for allocating grant funds which focused on three priorities:

- Repairs that would return vacant units for occupancy;
- Repairs for units at imminent risk of becoming vacant; and
- Health and safety related repairs.

Applications under the MCGP were reviewed by an evaluation team that consisted of staff from the Housing Services Division of the Community and Emergency Services Department, as well as the Building Division of the Planning and Economic Development Department and scored based on criteria such as: impact on waitlist; scope of work; estimated cost per unit; and level of affordability.

The Policy provides a broad framework and incorporates authority to allocate intermittent capital funding from senior levels of government where such funding is available to the Service Manager without specific terms and conditions. This will assist staff in their efforts to work with social housing providers to address capital repairs in their social housing projects as established in the Building Condition Assessments, as well as provide greater transparency and consistency in any future funding decisions.

The terms and conditions of any capital funding from the provincial and/or federal governments supersede this Policy and the Policy also reserves the right for the Service

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Manager to allocate funding using a competitive process where, in the opinion of the Service Manager, proportional allocation will not result in the best use of the funding. This allows flexibility and provides an opportunity to align funding allocations with local planning objectives such as Hamilton's 10-year Housing and Homelessness Action Plan or other Council direction.

The Policy also requires housing providers to enter into an agreement with the City of Hamilton for the capital funds. These agreements govern the use, payment schedule, reporting requirements, affordability levels and the manner in which the provider contracts the goods or services. In addition, the housing provider's Board of Directors must have an approved Conflict of Interest Policy, which includes sector best practices regarding competitive bidding on tenders.

Recognizing that significant public investments have been made to social housing over the past 40 years, the Policy contributes to efforts to protect and sustain the investments in affordable housing. If senior levels of government announce funding for capital repairs with or without specific program perimeters, Hamilton needs to be in a position to respond to such opportunities and allocate funding to social housing providers in a fair, transparent and efficient manner that, in particular, helps address the pressures identified through the Building Condition Assessments.

ALTERNATIVES FOR CONSIDERATION

Utilize a competitive process for all social housing capital funding allocations

Any future federal or provincial capital funding could be allocated by using a competitive process in the absence of any specific terms and conditions as to the allocation of funds. Historically, most federal or provincial funding is provided with accompanying comprehensive terms and conditions as to use and allocation. For capital funding opportunities where greater flexibility is provided to Service Managers for allocating such funding, following a competitive process such as a Request for Proposals or Call for Applications, does not always allow for a timely response to existing opportunities as established through the Building Condition Assessments. In addition, depending upon the scope of funding, administering a competitive process for funding may necessitate additional staff resources. There are no financial or legal implications with this alternative.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES16030: Capital Funding – Proportional Allocations
policy