

**COMMUNITY SERVICES DIVISION  
HOUSING SERVICES DEPARTMENT**

**CORE SERVICES REVIEW**

**BENCH MARKING**

**Social Housing Services Corporation (SHSC)**

- The SHSC has developed two web-based performance indicator systems:
  - i) The Housing Provider system for the comparison of non-profits, co-ops and public housing units. This system is new and as yet there is insufficient data available for comparison purposes.
  - ii) The Service Manager system for service managers to compare results related to administering social housing programs. Participation in both systems is voluntary.
- To date, only 19 out of 47 Service Managers have input data into the Service Manager system and there is insufficient data to enable a true comparison between similar sizes of Service Managers.
- The attached appendices provide ranking graphs for the areas of:
  - i) Administration costs as a % of Total Social Housing Costs  
The attached graph indicates that Lambton is the 14<sup>th</sup> highest out of 19 reporting service managers or spends more per unit on administration than 13 other service managers. This cost varies by Service Manager due to the variety of delivery methods and the method of calculating administrative costs. Lambton directly manages the owned units, while the majority of other Service Managers have retained the Housing Corporation to manage the owned and rent supplement programs.
  - ii) Subsidy Cost Per Unit  
This graph compares the total rent-geared-to income subsidies divided by the total number of rent-geared-to income units. Lambton is the third lowest which indicates Lambton has a higher income level than other municipalities or lower market rents. According to the County of Lambton Housing Analysis

completed in 2005, Lambton's Median Household Income is lower than the provincial average. The Housing Analysis also indicates that the number of residents in Lambton County in the age group of 65 and over is higher than the Provincial average. Thirty-nine percent of non-profit housing in Lambton is designated for Seniors only. Seniors living in rent-geared-to-income assisted housing in Lambton have an average annual income of \$13,802 compared to \$8,188 for non-seniors. Lambton also has lower market rents than other areas of the province which would result in lower subsidy being paid to non-profit providers than in other Service areas.

iii) Wait List Cost per Applicant

This graph compares the total of all operational costs incurred to deliver the Coordinated Access program with the number of applicants on the waiting list. Lambton has the third highest expense. One reason may be that waiting lists are shorter than larger municipalities in the comparison group. Another reason may be that Lambton interviews each applicant applying for Rent geared to income (RGI) assistance. During the interview applicants are provided with information to assist them in making an informed decision with regards to accommodation, location and length of wait lists. If Housing Services is unable to assist an Applicant, staff provides suggestions for other housing options thus providing a continuum of service that at times prevents the applicant from becoming homeless. Applicants are also provided with other information regarding community services i.e. Income Tax preparation for Seniors and support services.

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In addition, the applicant's file is updated before being sent to the Housing Providers. Providers advise that up to date information reduces their vacancy loss as they are able to fill vacant units quickly.

- iv) **Average Rent Geared to Income Tenant Revenue per Unit**  
This graph compares the total RGI revenue charged divided by the total number of rent geared to income units expressed as a dollar amount. This graph indicates that Lambton has the fifth highest RGI Tenant Revenue per Unit. When the subsidy cost is less it stands to reason the RGI Revenue will be higher please refer to Graph 2 – Subsidy Cost per Unit comments.
- v) **Administration Costs per Unit**  
This graph shows Lambton's total cost of administering Social Housing compared to the total number of units being administered. Lambton is the fourteenth highest compared to the nineteen reporting service managers. Once again the method of calculating administration costs varies by how the Service Manager delivers the service and how they break down management vs. administration costs. Lambton's costs have been broken down based on the percentage of staff wages and associated costs dedicated to management vs those dedicated to administration. Lambton is considered to be a medium to small Service Manager and does not benefit from any economies of scale.
- The above five graphs provide a comparison of the 19 participating service managers across the province. It should be noted that data has not been validated and data definitions may have been

interpreted differently and due to the small number of participating Service Managers the comparative data set may be distorted.

**Municipal Performance Measurement Program (MPMP)**

- No information on Social Housing is available through the MPMP (Municipal Performance Measurement Program).

**Ontario Municipal CAO's Benchmarking Initiative (OMBI)**

- In 2003, SHSC established a partnership with the Ontario Municipal Benchmarking Initiative (OMBI) to work together on establishing benchmarks for Social Housing. The SHSC is proposing new indicators to the current Performance Indicator System to create consistency and avoid confusion for those service managers participating in the OMBI.

**BEST PRACTICES**

- The Ontario Centre for Municipal Best Practices has currently only produced Best Practice Reports in the areas of Roads, Transit, Waste Management, Water and Sewer.
- Work is yet to be done by the SHSC in evaluating the Service Manager data entered into the Performance Indicator system to identify and share good practices among service managers.

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**PROVINCIAL FUNDING COMMITMENTS**

- Prior to the transfer of Social Housing to the local municipalities the Federal and Provincial governments funded social housing programs on a program by program basis. Some non-profit developments were administered and funded by the Federal Government and some were administered and funded by the Provincial Government. Costs for the former Public Housing Units (now owned by the County) were shared at the approximate rate of 48% provincial and 52% federal. The funding provided to municipalities was established based on 2000 actual expenditures except for the Capital portion which was based on the 2001 – 2005 capital plans prepared by the former Housing Authorities.
- Each year the Federal Government provides funding to the Province totaling \$500,109,061. The Province then deducts the administration costs for the Social Housing Branch, Strong Community Rent Supplement funding, outstanding debenture payments on the Public Housing Units, and funding for programs not devolved to the municipalities for a net amount of \$306,440,209. This amount is then distributed to the Service Managers. The distribution of this funding is based on the 2000 actuals. Federal funding available each year will decline based on debenture maturity. The current allocation to Lambton County is:

Transferred Program	Amount of Federal Funding
Non-Profit Housing (former Provincial)	\$ 382,383
Public Housing	\$1,125,247

Commercial Rent Supplement	\$ 212,290
Non-Profit Housing (former Federal)	\$ 219,094
Surplus (average based on past 5 years)	\$ 54,283
Less Debentures on Public Units	-\$ 805,350
Total Federal Funding	\$1,187,947

- Public Housing Capital funding is distributed to Service Managers based on the 2001 – 2005 capital plans prepared by the former Local Housing Authorities. The Province had agreed to review the current distribution model after the first five years, which would be in 2006. Service Managers are working with the Province to determine an appropriate distribution model. The chart below shows the current Federal capital funding for Public Housing and the potential funding based on the Service Manager proposed models.

Model	Annual Funding to Lambton County
Current Model	\$335,692
Allocation by Number of Units	\$645,719
Allocation by Number of Rental Rooms (i.e. 1 bedroom = 3.5)	\$632,086

*Note: To date no model has been accepted and the level of Federal Funding to Service Managers remains unchanged for 2006.*

- The province also provides funding for the Strong Communities Rent Supplement Program. Annual funding is \$190,057 which included

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\$7,488 to administer the program. Subsidies paid in 2005 for the Strong Communities Rent Supplement Program were \$188,141. Lambton is utilizing the administration fee to provide rent subsidies. The Strong Communities funding will not increase and as rents increase it will be necessary for Lambton to provide additional funding or reduce the number of rent supplement units available under this program.

- These are two areas where the Province needs to be lobbied in order to distribute the funding more equitably and to increase their funding for the Rent Supplement Program.
- Funding for three components under the Canada-Ontario Affordable Housing Program has recently been announced and Lambton's portion of funding is as follows:

Program Component	# of Units	Funding	Funding to Administer	Total
Housing Allowance	40	456,000	37,440	493,440
Capital	25	1,750,000	50,000	1,800,000
Home Ownership	37	288,000	n/a	288,000
<b>Total</b>	<b>102</b>	<b>2,494,000</b>	<b>87,440</b>	<b>2,581,440</b>

**ALTERNATIVE SOURCES OF DELIVERY**

- Option 1 – Private Sector/3<sup>rd</sup> Party Management
- Option 2 – Provide all Services in House
- Option 3 – Establish a Non Profit Housing Corporation
- Option 4 – Partner with other Agencies

• **Option 1 - Private Sector/3<sup>rd</sup> Party Management**

The Housing Services Department (HSD) currently manages all of the owned properties and in doing so utilizes a combination of service contracts and staff for cleaning, snow removal, lawn maintenance and painting. Consideration could be given to outsourcing all services.

The approximate cost in 2005 for management of the owned units was \$483,802. The average charge for property management services is 6% of market rent charges which would equate to \$303,842. Further savings may be realized as most Property Management firms use superintendents for day to day activities such as cleaning and rent collections opposed to use of union staff and service contracts for cleaning, snow removal, painting and maintenance. Management services would also complete rent calculations, lease signings, accounts payable, accounts receivable and deal with tenant issues.

Contracting out property management services is an alternative service delivery model that might assist in cost containment. However, Housing Department staff are members of CUPE 2926 and their current Collective Agreement states that "bargaining unit members currently employed by the County of Lambton shall not be laid off as a

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direct result of a County initiated contracting out of County of Lambton business to any private enterprise”. In order to have a third party manage the properties, negotiations would have to be undertaken with the Union regarding this clause.

In addition, the services provided outside of normal property management services need to be taken into consideration. Residents, residing in Public Housing Units owned by the County, are often considered to be ‘hard to serve’ and are the most vulnerable of Lambton County’s populace. HDS works with many other community agencies in order to address the needs of residents and often goes beyond ensuring residents are appropriately housed. This additional support may not be provided by a property management service.

It is not recommended that this option be further explored, based on the above two issues.

• **Option 2 - Provide all Services In House**

The reverse to the above delivery method would be to eliminate outsourcing of services and replace it with County staff or building superintendents. Staff of the HSD currently provide:

- maintenance of family units;
- cleaning, maintenance and lawn care of six apartment buildings in Sarnia and Pt. Edward; and
- maintenance of nine buildings located outside of Sarnia.

Service contracts at an average annual cost of \$232,824 are issued for:

- general and move out cleaning of nine apartment buildings located outside of Sarnia & Pt. Edward;
- snow removal and lawn care (\$102,072);
- move out cleaning of family units; and
- painting.

It is anticipated that an additional 4 to 6 staff would be required to complete all of the contracted work except the snow removal and grass cutting.

Estimated cost of 4 additional staff is broken down as follows:

Wages	\$170,560.
Benefits	\$ 46,948.
Vehicles	\$ 20,000.
Material & Equipment	<u>\$ 50,000.</u>
Total	\$287,508

This quick costing indicates that eliminating most service contracts would incur additional annual costs to the County. It might be possible to achieve some savings by providing “free rent” to building superintendents but once again negotiations with the unions would be required since the current security tenants are covered by the union contract. It is not recommended that this option be further investigated.

• **Option 3 - Establishment of a Non Profit Housing Corporation**

Under the Social Housing Reform Act a Service Manager can transfer a Public Housing Unit to a Non-Profit Housing Corporation as long as

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the same number of Rent Geared (RGI) Units are maintained. Consideration could be given to establishing buildings, clusters of buildings or the entire portfolio as a Non-Profit Housing Corporation.

Establishing Non-Profit Corporation(s) deflects the day to day issues from Elected Officials and provides benefits under the Business Corporation Act i.e. new development, more flexibility under the Social Housing Reform Act. A Non-Profit Housing Corporation may or may not be unionized with non unionized organizations tending to have lower salaries and wages. The downside of establishing Non-Profit Housing Corporation(s) could be boards that do not follow policies and procedures. However, renegade boards can be mitigated by monitoring and careful selection of board members.

In analyzing funding implications of this option, the County owned building located at 47 Royal Street, Thedford was used as an example. This is a 10 unit one bedroom apartment building. All rents are geared to income. Under the new Provincial funding model the annual subsidy paid to the non profit in 2006 would be \$49,312. This amount includes Capital Reserve funding in the amount of \$6,500. The 2006 proposed operating budget for 47 Royal Street, Thedford is \$42,876. When the Capital Costs and a portion of wages and benefits for the Property Manager and Maintenance Repair person attending the building are added, the cost difference in service delivery method is negligible. However, by transferring ownership of the portfolio to a Non Profit Housing Corporation(s) the County would relinquish over \$68M in capital assets.

• **Option 4 - Partnering with other Agencies**

As indicated above the HSD uses service contracts for cleaning, painting, lawn care and snow removal at nine apartment buildings. These buildings are located in the communities of Forest, Thedford, Watford, Alvinston, Wyoming, Petrolia, Sombra and Corunna. Most locations have a Library branch and/or school. Currently contracts are issued on behalf of two or more departments to provide snow removal and the elevator maintenance contract is issued through CKLAG. This practice could be expanded to include cleaning and painting. The possibility of partnering with third parties i.e. Lambton-Kent District School Board should be explored as savings are usually realized through economies of scale.

**Recommendations**

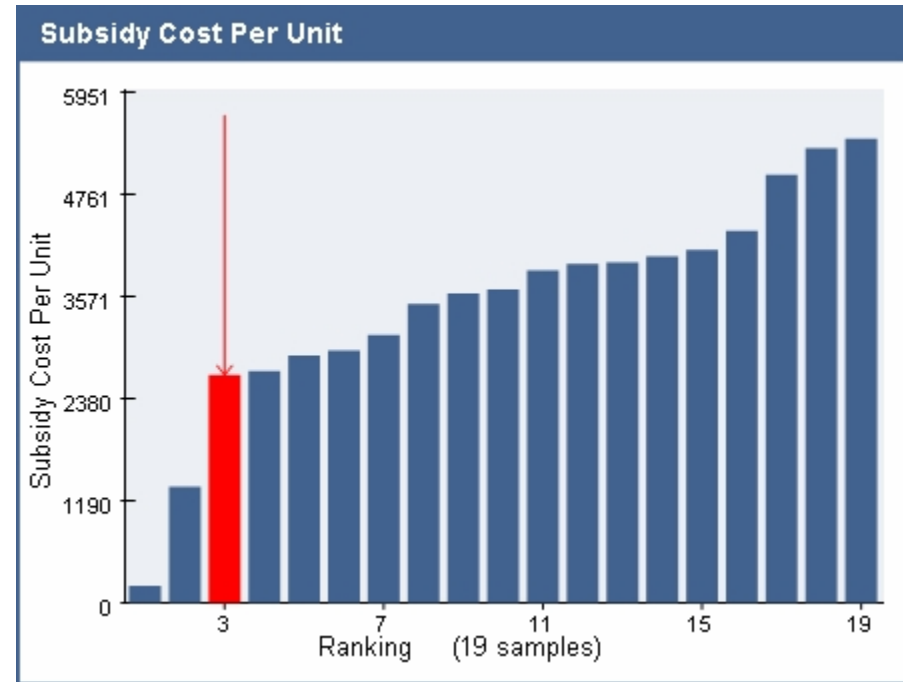
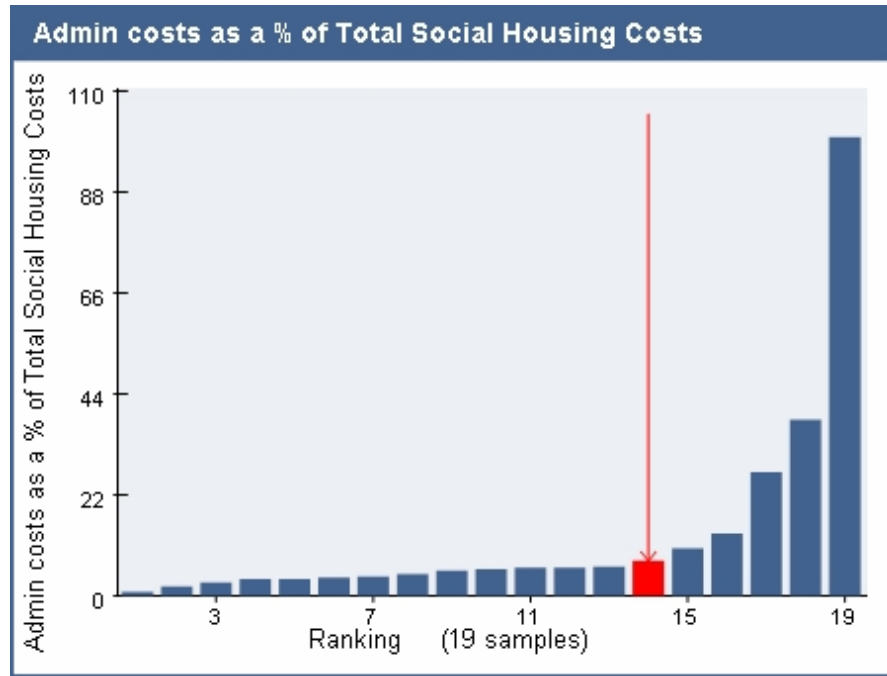
It is recommended that Option 3 be further considered for rural projects where there are existing non-profit corporations that might have the capacity to manage additional units. Examples would be Thedford, Sombra, Corunna and Petrolia.

Option 4 provides the best opportunity for cost savings and efficiencies, especially in the areas of cleaning and painting. It is recommended that this be further explored by staff with other agencies.

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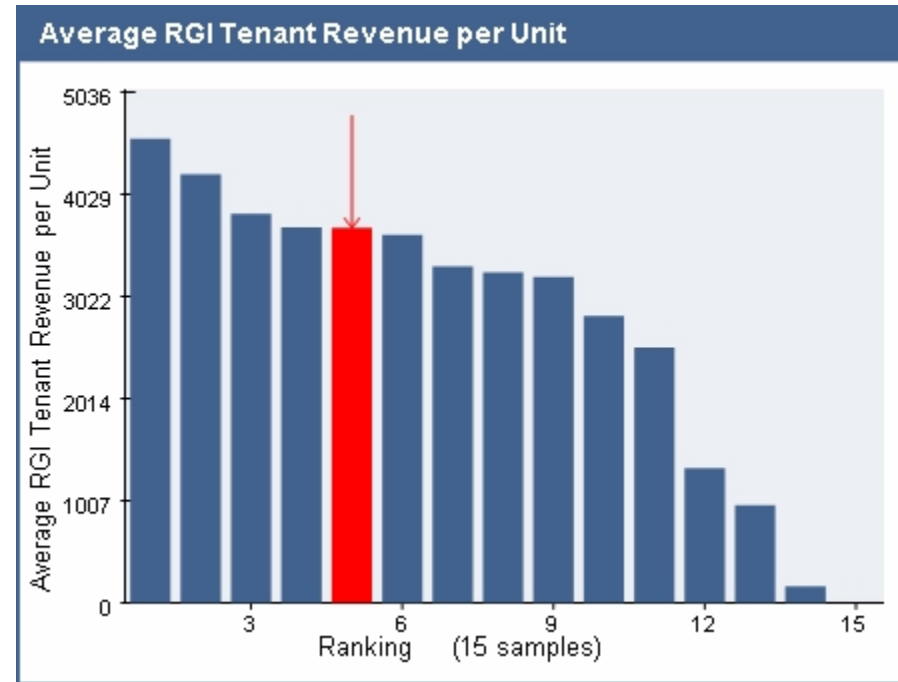
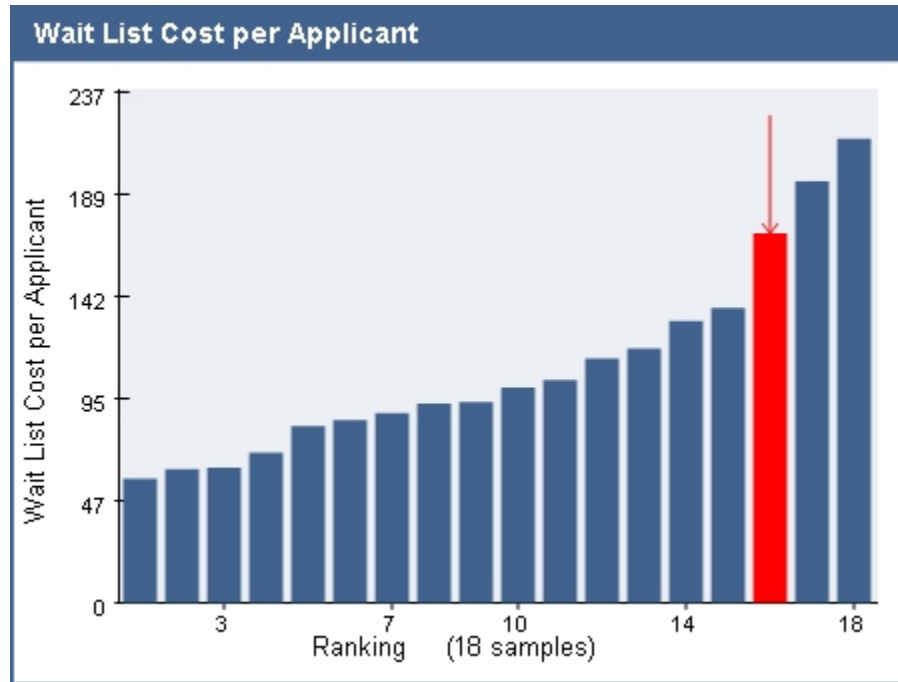
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