

Toronto Community
Housing Corporation
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**Toronto
Community
Housing**

Attachment 2

April 23, 2008

Ms Shirley Hoy
City Manager
City Hall
11th floor East Tower
100 Queen Street West
Toronto, ON M5H 2N2

Dear Ms. Hoy:

Subject: **Toronto Community Housing
2007 Annual Report to the Shareholder**

This report represents Toronto Community Housings' sixth annual report to the City of Toronto as its shareholder. This report is submitted in compliance with the requirements of the Shareholder Direction between the City, as sole shareholder, and Toronto Community Housing, as a business corporation established under the Ontario Business Corporations Act.

BACKGROUND

Toronto Community Housing Corporation has operated since January 1, 2002. The Corporation owns and is responsible for managing a portfolio of 58,500 units of housing in over 2000 buildings and 350 developments across the City of Toronto. The organization has a mandate to provide affordable rental housing for low and moderate-income households in the city providing homes to more than 164, 000 tenants.

Toronto Community Housing employs close to 1,400 staff with a 2007 housing operation revenue of about \$578 million and an operating budget of \$480 million. In 2007, Toronto Community Housing invested more than \$138 million in building capital repairs as well as other building and community related investments of over \$57 million. Tenant, commercial rent and other generated revenues account for 51 per cent of the operating budget, with the remaining 49 per cent coming from the operating subsidies of different levels of government, including a portion from the Greater Toronto Area under a provincially imposed program cost pooling formula. A thirteen member Board of Directors, appointed by the city as Shareholder, governs Toronto Community Housing and is accountable for policy and operational and financial management of the company.

Annually, Toronto Community Housing provides the City of Toronto with a Community Management Plan – the strategic and business plan of the corporation. The 2008-2010 Community Management Plan, submitted to the shareholder under separate cover, provides full details on the strategic initiatives Toronto Community Housing is carrying out over the next three year period.

This Annual Report responds to all shareholder requirements as set out in the Shareholder Direction. It highlights significant achievements that Toronto Community Housing, in cooperation with its stakeholder partners, successfully accomplished in 2007 and provides specific information requested in the Shareholder Direction.

THE SHAREHOLDER DIRECTION

The corporate relationship between Toronto Community Housing and the City is set out in a Shareholder Direction. The Direction sets out the Shareholder's objectives for the corporation, the principles of operation and the shareholders' reporting requirements. The Shareholder Direction clearly identifies the operating accountabilities of the corporation, including that the organization will:

- be responsible for the management of its housing portfolio,
- make all policy and operational decisions,
- employ its own staff, and
- be held accountable for these decisions through the submission to City Council of an annual update to the organization's 3-year business plan (the Community Management Plan) and through submission of an Annual Report.

Toronto Community Housing has enhanced those accountabilities by bringing in other stakeholders and has set out commitments that respond to both Shareholder and stakeholder identified needs in building healthy communities and a healthy organization.

ANNUAL REPORT

Annual reporting requirements include identification of:

- any material variances between the Toronto Community Housing set budget and actual;
- any variances that may have a financial impact on the shareholder;
- anything that is likely to materially affect tenants' views of TCHC;
- any major findings of audits;
- performance of TCHC such that the Shareholder can determine that the Shareholder Direction has been respected;
- number of evictions each year, the cost and the rationale.

In addition to the above matters, this report is an opportunity to provide highlights of Toronto Community Housing achievements in relation to the Community Management Plan for the past year, and accompanies the audited financial statements.

Toronto Community Housing - Highlights of 2007

Toronto Community Housing has operated in a constrained financial context since it was established in 2002. Over the past five years Toronto Community Housing has placed a focus on reducing operating costs, primarily through reduced management and corporate overheads, and increasing revenues in order to generate the cash flow needed to maintain buildings and create healthy communities. However, costs are increasing each year, faster than new revenues can cover them. And when there are new requirements placed on the organization, the increased cost pressure squeezes further dollars out of Toronto Community Housings' available pool of repair funds. New requirements, such as those incurred in order to meet the city's new Municipal by-law on Solid Waste, required the organization to expend close to \$6 million to outfit its buildings in line with the requirements. It will cost a minimum of \$5 million on an annual basis. This \$5 million in new costs will put further cost pressure on the organizations' budget and on its ability to keep its buildings in a good state of repair.

With the support of the City of Toronto, over \$530 million has been invested in the repair and renewal of buildings and communities. Significant initiatives have been undertaken to improve the quality of life for tenants, including implementing tenant engagement systems, providing training and employment opportunities, leadership development for youth and a number of community development initiatives. This has been achieved through the leveraging of assets, energy savings and entrepreneurial approaches to the generation of revenues. There also remains much to do.

A lack of sufficient capital funds means that many housing units are not in a good state of repair. Some communities should be revitalized, including the replacement of the current housing and the re-planning of the neighbourhoods. And there are many opportunities to improve the well being of the low and moderate income households living in Toronto Community Housing units. In particular, the effort to engage and provide opportunities for youth is key to creating a better City of Toronto for current and future residents.

Toronto Community Housing has exhausted its ability to reinvest in the repair and renewal of the housing stock. The need for investment in the real estate assets exceeds the Corporation's ability to pay for this. Without provincial and federal government assistance, Toronto Community Housing will be increasingly challenged to maintain the current portfolio of housing in use, and may increasingly be required to mothball units until such time as sufficient funds to effect the necessary repairs are made available. For the Board of Directors and the staff of Toronto Community Housing this is not an acceptable situation. There has been an intense effort to pressure governments to provide the required funding. In the 2008 budget, the Provincial Government announced a modest program for the repair of social housing. At this time it is not known how much of the approximately \$36 million allocated to the City of Toronto will be provided to Toronto Community Housing. Regardless of the allocation, it will only be a stop gap to a much larger need now estimated at over \$350 million.

Outlined below are some of the key accomplishments of 2007. These highlights are provided in relation to the focus areas of the 2007-2009 Community Management plan.

BUILDINGS

Healthy communities start with good places to live. Without significant new funding however, the organization will continue to be challenged as the inherited repair gap grows with the age of the buildings, now an average of 36 years old. The achievements of 2007 in its key outcome areas of Good State of Repair, Better Service to Tenants and a Sustainable Housing Portfolio, highlighted below, demonstrate that Toronto Community Housing continues to leverage the resources and capacity it does have to effect the outcomes it needs.

Good State of Repair

- Continued work on the Building Renewal Program which provides a \$130 million investment in 19 buildings over 4 years (2005-2008). This program has resulted in the upgrade of 100 buildings and 7,645 units to a good state of repair with significant energy savings and greenhouse gas emission reductions.
- Completed 1,115 kitchens and bathrooms in 2007 under the Unit Refurbishment Program, and an estimated 2,650 kitchens and bathrooms will be completed in 2008.
- Launched a Preventative Maintenance Program to provide proactive maintenance to building mechanical equipment. An initial investment of approximately \$6 million was made to support a Preventative Maintenance Program (PMP) on all mechanical and electrical equipment. This program is expected to continue resulting in deferring the replacement of equipment due to extending the life cycle another 8 to 10 years. It is estimated that this will save as much as \$40 million over the next 5 years. Where implemented the Preventative Maintenance Program has achieved a 15% reduction in daily maintenance requests.

Better Service to Tenants

- New contract management contracts provide equity of service to tenants in these buildings giving them access to Toronto Community housing systems and ensuring consistency of policies regardless of location. These changes were made in consultation with tenants in contract-managed locations.
- Initiated development of a new Tenancy Management System, reducing costs and providing better tenancy management tools.
- Completed the installation and use of a comprehensive tenant work order and complaint tracking system.
- Developed a joint partnership with Ontario Works and established reciprocal training programs.

Sustainable Housing Portfolio

- Nearing completion of the first Phase of the Don Mount Court revitalization, with the planned move in of former tenants to new units set for May 2008.
- Delivered the first phase of the Regent Park revitalization on-schedule and on budget, with the start of construction of the first rental buildings, and the start of the market buildings.
- In the final stages of construction for 27 new units at 1900 Sheppard Avenue West.
- Start of construction of three buildings (approximately 350 units) as part of the commitment to rebuild all geared-to-income units that exist at Regent Park in the east downtown. First occupancy of these units will be late 2008.
- Completed planning for the Railway Lands Blocks 32/36 in order to initiate project design and construction in 2008.
- Completed the survey of all required repairs and capital work in Toronto Community Housing buildings in order to complete an asset strategy in June 2008.
- Completed the replacement of 6,683 old fridges with energy star qualified models bringing the total replacement to 38,655 since 2003.
- Replaced 7,783 old stoves with energy star qualified models bringing the total replacement to 40,896 since 2003.
- Replaced over 254 furnaces, 357 washers and 274 dryers with energy efficient models.
- Achieved 10% electricity saving during the Summer Challenge initiated by Toronto Hydro at 358 metered locations.
- Replaced in-suite incandescent bulbs with over 350,000 compact fluorescent light bulbs to generate savings of \$5.5 million and greenhouse gas emission reductions of 12,000 tons over three years.
- Installed over 3,800 low-flush toilets (as part of a program to replace all old 13 litre toilets) for a water savings of 25% in all sites where replacement is complete.

COMMUNITIES

Healthy communities for Toronto Community Housing, are inclusive and provide tenants with the ability to make decisions and influence the institutions and civic processes that affect their lives. With achievements in key outcome areas of Social Inclusion, Engaged Communities and Good Places to Live, accomplished in 2007 and noted below, it is clear that Toronto Community Housing continues to work with its tenants and stakeholders to improve the health of its communities.

Social Inclusion

- Established a Mental Health Framework Advisory Committee and developed three pilot projects in three Community Housing Units,
- Continued delivery of Anti-Racism Study Circles in identified pilot sites with an action plan to sustain the work in 2008 that will be led by tenants and staff in the community.
- Developed a multi-year accessibility plan in 2007 as part of a strategic approach to improving accessibility and meeting the needs of tenants living with disabilities.
- Improved accessibility in 56 developments with new accessibility standards applied to both kitchen and bathroom retrofits.

Engaged Communities

Toronto Community Housing continues to engage tenants in decisions that affect them through such initiatives as these achieved in 2007:

- Tenants allocated \$9M in capital funds for tenant priorities in communities across the portfolio through a tenant participation budgeting process
- Tenant Representatives voted through a selection process to recommend two new citizen board members who are Toronto Community Housing tenants to the shareholder
- Undertook an evaluation of the Tenant Participation System framework in consultation with tenants. Implementation plan for resulting recommendations developed.
- Held annual tenant forum providing Tenant Representatives across the portfolio with the opportunity to meet and share experiences and practices.
- Successful voter education initiative leading up to the provincial elections where tenants organized and shared information on the electoral process and importance of voting.

Good Places to Live

Toronto Community Housing worked on a number of initiatives to create 'Good Places to Live' – healthy communities that are safe, involve partners, respect all tenants and recognize the impacts on the environment.

- Completed consultation and started to develop community standards that respect the rights of all tenants.
- Awarded \$923,700 in Social Investment Funds to tenants and groups working to improve Toronto Community Housing communities
- Completed the evaluation of the Social Investment Fund resulting in the restructuring of the fund to better address key objectives of both the Community Management Plan and the community health framework.
- Initiated 10 new community garden projects to increase the number to 104 across the portfolio.
- Successful implementation of over 100 Reclaiming Outdoor Space events that continued to catalyze tenant interest and action in creating safer communities.
- Community Safety cadet/intern program in place with two Toronto Community Housing youth now active within the program.
- Participated in over 250 community partnership initiatives in almost every Community Housing Unit. Initiatives included a partnership with Ryerson University regarding tenant council governance capacity building; voter education partnership developed with the Community Social Planning Council of Toronto; and a partnership with the Centre for Addiction and Mental Health to assist with the development of a Mental Health Framework.
- Initiated a recycling promotion, education and outreach plan to support staff and tenant led recycling improvement strategies in communities.

TENANTS

The average Toronto Community Housing household income is \$14,600, making the meeting of even basic needs, a challenge. Recognizing the issues of poverty and economic and social exclusion that its tenants face and the leverage opportunity that the organization has leads to the following 2007 achievements in the outcome areas of Social and Economic Opportunities for Tenants and Better Access to Community Services.

Social and Economic Opportunities for Tenants

Responding to the need to provide social and economic opportunities for tenants especially youths, Toronto Community Housing worked with its partners and successfully:

- Re-structured its children and youth approach to bring about a greater focus and opportunity for more focused youth programming.
- Launched an internship program to benefit Toronto Community Housing youth.
- Placed 8 youth in positions in businesses and organization across the city, as part of a Sustainable Development Prototype Initiative that involves a 5-month pilot providing youth with employment opportunity and the life skills necessary to take it on and retain it.
- Managed a second business plan competition as a follow-up to the 2006 program. Winners received financial support to grow their business idea along with self-employment consultation with an experienced consultant
- Held a community job fair together with Youth Employment Opportunity at Trethewey, Victoria Park and Sheppard
- Started the process to develop a procurement process that leverages the organizations' buying power to benefit its tenants and communities - fostering youth/tenant employment and tenant enterprise.
- Employed 190 youth to provide experience, training and income.

ORGANIZATION

Toronto Community Housing believes that a healthy organization is a requirement in order to fully achieve its mandate. A staff survey conducted in 2006 showed Toronto Community Housing as a good place to work with room for improvements in areas that resulted in the 2007 outcomes of Good Place to Work, Learning Organization and Good Governance. Highlights of achievements under those 2007 outcomes are provided below.

Good Place to Work

- Implemented a comprehensive Employee Orientation Program for all new staff.
- Developed and implemented Healthy Workplace action plans, developed with staff, in each business unit.
- Conducted a diversity survey and reviewed employment processes and tools to identify and remove barriers.

Learning Organization

- Established an in-house research program to help guide strategy and advocacy.
- Generated provincial response to the capital repair backlog through a strong advocacy coalition that included tenants and housing sector partners.
- Hosted "It's Who We Are" - a staff conference focused on sharing and learning from each other in the effort to build strong healthy communities and a healthy organization.

Good Governance

- Developed an enhanced management reporting tool to monitor performance against key indicators.
- Provided quarterly reporting on corporate performance including subsidiary performance.
- Linked business unit planning with Community Management Planning processes.

FINANCE

Toronto Community Housing faces many financial challenges, and has done so since it was established in 2002. Aging buildings, increased utility costs, decreasing revenues from geared-to-income rents and the growing capital repair deficit combine to make it difficult to maintain manageable costs in delivering on its mandate. Then there are the added cost pressures caused by new costs incurred in meeting new requirements such as those related to the new municipal waste by-law, which will consume an estimated \$5 million of the organizations' annual operating budget. However, as the achievements of 2007 in the key outcome areas of Sound Financial Management and Debt Program show, the organization uses all of the resources available to it, leveraging all opportunities, in order to ensure investment in its employees, buildings, tenants and communities.

Sound Financial Management

- New financial system rolled-out across company providing improved tools and controls.
- Carried out improvements to parking areas and laundry rooms to provide equity of service and costs for all tenants and to generate increased revenues.
- Worked successfully with Service Manager to address revenue gap created through decreasing rent geared-to-income revenues.
- Developed an interactive commercial website to enhance commercial leasing opportunities.

Debt Program

- Raised \$250 million through the issuance of Toronto Community Housing bonds.
- Applied financing generated through issued bonds to revitalization and building and unit repairs.

In addition to the achievements against the commitments set out in its Community Management Plan, the Shareholder Direction requires that the Annual Report to the Shareholder report out on the number and cost of evictions for the year. This information is provided below.

OTHER INFORMATION REQUESTED BY THE SHAREHOLDER

Eviction Statistics and Costs

As the largest social housing provider in Canada, Toronto Community Housing is extremely conscious of its role in providing housing to low and moderate income singles and families. Toronto Community Housing has an Eviction Prevention Policy for rental arrears situations that guides staff in taking every possible step to resolve the issue without having to move to eviction. It is only in cases where resolution cannot be reached that eviction occurs. Toronto Community Housing continues to work to keep its eviction rate low, while balancing the financial interests from lost rent and impacts on communities from tenant behaviours.

In 2007 there were 292 evictions related to arrears. On average, there are 6,800 households (close to 10%) who are in arrears each month (have not paid their rent as of the 1st of the month in which it is due). The total amount of arrears for those households involved in eviction for rental arrears was \$834,112, translating to an average arrears of \$2,857 per evicted household. Of this total \$ 634,836 is related to tenants on a rent-geared-to-income basis, an average monthly rental arrear of \$2,612 for households that have an average monthly rent of \$360.

There were 31 evictions related to other grounds for breach under the Residential Tenancy Act.

The direct cost of evictions is estimated at \$139,530 (\$475 per household) related to the direct costs of tribunal and sheriff fees. Toronto Community Housing expends and estimated \$1.5 million on rent collection annually.

Toronto Community Housing has an eviction prevention policy. Evictions are sought only where all other interventions to resolve the situation have been unsuccessful. For example, where evictions do take place due to non-payment of rent it is usually related to progressive rent arrears where rent is not being paid on an ongoing basis and attempts at making payment arrangements with the tenant are not successful. Staff make every effort to work with tenants to assist them in meeting their tenancy obligations. It should be noted that housing management policies and practices are designed to assist tenants to successfully manage their tenancy, recognizing every tenant as responsible and able participants in the process.

Toronto Community Housing balances the needs and situations of tenants, the wider tenant community and its role as a responsible landlord. In so doing, there will be circumstances where eviction as the last step in the process happens. Even then, there are cases where the tenant is

able to make payment directly after the eviction and they are re-housed. In 2007 there were 25 households evicted for non-payment of rent that were re-housed immediately after eviction.

The table below provides an overview of the progress of arrears, starting with the number of households issued arrears letters every month to the number that escalate to a legal notice to the number evicted overall for the year.

Average Number of Households in Arrears each month	6,800
Average Number of Households receiving Legal Notice each month	1,777
Number of households that vacate unit after receiving notice of Legal Action	131
Number of households that vacate unit upon receipt of an eviction order	25
Number of households evicted for arrears for the 2007 year	292
Number of households evicted for Breach of Lease for the 2007 year	31
Total arrears owed by households evicted	\$834,112
Average arrears per household evicted	\$2,857
Households re-housed by Toronto Community Housing after eviction	25

CONCLUSION

This report together with the attached audited financial statements meets the requirements for annual reporting to the shareholder as set out in the Shareholder Direction. While the report is not an exhaustive list of Toronto Community Housing achievements or a full report on operational performance, it provides the shareholder with an overview of the highlights against key outcomes as committed to in its Community Management Plan 2007-2009.

Derek Ballantyne
Chief Executive Officer

Attachments: Resolutions of the Board of Directors
Toronto Community Housing 2007 Audited Financial Statements

cc. Nancy Autton - City Manager's Office