

# Ontario Priorities Housing Initiative (OPHI)

## PROGRAM GUIDELINES FOR ONTARIO ABORIGINAL HOUSING SERVICES

# Program Guidelines Summary

## Introduction

Ontario’s Community Housing Renewal Strategy is a multi-year plan to stabilize and grow Ontario’s community housing sector, with the aim of achieving the following outcomes and measures of success:

Strategic Outcomes	Desired Intermediate Outcomes
 <p><b>Increased supply and appropriate mix of affordable and adequate housing</b></p>	<ul style="list-style-type: none"> <li>• Increased non-profit, co-op and municipal affordable rental supply</li> <li>• Housing stock is in better state of repair and meets the housing needs of the people of Ontario</li> <li>• Greater involvement of the private sector to support more opportunities for affordable and mixed-income buildings</li> </ul>
 <p><b>People have improved access to affordable housing and supports that meet their needs to achieve housing stability</b></p>	<ul style="list-style-type: none"> <li>• People are better connected to housing assistance and supports that are responsive to their complex and changing needs</li> <li>• People live in safe and well-maintained housing</li> <li>• People have more choice about their housing and opportunities to participate in the economy and their community</li> <li>• People experiencing homelessness obtain and retain housing</li> </ul>
 <p><b>Improved efficiency of the community housing system to ensure value for money and long-term sustainability</b></p>	<ul style="list-style-type: none"> <li>• Improved system and inter-ministerial coordination to better identify and respond to people’s needs</li> <li>• Improved system management and provider sustainability to better provide a range of housing options</li> <li>• Increased administrative efficiency</li> <li>• Reduced pressure on other service systems including health, social services, emergency, criminal justice</li> </ul>

Over time, the Community Housing Renewal Strategy will help Ontarians be more connected to housing assistance and supports that better meet their needs, live in safer and well-maintained buildings, find housing more easily, and have more opportunities to participate in the economy and their community.

The Community Housing Renewal Strategy is complemented by the Housing Supply Action Plan, which is focused on enhancing housing affordability in the broader housing market. Creating more housing, of the types and sizes people need, will help make home ownership and renting more affordable and give people more choice.

Together, Ontario’s Community Housing Renewal Strategy and the Housing Supply Action Plan demonstrate the government’s commitment to supporting the creation of housing that responds to all Ontarians’ needs, across all incomes.

On April 30, 2018, Ontario and the Canada Mortgage and Housing Corporation signed a nine-year Bilateral Agreement regarding the National Housing Strategy. This agreement is important to achieving the goals and objectives of Ontario’s Community Housing

Renewal Strategy by providing an opportunity to align federal funds with Ontario's Community Housing Renewal Strategy priorities.

Consistent with the Community Housing Renewal Strategy, the nine-year National Housing Strategy investments will be delivered in three three-year funding periods:

- Phase I - (2019-20 through to 2021-22)
- Phase II - (2022-23 through to 2024-25)
- Phase III - (2025-26 through to 2027-28)

These guidelines set out the parameters for Phase I of the National Housing Strategy's Ontario Priorities Housing Initiative (OPHI) for Indigenous Program Administrators. This initiative addresses local housing priorities, including affordability, repair and construction.

There will be an opportunity to review program priorities and desired outcomes prior to the second and third funding periods. The Ministry intends to undertake a review of the early experience with program take-up and release updated/revised guidelines in 2021 to align planning for implementation beginning in April 2022.

## Rental Housing Component

The Rental Housing component will:

- Increase the supply of community rental housing for off-reserve Indigenous households on, or eligible to be on, social housing waiting lists.
- Ensure that safe, adequate and affordable rental housing is available to Ontario households.

### Eligibility Criteria - Projects

Eligible projects must be non-profit/municipal/co-operative developments or partnerships, and be one of the following:

- New construction, including additions and extensions;
- Acquisition and, where required, rehabilitation of existing residential buildings to maintain or increase the affordable rental housing stock; or,
- Conversion of non-residential buildings or units to purpose-built rental buildings/units

Projects that are **not eligible** include:

- Projects proposed by private sector proponents without non-profit/municipal/co-operative partnership\*
- Secondary suites in owner-occupied housing (eligible under the Ontario Renovates component)
- Nursing and retirement homes
- Shelters and crisis care facilities
- Owner-occupied housing
- Student residences

\*Canada Mortgage and Housing Corporation has made available other programs – for example, the National Housing Co-Investment Fund – to support the development of affordable units by private developers. The Ministry is interested in focusing OPHI funding on the development of community housing that will provide longer-term public benefit.

### Eligibility Criteria – Units

Units must be modest in size and amenities relative to other housing in the community. Units are expected to be self-contained. Proponents who wish to develop congregate living buildings (rooms with shared living spaces) for supportive housing may be eligible for program funding and should provide a rationale in order to receive funding.

The following provincial minimum and average size requirements must be used as a guideline for new construction projects.

	<b>Bachelor</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>
<b>Minimum</b>	40.0 m <sup>2</sup>	48.7 m <sup>2</sup>	60.4 m <sup>2</sup>	83.6 m <sup>2</sup>	102.2 m <sup>2</sup>
<b>Average</b>	41.8 m <sup>2</sup>	55.0 m <sup>2</sup>	67.4 m <sup>2</sup>	92.9 m <sup>2</sup>	109.2 m <sup>2</sup>

Up to 30% of the total available space may be used for non-residential purposes, including common areas and services used directly with the residential accommodation such as office space for support services providers.

## **Project Submission Process**

Indigenous Program Administrators will solicit proposals and select Rental Housing projects to recommend to the Ministry for funding approval.

Indigenous Program Administrators will submit recommended projects for the Ministry's consideration within the allocation set out in their Investment Plans.

Recommended projects shall:

- Be approved by the Board of Directors based on board procurement practices.
- Be able to sign a Contribution Agreement no later than December 31 of each program year.
- Be able to start construction within 120 days after signing a Contribution Agreement and be completed within four years.
- Be financially viable from a construction and operating cost perspective – based on Indigenous Program Administrator confirmation.
- Meet the current Ontario Building Code and *Canadian Environment Assessment Act, 2012* requirements.
- Have rents that on average for the project are at or below 80% of the Canada Mortgage and Housing Corporation Average Market Rent for the community or as approved by the Ministry for a minimum of 20 years (see “Affordability Criteria and Rents” on page 18 for additional details).
- Provide the required equity, if applicable – 4% for partnerships between private sector and non-profit organizations; 0% for non-profit organizations.
- Are projected to maximize achievable reductions in energy consumption and greenhouse gas emissions relative to minimum requirements (i.e. meet or exceed the current National Energy Code and Ontario Building Code requirements for new construction; for renovations/repairs, maximize the achievable energy savings where possible when planning work or retrofits).
- Have an occupancy plan in place to ensure that units will be occupied in a timely manner.

Further, Indigenous Program Administrators are encouraged to give priority consideration to projects that:

- Have Contributions by Others, including the local municipality, and proponent – to be used in partnership with OPHI Rental Housing funding.
- Include family-sized (multi-bedroom) units.

- Are fully accessible and/or have units that are accessible to persons with disabilities.
- Provide community employment benefits including:
  - Work contracts for small and medium-sized businesses
  - Job creation for apprentices, Indigenous Peoples, women in construction, veterans and newcomers to Canada
- Have support service funding in place, if applicable.

Recommended projects for commitment should be submitted to the Ministry up to November 30 of each program year. All projects must be submitted through the Transfer Payment Hub System along with additional project background information.

## **Project Approval Process**

Project approval will be based on construction readiness, ability to meet the program's eligibility criteria, and alignment with the Investment Plan.

Indigenous Program Administrators are required to create and submit Project Information Forms through the Transfer Payment Hub System. Once approved, a project will receive a Conditional Letter of Commitment from the Ministry, which confirms Ministry approval and outlines the steps to take prior to signing a Contribution Agreement.

The Contribution Agreement shall describe legal obligations and reporting requirements for the project. All Indigenous Program Administrators are required to enter into Contribution Agreements directly with proponents. If Indigenous Program Administrators are delivering projects directly (i.e., the Indigenous Program Administrator is the project proponent), they are required to enter into project-specific Transfer Payment Agreements with the Ministry.

As funding allocations must be committed for each year of the program, the deadline to execute Contribution Agreements (or project-specific Transfer Payment Agreements in the case of projects delivered directly) is December 31 of each program year to allow time for re-allocation of funds if necessary. Indigenous Program Administrators that have not signed a Contribution Agreement (or project-specific Transfer Payment Agreements) or have not begun construction by the required dates may have their funding re-allocated.

## **Funding**

Indigenous Program Administrator funding for the Rental Housing component is provided as a forgivable capital loan.

The OPHI Rental Housing component will fund up to 75% of the pro-rated share of the capital costs of the affordable units. Total capital costs include land, financing, hard (construction) and soft costs but less any HST rebates.

To encourage the development of family-sized units, and in recognition of the variance in costs across the province, per unit funding caps have been eliminated under the OPHI Rental Housing component. Indigenous Program Administrators are encouraged to consider factors such as unit bedroom size, unit type (e.g. low-rise apartment, high-rise apartment, townhouse), or geographic location of the project when determining project funding amounts. The Ministry, however, will only approve projects that are determined to provide value for money and are modest relative to other housing in the community.

Indigenous Program Administrators are required to perform their due diligence to ensure that a project is financially viable from a construction cost and on-going operating context, costs per unit are accurate and the program expenditures represent a prudent and best value use of public dollars.

The Ministry, at its discretion, may require an independent analysis to confirm project financial viability.

## **Payment Process**

The Ministry will advance funding directly to Indigenous Program Administrators, who will be responsible for making project payments to housing proponents. Indigenous Program Administrators will advance funds to proponents based on the completion of construction milestones and compliance with the program requirements.

Funding will be advanced to Indigenous Program Administrators based on the following instalments:

- 50% at signing of the Contribution Agreement and confirmation of registration of security, or project-level Transfer Payment Agreement and construction agreement (containing a development schedule and standard construction payment schedule)
- 40% at confirmation of structural framing for new construction or 50% completion for acquisition and rehabilitation projects
- 10% at confirmation of occupancy, submission of Initial Occupancy Report including an updated capital cost statement in a form acceptable to the Ministry

The Ministry may consider accelerated payments for projects sponsored by non-profit proponents or acquisition/rehabilitation projects on a case-by-case basis.

All final payments are required to be made within four years of signing the Contribution Agreement, and not later than March 31, 2026. Indigenous Program Administrators are required to ensure that all projects are completed and request the final payment prior to this deadline.

## **Income Verification**

Indigenous Program Administrators are required to establish maximum income levels for OPHI-funded Rental Housing units at the time of initial tenancy; however, all households must be on, or eligible to be on, the waiting list for social housing. Indigenous Program Administrators must establish an approach for income verification to ensure that households in need are targeted. Annual income verification is at the Indigenous Program Administrator's discretion.

## **Affordability Criteria and Rents**

Projects approved under the Rental Housing component must remain affordable for a minimum period of 20 years. Affordability is defined as having rents for the project that are at or below 80% of Canada Mortgage and Housing Corporation Average Market Rent at the time of occupancy. Average rent is calculated using actual rents paid by tenants and includes any rent supplements.

While individual unit rents may be set above or below the 80% threshold, in no instance shall an OPHI-funded Rental Housing unit have a rent that is greater than the Canada Mortgage and Housing Corporation Average Market Rent for the area.

If Canada Mortgage and Housing Corporation Average Market Rents are not available for certain communities, an Indigenous Program Administrator should contact the Ministry at [HousingProgramsDelivery@ontario.ca](mailto:HousingProgramsDelivery@ontario.ca) to determine whether an alternate average market rent has been approved for the area. If an alternate has not been approved, the Indigenous Program Administrator may request an alternate average market rent by submitting a business case including a local market rent survey for the Ministry's consideration.

Projects may include both OPHI Rental Housing and market units, but only units with rents that meet affordability requirements will receive OPHI funding.

If rent supplements are used for OPHI-funded units to provide deeper affordability for tenants, the Indigenous Program Administrator shall ensure total rent received by a Proponent, including rent from the tenant and any rental supplements from the Indigenous Program Administrator or other party shall not exceed 100% of Canada Mortgage and Housing Corporation Average Market Rent. In addition, the total of the rent paid by the tenant and any federal and/or provincially funded rent supplements paid to the proponent must be used to calculate the weighted average rent in a project.

Rent increases after initial occupancy must be made in accordance with rules established in the *Residential Tenancies Act, 2006*. New rental buildings (no part of which was occupied for residential purposes on or before November 15, 2018) are technically exempt from Residential Tenancies Act rent increase guidelines but are subject to terms and conditions in the Transfer Payment Agreement. The Transfer Payment Agreement states that rent increases follow the Residential Tenancies Act rent increase guidelines but must still remain at or below 100% of Canada Mortgage and

Housing Corporation Average Market Rent and that average rents for the project must not exceed 80% of Canada Mortgage and Housing Corporation Average Market Rent.

The Ministry updates Average Market Rent information on its website annually at [www.mah.gov.on.ca](http://www.mah.gov.on.ca).

## **General Requirements**

The following general program requirements apply to projects approved under the Rental Housing component:

### **Construction**

- Projects must start construction within 120 days of signing a Contribution Agreement, or equivalent.
- Projects that do not start construction within 120 days of signing a Contribution Agreement or equivalent may, at the Ministry's discretion, have program funding withdrawn and re-allocated to another Indigenous Program Administrator or Service Manager.
- Written confirmation of construction start must be provided to the Ministry.
- Site inspections will be conducted at the discretion of the Ministry.
- Projects must complete construction within four years of signing a Contribution Agreement or equivalent.

### **Equity**

- Minimum four percent equity must be provided for projects sponsored by partnerships between private companies and non-profit organizations.
- No equity contribution is required for projects sponsored by non-profit or co-operative housing organizations to encourage participation by these groups in the program.
- Please note that private lenders may have additional equity requirements.

## **Indemnification and Repayment**

There are obligations for all OPHI parties with regard to the indemnification and recovery of government funding. Specific obligations and provisions are included in the Transfer Payment Agreement.

The Ministry has developed the Affordable Housing Program and Investment in Affordable Housing Risk Mitigation Strategies Guide (2012) that provides best practices and clarification on preventing and resolving issues with affordable housing projects that may experience difficulties. The Guide can be found at: <http://www.mah.gov.on.ca/Asset9886.aspx>.

In cases where an OPHI Rental Housing project encounters difficulties, the risk mitigation strategies outlined in the Guide may assist proponents and Indigenous Program Administrators.

## **Rental Assistance Component**

The objective of the Rental Assistance component is to address affordability issues of off-reserve Indigenous households in rental units across the province.

The Rental Assistance component consists of two streams:

- Rent Supplement
- Housing Allowance.

A Rent Supplement is a subsidy paid to the landlord on behalf of a household in need of rental assistance. A Housing Allowance is a subsidy paid directly to a household in need of rental assistance. Housing Allowance payments may be made directly to landlords where the recipient has chosen this approach and provided written direction and consent.

Indigenous Program Administrators are allocated funding for the Rental Assistance component at the beginning of each year of the program, based on the commitments for each stream identified in their Board-approved Investment Plans.

### **Funding Allocations**

Allocations will be committed at the beginning of each program year through a letter from the Ministry based on the planned commitments identified in the Investment Plan.

Rental Assistance funding must be expensed to recipients in the program year in which the funding was committed. Funding cannot be extended beyond the program year.

### **Monthly Subsidy Amounts**

Indigenous Program Administrators must determine amounts to be paid to households (Housing Allowance stream) or landlords on behalf of each household (Rent Supplement stream). To ensure program alignment, Indigenous Program Administrators are encouraged to consider a benefit calculation similar to the calculation under the provincial Portable Housing Benefit Framework.

### **Reporting**

In the initial Investment Plan, Indigenous Program Administrators are required to break down their Rental Assistance component funding by streams and indicate the subsidy levels and estimated number of units/households to be assisted. Please see Page 7 for reporting requirements and due dates.

Indigenous Program Administrators are required to provide quarterly projected disbursements on the initial Investment Plan and demonstrate program take-up by updating their actual disbursements through their quarterly Investment Plan updates.

OPHI reporting consists of updating and submitting the Investment Plan with Indigenous Program Administrator progress on a quarterly basis. Reports will be completed and submitted through the Transfer Payment Hub System.

For quarterly updates, Indigenous Program Administrators are required to track disbursements and recipient numbers separately for each stream. Quarterly Investment Plan updates must include, in the case of the Rent Supplement stream, the number of occupied units, and in the case of the Housing Allowance stream, the number of eligible households.

Indigenous Program Administrators are also required to track and report on the following information:

- Landlord agreements and agreements with third-party delivery agencies
- Approved applications
- Target groups assisted.

This reporting ensures compliance with the provisions of the CMHC-Ontario Bilateral Agreement under the National Housing Strategy, the Indigenous Program Administrator Transfer Payment Agreement, and other established program parameters.

## **Payment Process**

The Ministry will provide quarterly payments based on quarterly projected disbursements.

Funds are transferred electronically to Indigenous Program Administrators. Indigenous Program Administrators must ensure that the Ministry has their latest banking information to receive these funds.

Indigenous Program Administrators advance monthly payments to landlords upon the signing of landlord agreements and updated unit occupancy figures. Under the Housing Allowance stream, Indigenous Program Administrators pay households directly.

## **Household Eligibility**

For the purposes of the Rental Assistance component, “household” is defined as any family unit or single individual renting either a self-contained unit or a room in shared accommodation. Households in receipt of social housing rent-geared-to-income subsidy or payments under any other rent support programs are not eligible.

To be eligible for funding under the Rental Assistance component, households must be on, or be eligible to be on, social housing waiting lists and have household incomes that

do not exceed the applicable Household Income Limits in the annually amended Ontario Regulation 370/11 under the *Housing Services Act, 2011*.

Indigenous Program Administrators must establish a clear set of rules to determine whether the applicant's household income is at, or below, Household Income Limits. These rules must be in writing and available to the general public.

Indigenous Program Administrators must conduct annual income testing of households to ensure continued eligibility for the Rental Assistance component, but may exempt specific types of households (e.g., seniors with fixed incomes). Indigenous Program Administrators are solely responsible for establishing the necessary rules, forms and procedures to meet this requirement.

## **Unit Eligibility**

Units may be in private buildings or in non-profit and co-operative projects. However, only market rent units in social housing developments are eligible, as program funding cannot be combined with rent-geared-to-income assistance.

### **Rent Supplement**

Rent Supplement units must be modest as determined by the Indigenous Program Administrator. Self-contained units and congregate living arrangements are both eligible for funding.

Rent supplement units must meet local occupancy standards. Indigenous Program Administrators must establish occupancy standards and include them in program information available to the general public.