

Directive: End of Mortgage Operating Agreement

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|-----------------------|---------------|-----------------------|-------------|
| Issue Date: | July 24, 2024 | Directive No.: | DIR2024- 05 |
| Revision Date: | | Revision No.: | |

Applicable Policy: HDPOL41

Type: Legislation/Regulation

The policies and procedures in this Directive are to be implemented by Housing Providers/Cooperatives funded by the Municipality under the following programs.

Provincial Non-Profit Housing Providers

- | | |
|---|--|
| <input checked="" type="checkbox"/> Gananoque Family Housing | <input checked="" type="checkbox"/> Gananoque Housing Inc. |
| <input checked="" type="checkbox"/> Legion Village 96 Seniors Residence | <input checked="" type="checkbox"/> Twp. of Bastard & South Burgess Housing Corp. |
| <input checked="" type="checkbox"/> Brockville Municipal Non-Profit Housing Corp. | <input checked="" type="checkbox"/> South Crosby Non-Profit Housing Corp. – Pineview |

Federal/Provincial Cooperative Housing

- Shepherds Green Cooperative Homes Inc.
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Housing Providers with EOM Rent Geared-to-Income Service Agreements

- Athens & District Non-Profit Housing (EOM Service Agreement)
- Gananoque Housing Inc. (EOM Service Agreement)
- Legion Village 96 Seniors Residence (EOM Service Agreement)
- Twp. of Bastard & South Burgess Housing Corp. (EOM Service Agreement)
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BACKGROUND

Housing is a fundamental need; it supports positive health and social outcomes, and connects residents to the economy, transportation systems, and community services. With the rising housing costs, and limited rental housing availability, individuals find it challenging to secure housing that meets their needs. This can be more challenging for households living with low-income, and the high cost of private market housing may lead to housing instability or homelessness. Maintaining the supply of community housing is critical as the number of households waiting for subsidized housing continues to grow each year.

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PURPOSE

The purpose of this Directive is to communicate the process of developing continued agreements when Non-Profit and Housing Co-operatives projects reach the end of their mortgage.

An End of Mortgage Operating Agreement will allow for:

- 1) The ability to address local housing needs, conditions, and challenges at the end of existing Service Agreements.
- 2) A flexible funding approach to incentivize housing providers to stay within the system once their current obligations expire.
- 3) Service managers and housing providers to review financial plans every 5 years to help ensure funding provided will sustain the subsidized units during the Service Agreement.
- 4) Continued support of non-profit housing providers to deliver rent-geared-to-income subsidy to low-income households, while utilizing the centralized waitlist to fill vacancies.

ACTION TO BE TAKEN

CRITERIA

End of Mortgage Operating Agreements must include:

1. A baseline to continue funding rent-geared-to-income (RGI) units.
2. The number of RGI units.
3. A minimum term length of 10 years, financial budgets to be submitted every 5 years.
4. The requirement for all units to align with existing selection and waitlist rules under the *Housing Services Act*.
5. A process to manage issues of non-compliance and dispute resolution.

The participation in mandatory Housing Services Corporation (HSC) programs with current exemptions continuing.

The Housing providers **may** exit the *HSA* framework once their mortgage and/or operating agreement expires. Exit agreements will also be subject to negotiation, but must include:

1. Ongoing accommodation and delivery of RGI (or other assistance) to households on assistance
2. Either:
 - Ongoing operation of the project by the existing or another housing provider.
 - Redevelopment of the project by the existing or another housing provider.
 - Reinvestment of the sale of the project into affordable housing.

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ACTION TO BE TAKEN

Preparing for End of Mortgage

1. Initial discussion with non-profit housing provider should occur **one (1) year prior** to current operating agreements ending with staff from the housing and finance departments to explore entering into a new End of Mortgage Operating Agreement, or discuss the alternative, an Exit Agreement.
2. Housing project viability will be reviewed using financial documents on-hand, including prior year budget, SMAIR and AIR.
 - a. 5-Year budget template will be prepared by Finance, and distributed to the housing project for completion following initial discussions with non-profit provider.
 - b. 5-Year budget finalized 6 months before the mortgage is due to expire.
3. Discussions to enter into new Operating Agreements (after initial agreements) with non-profit providers should occur **6 months prior** to current operating agreements ending with staff from the housing and finance departments to explore entering into a new End of Mortgage Operating Agreement or discuss the alternative, an Exit Agreement.
4. Where additional properties belonging to the same non-profit expire during an existing End of Mortgage Operating Service Agreement term, the properties may be combined into one (1) new agreement.

Note: an updated 5-Year Budget would be required for the existing property.

Creating End of Mortgage Operating Agreements

1. Through discussions, the Service Agreement will be developed to indicate:
 - a. The number of rent-geared-to-income units involved.
 - b. The length of term (minimum 10 years). The market rent baseline for RGI units included.
 - c. The timeline for review of annual monthly payments.
2. The Service Agreements should be finalized and forwarded to non-profit housing providers **6 months** before the mortgage is due to expire with Service Agreements signed by all parties **2 months** before the mortgage is due to expire.
3. All Service Agreements will include the following supplementary documents:
 - a. Schedule A - Current Units Committed
 - b. Schedule B - Rules Related to RGI Tenants
 - c. Schedule C - Five-Year Financial Plan
 - d. Schedule D - Event of Default
 - e. Schedule E - Other Current Agreements
 - f. Ministry Notification Letter
4. Any changes and/or updates required to Service Agreements during the term of the agreement will be made through amendments unless additional properties are expiring.

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End of Mortgage Operating Agreements Reporting Requirements

1. The following documents are required to be submitted annually by the non-profit provider, and will be requested during the End of Mortgage Operating Agreement period:
 - a. **Due 5 months following the non-profit provider’s fiscal year annually (EOM – Annual Document Checklist):**
 - i. Financial Statement for the preceding year i.e. Review Engagement from a third party or Audited Financial Statement, *whichever is required by the non-profit provider’s board.*
 - ii. An Annual Information Return, *if required to submit.*
 - iii. An annual subsidy reconciliation for the Project.
 - iv. A statement of capital reserve investments for the Project.
 - v. Proof of insurance.
 - b. **Due no later than December annually:**
 - vi. Information on the household income and household composition of **all** units in the Project rented to households during the preceding year (**EOM-SMAIR**, prepared by Finance Analyst).
 - vii. Rent Roll – *if annual increase occurs in January.*
 - viii. Annual budget.
 - c. **Due no later than May annually:**
 - ix. Rent Roll – *if annual increase occurs in July.*
2. The **Schedule A** will be updated annually based on the Ontario's Rent Increase Guidelines and the information contained on the Rent Roll document submitted at either December or May.
 - a. Policy Analyst will provide **Schedule A** to Finance to create statement of subsidy for non-profit provider.
 - i. Subsidy payment letters will be issued in January for the current year, any providers with in year increases (July) will not be issued an additional letter and will be instructed to reference **Schedule A** unless there is an alternate payment amount (*eg. due to an overpayment adjustment*).
3. An updated 5-Year Budget is required to be submitted and reviewed as part of the End of Mortgage Operating Agreement.
 - a. An updated budget template will be prepared by Finance, and distributed to the housing project for completion at year 4 of the End of Mortgage Operating Agreement.
4. Financial documents received will be reviewed for completion and reasonableness, however,

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ACTION TO BE TAKEN

no reconciliation will be completed by the Financial Analyst.

REFERENCE

HDPOL41 – End of Mortgage Operating Agreement Policy
HDPROC49 – End of Mortgage Operating Agreement Procedure

Appendices

A..... End of Mortgage Operating Service Agreement Template

LEGISLATION

Housing Services Act, 2011, S.O. 2011, c. 6, Sched. 1, 101.1 – 101.7

If you have any questions, please contact the following:

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July 24, 2024

Date