



City of  
**Peterborough**

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**To: Members of Joint Services Steering Committee**

**From: Malcolm Hunt, Director of Planning and Development Services**

**Meeting Date: June 12, 2014**

**Subject: Report PLHDJSSC14-002  
Implications of Expiry of Agreements and Federal Funding for  
Social Housing**

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## **Purpose**

A report to provide the Joint Services Steering Committee with information about the strategic issues facing the City as Service Manager for social housing, as housing agreements reach the end of their term over the next several years and the associated federal funding for social housing declines.

## **Recommendations**

That Joint Services Steering Committee endorses the recommendations in Report PLHDJSSC14-002 dated June 12, 2014, of the Director of Planning and Development Services, as follows:

- a) That the Joint Services Steering Committee receive the presentation about the strategic issues related to social housing, from the Director of Planning and Development Services.
- b) That the Joint Services Steering Committee endorse the development of a strategic approach to expiry of agreements and federal funding for social housing, as described in this report, guided by the principles in Appendix A.
- c) That Peterborough Housing Corporation (PHC) and the City initiate a joint process regarding strategies for expiry of federal funding as this affects PHC.

## Budget and Financial Implications

There are no direct budget or financial implications of receiving this report.

## Background

The City and County provide subsidies to social housing in the Peterborough area, as required by provincial legislation. The City, as Service Manager, oversees a system of housing and homelessness services and plays a strategic leadership role.

There are 20 non-profit housing providers that own and manage 1,844 social housing units. The construction of these housing projects was financed through mortgages or debentures, which are beginning to be paid off. This report discusses the need for a strategic plan to address a fundamental shift in social housing that will occur over the next few years, as debt is retired and related legal arrangements change.

The key considerations while this shift occurs are:

- there will be lower debt within the whole social housing portfolio;
- social housing providers and the City will have more flexibility to make operational and strategic decisions about the portfolio;
- regeneration of existing projects needs to be assessed along with the benefit of redirecting any "savings" in City-County subsidy costs to meet community needs;
- there will be no federal funding to cost-share subsidies, and less certainty about the City-County's future subsidy costs; and,
- the City will be expected to continue to meet a legislated Service Level of 1,569 RGI units, despite the potential 'loss' of social housing providers participating in the system

The first steps in the development of a strategic plan for social housing have already begun in various forums:

- City Council endorsed the Federation of Canadian Municipalities housing campaign in Report PLHD14-001 dated January 27, 2014. The report noted the planned expiry of \$1.7 billion in annual federal housing funding, including over \$3 million in Peterborough. The motion urged the federal minister to develop a long-term plan for housing. A copy of the resolution was sent to the federal and Ontario ministers, the Federation of Canadian Municipalities (FCM), and Association of Municipalities of Ontario (AMO).

- The Eastern Ontario Wardens' Caucus is developing a set of white papers on fiscal issues and significant program areas, with analysis undertaken by a consultant. One of these white papers deals with social housing.
- The 10 Year Housing and Homelessness Plan adopted by City and County Councils in 2013 states its vision as "We will eliminate long-term homelessness and ensure quality housing that all residents can afford." and contains a commitment (#10) to "develop a long term strategy for social housing, to address the needs of current and future residents, portfolio renewal, asset management, service levels, and other matters".
- Board of Directors of social housing projects are at different stages of understanding and planning for the future, and the City has a role in facilitating discussions and providing direction for the portfolio as a whole.

Councils across the province (e.g. Simcoe, Kingston, Peel, Windsor, Toronto) are considering the key issues related to the changing environment in social housing. The discussion about the future of social housing and its role in meeting community needs for affordable housing needs to begin in Peterborough.

### **Social Housing in Peterborough**

Social housing is the largest part of the City and County's system of housing and homelessness programs. Other programs include rent supplement, new affordable housing development, repair and other ownership programs, emergency shelters and drop-ins, and services to stabilize housing, avoid evictions and prevent homelessness.

Social housing provides affordable rents, an important part of quality of life for low-income residents. In the "government sponsored housing sector" there are almost 3,000 housing units: 1,844 households live in social housing, 540 households live in new affordable housing projects, and about 400 households live in privately-owned rental units which have rent supplements. Not all government sponsored housing is affordable to the lowest income households, but rents are at the low end of market.

About 80 percent of social housing units have rents-geared-to-income (RGI) and count toward the City's Service Level of 1,569 RGI units. About 20 percent of social housing units have rents at low end of market and do not count toward the Service Level. Most rent supplement units in privately owned buildings count toward the Service Level.

The Peterborough area has about 6,000 renter households with incomes that qualify them to receive rent geared-to-income (RGI), and that have problems affording market rents. There are currently 1,510 households on the waiting list for RGI units. Preserving and increasing the supply of affordable rental housing including RGI housing is an important goal.

The City has partners in social housing and in the community that share an interest in this goal. Partners include the staff and volunteer Boards of Directors of private non-profit corporations, the City, County, federal and provincial governments, and Peterborough Housing Corporation (PHC). PHC retains a central role as the City's partner, as it is the largest social housing provider.

Social housing development and management relies heavily on volunteerism in the community, including participation by municipalities, churches, social agencies, service clubs, Aboriginal organizations, and other community groups. These non-profit groups aim to meet the needs of people they serve, while contributing their leadership, land, and volunteer time. Peterborough's success in new affordable housing over the past decade has rested on collaboration among government, community-based groups, and the private sector.

Non-profit groups and PHC used various programs to develop the social housing they now manage. Table 1 shows four main original funding programs, and the units associated with each program for the Peterborough portfolio. (One expired project was funded under the Federal Program and has not had a subsidy from the City since 2012). The distinctions between programs are created through various legal arrangements and legislation, and these distinctions are significant when agreements expire.

**Table 1: Social Housing Units by Original Funding Program**

<b>Original Funding Program</b>	<b>Number of Units</b>	<b>Legal arrangement</b>
Local Housing Authority (PHC)	818	Shareholder Direction
Federal Program	226	Operating Agreement
Urban Native Program	131	Operating Agreement
Provincial Program	669	Housing Services Act
<b>Total</b>	<b>1,844</b>	
<b>One Project Expired 2012</b>	<b>43</b>	

Subsidy for social housing and rent supplement in Peterborough is now approximately \$7 million annually from the City and County, plus \$3 million federal funds flowing to the City via the Province of Ontario. This subsidy enables projects to pay the mortgage principal and interest, property taxes, and other operating costs, while providing low rents. Rents cover about 40 percent of operating costs, and subsidy covers the rest.

Social housing properties in the Peterborough area are assessed at about \$120 million (MPAC 2014 data). The debt is being paid down, and the outstanding principal is approximately \$43 million; annual mortgage payments are about \$4.3 million (plus \$1 million paid by the province to the federal government for PHC debentures).

The total property tax paid by social housing providers is about \$2.5 million in the City and County, annually.

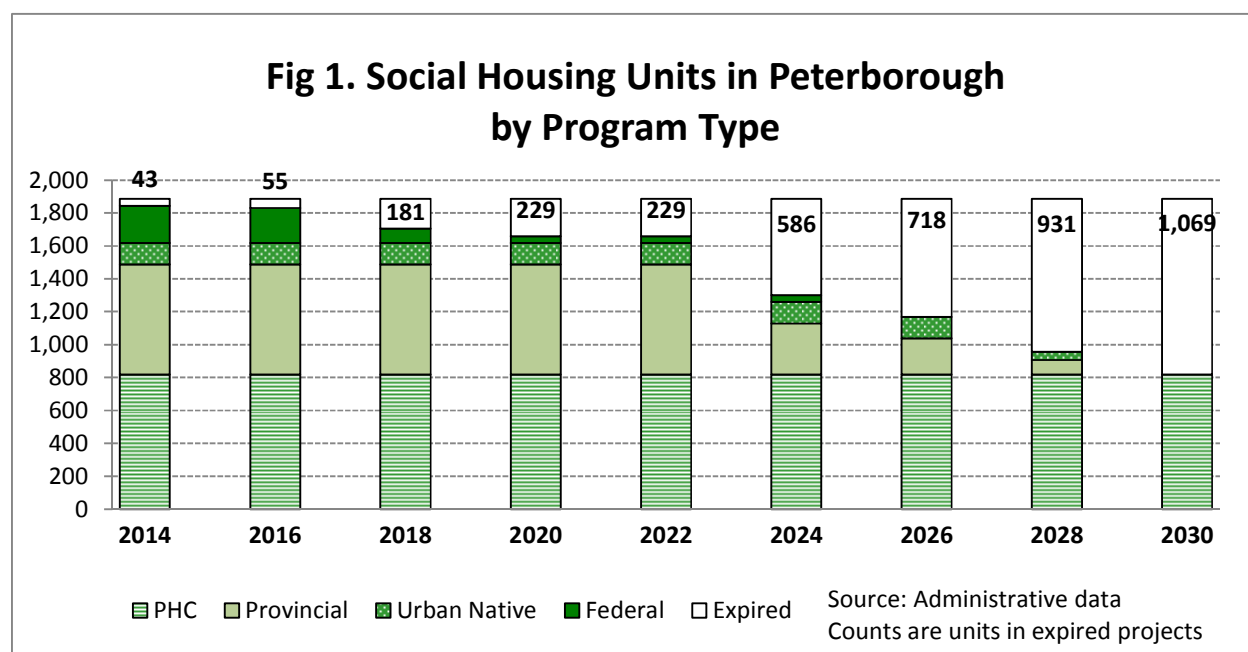
### Expiry of Agreements – What is Involved?

Expiry has a potential impact on social providers, on the City as Service manager, on the City and County as funders, and possibly on the amount of affordable housing in the community.

Most social housing projects were built in the 1960s to early 1990s, with mortgages and subsidy lasting 35 to 50 years (varying by program). The legal arrangement for all programs governs subsidy payments, operating practices, access to RGI units by new applicants, contributions to capital reserve funds, accountability, and related matters.

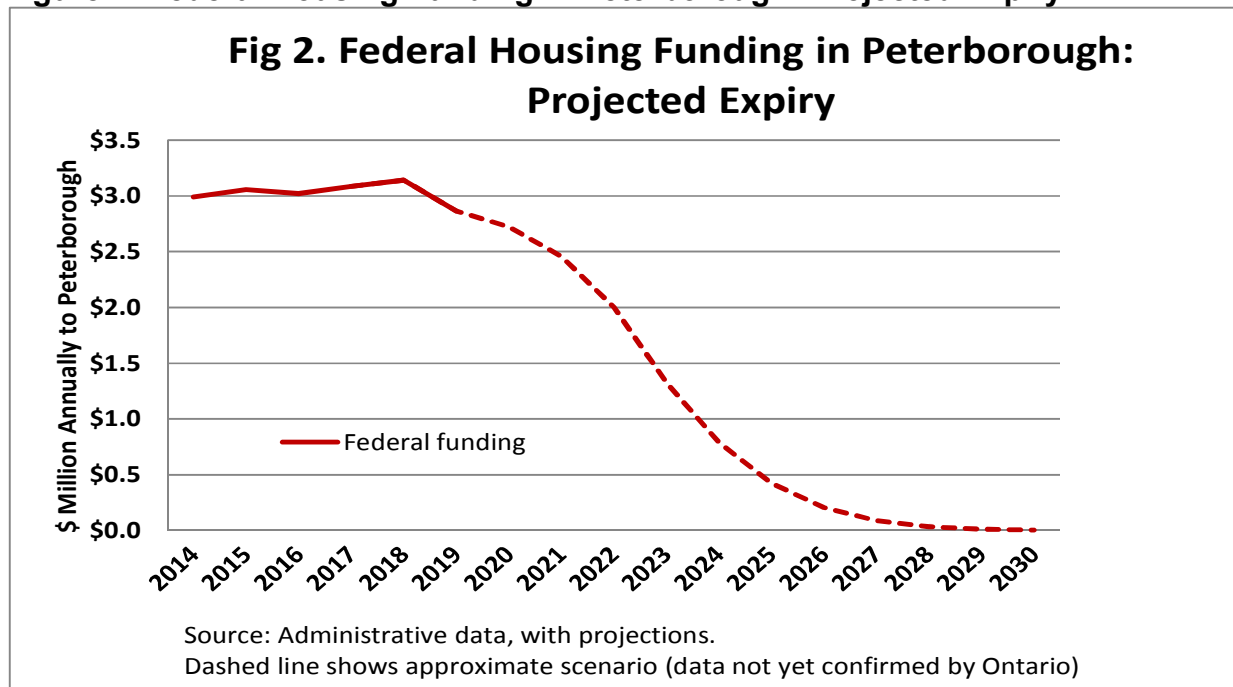
Every project has an “end date” when the debt is paid off. Any associated federal funding, received by the City on behalf of that project, ends when this debt is fully paid. Figure 1 illustrates the progressive debt reduction by unit in the various programs (while maintaining a constant 818 units in PHC).

**Figure 1: Social Housing Units in Peterborough by Program Type**



Total federal funding received by the City equals the sum of project-by-project amounts. As Federal Program operating agreements expire, there is accelerating loss of federal funding over the next 5 to 15 years. Figure 2 provides a general scenario for this, based on the known Ontario-wide trend of expiring federal funding and the known dates of expiry of units in Peterborough. The federal funding is confirmed by the province for 2014-2019, and estimated for 2020 and beyond.

**Figure 2: Federal Housing Funding in Peterborough: Projected Expiry**



Financial implications of the federal funding phase-out occur at both the project (provider) level and the system level. This needs to be analyzed more fully. The general picture is as follows.

At the project level, the end of the mortgage and the federal funding may put some projects in a favourable financial position, as shown in Figure 3a. In other cases, ongoing subsidy will be needed in spite of mortgage payments ending, as shown in Figure 3b. The latter situation is most likely in projects with a high percentage of RGI rents or large unfunded capital repair needs. This is discussed further below.

Federal projects are older and are therefore first projects affected. One of them has already reached expiry, and so will four others by 2019 (see also Appendix B). Federal projects have a small percentage of RGI units, so expiry is not projected to have any large financial impact on them. Expiry of agreements does not create any known negative fiscal pressure in Peterborough in the next five years.

Figure 3: Project Costs and Revenues After Expiry: Favourable Case

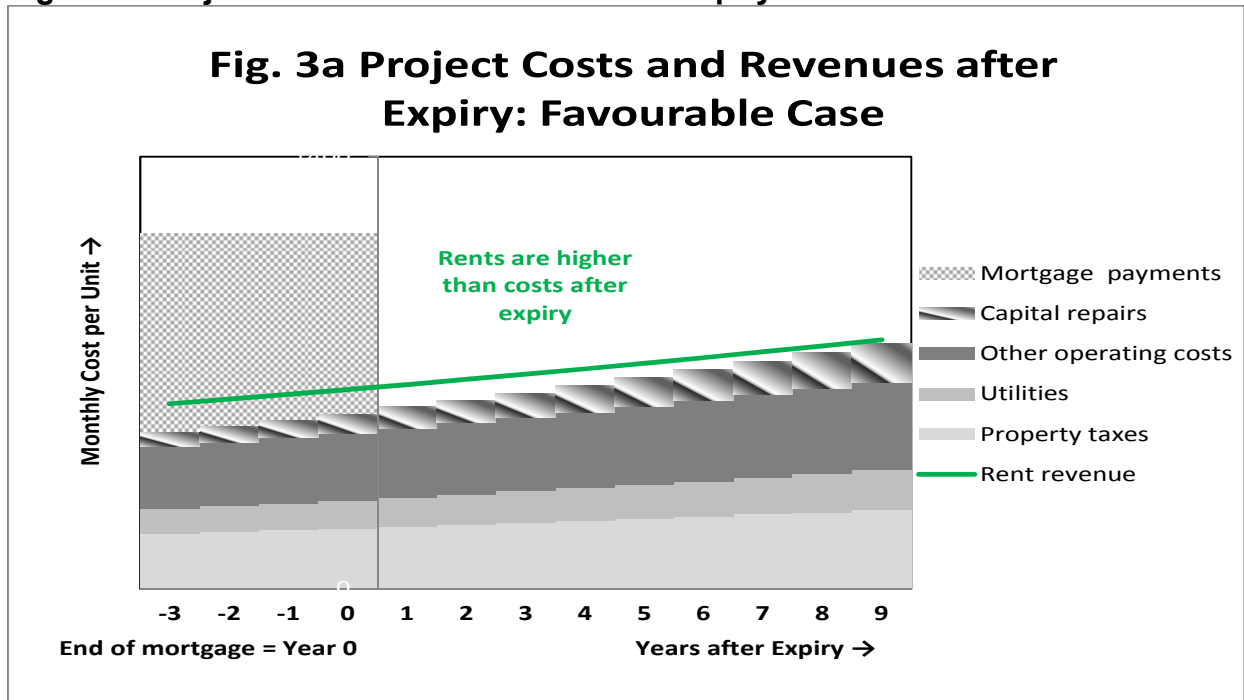
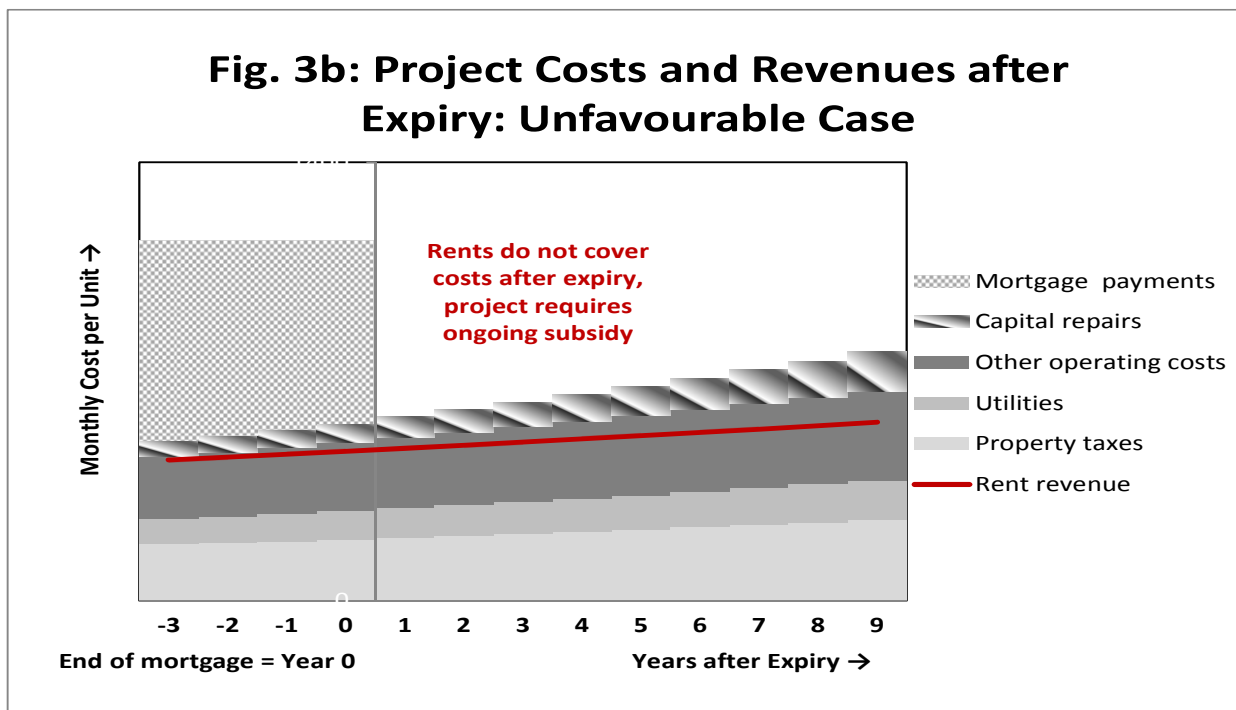


Figure 4: Project Costs and Revenues After Expiry: Unfavourable Case



PHC, like other providers, is affected by debt retirement (debentures rather than mortgages) and associated decline of federal funding. However, impacts on PHC require a portfolio-wide approach; the specific year that each project's debenture and federal funding expires is less important. PHC has started examining these issues. In broad terms, it appears likely that if the City and County were to maintain \$7 million annual funding, it could be possible to sustain the broad social housing system when federal funding ends. However, there are some uncertainties and cautions about this, including:

- Expiry of “federal” providers before others means that the more financially viable projects may “leave the system” first. But these providers and the City may share some interest in staying connected to help maintain the social housing system and ensure these providers have access to RGI subsidies and repair assistance.
- Subsidy required by providers from the City and County will be affected by inflation in rent levels, incomes of RGI tenants, operating costs (e.g. utilities and insurance), and other factors including interest rates. Low inflation and low interest rates of the past decade could be replaced by more “typical” rates (e.g. those of the 1990s) increasing future subsidy needs.
- Project capital needs may be significant. Repair costs usually rise as buildings get older. Older projects may also have a need or opportunity for regeneration.
- The majority of rent supplement funding in private sector buildings is cost-shared - federal funding covers about \$0.3 of the \$1.0 million annual cost in the largest rent supplement program. By 2016, it declines to \$0.18 million. The City and County may choose to cover the full subsidy cost, rising over time, as federal funding declines. The 2015 Housing Division budget proposal provides at starting point of \$25,000 to begin to fill this gap.

### **What are the Opportunities and Risks?**

The shift from the current legal arrangements for social housing to a post-expiry framework involves large changes. How the City fulfills its strategic system-manager role will become more important as more projects reach expiry and are no longer governed by today's fixed rules.

Table 2 outlines the legal and funding framework for social housing today and post-expiry. There are opportunities and risks associated with both.



**Table 2: Social Housing Legal and Funding Framework, Today and Post-Expiry**

	<b>Social Housing Today</b>	<b>Social Housing Post-Expiry</b>	
1	Prescriptive requirements in legislation and legal agreements	More flexibility for City and providers	Opportunity
2	Large costs to subsidize debt service	Low debt, lower overall cost structure	Opportunity
3	Assured federal funding	No federal funding expected	Risk
4	Mix of older and newer projects	More older projects with repair needs	Risk
5	Predictable funding environment	Accelerating change	Risk
6	Housing Services Act (HSA) or Operating Agreements govern funding, access and accountability	HSA applies to some projects; new arrangement required for others to meet Service Level	Risk

### **Opportunities**

The City as Service Manager will have more flexibility to adapt its housing services to meet changing needs. This could be accomplished by adjusting the RGI and market rent mix in various projects. There is potential to leverage the asset value (e.g. add new housing or borrow against equity to fund redevelopment, intensification, or major repairs) without complex federal-provincial approvals. Some projects will be financially viable and affordable to tenants, with little subsidy, and these projects may offer cost-effective opportunities for rent supplement arrangements for RGI units where there were none before.

### **Risks**

The end of a City-provider relationship when operating agreements expire could mean lost opportunities to provide cost-effective RGI units in the most financially viable projects. Less federal funding could mean pressure for the City and County to fill the gap. Some projects may be less viable or affordable if they have major repair needs or have a high proportion of RGI units. Expiries could affect the number of RGI units, market rent levels, and thereby the cost of RGI subsidies.

Land ownership may be important in the post-expiry relationship because some land on which social housing has been built is owned by the City or the provider's parent body such as a church. The interest of the land owner will need to be considered when developing post-expiry plans.

The City has an obligation to sustain its Service Level of 1,569 RGI units, regardless of declining federal funding and the number of social housing providers in the system. To continue to meet the Service Level, it will be necessary to retain most or all of the PHC units, as well as many RGI units in federal and provincial projects and in private sector rent supplement programs. Beyond the legal obligation, the City has a general interest in growing, not shrinking, in the affordable housing stock and the number of RGI units.

### **Legal Impacts Over Time**

Agreements for federal projects (mostly developed 1975-1985) will all expire by 2019. Agreements for provincial projects (mostly developed 1986-1995) and Urban Native Housing will expire between 2023 and 2032.

The four main original funding programs determine how individual projects are affected by the "end dates". For the Federal and the Urban Native Housing programs, the terms and conditions of funding are in operating agreements and end absolutely when the operating agreements expire and debt is retired. So the City may elect to negotiate with federal and Urban Native Housing providers to continue a subsidy in exchange for assurance that RGI units will continue to be offered. For the Provincial program, the *Housing Services Act* (S. 78) permits the Minister of Municipal Affairs and Housing to continue to require Service Managers (ie: the City) to subsidize specified projects after expiry. It is not known at this time what changes, if any, are likely to be introduced in the existing legislated formula for subsidy for these projects. For PHC, the City as sole Shareholder has an on-going interest in the operations and financial viability of the corporation.

In addition to the operating agreements, provisions of the *Housing Services Act* and Shareholder Direction with PHC, the City has signed a Service Agreement with all social housing providers, as required when social housing was devolved from the province to Service Managers. The Service Agreement deals with RGI eligibility and access, administration of RGI rents, and liability. It does not provide a framework for dealing with expiry of funding.

### **What Else is Known About the Issue?**

Expiry of agreements has been an emerging issue for several years. Reports to raise awareness and analyze the issue have been published by housing sector organizations: the Canadian Housing and Renewal Association, Ontario Non-Profit Housing Association, and Housing Services Corporation. They have also made analytical tools available to Service Managers and social housing providers. The issue has been discussed at social housing forums and conferences, and advocacy has been undertaken for continued senior government funding for social housing.

Based on the above, the Housing Division has started background work. Two preliminary reports have been prepared on the Peterborough portfolio, by Housing Services Corporation and Focus Consulting. These reports provided a financial scenario to 2017 and an analysis of operating and capital viability of every project (see below). They noted particular issues including the future of rent supplement funding, the extent to which federal funding helps cover overall subsidy requirements (not just federal projects), and the merits of putting any short-term subsidy surpluses into a City reserve.

For providers, the main financial issue is whether project revenues can cover all operating costs, once the mortgage and the subsidy are both absent, and whether capital reserve funds and/or project revenues are sufficient to cover capital repair needs as buildings get older. This is briefly outlined in Appendix C.

The state of repair of buildings has a major influence on project viability, subsidy and capital costs after expiry. As part of due diligence in Peterborough, comprehensive Building Condition Assessments (BCAs) were carried out in 2008. Federal-provincial capital repair funding was provided as part of 2009-2011 stimulus. The City has provided some subsidy for repairs, and top-ups to capital reserves, since 2007. New BCAs are scheduled for 2014, and results should be known in early 2015.

The expiry of agreements may also affect other aspects of how providers do business. At present, the operating agreements or the *Housing Services Act* set out specific rules and practices. For example, there are rules about tenant eligibility and access, waiting list management, exemption from rent regulation in the *Residential Tenancies Act*, the HST rebate rate applicable for social housing, use of non-GAAP accounting practices, and requirements for investment of capital reserve funds. Clarification from the province is needed on what rules will apply after expiry.

### **A Strategic Approach**

The accelerating impact of declining federal funding, and potentially fewer community-based providers over time, points to the need for a strategic approach. Expiry cannot be addressed only on a project-by-project basis. How the City and providers deal with early expiries may set precedents for later ones, and could open or close future options.

The proposed principles and desired outcomes for a strategic approach are outlined in Appendix A. There are eight principles proposed as a starting point to guide the City's conversations with social housing providers, and the community. The timing for the strategic approach could be structured in three periods, as outlined in Table 3 below.

**Table 3: Strategic Approach in Three Periods**

	<b>2014-2017</b>	<b>2018-2022</b>	<b>2023-2029</b>
<b>Key events (projects most affected)</b>	Almost all projects in federal programs reach expiry.	Many projects in PHC portfolio will no longer be encumbered by debentures.	Projects in provincial programs and Urban Native reach expiry.
<b>Financial impacts</b>	Federal funding is known, few or no negative impacts on City or County.	Greatest decline in federal funding, large potential impact. Exact pace of phase-out is unknown after 2019.	Full impact of expiring agreements and zero federal funding.
<b>Required steps and opportunities</b>	Develop an overall strategy; set directions with federal providers.  Begin a joint process with PHC  Develop broad social housing strategy	Implement a strategy for PHC; opportunity to regenerate sites, shift RGI and market units	Implement a strategy for provincial and Urban Native Housing providers.

Several components of work are needed to provide a foundation for the development of a strategy, from now to 2015:

- Consultations will be held between the City’s Housing Division and social housing providers’ staff and Boards. This will involve a group process and discussion with an individual provider as its expiry date approaches. This will be an opportunity to clarify issues and facts, understand each other’s perspectives, share analyses, and help all parties get prepared. The Housing Division is initiating this process in 2014.
- Building Condition Assessments (BCAs) will be carried out in 2014. The Housing Division’s 2014 budget includes funding for this. This will update the current information and financial projections, bearing in mind the large amounts of repair work carried out since the last BCAs in 2008, and the need for the best information on building condition as expiry dates approach.
- Operating viability and capital viability will be analyzed for each provider. The results will vary depending on rent trends, inflation, and tenant income trends. This will identify financial issues for providers and related impacts on the City.
- Based on the project-specific work, financial analyses and projections will be prepared regarding fiscal implications of expiry, and possible scenarios depending on economic trends.

- Options and/or a preferred strategy will be developed by the Housing Division. Legal, Finance, and other City senior management will be consulted. This is expected to be the subject of future Council reports.
- There will be a distinct process for Peterborough Housing Corporation. PHC is currently initiating its own process. Ultimately, given the large funding and service level implications for the City, a joint City-PHC strategic process will be needed.
- There will also be a distinct process between the City and the Ontario Aboriginal Housing Services Corporation, possibly over a longer time frame, to discuss the future of the Urban Native Housing portfolio.

This work plan may be adjusted as needed once discussions and detailed planning takes place, and as plans develop for the broader social housing strategy.

The broader social housing strategy needs to look at the future operational considerations for the portfolio, as well as the financial considerations discussed in this report. The City needs to determine how it will approach new flexibility on matters such as access (who is eligible and gets priority for RGI social housing), governance in the non-profit housing sector, supports to seniors and others living in social housing, capital repair and energy efficiency, as well as the regeneration potential of properties. External consultants may be required for some components of this work.

## Summary

Over the next few years, existing agreements for social housing will reach their “end dates”. Housing properties will become debt-free, but the \$3 million in annual federal funding that Peterborough receives will decline to zero. At the same time, this housing stock is aging with rising repair needs but some redevelopment opportunities.

This will require an active system-manager role by the City, and a strategic approach to the expiry of agreements. New funding models will be required, with new approaches to relations and accountability between the City and social housing providers.

City-County subsidies need to continue at current levels as social housing undergoes this shift. This shift will provide more flexibility to the City to meet the legislated Service Level of 1,569 RGI units and make use of the new opportunities.

A strategy for expiry of agreements will serve several goals:

- Help ensure that social housing providers remain financially viable and that tenants retain affordable rents and secure tenure;
- Enable financial risks to the City and the County to be understood in advance, and managed through changes in policy, funding models and administration;
- Help the City and providers make best use of the new lower cost structure and the new flexibility;

- Promote collaboration between the City and providers in the upcoming transition;
- Set parameters for negotiation with federal providers about their future role in the affordable housing system and ongoing funding of rent geared-to-income units in their projects;
- Establish a clear framework for Peterborough Housing Corporation through a collaborative City-PHC process; and
- Promote future Peterborough and municipal sector discussions with the provincial and federal governments.

Submitted by,

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**Attachments:**

Appendix A - Expiry of Social Housing Agreements: Suggested Principles and Desired Outcomes

Appendix B - Federal Projects Reaching Expiry

Appendix C - The Main Financial Issues for Social Housing Projects at Expiry

## **Appendix A - Expiry of Social Housing Agreements: Suggested Principles and Desired Outcomes**

Based on the information to date, the following are suggested as principles and desired outcomes to guide Peterborough in dealing with expiry of housing agreements.

These will be refined or modified as consultations with providers take place, analysis is done, and as Council considers the matter further.

- 1) Social housing remains financially viable, affordable, and in good repair.
- 2) Social housing tenants remain well served, with affordable rents and secure tenure.
- 3) Community-based providers have flexibility to operate in ways that best meet their mission and tenants' needs, with continued RGI subsidies and related accountability.
- 4) The City meets its legal obligations under *Housing Services Act*, including achieving or exceeding the Service Level of 1,569 RGI units.
- 5) The City and County manage and plan the financial impacts from declining federal funding and older stock, with flexibility to realign resources as costs and needs shift.
- 6) Peterborough Housing Corporation has a clear framework for the financial impacts and opportunities arising from expiring debt and declining federal funding.
- 7) Regeneration of older properties is supported as the funding/legal framework shifts.
- 8) Affordable housing needs continue to be met through collaboration between the City, County, PHC, community-based providers, and the private sector.

## Appendix B - Federal Projects Reaching Expiry

Federal projects (providers) are first affected by expiry of agreements, being older projects. One of them has already reached expiry. Four others will reach expiry between now and 2019.

Federal projects reaching the **'end date'** face only a modest financial impact or none.

- St. Barnabas paid off its mortgage early in 2011 and withdrew from the program, with City consent (Council report PLHD11-003), four years before the normal date. Their aim was to redevelop the site, to create more affordable housing, but those plans have not yet come to fruition.
- Tabernacle Court reaches the 'end date' in 2015. The church intends to sever the social housing property from the church property, to facilitate financing for the church. This is less complicated than when a social housing mortgage is in place and Ministerial consent to sever is required.
- St. Giles' Residence reaches the 'end date' in 2019. The Board's plans are not known at this time.
- Kinsman Gardens does not require or receive any subsidy, as it located on City-owned land, pro-bono. The project pays greatly reduced property tax (\$2,400 p.a.). A unique arrangement for this project is required in 2017.
- Northminster phase 1 reaches expiry in 2014, but phase 2 remains funded until 2025.
- Millbrook (phase 1) was funded under a federal program with expiry in 2018, but phase 2 was funded under a provincial program. It is counted as a provincial project, with ongoing funding and conditions until 2023.

These projects have small mortgages, and expiry is not projected to have any large financial impact on City or the provider. In some cases, the end of the mortgage may improve the project's financial position even though federal funding ends.

- Federal projects which are not yet expired, excluding the Urban Native program, receive approximately \$100/unit monthly in total 2014 funding.



### **Appendix C - The Main Financial Issues for Social Housing Projects at Expiry**

The main financial parameters at expiry are clear from the existing reports undertaken by or for housing sector organizations (see body of this report). For each project there are two main issues:

- **Operating viability** - Can project revenues cover all operating and repair costs, once the mortgage and the federal subsidy are both absent? If yes, the project has positive Net Operating Income (NOI) and will not normally require subsidy unless capital viability is an issue or RGI issues arise.
- **Capital viability** - Are reserve funds and/or project revenues sufficient to cover capital repair needs?

The financial risks after expiry are greatest for two general categories of projects, according to existing analyses. One is projects with a large percentage of RGI units, where existing rent revenues may be too low to cover operating costs. The other is projects with backlogs of major repair or under-funded reserves, with operating revenues unable to cover all needed repairs.

Certain financial parameters come to the fore after expiry:

- **Mix of market-rent and RGI units** - PHC and a few other projects have most tenants at very low incomes and RGI rents; other projects were built with a mix of RGI and market rent to achieve social mix and enhance project viability. After expiry, there is more flexibility to adjust this mix at the project level – although 1,569 RGI must be maintained across the system.
- **Funding rules for RGI rents** - After expiry, although legal options are unknown, there may be potential to:
  - Include shallower as well as deep subsidies and/or
  - Alter the minimum rent for social assistance recipients, at no cost to these tenants, to shift some subsidy costs from the municipal social housing budget to the provincial social assistance budget.

**Redevelopment or refinancing** - These become simpler after expiry, in terms of legal and lender approvals and in terms of better project cash flow. There is more potential to redevelop, regenerate, add units on a site, or use existing project cash flow to raise new debt for major repairs or new units.