peterborough

Appendix A:

STRATEGIC FRAMEWORK

Executive Summary

The City of Peterborough, as the Service Manager for Housing, is dedicated to collaborating with all Community Housing Providers to ensure the preservation and operational sustainability of Rent-Geared-to-Income (RGI) housing units within the community.

In 2022, the Province of Ontario amended the Housing Services Act (HSA), introducing updated Service and Exit Agreement requirements. These amendments outline a new regulatory framework and funding model, offering two paths for Community Housing Providers:

a) Continue providing social or affordable housing under a new agreement within the updated community housing framework.

b) Meet the necessary requirements to exit the community housing portfolio.

Housing Providers that have reached the End of Mortgage (EOM) but have not yet signed a new service or exit agreement remain governed by the previous HSA rules and funding formulas. A key priority is to finalize new Service Agreements in alignment with recent HSA amendments, while ensuring that the City maintains its Service Level Standards (1569 RGI units), as mandated by the Province.

The amendments to the HSA provide an opportunity for the city to assess the individual needs of each Housing Provider, ensuring the preservation of existing RGI units. Following the completion of the Tim Welch Consulting (TWC) strategic plan study, Housing Staff have continued proactive efforts, including ongoing consultations with Housing Providers, hosting quarterly Housing Provider meetings, initiating board discussions, and conducting building asset reviews for each provider. Additionally, staff developed and provided Appendix B: "Peterborough - Housing Provider Readiness Guide – Preparing for Service Agreements" along with a Current Capital Financial Review and Forecast to each Housing Provider to support them through this transition.

Strategic Framework for Negotiating Service Agreements with Housing Providers: A Path to Sustainable Community Housing

This strategy is designed to establish a clear framework for guiding negotiations between the Service Manager and Community Housing Providers. It is grounded in the recommendations from the Strategic Plan Study, which offered insights into the evolving needs of the community housing sector, particularly in light of the challenges posed by the end of operating agreements and mortgages. In addition to the Strategic Plan Study, this framework also incorporates findings from a comprehensive financial review conducted by Housing staff, which focused on the current funding model and Annual Information Reporting (AIR) requirements.

The framework sets out a structured approach for negotiating new service agreements that will govern the relationship between the Service Manager and Housing Providers. It is intended to ensure that all parties have a mutual understanding of their responsibilities, financial obligations, and the long-term sustainability of housing projects. The goal is to create service agreements that are financially sustainable, protect the availability of Rent-Geared-to-Income (RGI) units, and meet the evolving needs of tenants.

This approach addresses several key elements:

Incorporation of Strategic Plan Recommendations: The recommendations from the Strategic Plan Study completed by TWC inc. form the backbone of this framework. These recommendations focus on ensuring continued capital support for Housing Providers, maintaining affordability for tenants, and securing long-term viability for housing projects post-End of Mortgage (EOM) or End of Operating Agreement (EOA).

Funding Model Review: Housing staff conducted a detailed examination of the funding model, analyzing the allocation and utilization of federal, provincial, and municipal funds. The goal is to ensure that funding is used effectively to support housing providers, enhance capital planning, and maximize financial contributions where permitted. This review also aims to streamline rent calculation methods, particularly following the recent amendments to the Housing Services Act, 2011 (HSA), which provide new opportunities for more efficient use of shelter allowances and reduced subsidy needs.

Maximizing Federal and Provincial Contributions: This framework seeks to take full advantage of federal and provincial housing programs, ensuring that Housing Providers receive the maximum possible support for capital improvements, capital repairs, operating costs, and other essential services.

Capital Planning and Asset Management: A key aspect of the framework is the emphasis on capital planning and asset management. Housing Providers are required to develop and maintain comprehensive 5-year capital plans, which will be regularly reviewed and updated. These plans, supported by Building Condition Assessments (BCA) and asset management tools like Asset Planner, will ensure that housing providers are prepared for long-term sustainability, especially regarding capital work and maintenance.

Risk-Based Negotiations: The framework also outlines a risk-based approach to negotiations. In addition to addressing operational and capital needs, the negotiations will factor in key risks such as fluctuating market conditions, future maintenance costs, and financial sustainability. By addressing these risks upfront, the Service Manager and Housing Providers can establish service agreements that are adaptable to changing circumstances and ensure the long-term success of community housing projects.

Ultimately, this strategy aims to create a strong, sustainable framework that aligns with both the legislative requirements and the operational realities faced by Housing

Providers. It will help to ensure that the City's community housing portfolio remains resilient, financially viable, and capable of continuing to support vulnerable populations well into the future.

Essential Components for Negotiations

To reflect the regulatory changes in the HSA, the framework establishes essential principles for rent calculations and subsidy allocations aimed at enhancing financial efficiency and ensuring a consistent approach across the housing portfolio. Building on this foundation, the strategy further emphasizes the importance of maximizing federal and provincial contributions where permitted, allowing for a more robust financial framework that supports both immediate housing needs and long-term sustainability. The following subsections detail the essential components of this framework:

Rent Calculations:
Under current Housing Services Act, 2011 (HSA) legislation, rent calculations for clients receiving social assistance follow a rent scale model, which limits the ability to maximize provincial funding. However, recent HSA amendments and the shift towards the post-End of Mortgage (EOM) era allow Service Managers to move away from this restrictive model. The recommended approach involves using the full shelter allowance amounts provided to clients on Ontario Works ($390/month- 2024 levels) and the Ontario Disability Support Program ($582/month- 2024 levels), with a subsidy topping up the total rent amount. This will reduce the need for subsidies while better utilizing provincial dollars.

For households not receiving social assistance, a rent supplement calculation will be applied, ensuring that no household contributes more than 30% of their income toward rent. When approving annual subsidies for Housing Providers, the goal will be to standardize rent reimbursements across the portfolio, potentially setting rents at levels of 70-80% of Average Market Rent (AMR), based on available budget.

5-Year Capital Plan:
Each Housing Provider will be required to develop a 5-year capital plan, a critical component of their financial strategy in the post-EOM era. This plan will prioritize necessary capital work, ensuring resources are allocated efficiently and funding sources, such as capital repair programs, are fully leveraged. Boards of Housing Providers must regularly review and reference these plans to ensure they align with organizational goals and funding opportunities.

Providers will submit their 5-year capital plans at the start of each agreement, with annual progress reports and updates included in their annual financial reconciliations. The Service Manager will support these efforts by utilizing Provincial and Federal programs, such as the Canada-Ontario Community Housing Initiative (COCHI), to provide financial assistance for large-scale capital projects. This ensures that the buildings are maintained in good condition, and ongoing support will be provided by the Housing Services Team for capital monitoring and asset planning.

Capital Reserve Fund:
To ensure long-term financial viability, Housing Providers are required to make annual contributions to their Capital Reserve Fund (CRF), with a mandatory contribution of 10% of rental revenue. The CRF balance must be reviewed as part of the annual budgeting process to ensure adequate resources are available to meet future capital needs. Providers must be able to demonstrate their CRF balance and contributions when requested by the Service Manager, particularly in the EOM period when capital demands may increase.

Building Condition Assessments (BCAs):
Every 4-5 years, Housing Providers must complete a Building Condition Assessment (BCA) to evaluate the lifecycle of building components and provide a long-term schedule of recommended capital projects. These assessments will inform financial and capital planning efforts and guide the annual updates to the 5-year capital plan. Providers are required to use the designated asset management tool (e.g., Asset Planner) to track and manage their capital needs, ensuring the accuracy of data on the condition of affordable housing units. Technical support will be provided as needed, and any alternative tools must be approved by the Service Manager.

Equity Loans for Capital Needs:
Recognizing that the Service Manager cannot meet all capital needs, Housing Providers may explore equity loans through conventional financial institutions. These loans, which will require approval from the Service Manager, can be used to fund necessary capital work, with a borrowing limit of 20-30% of the asset's current value. The limit will be determined based on the provider's operating sustainability and their ability to cover interest and principal payments.

Negotiation Items:
The framework outlines several key areas for discussion during the negotiation of new service agreements:

c) **Municipal Tax Contributions:** Providers may need to continue contributing towards municipal tax expenses.
d) **Insurance Premiums:** Providers must ensure properties are insured at their current assessed value, with annual compliance documentation submitted to the Service Manager.
e) **Revenue Surpluses:** Depending on the agreed-upon per-unit funding amount (e.g., $10,000 per unit, based on the TWC capital study), providers will be expected to invest up to 50% of any operating surpluses into their capital reserves for future capital needs.

Annual Financial Review:
Housing Providers must submit financial templates and audited financial statements to the Service Manager according to a negotiated schedule. Regular income reviews should also be conducted to ensure subsidized rent amounts are accurate. Additionally, providers will notify the Service Manager of any changes

to rent levels, such as adjusting to 80% of AMR, or the need to convert a unit to market rent for operational sustainability upon vacancy.

This comprehensive framework ensures that all aspects of financial management, capital planning, and operational sustainability are addressed, creating a solid foundation for the long-term viability of the community housing sector.