



Putting **People** First

Transforming Toronto Community Housing

Special Housing Working Group Report
Chair: Councillor Ana Bailão
September 17, 2012

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September 17, 2012

Dear Members of Council:

It is with great pleasure that we present *Putting People First: Transforming Toronto Community Housing*, our report concerning the repair and funding challenges facing Toronto Community Housing.

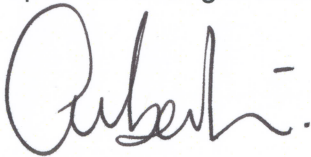
As you will recall, our work arises out of City Council's decision at its March 5, 6 and 7, 2012 meeting to establish a Special Housing Working Group to investigate and make findings on the proposed sale of 619 occupied TCH single-family homes, innovative financial strategies to fund the social housing repair backlog and a strategy to engage the federal and provincial governments in providing long-term, sustainable funding to meet Toronto's affordable housing needs.

With *Putting People First*, we believe we have fulfilled our mandate by providing City Council with recommendations which provide immediate funding solutions for Toronto Community Housing over the next two years and a blueprint for a five-year capital plan. We have also laid out the work ahead – including important steps to be taken in re-engaging the federal and provincial governments in the funding issues of social housing in Toronto.


We want to thank City Council for the opportunity to serve the people of Toronto and are indebted to the many participants in our public consultations, including the residents of Toronto Community Housing. This report has been made possible through their support and commitment to making Toronto a better place for everyone to live and succeed.

Sincerely,

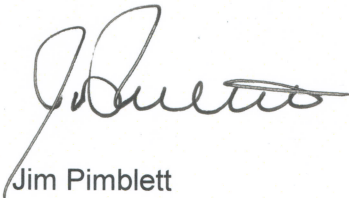
The Special Housing Working Group



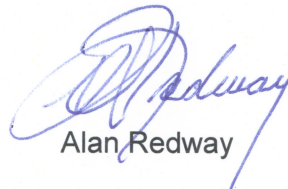
Councillor Ana Bailão - Chair



Bud Purves



Jim Pimblett



Alan Redway

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Introduction

What Toronto Community Housing (TCH) does and how it does it makes a significant difference to Toronto, its neighbourhoods, its people and its residents.

Residents are at the heart of TCH's responsibility. There are some 164,000 residents who make their homes in rental housing provided by TCH.

TCH residents come from all walks of life and include children, families, seniors and people with special housing needs. They live in homes mixed throughout Toronto in 2,200 buildings.

As a non-profit housing corporation, TCH is responsible for the stewardship of an annual operating budget of \$610 million and the management of 58,500 homes with an estimated capital value of \$6 billion.

Context

The capital repair challenges facing TCH have evolved over many years. Much of the housing is over 40 years old, with some older public housing buildings in need of complete revitalization and/or replacement.

In October 2011, in recognition of the need for action to address the growing backlog of repairs estimated at \$751 million, TCH took the unprecedented move to recommend the sale of 872 single family homes.

In March 2012, Toronto City Council established a Special Housing Working Group to investigate and make findings on the proposed sale of 619 TCH occupied single family homes, the TCH backlog in repairs, and a strategy to re-engage the federal and provincial governments in funding affordable housing.

While Council had previously approved the sale of single family homes they were few in number and often unoccupied. This included 56 vacant single family homes approved for sale in March 2012. The proposed sale of 619 occupied homes differed both in scale and social impact.

At the same time, Council recognized that there was a need to immediately address the capital repair backlog. While the sale of the single family homes was estimated to generate some \$220 million in one-time funding for repairs, the central question was whether the sale of the properties was the right solution. In particular, what would the City do for an encore once those funds had been spent?

To compound the situation TCH was coming off a high of having received one-time capital funding injections of \$149.9 million in federal/provincial economic stimulus, \$34 million in provincial capital funding for social housing repairs and \$75 million in Hydro Telecom proceeds from the City of Toronto.

Forecasting into the future it was clear that there were no easy answers, nor was it certain whether the federal and provincial governments would renew the economic stimulus program.

Against this background of financial challenges TCH has been stabilizing and preparing to transform itself into an organization of excellence and responsive customer service.

The key steps in this direction were taken with the appointment of a new Board of Directors in 2011 and a new Chief Executive Officer and executive leadership team hired in 2012.

Special Working Group Approach

In March 2012, Council established a Special Housing Working Group to investigate and make findings on the proposed sale of 619 homes, the backlog of repairs and a strategy to re-engage the federal and provincial governments in providing affordable housing. The Working Group was requested to report to Executive Committee in September 2012.

In April 2012, the Special Working Group held its first public meeting and adopted a three-phase work plan consisting of background briefings and research; public consultations and report preparation.

The Working Group's activities and recommendations have been informed by over 600 individuals and organizations who have participated in our work.

Consultations took place from May until July 2012 and included a survey of tenants living in the single family homes proposed for sale, an Ideas Forum on Housing, a consultation with non-profit housing organizations and a public Suggestions for Action event.

The Working Group has been impressed by the interest and desire of people to contribute to solutions. This report and our findings have been made possible by the valuable contributions of the public including residents and staff of Toronto Community Housing. Successful implementation will also require their support and participation.

The Way Forward

After six months of investigation and consultations the Working Group believes that putting people first must be central to the transformation of TCH.

This means treating every tenant as a valuable customer. It means listening to what they have to say – understanding their needs – and helping to respond to their housing aspirations.

Some would suggest that this means choosing between some tenants and others - that divesting the single family homes portfolio to pay repair bills in multi-residential buildings is the way to go. The Working Group believes there is a better approach that will generate revenue for repairs while allowing the majority of tenants to remain in their homes.

Most importantly, the recommended approach will maintain some 564 or 90%, of the 619 single family homes as affordable housing, while supporting the wishes of some

tenants to become home owners and better accommodate those required to relocate. It also provides opportunities for new models including non-profit management and community co-operative land trusts.

The Working Group believes there are faster, better and more socially responsive ways to generate revenue to pay for repairs than the sale of the single family homes.

Over the next two years these solutions will more than double the current TCH repair budget of \$53 million. Phase One funding opportunities are to be implemented from 2013 to 2014. Appendix A of the report provides a summary of Phase One funding that will generate some \$120 million for capital repairs over the next two years.

As part of a second phase of funding, the Working Group has set out significant new revenue opportunities to help guide TCH in the development of a new five-year capital financing plan by June 2013. Appendix B provides a summary of funding sources for the five-year capital financing plan.

Phase One: Immediate Two Year Funds

As part of a Phase One funding strategy, over the next two years an estimated \$120 million will be freed up to supplement the existing capital repair budget of \$53 million including:

- Sale of 55 additional properties valued over \$600,000, including those with high capital repair needs
- Conversion of up to 100 homes to eligible TCH tenants into home ownership
- Reduction in operating and administrative costs from sale of properties
- Internal TCH administrative efficiencies
- Optimizing Development Charge Reserve Funding for Subsidized Housing

Phase Two: Toward a Five-Year Capital Financing Plan

After six months of independent review and investigation the Working Group believes there are significant new revenue opportunities to be achieved through implementing a mix of funding and partnership strategies.

The next step is for TCH and the City to undertake and develop the business cases and necessary partnerships to activate these revenue sources with a five-year capital financing plan.

Toronto Community Housing has recently accepted the results of its cost consultant which has established an annual capital budget requirement of \$108 million.

The Working Group believes the following funding opportunities have the potential to provide significant new revenue including:

- Leveraging Equity through Mortgage Refinancing
- Maximizing Bond Borrowing
- Pursuing Investment Opportunities such as Real Estate Investment Trusts
- Re-Capturing Value from New Developments
- Increasing Building Energy Retrofit activity
- Shifting Financial Risk of New Development and Revitalization
- Leveraging Land Assets through Infill and Intensification

Intergovernmental Strategies

All orders of government have a responsibility to help TCH succeed. While solutions to the capital repair needs of TCH are to be found in a mix of funding partnerships, governments will continue to have an essential funding and regulatory role.

Despite difficult economic times the federal and provincial governments must do more to address the current housing needs of people living in social housing, including meeting the challenges faced by tens of thousands of people stuck on lists for affordable homes.

The Working Group has set out some realistic and achievable recommendations for each order of government to implement including:

The federal government:

- Reduce interest rates on existing social housing mortgages and waive fees and penalties for early mortgage repayment
- Adopt a sustainable national housing strategy

The provincial government:

- Work with the federal government to renegotiate the 1999 Federal-Provincial Social Housing Agreement
- Fix the social assistance funding inequity for social housing providers

To activate and advocate for these measures, the Working Group is recommending the City in partnership with TCH and others develop and launch a comprehensive "Campaign for Social Housing".

A. Single Family Homes

Findings

TCH's single family homes provide a unique affordable housing option for low- and moderate-income residents. The homes are integrated into neighbourhoods and primarily accommodate larger families with children.

The survey of residents found 94% of respondents reported a strong or very strong sense of belonging to their neighbourhood. Some 87% said their home meets their needs.

Some 75% reported they would be negatively affected if they had to move away from schools, health, faith, and social supports in their neighbourhood.

Managing the Single Family Homes Portfolio

The Working Group has concluded that as part of a "diversification strategy" the majority of the single family homes should remain affordable housing. This includes the retention of 564 homes with an estimated market value under \$600,000.

The homes have different and unique characteristics compared to the multi-residential buildings within TCH's portfolio. They require a dedicated and separate approach to their stewardship.

A "diversification strategy" of the retained homes would include the implementation of a range of options including new rental and ownership partnerships.

Some of the options for review and implementation include: home ownership opportunities for tenants, and partnerships with non-profit organizations.

Home Ownership Opportunities for Tenants

Many tenants in social housing have aspirations beyond being renters.

Some 54% of respondents, or 214 tenants, in the single family homes expressed an interest in purchasing the home they live in.

At the Ideas Forum on Housing, the Working Group heard about the support provided by the City of Chicago in its "Choose to Own" program that helped 350 tenants

successfully transition into home ownership. TCH has also piloted a home ownership program in Regent Park. Now is the time to expand such initiatives to other TCH residents to help them transition from social housing.

There is clearly an opportunity to work with residents in single family homes, affordable ownership partners and available federal/provincial government support programs to help people transition from renting to owning.

Currently, 42% of residents living in TCH's single family homes are employed and have an average family income of \$32,802. In comparison, residents living in TCH's multi-residential buildings have an average family income of \$16,155.

The Working Group has been advised that with sufficient down payment assistance from a non-profit organization and the use of existing federal/provincial government home ownership program funds, some residents could meet the eligibility criteria of annual incomes of more than \$30,000 to purchase a home at estimated market value. These sales would generate an estimated \$34.6 million for capital repairs.

The Working Group believes TCH should actively support the conversion of up to 100 single family homes to affordable ownership. This would include working with residents to facilitate the move from renting to ownership. It should also involve extending the offer to purchase vacant affordable homes to other eligible TCH residents.

In addition to identifying and working with eligible home ownership applicants a non-profit home ownership organization could also facilitate the use of voluntary and charitable labour to undertake essential capital repairs.

To support the conversion of up to 100 single family homes to affordable home ownership the Working Group recommends that Council direct \$3.3 million of available down payment assistance from the current federal/provincial Investment in Affordable Housing Program. Through this program eligible residents would receive a down payment loan of 10% toward the purchase of a home.

Based on an estimated average market value sale price of \$346,000 per home, the sale of up to 100 homes would generate \$34.6 million to be used for repairs.

In supporting the housing aspirations of tenants to become home owners all orders of government would be contributing to breaking the cycle of poverty among some TCH residents, while supporting mixed-income communities.

Furthermore, a home ownership initiative would result in TCH achieving market value for the sale of up to 100 properties and remove the liability for repairs for these homes.

Partnerships with Non-Profit Organizations

Community non-profit organizations have expressed a strong interest in partnering with TCH to assume ownership and management of the single family home portfolio.

A proposal for a community co-operative land trust was advanced by some organizations as part of the consultations with non-profit housing groups. Some or all of the single family homes could be transferred to a community co-operative land trust. The land trust would retain ownership of the buildings and land to be leased to co-operative or non-profit organizations that would be responsible for operating and maintaining the homes as affordable housing.

TCH has recent experience with the long term lease of homes to the Sonny Atkinson co-operative in Alexandra Park and the co-operative at 60 Richmond Street East.

There are also successful land trusts being operated at the Bathurst Quay neighbourhood and the Toronto Island.

A review by TCH should explore the benefits, costs and risks associated with implementing a community co-operative land trust.

Some 47% of tenants, or 184 respondents, said that if their home was bought by a co-operative or non-profit agency they would be interested in playing a greater role in the management of their home.

Further work should be conducted by TCH and co-operative and non-profit agencies that have expressed an interest either in managing or owning single family homes. The proposed revocable land trust would include the City of Toronto and members of the community.

The benefit of transferring the homes to non-profit organizations or a community land trust would be to eliminate TCH's administrative expenses associated with the homes and remove a portion of the repair liability. Homes would continue to be operated as affordable rental housing.

Sale of Select Homes

The time has also come to rationalize the assortment of housing stock within the single family homes portfolio. The challenge is in finding the balance between providing affordable homes to tenants while finding new funds for capital repairs.

The Working Group has concluded that while the majority of the homes should be maintained as affordable rental or ownership housing there are some properties which should be sold in the open market.

To identify which properties to recommend for sale the Working Group established several criteria:

- Properties with an estimated market value above \$600,000
- Any property which is currently vacant and in poor condition that requires costly repairs.

In recommending the \$600,000 threshold the Working Group was guided by the federal/provincial affordable home ownership program house price ceiling which is currently set at the average resale price in Toronto of \$564,188.

The sale of the 55 additional homes which meet the criteria will generate some \$35.5 million (after payment of existing mortgages of \$1.2 million) for capital repairs.

Recognizing the direct impact of the sale of homes which are currently occupied the Working Group is recommending TCH put in place specific tenant relocation measures:

- Tenants must be provided with the option of moving to another TCH single family home in their neighbourhood
- Tenants must be offered the opportunity to participate in the affordable home ownership program if they meet the eligibility criteria and affordable social housing homes are available
- Special attention must be given to accommodate the needs and requirements of families with children
- Special attention must be given to accommodate the needs and requirements of frail seniors and residents with special needs due to mental or physical disabilities which would include sale upon resident turn-over
- Sale of any home is subject to existing lease agreements and applicable landlord and tenant legislation
- Homes which are vacant or where the tenant has requested and been granted a transfer would be sold in 2013
- Occupied homes should be scheduled for sale in 2014 unless a transfer is requested and granted prior to that time.

To maintain the social housing Service Level Standard, the Working Group proposes that the replacement of rent-geared-to-income housing resulting from the sale of homes be addressed through a range of strategies including:

- Converting a vacant market single family home to rent-geared-to-income
- Providing a rent-geared-to-income home in new TCH homes constructed over the past ten years
- New partnerships with private and non-profit sectors

Recommendations

1. Council endorse the Working Group Report and the strategy to retain 564 of the 619 single family homes as part of an affordable rental and home ownership strategy and request that Toronto Community Housing improve management and reporting on the retained homes, including a review of establishing a specialized unit within its organizational structure for their management and report to the Affordable Housing Committee and Executive Committee in June 2013 on the measures taken to improve the stewardship of the single family homes.
2. Council request Toronto Community Housing develop options to maintain 564 homes as affordable housing as part of a diversification strategy including:
 - continued ownership and operation by Toronto Community Housing
 - providing additional home ownership opportunities for residents and
 - developing partnerships with non-profit housing providers, which could include participation in or devolution to a revocable Community Land Trust or partnership opportunities with non-profit organizations to manage or own any of the retained single family homes.
3. Council request Toronto Community Housing facilitate the conversion of up to 100 homes to affordable home ownership through working with an affordable home ownership partner and the City's Affordable Housing Office to further consult with tenants on their interest and eligibility to participate in a home ownership program, and to facilitate the delivery of up to 100 home ownership federal/provincial affordable housing loans. Toronto Community Housing report to the Affordable Housing Committee and Executive Committee in June 2013 on the recommended homes for the affordable ownership initiative.
4. Council direct \$3.3 million of available federal/provincial Investment in Affordable Housing funding to provide down payment assistance to qualifying Toronto Community Housing residents.
5. Council request Toronto Community Housing report to the Affordable Housing Committee and Executive Committee by October 2013 on new partnership

opportunities with non-profit organizations to manage or own any of the retained single family homes. This includes participation in or devolution to a revocable co-operative Community Land Trust.

6. Council approve the sale of 55 homes with an estimated market valued at or above \$600,000 and vacant properties with a Facilities Condition Index value of 20% or above.
7. Council require Toronto Community Housing develop a specific single family home tenant relocation plan including:
 - Tenants must be provided with the option of moving to a single family home in their neighbourhood
 - Tenants must be offered the opportunity to participate in the affordable home ownership program where they meet the eligibility criteria and affordable social housing homes are available
 - Special attention must be given to accommodate the needs and requirements of families with children
 - Special attention must be given to accommodate the needs and requirements of frail seniors and residents with special needs due to mental or physical disabilities which would include sale upon resident turn-over
 - Sale of any home is subject to existing lease agreements and applicable landlord and tenant legislation
 - Homes which are vacant or where the tenant has requested and been granted a transfer would be sold in 2013
 - Occupied homes should be scheduled for sale in 2014 unless a transfer is requested and granted prior to that time.

B. Backlog of Repairs

Findings

It has taken over a decade for the capital repair backlog to develop. The solutions and partnerships start today but require a carefully implemented five to seven year capital financing plan.

Most recently TCH has tackled the funding challenges through borrowing money, using operating cash flows, conserving energy, community revitalization and securing interim financing. These strategies have from time to time been supported by one-time government capital funding.

Going forward TCH must continue to build on strategies it has in place to supplement its core annual capital repairs budget of \$53 million. The Working Group has also identified immediate revenue opportunities over the next two years and new innovative opportunities which could provide significant additional revenues. TCH should explore these opportunities and potential partnerships and prepare a longer term five-year capital financing plan. A summary of potential funding opportunities for the five-year plan is provided in Appendix B.

Phase One: Immediate Two Year Funds

The Working Group has identified six revenue sources to increase funding for capital repairs during the next two years.

This funding will more than double TCH's current base funding of \$53 million and help address immediate repair priorities. At the same time it gives TCH the opportunity to conduct due diligence on longer term funding and develop the business case for new funding partnerships with a five-year capital financing plan.

The private market sale of 111 single family homes and the conversion of up to 100 rental homes to affordable home ownership over the next two years will generate an estimated one-time revenue of \$97.6 million. This will also result in an annual cost saving to TCH of \$3 million through reduced administration and operating costs.

Within TCH's current budget there is also additional room to find internal financial efficiencies estimated at \$10 million. This includes efficiencies in the system of purchasing goods and services, a more competitive bidding process, and achieving new rental revenues from reducing vacancy loss at time of tenant turn-over. These savings should be retained for TCH.

Over the past five years the TCH Board has invested its own equity in the revitalization of Regent Park, the capital repair program and the development of new affordable housing.

The Development Charge Reserve Fund contains funds collected from private developers building in Toronto in order to fund the cost of capital infrastructure needed to service growth. A portion of these funds is dedicated to the construction of subsidized housing.

Over the next two years, optimizing the use of development charges would reduce the pressure on TCH contributing its own equity for new development. The City Manager, Deputy City Manager and Chief Financial Officer should work with TCH to optimize the use of development charges funding of up to \$10 million in accordance with the Development Charges Act.

The City of Toronto should also assist TCH in partnering with the private and non-profit sectors in the development of new affordable rental housing. The City in partnership with TCH to identify future rental housing developments eligible for funding assistance of up to \$20 million from the Development Charge Reserve Fund for Subsidized Housing.

By partnering with the private and non-profit sectors constructing new housing TCH will contribute to increasing new affordable rental housing while avoiding reducing its own market housing within existing social housing developments.

Phase Two: Toward a Five-Year Capital Financing Plan

The range of challenges facing TCH, including its capital repair backlog, call for new and innovative approaches to the way it does business. Gone are the days of doing things alone or relying solely on government funds and rents.

Opportunities to generate revenue that have come to the attention of the Working Group including leveraging equity through mortgage refinancing, maximizing bond borrowing, pursuing investment opportunities such as Real Estate Investment Trusts, re-capturing value from new affordable housing developments, increasing building energy retrofit activity, shifting financial risk of new development and revitalization, and leveraging land assets through infill and intensification.

TCH, in partnership with the City Manager's Office should conduct due diligence on these opportunities to determine the financial benefits and potential risks involved as part of the five-year capital financing plan development.

Leveraging Equity through Mortgage Refinancing

At the Working Group's Ideas Forum on Housing, the City of Ottawa and Infrastructure Ontario outlined how \$17 million of additional capital funds for repairs were raised through refinancing and extending social housing mortgages at interest rates of 3.75% and 4.2%. To meet Infrastructure Ontario's security requirement, the City of Ottawa agreed to commit to the current level of mortgage subsidy to 2042 and pay directly to Infrastructure Ontario.

The City of Ottawa's refinancing arrangement with Infrastructure Ontario has been identified as an innovative approach by the Ministry of Municipal Affairs and Housing and is outlined in "Redeveloping Social Housing in Ontario: A Provincial Guide and Perspective."

TCH's current \$773 million in mortgage debt has interest rates ranging from between 4% and 13%. TCH should aggressively pursue a strategy to renegotiate these mortgages early and/or at the time of expiry. A one percent reduction in interest rates could generate some \$7 million in cash savings for TCH each year. Savings from refinancing and extending mortgages would result in further funds being available to fund capital repairs.

Maximizing Bond Borrowing

Since 2007 TCH has borrowed \$450 million in two bonds to support its capital repair and building program. The two bonds have interest rates of 4.877% and 5.395%. The TCH Board has allocated \$147.2 million to the capital repair program and the remaining \$302.8 million to the construction of replacement social housing, new affordable housing and the Regent Park Community Energy System.

The existing bonds have played a valuable role in sustaining TCH's capital program. In the case of new affordable housing and the Regent Park Community Energy System these investments over time will generate new rent and utility revenues. These new revenues will offset the debt serving requirements of bond borrowing and open up the ability to increase TCH's existing borrowing capacity.

As new revenues from new developments are achieved TCH in consultation with the City should review its borrowing capacity and its ability to further fund a portion of the capital backlog from additional bond borrowing.

Pursuing Investment Opportunities such as Real Estate Investment Trusts

Over the past decade across the country much of the private rental stock in large centres has been sold into Real Estate Investment Trusts (REIT). This financing innovation has provided additional upfront revenues for capital improvements while also providing a financial return for the investors in the trust.

With some 5,000 homes rented at market rents within the TCH housing portfolio there is the potential for a REIT to acquire these homes within social housing buildings, while TCH would remain responsible for the management of rent-geared-to-income units.

A REIT where some 5,000 market units are transferred to investors has the potential to raise significant new revenues to repair and maintain TCH homes. At the same time the terms of the REIT would need to contain protections to ensure rent-geared-to-income housing continues to be available and operated under the terms of existing federal/provincial/city agreements.

Using an estimated market value of \$100,000 per unit, the transfer of 5,000 market units would generate some \$500 million.

Further investigation is required to determine feasibility and interest of the private sector in participating in a housing REIT. While there may be concern among the private sector investment community regarding TCH's deferred capital expenditures and the mix of market and rent-geared-to-income units within buildings there is considerable private interest and demand in investing in market rental units.

Another approach is to transfer the market units to another institutional investor in rental housing such as a pension fund. This approach would also generate revenues to be directed to the repair of existing retained social housing.

The Working Group recommends that TCH and the City Manager investigate the full range of public private partnerships including a REIT, as well as the transfer of market units to existing institutional real estate investors.

Re-Capturing Value from New Developments

Over the past decade TCH has developed some 1,000 new units of affordable housing. These buildings were funded from various government affordable housing programs, including TCH equity.

The Working Group believes there is potential to unlock the value of these buildings through the co-ownership or sale to non-profit or private sector housing groups.

These affordable housing buildings are brand new, without a capital repair backlog.

TCH should investigate the market value sale or co-ownership of new affordable housing developments where a private or non-profit partner purchaser would agree to operate the buildings under existing federal/provincial social housing agreements.

Increasing Building Energy Retrofit Activity

Energy retrofit programs have a significant role to play in reducing overall operating costs within social housing.

While TCH has embarked on major energy retrofit programs such as installation of energy efficient appliances there are many other opportunities to explore approaches with third party funders.

Investments in energy efficiency are sufficient to cover financing costs while generating immediate new cost savings for TCH.

TCH should continue to pursue opportunities for energy retrofit of properties such as funds available through the Toronto Atmospheric Fund.

Another approach would be to adapt the current public private partnerships model being employed by the provincial and federal governments in the construction of new public infrastructure. TCH should investigate the potential for a public private partnership that could transfer the responsibility to undertake major building system retrofits to a third party manager over a long term management contract.

As part of the Ideas Forum on Housing, the Working Group heard how PPP Canada and BC Housing have partnered to solicit private sector interest to renovate and restore 13 provincially-owned social housing buildings with a 15 year maintenance contract.

The business agreement is structured such that financial risk stays with the private sector partner throughout the term of the contract. Fixed annual payments are made to the partner under the agreement, providing cost certainty to BC Housing.

In addition to the retrofit being paid for by a third party TCH could look to lower annual operating costs by sharing in annual energy savings.

Shifting Financial Risk of New Development and Revitalization

The revitalization initiatives at TCH have demonstrated that there is significant financial value in some existing social housing properties. Through careful partnerships with the private sector TCH has been able to leverage the value of land, secure the replacement of existing social housing, and build new mixed-income communities.

While there are significant benefits from TCH's investment in new developments it is clear that the previous approach of financing this work through TCH bond borrowing is not sustainable.

TCH requires a new financial model to support the revitalization of existing social housing, the construction of new affordable housing and housing infill adjacent to existing buildings.

Future partnership opportunities should focus on limiting TCH's upfront financial investments and risks while leveraging funds from existing land assets and other equity partners.

The revitalization of social housing communities should remain a key focus given the age of the former Ontario housing buildings and the social and economic benefits of these initiatives.

Leveraging Land Assets through Infill and Intensification

There are also housing infill opportunities adjacent to existing social housing buildings and within the single family homes portfolio. In addition to the single family home portfolio, TCH owns 118 apartment building sites which are 8 storeys or higher.

Recognizing that infill and intensification opportunities may be limited to a small number of sites, TCH, in partnership with the City Manager should conduct a focused and detailed analysis on a select number of properties to determine feasibility and future revenue potential.

Future sites selected for infill and intensification should be fast tracked for planning and development approvals.

Funds generated through leveraging the value from housing infill sites are to be directed to the repair of existing social housing.

Recommendations

8. Council request Toronto Community Housing provide a status report on the initial two year funding opportunities as set out in Appendix A and report to the Affordable Housing Committee and Executive Committee in June 2013 on progress achieved.
9. Council request Toronto Community Housing report on internal financial efficiencies with the potential to generate \$10 million in 2013 and 2014 including but not limited to changes to procurement of goods and services, utilizing a more competitive bidding process and a reduction in vacancy loss at time of tenant turn-over and report to the Affordable Housing Committee and Executive Committee in June 2013.
10. Council optimize the use of Development Charge funding of up to \$10 million from the Development Charge Reserve Fund for Subsidized Housing to Toronto Community Housing to replace equity in new affordable housing projects.
11. Council request Toronto Community Housing work with the City Manager's Office to develop a five-year capital financing plan and report to the Affordable Housing Committee and the Executive Committee in June 2013. The capital financing plan to include investigating and reporting on the feasibility, the business case and implementation strategy associated with the following opportunities:
 - Leveraging equity through mortgage refinancing
 - Maximizing bond borrowing
 - Pursing investment opportunities such as Real Estate Investment Trusts
 - Re-capturing value from new affordable housing developments
 - Increasing building energy retrofit activity
 - Shifting financial risk of new development and revitalization
 - Leveraging land assets through infill and intensification
12. Council request TCH in partnership with the City Manager conduct a focused and detailed analysis on a select number of properties to determine feasibility and future revenue potential and request City Planning to expedite the development and application approval process for future Toronto Community Housing infill and intensification projects.

C. Intergovernmental Strategies

Findings

TCH's 58,500 homes represent the legacy of 60 years of government housing policy and programs. It plays a vital role in housing Toronto residents. All orders of government must make continued funding of repairs and maintenance of this housing an essential priority.

Efforts have been underway for some time by the City of Toronto, the Federation of Canadian Municipalities and other organizations to re-engage the federal and provincial governments in providing new sustainable funding for social housing. A renewed effort is clearly required.

The funding crisis in social housing and the backlog in repairs can be traced directly to the transfer of social housing to Ontario municipalities, under the terms of the 1999 Federal-Provincial Social Housing Agreement.

In 2012 social housing funding contributions included \$181 million from the federal government and \$162 million from the provincial government compared to the City's contribution of \$224.9 million.

Federal contributions to social housing are declining across the country. Over the next five years the federal contribution to social housing will decline by \$44.5 million in Toronto and by 2031 it will be zero.

At the same time the Province of Ontario has failed to harmonize social assistance subsidies between private market and social housing renters which results in an annual funding shortfall of approximately \$81 million to the City of Toronto. Currently the province provides a person receiving social assistance in private sector rental housing with a much larger housing benefit than it does for a person receiving social assistance who lives in social housing. The City ends up funding the difference. Fixing this inequity over time would provide significant funds to address TCH's annual capital repair needs.

In Canada, Ontario is the only province to have transferred funding responsibility for social housing to municipalities. This makes Toronto and other Ontario municipalities unique in shouldering the financial burden of contributing to the cost of social housing from the municipal tax base. This has been a longstanding grievance that without provincial action will only fester and grow as the social housing funding crisis deepens.

In 2009 the Social Housing Services Corporation published "Closing the Gap: Finding Ways to Overcome Capital Shortfalls in Ontario's Social Housing Portfolio". That study concluded that "...given the sheer size and scale of the capital shortfall, flexible funding and reinvestments from senior governments to close the gap are essential. Failure of

senior governments to engage in this manner will put years of public investment in jeopardy and put those vulnerable households who rely on social housing at risk."

The Working Group believes that the federal and provincial governments should commit to a plan over time to relieve the City of Toronto from the burden of funding social housing.

To motivate the return of our federal and provincial funding partners the Working Group is recommending the City of Toronto do its part in the funding for social housing and commit to an annual increase in the TCH operating budget of at least \$6 million starting in 2015.

Members of the public who participated in the Working Group consultations called for a national housing strategy and renewed advocacy to secure sustainable government funding on both a provincial and national basis.

An intergovernmental partnership strategy should be pursued with specific provincial and federal outcomes to be achieved.

A "Campaign for Social Housing" should seek to increase federal and provincial funding for social housing, while making the case for government infrastructure investment in housing and relieving the financial burden from the municipal tax base.

Recommendations

13. Council request the Chair of the Affordable Housing Committee in consultation with the Mayor's Office and the City Manager's Office to co-ordinate an Intergovernmental Strategy on social housing including a "Campaign for Social Housing".
14. Council urge the provincial government to work with the federal government to renegotiate the November 15, 1999 Federal-Provincial Social Housing Agreement which resulted in the expiry of Canada Mortgage and Housing Corporation funding.
15. Council urge the provincial Ministers of Finance, Municipal Affairs and Housing, and Community and Social Services to commit to reducing the City of Toronto's funding burden for social housing by harmonizing social assistance subsidies between social housing and private landlords.
16. Council request Canada Mortgage and Housing Corporation to waive fees or penalties resulting from the refinancing of social housing mortgages and/or early mortgage repayment.
17. Council urge the federal government to adopt a sustainable National Housing Strategy.

18. Council request the City Manager, as part of the preparation of the 2015 City Operating Budget, to include an increase in the Toronto Community Housing annual budget of at least \$6 million.

D. General Governance

Findings

TCH was created by City Council in 2001 as a response to the transfer to municipalities of social housing by the Province of Ontario. In 2001 three housing agencies were amalgamated to create the second largest landlord in North America.

Since 2011 TCH has improved its efforts to work with tenants and maintain its housing.

But after over 10 years since TCH was created it is time to review the organization to determine whether TCH and its current mandate match its ability to meet the challenges ahead.

It is clear that TCH has significant work ahead to transform itself into an organization focused on providing excellent customer service, while enhancing opportunities for residents to secure affordable housing.

The Working Group is therefore proposing a comprehensive review and update of the governance model, the organizational structure and the shareholder direction.

The review should look to transform TCH into an organization able to manage its responsibilities while providing quality customer/tenant services for the distinct residents of TCH – whether they are children, youth, seniors, persons with disabilities, persons with mental health issues or persons with special needs.

Recommendations

19. Council request the City Manager, in partnership with Toronto Community Housing conduct an organizational review and update the Shareholder Direction with the view of transforming Toronto Community Housing into an organization of excellence and responsive customer service and report to the Executive Committee no later than June 2013 on proposed amendments to the Shareholder Direction and update on an organizational review.

Appendix A – Phase One: Immediate Two Year Funds, 2013 to 2014

No.	Funding Source	Revenue Generated 2013	Revenue Generated 2014	Total Revenue Generated 2013-2014
1	Sale of 56 vacant properties approved by Council in March 2012	\$27,550,000		\$27,550,000
2	Sale of 55 additional homes	\$5,500,000	\$30,000,000	\$35,500,000
3	Conversion of up to 100 homes to eligible TCH tenants into home ownership*	\$8,650,000	\$25,950,000	\$34,600,000
4	Reduction in operating and administrative costs resulting from sale of homes		\$3,000,000	\$3,000,000
5	Internal Administrative Efficiencies within Toronto Community Housing	\$5,000,000	\$5,000,000	\$10,000,000
6	City of Toronto - Development Charges Reserve Fund for Subsidized Housing	\$5,000,000	5,000,000	\$10,000,000
	Total Funds for Repairs, 2013 - 2014	\$51,700,000	\$68,950,000	\$120,650,000

*Assumes an average market value sale price of \$346,000 per home. Revenue includes \$3.3 million federal/provincial down payment assistance from the Investments in Affordable Housing Program.

Appendix B – Phase Two: Toward a Five-Year Capital Financing Plan

Potential Funding Opportunity	Description
Leveraging Equity Through Mortgage Refinancing	Extend and refinance social housing mortgages through loans available from Infrastructure Ontario. Loans to be secured at lower interest rates and loan payment extended beyond date of mortgage expiry. A one percent reduction in current mortgage interest rates will generate some \$35 million in savings over five years.
Maximizing Bond Borrowing	Review TCH bond borrowing capacity and increase as new revenues are achieved from capital projects funded from Bond A and Bond B.
Pursing Investment Opportunities such as Real Estate Investment Trusts	Determine the potential transfer of 5,000 market units within mixed-income social housing buildings to a Real Estate Investment Trust. This would include a review of the full range of public/private partnerships. Transfer of 5,000 market units could generate an estimated \$500 million.
Re-Capturing Value from New Developments	Determine the opportunity to generate revenue through sale or co-ownership of new affordable housing developed over the past decade under federal/provincial/city programs. Terms would include the new owner to maintain the units under existing affordable housing agreements.
Increasing Building Energy Retrofit activity	Review additional energy retrofit opportunities to increase operating cost savings. Further investigate opportunities to access government and non-governmental environmental funding programs. Investigate off-loading energy retrofit costs to the private sector through long term third party management contracts.
Shifting Financial Risk of New Development and Revitalization	Manage within a new financial model for new development and public housing revitalization in partnership with private and non-profit sectors to reduce upfront costs and transfer risk to others to free up existing and future funding for capital repairs.
Leveraging Land Assets through Infill and Intensification	Examine infill and intensification on existing TCH social housing building sites and single family home properties where land is leveraged through partnerships with private and/or non-profit organizations to create cost savings for repairs.