



INFORMATION REPORT

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	July 7, 2022
SUBJECT/REPORT NO:	Community Housing Renewal Implementation (HSC22034) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

Not Applicable

INFORMATION

Ontario's decades old system of social housing is undergoing a fundamental transformation. The old social housing system was built on the assumption that funding was only required during the period in which a mortgage was being paid. Once the mortgage was paid off, the project would sustain itself and internally-fund rent subsidies required by many of its tenants. Experience has shown that while this is true for some projects, most social housing projects require some form of rent subsidy and/or capital funding to sustain their buildings and tenants.

The *Housing Services Act, 2001* (HSA) enshrined nearly a dozen federal and provincial housing programs and their associated rules that were developed between the 1960s and 1997. These rules covered how many social housing units Service Managers were to maintain, how they were to be funded, how much rent tenants pay and how people apply to live in social housing. Ontario is entering a period in which all mortgages for

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social housing will be paid off by 2028. As this happens, many of the old rules no longer make sense.

As part of the Community Housing Renewal Strategy (CHRS, 2019), Ontario passed Bill 184, the *Protecting Tenants and Strengthening Community Housing Act* in July 2020, creating new regulations intended to protect and grow deeply affordable community housing supply, stabilize the sector, and ensure community housing is sustainable for those who need it. Additionally, it allows for a more streamlined legislative framework for administration and delivery of community housing.

On March 31, 2022, the Ministry of Municipal Affairs and Housing (MMAH) informed Service Managers of amendments to regulations in the *Housing Services Act*. As part of ongoing efforts towards social housing modernization, the Province has amended regulations in the following four areas of the HSA: service level standards, service and exit agreements, access system requirements, and income and asset limits. The provincially imposed timelines for implementing amendments to the HSA are staggered, with service level standards and service and exit agreements requiring implementation by July 1, 2022, access system updates by January 1, 2023, and income and asset limits by July 1, 2023.

The changes contained in those regulations is described below. It is important to understand that implementation of these regulations will come with potentially significant costs in the form of additional staffing, and other investments to administer and help maintain the City's community housing portfolio. While some of these costs may be offset by the Canada Ontario Community Housing Initiative funding, it is highly likely that additional investment will be required by the City. The changes contained in the regulations and approaches taken to adhere to them are described in the sections below.

Service Level Standards

Service levels are a key accountability measure the Province utilizes to maintain its oversight of community housing and the City is required to report its progress toward meeting service levels annually. As part of its responsibility to the Province, the City is required to provide assistance to a prescribed number of households that meet a defined income limit. Service levels have remained unchanged since 2001 and only represent the number of units downloaded to the City from the Province. It does not represent a measure of need.

The City is required to provide a minimum of 9,257 units to households at or below the Household Income Limit (HIL) threshold, 5,174 units to households at the High Need (HNH) threshold, and 332 units to households in modified units. The HIL and HNH each have varying income thresholds based on the size of the unit. The City has far exceeded its service levels for HNHs every year besides 2018, and its service level for

modified units every year in the past five years. In contrast, in the past five years the City has only met its service levels for Households at or below HIL once. Not meeting service levels can be attributed to a variety of reasons. First, tenants who have applied to social housing with an income below the HILs who find employment and continue to stay in the same unit while paying market rent are not counted, as they are above the HIL service level. Second, with a rising disparity between true market rent and 80% of market rent that is being paid in social housing, households with employment are less likely to move from social housing into a private market rental. Third, vacancies due to operational constraints or redevelopment take units offline that would otherwise be filled with households from the waitlist.

The original regulations did not envision the wide range of programs that municipalities would offer exclusively through their own funding. To address this, the Province has amended Ontario Regulation 367/11 of the HSA to allow for additional types of Service Manager-funded housing assistance to contribute to existing service levels. Effective July 1, 2022, the new regulations will permit the City to include programs such as rent supplement and housing allowance benefits that meet a defined affordability measure or follow existing portable benefit calculation rules. The change is likely to help the City meet its service level commitments in the future.

A review of the community housing portfolio will be undertaken by the Housing Services Division to identify existing city-funded programs that meet the criteria outlined in the new regulations, and future efforts will be made to design housing and rental assistance programs that meet the newly defined criteria and will contribute towards meeting service levels.

Service and Exit Agreements

Social housing in Ontario has a complex history. From 1964-1985, more than 50,000 units were unilaterally funded by the Federal government, which entered into operating agreements and rent supplement contracts with clear end dates that often coincided with a project's mortgage maturity. This is generally referred to as End-of-Agreement (EOA). In 1986, a bilateral agreement was reached between federal and provincial governments to fund social housing. The Federal government continued to provide funds but played a greatly diminished role, as the Ontario government led the funding and administration of social housing. Approximately 38,000 units were created from 1986-1995, and these are referred to as Provincial Reform or projects. When these projects' mortgages are paid, this is referred to as End-of-Mortgage (EOM) because the provider remains legally obligated to provide the same level of service even though they no longer receive funding to pay their mortgage.

To clarify the expectations of Service Managers and housing providers during EOA and EOM, the Province has amended Ontario Regulation 367/11 of the Housing Services

SUBJECT: Community Housing Renewal Implementation (HSC22034) (City Wide) - Page 4 of 6

Act, to establish baseline rules for Service Agreements between Service Managers and housing providers whose original obligations to provide social housing have come to an end, effective July 1, 2022.

Generally, EOA projects do not contribute to service levels and prior to the new regulations had no requirement to continue funding Rent Geared to Income (RGI) units after their mortgages were paid. To date, more than 50 projects in Hamilton have reached EOA, and the City has retained 75% of units within its community housing portfolio, the vast majority via CityHousing Hamilton (CHH). To retain other non-CHH projects within the City's community housing portfolio, the City has primarily offered rent supplements to interested housing providers.

In contrast, EOMs have implications on the City's ability to meet service levels. A substantial percentage of the social housing portfolio will be entering EOM status over the next ten years and our goal will be to ensure the City is in a strong position to meet its service levels and avoid the loss of valuable units that will be costly to replace.

As per the new regulations, when housing projects reach EOA or EOM they will be presented two options; continue to offer social and/or affordable housing under a new agreement within a new community housing framework or meet the prescribed requirements necessary to exit the City's community housing portfolio.

All housing providers exiting the City's community housing portfolio will be required to enter into an agreement which must include a plan for the accommodation of households who occupy units in the housing project (i.e. the continued delivery of RGI or an alternative form of assistance agreed upon by the household). Additionally, exit agreements will ensure the continued operation or redevelopment of the housing project by the housing provider or another housing provider, or for the reinvestment of the proceeds of sale of the housing project into affordable housing. These conditions will help to ensure existing tenants are not displaced and longstanding public investment in community housing is preserved.

Under the provincially legislated funding model, it is anticipated that many projects across the community housing portfolio will experience financial difficulties at EOA/EOM. To address this, Service Managers and housing providers are required to develop joint financial plans to be reviewed every five years, to help ensure funding provided will sustain the tenants and the subsidized units. New Service Agreements will allow Service Managers and housing providers to negotiate to include additional funding, where necessary, to keep projects in a satisfactory state of repair and provide other types of housing assistance to tenants.

Staff will review impacts of the new regulations on existing policy and infrastructure, explore financial and in-kind solutions to assist EOA/EOM projects to maintain their

viability as community housing, and identify all decisions with funding and/or resource implications. It is anticipated that financial supports will be required to encourage providers to be viable and continue in the community housing system.

Access System Requirements

The HSA currently defines access system requirements governing the administration of the centralized waitlist for social housing. Effective January 1, 2023, the Province amended Section 10.2 of the HSA which broadens the scope of what Service Managers may offer through their access system. The broadened scope includes rent supplements, portable housing benefits, housing allowances, flat rate benefits, and short-term/emergency financial assistance. The original regulations on coordinated access focused exclusively on RGI units, whether administered through social housing buildings or rent supplements.

The amended regulation also requires that the City identify and make public all housing assistance programs offered, details of each application process, and eligibility rules or prioritization criteria unique to each program. Additionally, households being offered assistance must be notified in writing of the initial amount of assistance, description of method to calculate assistance and/or rent, the criteria for assessing continued eligibility for the assistance, and outline the effect, if any, this will have on households in receipt of Ontario Works or Ontario Disability Support Program.

Hamilton already has Access to Housing which serves as its centralized waiting list. The new access system requirements present an opportunity to modernize information sharing processes with existing tenants, applicants, and the public at-large, to address the requirements outlined by the Province, the City will review its community housing portfolio and assess and update existing infrastructure, and opportunities for further strengthening integration with social assistance programs, to ensure compliance with new regulations and a client-centred approach.

Income and Asset Limits

To establish greater consistency across the province, effective July 1, 2023, Ontario Regulation 367/11 of the HSA is being amended to require Service Managers to set local income and asset limit rules to determine eligibility for RGI assistance. Currently, the City does not apply income and/or asset limits for the purposes of determining eligibility for RGI, although the HILs are applied to households at the time of offer.

Service Managers will have flexibility to set different income limits for units of different types and sizes and for units in different parts of their service area, although local asset limits will need to be set at \$50,000 or below. Currently, all households applying to the waitlist are required to divest from their residential property as per requirements of the

HSA. As this is generally a household's largest asset, it acts as a proxy for an asset limit policy. Currently, there are 38 (0.65%) active households on the waitlist with an agreement to sell their property within six months of moving into an RGI unit. Most homeowners on the waitlist are senior households, or Special Priority Policy (SPP) households fleeing domestic violence who are co-owners of a home.

It is anticipated that a change to asset limits will result in a minor decrease in the number of households eligible for social housing, as individuals with assets above the to-be defined thresholds will no longer be eligible to apply. The introduction of income limits may have a more sizeable impact, as it will affect households not receiving social assistance, who have had their income increase in the time after their initial accepted offer for RGI and would now need to meet a specific income threshold. A deeper understanding of the magnitude of impact, both administratively and on applicants and tenants, will be dependent on analysis to be conducted.

The new regulation to set income and asset limits is resource-laden, intensive, and likely to require a significant change to existing infrastructure with potential cost implications. The amendment will have an impact on community housing providers, and both new applicants and existing tenants in RGI units. Further investigation will be necessary to comprehensively assess the impacts of setting income and asset limits, and a jurisdictional scan and external consultation process will be undertaken before a recommendation is brought forward to Council in 2023.

APPENDICES AND SCHEDULES ATTACHED

None