

To:	Warden Milne and Members of County Council
Committee Date:	July 11, 2024
Subject / Report No:	CSR-CW-08-24
Title:	Non-Profit Housing Provider End of Mortgage Funding Agreements
Prepared by:	Anne Marie Shaw
Reviewed by:	Kim Wingrove
Lower Tier(s) Affected:	All
Status:	

Recommendation

1. That report CSR-CS-08-24 Non Profit Housing Provider End of Mortgage Funding Agreements be received; and
2. That the Director of Community Services or designate be authorized and directed to negotiate service and exit agreements as outlined in this report with housing providers for projects under Housing Services Act, S.O. 2011, c. 6, Sched. 1, that reach End of Mortgage and execute any ancillary agreements or documents in order to provide ongoing affordability for tenants and long term sustainability for the projects; and
3. That the Warden and Clerk be authorized to sign the agreements between Non Profit Housing Providers and Grey County.

Executive Summary

The province downloaded the responsibility for funding social housing to Municipal Service Managers in 2000. Levy funds are provided to non profit housing providers based on their mortgage payments and other operating costs. As mortgages are ending, the purpose of this report is to seek approval for a new funding process so that the affordable housing can be maintained. New legislation in the Housing Services Act, 2011 states the Service Manager shall negotiate a new funding agreement with the housing provider to either remain a designated housing provider or exit the system. The proposed new service agreement template between the County and the Housing Provider has a five year term and consists of operating subsidy, a capital plan and a commitment to supplying subsidized housing.

Background and Discussion

In Ontario, there are approximately 1,475 housing providers under Part VII of the *Housing Services Act*, 2011. Over the next decade, the community housing sector will experience significant change as housing provider mortgages come to an end. Currently, the amount of funding allocated to housing providers is prescribed through a provincially mandated funding formula, with most of the funding coming from the municipal tax base. The non-profit budget for 2024 is \$2,684,200.

List of Non Profit Housing Providers in Grey County

Non-Profit Provider	Location	#units	Mortgage End Date
Garafraxa Non-Profit Homes	Durham	25	May 1, 2027
Neustadt Hillside Seniors	Neustadt	20	April 1, 2026
Lutheran Social Services Hanover	Hanover	48	April 1, 2029
Lutheran Social Services Owen Sound	Owen Sound	78	January 1, 2023
Maam Wiim Native Homes	Owen Sound	12	October 30, 2030 October 1, 2025
Owen Sound Municipal Non-Profit Housing	Owen Sound	140	July 1, 2023 November 26, 2026
Owen Sound Legion Non-Profit Housing	Owen Sound	25	August 1, 2027
Rockcliffe Seniors Complex	Owen Sound	26	March 1, 2027
Women’s Centre	Owen Sound	12	December 1, 2023
	Total	386	

As part of the Community Housing Renewal Strategy, the Province passed Bill 184, the Protecting Tenants and Strengthening Community Housing Act, 2020, which amended the Housing Services Act and Ontario Regulation 367/11 by creating regulation-making authority to protect and grow affordable community housing supply, stabilize the sector, and ensure community housing is sustainable over the long-term for Ontarians.

Part VII.1 of the Act and new provisions in O. Reg 367/11 outline a framework that allows Service Managers to enter into service agreements with Housing Providers as the Housing

Providers' mortgages come to an end. The agreements provide an opportunity to modernize the operating framework for community housing and provide flexible base funding and operational rules.

The new Service Agreement will

- Maintain public accountability and compliance through a simplified and less burdensome process,
- Create a flexible funding approach based on unique circumstances of each housing provider,
- Protect existing tenancies,
- Support sustainability to ensure housing providers are stable in all facets of their businesses; financial, asset management, governance, and operations,
- Deliver quality housing for residents.

New Service Agreement

Under the new regulatory framework, community housing providers reaching the end of their mortgage can either:

- Enter into a new service agreement with their service manager; or
- Exit the current HSA funding and regulatory system.

Both sets of agreements will be subject to negotiation between each housing provider and service manager. However, the new regulations outline key provisions and baseline rules required within each agreement, with the intention of providing greater flexibility, consistency, and accountability across the province, in addition to incentivizing housing providers to remain in the system once their current obligations expire.

Service Agreement

If a housing provider chose to continue to provide rent geared to income housing or subsidized housing, a new agreement will be negotiated between Grey County and the housing provider with provisions related to operations, administration and funding as outlined in O. Reg. 241/22.

The agreement contains the following:

- Minimum term length of 10 years (with provisions that the agreement continues in effect after the term ends until a new service or exit agreement is struck).
- The number of RGI units in the housing project.
- A commitment that the housing provider will continue to house residents from the Grey County Wait List.
- Provisions for the Service Manager to continue funding RGI units.
- A joint financial plan including a capital plan to be reviewed minimum every five years.
- A process to manage noncompliance and dispute resolution.
- Participation in regulated Housing Services Corporation (HSC) programs.
- A five-year term to provide stable funding, the agreement can be reviewed annually in terms of funding requirements.
- Subsidy will be provided to ensure sustainable operating revenues.

- A five-year capital plan based on Building Condition Assessments will be provided by the housing provider and reviewed by the Service Manager.
- A capital plan to ensure adequate capital funds are available.
- Special needs housing requirements will be addressed as required.
- Eligibility for subsidized housing will be in accordance with provincial and local eligibility and household section rules.
- Rents will be determined using rent geared to income rule.
- Annual audited financial statements will be provided to the service manager within five months of year end.
- Surplus subsidy that is more than 10% of revenue will be returned to the Service Manager.

Grey County was part of a working group of Service Managers that developed the proposed new agreement between the service manager and the housing provider. The agreement was reviewed by a lawyer and options for services and terms were provided.

This new agreement ensures funds are used to support a viable community housing system for now and in the future. The agreement looks to protect and sustain the existing community housing in Grey County.

Exit Agreement

Housing providers may choose to exit the HSA framework once their mortgage has ended. The Service Manager is no longer obligated to provide subsidy to the housing provider and in turn the housing provider does not have to provide rent geared to income or subsidized housing units.

An exit agreement with the Service Manager is required and must include:

- Ongoing accommodation of households living in the housing project;
- Ongoing delivery of RGI (or other assistance) to households receiving RGI assistance; and
- Either:
 - Ongoing operation of the project by the existing or another housing provider;
 - Redevelopment of the project by the existing or another housing provider; and/or
 - Reinvestment of the sale of the project into affordable housing.

Grey County Funding Model

Grey County's goal is to preserve all current social housing units. Grey County encourages non-profit housing providers to continue to provide community housing therefore protecting existing subsidized housing units.

General Principles

- Social Housing is a valuable publicly funded asset.
- Funding agreements will allow the non-profit provider to remain financially viable, affordable for tenants and in good repair.
- Subsidies will be flexible, transparent and based on demonstrated need.

- Subsidies will be responsive to operating and capital need and municipal financial constraints.
- Surplus funds can be used towards needed capital repair and development with Service Manager approval.

Financial Principles

- Operating subsidies will address demonstrated operational needs.
- Multiple sources of funding may be required to address capital needs.
- Financial viability is defined as a project having a surplus that can be used to address a portion of capital repair costs rather than breaking even.

Using the above principles, the following are proposed guidelines for standardizing a funding model.

Rental Income

Current rent for rent geared to income tenants will continue to be 30% of income or provincial rent scales. New tenants on Ontario Works or Ontario Disability Support Program, rent may be based on maximum shelter allowance under social assistance minus tenant insurance costs.

Rent Subsidy

Several subsidy and funding options will be considered depending on the provider's net operating income and capital reserve. The subsidy will ensure rising costs of insurance and property taxes are taken into consideration. Based on viability the following options will be explored:

- Adjust rent geared to income/market mix,
- Rent increases,
- Rent geared to income subsidy/rent supplement,
- County of Grey operating subsidy,
- County of Grey capital subsidy,
- Other external grants,
- Obtaining a loan or refinancing
- Other agreed upon measures

Capital Reserve Contribution

Each housing provider will provide a five-year capital plan based on Building Condition Assessments. Contributions will be incorporated into the financial plan and reviewed a minimum of every five years. Contributions will be based on current contribution amount, building condition assessments and reserve fund analysis. The contribution will take into consideration the housing provider need and the County of Grey fiscal constraints.

Operating Surplus

The target operating surplus for housing providers is up to 10% of all revenues. This surplus is to be directed to capital reserves. Surplus beyond the 10% will be recovered from the provider and directed to other capital needs in the County.

Grey County staff will meet with each of the housing providers as their mortgage ends to negotiate an agreement that ensures operational viability, a capital plan and a commitment from the housing provider to continue to provide subsidized housing in accordance with the Housing Services Act, 2011.

Non-Compliance and Dispute Resolution

If a dispute arises between the parties out of or in connection with the Service Agreement, the parties agree to use the following dispute resolution process:

Either party may provide written notice to the other party, notifying them of the nature of the dispute and requesting that the parties negotiate a resolution. On receipt of such notice, the parties shall make every reasonable effort to resolve the dispute through negotiation. A meeting will be held promptly between the parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to achieve a resolution to the dispute.

If within [30 days] after delivery of Notice, or such further period agreed to by the parties in writing, the parties have not resolved the dispute, the parties agree to submit the matter to arbitration. The arbitration shall be conducted under the following parameters:

The parties shall refer the dispute to a single arbitrator.

If the parties cannot agree on an arbitrator, then an arbitrator shall be appointed pursuant to the Arbitration Act, 1991, S.O. 1991, c.17.

The arbitration shall be conducted in accordance with the Arbitration Act, 1991, S.O. 1991, c.17, as may be amended or replaced from time to time.

Each party shall bear its own costs and half of the fees and expenses of the arbitrator unless the arbitrator determines otherwise.

Legislated Requirements

Bill 184, the Protecting Tenants and Strengthening Community Housing Act, 2020, which amended the Act and Ontario Regulation 367/11 (“O. Reg 367/11”) requires the Service Manager to enter into agreements with designated housing providers at the end of mortgage.

Legal Considerations

There are none.

Financial and Resource Implications

The funding for the non-profit housing program is approved through the annual budget process.

Relevant Consultation

Internal (list)

Clerks, Finance

External

Housing Services Corporation

External Provincial Service Manager Working Group

Appendices and Attachments

[Attachment 1 - Service Agreement Template Housing Provider End of Mortgage](#)