



COUNTY OF WELLINGTON

COMMITTEE REPORT

HS-23-04

To: Chair and Members of the Social Services Committee
From: Mark Poste, Director of Housing
Date: Wednesday, March 08, 2023
Subject: End of Mortgages System Planning Update

Background:

The County of Wellington, as the Service Manager for the administration of social housing in Guelph-Wellington is currently responsible for the funding and oversight of over 2342 Rent Geared to Income (RGI) units. Of the 2342 RGI units, 1080 units along with an additional 261 units of low-market rent (affordable units) are provided by community housing providers administered through volunteer Board of Directors and governed by the Housing Services Act (HSA).

Through the funding model within the HSA, the County is required to provide subsidies to these housing providers through annual benchmarks to help ensure that each project's operational viability is maintained. Locally, funding support for these housing provider partners is nearly \$11.5 million annually, with approximately \$10.1 million of this funding coming from the municipal tax levy (\$8.6 million City and \$1.5 million County). One of the main components of this funding model are the mortgage costs, which are close to \$8 million annually and will have a significant impact on the funding relationship between housing providers and the County of Wellington once they begin expiring in 2023.

New Regulations from the province introduced in 2022 have established a framework in which Service Managers can negotiate new funding agreements with housing providers, provided they meet a prescribed number of conditions. The three key requirements introduced by the province are that funding must:

- bridge the gap between 30% of a household's income and unit rent;
- provide other types of housing assistance to reduce non-RGI rental rates; and,
- maintain housing projects in a "satisfactory state of repair and fit for occupancy"

County of Wellington Priorities

In 2018, County Council approved our community's 10-year Housing and Homelessness Plan, which had a community vision, that "Everyone in Guelph-Wellington can find and maintain an appropriate, safe and affordable place to call home." Objective #7 of the County of Wellington's Housing and Homelessness Plan is "To support the sustainability of the existing social and affordable housing stock" with two of the key recommended activities being to:

- Continue to support non-profit housing corporations and co-operatives in the delivery and potential development of social and affordable housing
- Develop a funding strategy between local provincially reformed housing providers and the County of Wellington to ensure that the providers thrive in our community by maintaining existing and developing new high quality and stable long term social and affordable housing

In June 2022, background Information was provided to the Social Services Committee and County Council, and approval was granted to maintain savings resulting from the end of mortgages (EOM) in the housing system. Key priorities identified included housing provider operational and capital obligations and contributions to the County's Shared Regeneration Reserve. Since that approval, the Housing Services division has worked internally and collaborated with sector associations and other Service Managers to prepare a funding model for EOM housing providers that reflects these directions, supports the Housing and Homelessness Plan and meets the County's legislative requirements for the province.

Proposed Funding Model Overview

The proposed EOM Strategy and Funding Model consists of three key components which will make up the agreement with providers:

1. the Service Manager Funding Agreement, which sets the relationship for the delivery of rent subsidies to residents;
2. the Municipal Housing Project Facility Agreement, which focuses on delivering baselevel housing affordability through property tax relief, and;
3. the Municipal Capital Agreement, which provides funding to keep units in a good state of repair.

These agreements are designed to comply with current legislation and will be paired with streamlined reporting requirements. The approach outlined in this strategy aims to simplify the funding models available to participating groups by reducing regulatory requirements, improve cash flows and allow housing providers to stabilize operations and focus on providing quality service to their residents. The agreements will be a minimum of a ten-year commitment, with a requirement for a joint financial plan negotiated between the Housing Provider Board and the Housing Services Division.

Community Impacts:

- The immediate impact of the EOM Strategy is that it safeguards the existence of social housing in the Wellington County/Guelph Service Area.
- The short-term impact of the EOM Strategy will be the overall improvement to the quality of social housing being provided in the Wellington County/Guelph Service Area.
- The long-term impact of the EOM Strategy is that it preserves and enhances social housing in the Wellington County/Guelph Service Area and increases the funding available in the County's Regeneration Reserve Fund to support the development of new high quality social and affordable housing.
- RGI residents will continue to receive rental assistance without disruption.
- Housing providers benefit from improved financial viability, resident retention and risk management, allowing housing provider Boards to meet their mandates and engage in long-term strategic planning.
- The County will retain partnerships with legacy providers, continue to meet Service Level Standards and maintain community investments into these important community assets.

Financial Review

A financial review and capital needs assessment was completed for each housing provider using existing data found in the reconciled Annual Information Returns (AIR) and Building Condition Assessments (BCA). This information was then used to estimate funding required to implement the

EOM Strategy, assess the financial impact on housing providers, determine capital shortfalls over the next 25 years and project any additional capital funding required. The model was further stress tested for annualized increases to operating expenses, and annualized increases to capital expenses.

Under the proposed EOM model, the funding required to implement the Facility (Property Tax) and Service Manager Funding Agreements (Rent Supplement) is projecting to be lower than current spending and will place housing providers in improved financial situations.

Operating surpluses experienced by the housing providers will be redirected to capital needs and further supported by the savings in the housing system to ensure that capital upkeep of the building is maintained.

Financial Impacts:

In June 2022, Council approved the commitment that any future savings that the housing system experiences through the maturity of mortgages, be kept in the system to help support the future operational and capital obligation of the County to the social housing providers and to support future development.

It is projected that over the current 10-year plan timeframe, the costs of the proposed EOM model will be within existing budget and have no impact of the municipal tax levy. Any savings that result will be retained for future EOM costs or possible future development.

Recommendation:

That the report, End of Mortgage System Planning Update, be received for information; and

That staff be authorized to negotiate and execute agreements with Housing Services Act listed social housing providers subject to review by the County's Treasury department, County Solicitor and approval by the Social Services Administrator; and

That Council authorize the Warden and Clerk to execute all necessary agreements under the County's End of Mortgage Strategy.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mark Poste", written in a cursive style.

Mark Poste

Director of Housing