



	<b>REPORT No.: 2021-49</b>
<b>MEETING DATE: OCTOBER 21, 2021</b>	<b>DATE PREPARED: SEPTEMBER 10, 2021</b>
<b>SUBJECT: NON-PROFIT HOUSING PROVIDER EXPIRY OF MORTGAGES</b>	

**RECOMMENDATION**

THAT with respect to Report No. 2021-49 (Integrated Social Services Division) we, The District of Thunder Bay Social Services Administration Board, approve, on an interim basis, a continued subsidy relationship with Part VII non-profit housing providers whose mortgages have expired, as presented;

AND THAT as the new regulations for the Housing Services Act are developed and released, a full review and recommendation on the future status of non-profit housing provider relationships will be developed and presented.

**REPORT SUMMARY**

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with information related to upcoming changes for the *Housing Services Act, 2011 (HSA)* and on the new *Protecting Tenants and Strengthening Community Housing Act, 2020* and the potential impact on contractual relationships and support of non-profit housing providers post mortgage expiry.

**BACKGROUND**

Across the province, District Social Service Administration Boards (DSSABs) and Consolidated Municipal Service Managers (CMSMs) are responsible for the administration of social housing as defined by the *HSA*. Under the *HSA*, Service Managers are required to ensure program compliance, maintain service level standards, manage federal and provincial investments, and ensure the effective operation of housing stock. All properties covered by *HSA* are designated under *Ontario Regulation 368/11: Designated Housing Projects*.

As the debentures related to public housing properties and mortgages for non-profit provider properties mature and operating agreements expire, the amount of federal funding will decrease. However, as long as the property remains listed in *O. Reg 368/11*, TBDSSAB, as the Service Manager, is responsible to ensure the long-term viability of the housing project. The Service Manager remains responsible for meeting the established service level standards despite the decrease in federal funding.

At the June 28, 2018 meeting, the Board received information regarding the decrease in Federal funding for social housing as mortgages mature and operating agreements expire (Report No.: 2018-45). As the original operating agreements and mortgages expire, the Federal funding assigned to the agreement is reduced accordingly. Ongoing operational support is expected to be maintained by the Service Manager, to continue the supply of community housing and meet existing service level standards established by the provincial government.

TBDSSAB has engaged with its non-profit housing providers to share information on the end of mortgage situation and develop an understanding of requirements at the provider level. Between 2017 and 2019, TBDSSAB also engaged the services of Housing Services Corporation (HSC) to assist in holding several workshops and presenting information to the non-profit providers, to assist in their understanding.

Throughout early 2019, the Ministry of Municipal Affairs and Housing (MMAH) established working groups to look at possible revisions to the *HSA* regulations related to the expiry of mortgages and operating agreements. Several groups were established, and TBDSSAB Administration participated in several of these technical tables.

In June 2019, the Ontario Municipal Social Services Association (OMSSA), submitted a letter to the Honourable Steve Clark, Minister of Municipal Affairs and Housing, urging the Minister to pursue measures to address the potential impacts of end of mortgages and operating agreements to ensure the long-term sustainability of the community housing system in Ontario. It was recognized that once mortgages and operating agreements expire, there was no clear direction for the continuation of relationships with the non-profit community housing providers other than the requirements in *O. Reg 368/11*.

At the July 18, 2019 meeting, the Board received information on the province's Community Housing Renewal Strategy, that included detail on the Canada-Ontario Community Housing Initiative (COCHI) as well as the Ontario Priorities Housing Initiative (OPHI) (Report No.: 2019-34). COCHI represents a re-investment of federal funding allowing Service Managers to address the challenges associated with housing projects reaching the end of their mortgages and/or operating agreements. COCHI funds are targeted towards protecting affordability for households in community housing, supporting the repair and renewal of existing social housing supply and expanding the supply of community housing. Housing projects and providers are eligible for COCHI funding as long as they are social housing providers that are listed in the *HSA* as of April 1, 2019.

TBDSSAB entered into a Transfer Payment Agreement (TPA) with the province to participate in the COCHI and OPHI programs. The TPA included an Investment Plan which outlines how the annual COCHI and OPHI funding will be used over the first 3-year funding period (2019-20 to 2021-22).

The *Protecting Tenants and Strengthening Community Housing Act, 2020* introduces a number of future changes that will impact the *HSA* and its regulations and may significantly change the relationship between housing providers designated under Part VII of the *HSA* and Service Managers. Work on regulations related to the new Act are ongoing.

### **COMMENTS**

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 for most of these housing providers come to an end. For TBDSSAB, there are 19 Part VII non-profit housing providers with mortgages and agreements in place. The amount of funding allocated to the 19 housing providers is prescribed through a provincially mandated funding formula in the *HSA* regulations and funded through the municipal tax base.

There are also 2 Urban Native Housing (UNH) providers (Native People of Thunder Bay Development Corporation (NPTBDC) and Geraldton Native Housing Corporation (GNHC)) that are administered under separate federally originated agreements and included in the *HSA*. Under the terms of these agreements, as the operating agreement and mortgage term reach expiry, there is no further obligation to maintain a relationship for the provision of housing. However, there is opportunity to establish new arrangements and funding supports to maintain these expired housing units in the community housing portfolio. The use of COCHI funding helps to facilitate this, along with municipal funding. As of the end of 2020, 79 UNH units have reached the end of mortgage/agreements, with another 46 units expiring in 2021 (31 NPTBDC +15 GNHC). As stated in the terms of funding identified in the COCHI agreement, 100% federal COCHI funding may be used to establish rent supplement agreements in order to retain these expired UNH units.

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. Ongoing operating supports will still be required to maintain the viability of many of these providers, as rent revenues may be insufficient to address ongoing operational expenses. COCHI provides for some investment towards this. The future relationship between Service Managers and housing providers is still being defined by MMAH, through consultations with Service Managers and the housing sector. The final strategy will be introduced as new or redefined regulations under the *HSA* and *Protecting Tenants and Strengthening Community Housing Act, 2020*.

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, including the funding and administration of community and affordable housing. Municipalities are the largest contributors of funding for local housing services.

At this point it is the recommendation of Administration to maintain the current housing stock of community housing, utilizing the COCHI funding as well as municipal investment, as the housing needs in the District currently exceed the supply of housing units. Administration will be evaluating each housing provider over the coming years to determine the best option for the ongoing relationship following mortgage maturity, following the options to be provided under the new regulations. As a Service Manager for social and affordable housing under the HSA, TBDSSAB does conduct cyclical operational reviews for the Non-Profit Housing Providers. TBDSSAB does have a policy established to guide these operational views (TBDSSAB #HS-02:122).

TBDSSAB will continue to work closely with its housing providers in advance of mortgage maturity to determine financial viability and establish a project-specific plan. Should it be determined that a specific property is deemed not financially viable after the federal funding ceases, options will then be explored and presented to the Board for consideration.

The current options for continuing a funding relationship post expiry of a non-profit housing provider mortgage include the continuation of the existing subsidy payment less mortgage amount, establishing a new funding formula based on actual and estimated expenses, or establishing a rent supplement agreement that supports individual units based on tenant rent-gear-to-income calculations. The use of portable housing benefits, or the Canada Ontario Housing Benefit, are options that would support the tenant in their rent payment. There is also the potential to cease the funding support for a non-profit provider, however this would then eliminate the availability of the housing units for eligible housing applicants and create an unmet gap in the Ministry's service level standard requirements. This would also negate the previous investment in that housing provider and their property. Once the new regulations are established, additional options may be available.

Attachment #1 outlines the current subsidy amounts provided to TBDSSAB's non-profit housing providers, and a comparison of future funding options. This also identifies the municipal and federal funding amounts for each provider.

Attachment #2 compares the subsidy rates for each non-profit housing provider with the elimination of the federal funding and mortgage expenses with the cost to establish rent supplement agreements for each provider.

Attachment #3 identifies the mortgage expiry dates for each non-profit housing provider.

Attachment #4 presents technical information on the end of operating agreements and expiry of mortgages for community housing units, prepared by the MMAH.

Based on the current information, it is prudent that TBDSSAB continue relationships with the Part VII non-profit housing providers once the mortgages for each expire. As the new regulations for HSA are developed and released, a full review and recommendation on the current and future status of non-profit housing provider relationships will be developed.

**FINANCIAL IMPLICATIONS**



There are no immediate financial implications with this report, however as mortgages mature and operating agreements expire, the resulting financial implications will be presented to the Board through the annual Budget process, beginning with the 2022 Operating Budget.

**CONCLUSION**

It is concluded that this report provides the Board with information on the upcoming changes to the HSA and a recommendation to maintain an interim subsidy funding relationship with non-profit housing providers whose mortgages are expiring. The potential impact on contractual relationships and support of non-profit housing providers post mortgage expiry will be fully explored once the new Housing Services Act regulations are developed.

**REFERENCE MATERIALS ATTACHED**

- Attachment #1 Current Subsidy and Municipal/Federal Funding Allocations
- Attachment #2 Comparison of Funding Models – Subsidy Agreements vs. Rent Supplement Agreements
- Attachment #3 Non-Profit Housing Provider Mortgage Expiry Listing
- Attachment #4 Ministry of Municipal Affairs and Housing Technical Backgrounder, 2019

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