



Appendix B:

Housing Provider Readiness Guide - Preparing for Service Agreements

Contents

1. Introduction.....	3
2. End of Mortgage Context.....	3
3. Overview of Service Agreements.....	4
3.1 Regulatory Requirements.....	4
3.2 Financial Plans	4
4. Overview of Service Agreement Process	5
5. Preparing for Service Agreements.....	5
5.1 Strategic Planning and Visioning.....	6
5.2 Governance and Organizational Needs	6
5.3 Financial Sustainability	7
5.4 Asset Management.....	7
5.5 Operational Needs.....	8
6. Next Steps.....	8
7. Contact Information.....	9
Appendix A: SWOT Analysis Tool.....	10
Appendix B: Reflection Tool	11

On behalf of The City of Peterborough’s Housing Department, we acknowledge with gratitude that this guide was adapted from York Region with permission.

1. INTRODUCTION

The City of Peterborough as the Service Manager of the City and County of Peterborough is committed to supporting complete communities that offer a full range of housing options and services to meet the needs of residents at all ages and stages of their lives. Community housing provides essential subsidized and market housing options for households with low and moderate incomes. Peterborough is facing several challenges concerning the need for affordable housing such as an aging population, increasing rental market prices, incomes moderately lower than the provincial average, and an older housing stock that doesn't meet the needs of shifting demographics. Part of the responsibility of the Service Manager is to maintain Service Level Standards, set by the provincial government, which establish the number of rent geared-income units available within the affordable housing system. From 2020 to 2022, Peterborough has met their prescribed standards of 1,569 affordable units. In 2022, within the City of Peterborough housing stock, 1,332 units of RGI housing were provided, with the remainder of affordable units being rental supplements, to meet the required service levels. Furthermore, There were 1,926 households waiting on the Centralized Waitlist for Rent Geared-to-Income (RGI) housing in 2023 and for those on the list, the average wait time in 2023 was 7.3 years. The County and City of Peterborough continue to experience population growth and an increasing need for affordable housing.

Under the *Housing Services Act, 2011* (HSA), Service Managers are responsible for funding and administering local community housing systems. Non-profit and co-operative housing providers are essential partners in delivering community housing and supporting local needs. The City of Peterborough, as Service Manager, and housing providers have a shared responsibility to provide safe, high-quality housing options for residents now and in the future.

The community housing system is undergoing transformational change as the mortgages of housing providers under Part VII of the HSA come to an end. Housing provider's operational needs are changing; when the mortgage ends, there is no longer a need for a subsidy to cover the mortgage expenses from the Service Manager. The end of a mortgage represents a significant reduction in operating expenses for housing providers; however, housing providers still have significant capital repair needs that must be addressed through a new funding approach.

This guide includes information to help housing providers prepare for the end of their mortgage and transition to new service agreements with The City of Peterborough to continue delivering affordable housing options for residents.

2. END OF MORTGAGE CONTEXT

When housing projects were first constructed, housing providers entered into a mortgage and an operating agreement with the Province of Ontario. In the early 2000s, the Province transferred responsibility for the funding and administration of community housing to Service Managers, including The City of Peterborough, replacing these agreements with legislation. The Province initially introduced the *Social Housing Reform Act, 2000*, later replaced by the Housing Services Act (HAS). The HSA includes a prescribed funding formula tied to housing providers' mortgages, and the HSA did not contemplate the operating or funding model after the mortgage ends.

To address this, in July 2020, the Province passed the *Protecting Tenants and Strengthening Community Housing Act, 2020*. This Act introduced changes to the HSA that can positively transform

the relationship between Service Managers and Part VII housing providers by establishing new service agreements after the mortgage ends. In March 2022, the Province released new regulations (O. Reg 241/22 and 242/11), which set the baseline requirements for new service agreements that Service Managers and housing providers must follow.

3. OVERVIEW OF SERVICE AGREEMENTS

3.1 REGULATORY REQUIREMENTS

New regulations under the HSA establish baseline rules for service agreements, aiming to address complex rules and increase flexibility to support local needs. Under new regulations, Service Managers can provide funding based on housing providers' individual operational and capital needs, shifting away from a prescribed funding formula.

Baseline rules for service agreements include:

- Must have a term of at least 10 years
- Service Managers must provide funding for rent-g geared-to-income (RGI) assistance, equal to the difference between 30% of household's net income and the unit's rent/housing charge
- Must include a minimum 5-year financial plan developed jointly by Service Manager and housing provider to address how:
 - Providers' revenues will meet expenditures, including projected capital expenditures
 - Unit rents/housing charges in the housing project will be set
- Service Managers may provide additional funding
- Must specify a target or range of units that will receive RGI or an alternate form of assistance
- Must continue to fill RGI units through the Service Manager's subsidized housing wait list based on existing rules

3.2 FINANCIAL PLANS

A five-year financial plan is a key component of the service agreement. Rather than a set funding formula, funding arrangements will be set through the financial plan developed jointly by the Service Manager and individual housing providers. This approach provides flexibility to better meet housing providers' individual operational and capital repair needs, without over or under funding. Financial plans will help ensure funding will support tenants and members and sustain the asset over the term of the service agreement. The City of Peterborough will work to provide the right level of funding based on individual needs and available tax levy budget.

Financial plans will consolidate all funding sources and expenditures to demonstrate how the housing provider's total revenues will cover expenses. Financial plans will also address how unit rents will be set. Financial plans must be reviewed every five years.

As a service agreement is developed, housing providers will work with the City of Peterborough to jointly develop their financial plan. The City of Peterborough is committed to ensuring housing providers are sustainable over the long-term and have appropriate funding to support their operational and capital repair needs.

4. OVERVIEW OF SERVICE AGREEMENT PROCESS

The City of Peterborough will work closely with each housing provider as they reach the end of their mortgage to execute a service agreement, which will include a tailored financial plan. An overview of the process to reach a service agreement is outlined below.



5. PREPARING FOR SERVICE AGREEMENTS

For the City of Peterborough as Service Manager for the City and County of Peterborough, transitioning to service agreements means a focus on the sustainability of the overall community housing system and supporting housing providers' individual needs. This includes ensuring effective ongoing operations, strong asset management, and long-term financial viability to support residents now and in the future.

For housing providers, transitioning to a service agreement presents the opportunity to reflect on the needs and goals of the organization. It is an opportunity to take stock of what is most important, what is working well or needs additional support, and how the City of Peterborough can help. To support readiness for transitioning to a service agreement, the City of Peterborough encourages housing providers to consider the following:

- Strategic planning, including vision, priorities and short and long-term goals of the organization
- Governance and organizational needs
- Financial sustainability
- Asset management
- Operational needs, including the needs of tenants and members
- Supports and resources needed from the City of Peterborough for the above areas

5.1 STRATEGIC PLANNING AND VISIONING

Housing providers have varying needs, goals and objectives for their organization. To ensure service agreements support these individual needs, it is critical that housing providers have a strong understanding of their short- and long-term goals.

The system is undergoing transformational change, which will require significant planning. Housing providers are encouraged to have a conversation with the Service Manager to discuss Capital Plans. The City of Peterborough will continue to keep housing providers informed of calls for applications.

These questions provide a starting point for housing providers to review or develop their mission and vision to help guide strategic planning. Additional tools, including a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and reflection template, are provided in the Appendices to further support strategic planning.

- What is most important to your organization as a community housing provider?
- What do you see for the future of your organization?
- What are your short- and long-term goals as a community housing provider?

5.2 GOVERNANCE AND ORGANIZATIONAL NEEDS

Managing a successful non-profit or co-operative housing corporation requires knowledge in many areas including finance, property management, asset management, tenant and member relations and strategic governance. Boards of Directors are responsible for ensuring the organization's resources are properly managed and the housing provider fulfils its responsibilities according to relevant legislation, agreements, Articles of Incorporation or Letters Patent and any established bylaws. In carrying out these duties, the Board is ultimately accountable to the housing provider's stakeholders including its tenants, members, and The City of Peterborough in its role as service manager.

- What is working well with your governance and organizational management, and what might need improvement?
- What skills or knowledge is needed to support the organization now and in the future?
- Does the organization have an effective succession strategy to plan for and fill vacant Board positions?

To move the organization forward through this transformational system change, housing providers are encouraged to consider the skills, knowledge, and competencies necessary to meet their responsibilities. Boards should have a training plan that builds director capacity, clearly defines roles and responsibilities, fosters accountability, and prioritizes areas of concern, as well as a succession strategy to plan for the future.

These questions can help inform organizational planning.

5.3 FINANCIAL SUSTAINABILITY

To support financial planning for service agreements, Boards should be knowledgeable about the financial position of the organization. This includes operational and capital viability. Operational viability means that providers have enough revenue to cover expenses and set some funds aside for future needs. Capital viability means that reserve funds and planned contributions are available to cover anticipated capital expenses.

The end of a mortgage represents a significant reduction in operating expenses. This means that operational needs may change. It is important for Boards to consider any new pressures that may impact overall financial sustainability.

Boards should also have an understanding of the organization's non-profit and tax-exempt status. The organization's non-profit status is based on its Articles of Incorporation or Letters Patent documents and its established mandate as a community housing provider. Changes to incorporation documents or activities may affect the organization's non-profit and tax-exempt status, impacting financial sustainability.

These questions can help inform financial planning.

- Does the current financial position align with the organization's vision and goals?
- Does the organization anticipate any operational pressures?
- Are resources needed to address these pressures?

5.4 ASSET MANAGEMENT

Creating a capital plan is one of the duties of the housing provider's Board of Directors. The capital plan establishes priorities in maintaining and repairing the building, facilities, and equipment, and allows Boards to make informed decisions about funding opportunities that may be available. Understanding capital needs means providers can ensure that asset remains in a good state of repair, and a robust preventative maintenance plan will help extend the lifespan of assets and avoid costly unplanned repairs.

- Which capital repair needs should be prioritized over the next five years?
- Does the organization have an effective preventative maintenance plan?

Building Condition Assessments (BCAs) identify the life cycle of building components and provide recommendations for repairs or replacements, as well as estimated costs and timelines. Boards are encouraged to leverage their BCAs and Asset Planner software provided by the City of Peterborough to support the capital planning process. Training opportunities to support capital planning can be provided by the City of Peterborough.

These questions can help inform capital planning.

5.5 OPERATIONAL NEEDS

As housing providers transition to service agreements, it is important to consider operational needs. This includes property management functions, administration of RGI assistance and market units, implementation of internal policies and processes, supports to tenants and members, and more. Boards must ensure appropriate staffing is in place to complete regular tasks and manage day-to-day operations, as well as establish a monitoring system that evaluates processes and performance. Operational tasks may be completed by internal staff, or through a property management company hired to perform the appropriate duties.

- How are day-to-day operations managed? What is working well and what might need improvement?
- Are any additional programs or services needed to support tenants and members?
- Is the organization meeting or below its RGI target?

In addition to property management functions, it is also important to consider the needs of tenants and members. This may include considering any additional supports or services needed to help tenants and members have successful tenancies.

These questions can help inform operational planning.

6. NEXT STEPS

This guide is intended to provide a starting point to help housing providers prepare for the end of their mortgage and transition to service agreements.

For housing providers reaching the end of their mortgage over the short-term, the City of Peterborough is scheduling 1:1 consultation to discuss the provider's vision, goals, priorities, and operational and financial needs. Housing providers are encouraged to reflect on the questions and tools in this guide to prepare for this consultation and inform discussions regarding financial plans.

The City of Peterborough is committed to executing service agreements and financial plans with housing providers that support their unique operational and capital needs.

7. CONTACT INFORMATION

If you have any questions, please contact your Program Coordinator:

- **Jeeniraj (JJ) Thevasagayam, Housing Manager**
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705-748-8830,3264
- **Katie Hawley, Housing and Homelessness Program Specialist**
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705-748-8830,3206
- **Casey Bradfield, Housing and Homelessness Program Specialist**
cbradfield@peterborough.ca
705-748-8830,3265

APPENDIX A: SWOT ANALYSIS TOOL

A SWOT Analysis is a helpful tool to consider and evaluate the organization's strengths, weaknesses, opportunities and threats as it prepares for the end of its mortgage and transitions to a service agreement with the City of Peterborough. This tool can be completed with consideration to the areas outlined in this guide, as well as any other needs of the organization:

- Strategic planning, including vision, priorities and short and long-term goals of the organization
- Governance and organizational needs, including succession planning
- Financial sustainability and asset management
- Operational needs, including the needs of tenants and members

<p style="text-align: center;">Strengths</p> <p style="text-align: center;"><i>What is working well, organizational advantages, key resources and assets, etc.</i></p>	<p style="text-align: center;">Weaknesses</p> <p style="text-align: center;"><i>What can be improved, resource limitations, etc.</i></p>
<p style="text-align: center;">Opportunities</p> <p style="text-align: center;"><i>Ways to apply advantages, support tenants/ members, use of assets, etc.</i></p>	<p style="text-align: center;">Threats</p> <p style="text-align: center;"><i>Areas of risk posing challenges to any aspect of the organization or its assets, etc.</i></p>

APPENDIX B: REFLECTION TOOL

This reflection tool can help identify any gaps and priorities the organization should focus on to support its long-term vision and goals, using the prompting questions outlined in this guide.

Guide Questions	Gaps <i>What gaps exist? What do we need to work on?</i>	Priorities <i>What are our top priorities to address the identified gaps?</i>	Key Actions and Resources <i>What actions will we take to advance the priorities? What resources are needed?</i>	Timelines <i>When might the actions be completed?</i>
Strategic Planning and Visioning				
<ul style="list-style-type: none"> • What is most important to our organization as a community housing provider? • What do we see for the future of our organization? • What are our short- and long-term goals as a community housing provider? 				
Governance and Organizational Needs				
<ul style="list-style-type: none"> • What is working well with our governance and organizational management, and what might need improvement? • What skills or knowledge is needed to support our organization now and in the future? • Does our organization have an effective succession strategy to plan for and fill vacant Board positions? 				

Guide Questions	Gaps <i>What gaps exist? What do we need to work on?</i>	Priorities <i>What are our top priorities to address the identified gaps?</i>	Key Actions and Resources <i>What actions will we take to advance the priorities? What resources are needed?</i>	Timelines <i>When might the actions be completed?</i>
Financial Sustainability				
<ul style="list-style-type: none"> Does the current financial position align with our organization's vision and goals? Do we anticipate any operational pressures? Are resources needed to address these pressures? 				
Asset Management				
<ul style="list-style-type: none"> Which capital repair needs should be prioritized over the next five years? Does our organization have an effective preventative maintenance plan? 				
Operational Needs				
<ul style="list-style-type: none"> How are day-to-day operations managed? What is working well and what might need improvement? Are any additional programs or services needed to support tenants and members? Is our organization meeting or below its RGI target? 				