

Provincial Announcements on Social Housing Devolution

(City Council at its regular meeting held on October 3, 4 and 5, 2000, and its Special Meetings held on October 6, 2000, October 10 and 11, 2000, and October 12, 2000, amended this Clause by adding thereto the following:

“It is further recommended that:

- (1) in assessing the condition of Ontario Housing complexes, meetings first be held with residents in the larger developments, for example, Lawrence Heights and Regent Park; and*
- (2) an assessment be undertaken of playgrounds in public housing facilities.”)*

The Community Services Committee recommends the adoption of:

- (a) the report dated August 30, 2000, from the Commissioner of Community and Neighbourhood Services, subject to amending Recommendation No. (4) to read as follows:**
 - “(4) the Commissioner of Community and Neighbourhood Services be directed to report back to the new Council as soon as possible on the details of the social housing devolution legislation and implementation timelines, and on how the principles of City ownership and management can be maintained;”;** and
- (b) the joint report dated September 12, 2000, from the Commissioner of Community and Neighbourhood Services and City Solicitor.**

The Community Services Committee submits the following report (August 30, 2000) from the Commissioner of Community and Neighbourhood Services:

Purpose:

This report provides an update on social housing devolution, including information on the August 15, 2000, announcement by the Minister of Municipal Affairs and Housing. It identifies the implications for the City of the news that devolution will occur in two stages, following legislation this fall: the public housing portfolio (Metropolitan Toronto Housing Authority) on January 1, 2001; and administration of the non-profit and co-operative programs within 18 months of proclamation of legislation.

Financial Implications and Impact Statement :

There are no financial implications in 2000.

The 2001 Operating Budget submission of the Shelter, Housing and Support Division will include additional resources to ensure capacity is in place by the fourth quarter of 2001 to take on full responsibility for social housing program administration. The Province has announced transition dollars will be available for administrative set-up. While the amount of transition dollars available to the City is uncertain at this time, the City will seek one-time dollars from the Province for administrative set-up, including staff, information technology, and one-time space and equipment costs. These dollars will offset costs included in the 2001 budget.

The level of cost and risk to the City in future years will be determined largely by the provincial framework discussed in this report and by related legislation due this fall. After housing program devolution, net City housing expenditure will continue at or near the current level of \$235 million, but gross expenditure may approach \$500 million, including costs recovered from “905” funding partners and federal dollars flowing through the Province.

Post devolution, the City will be responsible for all costs for social housing administration. Currently the Province bills the City for its administration costs, as well as for subsidies to providers. These billings will cease with devolution. Until the details of the financial framework are clear, it is unknown whether all City social housing subsidy and administration costs can be accommodated within current funding levels.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) the Commissioner of Community and Neighbourhood Services be authorized to represent the City in formally responding to the Ministry of Municipal Affairs and Housing and/or the Provincial Legislature on details of social housing devolution legislation to be introduced this fall, based on City positions set out in Appendix 1 which was adopted by Council in April 2000;
- (2) the Commissioner of Community and Neighbourhood Services be authorized to apply for one-time Provincial funds for transition costs including but not limited to information technology, staff, and space and equipment costs;
- (3) Council reiterate its concern regarding lack of a proper due diligence process as part of the transfer of social housing responsibility and request the following from the Province:
 - (a) condition surveys of all properties to determine the need for capital repair and reserve fund requirements;
 - (b) independent financial reviews, including audits, to demonstrate the financial viability of the projects;

- (c) reports detailing capital funding forecasts;
 - (d) reports detailing the new financial funding model; and
 - (e) a commitment to address any deficiencies;
- (4) the Commissioner of Community and Neighbourhood Services be directed to report back to the new Council as soon as possible on the details of the social housing devolution legislation and implementation timelines; and
- (5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background :

The Ministry of Municipal Affairs and Housing announced on August 15, 2000, how the Province would proceed with social housing devolution. These announcements confirm the overall time frame, accelerate the transfer of the public housing (MTHA) portion of devolution, and convey the outlines of the future provincial-municipal relationship and responsibilities in social housing.

The Provincial Government first announced the devolution of social housing in January of 1997 as part of the Local Services Realignment (LSR). The Province designated 47 Consolidated Municipal Service Managers (CMSMs) including Toronto to carry out the delivery of social housing program administration and other related functions.

Devolution involves two distinct functions: housing program administration and direct responsibility for public housing.

Program administration involves the management of the funding system, ensuring funded agencies adhere to program requirements, establishing operating policies around geared-to-income assistance, and so forth. Under devolution, the City of Toronto will assume the funding and other obligations that the Provincial and Federal Governments have today under agreements with and/or subsidy allocations for each specific housing agency, including the Toronto Housing Company, MTHA or its successor, and community-based non-profit and co-op agencies that own their properties.

Devolution of public housing involves the transfer of ownership to the City and the direct or contracted property management of housing now run by Ontario Housing Corporation and the Metropolitan Toronto Housing Authority.

The social housing portfolio in Toronto comprises 95,600 units, about 20 percent of all rental housing in the City. Publicly owned units make up 60 percent of all units: 29,400 owned by MTHA and 28,400 by the Toronto Housing Company. The remaining 37,800 units are owned by some 230 non-profit and co-operative housing providers. In addition, 2,400 rent supplement units are administered by MTHA under contracts with about 120 private landlords.

In late 1997, the Province passed The Social Housing Funding Act, which gave it the power to bill municipalities for the cost of social housing. Since January 1998, the City of Toronto has been paying the former provincial share of the costs of social housing in Toronto while the Ministry of Municipal Affairs and Housing (MMAH) continues to carry out the program administration function. Toronto's share of pooled GTA social housing costs is about \$235 million net in 2000.

Since social housing devolution was first announced, municipalities have expressed concerns about the problems associated with putting social housing programs, with their significant geared-to-income assistance component, on the property tax base and the risk of rising housing subsidy costs. These risks accelerate as federal subsidy flowing into the system via the Province declines over time. These issues are acute for Toronto because its social housing is weighted towards more geared-to-income units and fewer market units, and toward older projects involving relatively more federal subsidy.

However, municipalities, including Toronto, have also requested "say for pay" since taking on responsibility for social housing administration in January of 1998. This implies full devolution of administrative responsibility, not just billing municipalities.

Staff reported on the status of the social housing devolution process in December 1999 and again in April 2000. Council in adopting the report in April recommended City positions on key municipal interests regarding the upcoming framework for social housing devolution, which were then communicated to the Province. They remain a yardstick by which to judge the framework now emerging. These interests were:

- need to limit the overall fiscal risks;
- need to reduce capital repair liability;
- clear arrangements on inter-municipal cost sharing;
- clear arrangements on flow of federal funds;
- reasonable Province-wide standards;
- transfer of the OHC/MTHA ownership and governance;
- program reform to streamline administration;
- increased powers to enforce rights under the Operating Agreements; and
- appropriate municipal powers for new housing supply.

In addition, three transition issues were identified: the need for due diligence in regard to building condition and repair needs; the need for full access to project financial information; and full information on any projects in difficulty.

Comments:

A. Provincial Framework Announced in August:

The following summarizes the outlines of the framework announced August 15 and in the letter from the Minister of Municipal Affairs and Housing to heads of Council (attached). Under each

heading a brief statement about the framework is followed by an assessment of implications for the City.

Public Housing Transfer:

On January 1, 2001, the present MTHA public housing portfolio (29,400 units) will be transferred to the City “as is”. The Province will create a Local Housing Corporation (LHC) as successor to MTHA, a business corporation with the City as the sole shareholder. The transfer includes the title and ownership of all properties and the existing administrative responsibilities for the programs. As well, all MTHA staff will be included in the transfer, along with any contractual arrangements and/or existing service contracts that MTHA may have.

This timeframe is very aggressive, particularly given that the details of the transfer have not yet been confirmed by legislation. However, it will allow the City the opportunity to take control and ownership of the public housing stock (“say for pay”).

There will be six months after the transfer to “plan for any desired changes to the public housing programs”. Given the size and complexities of the public housing portfolio, six months are very tight for the development of a comprehensive plan in this regard.

Transfer of Social Housing Program Administration (Provincial Non-Profit and Co-operative Housing Programs):

Municipalities will have six months following the proclamation of the legislation to prepare a transfer plan for assuming responsibility for program administration of the provincial non-profit and co-operative housing programs. The City will then have an additional 12 months to fully implement the plan.

If legislation is proclaimed as planned, the implication is that a plan must be submitted by mid-2001 and implementation must take effect by an outside deadline of mid-2002. This timeframe is consistent with the present planning process underway for the program administration function and is reflected in the additional resources requested in the 2001 budget submission.

The City’s intent is to be ready to take on social housing program administration by the fourth quarter of 2001.

However, given that many of the details regarding the program and financial framework have not yet been confirmed there is significant potential for delays.

New Funding Model:

As part of program reform, the Province intends to replace the present subsidy system with a “new funding model”. The funding system will be made across the various provincial housing programs. While details of the new funding model were not part of the announcement, it is expected that they will be based on earlier proposals reported to Council in 1998. They involve

setting the mortgage payment for the housing provider at a level sustainable at market rents. Subsidy required to support debt beyond that level (in newer projects) would be separated from subsidy required to fund geared-to-income levels. Subsidy ranges for other operating costs such as property management and maintenance would be determined by local benchmarks determined through a Province-wide process.

The details of the funding model and the benchmarking practices are not yet available. It will be important to ensure that the model provides the intended incentives for housing providers to keep costs down, allows for funding predictability and streamlined administration and accountability systems.

Another key matter that was not part of the announcements, but is understood from related provincial staff presentations regarding the emerging framework, is that specific provisions in the legislation and regulations will supersede the current operating agreements between the Ministry and each housing provider. These provisions will set out the specific rights, obligation and relationship of the City as funder and the housing providers.

Municipally-Controlled Corporation:

In order to provide opportunities for cost savings for smaller CMSMs and limit the risk by taking advantage of economies of scale, the Province will establish a Province-wide corporation (expected to be called the Social Housing Services Corporation) to carry out certain functions now handled by the Province. The Province-wide corporation will co-ordinate group insurance, bulk purchasing, pooling the investment of housing providers' replacement reserves, and ongoing benchmarking and best practices. CMSMs would collectively control the Province-wide corporation. Housing providers (including the new Local Housing Corporations) would also be represented on its board.

The size of the City of Toronto would permit us to achieve the same economies of scale without any Province-wide body. Establishment of the Provincial-wide corporation will limit the City's own ability to promote savings by utilising its existing investment potential for replacement reserves and purchasing powers for insurance and bulk purchasing. The policies and practices of the Province-wide corporation will become an important determinant of municipal costs and will likely limit the scope of local administrative discretion.

In addition if a provincial-wide body is to control benchmarking and best practices, there is some danger Toronto's unique housing portfolio and diverse tenant population will not be adequately addressed in these exercises. The City will need to request special consideration if the mandate of this provincial-wide body becomes unduly prescriptive in controlling cost.

Future Provincial Role:

Post devolution the Province would have the following responsibilities:

- setting and monitoring provincial standards (such as maintaining a minimum number of geared-to-income units in a CMSM; rules on geared-to-income assistance);

- reporting to the Federal Government on the use of federal subsidies;
- flowing the federal dollars to municipalities;
- carrying the “contingent liability”, i.e. the obligation to reimburse CMHC as mortgage insurer in the case of mortgage default; and
- bulk tendering of mortgage renewals to achieve the best rates.

It is also understood that the Province will retain any environmental liability associated with public housing sites even though they are to be transferred to municipalities. This eliminates a potential source of financial exposure for the City.

In addition, outside the social housing programs, the Province has stated that it will maintain a role in the development and administration of operational policies and guidelines related to affordable market housing, the Ontario Building Code and planning matters.

The preferred option for the City has been to assume responsibility for the management of the mortgage portfolio and mortgage renewals. Staff will need to assess the impact on the City of the decision by the Province to retain management of the mortgage portfolio and mortgage renewals. The disadvantages in not achieving control of the mortgage renewals may be offset by the provincial responsibility for all future contingent liability in the case of mortgage default, therefore reducing a portion of the overall financial risk to the City.

With respect to Provincial Standards, it is important that they allow CMSM’s the ability and flexibility to meet local needs and circumstances. The extent to which they will do this is not known at this time.

Transfer of Federal Social Housing Programs:

The federal-provincial agreement noted above also resulted in the City inheriting funding and program management responsibility for approximately 19,000 units under programs currently administered by Canada Mortgage and Housing Corporation (CMHC). The program cost associated with these units will continue to be funded by Federal Government transfers flowing via the Province.

The Province intends to devolve responsibility for the administration of most federal social housing programs to the City. Exceptions would be dedicated supportive housing (housing entirely occupied by tenants who receive services funded either by Ministry of Health or Ministry of Community and Social Services) and the federal co-operative projects. These programs will continue to be administered by the Province and the Federal Government respectively. In addition, the Province has yet to determine the future administration of the Rural and Native program, which does not affect Toronto. The timing, planning and implementation process for the transfer of these programs will be the same as for the provincial programs.

The former federal programs will keep some distinct features even when devolved. Under the provincial agreement with the Federal Government, no changes to the existing operating agreements can be made without consent of the non-profit housing provider. Therefore, where operating agreements set out standards (such as rules for geared-to-income assistance) that are different from provincial standards, the old standards may continue to apply. This may require the City to set up distinct administrative program guidelines, business processes and systems to administer the programs.

Flow of Federal Funding:

Provincial officials have confirmed they will flow the federal funds associated with the federal unilateral social housing programs and the federal/provincial cost-shared programs including the new rent supplement units. They have also confirmed that a portion of the federal funds will be retained at the Province for the dedicated supportive housing projects and the future provincial responsibilities for reporting to CMHC on the federal funds associated with the cost shared and federal unilateral projects.

The formula and method for flowing the federal funds to the City is still to be clarified by the Province. It will be important to seek assurances that all federal funds available for projects in Toronto are actually provided.

Transition Funds:

The Province has confirmed there will be \$5.6 million dollars in one-time transition funding available to CMSMs for start-up costs. The distribution of transition funding will be determined through an allocation formula and through each CMSM's transfer planning and negotiation process with the Ministry.

The funds available are fairly modest. The City will be seeking transition funding to cover such items as information technology development, staff resources, and consulting and one-time space and equipment requirements.

GTA Pooling:

The Province has confirmed its intention to continue to equalize social housing cost across the CMSMs in the Greater Toronto Area (GTA). The Province will continue to set rules on what costs would be eligible and how costs would be allocated.

The Province proposes that the Greater Toronto Services Board (GTSB) take on the responsibilities of co-ordinating and overseeing the equalization process and dealing with accountability issues. It would act as a forum for resolving disputes on equalization issues among the five CMSMs in the GTA.

The exact mechanism for the exchange of funds post-devolution is unclear and still needs to be confirmed. The provincial communication clearly identifies the GTSB as having overall responsibility, but does not say that it will necessarily be the agency through which financial

transfers between CMSMs in the GTA take place. The provincial communication was very vague regarding the future role of the GTSB and did not provide any indication regarding the options that were considered. As more details are made available staff will be in a better position to comment on this issue.

B. Comments on the Provincial Framework:

The evolving provincial framework will be critical in determining the City's ability to tailor the administration of social housing to fit local conditions, to maintain the discretion required to administer the system to best effect and control subsidy costs, ensure good relations with community-based housing providers, and to control subsidy costs.

Nine key municipal interests were identified in the March 8, 2000, report to the Community Services Committee on social housing (see attached Appendix 1). Other than confirming that the ownership of the MTHA housing portfolio will be transferred to the City, all other points still remain either unclear, in terms of the level of detail provided, or have not been addressed.

The details associated with the recent announcement will be firmly known only once legislation is introduced in the fall. Ministry staff have indicated that the legislation and regulations under it are expected to be fairly detailed and specific. While there is some acknowledgement of the issues in the recent provincial announcement, until the details are available it will be difficult to assess whether the overall approach and timing of the provincial framework is good for the City.

We are particularly concerned about the following:

- (a) Ensuring the overall financial risk to the City is limited and in accordance with the principle of revenue neutrality.
- (b) Ensuring the details of the Provincial Standards are not overly prescriptive to the extent that they might interfere with the City's ability to manage social housing in an efficient and cost-effective manner.
- (c) Ensuring there are adequate replacement reserve funds based on the present condition of the City's social housing stock.
- (d) Ensuring there is mechanism for overseeing the equalization process for the exchange of funds associated with GTA pooling.
- (e) Ensuring that the new funding model and program reform initiatives provide the intended incentives for the City and housing providers to keep costs down and allows for funding predictability and streamlined administration and accountability systems.
- (f) Ensuring that the new legislation gives the City the required powers to manage the new social housing responsibility and encourage additional affordable housing.

In addition, due diligence has not been mentioned in any communication in regard to the transition issues. The Province appears to be refusing to consider or take responsibility for a due

diligence process on the condition and capital repair requirements of the public housing stock and the non-profit and co-operative housing portfolio. In addition, there has been no mention of any independent financial review of the non-profit and co-operative housing portfolio.

Given the potential for cost increases in future years associated with the condition of the stock and the reluctance of the Ministry to share consultant studies or details of the Federal unilateral due diligence process, Council authority is being sought to press the Province on a proper due diligence process.

Conclusions:

Legislation is scheduled to be introduced this fall, setting out the provincial framework for devolution.

Recent announcements have indicated that public housing (MTHA) will be transferred “as is” on January 1, 2001, including title and ownership of all properties, staff, leases and chattels, and administration of the rent supplement program. The program administration of the non-profit and co-operative housing agencies will be transferred within 18 months of the enactment of the legislation.

At a high level the Province has now confirmed key elements of the proposed approach to the transfer of administration of social housing including future roles and responsibilities of the Province and the municipalities, timing for the transfer of responsibilities, provincial standards, framework for public housing transfer, framework for transfer of housing program administration, and the proposed new funding model.

An initial review of the provincial announcement suggests that the Province is attempting to introduce a balance in the legislation between fairly prescriptive provincial standards and the ability for local flexibility on administration. However, until more detailed information is provided, it is not clear that the provincial approach is consistent with the City’s position on social housing.

The framework clarifies at a very high level the future provincial role in social housing to include maintaining provincial standards on geared-to-income units and assistance, managing bulk mortgage renewals to achieve good rates, managing risk associated with the contingent liability for mortgage default, and flowing of federal funds to municipalities.

In addition, prior to devolution, a Province-wide body with municipal control and representation from the CMSMs, sector organizations and the Province will be established to deal with benchmarking and best practices, bulk purchasing, pooled investment of housing providers’ replacement reserves and group insurance.

The legislation will incorporate a number of policy and program changes to the administration of the programs. Program reform will be initiated prior to devolution, including a new funding model, and where possible programs will be harmonized to eliminate duplications of administration and reporting requirements.

Limited transition funding will be available for one time set-up costs associated with building the City's capacity for social housing administration.

The details of the recent announcement will be firmly known only once legislation is introduced in the fall. Ministry staff have indicated that the legislation and regulations are expected to be fairly detailed and specific, and will clarify the issues discussed in this report.

Due diligence has not been mentioned in any provincial communication in regard to the transition issues. The Province appears to be refusing to consider or take responsibility for a due diligence process on the condition and capital repair requirements of the public housing stock and the non-profit and co-operative housing portfolio. In addition, there has been no mention of any independent financial review of the non-profit and co-operative housing portfolio to determine they are financial viable.

This report recommends that, during the municipal election period this fall, the Commissioner of Community and Neighbourhood Services be authorized to represent the City in formally responding to the Minister of Municipal Affairs and Housing, and to the Legislature once legislation is introduced this fall. Any representation of City interest in this way will reflect the positions adopted by Council in April 2000 attached as Appendix 1.

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Appendix 1

Recommended Municipal Positions to be Reflected in Upcoming Housing Devolution
Legislation and Ontario Regulations
(Adopted by Toronto City Council April 11-13, 2000)

- (a) That the Province assume future subsidy risks and contingent liability for mortgage default, and (in accordance with the principle of revenue neutrality) set a limit to the level of housing subsidy costs per unit of assessment base that any municipality (CMSM) must cover, and commit to cover any additional subsidy, within reasonable cost benchmarks.
- (b) That the Province, in advance of devolution, provide adequate funding of non-profit reserve funds and sufficient capital funds for public housing, to cover expected future capital repair requirements.
- (c) That all federal social housing funds received by the Province of Ontario each year be transferred to municipalities, and that the Province be entitled to withhold such funds only for clear and significant breaches of reasonable provincial standards.

- (d) That reasonable Province-wide standards be established, with adequate local flexibility in administration.
- (e) That each municipality (Consolidated Municipal Service Manager - CMSM) be given the option of assuming ownership of public housing now owned by Ontario Housing Corporation, and creating a public housing governance structure suited to local needs.
- (f) That there be provision for consolidation of the various social housing programs, and for program reform involving the proposed new financial model, to achieve incentives for efficiency and business-like operation by housing providers.
- (g) That municipalities (CMSMs) be given full and clear powers to carry out obligations and enforce their rights as funder in place of the Province and/or Canada Mortgage and Housing Corporation, under existing operating agreements with each housing provider.
- (h) That there be clear provisions for inter-municipal accountability and obligation to pay social housing costs, applying to pooled GTA costs, District Social Services Administration Boards, and CMSMs covering more than one upper-tier municipality, including a simple but adequate governance mechanism for GTA pooling.
- (i) That municipalities (CMSMs) be given enhanced powers to provide and encourage additional affordable housing, consistent with municipalities' current lead responsibility for housing and homelessness.

(A copy of the letter referred to in the foregoing report was forwarded to all Members of Council with the agenda of the Community Services Committee for its meeting on September 14, 2000, and a copy thereof is on file in the office of the City Clerk.)

The Community Services Committee also submits the following joint report (September 12, 2000) from the Commissioner of Community and Neighbourhood Services and the City Solicitor:

Purpose:

To obtain authority to take the necessary action required for the City to become the sole shareholder of the successor corporation to the Metropolitan Toronto Housing Authority (MTHA) on January 1, 2001, subject to legislative approval, and to "normalize" the title to the assets of the successor corporation. This report is supplementary to the report from the Commissioner of Community and Neighbourhood Services dated August 30, 2000, titled "Provincial Announcement on Social Housing Devolution" before the Committee.

Financial Implications and Impact Statement:

There are no financial implications for 2000.

For 2001, the preliminary estimated costs for the “normalization” process is \$1.9 million gross with net zero impact on City’s budget as the Province will be requested to provide 100 percent funding.

Significant resources are required for the “normalization” of title to the approximately 2,500 parcels of real estate associated with the public housing (MTHA) transfer that will be owned by the successor corporation to MTHA, of which the City will be the sole shareholder. The Legal Division has advised that this will be a long and, in many cases, complicated process, and work must start as soon as possible after legislation is in place (expected to be tabled before December 31, 2000). The Province has indicated that funding will be available from the Ministry of Municipal Affairs and Housing (MMAH) for this process. City staff will make application to the Province for a full recovery of this expenditure.

Consideration of the full Shelter Housing and Support 2001 budget associated with social housing devolution, including the above item, will be part of the regular budget process.

The Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

- (1) the Commissioner of Community and Neighbourhood Services be authorized to take any action in anticipation that the City will become the sole shareholder of the successor corporation to MTHA “as is” on January 1, 2001 (or such other date as is provided in the relevant legislation), and will be required to “normalize” title to the real estate assets of the successor corporation;
- (2) the City, as sole shareholder of the successor corporation, direct the board of directors of the successor corporation (once formed) to engage the City Solicitor to conduct or cause to be conducted all work necessary to “normalize” title to the assets of the successor corporation, on terms and conditions satisfactory to the City Solicitor;
- (3) the Commissioner of Community and Social Services be authorized to seek 100 percent funding from the Province to cover the estimated \$1.9 million legal costs associated with the transfer of the assets of MTHA to its successor corporation, and to “normalize” title to those assets, to offset the increase in the 2001 City budget;
- (4) the Commissioner of Community and Neighbourhood Services be directed to provide a status report on the details of this item to the new Council; and
- (5) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background :

Further to the report dated August 30, 2000, from the Commissioner of Community and Neighbourhood Services before the Committee on Social Housing Devolution, staff have received preliminary information from the Province related to the real estate component of the transfer of the Ontario Housing Corporation lands and building stock to a corporation to be incorporated by the Province, of which the City will be the sole shareholder, effective January 1, 2001. On the basis of the most recent information, some 29,400 units, located on approximately 2,500 different parcels of real estate, will be transferred by a Transfer Order under the legislation to a new "Local Housing Corporation" as of January 1, 2001, on an as-is, where-is basis. The Province advises that records as to the title documentation for these properties have not been actively managed for many years and accordingly, the Provincial files associated with each of these properties will need to be reviewed, and all encumbrances, clouds and other irregularities affecting title, identified, following which rectification steps need to be undertaken, ultimately leading to the registration of the relevant deeds of the properties in favour of the Local Housing Corporation. The Province has indicated that the City will have two years to complete this process and funding (to a fixed maximum) will be available to undertake this legal work. The Province has also indicated that to the extent the work is not completed within the two-year period, the Province will undertake to finish the work and charge back the cost to the City.

Comments:

The time and cost associated with a process to "normalize" title and assets associated with the transfer of ownership of the public housing stock to the new Local Housing Corporation (wholly-owned by the City) on an "as is" basis will be large. The Province is allowing a two-year period during which time the full search, analysis, rectification and registration process, for each of the 2,500 properties, is to be completed. This process will require experienced real estate lawyers, real estate clerks and conveyancers. The City Solicitor will determine whether this work will be performed by project contract staff, outside counsel, or some combination of the two. The Province has indicated funds will be made available during 2001 and 2002 for this purpose. These funds will be separate from other transitional funding required for the take over of administration of the non-profit and co-operative housing program. Given the deadlines against which the City must work, to be imposed by statute, and the possibility that the Province will elect to complete the work at the cost of the City, if it is not finished within the two-year period, City staff are seeking authority to put in place the necessary resources to commence work immediately on the title "normalization" and transfer process, once legislation is in place, at the outset of 2001. The estimated cost for this work for 2001 is \$1.9 million; full recovery will be sought from the Province. Staff will provide a status report to the new Council once Devolution legislation is introduced and further details of the transfer are available.

Conclusions :

The Province has indicated that the transfer of the public housing stock to a successor corporation wholly-owned by the City, subject to enabling legislation, will be effected January 1, 2001. Staff are seeking authority to take the necessary actions to ensure the City is prepared to become the sole shareholder of the successor corporation on January 1, 2001. The current

estimate of the cost for legal work required by the transfer of ownership and title of approximately 2,500 parcels of real estate is \$1.9 million, this estimate is for 2001 only. City staff will be seeking full recovery of this expenditure from the Province.

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The Community Services Committee reports, for the information of Council, also having had before it during consideration of the foregoing matter a communication (September 14, 2000) from Mr. Vance Latchford, Latchford Associates.

Ms. Anne Dubas, President, Canadian Union of Public Employees, Local 79, appeared before the Community Services Committee in connection with the foregoing matter; and submitted a brief in regard thereto.