

Analyst Briefing Notes
Budget Committee
(February 10, 2009)

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PART I: 2009 OPERATING BUDGET**Executive Summary**

- The Affordable Housing Office is responsible for the creation of transitional and permanent affordable housing. The Program partners with the Toronto Community Housing Corporation, community organizations and private sector housing developers to deliver new units of affordable housing, which includes constructing new buildings, the purchase and rehabilitation of existing housing, or converting non-residential buildings to residential. As well, the Affordable Housing Office administers a Federal program that provides loans and grants to low- and modest income households for upgrades to existing housing stock.
- The key challenges for the Affordable Housing Office to create new affordable housing units over the next three years include:
 - The reliance on third-party funding in order to make housing development opportunities affordable, the transition to new Federal/Provincial funding in 2009, combined with limited City resources makes the creation of new affordable housing difficult.
 - The Program creates affordable housing in a market where the demand for affordable housing far exceeds the City's ability to provide sufficient levels of new affordable housing solutions. Already one of the country's most expensive housing markets, the cost of building and operating new affordable housing in Toronto faces additional pressures from recently-approved and proposed City policies (i.e. the City's Green Development Standards; the multi-residential apartment strategy; and mandatory fire sprinkler installation).
 - The delivery of affordable housing projects is complex to manage, with projects that can take years to move from design to occupancy, depending on funding requirements, consultation processes, planning approvals, and environmental conditions. As well, although the Affordable Housing Office receives Federal and Provincial subsidies for managing project development and housing rehabilitation, the recovery of administrative costs from other orders of government does not offset the costs incurred by the City to administer these programs.
- The Affordable Housing Office has established the following key service objectives over the next three years to address the challenges and opportunities outlined above:
 - ***Create 1,000 new affordable homes annually:*** Despite the fact that Toronto is an expensive, complex market, the Affordable Housing Office continues to provide opportunities for affordable housing development through the use incentives such as donating surplus City land, providing property tax exemptions, fee waivers and capital grants/loans.
 - ***Implement Housing Opportunities Toronto:*** Working in collaboration with TCHC and other City partners, the Affordable Housing Office is coordinating the development of a 10-year affordable housing plan for Council consideration. *Housing Opportunities Toronto (HOT)* (when approved) will provide a "blueprint" to guide affordable housing investments over the next decade. The final plan, which builds on

the HOT consultation framework released in November 2007, is to be released in the May of 2009.

- ***Preserve and fix affordable homes:*** Through administrating the Federal Residential Rehabilitation Assistance Program (RRAP), the Program will process 700 loans and grants to help eligible homeowners upgrade and retrofit existing housing stock.
- The 2009 Recommended Operating Budget provides funding for a variety of programs and activities which address Affordable Housing Office's challenges, opportunities and key objectives as set out above:
 - Leverage City resources to create affordable housing: Through the use of existing City reserves and other incentives (waived property taxes, development charges and planning fees); the City will continue to provide support for affordable housing development.
 - To provide effective solutions to help manage the delivery of new affordable housing and RRAP applications, the Affordable Housing Office is reviewing its business processes and information system requirements by implementing new information technology systems that will provide improvements in reporting and controlling the administration of the projects under development. These improvements will provide operational efficiencies that will help offset the cost of administrating the delivery of affordable housing and RRAP.
 - AHO Data Tracking System: This new service priority action will assist in the delivery a database system that tracks and reports the funding and progress of affordable housing projects. Funding of \$0.170 million is provided from the Capital Budget of Shelter, Support and Housing Administration for 2 temporary positions, with no future year impact.
 - RRAP Database: This new service priority action will assist in the delivery of a database system, providing the resources for Program staff to track RRAP grant applications and fulfill due diligence requirements for the Federal government. Funding of \$0.1 million is provided from the Capital Budget of Shelter Support and Housing Administration for 1 temporary position, with no future year impact.
- For 2008, the Affordable Housing Office projects a year-end net expenditure of \$1.307 million. Gross expenditures of \$2.508 million are projected to be \$0.412 million below budget (with an offsetting reduction in revenues), which is mainly attributed to 3 vacant positions that are funded from the City's reserves. The vacancies will be filled in 2009.

Table 1: 2009 Recommended Budget

	2008		2009 Recommended Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Approved Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 Rec. New /Enhanced	2009 Operating Budget	\$	%	2010	2011
	\$	\$	\$	\$	\$			\$	\$
(In \$000s)									
GROSS EXP.	2,920.1	2,508.2	2,915.3	270.0	3,185.3	265.2	9.1	35.0	35.0
REVENUE	1,613.0	1,201.1	1,634.3	270.0	1,904.3	291.3	18.1	(668.2)	
NET EXP.	1,307.1	1,307.1	1,281.0	0.0	1,281.0	(26.1)	(2.0)	703.2	35.0
Approved Positions	23.0	23.0	23.0	3.0	26.0	3.0	13.0	(3.0)	
TARGET			1,281.0		1,281.0				
\$ Over / (Under) Program Target			0.0		0.0				
% Over / (Under) Program Target			0.0%		0.0%				

- The 2009 Recommended Operating Budget for the Affordable Housing Office of \$1.281 million net is at target, mainly due to the use of the Capital Revolving Fund to offset budget pressures and reflects the 2008 service levels.
- The 2009 Recommended Operating Budget is comprised of base funding of \$2.915 million gross and \$1.281 million net and funding for new/enhanced service priorities of \$0.270 million gross and \$0 net. Approval of the 2009 Recommended Operating Budget will result in the approved complement increasing by 3.0 to 26.0 positions.
- The 2010 incremental net increase of \$0.703 million in operating costs includes merit and step adjustments of \$0.035 million, and the \$0.668 million reversal of the one-time contribution from the Capital Revolving Reserve Fund recommended in 2009. The 2010 gross and revenue will be reduced by \$0.270 million, as the 3 new positions added in 2009 are for one year.
 - The 2011 incremental net increase includes merit and step adjustments of \$0.035 million.
- The key cost drivers for 2009 include salary and benefit increases that total \$0.077 million for merit and step and annualized 2008 COLA; other base changes of \$0.034 million for increases in legal, professional and consulting services; and loss of Homelessness Partnering Strategy funding (HPI) of \$0.154 million that was available to the Affordable Housing Office in 2008. To meet target, these increases are offset by the following:
 - Increase in the contribution from the Capital Revolving Fund of \$0.176 million over the 2008 Approved Budget.
 - Salary reductions of \$0.103 million resulting from the re-classification of existing positions levels and salaries, based on the 2008 arbitrator’s award with Local 79.
 - One efficiency adjustment for \$0.026 million, including the reduction of professional services by \$0.019 million, and absorbing general inflationary increases of \$0.007 million.

- The 2009 Recommended Operating Budget provides \$2.915 million in base funding for the following services and activities that directly advance the Mayor’s priority of creating 1,000 units of affordable housing annually:
 - ***Leveraging/ advocating 3’rd party funding for affordable housing:*** With a base budget of \$2.344 million, the Program maximizes funding from Federal and Provincial housing programs, City funding and supports to facilitate the creation of new housing stock in the City. As well, the Affordable Housing Office is the City’s research and advocacy component for affordable housing development.
 - ***Maintaining/ enhancing existing housing stock:*** With a base budget of \$0.571 million, the Program delivers the Residential Rehabilitation Assistance Program (RRAP), the Federal initiative that supports the repairs and retrofits to existing housing stock.
- The Affordable Housing Office’s most significant challenges in 2009 are to deliver the Housing Opportunities Toronto Plan; facilitate the completion of investments through the Affordable Housing Program and undertake the administration of new affordable housing funds announced in the January, 2009 Federal budget. Since 2007, \$68.863 million has been funded through the Federal Affordable Housing Program, and \$26.190 million through the Federal-Provincial DOOR Trust Fund Canada. Together with City funding and other incentives totaling \$53.868 million, these resources have made it possible to allocate 1,681 units of affordable housing for new development. The Federal government has committed to an extension of existing housing programs (including the Affordable Housing Program, Homelessness Partnering Strategy and Residential Rehabilitation Assistance Program). The City will work with Federal and Provincial partners on newly announced funding to direct investments in new development.
- The 2009 Recommended Operating Budget provides base funding of \$2.915 million gross for 23 positions, and \$0.270 million for 3 positions as new service priorities that support the following Strategic Priorities:
 - By promoting partnerships that create new affordable housing with the non-profit sector, Federal and Provincial governments, and third party-private developers, the Affordable Housing Office facilitates project development that creates 1,000 units of Affordable Housing a year.
 - Through administering the Federal Residential Rehabilitation Assistance Program (RRAP) to retrofit 700 low income households with up to \$7.0 million in grants and loans, the Affordable Housing Office plays a key role in helping preserve and upgrade the City’s existing housing stock.
 - Through supporting the development and evaluation of policies that assist the Federal, Provincial and City governments design and implement programming that helps deliver affordable housing, the Affordable Housing Office helps deliver affordable housing in one of the countries most challenging markets.
 - With the release of *Housing Opportunities Toronto (HOT)* in the spring of 2009, the Affordable Housing Office will present a “City Plan” that outlines what the City can do to

provide leadership in planning and preparing for current and future affordable housing development.

- With 3 new approved positions and funding of \$0.270 million (funded from Capital) the program will develop two database applications that will help provide operational efficiencies to offset the cost of delivering new and maintaining existing housing stock.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

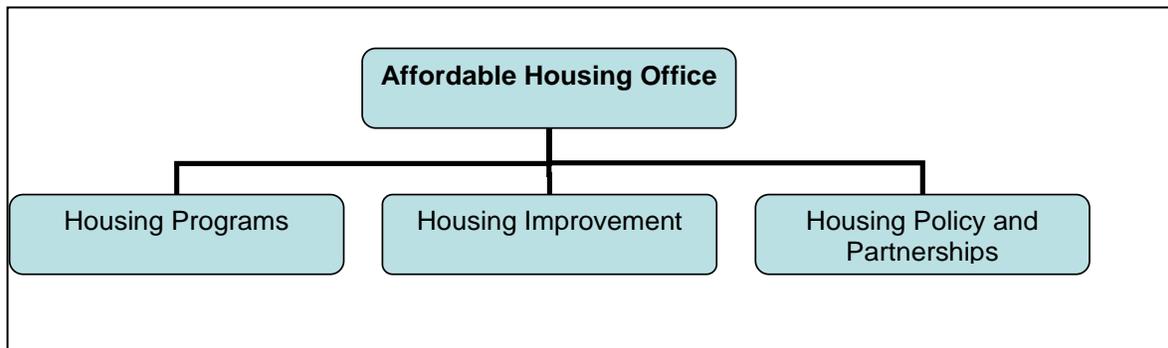
- 1. Council approve the 2009 Recommended Operating Budget for the Affordable Housing Office of \$3.185 million gross and \$1.281 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000's)</u>	<u>Net (\$000's)</u>
Housing Improvements	671.0	271.0
Housing Development Administration	2,514.3	1,010.0
Total Program Budget	<u>3,185.3</u>	<u>1,281.0</u>

PART II: 3-YEAR SERVICE OVERVIEW AND PLAN

- The Affordable Housing Office is responsible for the creation of transitional and permanent affordable housing, which includes constructing new buildings, the purchase and rehabilitation of existing housing, or converting non-residential buildings to residential. As well, this Program concentrates on the retention of existing affordable housing, helping to ensure these units are not permanently lost through demolition, conversion or other activities.
- The Program works with community, private sector and government partners to facilitate the development of new affordable housing through funding and incentives made available by the Federal and Provincial governments and City incentives. The Affordable Housing Office delivers the Residential Rehabilitation Assistance Program (RRAP), a Canada Mortgage and Housing Corporation affordable housing program for low-and-modest income households, which provides funding for housing repairs, housing modifications for disabled residents, creating secondary suites and converting non-residential buildings into new rental housing. The Program also promotes, leads and leverages collaborative affordable housing solutions through: policy development, implementation and monitoring; financial stewardship of affordable housing resources; and advocacy and partnership development.

Program Map



Service Challenges and Opportunities

The Affordable Housing Office faces several challenges in its efforts to realize its annual affordable housing targets. The following section summarizes the Program’s key service challenges and opportunities over the next 3 years.

Key external service drivers for Affordable Housing Office include:

- **Limited resources to create new affordable housing units:** The Program leverages funding through Federal and Provincial housing programs, provides City resources (i.e. grants from the Capital Revolving Fund, and the Mayor’s Homeless Initiative Reserve Fund, donates surplus land, waves property taxes, development charges, and planning fees), and uses third party equity to create new housing units in key redevelopment areas and across the City. The new Federal

budget has since confirmed the renewal for two years of existing program, including new funding for seniors and disabled housing. However, it is not known at this time what Toronto's allocation of funding will be under these initiatives

- **Developing affordable housing in a challenging market:** The Program creates affordable housing in one of the country's most expensive housing markets that is coupled with a disproportionate share of low income and vulnerable residents, reflecting a number of economic, political and social conditions that make Toronto unique. As Toronto is a point of entry for many new immigrants and has a core population that lives below or close to the poverty line, demand for affordable housing far exceeds the City's ability to provide the necessary affordable housing solutions.

At the same time, current/proposed City policies and strategic directions may significantly increase the costs associated with new construction, and further limit the ability of the Program to create 1,000 new units of affordable housing. These policies and directions include: the City's Green Development Standards; the multi-residential apartment building strategy; and mandatory fire sprinkler installation in all new residential units.

Internal service drivers include:

- **Managing Project Development:** The Affordable Housing Office experiences a number of challenges managing the development of affordable and supportive housing units. The Program tracks and reports on a multitude of projects from the design stage through construction to tenant occupancy. Projects are often complex and can face extended development periods given the funding conditions to be satisfied. There is frequently a need for community consultation, and planning approvals are often lengthy. Non-profit partners may also face difficulties securing mortgage financing. The IT systems the Program uses to administer its multi-million dollar housing developments are limited to spreadsheets and an interim Access database.

As well, the Program must manage projects with limited government subsidy. Under the Canada-Ontario Affordable Housing Program and the Residential Rehabilitation Assistance Program (RRAP), the City receives funding to recover the cost of administering projects under development and for delivering the Federal government's housing rehabilitation programs. However, these administration fees do not completely offset the costs of administering these programs.

Service Objectives

The service objectives for Affordable Housing Office has established are intended to address the challenges and opportunities as outlined above and reflects the Program's commitment to manage the delivery of its services in accordance with the Council approved Strategic Direction.

- **Create 1,000 new affordable homes annually:** The Affordable Housing Office works with the community, private sector and government partners to facilitate the development of new affordable housing through funding and incentives made available by the Federal and Provincial governments and through the provision of City incentives, including donating surplus City land, providing property tax exemptions, waiving planning and development charges and capital grants/loans from reserves.

- **Promote, lead and leverage collaborative affordable housing solutions:** The Affordable Housing Office is working collaboratively with TCHC and other City partners to finalize the *Housing Opportunities Toronto (HOT)*. When released in May of 2009, HOT will provide a “blueprint” to guide affordable housing investments in the City’s actions on affordable housing over the next decade. The 10-year plan builds on the HOT consultation framework released in November 2007, which provided a mechanism for public consultation that engaged community stakeholders, Provincial, and Federal partners in discussions supporting funding strategies, including the creation of a national housing strategy. The plan will establish what the City can do to provide leadership in planning and preparing for the current and future development of affordable housing.
- **Provide innovative solutions that assist people to buy and stay in their own homes:** Working in an expensive, difficult market, the Program provides opportunities for affordable housing development using a number of tools, including: allocating home ownership development funding available through the Canada-Ontario Affordable Housing Program; partnering with Habitat for Humanity and other organizations to facilitate the development of affordable home ownership opportunities (including the donation of City land); encouraging affordable home ownership opportunities through the extension of Municipal Capital Facilities By-law incentives (e.g. property tax exemptions, fee waivers) and capital grants/loans (e.g. Capital Revolving Fund and Mayor’s Homeless Initiative Reserve Fund).

As well, through administrating the Federal Residential Rehabilitation Assistance Program (RRAP), the Affordable Housing Office plays a key role in helping preserve and upgrading the City’s existing housing stock. The RRAP program, funded by Canada Mortgage and Housing Corporation, provides loans and grants to eligible low income households to support the repairs, modifications and retrofits to eligible homeowners. The Program has set a target of improving 700 units annually.

- **Provide effective solutions to improve project management:** In delivering new units, the Affordable Housing Office works with a wide variety of stakeholders to help manage new developments, from the project planning stage through to the final stages of construction. Staff often co-ordinate project tender calls, public and private financing, project insurance needs and liaise with City planning staff to secure necessary approvals. As well, tracking and reporting RRAP grant and loan applications are dependant on systems that provide limited utility to users.

To help manage these applications, the Program is reviewing its business processes and information system requirements with the view to implementing new information technology options that will provide improvements in reporting and controlling the administration of the projects under development and properties being retro-fitted through RRAP.

Priority Actions

The 2009 Recommended Operating Budget provides \$2.915 million in base and \$0.270 million in new funding to support the activities that advance the Mayor's and Council's priority of creating 1,000 units of affordable housing a year, and for preserving and fixing the existing housing stock.

- **Using City resources to create affordable housing:**

The Program uses City reserves of \$4.107 million, (\$3.398 million from the Capital Revolving Fund (CRF), and \$0.710 million from the Mayor's Homeless Initiative Reserve Fund MHRF) to leverage funding to create affordable housing units. The CRF is available to offset the cost of developing proposals for affordable housing projects, to provide project development assistance, including forgivable loans/repayable loans, project financing and other activities related to improving the quality and supply of affordable housing in the City. The Mayor's Homelessness Initiative Fund is used to support the development of supportive and transitional homes, and is primarily used to help homeless people move into transitional/ permanent housing. The City will continue to provide other incentives for housing development, including surplus land, deferral of development charges, property taxes and planning fees.

- **Leveraging/ advocating 3rd party funding for affordable housing:**

The Affordable Housing Office is dedicated to managing rental and home ownership development through leveraging Federal, Provincial, Municipal resources and other City supports to make new units of housing affordable. As well, Program's role includes acting as the City's official advocate for the creation of new units of affordable housing; staff actively promote the continuation and expansion of Federal and Provincial housing programs; conduct research and provide policy analysis in support of affordable housing objectives focused on aligning affordable housing policies and processes to support the achievement of other City objectives (e.g. Official Plan, Poverty Reduction, Climate Change, Strong Neighbourhoods, Waterfront, Prosperity Agenda). The 2009 Recommended Operating Budget includes \$2.344 million gross and 14 approved positions that support this priority.

- **Maintaining/ enhancing existing housing stock:**

This Affordable Housing Office delivers the Residential Rehabilitation Assistance Program (RRAP), a Canada Mortgage and Housing Corporation affordable housing program, which provides funding through grants and loans for housing repairs, housing modifications, creating secondary suites and converting non-residential buildings into new rental housing. The program provides support to improve the state of repair, accessibility and energy efficiency for low and modest income homeowners and landlords. The service facilitates the repairs and retrofits to approximately 700 units a year, and issues up to \$7.0 million in Federal loans and grants annually. The 2009 Recommended Operating Budget includes \$0.571 million gross and 6 approved positions that support this priority.

- **Effectively managing housing development, including the development of:**

- **AHO Data Tracking System:** The increase of 2 temporary positions in Housing Development Administration will develop a database system to track and report on the funding and administration of affordable housing projects; this project will also fund a study that identifies the business requirements for developing a Web based system that tracks the City's portfolio of affordable housing projects. This new service priority requires funding of

\$0.170 million gross for the full year, with no future year impact, as the project is scheduled for completion in 2009, and is funded from capital.

- **RRAP Database:** The increase of 1 temporary position in Housing Improvement will create a database that will provide a more efficient and effective tracking system, allowing Program staff to track and monitor RRAP grant applications and fulfill due diligence requirements for the Federal government and clients in a more timely manner. This new service priority requires funding of \$0.1 million for the full year, with no future year impact, as the project is scheduled for completion in 2009, and is funded from capital.

PART III: 2008 BUDGET VARIANCE ANALYSIS
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Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	2,932.5	2,920.1	2,508.2	(411.9)	(14.1)
REVENUES	1,621.1	1,613.0	1,201.1	(411.9)	(25.5)
NET EXP.	1,311.4	1,307.1	1,307.1	0.0	0.0
Approved Positions	24.0	23.0	23.0	0.0	0.0

* Note: Source is the Affordable Housing Third Quarter Operating Variance Report

2008 Experience

The Affordable Housing Office is projecting a year-end favourable expenditure variance of \$0.412 million gross with an offsetting reduction in revenues, resulting in a \$0 net variance.

Under spending in salaries of \$0.412 million contributes to the favourable gross/ revenue variances, as three vacant positions are funded from the Capital Revolving Fund.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

The 2008 variance will not carry forward into 2009, as the three vacant positions will be filled in 2009.

PART IV: 2009 RECOMMENDED BASE BUDGET

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
	\$	\$	\$	%	2010	2011
					\$	\$
GROSS EXP.	2,920.1	2,915.3	(4.8)	(0.2)	35.0	35.0
REVENUE	1,613.0	1,634.3	(21.3)	(1.3)	(668.2)	0.0
NET EXP.	1,307.1	1,281.0	(26.1)	(2.0)	703.2	35.0
Approved Positions	23.0	23.0	0.0	0.0	0.0	0.0
NET TARGET		1,281.0				
\$ Over / (Under) Program Target		0.0				
% Over / (Under) Program Target		0.0%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget of \$1.281 million net is at target, which is 2% less than the 2008 Approved Operating Budget of \$1.307 million, primarily due to off setting pressures from the Capital Revolving Fund by \$0.668 million, and absorbing inflationary increases of \$0.026 million.

Increased revenues of \$0.021 million are due to an increase in the contribution from the Capital Revolving Fund of \$0.175 million, offsetting reduced subsidy of \$0.154 from the Homelessness Partnering Strategy, which is no longer available to fund Affordable Housing administrative costs.

2009 Key Cost Drivers and Reduction Strategies

Key cost drivers include the following:

- The reversal of the 2008 contribution from the Capital Revolving Fund of \$0.493 million and reduced funding of \$0.154 million from HPI (as fewer projects are eligible for funding) result in lower revenues of \$0.647 million.
- Salaries and Benefits have increased \$0.077 million net, with \$0.034 million attributable to fringe benefit increases; \$0.033 million from merit and step increases, and \$0.018 million for the annualization of 2008 COLA.
- Increases in legal and consulting services of \$0.040 million are required to support the delivery of complex projects.

- Inflationary increases of \$0.007 million are comprised of increases for gas, utility costs, equipment and materials/ supplies.

These base pressures have been offset by the following strategies:

- An additional contribution from the Capital Revolving Fund of \$0.175 million, increasing the contribution from \$0.493 million in 2008 to \$0.668 million in 2009 to meet the -2% budget target.
- A reduction in salaries of \$0.103 million, due to the re-classification of existing position levels, based on the 2008 arbitrator's award with Local 79.
- Absorption of program inflationary increases of \$0.026 million for professional services and other expenditures.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 and 2011 net incremental impact for Affordable Housing Office maintains 2009 service levels. The Outlooks include an increase in salaries and benefits of resulting from merit and step increases of \$0.035 million in both 2010 and 2011 respectively.

The 2010 Outlook also includes the reduction in revenue of \$0.668 million, with the reversal of the 2009 contribution from the Capital Revolving Fund

PART V: RECOMMENDED NEW SERVICE PRIORITY ACTIONS

Table 4
2009 New / Enhanced Service Priority Actions: Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved:					
(b) Enhanced Service Priorities - Program Initiated:					
Sub-Total Enhanced Service Priorities	0.0	0.0	0.0	0.0	0.0
(a) New Service Priorities - Council Approved:					
(b) New Service Priorities - Program Initiated:					
Residential Rehabilitation Assistance Program Database	100.0	0.0	1.0		
Affordable Housing Data Tracking System	170.0	0.0	2.0		
Sub-Total New Service Priorities	270.0	0.0	3.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities	270.0	0.0	3.0	0.0	0.0

2009 Recommended New / Enhanced Service Priority Actions**Enhanced Service Priority Actions – Program Initiated*****Affordable Housing Data Tracking System***

The AHO is currently using a mix of interim databases and spreadsheets to track and report on the funding and administration of its multi-million dollar housing developments. With its limited systems, the AHO is challenged to meet the necessary information requirements and business processes required to satisfy internal and external due diligence obligations. Funding of \$0.170 million is required for 2 temporary positions to develop a database that will track and report the funding and progress of affordable housing projects; this project will also fund a study that identifies the business requirements for developing a Web based system that tracks the City's portfolio of affordable housing developments. This project is funded from the Capital Budget of Shelter, Support and Housing Administration, and will be completed in 2009.

Once implemented, a new system will enable prompt and complete responses to the public, politicians, senior management and staff, other orders of government and media requests for information on specific affordable housing projects.

Residential Rehabilitation Assistance Program (RRAP) Database

As the current mainframe SAS system used to monitor and track RRAP projects is outdated and provides limited utility to users, as it no longer has technical support. Funding of \$0.1 million is required for 1 temporary position to develop a new system, the RRAP: Activity Tracking System, a database that will allow Program staff to respond to client inquiries and for fulfilling reporting obligations for funding and grant applications as part of the Federal Housing Improvement Program. This project is funded from the Capital Budget of Shelter, Support and Housing Administration and will be completed in 2009. The new system will improve staff effectiveness and allow staff to respond to client inquiries in a timely, efficient manner.

There will no operating impact from the creation of these databases, as the cost of ongoing service for the databases is included in the 2009 Recommended Operating Base for the Affordable Housing Office.

PART VI: ISSUES FOR DISCUSSION

2009 Budget Issues

Base Funding

The Affordable Housing Office Budget is funded by a combination of Provincial and Federal grants/fees of \$0.966 million; and reserve funding of \$0.668 million.

The 2009 Operating Budget for AHO includes changes to the following funding sources from 2008: increased funding from the Capital Revolving Fund of \$0.175 million, and decreased third-party grants of \$0.154 million, as summarized below:

	2007 Approved Budget	2008 Approved Budget	2009 Change from 2008	2009 Recommended Budget	Change 2007 Approved v. 2008 Approved
Gross Expenditures	<u>3,186.3</u>	<u>2,920.1</u>	<u>(4.8)</u>	<u>2,915.3</u>	<u>(266.2)</u>
Grants, Fees					
Provincial Administration Fee (AHP)	450.0	450.0		450.0	0.0
Federal Fees (RRAP)	200.0	300.0	0.0	300.0	100.0
HPI *	92.7	370.1	(154.0)	216.1	277.4
Total Grants, Fees	<u>742.7</u>	<u>1,120.1</u>	<u>(154.0)</u>	<u>966.1</u>	<u>377.4</u>
City Funding					
Capital Revolving Fund	700.3	492.9	175.3	668.2	(207.4)
Mayor's Homelessness Initiative Reserve Fund	324.8	0.0	0.0	0.0	(324.8)
Total City Funding	<u>1,025.1</u>	<u>492.9</u>	<u>175.3</u>	<u>668.2</u>	<u>(532.2)</u>
Total Revenue	<u>1,767.8</u>	<u>1,613.0</u>	<u>21.3</u>	<u>1,634.3</u>	<u>(154.8)</u>
Net Expenses	<u>1,418.5</u>	<u>1,307.1</u>	<u>(26.1)</u>	<u>1,281.0</u>	<u>(111.4)</u>

- *Provincial/ Federal Grants and Fees:* Third party funding for the Affordable Housing Office totals \$0.966 million, and is comprised of the following:
 - *Provincial Administrative Fee (CRHP)* The 2009 Recommended Operating Budget includes fees of \$0.450 million from the Province through the Canada/Ontario Community Rental Housing Program (CRHP). This fee is a partial reimbursement to municipalities to cover the costs Service Managers incur in delivering affordable housing projects under the Federal/Provincial Affordable Housing Program (AHP). This program provides the City with 3.27% of the project's capital costs that include developing, implementing and managing the approved affordable housing projects. Under the AHP (signed in 2005) the City has been allocated 1,135 units, with funding of \$79.5 million, or \$0.070 million per unit. This funding is anticipated to be exhausted by 2010. As the Federal housing program extensions are rolled out, the City will work with the Province

in an effort to establish administrative fee formulas that more accurately reflect the cost of delivering the Federal/Provincial programs.

- *Residential Rehabilitation Assistance Plan (RRAP)* The 2009 Recommended Operating Budget includes fees of \$0.3 million, a delivery fee paid to RRAP agents for delivering the Federal government's Rental Rehabilitation Assistance Program. The City administers the program on behalf of Canada Mortgage and Housing Corporation (CMHC), and receives a set fee for each project and each unit within that project that was successfully rehabilitated through the RRAP program.
- *Homelessness Partnering Strategy Initiative (HPI)* The 2009 Recommended Operating Budget includes funding from HPI of \$0.216 million. HPI is a Federal program that supports a number of initiatives aimed at combating homelessness, including creating the transitional housing and housing for tenants with supported-living requirements. In 2009, HPI funding drops by \$0.154 million from 2008, as there are currently fewer units eligible for funding. This reduction in subsidy is replaced by an offsetting increase in the contribution from the Capital Revolving Fund. This grant funds 2 Housing Development Officers in the AHO.
- *Contribution from the Capital Revolving Reserve Fund of \$0.668 million*
 - The 2009 Recommended Operating Budget includes a one-time contribution of \$0.668 million (an increase of \$0.175 million from 2008) from the Capital Revolving Reserve Fund. The CRF has been used to offset the cost of developing proposals for affordable housing projects, to provide project development assistance, including forgivable loans/repayable loans, project financing and other activities related to improving the quality/ supply of affordable housing in the City. The increase in the reserve contribution is required to offset the reduction in HPI funding, and to fund a net increase in expenditures.

The use of this reserve funding to offset base pressures of the Affordable Housing Office is consistent with the purpose of supporting "activities related to improving the quality / quantity of affordable housing in the City." However, this funding source is one-time; with the balance in the Capital Revolving Reserve Fund projected to be \$4.066 million at the end of 2008, this practice is not sustainable. The continued use of the reserve to fund on-going pressures will be reviewed in the future.

Affordable Housing Delivery

The AHO delivered fewer new projects in 2008, primarily due to completion of the funding allotments from Federal and Provincial programs. In 2008, a total of 149 new units were awarded, with 62 units for the conversion of 717 Broadview by Toronto Community Housing Corporation into affordable housing units for seniors, and 87 units of affordable housing at 40 Oak Street as part of the Regent Park Revitalization Initiative by the Christian Resource Centre.

In 2008, the AHO used City reserves and incentives, including deferring planning and building permit fees, Development Charge deferrals, and provided access to City owned property at below market value as a means of making projects affordable; for a combined value of \$13.432 million. As

well \$11.520 million was secured in 2008 through partnering with the Toronto Housing Corporation, and non-profit, co-operative / charitable organization third-party equity. Federal and Provincial funds from the Canada-Ontario AHP of \$10.430 million were also a major component of the 2008 funding.

The projects, 717 Broadview Avenue (62 units) and 40 Oak Street (87 units) have a total value of \$35.382 million, and were funded as follows:

- *Third-party equity and mortgage guarantees: \$11.520 million, including \$6.718 million from TCHC*
- *Federal and Provincial Funding: \$10.430 million, through the Canada-Ontario Affordable Housing Program (AHP)*
- *City of Toronto: \$13.432 million through:*
 - *Surplus City property valued at \$6.5 million.*
 - *Contribution from the Capital Revolving Fund and the Mayor's Homeless Invitation Reserves of \$4.625 million; and*
 - *Property tax exemption of \$1.391 million; and*
 - *Deferred planning application, building permit fees and development charge revenue of \$0.916 million.*

Given the transition between Federal/Provincial housing programs, the Affordable Housing Office is projecting that fewer units of affordable housing will be delivered in 2009; as well, it is anticipated that future years funding will continue to be uncertain, until such time as detailed commitments from other levels of government are confirmed.

Loss of Federal/ Provincial Funding and City Reserves

In order to secure ongoing funding for affordable housing, the Affordable Housing Office is continuing discussions with the Community Partnerships and Projects Branch – Toronto Unit of the Ministry of Municipal Affairs and Housing (MMAH), and officials at the Government of Canada.

Since 2007, \$68.863 million has been funded through the Federal Affordable Housing Program, and \$26.190 million through the Federal-Provincial DOOR Trust Fund Canada. Together with City funding and other incentives totaling \$53.868 million, these resources have made it possible to allocate 1,681 units of affordable housing for development.

Given that 2009 will be a transition period from current to the extended Federal and Provincial affordable housing programs, the delivery of affordable housing will remain a challenge. The intermittent nature of Federal and Provincial housing programs makes long term planning and investments difficult. To address this issue, the City has been working with the Federation of Canadian Municipalities to advocate the Federal government on the urgent need for a national housing strategy. The City will also be involved in the development of the Province's Long Term Housing Strategy during 2009 and 2010.

At the same time, City reserve funds (i.e. Capital Revolving Fund and Mayor's Homelessness Initiative Fund) that were established to support affordable housing development are at risk of being depleted. Since the year 2000, the Capital Revolving Fund has contributed to the achievement of 4,000 units of affordable housing; at the end of 2008 the uncommitted balance is \$3.398 million. Over the same period, reserves from the Mayor's Homelessness Initiative Fund have supported approximately 500 units of supportive and transitional housing. With an uncommitted balance of \$0.7 million at the end 2008, the Mayor's Homelessness Initiative Fund is at risk of being fully exhausted by the end of 2009.

While the 2009 Federal Budget announced a commitment of \$2 billion for social housing, it was also announced that \$1.0 billion will be dedicated to repairs to existing housing stock. Federal commitments will also require matching Provincial funding. Once details on the funding are known, it is recommended that the Director of the Affordable Housing Office report these details to the Affordable Housing Committee.

Outstanding Issues from 2008 and Prior Years

Housing Opportunities Toronto

Late in 2007, the Affordable Housing Office introduced *Housing Opportunities Toronto (HOT): Framework 2008 -2018*, a consultation document that presented principles for future development of affordable housing units in the City. HOT is based on the principle that affordable housing makes a powerful positive contributor to the City's economy, its environmental efforts and to the health of its neighbourhoods and residents.

The document lays out the challenges Toronto faces if it is to continue creating and maintaining affordable housing, including the need for the Federal government to enact a national housing strategy that will provide sustained funding for the creation of new affordable housing.

HOT sets out 71 proposed actions by the City, the Provincial and Federal governments, as well as the private and non-profit sectors. It proposes new investments of \$469 million annually for the next decade, and includes a goal of assisting 200,000 households between 2008 and 2018 who are currently living in over crowded and sub-standard housing and are paying more than 30% of income for housing.

Through out the year, the Affordable Housing Office has been holding meetings to discuss the Framework with stakeholders, as well as conducting ongoing discussions with both the Federal and Provincial governments since each has an essential role to play in the provision of affordable housing in the City.

In addition to reaching key stakeholders and the public, targeted outreach has taken place with the disabled and mental health communities, immigrants, seniors, youth, key workers and aboriginal people.

Key questions asked as part of the consultation are:

1. Has the Framework set the right goals and targets?
2. What should Toronto's affordable housing priorities be for the next 10 years?

3. Are there ideas, innovations, programs or policies from other places we should consider?
4. What role can stakeholders can play in providing affordable housing?

In early 2009, the Chair of the Affordable Housing Committee will be providing an update on the progress the Affordable Housing Office has made through the consultation process, and present the findings of this City-wide review to the Affordable Housing Committee. The final Housing Opportunities Toronto Plan is expected to be released in May of 2009.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	24.0	3,031.5	1,613.0	1,418.5	0.0	0.0
In-year approvals and technical adjustments	(1.0)	(0.1)		(0.1)		
Corporate adjustments		(111.3)		(111.3)		
2008 Approved Operating Budget	23.0	2,920.1	1,613.0	1,307.1	0.0	0.0
Prior year impacts		(60.3)	(492.9)	432.6	35.0	35.0
Zero base items						
Economic factors		41.4		41.4		
Adjusted Base Budget	23.0	2,901.2	1,120.1	1,781.1	35.0	35.0
Other base changes		40.2		40.2		
Base revenue changes			(154.0)	154.0		
Recommended Service Level Adjustments						
Base changes						
Service efficiencies						
Revenue adjustments			668.2	(668.2)	668.2	
Minor service impact		(26.1)		(26.1)		
Major service impact						
Total Recommended Base Adjustments	0.0	14.1	514.2	(500.1)	668.2	0.0
2009 Recommended Base Budget	23.0	2,915.3	1,634.3	1,281.0	703.2	35.0
2009 Program Operating Target				1,281.0		
% Over (Under) Program Target				0.0%		
% Over (Under) 2008 Appvd. Budget				-2.0%		

Appendix B

Summary of Service Level Adjustments

Appendix C

Summary of 2009 Recommended New/Enhanced Service Priority Actions

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved:					
(b) Enhanced Service Priorities - Program Initiated:					
Sub-Total Enhanced Service Priorities	0.0	0.0	0.0	0.0	0.0
(a) New Service Priorities - Council Approved:					
(b) New Service Priorities - Program Initiated:					
Residential Rehabilitation Assistance Program Database	100.0	0.0	1.0		
Affordable Housing Data Tracking System	170.0	0.0	2.0		
Sub-Total New Service Priorities	270.0	0.0	3.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities	270.0	0.0	3.0	0.0	0.0

Appendix D

Program Summary by Expenditure Category

CLUSTER: (A)							
PROGRAM: AFFORDABLE HOUSING OFFICE							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Base	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	2,291.7	1,879.8	2,535.5	243.8	10.6%	2,300.5	2,335.5
Materials and Supplies	28.9	28.9	28.9	0.0	0.0%	28.9	28.9
Equipment	27.4	27.4	27.9	0.5	1.8%	27.9	27.9
Services & Rents	300.0	300.0	301.3	1.3	0.4%	301.3	301.3
Contributions to Capital	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Contributions to Reserve/Res Funds	4.4	4.4	4.4	0.0	0.0%	4.4	4.4
Other Expenditures	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Interdivisional Charges	267.7	267.7	287.2	19.5	7.3%	287.2	287.2
TOTAL GROSS EXPENDITURES	2,920.1	2,508.2	3,185.2	265.1	9.1%	2,950.2	2,985.2
Interdivisional Recoveries	370.1	198.4	216.1	(154.0)	(41.6%)	216.1	216.1
Provincial Subsidies	450.0	450.0	450.0	0.0	0.0%	450.0	450.0
Federal Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
Other Subsidies	0.0	0.0	0.0	0.0	n/a	0.0	0.0
User Fees & Donations	300.0	241.8	300.0	0.0	0.0%	300.0	300.0
Transfers from Capital Fund	0.0	0.0	270.0	270.0	n/a	0.0	0.0
Contribution from Reserve/Res Funds	492.9	191.7	668.2	175.3	35.6%	0.0	0.0
Other Revenues	0.0	119.2	0.0	0.0	n/a	0.0	0.0
TOTAL REVENUE	1,613.0	1,201.1	1,904.3	291.3	18.1%	966.1	966.1
TOTAL NET EXPENDITURES	1,307.1	1,307.1	1,280.9	(26.2)	(2.0%)	1,984.1	2,019.1
APPROVED POSITIONS	23.0	23.0	26.0	3.0	13.0%	23.0	23.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of December	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010	2011
			\$	\$	\$	\$
Insurance Reserve Fund	XR1010		35,361.2	4.4	4.4	4.4
Capital Revolving Reserve Fund	XR1058		4,065.8	(668.2)		
Mayor's Homeless Initiative Reserve Fund	XR1104		709.9			
Total Reserve / Reserve Fund Draws / Contributions				(663.8)	4.4	4.4