

August 3, 2018

Non-Market Housing Operations Audit Report

Background

Given the challenges currently facing the City with respect to affordable housing, maintaining the existing supply of non-market or social housing is of vital importance. Non-market rental housing is available for Vancouver residents who are unable to pay market-level rents. The Housing Vancouver Strategy, approved by Council in November 2017, establishes various housing targets and objectives including the retention and renewal of existing social, non-market and co-op housing.

City-operated Non-Market Housing

The City of Vancouver currently operates 816 non-market housing units in 11 buildings with one 213 unit building under redevelopment, most of which are located in downtown Vancouver. The 2019-2022 Capital Plan has designated an investment of \$15.5M toward City-owned and operated non-market rental housing. \$12M of this is to cover replacement of aging buildings, with the remaining going towards capital maintenance and renovations, and seismic assessments.

Ownership of buildings in the City's non-market housing portfolio is split as follows:

- Vancouver Public Housing Corporation - Alexander, Barclay, Central, New Continental, and Roddan residences;
- City - Granville, 220 Terminal, and 1105 Seymour residences;
- City Property Endowment Fund (PEF) - Gresham and Kingsway Continental residences;
- BC Housing - Antoinette and Oppenheimer residences.

The age and condition of the buildings varies; the Central residence was constructed in 1911 while units at 1105 Seymour and 220 Terminal buildings were completed in 2017.

The non-market housing residences are available to lower income residents. The majority of the units are rented at the shelter rate of \$375 per month for individuals on income assistance, which is in alignment with the B.C. Rent Scale set by the B.C. Government. Some units at 1105 Seymour are rented at Low End of Market (LEM), which is typically at 80% of the market rental rate.

Non-Market Housing Operations Division

The Non-Market Housing Operations (NMHO) division is part of the Arts, Culture, and Community Services department. City staff from the NMHO division oversee day-to-day operational activities at the non-market residences, including adherence to the Residential Tenancy Act, tenant selection, tenant management, rent collection, front desk reception, requesting building repairs, and the handling of any emergencies or tenant issues that may arise.

Residence Attendants are stationed at each building and are supported by a Residence Manager, who is responsible for up to two buildings. The division is led by the Managing Director, Non-Market Housing and Social Operations. The Director, Non-Market Operations position was vacant at the time of the audit.

NMHO staff are scheduled for 24-hour coverage in most of the buildings. City staff working in these buildings face multiple challenges in dealing with tenants who may be living in poverty, experiencing mental health and/or substance use issues.

Building maintenance, janitorial, and repairs are managed by the City's Facilities Management department.

Scope

The audit reviewed the effectiveness of business processes and the adequacy of controls related to Non-Market Housing Operations. The audit assessed whether:

- Adequate controls are in place to ensure that program objectives are met and City policies are complied with;
- Health and safety standards, and other relevant legislation are in compliance;
- Staffing levels are adequate and well managed; and
- Facilities are adequately maintained and associated risks are mitigated.

The scope included housing units operated by the City's Non-Market Housing Operations team. Housing operated by external groups, such as non-profit housing operators, were not in scope.

Our work included:

- Interviews with key staff and management in Non-Market Housing Operations and Facilities Management;

- Documentary review of related policies, process documents, and other departmental records and correspondence; and
- Site visits to non-market housing buildings.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

In our opinion, internal controls over non-market housing operation processes require improvement. Improvements to tenancy management processes including tenant selection and income verification are needed to assist the Non-Market Housing Operations division in meeting its objectives. An operating level agreement with Facilities Management should also be formalized to ensure adequacy of building maintenance for the aging infrastructure.

The more significant findings and recommendations are:

Define and communicate mandate of the Non-Market Housing Operations division

A strategic review will examine the Non-Market Housing Operations division's mandate, operational objectives and key metrics.

Finalize Operating Level Agreement between Non-Market Housing Operations and Facilities Management

An operating level agreement between the two departments will be established to address service levels and response times for buildings managed by Non-Market Housing Operations.

Formalize criteria for tenant selection

Along with defining the target tenant demographic, the criteria for tenant selection will be defined and documented.

Findings and recommendations have been discussed with management and work is underway to address them.