

Tenants First- Phase 1 Implementation Plan

Date: June 7, 2017

To: Executive Committee

From: Deputy City Manager, Cluster A and Deputy City Manager & Chief Financial Officer

Wards: All

SUMMARY

This report requests City Council to support a set of recommendations designed to improve the lives and homes of current and future tenants of city owned social housing.

In July 2016, City Council approved the report, Tenants First, which built on the work of the Mayor's Task Force on TCHC, and proposed a strategic transformation process for Toronto Community Housing Corporation (TCHC).

Phase 1 of the Tenants First Implementation Plan is presented here, supported by a financial review of TCHC conducted by City divisions and an analysis by PricewaterhouseCoopers Inc. (PwC), of TCHC's operating, development and capital expenditure cash flow forecast for the next ten years. Based on this financial assessment and on consultations and engagement with the Tenants First Advisory Panel and stakeholders, this report recommends two major strategic directions to improve the quality of housing as well as the quality of life for social housing tenants living in TCHC:

- The creation of a new Seniors Housing and Services entity that is more directly accountable to City Council, that strategically aligns City programs and services for seniors, including coordinating the provision of services by community and provincial agencies, and is responsible for management of the 83 seniors-designated buildings currently within the TCHC portfolio; and
- The redefinition and revitalization of TCHC (the New TCHC) as a landlord with a smaller housing portfolio and a more focused mandate. The New TCHC will provide housing to families, youth and vulnerable tenants, including singles and seniors in mixed buildings. With appropriate funding, the New TCHC will be able to focus on its core responsibilities as a social housing landlord: operating and maintaining better buildings, planning for the future and connecting tenants to social and economic opportunities so they can thrive.

The report also calls for development of an interim 2018-2019 funding model, to be submitted through the 2018 budget process; and development of a permanent,

sustainable funding model for the New TCHC and the new Seniors Housing and Services entity.

Finally, the report also summarizes a review of innovations in social housing and recommends reforms to the provincial *Housing Services Act*, as requested by Council as part of the 2016 Tenants First report.

Phase 2 of the Tenants First Implementation Plan will be submitted to City Council by the end of 2017.

The recommendations in this report offer an opportunity for Council to set TCHC on the path to providing quality housing to thousands of Torontonians across the TCHC portfolio. Providing TCHC with the tools and resources to be a successful and innovative social housing landlord will be a multi-year process and will require continued commitment of City Council and the attention of other levels of government. Torontonians who are TCHC tenants deserve no less.

RECOMMENDATIONS

The Deputy City Manager, Cluster A and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council approve the strategic integration of City programs and services for seniors and responsibility for management of the 83 seniors-designated buildings within the Toronto Community Housing Corporation portfolio under a new Seniors Housing and Services entity that is separate from Toronto Community Housing and more directly accountable to City Council.
2. City Council request the City Manager and the Deputy City Manager, Cluster A to report to Committee and Council on a recommended governance structure for the new Seniors Housing and Services entity by the end of 2017.
3. City Council direct the City Manager and the Deputy City Manager, Cluster A in consultation with Toronto Community Housing Corporation, to review the governance structure of Toronto Community Housing Corporation pursuant to the adoption of Recommendation 1 and prepare an amended Shareholder Direction and other program and accountability instruments as required, that includes:
 - a. a revised tenant-focused service delivery model providing housing to families, individuals, youth and vulnerable tenants including seniors;
 - b. improved integration and accountability with the City of Toronto as Service Manager and Shareholder; and
 - c. a strengthened system of tenant engagement, including tenant representation on the Board of Directors of Toronto Community Housing Corporation.
4. City Council direct the Deputy City Manager & Chief Financial Officer and the Deputy City Manager, Cluster A to:

- a. report on an interim operating and capital funding model for Toronto Community Housing Corporation to address the current and short-term Toronto Community Housing Corporation operating and capital funding shortfalls projected for 2018 and 2019, as part of the 2018 budget process;
 - b. report to Council in 2019 on a permanent funding formula, including operating and capital, for the New Toronto Community Housing Corporation and the new Seniors Housing and Services entity, to launch in 2020; and
 - c. request Toronto Community Housing Corporation to continue to present its annual Business Plan to Budget Committee during the annual budget process.
5. City Council direct the continued implementation of strategies and directions adopted in 2012.EX23.4 "Putting People First, Transforming Toronto Community Housing - Special Housing Working Group's Report", and authorize the Deputy City Manager, Cluster A to issue a Request for Expressions of Interest (REOI) to the non-profit, co-op and land trust sectors seeking interest, service models and business cases for the operation of the 684 scattered social housing properties, including Agency Houses and Rooming Houses and report with a recommended strategy by the end of 2017.
6. City Council direct the Deputy City Manager, Cluster A to report to Committee and Council with an update on the following initiatives by December 2017:
- a. a local service model pilot program at Toronto Community Housing Corporation to focus on decentralizing property/housing management services and innovative approaches to community development, including local action plans; and
 - b. rooming house revitalization projects.
7. City Council direct the Deputy City Manager, Cluster A to develop and report to Committee and Council by December 2017 on a public consultation process to provide for continued engagement of tenants and other stakeholders in the implementation of the recommendations approved by Council in its consideration of this report.
8. City Council request the Government of Ontario to amend the *Housing Services Act* to support Rent-Geared-to-Income (RGI) Reform, including reducing barriers to RGI tenants who participate in employment programs, and simplifying RGI calculations, and authorize the Deputy City Manager, Cluster A to engage the Ministry of Housing to propose legislative changes including:
- a. allow social housing service managers discretion with respect to exempting income from service manager endorsed or approved employment and skills training, and employment programs, from the Rent-Geared-to-Income rent calculation; and
 - b. simplify Rent-Geared-to-Income rules and calculations.

9. City Council request the Federal and Provincial governments to confirm shared funding commitments proposed in their 2017 Budgets and other announcements that will directly support the social housing capital and operational priorities of the City, and request that the emerging National Housing Strategy provides a clear commitment to maintain existing social housing, and to build new social and affordable housing units.

10. City Council request the Mayor and City Manager to advance discussions with Ontario and Canada on funding that will benefit Toronto Community Housing Corporation and to negotiate funding agreements and report back to City Council on the outcome of these discussions.

11. City Council thank the members of the Tenants First Tenant Advisory Panel for the hard work, commitment and invaluable contribution they have made toward the creation of this Implementation Report.

FINANCIAL IMPACT

There is no immediate financial impact associated with the recommendations in this report. However, TCHC's financial situation is untenable and will become imminently dire. As will be demonstrated throughout this report, an independent financial review of TCHC's forecasted cash flow has confirmed the urgency of the situation.

In light of this, an interim operating and capital funding model to address TCHC's current and short-term operating and capital funding shortfalls projected for 2018 and 2019 will be presented as part of the 2018 budget process. Subsequently, a permanent funding formula including operating and capital costs for a New TCHC and a new Seniors Housing and Services entity to launch in 2020 will be submitted in 2019.

Interim Funding Model, 2018-2019 In the short term, City staff will continue to work on the development of a sustainable funding model for TCHC to address both capital and operating needs. In addition staff will continue to engage Federal and Provincial officials in efforts to secure new funding and financial incentives to support the capital and operational priorities of TCHC in both the short and longer-term. An interim funding strategy is needed to ensure that TCHC can continue to sustain its operations and capital repair plan to allow for minimal unit closures.

To support this approach TCHC will submit a consolidated 2018 Operating and Capital budget to its Board and its annual Business Plan to Budget Committee and City Council through the City's regular budgeting process, including a two-year outlook / forecast for 2019 and 2020. However, based on the financial review conducted by PwC, assuming no draws on TCHC's reserve and no additional funding from the other two orders of government based on their 2017 budget announcements, an increase in funding will be required to address operating, development and building repair capital cash flow shortfalls.

Tables 1 to 3, below, provide a breakdown of TCHC's projected interim funding requirements for 2018 and 2019 for Operating, Development and Building Repair Capital (with a comparison to 2017). Table 4 summarizes these interim funding

requirements. The estimates provided in Tables 1 to 4 reflect current service and service delivery levels and do not reflect any of the changes being recommended or contemplated in this report.

Table 1, below, provides TCHC's projected **interim Operating funding requirements** for 2018 and 2019 (with a comparison to 2017). Assuming

- that the level of City subsidy in 2018 and 2019 does not change, other than the required cost of living adjustment provided for within the Shareholder Direction,
- no draws from reserves, and
- an \$18 million annual contribution to a sinking fund to retire debenture loans,

it is expected that TCHC will face an operating cash flow shortfall of \$11 million in 2018 and \$19 million in 2019.

Table 1: TCHC Interim **Operating** Funding Requirement

Interim Operating Funding (\$ millions) <i>Assuming no draws from reserves</i> <i>Note: differences due to rounding</i>	2017		2018	2019	2019 vs 2018
Operating cash inflows, including existing City subsidy ¹	578.2		586.1	593.2	7.1
Operating cash outflows	438.5		449.1	461.3	12.2
Operating cash surplus (shortfall), before debt servicing	139.7		137.0	131.9	(5.1)
Debt Servicing	124.0		130.1	132.6	2.5
Operating cash surplus (shortfall), after debt servicing & before contribution to sinking fund	15.7		6.8	(0.6)	(7.4)
Contribution to sinking fund	0.0		(18.0)	(18.0)	0.0
Operating cash surplus (shortfall), after debt servicing & contribution to sinking fund	15.7		(11.2)	(18.6)	(7.4)
Currently forecasted City subsidy	241.9		245.9	250.0	4.1
Revised TCHC operating funding requirements (incl. \$18 million contribution to sinking fund)	-		257.1	268.6	11.5
Additional funding needed to address operating cash shortfall	-		11.2	18.6	7.4

¹ Includes \$6 million increase in subsidy to fund debt service costs associated with Regent Park revitalization

Table 2, below, provides TCHC's projected **interim Development funding requirements** for 2018 and 2019 (with a comparison to 2017). It is expected that TCHC will face a development cash flow shortfall of \$129 million in 2018 and \$69 million in 2019 before the use of reserves, and assuming no additional funding from the other orders of government.

Table 2: TCHC Interim **Development** Funding Requirement

Interim Development Funding (\$ millions) <i>Assuming no draws from reserves</i> <i>Note: differences due to rounding</i>	2017		2018	2019	2019 vs 2018
Development cash inflows	100.5		60.4	91.7	31.3
Development cash outflows	172.2		189.5	160.4	(29.1)
Development cash surplus (shortfall)	(71.7)		(129.1)	(68.8)	60.3
Additional funding needed to address development cash shortfall	-		129.1	68.8	(60.3)

Table 3, below, provides TCHC's projected **Interim Building Repair Capital funding requirements** for 2018 and 2019. Assuming no additional funding from the other orders of government, it is expected that TCHC will face a capital cash shortfall, before the use of reserves, of \$262 million in 2018 and \$428 million in 2019.

Table 3: TCHC Interim **Building Repair Capital** Funding Requirement

Interim Building Repair Capital Funding (\$ millions) <i>Assuming no draws from reserves</i> <i>Note: differences due to rounding</i>	2017		2018	2019	2019 vs 2018
Building repair capital cash inflows	480.8		175.9	72.2	(103.7)
Building repair capital cash outflows	250.0		437.5	500.0	62.5
Building repair capital cash surplus (shortfall) ²	230.8		(261.6)	(427.8)	(166.2)
Additional funding needed to address building repair capital cash shortfall	-		261.6	427.8	166.2

Table 4 summarizes the total projected funding requirements for all three areas (operating, development and building repair capital) for 2018 and 2019. A total of \$402 million in interim funding will be required in 2018

- \$11 million to cover forecasted increases in operating expenses;
- \$129 million in development cash shortfall; and.

² Includes \$54 million bridging strategy for capital repairs in 2017

- \$262 million to allow TCHC to continue to move forward with planned building capital repairs.

In 2019 \$515 million will be required

- \$19 million for operating;
- \$69 million in development cash shortfall; and,
- \$428 million for planned building capital repairs.

Table 4: Summary of Interim **Operating, Development & Building Repair Capital Funding Requirements**

Interim Funding Summary (\$ millions) <i>Assuming no draws from reserves, and no additional funding from other orders of government.</i> <i>Note: differences due to rounding</i>	2017		2018	2019	2019 vs 2018
Additional funding needed to address operating cash shortfall	-		11.2	18.6	7.4
Additional funding needed to address development cash shortfall	-		129.1	68.8	(60.3)
Additional funding needed to address building repair capital cash shortfall	-		261.6	427.8	166.2
Additional funding needed to address cash shortfall	-		401.9	515.2	113.3

The Tenants First Team will continue to work with TCHC and City Corporate Finance and the Financial Planning Divisions to review and identify strategies for the **interim financial model** including but not limited to:

- Use of TCHC reserves;
- Use of TCHC credit facilities;
- Use of any TCHC operating/building repair capital surplus;
- Allowing TCHC to forego its contribution to the \$18 million sinking fund for debenture loan retirement; and
- The City contributing directly to TCHC's capital repairs.

Permanent Funding Model: As confirmed by PwC, TCHC's financial challenges are significant and it will take time to develop a permanent solution for a sustainable funding formula. A long term solution will rely on funding commitments from all orders of government. City staff will continue to work with TCHC and will report back on a projected operating and capital budget and funding strategy for both the Seniors Housing Provider as well as the new Toronto Community Housing Corporation (New TCHC).

City officials will also during this time continue to pursue federal and provincial funding and financing initiatives resulting from the 2017 federal budget and the emerging National Housing Strategy.

To assist Council in understanding the current challenging fiscal situation, an order of magnitude budget has been established by analyzing TCHC's portfolio at a granular accounting level. Given recommendation 1 of this report, this was done in order to segment the seniors portfolio of buildings from the rest of TCHC's portfolio. Similar assumptions as were contained in PwC's review were used to forecast the cash flows at this granular level. The difference between TCHC's forecast and the seniors portfolio forecast was used to establish the forecast for the New TCHC.

Tables 5, 6 and 7 below, reflect current service and service delivery levels and do not reflect any of the changes being recommended or contemplated in this report. The numbers reflected are high level estimates and subject to change.

As reflected in Tables 5, 6 and 7, it is anticipated that by 2020 (including funding for the capital repair backlog):

- the seniors portfolio will require funding of \$65 million (\$74 million for capital offset by an operating surplus of \$10 million, *difference due to rounding*); and
- the New TCHC will require an increase in funding of \$399 million (\$357 million for capital and \$42 million for operating),
- for a total of \$464 million (\$432 million for capital and \$32 million for operating).

Table 5: Seniors Housing Provider and New TCHC 2020 Order of Magnitude Operating Funding Requirements

2020 Operating Funding (\$ millions) <i>Assuming no draws from reserves (Note: differences due to rounding)</i>	Seniors	New TCHC	Total
Operating cash inflows, including existing City subsidy ³	143.3	450.0	593.2
Operating cash outflows	88.1	383.2	471.3
Operating cash surplus (shortfall), before debt servicing	55.2	66.7	122.0
Debt Servicing ⁴	45.4	90.9	136.4
Operating cash surplus (shortfall), after debt servicing & before contribution to sinking fund	9.8	(24.2)	(14.4)
Contribution to sinking fund	0.0	(18.0)	(18.0)
Operating cash surplus (shortfall), after debt servicing & contribution to sinking fund	9.8	(42.2)	(32.4)
Currently forecasted operating subsidy	64.3	189.9	254.2
Revised operating funding requirements	54.5	232.1	286.6
Additional funding needed to address operating cash shortfall	(9.8)	42.2	32.4

³ Includes \$6 million increase in subsidy to fund debt service costs associated with Regent Park revitalization

⁴ Excludes \$18 million sinking fund for debenture loan retirement

Table 6: Seniors Housing Provider and New TCHC 2020 Order of Magnitude Building Repair Capital Funding Requirements

2020 Capital Funding (\$ millions) <i>Assuming no draws from reserves (Note: differences due to rounding)</i>	Seniors	New TCHC	Total
Building repair capital cash inflows	27.2	41.1	68.3
Building repair capital cash outflows	101.6	398.4	500.0
Building repair capital cash surplus (shortfall)	(74.4)	(357.2)	(431.6)
Additional funding needed to address building repair capital shortfall	74.4	357.2	431.6

Table 7: Summary of Seniors Housing Provider and New TCHC 2020 Order of Magnitude Funding Requirements

2020 Funding Summary (\$ millions) <i>Assuming no draws from reserves (Note: differences due to rounding)</i>	Seniors	New TCHC	Total
Additional funding needed to address operating cash shortfall	(9.8)	42.2	32.4
Additional funding needed to address building repair capital shortfall	74.4	357.2	431.6
Additional funding needed to address cash shortfall	64.6	399.4	464.0

EQUITY IMPACT

TCHC is home to many of the most vulnerable and marginalized tenants in the City. TCHC tenants face a variety of complex and intersecting challenges, including racialized and gender-based poverty, physical and mental health issues, structural and systemic discrimination, social exclusion and unequal access to resources and opportunities. An adequately funded social housing system with an improved service delivery model is critical to the City's efforts to address poverty and will provide a foundation for improving social and economic outcomes for tenants of TCHC as well as provide opportunities for tenants who have historically been marginalized to play more active and engaged roles in community and City building.

This Tenants First Phase 1 Implementation Plan outlines strategic directions and actions to improve the quality of housing as well as the quality of life for social housing tenants living in TCHC. This report is closely aligned with other key City strategic initiatives designed to strengthen communities in Toronto, including: Housing Opportunities Toronto, Toronto's Seniors Strategy, TOProsperity: Toronto Poverty Reduction Strategy, Toronto Youth Equity Strategy, Toronto Strong Neighbourhoods Strategy 2020, and the Toronto Newcomer Strategy.

DECISION HISTORY

On October 30, 31 and November 1, 2012, City Council endorsed the Putting People First, Transforming Toronto Community Housing and the strategies contained in the report

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX23.4>

On May 7, 2013 City Council adopted CD20.1 to approve the vision, service plan, guiding principles, and accountability and monitoring framework contained in the Toronto Seniors Strategy

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD20.1>

On July 7, 2015 City Council approved Transforming Social Housing: Renewing the Partnership with the City's Social Housing Providers which laid the groundwork for a transformation of how the City delivers social housing.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD5.7>

On January 28, 2016, the Mayor's Task Force on Toronto Community Housing tabled its Final Report, Transformative Change for Toronto Community Housing Corporation at Executive Committee. Link:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=4184a1f9b4a72510VgnVCM10000071d60f89RCRD>

Executive Committee referred the Final Report to the City Manager with direction to report to Executive Committee recommending an overall approach and guiding principles for how best to move forward with the transformation of Toronto Community Housing Corporation

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX11.21>

In June 2016, City Council approved Tenants First: A Way Forward for Toronto Community Housing and Social Housing in Toronto and directed staff to develop an implementation plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.11>

COMMENTS

1. Introduction

TCHC is presently the largest landlord in Canada and the largest social housing provider with 58,500 units, 110,000 residents and 1,600 staff. It was created by the merging of the assets and operations of three existing public housing providers (Metropolitan Toronto Housing Authority, Metro Toronto Housing Company Limited and Cityhome) in 2002. The economies of scale promised by such an amalgamation have never been fully realized, mostly due to the age, design, and construction quality of some of the stock.

While TCHC has struggled to ensure high quality services to residents, there are fundamental flaws in the current service provision and funding model of the company. As well as being an extremely large social housing landlord, it also has a history of delivering non-landlord related services to tenants, including recreation and employment programs, and a Community Safety Unit of special constables. Service delivery is neither a core function nor a core competency of TCHC. While it has responded to expectations of Boards, Councils, and tenants, TCHC is not funded to provide direct services to tenants. It has assumed the role of service provider to tenants while diverting funds from other operational demands.

Additionally, TCHC has not been adequately funded to provide crucial capital repairs to its buildings. The original funding formula assumed that TCHC would run an operating surplus and would invest those surplus funds in capital repairs. Operational demands, stagnant revenues and rising expenses kept this from being realized, resulting in a repair backlog that is growing annually. The backlog could result in 4,228 – 6,522 unit closures by the end of 2026, depending on proceeds achieved from mortgage refinancing.

It is this convergence of demands, along with the imperative to improve conditions for TCHC tenants that provides the basis of the two primary Tenants First Phase 1 recommendations presented in this report: the creation of a newly focused TCHC and a dedicated Seniors Housing and Services entity, both with updated funding agreements, will create a foundation to improving the lives of social housing tenants. This fundamental change will take multiple years to fully implement. During the implementation period it is crucial that tenants and other stakeholders continue to provide their professional and lived experience expertise for improving TCHC. The vision for both the improved TCHC and the new Seniors Housing Provider is that tenants see improvements in their communities and living conditions and that both have the resources and capacity to successfully deliver a sustainable social housing program. This will take time, additional resources and a strong commitment by the City to lead positive change.

2. Process to Date to Implement Tenants First: Collaboration, Engagement, and Public Consultation

Since the Tenants First Project Office was set up in Fall 2016, City staff have worked with TCHC tenants, Board and staff to develop these recommendations. TCHC staff have provided information, knowledge and insight into this process. TCHC Board members actively participated in the Implementation Steering Committee, while tenants gave feedback through the Tenant Advisory Panel and city-wide tenant information meetings. TCHC staff continue to provide professional advice and assistance.

As directed by City Council in the Tenants First report, a Tenant Advisory Panel was established to help guide the development of the Implementation Plan. Thirteen TCHC tenants representing a range of geographic and demographic diversity, lived experience, knowledge and interests as well as experienced and emerging leadership were selected to provide direction and advice and inform development of the Implementation Plan, provide feedback on proposals and recommendations through the

Tenants First Working Groups and support tenant outreach and engagement activities related to Tenants First initiatives. (Tenants Advisory Panel Report - Appendix 1)

A series of tenant information meetings were conducted to inform TCHC tenants about the proposed recommendations as well as provide tenants with an opportunity to share their feedback and ideas. A summary of Tenant Engagement is attached in Appendix 2. Additionally, in partnership with Social Planning Toronto, a series of Housing Policy Forums were held to engage representatives from the community and non-profit sectors in some of the big themes found in this report. The results of the consultation process can be found in Appendix 3.

3. Financial Review of TCHC

An extensive financial review of TCHC has been conducted with support and assistance from several City divisions including Corporate Finance, Financial Planning and Internal Audit. In addition, PricewaterhouseCoopers Inc. (PwC), an external consultant, was engaged to review TCHC's operating, development and capital expenditure cash flow forecast for the next 10-years. They were tasked with determining the reasonableness of TCHC's underlying assumptions as well as assess funding issues and commenting on the severity of any cash flow shortfall in respect of operating, development and building repair capital improvements. The purpose of the review was to determine the financial sustainability of TCHC in the foreseeable future to determine when TCHC will face a liquidity crisis. The PwC Summary Report can be found in Appendix 4.

3.1 Mounting Operating Pressures: PwC's review found that TCHC's operations are not sustainable due to the relatively flat revenue from rent and City subsidies coupled with increasing expenses. PwC found that TCHC's cash inflows from operations are expected to grow at an average annual rate of 1.0% while its cash outflows are expected to grow at an average annual rate of 2.9%. Utilities for example, which form approximately 32% of TCHC's operating expenses are expected to increase at an average rate of 4.4% annually. With operating outflows significantly out-pacing cash inflows, TCHC's net operating cash flow, before debt service, is expected to decrease rapidly. PwC estimates that TCHC's cash surplus will shrink from \$16 million to 7 million from 2017 to 2018 and will face an operating cash shortfall of about \$1 million by the end of 2019. These estimates exclude annual \$18 million sinking fund contributions to retire the debenture loans.

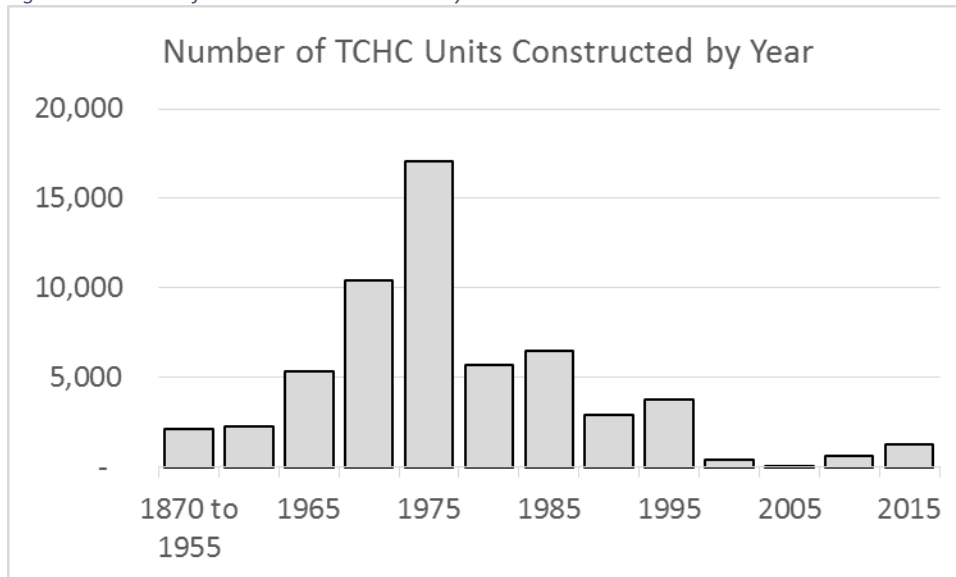
In addition, TCHC's mix of unit sizes does not reflect current tenant needs and preferences. About 30% of the RGI portfolio consists of bachelor units, many of which are in low demand buildings or locations. As a result, TCHC has difficulty renting these units, resulting in higher vacancy rates and lost revenue. TCHC and Shelter, Support and Housing Administration (SSHA) are working together to create more effective management of these vacancies in the longer term, including the implementation of a choice based access system.

3.2 Capital Plan Funding Problems: PwC's review also reiterated the fact that TCHC does not have sufficient resources to fund its forecasted necessary capital improvements. At the time the social housing portfolio was transferred from the Province to the City, it was done so with few existing reserves and no additional funding

for deferred capital repair requirements. In addition, TCHC primarily uses its excess cash flow from operations coupled with debt financing to fund its capital repairs and due to a lack of funding, this has resulted in a systemic underinvestment in capital repairs.

Buildings in TCHC's portfolio are on average 43 years old and require substantial upgrades as major building components near the end of their useful lives. These factors have culminated into a major capital repair backlog which became publicly apparent in 2012 and which was further cast into the public spotlight in 2013 due to the simultaneous aging of many buildings.

Figure 1: Number of TCHC Units Constructed by Year



Source: TCHC

The 10-year capital plan now stands at \$3.3 billion, of which \$2.7 billion is required to address the capital repair backlog and maintain TCHC's portfolio at a 10% Facility Condition Index (FCI); while the balance is required for new capital repairs that are expected to arise but not included in the backlog. Note that this includes the \$54 million bridging strategy as noted during the 2017 Budget process to fund capital repairs. Even after accounting for the use of its reserves to fund capital repairs, TCHC still expects a shortfall of nearly \$2 billion over 10 years.

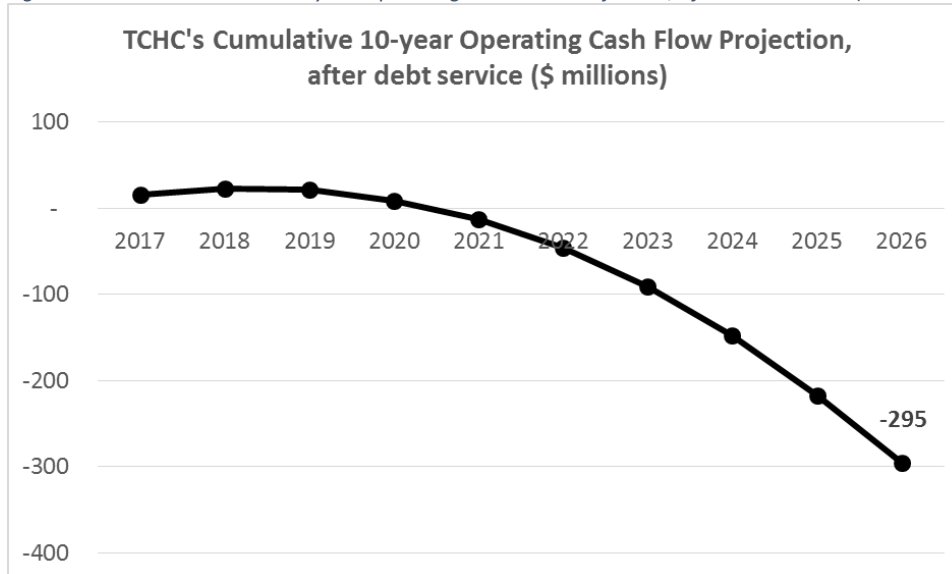
The results of under-investment in the portfolio are evidenced most clearly by unit closures, none more notable than the recent closure of two blocks of townhouses in the Firgrove community totalling 134 units which were closed due to built-form, construction methods and under-investment. At the end of 2016, TCHC reported 325 uninhabitable units (0.6% of the portfolio). A delay in implementing the capital plan could result in 4,228 – 6,522 unit closures by the end of 2026, depending on proceeds achieved from mortgage refinancing (7% - 11 % of the portfolio) and \$18.8 - \$29 million in lost revenue.

Ongoing revitalization initiatives either approved by Council or subsequent phases of announced revitalizations which are expected to be recommended to Council, are in

addition to the capital plan noted above. According to PwC's review, the shortfall from development initiatives are about \$339 million over 10-years.

3.3 Cash Shortfall: PwC's review also determined that although debt financing has, and will continue to, serve as a source of capital repair funding, servicing the debt comes at a cost to TCHC. A cost which cannot be sustained. After accounting for debt service of its mortgages and loans, which is expected to increase at an average rate of about 1.5% annually as opportunities to refinance and/or renew mortgages present themselves, it is apparent that TCHC will experience an operating and development cash shortfall as soon as 2019. By 2026, it is expected that the total operating cash shortfall after debt service will increase to \$295 million and development cash shortfall is expected to reach \$339 million.

Figure 2: TCHC's Cumulative 10-year Operating Cash Flow Projection, after debt service (\$ millions)



Source: PwC report Financial Sustainability of Toronto Community Housing Corporation

Using all of TCHC's **operating/development reserves and credit facility** delays the cash shortfall from operating and development until 2022. Using all of TCHC's **building repair capital reserves** will only allow TCHC to delay the cash shortfall from capital until 2019.

Unfunded Commitments to TCHC Development, Revitalization and ReSet Initiatives:

The City-Wide Real Estate Transformation initiative approved by Council in May 2017 creates a new real estate model that will support key City initiatives. This is to allow alignment of strategies, such as the long-term fiscal plan, major capital project planning and delivery review, financial management as well as program transformations such as Tenants First. It is anticipated that the relationship of TCHC to the consolidated real estate service will be addressed in the next three years. Until that time TCHC will continue its approved redevelopment efforts.

In an effort to improve the lives of residents and the communities they live in, TCHC has revitalized a number of public housing communities. In the absence of significant and

stable funding, community revitalization has been one of the few ways available to upgrade the aging housing stock and transform communities from 100% rent geared to income housing with little social infrastructure, into vibrant and healthy mixed income, mixed use neighbourhoods. Council approved Revitalization initiatives have demonstrated the evolving and positive working partnership between the City and TCHC to transform neighbourhoods. Current revitalizations will continue including: Regent Park, Allenbury Gardens, Alexandra Park, Leslie Nymark, Lawrence Heights and 250 Davenport. However, there is a need for Council in the near future to consider further capital budget pressures faced by these projects, as it did with Regent Park through the 2017 Budget process where an additional \$6 million was allocated primarily to cover principal and interest repayments for \$108 million in debt financing costs for Phase 3.

In addition, other TCHC sites have been reviewed for long term redevelopment potential, however, none of the sites exhibit the market conditions or density potential required to generate a revitalization business case. An example of such a site is the Thistletown site in Rexdale.

3.5 2017 Budget Process: In the 2017 budget process, Council acknowledged the financial challenges of TCHC by approving an 18% or \$37 million increase to the operating subsidy of TCHC. This is, in essence, the only cash increase TCHC has received since its creation in 2002.

3.6 Summary: From a Broken Funding Model to Sustainable Permanent Funding: TCHC is not financially sustainable in its current form and a new funding model is needed both in the interim and in the long-term. Based on projections, TCHC's 10-year operating cash shortfall after debt service is about \$295 million or about \$30 million per year. Since operating expenses are outpacing operating revenue, the cash flow shortfall is smaller in the near term and grows year over year. Therefore, funding will need to increase in lockstep with expenses to ensure their financial viability.

With regard to the capital backlog, projections demonstrate a shortfall of \$2.1 billion at the end of 10 years or \$213 million per year. The need is greater in the near term as a historic under investment in the portfolio, as well as the aging of much of the stock, has resulted in a wave of buildings in a critical state of repair with unit closures already underway and other closures forecast should dramatic action not be taken. In fact, the capital plan to achieve a 10% FCI is heavily weighted in the 5-year period from 2018 to 2022 with \$2.4 billion of \$3.3 billion or 72% expected to be spent over this period. Thereafter, expected capital expenditures are anticipated to taper-off to more manageable levels to maintain the target FCI.

TCHC's financial challenges are significant and permanent solutions will take time to develop to find an appropriate funding formula that is sustainable in the long-term. City staff will continue to work with TCHC and will report back on an operating budget as well as a capital budget for the Seniors Housing and Services entity and a New TCHC.

4. Development of a New Seniors Housing and Services Entity

Tenants First reported that while benefitting from economies of scale, the size of TCHC poses real challenges. Tenants reported feeling alienated from their landlord and also a lack of accountability and responsiveness as a consequence of the large bureaucracy. It continues that "a social housing system that relies on a single provider to house 66% of its tenants is inherently unstable and will be hard pressed to deliver the customer service and program design tenants deserve." The size of TCHC appears to compromise the ability to specialize its services to any particular group. This is one of the main drivers behind the creation of the Seniors Housing and Services Entity.

TCHC has struggled to implement a service delivery model that responds to the needs of its aging tenant population. Despite the creation of a dedicated Operating Unit to manage the seniors housing portfolio within TCHC, initiatives such as the Vulnerable Seniors Action Plan and the Mental Health and Seniors Strategy have yet to be fully implemented. A gap in services and programs to meet the needs of an aging and increasingly vulnerable population still exists.

There have been internal and external reviews of services to seniors within TCHC. The creation of the Office of the Commissioner of Housing Equity (OCHE) was a response to the LeSage Review (2010) and the City of Toronto Ombudsman's Housing at Risk report (2013). The OCHE has a mandate of helping seniors and vulnerable tenants of TCHC who face loss of subsidy or eviction due to arrears.

The City has recognized its responsibility to provide strong leadership in serving the needs of seniors:

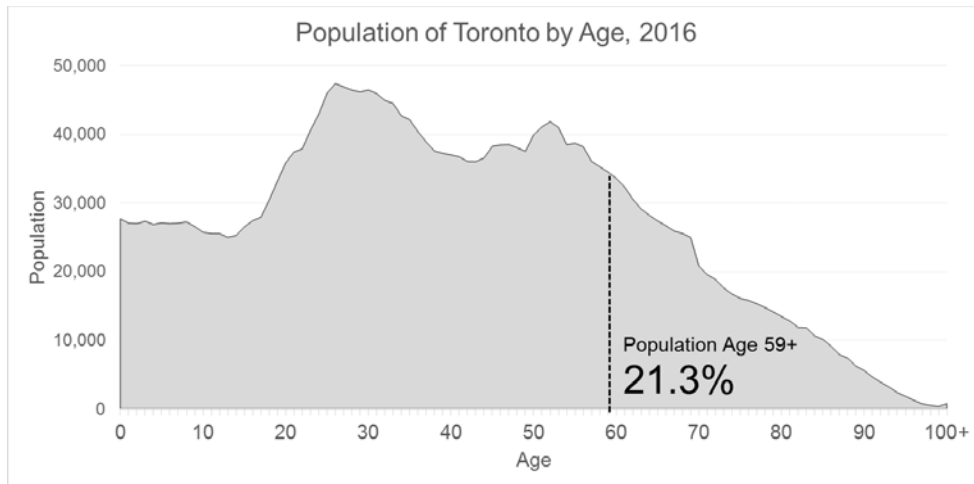
"Older adults in Toronto should be supported so that they may enjoy a higher level of health and wellbeing. Older Torontonians should be able to live healthy, independent, active lives. The City should consider the quality of services that it is providing to older residents that address older adults' unique and varied needs."

- *The Toronto Seniors Strategy adopted by Council in 2013*

In order to provide the range of specialized services that the growing number of seniors in Toronto need, this report recommends creation of a new Seniors Housing and Services entity that is more directly accountable to City Council and that strategically aligns City programs and services, builds partnerships for seniors' health, including partnerships with the Local Health Integration Networks (LHINs) and is responsible for management of the 83 seniors-designated buildings currently within the TCHC portfolio (Appendix 5).

4.1 An Aging Population and Growing Need for Services: In 2016, for the first time, there are more people over the age of 65 in Toronto than there are people under the age of 15. According to TCHC's definition of seniors, those over the age of 59, one in five Torontonians is a seniors as demonstrated by the following figure.

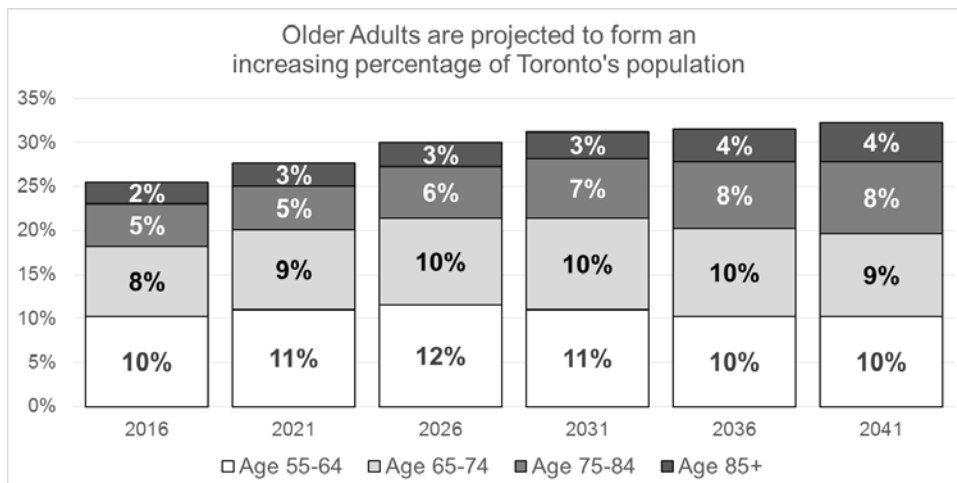
Figure 3: Population of Toronto by Age, 2016



Source: Statistics Canada, Census of Population, 2016

According to Ministry of Finance projections, by 2031, the number of seniors (65+) will surpass 20% of the total population. Using TCHC's definition of seniors (59+) the City has already reached that threshold. The 2016 Census shows that 21.3% of the Toronto population is 59 years of age or older. Population growth in the 65-69 age group, as the baby boom generation (those born between 1946 and 1961) reached this age bracket, caused it to increase by 27.4% from 2011 to 2016.

Figure 4: Population Projections for Toronto's Older Adults, 2016-2041



Source: Ontario Ministry of Finance Population Projections Update 2015-2041

Seniors have additional needs as they age. As the number of seniors living in Toronto grows, the City must address the increased demand for services for older adults, through a combination of direct service delivery where appropriate, and strategic partnerships with community and provincial agencies. The services will need to accommodate a variety of expectations and experiences given the broad diversity that exists within this age group. In the extensive consultations done by the City for the Seniors Strategy, gaps in Health and Housing services were identified as the two top priorities by participants. Compared to the rest of the population, seniors are more likely to rely upon the health care system and social service system. Better solutions are

needed to reduce dependency on high cost interventions to address seniors' needs, such as unnecessary hospital emergency visits and long term hospital stays.

4.2 Seniors Housing and Service Needs in TCHC: The approach to developing the Tenants First Implementation Plan has been to focus on TCHC tenants who need the most support. This includes seniors and tenants with complex vulnerabilities. TCHC is home to approximately 27,000 seniors, a diverse and growing number. There are approximately the same number of seniors in TCHC designated seniors buildings as there are in mixed buildings. Many senior residents in TCHC are vulnerable and face a variety of complex and intersecting mental, physical and/or social challenges that put their tenancies at risk. Some seniors are unable to access supports and resources to help them manage these challenges. The need for affordable housing for seniors will continue to rise as Toronto's seniors population continues to grow. By 2031 Census data confirms that seniors will make up a third of Toronto's population.

4.3 Vision: The vision for the Seniors Housing and Services entity for the City of Toronto is to enable seniors to have a living environment that promotes personal safety, social engagement and activity. It will maximize wellbeing and reduce the negative effects of social isolation. The Seniors Housing and Services entity would have the potential to offer, through an integrated network of services, affordable housing, supportive community life and access to supports that facilitate successful tenancies and prevent the need for moves into institutional settings. It will leverage system resources across the City (municipal, provincial, community) to provide support for seniors in the new Seniors Housing and Services entity, new TCHC, and vulnerable seniors without support regardless of where they live.

4.4 Alignment with City Services and Health Care Services: Currently the City has many initiatives aimed at seniors. Included in this is an overarching Seniors Strategy, as well as direct programs delivered to seniors through City operated Long Term Care Facilities, Public Health, community grants and other City Divisions. There is a need and an opportunity for better alignment of these City services for seniors, as well as better coordination and partnerships with the LHINs, other provincial and community agencies. The creation of a Seniors Housing and Services entity could be the anchor to this alignment.

Many seniors who are currently tenants of TCHC would be better served by a closer affiliation with Long Term Care Homes and Services Division; whereby service delivery co-ordination between the two portfolios could more effectively meet their needs and appropriately use the different levels of service. Given that most seniors would like to age in their own homes, or at least, in their own communities, providing a coordinated range of services and housing options would enable seniors to live independently and participate in their community for as long as possible and ideally until end of life. This type of model aligns with current funding opportunities through the Ministry of Health and Long Term Care.

Some TCHC seniors' sites offer potential infill opportunities. This could support the City's plans to re-develop its long-term care homes in order to meet legislative design requirements. Furthermore, some long-term care homes may also have seniors housing infill opportunities. Some social housing providers offer long-term care and seniors

housing on one site with positive results, such as Hellenic Homes on Winona Drive or the vision for the George Street revitalization that offers seniors housing, long-term care, and supports for daily living.

Ontario's *Action Plan for Seniors*, recommendations in the *Living Longer, Living Well* report to inform the Ontario Seniors Strategy, the City's Toronto Seniors Strategy: Towards an Age-Friendly City and Housing Opportunities Toronto: An Affordable Housing Action Plan all share a focus on strengthening aging in place strategies so that seniors have safe, appropriate and affordable housing with the supports they need to remain independent and involved in their communities. Better co-ordination between health and housing services also presents the potential to access Ministry of Health and LHIN-funded program supports. The pilot at 291 George Street saw the creation of LHIN-funded community agency services provided on-site to TCHC residents to improve health outcomes and housing stability for vulnerable TCHC tenants. The pilot demonstrated significantly reduced calls to 911, reduced Emergency Department visits and reduced hospitalizations. There are now LHIN-funded programs at several TCHC buildings funded by local LHINs.

Under one of the recommendations in the original 2013 Toronto Seniors Strategy, the City identified seniors living in TCHC buildings that were high-volume callers to 911. Partnering with Toronto Paramedic Services, Mount Sinai System and others, the City applied for provincial Community Paramedicine funding to hire Community Paramedics to visit those seniors. After 6 months, the call volumes from these seniors decreased by 49%. This is because they needed to be connected to ongoing support services in the community such as Meals on Wheels or home care. By addressing the underlying issues, the need for resource intensive emergency services was reduced and the outcomes for those seniors was positive. Under current provincial health policy there is opportunity to work with the 5 local LHINs to expand these partnerships, allowing seniors in TCHC to better age in place, and stay out of hospital or long term care.

4.5 Service Model: As the Toronto Senior Strategy states, the City must recognize the increased vulnerability that exists when such factors as immigration, linguistic diversity, disability and sexual orientation intersect with the challenges of aging. On its own, each factor can create obstacles to accessing necessary programs and services in Toronto. Combined, these factors can magnify the vulnerability that a senior faces on a daily basis.

The unique service model for the new Seniors Housing and Services entity should include the following components:

- A focused organizational structure with a specialized tenancy management focus supporting service delivery to seniors
- Systems connections which align Provincial, City and community sector programs and services promoting effective aging in place
- Tenancy advocacy services to support vulnerable seniors and ensure successful tenancies

A comprehensive engagement strategy must support tenant involvement in guiding the development of the service delivery model.

4.6 Legal Considerations: Debt covenants and other agreements will be further investigated to determine the financial implications of transferring or leasing properties from TCHC to the new Seniors Housing and Services entity. Preliminary analysis indicates that while complicated, challenges are not insurmountable. All major contracts, (loan agreements, development partnership agreements, etc.) will be reviewed to ensure that there are no restrictive covenants or other provisions associated with transferring TCHC property to the new Seniors Housing and Services entity. There are over 100 commercial leases within the seniors portfolio which will be reviewed to determine whether there are any consent, notice and/or assumption agreement requirements, as well as consideration with respect to the impact on TCHC commercial revenue. The transactional costs associated with various models will also be explored in greater detail. Vendors, contractors, development partners and lenders will need to be informed of any changes in the operating model of both the New TCHC and the new Seniors Housing and Services entity.

4.7 Human Resources and Labour: There are approximately 1600 TCHC staff. 191 (12%) are directly employed within the seniors portfolio, with an additional 150 (9%) staff who are in positions that support this portion of the portfolio. This includes both unionized and non-unionized employees. Staff recognize the service and commitment of TCHC staff in providing housing services to tenants, including seniors. The principles guiding any organizational changes must recognize the rights of all employees, including applicable successor rights. Staff recognize the value of ensuring continuity of staff associated with the seniors portfolio and TCHC.

Staff have engaged TCHC labour relations staff regarding these issues. Those TCHC staff consulted have expressed a strong commitment to ensuring that these issues are properly addressed. Labour relations staff of the City will seek to engage with union leadership, along with TCHC labour relations staff, to discuss employment issues that will arise, including: pension impact, collective agreements, any considerations pursuant to the Employment Standards Act, 2000 and other relevant labour and employment statutes. The City will develop a process to ensure ongoing dialogue with labour representatives throughout implementation of Tenants First.

5. A Redefined TCHC

This report also proposes the redefinition and revitalization of a New TCHC, as a landlord with a smaller housing portfolio and a more focused mandate. The current mandate of TCHC is broad and permissive which has led to confusion about the roles and responsibilities of the corporation. The New TCHC should provide housing to families, youth, individuals and vulnerable tenants, including seniors in mixed buildings. With adequate funding the New TCHC will be able to focus its core responsibilities as a social housing landlord: operating and maintaining better buildings, planning for the future and connecting tenants to social and economic opportunities so they can thrive. As the lines of business that the New TCHC delivers are narrowed, new strategies will be pursued to ensure that appropriate supports for tenants are made available and accessible. Organizational and service delivery improvements, including a comprehensive and robust partnership strategy will provide more responsive and

efficient delivery of services to tenants. Key actions required to implement the new TCHC mandate are described below.

5.1 Updated Shareholder Direction: The TCHC Shareholder Direction must be updated through a collaborative process between the City and TCHC. This work includes reviewing and recommending a governance model for the new TCHC, including Board composition and participation of tenants on the Board. Both the Mayor's Task Force and Tenants First highlighted the need for changes to the governance model of TCHC. Tenants have expressed strong interest in meaningful participation in decision making on both local and organizational issues and this work will be an important part of the creation of the new TCHC. Additionally the decentralization pilots will provide opportunities to explore tenant participation in local community development initiatives.

The updated Shareholder Direction will need to consider the types of services TCHC provides and the type of housing it operates. Initial results from the asset review indicate that there are several properties in TCHC's portfolio that are anomalous, including buildings that do not fit within a residential social housing portfolio.

5.2 Partnerships to Meet the Needs of Vulnerable Tenants: TCHC houses many tenants who experience heightened vulnerabilities. This includes tenants who are living with serious and persistent mental health and substance use issues, those living with physical and mobility issues and those aging in place. For example, the Mayor's Task Force Report estimates that 24,000 TCHC households include someone living with mental health challenges. TCHC must build strategies to help vulnerable tenants maintain their tenancies and be active, valued participants in their communities. Partnerships with local community agencies and with the larger health system organizations such as the LHINs and Community Care Access Centres (CCACs) offer opportunities for enhanced service provision to support the increasing number of tenants with complex vulnerabilities living in TCHC. Working with LHIN-funded and community and home care providers can bring stability to communities and improve the lives of tenants, while enabling TCHC to fulfill its mission and focus on its mandate to deliver affordable, good quality housing.

Effective partnership strategies require a consistent vision, direction and organizational commitment to partnership development, program implementation as well as continuous monitoring and evaluation. The City should work with TCHC to develop and implement a partnership framework and strategy to enhance the well-being of TCHC tenants. As part of the framework and strategy development, a comprehensive review of existing partnerships will be undertaken, along with an analysis of services provided by the City and other external service providers. The review will assess existing partnerships, analyze whether services and programs are better provided by larger organizations such as the LHINs, or smaller community-based service providers.

Particular challenges arise in relation to TCHC buildings where there are high concentrations of vulnerable tenants. The City currently funds organizations that have expertise in supporting and housing vulnerable tenants. These supportive housing providers use models of service delivery that are responsive to tenants needs, focus on housing stability and build community. Building on the objectives of increasing capacity

in the social housing sector and ensuring a better quality of life for tenants, the operations of some of TCHC buildings with high concentrations of vulnerable tenants could be shifted to expert supportive housing provider partners. This is a way to ensure that tenants are supported in the best possible way and to promote housing stability and wellness.

5.3 Pilots to Demonstrate Decentralization to a Local Service Model: Both the Mayor's Task Force and Tenants First pointed to the benefits of a decentralized or local service delivery model. A decentralized operational structure supports more localized decision-making to ensure responsiveness to local issues and closer contact between tenants and front line staff. A decentralized operations pilot (Appendix 6) is under development in an Operating Unit in Weston-Rexdale. The pilot aims to test the impact of changes in the way that TCHC delivers service, with a focus on local, faster decision-making, partnerships and improving customer service to tenants. An integrated staff team structure will ensure alignment of property management and tenant focused services.

Two additional pilots will explore new models of local community engagement. Using a collaborative process, TCHC and City staff teams will work with tenants and community agency partners to develop neighbourhood specific local action plans through a process of tenant engagement, participation and leadership to define priorities and identify actions to address community issues. The pilots will explore opportunities to align systems and explore strategic partnerships to connect TCHC communities to their surrounding neighbourhoods.

5.4 Addressing the Scattered Portfolio: The portfolio of houses at TCHC is comprised of three distinct property types. Together they number 684 properties and 1,132 units, 2% of the TCHC portfolio; a small but important part of the social housing stock. Overall, they pose a challenge for TCHC, they are expensive to manage and maintain, due to their age, built form and disparate locations. An overall strategy for all property types needs to be implemented so that these houses can continue to be a vital component of the affordable housing stock of the City.

Agency Houses:

An Agency House is a TCHC house that is currently leased by a non-profit corporation for a housing related purpose. A housing related purpose includes but is not limited to: social housing, affordable housing, emergency shelter, transitional housing, providing housing or settlement services for newcomers, providing housing in a variety of settings to vulnerable residents, including those that require supports. There are currently 22 Agency Houses in the TCHC portfolio.

Rooming Houses:

There are currently 31 rooming houses in the TCHC portfolio. In rooming houses, single rooms are rented to tenants in residential neighbourhoods. Typically, tenants of rooming houses have support needs which TCHC is not funded to provide. Many supportive housing providers in Toronto successfully operate rooming houses, with the model that includes supports and property management. Through the Rooming House Pilots, some initial partnerships with supportive housing providers are being pursued.

Single and Multi-Family Houses:

The majority of the scattered portfolio houses are detached, semi-detached and townhouses. Many of these are large units, housing large families that cannot be accommodated elsewhere in the social housing system. Some of these are multi-family houses containing several units. All of these houses provide affordable housing and are embedded in Toronto neighbourhoods. These homes are valued by tenants and are integrated into communities.

In 2012 City Council endorsed the Putting People First Report which presented a way forward to manage the single-family home portfolio, given the capital repair backlog associated with this small but important part of the TCHC portfolio. In preparation for that report tenants of the single-family portfolio were surveyed. 94% of respondents reported a strong or very strong sense of belonging to their neighbourhood. Some 87% said their home meets their needs.

Putting People First proposed three strategies for the single-family homes:

- 1) Home ownership opportunities for tenants
- 2) Partnerships with non-profits
- 3) Sales of select homes

While TCHC implemented Strategy 3 Strategies 1 and 2 were at the time not pursued.

REOI to Shift Operations of Scattered Portfolio:

The Council-approved solutions in *Putting People First* have the potential to improve the condition of houses, provide opportunities for tenants, helps build capacity in non-profit sector and secures affordability in the long term. This report recommends pursuing implementation of the solutions identified in *Putting People First*.

As an important move forward, a “Request for Expression of Interest” should be issued to non-profit, co-op and land trust sectors to determine their organizational and financial capacity to operate the scattered houses, including Agency Houses and Rooming Houses to community groups. As part of this process non-profit and charitable organizations will be asked to identify their interest in particular houses, a tenant engagement strategy, and a business case for their proposal.

As established in Tenants First, the following principles must guide the REOI process:

- Maintaining affordability in transferred units
- Development of a strong accountability framework for providers
- Ongoing financial viability
- Tenant centred transfers
- Engagement with tenants and the greater community

In addition to the principles for transfer it is important that current tenants continue to live in the homes as they long as they qualify and are engaged throughout the process.

6. Innovations in Housing

Tenants First gave direction to look at the development of a Social Housing Innovation Lab, where new ideas could be tried, tested and honed in order to best serve social housing tenants. To this end, a series of pilots have begun. The Tenants First Team will work with the newly created Transformation Office and other City Divisions to formalize the implementation of these pilots and create a process to measure and adjust them with tenant feedback as recommended in Tenants First.

Rooming House Revitalization:

Rooming houses are an essential part of the affordable housing stock of the City. The residents of rooming houses are often vulnerable and many would benefit from supports. Because rooming houses are located within residential neighbourhoods, it is also critical that there are ongoing and positive communications with neighbours and other members of the communities. Currently, the South St Jamestown Rooming House project is looking at how TCHC, TCHC tenants, other residents and the City can come together to find solutions that include partnering with supportive housing partners.

Decentralization:

A decentralized operations pilot (Appendix 6) is currently under development in the TCHC Operating Unit in Weston-Rexdale. The pilot will test the impact of changes in the way that TCHC delivers service, with a focus on localized decision-making, partnerships and improving customer service to tenants. An integrated staff team structure will ensure alignment of property management and tenant focused services.

7. Advocacy for Legislative Reforms

Tenants First gave direction to identify potential reforms to the provincial *Housing Services Act* to improve outcomes for tenants of social housing. The *Housing Services Act* governs the relationship between Service Managers and the Province related to the delivery of Social Housing in Ontario. Many aspects of the system for delivering RGI subsidy are complicated and present barriers to the households that receive these benefits. Potential changes are summarized below.

Flexibility to Exempt Certain Incomes from the Calculation of RGI Rent:

The Mayor's Task Force Interim Report reported that "tenants are looking for access to jobs and opportunities, particularly those that provide a bridge towards meaningful, sustainable work" TCHC has worked with its Development partners and the City on creating opportunities for youth to access training and employment in the trades, however many tenants are reluctant to take these opportunities because they fear losing their housing or subsidy. The *Housing Services Act* allows for some local flexibility in areas of the legislation where Service Managers can tailor guidelines and rules to the local circumstance. A change that allows service manager discretion with respect to exempting income from service manager endorsed or approved training and employment programs from the RGI rent calculation will be explored. Staff will work with TCHC to recommend specific changes that will meaningfully impact the lives of tenants. This is an excellent opportunity to reinforce and support key recommendations of TO

Prosperity: Toronto Poverty Reduction Strategy, including the recommendations to create employment opportunities for low-income groups with high unemployment rates and improving the quality of jobs.

Simplified RGI Rules and Administration:

On July 7, 2015 City Council adopted a motion to "request the Province to support the long-term sustainability of social housing by . . . simplifying RGI rules and providing greater flexibility to use a range of affordability options to meet local needs". The Mayor's Task Force also noted that "simplifying the administrative process will lessen the burden on RGI tenants and ensure accuracy in rent calculations" and the Provincial Long term Affordable Housing Strategy spoke to a need for a reformed RGI system. The current, provincially legislated method of rent calculations and annual reviews, is punitive for RGI tenants, and administratively burdensome for housing providers. The City is currently working with the Province on simplification of the RGI system and this should be a priority as the City moves forward on RGI reform.

Portable Housing Benefit:

The City, through SSHA is embarking on an initiative to explore how a portable housing benefit could be used within the City's social housing system. A portable housing benefit is rental assistance, paid directly to a household that they can use to help pay for a unit that they choose. This approach could assist tenants in securing housing that is more affordable as well as provide choice to social housing tenants, including those living at TCHC who may wish to leave the portfolio. Giving TCHC tenants choice in housing could potentially provide opportunities to tenants while giving TCHC a potential to create more mixed housing without reducing the service level standard of rental subsidy in the City.

8. Next Steps

This report represents Phase 1 of the Tenants First Implementation Plan. Implementation will continue to be collaborative, relying on the expertise of City staff, TCHC staff and other stakeholders. The process will be guided by two Advisory Groups as shown below.

TCHC Advisory Group

Co-Lead: CEO TCHC/Executive Director of SDFA
Participants: CEO TCHC, TCHC staff and City Staff, including the Chief Transformation Officer
Key Deliverables: development of program delivery model for the New TCHC including utilizing Provincial, City, Community sector and other partnerships to deliver services to TCHC tenants and inform changes to the Shareholder Direction and the funding formula.

Seniors Housing Advisory Group

Lead: Executive Director of SDFA
Participants: CEO TCHC, City Staff, TCHC staff, and representatives from the Toronto LHINs
Key Deliverables: development of program delivery model for the Seniors Housing Provider including utilizing Provincial, City, Community and other partnerships to deliver services to Seniors, including those who continue to reside in mixed TCHC buildings.

9. Conclusion

Through the Tenants First report in July 2016, Council provided clear direction that the status quo of its local housing corporation is no longer acceptable for the over 110,000 Torontonians that call TCHC home. The Mayor's Task Force on TCHC provided valuable insight into the development of Tenants First. Since that time both the Federal and Provincial governments have presented budgets that make no fundamental change TCHC's financial crisis. In April 2017 TCHC closed 134 units because they were in such a serious state of disrepair that they posed a safety risk to tenants.

The social housing stock of TCHC is an asset that includes over 2,200 buildings, 58,500 units and approximately 50 million square feet of gross floor area. It is in no governments' interest to watch any asset crumble, particularly one with a current assessment value of \$12 billion.

The key recommendations in this report set a new course for the City's own social housing portfolio. The recommendations provide for the creation of a new Seniors Housing and Services Corporation and for the redefinition and revitalization of TCHC. The report also calls for the development of an interim 2018-2019 funding model to be submitted through the 2018 budget process.

The report also recommends that the City Manager continue to work with Federal and Provincial officials in the City's efforts to secure funding and financial incentives resulting from the 2017 federal budget and the emerging National Housing Strategy.

It is time for Council to set TCHC on the path to providing quality housing for tenants of TCHC and also for all Torontonians. The recommendations in this report advance key transformative ideas put forth by the Mayor's Task Force and Tenants First. This is the beginning of a multi-year transformation that will require continued commitment of City Council, the attention and support of other orders of government and everyone else who has a role to play in improving the lives of tenants and the City's social housing communities. TCHC tenants deserve no less.

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ATTACHMENTS

- Appendix 1: Tenant Advisory Panel Report June 2017
- Appendix 2: Summary of Tenant Information Sessions
- Appendix 3: Summary of Stakeholder Consultation Forums
- Appendix 4: PricewaterhouseCoopers Summary Report
- Appendix 5: List of Seniors Buildings
- Appendix 6: Decentralization Pilot Overview