The City of Greater Sudbury

EOA and Legislative Requirements

Background Report

N. BARRY LYON CONSULTANTS LIMITED

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EOA and Legislative Requirements Background Report

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1.0 Introduction

N. Barry Lyon Consultants Limited has been retained by the City of Greater Sudbury (CGS) to develop a Social Housing Portfolio Revitalization Plan, which aims to develop a range of strategies designed to regenerate and optimize the aging social housing stock. As the first step of the revitalization plan, this background report provides an overview of the legislative framework governing social housing projects in Ontario, the factors that could impact current funding and administrative obligations, as well as other considerations that could impact revitalization efforts.

The City of Greater Sudbury has a total of 4,738 affordable housing units within its funding and administration envelope. These units were developed under a wide range of legacy social housing programs led by the federal and/or provincial government. Projects developed under each program varies widely in terms of their funding source and mechanisms, level of subsidy committed, housing providers, target tenants, and depth of affordability. When they were initially developed, operating agreements were signed between the housing providers and the funding agency (i.e. the federal or provincial governments) that outlined the funding and subsidy commitments, as well as the conditions and obligations that must be fulfilled by the housing providers. These agreements are set with an expiry date, which are typically tied to the terms of the original financing vehicles, ranging from 35-year private mortgages to 50-year debentures.

Subsidy commitments from senior levels of government were designed to terminate in conjunction with the expiry of debentures/mortgages at the end of operating agreements (EOA). However, since the 1990s there have been major changes to the social housing legislative environment, resulting in significant impacts on funding sources and responsibilities of the different parties involved. These impacts depend on the legacy social housing programs under which projects were developed originally, and some of those impacts are expected to extend beyond the discharge of the original debentures/mortgages of the projects. These factors could all have a bearing on the revitalization potential of individual projects.

With the purpose of establishing an understanding of the legislative framework that regulates the existing social housing stock, the potential impacts of EOA, and any resulting challenges/opportunities relating to revitalization efforts, the report has been structured as follows:

Section 2.0: Review of legacy programs that delivered social housing supply in Ontario

Section 3.0: Summary of the Social Housing Portfolio of the City of Greater Sudbury

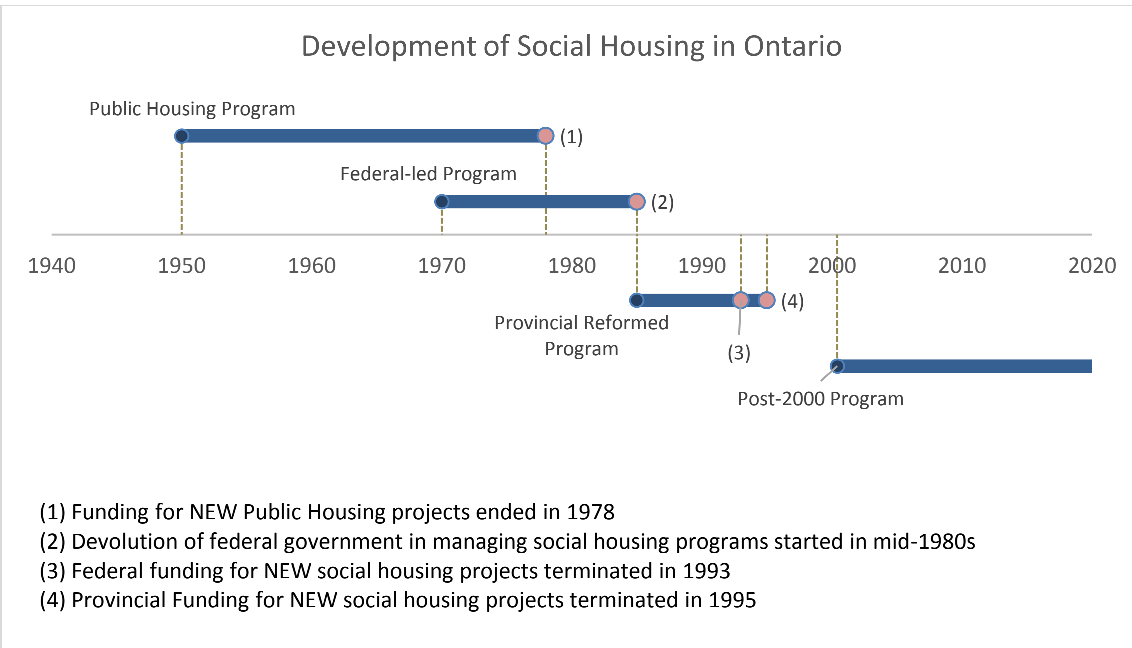
Section 4.0: Review of current legislative framework that governs social housing projects

Section 5.0: Discussion on the impact of the expiry of agreements and existing legislation framework on revitalization efforts

2.0 Background of Social Housing Developments

The four decades following the end of the Second World War was the golden era for social housing construction across Canada, stimulated by various funding programs offered by senior levels of government. These programs had different objectives and varied greatly in terms of financing tools, the depth of affordability targeted, subsidy mechanisms and lengths, as well as program requirements that housing providers must fulfill. The following section provides a brief history of the social housing development in Canada and Ontario, with the purpose of introducing these funding programs, as well as the key players and legislation related to the creation, administration, and operation of the social housing projects. **Figure 1** shows a brief timeline of housing programs offered at different stages. **Table 1**, at the end of this section, summarizes key information in the following discussion.

Figure 1 – Social Housing Development Timeline



2.1 Public Housing Era (1950-1973)

In early postwar years, the federal government played a dominant role in housing policy. The 1949 amendment to the National Housing Act (NHA) created a small public housing program that provided capital financing and operating subsidies, each shared 75/25 by the federal and provincial governments respectively. In the following decade, propelled by an economic boom and social welfare movement, the federal government furthered its investments in social housing through the 1964 amendments to the NHA, which authorized CMHC to offer loans up to 90% of the capital costs, plus 50% of the operating costs for up to 50 years. The increased federal investments in housing had significant uptake from the provinces. Provincial housing corporations were created at that time to efficiently deliver and manage social housing projects. With the initial intention of meeting the housing requirements of those in the greatest need, social housing stock created in this period are 100% Rent-Geared-to-Income (RGI) units, and are generally referred to as the "Public Housing" program. Starting in 1973, social housing construction in Canada was shifted from public housing to non-profit/co-operative housing models, and in 1978 programs to fund new public housing was terminated.

2.2 Federal-Led Program Era (1973-1985)

Starting in the early 1970s, with further amendments to the NHA, a new funding model was introduced to encourage the participation of more housing providers. Since this time, new social housing created across the country has largely been in the following two categories:

- Non-profit Housing: initiated, operated, and owned by sponsor groups such as municipalities, church organizations, and ethnic groups under a variety of federal and provincial programs.
- Co-operative Housing: built under a variety of federal and provincial programs. Owned and operated by their occupant members.

To assist the construction of non-profit and co-operative projects, The Central Mortgage and Housing Corporation (CMHC)[1] offered various financing programs (referred to as "federal-led programs" in this report) in the 1970s under different sections of the NHA (see **Table 1**). The federal-led programs in the early 1970s typically offered favourable loans that covered 100% of the project capital costs with no ongoing annual subsidy. The late 1970s programs featured guaranteed mortgages through private lenders, with an annual 2% interest rate write-down subsidy[2].

Although most federal-led projects do not receive an operating subsidy, there are two subcategories of federal-led programs that are offered operating assistance in addition to the 2% write-down payment:

- Urban Native Programs - In 1983, CMHC introduced the Urban Native Additional Assistance (UNAA) to cover the gap between the 2% write-down subsidy and additional eligible operating costs.
- Municipal Non-Profit Programs – these projects are subsidized based on an indexed revenue / cost, or actual revenue / cost, whichever is less.

In the 1970s, the provinces began increasing their role in social housing through funding add-ons to the federal-led programs. In 1973, a rent supplement program was introduced to offer assistance to low-income tenants of selected private and non-profit rental buildings. These programs offer subsidies to landlords who accommodate RGI tenants by bridging the gap between approved

[1] Changed to Canada Mortgage and Housing Corporation in 1979.
[2] In the late 1970s model CMHC offered a 2% interest rate write-down which means subsidies are offered to cover the difference between the mortgage interest rates in the market and a hypothetical 2% interest rate. This funding formula had significant fiscal impact later due to high market interest rates in the 1980s and in part contributed to the withdrawal of federal government on funding new housing in mid-1980s.

market rent and the RGI rent paid by tenant. The subsidies of rent supplement programs offered in the 1970s are typically cost-shared by the federal and provincial governments.

Compared to Public Housing, which exclusively supplied RGI units, non-profit and co-op housing developed under the Federal-led Programs generally have a mix of tenants paying (lower) market rents and RGI (mostly through rent supplements).

2.3 Provincial Reformed Program Era and Devolution (1986-1995)

The devolution of managing programs for social housing by the federal government started in the mid-1980s, although they retained policy making and cost-sharing responsibilities as well as continued financial participation in provincial led programs. In response to the federal pull back, the Ontario government assumed a larger role in social housing development and took up the responsibility of direct program delivery. Social housing programs introduced after 1985 were typically led by the provincial government, and hence were later referred to as the Provincial Reformed Programs. These programs largely follow two streams:

- Federal-Provincial Non-Profit & Co-op programs where subsidies are cost-shared 60/40 between federal and provincial governments. Subsidies typically cover the difference between rent revenues and operating costs.
- In addition to the programs funded in partnership with the federal government, Ontario funded some large unilateral programs without federal cost-sharing post 1985. These provincial unilateral programs include Homes Now, Jobs Ontario, P-3000, P3600, P-10,000, as well as rent supplement programs.

A key difference between the pre-1986 Federal-led programs and post-1985 Provincial Reformed programs is the level of affordability they target:

- Pre-1986 Federal-led programs target moderate income households and low end market rents. The proportion of RGI units in these programs are usually small (except when rent supplements are stacked), and projects are generally more self-sustaining.
- Post-1985 Provincial Reformed programs target low-income households and many of them have a minimum RGI target. In Sudbury, the proportion of RGI units in Provincial Reformed projects is around 78%. As a result, projects are more reliant on operating subsidies.

Aside from its participation in the Provincial Reformed programs, the federal government continued to fund the Urban Native Programs post 1985, offering a subsidy to cover the gap between the tenant revenue and eligible operating costs.

Additionally, the federal government also funded a trial co-operative housing program in the post-1985 era. These projects are also referred to as the Index Linked Mortgage (ILM) programs after its funding model. These federal co-op projects are some of the few social housing programs that are still directly administered and funded by the federal agencies today.

Leading up to the 1990s, the federal government faced additional new commitments each year with the annual housing budget reaching $2.0 billion by 1993. In efforts to manage federal debt (1993), a cap was placed on the federal housing budget to not exceed $2.0 billion, which significantly restricted the ability to pursue new housing commitments. While the budget papers explained the potential for new projects through savings and efficiencies, there was a condition that any new activities do not entail long term commitments. Shortly after the 1995 provincial election, provincial funding for new social housing development was also terminated.

In late 1990s, the federal government entered into Social Housing Agreements (SHA) with most provinces[3] and transferred administrative[4] responsibilities of social housing to provinces and territories, with the exception of federal-funded co-operative housing (ILM program) and on-reserve housing portfolio in all provinces. Under the SHA, the cost-sharing arrangements between the two levels of governments were terminated. The provinces assumed all of CMHC's financial obligations to social housing, with an annual block funding of a pre-determined amount from the federal government until the prescribed Funding Expiration Date set out in the agreement. As federally funded projects have started to reach their funding expiration date, the federal block funding has been phasing out and will eventually cease in 2033. This is referred to as the end of operating agreement (EOA)[5] in this report.

In December 2000, Ontario passed the Social Housing Reform Act (SHRA), which downloaded the responsibly for both administration and ongoing funding of the social housing programs to 47 designated Service Managers (SMs). These SMs include municipalities and district social services administration boards. Operating agreements where Ontario was a partner (i.e. the Public Housing programs and Provincial Reformed programs) were terminated and replaced by "operating framework" provisions in the SHRA. Operating agreements of the projects created under the Federal-led programs remain in place. In 2011, the SHRA was replaced by the Housing Services Act (HSA). The SHA and HSA are discussed in more detail in Section 4 of this report.

2.4 Post-2000 Programs

Post 2000, the re-engagement of the federal and provincial governments in social housing programs has mostly been through a series of short-term federal-provincial affordable housing programs. These programs are primarily targeting moderate income rather than low income households by requiring housing providers to offer affordable units for a period of time (e.g. 20 years), rather than RGI units. In 2006, the Ontario government introduced the Canada-Ontario Affordable Housing Program (AHP) in partnership with federal and municipal governments. Around $624 million was made available with the intention of creating more than 18,000 affordable housing units, primarily through the construction of new rental units, home ownership, and rent supplements to landlords.

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[3] All provinces entered into the Social Housing Agreement with CMHC except for Alberta, Quebec, and PEI.

[4] Program administration involves the management of the transfer payments system, ensuring housing providers adhere to program requirements, establishing operating policies and providing advice and guidance to housing providers.

[5] Or EOD (End of Debenture) for the public housing portfolio.

The current program is known as "CMHC-Ontario Agreement for Investment in Affordable Housing" (IAH). The IAH program offered $480 million between 2011 and 2014 to fund new affordable housing, and has been extended in 2015 for another five years with over $800 million of new funding. Similar to the earlier AHP program, the IAH program typically offers components including affordable ownership, home repairs/renovations, new rental construction, and rent supplement / housing allowance. The new rental component of this funding is provided through a forgivable capital loan (up to $150,000 per unit). In exchange, projects are required to have rents averaged at or below 80% average market rent (AMR).

CMHC is also currently offering the "Rental Construction Financing Initiative", which provides low-cost loans to encourage the construction of rental housing across Canada. The initiative has a total of $2.5 billion in available loans between 2017 and 2021, with loans made available to municipalities, non-profit housing providers, and private sector developers. Lower interest loans are offered for a term of 10-years at a fixed rate, with an amortization period of up to 50 years, a loan to cost ratio of up to 100%, and a minimum debt coverage ratio of 1.10. The program requires a project to meet a variety of tests and other requirements, one of which is the supply of affordable housing.

Table 1

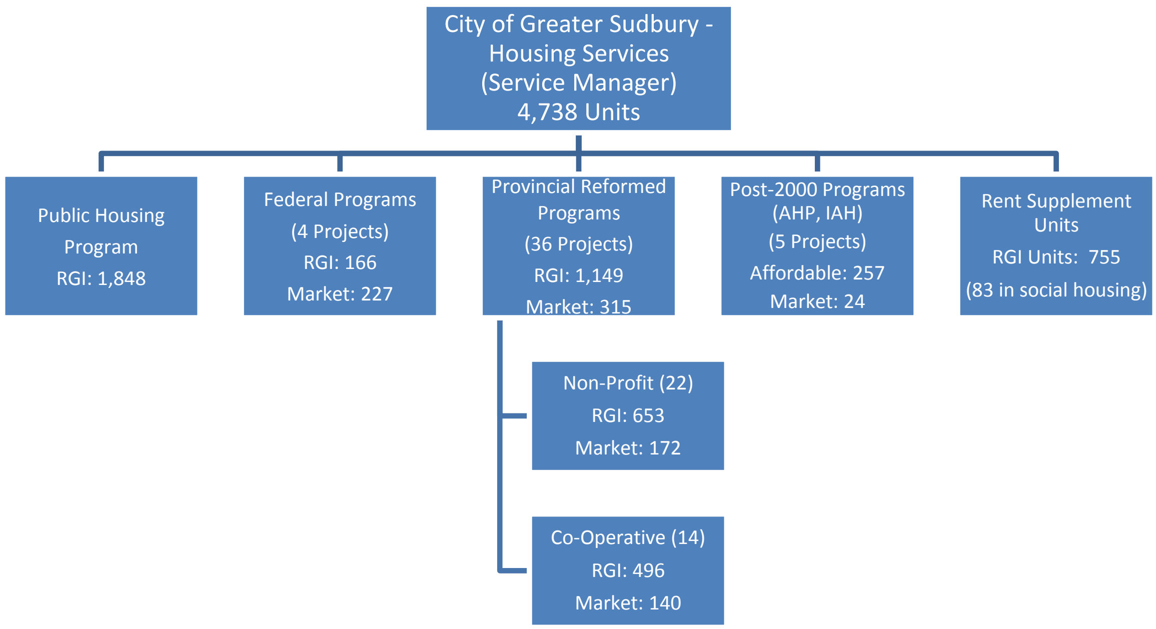
Summary of Canadian Social Housing Built 1949-1996 – Key Features of Major Programs							
Program (Project Start Date)							
	Public Housing Program		**Federal-Led Programs**			**Provincial Reformed Programs**	
	Public Housing (1949-1963)	**Public Housing (1964-1978)**	**Non-Profit & Co-op (1974-1978)**	**Non-Profit & Co-op (1979-1985)**	**Federal Co-op (1986-1993)[1]**	**Federal-Provincial Non-Profit & Co-op 1986-1993**	**Ont. Provincial Unilateral (1987 onwards)**
Also Known as	-	-	s.26 & 27 Non-profit / Co-op, s.61[2], include "Limited Dividend"	s.95 (incl. "MNP" munic. non-profit); 2% write-down program	ILM (Index Linked Mortgage) Programs	F/P; s.95 (post-1985)	Homes Now, Jobs Ontario, P-3000, P3600, P-10,000
						"Part VII projects" under HSA	
Current Owner	Local Housing Corporations		Non-profit/Co-op Housing Providers		Co-op	Non-profit/Co-op Housing Providers	
Administration	Service Manager	Service Manager	Service Manager	Service Manager	The Agency for Cooperative Housing (Fed)	Service Manager	
Operating Agreement	In Stakeholder Declaration		Original OAs in place		Original OAs	OAs replaced by provisions in HSA, there might be supplementary agreements with providers	
Capital Financing	75% CMHC loan 25% provincial, fixed rate, 50-60 years debenture	90% CMHC loan 10% provincial, fixed rate, 50-60 years debenture	10% CMHC grant, 90% CMHC loan, fixed rate, 50-years mortgage	Private mortgage, CMHC guarantee, 35 years terms	Private mortgage, CMHC guarantee, 35 years terms, special formula	Private mortgage, CMHC guarantee, 35 year-terms	Private mortgage with CMHC guarantee, 35 year-terms
% RGI	100% by 1968	100%	Usually 25%	Usually 25%-40% (40%-60% if munic.)	Usually 40%	Varied by project; norms were 80% in Ontario	
Operating Subsidy Arrangement[3]	75% federal, 25% provincial[4]	50% federal, 50% provincial[4]	No operating/rent subsidy, mostly rent supplement subsidy only	Federal subsidy: 2% interest rate write-down + UNAA[5] (Urban Native projects ONLY)+ related provincial subsidy[4]	Federal subsidy tied to special mortgage formula	60% federal subsidy on Core Need units (=most RGI), rest of subsidy provincial[3]	Ongoing operating subsidy, 100% provincial[4]
Funding of RGI Subsidy	RGI is part of overall operating subsidy provided based on SM funding formula and Ministry of Housing cost factors.		Stacked rent supplement; usually cost shared 50%/50% federal-provincial	Some RGI within s.95 programs; some stacked rent supp., usually cost shared 50%/50% federal-provincial	Federal ILM rent supplement	RGI is part of operating subsidy for difference between rents & approved costs	varied
Capital Repairs	No reserve funds. Major repairs are included in annual operating budget or special funding		Capital reserve funds, with annual contribution (rarely adequate for long term)				

1. Federal co-op projects are the only portfolio in this table that is still administered and funded by federal agency. Others have been transferred to the province and further to municipalities in Ontario.
2. s.26, 27, 61, 95 refer to sections of National Housing Act under which the funding model was created;
3. Original cost share is shown – federal subsidy share is declining in recent years under the SHA;
4. Provincial subsidy became a municipal responsibility in Ontario; provincial housing stock in Ontario are now owned by local housing corporations.
5. UNAA=Urban Native Additional Assistance, which is offered to Pre-1986 Urban Native projects only. It bridges the gap between operating cost and revenue.
Source: Sutter, Greg (2016) Canadian Social Housing: Policy Evolution and Program Periods

3.0 The City of Greater Sudbury Social Housing Portfolio

The City of Greater Sudbury (CGS) currently has 4,906 units within its funding and administrative envelope. These projects were built at different times and under various funding programs that were offered by the federal and/or provincial governments since the late 1940's. **Figure 1** provides a breakdown of the City's social housing portfolio by their funding program, and the points below summarize the characteristics of each program.

Figure 2 – City of Greater Sudbury Social Housing Portfolio



Source: City of Greater Sudbury

- There are 1,848 units created under the **public housing programs**.
  - These units are 100% rent-geared-to-income (RGI) units.
  - They are now owned and managed by the Greater Sudbury Housing Corporation. The City of Greater Sudbury Council is the sole shareholder of the housing corporation.
  - They are currently funded with both federal and municipal subsidies.
- There are 393 units within four projects created under the **Federal-led programs**.
  - In this portfolio, 227 units have low-end market (LEM) rental rates, while 166 units are RGI. Within the 166 RGI units, about half are rent supplement units (to be discussed later).
  - These projects are administered by the CGS but are owned and operated by non-profit housing providers.

- Federal-led projects are primarily funded with federal dollars, until their operating agreements with the federal government expire. At this time both the debt and corresponding subsidy will also expire. Among the Federal-led projects:
  - Municipal Non-Profit projects established under Federal-led programs (e.g. Gorham's Court in Dowling) has a funding formula that covers its operating expenses. Subsidy for these projects are largely covered by the City, with a small portion from federal block funding.
  - Urban Native projects established under the Federal-led programs receives additional subsidy from CMHC's Urban Native Additional Assistance, in addition to the 2% write-down mortgage subsidy.
  - Private federal-led projects either have no operating assistance or receive an annual mortgage subsidy based on the 2% interest rate write-down formula where applicable.

- There are 1,461 units within 36 projects created under the provincial-led programs, commonly referred as the **"Provincial Reformed" programs**.
  - This portfolio contains a large number of RGI units (1,149 units), but also contains a small number of market units (312 units).
  - These projects are also administered by the CGS but are owned and operated by non-profit or co-operative housing providers.
  - Some of these projects were created under federal-provincial programs, and their subsidies are currently covered by both federal and municipal dollars. Other projects were created under provincial unilateral programs, and their subsidies are currently covered by municipal dollars.
- **The post-2000 programs** consist of five projects with 281 units in total.
  - This portfolio includes 257 affordable units (80% Average Market Rents) and 24 market rent units.
  - These projects are developed and operated by non-profit, co-operative, and private for-profit housing providers.
  - These projects received an upfront capital subsidy to offset construction costs, but do not receive an ongoing annual subsidy.
  - With the above said, one of the five post-2000 projects, Raiffeisen Non Profit, have 35 units stacked with a rent supplement agreement.
- The CGS also has 755 units under various **Rent Supplement Programs**.
  - Of the 755 rent supplement units, 125 are within social housing projects of which 90 are in Federal-led projects. The remaining are with private landlords.

- Rent supplements are offered to landlords who house tenants from the City's RGI waiting list.
- The subsidy is equal to the difference between market rents and the RGI rent paid by the tenant.
- There are many rent supplement programs created by different levels of government, as such funding for these units are from all three levels of government.

When these projects were first developed, operating agreements were signed that outlined the public funding mechanisms and the responsibilities of the housing providers. Given the impending expiry of these agreements, the following sections will focus on the potential impacts of EOA as well as the legislative environment that shapes the future of these projects.

4.0 Legislative Framework

4.1 Canada-Ontario Social Housing Agreement (1999)

As was noted in Section 2.0 of this report, the Canada-Ontario Social Housing Agreement (SHA) was signed in 1999. A major change brought forward by the SHA is that it transfers the management and administrative responsibility of most social housing units[6] to the Province. The agreement also specifies the authorities and responsibilities of both sides (MMAH and CMHC), and some of those provisions could have implications on revitalization efforts of social housing projects. The following points summarize the highlights of the SHA:

- It replaces all pre-existing social housing agreements between the federal and provincial governments with one single agreement;
- It replaces cost-sharing arrangements with a pre-determined federal funding schedule. Under the SHA, Ontario will receive social housing funding directly from the Government of Canada every year for the remaining term of each project in the portfolio. Ontario will then deduct debenture payments and pass on the balance to each municipal Service Manager. This funding is declining gradually as the mortgages of federally funded projects mature, and it is expected to cease in 2033 under the current provision of the SHA.
- The SHA allows Ontario the flexibility to transfer administrative responsibility for social housing to municipalities.
- Section 8(g) of the SHA allows CMHC to request a "net share of gain" upon the removal of the housing programs (i.e. when a social housing project is transferred/sold) that still has a CMHC loan in place. This payment is now expected to be the responsibility of the Service Managers, as the housing projects have been transferred to them from the province.
    - This would not apply to projects with an expired operating agreement.
    - Notwithstanding the above, CMHC has, on occasion, waived this requirement where projects have been removed from the portfolio for the purpose of (re)developing new affordable housing.
- Section 9(d) of the SHA speaks to "CMHC Loans and Loan Insurance" and provides that Ontario shall indemnify and reimburse CMHC for losses, costs, and expenses relating to the social housing mortgages. This clause has been considered a potential hurdle to housing providers that are considering refinancing their buildings, as it could create liabilities for the province or Service Managers to compensate CMHC for any costs arising from the default of housing providers.

[6] The only exceptions are on-reserve aboriginal housing and projects under the federal co-operative programs, which are still directly administered by CMHC.

- When considering refinancing/prepayment of SHA projects, a general rule is to time any change to a mortgage with the renewal to avoid paying a prepayment penalty. However, each SHA mortgage and project is different.

4.2 Housing Services Act (2011)

With the authority granted by the SHA, Ontario passed the Social Housing Reform Act (SHRA) in December 2000 that downloaded responsibilities for social housing administration and funding to municipal Service Managers (SMs). This download included almost all of the housing stock transferred from the federal government under the SHA[7], provincial unilateral programs, as well as rent supplement programs. The only housing programs that are not downloaded to the SMs are Rural and Native Housing and dedicated supportive housing[8]. Another pivotal change brought forward by the SHRA is that it replaced the operating agreements for Public Housing projects and Provincial Reformed projects with the "Operating Framework" section within SHRA. The transferred Federal-led programs and rent supplement units, on the other hand, have their original agreements in place, although their administration responsibility has been transferred to SMs.

As noted in Section 3.0, the SHRA was replaced by the Housing Services Act (HSA) in 2011. Under the HSA, key obligations of SMs include:

- Develop of a 10-year Housing & Homelessness Plan;
- Administer and fund transferred programs in accordance with the HSA or pre-reform operating agreements;
- Maintain a minimum number of RGI and special needs units in their services areas, referred as the Service Level Standards; and,
- Manage a centralized waiting list for people applying for RGI units.

Some of these key obligations, along with other provisions from the HSA and the related regulations could have implications on revitalization efforts. The following sections offer a detailed discussion of those provisions.

4.2.1 Funding Obligation

Every year, the federal block funding is provided to the province, which is then passed on to the Service Managers after debenture payments have been deducted. Supposedly, the federal block funding would account for the following programs:

- Public housing program (the federal's share of RGI subsidy);
- Certain rent supplement programs (where federal is a cost-share party);

[7] This includes the entire public housing portfolio, section 26, 26 and section 95 federal-led programs, and federal-provincial non-profit/co-op projects within the provincial reformed programs.
[8] Dedicated supportive housing is administered by the Ministry of Health and Long-Term Care and Ministry of Community and Social Services.

- Transferred federal-led non-profit/co-op programs where federal operating subsidy is committed (i.e. the 2% interest rate write-down subsidy); and,
- Federal-provincial projects within the Provincial Reformed projects.

Under the HSA, the SMs are required to administer and fund social housing projects transferred to them from the province. The HSA categorizes the transferred programs in Regulation 367/11 and the funding obligations vary depending on the categories. **Table 2**, to follow, builds upon **Table 1** in Section 2.0[9] and identifies the transferred programs, their category as per Regulation 367/11, and SMs' legislated funding obligations which is summarized below:

- **Public Housing:** SMs are required to provide "sufficient funding" to the local housing corporation to maintain these projects "in a satisfactory state of repair and fit for occupancy". The HSA is silent on the end date of this funding obligation.
    - We understand that in Sudbury, a funding formula has been created by the City that provides annual subsidies relating to operational, capital, and rent supplements. The City identified appropriate benchmarks for various budget categories by assessing relevant case studies in Ontario, which are then inflated using the relevant indices released by the Ministry of Housing and others. If a surplus is achieved in a given year, a reserve is funded. However, if an operation or capital shortfall is experienced, the City is required to assist the housing corporation given the "sufficient funding" requirement.
        - In event of an operating shortfall in a given budget category (e.g. utilities), the GSHC could submit a business case for an increase. If the business case is approved, it will be incorporated into the benchmarking moving forward.
- **Provincial Reformed Programs:** SMs are required to fund based on the prescribed formula in the HSA, and the Act is silent on the end date of this funding obligation. There are two types of formulas prescribed for the Provincial Reformed projects:
    - For most of the Provincial Reformed projects, the funding formula can be generally described as the sum of indexed benchmark operating cost[10], shelter mortgage cost, RGI subsidy, and property tax payable, and subtracted by indexed benchmark revenue and 50% of the provider's surplus (if any).
    - For certain Provincial Reformed projects the funding formula is different. In the City of Greater Sudbury, projects owned by Habitat Boreal Inc. and Sudbury Y.W.C.A. Brookwood Apartments fall into this category. For these projects, the funding formula could be described as the sum of indexed benchmark operating cost,

[9] Note that the federal Co-op (1986-1993) in Table 1 has been removed since this program was never transferred to the province/SM.

[10] Index Benchmark Operating Cost is determined using previous year's indexed bench mark costs and Ontario Consumer Price Index. Operating cost includes administration and maintenance, bad debt, electricity, water, natural gas, oil and other fuel, and capital reserves.

shelter mortgage cost, and property tax payable, and subtracted by provider's revenue and 50% of the provider's surplus (if any).

  - We understand that in Sudbury when operating shortfall occurs, housing providers are required to submit a deficit reduction plan to the City; whereas when a capital shortfall occurs, housing providers could submit a formal business case for additional capital funds. The City could either approve the business case or suggest alternative strategies.

- **Transferred Federal-led Programs:** SMs are required to allocate federal funding to these housing providers and make up the difference between the federal funding and funding commitments in the original operating agreements. Federal funding and SM's funding obligation for these projects will cease upon the expiry of the original agreements.
- **Transferred Rent Supplement Programs:** SMs are required to allocate federal funding to individual projects and provide additional funding to make up the difference between the federal funding and funding commitments in the rent supplement agreements. Federal funding for these projects will cease upon the expiry of the original agreements. However, SMs are likely to continue the funding of the transferred rent supplement program as they are tied to SMs' service level standards. This is further discussed in the section to follow.

4.2.2 Service Level Standards

Under the HSA (2011), the SMs are required to maintain a minimum number of RGI units within the prescribed housing programs in their Service Areas. This is referred to as the minimum service level standards (SLS). Within the SLS required for a Service Area, the HSA further prescribes the minimum number of RGI units required for high need households, as defined by the Act, and the minimum number of modified units[11] within a service area. The SLS in a Service Area is typically based on the number of RGI units and modified units that were transferred from the Ontario government to SMs. The loss of RGI or modified social housing units in a particular project must be provided elsewhere within the Service Area.

Prescribed housing programs for the purpose of maintaining SLS include projects in the following programs:

- Public Housing Program (with program category numbers of 1(a) and 1(b));
- Provincial Reformed Programs (with program category numbers of 6(a) and 6(b)); and,
- Transferred Rent Supplement Programs (with program category numbers of 2(a) and 2(b)).

As previously noted, the HSA is silent on the end date of SMs' funding obligation for the public housing program and Provincial Reformed programs. However, the SLS will likely require that SMs continue to fund these projects to maintain the mandated supply of RGI units.

[11] Means a unit that has been modified so as to be accessible to an individual with a physical disability or so as to allow an individual with a physical disability to live independently.

Table 2

Summary of Service Manager Funding Obligations							
	Program (Project Start Date)						
			Federal-Led Programs		**Provincial Reformed Programs**		
	Public Housing (1949-1963)	**Public Housing (1964-1978)**	**Non-Profit & Co-op (1974-1978)**	**Non-Profit & Co-op (1979-1985)**	**Federal-Provincial Non-Profit & Co-op 1986-1993**	**Ont. Provincial Unilateral (1987 onwards)**	**Transferred Rent Supplement Programs**
Also Known as	-	-	s.26 & 27[1] Non-profit / Co-op, s.61[2], include "Limited Dividend"	s.95[1] (incl. "MNP" munic. non-profit); 2% write-down program	F/P; s.95[1] (post-1985)	Homes Now, Jobs Ontario, P-3000, P3600, P-10,000	-
					"Part VII projects" under HSA		
Operating Agreement (OA)	In HSA		Original OAs in place		OAs replaced by provisions in HSA, there might be supplementary agreements with providers		Original agreements in place
Category as per O. Reg. 367/11	1(a) and 1(b)		3 and 4	5, 6(c), 7, 8	6(a) and 6(b)		2(a) and 2(b)
RGI Units Included in SLS	Yes		No	No[2]	Yes		Yes
Funding Obligation	As per HSA (S.12 of O. Reg. 367/11), SMs are required to provide "sufficient funding" to local housing corporation to fund public housing. End date for funding unclear.		No subsidy unless stacked with rent supplement.	SMs receive Federal block funding, and allocate subsidy to providers based on original operating agreement. Funding obligation ceases upon EOA.	SMs receive Federal block funding (which supposedly covers federal's share in the Fed-Prov. Projects), and allocate subsidy to landlords based on the formula prescribed in HSA (O. Reg. 369/11). End date for funding unclear.		SMs receive Federal block funding, and allocate subsidy to landlords based on original agreement. Funding obligation ceases upon EOA.

1. s.26, 27, 61, 95 refers to sections of National Housing Act under which the funding model was created;
2. RGI units within the Municipal Non-Profit (MNP) program in Sudbury are counted towards SLS.

Source: Ontario Housing Services Act (2011), Sutter, Greg (2016) Canadian Social Housing: Policy Evolution and Program Periods

The transferred Federal-led programs (including Urban Native programs) are not prescribed in the SLS requirement. Upon the expiry of their operating agreements, federal funding for them will cease and the SMs are also under no legal obligations to fund them. That being said, most of these federal projects are stacked with rent supplement programs that are part of the SM's SLS obligation. Although the rent supplement units have the flexibility to be accommodated elsewhere (e.g. private rental units), keeping the rent supplement program within the federal projects, which offers lower end market rents, could result in savings for SMs. Moreover, it is generally the SM's intention to retain affordable housing stock within the service area, which is typically described in their Housing and Homelessness Plan. As such, SMs will likely have interests in keeping the federal projects viable after the expiry of their operating agreements.

The Ontario Regulation 367/11 under the HSA prescribes the SLS requirements for each of the 47 SMs. The City of Greater Sudbury, as the Service Manager, is required to maintain a minimum SLS of 3,603 RGI units. Of this total, 2,151 units are required for high needs households and 155 modified units are required. **Table 3** demonstrates the City's current service level. Of note, the City is 62 RGI units below the SLS. The provision for high need units currently exceeded the HSA requirement, but the provision for modified units is 45 units under the HSA requirement.

Table 3

RGI Counts in CGS Social Housing Projects Prescribed for SLS

Housing Program	Total #RGI Units	#High Need Units	#Modified Units
Public Housing Program	1,848	1,475	0
Provincial Reformed Program	1,074[1]	800	110
Legacy Rent Supplement Program	611	376	0
Municipal Non-Profit[2]	8	8	0
Total (City of Greater Sudbury)	**3,541**	**2,659**	**110**
SLS Requirement as per Housing Service Act	**3,603**	**2,151**	**110**

1. This RGI count reflects the number of units reported in 2017. The RGI count in Provincial Reformed projects fluctuates as a result of RGI tenants who choose to stay in their unit and pay market rent when their income increase above the income threshold for RGI units.
2. RGI units in Municipal Non-Profit (MNP) projects have been included in the SLS calculation although these projects were developed under "Federal-Led" Program. Nevertheless, the SM's funding obligation for these projects still sunsets upon the expiry of their operating agreement.
Source: City of Greater Sudbury

Service level standards can also impact revitalization efforts as the Service Manager must replace RGI units if a public housing project is redeveloped. However, the replacement of these units does not have to be "brick-and-mortar", offering rent supplements or portable housing allowance are also acceptable. This is an important consideration, especially if the sale or redevelopment of existing RGI assets is considered.

4.2.3 Restrictions on Title

Under the former SHRA, there could be title restrictions (i.e. "No Dealings" indicators) attached to certain properties that could inhibit the transfer of these properties. These restrictions are carried over through the HSA, as such a review of title registration for each project is necessary prior to any contemplation of revitalization.

4.2.4 Consent Requirements

Since its introduction in 2011, amendments to the HSA have been made to grant SMs the authority to make most decisions concerning the existing social housing stock within its Service Area that were formerly under the purview of the Minister. This has augmented the capacity and responsibility of SMs with respect to social housing matters.

Of particular importance, the authority to transfer/dispose of properties and (re)development of most housing projects or the land where it is located was recently downloaded to SMs from the MMAH in 2017. However, the following Ministerial Directive must be considered:

- The Service Manager shall ensure that: (a) residents of the housing projects are advised of, and consulted on, the proposed transfer, and (b) any identified adverse impacts on residents are appropriately mitigated.
- The Service Manager shall ensure that net financial proceeds generated from the transfer will be used to support the delivery of a transferred housing program or in furtherance of another housing-related purpose contemplated in the Service Manager's housing and homelessness plan.

Service Managers have also recently been granted the authority to give consent on mortgage renewal decisions that are locally appropriate. However, Ministerial Consent is still required for the transfers of projects developed under Provincial Reformed and Federal-led programs where the SM has obtained court appointment of a Receiver for the housing provider or where members of the housing provider's Board of Directors have been replaced by the SM. Should there be a dispute between SM and non-profit/co-operative housing providers, the Minister also functions as a third-party decision maker.

4.3 Housing Provider Operating Framework

All of the housing providers with projects that are under the administration of a SM are required to operate within the HSA. Other than the provisions within the HSA, each social housing provider has their objectives and mandates that establishes the foundation of their accountability and operating framework. The following subsection discusses the legal documents pertaining to the operation of housing providers.

- The largest social housing provider, the Greater Sudbury Housing Corporation (GSHC), was incorporated under the Ontario Business Corporation Act (BCA) on December 14, 2000, by the Province of Ontario with the City of Greater Sudbury as its sole shareholder. This creates an added accountability framework between the two parties that speaks more to corporate operations compared to the HSA.

- The Article of Incorporation is the legal documentation under the BCA that constitutes the guiding framework for the organization. It establishes the restrictions on business that the corporation may carry on or powers the corporation may exercise, as well as restrictions related to corporate shares. The Article of Incorporation also echoes the HSA on the consent requirements on corporate changes (e.g. amalgamation) and the transfers, financing, and disposition of real properties.
- The operation of the GSHC is also subject to the Shareholder Declaration between the GSHC and its sole shareholder, the City of Greater Sudbury. This document lays out the objectives and business principles for the GSHC, the type of business and activities (e.g. redevelopment of existing projects) that GSHC could engage in, provisions on the Board, matters that requires shareholder approval, and accountability.
- More detailed provision on operation and accountability of the GSHC is contained in the Greater Sudbury Housing Corporation Operating Framework which is attached to the Shareholder Declaration as an Appendix. Most importantly, this operating framework establishes:
    - The GSHC's service level target of 2,401 RGI units within the City of Greater Sudbury, of which 1,801 units to be occupied by High Need households;
    - Formatting and timing provision of subsidy request and budget information to the SM in order to prepare the SM's budget.
    - Formatting and timing program reporting to the SM;
    - The timing for the payment of subsidies to the GSHC; and,
    - Any subsidy surpluses to be returned to the SM.

4.4 Other Agreements

Other than the HSA and project operating agreements, there could be other agreements that social housing providers entered into. These agreements include:

- Agreements entered into under senior governments' social housing renovation funding programs, where projects that receive capital funding and in exchange maintain affordability for a defined timeframe. Repayment of the funding is typically required when projects that received funding decide to sell or transfer prior to completing their affordability requirement. **Table 4** summarizes these capital funding renovation and retrofit programs.
- Some local housing corporations have entered into third party agreements with support service providers such as the March of Dimes, Associations for Community Living and the Canadian Mental Health Association to make available a limited number of housing units for their clients within the LHC portfolio.

Table 4

Capital Programs				
Program Name	**Funding Source**	**Eligible Housing Programs**	**Eligible Expenditure**	**Housing Provider Obligations**
Social Housing Renovation and Retrofit Program (SHRRP)	Canada-Ontario Affordable Housing Program (AHP)	All programs under the purview of HSA, except for Rent Supplement Programs	Capital renovation and repairs, energy retrofit, and regeneration of social housing projects.	Maintain social housing as affordable for a minimum of 10 years
Social Housing Improvement Program (SHIP)	Social Infrastructure Fund (SIF)	All programs under the purview of HSA, except for Rent Supplement Programs	Capital repairs, and energy and water retrofit and upgrades of existing social housing.	Remain affordable for a 10-year period after the completion of the funded regeneration activities, including a minimum of 5 years during which it will operate as social housing under the HAS
Social Housing Electrical Efficiency Program (SHEEP)	Green Investment Fund (GIF)	All programs under the purview of HSA, except for Rent Supplement Programs.	Offered to low density scattered units to assist with certain electrical efficiency retrofits.	Remain social housing for at least 5 years after the completion of the retrofit, regardless of the end dates of any operating agreements.
Social Housing Apartment Retrofit Program (SHARP)	Green Investment Fund (GIF)	All programs under the purview of HSA, except for Rent Supplement Programs.	Offered to high density apartment buildings of 150 or more units to assist with retrofits to reduce greenhouse gas emission.	Remain social housing for at least 5 years after the completion of the retrofit, regardless of the end dates of any operating agreements.
Social Housing Apartment Improvement Program (SHAIP)	Carbon Market Proceeds	All programs under the purview of HSA, except for Rent Supplement Programs	Offered to social housing apartment buildings with 150+ units in phase 1 (2017-2018) and 100+ units in phase 2 (2018-2021). Repairs, retrofit, and upgrades to social housing to improve heating energy efficiency, insulation, and window replacements etc.	Remain affordable for ten years, including a minimum of 5 years as social housing under the HSA, 2011, regardless of the end dates of any operating agreements and/or mortgage maturation.
Source: Program Guidelines				

- For the Provincial Reformed projects, although their original operating agreements have been replaced by provisions in the HSA, it is our understanding that individual supplementary agreements may exist between SMs and housing providers on specific functions, which could include clarification of general operational requirements, local standards, and delegation of RGI obligations through Service Agreement.

4.5 Other Legal Issues

In addition to the obligations that social housing providers are required to fulfill under the legislative framework, there are some other legal issues that could have implications on the housing providers, if they undertake any regeneration efforts, especially when redevelopment or disposition of the properties are considered. The following subsections offer a high level summary of these potential issues. However, legal opinions on these matters are needed before any actions are taken.

4.5.1 Tax Implications

- Land Transfer Tax Exemption
  - Section 167 of the HSA allowed social housing providers to be given a Provincial Land Transfer Tax Exemption for certain transfers. Typically, this Exemption is supported by MMAH if the transferred property remains as social housing.
  - Upon request from the SM, the Ministry may work to obtain approval from the Lieutenant Governor in Council.
  - If a SM wishes to request an exemption, it will need to give the Ministry an advance notice of at least 180 days, as this type of consideration typically take three to six months and the regulation cannot apply retroactively (i.e. the transfer cannot occur until an exemption regulation has been filed).
- Compliance with Income Tax Act
  - As Local Housing Corporations typically have a municipality as the sole shareholders, they enjoy exemption from the Income Tax Act.
  - For other housing providers, the Income Tax Act also exempts organizations that have registered charity or non-profit status. However, considerable constraints are placed on the ability of a non-profit organization to operate a business or commercial activity (e.g. diversify revenue through business activities or commercial use of space): if a non-profit organization undertakes any activity with the intention of generating profit then the organization no longer qualifies for tax exemption.
    - Registered charities and non-profit organizations may only undertake activities (and expand funds) that advance the purposes stated in their constating documents. It is therefore important that the purposes set out in those documents accurately reflect what the organization is doing and encompass potential regeneration strategy. Although constating

documents can be amended to cover actions to be conducted, it needs to fit within the purposes prescribed by Income Tax Act and accepted as charitable.

- Notwithstanding the above, a comment is made in a letter issued by the CRA stating that the courts have recognized that a non-profit organization can remain exempted even if it earns a profit, as long as the profit is incidental and arises from activities directly connected to its not-for-profit objectives.

- GST/HST Issues:
  - Municipalities, charities, and qualifying non-profit organizations are eligible to claim a HST and GST rebate on eligible expenses such as rent and utilities.

4.5.2 Land Use Planning Issues

Any redevelopment efforts are likely to be subject to land use planning regulations, including local official plans, zoning by-law, building code, development charges, among other applicable laws. There are certain exemptions that could be made available at the time of redevelopment, such as development charge exemptions. These should be considered in the revitalization planning process.

4.5.3 Residential Tenancies Act Implications

The Residential Tenancies Act, 2006 (RTA) offers partial exemptions to social housing projects. Eligible projects for the exemptions include public housing projects, projects under Part VII of HSA (Provincial Reformed projects), projects under a pre-reform operating agreement as defined in the HSA, and projects under an agreement between a housing provider defined in the HSA and local housing corporation and/or a SM. The partial exemptions would relieve eligible landlords from:

- Rent controls (i.e. increase in rent during the term of tenancy by more than the guideline);
- Compensation in the event of tenancy termination by the landlord due to condominium conversion, demolition, repairs or renovations, a severance, and subdivision;
- Provisions relating to subletting; and,
- Tenant’s right to apply for a reduction of rent for reasons such as reduction in service or reduction in municipal tax.

Some additional exemptions applied to RGI units include:

- The 12-month rule (i.e. landlords may only increase rents every 12 months); and,
- A minimum of 90 days written notice needed before any rent increase.

In 2016, the RTA was amended by the Promoting Affordable Housing Act to remove the authority of social housing providers to evict a tenant on the ground that the tenant no longer comply with RGI eligibility (e.g. income increase above threshold). Since this amendment, an existing tenant that fail to comply RGI eligibility will be subject to market rents, which has implications on legislated Service Level in the service area.

4.5.4 Environmental Remediation Risk

In the event that environmental contamination is discovered on any transferred public housing property, there is a risk of potential environmental liability on the part of former owners. The HSA did not extinguish the Ontario Housing Corporation's (OHC), the former owner prior to the transfer to SMs, potential liability under the Environmental Protection Act (EPA). As such, OHC retains the potential liability for environmental contamination that is identified on public housing properties that were transferred from the OHC to local housing corporations and the SMs. As the current legal owners of the public housing properties, it is the responsibility of the local housing corporations and/or SMs to initiate the appropriate environmental activities pertaining to these properties, should contaminants be discovered during regeneration process.

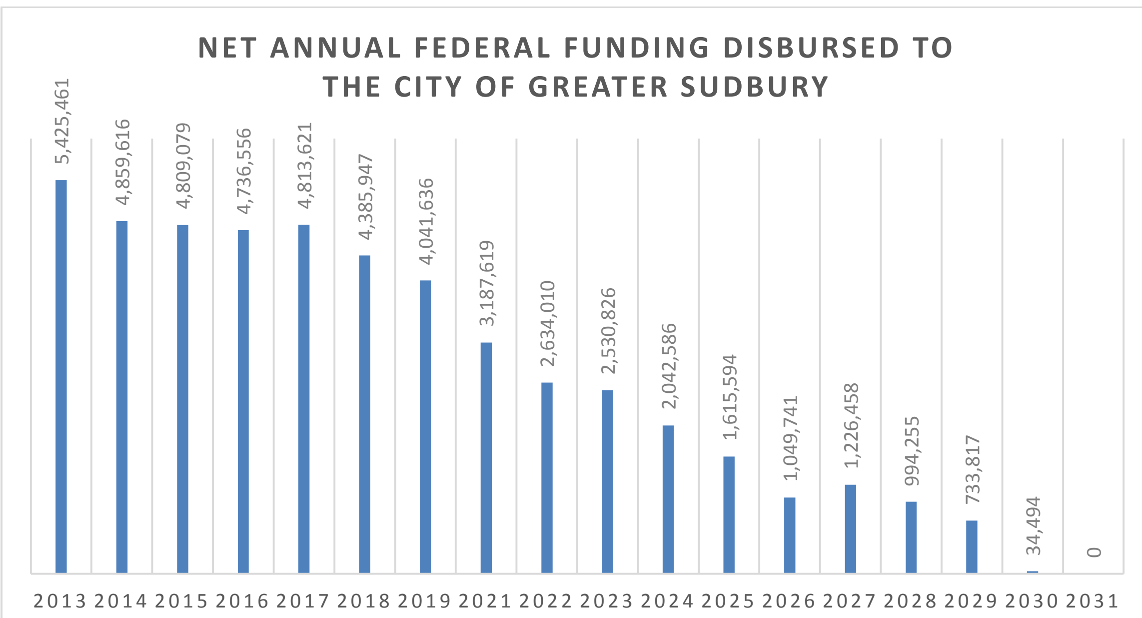
5.0 Expiry of Agreement and Implications for Revitalization

The expiry of operating agreement (EOA) in the social housing realm generally refers to:

- The discharge of original debenture/mortgage for the Public Housing and Provincial Reformed projects;
- The expiry of operating agreements for the former federal projects;
- The loss of associated Federal Block Funding; and
- The expiry of certain Rent Supplement Agreements.

The most direct change post EOA that will affect the SMs and the social housing providers is the termination of the federal block funding. For the City of Greater Sudbury, the step down of federal funding will accelerate in the upcoming years, from $4.4 million in 2018 to a full stop 2031, as illustrated by **Figure 3** below.

Figure 3 – Pre-determined Annual Federal Block Funding for the City of Greater Sudbury (Debenture Deducted)



Source: City of Greater Sudbury

Other than federal funding, another notable potential impact of EOA that affects all programs is the flexibility to refinance: the EOA will free projects developed under all transferred programs from the provisions of the SHA, which alleviates all of them from incurring mortgage related penalties. However, many of these projects do not operate with significant revenue surpluses, which restricts the debt servicing potential absent additional subsidies or increasing rents beyond affordable levels. This will be explored in greater detail in later phases of the revitalization plan.

5.1 EOA Impact on Public Housing, Provincial Reformed, and Rent Supplement

For the Public Housing and Provincial Reformed programs, funding obligations are expected to continue post EOA by the City for the following reasons: 1) the funding requirements for these program categories are enshrined in the HSA with no end date prescribed. 2) The Public Housing and Provincial Reformed projects supply a total of 2,997 RGI units in the City of Greater Sudbury, which is 83% of the minimum SLS prescribed for the service area (3,603 RGI units). The SLS requirement survives beyond the EOA date. Similarly, since the transferred rent supplement units are also counted towards the SLS, the City is also likely to continue the funding of this program post EOA. The following impacts of EOA on these programs are expected to largely be felt by Service Managers:

- The Public Housing projects are 100% RGI units and therefore are unlikely to be viable without ongoing operating and capital subsidies. While some of the lost Federal Block Funding will be unnoticeable given that mortgages/debentures will also expire, this funding also covers a portion of the operating subsidy. The portion of the operating subsidy that was covered by this funding will therefore be shifted to the responsibility of Service Managers post EOA.
- The Public Housing projects are some of the oldest housing stock (between 40 and 70 years) and many of them have significant backlog of capital repairs. As they continue to age, capital repair needs will be increasingly prominent. With the continued obligation to maintain this stock, Service Managers are bound to address these capital issues either through funding or other revitalization strategies.
- The Provincial Reformed projects also have a relatively high RGI proportion, which make them unlikely to be self-sustaining without an ongoing subsidy. The federal block funding covers a portion of the RGI subsidy of these projects, and upon EOA that portion will also become the responsibility of Service Managers. Similar to the Public Housing Program, Service Managers are obliged to continue funding this program post EOA.
- The Provincial Reformed stock is generally newer than most of the other social housing projects, with most of them under 35 years. Each project should have a capital reserve fund maintained. However, the adequacy of reserve funds for these projects within the CGS Service Area and across the Province varies. Projects with insufficient reserve funds will likely rely on assistance from Service Managers and other sources of funding from senior levels of government.
- Within the City of Sudbury, there are two types of rent supplement programs:
    - Legacy rent supplement programs: In 2000, social housing programs downloaded to the City of Sudbury include 611 rent supplement units.
        - These units are counted towards the City's SLS under the HSA.

        - Subsidies for most of these transferred rent supplement units are cost-shared between the federal government and the City. Length of the agreements signed with the federal government is typically 35 years.
        - When these agreements expire, there is no stated obligation for a SM to renew. However, these rent supplement units are counted towards the SLS, which could require a SM to renew the agreement or replace RGI units in another way (e.g. brick and mortar or rent supplements in another project). If the City does renew the agreement, they will be responsible for funding the entire subsidy, as the federal funding will terminate as the agreements expire.
        - We understand that in Sudbury, when a rent supplement agreement from the legacy rent supplement programs has expired, the City has renewed the agreement and provided funding on its own.
    - Post 2000 rent supplement programs: after the download, rent supplement agreements were entered into under various affordable housing initiatives (e.g. provincial Strong Community Rent Supplement, IAH).
        - These units are not under the purview of the HSA and therefore are not counted towards SLS.
        - Subsidies come from their respective funding program. Length of the agreements varies but are usually shorter than the legacy programs.
        - There is no obligation on the City's side to continue the funding upon their expiry.

Overall, the biggest impact post EOA appears to be the increased financial commitment from the SM to these projects over the long-term. The SM will be required to fund the Public Housing and Provincial Reform projects as currently administered (minus relevant mortgage subsidy), without the portion of Federal Block Funding that currently covers operating expenses. Similarly, the SM will be required to renew rent supplement agreements and be solely responsible for the funding of these units to maintain the SLS, or develop new RGI units. It is also expected that the capital subsidy provided to projects will increase looking forward as buildings age. However, there appears to be little risk related to the loss of affordable housing or changes to the current supply and depth of affordable housing currently offered, assuming funding commitments remain. The legislative framework outlined in Section 4 will remain in force and will ultimately influence revitalization strategies, especially relating to SLS and the option to redevelop, sell or refinance assets.

5.2 EOA Impact of Federal-led Programs

The transferred Federal-led projects, including Urban Native and Municipal Non-Profit projects, still have their original operating agreements and would no longer be subject to the HSA upon reaching EOA. All of the funding obligations would cease and these projects would be mortgage free assets. It is generally understood that there will be no legal obligation on the part of the City of Greater Sudbury to offer any assistance to these federal projects. Similarly, there is also no legal obligation for these projects to remain affordable.

Generally speaking, most of these projects have been self-sustaining throughout their existence. Some projects have never received an operating subsidy, and the others have only received a mortgage payment subsidy, and are therefore expected to be self-sustaining once the debt and debt subsidy expire. As an example in Sudbury, the Federal project La Ruche de Coniston reached EOA in October 2015 and has not required support to remain in operation while also continuing to offer affordable housing.

Projects that are the most vulnerable post EOA are the Urban Native projects and Municipal Non-Profit projects, as they have been receiving an ongoing operating subsidy. In Sudbury, two units in the Urban Native portfolio have raised rents to market rates upon reaching EOA. A Municipal Non-Profit project, Gorham's Court in Dowling, is also reaching EOA in 2018. The project is expected to raise rents to be viable, however, it could have difficulty in charging market rent given the relatively shallow rental market in its location. To mitigate the impact of EOA, the City may offer rent supplements to some RGI tenants that currently live in this building once the mortgage expires.

Although the City of Greater Sudbury is expected to be free from legal obligations for these federal projects, it is generally the City's interest to maintain existing affordable housing stock within its Service Area. Through its Housing and Homeless Plan, the City of Greater Sudbury stated the goal of ensuring strategies along the full housing continuum, which indicates its interests in keeping the former federal-led projects viable, as they remain a key source of affordable units with lower end market rents.

Similar to the other social housing projects, Federal-led projects face aging building stock and increasing capital needs. It should be noted that the current capital repair programs discussed in this report (e.g. SHRRP, SHARP) requires a social housing project to be under the purview of the HSA in order to qualify. Upon EOA, the Federal-led projects would fail to meet this requirement. In fact, some federal-led projects in Sudbury have chosen not to pursue funding from those programs as their EOA was approaching.

Overall, there is a risk that some Federal projects could increase market rents post EOA as they are no longer obliged to remain affordable. Similarly, some projects that are in weak market areas and cannot be self-sufficient without an ongoing subsidy, may be forced to raise rents to remain viable. EOA therefore could result in the loss of affordable housing supply within this portfolio, especially the segment that is currently serving the households most in need.

5.3 Moving Forward

In November 2017, the federal government released the National Housing Strategy (NHS), which intends to address a wide range of housing issues. The new NHS contains a New Canada Community Housing Initiative that directly speaks to the legacy social housing programs that were transferred to the provinces. This initiative offers a total of $4.3 billion to protect households living in existing housing stock administered by the provinces (by the SMs in Ontario's case), and to support repair and renewal of the existing supply and potentially expand the supply. Provinces are required to cost-match this funding in order to participate. At the time of this study, details of this potential federal-provincial partnership funding remains unavailable. However, despite being a much larger amount than other recent affordable housing initiatives (e.g. IAH), the new program is unlikely to be a long-term funding commitment at this stage.

In 2016, the Ministry of Housing released an Update to Ontario's Long-Term Affordable Housing Strategy (LTAHS). The Strategy recognized a need for modernizing the social housing stock across the Province as the rules they are subjected to, embedded in the HSA or their original agreements, are outdated and rigid. The proposed modernization framework contains a few elements that may have implications on EOA, which includes:

- SMs will be allowed to use other forms of appropriate, municipal funded housing assistance, such as portable housing benefits, to contribute to their SLS.
- An accreditation of "Registry of Housing Providers with a Social Purpose" will be introduced, which is expected to support affordable housing providers that have reached their EOA. Housing providers that participate in this registry would enjoy continued advantages in areas such as special tax treatment and eligibility for grant funding if they continue to provide social housing.

Under the new framework, the funding obligation of legacy social housing programs will continue to be with the SMs. St the time of this study, the LTAHS does not offer a long term commitment of funding dedicated for operating subsidy for the legacy programs.

Notwithstanding the above, from the City of Greater Sudbury's perspective, new funding from the NHS and other initiatives represent excellent opportunities to upgrade/retrofit their existing stock which could entail future savings on operating costs. Moreover, within the existing legislative framework, opportunities exist for SMs to optimize the existing program portfolio through a series of revitalization strategies. It is however important to note, that the City's service level is slightly below the target prescribed in the Housing Services Act, which means any redevelopment efforts would need to (at a minimum) replace the exact same number of RGI units immediately. On the bright side, in consulting with the Province, flexibilities are given to the Service Managers in terms of replacing RGI units – units can be replaced in "brick and mortar" projects or in the form of rent supplement or portable housing allowance.

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