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July 19, 2022

Dear Mayor Letham and Council,

Kawartha Lakes-Haliburton Housing Corporation (KLH) is now facing considerable new challenges and opportunities. Significant system-level changes, many pre-dating the pandemic, have exacerbated existing issues and created new ones. It is expected that some difficulties will improve through pandemic recovery, but significant change to the housing system and related sectors is required for KLH to be able to reach its and the City's goals.

With regard to KLH's affordable housing development program, due to increased construction costs and interest rates, without capital grants of millions of dollars, projected revenues will no longer cover expenses. Infrastructure Ontario interest rates have increased from 2.95% December 2021 to 4.56%, increasing the annual financing costs for one project by close to \$150,000. Joint federal-provincial funding is inadequate and CMHC programs are problematic. The reality of federal and provincial funding for affordable housing development is inconsistent with perception. KLH is continuing to explore all potential solutions, but at present the Gull River and Murray St., Fenelon Falls projects are not financially viable.

With regard to operations, costs have increased and there are operational challenges. Work towards the 2023 budget is still underway, but increased pressures are expected. Many federal and provincial policies, practices, legislation, and programs create and exacerbate challenges experienced by KLH and other community housing providers. For instance, over 50% of rents paid to KLH are rent-geared-to-income and based on social assistance rates that haven't increased since 2018. Pandemic-related funding has offset increased costs, but is not expected to continue.

The incidence, level and complexity of the needs of KLH tenants and households on the housing wait lists have increased markedly, as reported to Council in Report HH2022-02, 2021 Homelessness Enumeration Report, and Report HH2022-003, Supportive Housing Update. This trend has multiple causes and started prior to the pandemic, but was exacerbated by the pandemic. Resulting problematic behaviours of tenants and their guests, coupled with insufficient services and supports, *Residential Tenancies Act* requirements and limitations, and long Landlord and Tenant Board timelines, have had substantial impacts on KLH's operations and finances, staff, tenants, contractors, partners, and others. While improvement is expected following the pandemic, the long-term future is uncertain. System-level change is needed.

At its strategic planning meeting June 23, 2022 the KLH Board decided to inform the Council of the City of Kawartha Lakes as the sole shareholder of KLH that KLH would like to work collaboratively with the City, the County of Haliburton, and others towards solving the challenges and issues KLH and other community housing providers face.

In its multiple roles of sole shareholder, funder, Housing Service Manager, and provider of multiple services, expertise, and resources to KLH, the City has always generously supported KLH and its efforts to provide housing to those in need. The KLH Board requests that Council direct Housing Services staff to, in collaboration with KLH staff, explore new approaches and recommend specific strategies to address the complex challenges confronting KLH and other community housing providers.

The scope of the review should include consideration of:

1. adjusting or redefining the services and supports provided by KLH;
2. revising goals, commitments, obligations, expectations, funding formulae, etc.;
3. developing and implementing a plan to advocate to the upper levels of government and other sectors to collaborate and effect system-level change.

We thank you for your consideration of this matter.

Sincerely,

The Board of Directors of the Kawartha Lakes-Haliburton Housing Corporation