The Corporation of the City of Cornwall

Regular Meeting of Council

Report

Department:	Social and Housing Services
Division:	Housing Services
Report Number:	2020-212-Social and Housing Services
Prepared By:	Mellissa Morgan, Community Housing Supervisor
Meeting Date:	June 22, 2020
Subject:	Social Housing Providers End of Operating Agreements/Mortgages

Purpose

To inform Council of the End of Operating Agreements/Mortgages between current Social Housing Providers and the Social & Housing Services Department and to provide information on the financial and operational impacts regarding the end of these agreements, as well as, information to support future options.

Recommendation

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

Financial Implications

The annual cost to subsidize Social Housing Providers is currently funded jointly by the Federal Government and the City of Cornwall/United Counties of S.D.&G.. This is currently reflected in the Social Housing Services annual budget submission. As mortgages/debentures end so will Federal funding. As per the 2020 budget, the municipal contribution that was allocated to mortgages/ debentures will be reinvested into a new Social Housing Revitalization Reserve (see Appendix A). The amount could change, however, based on Council decisions regarding approval of future options relating to operating agreements.

Strategic Priority Implications

Quality, affordable housing is identified as a priority in the Corporation's Strategic Plan. This report will provide information on how the City of Cornwall can continue to provide quality affordable housing through existing Providers in Cornwall and S.D.&G..

Background / Discussion

Key Terms - are defined in Appendix B.

End of Mortgages (EOM) /Debentures and End of Operating Agreements (EOA)

Social Housing was devolved to the 47 Service Managers between 2000 and 2002 (see Appendix C) 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.

A preliminary review of the currently funded Social Housing Providers suggests that the impact of EOA 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:

1) what is the best method of determining funding to a transferred housing program after the mortgage has been fully amortized?;
2) what are the financial impacts of those methods?;
3) what are the impacts to the Service Manager if we don't renew agreements?; and
4) what are the impacts to the Provider if we don't renew agreements?

It is important to note that the Ministry of Municipal Affairs and Housing (MMAH) has not provided any legal opinion to the Service Manager on how to proceed with negotiating new agreements with Providers post EOA/EOM.

Quick Facts

- All of our agreements will expire by January 2029 (see Appendix D).
- The Service Manager must maintain current Service Level Standards post EOA/M.
- At EOA/M, Provincial Reform providers must maintain a minimum of 25% of their units as Rent Geared to Income (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, 1 Local Housing Corporation, & 10PR).
- Cornwall & Area Housing Corporation's (CAHC) current target is 100% RGI while the target for other Providers vary.

The Housing Services Act (HSA)

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. Furthermore, it does not specify an end date for the obligations of projects that were either partially or entirely funded by the province ("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.

While the Minister can end a housing provider's obligations under the Housing Services Act by removing the project from regulation O.Reg. 368/11, this process occurs on a case-by-case basis and is informally referred to as "de-listing." To date, most examples of de-listing concern federal projects after their operating agreement concludes. 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.

Differences in Operating Agreements

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

Cornwall
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1. Local Housing Corporation (LHC)

LHC (EOM/D)

- Cornwall & Area Housing Authority (CAHA): previous crown Agent of Ontario Housing Corporation (OHC). Dissolved December 31, 2000.
- Cornwall & Area Housing Corporation (CAHC): created under Business Corporations act on January 1, 2001 as legislated by Bill 128 Social Housing Reform Act. Manages public housing portfolio.
- Local Housing Corporation (LHC): generic term for new corporations created above. CAHC is an LHC.

Funding for the LHC is based on a budget which follows the municipal budget practices with a mix of federal and municipal dollars.

Any operating surplus must be returned to the Service Manager.

- As shareholder of the LHC, this operating agreement does not end.
- 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).
- We are in the process of updating the existing agreement with CAHC.

2. Non-Profit Housing Providers

- Private: owned by groups such as churches, service clubs and seniors' organizations.
- Municipal: which are developed/sponsored by local government
- Non-profits include Section 95 Providers (Municipal Non-Profits – MNP) and Provincial Reform

Funding for these Providers is based on a funding formula which is established through the Housing Services Act (formerly know as the Social Housing Reform Act) which includes a mix of federal and municipal dollars.

Provincial Reform (EOM)

Provincial Reform Funding Formula is funded based on benchmark operating costs that are increased annually by 8 operating cost indices established by the MMAH. The *"indexed operating costs (including property taxes and mortgage payments) are offset by indexed benchmark revenues*".

50% of any operating surplus can be kept by the Provider and the remaining 50% would be contributed towards the Social Housing Reserve Fund.

- Must maintain a minimum of 25% of their units, as RGI, post EOM (End of Mortgage).
- 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).
- The Board of Directors can vote to enter into a new agreement with the Service Manager.

Section 95 (EOA)

Section 95 Funding Formula is funded based on a cost factor including operating costs, as established by the Ministry of Municipal Affairs and Housing (MMAH), plus mortgage and property taxes. This is offset by "*indexed minimum market rents"* and other non-rental revenue. This funding formula is very restrictive.

- EOA only applies to Section 95 providers.
- Once their mortgage is paid in full, their agreement with the Service Manager is automatically terminated.
- The Board of Directors can vote to enter into a new agreement with the Service Manager.

The significant difference between Section 95 (MNP) and Provincial Reform is that Provincial Reform Providers can keep 50% of their operating surplus, whereas Section 95 Providers can only keep *"the non-rental revenue, greater than the base amount*" as established by the MMAH.

3. Co-Operative Housing

- Collectively owned and run by its resident members.

Funding is funded based on benchmark operating costs that are increased annually by 8 operating cost indices established by the MMAH. The *"indexed operating costs (including property taxes and mortgage payments) are offset by indexed benchmark revenues*".

50% of any operating surplus can be kept by the Provider and the remaining 50% would be contributed towards the Social Housing Reserve Fund.

Future Considerations

During our review of future options for end of operating agreements, we considered a number of factors such as:

1. Project viability,
2. Reserve funds,
3. Asset management,
4. Ability to monitor housing quality and access to Federal/Provincial funding for capital repairs (when available)
5. Increasing market rent (closer to average market rent)
6. Changing the mix of RGI and market units.
7. Diversify revenue streams through non-rental revenue or commercial use of space.
8. Shared services arrangements amongst Providers to reduce costs.
9. Merger/amalgamation/consolidation with another not-for-profit housing provider.
10. Financing and/or redevelopment of existing stock.
11. Sale of portfolio assets.

As a result, several future funding methods have been drafted which also addressed the 4 issues expressed earlier:

- 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 Providers if we don’t renew agreements?

Method #1

Renew agreements with existing Providers, using a Provincial Reform (PR) funding formula model (see Appendix A).

Advantages	Disadvantages
Maintain City/County Contributions	
Allows the Service Manager to negotiate fixed RGI targets with some Providers who currently have a range for RGI units	
Would safeguard the current RGI units and support the Service Manager in meeting mandated service level standards	
Providers operate within existing local rules which allows for building condition monitoring and enforcement of local rules by the SM	
Providers would remain viable	
Providers would benefit from Capital reserves and new provincial/federal funding for capital repairs when available	
Providers would be allowed to keep 50% of their surplus and the remaining 50% would be contributed to the Social Housing Reserve Fund for future capital needs.	

Financial Impact (based on 2018 actuals)

Estimated annual municipal contribution $5,615,133 (indexed).

City 77.15 % or $4,332,075 and County 22.85 % or $1,283,058.

<u>Note:</u>

a) This is the best use of tax-based funding as it will align with current/anticipated Council mandates while still preserving RGI units and assisting the Service Manager in maximizing our obligations (See Appendix H) as it relates to Service Level Standards (SLS) targets (it would maintain current units)
b) This is the current model that we are operating under which has proven to have the least impact on Municipal financial contributions.
c) Is a viable operating option for all our current Providers.

Method #2

Providers would maintain their current RGI targets with a Rent Supplement funding model, using the MMAH approved revised Average Market Rent.

Advantages	Disadvantages
Greater opportunity to increase revenues for the Provider	The Providers would not be required to contribute towards reserves which would prevent them from accessing funds for Capital repairs
	New provincial/federal funding for capital repairs when available would also not be available to Providers
	There is a greater cost to the Municipality compared to the current funding model (providing greater funding for fewer units)
	Providers would not continue to operate within existing local rules - allowing for building condition monitoring and enforcement of local rules by the Service Manager

Financial Impact (based on 2018 actuals)

Estimated annual municipal contribution $7,506,678 (indexed).

City 77.15 % or $5,791,402 and County 22.85 % or $1,715,276.

Method #3

Provincial Reform providers would be required to maintain only the minimum of 25% of their units as RGI. Any new units would be funded as Rent Supplements, using their market rents.

Advantages	Disadvantages
Greater opportunity to increase revenues for the Provider	The Providers would not be required to contribute towards reserves which would prevent them from accessing funds for Capital repairs
	New provincial/federal funding for capital repairs when available would also not be available to Providers
	There is a greater cost to the Municipality compared to the current funding model (providing greater funding for fewer units) as units would be funded as Rent Supplements, using their market rents
	The Service Manager would be required to find units within the private market stock which would eliminate control on quality/affordability of units

Financial Impact (based on 2018 actuals)

Estimated annual municipal contribution $8,109,386 (indexed).

City 77.15 % or $6,256,391 and County 22.85 % or $1,852,995.

Note: The Service Manager will need to replace 343 RGI units using this method.

Method #4

Providers maintain their current RGI targets with Rent Supplement funding, using their market rents.

Advantages	Disadvantages
Greater opportunity to increase revenues for the Provider	The Providers would not be required to contribute towards reserves which would prevent them from accessing funds for Capital repairs
	New provincial/federal funding for capital repairs when available would also not be available to Providers due to program guidelines
	There is a greater cost to the Municipality compared to the current funding model (it would provide greater subsidy to fewer units)
	The Service Manager would be required to find units within the private market stock which would eliminate control on quality/affordability of units

Financial Impact (based on 2018 actuals)

Estimated annual municipal contribution $6,641,466 (indexed).

City 77.15 % or $5,123,891 and County 22.85 % or $1,517,575.

NOTE: With Methods 2 – 4, while there is greater opportunity to increase revenues for the Provider, it is for fewer units than the Service Manager currently funds (which is a detriment to service level standards). As such, the Provider would still be required to fulfill the same reporting requirements and abide by the rules of governance. The Provider would also need to fill units from the centralized waitlist (this would be a disadvantage for the Provider). The Provider could avoid this cumbersome process by asking the Service Manager to be removed from the HSA entirely and simply fill all units with private market tenants. In doing so, this would increase the pressure on the Service Manager to meet SLS within the private market.

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).

Lastly, if the Service Manager was ever directed to eliminate negative operating subsidies this could have a further impact on future decisions. At this time, however, there is no reason to believe that this will be a factor (see Appendix G).

Five-Year Housing Priorities

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.

Accessibility Impact

Loss of units with existing Providers could increase the risk of losing modified units (existing within that portfolio) which will require the Service Manager to find those units within the private market.

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.

Following the presentation of the ongoing housing revitalization study, a report will be brought to Council with recommendations for future social/affordable housing needs.

Funding
(Appendix A)

Since devolution, Municipalities have always been the largest financial contributor to social housing.

While we continue to receive some Federal funding, this funding will be phased out as the last social housing mortgages/debentures are paid off. The chart below outlines the long-term municipal contribution to Social Housing Providers and the new Revitalization Reserve, using Method #1 funding formula.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Federal Funding	($3,184,340)	($2,925,772)	($2,704,258)	($2,600,363)	($1,660,510)	($492,187)	($128,489)	($57,411)	($27,457)	($6,688)	$0
CAHC *	$5,566,044	$5,649,535	$5,734,278	$5,820,292	$5,907,596	$5,996,210	$6,086,153	$6,177,446	$6,270,107	$6,364,159	$6,459,621
Non-Profits *	$3,525,322	$3,602,879	$3,682,142	$3,763,150	$3,845,939	$3,930,550	$4,017,022	$4,105,396	$4,195,715	$4,288,021	$4,382,357
Estimated Municipal Contribution*	$6,407,026	$6,532,779	$6,659,352	$6,793,292	$6,929,099	$7,066,277	$7,207,110	$7,351,339	$7,499,410	$7,647,699	$7,800,257
City*	$4,943,021	$5,040,039	$5,137,690	$5,241,025	$5,345,800	$5,451,633	$5,560,285	$5,671,558	$5,785,795	$5,900,200	$6,017,898
County*	$1,464,005	$1,492,740	$1,521,662	$1,552,267	$1,583,299	$1,614,644	$1,646,825	$1,679,781	$1,713,615	$1,747,499	$1,782,359
*estimates - annual estimates are inflated by 2%, however, this can vary based on Council direction, market factors or legislative changes.											
	Annual Contribution - New Social Housing Revitalization Reserve										
Annual	$400,000	$232,500	$100,000	$470,000	$475,000	$165,000	$108,000	$560,000	$565,000	$632,000	$662,000
Cumulative	$400,000	$632,500	$732,500	$1,202,500	$1,677,500	$1,842,500	$1,950,500	$2,510,500	$3,075,500	$3,707,500	$4,369,500

Note: this chart only covers the municipal contribution to subsidize Social Housing Providers and the new Revitalization Reserve, based on the 2020 budget (and not current audited financial information – as noted in the municipal contribution summary chart). It also does not cover other municipally funded programs and as such it is not representative of the entire social housing budget.

Key Terms
(Appendix B)

"Benchmarks" - the MMAH issued final benchmarks effective January 1, 2006, in accordance with sections 104 and 107 of the *Social Housing Reform Act, 2006.* The Benchmarks were calculated using 2001 to 2003 actuals plus an inflation factor for the following categories:

Benchmark revenue

- rental revenue
- parking and laundry revenue
- less vacancy loss

Operating costs

- maintenance & administration
- electricity
- fuel – natural gas
- fuel – oil & other
- water
- insurance
- bad debts
- transfers to capital

"Community housing" - is a general term that includes legacy social housing projects that were developed through federal and/or provincial funding programs from the 1950s to 1995. Legacy programs included ten different programs which provided some combination of time-limited capital funding, mortgage subsidies and/or operating subsidies to provide low-income Ontarians with stable housing. Each legacy program was designed with its own funding formula and program guidelines, leading to a patchwork of complex requirements over time.

"Debentures" - were used to fund the public housing stock in Ontario before social housing was transferred to Service Managers. The overall contingent liability for the public housing debentures remains with the province. The Province will deduct the federal portion of the debenture debt from the flow through federal funds to the Service Manager. The province remains responsible for the balance of the annual debenture payment and for managing the overall debenture liability. Whereas, most of the non-profit, section 95 and cooperative housing projects built since 1985 are mortgaged.

"End of Mortgage" – mortgages are paid in full or discharged.

"End of Operating" - Expiry of federally signed operating agreements when mortgages are discharged.

"*Indexed minimum market rents"* – minimum market rents were established by the MMAH for each provider when they were established. Every year the minimum market rents are increased by the Rent Control Guideline resulting in an indexed minimum market rent.

"Indexed operating costs (including property taxes and mortgage payments) are offset by indexed benchmark revenues" - benchmark revenue includes rental revenue, parking and laundry revenue, less vacancy loss. Benchmark market rents were established in 2006 by the MMAH. Each year the benchmark market rents are increased by the Rent Control Guideline. Operating costs include maintenance & administration, electricity, fuel – natural gas, fuel – oil & other, water, insurance, bad debts, and transfers to capital.

"Modified Units" – units modified to provide physical accessibility.

"Non-rental revenue, greater than the base" - The MMAH established a "base" non-rental revenue for each Section 95 provider (which is different for each Provider). This amount is not indexed. It never changes. For example, if a provider generated non-rental revenue (parking & laundry) in the amount of $8,000 and the base amount is $4,400, the provider can retain $3,600.

"Rent-geared-to-income tenants (RGI)" – eligible tenants pay rent based on RGI calculations. This calculation is based on their gross household income and they typically pay approximately 30% of their gross income (will be changing in 2021 due regulatory changes) up to maximum/market rent.

History Devolution/Transfer of Social Housing
(Appendix C)

Social Housing (also known as “community housing”) refers to rental housing developed with the assistance of, and subsidized by the government, for people with low to moderate incomes, seniors or people with special needs who can live with supports in the community.

“Community housing” is a general term that includes legacy social housing projects that were developed through federal and/or provincial funding programs from the 1950s to 1995.

In 1964, the Ontario Housing Corporation (OHC) was created for the purpose of social housing management. As of 1996 the OHC managed approximately 85,000 units of housing and administered rent supplements to nearly 20,000 individuals. In 1995 the provincial government announced that it would no longer provide funding to finance new social housing project. 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.

Timeline: A History of Social Housing in Ontario

1945 - 2001

1945–1950

Veterans Housing (now sold off)

1964–1975

Public Housing developed predominantly by the Ontario Housing Corporation (OHC) and managed by Local Housing Authorities; 84,145 units created.

1978–1985

The **Province of Ontario** and **Municipalities** provided partial assistance for rent supplements (some to private landlords) and also some grant money to lower operating costs for 10-15 years.

First full federal **Social Housing Program** began.

Federal Government took the lead in funding and administering social housing in Ontario; 52,189 units created.

1985

Federal government stopped its federal program when recession set in and interest rates shot up to about 20%, making its funding to lower mortgage costs very expensive.

1986–1992

Province started housing programs that it funded exclusively. 37,844 units were created between 1986 and 1995.

The **Provincial Government took over the lead role** in funding and administering social housing in Ontario under the Federal/Provincial program (1986-1992). During this period, 30,998 units were created.

Federal Government's funding role diminished under the **Federal/Provincial social housing program (1986-1992)**. CMHC offset a percentage of the costs of the F/P Program.

1993

Federal government announced that it would no longer fund any new social housing.

1995

The newly-elected **Provincial Government abruptly cancelled the provincial housing program**, but continued to make limited housing funding available for supportive housing.

1996–2000

STOP

First extended period without government funding for new affordable housing for fifty years. Virtually no non-profit housing was developed in Ontario between 1996 and 2000.

1999

Federal government off-loaded administration and funding of social housing to Ontario through the signing of the federal/provincial agreement.

2000

Federal Government's new **National Homelessness Initiative** started to provide funding for the **Supporting Community Partnerships Initiative (SCPI)**, which was targeted at transitional housing for the homeless. This funding was being administered by select municipalities.

2001

Province devolves funding and administration of existing social housing to 47 Municipal Service Managers but keeps responsibility for supportive housing (now with Ministry of Health/LTC and MCSS).

Federal Government returned to the funding of housing development programs and announced $680 million for an **Affordable Housing Program (AHP)** to be administered by provinces which provide matching funding.

- Federal Government Initiatives
- Provincial Government Initiatives
- Municipal Government Initiatives

On January 1, 2001, the Ontario Housing Corporation (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.

At devolution (point of transfer), the City of Cornwall become the sole shareholder of the Cornwall and Area housing Corporation (Council Report #46-2000).

This became known as the Cornwall & Area Housing Corporation (or Local Housing Corporation – LHC) which also included the rent supplement program (a contract with a public or private landlord to set aside a specific number of units for rent geared to income tenants).

Provider	Public Housing	Rent Supplement	Target
Cornwall & Area Housing Corp.	1005 units	323 units	100% RGI

Current Portfolio

Address	Location	# Units
650 Hamilton Crescent & 460 Leitch Drive	Cornwall	125
1630 Brookdale Avenue	Cornwall	60
Sydney Street & Lourdes Crescent	Cornwall	35
29 Gloucester Street South	Cornwall	24
330 Fourth Street East	Cornwall	29
24 Augustus Street	Cornwall	150
120 Augustus Street	Cornwall	150
15 Edward Street	Cornwall	109
540 Adolphus Street	Cornwall	105
550 Lemay St.	Cornwall	60
845 Marlborough St.	Cornwall	20
1600 Birmingham St.	Cornwall	40
1700 Walton Court	Cornwall	50
William & Dominion Streets	Alexandria	15
111 Kenyon Street	Alexandria	30
113 Lochiel Street West	Alexandria	20
43 Dickinson Drive (Inglewood Court)	Ingleside	20
Highway 2 (Morris Glen Court)	Morrisburg	30
517 Albert Street (Millview Apartments)	Winchester	36
49 Water Street (Nationview Apartments)	Chesterville	25
10 Dundas Street (Iroma Apartments)	Iroquois	42
222 6th St. (affordable housing units)	Cornwall	32
43 Dickenson Dr. (affordable housing units)	Cornwall	21

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On March 1, 2002, the Non-Profit (10) and Co-op (1) Housing Programs were transferred to the City of Cornwall (Council Report #7-2002).

Provider	Section 95	Provincial Reform	Market Target	RGI Target
Alexandria Non-Profit		45 units	3	42
Beek Lindsay Non-Profit		50 units	8	42
Cornwall Non-Profit		170 units	0	170
Finch Non-Profit	26 units	6 units	13-24	8-19
Lancaster Non-Profit		26 units	8	18
Logement Non-Profit		65 units	6	59
RHSJ Non-Profit		59 units	12	47
Royal Oaks Non-Profit Co-op		70 units	6	64
Roxborough Non-Profit		26 units	16	10
Williamsburg Non-Profit	34 units	16 units	17-29	21-33
Winchester Non-Profit	45 units		23-38	7-22

Over 99% of Canada's social housing operating agreements will expire by the year 2033 and federal government subsidy will end. The withdrawal of subsidy is linked to the date when a housing provider's mortgages, or debentures are paid off. Subsidy formulae vary among social housing programs, and so will the effect of the subsidy withdrawal.

Current Providers and EOA/M Dates

(Appendix D)

CAHC (Local Housing Corporation - LHC)	End of debenture/ mortgage
Glenview Heights	Jan-2013 *
111 Kenyon, Alexandria (mtg)	Jan-2016 *
Westgate Court	Jan-2019 *
540 Adolphus St.	Jan-2020
Dominion / William St. Alexandria	Jan-2020
113 Lochiel St. W. Alexandria	Jan-2022
24 Augustus St.	Jan-2023
Dundas St. Iroquois	Jan-2023
Sydney Street	Jan-2024
330 Fourth St. E.	Jan-2024
Hwy #2 (Morris Glen Crt), Morrisburg	Jan-2024
Nationview Apts. Chesterville	Jan-2024
Mill St./Caleb Winchester	Jan-2024
120 Augustus	Jan-2025
15 Edward St.	Jan-2025
Gloucester St. S.	Jan-2025
Dickinson Drive, Ingleside	Jan-2026

* As these are units within the LHC, they remain part of the ongoing operating agreement with CAHC, without mortgage payment subsidy from the Service Manager.

Non-Profit Providers	End of mortgage
Williamsburg (Park Drive)	Apr-2020
Finch (Phase 1)	Nov-2020
Winchester	Jun-2021
Roxborough, Avonmore	Apr-2022
Williamsburg (County Rd #18)	May-2022
CNPHC (Birmingham)	Aug-2023
Beek Lindsay Seniors	Sep-2023
CNPHC (New Johnstown)	Jan-2024
Williamsburg (Schell St.)	Jan-2024
Alexandria (Tower)	Mar-2024
Lancaster	Apr-2024
CNPHC (Walton Court)	Aug-2024
Alexandria (Le Foyer)	Jun-2025
Royal Oaks	Aug-2025
Williamsburg (Park Drive 2)	Sep-2026
Logement Marguerite d'Youville	Nov-2026
Religious Hospitalers of St. Joseph	Mar-2027
Logement Marguerite d'Youville	Aug-2027
Finch (Phase 2)	Jan-2029

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Portfolio Snapshot
(Appendix E)

City of Cornwall, Service Manager
Serving S.D.G.

Public Housing
100% RGI Units
Cornwall & Area Housing Corp.

Provincial Reform
100% RGI Units
1. Former Cornwall Non-Profit

Provincial Reform
RGI & Market Units
Non-Profits
1. Beek Lindsay
2. Finch & Dist. Seniors
3. Lancaster & District
4. Logement Marg. D'Youville
5. R.H. of St. Joseph
6. Royal Oaks
7. Alexandria
8. Twp. Of Roxborough
9. Williamsburg

Federal Providers
1. Winchester (S 95)
2. Willamsburg (S 95)
3. Finch (S 95)

What are service level standards?
(Appendix F)

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.

	At or below HIL(s)	High needs	Modified
City of Cornwall	1,843	1,172	136

Note: There is no total. Each category has their own total.

The specific and narrow application of SLS within the *HSA* that limits, which households/units are counted toward the targets do not accurately reflect the depth to which municipalities are investing in housing affordability initiatives.

- Tenants can fluctuate between being and RGI or market tenants, depending on their level of income. As such, this can affect our service level standards.

The municipal contribution towards portable housing benefits costs towards service level standards

Household Income Limits were established by the HSA 2011 (O. Reg 370/11, Schedule 2). These limits define the maximum income thresholds for *"rent-geared-to-income tenants (RGI)".*

	Bachelor	1 bedroom	2 bedroom	3 bedroom	4 bedroom
HIL	$24,500	$31,000	$38,000	$43,500	$54,000
High Need	$14,700	$18,600	$22,800	$26,100	$32,400

In June 2019, the MMAH released the HILs and High Needs Household Limits as per the *HSA.* For the first time in at least five years, these limits have decreased. As a result, current households receiving RGI and counted toward the SLS may no longer be considered a target under the SLS as their income falls below the level for their unit size.

These changes have unintended impacts on a service managers' ability to meet SLS. Household incomes are not something that is controlled by the service manager. Some households with income above the HILs may still be in receipt of a subsidy and are considered eligible for RGI but not as a SLS household.

Further, the methodology used to determine the current number of eligible SLS units within a service manager's area is also not an accurate reflection of the current state of publicly assisted units and households. As the largest financial contributor towards social housing, the City is already municipally funding social housing units. As such, we have requested that the MMAH consider all RGI units in our portfolio, which receive some type of municipal funded, be counted toward our SLS, whether they are occupied by an RGI tenant or not.

Negative Operating Subsidy
(Appendix G)

Currently, there is some debate amongst organizations (Ontario Non-Profit Housing association – ONPHA, Ontario Municipal Social Services Association – OMSSA) as to whether Providers should be operating with a “negative operating subsidy”.

Organizations like theses are lobbying the government to ensure that providers do not incur negative operating subsidies post EOA/M.

An Operating Subsidy is the funding which bridges the gap between revenue from indexed benchmark revenues and total indexed benchmark operating costs. The current funding formula consists of an operating subsidy, RGI Subsidy, and property taxes.

Subsequently, a negative operating subsidy requires a Provider to utilize their indexed benchmark revenue (greater than operating costs) to cover the difference in RGI subsidy. This is currently how Providers are operating and funded by the Service Manager. This is how they were established at devolution by the MMAH.

The operating subsidy is calculated as follows:

Operating Subsidy (example)	
Benchmark Operating Costs	398,991
Benchmark Revenue	(678,433)
Subtotal	(279,442)
Mortgage Payments	308,007
Total Operating Subsidy	28,565

The current funding formula (using the example above), the housing provider is paying $279,442 towards their mortgage payments. Once their mortgage is paid in full (End of Mortgage (EOM)), the revenue will partially offset the RGI Subsidy and property taxes.

Eliminating negative operating subsidies would result in the housing provider having an operating surplus of $279,442 at the cost of the Service Manager (City of Cornwall and Counties taxpayers).

A technical backgrounder has been drafted by the MMAH. While this report is not intended to provide an analysis on the impacts that the end of operating agreement and mortgages might have on housing providers or Service managers, the report does provide community housing providers and Service Managers with a better understanding of what happens at the end of a housing project's operating agreement and/or mortgage.

For some provincial reform projects, once the mortgage has matured, the total Service Manager subsidy calculation could result in a negative number (because the mortgage costs are no longer included in the subsidy calculation). A negative total Service Manager subsidy calculation does not result in an amount owing by the housing provider to the Service Manager. This result means that the total subsidy a provider receives from the Service Manager will be nil ($0) (as per the example above).

If Service Managers are mandated to fund Providers operate at a zero negative operating subsidy then it is estimated that the additional cost to the Service Manager will be greater than 5 million dollars from 2020 - 2030.

Service Manager Obligations Post EOA
(Appendix H)

This duty of the service manager is to be carried out in accordance with:

2 (a) the *Act* and the regulations, including such criteria and rules as may be prescribed for the program for the purposes of this clause; and

2 (b) any applicable pre-reform operating agreement". O. Reg. 367/11 s. 68 (2).

Rules and criteria for transferred housing programs categories 6(a), 6(b), and 6(c) are prescribed in Schedule 5 of the General Regulation (O. Reg. 367/11) as follows:

1. The service manager shall provide market units and rent-geared-to-income units to households.
2. Only units in non-profit housing projects may be provided.
3. At least 25% of the units in each housing project shall be rent-geared-to-income units.

The Service Manager is mandated to maintain service level standards post-EOA/M.

This can be done in a number of ways including renewing agreements with existing providers or by finding new/additional providers/units.

Cornwall
ONTARIO CANADA

Housing Program		Public Housing (LHC)	Municipal Non-Profits (S.95)	Provincial Reform (NP & Coop)	Transferred Rent Supplement (RS)
Def'n of Program per O. Reg 367/11 Schedule 1		Programs 1(a) & 1(b)	Program 6(c)	Programs 6(a) & 6(b)	Programs 2(a) & 2(b)
Pre- EOA	Ensure program compliance	✓	✓	✓	✓
	Maintain Service Levels	✓	✗	✓	✓
	Flow federal subsidy dollars	✓	✓	✗	✓
	Flow municipal subsidy dollars	✓	✗	✓	✓
	Fund pay down of principal capital debt	✓	✓	✓	✗
Post- EOA	Ensure program compliance	✓	✗	✓	✗
	Maintain Service Levels	✓	✗	✓	✓
	Flow federal subsidy dollars	✗	✗	✗	✗
	Flow municipal subsidy dollars	✓	✗	✓	✓
	Fund pay down of principal capital debt	✗	✗	✗	✗

Report Approval Details

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This report and all of its attachments were approved and signed as outlined below:

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