

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 12, 2013
Report of the
General Manager

INCREASING THE NUMBER OF RENT-GEARED-TO-INCOME UNITS IN HOUSING YORK INC.'S SENIORS' PORTFOLIO

1. RECOMMENDATIONS

It is recommended that:

1. Housing York Inc. request that the Region, as Service Manager, consider the conversion of 127 non- rent-geared-to-income seniors' units to rent-geared-to-income units and provide the additional subsidy required to off-set the associated rent revenue loss as part of the Region's 2014 budget process.
2. Staff be directed to work with the Region to amend the target plans and funding benchmarks for seniors' buildings in the provincial reform portfolio and the rent supplement and rent assistance agreements for buildings in the affordable housing portfolio and authorize the General Manager of Housing York Inc. to execute such documents as may be required, subject to prior review by legal services.

2. PURPOSE

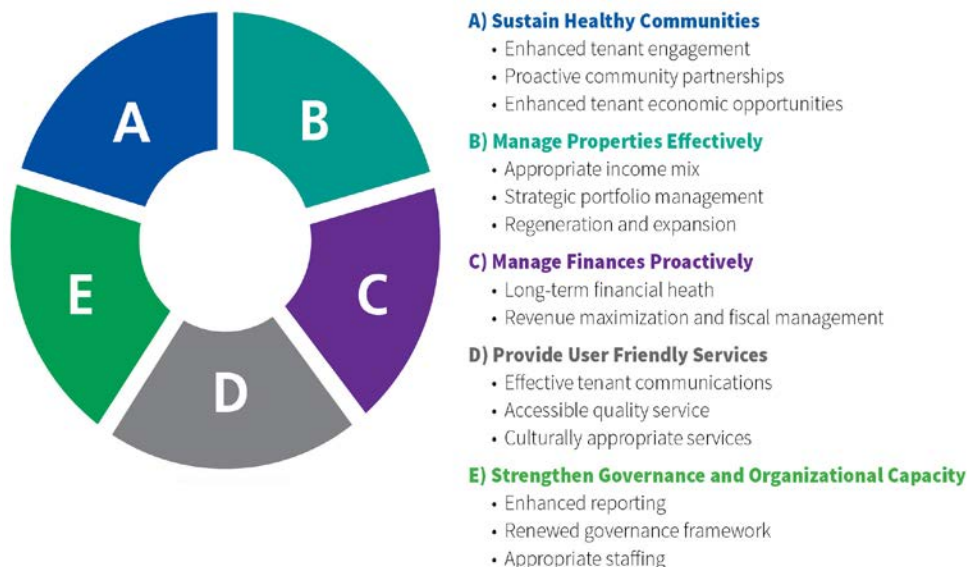
This report recommends that Housing York Inc. (Housing York) transition 127 non-rent-geared-to-income (non-RGI) units in seniors' buildings to rent-geared-to-income (RGI) units, subject to a request for additional subsidy from the Region, as Service Manager, to off-set the associated rent revenue loss.

3. BACKGROUND

Evaluation of income mix across the portfolio was an Initiative of the Housing York Inc. Strategic Plan

In October 2012, the Board of Directors approved the Housing York Inc. Strategic Plan 2012 – 2016 (the Strategic Plan). The Strategic Plan established five strategic directions, each with a set of objectives to support effective operational decision making. Figure 1 provides an overview of the goals and objectives outlined in the Strategic Plan.

Figure 1



Housing York committed to evaluating the tenant income mix and to working with the Region to adjust the mix, and find ways to increase the supply of RGI units to meet the changing needs of the community.

Housing York is impacted by the growing demand for affordable housing

With a rapidly growing population and the seniors' population expected to double from 11 per cent to 21 per cent of the total population by 2031, Housing York, as the largest housing provider in York Region, is significantly impacted by the demands for more affordable housing for seniors.

In June 2013, there were more than 9,900 households on the Region's centralized waiting list. Approximately 88 per cent of these households are waiting for a Housing York unit, with more than 4,200 households waiting specifically for a unit in a seniors' building.

In 2012, Housing York housed 240 of the 331 applicants from the Region's waiting list; 113 of Housing York's new RGI tenants were seniors.

Housing York seniors' portfolio is funded under three different programs

Housing York has 25 buildings mandated for seniors. These seniors' buildings were developed under three different programs with different income mixes as detailed in Table 1.

Table 1
Housing York's Senior Portfolio – Program Breakdown

Program	Seniors Units	Subsidized Units	Program Design
Public Housing	862	100%	All units must be RGI
Provincial Reform	415	73%	Each building has a target plan specifying the number of RGI units
Affordable Housing Program (rent supplement program)	241	68%	Rent subsidies are funded through agreements with the Region

With the combined public housing, provincial reform and rent supplement funding, approximately 1,339 seniors units receive a rent subsidy and 179 are for seniors paying market rent.

4. ANALYSIS AND OPTIONS

Converting non-RGI units to RGI units is a viable and cheaper alternative to building new housing

The Region's alternatives to address the waiting list include building new housing and providing rent subsidies in the private market. With a current average cost per unit of \$285,000, new construction is costly and takes many years to complete. York Region's private sector rental market is very small. Of the 13,362 units identified through data from the Municipal Property Assessment Corporation, more than 7,400 units are social housing. With a vacancy rate of 1.6%, there is little incentive for the Region's few private sector landlords to participate in rent supplement programs. Increasing the number of subsidized units in the existing social housing portfolio is an effective means of addressing the waiting list.

The mixed-income model is less critical for seniors' housing

Public housing, the first large scale government funded housing program, began in Canada in the late 1940's and continued through the early 1970's. In public housing buildings, 100% of the units are RGI. Academic evaluations of public housing programs

were highly critical. Canadian and international studies found that neighbourhood poverty is often associated with poor health, poor access to services, high dependence on social assistance and weak connections to the labour market. As a result, since the early 1970's, governments have directed new social housing investments to a mixed income model, where RGI units are integrated within a community that includes non-RGI units.

The Region's public housing portfolio is almost exclusively for seniors. Staff has observed little difference in the feel and working of the community between the 100% subsidized seniors' buildings and the income mixed seniors' buildings. This is consistent with the findings of a study prepared for the Region, by Steve Pomeroy of Focus Consulting, which observed that *"Where existing social housing properties are not located in areas of disadvantage or high poverty concentration, and current targeting is at a low ratio it may be acceptable to increase targeting without adverse household or neighbourhood effects... For properties targeting seniors, many of the concerns about concentration of low income are not relevant (e.g. skills and labour market attachment) such that high RGI levels can likely be tolerated without any detrimental effects."* As such, Housing York has focussed the conversion of non-RGI units to the senior's portfolio only. An evaluation of the income mix in family sites will be completed at a later date.

A mix of RGI and non-RGI units is recommended where the private rental market is essentially non-existent

Housing York has seniors' units in eight of the nine local municipalities. In the towns of Georgina, East Gwillimbury and King, Housing York is the only landlord providing affordable rental accommodations for seniors. Maintaining an income mix of 75% RGI and 25% non-RGI in the seniors' buildings in these communities, with 52 non-RGI units in total, balances the demand for RGI housing and the need for non-RGI units for those seniors with the ability to pay a higher rent.

With increased funding, Housing York could convert 127 non-RGI units to RGI

With increased funding from the Region, 127 non-RGI units in Housing York's seniors' buildings could be converted over time to RGI units. As market units turn over, Housing York could offer them to seniors on the Region's centralized wait list for subsidy.

Historically, two-bedroom RGI units for seniors have been more challenging to rent. Regional occupancy standards permit one bedroom per couple. A second bedroom is only approved if required to address a medical need. As many senior couples do not meet the criteria for a two-bedroom RGI unit, the wait list is generally not long.

It is therefore suggested that, where a two bedroom unit cannot be filled from the Region's waiting list, Housing York offer the vacant unit to a non-RGI senior rather than incur a vacancy loss.

With a turnover rate of approximately 20 per cent of non-RGI units per year in the seniors' portfolio, it will take more than a decade for the 127 units to be converted to RGI units.

Housing York will communicate with applicants on the non-RGI wait list

Currently there are approximately 296 applicants on Housing York's non-RGI wait list interested in renting a seniors' unit. If Regional approval is obtained, Housing York will contact each affected applicant informing them of the policy decision converting existing non-RGI seniors units to RGI units and referring them to other resources in the community.

Link to key Council-approved plans

As the largest housing provider in York Region, Housing York plays an integral part in supporting many of the housing goals and objectives established in the Region's long term corporate strategies.

Providing more opportunities for seniors in York Region to access subsidized housing aligns with a number of Regional long term strategies including:

- **Vision 2051** – *A place where everyone can thrive and Appropriate housing for all ages and stages*
- **Region's 2011-2015 Strategic Plan** - *supporting healthy communities through a broad range of housing choices and supports to meet the diverse needs of residents*
- **Regional Official Plan** – *3.5 Housing our Residents – promoting an appropriate mix and range of acceptable housing to meet the needs of residents and workers.*

5. FINANCIAL IMPLICATIONS

If all 127 non-RGI units were converted to RGI immediately, the total additional subsidy required would be approximately \$900,000 in 2013 dollars. However, these units are currently occupied by non-RGI tenants and will be converted as vacancies occur. If approved by the Board, the transition would require that the increased Regional subsidy costs will be identified as a proposed enhancement for consideration in the Region's 2014 budget process.

In the first five years the average annual subsidy increase is about \$120,000, with an annualized impact of about \$600,000 by the end of the fifth year (in 2013 dollars). In order to proceed with implementation, Housing York will require the Region's approval to amend the funding benchmarks and target plans for the provincial reform program buildings and to amend the rent supplement agreements for the newer Regional program buildings. These amendments would result in the increased Regional subsidy required to ensure that the conversion of non-RGI units is revenue neutral for Housing York.

Repurposing existing non-RGI units is a cost effective means of increasing the supply of subsidized rental units. The capital and operating costs for existing buildings are already covered through current revenues. The incremental cost to provide subsidy for 127 units is about \$900,000. Providing the same number of subsidized units through new construction would require capital funding of about \$36 million and an annual subsidy of approximately \$200,000.

6. LOCAL MUNICIPAL IMPACT

Housing York owns and operates residential rental housing in all nine local municipalities and is home to over 2,800 seniors. With a growing demand for subsidized housing, Housing York has a unique opportunity to increase the number of subsidized units for seniors in York Region without incurring the costs associated with new construction.

7. CONCLUSION

The Region is experiencing persistent unmet housing needs, as reflected in the growth of the waiting list for social housing. With a limited supply of social housing and considerable costs for new affordable housing development, Housing York sees a unique opportunity to repurpose existing stock. With additional subsidy from the Region, Housing York can offer 127 new subsidies to senior applicants on the Region's waiting list.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

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August 15, 2013

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