



**City of Kingston
Information Report to Council
Report Number 16-063**

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| To: | Mayor and Members of Council |
| From: | Lanie Hurdle, Commissioner, Community Services |
| Resource Staff: | Sheldon Laidman, Director, Housing & Social Services |
| Date of Meeting: | February 3, 2016 |
| Subject: | End of Operating Agreements and Step-Down Funding Strategy |

Executive Summary:

The Operating Agreements between the City of Kingston and social housing providers are nearing expiry. The City of Kingston, in its role as Service Manager, has sought advice as to the legislated obligations for both parties going forward. In addition, under the Canada/Ontario agreement, the current federal funding received by the City of Kingston for its social housing programs has been steadily declining with a forecasted end of funding in 2035.

In response to this issue, the City of Kingston hired SHS Consulting to review and analyse the overall impact of the End of Operating Agreements (EOA) and Federal Step-Down Funding.

At a special Council meeting being held on February 3, 2016, SHS Consulting will present an overview of their findings and the financial obligations faced by the Service Manager going forward. Staff will bring a recommendation report with strategies to be implemented at a future Council meeting.

Recommendation:

This report is for information purposes only.

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Options/Discussion:

On January 1, 1998, the City of Kingston, as Service Manager for the City of Kingston and County of Frontenac, assumed responsibility for the 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.

With the download of responsibility, the Service Manager signed "Operating Agreements" with the former provincial housing providers. These agreements are due to expire once 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 Agreement with the Service Manager.

The federal government has continued to provide some funding to the Service Manager for social housing costs. In 2008, the federal government began decreasing its share of the funding, referred to as "Step-Down Funding", and the Service Manager has subsequently increased its portion to compensate for the loss. It is expected that all federal funding will end in 2035 with the EOA, resulting in an estimated municipal subsidy cost of \$20M (net) and an estimated capital shortfall of up to \$150M.

As indicated in Information Report Number 13-181, a consultant was to be hired to review and analyse the overall impact of the Step-Down Funding and EOA. In February 2014, SHS Consulting was hired and began their work to identify cost savings measures to offset the Federal Funding Step Down. In addition, the consultant was asked to explore options to sustain the legislated service levels and 2003 rent-geared-to-income (RGI) units, post EOA, while recognizing limited municipal budget resources.

SHS Consulting separated the area of study into the following three modules:

Module 1 Review of Federal funding step-down: an analysis of the impacts in managing the Federal step down funding was conducted using impact analysis modelling which assisted in developing mitigation options.

Module 2 Review of EOA implications: a legal opinion was obtained to clarify the obligations of both the Service Manager and local housing providers post EOA. Using this information, impact analysis modelling was conducted to forecast project viability leading up to and post EOA.

Module 3 Review of Rent Supplement programs: a review of the rent supplement programs delivered by the Service Manager was conducted to identify potential service delivery efficiencies, administrative streamlining and associated costs savings. Alternative rent calculation options were also reviewed to determine how they may contribute to sustaining rent supplement units and supporting mandated service level standards.

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As result of the work completed in these modules, a strategy for mitigating the EOA impacts and Federal Step-Down funding has been developed and will be presented to Council under separate cover. The main value of the exercise has been to document and identify the extent of the future financial obligations facing the Service Manager as legal and legislative barriers are limiting the City's ability to mitigate the impacts of these issues. Due to the complexity and depth of the issue, SHS Consulting will present the findings of their report to Council at the February 3, 2016 special meeting.

Recommendations and the full consultant's report will be presented at a future meeting of Council.

Existing Policy/By-Law:

10-Year Housing and Homelessness Plan – Recommendation# 18:

That the City maximizes available funding by:

- Utilizing current program offerings;
- Continuing to actively seek out other funding opportunities;
- Developing a contingency plan to manage anticipated step-downs in future senior government funding; and
- Establishing a plan for managing funding step-down by:
 - Creating a detailed funding horizon profile by program and project;
 - Developing an impact analysis against the funding horizon profile; and
 - Ensure the step-down funding plan considers end of operating agreement impacts.

10-Year Housing and Homelessness Plan – Recommendation #28:

That the City research and develop options for the continuation of social housing post End of Operating Agreements 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; and
- Review rent supplement program to identify cost saving measures.

City of Kingston Strategic Plan:

That the City will continue to implement the 10-Year Housing and Homelessness Plan to provide housing options that range from social housing to home ownership.

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

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Financial Considerations:

As a result of the step-down of federal funding for social housing, ongoing future financial considerations are necessary.

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Other City of Kingston Staff Consulted:

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Melanie Bale, Financial Analyst, Housing & Social Services

Exhibits Attached:

Not applicable