

CITY GUIDELINE

Number: 2013-3

Date Issued: August 20, 2013

Effective Date: Immediately

The policies and procedures in this City Guideline are to be implemented under the following programs:

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| <input checked="" type="checkbox"/> HSA*, Section 78, Market and RGI** | <input type="checkbox"/> Non-Profit Housing Section 95 |
| <input checked="" type="checkbox"/> HSA, Section 78, 100% RGI | <input type="checkbox"/> Rent Supplement Programs |
| <input type="checkbox"/> Federal Non-Profit Housing Section 26/27 | <input type="checkbox"/> Toronto Community Housing Corporation |

Please note: If your program is not checked, this City Guideline does not apply to your project.

** Housing Services Act, formerly section 110 of the Social Housing Reform Act **Rent-Geared-to-Income*

Subject: Surplus Sharing

Background:

Under the current funding formula, section 78 housing providers must share 50% of their yearly operating surpluses with the City of Toronto.

The City recognizes that housing providers achieve net income as a result of good performance and management. As an incentive to encourage this, the City changed the surplus sharing formula in 2007. The change allowed section 78 housing providers to keep a part of the net income that they would normally have repaid to the City. Housing providers were required to allocate this additional subsidy as a capital reserve fund contribution.

Section 78 housing providers may keep up to \$100 per unit of their annual net income that they would normally repay to the City, or the total share of operating income owed to the City, whichever is less.

To be eligible for surplus sharing, a housing provider must be considered to be in "good standing" for the purposes of this City Guideline. A housing provider is considered to be in "good standing" if the housing provider:

- 1) provides, at a minimum, the number of rent geared-to-income units required under their targeting plan at all times during a fiscal year; and
- 2) if applicable, uses Housing Connections' TAWL database (the Centralized Waiting List) and fills vacant units with rent-geared-to-income households, as required under the *Housing Services Act* and Local Rules; and
- 3) addressed, to the satisfaction of the Social Housing Unit, any operational review finding that has been identified as a "requirement"; and
- 4) ensured that they have complied with the training requirements set out in Section 5 (Training) of the RGI Service Agreement ; and
- 5) has a system that ensures that the Board of Directors reviews and acts on all City Guidelines, newsletters and other correspondence from the Social Housing Unit; and
- 6) addressed, to the satisfaction of the Social Housing Unit, any Red Flags identified in the BMA report; and
- 7) met the requirements of City Guideline 2007-6 at all times during the fiscal year.

If a housing provider is not eligible for surplus sharing because they are not in good standing for any of the reasons outlined above, or for any other reason determined by the Social Housing Unit in accordance with the *Housing Services Act*, the City's AIR settlement letter will state that they do not qualify for surplus sharing for that year.

Action Required:

1. All eligible Section 78 mixed housing providers (subject to the conditions set out in the background of this City Guideline) must calculate the additional subsidy they are allowed to keep. Report the subsidy on Line 1264 of the Annual Information Return (AIR.).
2. All eligible Section 78 100% RGI housing providers (subject to the conditions set out in the background of this City Guideline) must calculate the additional subsidy they are allowed to keep. Report the subsidy on Line 1328 of the AIR.
3. All eligible Section 78 housing providers must allocate this additional subsidy as a capital reserve fund contribution, and report it on line 655 of the AIR.

This amount is not included in the calculation of net income.

Helpful Hint:

<i>Example: Toronto the Good Housing Corp.</i>	s. 78 (mixed)	s. 78 (100%RGI)	Amount
A) Surplus	Line 1260	Line 1326	\$29,524
B) Amount kept by provider without restriction			\$14,762
C) Surplus repayable	Line 1262	Line 1327	\$14,762
D) Service Manager approved reduction [Lower of surplus repayable (\$14,762) or \$100 per unit (134 x 100 = \$13,400)]	Line 1264	Line 1328	\$13,400
Net surplus repayable	Line 1269	Line 1329	\$1,362

For more information, or if you have questions or concerns, please contact your Social Housing Consultant.

Original signed

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