



**City of Kingston**  
**Information Report to Housing and Homelessness Advisory Committee**  
**Report Number HHC-24-001**

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**To:** Chair and Members of the Housing & Homelessness Advisory Committee

**From:** Jennifer Campbell, Commissioner, Community Services

**Resource Staff:** Mitchell Grange, Policy Manager, Housing & Social Services

**Date of Meeting:** June 13, 2024

**Subject:** Social Housing – End of Mortgages and End of Operating Agreements Update

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**Council Strategic Plan Alignment:**

Theme: 1. Support Housing Affordability

Goal: 1.3 Increase supply of new-build not-for-profit and co-op housing and ensure sustainability of existing stock.

**Executive Summary:**

Effective January 1998, the City, as Service Manager, assumed administrative responsibility for housing and homelessness in the City of Kingston and the County of Frontenac. Currently, under the *Housing Services Act, 2011* (HSA), the City has responsibility for the funding and administration of social housing programs previously funded and administered by the Province of Ontario and/or Canada Mortgage and Housing Corporation (CMHC).

As a result of this downloaded responsibility, the Service Manager signed operating agreements with the former provincial reform housing providers with the agreements set to expire when the housing providers' mortgages become paid in full. This arrangement remained largely in place for decades until recently, when changes to legislation came into effect.

In March 2022, the Province of Ontario released regulations amending Ontario Regulation 367/11 under the HSA to create a service agreement framework that supports the continuity of community housing services and tenant stability. These amendments establish the rules for the creation of new service agreements between the City and local housing providers. The one

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exception is Kingston and Frontenac Housing Corporation which has signed a Shareholder's Agreement with the Service Manager.

Prior to these changes, the legislation governing the funding framework of social housing subsidies was based on a formula that all Service Managers were to use. In most cases, the operating subsidies to social housing providers will end at the same time as the providers reach their end of mortgage (EOM) which will see their mortgage expenses removed. EOM dates have consequences for both the City and housing providers with respect to the ability of a housing provider to continue to be financially viable and have the cash-flow to cover operational expenses and/or reserves to address the capital needs of their properties.

The 2022 legislative changes allow Service Managers to work individually with housing providers on funding options unique to their circumstances and to ensure long-term financial sustainability once their mortgages are paid in full.

The City of Kingston's Strategic Plan 2023-2026 includes a priority to Support Housing Affordability, with an action under section 1.3.3 to "Develop a Strategy for the 'wind up' of existing operating agreements and renewal of assets".

This report outlines the options presented in the regulatory changes, the current mortgage status with the City's social housing providers, what work staff have undertaken, and proposed next steps towards an established framework to be implemented over the course of the next six years.

**Recommendation:**

This report is for information only.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER

**Jennifer Campbell,  
Commissioner, Community  
Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Growth & Development Services	Not required
Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required

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## Options/Discussion:

### Background

From 1970 -1997, CMHC supported the development of non-profit social housing projects throughout Ontario. The projects were funded in a variety of ways, including unilateral federal funding and lending programs, and cost shared federal and provincial programs. All agreements were tied to mortgages.

The provincial government first announced the devolution of social housing to 47 Service Managers across the province in 1997 with the passing of the *Social Housing Funding Act, 1997*, whereby effective January 1998, Service Managers began to pay the former provincial share of the costs of social housing in Ontario. The federal government continues to provide block funding to Service Managers which covers a portion of the social housing costs, but this continues to decline annually and is set to expire locally in 2029.

In December 2000, the *Social Housing Reform Act, 2000* (SHRA) was passed, and effective January 2001, Service Managers were provided with a legislative framework for the assumed responsibility for the funding and administration of social housing programs previously funded and administered by the Province and/or the CMHC. Operating agreements with housing providers in the provincial programs were terminated and replaced with new operating agreements under the framework legislated within the SHRA and superseded by the HSA. All agreements were set to expire at mortgage maturity. This milestone, deemed the End of Agreement (EOA) for former federal providers and EOM for HSA providers, is a key transition point because it is also the point at which federal funding expires.

The projects funded primarily by the federal government have almost no ongoing obligations to social housing at EOA, unlike the provincial programs that must continue to provide rent-gear-to-income (RGI) housing at EOM. In 2021, City staff brought forward [Report Number HHC-21-003](#) outlining potential strategies for the implementation around EOA/EOM; however, this was based on a municipal approach without any information or knowledge of pending changes to the HSA.

In March 2022, the Province released regulations amending Ontario Regulation 367/11 under the HSA which provides two options to a housing provider at EOM; enter into a new service agreement to continue providing subsidized housing under the new housing framework or meet the prescribed requirements to exit social housing.

Housing providers who have reached EOM but have yet to enter into a new agreement continue to be governed by the pre-existing HSA rules and funding formula. The HSA regulates the provisions of RGI and operating subsidies provided for non-profit housing designated under the HSA. The operating subsidies were established to bridge the gap between the revenue received from market rents and the total cost of the mortgage and operations. Under the amended regulations, the Service Manager has no funding requirement other than the provisions of RGI

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subsidy. EOM therefore brings with it significant funding changes for the non-profit housing providers as well as for the City as sole funder.

### **Regulatory Changes**

Prior to the 2022 changes, the funding framework and legislation governing the provisions of social housing remained largely unaltered for decades.

The new regulatory framework established for service agreements allows for Service Managers and housing providers to negotiate a more flexible funding approach. The service agreement framework establishes the following minimum requirements:

- Baseline provisions to continue funding rent-gear-to-income (RGI) units.
- Co-development of a 5-year financial plan that addresses the operating and capital needs of the project.
- Setting a minimum term length of 10 years for service agreements.
- Selection rules for units where households will be receiving RGI assistance must align with existing selection and waiting list rules under the HSA.
- Co-development of a non-compliance and dispute resolution process.
- Participation in mandatory Housing Services Corporation (HSC) programs, with current exemptions continuing.

Should a housing provider decide to opt out, an exit agreement must be completed. This ensures that the longstanding municipal investments made into community housing are preserved and no tenants are displaced.

The exit agreement framework establishes the following minimum requirements:

- Accommodation for households who occupy subsidized units in the housing project, including a plan for continued delivery of either RGI or an agreed upon alternate form of assistance that meets the criteria of the HSA.
- At least of one the following:
  - 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).
  - A reinvestment of the proceeds of the sale of the housing project into affordable housing.

If an agreement is not successfully negotiated, the previous expectations under the HSA will remain in effect.

The amending regulations also provide a third option in the social housing framework which allows housing projects that are not currently subject to the HSA to enter into service

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agreements with the Service Manager. Such an arrangement would be subject to the Service Manager's assessment of the project's viability, condition of rental units, finances and municipal budget approvals.

The City of Kingston, as Service Manager, has the legislated responsibility under the HSA to fund and administer a portfolio of 2003 social housing units, which consists of a mix of RGI and rent supplement units along with local portable housing benefits. RGI units are operated by 13 non-profit social housing providers under the HSA and our Local Housing Corporation (LHC), Kingston and Frontenac Housing Corporation (KFHC). LHCs are share-holding corporations that are listed under a different section of the HSA and are bound by the regulation to exist without an agreement. Therefore KFHC, with the City as the sole shareholder, is not subject to EOM.

### **Current Status of EOA/EOM with Housing Providers**

Since the report in March 2021, the Service Manager, under the EOA process, has entered a five (5) year operating agreement expiring November 2026 with the former federal provider, Dutch Heritage Villa which operates 13 RGI units. Two provincial providers reached EOM in 2023, Porto Village Non-Profit Homes Inc. (Porto Village), with 43 RGI units and St. Andrew-Thomas Senior Citizens Residence with 20 RGI units. Porto Village still receives a subsidy based on the previous funding model while, St. Andrew-Thomas Senior Citizens Residence did not qualify for any subsidy in 2024 and therefore an interim funding agreement was entered into which will continue to support the providers operations until a new framework for EOM is established and the City as Service Manager and the provider are able to enter negotiations to reach a new service agreement under the new regulatory framework.

The remaining 10 providers have yet to reach EOA/EOM; however, all will expire by 2030 (Exhibit A).

### **Relevant Consultation**

#### **Financial Analysis Consultation with Housing Services Corporation (HSC)**

HSC is a non-profit organization that has been operating for more than 20 years and provides customized business solution services to the social housing sector. HSC Business Solutions work with Ontario's 47 Service Managers to help them make the best use of their resources and manage their assets effectively. The Housing Services Strategic Committee (HSSC), of which all 47 Service Managers are members, has a cost-shared agreement with the HSC to provide administrative support services to the HSSC.

The City engaged the services of HSC to undertake a review of the current financial viability of housing providers and to understand and model potential funding scenarios that could support their long-term financial sustainability once their mortgages are paid in full. Operating costs and capital needs will be crucial in determining financial viability. One of the recommendations from HSC's report is to plan for a new cycle of Building Condition Assessments (BCA) to utilize as the

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foundation for both City and housing providers EOM planning and to support service agreement discussions.

On March 13, 2024, staff released a Request for Proposal 'F18-CS-HSS-2024-03' on the City's Biddingo site inviting prospective proponents to submit proposals to conduct BCAs on the City's social housing portfolio. The RFP closed on April 3, 2024 and an evaluation committee graded the submissions which resulted in identifying a top ranked proponent.

At the May 21, 2024 Council meeting, staff presented [Report Number 24-152](#) receiving approval to proceed with the BCAs with work set to begin this summer.

### **Service Agreement Template**

Last year, a group of Service Managers approached HSC to coordinate the purchase of shared legal services for developing a Service Agreement template. The law firm selected was Borden Ladner Gervais, a firm with experience in Service Manager agreements. A template was built on HSSC's Principles, Key Terms and Conditions with input from participating Service Managers. At the group's direction, the template is structured with core provisions and optional clauses. City staff opted into this approach along with 36 other Service Managers for access to the Service Agreement Template. The agreement is now with the City's Legal department for review.

### **HSC Event**

Staff attended a forum hosted by HSC in April 2024 focusing on Service Manager strategies for approaching EOM. It was tailored for Service Managers, focusing on effective strategies that are currently underway in Ontario. Panels were led by different Service Managers and discussed setting the strategic framework, housing provider capacity building, capital strategies, and tools and supports, including change management.

### **Education and Resources for Housing Providers**

Staff meet quarterly with the social housing providers in Kingston and County of Frontenac and have recently resumed in-person meetings after a long stretch of virtual meetings during the COVID-19 pandemic. EOM has become a standing agenda item around which to share updates.

HSC is set to offer two online self-paced courses starting in Fall 2024 designed for non-profits, to help build the knowledge and to assist in planning for EOA/EOM. The training is recommended for non-profit board members, senior staff of non-profits and Service Managers. Staff have encouraged all providers to register for this valuable training.

The Ontario Non-Profit Housing Association (ONPHA) was recently awarded \$1 million of grant funding by the Ministry of Municipal Affairs and Housing to support their Sector Transformation

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Enterprise Program (STEP). The STEP program aims to connect community housing providers with pre-vetted professional services to assist them in preparing for negotiations with their Service Managers. The grant will allow ONPHA to provide financial support to ease the financial cost of working with external consulting experts. ONPHA is currently accepting STEP grant applications and staff have encouraged all providers to apply.

Staff are working with the City's Communications and Customer Experience team to develop an EOA/EOM Readiness Guide to housing provider boards and senior staff to offer clear, consistent messaging which will also be posted to the City's website.

### **Next Steps**

Staff will continue to work with Communications and Customer Experience to engage and educate all stakeholders in addition to working through the recommendations set out by HSC's Financial Analysis Report to develop an EOA/EOM framework to present to Council in Q4 2024.

Staff will continue to engage with other Service Managers to establish best practices across the province. HSC has announced EOM Sharing Circles coming in the Fall 2024 offering Service Managers the opportunity to delve deeper into relevant topics and exchange valuable insights with peers. Staff will complete the EOA/EOM training in the Fall provided by HSC.

### **Conclusion**

Social housing is a valuable publicly funded asset and an important component of local housing and homelessness systems. As such, it is staff's intent to enter into service agreements with all housing providers at EOM.

Staff will work with providers to ensure ongoing relationships to continue to offer RGI housing in our region. The regulatory changes will allow for the Service Manager to work individually with housing providers on funding options unique to their circumstances and move away from the archaic benchmark funding formula that has been applied to all housing providers in the province since download.

The City of Kingston, as Service Manager, will require a comprehensive EOM strategy to effectively implement this new framework with the goal of achieving sustainability within the City's social housing sector for years to come.

### **Existing Policy/By-Law:**

10 Year Housing & Homelessness Plan provides direction on ongoing maintenance and evaluation of the social housing stock.



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**Financial Considerations:**

Ongoing financial considerations are necessary as funding options will differ for each social housing provider at EOA/EOM. Updated financial information will be included in the development of the EOA/EOM framework that will be presented to Council in Q4 2024.

**Contacts:**

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**Other City of Kingston Staff Consulted:**

Nicola Reid, Housing Programs Administrator, Housing & Social Services

**Exhibits Attached:**

Exhibit A – Social Housing Mortgage Expiry Dates

**Social Housing Mortgage Expiry Dates**

<b>Type</b>	<b>Organization</b>	<b># of RGI Units</b>	<b>Mortgage Expiry Dates</b>
<b>Provincial</b>	Kingston Co-operative Homes	8	March 2030
	Kingston Home Base Non-Profit Housing	59	August 2029
	Lois Miller Co-operative Homes	21	December 2025
	Porto Village Non-Profit Homes	43	2023
	Royal Canadian Legion Villa	42	January 2028
	St. Andrew-Thomas Senior Citizen Residence	20	2023
	Kaye Healey Homes	35	July 2029
	Loughborough Housing Corporation	28	December 2025
	North Frontenac Non-Profit Housing	18	December 2027
	Weller Arms Non-Profit Homes	25	February 2026
	Marion Community Homes	22	2020
<b>Federal</b>	Dutch Heritage	13	2019
<b>Urban Native</b>	Tipi Moza	17	February 2026

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