End of Operating Agreements/Mortgages

Social & Housing Service Department
Social Housing Division

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Brief History

- In 1964 the Ontario Housing Corporation (OHC) was created for the purpose of social housing management.
- In 1995 the provincial government announced that it would no longer provide funding to finance new social housing projects.
- As of 1996 the OHC managed approximately 85,000 units of housing and administered rent supplements to nearly 20,000 individuals.
- In 1998 the provincial government began divesting its social housing authority which was given to municipalities. This devolution phase occurred over the next several years.
- In 2000, the Social Housing Reform Act (SHRA) was proclaimed which provided legislative authority to devolve and reform social housing programs from the province to municipalities.
- On January 1, 2001, public housing and rent supplement programs were devolved to 47 Municipal Service Managers. The City of Cornwall was appointed as the Service Manager for Cornwall & SDG. Social Housing was devolved to the 47 Service Managers between 2000 and 2002 and at the point of transfer (devolution) Operating Agreements were transferred to Service Managers as well. The operating agreement period was typically also the term of the mortgage.

Preliminary Review

A preliminary review of the currently funded Social Housing Providers suggests that the impact of End of Operating Agreements (mortgages/debentures) will be unique and varied in every situation based on the original funding formula. It is anticipated that some projects may not be financially viable without considerable municipal support, while others are anticipated to be self-sufficient after EOA.

There are 4 issues at the center of this matter;

- what is the best method of determining funding to a transferred housing program after the mortgage has been fully amortized;
- what are the financial impacts of those methods
- what are the impacts to the Service Manager if we don’t renew agreements
- what are the impacts to the Provider if we don’t renew agreements

Types of Operating Agreements

Locally, we have 3 types of housing providers **(see Appendix E of the report)**.

1. Local Housing Corporation (LHC)

   Cornwall & Area Housing Corporation (CAHC)

   - Once their mortgages and/or debentures are paid in full, their agreement does not terminate and they have ongoing requirements (the City of Cornwall is sole share holder).

2. Non-Profit Housing Providers

   Provincial Reform

   - Must maintain a minimum of 25% of their units, as RGI, post EOA. Once their mortgage is paid in full, their agreement with the Service Manager is renewed unless they wish to opt out (Service Manager approval would be required to be removed from the HSA).

   Section 95 (former Federal Providers)

   - Once their mortgage is paid in full, their agreement with the Service Manager is automatically terminated but can be renewed.

*3. Co-Operative Housing (*Collectively owned and run by its resident members)

   - Must maintain a minimum of 25% of their units, as RGI, post EOA. Once their mortgage is paid in full, their agreement with the Service Manager is renewed unless they wish to opt out (Service Manager approval would be required to be removed from the HSA).

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Quick Facts

- All of our agreements will expire by January 2029.
- The Service Manager must maintain Service Level Standards post EOA/M
- At EOA/M, Provincial Reform providers must maintain a minimum of 25% of their units as RGI.
- The first Provincial Reform provider to reach EOA/M, April 2022, has 26 units.
- At EOA/M, Section 95 providers can opt out of providing RGI units.
- The first Section 95 housing provider to reach EOA/M, April 2020, has 34 units.
- There are 12 Non-Profits with 14 operating agreements
  (3 Section 95, 1LHC, & 10PR).
- CAHC's current target is 100% RGI while the target for other Providers vary.
- In September 2019, as part of the Community Housing Renewal Strategy, the Ministry of Municipal Affairs and Housing paused the practice of removing housing projects from O.Reg. 368/11 for a three-year period (late 2022). Exceptions may be considered on a case-by-case basis.

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Service Manager Obligations

Housing Services Act (2011)

The HSA:

- states that a Service Manager has an overriding obligation to “administer and fund” a transferred housing program as it relates to a housing project designated in the regulations.

- does not specify an end date for the obligations of projects that were either partially or entirely funded by the province (called “provincial reform” projects). This means that provincial reform projects must continue to provide affordable housing – including rent geared-to-income housing – after their original mortgage matures, until they are actively removed from the Housing Services Act (at the Minister’s discretion). ***In exchange, they continue to receive a subsidy from their Service Manager, calculated with the funding formula set out in the Act.***

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Service Manager Obligations

What are service level standards?

Service level standards (SLS) are the legislated minimum number of rent-geared-to-income (RGI) units that service managers must maintain (even after end of operating agreements occur) as prescribed in the *Housing Services Act, 2011 (HSA).* These levels were established at the time of download from the Province and were intended to reflect the number of units transferred.

Post EOA, Provincial Reform providers would be required to maintain only the minimum of 25% of their units as RGI.

Example – following above, if we only sign agreements with current Providers (except CAHC as the City is the shareholder) for minimum target units (25% post EOA) then as a Service Manager we will be required to find up to an additional 343* units elsewhere.

*current unit target (less CAHC units) = 480 units

if only 25% remain (post EOA) = 137 units

Service Manager would be required to find the 343 difference via other avenues

And with higher funding models.

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Considerations

During Administration's review of the various methods contained in the Council, Administration considered:

- the most financially responsible options for both the Corporation and current Housing Providers, utilizing existing funds from the tax base.

- that the current model that we are operating under has proven to be a successful and a viable operating option for all our current Providers.

- the ability to provide safe, energy-efficient, well maintained units for people with low to moderate incomes, including seniors or individuals with special needs.

- what meets the Corporation Strategic priorities of providing quality, affordable housing.

- what can optimize increased reserve fund contribution to help meet the demands of affordable housing.

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Municipal Contribution

Municipal Contribution Summary Chart		
Method 1	$ 5,615,133	City = $4,332,075 County = $1,283,058
Method 2	$ 7,506,678	City = $5,791,402 County = $1,715,276
Method 3	$ 8,109,386	City = $6,256,391 County = $1,852,995
Method 4	$ 6,641,466	City = $5,123,891 County = $1,517,575

Note: the funding in all methods was calculated using the most current audited financial information. It is also a snapshot of what the municipal contribution, to subsidize social housing, would be assuming all operating agreements had expired in 2020 (and all mortgages were paid in full).

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Recommendation

That Council approve Administration proceeding with renewing Operating Agreements, as they expire, using the funding formula outlined in Method #1 of the report.

In doing so, we would:

- secure and maintain maximum RGI targets possible (SM is mandated to meet SLS under the HSA)
- utilize the current Provincial Reform funding model, excluding mortgage subsidy, to subsidy these Providers which is more consistent application (Municipal contribution is currently reflected in the Social Housing Services annual budget submission)
- require Providers to operate within existing local rules (allows for building condition monitoring and enforcement of local rules by the SM)
- assist Providers in remaining viable
- allow Providers to continue to benefit from Capital reserves and any new provincial/federal funding for capital repairs, when available
- assist Section 95 Providers, converting to a Provincial Reform funding model, to keep 50% of their surplus and contribute the remaining 50% to reserves

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Strategic Priorities

Corporate Strategic Priority

Quality, affordable housing is identified as a priority in the Corporation's Strategic Plan. This report will provide information on how we can continue to provide quality affordable housing through existing Providers.

Five-Year Housing Plan

As per the Five-Year Housing Plan, Community Vision #3, the existing housing stock provides a range of options for households throughout Cornwall SDG, however, there are still supply gaps with respect to available affordable and quality housing. With limited production of new rental supply, there is considerable and sustained demand for existing rental housing. Efforts should be made to maintain community housing stock as this rental housing is inherently affordable.

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Next Steps

- Administration has provided this report to provide specific details and a recommendation regarding End of Mortgages/Debentures and Operating Agreements as it relates to the end of federal funding. A list of the agreements and their expiry dates can be found in **Appendix D**.

- Administration will also be providing a report at the next Joint Liaison meeting for comments.

- Administration will bring a further report to Council, following the Joint Liaison meeting, seeking direction from Council.

- In June 2020, following the current housing revitalization study, a report will be brought to Council with recommendations for future social/affordable housing needs.

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