



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Healthy and Safe Communities Committee
<b>COMMITTEE DATE:</b>	January 17, 2019
<b>SUBJECT/REPORT NO:</b>	Hamilton Housing Benefits (HSC19002) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Adam Sweedland (905) 546-2424 Ext. 1782
<b>SUBMITTED BY:</b>	Paul Johnson General Manager Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the General Manager of the Healthy and Safe Communities Department be authorized and directed to deliver and administer five-year housing benefits beginning in January 2019, at a maximum aggregate cost of \$2,000,000 to be funded from the Tax Stabilization Reserve;
- (b) That, prior to closing the 2018 financial year end, \$2,000,000 from the Rent Geared to Income Subsidy program surplus be transferred to the Tax Stabilization Reserve;
- (c) That Staff report back to Healthy & Safe Communities at its June 6, 2019 meeting with a sustainable plan to increase the number of permanent housing benefits following a review of current rent-geared-to-income funding programs.

**EXECUTIVE SUMMARY**

There are currently 6,749 households waiting for subsidized (RGI) housing on the centralized wait list.<sup>1</sup> Hamilton has been providing a housing allowance program since 2016 which currently provides assistance to 315 households drawn from the wait list. Eligible households receive an allowance based on the income and composition of the household. The average monthly benefit per household is approximately \$274 with the annual approved operating budget for this program being \$1.034M.

<sup>1</sup> This includes 1,160 households that are already in receipt of assistance but have requested transfers to other units and 5,579 that are in need of assistance.

One-time funding of \$2M can provide up to 120 households from the centralized wait list with monthly rental assistance for five years (\$400K per year). This assumes a monthly average benefit of \$274 per household. These additional benefits would be administered in the same manner as the current Hamilton Housing Allowance Program.

These additional benefits would be funded initially through the Tax Stabilization Reserve and reimbursed from a forecasted year end favourable variance of approximately \$2M in the Housing Services Division operating budget resulting directly from the recovery of unused RGI subsidy from housing providers.

Unused RGI subsidy occurs due to a confluence of factors but is primarily the result of households with incomes that have graduated beyond the thresholds for RGI subsidy and, as such, no longer qualify. Legislation permits these households to remain in the units as tenants but pay the full rent. Full rents in social housing buildings are set by legislation and generally fall around 80% of average market rent. As such, paying the full rent still meets the affordability needs for these households.

Housing Services is currently reviewing options to create permanent and sustainable housing assistance for the purposes of maximizing the assistance available to households from the centralized wait list. This includes reviewing the way that RGI subsidies are established as part of the housing provider subsidy process and potentially realigning these subsidies to expand our current permanent housing allowance program.

### **Alternatives for Consideration – Not Applicable**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The recovery of funding from housing providers from 2017/2018 related to the RGI portion of their legislated annual subsidy entitlements is forecasted to be \$2,173,985 at December 31, 2018. This will result in a year-end favourable variance for the Social Housing operating budget.

**Staffing:** There are no staffing implications with Report HSC19002.

**Legal:** There are no legal implications with Report HSC19002.

### **HISTORICAL BACKGROUND**

Housing providers with projects subject to the *Housing Services Act, 2011* (Act) are given annual subsidies that include calculations for mortgage costs, property taxes, operating expenses (e.g. utilities, administration, insurance) and rent-geared-to-income (RGI) subsidies. These annual subsidies form part of the Social Housing annual operating budget submission.

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*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

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Following a housing provider's fiscal year end, Housing Services completes a reconciliation process based on audited financial statements. This includes settling any difference between the RGI portion of the subsidy paid to the provider and the actual RGI used from the previous twelve months. Since 2015, Housing Services has been recovering an increasing amount of unused RGI subsidy, as set out in Table 1.

Table 1 – RGI Subsidy Recovery

Year	RGI Settlement (Recovery)
2015	(784,000)
2016	(878,000)
2017	(1,670,000)
2018	(2,174,000)

Prior to 2017, recoveries were subsumed within the overall budget, reducing or offsetting past budget pressures. In 2018, the surplus from 2017 was placed in the Social Housing Stabilization Reserve and used to offset development charges related to new affordable housing development.

However, this funding is specifically intended by legislation to provide direct housing affordability in the form of RGI subsidies.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The *Housing Services Act, 2011* (Act) establishes the funding formula for social housing, including the number of units required to be funded with RGI subsidy. The Act also establishes the process for reconciling the subsidy following the fiscal year end of a housing provider.

## **RELEVANT CONSULTATION**

Finance and Administration Division staff were consulted on Report HSC19002 with their feedback incorporated.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The Act requires the City to provide rent-geared-to-income (RGI) subsidy for 8,403 units of housing through 27 housing providers operating projects that are subject to this funding model. These form part of the City's legislated service level standards. This is included as part of the City's annual operating budget submission.

Housing providers, in turn, manage targeting plans (e.g. RGI units vs. full rent units) on which the RGI portion is based as part of the overall subsidy entitlement. Currently, housing providers are falling short of meeting RGI targets by approximately 1,100 units.

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This is the result of many factors including natural occurring vacancies (unit turnover), unplanned prolonged vacancies (e.g. capital repairs needed) and, most significantly, by household incomes that have increased (requiring less RGI) or graduated beyond the RGI eligibility threshold.

Graduated households no longer qualify for the RGI portion of rent based on income levels but are not required to move from social housing units if the household pays the full rent. Full rents in social housing are approximately 80% of the average market rents set out by the Canada Mortgage and Housing Corporation each year and much lower than true market rent. In terms of affordability, paying full rent in social housing continues to meet the need for many low-to-moderate income renter households.

In 2018, the year-end reconciliations from 2017-2018 will result in approximately \$2.174M in unused RGI subsidy that should be reinvested to support its intended purpose.

In consideration of the fact that housing providers are challenged to meet their RGI targets each year, staff are currently reviewing options to realign targeting plans going forward with the intention to reallocate some RGI subsidy funding to support permanent and sustainable housing benefits for households on the centralized wait list. Portable housing benefits promote mixed income communities and private market participation in the affordable housing solution. These benefits also expand access to a wider range of housing options that meet specific household needs such as accessibility or larger families.

#### **ALTERNATIVES FOR CONSIDERATION**

None

#### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

##### **Healthy and Safe Communities**

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

#### **APPENDICES AND SCHEDULES ATTACHED**

None