

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT  
RAPPORT

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DATE                       8 September 1998

TO/DEST.                 Co-ordinator, Community Services Committee

FROM/EXP.               Social Housing Working Group

SUBJECT/OBJET         **REGIONAL RESPONSE TO THE PROVINCIAL DISCUSSION  
PAPER ON SOCIAL HOUSING REFORM**

### **REPORT RECOMMENDATION**

**That the Community Services Committee recommend Council endorse the attached “Response to Discussion Paper on Social Housing Reform” and submit it to the Provincial Social Housing Committee.**

### **BACKGROUND**

In January 1997, the Province of Ontario announced that the provincial share of social housing subsidies and the administration of provincially-administered social housing programs would be downloaded to municipalities. A three-phase process to accomplish this was established. The first phase (Bill 152) transferred funding responsibility January 1, 1998 to approximately 50 Consolidated Municipal Service Managers (CMSMs), which in this region is the Region of Ottawa-Carleton. The second phase, now in progress, is to reform the social housing system to reduce its complexity and streamline roles and responsibilities prior to turning it over to the CMSMs for administration. Following provincial endorsement of program reform, a new federal-provincial agreement will be negotiated. The third phase will then be the transfer of administration to the CMSMs.

To accomplish the second phase, the Province in 1997 established an Advisory Council on Social Housing Reform which reported in September 1997 to the Minister of Municipal Affairs and Housing. The Minister endorsed in principle the recommendations of the Council and then established a Social Housing Committee and three working groups to further test and develop the recommendations by the spring of 1998. The working groups met intensively from December 1997 to May 1998 to prepare detailed reports which were then submitted to the Social Housing Committee (SHC).

The SHC on August 24, 1998 released a *Discussion Paper on Social Housing Reform* and invited feedback from municipalities and providers. The deadline for submission of written submissions is September 24, 1998 and there will be a one-day session on September 28, 1998 in Toronto to hear deputations, primarily from sector organizations but also from some individual groups and municipalities. A request has been made to have the Region make a deputation as the deadline was September 10, 1998. The Region's response has also been provided to AMO as a draft to assist AMO in preparing a consolidated response.

### RESPONSE TO DISCUSSION PAPER

The attached response focuses on key issues about process, major social housing issues and the reform proposals themselves. With reference to process, the first paragraph in the response expresses disappointment with the lack of detail in the proposals after a year of work. The social housing system is extremely complex and the province's initial plan to develop a reform package within several months was viewed as being overly optimistic. However, the Discussion Paper now implies that there will be another reform process established once the SHC has finalized its report and submitted it to the Minister. It could easily be one to two years before the details are worked out and federal concurrence is obtained. In the meantime, the CMSMs are funding social housing with no control over the administration. The Province has been considering interim arrangements to try to provide municipalities with more "say" while the reform process proceeds but no actual proposals have been presented to municipalities for consideration. In addition to monitoring and having input to the reform proposals, it is essential that the Region also consider potential interim arrangements. This is a current priority of staff and will be on the agenda of the next ROC Social Housing Working Group meeting.

The major social housing issues addressed in the response deal primarily with the need to secure the levels of funding required to maintain the existing number of social housing units and to expand it, in order to meet the significant level of need in this community. With the federal and provincial governments no longer increasing their financial contribution to social housing, there will be a major challenge for municipalities to identify efficiencies and new sources of funding for social housing purposes. Given the magnitude of the need, pressure must be placed on the senior levels of government to renew their funding commitment to social housing as well.

Comments with respect to the reform proposals focus on the proposed revised subsidy formula, the need for the Province to accept all contingent liabilities for social housing, public housing ownership and supportive housing needs. Recommendations are included for changes in each of these areas.

### FINANCIAL IMPLICATIONS

There are no financial implications with respect to the response to the provincial Discussion Paper. Clearly, however, a number of the recommendations have longer-term financial impacts, which reinforces the need to have them appropriately dealt with prior to devolution of social housing administration to the Region.

CONSULTATION

The Social Housing Working Group consists of representatives of the municipal non-profit, private non-profit and co-operative housing groups, the local public housing authority, tenants, and regional councillors and staff. The Group has reviewed and endorses the attached response to be forwarded to the provincial Social Housing Committee.

*Approved by  
Councillor Alex Munter  
Chair Social Housing Working Group*

Attach. ( 1 )

**RESPONSE TO**

**DISCUSSION PAPER ON SOCIAL HOUSING REFORM**

**THE NEED FOR REFORM**

The Region of Ottawa-Carleton has been responsible for social housing subsidy costs since 1 January 1998 and consequently, is anxious to obtain administrative control of the social housing system as quickly as possible. Therefore, it is in the Region's interest that the reform design be finalized and agreed to as quickly as possible so that transfer of administration can proceed. It was the mandate of the Social Housing Committee (SHC) to test the validity of and refine the recommendations for reform that had been developed by the Advisory Council on Social Housing Reform. The Working Groups laboured to work out the details of the reform. Unfortunately, the SHC has decided to issue a Discussion Paper rather than an interim or draft report. Furthermore, the Discussion Paper has retreated from the level of detail that had been developed by the Working groups and that was expected in the report of the Social Housing Committee. It is very disappointing that, after a year, we are once again looking at general directions and being advised of yet another process to refine the details.

**BROADER ISSUES**

The Social Housing Committee (SHC) identified two major topics relating to the future of social housing which we agree are critical issues that must be addressed:

- The Expiry of Agreements - It has been a concern of providers for many years that there has been no discussion at the federal or provincial levels about provisions for subsidies at the end of current agreements for social housing which will begin to expire within the next decade. In fact, the Federal Government is in the process of signing agreements with provinces to transfer responsibility for administering social housing to the provinces and to phase out the federal contributions to social housing subsidies. It is clear that the need for rent assistance for low income households is not going to disappear with the cessation of subsidies. The SHC recommends that: "*CMSMs and providers review options five years before their agreements expire*". (CMSMs are Consolidated Municipal Service Managers which in this region is the Region of Ottawa-Carleton). **This issue should not involve just CMSMs and providers; the responsibility for funding housing assistance should involve senior levels of government. It is recommended that a task force involving all stakeholders be established to develop options for the continuation of rent subsidies beyond the expiry of current agreements.**

- **Creating More Social Housing** - The SHC recognized the need for more social housing and the concerns about the cancellation of delivery programs by both the Federal Government and the Province of Ontario. However, the SHC flagged this as an issue outside of its mandate. In Ottawa-Carleton, there are approximately 15,000 households on the waiting list for social housing. It is critical that assessment of the need be undertaken and that options for addressing the need be developed. Further, it is essential that any existing levels of funding for social housing be maintained and that new sources of funding be identified. Should negotiations of the federal/provincial agreement result in surpluses, for example, these must be passed on to the CMSMs for social housing purposes. These issues transcend municipal boundaries and need to be considered at least provincially if not federally.

**It is recommended that the Province of Ontario commit to transfer any surpluses which result from federal/provincial agreements to CMSMs and that they be targeted for social housing purposes. In addition, it is recommended that the Province and the federal government work with CMSMs to analyze the need for social housing and to identify ways in which the need may be addressed in future. It is also recommended that the Province of Ontario support initiatives such as *Homegrown Solutions* which encourage the development of innovative approaches to the development of affordable housing.**

In addition to these two broader issues which were dealt with by the SHC, we would like to emphasize the importance of a commitment to at least retaining the existing number of social housing units, if not increasing it. Existing tenants in social housing are concerned about their security of tenure, and, as pointed out above, there is a significant level of need which has not yet been met.

**It is recommended that an explicit feature of the new subsidy model be a commitment to retain or expand the total number of social housing units which are made available within communities.**

### FINANCING/SUBSIDY ISSUES

The SHC has retained the primary recommendation of the Advisory Council to separate the subsidy into two components, one being the rent supplement component and the other being a repayable loan for the unaffordable portion of the project's debt. However, the Discussion Paper now acknowledges that this model is not viable for some groups (estimates are from 20 to 35%) and consequently recommends an alternative system for those groups that would not be able to repay the loan within 5 years beyond the term of the mortgage. There are a number of concerns with these recommendations:

- The Subsidy Model and Benchmarking Working group was mandated to "review the Advisory Council's model as well as alternative models available and confirm what model provides the "best fit" with the principles". There is no indication that other subsidy models have been considered; it appears instead that this model was taken as a given and now adjustments are having to be proposed because the model is not viable for a significant component of the portfolio.

- There is no financial analysis provided to assess the subsidy requirements (short-term and long-term) of this reformed system as compared to the current system. While it would appear that in the short term, subsidy costs (for CMSMs) may be reduced because of deferral of some of the debt, it is clear that the CMSMs would be required to absorb carrying costs of the repayable loans and to forgive residual debt for some groups at the expiry of their mortgages. The extent of this financial liability could be extensive.
- The alternative method would require a greater degree of municipal oversight in exchange for debt forgiveness. The objective of providing a streamlined system for municipal administration would not be achieved as the CMSM would have to have two kinds of administrative systems, the one demanding significantly more resources. CMSMs would be under pressure to extend rent supplement agreements for groups who have not repaid the loan (or risk bankruptcy situations) but there would no longer be any federal cost-sharing in place and therefore the full cost would rest with the CMSM.

**It is recommended that the SHC provide information about other financing/subsidy models that were considered and the rationale for proposing this particular model. If other models were not studied, then it is recommended that the SHC consider alternative subsidy models. If, however, the SHC is going to recommend this model to the Minister, then it is recommended that the Province undertake an assessment of providers to determine which will not be able to repay the operating loan, and that the Province provide whatever debt forgiveness is required out of provincial funding and prior to turning over responsibility to municipalities.**

The latter would be in keeping with the Province's commitment to turn over the stock in good condition (financial) for municipal administration.

Other major concerns with the financing/subsidy recommendations are:

- It is proposed that this model would be applied to public housing by establishing market rents for public housing. Given the relatively low debt obligations for public housing, it is clear that Local Housing Authorities (LHAs) would fairly quickly begin to accumulate surpluses. The Working Group report had recommended that *“for public housing projects where there is no unaffordable debt (and market rents exceed economic rents), surpluses (except those associated with efficiencies) should be returned to the municipality”*. This recommendation is not included in the Discussion Paper, but Recommendation 17 would allow LHA's to retain surpluses just as any other provider. The impact would be that the municipality would be expected to provide high subsidies for high debt projects but would not be able to counter these costs with returned surpluses from low debt projects.

**It is recommended that any surpluses generated in public housing projects as a result of the new subsidy model be returned to CMSMs, to be used for social housing purposes.**

- The report states that the new model will reduce funding for some providers. If the recommendation to benchmark manageable costs at the lesser of the provider's actual manageable costs or median manageable costs minus 5% were to result in a significant number of groups being forced into default situations, there would be no advantage to the municipality and, in fact, would generate significant difficulties for the municipality.

**It is recommended that further analysis of the impact of the manageable costs proposal, including clearer rationale and methodology for the manageable cost formula, be undertaken and provided to CMSMs prior to finalizing this recommendation.**

- The Discussion Paper is silent on whether or not the new system would be voluntary. Providers have been adamant that participation must be voluntary. The implication would be that municipalities could end up administering old programs and two variations for new programs. The end result would therefore not meet the objectives of simplified, standardized administration. Consequently, it is critical that the reform design be acceptable to ensure the participation of all providers.

#### ROLES AND RESPONSIBILITIES ISSUES

The Discussion Paper focuses on the relationship between the municipalities and the providers. Yet to be addressed is the provincial/municipal relationship and implementation of provincial responsibilities such as:

- Contingent Liability - All along, it has been stated that the Province would carry contingent liability for the projects and this is reiterated on page 23 of the Discussion Paper. However, there is no reference in the recommendations to the provincial contingent liability and, in fact, Recommendation 46 places the financial burden in default situations on the municipality, effectively transferring the liability to municipalities.
- Transfer of Federal Subsidies - Many of the projects being reformed receive federal subsidies. There is no mention of the province's commitment to pass these subsidies through to the municipalities nor the mechanisms for doing so.

**It is recommended that the SHC review and develop recommendations on these two issues.**

A fundamental element of this reform package is the trade-off between reduced, less comprehensive subsidies and reduced oversight of providers' operations. However, the Discussion Paper currently is silent on the matter of potential surpluses prior to the repayment of the operating loan. Recommendation 17 addresses use of operating surpluses once the loan is repaid.

**It is recommended that operating surpluses generated prior to the repayment of the loan (other than those that are used in loan repayment or to provide a reasonable level of retained surpluses to offset year-to-year fluctuations) should be targeted for the social housing purposes as listed in Recommendation 17.**

## PUBLIC HOUSING/RENT SUPPLEMENT ISSUES

Recommendation 39 leaves ownership of public housing with the provincial and federal governments but allows the CMSM to analyze ownership alternatives. However, it also seems to restrict alternatives to CMSM ownership. Earlier recommendations to transfer ownership for \$1 have been deleted.

### **It is recommended that:**

- **The Province should establish criteria for the conversion of public housing to new ownership/management forms including constraints on sale and requirements to maintain the same number of RGI units within the community;**
- **CMSMs should assess options for future ownership of public housing stock including ownership by the CMSM or community-based or municipal non-profits or co-operatives. This should be done within the context of the provincial criteria and in consultation with the LHA, tenants and other housing organizations within the community;**
- **Transfer of ownership should be for \$1 and the Province should provide compensation for projected liabilities, including deferred maintenance or unfunded capital repairs.**

A major concern with previous reports was the lack of reference to rent supplement programs in private market buildings. This report does include a recommendation (#41) but would leave administration of the agreements with the LHA (unless the CMSM “*decides to provide this RGI housing in another fashion..*”)

**It is recommended that administration of current agreements be transferred to the CMSM and that further work be done on detailing reporting requirements and options on expiry of agreements.**

## SUPPORTIVE HOUSING

It is essential that the applicability of these reform proposals to supportive housing be addressed. The Minister has committed to establishing a process to develop standards for devolved supportive housing. The relationship between that process and this reform must be clarified. Further, such a process must result in a commitment from the Ministries of Health and Community and Social Services for on-going funding for support services, following devolution of supportive housing to municipalities.