Subject: Housing Provider End of Mortgage Strategy – Service Agreements

Report to: Public Health and Social Services Committee

Report date: Tuesday, September 10, 2024

Recommendations

1. That the Niagara Region Housing Services' End of Mortgage Strategy for Housing Providers, attached as Appendix 1 to report COM 27-2024, be **APPROVED** and that the Commissioner of Community Services or designate be delegated the authority to modify the strategy so long as it supports the long-term sustainability of the social housing portfolio at End of Mortgage (EOM) and does not exceed approved budgets; and
2. That the Commissioner of Community Services or designate be **AUTHORIZED** to enter into service and exit agreements with housing providers, under the Housing Services Act (HSA). S.O. 2011, c. 6, Schedule 1, that have reached or are reaching EOM and execute agreements (including financial plans), in a form satisfactory to the Director of Legal Services.

Key Facts

- The purpose of this report is to approve the Niagara Region Housing Services' End of Mortgage (EOM) Strategy for Housing Providers and provide the Commissioner of Community Services authority to enter into service agreements or exit agreements with non-profit and cooperative housing providers.
- As a Service Manager, the Regional Municipality of Niagara (NR) became responsible for the funding and administration of Community Housing transferred from the Province on April 1, 2002.
- There are currently 51 non-profit, co-operative and urban native housing providers listed in the Housing Services Act (HSA) that have been included in this funding model, that deliver 3,166 units of community housing in Niagara. The rent-geared-to-income (RGI) units in these projects are included in Niagara Region's Service Level Standards (SLS) that are reported to the province.
- As the mortgages of these designated housing providers end and are fully paid over the next six (6) years, the federal funding associated with these mortgages will end, and the original agreements under the HSA will come to an end, at which point Niagara Region Housing Services (NRHS) will engage in negotiations with the housing provider to enter into a new service agreement or an exit agreement.

- The new regulations issued by the Province on March 30, 2023 (Ont. Reg. 241/22) provides the baseline requirements of service and exit agreements, the Community Housing access system, and service level requirements.
- The new service agreement legislation specifies provision of a Rent Geared to Income (RGI) subsidy to housing providers as baseline funding, but also allows the Region to assess the financial viability of the housing provider and determine the operational and capital funding needs to ensure that the community housing units are maintained in the local community housing system.
- The net savings arising from the reduced operating subsidy requirements, as the provider mortgage payments end, are anticipated to result in funds that can be reinvested in the community housing system, to help support both the capital needs of the housing providers and the Niagara Region's Consolidated Housing Master Plan (CHMP) initiatives, which will support the development of new affordable housing units and rent supplement agreements within these developments.

Financial Considerations

Niagara Region Housing Services' EOM Strategy, similar to efforts across the province, is a proactive and comprehensive local response to the EOM. The EOM Strategy aims to protect and stabilize the sector, retaining as many community housing units as possible. A sound funding model will support the financial viability of housing providers, encouraging their continued provision of community housing.

A financial analysis tool has been developed to support the negotiation process with the housing providers to enter into new service agreements that will define the funding for which they will be eligible. It will forecast the financial position of the provider to assess the viability of the operations and any funding shortfalls and needs over the next 20 years. As a part of this assessment, building condition assessments (BCA) are being completed for each provider to determine condition of the projects and capital requirements over the 20-year period, as aging infrastructure will have increased capital funding needs. Information from BCAs completed since 2018 show an estimated capital shortfall for the providers over the next 20 years of approximately $65 million.

The total gross subsidy budget for housing providers in 2024 is $25.9 million. This includes $22.2 million allocated for operating subsidies; $18.2 million (82 percent) from the levy, and $4 million (18 percent) provided by federal funding. The remaining $3.7 million is for capital-related subsidies, which is funded through the Canada-Ontario Community Housing Initiative (COCHI).

Housing providers are coming to EOM, and therefore to the end of the original agreements, between 2022 and 2030. As the mortgages come to an end, the associated federal funding that the Niagara Region is receiving as the service manager will also end.

Despite the upcoming decrease in federal funding, based on the projections of operating subsidy requirements for the housing providers, it is anticipated that the Region will see net overall savings accumulate starting in the 2027 budget year as the subsidy required to support the mortgage payments ends.

It is recommended that the annual savings realized as the mortgages end be re-invested to support the estimated $65 million in capital needs of the housing providers, new development of community housing units, and rent supplement agreements within new developments. By re-investing these savings and combining them with existing base capital-related funding and proposed increases for the 2025 and 2026 operating budgets, in addition to OPHI and COCHI funding from the federal and provincial governments (based on the 2024-2025 fiscal year allocations and projected continuation), the Niagara Region is expected to have an estimated $204 million in capital subsidy funding over the next 20 years ($109.4 from OHPI/COCHI and $94.4 levy funded). This funding will support both provider capital needs and new developments, aligning with the initiatives of the CHMP.

The decrease in the annual gross housing provider subsidy cost and reinvestment of the mortgage savings described above at EOM is shown in Appendix 2 to Report COM 28-2024. For 2025 and 2026, an increase in the levy is expected due to inflationary pressures on operating subsidies and a program change request of $0.7 million is being proposed to support base capital-related funding in each year that will support provider capital needs and new development. From 2027 to 2030, as all providers reach EOM, the strategy is to maintain a consistent provider-related levy funding request of $20.1 million annually.

As described in the EOM Strategy, the base provider repair and new development capital-related funding will be transferred to the Housing Services reserve. Each year, the providers’ capital needs will be assessed and funded from this reserve. This approach ensures a consistent level of funding for provider capital subsidies, mitigating year-over-year fluctuations in the operating budget due to potential variability in capital spending.

Analysis

The Niagara Region Housing Services EOM Strategy (EOM Strategy) aims to retain as many HSA-prescribed providers in the community housing portfolio as possible by:

- Providing appropriate funding levels to ensure financially viable, sustainable and resilient operations (e.g., stable tenancies, financial and asset management, and governance); and

- Respecting housing provider autonomy by recognizing and respecting the historical investments made to establish these assets and work together to protect, strengthen and grow the sector. The goal of the strategy is no net loss of community housing units in Niagara.

The current funding structure for the housing providers receiving operating-related subsidies from the Niagara Region is defined by the Housing Services Act (HSA), through agreements that were signed between the housing providers and the provincial government, which are coming to an end as the projects reach their EOM. Under this agreement, providers are eligible for a rent-geared-to-come (RGI) subsidy, a property tax subsidy, and an operating subsidy to fund any shortfall between operating expenses and revenues received, including applicable mortgage payments.

Under the new legislation, the RGI subsidy will become the required baseline funding for housing providers who enter into new service agreements with NRHS, which covers the difference between what the tenant is required to pay, based on their income, and what the provider would otherwise receive for negotiated market rent and is expected to fund any shortfalls in operating costs for the project.

Under the current funding model, housing providers who are coming to EOM will struggle to remain viable, as the calculation will result in an operating subsidy that will reduce the RGI subsidy that they are eligible for and will leave no available funding for capital requirements. The aging infrastructure of the housing projects is creating increased capital repair needs as structures come to the end of their life cycles. As such, it is important that the service agreements take into account these needs to ensure that there is sufficient funding available for the project to remain viable.

To conduct a comprehensive review and gain a greater understanding of strategies employed by other service managers, the following jurisdictions met with NRHS to discuss their approaches: Region of Waterloo, Haldimand-Norfolk Country, City of Hamilton, City of London, Oxford County, and Wellington County. Each municipality has tailored its approach to ensure the long-term viability and sustainability of affordable housing while addressing specific local needs. The high-level themes and common strategies observed across these regions, as well as information gained through sector sharing tables, are described in Appendix 3 to this report, and were considered in the Niagara Region EOM Strategy.

The Housing Services Strategic Committee (HSSC), consisting of 47 service managers from across the province, established a Technical Table group with representatives from across the different service manager areas to develop guiding principles for EOM and a service agreement template. A staff person from NRHS was chosen as a representative to be part of the Technical Table group.

NRHS staff and Niagara Region's legal staff have taken the service agreement template developed by the HSSC and created a Niagara Region service agreement. As all housing providers are different, each service agreement will be tailored to be provider specific to address the needs of that provider.

NRHS held information and engagement sessions with housing providers and shared available resources. The sector support agencies, the Co-operative Housing Federation (CHF), the Golden Horseshoe Co-operative Housing Federation (GHCHF), and the Ontario Non-Profit Housing Association (ONPHA), have also been communicating with the providers and providing EOM materials. HSC continues to host Sharing Circles for service managers to share information and resources with regards to EOM.

It is important to recognize and respect the historical investments in these projects and establish provisions that support sustainability across community housing, while ensuring housing providers remain viable. NRHS and housing providers have a shared responsibility to protect existing tenancies, deliver affordable housing and support sustainability across community housing, ensuring viability in all facets of their business, developing partnerships that protect, preserve, and promote growth and development in housing provider communities.

The work done on the Niagara Region's Consolidated Housing Master Plan is on-going, with an identified need for development of an estimated 479 units in Niagara per year to meet the housing demands of Niagara's growing population. This will require extensive funding for the development of the units as well as for rent supplement agreements within these new developments. The reinvestment of savings related to the provider subsidies is in alignment with report COM-C 12-2021 Request from Niagara Regional Housing for Endorsement of 'An End of Mortgage' Position Paper, included as Appendix

4 to this report, that was endorsed by Council in 2021 and proposed to maintain community housing-related funding within community housing, and will help to support the funding needs for these initiatives.

It is important to note that the OPHI and COCHI funding, received (and forecasted) from the federal and provincial governments, have been factored into the financial projections, and continued partnership to provide community housing funding is imperative to the success of this model for the housing providers and continued development of new affordable housing units to address the housing crisis in Niagara.

Legislation allows service managers to enter into exit agreements with the housing providers for the following situations:

- The continued operation of the housing project by the housing provider or another housing provider;
- The redevelopment of the housing project by the housing provider or another housing provider; or
- The reinvestment of the proceeds of sale of the housing project into affordable housing.

The overall goal of the EOM Strategy is to enter into service agreements and maintain long-term partnerships with all providers.

Alternatives Reviewed

There were a couple of different scenarios considered when preparing the strategy for negotiation and funding of new service agreements for housing providers reaching EOM.

The first scenario considered was to provide only the legislated RGI subsidy that is required to sustain the operations. In order to fund capital needs, the housing providers would use their available capital reserves, as expected in the proposed strategy, but potentially need to obtain new mortgages, which would bear additional interest costs. This would allow the Region to potentially direct additional funds to new development of affordable housing units, but it has the risk of impacting the viability of the existing housing projects, as they would have to be able to fund the mortgage costs, or would require additional operating subsidy, which would have a higher cost to the Region with the interest charges on the mortgages. An alternative for the housing provider to fund their mortgage would be to increase their market rents significantly, which could in turn make them unaffordable.

Relationship to Council Strategic Priorities

The proposed strategy for negotiation of service agreements for housing providers who have reached end of mortgage is aligned with the Council Strategic Priority of Equitable Region, in that it will improve access to affordable and attainable housing to meet the needs of the Niagara community by transforming service delivery in a way that is innovative, collaborative, and fiscally responsible.

Other Pertinent Reports

COM-C 12-2021 Request from Niagara Regional Housing for Endorsement of 'An End of Mortgage' Position Paper

(https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=28dafc50-0613-4fe5-acd6-102f1ba0f335&Agenda=Merged&lang=English&Item=18&Tab=attachments)

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Appendices

Appendix 1	End of Mortgage Strategy for Housing Providers – Service Agreements
Appendix 2	Projected Provider Subsidy Costs and Associated Funding
Appendix 3	Service Manager Review of End of Mortgage Strategies
Appendix 4	COM-C 12-2021 Request from Niagara Regional Housing for Endorsement of ‘An End of Mortgage’ Position Paper

End of Mortgage Strategy – Service Agreements

Introduction

The funding and governance of social housing as it pertains to housing providers under Part VII of the Housing Services Act (HSA) is undergoing major changes in Ontario. Funding arrangements and obligations to provide rent-geared-to-income (RGI) housing were contained in agreements that were tied to mortgages when social housing projects were built. These original agreements signed between housing providers and the provincial government are coming to an end as the projects are reaching their End of Mortgage (EOM). The funding formula to pay the housing providers listed in the Act was defined under the HSA. These providers must continue to provide RGI housing once their mortgage ends. The EOM for these providers is accompanied by significant changes in their funding which creates uncertainty for the ongoing viability of their operations and capital assets.

The EOM Strategy developed by Niagara Region Housing Services (NRHS) is defined by a key set of principles to guide negotiation of new agreements with housing providers. The principles defining the strategy have been developed in collaboration with service managers across the province, through technical tables, workshops, sharing circles, and service manager meetings. The strategy also outlines a process for working with housing providers to review viability of their projects from an operating and capital perspective to determine financial supports that may be required over the next 20 years.

The strategy for new service agreements is comprised of four components: A set of principles and guidelines, funding options, a process approach, and a financial model.

Strategy Principles

The principles explicitly acknowledge that NRHS will endeavor to retain all current social housing units. Through the establishment of principles and guidelines, the strategy aims to:

- Incentivize non-profit and cooperative housing providers to remain within the community housing portfolio, thereby protecting existing RGI tenancies and community housing.
- Maximize funding for capital repair needs to address the growing gap between provider capital reserve funds and capital repair work required.
- Support service and exit agreement negotiations.

- Support the development of a financial plan that addresses both operating and capital needs of housing providers.
- Foster a new relationship with housing providers that is equitable and transparent.

A full list of the principles and guidelines developed to support this strategy are detailed below. ‘Subsidies’ specifically refer to NRHS operating and capital subsidies, while ‘funding’ connotes multiple funding sources which could include but is not limited to NRHS.

General Principles

- Social housing is recognized as a valuable publicly-funded asset.
- Efforts will be made by NRHS to retain all current social housing units at EOM, and ideally increase the number of affordable housing units available.
- Collaboration with internal stakeholders/staff, including legal, finance and policy advisors, to ensure liability is proactively managed through agreements.
- 20-year funding agreements will enable social housing providers to remain financially viable, affordable and in good repair.
- Subsidies must be flexible to adapt to varying realities and changing contexts.
- Subsidies will be based on demonstrated need and applied through a transparent funding approach.
- Subsidies will be distributed with consideration to both operating and capital needs and will be responsive to municipal financial constraints.
- Subsidies will incentivize housing provider investment and accountability to reduce the impact to operating costs (i.e., to maximize revenue sources/efficiencies).
- Subsidies will support housing provider accountability and autonomy.
- Provider equity will be directed to current project operating and capital needs prior to leveraging new builds.
- A commitment of a continued relationship and partnership between the Region and housing providers will be prioritized as we move forward through the negotiation of new service agreements.

Funding Principles and Guidelines

- To address capital needs, multiple funding sources, including funding from upper levels of government, are required for the continuity of a social housing project.
- In general, financial viability refers to the ability to generate the required cash flow to fulfill ongoing operational costs and debt repayments. For NRHS, housing providers’ financial viability is defined as generating sufficient cash flow to support the operational needs of the project, with funding provided through an RGI subsidy from

NRHS, as well as capital funding as needed to ensure that capital repair needs are met.

Based on the funding principles stated above, a comprehensive funding model was developed to analyze and support the long-term financial sustainability of community housing. Guidelines were created to develop a standardized approach for determining rent increases, housing provider capital reserve contributions, management and goals for operating surplus, funding mechanisms to increase housing provider revenue, and distribution of NRHS subsidies. This model and the underlying assumptions on which it is based is used to assess both operational and capital viability of a housing project.

Guidelines for Rent-Geared-to-Income (RGI) Rent

- Rent for RGI tenants will continue to be determined by either minimum rent, RGI scales or 30% of income (line 23600 of Notice of Assessment)

Guidelines for Operating Surplus

- The target accumulated operating surplus for housing providers is $1,000 per unit plus $25,000 insurance deductible contingency**.**
- Housing providers with a cumulative operating surplus of greater than $1,000 per unit and the $25,000 contingency will be directed to contribute the remaining amount to capital reserves.

Guidelines for Provider Capital Reserve Contribution

- The target minimum capital reserve fund is $2,000 per unit.
- Contributions to the capital reserve fund will be incorporated into the financial plan and reviewed every five years (or more often if deemed necessary) based on the Building Condition Assessments (BCA), reserve fund analysis and the provider's approved capital plans.
- Anticipated contributions to the reserve fund are based on the provider's annual surplus as defined above, plus any NRHS capital subsidy if required and within the NRHS budget to fund the shortfall of any current capital repair needs if required.
- If capital reserves are overfunded, NRHS capital subsidies may be recovered and returned to the NRHS reserve to be reinvested into community housing needs.

Funding Options

Depending on the housing provider's net operating income and capital reserves, the following funding options, further described in the guidelines below, may be explored and/or applied:

- RGI subsidy
- Market rent increases
- Other external funding options/grants
- NRHS operating subsidy
- NRHS capital subsidy
- Adjust RGI/market mix

The forms of subsidy and funding listed above will be considered based on the viability analyses conducted for each project. As a baseline, housing providers who sign new service agreements with NRHS will receive NRHS RGI subsidies as per legislative requirements. The combination of the options to be used will ultimately depend on the housing project's unique circumstances to ensure their on-going viability and keep them in a good state of repair.

Rent-Geared-to-Income Subsidy from NRHS

- An RGI subsidy or rent supplement that covers the difference between what the tenant is required to pay based on their income and what the housing provider would otherwise receive for the negotiated market rent for that unit in the project, will be paid automatically as baseline funding for housing providers who enter into new service agreements with NRHS.

Market Rent Increases

- Market rental units will be maintained at levels that are affordable to low and moderate-income households.
- Housing providers will be encouraged to raise rents in housing projects with mixed market and rent-geared-to-income buildings to a minimum of 80% of the Canadian Mortgage and Housing Corporation (CMHC) Average Market Rent (or higher as deemed necessary for viability and as is advisable based on anticipated tenant impact).

External Funding Grants

- All housing providers will be encouraged to apply for grants and external incentive programs (e.g. OPHI, COCHI, energy-efficiency incentive programs, etc.) to maximize multiple funding sources for viability.

NRHS Operating Subsidy

- An operating subsidy in addition to the RGI subsidy will be considered if deemed required, with the expectation that the housing provider will have a plan to become financially viable within a determined period of time to qualify.

NRHS Capital Funding

- NRHS may provide a capital subsidy based on the BCA and the provider's reserve fund study to ensure ongoing viability of the provider.
- An additional one-time capital injection from NRHS will be considered where needed, based on the project's proforma and the annual budgeted fund availability by NRHS.
- Capital needs far exceed funding sources for most providers based on BCA information. Subsidies are intended to help bridge the gap. The provider's capital reserve fund will be reconciled every 5 years (or sooner if required) and any unused subsidies will be returned to the NRHS to be reinvested into community housing needs.

Market/Rent-Geared-to-Income Mix

- Shifting current RGI and market mix is a last resort. The impact of changing RGI targets will be considered with respect to Niagara Region's Service Level Standard obligations.
- For projects that are currently operating below RGI targets, an individualized approach will be implemented. Where feasible, projects will be brought up to their targeted service level for RGI units.

Vacancy Loss and RGI Reconciliation

- NRHS will subsidize vacancy loss for an identified RGI unit up to a two (2)-month period to stay consistent with current policy.
- An annual reconciliation of vacancy loss and RGI subsidy will determine the amount to be recovered from or paid to the housing provider based on actual RGI units and rents collected compared to budget.

Approach

This section outlines the approach that will be used with each provider as they reach End of Mortgage (EOM). It is anticipated this process will be collaborative and supported by NRHS.

Phase 1: Preparing for End of Mortgage

a) Education and Stakeholder Engagement

Housing providers are expected to be knowledgeable and prepared for their upcoming EOM. For co-operative housing providers, they are also expected to make sure that their members are knowledgeable on what that means for their co-operative. The Board of Directors of housing providers are ultimately responsible to be prepared and well-versed on EOM impacts so they are able to make decisions for their organization.

To ensure that housing providers are knowledgeable of EOM legislative changes, opportunities and how to prepare, NRHS held an information and engagement session with providers, and shared available resources. These information and engagement sessions will continue to be held to encompass all providers in preparation of EOM. NRHS' Housing Administrators have also been engaged in ongoing outreach to housing providers to ensure that they, and their stakeholders, are aware of the EOM regulations and the EOM dates of their specific housing project. Their sector support agencies, Co-operative Housing Federation (CHF), the Golden Horseshoe Co-operative Housing Federation (GHCHF), and the Ontario Non-Profit Housing Association (ONPHA), have also been communicating with the providers and providing EOM materials.

b) Review of organization's post-EOM vision and review of governance framework.

NRHS staff have encouraged housing providers to consider their organization's post-EOM vision and to review their governance framework. Although the role of the Board remains the same post-EOM, the new community housing legislation allows for greater partnership between the Service Manager and housing provider. This new framework enables the Board to make fresh decisions regarding the operations of their housing project. EOM also provides the opportunity for Boards to evaluate their capacity to continue as is or to take on planning or oversight of new or expanded activities.

c) Identify and resolve issues listed in the Operational Review reports and determine how successful practices can continue.

In preparation for EOM, NRHS Housing Administrators are working with housing providers through their operational reviews to identify areas for improvement. As part of the Service Manager obligation to ensure that social housing providers are operating in compliance with the rules and regulations mandated by the Housing Services Act, Housing Administrators conduct operational reviews for each project, at minimum every four years. This comprehensive review examines operating procedures of the provider, including administration procedures, governance, financial management, resident relations, maintenance and capital asset management. Performance is measured against the requirements set out in the Housing Services Act and its associated regulations and local rules. Directions and recommendations based on the results from the operational review enable housing providers to ensure compliance with legislation and address how non-compliance issues can be resolved and how best practices can continue, especially as projects approach EOM.

d) Ensure projects have updated Building Condition Assessments (BCA)

In preparation for EOM, NRHS issued a Request-for-Tender (RFT) for BCAs and Reserve Fund Studies to be conducted on 20 housing providers (consisting of 29 buildings) that are at EOM or nearing EOM. This information has been included in the 20-year funding model. The remaining providers will have BCAs completed in the second issued RFT requested. A BCA report indicates short- and long-term capital repairs and replacements required for the housing project, along with an estimated cost of completing these capital expenditures. The BCA report is a valuable and necessary tool to help determine capital needs and required capital reserve fund contributions. All projects approaching EOM must have a BCA that was completed a minimum of three (3) years prior to the project reaching EOM. As part of the new Service Agreement, BCAs need to be completed again prior to the mandated five (5)-year financial review.

Phase 2: Negotiation

The following steps will be followed by NRHS staff at EOM as they undertake the negotiation of new agreements with housing providers.

a) Review of portfolio and project financial health

Prior to conducting a viability analysis, NRHS staff will review the financial statements of the project with the housing provider to determine sources of revenue and expenses. If the provider has external funding agreements for the project, the terms and conditions of these agreements will be reviewed and factored into the viability analysis.

b) Management of vacancies and rent

Staff will review vacancies with housing providers and identify any areas of concern to ensure that units remain marketable and filled within expected timeframes.

RGI and market rent units will be discussed, including the provider’s existing rates and targets, along with plans for future rent revenue for these units.

c) Property development plans

Providers will be encouraged to identify their longer-term goals regarding project and/or portfolio development. Opportunities to address these goals will be discussed.

d) Viability analysis

Viability analysis will be conducted by NRHS staff in conjunction with housing providers to determine both operational and capital viability.

e) Five (5)-year financial plan

NRHS staff and the housing provider will jointly develop a 20-year financial plan. This plan will address how the housing provider’s revenues will meet expenditures for the housing project, including projected capital expenditures. The plan will also address how rent for the units will be set and will detail the NRHS financial obligations towards the project. The RGI subsidies will be reconciled annually, and the financial plan must be reviewed every five (5) years (or sooner if required).

f) Service Agreement

A standard Service Agreement template has been developed by NRHS staff in conjunction with Niagara Region's Legal Services and the Housing Services Strategic Committee (consisting of 47 service managers across the province). The regulations state that the minimum duration for a service agreement is ten (10) years and that the financial plan must be reviewed at least every five (5) years. NRHS is recommending a 20-year service agreement and financial plan (to be reviewed every five years) so that ongoing commitment and viability are ensured, as well as a longer-term financial funding model for the Niagara Region.

Phase 3: Monitoring and Review

a) Housing Provider Review Process

In general, projects that have reached EOM will be reviewed in chronological order. Housing providers with multiple projects at EOM will have all projects reviewed at the same time, depending on the period between projects.

Projected Provider Subsidy Costs and Associated Funding (in millions)

	2024 Budget	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031-2043 Forecast	Total 20-Year Forecast
Gross Provider Operating Subsidy	$ 22.2	$ 20.0	$ 19.4	$ 18.2	$ 15.9	$ 15.3	$ 14.8	$ 224.3	**$ 350.1**
COCHI-Funded Capital Subsidy (estimated)	$ 4.9	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 71.5	**$ 109.4**
Levy-Funded Capital Subsidy (Base Contributions and Re-Invested Mortgage Savings)	$ -	$ 0.9	$ 1.6	$ 3.5	$ 5.0	$ 5.3	$ 5.5	$ 71.2	**$ 93.0**
Levy-Funded Housing Provider Capital Subsidy Program Change	$ -	$ 0.7	$ 0.7	$ -	$ -	$ -	$ -	$ -	**$ 1.4**
Total Provider Subsidy/ Capital Funding	**$ 27.1**	**$ 26.4**	**$ 26.5**	**$ 27.2**	**$ 26.4**	**$ 26.1**	**$ 25.8**	**$ 367.0**	**$ 552.5**
Estimated COCHI Funding	$ 4.9	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 5.5	$ 71.5	**$ 109.4**
Federal Funding	$ 4.1	$ 2.4	$ 1.6	$ 1.6	$ 0.8	$ 0.5	$ 0.2	$ -	**$ 11.2**
Proposed Provider-Specific Levy Funding	$ 18.1	$ 18.5	$ 19.4	$ 20.1	$ 20.1	$ 20.1	$ 20.1	$ 295.5	**$ 431.9**
Total Funding	**$ 27.1**	**$ 26.4**	**$ 26.5**	**$ 27.2**	**$ 26.4**	**$ 26.1**	**$ 25.8**	**$ 367.0**	**$ 552.5**

Service Manager Review of End of Mortgage Strategies

To conduct a comprehensive review and gain a greater understanding of strategies employed, the following jurisdictions were involved in the discussion: Region of Waterloo, Haldimand-Norfolk Country, City of Hamilton, City of London, Oxford County, and Wellington County. Each municipality has tailored its approach to ensure the long-term viability and sustainability of affordable housing while addressing specific local needs. The high-level themes and common strategies observed across these regions as well as information gained through sharing circles are described below. Many of which have been incorporated in the Niagara Region EOM Strategy.

Proactive Planning and Strategy Development: Many municipalities such as Region of Waterloo, Oxford County, and the City of Hamilton, have developed comprehensive EOM strategies, and incorporated financial analyses and stakeholder engagement to ensure a smooth end-of-mortgage transition.

Financial Viability and Sustainability: All Regions emphasized the need for financial viability. This includes developing new funding models, exploring various funding options such as RGI subsidies, operating subsidies, capital grants, and loans or refinancing options to maintain the affordability and sustainability of housing projects. The most important is the need for continued financial support, such as OPHI and COCHI funding from upper levels of Government.

Provider Engagement and Support: Engagement with housing providers was a critical component. Many regions provided resources such as toolkits, workshops, and ongoing support to housing providers to help them navigate the EOM transition and ensure they continue to offer affordable housing.

Maintaining and Maximizing Affordable Housing: A common goal is to maintain deeply affordable housing units. Strategies to be used when negotiating new service agreements include exploring rent adjustments, and ensuring long-term capital and operational sustainability to keep housing providers engaged.

Tailored Approaches to Local Needs: Each municipality has adapted its strategy to local contexts and challenges. For instance, the City of Kingston focuses on preserving units for vulnerable populations, while Oxford County uses Hamilton’s strategy as a reference to develop a consistent funding approach across its system.

The EOM strategies across these municipalities demonstrate a strong commitment to maintaining affordable housing and ensuring the financial and operational sustainability of housing providers. These strategies are critical for supporting vulnerable populations and sustaining the affordable housing stock in the long term.

Municipalities across Ontario are at various stages with their EOM readiness, however, many of the tailored approaches across various Regions include:

Interim Annual Subsidy Entitlement: To prevent negative impacts on housing providers during the transition, some Regions have introduced the Interim Annual Subsidy Entitlement process. This process ensures continued funding while working towards service or exit agreements. Housing charges are determined using 2023 actual market rents or benchmarks, and negative operating costs have been eliminated. Property taxes where applicable, and transfers to capital are included in expenses.

Long-Term Vision and Opportunities: Municipalities are taking a forward-looking approach by considering 10-year or 20-year outlooks to identify new opportunities and establish a clear vision for future service agreements.

Individualized Approach: A common theme is that housing providers are approached on an individualized basis. Providers receive a financial viability analysis and cost-benefit analysis tailored to their specific situations.

End of Mortgage Readiness: Service Managers are working on their communication strategies and are including an End of Mortgage Readiness Guide to equip their boards of directors with the necessary information to make informed decisions about the end of their mortgages. These guides also focus on key indicators that demonstrate organization readiness for EOM. Service managers are encouraging providers to contact their sector organizations such as ONPHA and CHF who have prepared many tools for readiness for providers.

Service Agreements: In 2022 a technical table was created made up of service managers to create suggested terms and conditions for service agreement. This basic agreement has then been modified to fit various municipalities needs. These agreements provide funding options for existing Rent-Geared-to-Income (RGI) units, maintain general affordability, and addressed both operating and capital needs. The agreements Include a negotiable financial plan to ensure the buildings are kept in good repair and achieve long-term financial viability.

Exit Agreements: Another option is the establishment of exit agreements, where the Region and the housing provider collaborate to create a plan for exiting the current arrangement. This may involve selling, divesting, or continuing to operate as affordable housing. Prerequisites for this option include housing provider demonstrating long-term financial viability providing RGI subsidies for existing RGI households, having a fully constituted board with strong practices, meeting the requirements of the Cooperative

Corporations act and the Ontario Non-Profit Corporations Act, having a capital management plan, and understanding the impacts of HST and non-profit status.

Community Housing Succession Strategy: This strategies across the province encompass housing provider engagement, the development of policies and tools, and the engagement of an advisory committee to guide the process.

Delegated Authority: In many instances the Commissioner or Director has been delegated the authority to finalize both exit agreements and service agreements.

Niagara Regional Housing

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February 19, 2021

Ann-Marie Norio, Regional Clerk
Niagara Region
1815 Sir Isaac Brock Way
Thorold, ON L2V 4T7

Dear Ms. Norio,

At their February 19, 2021 meeting, the Niagara Regional Housing Board of Directors passed the following motion as recommended in attached report NRH 2-2021:

> ***That the Niagara Regional Housing Board of Directors ENDORSES the "An End Of Mortgage Position Paper" (Appendix 1).***
>
> ***The Niagara Regional Housing Board of Directors FORWARDS this report to Public Health and Social Services Committee for Endorsement.***

Your assistance is requested in moving report NRH 2-2021 through proper channels to Regional Council.

Sincerely,

Councillor Walter Sendzik
Chair

Niagara Regional Housing

REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: Updated "An End of Mortgage" Position Report

RECOMMENDATION

That the Niagara Regional Housing Board of Directors **ENDORSES** the "An End Of Mortgage Position Paper" (Appendix 1).

The Niagara Regional Housing Board of Directors **FORWARDS** this report to Public Health and Social Services Committee for Endorsement.

PURPOSE

To provide the Niagara Regional Housing Board and Niagara Region council with the final "An End of Mortgage (EOM) Position Paper" developed in collaboration with Service Managers across the province.

KEY FACTS

- In July of 2020 a report was submitted to the NRH Board for information regarding the position paper being drafted by the provincial working group for EOM.
- The Position Paper has now been finalized and was endorsed by the board of OMSAA on October 28th, 2020
- The final, endorsed paper was submitted to Assistant Deputy Minister (ADM) Josh Paul at MMAH on December 16th, 2020.
- To date there has been no response to the submission but we anticipate feedback in the coming months

Summary

Contained within the paper is the Service Managers recommendation that decisions related to municipal mortgage savings must be made by the municipal councils who fund the system. It is recommended that each Service Manager retain the municipal tax savings realized in their service area once mortgages come to an end, and have flexibility to reinvest mortgage savings into the Service Manager's local housing and homelessness systems under the following priorities:

Priority 1
Address unfunded capital needs through service agreements with housing providers to keep buildings in a good state of repair for current and future residents as set out in local 10-year housing and homelessness plans

Priority 2
Manage other housing and homelessness pressures identified in local 10-year housing and homelessness plans or other strategic plans, such as increasing and redeveloping the supply of affordable housing or enhancing homelessness-related supports

Priority 3
Fund other municipal pressures, provided all housing needs are met as identified by each Service Manager's strategic plans

CONSIDERATIONS

Financial
KPMG was commissioned to review a model calculating the mortgage savings via consolidated provincial data from 28 Service Managers (including Niagara). The model was used to project the next 40 years of financial position for Service Managers and providers. The model, based on the data from the 28 Service Managers, shows that housing providers need $3.8 billion to meet all capital repairs over the next 40 years. If the approach recommended by sector associations is implemented, as a group housing providers would be eligible to receive $7.4 billion of the $10.4 billion in potential mortgage savings. This would be enough to meet all their capital repair needs of $3.8 billion and still result in over-funding of $3.6 billion over 40 years.

Governmental Partners
Depending on the ultimate direction determined by the province, this shift in funding has the potential to significantly impact the goals as outlined in the Housing and Homelessness Action Plan.

Public and or Service Users
Ensuring that existing Social Housing Stock in Niagara remains a safe and affordable place for those who need it across Niagara is a priority. Reinvesting savings realized at EOM into existing stock, development and other housing programs have the potential to dramatically improve the housing system in Niagara.

ANALYSIS
In Niagara, the composition of providers looks very different than many of the other service providers in the province. NRH supports 60 smaller sized providers scattered across 12 municipalities. Many of the providers in Niagara do not have

the same large reserves that providers in other regions experience. In addition, other regions have far fewer providers with either very large or much smaller portfolios. The recommendations that speak to Service Manager autonomy within the guiding principles are of extreme importance. Ensuring that any savings realized goes back into housing maintenance and development in Niagara should be a priority before addressing other priorities, in order to preserve and expand safe affordable housing in the region.

ORIGIN OF REPORT

This report has been brought forward by staff

OTHER PERTINENT REPORTS

19-184-2.2 October 18, 2019 EOM Memo
20-191-4.2 July 24, 2020 End of Mortgage Update

Submitted by:

Donna Woiceshyn
Chief Executive Officer

Approved by:

Walter Sendzik
Chair

This report was prepared by Jenny Shickluna Manager Housing Programs.

Appendix 1: EOM Task Force Position Paper

Sustaining and Investing in Community Housing: An End of Mortgage Position Paper

Municipal Recommendations to Continue Investing in Local Housing and Homelessness Systems

September 2020

Contents

1. EXECUTIVE SUMMARY

The community housing sector in Ontario is transforming. The *Protecting Tenants and Strengthening Community Housing Act, 2020* introduces a number of future changes to the *Housing Services Act, 2011* (HSA) and its regulations that will significantly change the relationship between housing providers designated under Part VII of the HSA and Service Managers.

Supply is not meeting demand; infrastructure is aging and in need of significant capital repairs; waiting list are growing with more residents struggling with housing affordability and complex needs. In their provincially-designated role as Service Managers for housing since early 2000, Consolidated Municipal Service Managers (CMSMs) and District Social Service Administration Boards (DSSABs)[1] have been on the front lines of these housing challenges in their local communities.

In Ontario, there are approximately 1,475 housing providers designated under Part VII of the HSA (Part VII housing providers). Over the next decade, the mortgages of these housing providers come to an end. The amount of funding allocated to housing providers is prescribed through a provincially-mandated funding formula in the HSA regulations, and funded through the municipal tax base. When the mortgages are paid off, municipalities should realize over $10 billion in reduced mortgage subsidy costs over the next 40 years. Service Managers provide an annual subsidy for housing providers' operating and mortgage costs, as well as rent-geared-to-income and property tax funding. When the mortgage ends there is no need to continue providing a mortgage subsidy as the housing provider is no longer incurring any mortgage costs. This reduction in subsidy costs related to the administration of HSA related program costs is often referred to as "mortgage savings" by housing providers and Service Managers.

Housing sector associations are advocating for changes to permit housing providers to use property tax-funded mortgage savings to meet their individual operational, capital and redevelopment needs. If agreed to by the Province of Ontario, this advocacy position would overfund housing providers by billions of municipal tax dollars, providing funding well beyond the level needed to meet their operational and capital needs. This advocacy position also results in a significant opportunity lost for Service Managers to address growing wait lists and local housing and homelessness needs.

It is crucial that any changes to the HSA funding model, as a result of the *Protecting Tenants and Strengthening Community Housing Act,* permit municipalities to redirect mortgage savings to ensure publicly-funded community housing assets remain in a good state of repair, as well as to invest in new supply, programs and services in line with each Service Manager's 10-year housing and homelessness plan. This includes providing capital funding and other assistance to Part VII housing providers.

Service Managers are accountable to taxpayers through their local housing and homelessness plans, understand their local housing needs, and are the level of government legislated to administer the entire community housing and homelessness system. Decisions on how municipal mortgage savings are reinvested in the housing system must be made by the municipal councils who fund the system and are best positioned to respond to local challenges and priorities, rather than by individual community housing provider boards. If community housing providers are permitted to retain municipal mortgage

[1] Both CMSMs and DSSABs will be known as Service Managers for the purposes of this paper.

savings, then the decision on how savings are reinvested will be made by individual community housing boards. Under the current HSA regulations, service managers retain these savings and may reinvest them in line with their housing and homelessness plans. To ensure a holistic approach to the overall housing and homelessness system, new HSA regulations should not prescribe how municipal mortgage savings are treated and instead continue to leave these decisions to the sole discretion of Service Managers, and new funding arrangements should help to sustain the housing system without overfunding individual community housing providers.

Service Managers recommend that decisions related to municipal mortgage savings must be made by the municipal councils who fund the system. It is recommended that each Service Manager retain the municipal tax savings realized in their service area once mortgages come to an end, and have flexibility to reinvest mortgage savings into the Service Manager's local housing and homelessness systems under the following priorities:

Priority 1 Address unfunded capital needs through service agreements with housing providers to keep buildings in a good state of repair for current and future residents as set out in local 10-year housing and homelessness plans

Priority 2 Manage other housing and homelessness pressures identified in local 10-year housing and homelessness plans or other strategic plans, such as increasing and redeveloping the supply of affordable housing or enhancing homelessness-related supports

Priority 3 Fund other municipal pressures, provided all housing needs are met as identified by each Service Manager's strategic plans

Keeping the savings in the housing system at the Service Manager level will allow existing publicly-funded community housing to be preserved, while also enabling reinvestment that advances local housing goals without overfunding individual housing providers and ensuring there is no additional financial burden on municipal taxpayers. This recommended approach addresses the significant community housing capital repair needs, while advancing critical housing and homelessness initiatives to help residents find and keep appropriate housing they can afford, while respecting the municipal role in funding and planning for the community housing system.

2. BACKGROUND

Housing is a fundamental need. It supports positive health and social outcomes and connects residents to the economy, transportation systems and community services. However, challenges such as rising housing costs and limited rental housing availability impact people's ability to find housing that meets their needs. For households living with low income, the high cost of private market housing may lead to housing instability or homelessness, while the supply of community housing is unable to meet demand or requires substantial capital repairs. As a result of these ongoing housing challenges, Ontario has one of the largest subsidized housing wait lists in the country with over 480,000 people waiting as of December 2016.[2] The number of households waiting for subsidized housing continues to grow each year.

Service Managers are responsible for funding and administration of community housing

Both the Province and Service Managers have an important role in addressing Ontario's community housing needs. The Province of Ontario establishes the legislative framework under the HSA for community housing, homelessness services and many related funding frameworks and programs. Service Managers are responsible for planning and managing housing and homelessness[3], including the funding and administration of community and affordable housing. Ontario municipalities are the largest contributors of funding for local housing and homelessness services.

When responsibility for funding and administration of community housing was transferred to Service Managers from the province in the early 2000s, the program transfer did not include adequate financial reserves to address both current and future capital needs. As buildings continue to age, capital repair needs continue to grow. As a result of the transfer, municipalities were tasked with developing programs and financial solutions to maintain an underfunded community housing system. These challenges persist today. Community housing is an essential part of the housing and homelessness system, and it is critical to have a sustainable model that funds both operational and capital repairs needs so residents have access to safe, high-quality housing.

The municipal tax base covers the majority of community housing costs

In Ontario, there are approximately 1,475 housing providers under Part VII of the *Housing Services Act, 2011* (Part VII housing providers). The HSA outlines the operating framework and funding formula, and sets out the current obligations for both housing providers and Service Managers. Funding for Part VII providers comes primarily from the municipal tax base. Over the next decade, the community housing sector will experience significant change as the mortgages of these housing providers come to an end.

As primary funders of community housing, Service Managers provide an annual subsidy for housing providers' operating and mortgage costs, as well as rent-geared-to-income and property tax funding. As the mortgages of Part VII housing providers come to an end, Service Managers will realise reduced subsidy costs. Housing sector associations are advocating for changes to permit housing providers to

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[2] Office of the Auditor General of Ontario. (2017). Social and Affordable Housing. Retrieved from https://www.auditor.on.ca/en/content/annualreports/arreports/en17/v1_314en17.pdf

[3] OMSSA. (2020). Human Services in Ontario. Retrieved from https://www.omssa.com/human-services.php

use property tax-funded mortgage savings to meet their individual operational, capital and redevelopment needs. However, this approach is not supported under the current HSA funding model, and dismisses the significant investment from the municipal tax base needed to support the larger housing system.

The HSA does not prescribe an end date for Service Manager and Part VII housing provider obligations after mortgages are paid off. The Service Manager continues to be responsible for funding in accordance with the HSA funding model and housing providers' obligations under the HSA continue in perpetuity. As long as community housing providers continue to operate as Part VII providers, the funding model should remain unchanged and any mortgage savings realized should be retained by the Service Manager.

Pending legislative and regulatory changes will impact the relationship between Service Managers and current Part VII housing providers

The *Protecting Tenants and Strengthening Community Housing Act, 2020* amends the HSA to build on the provincial Community Housing Renewal Strategy. It introduces future legislative and regulatory changes to the HSA that will significantly change the relationship between housing providers designated under Part VII of the HSA and Service Managers.

Under the amended legislation, Service Managers may enter into new service agreements with individual housing providers that may include operating obligations for the housing provider, funding and/or other incentives from the Service Manager or other levels of government. The proposed HSA changes seem to permit housing providers to either remain a designated Part VII provider under the current HSA framework and funding model, or become a Part VII.1 provider pursuant to a new agreement with the Service Manager. Criteria for these agreements will be prescribed in regulations, and should provide service managers the flexibility to customize agreements and funding arrangements with individual community housing providers to both provide for their sustainability of that of the larger housing system.

By enacting an outcomes-based framework, Service Managers can meet the needs of Part VII providers under the current funding model and Part VII.1 housing providers under flexible and innovative agreements without prescriptive provincial regulations and increased service manager costs. As the primary funders of community housing and a responsible, fiscally prudent order of government, municipal Service Managers must be enabled to negotiate financial incentives with individual housing providers through voluntary agreements and to reallocate mortgage savings across the whole of the housing system to address local needs and meet provincially legislated service levels.

10-year housing and homelessness plans ensure Service Managers are achieving outcomes

Under the HSA, the Province sets the framework for Service Managers to provide integrated local planning to address housing affordability, coordination of homelessness services and related supports, and homelessness prevention. Through their 10-year housing and homelessness plans, Services Managers address matters of provincial interest set out in the Ontario Provincial Policy Statement and work towards meeting the Provincial vision for housing. Engaging and sustaining non-profit and co-operative housing corporations and ensuring appropriate accountability for public funding are key matters of provincial interest to be addressed in local housing and homelessness systems.

Local housing and homelessness plans define the goals and actions a Service Manager will take to meet the needs of their residents, local community, community housing providers, and the private market. Service Managers do this through partnerships, coordination and prudent financial management. The goals established in local 10-year plans guide investment decisions, define areas of priorities and establish partnerships to meet local need.

The proposed HSA changes should support the reinvestment of mortgage savings across the whole of a Service Manager's portfolio – providing an opportunity to better achieve the outcomes of 10-year housing and homelessness plans, including the sustainability of non-profit and co-operative community housing providers. With the support of the federal and provincial governments, Service Managers will be better positioned to realize the goals and actions in their 10-year plans by aligning investment to local needs as mortgage subsidy costs are reduced.

Service Managers across Ontario were engaged in the development of the principles and recommendation presented in this paper

The recommendations in this paper were developed by the End of Mortgage (EOM) Service Manager Task Force (see Appendix A for membership). The recommendations and principles in this paper were reviewed by:

- Urban CMSM Commissioners
- OMSSA's 47 Leads
- Housing Services Corporation 47 Housing Leads
- Ontario Regional and Single Tier Treasurers

3. KEY FINDINGS

When housing providers' mortgages end, the mortgage savings total more than $10 billion over 40 years

To determine the magnitude of the opportunity when mortgages are paid off, KPMG was commissioned to review a model calculating mortgage savings and capital needs and to consolidate data submitted by 28 Service Managers. The consolidated data represented approximately 51,000 Part VII community housing units. The results show that total mortgage savings over 40 years for these 28 Service Managers would be approximately $10.4 billion. As there are 19 additional Service Managers with Part VII housing providers in Ontario, the actual savings may be significantly greater.

As many Part VII housing providers will have their mortgages paid off within the next 10 years, it is crucial to proactively consider opportunities that enable Service Managers to continue investing in the sector to support the objectives of local housing and homelessness plans, including the sustainability of community housing and new agreements with Part VII.1 providers.

Continuing to provide mortgage subsidies after mortgages end will overfund housing providers by $3.6 billion over a 40-year period

As the Province committed to reviewing the impact of mortgage maturity on funding for Part VII housing providers, sector associations – Ontario Non-Profit Housing Association and the Co-operative Housing Federation – are advocating for specific changes. Sector associations are asking the Province to change the funding formula to effectively require Service Managers to continue providing a mortgage subsidy even though housing providers no longer have mortgage costs. Associations are advocating for this change so individual housing providers can use the mortgage subsidy to pay for unfunded capital repair needs and invest in new supply.

Maintaining a good state of repair is crucial to sustaining publicly-funded community housing assets, and inadequate capital repair funding is a concern shared by housing providers and Service Managers.

The approach recommended by sector associations is not supported in the HSA and will result in significant overfunding to individual housing providers. The model based on data from 28 Service Managers shows that housing providers need $3.8 billion to meet all capital repairs over the next 40 years. If the approach recommended by sector associations is implemented, as a group housing providers would be eligible to receive $7.4 billion of the $10.4 billion in potential mortgage savings. This would be enough to meet all their capital repair needs of $3.8 billion and still result in over-funding of $3.6 billion over 40 years.

Opportunity over 40 years:

- **$3.8 billion reallocated to unfunded capital repairs**
- **$6.6 billion reinvested in the housing and homelessness system**

Risk over 40 years:

- **$3.6 billion in potential over-funding of housing providers**

As individual housing providers are in different financial positions and have varying capital needs, some housing providers would receive a funding surplus, while others may not receive enough to adequately maintain their property. This would require more municipal investment in both operating and capital needs in order to maintain buildings in a good state of repair, creating an imbalance among housing providers and a fractured system with little oversight ability from the Service Manager.

In some cases, mortgage savings will not be realized before capital repair funding is required. As responsible administrators, Service Managers will assess other options to support housing providers keep their buildings in a good state of repair.

4. RECOMMENDATIONS

Service Managers are recommending an approach to manage the mortgage savings that considers community housing providers' capital repair needs without overfunding and ensuring that housing needs are addressed fairly and equitably across the service area and not just in individual projects.

The recommended approach to managing mortgage savings supports housing providers and enables Service Managers to better leverage available resources

The savings created when housing providers' mortgages come to an end provides an opportunity for Service Managers to support housing providers and leverage available funding to continue investing strategically in their local housing and homelessness systems, including the operating and capital needs of Part VII and Part VII.1 housing providers. The EOM Task Force developed guiding principles and a recommended approach for managing mortgage savings created when Part VII housing projects' mortgages are paid off. The EOM Task Force was made up of representatives of Service Managers across Ontario, including representatives from the Ontario Municipal Social Services Association (OMSSA) and the association of Municipalities of Ontario (AMO).

The recommendations establish a consistent approach for managing the property-tax funded mortgage subsidy savings, prevent overfunding and better leverage resources by addressing housing providers' capital needs across each Service Manager area, as well as additional system pressures. To develop a consistent approach to managing the mortgage savings, the EOM Task Force established the following guiding principles:

1. Service Managers are the primary funders of community housing, and as a level of government, should also be the principal policy maker and work alongside the Province in developing provincial legislation. Policy and regulations should provide greater flexibility and autonomy for Service Managers to address local needs
2. A collective voice among Service Managers is needed to shape provincial legislation and regulations, in consultation with housing providers and sector associations.
3. Community housing is a valuable publicly-funded asset and should be maintained in a good state of repair over the long-term, ensuring residents have access to affordable, high-quality, sustainable housing. An adequate supply of affordable and decent housing benefits the entire community.
4. Community housing providers are critical partners in the housing system and should have autonomy to manage their assets through service agreements and accountability frameworks
5. The approach for managing the subsidy savings when mortgages end, which may include entering into new service agreements with community housing providers, must be flexible, consider local context, provide budget predictability, be supported by data and result in no additional costs to Service Managers

The guiding principles consider the needs of community housing providers, Service Managers, and local housing and homelessness systems. They inform the following recommended approach:

- Each Service Manager retains the savings realized once the mortgages come to an end
- Service Managers have flexibility to reinvest savings into their local housing and homelessness systems under the following priorities:

Priority 1	Address unfunded capital needs through service agreements with housing providers to keep buildings in a good state of repair for current and future residents, as aligned with local 10-year housing and homelessness plans
Priority 2	Manage other housing and homelessness pressures identified in local 10-year housing and homelessness plans or other strategic plans, such as increasing and redeveloping the supply of affordable housing or enhancing homelessness-related supports
Priority 3	Fund other municipal pressures, provided all housing needs are met as identified by each Service Manager's strategic plans

Future regulations that propose funding or incentives for Part VII.1 projects must be flexible and cannot contemplate any increased costs to the Service Manager

Funding for community housing comes primarily from the municipal tax base. Over time and at the current level of funding, Service Managers should be able to address the capital needs to sustain the system and also address other housing and homelessness needs –but not if housing providers are overfunded under any proposed new funding model for Part VII.1 projects. Provincial regulations should not prescribe how municipal investments and cost savings are used. Each Service Manager must have sole discretion to negotiate financial incentives with individual housing providers through flexible and voluntary agreements. Service Managers will act in good faith as a sector to reinvest mortgage savings following the priorities established in this paper, as consistently as possible and in line with the priorities and targets set out in local housing and homelessness plans.

Achieving housing related outcomes must be a priority of all levels of government

Each order of government has a role to play in addressing the housing supply and affordability crisis in Ontario. All orders of government must work together to ensure residents have adequate, safe, and affordable housing options. Reinvesting mortgage subsidy savings is only one, long-term tool to sustain and grow the community housing sector. Mortgage savings will not be fully realized for decades. Sustained support from senior levels of government is imperative to maintain existing supply and meet the current and future needs of our most vulnerable residents.

5. CONCLUSION

Community housing is a publicly-funded asset and an important component of local housing and homelessness systems, providing affordable housing to thousands of Ontario residents living with low income. Sustained capital funding is needed to ensure these assets are maintained in a good state of repair so current and future residents have access to safe, high-quality housing. Data shows that as Part VII housing providers' mortgages end, there will be cost savings of more than $10.4 billion over 40 years. With these savings, Service Managers can address housing providers' capital repair needs and have more than $6.6 billion remaining to address other housing and homelessness system needs.

The approach to mortgage subsidy savings recommended by housing sector associations will result in significant overfunding to some individual housing providers. If the approach recommended by sector associations is implemented, housing providers would receive approximately $3.6 billion in overfunding over a 40 year period. This approach would impact Service Managers' ability to sustain the system and address other local needs.

Pending legislative and regulatory changes concerning Part VII.1 housing providers should support Service Managers in retaining mortgage subsidy cost savings and permit flexibility in reinvesting these savings to meet the capital needs of the community housing sector, while also addressing larger housing system needs in line with 10-year housing and homelessness plans.

Service Managers are the primary funders of local housing and homelessness services and are best positioned to invest, plan and manage available resources across the whole of their service areas. The guiding principles and recommendation in this paper will better support Service Managers to meet the needs of housing providers and the unique needs of their local communities. The locally-focused approach aligns with the Province's Community Housing Renewal Strategy and the Ontario Provincial Policy Statement to help sustain, repair and grow community housing. In addition, the approach helps Service Managers continue building their housing and homelessness systems so residents can find and keep appropriate housing they can afford. By keeping mortgage savings in the housing system at a Service Manager level, local housing goals can be advanced without overfunding housing providers and ensuring there is no additional financial burden on municipal taxpayers.

APPENDIX A – END OF MORTGAGE (EOM) TASK FORCE MEMBERSHIP AND CONSULTATION PROCESS

The purpose of the EOM Task Force was to develop guiding principles and a recommended approach for managing the savings created when Part VII housing providers' mortgages are paid off. The EOM Task Force was made up of representatives of Service Managers across Ontario, including representatives from OMSSA and AMO. Deb Schlichter was hired to facilitate the EOM Task Force. Materials were also reviewed by City of Toronto - Glenn Courtney, and Julie Western Set, and Thunder Bay DSSAB – Ken Ranta.

Membership includes:

- Gavin Aiston (Ottawa)
- Amy Chang (Peel)
- Jody DeGagne (York)
- Michelle Willson (York)
- Sharon Donald (Muskoka)
- Tom Fortier (Simcoe)
- Jayne Hartley (Halton)
- Beverly Kueper (Durham)
- Roberta Jagoe (Durham)
- Alba Michelucci (Waterloo)
- Sherry White (Waterloo)
- Sophia Minor (Sudbury)
- Jenny Shickluna (Niagara)
- Donna Woiceshyn (Niagara)
- Michael Jacek (AMO)
- Darryl Wolk (OMSSA)
- Deb Schlichter (Consultant)

The recommendations and principles in this paper were reviewed by:

- Urban CMSM Commissioners
- OMSSA's 47 Leads
- Housing Services Corporation 47 Housing Leads
- Ontario Regional and Single Tier Treasurers

At this point in time, this paper has not been reviewed or endorsed by municipal governments and associations that they represent.

5.2 COM-C 12-2021
Request from Niagara Regional Housing for Endorsement of "An End of Mortgage" Position Paper

Moved by Councillor Insinna
Seconded by Councillor Ip

That Correspondence Item COM-C 12-2021, being a letter to A.-M. Norio, Regional Clerk, from Niagara Regional Housing, dated February 19, 2021, respecting Request for Endorsement of “An End of Mortgage” Position Paper **BE RECEIVED** and the “An End of Mortgage” Position Paper **BE ENDORSED**.

The following friendly ***amendment*** was accepted by the Committee Chair, and the mover and seconder of the motion, so the motion reads as follows:

That Correspondence Item COM-C 12-2021, being a letter to A.-M. Norio, Regional Clerk, from Niagara Regional Housing, dated February 19, 2021, respecting Request for Endorsement of “An End of Mortgage” Position Paper **BE RECEIVED** and the “An End of Mortgage” Position Paper **BE ENDORSED**; and

That a copy of Consent Item COM-C 12-2021 BE CIRCULATED to the local area MP's, MPP's and the Association of Municipalities of Ontario (AMO).

The Committee Chair, called the vote on the motion, as amended, and declared it,

Carried

5.3 COM-C 13-2021
Motion Respecting Niagara's Agricultural Sector and Temporary Foreign Workers

Moved by Councillor Witteveen
Seconded by Councillor Foster

WHEREAS agriculture plays a crucial role in Niagara’s economy, contributing over $1.4 billion to the Regional GDP;

WHEREAS Niagara’s 1,800+ farms provide over 20,000 jobs to residents and temporary foreign workers;