City of Kingston
Report to Housing and Homelessness Advisory Committee
Report Number HHC-18-006

To:	Chair and Members of the Housing and Homelessness Advisory Committee
From:	Lanie Hurdle, Commissioner, Community Services
Resource Staff:	Sheldon Laidman, Director, Housing & Social Services
Date of Meeting:	September 27, 2018
Subject:	Social Housing End of Operating Agreements – Service Manager Implementation Principles and Objectives

Executive Summary:

Effective January 1, 1998, the City of Kingston, as Service Manager for the City of Kingston and County of Frontenac, became responsible for social housing costs previously funded by the Province. On January 1, 2001, the Service Manager also became responsible for the administration and oversight of the Social Housing Program.

As a result of this download of responsibility, the Service Manager signed “Operating Agreements” with the former provincial reform housing providers. These agreements will expire when the housing providers’ mortgages are paid in full. The federal housing providers continue to have agreements with the federal government which will also expire over time. With the End of Operating Agreements (EOA), funding obligations and responsibilities will change for the housing providers and the Service Manager. The one exception is Kingston & Frontenac Housing Corporation which has signed a Shareholder’s Agreement with the Service Manager.

The purpose of this report is to obtain endorsement for the Service Manager’s implementation principles and objectives involving EOA based on the in depth analysis as presented in Report Number 16-077 ‘Step-Down Funding and End of Operating Agreement Strategy’. Legislatively, the Service Manager has the authority to negotiate and enter into new agreements with housing providers; however, staff are seeking the endorsement of these objectives and principles in order to be transparent to each housing provider. Endorsement of these principles and objectives will allow the Service Manager to approach each project at their EOA with a set of clear objectives to achieve.

Recommendation:

That the Housing and Homelessness Advisory Committee recommend to the Arts, Recreation and Community Policies Committee:

> **That** Council endorse the End of Operating Agreements principles and objectives as presented in Report Number HHC-18-006.

Authorizing Signatures:

Lanie Hurdle, Commissioner, Community Services

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	Not required

Options/Discussion:

Background

The provincial government first announced the devolution of social housing in January of 1997 as part of the Local Services Realignment. In late 1997, the Province passed The Social Housing Funding Act, which meant that effective January 1998; Service Managers began to pay the former provincial share of the costs of social housing in Ontario. The federal government continues to provide block funding to Service Managers which covers a portion of social housing costs.

On December 12, 2000, the Social Housing Reform Act (SHRA) was passed and effective January 1, 2001, Service Managers assumed responsibility for the funding and administration of social housing programs previously funded and administered by the Province and/or Canada Mortgage and Housing Corporation (CMHC).

Operating agreements with housing providers in the provincial programs were terminated and replaced with an “operating framework” legislated within the SHRA. Service Managers signed new operating agreements with these housing providers to delegate authority to them for the day to day administration of their properties. Federal agreements with federally funded housing providers remained intact. Ownership and administration of public housing was transferred from the Province to the Service Manager. Locally, the City of Kingston is the sole shareholder of Kingston & Frontenac Housing Corporation (KFHC) and has signed a shareholder agreement which sets out its operating framework and therefore excludes them from the impacts of EOA.

The federal agreements have a defined term of 35 or 50 years while the Service Manager operating agreements have one or more expiry dates based on the date that the respective housing providers’ mortgages will be paid off. EOA refers to the expiry of these agreements and the substantial changes in subsidy transfers that affect housing providers and Service Managers at that milestone. For a complete list of EOA dates, refer to Exhibit A – End of Operating Agreements.

Federal funding has been declining since 2008 and it is anticipated to end completely by the time all EOA’s have been reached. The City of Kingston, as the Service Manager, will then become responsible to pay all costs associated with maintaining social housing. In addition, the Housing Services Act (HSA) requires that the Service Manager maintain its legislated 2003 rent-geared-to-income (RGI) units post EOA. For the duration of this report, the legislated 2003 RGI units will be referred to as service level standards.

Based on the findings of a legal opinion received by the City from Dentons Canada LLP on August 3, 2014, the former provincial housing providers are legally obligated to maintain their RGI units beyond EOA and may not opt out of social housing programming; however, the Service Manager has full discretion to terminate the relationship at EOA. Should that occur, the Service Manager would need to seek alternate measures to offset the loss of RGI units and maintain the required service level standard. However, if both the housing provider and Service Manager agree to maintain their RGI units and continue with social housing programs, there is no clear or legislated amount of funding required. The Service Manager would need to work with each provider to identify their financial needs and establish an ongoing subsidy payment that is fair and reasonable.

Housing providers that were funded solely by the federal government may not receive any funding post EOA. Service Managers do not have any legal obligation to provide funding to federal housing providers and their units are not included in the legislated RGI units. However, this does not address any moral and social obligations or the fact that the Service Manager may need these RGI units in order to meet legislative obligations. Therefore, all federally funded housing providers will be included in the discussions at EOA to explore the option of continuing the relationship post EOA by having their RGI units count towards the Service Manager's service level standards, if mutually agreeable by both parties, and if they meet the principles and objectives outlined in this report.

For a comprehensive overview of EOA and Step Down Funding implications to the City, refer to Report Number 13-181.

Objectives and Principles

The Service Manager will forecast all EOAs within a three year window and conduct an in-depth analysis of the housing providers impacted to determine what, if any, the relationship and agreement with that housing provider will look like post EOA. It is expected the new agreement would dictate the number of RGI units, the type of units to be included and the subsidy being provided. Each housing provider has a different set of circumstances that will need to be examined when their EOA approaches but the following objectives and principles are intended to be a guide by which the Service Manager will negotiate the future operating agreement with the housing provider. These objectives and principles will each need to be balanced to achieve the best outcome for the overall social housing portfolio, the individual housing provider and the City of Kingston as the primary funder.

Maintenance of Service Level Standards:

The current HSA mandates that the Service Manager maintain 2003 RGI units in the service area. If units are to be reduced in a future housing provider agreement or the housing provider will leave the system entirely, it is imperative a replacement plan is in place to ensure compliance with the service level standards.

Maximization of Housing Provider Revenues:

It will be expected that any future funding agreement will require that the housing provider maximize its revenue potential to ensure the amount of subsidy needed is the minimum necessary. In particular, it will be expected that market units in each project be set at a minimum of 80% of average market rent to ensure the Service Manager is not subsidizing market units. The unit mix composition within the individual project will also be evaluated to ensure that the proper mixture of RGI and market units maximizes the revenue potential of that project.

Sustainability of Service Manager Subsidy Costs within the Budgetary Expectations of the Remainder of the City Budget:

The EOA for each housing provider allows an opportunity to ensure that any future subsidy agreement is sustainable for the City of Kingston as the primary funder. It will be expected that future subsidy agreements will be within the budgetary parameters of the City to the extent that this is possible given other factors facing that housing provider.

Housing Unit Composition Needs to Reflect Demographics of the Service Manager Area and the Centralized Wait List:
Decisions on whether units are maintained in a particular project at EOA need to consider whether they are necessary to ensure the overall social housing portfolio reflects the demographic makeup of the service area and the centralized wait list (CWL). For example, three and four bedroom units would not be prioritized if the overwhelming demand on the CWL is for one bedroom units.

Speciality Housing Units Need to be Given Special Consideration:
Housing projects that provide unique housing units that are important to the proper functioning of an overall social housing system and are necessary for a particular segment of the population need to be provided special consideration as they may require higher subsidies or may not meet all other principles and objectives outlined in this report. These projects may include among others; indigenous housing, youth housing, seniors housing, supportive housing and accessible housing.

Future Viability and Sustainability of the Housing Provider:
It will be incumbent upon the Service Manager to ensure that the project will be both financially viable and operationally sustainable post EOA prior to entering into any new agreements. This is necessary to ensure that future subsidy funding isn't placed into jeopardy by funding a non-viable project and to consider whether funding would be better given to another more viable project. This review should consider operational cost viability as well the capital needs of the project. The Service Manager has completed Building Condition Assessments (BCAs) on all projects (Report Number 16-313) and will use these along with a Facility Condition Index examination to determine whether a project should continue to be subsidized in the future. It is understood through previous financial evaluations of each housing project (Report Number 16-077) that only 1 of 77 projects in the Service Manager's area will be viable post EOA without an ongoing subsidy. It is clear that nearly all projects will require an ongoing subsidy to operate.

Compatibility with the 10 Year Housing and Homeless Plan:
Decisions on whether to enter into new agreements post EOA need to ensure they are compatible with directions and recommendations found within this Plan and any future iteration.

Compatibility and Compliance with Provincial Acts and the Provincial Long Term Affordable Housing Strategy (or its successor strategy):
Compliance with any legislated requirements from the Province need to be considered and complied with when considering new agreements post EOA.

Alternative Options at EOA for Each Housing Provider Need to be Examined and Compared to Whether Objectives can be Met While Being More Cost Effective:
The Service Manager will undertake, as part of its review, whether alternative options exist to replace units in a particular EOA project. The alternatives known at this time to be considered will include portable housing benefits, rent supplements, movement of units to other providers

and amalgamation of providers. The Housing Division is currently piloting a new portable housing benefit program with one of its goals being to determine if this is a viable alternative to consider at EOA.

Existing Policy/By-Law:

10 Year Housing & Homelessness Plan – Recommendation # 8:

That the City encourage social capital initiatives by:

Monitor LTAHS implementation to confirm provincial reforms regarding RGI and social assistance, as well as social capital initiatives.

10 Year Housing & Homelessness Plan – Recommendation # 18:

That the City maximize available funding by:

Establish a plan for managing funding step down by:

Ensure the step down funding plan considers EOA impacts.

10 Year Housing & Homelessness Plan – Recommendation # 20:

That the City evaluate local opportunities to increase sustained resources that could be made available to address local housing needs:

Select financial models which offer best-value investment, balancing needs for short term affordability and longer term housing supply.

10 Year Housing & Homelessness Plan – Recommendation # 28:

That the City research and develop options for the continuation of social housing post EOA to meet its legislated and financial obligations in conjunction with the Step Down Funding planning study:

Analyze each housing provider to assess current and future financial and capital needs.

Establish asset management strategies for each housing provider.

10 Year Housing & Homelessness Plan – Recommendation # 29:

That the City establish a strategic asset management plan using existing tools to help guide decisions regarding asset renewal/redevelopment in the social housing portfolio.

Build on interim work established for short term properties.

Using the funding step down plan evaluate all properties within the social housing portfolio.

Specifically assess options for sustaining each asset and leveraging equity versus current condition, remaining useful life, operational capacity and ability to maintain resident affordability.

Establish a strategic asset management plan that sets out long term strategies for leveraging equity and managing portfolio asset renewal/redevelopment.

10 Year Housing & Homelessness Plan – Recommendation # 34:

That the City continue the consolidation of the municipal housing function by:

Monitor LTAHS implementation to confirm provincial expectations and obligations, especially with regards to Service Manager obligations and the resulting impacts on resources.

City of Kingston Strategic Plan – Work Plan # 2.iii:

Create affordable, sustainable and mixed housing.

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

There are no immediate budgetary implications arising from this report. Ongoing financial considerations are necessary as funding options will differ for each social housing provider at EOA.

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Mitchell Grange, Housing Programs Administrator, Housing & Social Services

Melanie Bale, Housing Programs Administrator, Housing & Social Services

Exhibits Attached:

Exhibit A End of Operating Agreements

Exhibit B Funding Step Down and EOA Strategy Executive Summary & Recommendations

End of Operating Agreements

Mandated 2003 Units		# of Targeted RGI Units	Expiry Dates (mortgages/ debentures/ operating agreements)
LHC*	Kingston & Frontenac Housing Corporation	966	2013 - 2027
Rent Supplements	Various	438	Various
	Zion United Church	15	2025
Housing Providers	Kingston Co-operative Homes	8	2026
	Kingston Home Base Non-Profit Housing	59	2022 - 2029
	Town Homes Kingston	261	2023 - 2028
	Lois Miller Co-operative Homes	21	2025
	Porto Village Non-Profit Homes	43	2023
	Royal Canadian Legion Villa	44	2027
	St. Andrew-Thomas Senior Citizen Residence	20	2023
	Kaye Healey Homes	35	2024
	Loughborough Housing Corporation	28	2019 - 2025
	North Frontenac Non-Profit Housing	18	2020 - 2027
	Weller Arms Non-Profit Homes	25	2026
	Marion Community Homes	22	2020
		2003	
Non-Mandated Units			
Federal	Dutch Heritage	13	2019
Urban Native	Tipi Moza	17	2024

*Excluded from EOA as LHC's operate under a shareholder agreement.

Developing a Funding Step Down and EOA Strategy for the City of Kingston

EXECUTIVE SUMMARY of FINAL REPORT

February 2016

PREPARED BY:

SHS CONSULTING
POLICY • RESEARCH • COMMUNITY DEVELOPMENT

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EXECUTIVE SUMMARY

Background

As the Service Manager for the City of Kingston and the County of Frontenac service area, the City of Kingston has the legislated responsibility to fund and administer a portfolio of more than 2,200 social housing units. Created through a variety of legacy senior government programs, the projects today are operated by a range of non-profit community housing sponsors and private landlords. The City also has a direct role in social housing as the sole shareholder of the Kingston and Frontenac Housing Corporation (KFHC).

While this portfolio has been created and funded by senior government over a number of decades, the municipal role in social housing administration has changed dramatically since 2000 when the *Social Housing Reform Act* was passed. This legislation obliges the funding and administration of prescribed social housing programs by local Service Managers, placing a substantial financial burden on municipal shoulders. Currently, Kingston's subsidy obligations amount to roughly $13.7M annually for prescribed social housing programs. While about $3.7M in fixed federal funding is being provided to offset these subsidy costs, this funding continues to decline and is expected to disappear in Kingston by 2034. The legislation also obliges Service Managers (SM's) to maintain a minimum number of units affordable to low and moderate income households through service level standards.

Many of the social housing projects which provide housing on a rent-geared-to-income basis (RGI), are well-on in age and have growing capital replacement requirements. The original agreements under which they were developed are set to expire and they are reaching mortgage/debenture maturity – the point at which the original debt financing instruments with which they were created sunset. This project milestone, deemed the Expiry of Agreement (EOA) date, is a key transition point because it's also the point at which federal funding retires and SM accountability roles with prescribed funding providers also change. Despite these changes, municipal costs for subsidy funding and administration continue to grow and these obligations remain a perpetual requirement under current legislation. As a result, the financial sustainability of the social housing portfolio in Kingston is a growing concern for the City.

This Study

Having a strategic approach to providing affordable housing, meet service level requirements and manage funding obligations over time is critical for municipalities in their legislated role as Service Managers. To more fully understand local impacts, the City of Kingston engaged a qualified consulting team to identify impacts associated with the step down of federal funding and EOA. As part of this *Funding Step Down and EOA*

Strategy, the City also stipulated the need to identify cost saving measures that would help offset financial impacts and sustain legislated service levels post-EOA while having regard for finite municipal budget resources.

The overall approach to completing this *Funding Step Down and EOA Strategy* involved three primary modules and incorporated a range of research and consultation techniques. The three modules were:

- Module 1 – Review of Federal Funding Step Down
- Module 2 – Review of Expiry of Agreement (EOA) Implications
- Module 3 – Review of Rent Supplement programs

A report of findings was developed for each of the three modules of the work, detailing issues and options. Findings from the three modules has been consolidated in this summary report which provides a formal strategy and implementation plan to help guide the City in mitigating impacts going forward.

Throughout this report, summary statistics and analysis results are provided which are based on constructed datasets for the Kingston social housing portfolio. These datasets, one for the 'brick and mortar' stock and the other for rent supplement units, have been developed based on best available information from the City, augmented with data from other sources as well as prior research. Details regarding these datasets and the analysis completed using them can be found in the report of findings for each module.

Service Manager Obligations

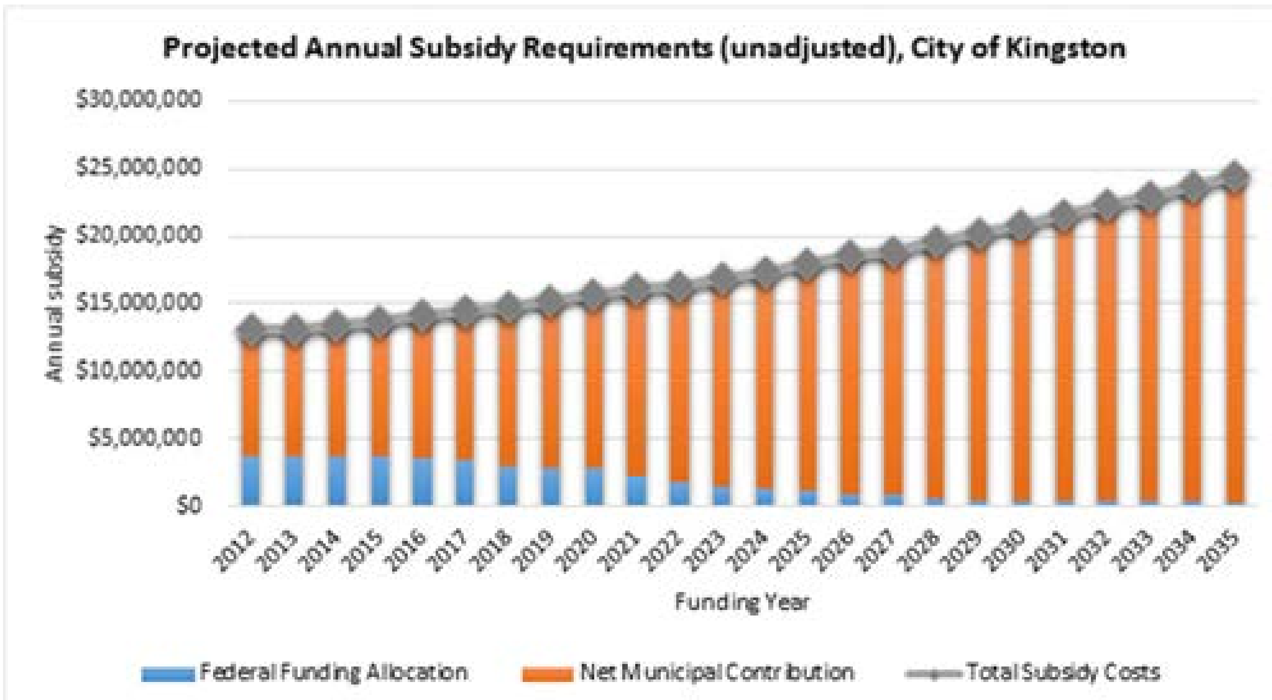
As part of the study, a legal opinion was procured to confirm legislated obligations for Service Managers and prescribed housing providers post-EOA. This opinion concluded that:

- Despite the decline in federal funding and maturity of debentures/mortgages, there are on-going subsidy and administration obligations for the City post of EOA in most programs.
- The City has some discretion with regards to funding Federal Program provider's post of EOA, although viability will be a practical concern for these providers given their reliance on sizable federal funding pre-EOA.
- The City has a high proportion of its prescribed stock that contributes towards required service level standards (2,003 out of 2,215 prescribed units or 90%+).
- To be counted towards service level standards, units must provide RGI assistance as contemplated by the HSA legislation. As a result, alternate rent structures may not counted towards fulfilment of service standards.

Projected Impacts

As a result of the study analysis and findings, impacts arising from federal funding step down, EOA dates and rent supplement program delivery have been projected. Findings indicated that:

- Subsidy costs are expected to increase significantly over the next 20 years as federal funds decline, operating costs increase and projects hit EOA dates.
- After accounting for debenture and mortgage retirement (roughly $4.5M), municipal subsidy is projected to double from about $10M per year currently to roughly $20M per year by 2035. Cost increases will be particularly notable in Public Housing and Provincial Reformed programs.
- Capital shortfalls are a significant and looming concern. There is currently a $22.7M shortfall in funding to meet today's capital requirements. This gap is expected to grow to more than $150M by 2035 due to sustained capital needs outpacing finite funding resources earmarked to address them



- These impacts will be felt differently among local housing providers, depending on the legacy program under which they operate. Projects with higher RGI components or higher per unit subsidies will tend to have more substantial impacts.
- Apart from the financial impact of increasing subsidy costs as the Service Manager, the City will also encounter direct impacts as the shareholder of KFHC

Mitigation Options

Options to mitigate projected impacts were also reviewed, analyzed and prioritized based on level of potential effect. They can be grouped generally into either operating or capital options.

The operating side - Estimated municipal subsidy costs by 2035 are projected to equal $20M (net) annually which is an Increase of $10M over current annual levels.

To mitigate this subsidy increase, the following potential offsets were evaluated and quantified:

- Pre-EOA mortgage renewals - up to $850K (one time)
- Operational savings - up to $250K annually
- Reduce RGI units to match the service level standard - up to $175K annually
- Rent Supplement unit substitution – up to $465K annually
- Utilize alternate rents – $166K to $1.8M annually

In order to realize savings projected for alternate rents, legislative/policy changes would be required at the Provincial level. Also, Rent Supplement (RS) substitution savings would only be available for a limited period of time given the upcoming funding horizon for discretionary RS programs.

In terms of overall magnitude, the proposed operating mitigation options – alone or in concert with one another - would not address the cumulative operating impacts projected. However, they could serve to defray costs, thereby helping to limit the amount of additional municipal subsidy required to meet social housing funding obligations over the next 20 years.

The capital side – The estimated capital shortfall is expected to grow to $150M or more by 2035 as a result of sustained capital needs and limited capital funding. Capital costs are only indirectly linked with subsidy costs, but have a direct impact on project viability.

To mitigate impacts arising from unfunded capital costs, a number of potential options associated with asset leveraging were reviewed. These primarily revolved around utilizing built-up equity in the social housing portfolio. The most basic of these was securing capital though re-financing which would yield an estimated maximum of $63M to $77M based on current carrying capacity. However, debt servicing for this financing would add back up to $4.4M in subsidy costs which would serve to further exacerbate step down and EOA operating impacts. Furthermore, the amount is well below the projected capital shortfall and would not be able to address the full spectrum of capital needs that are projected over the next 20 years. Additional support/assistance will be required to help manage these large capital issues.

Taking Action

A set of 19 recommendations have been provided to help the City of Kingston (as SM) strategically respond to the impacts of federal step down and EOA. These recommendations cover a wide breadth of actions and are intended to provide a multi-faceted approach to mitigating impacts.

Module 1 – Federal Funding Step Down

1. *Continue to advocate for reinstatement of federal funding*
2. *Secure a firm commitment from MMAH to 'untargeted' funding beyond 2020*
3. *Continue to pursue cross funding/program substitution that enable re-deployment of federal dollars*
4. *Maintain service levels at the prescribed level across the portfolio*

Module 2 – Expiry of Agreements

1. *Explore cost saving potential in greater detail and pursue available operational cost savings*
2. *Continue to pursue interim mortgage renewals on best terms to reduce costs*
3. *Seek Modifications to legislative Service Level Standard (SLS) obligations*
4. *Pursue legislative flexibility in determining what units meet service level standards*
5. *Actively pursue additional capital funding to help address shortfalls*
6. *Liberate asset equity in the most sustainable assets to help address capital shortfalls*
7. *Consider redevelopment options for public housing assets that help to increase supply of affordable housing and offset capital needs in existing stock*

Module 3 - Rent Supplement Program Review

1. *Enhance overall administration through improved system tools*
2. *Improve program management by refining operating practices and fee structure*
3. *Target preferred placement with 'best value' landlords that have lower rent structures*

4. *Minimize costs through negotiation/re-negotiation of rental increases on preferred terms*
5. *Seek Housing Services Act (HSA) flexibilities to allow alternate rent structures under legislation that will count towards service level requirements*
6. *Maintain moratorium on deploying new units under Regular Rent Supplement program stream*
7. *Use Strong Communities Rent Supplement program (SCRS) substitutions to support service levels on an interim basis*
8. *Increase use of Investment in Affordable Housing program (IAH) to provide substitutions that support service levels on an interim basis*

Implementation

Some of these recommendations are already being explored in part via the Rideau Heights re-development that the City and KFHC is engaged in. Expanding on these outcomes and advancing implementation of the recommendation in this report will be key in managing the costs associated with federal step down and EOA. Implementation will be important in four key areas:

Advocacy – External assistance will be required to generate a meaningful response to federal step down and EOA issues. Working in concert with other municipalities and sector organizations, the City will need to continue to advocate to the Province for adequate funding and sufficient program flexibility.

Active portfolio management – Refining internal systems and enhancing tools to help monitor and more strategically manage programs will be key for the City, especially in the RS program area where costs will continue to rise at a proportionally faster rate. Establishing a sound base of data will be key to managing service level obligations and RS allocations

Cost savings and program effectiveness – A number of cost savings opportunities were identified which should be pursued with local providers via the annual reporting and operational review processes. These opportunities can be pursued in short order as a matter of good practice in order to seek pre-EOA cost efficiencies.

Asset leveraging – In addition to exploring approaches/options to asset leveraging and developing an asset rationalization strategy, cultivating mutually beneficial partnerships to help manage impacts will be critical, especially for the many housing projects which are owned/operated by community partners, not the City.

A listing of recommendations and supporting actions is provided in the Appendix following.

Appendix – Summary Table of Recommendations and Supporting Actions

Module 1 – Federal Funding Stepdown	Supporting the Recommendations
1. ***Continue to advocate for reinstatement of federal funding*** – Working with other SM's and sector organizations, the City should continue to pursue reinstatement of the federal funding on a permanent, on-going basis. While this would not fully address the cost pressures associated with cost escalations, it would at least ensure that existing funding would not be diminished as SM's face substantial EOA impacts going forward.	Advocating for reinstatement of federal funding could be accomplished through: • A Council resolution of support for established housing sector positions on federal funding re-instatement • Meetings with local MP's and MPP's to reinforce concerns • Supporting the efforts of SMHN, AMO, OMSSA, ONPHA and CHF in their advocacy initiatives with MMAH and CMHC
2. ***Secure a firm commitment from MMAH to 'untargeted' funding beyond 2020*** – In an environment where federal funding continues to decline, the recent trend to make available 'untargeted' federal funding has been somewhat helpful in softening the impact. However, the amounts earmarked vary dramatically from year to year and are not identified beyond 2020. Having greater predictability in this funding would help SM's to better plan and allocate resources.	To advance greater transparency on untargeted funding beyond 2020, the City could: • Raise the issue with MMAH staff, especially at the ADM level, to flag the concern and seek action • Pursue the issue with other SM's through SMHN, AMO or OMSSA to raise awareness and seek support in advocating for MMAH changes
3. ***Continue to pursue cross funding/program substitution that enable re-deployment of federal dollars*** – While modest opportunities are available to offset costs between programs, the use of alternate funding can help to curtail cost escalations. This is especially true in the case of Rent Supplement programs where subsidy provided is highly reliant on secured market rents and the level of subsidization required by eligible households. Where it's possible to make use of alternate programs and still meet service level obligations, these would present opportunities to redeploy federal funding against other federal cost pressures in the portfolio.	Enabling re-deployment of federal funding between programs can be supported by: • Using discretionary RS programs (SCRS, IAH) to help fulfill service level requirements while this funding is available • Re-allocate the federal funding that would otherwise be spent to support federal cost pressures in other cost-shared programs

4. ***Maintain service levels at the prescribed level across the portfolio*** – Kingston has a high proportion of its social housing units contributing to meet legislated service standards. This standard is quite high when considering the total number of prescribed social housing units in the portfolio, leaving the City limited flexibility in how it can meet the standard. At present, it appears that the SM is actually providing a number of units above this standard, each of which adds subsidy costs. While there is sustained need in the community for affordable housing, maintaining SLS levels within prescribed programs and enhancing this standard only with discretionary programs may offer a means to address local needs while working to contain prescribed costs within prescribed funding envelopes.	To maintain service level standards only at prescribed levels, the City could: • Defer re-allocating prescribed RS units which are terminated until such time as the service level is reached • Use only discretionary RS funding to augment the unit count beyond the established service level threshold
Module 2 – Expiry of Agreements	**Supporting the Recommendations**

1. ***Explore cost saving potential in greater detail and pursue available operational cost savings*** – The analysis in this report has identified potential areas for savings as well as prospective orders of magnitude, based on available data and assumptions. Exploring operating costs in particular is seen as a key area where savings could result in more immediate pre-EOA savings. Careful consideration of provider impacts arising from cost savings measures will need to be factored into this exercise. While annual savings realized may be modest by comparison, the cumulative effect of these savings over time will be notable.	To pursue operational costs savings, the City could:
	• Further examine operating cost norms among projects and providers within the portfolio to confirm costs savings opportunities
	• Use the Annual Information Reporting process to identify and establish operational cost savings targets with providers
	• Consider using incentives to further encourage cost savings (e.g. allow savings to be retained for specific capital needs)
	• Work with housing providers to explore other potential operating cost savings through:
	    ○ bulk purchasing related to contracted services (i.e. snow removal, landscaping, repair & maintenance etc.)
	    ○ shared services (maintenance & administration)
	    ○ consolidated/amalgamated organizational structures where there is a demonstrated

	overall benefit • Actively promote preventative maintenance measures among providers which help to contain capital costs
2. ***Continue to pursue interim mortgage renewals on best terms to reduce costs*** – A specific area of costs savings identified in the analysis is the potential savings associated with pre-EOA mortgage renewals, primarily in the Provincial Reformed segment of the portfolio. While not directly linked with EOA impacts, the projected savings from these renewals would assist in reducing SM subsidy costs, especially over the next 10 to 15 years. Active monitoring and participation in the renewal process will help to ensure that cost savings can be realized.	To ensure on-going savings via mortgage renewals, the City could: • Continue to work actively with MMAH staff on planning for and monitoring pre-EOA mortgage renewals to seek out best terms • Coordinate information-sharing with prescribed housing providers to encourage prudent decision-making
3. ***Seek Modifications to legislative Service Level Standard (SLS) obligations*** – One of the major impediments to SM flexibility is the obligation to maintain service level standards in perpetuity. This is particularly troublesome in Kingston where the service standard accounts for 2,003 out of the 2,215 prescribed units, leaving very little flexibility in terms of alternative approaches to meeting the standard. The continued obligation at this high level also means a substantial and growing financial burden over time as subsidy costs continue to rise. Seeking adjustments to reduce the current standard or to provide a clear end date to some/all of the units covered by the standard would provide increased flexibility to meet local needs as well as critical financial relief.	To secure more realistic service level standards, the City could: • Continue to raise the issue with MMAH staff, especially at the ADM level, to seek legislative action • Continue to pursue the issue with other SM's through SMHN, AMO or OMSSA to build support for legislative changes • Meet with local MPP's to advocate for legislative changes
4. ***Pursue legislative flexibility in determining what units meet service level standards*** – Like service level standards, regulatory language exists around which units can be counted towards SLS and which cannot. To further clarify this language, a legal option was secured which surmised that only units which were not specifically excluded and which provided	To expand flexibility in how service level standards can be achieved, the City could: • Raise the issue with MMAH staff, especially at the ADM level, to secure a more flexible legislative interpretation • Pursue the issue with other SM's through SMHN,

assistance in accordance with the RGI scheme set out in Act were eligible to count towards the service standard. In addition to the high service level standard, this rigid obligation to adhere to the defined RGI scheme only serves to limit the ability of the SM to use alternate approaches to meeting SLS requirements. Seeking MMAH flexibility to broaden this interpretation would help to expand local alternatives that may be more cost effective (i.e. alternate rent structures).	AMO or OMSSA to build support for added clarity around policy flexibility or legislative change (if deemed required)
5. ***Actively pursue additional capital funding to help address shortfalls*** – From the study analysis, it is very clear that substantial capital requirements within Kingston's portfolio cannot be met today and will only serve to amplify EOA impacts. This unfunded shortfall is expected to continue to grow at the very time when investing in the stock is needed to continue to meet local housing needs. The sheer size of this shortfall is troublesome and additional senior government assistance in the form of a renovation/repair program (i.e. SHRRP) or an interest free financing vehicle is critical to reducing this sizable requirement.	Advocating for additional capital funding from senior government could be accomplished through: • A Council resolution of support for established housing sector positions on the need for additional capital funding • Meetings with local MP's and MPP's to reinforce needs and underscore concerns in terms of social infrastructure • Supporting the efforts of SMHN, AMO, OMSSA, ONPHA and CHF in their advocacy initiatives with MMAH and CMHC
6. ***Liberate asset equity in the most sustainable assets to help address capital shortfalls –*** Notwithstanding the need for senior government assistance, the SM can and should pursue leveraging available equity within the current portfolio. The Public Housing component of the stock offers the most promise in this regard, given its accumulated equity and shareholder alignment with the City. Debt service requirements for leveraging this equity may also be more readily managed within the LHC given on-going capital funding but analysis has shown that there are limits beyond which subsidy costs would have to increase in order to meet payment obligations. While accessible equity will not address total projected capital need, it would assist in addressing current backlogs and help to ensure	To leverage available equity within the Kingston portfolio to address capital shortfalls, the City could: • Work with KFHC, as the primary public housing operator, to identify equity opportunities and capital shortfalls within the KFHC portfolio • Support KFHC in establishing a portfolio-wide asset management plan that builds on the work already undertaken as part of the Rideau Heights redevelopment • Enter into a dialogue with other local housing providers regarding their plans for using equity opportunities to address capital shortfalls in their respective portfolios

that assets can be maintained in reasonable service condition in the interim.	• Explore available/emerging sector tools and financial resources that can help to address the capital funding gap for providers • Encourage creative partnerships with private sector interests to attract capital investment and help leverage available social housing equity
7. ***Consider redevelopment options for public housing assets that help to increase supply of affordable housing and offset capital needs in existing stock*** – Leveraging assets can clearly help to generate working capital but given the size of projected capital shortfalls, all working capital could be consumed and it would still not be sufficient to meet cumulative needs. For that reason, the judicious use of 'liberated' capital is key to maximizing its impact. Where assets are to be utilized to generate new housing opportunities, it will be critical to ensure that a 'net plus' approach is adopted – that is, assets generate a benefit greater than their current value. In the case of redevelopment, this would mean that existing units would not simply be redeveloped and replaced but that additional affordable housing units could be generated and project related capital shortfalls could be addressed. This approach would help to ensure the leveraging of finite resources by generating a return on investment that is more than just replacement value.	To maximize the leveraging potential of public housing assets within the Kingston portfolio, the City could: • As shareholder, actively work with KFHC in the staging and strategic implementation of its asset management plan • Build on the work already undertaken as part of the Rideau Heights redevelopment to prioritize opportunities across the KFHC portfolio that: ○ Reduce the existing capital gap ○ Extend the life of existing assets ○ Expand the supply of affordable housing on a 'net plus' basis ○ Leverage other public sector assets and investment opportunities ○ Attract private sector investment through creative partnerships
Module 3 - Rent Supplement Program Review	**Supporting the Recommendations**
1. ***Enhance overall administration through improved system tools*** – Challenges exist within current administrative systems which limit the City's ability to manage its diverse Rent Supplement program portfolio. Improving administrative datasets, expanding strategic reporting tools and refining	To improve RS administration tools, the City could: • Improve the existing dataset it uses to manage/track all units within the RS program • Expand the management reports available to help

oversight roles will enhance decision-making for portfolio management.	track RS activity and take-up at a program level • Examine refinements in functional administration that could be effected between the City and KFHC
2. ***Improve program management by refining operating practices and fee structure*** – Current program management bridges responsibilities across both the City and KFHC. The increasing share of required municipal Rent Supplement funding over the next 20 years will make effective program management more critical than ever. Streamlining contract processes with landlords, balancing resource allocations and re-scoping the KFHC service agreement will help to improve management practices going forward.	To streamline RS administration, the City could: • Re-visit policies, procedures and roles for contract administration with RS landlords • Re-examine administrative roles and responsibilities within the context of the City's planned approach to the RS suite of programs in the future • Re-evaluate the KFHC service agreement with a view to ensuring it reflects planned roles, responsibilities and funding going forward
3. ***Target preferred placement with 'best value' landlords that have lower rent structures*** – While current negotiated market rent structures are competitive, continued placement of new and re-allocated units can help to manage Rent Supplement cost escalations. While lower rental structures are desirable, the quality of accommodations must also be maintained.	To contain RS costs, the City could: • Continue to actively seek out and contract placements with landlords which offer 'best value' in terms of initial rents, renewal terms and building conditions • Maintain terms and clauses which allow for greater flexibility where landlords prove difficult or inflexible
4. ***Minimize costs through negotiation/re-negotiation of rental increases on preferred terms*** – Within the pool of existing Rent Supplement landlords, on-going rent increases present a primary cost pressure. Continuing to strategically manage rental terms at initial placement and at agreement renewal will help to support subsidy cost control.	To contain RS costs, the City could: • Continue to negotiate preferable and fair renewal terms with 'best value' landlords • Consider cancellation of agreements with difficult or inflexible landlords, re-allocating these units to 'best value' landlords who can offer preferred terms
5. ***Seek Housing Services Act (HSA) flexibilities to allow alternate rent structures under legislation that will count towards service level requirements*** – Based on authorities as interpreted by legal opinion, the ability to utilize alternate rent structures are constrained by current legislation. Allowing	To expand flexibility in the use of alternate rent structures, the City could: • Raise the issue as part of discussions on service level flexibility with MMAH staff, especially at the ADM level

additional flexibilities would enable the City to consider more strategic and cost-effective approaches to subsidizing affordable units. This is especially true in the Rent Supplement portfolio where subsidy costs on a per unit basis are higher than many other forms of social housing.	• Pursue the issue with other SM's through SMHN, AMO or OMSSA to build support for added policy flexibility or legislative change (if deemed required) • Where flexibilities are secured, use preferential placement of RS allocations to minimize per unit RS costs
6. ***Maintain moratorium on deploying new units under Regular Rent Supplement program stream*** – As Rent Supplement units continue to hit their EOA horizon, the municipal share of subsidy payable continues to grow for these non-discretionary units. By deferring deployment of Regular units and using discretionary Rent Supplement programs via substitution to maintain service level obligations, the City would be able to defray municipal subsidy costs on an interim basis.	The City could support the strategic use of non-discretionary RS programs by: • Deferring re-allocation of prescribed RS units which are terminated until such time as the service level is reached • Use only discretionary RS programs (SCRS, IAH) to help fulfill service level requirements while funding is available • Re-apply prescribed RS unit funding to replace discretionary RS funding when it sunsets
7. ***Use Strong Communities Rent Supplement program (SCRS) substitutions to support service levels on an interim basis*** – Discretionary funding under the SCRS program is available up until 2023. While the City is substantially utilizing this program, deploying funding from this program in place of Regular units could help to defray municipal subsidy costs. As the City uses an RGI approach for the SCRS program, no changes would be required to make these units eligible for service level standards.	To maximize the potential impact of discretionary SCRS funding, the City could: • Allocate all available SCRS funding during the term of the SCRS program • Utilize deferred funding from the prescribed RS program to supplement RS units from 2023 forward in order to maintain service levels
8. ***Increase use of Investment in Affordable Housing program (IAH) to provide substitutions that support service levels on an interim basis*** – Discretionary funding under the IAH Rent Supplement program is available up until 2021. The City is utilizing this program, but there is residual unallocated funding available and these funds could be deployed in place of Regular units to help defray municipal subsidy costs. Because the City does not use an RGI approach in the IAH program,	To maximize the potential impact of discretionary IAH-RS funding, the City could: • Modify the approach to rent calculation within the IAH-RS stream to reflect RGI requirements • Allocate all available IAH-RS funding during the term of the IAH-RS program • Utilize deferred funding from the prescribed RS

changes would be required in order to make these units eligible for service level standards, barring any legislative flexibilities that could be secured (per Rec. #5 above).	program to supplement RS units from 2021 forward in order to maintain service levels