

The Regional Municipality of York

Housing York Inc.
September 7, 2017

Report of the
General Manager

Richmond Hill Hub Tiered Rent Model Update

1. Recommendation

It is recommended that this report be received for information.

2. Purpose

This report provides the Board with an update on the Richmond Hill Hub's initial operations and implementation of the tiered rent model.

3. Background

The Richmond Hill Hub is Housing York's newest building

The Richmond Hill Hub is a nine storey mixed-use building located at 10415 Yonge Street in Richmond Hill. It includes 202 residential units, with 182 one-bedroom and 20 two-bedroom units. Sixteen of the units are barrier-free. Tenants began moving into the building in January 2016. The building is home to a range of tenants, including seniors, singles, and small families, with a mix of incomes.

In addition to the residential portion, the Hub includes 11 transitional housing units, 14 emergency shelter beds and a home-base youth drop-in centre on the ground floor, operated by 360°kids. 360°kids rents additional space in the building for its corporate offices.

The Hub's tiered rent model simplifies the administration of affordable rents for low and moderate income households

In [June 2015](#), the Board approved implementation of a new model for delivering rent subsidies for tenants living at the Hub. The building is debt free, and is not subject to the provincial Rent-Geared-to-Income (RGI) rules under the *Housing*

Services Act, 2011. This provided an opportunity to develop an innovative affordable rent model that would not require ongoing Regional rent subsidies.

Staff identified the following principles to inform the development of the model:

- The model is simple, transparent, and more efficient to administer than traditional RGI
- Tenants pay rents that range from 25% to 35% of their incomes, depending on their placement in the range
- Rent revenue covers all operating costs and reserve fund requirements, and generates a surplus

Unlike traditional RGI programs, rents are not customized for each individual household. The tiered rent model established five income bands based on the household’s gross income. Tenants could qualify for a discount off the market rent depending on where their household incomes fall within the rent bands. For example, a household with an income of \$20,000 is eligible for band 6, which provides a 65% discount off the market rent. The household pays \$429 per month for a one-bedroom unit, or about 25% of their monthly income.

Tenants are required to meet basic eligibility criteria, including legal residency in Canada and incomes below \$80,000. Rents are reviewed and adjusted annually using income tax information.

The model is much simpler to administer than the provincially regulated rent-geared-to-income model, while achieving similar levels of affordability.

4. Analysis and Implications

Housing York has established successful partnerships with community agencies in the Richmond Hill Hub

The Region’s Social Services branch has supported Housing York’s partnership with 360°kids by providing annual funding to support the youth hub’s operation and maintenance. In 2016, Social Services contributed approximately \$277,000 for the youth hub to offset maintenance costs and contribute to the capital reserve. The funding covers a proportion of the building’s insurance and operating costs, taxes, general repairs, security and cleaning.

Housing York has head lease agreements for 10 units with a number of community organizations, including 360°kids, Community Living York South, Ontario March of Dimes, and Home on the Hill. Under these agreements, tenants must meet the Hub’s eligibility criteria, including having incomes below the

maximum income limit. The partner agencies determine who occupies the units, provide rent subsidies if required, and coordinate support services for their clients.

180 households in the Hub pay an affordable rent

The tiered rent model has allowed Housing York to house tenants with a mix of incomes. Units with higher rents offset the discounts required to support tenants with lower incomes. Nearly 60% of households are seniors, while about 4% are small families with children. The remaining households are non-senior singles and couples with no dependants.

The subsidized housing wait list posed challenges for implementing the tiered rent model

The wait list is designed to meet the requirements of the *Housing Services Act*, 2011, which governs traditional RGI subsidies. When applying for subsidized housing, applicants select the buildings in which they wish to live, regardless of the rent subsidy programs in place in those buildings. Often applicants are not aware of the differences between programs until they are offered a unit.

This presents challenges for implementing new programs like the tiered rent model, as many applicants expect to receive a traditional RGI subsidy. During rent-up, a number of applicants were unsure about the program and refused the unit, preferring to wait for a traditional RGI subsidy. Rent-up required more staff time, as staff made more offers to applicants than typical compared to buildings Housing York has opened in the past.

The software used to manage the wait list presented further challenges, as it is designed to meet legislative requirements and is not compatible with the tiered rent model. The wait list is based on date of application and not on household income. Identifying applicants to fill each rent band required manual applicant file review and spreadsheet-based tracking processes. Updated technology is needed to sort applicants by chronological application date and income so staff can better identify eligible households to fill rent bands.

Staff are examining options for modernizing the subsidized housing wait list and will report back to Council later this fall

The Region has recently implemented several changes to the subsidized housing wait list application process. Applicants are no longer asked for specific building preferences until they move closer to the top of the wait list. A move-in readiness program was introduced to prepare applicants near the top of the list to move when a vacant unit become available, including verification of income and program eligibility.

Staff are evaluating further changes to ensure effective program delivery and provide assistance to applicants who are most in need. Clearer communication of subsidy options is also required to help manage applicant expectations. A report with modernization recommendations will be brought to Regional Council later this fall.

There is a mismatch between applicant incomes and tiered rent bands

Applicants are required to declare their household income and assets as part of the wait list application process and during annual reviews. However, data is not verified until the applicant is offered a vacant subsidized unit. Rent-up of the Hub showed a variance between the information provided by the applicant and the verified income at the time of unit offer. As the income bands were modeled based on applicant income data, when staff contacted applicants to offer vacant units by band, they found that applicants' verified incomes no longer fit within the band. This resulted in additional administration time and applicants who were disappointed, as they were no longer eligible for the unit being offered.

Many applicants on the wait list have low incomes. In 2016, 60% of households waiting for subsidized housing reported annual incomes of less than \$20,000. These households qualify for the lowest rent band, which has a maximum income of \$24,000. There are 37 units in the lowest rent band and many of the highest ranked applicants required deeper subsidies than the middle bands provide.

Updates to the tiered rent model will better support tenants and ensure revenue targets are met

The tiered rent model includes unit targets for all rent bands, however, the middle bands were more difficult to fill due to the mismatch of applicant incomes with those bands. The income ranges for each rent band are being reviewed and minor adjustments will be made to better align the bands with applicants' actual incomes. Unit targets will continue to be set for market units and units with deeper subsidies, but staff will have flexibility to adjust the targets for middle bands. Providing flexibility will allow the model to be responsive to needs of wait list applicants and ensures the revenue goals for the building are met.

Further program requirements may be required as Housing York looks to adopt the rent model for new buildings. Updates to the model will continue to reflect the program principles, ensuring revenue targets are met and tenants pay no more than 35% of their income towards rent.

Updating the Richmond Hill Hub rent subsidy model supports Housing York's 2017 to 2020 plan and the strategic direction of building long-term financial sustainability

A key action in Housing York's plan is to refine the tiered rent model and consider opportunities to implement it as an alternative to traditional RGI. The changes outlined in this report will fulfill this action, and support Housing York's financial sustainability by ensuring buildings are financially viable.

5. Financial Considerations

The rent subsidy model achieves the goal of generating revenue, eliminating the need for a Regional operating subsidy

The Richmond Hill Hub was funded by a number of sources, including Regional development charges, the Federal/Provincial Investment in Affordable Housing Program, and a contribution from the Town of Richmond Hill for the 360⁰kids space. As the building has no debt service cost, the building generates \$300,000 per year in reserve fund contributions and additional revenues to support future development.

6. Local Municipal Impact

Following adjustments, it is anticipated that the tiered rent model will be implemented in Housing York's new affordable housing developments, including the Unionville redevelopment in Markham and the Woodbridge redevelopment in Vaughan.

7. Conclusion

The Richmond Hill Hub has provided an opportunity for innovation through Housing York's multiple partnerships with community organizations, and through the delivery of a new affordable tiered rent model. Adjustments to the model will provide staff with the flexibility needed to support tenants and support the building's long-term financial sustainability. Future updates to the subsidized housing wait list will allow for more effective program delivery.

Richmond Hill Hub Tiered Rent Model Update

For more information on this report, please contact Rick Farrell, General Manager, Housing York Inc. at 1-877-464-9675 ext. 72091.

The Senior Management Group has reviewed this report.

Recommended by:

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