
REPORT TITLE: **Peel Region’s Community Housing Sustainability Program**

FROM: Steve Jacques, MScPI, MCIP, RPP, Commissioner of Human Services

RECOMMENDATION

- 1. That Peel Region’s end of mortgage strategy included in the report of the Commissioner of Human Services listed on the November 13, 2025, Regional Council agenda titled “Peel Region’s Community Housing Sustainability Program” be endorsed; and**
- 2. That the Director, Housing Services be granted the authority to implement and administer the new funding model named Peel Region’s Community Housing Sustainability Program as further set out in the report of the Commissioner of Human Services listed on the November 13, 2025, Regional Council agenda titled “Peel Region’s Community Housing Sustainability Program”; and**
- 3. That the Director, Housing Services be granted the authority to enter into new service agreements or exit agreements, and any amendments or extensions thereto, with Peel Region’s community housing providers, provided such agreements, amendments and extensions are on business terms satisfactory to the Commissioner of Human Services, subject to budget and on legal terms satisfactory to the Regional Solicitor and Commissioner of Legislative Services.**

REPORT HIGHLIGHTS

- The community housing system in Ontario is entering an era of significant change, necessitated by the end of mortgages (EOM). EOM refers to the point when the mortgages on community housing projects mature and are fully paid off and the terms under associated agreements end.
- Since 2022, Peel Region, as Service Manager, has been working with housing providers, sector organizations, internal partners and other service managers to develop a comprehensive end of mortgage strategy, referred to as Peel Region’s Community Housing Sustainability Strategy.
- This strategy is Peel Region’s proactive local response to build a thriving housing system that is well maintained, climate resilient, operationally and financially sustainable, and growing to meet the increasing need for deeply affordable and subsidized housing.
- Over the next 7-10 years, Peel Region will negotiate and enter into new agreements with community housing providers individually. As per the *Housing Services Act, 2011* (HSA), all service agreements must be a minimum of 10-years and include a comprehensive financial plan to be reviewed every 5 years.

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- Underpinning these agreements is a proposed new funding model that requires the following changes beginning in 2026:
 - Rent-geared-to-income (RGI) rental benchmarks will increase to 70 per cent of average market rent
 - Ongoing provision of RGI subsidy as mandated through the HSA
 - Property tax subsidy as required
 - Additional subsidy as required
 - Housing providers must maintain a maximum accumulated surplus balance of \$1,000/unit with anything above this amount being redirected to capital reserves
 - The current operating budget is adequate to implement this model for external housing providers, with the following assumptions:
 - Regional tax supported dollars will continue to replace the annual federal funding shortfall for Community Housing Providers, excluding Peel Housing Corporation (PHC), at a cost of \$4.5 million from 2025-2032
 - Peel Region funding for state of good repair (SoGR) needs of external housing providers (excluding PHC) will continue to be managed through the Capital Infrastructure Loan Program, with a report coming to Council in 2026
 - The analysis in this report does not extend to PHC. The analysis for PHC is underway and will be brought to Council in 2026.
 - Finally, to support pillar 4 of the EOM strategy - Provide More Homes - additional capital investments will be required, and these opportunities will be brought to Council for consideration over time.
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DISCUSSION

1. Background

Peel Region's community housing system includes 14,273 units of affordable and subsidized rental housing owned by Peel Region, Peel Housing Corporation, non-profits and cooperatives. Most of this stock, 12,390 units, is governed under the *Housing Services Act, 2011* and administered by 45 community housing providers, including Peel Housing Corporation (PHC).

As reported to Council on June 26, 2025, in a report titled "Community Housing Providers – End of Mortgage Overview" the community housing system in Ontario is entering an era of significant change, necessitated by the end of mortgages (EOM) and related operating agreements. EOM refers to the point when the mortgages on community housing projects mature and are fully paid off and the terms under associated agreements end.

Although we are reaching EOM, Peel Region, as Service Manager, is still required under the *Housing Services Act, 2011* (HSA) to provide community housing providers in Peel, including Peel Housing Corporation, with rent-geared-to-income subsidy as per the targets stipulated in the HSA. In addition, Peel Region maintains responsibility for housing provider's operational viability and ensuring assets are maintained in good condition.

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In Peel, existing operating agreements with 45 housing providers, including PHC will expire by 2032. As such, 'end of mortgage' presents a significant opportunity to move away from the old regime of fixed operating/mortgage agreements to a new regulatory and funding environment that grows community housing supply, protects obligations for low-income tenants, while improving the financial and operational sustainability of the non-profit and co-operative housing sectors.

Through this report, staff is seeking Council approval for Peel Region's end of mortgage strategy and the new funding model. An overview of the strategy, the partnership framework, the financial analysis for external providers, and the proposed funding model are provided.

2. Peel Region's End of Mortgage Partnership Framework and Strategy

EOM presents Service Managers (SM) in Ontario with an opportunity to reimagine the community housing system, one that has operated historically with prescribed and restrictive guidelines. While some SMs decided to maintain status quo, Peel Region, in partnership with Peel's community housing providers, is proposing to capitalize on this opportunity to set a direction for Peel that would both maintain and build the community housing system.

a) Approach

Housing Services Corporation (HSC) was retained in early 2024, to facilitate the development of an end of mortgage strategy and partnership framework.

The Strategy and Partnership Framework were developed through a collaborative approach with internal and external partners. Peel Region established two advisory committees – one for external community housing providers and the second an internal leadership table comprised of representatives from finance, climate change and legal services.

HSC facilitated housing provider staff, Board members and representatives from the sector organizations - Ontario Non-Profit Housing Federation and Peel Halton Cooperative Housing Federation, through the process of identifying risks, opportunities and setting priorities for the sector. In addition, this committee worked to determine shared principles and goals, defining a new way of working together towards shared outcomes.

At key milestones, progress was validated with the internal advisory table to ensure alignment with Peel Region's strategic goals and Council priorities. In addition, town halls with all housing providers, boards and staff, were hosted to provide opportunities for all to share insights, provide input and participate in the strategy development process with the final town hall in October 2024 where the strategy and framework were endorsed by all housing providers.

This resulted in Peel's Community Housing Sustainability Strategy and a Partnership Framework. This work was the collaborative effort of many stakeholders and represents their shared vision for the community housing system in Peel.

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b) Partnership Framework

The End of Mortgage Partnership Framework (see Appendix I) outlines shared guiding principles, goals and actions; that will guide the transition of housing providers post EOM. It establishes a mutually beneficial partnership approach and is the path forward for the administration of Peel’s community housing system.

Negotiations and strategy implementation will be guided by the partnership principles of flexibility, shared stewardship, sustainability, affordability, fairness and equity. Our collective goals are to build a system that is financially responsible, thriving, resilient, and viable. This will be created using a new funding model (detailed below), and individualized agreements with clear and simple reporting and accountability processes.

c) Strategy

Peel’s proposed end of mortgage Strategy, titled Peel’s Community Housing Sustainability Strategy, includes five goals that represent the shared vision of staff, housing providers and sector organizations, for the future of community housing in Peel.

The strategy’s five goals are outlined below:

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| 1 | CHANGE LIVES | Improving housing outcomes through service supports, improved processes, and value-added partnerships that contribute to tenant and members’ well-being. |
| 2 | COMMUNITY HOUSING MODERNIZATION | Modernize community housing administration that is unique to Peel to support the long-term viability of community housing. |
| 3 | STOCK PRESERVATION AND RENEWAL | Extend the life of the existing community housing assets and/or regenerate properties to provide safe, sustainable and climate resilient homes. |
| 4 | PROVIDE MORE HOMES | Work in partnership to increase the supply of non-market rental housing units in Peel’s community housing system to make housing accessible, attainable, and affordable to low- and moderate-income individuals and households. |
| 5 | BUILD OUR COLLECTIVE CAPACITY | Building capacity and expertise internally within Peel, and with housing providers, to strengthen roles as stewards of the system to ensure that community-based housing operates as a sustainable component of the broader housing system. |

This strategy is a significant change for the sector with a shift away from maintaining the status quo to a focus on creating a thriving system through partnership. Through implementation and investment in the 5 goals, the system will be responsive, viable,

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sustained and have the capacity to grow deeply affordable housing stock. Those that reside in the system will have the supports and resources they need to remain housed, and housing providers will have the resources they need to administer and maintain their buildings. Peel Region will have information to assist in system planning and to capitalize on the opportunities for system change and growth. Achievement will take investment, with increased resources over the next ten years and a revised approach to how we fund and work with providers.

3. Proposed Funding Model

This section describes the current funding model and the proposed funding model post EOM. The funding model will support the outcomes of the strategy by ensuring housing providers have the means to operate and maintain their buildings.

a) Current Funding Model

The current funding model for housing providers, pre-EOM, is prescribed by the HSA. The Service Manager must provide three types of subsidies:

- Rent-geared-to-income subsidy – intended to offset rent creating deeply subsidized units
- Property tax subsidy – the full cost of property tax is covered
- Operating subsidy – covers costs such as mortgage, utilities, insurance, etc.

A prescribed formula is used based on rental benchmarks and indices set by the Ministry of Municipal Affairs and Housing. This formula has been limiting, as it does not reflect rental rates of the Peel community, does not consider inflationary costs and inhibits the operator's ability to prepare for facility repairs by restricting contributions to capital reserves. Housing providers will continue to be funded through this formula until they reach end of mortgage/agreement.

In addition to subsidies, Peel Region, as the Service Manager, supports the completion of building condition assessments and the completion of 10-year capital plans for the 44 external providers. The cost of repairs that are not able to be covered by the provider, are supported by Peel Region through the Capital Infrastructure Loan Program (CIL). This program will continue to support external housing providers (not PHC) post-EOM. Peel Housing Corporation's SoGR needs are built-into the Housing Supports long-term capital plan, with funding approved through the annual budget process.

b) Post EOM Funding Model

Although Service Managers have greater flexibility post EOM to create an approach focused on local need, the Housing Services Act, 2011 requires Service Managers to continue to provide rent-geared-to-income subsidy while also keeping the community housing stock in a state of good repair. Peel Region must also maintain the subsidized unit target of 8424 and continue administration of the centralized waitlist. Outside of

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these mandated requirements SMs can address EOM proactively and establish a new approach to investment.

The new funding formula was designed with an understanding, obtained through the financial analysis (details on next page), of what housing providers require to remain viable and operate in a sustainable manner with the goal of decreasing dependency on the service manager over time. Some of the changes are proactive and will set housing providers up for success as they reach EOM by increasing revenue and reserve contributions. Other changes will provide ongoing support for subsidy and SOGR. Peel Region's funding model, applicable to those housing providers that enter into a service agreement, requires the following investments and changes beginning in 2026:

- RGI rental benchmarks will increase to 70 per cent of average market rent.
- Rent-geared-to-income subsidy as mandated through the HSA
- Property tax subsidy as required
- Additional subsidy as required.

In addition, housing providers are required to maintain a maximum accumulated surplus balance of \$1,000/unit with anything above this amount being redirected to capital reserves, ensuring capital investments support the overall health and safety of the asset as a first priority.

Similar to the current funding model, funding required for capital repairs that an external provider cannot cover, will be managed through the Capital Infrastructure Loan Program.

In support of Peel Region's climate change goals, a 25 per cent reduction target in greenhouse gas emissions has been set for CIL investments with some exceptions that support emergency health and safety related investments. It is important to note that this commitment increases the required investment in SOGR by 30 per cent.

Some SMs have waived property taxes for community housing providers as part of their approach to EOM. Staff is exploring this option for Peel Region and will return to Council at a future date with a full financial analysis and recommended policy position.

Peel Housing Corporation's SoGR needs will be addressed through Peel Region's capital plan and budget process.

c) Negotiating agreements

Service agreement negotiations will be guided by the partnership principles of flexibility, shared stewardship, sustainability, affordability, fairness and equity as detailed in the Partnership Framework.

Peel Region will negotiate and enter into new agreements with each housing provider individually. As per the HSA, all service agreements must be a minimum of 10-years and

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include a comprehensive financial plan to be reviewed every 5 years. These principles will guide the external community housing provider agreements:

- The intention is to right size the funding that housing providers receive.
- Housing providers will participate in Peel Region's climate change initiatives.
- The average rental charge does not exceed 80 per cent AMR to align with future provincial and federal capital grant program funding guidelines.
- Increase revenue from non-rental sources, where possible, to support their operational needs (ex. roof rentals, community room rentals, parking, laundry etc.).

While negotiating new service agreements is a complex, multi-year undertaking with financial implications, it provides an incredible opportunity to bring about strategic, innovative and sustainable change.

Should a housing provider choose to exit/leave the system, the housing provider must exit in accordance with the HSA and enter into an exit agreement with the Service Manager which mandates that affordability must be maintained.

4. Investing in the EOM Strategy

Successfully implementing the Strategy requires ongoing financial commitments from Peel Region.

The financial analysis underpinning the EOM strategy is being done in two stages with this report focusing on the 44 external housing providers. A subsequent report detailing the financial needs of PHC will be brought forward in 2026.

a) Financial Analysis - External Housing Providers (excludes PHC)

To support the goals of the strategy and to understand the needs of each provider post EOM, staff completed a comprehensive financial analysis. Provider operating revenue and expenditures were considered in addition to the funding required to maintain their assets in a state of good repair. Provider investment in capital repairs was projected as was increased rental revenue. These variables were projected over 10 years based on the most recent data available. This analysis is critical to understanding the financial impact of EOM and each housing provider's individual needs.

This analysis (see appendix II) showed that 42 providers will require ongoing investment from the Service Manager. A few are financially viable with no SM investment, and a few require deep investment to continue operating. This analysis guided the development of the new funding model for external housing providers, exclusive of PHC.

It is important to note that the financial analysis is point-in-time, based on best available data. As data is updated, including state of good repair needs, individual financial needs

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may shift. Updates to the Housing Supports operating and capital budgets will be presented to Council through the annual budget process.

Since 2013, Peel's federal/provincial funding for social housing has decreased annually as housing providers moved closer to EOM. Peel Region's EOM plan requires Peel Region to continue using tax supported dollars to replace the annual federal funding shortfall, resulting in no change to the Community Housing Provider budget. It requires the continued practice of using tax supported dollars to replace the annual federal funding shortfall for Community Housing Providers, excluding Peel Housing Corporation, at a cost of \$4.5 million from 2025-2032. The proposed 2026 Housing Support budget includes a request pertaining to Federal Funding shortfall for all social housing agreements that are expiring

The 25 per cent greenhouse gas reduction target represents an increase in SOGR for the 44 external housing providers of approximately 30 per cent and is included in the proposed 2026 Housing Capital 10-year plan under the Capital Infrastructure loan program. Regional reserve R1919 funds the Capital Infrastructure loan program with a current \$2.8 million annual investment.

The 2025 Housing Support budget includes \$47,782,776 for operating subsidy for Community Housing Providers, excluding PHC, with 95 per cent funded by Peel Region.

Current SOGR need is based on point in time building condition assessment data. Future building condition assessments may impact the required financial investment and updates will be brought forward to Council as part of the annual budget process.

To support pillar 4 of the EOM strategy - Provide More Homes - additional capital investments will be required, and these opportunities will be brought to Council for consideration over time.

Staff will continue to monitor the climate change costs, operating expenses, state of good repair needs and the related financial impact on the Region.

RISK CONSIDERATIONS

Entering EOM negotiations with community housing providers comes with significant risks that could impact Peel Region's entire housing system. Should a housing provider choose to exit our system, Peel Region could lose access to those units and would no longer be able to place people from the centralized waiting list into those subsidized units.

Without ongoing investments by Peel Region, many housing providers will not be sustainable and financially viable at which point Peel Region would be required to take legal and financial responsibility for them. It increases the risk to Peel Region and taxpayers if a publicly funded community housing project is not operating effectively.

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Additionally, the loss of existing partnerships will limit our ability to create more supply in the system. Some housing providers have already been approached by private developers regarding their unused lands. If Peel Region does not begin planning and funding these development opportunities, access to the land and ability to develop deeply affordable housing within Peel will be significantly reduced.

These risks have been greatly mitigated through our inclusive approach to strategy development. Involving our community housing providers and sector support agencies in the creation of the strategy has generated a high level of engagement and belief in the strategy and a desire to work together to help the sector grow and succeed. Many housing providers are already planning for EOM negotiations, and several have identified development opportunities.

FINANCIAL IMPLICATIONS

The financial implications of EOM are detailed in the proposed 2026 Housing Support budget business request titled "Creating a Sustainable Housing System through End of Mortgage Agreements" and proposes, among other investments, 3 staff to support implementation of the strategy, negotiate agreements and for ongoing financial analysis.

Success of the end of mortgage strategy requires Peel Region's investment in the Community Housing System to remain at 2025 budget levels. This will ensure stock is maintained and system capacity can be attained.

Financial analysis is based on current data and capital needs may change. Staff will monitor the operating and capital requirements to ensure a balanced fiscal responsibility and reserve adequacy during each budget cycle.

Ongoing advocacy efforts are required to obtain funding from other levels of government to decrease the required regional investment relating to sustainability of community housing providers through End of Mortgage.

Staff will return to Council with a separate report outlining Peel Housing Corporation financial implications for End of Mortgage.

CONCLUSION

The community housing sector in Ontario is transforming, which poses opportunities and risks for service managers, housing providers and residents. Peel Region, in partnership with housing providers and sector organizations, has developed a strategy that, if approved by Council, will support the community housing system in Peel to enjoy long-term environmental and financial sustainability.

Successfully implementing the Strategy requires ongoing financial commitments from Peel Region.

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The analysis presented in this report reveals that the current Housing supports budget will be sufficient to address both operational and SOGR needs of the 44 external housing providers, excluding PHC.

The subsidy and SOGR needs of PHC will be brought forward to Council in a future report.

APPENDICES

Appendix I – Partnership Framework

Appendix II – External Community Housing Providers 10 Year Operational and SOGR Budget (excluding Peel Housing Corporation)



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