



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Strengthening the City's Oversight of Social Housing Programs

Date:	June 2, 2014
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Work Plan included a review of social housing subsidies administered by the Social Housing Unit in the Shelter, Support and Housing Administration Division. The expenditures for the Social Housing Unit in 2013 were \$466 million.

The objective of this review was to assess the adequacy of the City's oversight of social housing in ensuring the accuracy of rent-g geared-to-income (RGI) assistance provided to eligible households and operating subsidies to housing providers.

While Toronto Community Housing Corporation (TCHC) is the main provider of social housing units in the City, the focus of this review was on the City's oversight of the additional 246 not-for-profit social housing providers. In 2013, RGI assistance was provided to 52,309 households living in TCHC housing units and an additional 14,829 households living in housing units supplied by other social housing providers.

This report contains 14 recommendations. Addressing the recommendations in this report will strengthen the City's oversight role as the service manager for social housing programs.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Shelter, Support and Housing Administration to develop a risk based process for reviewing eligibility files to ensure that housing providers are effectively administering rent-geared-to-income assistance.
2. City Council request the General Manager, Shelter, Support and Housing Administration to conduct an assessment among housing providers of training needs and develop appropriate strategies to meet the needs of staff who perform and oversee eligibility reviews.
3. City Council request the General Manager, Shelter, Support and Housing Administration to develop a strategy to deal with potential social housing tenant fraud which as a minimum should include the following:
 - a. policies and procedures setting out standards for staff performing investigations;
 - b. guidelines for housing providers on the steps to be taken in situations where tenant fraud is suspected;
 - c. provide tools and training for provider and City staff assigned to detecting and investigating irregular activities; and
 - d. ensure the divisional Fraud Action Plan addresses the potential for tenant fraud.
4. City Council request the General Manager, Shelter, Support and Housing Administration in collaboration with the General Manager of Toronto Employment and Social Services and the General Manager of Children's Services explore opportunities to:
 - a. share information for the purpose of verifying eligibility for each program; and
 - b. collaborate on investigations regarding mutual clients who may be involved in irregular activities.
5. City Council request the General Manager, Shelter, Support and Housing Administration to use the provincial database to track rent arrears and rent-geared-to-income funds to be recovered.
6. City Council request the General Manager, Shelter, Support and Housing Administration to report as part of the annual budget process on number of rent-geared-to-income households provided assistance and the total assistance provided.
7. City Council request the General Manager, Shelter, Support and Housing Administration to update service agreements with social housing providers and include total housing units in the building and any details concerning other obligations such as but not restricted to:

- a. any specific mandate for the building;
 - b. number of market units in the building;
 - c. minimum number of rent-geared-to-income units to be maintained at all times;
and
 - d. minimum number and type of accessible units to be maintained in the building.
8. City Council request the General Manager, Shelter, Support and Housing Administration to ensure the Social Housing Administration System contains complete and accurate information concerning the mandate, and number and type of units available and occupied in each building.
 9. City Council request the General Manager, Shelter, Support and Housing Administration, in collaboration with the Director of Affordable Housing, ensure all affordable housing units are transferred to Social Housing for ongoing administration to make sure they are occupied by appropriate households.
 10. City Council request the General Manager, Shelter, Support and Housing Administration to establish controls to ensure that Annual Information Returns are received, reviewed and processed within the standard timelines established by the Division.
 11. City Council request the General Manager, Shelter, Support and Housing Administration to develop a standardized process for conducting and tracking operational reviews and criteria to determine the frequency and breadth of the review.
 12. City Council request the General Manager, Shelter, Support and Housing Administration to revise the policies and procedures relating to providers in difficulty and ensure criteria are developed to guide specific interventions.
 13. City Council request the General Manager, Shelter, Support and Housing Administration in consultation with the Deputy City Manager and Chief Financial Officer to report to City Council in the spring of 2015 on the potential financial implications of obtaining property tax exemptions for eligible social housing providers.
 14. City Council request the General Manager, Shelter, Support and Housing Administration to review all social housing projects to identify those where ownership of the property reverts to the City when the lease expires.

Financial Impact

The implementation of recommendations in this report will strengthen the City's oversight role as the service manager for social housing programs. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

ISSUE BACKGROUND

The purpose of social housing programs is to provide adequate shelter for households with insufficient financial resources to pay market rent. Social housing programs in Ontario have been developed over time by different governments resulting in a fragmented and complex social housing infrastructure of eight broad programs under the *Housing Services Act, 2011*. The Province transferred administration and funding for the social housing portfolio to municipal governments in 2001.

The Auditor General's Audit Work Plan included a review of social housing subsidies administered by the Social Housing Unit in the Shelter, Support and Housing Administration Division.

This review was selected based on the fact that the social housing programs impact a large number of individuals, often the most vulnerable, and require significant public funds. The expenditures for the Social Housing Unit in 2013 were \$466 million. Approximately \$301 million was from federal and provincial funding while the remaining \$165 million was funded by the City.

COMMENTS

Financial assistance for housing is provided to households as RGI assistance. This assistance covers the unaffordable portion of rental costs for lower income households. The City transfers subsidy funds for RGI assistance directly to housing providers along with other operating funds. The City, as service manager, oversees the operations of these housing providers to ensure they are operating effectively.

The audit report entitled "Strengthening the City's Oversight of Social Housing Programs" is attached as Appendix 1. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

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13-SSH-01

ATTACHMENTS

Appendix 1: Strengthening the City's Oversight of Social Housing Programs, Shelter, Support and Housing Administration Division

Appendix 2: Management's Response to the Auditor General's Review of Strengthening the City's Oversight of Social Housing Programs, Shelter, Support and Housing Administration Division

AUDITOR GENERAL'S REPORT

**Strengthening the City's Oversight
of Social Housing Programs**

May 1, 2014

Jeffrey Griffiths, CPA, CA, CFE
Auditor General



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EXECUTIVE SUMMARY

City is the service manager for social housing programs

The City of Toronto is the service manager for all social housing programs under the *Housing Services Act, 2011* (“the Act”). The Social Housing Unit, in the Shelter, Support and Housing Administration (SSHA) Division oversees all social housing programs for the City. These programs provide financial assistance for eligible households and operating subsidies for certain social housing providers.

\$466 million in 2013 for social housing

The expenditures for the Social Housing Unit in 2013 were \$466 million. Approximately \$301 million was from federal and provincial funding while the remaining \$165 million was funded by the City. SSHA has reported to Council that much of the federal and provincial funding will expire over the next few years. The Division is considering options to ensure that social housing in Toronto is adequately funded going forward.

Rent-geared-to-income is based on 30% of gross household income

Financial assistance for housing is provided to households as rent-geared-to-income (RGI) assistance. This assistance covers the unaffordable portion of rental costs for lower income households. The rent paid by a household receiving RGI assistance is based on 30 per cent of the gross monthly household income. The difference between the RGI rent and the rent that would be due to the landlord is the amount of the RGI assistance.

73,346 is the City’s RGI minimum service level

Under the *Act* the City of Toronto is required to provide RGI assistance for at least 73,346 households. The City must ensure that a minimum of 1,573 of the social housing units available are accessible for people with physical disabilities.

246 not-for-profit social housing providers

The Toronto Community Housing Corporation (TCHC) is the main provider of social housing in the City with 52,309 households receiving RGI assistance as at December 31, 2013. In addition, there are 246 other not-for-profit housing providers in the social housing system providing RGI assistance to an additional 14,829 households.

Key Issues

This report identifies areas where the City can strengthen its oversight role as the service manager for social housing. Key issues discussed in the report are summarized below.

Ensuring Residents in Need Receive the Right Housing Assistance

Improve RGI administrative controls

The City delegated the function of RGI eligibility review to housing providers but does not conduct regular reviews to adequately monitor this activity. Our review of a sample of 71 RGI eligibility files found a variety of deficiencies in 37 per cent of the files reviewed. Improved oversight will help ensure the right subsidy amount is provided to the right people for the right sized housing unit.

Effective strategy needed when eligibility information is misrepresented

Occasionally, an incorrect assistance amount is paid as a result of incomplete or inaccurate disclosure on the part of tenants. The Division's Fraud Action Plan does not address tenant fraud. Effectively dealing with situations of misrepresentation may deter similar activities by others in the future.

City is service manager for 3 different social assistance programs

SSHA would benefit from developing a collaborative working relationship with two other City divisions that administer financial assistance to residents. Toronto Employment and Social Services administer Ontario Works and Children's Services administer childcare subsidies. The City is the service manager for each of these social benefit programs and is able to share information for the purpose of verifying eligibility

Efficiencies can be achieved by using a province wide rent arrears database

In addition to working with other City divisions, benefits can be derived from sharing certain information with other social housing providers in the Province of Ontario. Since 2005, service managers across the Province have participated in a database that tracks social housing tenant rent arrears. The existence of rent arrears impacts a tenant's eligibility for assistance. The City has not used the database due to risks of access to certain personal information. However, the existing risks can be effectively mitigated while still allowing the City to use the province wide rent arrears database.

Improve Service Manager Oversight

A decrease of 3,831 RGI households since 2007

By the end of 2013, there were 67,138 households receiving RGI assistance in Toronto. This is a five per cent decrease in RGI service level since 2007. The City's RGI service level is a critical performance indicator which should be clearly reported and monitored through the budget process.

Effective oversight requires current and accurate information

In order to accurately manage and report on the RGI service level the data contained in provider service agreements and social housings information system need to be accurate and complete. More specifically the details about the number of RGI units, market units and accessible social housing units for each social housing building should be current.

Inadequate controls to ensure required annual information is received and processed

Staff in the Social Housing Unit review financial and operational information submitted by social housing providers each year. Our review of the controls in place found that there is inadequate oversight to ensure that the required information is received from all providers each year and processed within the timelines established by the Division.

25% of providers had not had an operational review from 4 to 10 years

In addition to the annual review process, City staff also conduct more comprehensive operational reviews to ensure provider compliance with requirements and long term project viability. There are no specific criteria to consistently determine when these reviews should be conducted or which components of the operations should be reviewed. One quarter of the providers had not undergone an operational review for more than four years and for some of these it was more than 10 years.

No current policies to effectively deal with 10% of providers in difficulty

Social housing providers may experience a number of situations which pose a risk to their ongoing operations. When providers are in difficulty, the service manager intervenes to provide support in overcoming the difficulty so that operations can continue in the long run. In 2013, 10 per cent of social housing providers were in difficulty, some for more than nine years and three providers were in receivership. The policies and procedures to guide staff to consistently deal with these providers are outdated and in need of revision.

Social housing costs can be decreased with property tax exemptions

There may be opportunities to reduce social housing costs for housing providers whose buildings may qualify for property tax exemptions, similar to the TCHC experience. These options need to be explored and the financial implications reported to Council.

Conclusion

This report contains 14 recommendations which address a need to strengthen the City's oversight role as the service manager for social housing. While the *Act* allows the City to delegate certain functions, the legislation is also clear that the City is still ultimately responsible for the performance of those functions.

Addressing the recommendations in this report will improve compliance with legislative requirements and City established policies and procedures. This in turn will result in a more effective and efficient social housing system.

BACKGROUND

Why we did this review

The Auditor General's Audit Work Plan included a review of social housing subsidies administered by the Shelter, Support and Housing Administration Division.

This review was selected based on the fact that the social housing programs impact a large number of individuals and require significant public funds.

Objectives of the review

The objective of this review was to assess the adequacy of the City's oversight of social housing in ensuring the accuracy of rent-gear-to-income assistance and operating subsidies to housing providers. This review also included an assessment of the level of compliance with relevant legislation and City policies and procedures.

\$466 million for social housing in 2013

The Social Housing Unit, in the Shelter, Support and Housing Administration (SSHA) Division oversees social housing programs for the City. The expenditures for social housing in 2013 were \$466 million gross and \$165 million net.

Making housing affordable for the vulnerable

The purpose of social housing programs is to provide adequate shelter for households with insufficient financial resources to pay market rent. Social housing also serves a number of equity seeking and vulnerable groups such as women, seniors, people with disabilities and, individuals with mental health issues.

There is a broad body of published literature that recognizes access to adequate and affordable housing as both a determinant of health and a factor in reducing social service costs.

Fragmented and complex social housing programs

Social housing programs in Ontario have been developed over time by different governments resulting in a fragmented and complex social housing infrastructure of eight different programs. In 2001, the Province transferred administration and funding for their social housing portfolio to municipal governments.

Social housing includes a mix of RGI and market rent

The transfer of the portfolio began in 2001 and took five years to complete. Although the majority of the related social housing units are occupied by households receiving rent-geared-to-income (RGI) assistance they also include households paying market rent. Table 1 below summarizes the housing units transferred.

Table 1: Social Housing Units Transferred to City of Toronto in 2001

	RGI	Market	Total
Toronto Housing Company	23,529	4,802	28,331
Metro Toronto Housing Corporation	29,402		29,402
Community Based Non-Profit	13,156	10,528	23,684
Co-operative Non-Profit	5,175	2,259	7,434
Subtotal Non-Profit	71,262	17,589	88,851
Private Rent Supplement	2,358	0	2,358
Private Limited Dividend	0	4,141	4,141
Total	73,620	21,730	95,350

Source: Report No. 4 of the Community Services Committee, as adopted by Council on May 30, 31, and June 1, 2001.

Mandates and targets

At the time that the Province transferred the social housing programs to the City, certain buildings had specific mandates and targets. For example, some buildings had mandates to house people such as seniors, aboriginals, and people with physical or mental disabilities. When the portfolio was transferred in 2001, the Province set targets that specified the number of RGI, market rent or accessible units for certain buildings.

73,346 households to receive RGI

According to the *Act* the City of Toronto is to ensure that a minimum of 73,346 households receive RGI assistance within the City.

1,573 social housing units are to be accessible

The *Act* also prescribes that a 1,573 of the social housing units in Toronto be modified to make them accessible for individuals with a physical disability.

RGI assistance covers rental costs that exceed 30 % of gross household income

RGI assistance is the primary form of assistance provided to households. RGI assistance covers the portion of rent that exceeds 30 per cent of a household's gross monthly income. For households receiving Ontario Works or Ontario Disability Support Program assistance the rent to be paid is set by a provincial schedule.

Local rule denies assistance in certain circumstances

The *Act* allows the City to establish certain optional rules regarding eligibility criteria. For example, a household in Toronto is not eligible for RGI assistance if a member or former member of the household has been convicted by a court or the Ontario Landlord and Tenant Board for:

- Receiving RGI assistance for which they were not eligible; or
- Misrepresenting their income in order to receive RGI assistance.

Once convicted, no member of the household can reapply for RGI assistance until at least two years from the date they became ineligible although exceptions can be made if there are extenuating circumstances.

RGI amounts are paid directly to the housing provider

The Social Housing Unit has delegated RGI eligibility reviews to social housing providers. Each housing provider reviews the gross income of all members of a household to determine the RGI rent that will be paid by the household and the subsidy that will be provided by the City. The City flows the subsidy funds for RGI assistance directly to the housing provider.

246 social housing providers

The Social Housing Unit is responsible for 246 social housing providers in the City. These providers include charitable organizations, not-for-profit private housing operators and housing co-operatives. In addition, the largest individual provider is the TCHC with 52,309 RGI households.

Housing Connections responsible for waiting list

In order to ensure that the right households are placed in units, the Act requires the service manager to have a system in place for selecting households from those waiting for RGI assistance. The Social Housing Unit has delegated this function to Housing Connections, a subsidiary of TCHC. Housing Connections handles the intake of applications, performs initial screening, and oversees the centralized waiting list for RGI assistance.

77,109 eligible households waiting for RGI

During 2013, 3,698 households were selected from the waiting list and provided RGI assistance. As at the end of 2013, Housing Connections reported 77,109 eligible households were waiting for RGI assistance.

A more detailed review of the administration of the centralized waiting list is included in our 2014 audit work plan.

Affordable Housing constructs units or improves existing units

In addition to the programs under the Act, there are two other programs that contribute to social housing. One is the Affordable Housing Agreement between the Canada Mortgage Housing Corporation and the Province of Ontario which supplies new units or improves the existing stock. The Social Housing Unit is responsible for monitoring the contribution agreements established between the City and the owner of the new housing units resulting from this program.

Strong Communities Rent Supplement Program

The second program which is independent of the Act is the Strong Communities Rent Supplement Program. The Province funds rent supplements and has entered into an agreement with the City to administer this program until March 31, 2023. In addition to the RGI service level under the Act, the City supports an additional 2,159 RGI households under this program.

SHAS maintains information on Toronto's social housing portfolio

The Social Housing Unit maintains all information related to housing providers, buildings, housing units, and funding for the social housing portfolio in the Social Housing Administration System (SHAS). Information related to subsidies for social housing providers is automatically updated in the City's financial information system each month.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Audit work plan

The Auditor General's Audit Work Plan included a review of social housing subsidies administered by the Shelter, Support and Housing Administration Division.

This review was selected based on the following factors:

- program impacts a large number of beneficiaries
- program requires significant public funds
- complaints received on the fraud and waste hotline relating to eligibility for social housing assistance.

Audit objectives

The objectives of this review were to assess whether the social housing control framework is adequate to ensure the accuracy and completeness of subsidies to housing providers. This review also included an assessment of the level of compliance with the *Act* and City policies and procedures.

The scope of this audit included activities in the period from January 1, 2011 to December 31, 2013.

Audit Methodology

Our audit methodology included the following:

- Review of the *Act* and other relevant legislation
- Review of relevant City policies and procedures
- Review of staff reports and Committee and Council minutes
- Interviews with city staff
- Site visits to housing provider buildings and interviews with staff on site for 12 providers
- Analyzed data from information systems such as Housing Connections central waiting list and the Social Housing Administration System
- Tracked payments from SHAS to the City's financial information system

- Reviewed a sample of tenant files to confirm adequacy of eligibility assessment at housing providers, excluding TCHC
- Evaluation of management controls and practices
- Examination of related reports from other jurisdictions

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

A. ENSURING THE RIGHT PEOPLE GET THE RIGHT SUBSIDY FOR THE RIGHT HOUSING UNIT

A.1. Improvements Needed in Provider Oversight of RGI Eligibility

RGI assistance makes housing affordable for low income households

The measure of housing affordability is that rent should not exceed 30 per cent of a household's before-tax income. RGI in Toronto is based on this guideline. The City subsidizes housing providers for the difference between the actual amount of rent due to the landlord and rent paid by an approved RGI household. For RGI units the rent due to the landlord is set based on Canada Mortgage and Housing Corporation benchmarks.

Housing provider determines size of unit & RGI rent to be paid

The City has delegated the responsibility for calculation of the rent payable by the tenant to the individual providers of social housing. Housing providers are also responsible for ongoing eligibility reviews and determining the appropriate sized unit for each household. The providers are required to retain appropriate documentation in support of their calculations and determinations.

Social Housing Unit provides guidelines and training

The Social Housing Unit provides guidelines and training for housing provider staff who administer eligibility. Each housing provider uses the guidelines to establish policies and procedures for their staff. Social Housing Unit staff may review tenant eligibility files as part of the comprehensive operational reviews. However, there is no analysis of the number of reviews conducted, coverage of providers or a summary of results by provider. This information would be useful in assessing the extent of reviews performed and identifying systemic problems or providers in need of assistance.

Better control is needed to ensure the right amount of RGI assistance is provided

We selected a sample of tenant files to assess the adequacy of controls in place to administer RGI assistance. For more than one third (37%) of the 71 files we reviewed we found one or more weakness such as:

- Documentation to confirm ongoing eligibility was not on file
- RGI assistance was not correctly calculated
- Shelter assistance paid by other provincial assistance programs was greater than the RGI rent paid by the tenant
- Household income was not adequately verified
- Households receiving more assistance than they were eligible to receive due to a failure to advise of changes in income
- Rent arrears from changes in household income were not properly calculated or established
- Households in housing units larger than required
- One instance where RGI assistance was inappropriately allocated to an existing market rent tenant instead of a household from the central waiting list

We discussed our observations with social housing staff and steps were taken to address any errors or omissions. The identified weaknesses present risks that RGI funds are inappropriately issued to ineligible households or wrongly disbursed due to calculation errors. Many of these weaknesses could be minimized with enhanced training, improved resource materials and readily accessible support.

Providers want specialized training for complex cases

Housing provider staff advised us that they could benefit from additional and more specialized training courses on reviewing eligibility and calculating RGI assistance. Staff are provided with refresher courses which we were advised are similar to the initial training. Targeted training which is more specialized or enhanced would be helpful in dealing with more complex situations.

Assurance that housing providers are effectively administering RGI assistance is required

Regular reviews of a sample of tenant files would provide additional assurance that housing providers are effectively administering eligibility reviews and RGI calculations. We appreciate that some providers may require more support than others and for this reason a risk based approach may be warranted. The Social Housing Unit staff advised us that they were working on a risk based approach.

At the time of this review there were no formal criteria to determine the number or frequency of RGI quality assurance reviews conducted per housing provider.

Recommendations:

- 1. City Council request the General Manager, Shelter, Support and Housing Administration to develop a risk based process for reviewing eligibility files to ensure that housing providers are effectively administering rent-geared-to-income assistance.**
- 2. City Council request the General Manager, Shelter, Support and Housing Administration to conduct an assessment among housing providers of training needs and develop appropriate strategies to meet the needs of staff who perform and oversee eligibility reviews.**

A.2. A Strategy is Needed to Deal with Misrepresentation of Eligibility Information

Ensuring eligibility is critical

Given the unmet demand for social housing, it is critical to ensure that those receiving RGI assistance are eligible. Eligibility for RGI is contingent on the combination of a number of variables, such as household income and size, which have a tendency to change over time. This presents a challenge to effectively monitor a household's ongoing eligibility for assistance.

Household has an obligation to inform the provider of any changes that affect eligibility

Under the *Act* each household has an obligation to inform the housing provider of any changes in their income or household composition. From our file review, we noted that this is not always the case. In some cases the change was either disclosed or detected at the annual review and in other cases information relating to the change was not communicated to the housing provider at all.

No effective infrastructure for dealing with misrepresented eligibility information

Although the Social Housing Unit requires housing providers to have policies and procedures in place to effectively deal with staff and Board member fraud there is no similar requirement regarding tenant fraud. SSHA's Fraud Action Plan does not address tenant fraud.

There is no guidance for providers on how to detect, prevent, or adequately address tenant fraud. Some of the providers we interviewed acknowledged that they do not have the expertise to effectively deal with these matters and they have not been provided with adequate support.

TCHC operates investigations unit & fraud hotline

TCHC, the largest public housing provider in Toronto started an Investigations Unit in 2010 which operates a fraud hotline. The Unit investigates complaints that are received related to staff, vendor or tenant fraud. Of the 937 complaints received in 2012, the majority (88 per cent) are related to tenants and fall into the following general categories:

- (1) misrepresentation of income, assets, or number of dependents
- (2) unauthorized people living in a unit
- (3) subletting the unit.

Complaints on tenants resulted in loss of RGI assistance

Of the complaints received in 2012, 385 files were closed by the end of that year and about one-quarter of those complaints were substantiated. Most substantiated complaints resulted in tenants losing their RGI assistance. The outcome of 48 investigations resulted in units being made available for people with a genuine need for affordable housing.

Over half a million of RGI assistance did not go to those in need

In 2012 the Chief Internal Auditor of TCHC reported that the complaints substantiated identified \$529,000 of RGI assistance issued to individuals who were not eligible and \$35,000 of this was recovered. The TCHC experience highlights the need for sufficient control procedures to verify tenant eligibility on an ongoing basis.

A centralized investigative resource may enhance efficiencies

When allegations are received concerning inappropriate use of social housing funds an investigation is necessary to determine if a household received any assistance to which it was not entitled or if social housing funds were otherwise inappropriately used. Efficiencies may be achieved in the social housing system if the City created a centrally specialized resource group to assist all housing providers with investigations when required.

Effective prevention and detection procedures generally serve as a deterrent to fraud and irregular activities.

Recommendation:

- 3. City Council request the General Manager, Shelter, Support and Housing Administration to develop a strategy to deal with potential social housing tenant fraud which as a minimum should include the following:**
 - a. policies and procedures setting out standards for staff performing investigations;**
 - b. guidelines for housing providers on the steps to be taken in situations where tenant fraud is suspected;**
 - c. provide tools and training for provider and City staff assigned to detecting and investigating irregular activities; and**
 - d. ensure the divisional Fraud Action Plan addresses the potential for tenant fraud.**

A.3. Opportunity to Improve Co-operation Across City Divisions

City is service manager for a number of social programs

The City is the service manager for a number of social assistance programs which, in addition to social housing, include Ontario Works and Childcare Subsidies. The respective legislation for those two programs is the *Ontario Works Act, 1997* administered by Toronto Employment and Social Services Division and the *Day Nurseries Act, 1990* administered by the Children's Services Division. In order to effectively administer each program, both Divisions collect personal information as part of their application process.

34% of RGI households receive social assistance

The *Act* allows service managers and housing providers to share personal information with each other if the information is necessary for the purposes of making decisions or verifying eligibility for assistance. Approximately 34 per cent of RGI tenants receive Ontario Works assistance. Our review of RGI eligibility files noted eight instances where the shelter assistance provided by other provincial assistance programs was greater than the RGI rent paid by the tenant. While this was primarily as a result of the rent being inclusive of extras such as cable and parking, the shelter assistance was nevertheless in excess of amounts the tenant should have received.

Opportunities for City Divisions to work collaboratively

It is our understanding that Children Services and Toronto Employment and Social Services are working on an information sharing process which will allow them to ensure their joint clients are receiving the correct combined funding. The Social Housing Unit needs to become part of this information sharing process given the interrelationships between the benefits provided by these three City divisions. Effective coordination will assist in ensuring that the clients of each of these three divisions are receiving the correct combined benefit where more than one type of subsidy or benefit is being provided.

In addition to sharing information to ensure the correct financial assistance is received, the three Divisions could also share information on client fraud or irregularities to ensure such actions related to one form of assistance are not also occurring in relation to other assistance.

Recommendation:

- 4. City Council request the General Manager, Shelter, Support and Housing Administration in collaboration with the General Manager of Toronto Employment and Social Services and the General Manager of Children’s Services explore opportunities to:**
 - a. share information for the purpose of verifying eligibility for each program; and**
 - b. collaborate on investigations regarding mutual clients who may be involved in irregular activities.**

A.4. Province Wide Database to Track Rental Arrears

Ineligible for RGI if rental arrears are owed

Under the *Act* an individual who owes rental arrears to an Ontario social housing landlord, from a previous tenancy, is ineligible to receive RGI assistance unless a re-payment plan has been established and is in good standing.

Service Manager Housing Network database tracks rent arrears

The Service Manager Housing Network is a forum for service managers across the Province to meet and discuss common concerns. This group developed a province wide database for service managers to record any rent arrears from former tenants. This enables service managers to effectively conduct initial screening to determine if households re-applying for assistance have outstanding rental arrears.

City not using province wide database

Although the City of Toronto has not used the province wide arrears database, almost all other service managers in Ontario have been using it since 2005. The Social Housing Unit initiated a privacy impact assessment in 2009 which identified the risks associated with sharing certain information, primarily social insurance numbers. These concerns were still unresolved at the time of this audit and the City has neither used nor contributed to the database. In the interim, the City has relied on self disclosure by tenants to obtain arrears information supplemented by contacting former landlords, a resource intensive process.

Personal information critical to effectively administer RGI

The arrears database does not require users to enter social insurance numbers when creating a new arrears record. The City's privacy concerns were related to access to social insurance numbers available in the arrears database, which were input by other jurisdictions. Social housing providers obtain and retain a number of statements, such as Old Age Security and Canada Pension Plan or other similar statements which contain social insurance numbers. This information is necessary to verify household income and eligibility for social housing assistance.

Additional costs are not warranted

The Social Housing Unit has explored options to address the privacy concerns associated with using the province wide rent arrears database and appears to be favouring an information technology solution that comes with additional, not insignificant costs. Since almost all other service managers in the Province of Ontario are using the current database we encourage City staff to explore options that mitigate the privacy risks without the need for a custom built solution.

Recommendation:

- 5. City Council request the General Manager, Shelter, Support and Housing Administration to use the provincial database to track rent arrears and rent-geared-to-income funds to be recovered.**

B. IMPROVE SERVICE MANAGER OVERSIGHT

B.1. Number of RGI Households

City and Province disagree on number of RGI households transferred

The number of RGI households the City is required to supply is a matter of some disagreement between the City and the Province. In 2001, the City's Social Housing Business Transfer Plan reported that the Province transferred 73,620 RGI units to the City. The legislation requires Toronto to provide a minimum of 73,346 households with RGI assistance. The City contends that only 69,835 RGI units were transferred and has established this as its target. This was reported to Council in 2007. At that time 70,969 households were receiving RGI assistance meaning the City was meeting its own established target but not meeting the provincially mandated service level.

3,831 fewer RGI households since 2007

At the end of 2013 there were 67,138 households receiving RGI assistance, a decline of 3,831 since 2007. SSHA staff advised us that this decrease is primarily a result of the TCHC redevelopment initiatives that temporarily reduce the number of units available and fluctuations due to people moving.

Monitor RGI service level in the budget process

The RGI service level is a key performance indicator in the social housing system and has a direct financial impact on system costs. Information concerning the RGI service level is integral for both operational and financial purposes. For these reasons the City's RGI service level should be transparently reported and monitored as part of the SSHA Division's annual budget process.

RGI service level has a direct impact on social housing costs

Given the reality of diminishing provincial and federal funding for social housing, unless something changes, it appears that the City will be left with the ongoing funding responsibility for the RGI program making it even more important to monitor both the number of households receiving assistance and the total cost of the assistance provided.

Recommendation:

- 6. City Council request the General Manager, Shelter, Support and Housing Administration to report as part of the annual budget process on number of rent-gearred-to-income households provided assistance and the total assistance provided.**

B.2. Effective Administration Requires Complete and Accurate Information

Effective administration requires current and accurate information

The Social Housing Administration System (SHAS) is the Social Housing Unit's primary repository of information on the social housing units it is responsible for overseeing. Inaccurate information in the system makes it difficult to effectively administer social housing. The housing unit information in SHAS is meant to be derived from the agreements with social housing providers.

Service agreements and SHAS should contain accurate information about social housing units available

Our review of the service agreements found that they have not been updated for changes that have occurred after the 2001 transfer from the Province. In addition, the information in the service agreements concerning minimum number of RGIs or market units was not the same as that found in SHAS. Information concerning social housing units in both the service agreements and SHAS needs to be complete and accurate to allow SSHA to properly manage the units within their realm of responsibility.

Level of accessibility is unknown

We also noted that SHAS does not contain any information about the number of accessible social housing units. Despite the legislated requirement to provide 1,573 accessible units, the City does not know how many social housing units are available for people with a physical disability or the types of accessible accommodations available in social housing.

Not all affordable housing units are being properly administered

The Social Housing Unit is also responsible for monitoring the contribution agreements with proponents who build housing under the Affordable Housing Agreement. We observed that not all of the units built under this program were entered in the system. While these units are constructed under a separate agreement, they may be occupied by someone from the central waiting list and with an RGI as governed by the *Act*. Therefore, it is critical that these units are monitored as part of the social housing stock and that they are occupied by the appropriate households.

Recommendations:

- 7. City Council request the General Manager, Shelter, Support and Housing Administration to update service agreements with social housing providers and include total housing units in the building and any details concerning other obligations such as but not restricted to:**
 - a. any specific mandate for the building;**
 - b. number of market units in the building;**
 - c. minimum number of rent-geared-to-income units to be maintained at all times; and**
 - d. minimum number and type of accessible units to be maintained in the building.**

8. **City Council request the General Manager, Shelter, Support and Housing Administration to ensure the Social Housing Administration System contains complete and accurate information concerning the mandate, and number and type of units available and occupied in each building.**
9. **City Council request the General Manager, Shelter, Support and Housing Administration, in collaboration with the Director of Affordable Housing, ensure all affordable housing units are transferred to Social Housing for ongoing administration to make sure they are occupied by appropriate households.**

B.3. Annual Information Returns Filed by Housing Providers

Annual Information Return provides information used for compliance and verification procedures

Each year a housing provider in receipt of a subsidy from the Social Housing Unit must file an Annual Information Return, including audited financial statements, with the Social Housing Unit within five months of their year end. The information is entered into SHAS and is used to assess compliance with the operating agreement, to verify the subsidy amount received relative to actual costs, and for budgeting purposes. Prior to entry into SHAS, the Annual Information Return is reviewed by staff in the Social Housing Unit. The Unit has established performance standards regarding the time required to process the Returns once they are received. For example, managers are to process 75 per cent of the Returns within 120 days and cannot exceed 180 days.

Ensure receipt and timely processing

We noted that there is inadequate oversight to ensure that all Returns are received in a timely manner and there is no system to monitor that they are processed within the timelines established by the Unit. Ensuring the timely receipt and processing of Returns will enhance the usefulness of the financial information in SHAS which is used for budgeting and processing payments to providers.

Recommendation:

- 10. City Council request the General Manager, Shelter, Support and Housing Administration to establish controls to ensure that Annual Information Returns are received, reviewed and processed within the standard timelines established by the Division.**

B.4. Operational Reviews

Monitoring compliance

According to Social Housing Unit guidelines an operational review is to be conducted by staff to ensure housing providers comply with legislative and regulatory requirements including City guidelines. We were advised that these reviews are to be conducted every three years. There were inadequate controls in place to ensure these reviews were consistently completed for all housing providers.

25% of providers had no operational review in the last four years

At the time of the audit approximately one-quarter of the providers had not been the subject of a review in over four years. Five of these providers had not had a review in more than ten years. The division does not have criteria to consistently determine when these reviews should be conducted or which components of the operations should be reviewed. For example, one of the components of the review process is checking of RGI eligibility files maintained by the housing provider. This step is not always performed and there was no reason documented for omitting this important procedure.

SHAS is not updated

Lastly, information relating to the operational reviews is to be entered in the system. This allows for tracking and monitoring of the status and timing of reviews. The information retained in SHAS regarding the operational reviews was not complete or accurate.

Recommendation:

- 11. City Council request the General Manager, Shelter, Support and Housing Administration to develop a standardized process for conducting and tracking operational reviews and criteria to determine the frequency and breadth of the review.**

B.5. Effectively Dealing with Providers in Difficulty

Providers in difficulty

The *Act* identifies a number of events experienced by a social housing provider which may trigger a service manager to intervene in their operations. A triggering event for a provider in difficulty may include issues in any of the following areas:

- non-compliance with the Act
- governance
- facility is in a state of disrepair
- administrative issues or financial problems.

In each situation the City's action takes into account the magnitude of the problem and the risk exposure. For example, minor instances of non-compliance may be resolved by phone calls, letters and meetings. More serious financial problems may require changes to the Board of Directors or even placing the provider into receivership. The objective of the intervention is to assist the provider in overcoming the difficulty so that they can continue to operate with relative independence.

10% of social housing providers in difficulty

In 2013 approximately 10 per cent of social housing providers were experiencing some difficulty and three were in receivership. We noted that although providers may experience the same problems they were not handled in the same manner. For example, in some instances the City appointed a receiver and manager one year after the provider was identified in difficulty and in other instances the City staff were still working with the provider who has been in difficulty for over nine years.

Standardize the City's intervention

The Division's policies and procedures regarding providers in difficulty are out dated and consequently are not being used by staff. Revising the policies and procedures and enhanced monitoring will restore consistent practices among staff.

Recommendation:

- 12. City Council request the General Manager, Shelter, Support and Housing Administration to revise the policies and procedures relating to providers in difficulty and ensure criteria are developed to guide specific interventions.**

B.6. Assess Opportunities for Property Tax Exemptions

Tax exemptions for TCHC social housing stock

In 2011, after receiving approval from the Province, City Council approved the exemption of property taxes on 289 TCHC buildings covering 40,000 units. While there was no net impact on the City's operating budget, TCHC saved close to seven million dollars related to the education portion of property taxes. These savings were directed to assist in addressing the backlog in state of good repair.

Other social housing providers may qualify for property tax exemptions

While TCHC is the largest provider of social housing units, additional benefits may be achieved by pursuing property tax exemptions for certain social housing providers. For these organizations to qualify for property tax exemptions under the Assessment Act, court decisions have established that they must own the land, be supported by public funds and use the land for the purposes of relief for the poor. Some of the 246 providers may qualify for a property tax exemption based on these criteria.

Examine financial implications of property tax exemptions for social housing providers

The Social Housing Unit needs to assess which providers and which buildings may be eligible for property tax exemptions, similar to the TCHC experience. A report should be submitted to Council with an analysis of the financial implications resulting from any proposed property tax exemptions for social housing providers.

Recommendation:

- 13. City Council request the General Manager, Shelter, Support and Housing Administration in consultation with the Deputy City Manager and Chief Financial Officer to report to City Council in the spring of 2015 on the potential financial implications of obtaining property tax exemptions for eligible social housing providers.**

B.7. Review Ownership of Transferred Projects

Some social housing buildings will become the property of the City when the lease agreements expire

Some of the social housing properties transferred to the City in 2001 were under agreements that, on expiry, result in the land, buildings and fixtures becoming the property of the City.

The Social Housing Unit does not have an inventory of these agreements. Although some of these agreements may not expire until 2040, it is important for the City to be aware of how many such arrangements and when the related property reverts to the City. This information is important in order to effectively plan for the transition of the ownership when the leases expire.

Recommendation:

- 14. City Council request the General Manager, Shelter, Support and Housing Administration to review all social housing projects to identify those where ownership of the property reverts to the City when the lease expires.**

CONCLUSION

This report presents the results of our review of the social housing system in Toronto. It contains 14 recommendations which address a need to strengthen the City's oversight role as the service manager for social housing. While the *Housing Services Act, 2011* allows the City to delegate certain functions, the legislation is also clear that the City is still ultimately responsible for the performance of those functions.

Addressing the recommendations in this report will improve compliance with legislative requirements and City established policies and procedures. This in turn will result in a more effective and efficient social housing administrative structure that facilitates operational improvements.

**Management's Response to the Auditor General's Review of
Strengthening the City's Oversight of Social Housing Programs**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
1.	<p>City Council request the General Manager, Shelter, Support and Housing Administration to develop a risk based process for reviewing eligibility files to ensure that housing providers are effectively administering rent-gearred-to-income assistance.</p>	X			<p>SSHA will develop a risk based process for determining which housing providers' RGI files will be reviewed by the end of Q4 2014.</p> <p>The factors assessed in determining risks levels will include:</p> <ol style="list-style-type: none"> 1) Number and type of complaints received about RGI administration 2) Staff turnover and training test results 3) Findings from past RGI reviews 4) Findings from past operational reviews <p>The rules governing RGI administration are complex. The complex rules increase the potential for errors. SSHA will continue to advocate to the Province for simplification and automation of RGI program administration.</p> <p>SSHA is currently working with the Ministry of Finance and Toronto</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
					Community Housing Corporation on an automation pilot. The pilot will use income tax data to calculate RGI rent for seniors on fixed incomes. This pilot may lead to other opportunities to simplify and automate RGI administration.
2.	City Council request the General Manager, Shelter, Support and Housing Administration to conduct an assessment among housing providers of training needs and develop appropriate strategies to meet the needs of staff who perform and oversee eligibility reviews.	X			SSHA will complete a training needs assessment of staff undertaking RGI reviews by the end of Q2 2015. SSHA will develop and implement strategies for the enhancement of RGI training by the end of Q4 2015.
3.	City Council request the General Manager, Shelter, Support and Housing Administration to develop a strategy to deal with potential social housing tenant fraud which as a minimum should include the following: a. policies and procedures setting out standards for staff performing investigations; b. guidelines for housing providers on the steps to be taken in situations where tenant fraud is suspected;	X			SSHA will develop a strategy to deal with potential social housing tenant fraud: a. SSHA will develop policies and procedures setting out standards for staff performing investigations by the end of Q4 2014. b. SSHA will develop guidelines for housing providers on the steps to be taken in situations where tenant fraud is suspected by the end of Q4 2014.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
	<p>c. provide tools and training for provider and City staff assigned to detecting and investigating irregular activities; and</p> <p>d. ensure the divisional Fraud Action Plan addresses the potential for tenant fraud.</p>				<p>c. SSHA will provide tools and training for provider and City staff assigned to detecting and investigating irregular activities by the end of Q4 2015.</p> <p>d. SSHA will ensure the divisional Fraud Action Plan addresses the potential for tenant fraud by the end of Q4 2014.</p>
4.	<p>City Council request the General Manager, Shelter, Support and Housing Administration in collaboration with the General Manager of Toronto Employment and Social Services and the General Manager of Children’s Services explore opportunities to:</p>	X			<p>As outlined in a report to Community Development and Recreation Committee to be considered June 25, 2014, on the review of the Centralized Waiting List for Social Housing, SSHA is moving forward in implementing an integrated model for delivery of housing access services.</p> <p>In addition, Divisions in Cluster 'A' - SSHA, Toronto Employment and Social Services and Children’s Services are currently exploring other human services integration initiatives with opportunities to better integrate front-end service delivery and back-end administration in human services systems.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
	<p>a. share information for the purpose of verifying eligibility for each program; and</p>				<p>a. Under a proposed integrated model, households will be provided with coordinated access to complete one common eligibility assessment for service requirements. Considerable opportunity exists in terms of developing common application forms, document sharing and automatic income verification.</p> <p>It is expected that a proposed delivery model will be developed by the end of Q1 2015.</p>
	<p>b. collaborate on investigations regarding mutual clients who may be involved in irregular activities.</p>				<p>b. SSHA will collaborate with TESS and Children Services and explore the use of Eligibility Review Officers (EROs) to investigate mutual clients who may be involved in irregular activities.</p> <p>Under the authority of the Housing Services Act, 2011, SSHA will also explore the use of EROs in Social Housing to investigate and prevent misappropriation of RGI assistance.</p> <p>Review of collaborative opportunities and implementation of approved actions will be completed by the end of Q4 2015.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
5.	City Council request the General Manager, Shelter, Support and Housing Administration to use the provincial database to track rent arrears and rent-gearred-to-income funds to be recovered.	X			<p>SSHA is at the final stages of negotiations with Housing Services Corporation and Housing Connections on the development of a proposed solution to participate in the Province Wide Arrears Database. The proposed model addresses a number or risks identified in a Privacy Impact Assessment (PIA) conducted by the City's Risk Management and Information Security office. Developed solutions will take into consideration the recommendations in this report.</p> <p>It is anticipated that Toronto will be participating in the Province-wide Arrears Database by the end of Q4 2015.</p>
6.	City Council request the General Manager, Shelter, Support and Housing Administration to report as part of the annual budget process on number of rent-gearred-to-income households provided assistance and the total assistance provided.	X			<p>The City's Social Housing Budget is based on the RGI units projected for the fiscal year. SSHA will work with Corporate Finance to report the required service level standard, the number of RGI units projected and associated RGI subsidy as part of the 2015 annual budget process.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
7.	<p>City Council request the General Manager, Shelter, Support and Housing Administration to update service agreements with social housing providers and include total housing units in the building and any details concerning other obligations such as but not restricted to:</p> <p>a. any specific mandate for the building;</p> <p>b. number of market units in the building;</p> <p>c. minimum number of rent-geared-to-income units to be maintained at all times; and</p> <p>d. minimum number and type of accessible units to be maintained in the building.</p>	X			<p>SSHA will update service agreements with social housing providers by the end of Q2 2015. The updated agreements will include:</p> <ol style="list-style-type: none"> 1) Any mandate transferred by MMAH 2) Minimum number of RGI units in the building 3) Minimum number of market rent units in the building 4) Minimum number and type of accessible units to be maintained in the building
8.	<p>City Council request the General Manager, Shelter, Support and Housing Administration to ensure the Social Housing Administration System contains complete and accurate information concerning the mandate, and number and type of units available and occupied in each building.</p>	X			<p>Revisions to the Social Housing Administration System to record accurate information on mandates are currently in progress. By the end of Q2 2015 SSHA will ensure the Social Housing Administration System contains complete and accurate information concerning the mandate, and number and type of units available and occupied in each building.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
9.	<p>City Council request the General Manager, Shelter, Support and Housing Administration, in collaboration with the Director of Affordable Housing, ensure all affordable housing units are transferred to Social Housing for ongoing administration to make sure they are occupied by appropriate households.</p>	X			<p>SSHA and AHO will develop guidelines for the transfer of affordable housing projects to the Social Housing Unit for administration.</p> <p>The guidelines will clarify roles, communication protocols, file transfer and reporting. Guidelines will be developed by the end of Q4 2015.</p>
10.	<p>City Council request the General Manager, Shelter, Support and Housing Administration to establish controls to ensure that Annual Information Returns are received, reviewed and processed within the standard timelines established by the Division.</p>	X			<p>By the end of Q2 2015 the Shelter, Support and Housing Administration Division will:</p> <ul style="list-style-type: none"> • enhance its controls and processes to ensure that the Annual Information Returns are: <ul style="list-style-type: none"> - received from social housing providers in a timely manner; and - reviewed and approved within the timeframes established by the Division. • implement an improved system in SHAS to monitor the receipt and process status of the Annual Information Returns.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
11.	City Council request the General Manager, Shelter, Support and Housing Administration to develop a standardized process for conducting and tracking operational reviews and criteria to determine the frequency and breadth of the review.	X			<p>By the end of Q2 2015 SSHA will:</p> <ul style="list-style-type: none"> • improve its controls and criteria to ensure that the Operational Reviews are consistently completed in terms of: <ul style="list-style-type: none"> - the frequency established by the Division; and - which business components will be reviewed. • improve its process to ensure that SHAS data is maintained and can be used to monitor the timing and status of the Operational Reviews.
12.	City Council request the General Manager, Shelter, Support and Housing Administration to revise the policies and procedures relating to providers in difficulty and ensure criteria are developed to guide specific interventions.	X			<p>SSHA's Project in Difficulty procedures will be revised and updated to include guidelines for specific interventions including issuing a Notice of Triggering Events under the Housing Services Act, 2011. Assessment tools and change processes will be implemented by the end of Q4 2015.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
13.	City Council request the General Manager, Shelter, Support and Housing Administration in consultation with the Deputy City Manager and Chief Financial Officer to report to City Council in the spring of 2015 on the potential financial implications of obtaining property tax exemptions for eligible social housing providers.	X			In consultation with the City Manager's office, Deputy City Manager's office, Corporate Finance and Revenue Services, SSHA will explore the option to designate eligible social housing providers as municipal capital facilities allowing for the exemption of municipal and education property taxes. A report to City Council will be submitted by the end of Q2 2015.
14.	City Council request the General Manager, Shelter, Support and Housing Administration to review all social housing projects to identify those where ownership of the property reverts to the City when the lease expires.	X			In conjunction with its review of expiring social housing operating agreements, SSHA has already identified a number of social housing providers with City land/ground leases. SSHA will continue to assess all social housing provider files. SSHA will also consult with Real Estate Services. Information will be logged in the SHAS system. Review to be completed by the end of Q4 2015.