

June 7, 2018

Chair and Members
City of London Audit Committee
300 Dufferin Avenue
City of London

RE: PWC INTERNAL AUDIT OF LONDON & MIDDLESEX HOUSING CORPORATION

On February 28, 2013, as part of the 2013 Municipal Budget Approval process, Council requested Civic Administration to *“work together with LMHC on a review of any shared services opportunities and cost centre savings and efficiencies; it being noted that the Municipal Council has made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard”* and *“report back with respect to the potential establishment of a reserve fund for LMHC.”*

PwC completed Phase 1 of this review in 2013, which included the review and alignment of LMHC purchasing policies with the City’s Procurement of Goods and Services Policy for purchased materials and services.

At the request of LMHC, the City of London Audit Committee, at its meeting of December 7, 2016, approved PwC complete the second phase of the shared services review. At that time, it was expected that Phase 2 would focus on areas where LMHC may be directly delivering or purchasing services and supports that the City directly provides, including but not limited to, technology services and purchased professional/administrative services.

Given PwC’s understanding of LMHC’s operations, the lack thereof of any value-for-money considerations and new strategic direction of LMHC, the scope of the internal review was revised to focus on the operational alignment of LMHC’s funding model and strategic plan.

The evaluation of key controls/processes was predicated on an assessment of risk exposure, that is, the nature and extent of potential for loss/risk.

PwC completed the review in the fall 2017 and presented their findings (Attached as **Appendix 1**) at the January 25, 2018 meeting of the LMHC Board. PwC advised of the following review findings:

- i. that LMHC does not have the appropriate level of resources to maintain our properties;
- ii. there has been a growing need for additional costs to cover social supports, community development, intervention, security, etc. that has arisen primarily as a result of the changing demographic of tenants due to Provincial and local priority rules;
- iii. the tenant priority list is not aligned with the City of London’s housing support strategy;
- iv. that LMHC does not have any flexibility with respect to strategic and operational decisions within the shareholder agreement with the City of London;

- v. that the current budgeting process, which is primarily determined based on a percentage year over year change, will not give LMHC sufficient information for funding needs required to implement our new strategic plan; and
- vi. reporting operating expenses on a supplementary basis by “nature” may help illustrate better how resources are being deploy to the various strategic goals.

Notwithstanding the review findings, PwC provided a summary observation of areas for potential further analysis and areas for consideration that PwC would expect LMHC to address. The following table summarizes the six (6) observations:

#	Observation	Rating	Business Impact
1	Insufficient capital funding for deferred maintenance	Needs Improvement	High Business Impact, Difficult to Implement
2	Impact of tenant intake process and priority list	Needs Improvement	High Business Impact, Easy to Implement
3	Tenant priority list is not aligned with the City of London’s housing support strategy	Needs Improvement	High Business Impact, Difficult to Implement
4	Flexibility within shareholder agreement	Satisfactory	High Business Impact, Easy to Implement
5	Zero based budget for new strategic plan implementation	Satisfactory	Low Business Impact, Easy to Implement
6	Operating expenses by function	Satisfactory	Low Business Impact, Easy to Implement

The Board of LMHC, in response to the submitted observations, adopted the following resolutions:

With respect to the recommendations regarding PwC Internal Audit Report:

1. Administration **BE DIRECTED** to prepare an implementation plan respecting the action plans for consideration and approval by the Board at a future meeting of the Board of Directors.
2. Administration **BE DIRECTED** to arrange for the presentation of the Internal Audit Results Report to the City of London’s Audit Committee, including preparing the appropriate covering letter accompanying the Report and for the Report to be made by the Board Chair and Chief Executive Officer.

The remaining part of this letter forms the basis of an implementation plan and presentation to the City of London’s Audit Committee, scheduled for June 20, 2018.

Observation #1 – Insufficient capital funding for future maintenance

Recommended Action Plan:

LMHC needs to continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants. A corporate asset management strategy should be incorporated into the City of London’s Corporate Asset strategy. We (PwC) understand a regeneration plan is also being developed in collaboration with the Housing Development Corporation.

LMHC Response:

LMHC will continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants.

As an important first step, LMHC provided an update to SPPC in May 2017 on the state of public housing assets to understand and begin addressing, in a collaborative way, the funding gap between future capital needs and available funding resources. The Facility Condition Assessment (FCA) completed by VFA Inc. concluded that in order to maintain the current Facility Condition Index (FCI) of 9% (good condition) over next twenty (20) years, LMHC will require an annual increase in capital funding of \$21.2 million above the existing budget allocation of \$2.2 million. Over the same period, adding \$11.3 million to the current annual funding would result in an ending FCI of 40% (fair condition). Maintaining the current level of funding would result in an ending FCI of 75% (deficient condition).

More recently, LMHC in partnership with Ontario's Independent Local Housing Corporations (LHC) Forum submitted a response to Ministry of Housing on the modernization of social housing. The submission, entitled "*Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework*" (attached as **Appendix 2**), responded to pre-determined discussion questions. The submission also highlighted a number of current issues and recommendations related to capital repairs, investment/reserves, funding asset management and planning. As a complementary document, the LHC Forum also produced an information sheet (attached as **Appendix 3**) highlighting a number of facts and the value proposition of Independent LHCs in that they are uniquely positioned to help communities across Ontario meet local housing needs through entrepreneurialism and business innovation.

Moving forward, LMHC must now consider the most efficient and effective strategy for the management and sustainability of one of the City's most important assets – Public Housing. This includes the development of a detailed asset management strategy and implementation plan in order to understand and address the identified funding gap between anticipated future lifecycle renewal needs and available funding resources. LMHC is working with Civic Administration to ensure that the asset management strategy can be incorporated into the City of London's Corporate Asset Management Plan as required under Bill 6, *Infrastructure for Jobs and Prosperity Act, 2015* by January 1, 2021.

LMHC is committed to looking for innovative ways to generate alternative sources of revenue and working with Civic Administration to reduce the capital-funding gap identified by the VFA Report over the long term. The appropriate capital funding level for the next multiyear budget cycle will be reviewed upon the completion of a comprehensive asset management strategy and implementation plans. Any adjustments to funding levels will be the subject of multiyear budget requirements, including but not limited to the submission of a business case.

Regeneration of Public Housing

In addition, the City of London, as articulated in the London Plan, has begun a process to build a strategy and supports to undertake the regeneration of Public Housing sites within its service area, as well as to expand affordable housing options across the community. The City has established a Housing Development Corporation (HDC) to provide leadership, expertise and focus to this work, providing support across the non-profit and the private housing sectors, as well as to LMHC. A key consideration for the City in establishing the HDC was the need to both bring resources to and create a focus on the need for the regeneration of public housing.

LMHC is committed to working closely with the City of London in its role as Service Manager and the HDC to identify financial tools and best practices to support regeneration. Support from the City of London in its capacity of Shareholder for LMHC will be critical to support a framework to enable the changes required to implement the plan.

LMHC has been working with the HDC and Housing Services to articulate guiding principles and develop a plan to support LMHC to begin the process of regenerating public housing communities in our portfolio. This includes leveraging the capacity and contributions of our partners, the City of London and HDC. Planning for regeneration must support LMHC's Strategic Plan and commitment to create a foundation for a culture of change in our organization and the communities we serve.

Over the past year LMHC, HDC and Service Manager Staff have established an informal process to begin to move forward on a plan for Regeneration. Meeting together regularly, a process is underway to prepare the organizations for the work that lies ahead, and to begin to evaluate each of the public housing sites to support a well-considered and prioritized plan for regeneration and renewal over a period of years. It is the shared goal of this team to present an initial plan for regeneration of public housing sites to the LMHC Board by the end of 2018. It is acknowledged that any plan will be a living document that will need to come back to decision makers at regular intervals, as the team responds to new opportunities, potential partnerships and community needs over time.

Observation #2 – Impact of tenant intake process and priority list on operating costs

Recommended Action Plan:

During tenant intake assessment, a two-step approach should be used to (1) identify support service needs of the tenant (a Housing Access Centre responsibility); and (2) use the identification of support service requirements to anticipate growth pressures on support services, mobilize the appropriate response and delivery of support services, determine operating budget requirements and other resources supporting the provision of support services for tenants (an LMHC responsibility).

Concurrently, LMHC should continue to think of new ways to collaborate with its partners such as scheduled site visits by other stakeholders including police services, medical professionals and mental health professionals to try and be as proactive as possible to serve the growing needs of tenants. An assessment of all potential social and affordable housing clients at the Housing Access Centre to determine necessary supports on an individual basis would be extremely valuable in determining the optimal approach in terms of providing those services.

LMHC Response:

A stronger, more responsive social housing system is one in which collaboration and relationship building and partnership development is fundamental. LMHC, other housing providers and service managers are often facing similar challenges and working independently to solve them.

LMHC has attempted (although not in a strategic and/or focused effort) to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners struggle to support our tenants. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our community, many

must compete for funding and resources, rather than collaborating and coordinate the housing and homelessness support network needed.

LMHCs has become the de facto provider of supports and is doing so without the required resources based on our previous mandate and funding by the City to act as a landlord. These pressures have been layered upon an already aging infrastructure and shareholder agreement that typically does not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. The unintended consequences of well-meaning initiatives has exacerbated and contributed to the further deterioration of LMHC properties, creating a negative impact on the health, safety and wellbeing of our tenants and staff.

Despite these challenges, LMHC is committed to working with Civic Administration to review and revise the intake process for housing. The vision would be to have an access system that assesses individual needs and choice and then matches applicants with appropriate housing and the required level of support/assistance to maintain housing stability over the long term within a priority system that aligns with City's housing and homelessness goals and objectives.

LMHC has also taken a significant step forward in looking at a new way to provide supports to both our tenants and community in partnering with the Middlesex London Health Unit (MLHU) and Regional HIV/AIDs Connection (RHAC) to establish a Supervised Consumption Facility (SCF) at 241 Simcoe Street. The collaboration with the MLHU and RHAC will allow us to leverage and share a community asset for the benefit of the whole community while improving tenant safety and increasing support services in social housing.

Based on the idea that upfront housing education and support will lead to tenancies that are more successful and increased housing stability, one of LMHC strategic action plan was to develop a tenant education/onboarding program. This idea has been supported by the Housing Division who is introducing a program called "RentSmart" that provides education and support to tenants, housing providers and community educators with one goal: Successful Tenancies.

Observation #3 – Tenant priority list is not aligned with the City of London's housing support strategy

Recommended Action Plan:

LMHC needs to work with its sole shareholder, the City of London, to seek a phased approach, which could start with a pilot program to provide proof of concept. The City and LMHC should review housing access systems and make sure the proper level of supports (and resources for those supports) are in place before these complex and high need tenants are housed by LMHC.

LMHC Response:

LMHC as the largest provider of Rent-Geared to Income Housing in London and Middlesex County has never been fully equipped to operate within these models. Both Provincial and Local Access rules require a high percentage of new tenancies be offered to individuals from the 'Special Priority' or 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness, violence, addiction and mental health issues. Multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.

In responding to this issue, LMHC as drafted a proof of concept pilot project (attached as **Appendix 4**) to support housing stability within social housing programs for the City of London's consideration.

Observation #4 – Flexibility within shareholder agreement

Recommended Action Plan:

LMHC should discuss with the City of London the feasibility of amending the shareholder agreement to allow for some greater discretion or flexibility in the target number of units, whether non-RGI units can be offered, and the ability for LMHC to launch other forms of revenue generating activities.

LMHC Response:

LMHC does not have any flexibility with respect to strategic and operational decisions under the terms of a Shareholder Declaration approved by the City of London on June 20, 2011. Since that time, the City has evolved its delivery of social and affordable housing as is true across the Ontario social housing sector. This lack of flexibility restricts LMHC's ability to respond to growing and changing needs such as new and unique capital deficiencies and changing tenant demographics.

In order to enable our strategic plan, LMHC is requesting that the City consider amending the Shareholder Declaration to support our new objectives and acknowledge the following:

- LMHC's role in providing a broader range of housing forms to achieve mixed-income profiles and stronger communities;
- Flexibility to build improved revenue streams and a stronger balance sheet;
- New financial tools/greater financial flexibility in our relationship with funders;
- Performance monitoring based on outcomes confirming the Board's responsibility to lead; and
- Support for our role in advocating for our tenants, taking a leadership role in the sector and supporting broader partnership development.

A discussion paper (attached as **Appendix 5**) has been provided that highlights areas for the City of London's consideration and review for a future shareholder direction.

Observation #5 – Zero based budget for new strategic plan implementation

Action Plan:

LMHC should consider a zero based budget/ forecast process, along with a realignment of resources, to evaluate the specific feasibility of strategic goals and objectives. This could be developed separately from the City of London budget process and would give insight into the specific costs of full implementation of the strategic plan. LMHC should also develop a comprehensive financial plan with consideration of both operating and capital to be provided to the City of London as part of next multiyear budget cycle.

LMHC Response:

LMHC is currently working on achieving the strategic objectives outlined in our 2017-2019 strategic plan. One such objective is the development of a comprehensive financial plan. LMHC's finance department is currently developing a financial planning process that is both long-range and integrated with our strategic plan and annual work plans that will serve as the base for a comprehensive financial plan. Although this is a new approach for LMHC, we

understand that a well thought-out financial plan is a critical document that will serve as a guideline for future financial performance and provide the information needed to make informed strategic and operational decisions.

The aim is to match LMHC's financial resources with the goals and objectives outlined in our strategic plan using a structured analytical approach, thus ensuring the financial plan will serve as the blue print to define our fiscal accountability structure. Such structure will be based on prudent fiscal and operational management that supports accountability, sustainability, competitive positioning, affordability and a valued return on investment based on social, economic and environmental returns to the community.

Along with the effective and efficient management of expenditures, the financial plan will also endeavour to foster a culture of continuous improvement, and a focus on developing supportive and predictable sources of investment. A zero based budget/forecast approach aligns well with our intended accountability structure. As such, LMHC will consider a zero based budgeting along with a realignment of resources while completing this project.

Observation #6 – Operating expenses by function

Recommended Action Plan:

LMHC should consider whether it would be feasible to report, on a supplementary basis, how the operating expenditures line up against the strategic goals. A high cost in certain function, without improvements in the area, could be an indicator of a focus area for management to consider.

LMHC Response:

LMHC implemented the first phase of a new ERP system in 2017, in order to better collect data and measure impact. This project was a significant undertaking for our staff group as we shifted from a 15-year-old server based system to a more modern cloud based solution. While this technology promises to bring greater efficiencies, particularly with the roll out of the second phase two, it would not currently support this recommendation. Although LMCH sees value in this recommended action, it would create both administrative and resource pressures which could not be absorbed within our current staffing levels.

Conclusion

LMHC is undertaking business transformation and modernizing our practices to improve how we deliver social housing for residents in our community. LMHC is no longer just a landlord and we want our community to know that we CARE and are taking action. LMHC has used the acronym, CARE, as our slogan for impact and to provide a mnemonic for all stakeholders. For us, CARE means being **C**ollaborative and **C**ommitted; **A**ccountable and **A**ccessible; **R**espectful and **R**esponsive; **E**quity and **E**xcellence.

At LMHC, our new vision centers on healthy homes and communities in London and Middlesex using housing as the foundation to make a difference and positively impact lives. LMHC wants to be part of the solution to social issues in our community by showing that we CARE and by taking action.

With a new strategic direction, we believe that as an independent LHC, LMHC is uniquely positioned to help London meet its local social and affordable housing goals through entrepreneurialism and business innovation. With the support of the City of London and collaboration with our community partners, we can begin to address the observations identified by PwC in their internal audit. More importantly, LMHC can help the City in achieving its goal of strengthening our community and building a diverse and caring community that supports every person and that welcomes and engages us in vibrant, safe and healthy neighborhoods.

Regards,



Digitally signed by Josh
Browne, CEO, London &
Middlesex Housing
Corporation
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Josh Browne
Chief Executive Officer, LMHC

Cc: Michael Buzzelli, Chair, LMHC Board of Directors
Sandra Datars Bere, Managing Director Housing, Social Services and Dearness Home
City of London
Stephen Giustizia, CEO, HDC

Appendix 1: PwC Report on Internal Audit Result of LMHC: Review of operational alignment of funding model and strategic plan

Appendix 2: Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

Appendix 3: Ontario's Independent Local Housing Corporations Information Sheet

Appendix 4: LMHC Social Housing with Supports: A Proof of Concept, Pilot Project to Support Housing Stability within Social Housing Programs

Appendix 5: LMHC Discussion Document: Shareholder Declaration for the Future

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*London & Middlesex
Housing Corporation*

Report on Internal Audit
Results

*Review of operational alignment of funding
model and strategic plan*

February 15, 2018

Agenda

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Rating Scale – Opportunities for Improvement

- **Satisfactory**

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory



- **Needs Improvement**

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement



- **Unsatisfactory**

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory



Summary of Risks & Scope

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Scope

- Review of funding model compared to (1) operational strategy; (2) cost of delivery and provision of services; (3) capital costs; (4) other municipalities/ non-profit and low income/ subsidized housing providers
- Review of resource allocation to operational activities, including growing tenant needs for social support and community development
- Review of capital asset planning, budgeting and funding
- Review of required support costs (vs. actual costs) to support “housing first” and “housing stability” objectives and their alignment with the City of London’s strategic objectives around poverty reduction and homeless

Potential Risks

- Funding model does not properly reflect the gradual changes to the core services offered by LMHC, specifically for the provision of social services and other support needs.
- Level of funding for the LMHC may not be consistent with other municipalities/ non-profit and low income/ subsidized housing providers
- Capital asset planning, budgeting and funding may not allow for appropriate levels of investment in and maintenance of capital assets
- LMHC may incur increased operational and capital costs due to changing demographic of tenants.
- The LMHC objectives may not be aligned with the City of London
- Current operating budget may not allow for appropriate levels of funding to achieve “housing first” and “housing stability” objectives

Controls Operating Effectively

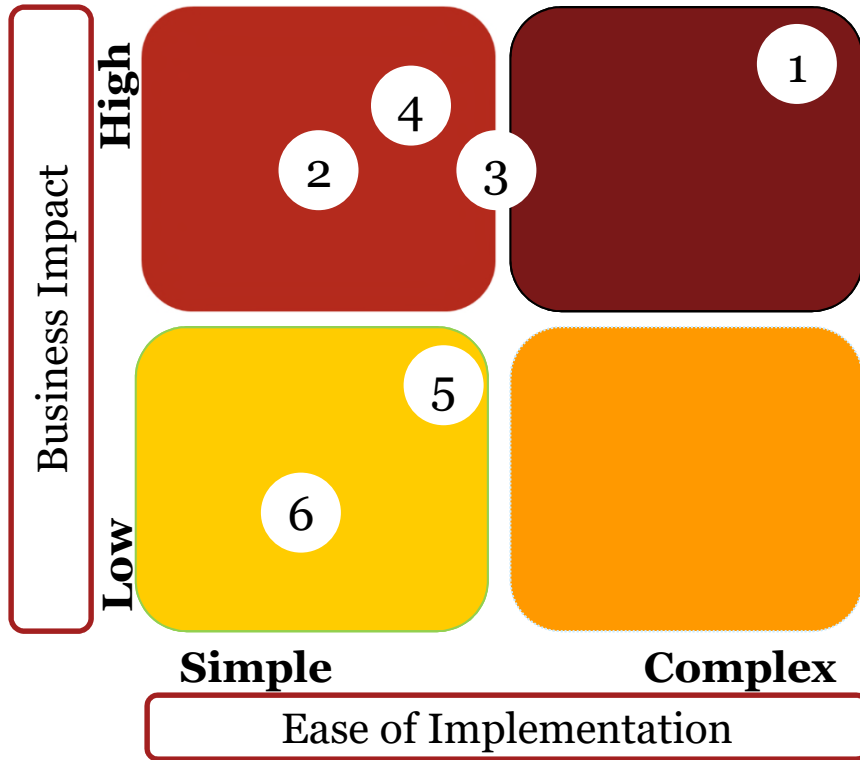
- Prioritization of critical projects for capital and operating spending given the limited resources available
- Limited social service and community outreach resources are effectively deployed by LMHC
- The strategic plan has been designed to align itself with the City of London to address tenant needs

Value-for-Money Considerations

- No value-for-money considerations were identified as part of this review

Action Plan Summary

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan



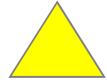
- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

Observations	Timing	Rating
#1: Insufficient capital funding for deferred maintenance	September 2019	Needs improvement
#2: Impact of tenant intake process and priority list	December 2019	Needs improvement
#3: Tenant priority list is not aligned with the City of London's housing support strategy	December 2018	Needs improvement
#4: Flexibility within shareholder agreement	December 2018	Satisfactory
#5: Zero based budget for new strategic plan implementation	2019 budget cycle	Satisfactory
#6: Operating expenses by function	January 2019	Satisfactory

Observations & Action Plans #1

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs
Improvement



Observation

#1 - *Insufficient capital funding for future maintenance*

- The capital funding per unit LMHC receives is low relative to benchmark municipal housing providers. The average capital funding per unit (of \$583) is far below the average of Kingston, Hamilton and Windsor (average of \$995 in 2015 and 2016). This has resulted in a substantive decline in the conditions of the housing units.

Business Impact

- LMHC does not have the appropriate level of resources to maintain their properties. As a result, the overall condition of their housing units is at great risk and the capital requirement to bring the units back to a satisfactory level become greater each year. The overall condition of the assets can create a reputational risk for both LMHC and their sole shareholder, the City of London and a safety risk for the tenants and employees of LMHC.

Action Plan

- LMHC needs to continue to provide information, education, and advocacy to funding agencies, including the Province of Ontario and the City of London to ensure there is full transparency about the urgent and immediate need for capital funding to improve the maintainable quality, safety and satisfaction of tenants. A corporate asset management strategy should be incorporated into the City of London's Corporate Asset strategy. We understand a regeneration plan is also being developed in collaboration with the Housing Development Corporation.

Action Plan Lead

CEO & Director, Assets and Property Services

Timing

September 2019

Observations & Action Plans #2

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs Improvement 

Observation

#2 – Impact of tenant intake process and priority list on operating costs

- Control over the tenant priority list has moved to the City of London, granting tenant priority to those with highest needs first. Growth in the number of high-needs tenants LMHC now houses is becoming increasingly costly, and the intake of these individuals has not been matched with the appropriate increase in operating funding to allow LMHC to provide effective services and supports to these tenants.

Business Impact

- There has been a growing need for additional costs to cover social supports, community development, intervention, security, etc. that has arisen primarily as a result of the changing demographic of tenants. This has placed an increased burden on LMHC from the perspective of limited resources as there has not been a corresponding change to the operating subsidies provided by the City. As a result, LMHC does not have the capacity to proactively deal with some of these growing issues.

Action Plan

During tenant intake assessment, a two-step approach should be used to (1) identify support service needs of the tenant (a Housing Access Centre responsibility); and (2) use the identification of support service requirements to anticipate growth pressures on support services, mobilize the appropriate response and delivery of support services, determine operating budget requirements and other resources supporting the provision of support services for tenants (an LMHC responsibility).

Concurrently, LMHC should continue to think of new ways to collaborate with its partners such as scheduled site visits by other stakeholders including policy services, medical professionals and mental health professionals to try and be as proactive as possible to serve the growing needs of tenants. As assessment of all potential social and affordable housing clients at the Housing Access Centre to determine necessary supports on an individual basis would be extremely valuable in determining the optimal approach in terms of providing those services.

Action Plan Lead

Director, Tenant Administration & Director, Corporate Services

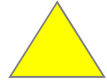
Timing

December 2019

Observations & Action Plans #3

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Needs
Improvement



Observation

#3 – Tenant priority list is not aligned with the City of London’s housing support strategy

The tenant priority list, which favours an intake of tenants with complex and high needs, is based on a 2005 local housing rule (referred to the “9 of 10” rule). The City of London’s “Housing First” strategy is to “...move individuals and families [experiences homelessness] quickly into housing...with the right level of support”. In absence of the appropriate levels of support for these new tenants, the current intake process cannot be aligned with the Housing First strategy.

Business Impact

By providing housing without the right level of support for tenants with multiple complex needs prioritized through the “9 of 10” rule, the strategy cannot be fully implemented. Available social support programs offered within the region (including the City of London services along with various other agencies) are fragmented, and a higher level of focus and attention directed on the high needs tenants would yield better results for the Housing First strategy. This would also improve the health, safety and wellbeing of both tenants and LMHC staff.

Action Plan

LMHC needs to work with its sole shareholder, the City of London, to seek a phased approach which could start with a pilot program to provide proof of concept. The City and LMHC should review housing access systems and make sure the proper level of supports (and resources for those supports) are in place before these complex and high need tenants are housed by LMHC.

Action Plan Lead

CEO (LMHC) and City of London

Timing

December 2018

Observations & Action Plans #4

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#4 – Flexibility within shareholder agreement

- Within the shareholder agreement with the City of London, LMHC does not have any flexibility with respect to strategic and operational decisions; this includes strategic portfolio/ asset management review, the number of units it offers under RGI programs, and the creation of operational reserves. This lack of flexibility restricts LMHC’s ability to respond to growing needs, capital deficiencies, changing demographics, etc.

Business Impact

- Some flexibility within the shareholder agreement with the City of London could help relieve some of the current challenges facing LMHC which include growing operating costs, a significant capital deficiency in capital improvements, the need for improved safety and security, and housing support programs for complex high need tenants. Areas for additional flexibility could include, but are not limited to: the ability to make use of an operational reserve, ability to offer non-RGI units and the number of overall units mandated within the agreement.
- Additionally, this could allow LMHC to look into various other revenue generating activities to help offset some of their operating and capital deficiencies.

Action Plan

- LMHC should discuss with the City of London the feasibility of amending the shareholder agreement to allow for some greater discretion or flexibility in the target number of units, whether non-RGI units can be offered, and the ability for LMHC to launch other forms of revenue generating activities.

Action Plan Lead

CEO and Chair of the Board of Directors

Timing

December 2018

Observations & Action Plans #5

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#5 – Zero based budget for new strategic plan implementation

- LMHC has put together a transformative strategic plan for 2017 to 2020 which, on implementation, will require significant changes to the operating and capital budget. The current budgeting process, which is primarily determined based on a percentage year over year change, will not give LMHC sufficient information for funding needs required to implement the plan.

Business Impact

- The strategic plan represents the high level vision and direction for LMHC, but without the appropriate level of detailed budgeting and consideration of a realignment of activities and cost structure there is uncertainty over the implementation and execution plan. This could impact LMHC's chances of achieving the stated goals & objectives. A detailed budget and execution plan will also help LMHC allocate scarce resources to the critical areas within the strategic plan.

Action Plan

- LMHC should consider a zero based budget/ forecast process, along with a realignment of resources, to evaluate the specific feasibility of strategic goals and objectives. This could be developed separately from the City of London budget process and would give insight into the specific costs of full implementation of the strategic plan. LMHC should also develop a comprehensive financial plan with consideration of both operating and capital to be provided to the City of London as part of next multi year budget cycle.

Action Plan Lead

CEO and Director, Corporate Services

Timing

2019 budget cycle

Observations & Action Plans #6

Satisfactory 

London & Middlesex Housing Corporation: Review of operational alignment of funding model and strategic plan

Observation

#6– Operating expenses by function

- The current method of reporting includes a presentation of the operating expenses of LMHC by “nature” (i.e. salaries/ wages, maintenance, administration). Under this format, it is difficult to compare how the resources of LMHC are being deployed to the various strategic goals. A supplementary operating statement showing expenses by “nature” (i.e. people investment, asset improvement, IT enhancements, tenant engagement) may be able to illustrate this better.

Business Impact

- Readers of the Board reporting package may not be able to effectively analyze the operating results relative to the function of the expenses being incurred. For example, there may be \$150k in administration costs incurred during a month, but it is difficult to consider whether this relates to processing of tenant rent, time spent on IT enhancements, etc.

Action Plan

- LMHC should consider whether it would be feasible to report, on a supplementary basis, how the operating expenditures line up against the strategic goals. A high cost in certain function, without improvements in the area, could be an indicator of a focus area for management to consider.

Action Plan Lead

Director, Corporate Services

Timing

January 2019

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Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

Submitted by: Local Housing Corporation Forum

April 30, 2018

Long-Term Affordable Housing Strategy

Submission to the Social Housing Modernization, Technical Discussion Document #2: A Modern Framework

Submitted via email to: Housingstrategy.mah@ontario.ca

Submitted to: Social Housing Modernization Consultation, Housing Policy Branch, Ministry of Housing, 777 Bay Street, 14th Floor, Toronto ON M5G 2E5





Increasing Ontario's Independent LHCs Capacity to Deliver Housing within a Social Housing Modernization Framework

INTRODUCTION

This submission is in response to the request for feedback about the province's Technical Discussion Document #2: A Modern Framework. Additional feedback and engagement with the Ministry of Housing (MHO), Ontario was undertaken through a discussion with the Assistant Deputy Minister on March 1, 2018 with the Local Housing Corporation (LHC) Forum. As a key partner of the Ministry of Housing, the LHC Forum is appreciative of this opportunity to provide input at the conceptual phase of the modernization framework.

Our collective discussion of the proposed modern framework has triggered strategic conversations about the transformations that we are enabling within our LHC organizations and how our business practices align with the province's vision and future directions for the sector. As independently operating municipally owned LHCs, we are an important piece of the next generation of social housing. In this vein, the modern framework suggests enabling more flexibility within the system and providing more autonomy and choice for housing providers. There is however, a lack of clarity as to whether this would pertain to LHCs and how our organizations fit within the proposed structure. We raise the following questions for the province to consider and to address in the next steps of its work on the modern framework:

- How does the Social Housing Modernization Framework impact LHCs?
- Where do LHCs fit in and what role do the LHCs play?
- How will the changes be applied to municipal shareholder organizations vs. non-profit organizations?
- How will households currently on RGI assistance be affected by the proposed system?

The contents in this submission include both feedback and recommendations that the LHC Forum have collectively identified as key areas that need to be addressed to improve our business delivery and in support of modernizing the social housing system in which we operate. Although there are 47 Local Housing Corporations that operate across Ontario, this submission is from the municipally-owned independent operating Local Housing Corporations.

LHC Forum- Who we are



The LHC Forum consists of the CEO or a designated senior level staff representative from the following local housing corporations:

- Ottawa Community Housing
- Windsor Essex Community Housing
- Peterborough Housing
- Cornwall & Area Housing
- Kingston & Frontenac Housing
- London & Middlesex Housing
- CityHousing Hamilton
- Haldimand-Norfolk Housing
- Greater Sudbury Housing

The LHC Forum has been established by the independently operating municipally owned LHCs to enhance information exchanges amongst the sector, improve access to leading edge thoughts on best practices, and increase quality of working environment for their staff.



ABOUT US:

Approximately half (over 134,000 units) of the total social housing stock in Ontario is comprised within the 47 Local Housing Corporations in Ontario. Of this stock, 70% (over 90,000 units) are administered by the ten housing organizations that comprise the LHC Forum.

Our entities are wholly owned by municipalities respective of our jurisdictions and we operate as independent corporations under the Ontario Business Corporations Act. In total, we own and operate over \$14.9 billion in property assets.

As housing providers we help communities across Ontario meet local housing needs. We are home to over 37,000 senior households, 34,603 families and over 19,600 single adults. In addition, we are a major contributor to the local economy:

- \$502 million is re-injected annually into local economies via contracted services
- \$44.7 million is paid annually in municipal property taxes
- Over 2,600 employed as staff

Furthermore our organizations have been the most proactive housing providers in Ontario to intentionally undertake expansion of our existing portfolio footprint to meet future affordable housing needs. We can boast that we are Ontario's leading developers of affordable housing. From 2018 – 2022 our total investment commitments are close to \$1 billion for redevelopment and new builds.

2018-2022 Total Investment Commitments

\$1+ Billion for Redevelopment & new builds

The nature of our portfolios includes a higher proportion of rent-geared-to income units than those of other social housing providers in Ontario. In addition, due to the shortage of supportive housing in the jurisdictions we serve, many people with special needs reside in our units. This has resulted in us being more than just landlords that manage buildings. To enable stable tenancies and to create healthier communities; our business practices extend to include empowering tenants, serving the needs of the vulnerable and bridging the gap between support service need and housing for the clients we serve. We receive, however, "\$0" dedicated support dollars to house or support residents with mental health issues, victims of abuse, addictions, physical and mental disabilities, and mobility and age-related issues.

Under the Housing Services Act (HSA), municipally-owned independent operating LHCs have differing regulations compared to the in-house operated LHCs. We are not financed under a funding formula. Apart from the occasional one-time grant or special funding from another level of government, we obtain government funding from our respective Service Managers. We have a variety of funding arrangements that are negotiated with our SMs, most of which are little more than year to year, budget to budget requests for break-even operating subsidy for the following year. To reduce the amount of funding required from municipalities and to meet the unique needs of residents, we have tried to diversify our business while maintaining our social purpose. For example, we have over 8,000 units in our portfolio that provide homes leased through the rent supplement program.

Our organizations have demonstrated strong resilience amidst a tough operating and financial environment. We have adapted our business models in order to sustain our



organizations, and many of us are currently engaged in business and organizational transformation to enable our organizations to expand and be innovative and responsive to the needs of our communities. As our organizations transform, the re-direction of our business requires recognition that a great deal of change is needed in the sector to build the capacity we need to deliver. Our organizations need to align how we operate in the new social housing modernization environment that province presents us with and the need to meet new challenges in our jurisdictions of housing service provision.

Although the government has made important changes to the legislative and regulatory framework in Ontario, there still remain restrictive regulatory processes and procedures that hinder our organizations pathway toward business transformation and modernizing our practices for future proofing our businesses. In this document we outline the policy changes and tools and capacity support that can enable independent LHCs to address legal obligations and requirements, community needs and contribute to a modernized social housing system.

MODERNIZING SOCIAL HOUSING

The government's commitment to modernize social housing provides an opportunity for LHCs to help the province shape the sector's future. Our comments and recommendations for modernizing social housing is placed within the context of the questions provided in the Technical Discussion #2 document.

Discussion Question #1

What works well under the current social housing system?

In our discussions and engagement with the MHO there were several recommended areas

for supporting LHCs that have been reflected in recent regulatory changes, such as:

Encouraging mixed income communities

Removing the requirement that public housing projects be exclusively rent-geared-to-income has given LHCs more freedom to create mixed communities and include market units to enhance revenue potential through new rent structures and market segment. We see this as a significant program enhancement.

Ministerial Consent

Transferring responsibilities for most transfers and sales of social housing assets from the ministry to Service Manager has enabled our LHCs to be more effective in the planning and portfolio management; efficient and responsive to enable asset leveraging needed for portfolio renewal; and work collaboratively with our service managers to make decisions about our portfolios in a mutually-beneficial manner.

Prevailing legislation ensures our viability in the housing sector

The inclusion of the LHC's in the HSA is valuable for our organizations as we are not incorporated as non-profits, and are not captured by most housing provider language. For the amount of public funding that has gone into the assets; we have paid for these assets several times over. It is critical for this asset that we operate to be kept within the system and not lost to the private sector.

Funding investments through federal and provincial partnerships

Grant programs like SHARP, SHAI, SHEEP, SHIP provide the funding needed to make our portfolio safe, energy efficient and accessible. It has allowed some LHCs to invest in cost-asset saving upgrades.

Provision of rental subsidy

To achieve the goal to end homelessness and that all Canadians have a home, subsidized rental programs must be maintained. With an average income of only \$50,000 for Canadians,



affordability remains an issue. It is not just a matter of supply.

Current government programs for new builds (e.g. IAH) only provide capital funding with no associated rental subsidy.

The issue of supply directly links to the issue of financial viability. The private sector has not played a large role in the provision of social and affordable housing as it is not financially viable without rental subsidy available. The rental subsidy, in some form, works and must be maintained in the future.

Exemptions from land transfer taxes

Expansion of HSA s.167 transfer exemptions to include an amalgamation of portfolios, the transfer of social housing projects from Service Manager to local housing corporation or social housing provider or vice versa. (e.g. exemptions from land transfer taxes) has been beneficial for LHCs.

Several of these changes enable our LHCs to be positioned to be the landlord of choice in the future. As we currently work towards capital repairs, asset management, become mixed income and create a sustainable business model, our LHCs will become the attractive route for low and moderate income households in Ontario.

What could be improved under a new, modern framework?

There must be clarity from the province about how the LHCs fit under the proposed modern framework. Is the new approach intended only for housing providers with operating agreements ending over the next few years or does it also apply to housing providers that may continue to be regulated under the HSA? Further, there needs to be clarity from the MHO if they intend on expanding the framework with additional requirements for local housing corporations.

The province emphasizes that the intention of the modern framework is to replace legacy rules in operating agreements and those in the HSA with an approach that enables housing providers to effectively manage social housing portfolios, foster innovation to better meet tenant's needs, increase the supply of affordable housing; and operate with more financial independence and flexibility.

In response to this, we have identified specific areas for improvements for LHCs which are important considerations in implementing a new modern framework:

Disentangle the “one-size-fits-all” prescriptive LHC model placed on the independent operating LHCs

During the time just prior to devolution, the Ontario Housing Corporation Committee presented a document to the government of the day with concerns that the LHC model change would mean social housing may vary in its delivery across the province and be very different from a tenant/member perspective in 47 Service Manager areas. Local flexibility, while very appropriate and sensitive to local needs has, in fact, enabled this prediction to be true and adjunct to that truth is the fact that LHC's are also quite diverse.

The province must recognize this diverse nature of the LHCs and address the “one-size-fits-all” notion of our organizations under the HSA. This will enable us to transform and evolve into organizations that can leverage our assets, become more entrepreneurial while delivering on our social purpose; and contribute to a modernized social housing sector in Ontario.

Requirement for Service Managers to work with LHCs to establish sustainable funding

Having a sustainable funding agreement with our respective SMs that includes rent subsidy and alternative options is necessary given the nature of our LHC's who do not have integrated services with Service Managers. It is imperative,



that under a new modern framework, any new funding models must consider the need for ongoing capital investment and rising costs, and include a rental subsidy component.

As owners and operators of over \$14.9 billion in social housing assets, we believe that the province and our respective SMs has interest in ensuring that LHCs have the tools and the stability we need to maintain and renew assets for the future. LHCs require money for the rent subsidy to ensure stability of income and to be sustainable. Without rental subsidy, LHCs cannot be financially viable.

If MHO and SMs want us to be entrepreneurial and business-minded, LHCs cannot go year to year requesting for a budget approval or reconciliation. LHCs need to have an established sustained funding mechanism to be able to project for the future. Long-term funding will allow for capital funding.

LHCs can do smarter things when there is stability of funding. In addition, it is a risk mitigation measure for SMs and way of effectively leveraging their dollars.

It is crucial that the province under a modern framework lead the development of a long-term strategy that addresses sustainability of the LHC assets; especially if the LHC are included under the HSA. A first step in this direction is for the province to require that SMs work with LHCs to establish sustainable funding.

Shift the ministerial consent “download” directly to LHC Board of Directors

Although the HSA has reduced requirements for the Minister to consent to program administration decisions, some consent requirements remain, in particular, related to portfolio level management of housing assets specific to the sale and disposal of LHC property. LHC's have greater capacity and understanding of its assets than other housing providers and legislation should recognize this

distinction and enable the LHCs to take over this role for its own property. Particularly, if the province is agnostic about who owns the social housing stock.

LHCs now have increasing ability to leverage our assets. Most of us do not have mortgages, we have debentures which do not show on title and the local government can allow us to leverage the assets. We have the ability to access our equity; however, if we have ministerial consent for our own organizations, we could do a lot more.

In our efforts to increase the supply and maintain the quality of our assets; LHCs have invested in developing long term asset management and revitalization plans. Our plans are also considered and approved by our Boards and by the Service Manager and local or regional councils. This process ensures that our decisions and directions for our portfolio, usually developed in partnership with our Service Manager, are informed by Service Manager plans and community need. As LHCs are principally responsible for the delivery of housing, we believe that we should have discretion over the assets under our administration.

We are suggesting shifting the ministerial consent directly to the LHCs so they can make decisions about the transfer (sale) of public housing assets, leveraging, and reuse or regeneration of our properties.

Require that capital reserves be established for LHC's

Housing providers are responsible for care and maintenance of their buildings and to ensure that projects are “well managed, maintained in a satisfactory state of repair and fit for occupancy.” (HSA s.69 (2)). As such it would be beneficial for the requirement for LHCs to make capital reserve contributions, in accordance with leading industry practice and to meet our priorities. As part of this consideration, it is



critical that LHCs have responsibility and are able to exert control over its capital reserves. This would enable our organizations to prepare and plan capital expenditures that meet the specific needs of the assets.

LHCs view capital reserves as part of good financial practice; and as such suggest that it should be included as a provider standard and linked to accreditation under the registry. The registry could require that housing providers have established reserves in order to qualify to be in the registry.

Allow LHC's to retain surpluses

There must be a review of the policies and rules related to surpluses or surplus sharing. If LHCs are able to retain operating surpluses, redirect rent supplement surpluses to be used as intended and build capital reserves with unspent capital allocations from a previous year, it would contribute to a sustainable funding model. We would have flexibility to allocate under spending in one program area to other program areas (e.g., operating, capital, rent supplement) and contribute/ withdraw from reverse accounts as determined by the LHC board. The majority of the LHCs would no longer operate in a "use it or lose it" environment.

Permit LHCs to administer portable housing benefit

There is a role for LHCs when it comes to portable benefits. LHCs have experience administering RGI, Rent Supplement and the centralized waiting list. Given these various roles, LHCs could manage the tenancy support and expand this support/business/service out to the private sector. This could be a cost reduction for the system in terms of administration of this benefit.

If LHCs are permitted to support the administration of the portable benefit, it would protect the Service Manager (isolation from risks) and provide a revenue stream for LHCs. It would also allow LHCs to be entrepreneurial in a

manner that effectively utilizes our sector knowledge, client delivery capacity and administration abilities while supporting the sector.

Discussion Question #2

What current barriers do Service Managers and social housing providers face that make it difficult to provide sustainable housing, and/or to pursue innovative and entrepreneurial approaches or practices?

Please provide details related to any legislative, regulatory or policy practices that may be limiting innovation in the housing sector.

The encouragement from the province for housing providers to pursue innovative and entrepreneurial approaches or practices is a positive signal for the sector. Our LHCs are already far down this path and have demonstrated the capacity and ability to be entrepreneurial while continually maintaining the social purpose. However, innovative approaches often require upfront capacity, financial capital and human capital that organizations don't always have readily available or have the structure and processes in place to facilitate and support this direction.

Barriers

In response to the ministry request for feedback about the barriers that hinder our abilities to provide sustainable housing and to pursue innovation and entrepreneurial approaches and practices; we have identified the following areas:

Accessing funding opportunities to support pursuing innovation and entrepreneurial approaches

The province through its Innovation, Evidence and Capacity Fund provides an opportunity for housing organizations to access funding to explore innovative approaches and practices. However, LHCs are not always well informed



directly through the province or our respective Service Managers of these types of opportunities. Not only are we uninformed, we must rely on the Service Manager agreeing to participate in whatever funding opportunity there is and if they don't, we cannot access available funding opportunities. This is an example of an administrative barrier that hinders our ability to access resources to pilot and pursue innovative approaches and practices; despite the nature of our organizations qualifying for this specific funding.

If the intention of the MHO is to build housing provider capacity then it must keep the sector informed of such funding opportunities. It is suggested that similar future funding through this program should include a specific stream for housing providers only.

LHCs are not set up to be enterprises

The current structure and operations of LHC's is one of business agility compared to Service Managers and the municipal world. Not only are we more responsive to day to day operations than LHCs internal to service manager operations; our LHC structure has demonstrated ability and capacity to be developers (create new units/supply). Within the current structure LHCs can be developers and undertake such business activities that would not be possible if part of a municipality.

Despite being encouraged to take a business and entrepreneurial approach, there are risks involved and LHCs need to be prudent. In order to be entrepreneurial, housing providers have to undergo a transition from a successful model to one with market-based opportunities (assets, social value and leveraging). We are currently not set up to be enterprises and restrictions to revenue generation exist.

Providing housing for individuals with high needs, without access to adequate supports is a significant challenge for LHCs

LHCs as the largest provider of Rent-Geared to Income Housing have never been fully equipped to operate within these models. Both Provincial and Local Access rules require a high percentage of new tenancies be offered to individuals from the 'Special Priority' or 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness, violence, addiction and mental health issues. Multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.

LHCs attempt to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners have stopped showing up. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our respective jurisdictions, many must compete for funding and resources, rather than collaborating and coordinate the housing and homelessness support network needed.

LHCs mandate and funding by our shareholders to act as a landlord has become the de facto provider of supports and is doing so without the required resources. These pressures have been layered upon an already aging infrastructure and shareholder agreements that typically do not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. The unintended consequence of the well-meaning initiatives has exacerbated or is already contributing to the further deterioration of LHC properties, and creating a



negative impact on the health, safety and wellbeing of our tenants and staff.

Removing constraints for redevelopment and renewal

The real estate industry has typically recognized property as an investment, one with a return. The province, and SMs, can seize this opportunity to invest greater equity into affordable housing. This will serve as a stimulus to the economy and provide an opportunity to leverage the value of these assets in the future. Equity investment will enable providers to reduce their debt servicing cost, making it more financially viable to provide affordable housing to residents.

Current programs, such as the Investment in Affordable Housing (IAH), act as equity and enable building affordable housing to be viable. In certain jurisdictions, such as Peterborough, the primary affordable housing provider has been selected as a developer of choice, enabling the Service Manager to direct funding, such as IAH, to them. This streamlined process would reduce administrative and procurement related costs to provide even greater value to both the City and housing providers.

The IAH program alone, however, is insufficient to supply the housing needed to meet the demand. The cost to build new is greater than retrofit. As such, funding for alternative approaches would enable housing providers to deliver such solutions.

A key challenge to the provision of affordable housing is the high cost to build, which cannot be recuperated through revenue generation or rental profit. Building new has been undertaken only to the extent that grant funding has been available. A portion of the high costs are for land purchase and development fees. In order to meet the demand for affordable housing (nearly triple the current supply), changes are needed. The government could stimulate this

infrastructure investment and development by providing access to available government land or buildings (e.g. schools, warehouses, etc.). Government lands could be repurposed and/or made available for affordable and social housing. This is happening in California, for instance, where a registry of available land is being developed to support potential affordable housing developments.

Tax incentives can also support affordable housing development, such as a property tax exemption on new and existing affordable housing stock. To be most effective, the exemption would apply to the entire housing development, even where affordability is stratified and inclusive of market units. Since 1972, the federal Income Tax Act has undergone a number of revisions that have had progressively detrimental effects on rental investors. The Goods and Services Tax (GST), now the Harmonized Sales Tax (HST), has increased the cost of building rental units. Currently, the private sector is not eligible for the same level of rebates as the not-for-profit sector; and small landlords cannot be considered businesses under the Income Tax Act. The United States has utilized tax incentives in an attempt to stimulate the development of affordable housing. Their Low Income Housing Tax Credit Program allows tax credits for development costs for up to 15 years for capital investments made in affordable housing.

Providing homes for all in need is a factor of not only available housing but also associate rental subsidy. Current IAH funding provides for a capital contribution, however, without ongoing rental subsidy for the units built, it is also not viable nor meeting the biggest need – deep subsidy need. Furthering this dilemma is the requirement to rent at 70% or 80% of average market rent (BMAR). Housing providers with Rent Geared to Income (RGI) and Rent Supplement will in fact be ‘made whole’ on the rent for a unit; BMAR provides less revenue to cover the



costs. Thus again, making it more difficult to achieve a financially sustainable housing development. The current conditions associated with IAH funding limit or prevent the transfer, or use of, rental subsidy (i.e. RGI, rent supplement), as it is considered 'double dipping'. This is contrary to the requirement and desperate need to renew old housing stock portfolios.

Therefore, in summary, to assist in portfolio renewal:

- Fund retrofit not just new build to further leverage government funding available (better value)
- Allow for direct equity contributions to a developer of choice to avoid costs from all parties
- Provide greater up front equity contributions to reduce overall operating costs (debt financing) making it more financially viable and increasing ability to provide more affordable units
- Provide and/or allow for use of rental subsidies in IAH or equivalent funded housing developments to ensure viable projects
- Remove or limit requiring for 70%/80% market rent units to ensure more viable projects
- Amend and introduce flexibility in annual Service Levels to recognize the cycle of renewal

Sharing of information and privacy legislation

The sharing of information between social housing landlords, community-based support agencies and healthcare providers is one of the biggest barriers that our LHC experience in creating successful tenancies and supporting tenants.

Concerns about privacy legislation often mean that our LCH are excluded from discussions about the provision of care and support in their

communities. Often, social housing landlords are unaware that tenants' relationships with support providers have ceased or that they have been released from a hospital, until their tenancy is in jeopardy. Similarly, housing provider staff may struggle to know how much information they can share with support providers or families if they see a resident struggling or at risk of eviction. There is uncertainty about the application of privacy legislation and the absence of shared understanding between landlords, healthcare agencies and community-based care providers about what information can be shared with whom and this prevents effective responses to individual and community need.

We encourage the province to clarify privacy legislation and to convene a working group of housing providers, healthcare providers, community-based agencies and tenants to develop protocols and best practices for the sharing of information. It is important to resolve privacy concerns so that stakeholders can work together to better support tenants.

Lack of coordinated data to support policy and evidenced-based informed decision making

Ontario has a reputation of a fragmented data collection system and its limited data mobilization ability to support the sector to determine policy decisions and design future housing programs. The current system makes it difficult to compare all but basic unit-level data between LHCs. Data collection and a coordination mechanism should be accompanied by funding to build sector capacity.

A common data set with defined standards as proposed for the registry would be crucial for evidenced-based decision making.



Legislative, Regulatory and Policy Practices

Below are several related legislative, regulatory and policy practices that limit our organization's ability to pursue innovative and entrepreneurial approaches and practices.

Public Sector Accounting Board (PSAB) rules

Under PSAB rules, municipalities have to consolidate LHCs into their books and this makes it look like LHCs are in debt. The PSAB rules do not reflect the true debt capacity or lending value to a financial institution when we attempt financing. When we want to talk about financing it can be scary for a municipality because the loans skew financials, and we are seen as a liability. This presents a negative picture to Service Managers and Councilors within our municipalities when it comes to decision making to support our strategic directions and for investing additional capital. This can result in clawing back our organizations ability to be innovative and entrepreneurial.

Municipal Property Assessment (MPAC) property values are not based on actual rent revenues

MPAC values and classifies all properties in Ontario and prepares annual Assessment Rolls for use by municipalities and the province of Ontario to calculate property and education taxes. Historically, most social and affordable housing have been assessed by MPAC using a multi-residential (more than 7 units) rate which is based in part on the gross income potential of the properties and in part on neighboring multi-residential unit assessments.

According to MPAC, "the 2008 current value assessment (CVA) valuation [used for social housing properties] was based on the rental returns from 2007". These would have reflected actual revenues from subsidized and market rents. However, it appears that the 2012 MPAC assessments were calculated as if the buildings would achieve full market rent on all units. The increased MPAC assessments appear to be the

result of a change in practice rather than a change in legislation or provincial policy. The impact of increased assessments varies by social housing program. New affordable housing projects and providers with former federal operating agreements must manage property tax increases with existing reserves. Some may not be able to do so. Property tax increases are likely to impact LHCs. In order to stabilize costs and preserve housing affordability, the province could create a special category for social and affordable housing under the Ontario Assessment Act, 1990, that bases property values on actual rent revenues, not full market rates.

Prescribed Provincial Waiting List Priorities

With the SPP program implementation and policy enhancements for survivors of domestic violence and survivors of human trafficking, there continues to be a significant number of unconsidered consequences, mainly: 1) vacant units being increasingly filled by SPP households; and 2) creates limitations for diversifying our rent mix to support mixed income communities. Even with a portable housing benefit program for SPP households, there continues to be an increasing trend in SPP applicants being housed in our portfolios, and as units become vacant their priorities must be accommodated over non-priority applicants. We are housing individuals with acute needs but there is no consistent framework of supports or funding dollars aligned with the policy to enable these households to stabilize their housing.

The province should be responsible for addressing the affordability and support needs of survivors of domestic violence and human trafficking. The current mandatory SPP requirements should be removed from the HSA and instead replaced with a provincial program, aligned with support services as part of a broader provincial commitment and strategy to support survivors to find affordable housing. LHCs need to be allowed to



incorporate better alternatives and establish priorities based on their building stock and local community need.

Flexibility Regarding Provincial Service Level Standards

Service Level requirements designed under a government program to maintain the number of units in a given portfolio; currently constraints renewal initiatives. Such legacy programs do not allow the transfer of the subsidy to another unit. This is counterproductive to the renewal objective, as renewal or divesting of an old housing stock 'married' to this funding, means funding will be lost. Further, while renewal is occurring, requiring housing providers to leverage their assets, divestiture is required to create equity for new development. This will affect, in essence reduce, the number of units available; until new units are built and available. This cannot be done simultaneously as housing providers do not have sufficient equity without divesting the assets. Therefore, flexibility is needed in the annual Service Level obligations.

A new approach can still keep housing providers (ultimately Service Managers) accountable, yet provide flexibility. Annual reporting could include and indicate units affected by renewal, such as forecasted or actual divested and forecasted new/replacement units to be provided within a given timeline (e.g. 3-5 years).

Historically rental supplements, similar to the new portable housing benefits, have been made available. This type of rental subsidy allows greater flexibility as it is portable and is provided to the individual rather than be associated with the unit. At minimum, the use and provision of this type of rental subsidy along with the IAH equity investment for new development, would increase the viability of development and number of subsidized units.

Coordinated Access System

MHO is proposing a coordinated access system with a vision for one access system as a way of accessing housing need and other needs and matching up with housing appropriately-connecting to other types of housing assistance/supports.

Any system redesign would need to include a provision that communities would be required to develop and implement a coordinated access and assessment system for shelter, rapid rehousing, prevention, transitional housing and permanent supportive housing along with social and affordable housing or even home ownership or home modifications programs.

Successfully coordinated access processes can help communities move toward their goal of ending homelessness by matching people with the housing and support they need and connecting them to those resources quickly. Need and support requirements should be linked to tools and housing options available within a community.

Coordinated access can:

- Help unclog the system by moving people more quickly through the referral process
- Reduce duplication of efforts and help serve clients better.
- Assist communities with ending chronic homelessness by sparking conversations about targeting the most expensive resources to those that have been homeless the longest.

Successfully coordinated access requires the participation of all housing and service providers in the community, making it critical that organizations involved in supportive housing projects:

- Participate in a designated community process to coordinate access to housing, including the use of coordinated referrals



and triage, common applications, common entrance criteria and centralized wait-lists. If the community does not have coordinated access to housing, the supportive housing project partners clearly communicate the referral and application process to the entire community.

- Participate in or lead efforts to ensure that community application processes, documentation of eligibility and intake processes are streamlined and efficient, so that applicants are not asked for the same information on multiple occasions.
- Prioritize persons that community data identify as having a high need for services (such as a high vulnerability index score) or frequently utilizing crisis systems (frequent users) for all available units.
- Move towards a choice based model of selection housing options rather than the current chronological model.

In addition to offering tenants the opportunity to choose among multiple units of supportive housing, it is also important that the community has supportive housing in a range of models and locations. In many communities, supportive housing is almost entirely found in a single model, such as single-site buildings with 100% supportive housing concentrated in a few neighborhoods. Since tenants have family and other connections to diverse communities, communities should mirror that diversity in the overall supportive housing available to tenants.

The organizations that are part of a supportive housing project team play a significant role in addressing systemic issues such as homelessness or affordable housing availability in the community. By participating in community planning processes, the supportive housing project team can push for needed changes and ensure that the project contributes to the

achievement of overall community and Provincial goals.

Participating in data management systems and sharing data within the bounds of confidentiality also can be important in understanding the most successful interventions in the community. This ensures that housing and service providers can continue to improve and learn from one another.

An effective coordinated access system is impossible without first addressing the multiple concerns identified by Service Managers and housing providers in relation to waiting list provisions under the HSA.

- Amendments to the HSA waiting list requirements to support its use more broadly than for RGI (e.g. eligibility, offers, internal transfers, selection of tenants).
- Amendments to exclude modified units without dedicated support services from the definition of special needs housing and exempt special needs units from the HSA application, tenant selection and review process requirements.

Removing the requirement of multiple rent collection in cases of fluctuating income/household member; not to be applied retroactively and standardizing tax documentation with go-forward implementation

Currently, in any given year, LHCs undertake more than one calculation per household (requiring a rental calculation). Modernizing rent calculations for subsidized tenants done based on an annual income tax, rather than the current continual and multiple rent calculations would provide multiple benefits from tenant, housing provider and government perspective as outlined herein.

LHCs have identified retroactive rent adjustments as a common trigger for rent arrears. In fact, an example of a built-in system



issue is when a senior moves from Ontario Disability Support Program (ODSP) to Canadian Pension Plan (CPP). Their income decreases and they move to a 30% Rent Geared to Income (RGI) calculation, as opposed to the previous rent based on a historic Ontario scale developed between the Ministries. Consequently, the rent increases and they automatically have a retroactive rent adjustment resulting in rental arrears. Removing this obstacle would prove more efficient, lead to more successful tenancies and positive mental health.

The current RGI approach, with near immediate rent increases when income increases, does not provide an incentive for individuals to increase income, education or gain employment. These are key drivers of affordability and pressures on affordable housing. Further, the 'income' definition for affordable housing assistance should match other regulatory definitions. The 2017 Ontario budget cited changes to Ontario Works and Ontario Disability Support Program with respect to how income is treated. This should be examined for alignment.

Similarly, those receiving disability have the fear of losing disability income forever if they wish to try and re-enter the workforce. There needs to be greater alignment of the overall objective of these policies and programs with housing, recognizing the overall housing system; and the creation of mechanisms that promote re-entry into the labour market. Employment, health, education and immigration policies are all great influencers to income and hence affordability; and ultimately affordable housing.

MOVING FORWARD- A MODERN FRAMEWORK FOR SOCIAL HOUSING

REGISTRY OF HOUSING PROVIDERS WITH A SOCIAL PURPOSE & HOUSING PROVIDER ACCREDITATION

Standalone LHC's view the Housing Registry as an excellent step to begin the process of equalizing not only standards but opportunities across all Service Manager areas. Currently, all 47 LHC's are as diverse in their operations, ability to be entrepreneurial and access funding from their Service Managers. There are 47 different approaches to risk, service delivery, tenant and community engagement and political influence. As part of a Registry, we envision this entity to be able to serve as a platform for LHC's to highlight their ability to deliver core services, share best practices and demonstrate excellence.

With a common standard for all to achieve and possibly a series of standards or tiers above the norm that will lend credibility to those that are developing new properties, planning regeneration projects of current communities and are innovative in their practices.

Standards of housing providers if applied equitably throughout the province, ensures that financial institutions, councils and boards of directors will have an accurate measuring tool for the performance of their housing providers and funding will be distributed using merit as a determinant. This will also measure each provider against the same standard while allowing for the differences that have evolved in each Service Manager areas that suit their geography, demographics and the need for services and the ability to provide them.

Funding for operations will, as we understand, be a negotiation between the provider and their Service Manager, an exercise which is very familiar to LHC's.



The Registry, will need to consider, when a provider is not achieving the base standards, if inadequate funding is the issue or the allocation and distribution of the funds received are being used resourcefully. Again this may lead to equalization and a setting of best practices and key performance indicators, both of which can be used by providers to improve their services.

Discussion Question #3

What are some basic standards that all housing providers should meet in order to be included in a housing provider registry?

The organizations representing the LHC Forum are accountable to our respective Service Managers, Boards and communities. We have reporting requirements and established indicators and standards to enable assessment of performance that ensure our organizations are set up to be successful. Despite the varying size and scale of our organizations there are several fundamental and common standards that we adhere to and that we suggest housing providers should be in a position to demonstrate, namely:

Social Purpose Mandate

Having a clear and well-articulated vision and mission should be an important strategic standard for housing providers in a registry. This is especially important if the province intends on ensuring that housing providers in the registry are organizations that are committed to delivering on a social purpose. A charter specifying the organization's social purpose and commitment to provide housing that low-and moderate-income Ontarians can afford, could be the key standard output.

Governance

A housing organization should have a properly functioning board, and a board selection process in place that requires terms for board members. This will enable a periodic refresh of Board members. If a housing provider in a

registry is accessing funding opportunities through this framework then there should be records and accountability standards that they must adhere to even in its simplistic form, as in meetings and minutes.

Financial Sustainability

As good practice and as a basic standard, housing providers should have an informed understanding of their financial status and be able to report on this periodically to the Registry. In addition to demonstrating budget preparation and monitoring, financial reporting, and audit functions; it will also critical for housing providers especially those coming out of the EOA process to continue to monitor and understand their viability. There are available sector tools to assist housing providers to complete project and portfolio viability assessments. For LHCs to participate in a Housing Registry and to adhere to this standard, we would need to have a sustainable funding mechanism in order to project into the future; and demonstrate financial sustainability.

Without being able to demonstrate financial sustainability, it could impact our placement on the Registry and further impact how much funding we get. It would put us in a disadvantage compared to other housing providers that are funded differently; unless the province establishes a different classification of standards and accreditation for the LHCs.

A sustainable funding agreement with our SMs, will ensure that we are in a position to access funding, have business cases prepared for incentives and benefits and maintain accurate building condition assessments.

Operations

One of the cornerstones of a successful housing provider is having strength in its daily operations. There are basic operation standards that all housing providers should meet as part of a housing provider registry. A component of these standards would be the day to day



maintenance of buildings as well as preventative maintenance, building safety (e.g. life safety systems) and building renewal. These are typically reported on by housing providers and should continue to be part of a housing registry.

Housing providers are becoming more sophisticated in their Information Technology Systems. As part of a registry, providers would want to demonstrate the work flow mapping of their business processes and how the Information Management Systems support service delivery and performance tracking.

Another key focus in the operations of housing providers is vacancy management. This includes areas such as arrears, occupancy, unit turnovers, and sustained residencies. These items are fundamental and significant to the operations of housing providers to ensure they are best meeting the affordable housing service level needs of their respective communities.

For the above identified areas, it is critical that policies and procedures are in place to provide a framework for these elements of the operations. A housing registry would necessitate that providers were able to illustrate that they have key operational policies and procedures in place and they are being followed. As well, as a basic standard, housing providers would want to have a performance monitoring system in place that would include operational KPIs, benchmarks and best practices.

Resident Management

There is currently a great deal of discussion and activity at the provincial level regarding resident management. As we move forward and transition away from the traditional RGI system to incorporating models such as the portable housing benefit, housing providers and service managers will need to be attentive to hitting service level targets. Some of the basic

standards that all housing providers should meet to be part of a registry would include:

- Leases/Occupancy subsidy agreements
- Approved targets for portfolio established under current and future legislation
- Internal transfer waiting list
- Resident files
- Over-housed residents
- Eviction rates
- Policies relating to resident management (e.g. Complaints & Confidentiality Policies)

It is important that the documents, processes and models that are incorporated into the standards of resident management for the housing registry continue to support and optimize the lived experience for current and future residents.

Asset Management

There are several key components of asset management that we suggest is necessary and within a housing provider's realm to produce as part of the standard requirements. These are preventive maintenance plans, building condition assessments, capital repair plans, and unit inspection reports. As a basic standard, housing providers should have some basic elements of an asset management plan and be able to demonstrate how maintenance and upkeep of the projects are being undertaken (e.g., energy efficiency upgrades).

Environmental and Energy Sustainability

The current political and funding environment has a keen interest in implementing and demonstrating environmental and energy efficiencies. These components often go hand in hand with asset management plans to ensure the longevity and fiscal health of the housing stock.

It is expected that any government funding for capital repair, new builds and redevelopment will require reporting on the outputs and outcomes. Adherence to some basic standards would place housing providers in a better



position to access funding dollars. We suggest for this area standards for housing providers could be:

- Energy management plan for portfolio
- Energy audits completed on each building every 5 years
- Complies with Ontario's Energy and Water Reporting and Benchmarking regulation (O.Reg.20/17)
- Monitors and benchmarks energy consumption of part or all of portfolio in an energy management software
- Set energy reduction targets for portfolio and annually reviews progress to targets
- Board-approved energy policy including energy reduction targets for portfolio
- Completed energy efficiency and/or greenhouse gas reduction retrofits in portfolio
- Ground level operations and maintenance staff have completed training on energy management from an accredited energy training organization

If specialized standards are developed for providers interested in expansion and new development the following standards may be applicable:

- Pursuing one or more projects to develop, redevelop, or retrofit a building to the level of Passive House standard, LEED certification, Net-Zero, minimum 15% energy savings over building code (such as Union and Enbridge Gas Savings by Design programs), or similar. Formal certification may not be required.
- Health impacts or standards when planning energy efficient initiatives (e.g. pursues WELL Certification or similar)

Tenant/Resident Engagement

At the core of a social housing provider's mandate is to meet the housing needs of tenants. The extent to which this is done well, should include a third party client driven assessment of service delivery via a tenant satisfaction survey. Client feedback mechanisms exist for most businesses; as it has

been recognized that clients are the best source of information and can identify areas for improvement. There is opportunity to standardize and deploy tenant satisfaction surveys across all housing providers. This provides for greater objectivity, economies of scale and "benchmark ability". Surveying every 2 or 3 years is sufficient and allows for actions and improvements to be made from the findings.

Other customer feedback and satisfaction mechanism should also exist for providers. These can take many forms, including brief 3-5 question pulse checks by call centre operators for 1 out of every 25 callers; customer service/care campaigns.

Capital Reserves

Require that housing providers within the Registry maintain a capital reserve fund and have a capital reserve plan. A capital reserve plan is a good practice management tool that can help housing providers; (1) budget for the future costs for major repairs and replacement of capital items, (2) gain an improved understanding of the physical condition of the asset(s), (3) maintain the assets in a safe, efficient and structurally-sound condition, and (4) make good decisions about investing the capital reserve.

The suggested standards above are critical to the nature of any housing organization to ensure that it is a well-run business, meets its social purpose, preserves its asset and provides a safe home for the people that it houses.

The province must recognize that standards should be simple, provide a minimum baseline, and reflect current best practices. A cautionary note is that the Registry should also pay attention to the quality of the standard reported and not just evaluate compliance to the baseline.



In the development of any standard; MHO must consider the range of standards that CMHC (i.e., accessibility, asset management, environmental) will require for housing providers to demonstrate through their new funding programs. This is critical to ensure that the reporting of standards from MHO and CMHC have some alignment which can limit some of capacity issues that may be faced by some housing providers.

In the implementation of standards, the province should consider the size of housing providers, their internal capacity and resources to support demonstrating standards. A larger number of housing providers in Ontario have less than 100 units and some of these organizations may have no intention to grow. On the other hand there are providers with over 100 units to 1,000 units with plans for development and/or to provide more units; and there are housing providers with over 1,000 units that have plans for development and are on a trajectory of business diversification and growth.

Although there should be a set of core standards, it is suggested that there should be a tiered approach to enable housing providers to achieve the required standards and feel more comfortable participating in a registry. If a tiered approach is considered there could be additional standards that housing providers would need to demonstrate to access particular incentive, grants and benefits.

Discussion Question #4

What benefits or incentives would be valuable to housing providers in deciding whether or not to participate in a housing provider registry?

Some benefits and incentives that would be of value to LHCs and housing providers are:

- Rental subsidy
- Direct access to government and private sector funding

- A "rating" that makes housing providers attractive to lenders
- Capital and green energy grants
- Qualification that makes tenants want to rent with us, especially if they have a portable housing benefit
- Access to financial loans
- Offset development cost charges
- Tax advantages- HST exemptions
- Allow housing providers to keep savings resulting from energy efficiencies etc.
- Priority (first right of refusal) for available land and development opportunities
- "Partners of Choice" for cross governmental projects that promote holistic housing such as health, education and employment 'hubs'

Discussion Question #5

Under the new framework, what type of body or level of government would be best suited to:

- a) Assess providers participating in a registry against a series of province-wide standards?
- b) Manage a list of accredited providers?

The LHC Forum recommends that an independent industry sector body that has provincial scope (not owned by the province) is best placed to deliver on the MHO objectives of a Housing Registry and accreditation. An independent entity with housing industry knowledge and expertise could be invested with the authority to ensure effective standard management of the sector. In fact, it would be advantageous for an independent body to provide a focused platform for the sector for governance, financial management and performance responsibilities in what is at present a transitioning nature of the regulatory landscape.



There will be benefits to creating a body that is independent of government in structure and in the execution of its functions. Political independence and autonomy to act free from policy and funding considerations are fundamental to the integrity and credibility of a 'body' and would be key to attracting finance into the sector. It is recommended that an appeal mechanism be established as part of the process and or procedural function of the body.

An independent body will also provide confidence in the stability of the sector. This will provide security for continued government investment, as well as attracting increased investment from the private sector. In addition, independent oversight and reporting would adhere to openness and transparency for all stakeholders including social housing tenants.

It is imperative however that any entity that is responsible for the delivery of this function has strong housing sector knowledge and works with the sector to leverage sector capacity and intelligence. This process must be a sector led initiative. Of importance is that the province recognizes that there will be additional financial impacts to a housing provider to participate in the registry. The accreditation costs should not be put on small housing providers; and neither should LHCs bear the cost for the sector.

The MHO has indicated that they have looked at models in other jurisdictions, in particular UK and Ireland. It is recommended that the province also review the Canadian models that have been used by the long term care and health sector and LEED. Lessons learned with respect to structure, implementation and capacity to adhere are important considerations to ensure an effective and mutually beneficial process.

CAPACITY-BUILDING AND SUPPORT

Discussion Question #6

What tools and supports will enable Service Managers and housing providers to take advantage of new opportunities and build capacity within a modern framework?

The Ministry's recognition for capacity-support is critical in the current operating environment to ensure that housing providers are in a state of readiness to transition into and while operating under a modern framework.

We have outlined the types of support and tools that the province can enable to assist LHCs and other housing providers in the delivery of social housing.

Facilitate the development of a governance and human resource strategy for the non-profit housing sector

A Human Resource strategy for the non-profit housing sector will help mitigate the risks posed by the loss of critical knowledge, expertise and capacity to effectively manage and administer housing projects and portfolios. It would help raise the profile of sector and the problem of eroding human capital. This would also facilitate the development of the plan for providers within the registry, and the sector, to use in assessing and addressing key issues, such as on-going governance, education/training, succession planning, and staff retention needs within the sector. This would be a step toward improving the long-term viability of non-profit and social housing. Opportunities exist to develop a strategic plan in partnership with key stakeholder groups, including:

- Chartered Institute of Housing, Canada
- Housing Services Corporation
- Ontario Non-Profit Housing Corporation
- Service Manager Housing Network
- Co-operative Housing Federation of Canada – Ontario Region
- Institute of Housing Management
- Real Estate Institute of Canada



The rationale is to create a system of training and accreditation that will form the foundation of the skill set required for non-profit housing administration.

Amend the Housing Services Act, and other acts as required, to enable sharing of information and disclosure to other service providers to improve client service

Although section 174 of the HSA permits the sharing of information collected under the HSA, it is only for the purposes of determining eligibility. Restrictions on disclosure of personal information hamper client service. Currently non-financial data and information based on eligibility can be shared with OW and ODSP. Sharing information on arrears is critically important as it would enable LHCs to provide good service to our clients receiving social assistance and can pro-actively prevent an eviction. For example, not all tenants receiving OW or ODSP are on rent direct. It is not unusual for these households to miss rent payment thereby placing them in an arrears status. This can continue over months and the collective arrears are a financial burden that a household may not be able to repay, ultimately leading to eviction. If an LHC were able to share arrears data or even the fact that a household is in arrears with social services, we would be able to work through a remedial process to ensure that tenants are not at risk of losing their housing.

Create a permanent automated income verification (AIV) program for housing income tested programs using Canada Revenue Agency tax data

We encourage the province to re-engage the Canada Revenue Agency (CRA) and the Ministry of Finance to determine and establish a permanent automated income verification process specific to the RGI system. Income verification for rent-geared-to-income is currently completed by residents providing paper documents in-person. If individuals fail to provide required documents, they will not receive or may lose needed benefits. People

who are vulnerable are at particular risk, as they may face additional challenges to providing income verification. LHCs spend a significant amount of staff resources to administer RGI calculations and follow up with households for annual household income updates.

The existing AIV service developed is used by several provincial income-tested programs (e.g., Ontario Child Benefit, Northern Ontario Energy Credit) but it does not include the RGI program. The expansion of the AIV to the RGI program is a critical component of human services integration. It will significantly reduce the RGI administrative costs, improve service delivery, simplify the provincial income test and calculation for RGI; reduce duplication and provide individuals with a streamlined experience. More broadly it would link with the provincial benefits transformation initiative which aims to automate service delivery of income support programs. Further, the AIV service is in keeping with the new provincial Poverty Reduction strategy, supporting the strategic directions to end homelessness. The province is in the best position to make an efficient, cost effective AIV service available to all municipalities.

An efficient and accurate administration of RGI, inclusive of checks and balances, is dependent on IT systems. More sophisticated systems are costly and require ongoing investment such as IT specialists and upgrades to maintain. Such investment and capacity is either a great strain or does not exist in smaller providers. In an environment where resources are already strained, IT/IM requirements further exacerbate the challenge. Subsidy programs should leverage current government systems where possible, such as the income verification by CRA, and alleviate the drain of resources on providers. This at minimum and immediately could include only annual rent calculations. Longer term, this could evolve to shared service offering for administration of subsidy.



As technology introduces further opportunities to housing providers and tenants including onsite health care, education and employment opportunities, so does the need to enhance technological capacity among housing providers. This ranges from integrating technology into new builds, to leveraging technology for maintenance (e.g. heating management systems) to providing virtual services to tenants. Accreditation could be broadened to recognize this new component of housing. Return on investment (ROI) business cases, supplier agreements and 'project implementation teams' can be undertaken as a centralized and shared services model to support housing providers. Partnerships and a more formal role for educational institutions to support the viability of affordable and social housing is required.

Establish a Tenant Engagement Housing Funding Stream to support community development activities for the residents that live in social housing

It is evident under the modern framework that the province has interest in tenant engagement. The HSA mandates LHCs to provide physical housing but is silent about the need for community development or tenant support services. Nonetheless, LHCs enhance housing services to promote stronger communities. Our organizations provide various methods of tenant participation and accordingly we specifically budget for resources to support community development and resident empowerment initiatives or seek partnerships and resources to improve safety, human and social services, education, and job opportunities for residents. Many of the initiatives are socially driven community development activities to engage residents in their neighbourhood, participate in the decision-making process related to the communities they live in, and fostering tenant economic opportunities.

While LHCs share many of the same responsibilities as private sector landlords, our task is intensified by the additional need for the social and physical development of our tenants. Some of the many programs and initiatives are targeted to reducing isolation amongst seniors, creating apprenticeship opportunities for youth, developing leadership skills, and fostering social enterprise activities for residents. There is a direct correlation between tenant engagement activities and the financial impact on the company. Such activities build more vibrant communities and community cohesion, improves quality of life and inadvertently can improve health outcomes and reduce social costs. However, inconsistent funding prevents long-term sustainability of initiatives. Although worth every dollar spent on our residents, we recommend that the Ministry of Housing establish a pool of financial resources dedicated to supporting tenant engagement activities specific to social housing.

Discussion Question #7

[How can all partners- the province, Service Managers, housing providers, and tenants- work together to better support tenants and minimize impacts in the transition to a new framework?](#)

A stronger, more responsive social housing system is one in which collaboration and relationship building and partnership development is fundamental. LHCs, other housing providers and service managers are often facing similar challenges and working independently to solve them. To better support tenants and minimize impacts in the transition to a new framework, we have identified several significant partnerships that the Ministry of Housing can facilitate to achieve better outcomes for the people we house.



Ministry of Housing's Continued Engagement with the LHC Forum

The LHC Forum and the Ministry of Housing has fostered an ongoing relationship over the last few years. This has resulted in increased collaboration between the LHC Forum and MHO including the opportunity to be involved in the province's work on social housing modernization, through our participation on the Discussion Forum and technical working groups. Consequently, this has enabled the province to directly engage with representatives from the LHC Forum to understand a housing provider perspective (not typical of most housing providers) and make policy and regulatory changes on issues as it relates uniquely to standalone LHCs.

Given the nature of the independent LHCs and its role as reflected under the Housing Service Act; we continue to welcome additional engagement opportunities and dialogue with the province. The province would benefit from our perspectives and participation to co-design programs, for policy development and for consulting on the modernization framework, specifically with the role of LHCs within a new structure. We are also in a unique position to be able to consult and work with the Ministry for the purposes of implementing pilots and should the province want to workshop with the LHCs directly.

Greater collaboration is needed between institutions/organizations that are discharging their clients and LHCs that are housing individuals following discharge

Greater collaboration is needed between institutions/organizations that are discharging their clients and LHC's who are housing people following discharge. The focus should be on thorough case planning prior to discharge and ongoing supports to ensure sustained tenancies following discharge, especially regarding:

- MCYS for the youth population that end their care under CAS

- MJUS for people who are done their incarceration
- MOHLTC/LHIN for services in areas of mental health, health, psycho-geriatric, etc.

Facilitate formal partnership and alignment of service and funding across Ministries, Local Health Integration Networks (LHIN) and with LHCs

Increasingly, LHCs are met with barriers across various sectors, all of which play an important part in delivering a coordinated service to our clients. The current trend in all areas of business is the streamlining of service delivery for the client yet we do not share ideas, resources or information that would benefit a common client. We encourage the province to continue its focus on collaborating planning across ministries and facilitating partnerships amongst the LHINs, Service Manager and LHCs. We also recommend that MHO undertake a consultation with the LHCs and sector stakeholders specifically geared to finding funding and supports for tenants that are vulnerable. By convening the varying stakeholders together to better understand the housing environment in which we operate, the challenges in obtaining support for our tenants, will enable a planned, purposeful and committed way towards the same objectives and will prevent duplication.



CONCLUSION

The province's recognition that the governing and regulatory nature of the social housing landscape is changing and needs a refresh is a positive sign. This is occurring at a time when our LHCs are also undertaking business transformation and modernizing our practices to improve how we deliver social housing for residents in our communities. As the province through MHO makes transitions and contemplates changes to establish the next generation of social and affordable housing provision in Ontario; it is important to account for the significant role that LHCs have in the new era for housing; and give attention to how the LHCs work within the modern framework.

The very nature of our portfolios and subsidized rent makes a strong case for the forthcoming modern framework to support our abilities to continue our business transformation, be entrepreneurial and excel our innovative activities; all undertaken within a social purpose mission for providing a safety net for residents living in our local communities that generally experience limited housing mobility.

As independent operating LHCs we have demonstrated our ability to deliver housing in a changing environment for over 20 years, and have proven that we are stable and a significant avenue for investment in the years ahead. Our LHC model contributes to the overall sustainability of the sector and the flexibility and innovation that occurs within our organizations exceeds the pace and scale of LHCs that are internally run within the service manager structure.

Our overarching business objectives of safeguarding government and public investment, managing risk and achieving best outcomes for tenants, the long-term strategic development of our portfolios, and the support partnerships we enable; align with provincial objectives. We have the same shared interest.

The province through the proposed modern framework is creating new opportunities for innovation, flexibility and freedom which we as LHCs embrace. This submission articulates the LHC Forums ideas for being supported through the modern framework, and provides suggestions for supporting our provision of housing to enable sustaining our portfolios and ensuring successful tenancies. As the province considers the role of local housing corporations in the broader delivery housing system; we encourage MHO to continue the dialogue and the engagement with the LHC Forum to help us better support you in the planning and implementation of a modern social housing system.

Local Housing Corporation (LHC) Forum:

For additional feedback and/or to seek clarification with respect to this submission you may contact:

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Ontario's Independent Local Housing Corporations

helping communities across Ontario meet local housing needs through entrepreneurialism and business innovation.

meet community needs by providing 40% of the social housing in Ontario

- Wholly owned by municipalities but operated as independent corporations under the *Ontario Business Corporations Act*
- Most residents pay rent-geared-to-income



94,182
homes

37,294
seniors

34,603
families

19,665
adult
singles



\$14.9 Billion
in property assets



45 Years
average age of
housing stock

more than just a landlord



Independent LHCs don't just manage their own buildings. To reduce the amount of funding required from municipalities and meet the unique needs of residents, they have diversified their businesses.



8,728

rent supplement leases managed for community non-profits

Due to the shortage of supportive housing, many people with special needs reside in LHC units

\$0

dedicated support dollars for residents with:

- Mental health issues
- Victims of abuse
- Addictions
- Physical and mental disabilities
- Mobility and age-related issues

LHCs have addressed this by:

- Partnering with community agencies
- Implementing eviction prevention strategies
- Supporting resident engagement & community development

a major contributor to the local economy



\$502 Million
re-injected annually
into local economies via
contracted services

\$44.7 Million
paid annually
in municipal property
taxes

2,672
employed as staff
in 2017

well-positioned to meet future affordable housing needs

Ontario's leading developers of affordable housing:

\$1+ Billion
in new development,
2018-2023

- Local business with focus on community goals
- Flexibility and business agility due to external relation to municipality
- Existing portfolio footprint:
 - Excellent redevelopment, intensification opportunities to better meet current and future housing needs
 - Available for asset leveraging due to expiring debentures
 - Leverage economies of scale for redevelopment



Ontario's Independent LHCs are:



Cornwall & Area
Housing Corporation
Société de logement de
Cornwall et de la région



GREATER SUDBURY
HOUSING CORPORATION



SOCIÉTÉ DE LOGEMENT
DU GRAND SUDBURY



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Appendix 4

London & Middlesex HOUSING CORPORATION

Social Housing with Supports

A PROOF OF CONCEPT, PILOT PROJECT TO
SUPPORT HOUSING STABILITY WITHIN SOCIAL
HOUSING PROGRAMS

INTRODUCTION

The need to address homeless and housing issues has reached a critical tipping point. Reports show that in London there are 2,600 people searching for emergency shelter annually.¹ Two surveys conducted during 2016; one over three days and one Point-In-Time count, suggest that of the respondents 59% and 52% respectively were considered chronically homeless.² Addressing these issues is top of mind for individuals and communities across Canada. This is evidenced by three of the top four themes identified in Canada Mortgage and Housing Corporation's (CMHC) "Let's talk Housing Report": to provide housing for people with low incomes and other distinct needs, to build a stronger affordable housing sector, and to renewing social housing.³

BACKGROUND

London has a strong history of responding to housing and homelessness issues. In 2003a local housing rule, further revised in 2005, referred to as the "9 of 10 rule" targeted housing to individuals in order of need⁴. In 2010 London embraced the possibilities of Housing First as a pragmatic solution to homelessness "to move individuals and families [experiencing homelessness] quickly into housing. . . with the right level of support."⁵ Both initiatives are viable to house those with the most need. However, developing a cohesive plan to provide the necessary level of supports has been complicated for our community as support agencies in London operate within a fragmented service delivery model. To provide housing for individuals with these needs, without access to adequate housing supports has created significant challenges for LMHC.

LMHC, as London's largest provider of Rent-Geared to Income Housing has never been fully equipped to operate within these models. The "9 of 10" rule requires that 90% of new tenancies are offered to individuals from the 'Urgent' status list. This means that a significant number of new tenants have experienced chronic or episodic homelessness. This is important to understand as multiple research studies have shown that those experiencing chronic or repeated episodic homelessness often are coping with multiple complex barriers to housing stability including mental health, substance abuse, unemployment and relationship challenges.⁶ LMHC attempts to build partnerships and coordinate with other agencies to offer the required services to support those with complex barriers to housing, yet our staff continue to report that many community partners have stopped showing up. Anecdotally staff have contributed this to either fear of safety, or a lack of resources. With the number of agencies providing similar services within our jurisdiction, many must compete for funding and resources, rather than collaborate and coordinate the housing and homelessness support network needed. As outlined in the "London For All" plan "a coordinated response is needed to account for the complexity of these issues."⁷

LMHC mandated and funded by its shareholder to act as a landlord has become the de facto provider of supports and is doing so without the required resources. These pressures have been layered upon an already aging infrastructure and a shareholder agreement that does not provide the flexibility to generate or retain additional resources to invest in future initiatives or sustainability. Thus, the unintended consequences of the well-meaning initiatives described above has exacerbated an already underfunded organization, contributing to the further deterioration of LMHC properties, and creating a negative impact on the health, safety and wellbeing of our tenants and staff.

¹ A. Oudshoorn as cited by Gignac, "Homeless Death Toll in London, Ont. Nearly on Par with Toronto."

² City of London, "Solving Homelessness Together London's 2015-2016 Enumeration-Results," 24.

³ Government of Canada, "What We Heard - Shaping Canada's National Housing Strategy," 14.

⁴ City of London, "Housing Division Notice — HDN #2005-90."

⁵ City of London, "London's Homeless Prevention System.pdf," 1.

⁶ Hennessy and Grant, "Developing a Model of Housing Support: The Evidence from Merseyside.," 338.

⁷ City of London, "London for All Report."

PROPOSED SOLUTION

In LMHC’s new strategic plan launched earlier this year, we outline that we will improve renew and maintain the homes we offer, Support Housing Stability and Prevent Homelessness, and Engage Empower and Assist our tenants. These strategic goals align with the city of London’s 2015-2019 Strategic Plan as shown below in Figure 1.

Shared Goals

City of London		LMHC
<ul style="list-style-type: none"> • Strengthening Our Community 	↔	<ul style="list-style-type: none"> • Improve, renew and maintain the homes that we offer • Stake out critical role in supporting housing stability and preventing homelessness • Engage, Assist & Empower Tenants
<ul style="list-style-type: none"> • Building a Sustainable City 	↔	<ul style="list-style-type: none"> • Improve, renew and maintain the homes that we offer
<ul style="list-style-type: none"> • Growing Our Economy 	↔	<ul style="list-style-type: none"> • Establish long-term financial growth and stability

Figure 1

Common Objectives

City of London		LMHC
<ul style="list-style-type: none"> • Diverse, inclusive and welcoming community • Caring and compassionate services 	↔	<ul style="list-style-type: none"> • Create a Tenant engagement strategy • Foster housing stability by providing tenant onboarding and education programs • Expand and improve tenant communication channels • Improve building conditions to make them more functional
<ul style="list-style-type: none"> • Robust infrastructure • Strong and healthy environment • Beautiful places and spaces 	↔	<ul style="list-style-type: none"> • Ensure capital improvements relate to the annual capital plan and long term capital replacement strategy • Improve building conditions to make them more functional
<ul style="list-style-type: none"> • Urban Regeneration 	↔	<ul style="list-style-type: none"> • Develop an asset strategy with the internet to have "a shovel in the ground"

Figure 2

While we are eager to implement our new Strategic Plan and excited that, through its alignment with the City of London’s Strategic plan, we will be able to partner with our shareholder to further both our long-term visions. We are also cognizant that any implementation plans need to be data driven and evidence-

based. We have some solid data relating to the state of our capital infrastructure from the VFA Facility Condition Assessment presented to London's Strategic Priorities and Policy committee at the Meeting on May 15, 2017⁸. However, at this time we lack the data from which to build a portfolio-wide, evidence-based response to address the need for housing supports.

There is an evident lack of data across the Canadian Social Housing sector. According to CMHC, there are gaps in available housing data including information on:

- households that live in social and affordable housing;
- the physical condition of Canada's social and affordable housing stock;
- opportunities for site redevelopment or increasing density;
- seniors' housing, including both market and government-funded housing;
- Outcome-based indicators or qualitative data, which would show how government-housing programs contribute to positive outcomes for clients and help identify any gaps in housing programs and services.⁹

Filling these data gaps is so significant to the development of housing solutions across the country that the 2017 federal budget committed \$241 million to strengthen the Canadian housing sectors data collection, analytics, and research capacity.¹⁰

Currently LMHC faces a dichotomy between the need for data and proper planning, and the cost of lost opportunity to our tenants, our capital infrastructure, and our broader community. The longer we wait to develop solutions the more our tenants' outcomes, capital infrastructure and the health and safety of communities have the potential to deteriorate. To address this dichotomy we have created a balanced approach that will provide more immediate opportunities while enabling data collection and mitigating risk.

We propose a phased approach starting with a pilot program to provide proof of concept and allow us to build a solid replicable, evidenced-based architecture for future regeneration and revitalization projects. Using a supportive mixed-use model built upon Results Based Accountability principals and Social Return on Investment (SROI) metrics. We will include external research expertise to implement a longitudinal study at the onset. This will allow us to provide both LMHC and the City of London with the data points needed to understand:

- The current states of specific social housing properties
- distinctive housing supports needed to achieve success within a Housing First model
- the efficacy of a supportive housing model substantiated by measurable participant outcomes.
- impacts of supportive housing on the broader community
- the economic return of this investment in terms of cost diversion and other SROI metrics

The longitudinal study will initially focus on a housing supports needs assessment per property. This coupled with the capital infrastructure data already in place will allow us to determine an appropriate site to conduct the pilot. Along with the opportunity to provide housing supports and build community collaboration, the pilot will also include sustainable capital upgrades to one of our buildings.

⁸ Browne, "Update On The State of Public Housing Assets."

⁹ Canada Mortgage and Housing Corporation, "Let's Talk Housing - Housing Data We Can Rely On."

¹⁰ Government of Canada, "Budget 2017."

We have engaged in discussions with two potential community partners who are eager to work with us in developing a supportive housing program. We have also met with a member of Western’s Centre for Research on Health Equity and Social Inclusion(CRHESI) who indicated potential support in conducting the research component discussed herein, and a willingness to assist in securing funding for this component of the project. While there is a need to conduct more community consultation and partnership development, preliminary efforts have indicated that there is an appetite to support this project across our community.

CONCLUSION

Housing First offers a real solution to homelessness. Conversely, research shows that the success of the model “must be adapted to local conditions, and must be followed by the provision [multiple] services.”¹¹ One of the founders of the Housing First model, Sam Tsemberis asserts that positive Housing First outcomes for chronically homeless require the implementation of wraparound supports in the form of Intensive Case Management (ICM) delivered by qualified, professionals.¹² While LMHC is committed to support London’s Housing First model, we have struggled to provide the supports needed within London’s fragmented service delivery model.

Based on the research and best practices from other Local Housing Corporations across Ontario we believe that a mixed-use community including a supportive housing program offers the best option for both LMHC and the broader London community. However, due to a lack of housing data, it would not be prudent to move ahead with a large-scale supportive housing project, and yet we still must address the needs of our tenants, the decline of our social housing communities and the deterioration of our capital infrastructure. We propose developing a pilot program as a platform to collect and analyze data, measure success and provide a proof of concept. This pilot holds the potential to be replicated on a larger scale and provide a real and sustainable solution to homelessness and housing in London. We therefore ask that that council support such a pilot by requesting a more comprehensive business case.

¹¹ Cohen, “Stories of Those Homeless Who Don’t Fit the ‘Housing First’ Model| Nonprofit Quarterly,” para. 8.

¹² Tsemberis, *Housing First*.

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Appendix 5



LONDON & MIDDLESEX
HOUSING CORPORATION

LMHC Shareholder Declaration

A DISCUSSION DOCUMENT TO SUPPORT
LMHC'S STRATEGIC PLANNING INITIATIVES

INTRODUCTION

London Middlesex Housing Corporation (LMHC) operates under the terms of a Shareholder Declaration approved by its sole shareholder, the City of London on June 20, 2011. Since that time the City has evolved its delivery of social and affordable housing as is true across the Ontario social housing sector.

This document will discuss various aspects of the current Shareholder Direction that might be reconsidered in the context of future directions for both LMHC and the City of London in meeting its overall community, social and affordable housing goals.

PURPOSE

Time has passed since the current Shareholder Declaration was executed, a new strategic focus has been articulated for LMHC, and the City has confirmed its organization and strategy for the development and expansion of housing services, facilities and programs. When the original document was created the declaration was constructed around a goal of restricting the powers of LMHC and managing a transitional period.

It is worth noting that when the City created the Housing Development Corporation (HDC), the Shareholder Direction was written explicitly to enable the creativity and reach of the organization. In order for LMHC to meet the goals of its new Strategic plan and to be an effective partner, it will be important to consider delegating greater scope to the Board of Directors and the Corporation, as well as confirming LMHC's modernized corporate direction.

MANDATE

Equally, the mandate of LMHC as articulated in the objectives section of the agreement might be revisited to consider language that encourages and supports allowing the organization to partner in new ways to meet the objectives of its strategic plan, enabling new partnerships and the potential for joint ventures with the community, the HDC, as well as other agencies or funders. At the same time, it will be important to ensure that the scope supports risk management, ensuring that the Shareholder is informed and able to anticipate issues. For example, new language that enables processes wherein the Shareholder can support an overall plan, and allow the LMHC autonomy and flexibility to carry out a plan over a period of time, within the multi-year budget planning cycle would be useful.

Mandates of public housing companies such as LMHC are changing, as is illustrated in the LMHC Strategic plan and in the expectations of the Province and Service Managers as new programs emerge that treat housing as one part of the system that both responds to the needs of vulnerable citizens, and creates healthy communities. It is understood that sophisticated housing providers both own building assets and are enablers and partners in programs and supports for mental and physical health, for positive communities and to support the renewal and development objectives of the municipalities in which they operate. Those realities require a new approach to governance, and more flexible mandates in order to optimize the assets and skills of organizations like LMHC.

GOVERNANCE

In order to be successful LMHC requires a Board that is committed and focused on meeting both its fiduciary responsibilities and the goals set out in the strategic plan. It will be important to recruit Board members who can bring a sophisticated skill set and who can commit to the time and effort necessary to ensure active and committed leadership. To accomplish those goals, the Shareholder Declaration might be amended to facilitate LMHC Board and Executive team in having a stronger role to play in the recruitment and selection of Board members, while continuing to maintain Council's role in appointing the Board.

LMHC could lead the process of Board member recruitment through an active Board recruitment process, advertising and vetting for key skills required and managing an interview process to ensure that candidates fully understand the role and requirements of a Board position. That would allow for the LMHC Board to propose suitable candidates to council for consideration.

MANAGING ASSETS AND LONG-TERM FINANCIAL SUSTAINABILITY

LMHC is well on its way to creating a long-term asset management strategy, the shareholder declaration is written to support a property management operation, without a focus on long-term strategy. The revised declaration should articulate the responsibility of the corporation and the Board for long-range planning and the financial tools to do that effectively. For example, extending the budgeting framework work to incent LMHC to build surpluses that can begin to create an operational reserve would be the first step toward creating a strong financial base. It will be equally important to support LMHC in portfolio management, by allowing flexibility in moving funds across budget categories to most effectively manage its business. Any program to support the regeneration of LMHC over time will require the organization to take on debt, and it may, therefore, be useful to incorporate language similar to that used in the HDC declaration around debt limits and reporting requirements.

The current declaration makes limited mention of the impact of moving to a mixed-income model and incorporating housing funded through either the Canada Ontario Affordable Housing program or other resources. It also doesn't acknowledge the changes that will come from End of Operating Agreement impacts and the need to restructure budgets and financing accordingly. Much of the current financial arrangement is articulated in the Appendix A - Accountability rules, which would need to be restructured to support the strategic plan going forward. The new LMHC strategic plan speaks to high standards and accountability, it may be that a new declaration could be more focused on outcomes rather than rules - again the language in the HDC declaration moves in this direction.

PARTNERSHIPS, JOINT VENTURES, NEW ROLES

The creation of the HDC supports the ability of the Service Manager to deliver affordable housing and community programs in new ways, providing the support and expertise to manage more sophisticated real estate transitions such as land swaps, and mixed-use communities. Those tools may be critical to the success of LMHC's regeneration, and it may then make sense to mirror the language in the HDC declaration in order for LMHC to have the scope to be an effective partner and to maximize those opportunities. A number of similar organizations have now incorporated language to allow for subsidiaries for development purposes, new partnership models, etc. Shareholder support for these sorts of strategies could be managed through regular reporting and the multi-year business planning cycle.

As the social housing sector changes and LMHC refreshes its operation that may be new roles that it can play to both ensure the sustainability of the organization as well as to support Service Manager and community needs. The shareholder direction could either explicitly speak to those potential roles or be written in a way to enable processes to gain approval. For example, some service managers have explicitly said that if they need to place a project that has been abandoned or become a project in difficulty that cannot be resolved, it is expected that the municipal housing provider will assume the property. Other Service Managers have looked to their municipal housing companies to play a substantive role in their Homes First or other supportive programs either as host or in partnership with others. Some housing providers have created new ventures to create revenue streams either through subsidiaries or within the existing company providing their services to the broader sector. Some housing providers have become the host of or deliverer of new kinds of community programs, a good example being the Homeward Bound model initiated and licensed by Woodgreen that is now being offered by a number of housing providers. Change in the system will mean that housing providers may be called upon to play a much broader range of roles and to be much more nimble in being able to respond to opportunities.

TENANT ENGAGEMENT , SECTOR LEADERSHIP AND COMMUNITY BUILDING

The LMHC strategic plan clearly moves the organization away from a bricks and mortar tradition, articulating a strong commitment to tenant engagement and community building. It also acknowledges the importance of LMHC playing a strong leadership role in the broader community and in the sector. It speaks to co-ordinating diverse community stakeholders and pursuing purposeful partnerships.

Some similar organizations have language in shareholder declarations supporting the importance of these roles, and ensuring that funding is targeted towards activities that support the organization in achieving goals in these areas. For example funding for support services like social work, the ability to apply for and manage funding with partners such as universities for research or the delivery of a health funded program in LMHC space and as well as membership and leadership support to sector organizations.



PwC Internal Audit Results

Review of operational alignment of funding model and strategic plan

We
CARE
COLLABORATIVE
ACCOUNTABLE
RESPONSIVE • EQUITABLE





Background

On February 28, 2013, Council requested Civic Administration to work with LMHC to review any shared services opportunities and made available the services of PricewaterhouseCoopers LLP (PwC) to assist in this regard and to report back on the potential establishment of a reserve fund for LMHC.

Phase 1



A review and alignment of LMHC purchasing policies with the City's Procurement of Goods and Services Policy for purchased materials and services.



Phase 2

At the request of LMHC, the City of London Audit Committee, at its meeting of December 7, 2016, approved PwC complete the second phase of the shared services review.



SCOPE

- The operational alignment of LMHC's funding model and its new strategic plan, predicated on risk exposure by focusing on the nature and extent of potential for loss/risk.

Observations & Findings

Capital Funding

LMHC does not have the appropriate level of resources to maintain our properties

Support Costs

Growing need to cover costs for social supports, community development, intervention, security, etc.

Priority List

The tenant priority list is not aligned with the City of London's housing support strategy

Flexibility

LMHC does not have any flexibility with respect to strategic and operational decisions

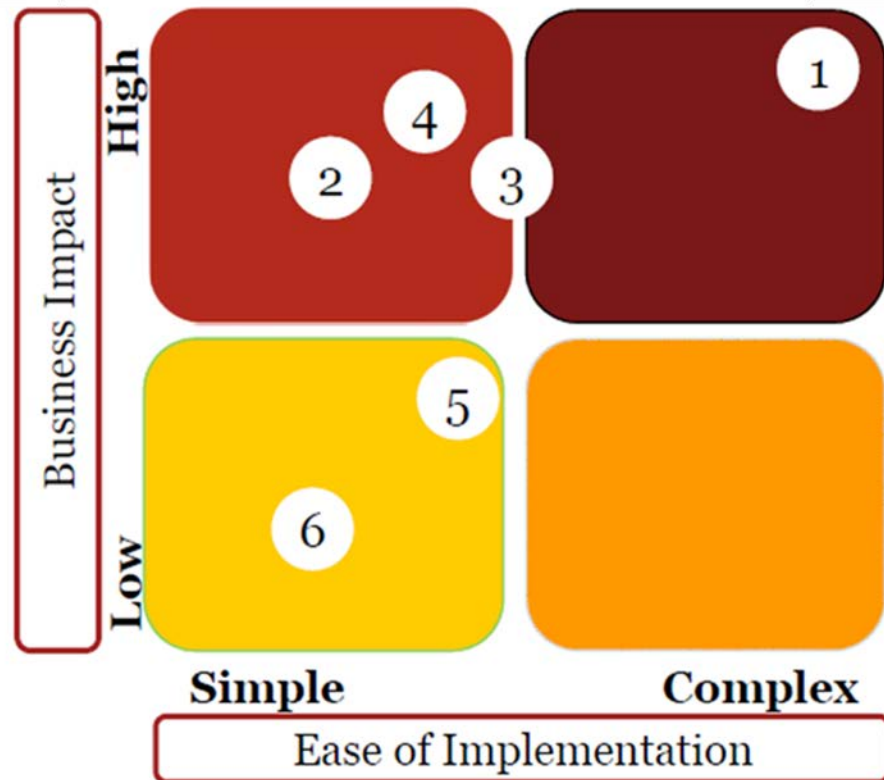
Budget Process

Current budget based on % of year over year change, will not give LMHC sufficient information to fund the our strategic plan

Reporting

reporting operating expenses on a supplementary basis by "nature", may help illustrate how to resource the various strategic goals

Action Plan Summary



- High Business Impact, Easy to Implement
- High Business Impact, Difficult to Implement
- Low Business Impact, Easy to Implement
- Low Business Impact, Difficult to Implement

PricewaterhouseCoopers LLP

Observations	Timing	Rating
#1 Insufficient capital funding for deferred maintenance	September 2019	Needs Improvement
#2 Impact of tenant intake process and priority list	December 2019	Needs Improvement
#3 Tenant priority list is not aligned with the City of London's housing support strategy	December 2018	Needs Improvement
#4 Flexibility within shareholder Agreement	December 2018	Satisfactory
#5 Zero based budget for new strategic plan implementation	2019 budget cycle	Satisfactory
#6 Operating expenses by function	January 2019	Satisfactory

PwC Rating Scale

- Satisfactory

Controls are present to mitigate process/business risk, however an opportunity exists for improvement.

Satisfactory



- Needs Improvement

Existing controls may not mitigate process/business risk and management should consider implementing a stronger control structure.

Needs
Improvement



- Unsatisfactory

Control weaknesses are significant and the overall exposure to risk is unacceptable. Immediate attention and oversight from management is required.

Unsatisfactory



Capital Funding

PwC Observation

**Insufficient capital
funding for future
maintenance**

Business Impact

**Overall
condition of
housing units
at great risk**

LMHC Response

**Advocacy,
Capital Asset
Strategy,
Innovation,
Regeneration**

Support Costs

PwC Observation

Impact of tenant intake and priority list on operating costs

Business Impact

LMHC does not have the capacity to be proactive

LMHC Response

Collaborate to build a responsive system

Priority List

PwC Observation

**Tenant Priority list
not aligned with City
Housing Support
Strategy**

Business Impact

**More housing
supports
would
improve
health, safety
& wellbeing**

LMHC Response

**Supportive
Housing Pilot
Program &
Associated
Study**

Budget Process

PwC Observation

**Zero based budget
to align with new
strategic plan**

Business Impact

**Will help
allocate
resources to
critical areas
within the
strategic plan**

LMHC Response

**Developing a
comprehensive
financial plan**

Reporting

PwC Observation

Report operating expenses by function

Business Impact

The ability to more effectively analyze operating results

LMHC Response

Focus on technology & data collection

Flexibility

PwC Observation

**Flexibility within
Shareholder
Agreement**

Business Impact

**Relieve some
current
challenges
and allow for
more revenue
generation**

LMHC Response

**Request
Shareholder
Declaration
Review**

Thank You



We
CARE
COLLABORATIVE
ACCOUNTABLE
RESPONSIVE • EQUITABLE

