



## End of Mortgage Key Messages and Next Steps

The Region of Durham, as the service manager under the Housing Services Act (HSA), works with community housing providers to protect, sustain, and grow housing assets in Durham Region.

The HSA outlines the funding formula for Part VII projects, which is made up of three parts:

- Operating subsidy (which includes mortgage costs)
- Property tax subsidy
- Rent-geared-to-income (RGI) subsidy

The term “End of Mortgage” (EOM) is used to describe when your organization’s mortgage is completely paid. At EOM, mortgage costs are zero, but the project continues to operate under the HSA as a default, including the prescribed funding model. This generally results in a negative operating subsidy, which offsets the property tax subsidy and the RGI subsidy. In most circumstances this is not an ideal arrangement for providers.

In March 2020 there were updates to the HSA that enable the Region to create new agreements with community housing providers when their mortgages end. These Part VII. 1 Service Agreements can be customized to meet providers’ needs and will ensure stable and predictable funding to help housing providers remain viable and to support the Region’s long-term housing goals.

Former federal providers can also enter into Part VII.1 Service Agreements with the Region of Durham. These providers are already at the “End of Operating Agreements” (EOA). At EOA, their mortgages ended, and the Region of Durham no longer had an obligation to pay subsidy.

### Options for Community Housing Providers at End of Mortgage (EOM):

At the end of mortgage providers can:

- Have the project continue as a designated project under the HSA.
- Enter into a Part VII.1 Service Agreement with the Region.
- Enter into an Exit Agreement with the Region.

If a housing provider choose to have its Part VII project remain a designated project under the HSA, it will continue to operate under the HSA with the same funding model, but without mortgage costs or subsidies. All HSA rules will continue to apply.

Most former federal projects have already been removed as designated projects under the HSA.

## Key Principles of Part VII.1 Service Agreements:

**Shared Accountability:** The Region of Durham and community housing providers share the responsibility to deliver affordable housing. We aim to maintain public accountability through transparent and simplified reporting processes.

**Protecting Tenancies:** Flexible funding approaches will be created to protect existing tenancies and ensure affordable, quality housing across Durham.

**Long-Term Sustainability:** Conditions will be established to support the sustainability of the community housing system, ensuring providers are viable in all aspects, including stable tenancies, financial management, asset management, governance, and operations. This includes advocating for permanent financial investments from higher levels of government.

**Protecting Shared Interests:** Recognize and respect past investments in community housing and work together to protect, strengthen, and grow the housing system.

**Innovation:** Promote growth and support modernization through capacity building, corporate restructuring, and new development.

**Partnership:** Collaborate to protect, preserve, and grow the community housing system, creating conditions for providers to be self-sustaining, autonomous, and entrepreneurial.

## Mandatory Terms:

Terms are negotiated between the housing provider and the Region of Durham to meet shared goals.

### Minimum Requirements:

- **Term:** At least 10 years.
- **Financial Plan:** A jointly developed 5-year financial plan, reviewed every 5 years, covering operating and capital expenses and market rent setting.
- **RGI Units:** Target or range of RGI units, selected according to HSA wait list rules.
- **Alternate Housing Assistance:** Target or range of units under alternate municipal housing assistance, like the Durham Rent Supplement (DRS) program.
- **Special Needs Units:** Selection process for supportive units, if applicable.
- **RGI Continuation:** Continued RGI assistance for households already receiving it.
- **Project Mandate:** The mandate of the housing project, if applicable.
- **Dispute Resolution:** Process for resolving compliance issues.

### Region's Obligations:

- **Funding:** Provide funding for RGI/alternately assisted households to cover the difference between 30 per cent of adjusted family net income (AFNI) and rent.
- **Additional Funding:** Any additional agreed-upon funding.

The housing provider will lead the development of the financial plan, which will inform the Part VII.1 Service Agreement.

## Opportunities & Benefits:

This new framework allows for more tailored solutions to support housing providers' long-term financial sustainability and address broader Regional housing needs.

These Part VII.1 Service Agreements will

- Provide stable and predictable funding.
- Refine targets and market housing charges.
- Allow for the inclusion of new flexible forms of alternate financial assistance, like the Durham Rent Supplement.
- Streamline processes and reduce administrative burdens.

They will aim to protect housing assets, ensure community-based housing for residents, and maintain the financial viability of non-profit and co-operative housing projects.

## Exit Agreements:

At EOM Housing providers can enter an Exit Agreement with the Region to stop being a designated project under the HSA. Some providers may not be able to enter an Exit Agreement if they must remain designated due to existing agreements for capital contributions.

### Agreement Requirements:

- Plan for tenant accommodation, including continued RGI or alternate assistance.
- Plan for continued operation, redevelopment, or reinvestment of project sale proceeds in affordable housing.

**No Subsidy Obligation:** The Region is not required to provide subsidies under an Exit Agreement.

**Funding Ineligibility:** Providers with Exit Agreements are not eligible for future federal/provincial capital project funding.

## Next Steps:

**Region's Actions:** The Region is developing strategies and tools to help community housing providers at EOM negotiate Part VII.1 agreements.

**Provider's Actions:** Housing providers need to plan for the new operating environment and be ready to negotiate new agreements with the Region. This includes preparing a 5-to-10-year financial plan that will inform the terms and amounts of any Regional subsidy in the Part VII.1 Agreement.

**Board Engagement:** Boards should consider engaging with sector organizations like the Ontario Non-Profit Housing Association (ONPHA) and Co-operative Housing Federation (CHF) to build capacity and access resources for planning and financial plan development.