



Housing Services Notice

Date: September 17, 2019

HSN#: 2019-07

This applicable legislation/policy is to be implemented effective this date by the housing provider(s) under the following programs:

Please note, if your program is **not checked**, this change is **not applicable** to your project.

- Federal Section 95 Non-Profit Housing Program
- Federal Section 26/27 Housing Program
- Federal Urban Native Non-Profit Housing Program
- Private Non-Profit Housing Program (Provincial Reformed)
- Municipal Non-Profit Housing Program (Pre-1986)
- Local Housing Corporation
- Rent Supplement Programs
- Affordable Housing Program (AHP)/Investment in Affordable Housing Program (IAH)/Social Infrastructure Fund (SIF)
- Housing Access (Centralized Waiting List Services)

Subject: Negative Total Service Manager Subsidy Calculation for Housing Projects

Background:

Ontario Regulation 369/11 under the Housing Services Act, 2011 prescribes rules for calculating the subsidy that Services managers pay to housing providers for Part VII Housing projects (aka Provincial Reform projects).

This subsidy is estimated at the beginning of the each year and then reconciled at the end of the year. For most projects, the subsidy formula is made up of four components:

Operating Subsidy = Project Indexed Benchmark Operating Costs + Actual Mortgage Payments - Project Indexed Benchmark Revenues.

RGI Subsidy = lesser of indexed Benchmark or Actual Market Rent for RGI units - Actual Rent Revenue from RGI units.

Property Tax Subsidy = Actual Property Taxes for the project.

Service Manager Portion of Surplus = a deduction of 50% of the provider's surplus for the year.

The Total Service Manager Subsidy is calculated by adding up these four components. Service Managers generally flow the subsidy to housing providers via equal monthly payments.

It is important to note the funding formula noted above is the minimum Service Manager Subsidy required for a housing provider. Service Managers have the discretion and flexibility to provide a subsidy over and above these minimum requirements to meet housing needs in their respective communities and to promote the long-term sustainability of housing providers.

Subsidy overpayments are recovered by the Service Manager where a subsidy estimate calculated at the beginning of the year is greater than the actual subsidy entitlement calculated at the end of the year using housing providers' financial statements and the Annual Information Return.

Negative Total Service Manager Subsidies:

The purpose of this notice is to clarify the Service Manager's subsidy obligations when, in a post-mortgage expiry environment, the Total Service Manager Subsidy calculation creates a negative number.

The subsidy formula for part VII housing projects remains in place regardless of the status of the mortgage, provided that the project continues to be listed in O.Reg 368/11 under the Housing Services Act, 2011.

When the mortgage has been paid off, and mortgage costs fall to zero, the Total Service Manager Subsidy being calculated may result in a positive number, or a negative number, or zero.

Service Managers and housing providers should interpret a negative Total Service Manager Subsidy calculation for a Part VII housing project to mean \$0.00 subsidy payable to the housing provider.

A negative Total Service Manager Subsidy calculation does not result in an amount owing by the housing provider to the Service Manager.

Action:

No action is required on the part of the housing provider.

The DNSSAB will interpret any negative Total Service Manager Subsidy to mean \$0.00 subsidy payable to the housing provider.

If you have any questions or concerns regarding this or any other Housing Services Notice, please contact the Housing Services Administrator assigned to your portfolio:

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