



## STAFF REPORT ACTION REQUIRED

### New Federal/Provincial Affordable and Social Housing Investments from the *Social Infrastructure Fund*

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| <b>Date:</b>             | July 11, 2016   |
| <b>To:</b>               | City Council  |
| <b>From:</b>             | General Manager, Shelter, Support and Housing Administration, and Director, Affordable Housing Office |
| <b>Wards:</b>            | All   |
| <b>Reference Number:</b> | AFS#23408   |

#### SUMMARY

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This report provides details of the first instalment of federal/provincial social infrastructure investments to fund new affordable housing initiatives and repairs to existing social housing.

Federal funding has been matched by the Province and the City of Toronto has been allocated \$154.3 million through the new *Social Infrastructure Fund* (SIF) program for 2016 and 2017. This funding will complement existing City initiatives, including the Open Door Program.

This report seeks Council's approval to participate in and benefit from the new program. The SIF is part of the federal government's plan to invest in infrastructure, including affordable and social housing, over the next 10 years.

The SIF was announced in the 2016 federal budget and the signing of the federal/provincial agreement with Ontario was announced June 21, 2016. The Province confirmed Toronto's funding allocations in a letter to the Mayor, also on June 21, 2016, and staff have been provided program guidelines. The deadline to sign an administration agreement with the province is September 1, 2016. The approvals sought through this report include making funding allocations under the different program components.

The SIF includes two main program components:

- The *Social Housing Improvement Program* (SHIP) to improve and preserve the quality of social housing
- Increased funding for the *Investment in Affordable Housing Program* (SIF IAH).

Additional capital funding dedicated for new seniors' rental housing and seniors' housing renovations will be delivered through the capital components of the SIF IAH. Five per cent of the SIF funds are available to the City for administrative costs.

The SHIP can be used to fund a broad range of work, including replacing or installing: major building components, systems or services; kitchens and bathrooms; safety features; accessibility modifications for persons with disabilities; energy efficiency or water conservation measures; and the demolition and reconstruction of all, or part of, a social housing building or complex; however, regular maintenance work is not eligible. Funding must be committed by March 31, 2017.

The SIF IAH provides new operating funding for housing allowance/rent supplement programs to make rents more affordable for tenants in existing rental buildings, and new capital funding for home repair, new rental housing construction and home-ownership loan funding. This report recommends allocating the funds using the same 52%/48% ratio between operating and capital programs approved by Council for IAH programs in 2012 and 2014. This ratio is based on the strategic priorities and targets approved in *Housing Opportunities Toronto*, the City's 10-year housing plan.

The SIF also includes funding for the construction and renovation of shelters and transitional housing for survivors of domestic violence. This funding will be distributed directly to community agencies by the Ministry of Community and Social Services.

## **RECOMMENDATIONS**

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The General Manager, Shelter, Support and Housing Administration, and the Director, Affordable Housing Office, recommend that:

1. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to enter into an administration agreement and/or related agreement(s) with the Ministry of Housing or any other provincial entity necessary for the receipt and expenditure of funding under the *Social Infrastructure Fund* ("SIF") on such terms and conditions as are satisfactory to the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, and in a form approved by the City Solicitor.
2. City Council authorize the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to undertake SIF program administration in accordance with the administration agreement, including appropriate measures as the program proceeds to adjust program parameters, recipients, and year end funding among program components as required to ensure full and effective use of available federal/ provincial funds.
3. City Council approve the funding allocations for the IAH component of the SIF at a rate of 52% for operating programs and 48% for capital programs and authorize the

General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to submit the required Program Delivery and Fiscal Plan to the Housing based on these allocations.

4. Subject to the adoption of Recommendations No. 1 and 2 above, City Council authorize the General Manager, Shelter, Support and Housing Administration, and/or the Director, Affordable Housing Office, as appropriate, to enter into agreements or other suitable arrangements with the provincial government, other City divisions, community agencies, private entities and/or individuals to deliver the SIF, including the *Investment in Affordable Housing Program* (SIF IAH) components and *Social Housing Improvement Program* (SHIP) in accordance with the terms and conditions of the Province's program guidelines and the approved allocations on terms and conditions satisfactory to the General Manager, Shelter, Support and Housing Administration or the Director, Affordable Housing Office and in a form satisfactory to the City Solicitor.
5. City Council authorize the General Manager, Shelter, Support and Housing Administration to extend or replace the current administration agreement between the City of Toronto, the Ministry of Municipal Affairs and Housing (now the Ministry of Housing) and the Ministry of Finance, beyond its current termination date to facilitate the delivery of the 2016-17 and 2017-18 SIF IAH housing allowance program allocation on terms and conditions satisfactory to the General Manager and in a form approved by the City Solicitor.
6. City Council direct the General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office as part of the annual budget process to report to Budget Committee on funding allocations, and provide an update on the need, if any, to alter funding from the allocations proposed.
7. City Council direct the General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office to report to the Affordable Housing Committee in the second quarter of 2017 on progress and outcomes under the SIF.
8. City Council direct the General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office to report to Budget Committee with the details of the 2016 funding allocations and the administration cost, including the impacts on the 2016 Operating Budgets for Shelter, Support and Housing Administration and the Affordable Housing Office once the details have been identified.

### **Financial Impact**

The City of Toronto has been allocated \$154.3 million in affordable housing funding through the new federal/provincial SIF to be spent in 2016 and 2017, with additional

2018 funding to be announced in 2017. The SIF allocation confirmed for Toronto is illustrated in the chart below.

**Toronto Social Infrastructure Fund Program Allocations**

| <b>Social Infrastructure Fund Program</b>                 | <b>2016/17</b>       | <b>2017/18</b>      |
|---|----------------------|---------------------|
| <i>Social Housing Improvement Program (SHIP)</i>          | \$76,053,500         | -                   |
| <i>Investment in Affordable Housing Program (SIF IAH)</i> | \$36,291,900         | \$ 23,698,200       |
| Seniors New Construction and Renovation                   | \$9,098,000          | \$9,109,900         |
| <b>Totals</b>   | <b>\$121,443,400</b> | <b>\$32,808,100</b> |
|   | <b>\$154,251,500</b> |                     |

No new financial commitments are required from the City to support the initiatives in this report as all costs are to be recovered through program administration fees. The program allows up to 5% of the total funds, or \$7.7 million, to be applied to administration costs over the length of the program. This is consistent with the administration fees provided under the IAH in 2012 and 2014.

Staff will report in future on the adjustments required to the 2016 Operating Budgets for Shelter, Support and Housing Administration and the Affordable Housing Office to spend SIF funding and administer the program. Allocations for 2017 will be included in the operating budget submissions for Shelter, Support and Housing Administration and the Affordable Housing Office.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

**Implementation Details**

**a. Delegated Authority for Agreements and Allocations**

To participate in the SIF, this report seeks Council's delegated authority for the General Manager, Shelter, Support and Housing Administration, in consultation with the Director, Affordable Housing Office, to enter into program administration agreements and make allocations to meet federal/provincial funding deadlines.

This delegated authority is critically important as the deadline to sign an administration agreement with the province and ensure participation in the SIF is September 1, 2016, while the next City Council meeting is not until October, 2016. The approval sought includes making funding allocations under the different program components to meet federal/provincial deadlines.

As under the previous Council-approved IAH allocations, it is recommended that 52% of new SIF IAH funding be allocated to operating programs (Housing Allowances/Rent Supplements) and 48% for capital programs (Toronto Renovates, New Rental Housing, and Homeownership Loans).

## **b. Program Delivery and Fiscal Plan**

The Ministry of Housing requires Municipal Service Managers to submit a Program Delivery and Fiscal Plan outlining how SIF funding will be invested each year. As in the past, if the City's allocation is not committed in a particular calendar year, the province will redistribute it to other municipal service managers. This use-it-or-lose-it approach creates strict end-of-year deadlines as no funds can be "rolled over" into the next year.

### **Equity Impact**

Affordable housing and homelessness services respond to the needs of vulnerable Torontonians. The funding allocations recommended in this report will assist many of the City's priority groups, including seniors, people with disabilities, women fleeing domestic abuse and low-income individuals and families. The housing allowances/rent supplements, affordable rental and ownership housing and home renovations for low-income residents will improve the economic and social well-being of these residents and of the City as a whole.

These goals are outlined in the City's 10-year affordable housing action plan, *Housing Opportunities Toronto*. The Shelter, Support and Housing Administration Division and the Affordable Housing Office will measure the results of these initiatives and report on equity related outcomes.

## **DECISION HISTORY**

At its meeting of June 28, 2016 the Executive Committee adopted EX16.50 *Request for Investment in Affordable Housing Program Delivery* requesting the Acting General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office to report directly to Council should a decision be required for the City to participate in new federal/provincial affordable housing funding programs prior to the Council meeting on October 5, 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.50>

At its meeting of June 28, 2016 the Executive Committee adopted EX16.26 *Implementing the Open Door Affordable Housing Program* without amendment. The item will be considered by City Council on July 12, 2016. The report recommends City Council implement a five-year Open Door Affordable Housing Investment Plan based on Council's approved annual targets of 1,000 new affordable rental homes and 400 new affordable ownership homes, a new *Open Door Planning Service* for expedited

development review, and continue to prioritize affordable housing in decisions regarding surplus City real estate.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

At its meeting on December 9 and 10, 2015, City Council adopted EX10.18 *Affordable Housing Open Door Program* with amendments which detailed land, planning and financial actions aimed at enhancing the City's ability to deliver affordable housing and achieve its approved housing targets. Council adopted actions to better utilize surplus public lands and provide financial contributions for new affordable housing from the City's Development Charges Reserve Fund for Subsidized Housing (XR2116).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

At its meeting of June 10, 11, 12 and 13, 2014, City Council adopted EX42.15 *Investment in Affordable Housing Program Extension* which enabled the City's participation in the Federal/Provincial extension of the *Investment in Affordable Housing Program*. \$197 million in funding was provided to the City under four program components - housing allowances, home repair funding, construction of new rental housing, and affordable home ownership assistance.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX42.15>

At its meeting of December 16, 2013, City Council adopted CD25.10 *2014-2019 Housing Stability Service Planning Framework* which guides Shelter, Support and Housing Administration and its partners in the planning, management, and delivery of housing and homelessness services over five years. The Framework identifies creating more housing opportunities as a key strategy in moving towards an integrated service system that improves housing stability for residents.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD25.10>

At its meeting of February 6 and 7, 2012, City Council adopted EX15.2 *Investments in Affordable Housing: Proposed Program Allocations for New Federal/Provincial Funding* which allocated \$108 million in Federal/Provincial funding in the form of housing allowances, home repair funding, construction of new rental housing, and affordable home ownership loans.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX15.2>

The *Housing Opportunities Toronto Affordable Housing Action Plan 2010-2020* was adopted by City Council at its meeting of August 5 and 6, 2009. The HOT plan requests that the federal and provincial governments implement a fully funded long-term affordable housing plan consistent with the City's 10 year Action Plan.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

## **ISSUE BACKGROUND**

The federal 2016 budget announced a commitment to a national housing strategy and a 10-year infrastructure plan that includes significant funding for affordable and social

housing. Phase One of the plan includes \$1.48 billion in immediate investments in affordable and social housing.

The City has recommitted itself to supporting new affordable housing with the *Open Door Program*, intended to increase development and expedite planning review. Over the years, Toronto has consistently made direct and indirect contributions to affordable housing development in the form of waived planning fees and development charges and tax relief, as well as capital funding from dedicated revolving and reserve funds.

The City has participated in all federal/provincial affordable housing programs since they were re-introduced in the early 2000s. These have included the *Homelessness Partnership Initiative*, the *Affordable Housing Program*, the *Social Housing Rehabilitation Program* and the *Investment in Affordable Housing Program*.

The SIF supports the City's Affordable Housing Action Plan *Housing Opportunities Toronto*, the *Housing Stability Service Plan*, as well as the City's Poverty Reduction and Seniors Strategies.

## COMMENTS

Staff are requesting delegated authority to sign the agreements necessary to participate in the *Social Infrastructure Fund* program prior to the provincial deadline of September 1, 2016.

The SIF has two main program components:

- 1) The *Social Housing Improvement Program (SHIP)*
- 2) The *Investment in Affordable Housing Program (SIF IAH)*.

The SIF IAH has four components which Toronto has delivered under previous iterations of the program:

- a) Housing Allowances/Rent Supplements
- b) New Rental Housing
- c) Toronto Renovates
- d) Homeownership Assistance

Housing Allowances/Rent Supplements are delivered as an operating component of the program and New Rental Housing, Toronto Renovates and Homeownership Assistance funding are capital components. Based on the priorities outlined in the City's housing plan *Housing Opportunities Toronto 2010-2020 (HOT)*, Council has previously allocated 52% of IAH funding to operating components and 48% to capital. This report recommends continuing to use this ratio.

The province has dedicated \$18.2 million in SIF IAH capital funding for new seniors rental housing and seniors housing renovation. This will be delivered through the new rental housing and *Toronto Renovates* components of the SIF IAH.

Shelter, Support and Housing Administration (SSHA) will oversee delivery of the SHIP and operating components of the IAH SIF program. The Affordable Housing Office will oversee delivery of the IAH SIF capital programs, including the dedicated seniors capital funding.

### **1) *Social Housing Improvement Program (SHIP)***

The Province has allocated just over \$76 million in SIF SHIP capital funding for the renovation and retrofit of existing social housing stock including Toronto Community Housing (TCHC) and non-profit and co-operative housing providers within SSHA's portfolio. The objective of the program is to assist in addressing critical repairs, and reduce energy and water consumption that will extend the long term sustainability of social housing.

SIF SHIP funding will assist in addressing the extensive capital repair backlog across the social housing portfolio. Many building components within social housing buildings have reached or exceeded their expected life. SHIP funding, together with recently announced *Social Housing Apartment Retrofit Program (SHARP)* funding, will allow for urgent capital needs to be addressed, improving the long term sustainability of buildings and reducing energy costs and greenhouse gas emissions.

To be eligible for funding all social housing projects must remain affordable for a ten-year period after the completion of the project, including a minimum of five years during which it will operate as social housing under the *Housing Services Act, 2011*. This requirement applies regardless of any mortgage obligations or agreements between the Service Manager (SSHA) and the housing provider.

All funding dedicated must be committed by March 31, 2017 with the work completed within two years of the date of funding commitment. In order to provide flexibility for Service Managers to address capital repair needs of social housing projects, the Ministry of Housing has not set any limit on the maximum amount of funding per unit. It is SSHA's recommendation that SHIP funds be allocated proportionally between TCHC and other non-profit/co-op housing providers within SSHA's portfolio.

### **2) *Investment in Affordable Housing Program (SIF IAH)***

#### **a) *Housing Allowances/Rent Supplements***

The current Housing Allowance program provided through the IAH is designed to help address housing affordability for lower-income tenant households by helping to bridge the difference between the rent that a household can afford to pay and the actual market rent. The Housing Allowances can be paid to the landlord, or directly to tenants, and can be in-situ and/or portable. Through the existing program, approximately 5,000 households will be assisted to achieve greater housing affordability between 2015 and 2024.



Investment of new SIF IAH funding in housing allowances and rent supplements will help to meet *Housing Opportunities Toronto* target of creating 70,000 new housing allowances over the next 10 years. Design of the program will be guided by the *Housing Stability Service Plan*, supporting a key action to create new housing opportunities for vulnerable households to help them address housing affordability challenges.

Serving the needs of SIF priority populations, including seniors, Aboriginal People, persons with disability, youth and the chronically homeless, will improve access and equity for these vulnerable populations. SIF IAH funding also provides the opportunity to pair housing allowances with support services provided by community partner agencies and other City divisions.

The development of the new program will be informed by SSHA's Housing Allowance Program Framework, currently in development. The purpose of the framework is to establish guidelines for allocating and designing future housing allowances, and to identify the administration and other resources required for a successful program. While the Framework is not yet complete, the work to date will provide guidance for the allocation process for the SIF IAH program. The development of the program will also be informed by provincial work to develop a Portable Housing Benefit Framework, currently underway.

The City has entered into an Administrative Agreement with the provincial Ministry of Municipal Affairs and Housing (now the Ministry of Housing) and Ministry of Finance (MOF) to deliver the existing IAH Housing Allowance program. The model makes use of an automated benefit management system utilizing Canada Revenue Agency data and implements a responsive and accountable issues resolution process for clients. Possibility of extending this agreement for the new program will be explored with provincial staff.

## **b) New Rental Housing**

Under the SIF IAH, new rental construction, acquisition and conversion projects are eligible for up to \$150,000 per unit. The City has been delivering new rental homes under similar federal/provincial programs in partnership with the non-profit and private sectors for many years.

To be eligible for funding, buildings must have rents no higher than 80% of the average market rent for the City of Toronto, as reported by the Canada Mortgage and Housing Corporation (CMHC). Rents are maintained as affordable for a minimum of 20 years with a phase-out period of an additional 5 years, and tenants' incomes can be no more than four times their rent.

*Housing Opportunities Toronto* and the *Open Door Program* set a target of creating 1,000 new affordable rental homes annually. SIF IAH funding will help increase affordable rental housing development and will be complemented by the City's *Open Door Program* of incentives and an expedited Planning review process.

### **c) *Toronto Renovates***

The housing repair component of the IAH has been delivered since 2011 as *Toronto Renovates*, which funds essential repairs and accessibility modifications for homeowners who are seniors and/or persons with a disability, affordable rental apartment buildings and rooming houses. Lower-income homeowners who are seniors and/or persons with a disability are eligible for \$15,000 in funding and affordable rental apartment buildings and rooming houses are eligible for up to \$25,000 per unit. Funding is delivered in the form of a forgivable loan.

*Toronto Renovates* reduces the pressure on costly health and social support programs and services, such as hostels and long-term care homes, by assisting seniors to "age in place" and persons with disabilities to remain in their homes and live independently in their communities. Funding for apartment and rooming house renovations secures affordable rents for tenants for 15 years, potentially diverting these households from the social housing waiting list and emergency shelters.

*Housing Opportunities Toronto* set a target for the repair of 30,000 units of private rental housing, as well as the repair of 5,000 private homes over 10 years.

### **d) Homeownership Assistance**

The Homeownership Component provides renter households with an opportunity to move to homeownership by providing down-payment assistance loans. The loans help eligible low- and moderate-income purchasers move out of private and social rental housing, relieving pressure on the rental market while allowing new homeowners to build equity.

The loans are valued at 10% of the home's price and are paid back to the City or its non-profit partners on resale of the home, with a share of the appreciation. This allows the funding to grow and assist additional households over time.

In considering the *Open Door Program* report in December 2015, Council increased the annual affordable home ownership target set in *Housing Opportunities Toronto* from 200 to 400 new homes.

## **CONCLUSION**

The SIF is part of the federal government's plan to invest in infrastructure, including affordable and social housing, over the next 10 years and is a welcome infusion of new funding to support Toronto's work to provide more housing opportunities to lower-income residents.

Council's approval to participate in the SIF program will deliver much-needed new funding to improve and preserve existing social housing; provide new rent supplements and housing allowances; build new affordable rental homes; repair and modify affordable housing, and help people buy affordable homes.

SIF funding will help the City meet its affordable housing targets and will dovetail with other City initiatives such as Open Door and the Poverty Reduction Strategy.

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## **SIGNATURE**

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