Ontario Mortgage and Housing Corporation

2018-2019 Annual Report

Ministry of
Municipal Affairs
and Housing

Office of the Minister

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Ontario

TO TODD DECKER

CLERK, LEGISLATIVE ASSEMBLY

OF THE PROVINCE OF ONTARIO

Care of:

Procedural Services Branch, House Documents

Room 1405, Whitney Block

99 Wellesley Street West

Toronto, ON, M7A 1A2

For the information of the Legislative Assembly, I am presenting the Annual Report and audited Financial Statements of the Ontario Mortgage and Housing Corporation for the fiscal year 2018-2019.

Respectfully submitted,

Steve Clark

Minister, Municipal Affairs and Housing

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Ontario

Ontario Mortgage and Housing Corporation

Société ontarienne d'hypothèques et de logement

TO THE HONOURABLE

MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

On behalf of the Board of Directors, I am pleased to present a copy of the Ontario Mortgage and Housing Corporation's Annual Report and audited Financial Statements for the fiscal year 2018-2019.

Respectfully submitted,

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Janet Hope
Chair
Ontario Mortgage and Housing Corporation

Message from the Chair

I would like to thank my colleagues on the Board, the officers of the Corporation and Ministry staff for their work supporting the Ontario Mortgage and Housing Corporation (OMHC) for the 2018-2019 fiscal year.

As you may be aware, the Agency Review Task Force was established in November, 2018 to review all provincial agencies in support of the government's commitment to restoring accountability and trust. This review included OMHC.

On April 11, 2019, the Ontario Budget, *Protecting What Matters Most*, was released. The Budget noted that the task force recommended the dissolution of 10 provincial agencies, as they have become unnecessary, or because there are more cost-effective ways of achieving their goals. OMHC was one of the agencies identified for dissolution. It is proposed that the activities and obligations of the agency will be taken on as a ministry function.

The OMHC Board and staff are pleased to support the government in their work on this proposal.

Janet Hope
Chair
Ontario Mortgage and Housing Corporation Board of Directors

Annual Report of the Ontario Mortgage and Housing Corporation for 2018-2019

Introduction

The Ontario Mortgage and Housing Corporation (OMHC) is a statutory corporation, formerly named the Ontario Housing Corporation, continued under the *Ontario Mortgage and Housing Corporation Act* (OMHCA). The Corporation's enabling legislation consists of two statutes: the OMHCA and the *Housing Development Act* (HDA). OMHC is classified as a board-governed provincial agency which reports to the Minister of Municipal Affairs and Housing. Audited Financial Statements are prepared annually by the Office of the Auditor General of Ontario, as required by the OMHCA, and are included in this report.

As of April 1, 2015, the assets, liabilities, rights and obligations of the Ontario Mortgage Corporation (OMC) were consolidated in OMHC in accordance with amendments to the OMHCA and the HDA. The consolidation reduced duplication in the management of a declining portfolio of legacy mortgages and leases.

The Corporation is funded by the Province through an annual transfer payment. Provincial funding during 2018-2019 covered debentures and capital costs for environmental remediation for certain public housing projects formerly owned by OMHC.

Board of Directors

Members of the OMHC Board of Directors are appointed by Order-in-Council (OIC). The Board consists of at least five part-time directors with one member of the Board designated as Chair as part of the OIC appointment. The Board oversees the Corporation's business and is accountable to the Minister of Municipal Affairs and Housing. The Directors are senior civil servants in the Ministry of Municipal Affairs and Housing who perform OMHC duties as part of their regular responsibilities and receive no additional compensation for OMHC work.

As of March 31, 2019, the Board consisted of four members appointed for two-year terms which expire on December 31, 2019:

Name	***Position***	***Date of First Appointment***	***Appointment Expires***
Janet Hope	Chair, Member	February 1, 2007	December 31, 2019
Kate Manson-Smith	Member	December 10, 2014	December 31, 2019
Mary Anne Covelli	Member	January 18, 2018	December 31, 2019
Marcia Wallace	Member	January 18, 2018	December 31, 2019
Vacant			

MEMORANDUM OF UNDERSTANDING, 2016

The Memorandum of Understanding, 2016 (MOU) between the Minister and the Ontario Mortgage and Housing Corporation is an administrative agreement that promotes mutual understanding of the roles and responsibilities of the agency, the Minister, the Board, and its officers and support staff.

Mandate Responsibilities

OMHC's mandate responsibilities are listed in the MOU. Responsibilities are primarily financial in nature and include:

1. administration of public housing debt to Canada Mortgage and Housing Corporation (CMHC) and the Province;

2. managing OMHC's contingent liability to CMHC with respect to certain social housing mortgages for non-profit housing programs in accordance with OMHC's loan insurance agreement with CMHC;

3. managing any environmental liabilities under the *Environmental Protection Act* (EPA) on public housing properties formerly owned by OMHC that were transferred to Local Housing Corporations;

4. managing and administering Affordable Home Ownership Program legacy mortgages transferred to it by Minister's Order in accordance with the OMHCA;

5. using the monies in the Affordable Home Ownership Revolving Loan Fund and the monies received under the transferred Affordable Home Ownership Program

mortgages, including interest earned on the monies, only for housing purposes in accordance with a Minister approved by-law;

6. administering marketable and forgivable loans and mortgages related to former housing programs, including loans and mortgages that were owned by OMC and transferred to OMHC on April 1, 2015;

7. administration of loans to colleges and universities under the Ontario Student Housing program for the development of on-campus student housing;

8. administration of housing programs, or parts of housing programs, as may be prescribed under the OMHCA, including making grants and loans related to such prescribed programs and taking security for such loans;

9. making housing related loans, grants, guarantees or advances in accordance with the OMHCA and the HDA;

10. carrying out building developments as defined under the HDA in accordance with the OMHCA and HDA;

11. coordinating and arranging all borrowing, financing, short-term investment of funds and financial risk management activities through the Ontario Financing Authority, unless the Minister of Finance approves otherwise; and

12. subject to applicable legislation, such other matters which are within OMHC's statutory mandate as may be assigned to, or may have been assigned to OMHC by the Minister.

OMHC By-law No. 2: Affordable Home Ownership Mortgages and Revolving Loan Fund

OMHC administers the repayment of mortgages issued under the Affordable Home Ownership Program (AHP). This federal-provincial program was established in 2005 to provide down payment assistance in the form of second mortgages. The AHP loans are forgivable after twenty years. However, if a mortgagor wishes to sell the property prior to that time, the loan must be repaid. Loan repayments are deposited in an account called the Affordable Home Ownership Revolving Loan Fund (AHP Revolving Loan Fund). The AHP Revolving Loan Fund was vested in OMHC through amendments to the OMHCA which came into force on April 1, 2015. The AHP Revolving Loan Fund is held outside of the Consolidated Revenue Fund.

The OMHCA requires that monies held in the AHP Revolving Loan Fund be used only for housing purposes in accordance with an OMHC by-law approved by the Minister: OMHC By-law No. 2, Affordable Home Ownership Mortgages and Revolving Loan Fund (By-law No. 2).

By-law No. 2 specifies that the Corporation is authorized to use the money in the Fund and the money it receives under the AHP Mortgages, including any interest earned, for housing purposes, as requested by the Minister and approved by the Board of Directors. As of March 31, 2019, no funds from the AHP Revolving Loan Fund had been used.

Administration of the Public Housing Debt

In the past, the Corporation borrowed funds from CMHC and the Province to finance investments in real property. Under the *Social Housing Reform Act, 2000*, the Lieutenant Governor in Council transferred, by Transfer Order for no consideration, ownership of public housing land from the Corporation to Local Housing Corporations (LHCs) controlled by Service Managers.

OMHC is responsible for the administration of public housing debt owed to CHMC and the Province. This function is a mandate responsibility listed in the MOU. The Ministry of Municipal Affairs and Housing provides the Corporation with subsidies to cover its debt servicing payments and other expenses.

The Corporation's public housing debt appears on the Statement of Financial Position as "Long-term debt" and consists of debt to CMHC and "to the Province". Debenture interest for "devolved properties" appears in the Statement of Operations.

There were a total of twenty-nine (29) consolidated debentures that were extended past their initial maturation date (in 2003). Two projects were transferred to the City of Sarnia and completed in 2008-09. Eighteen (18) debentures matured between 2003 and March 31, 2019. As of March 31, 2019, nine (09) remain outstanding.

Administration of Loans to Colleges and Universities

Between 1969 and 1972, OMHC, formerly named the Ontario Housing Corporation, advanced loans to twelve (12) colleges and universities for a total of twenty-two (22) loans for the development of on-campus student housing. Funding for these loans was obtained from CMHC and the Province.

Although these loans are scheduled to reach maturity over the 2019 to 2023 period, the institutions are entitled to make early repayment at any time, without penalty or bonus. As of March 31, 2019, nineteen (19) loans have been retired and three (3) are outstanding.

Potential Environmental Liability for Public Housing Properties

OMHC maintains certain liabilities related to its former ownership of public housing properties. This includes potential environmental liability relating to environmental contamination under the EPA .

OMHC may be required to undertake actions deemed necessary by the Ministry of the Environment, Conservation and Parks to rectify any environmental contamination that may have existed at the time OMHC transferred the public housing portfolio to Local Housing Corporations. The Corporation, being a previous owner, may also be held responsible to clean up environmental contamination which it did not cause on these properties.

Currently, there are two remediation matters of concern to the Board. These include potential remediation at Alexandra Park in Toronto and ongoing claims from the Toronto Community Housing Corporation for the Regent Park redevelopment in Toronto.

Remnant Parcels that Remain on Title to OMHC

OMHC has been conducting a detailed review of the few remaining properties registered in the name of OMHC or its previous name, Ontario Housing Corporation. Remnant parcels will be transferred to Local Housing Corporations or the applicable Service Manager or to other municipalities or government ministries, as appropriate.

Based on the best available information, as of March 31, 2019, three locations with one or more properties were identified where transfers should be processed.

Other Activities in 2018-2019

During 2018-2019, the Corporation indemnified the Canada Mortgage and Housing Corporation (CMHC) against defaults for certain non-profit social housing mortgages. No claims have been made to date under this obligation.

The OMHC administered a small, declining portfolio of mortgages under various programs including the: Home Ownership Made Easy Program (HOME), Low-Rise Rehabilitation Program (LRR), Low-Rise Jobs Ontario Program (LR3), Low-Rise Rupert House Program (LRT), Low-Rise Anti-Recession Program (LRX), Permanent Homes for the Homeless Program (PHH) and Project 3600 Ontario Non-Profit Housing Program (P3600).

Performance During the Year 2018-2019

1. Operational Performance

The Corporation carried out its duties during the course of the year as required by its mandate.

2. Administration and Administrative Support

Staff of the Ministry of Municipal Affairs and Housing provided all of OMHC's administrative and operational support.

Officers: The following employees of the Ministry were the Officers of the Corporation in 2018-2019:

- **Keith Extance,** Chief Executive Officer
- **Jason Arandjelovic**, Treasurer
- **Margaret Booth**, Corporate Secretary

The Chief Executive Officer is responsible for managing the day-to-day operations of the agency, including compliance with the accountability and reporting requirements of the *Agencies and Appointments Directive, 2019* (AAD).

The Treasurer is responsible for financial business practices, financial controllership of the Corporation, as well as the provision of financial advice to the Board and reports on the Corporation's financial position.

The Corporate Secretary's duties include preparing Board and Ministry reports, recording minutes of Board meetings, preparing compliance reports required by the AAD, and coordinating mortgage and lease discharge requests.

Other staff in the Ministry of Municipal Affairs and Housing provide the Corporation's administrative and operational support and financial administration. Legal services are provided by the Ministry of the Attorney General.

3. Financial Performance

The Corporation managed the business and funds for which it is responsible as required by its mandate, applicable provincial financial laws, directives, guidelines and policies, and the terms of individual transactions and agreements.

The OMHC Financial Statements are reported in Volume 2 of the Public Accounts of Ontario and are also included in the Province of Ontario Consolidated Financial Statements. The OMHC Financial Statements are audited annually by the Office of the Auditor General of Ontario, as stipulated in the OMHCA, and are included in this report.

4. Variance Analysis

Ontario Mortgage and Housing Corporation
Statement of Operations

for the year ending March 31, 2019

	Budget ($ 000)	2019 ($ 000)	Variance ($ 000)
Revenue			
Subsidies from Province of Ontario:			
Debt service obligations	66,400	66,404	(4)
Environmental Remediation	10,300	3,284	7,016
Affordable Home Ownership Program Mortgages	-	88	(88)
Interest received from Student Housing	100	103	(3)
Miscellaneous	-	95	(95)
Total revenues	76,800	69,974	6,826
Expenses			
Debentures Interest:			
Devolved properties	11,800	11,721	79
Student housing	100	103	(3)
Environmental Remediation	700	-	700
Miscellaneous	-	1	(1)
Total expenses	12,600	11,825	775
Excess of Revenues over Expenses	64,200	58,149	6,051

The significant variances of actuals as at March 31, 2019 to budget are as follows:

Revenue:

Environmental Remediation: actuals were less than budget by $7.016 M as a result of a delay in environmental remediation work for Regent Park and Alexandra Park. These costs may vary significantly year over year and are based on actual costs incurred.

Expenses:

Environmental Remediation expenses are to record changes in the estimated future cash flows. There has been no change in the estimated future cash flows in 2018-19.

Excess of Revenues over Expenses:

The actuals were less than budget by $6.051 M mainly because of the above variances.

5. Future Performance Measures and Targets

The Corporation's performance targets, over and above its general commitments, are to continue to practice good management and comply with applicable rules of financial and administrative performance.

Ministry of
Municipal Affairs
and Housing

Housing Funding & Risk
Management Branch

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Affaires municipales
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Ontario

**Ontario Mortgage and
Housing Corporation**

**Société ontarienne
d'hypothèques et de logement**

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the statements have been properly prepared within the reasonable limits of materiality and in light of information available up to June 11, 2019.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis.

The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management,

Keith Extance
Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION

Financial Statement
For the Year Ended March 31, 2019

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31, 2019

	March 31, 2019 ($ 000)	March 31, 2018 ($ 000)
Liabilities		
Accounts payable and accrued liabilities (Note 6)	6,044	6,270
Long-term debt (Note 7)	161,415	217,513
Long-Term Environmental Remediation (Note 3)	40,399	43,683
	207,858	267,466
Financial Assets		
Cash (Note 4)	1,896	1,714
Accrued interest from Universities and Colleges	21	44
Due from Province of Ontario	5,957	6,160
Investments in student housing properties (Note 5)	1,025	2,440
	8,899	10,358
Net Debt and Accumulated Deficit	(198,959)	(257,108)

Contingent Liabilities (Note 8)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Janet Hope, Chair

Keith Extance, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Operations
For the year ended March 31, 2019

	Budget ($ 000)	2019 ($ 000)	2018 ($ 000)
Revenue			
Subsidies from Province of Ontario:			
Debt service obligations	66,400	66,404	73,061
Environmental Remediation (Note 3)	10,300	3,284	2,500
Affordable Home Ownership Program (AHP) Mortgages	-	88	113
Interest received from Student Housing	100	103	191
Miscellaneous	-	95	39
Total revenues	76,800	69,974	75,904
Expenses			
Debentures Interest:			
Devolved properties	11,800	11,721	15,781
Student housing	100	103	191
Environmental Remediation (Note 3)	700	-	1,748
Miscellaneous	-	1	1
Total expenses	12,600	11,825	17,721
Excess of Revenues over Expenses (Note 9)	64,200	58,149	58,183

The accompanying notes are an integral part of these financial statements.

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Net Debt and Accumulated Deficit
For the year ended March 31, 2019

	Budget ($ 000)	2019 ($ 000)	2018 ($ 000)
Net Debt and Accumulated Deficit, beginning of year	(257,108)	(257,108)	(315,291)
Excess of Revenues over Expenses (Note 9)	64,200	58,149	58,183
Net Debt and Accumulated Deficit, end of year	(192,908)	(198,959)	(257,108)

The accompanying notes are an integral part of these financial statements.

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Cash Flows
For the year ended March 31, 2019

	2019 ($ 000)	2018 ($ 000)
Operating transactions		
Excess of Revenue over Expenses	58,149	58,183
Changes in non-cash working capital:		
Decrease in Accounts Payable and Accrued Liabilities	(226)	(2,103)
Decrease in Long-Term Environmental Remediation	(3,284)	(750)
Decrease in Accrued Interest from Universities and Colleges	23	16
Decrease in Due from the Province of Ontario	203	2,088
Cash provided by operating transactions	54,865	57,434
Financing Transactions		
Long-Term Debt Repayment		
– Province of Ontario	(5,847)	(6,067)
– Canada Mortgage and Housing Corporation	(50,251)	(52,074)
Cash applied to financing transactions	(56,098)	(58,141)
Investing Transactions		
Collection of Ontario Student Housing Long-Term Debt	1,415	861
Increase in Cash	182	154
Cash Balance at Beginning of Year	1,714	1,560
Cash Balance at End of Year	1,896	1,714

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

The Ontario Mortgage and Housing Corporation (the Corporation), formerly the Ontario Housing Corporation, was established without share capital in 2006 under the Ontario Mortgage and Housing Corporation Act (OMHCA), as a provincial government agency. The Corporation's responsibilities include maintaining debt retirement obligations, debt service administration and satisfying obligations related to former public housing. The Corporation also carries out any other duties assigned by the Minister of Municipal Affairs and Housing in respect of matters under the OMHCA.

In addition, the Corporation has the authority to manage, administer and deliver the Affordable Home Ownership Program, set out in the Canada-Ontario Affordable Housing Program Agreement, and to manage, administer and deliver other prescribed programs.

Under the *Social Housing Reform Act 2000,* the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations (LHCs) which are controlled by Municipal Service Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing (the Ministry) provides the Corporation with subsidies to cover its debt service payments and other expenses.

The Corporation is also responsible for managing the loans and mortgages that were owned by Ontario Mortgage Corporation prior to its dissolution and that were transferred to the Corporation on April 1, 2015.

As an agent of Her Majesty in right of Ontario, the Corporation is exempted from federal and provincial income taxes under the Income Tax Act and the Taxation Act.

2. Significant Accounting Policies

Significant accounting policies followed by the Corporation are summarized below:

(A) BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(B) REVENUES

Subsidies from the Province of Ontario (the Province) are accounted for as revenue when received, which is when the related expenses are incurred and when the environmental remediation liability is settled.

2. Significant Accounting Policies (Continued)

(C) EXPENSES

Expenses are reported on an accrual basis as incurred. These expenses include debt servicing cost such as interest expenses.

(D) FINANCIAL INSTRUMENTS

The Corporation's financial assets and liabilities are accounted for as follows:

- Cash is subject to insignificant risk of change in value so the carrying value approximates fair value.
- Accrued Interest from Universities and Colleges, due from the Province, Investments in Student Housing Properties (note 5) and Interest Receivable are measured at amortized cost.
- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 7), is measured at amortized cost.
- Accounts Payable and Accrued Liabilities (note 6) are measured at cost.

(E) ACCUMULATED DEFICIT

The Accumulated Deficit that resulted from the transfer of properties to LHCs for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principal payments on the Corporation's long-term debt. The Accumulated Deficit is also reduced by the revenues provided by the Province to settle the Corporation's Long-Term Environmental Remediation liability.

(F) USE OF ESTIMATES

Preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates. Significant estimates include Long-Term Environmental Remediation Liability and Contingent Liabilities for Contaminated Sites.

3. Long-Term Environmental Remediation

The balance in the liability for contaminated sites as at March 31, 2019 is $40.4 million.

The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the sites. Remediation is expected to occur within the next six years.

There are two contaminated sites remediation projects as at March 31, 2019 - the multi-year Regent Park redevelopment project and the Alexandra Park redevelopment.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). The site has soil contamination as a result of historical industrial uses. Based on the redevelopment plan prepared by TCHC, phase 3 remediation work is expected to be completed by 2020. The preliminary remediation and site work of phase 4 has started and phase 5 is expected to start in 2023. Current cost estimates, based on site testing reports, to complete phase 3 is 7.7 million and, for phases 4 and 5 is $29 million.

In June 2013, TCHC advised that an Environmental Site Assessment (ESA) identified soil and groundwater contamination on the Alexandra Park site. In March 2014, TCHC requested that the Corporation provide financial assistance for soil remediation work. Cost estimates to remediate the contamination total $3.7 million.

The Long-Term Environmental Remediation liability balance is comprised of the following:

	2019 ($ 000)	2018 ($ 000)
Balance, beginning of year	43,683	44,433
Increase: Revised estimate	-	1,750
Decrease: Subsidy from Province for Remediation	(3,284)	(2,500)
Balance, end of year	40,339	43,683

Cumulative costs for site remediation to March 31, 2019 are $38.4 million (2018 – $35.1 million).

4. Cash

The cash balance is made up of the following:

	March 31, 2019 ($ 000)	March 31, 2018 ($ 000)
Cash	636	542
Internally Restricted Cash	1,260	1,172
Total Cash Balance	1,896	1,714

The internally restricted cash includes monies received from the Affordable Housing Program (AHP) which are to be used under the OMHCA for housing purposes only.

5. Investments in Student Housing Properties

The Corporation's investments in student housing properties represent funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, any related encumbrances in favour of the Corporation on the properties are discharged.

	March 31, 2019 ($ 000)	March 31, 2018 ($ 000)
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	34,090	32,675
	1,025	2,440

6. Accounts Payable and Accrued Liabilities

Most of the Accounts Payable and Accrued Liabilities balance is comprised of accrued interest payable on the Corporation's Long-Term Debt and amounts owing for environmental remediation costs incurred prior to year end.

7. Long Term Debt

Long term debt is comprised of the following:

	March 31, 2019 ($ 000)	March 31, 2018 ($ 000)
Canada Mortgage and Housing Corporation	144,617	194,867
Loans Repayable to the Province	16,798	22,646
	161,415	217,513

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province are Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the average rates are 5.31% and 6.49% respectively (2018 – 5.69% and 6.70% respectively). Interest expense for year ended March 31, 2019 totaled $11.8 million; (2018 – $16.0 million), $1.5 million (2018 – $1.9 million) of which was paid to the Province.

The interest expense is included in Debentures Interest in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ministry.

7. Long Term Debt (continued)

Scheduled payments over the next five years and thereafter are as follows:

	Gross Payments ($ 000)	Principal Payments ($ 000)
2020	41,483	34,604
2021	31,410	26,799
2022	22,327	19,381
2023	15,064	13,321
2024	9,268	8,351
Thereafter	6,982	6,413

8. Contingent Liabilities

(A) GUARANTEED DEBT

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of the loan defaults.

The Corporation would request that the Ministry reimburse any costs incurred by the Corporation. As of March 31, 2019, there were $3.7 billion (2018 – $4.1 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

(B) CONTAMINATED SITES

The Corporation retains potential liability for cleaning up environmental contaminants of former public housing properties under the *Environmental Protection Act*, as noted in the former *Social Housing Reform Act, 2000* and maintained in the *Housing Services Act, 2011*. The Ministry reimburses the Corporation for costs incurred.

The Ministry completed its review in 2014-15 of the more than 1,500 former OMHC sites in order to better refine potential liabilities for environmental contamination. The potential liability is for soil and groundwater contaminants as defined under the *Environmental Protection Act*. Estimates were developed using a risk-based approach that analyzed current and historical land uses, local redevelopment potential, construction date and building type to assess potential environmental risk. A total of 50 sites were identified as having a high degree of risk for potential contamination. These 50 sites represent a potential contingent liability of approximately $295 million. The need for remediation would be confirmed if and when a Municipal Service Manager has identified a site for redevelopment.

9. Excess of Revenues over Expenses

The Corporation derives most of its revenues from two subsidies from the Province: the debt service obligation subsidy and the environmental remediation subsidy. The debt service obligation subsidy covers the interest on long-term debt included in the Corporation's expenses, and the remaining portion represents the excess of revenues over expenses that is applied to the principal payments on the long-term debt.

Similarly, the environmental remediation subsidy offsets the site remediation costs that are accounted for in the Long-Term Environmental Remediation obligation as described in note 3.

10. Related Party Transactions

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

(A) LOANS TO ONTARIO COLLEGES

As of March 31, 2019, the outstanding balance due from colleges with respect to loans for Student Housing Properties (note 5) was $369,000 (2018 - $446,000). Total interest and principal payments received from colleges was $108,000 (2018 - $108,000).

(B) ADMINISTRATIVE EXPENSES

The Ministry provides administrative, financial, and program services to the Corporation at no charge. The cost for these services amounted to $150,000 (2018 - $150,000). All Board members are senior civil servants and support services are provided by staff of the Ministry in the normal course of their duties.

11. Risk Management

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities. The Corporation is also not exposed to significant liquidity risk or interest rate risk. These risks are borne by the Province.

12. Restructuring

The Province of Ontario announced in April 2019 that the activities and obligations of the Corporation would be transferred to the Ministry of Municipal Affairs and Housing. The transition process is expected to occur over the next year.