

Clause embodied in Report No. 10 of the Community Services Committee, which was before the Council of the City of Toronto at its meeting held on October 2, 3 and 4, 2001.

12

Social Housing Services Corporation

(City Council on October 2, 3 and 4, 2001, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on November 6, 2001.)

The Community Services Committee recommends the adoption of the following report dated August 28, 2001, from the Acting Commissioner of Community and Neighbourhood Services.

The Community Services Committee reports, for the information of Council, having requested the Acting Commissioner of Community and Neighbourhood Services to report directly to Council for its meeting on October 2, 2001, on how much extra it will cost the City of Toronto, having regard that the City Housing Companies are prohibited by the provincial legislation to join the City in the bulk purchase of natural gas or electricity.

The Community Services Committee submits the following report (August 28, 2001) from the Acting Commissioner of Community and Neighbourhood Services:

Purpose:

This report provides information on the establishment by the Province of Ontario, under the Social Housing Reform Act 2000, of the Province-wide Social Housing Services Corporation.

Financial Implications and Impact Statement:

There are no immediate financial implications. It is difficult to predict the long term financial implications at this time.

Mandatory participation of the Metro Toronto Housing Corporation and the Toronto Housing Company in the purchasing arrangements of the Social Housing Services Corporation may not be advantageous to the City.

Beginning in January 1, 2005, the City will be required to pay a portion of the operating costs of the Social Housing Services Corporation. The costs are unknown at this time.

Recommendations:

It is recommended that:

- (1) staff monitor the activities and performance of the Social Housing Services Corporation and report back on an annual basis;
- (2) since the Social Housing Services Corporation (SHSC) is mandated under the Social Housing Reform Act 2000 (SHRA), Council request the Minister of Municipal Affairs and Housing to involve the City in the process leading to the creation of a member controlled Social Housing Services Corporation; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Part VIII of the Social Housing Reform Act, 2000 (SHRA) establishes the Social Housing Services Corporation (SHSC). This section of the Act has not yet been proclaimed. The SHRA establishes the SHSC as a corporation without share capital. All provincial non-profit and co-operative housing providers, including THC, and all public housing providers, including MTHC are prescribed as members of the SHSC. Former federal housing providers are not required to participate in the SHSC.

The SHSC will be responsible for managing and administering the following social housing functions on a Province-wide basis: the pooling of capital reserves for investment purposes; group insurance; bulk purchase of natural gas; and ongoing benchmarking and best practices. The functions of the SHSC are limited to those described in the legislation; housing providers will continue to manage their day-to-day operations and the City, as service manager, will continue to provide funding and program administration for the transferred housing programs.

The SHSC will be managed by a fifteen person Board of Directors. The initial Board will be appointed by the Minister of Municipal Affairs and Housing. With the exception of the two Minister's appointments, subsequent members will be selected by service managers and housing providers.

The Ministry of Municipal Affairs and Housing (MMAH) has informed the City that, in the fall of 2001, the Minister is expected to announce the proclamation of the section of the SHRA pertaining to the SHSC and, at the same time or shortly thereafter, announce the selection of the first Chief Executive Officer. The Minister will subsequently appoint the first Board of Directors. The regulation pertaining to the SHSC is expected to be released shortly after proclamation. The SHSC is expected to be functional by the first quarter of 2002.

MMAH will pay for the operations of the SHSC for the years 2001 to 2004. After January 1, 2005, the expenditures of the SHSC are to be fully covered by municipal service managers.

Functions of the SHSC:

In establishing the SHSC, the Ministry's stated objectives were: to deliver certain services on a collective Province-wide basis in order to reduce costs; to allow all housing providers to benefit from economies of scale; to ensure consistency and uniformity of service delivery across the province; and to facilitate the administration of certain mandatory services.

(1) Capital Reserve Pooling:

Operating agreements currently in place require housing providers to set aside an annual allocation to a capital reserve fund. This requirement will continue after the housing programs are transferred to the City. Traditionally, MTHC (formerly MTHA) was not required to set aside an allocation to a reserve fund. MTHC received annual funding for capital repairs through the budget set by Ontario Housing Corporation (OHC). In 2002, this funding will be subject to Council approval as part of the overall budget process.

Historically, most housing providers have achieved low rates of return on their invested capital reserve funds. This reduces the funds available to housing providers for necessary capital repairs. Among the reasons for the poor returns are the restriction by MMAH and Canada Mortgage and Housing Corporation (CMHC) of housing providers' investments to those with guaranteed returns, and the lack of investment expertise among housing providers. The pooling of capital reserves is intended to help housing providers improve the rate of return that they receive on their invested capital reserve funds.

Reserve funds will not be pooled among housing providers; each housing provider will retain control of their own funds within the professionally managed pool. It will be up to the SHSC to decide how the money will be invested. The SHSC will exercise control over key areas of the investment program. A "Manager Company" will be established to oversee the investment process. The SHSC will nominate representatives to serve on the company's board, will make key policy decisions regarding the company, the fund strategy, the investment policies, objectives and guidelines of the funds, and the retention of a professional investment manager to manage the assets of the pool.

City staff have been advised by MMAH that consulting services related to the pooling functions of the SHSC have been sought through a Request for Proposal. A consultant, who will be selected shortly, will assist the Province in the establishment of the Manager Company and in the selection of the fund manager.

Because of the success of the three largest municipal housing providers in achieving a high rate of return on their invested capital reserves, the Province has given written assurance that THC, along with City Living in Ottawa and Peel Municipal Non-Profit Housing Corporation, will not be required to participate in the capital reserve pooling arrangements. These exemptions will be included in the regulation.

(2) Group Insurance:

Currently, the provincial non-profit housing providers must participate in a group insurance program administered by the Province. This program requires every municipal and private non-profit provider to obtain a quote from the chosen insurance broker. The quotation is used to “benchmark” the cost of insurance for the individual housing provider; this sets the amount that will be included in the housing provider’s budget for subsidy purposes. The housing provider is free to choose another insurance company.

Co-operative housing providers are exempt from the Province’s mandatory group insurance program; the majority participate in a group insurance program administered by the sector organization. Public housing providers, such as MTHC, are required to participate in a group insurance program administered by the OHC Support Branch.

Responsibility for administering the group insurance programs for both private non-profit and public housing providers will be transferred to the SHSC.

(3) Bulk Purchasing: Natural Gas and Other Initiatives:

The SHSC will assume responsibility for the bulk purchase of natural gas. This function is currently being carried out by the OHC Support Branch for public housing providers. At present, non-profit and co-operative housing providers participate in sector sponsored bulk purchasing arrangements or make their own arrangements. Public, non-profit and co-operative housing providers will be required to participate in the SHSC bulk purchasing arrangements for natural gas. The Ministry’s intent in mandating the SHSC to purchase natural gas is to use both sector size and industry knowledge to obtain the best price for housing providers.

Over time, the SHSC may pursue other bulk purchasing arrangements that would benefit its membership. For instance, the SHSC may establish arrangements for the bulk purchase of electricity. Until the regulation is released, it not known whether the SHSC would be able to require the participation of housing providers in other bulk purchasing initiatives.

(4) Benchmarking and Best Practices:

The SHSC will administer a new benchmarking and best practices program for all housing providers. This may lead to improved efficiencies within the social housing system. It will provide a mechanism for sharing ideas, experiences and management processes and practices. A web-site for this purpose has already been established by MMAH. Benchmarks and best practices are still under development by the Ministry and details are not yet available.

Membership by Federal Non-Profit and Co-operative Housing Providers, and Supportive Housing Providers:

The relationship between the City and its transferred federal non-profit housing providers will continue to be governed by the operating agreements which will be transferred with the providers. As such, they are not mandated to participate in the SHSC. Other non-profit housing providers, who were transferred to the support ministries of the provincial government or who, in

the case of the federal co-ops, will remain under the administration of CMHC, will not automatically become members.

However, some of these housing providers may be interested in joining the SHSC in order to take advantage of the reserve pooling program or the bulk purchasing functions. If these providers wish to participate in the functions of the SHSC, they will be required to apply to the SHSC Board of Directors for membership. If the membership application is approved, these providers will then be listed under Schedule 1 of the Regulation as non-profit housing corporations for the purposes of clauses 141 (a), (b), (c), and (d) of the Act, and clauses 142 (1)(b), (d), (e) and (f) of the Act. These clauses prescribe the powers and objects of the corporation as they apply to member housing providers.

Board of Directors:

The SHSC will be governed by a Board of Directors and will hire its own staff. The Board of Directors will consist of fifteen members: eight service managers, five housing providers, and two members appointed by the Minister.

The composition of the Board is defined specifically in the legislation. The service manager representation is as follows:

- 1 member selected by Toronto;
- 1 member jointly selected by York, Durham and Peel;
- 1 member jointly selected by Toronto, York, Durham and Peel;
- 1 member selected by District Social Service Administration Boards (DSSABs); and
- 4 members selected by service managers and District Social Service Administration Boards (DSSABs) outside of the GTA.

Of the five Board members selected by housing providers, three will be selected from the non-profit sector, and two will be selected from the co-op sector.

The last two members will be appointed by the Minister. One of the appointments may be from a Local Housing Corporation.

The SHRA specifies that the Board members' first terms of office expire as follows:

- December 31, 2002 - non-profit and co-op sector representatives;
- December 31, 2003 - service manager representatives; and
- December 31, 2004 - Minister's appointments.

The first Board of the SHSC will be appointed by the Minister in the fall 2001. As Board terms expire, they will be replaced by sector-selected representatives. By January 1, 2005, the Board (excluding the Minister's two appointments) will be fully member-selected. Regular terms of office will be for three years and may be renewed for more than one term.

The Minister will also appoint the first CEO; this person will simultaneously act as Chair of the Board of Directors in accordance with Section 146(3) of the SHRA. The CEO/Chair's term of office will expire on December 31, 2004. Subsequently, the Board will elect one of its members to act as Chair and will appoint a CEO of the SHSC. The Board Chair will be elected for a one year term which can be renewed for a second year.

MMAH is looking for individuals to serve as Directors on the inaugural board of the SHSC. No formal request for candidates has been issued to the City. A briefing package was sent from the Ministry to the Association of Municipalities of Ontario (AMO). However, since AMO does not support the formation of the SHSC, they chose not to distribute the briefing package to service managers.

Comments:

On November 20, 2000, in the City's deputation to the Standing Committee on Justice and Social Policy at the hearings on Bill 128 - The Social Housing Reform Act 2000, Councillor Duguid stated that the SHSC "is not getting the Province out of social housing. This is imposing the provincial view on how things should be run even though they are not paying." Councillor Duguid stated that "the Social Housing Services Corporation.... should be deleted from the bill".

AMO's position is in keeping with that of the City. On behalf of their members who are designated as service managers, AMO opposed the formation of the SHSC. The SHSC is seen as a continued intrusion into the business that was downloaded to municipalities by the Province. Many municipalities already have the mechanisms in place to allow for the inclusion of housing providers in their existing bulk purchasing and capital investment arrangements. The SHSC is seen as unnecessarily bureaucratic and costly.

Nevertheless, the City's participation is mandated by legislation. The Social Housing Reform Act 2000 was proclaimed on December 14, 2000, and legislated the formation of the Social Housing Services Corporation.

For the public housing portfolio, some of the planned functions of the SHSC are currently being managed by the OHC. As discussed in the report to Policy and Finance Committee on July 4, 2001, entitled "Metro Toronto Housing Corporation (MTHC) - Natural Gas Bulk Purchase", MTHC remains obliged to take part in the natural gas bulk purchasing arrangements established by OHC, even though this may not be in the best financial interests of the City. Once the SHSC has been established, the natural gas bulk purchasing function will be transferred from OHC to the SHSC.

As authorized by Council at its meeting on July 24, 2001, the Acting Commissioner of Community and Social Services has written to the Minister requesting that MTHC be released from its obligation to participate in the OHC sponsored natural gas bulk supply program so that MTHC may participate in the City's natural gas bulk purchasing program. To date, the City has not received a reply from the Minister.

Because of the success of THC's capital reserve investment program in achieving a high rate of return, the Ministry will be granting THC an exemption from the SHSC's pooling arrangements. Since the Social Housing Services Corporation (SHSC) is mandated under the Social Housing Reform Act 2000 (SHRA), Council request the Minister of Municipal Affairs and Housing to involve in the City the process leading to the creation of a member controlled Social Housing Services Corporation.

Conclusions:

The participation of the City and the transferred housing providers in the SHSC is mandated under the SHRA. THC will be exempted from the requirement to participate in the arrangements for the pooling of capital reserves. The City has asked the Minister for his consent to allow MTHC to withdraw from the natural gas bulk purchasing program which is to be turned over to the SHSC.

Since the Social Housing Services Corporation (SHSC) is mandated under the Social Housing Reform Act 2000 (SHRA), Council request the Minister of Municipal Affairs and Housing to involve the City in the process leading to the creation of a member controlled Social Housing Services Corporation.

Contact:

Phil Brown
General Manager, Shelter Housing and Support
Tel: 416-392-7885/Fax: 416-392-0548

(City Council on October 2, 3 and 4, 2001, had before it, during consideration of the foregoing Clause, a supplementary report (September 27, 2001) from the Acting Commissioner of Community and Neighbourhood Services.

Having regard that City Council deferred consideration of this Clause to its next meeting scheduled to be held on November 6, 2001, the aforementioned communication will be resubmitted to Council.)