



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Federal Funding for Toronto Community Housing Capital Repairs

Date: September 10, 2019

To: Executive Committee

From: Deputy City Manager, Community & Social Services and Chief Financial Officer and Treasurer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report involves the security of property belonging to Toronto Community Housing Corporation.

The attachment to this report contains information explicitly supplied in confidence to the City of Toronto and Toronto Community Housing Corporation by Canada Mortgage and Housing Corporation.

SUMMARY

On April 5, 2019, the federal government announced a commitment of \$1.34 billion in funding over nine years under the National Housing Co-Investment Fund to repair and renew Toronto Community Housing Corporation's ("TCHC") aging social housing portfolio.

In order to activate this federal investment which is proposed to be provided to TCHC through a combination of forgivable loans and repayable loans, this report seeks Council approval of the terms and conditions under the proposed Term Sheet (outlined in Confidential Attachment 1). The parties under the proposed Term Sheet are the City as guarantor, TCHC as the borrower and the federal government through Canada Mortgage and Housing Corporation ("CMHC") as lender.

The City and TCHC are well-positioned to deploy the funding within the terms proposed by CMHC. Implementation will take place over nine years and will include the repair and renewal of the entire TCHC portfolio comprising of 58,860 units.

Through this proposed partnership, the City will further its shared commitment with the federal government to improve the condition of TCHC's portfolio and provide residents with access to safe, well-maintained and affordable homes.

RECOMMENDATIONS

The Deputy City Manager, Community & Social Services and Chief Financial Officer and Treasurer recommend that City Council:

1. City Council, in its capacity as Shareholder of Toronto Community Housing Corporation (TCHC) approve pursuant to Section 7.4.1(a) of the City's Amended and Restated Shareholder Direction the Term Sheet regarding the National Housing Co-Investment Fund (the Term Sheet) among CMHC, TCHC and the City of Toronto (the City) attached as Attachment 1;
2. authorize the Chief Financial Officer and Treasurer or her delegate to execute the Term Sheet on behalf of the City;
3. authorize the Chief Financial Officer and Treasurer to execute a guarantee by the City in favour of CMHC of the loan repayment obligations of TCHC to CMHC under the financing agreement (Agreement) contemplated by the Term Sheet upon terms and conditions satisfactory to the Chief Financial Officer and Treasurer and in a form satisfactory to the City Solicitor;
4. authorize the General Manager, Shelter, Support and Housing Administration to execute any consents of the City as Service Manager that may be required under the Housing Services Act for the transactions under the Agreement;
5. consent pursuant to section 453.1 of the City of Toronto Act, 2006 to any mortgage security required by CMHC over properties that are subject to a restriction on encumbrances under section 453.1 of the City of Toronto Act, 2006 or the former provisions of The City of Toronto Act, 1975 (No. 2) or the City of Toronto Act, 1988 (No. 2);
6. as shareholder and guarantor, direct TCHC to obtain the approval of the Chief Financial Officer and Treasurer and the Deputy City Manager, Community & Social Services of the terms and conditions of the Agreement prior to execution;
7. authorize the Deputy City Manager, Community & Social Services or her delegate to execute such other agreements, consents, approvals and notices that may be required or convenient to carry out the foregoing recommendations;
8. direct TCHC to enter into an agreement with the City as shareholder and guarantor to report to the General Manager, Shelter, Support and Housing Administration and the Executive Director, Housing Secretariat on projects proposed to be funded by forgivable or repayable loans, sources of funding for co-investment, forecasted construction procurement, commencement and completion schedules and compliance with National Housing Co-Investment

program criteria and requirements; and to consult with the City to ensure continuing access to program funding and compliance with the Agreement terms and conditions, all on terms and conditions satisfactory to the General Manager, Shelter, Support and Housing Administration and the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor; and

9. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety until such time as Canada Mortgage and Housing advises the Deputy City Manager, Community & Social Services or her delegate that the same may be disclosed to the public.

FINANCIAL IMPACT

City of Toronto

Through the proposed Term Sheet, TCHC is eligible to receive up to \$1.34 billion in funding and financing over 9 years comprising of \$527.5 million in forgivable loans and \$813.5 million in low-interest repayable loans. As the proposed loans are unsecured, the additional debt of \$1.34 billion will not affect TCHC's ability to be within its financial leverage covenant of 30%, as stipulated under its Master Covenant Agreement with the City of Toronto.

Qualification for the maximum funding amount requires a loan guarantee from the City of Toronto as sole Shareholder to TCHC. A co-investment contribution is also required under the National Housing Co-investment Fund program. This co-investment amount can be provided by the City, self-generated by TCHC or secured from other orders of government and sources of funding.

The City's future funding commitment towards TCHC's capital repair program will be subject to the annual budget process.

TCHC Capital Repair Backlog

TCHC's current ten-year capital plan requires a total investment of \$3.07 billion. The federal commitment of \$1.34 billion in funding towards the plan will ensure continuation of a portion of the plan. The additional funding of \$1.73 billion needs to be identified to fully fund the plan and bring all homes in the portfolio to a state of good repair by 2028. Since 2016, the City has contributed over \$250 million towards TCHC's capital repair backlog.

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

EQUITY IMPACT

TCHC is home to many of the most vulnerable and marginalized people 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. Adequately funding TCHC capital repairs is critical to the City's efforts in addressing poverty. Affordable, well-maintained housing is a cornerstone of economic and social prosperity. Social housing also provides a stable foundation that allows residents to participate in their communities, creates and expands opportunities, and promotes better health, social and economic outcomes.

DECISION HISTORY

At its meeting of February 18, 2018, City Council adopted 2018 Capital and Operating Budgets which included approval of an interim funding model for TCHC.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX31.2>

At its meeting of July 4, 2017, City Council adopted Tenants First Phase One Implementation Plan and directed the Deputy City Manager, Cluster A to report on an interim operating and capital funding model for TCHC as part of the 2018 budget process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.2>

At its meeting of February 15, 2017, City Council adopted 2017 Capital and Operating Budget and added \$37.200 million to TCHC's operating subsidy to stabilize its operations. In addition, pressures of \$72 million were identified and deferred to the 2018 Budget process, including an \$18 million contribution to the sinking fund to retire public debentures and \$54 million towards the capital repair backlog.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX22.2>

At its meeting of November 13, 14, 15 and 18, 2013, City Council approved the Ten-Year Capital Financing Plan for Toronto Community Housing. This report identified a total capital maintenance-funding requirement of \$2.6 billion over the next ten years, and proposed that this funding be supported equally by all three orders of government.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.4>

At its meeting of August 5 and 6, 2009, City Council approved the Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020, identifying 67 proposed actions to meet the diverse housing needs of Toronto's residents. One of the key City actions outlined in the Plan was to "Ensure that the existing social housing stock achieves and maintains a state of good repair".

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

COMMENTS

TCHC Portfolio and Capital Repair Needs

TCHC is home to approximately 110,000 low and moderate-income tenants including seniors, families, singles, refugees, recent immigrants to Canada and people with special needs in over 2,400 buildings. TCHC tenants come from diverse backgrounds. This diversity includes age, education, language, sexual orientation, mental and physical ability, religion, ethnicity and race as well as increasing diversity in lifestyles and values.

The majority of TCHC buildings are over 50 years old. Without substantial repairs over 10 years, many of Toronto Community Housing's aging buildings will be in critical disrepair.

National Housing Co-Investment Fund

In November 22, 2017, the federal government released "Canada's National Housing Strategy: A Place to Call Home". The primary goal of the National Housing Strategy is to deliver \$40 billion over ten years through a range of programs to make safe and affordable housing accessible for the most vulnerable Canadians.

As part of the National Housing Strategy, the National Housing Co-Investment Fund was established and includes two streams being: 1) Housing Construction (\$7.45 billion) and; 2) Housing Repair and Renewal (\$5.72 billion).

In December 2018, TCHC submitted an application to CMHC under the Repair and Renewal Stream, requesting a combination of forgivable loans and repayable loans totalling \$1.34 billion for the repair and renewal of all 58,860 TCHC units.

In addition to the financial requirements, TCHC is required to achieve and maintain certain performance standards in the areas of affordability, energy efficiency, and accessibility as outlined below:

1) Affordability Requirements

TCHC will be required to maintain at least 30% of its portfolio at or below 80% of Median Market Rent (MMR) for the Toronto area.

2) Energy Efficiency Requirements

TCHC will be required to reduce its energy consumption by 25% over 10 years.

3) Accessibility Requirements

TCHC will be required to make accessibility improvements to 20% of its unit portfolio. A unit will be designated as 'accessible' when the unit is fully accessible when compared with the specific needs of a subject tenant. In addition TCHC will be required to upgrade common areas and entrances at a number multi-residential properties.

By January 31, 2020 TCHC is also required to deliver an Action Plan describing how it will meet the affordability, accessibility and energy efficiency requirements plus describing the program of expenditures under the loans over the term. TCHC will also need to provide annual Progress Reports on the progress towards achieving items in the Action Plan.

Sole Shareholder

Council's shareholder relationship with TCHC is set out in the Amended and Restated Shareholder Direction. Under Section 7.4.1 (a), the approval of the Shareholder is required to permit TCHC to incur additional indebtedness that would require additional subsidy funding in future City budgets.

Service Manager

As a designated Service Manager for social housing under the HSA, the City is also responsible for ensuring TCHC's compliance with the requirements of the legislation and its regulations. The HSA requires the Service Manager to consent to encumbering any social housing project.

This report recommends that the General Manager, Shelter, Support and Housing Administration, be authorised to grant any Service Manager Consents required in connection with the refinancing.

City of Toronto Act

Under section 453.1 of the City of Toronto Act, 2006 and the former provisions of The City of Toronto Act, 1975 (No. 2) and the City of Toronto Act, 1988 (No. 2) the City was authorized to enter into agreements requiring developers to provide housing accommodation for the purpose of an assisted or social housing program. These agreements and the provisions of the City of Toronto Act, 2006 restrict the ability of the owner to grant a mortgage or charge over the housing accommodation without the prior consent of council. The City of Toronto Act, 2006 permits the City Clerk to provide a certificate, in registerable form evidencing such consent, pursuant to subsection 453.1(9) of the City of Toronto Act, 2006.

Conclusion

The federal commitment proposed in this report represents a significant investment towards improving the quality of housing for current and future TCHC residents. Council approval of the terms and conditions will allow TCHC to accept the funding required to continue its ten-year capital repair program and addresses its capital repair backlog.

The City welcomes this federal investment. All orders of government still have important roles to play to ensure social housing is well funded in Toronto. The City should advance its advocacy to the provincial government to secure additional funding resources to support maintaining and enhancing the housing owned by TCHC and the people and communities they serve.

CONTACT

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1 – Term Sheet