



**STAFF REPORT**  
**ACTION REQUIRED**  
with Confidential Attachment

**Final Report of the Special Housing Working Group and  
Sale of Select Toronto Community Housing Stand-Alone  
Properties**

<b>Date:</b>	September 24, 2012
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager and General Manager, Shelter, Support and Housing Administration
<b>Wards:</b>	
<b>Reason for Confidential Information:</b>	This report involves the security of property belonging to the City.
<b>Reference Number:</b>	

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## **SUMMARY**

The final report of the Special Housing Working Group, chaired by Councillor Ana Bailao, makes 19 recommendations to generate funding for much needed repairs to Toronto Community Housing's social housing portfolio. Some of the recommendations have potential financial implications for the City of Toronto and/or require further work to be undertaken on the feasibility of financing options and should be referred to the City Manager for review.

The Special Housing Working Group recommends that Toronto Community Housing be permitted to sell 55 of its stand-alone properties which have a potential market value of more than \$600,000 or are vacant and in poor repair. This report provides a description of the 55 properties and sets out the recommended process and associated conditions for consenting to the sale of the properties, should Council adopt the Special Working Group's recommendation.

## RECOMMENDATIONS

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The City Manager recommends that City Council:

1. in its capacity as Shareholder, direct Toronto Community Housing Corporation (TCH) to submit the report on internal financial efficiencies requested in recommendation 9 of the final report of the Special Housing Working Group (SHWG) to the City Manager for Shareholder review and request the City Manager to report thereon to Council, through the Executive Committee; and
2. refer to the City Manager for review recommendations 10, 11, 12 and 18 in the final report of the SHWG, which deal with the use of Development Charge funding, the development of a five year capital financing plan, the feasibility of various financing mechanisms, the feasibility of infill and intensification opportunities, and increasing the City's subsidy to TCH; and request the City Manager to report thereon to Council, through the Executive Committee, in June 2013;

Should City Council adopt recommendations 6 and 7 in the final report of the SHWG to sell 55 stand-alone properties, the City Manager and the General Manager, Shelter, Support and Housing Administration (SSHA) recommend that City Council:

3. in its capacity as Shareholder, approve pursuant to section 6.3.1(b) of the Shareholder Direction, the sale by TCH of the 55 properties containing 80 units, listed in the Confidential Attachment to this report, on condition that:
  - a. TCH use the proceeds of the sales of the properties, net of reasonable transaction costs, in the state of good repair of existing social housing units, consistent with its Real Estate Investment Strategy, *Housing Works*, as approved and updated from time to time by the TCH board of directors;
  - b. prior to the sale of any properties, TCH provide a plan, satisfactory to the General Manager, SSHA, for maintaining TCH's mandated service level standards, which includes the replacement of 49 rent-geared-to-income (RGI) and rent supplement units with units that will accommodate similar sized households;
  - c. the reallocation of the RGI and rent supplement units in Recommendation 3.b. be funded from within TCH's existing operating subsidy;
  - d. prior to the sale of any occupied properties, TCH provide a Tenant Relocation and Assistance Implementation Plan, satisfactory to the General Manager, SSHA, such plan to include conditions imposed by City Council pursuant to its adoption of recommendations in the SHWG Report and also include at least the following:

- i. the process for consultation and communication with tenants;
- ii. options and process for selection of units for relocation;
- iii. notice periods;
- iv. assistance with moving;
- v. accommodation of special needs including unit accessibility; and
- vi. access to community services;

and subject to:

- e. TCH and/or the prospective purchasers obtaining the various necessary planning approvals and legislative, municipal and corporate consents (including consent of mortgagors, if necessary); and
  - f. Approval from the Ministry of Municipal Affairs and Housing and/or Canada Mortgage and Housing Corporation if necessary;
4. in its capacity as Service Manager under the *Housing Services Act, 2011* (HSA), provide the Service Manager consents required under Section 161(6) of the HSA to all future mortgages and encumbrances including extensions and amendments thereof by purchasers of those properties that were acquired by TCH from the Province, each in a form approved by the Minister of Municipal Affairs and Housing; and authorise the General Manager, SSHA to execute such consents on behalf of the Service Manager and to cause such consents to be registered under the *Registry Act* or the *Land Titles Act*;
  5. authorize the General Manager, SSHA to amend the TCH Operating Agreement as necessary as a result of the sale of properties pursuant to the adoption of recommendations in this report and to execute such other agreements, notices, consents and ancillary documentation deemed appropriate in connection with the sale of the properties on terms and conditions satisfactory to the General Manager, SSHA and in a form satisfactory to the City Solicitor;
  6. direct TCH to report annually, through TCH's *Annual Report* to Council, on the status of the sale of the properties and on any tenant and community impacts resulting from the sales;
  7. require that as a condition of the agreement of purchase and sale for any property affected by Council's Official Plan policy 3.1.5.6, the purchasers shall be required to enter into Heritage Easement Agreements with the City under section 37 of the *Ontario Heritage Act* to the satisfaction of the Manager, Heritage Preservation Services; and
  8. direct that the Confidential Attachment to this report remain confidential until such time that the General Manager, SSHA advises the City Clerk that confirmation from the President and CEO of TCH has been received that it is no

longer necessary to maintain the confidentiality of the information to preserve the integrity of the properties listed.

## **Financial Impact**

The recommendations in this report will have no immediate impact on the City's operating or capital budgets, as the properties recommended for sale are owned by TCH. Adjustments to the subsidy paid to TCH, through the Approved Operating Budget for Shelter, Support and Housing Administration resulting from the sale of these properties will be included in future years' operating budgets.

Based on MPAC's current data, the aggregate assessed value of the 55 properties recommended for sale is just over \$30 million. TCH has advised that, in their recent experience, houses have sold for a higher market price than their assessed value which was last updated by MPAC in 2008 and estimate that the potential value of the properties based on an increase factor of 24% is just over \$38 million. TCH anticipates that the houses will be prepared for sale with modest expenditures for minor repairs and landscaping. Transaction costs for real estate, legal and related services will be incurred, with details of these costs to be reported out annually. TCH will invest the net proceeds of the sales in the state of good repair of its entire portfolio. The total net proceeds from the sale is expected to be in the range of \$35.5 million.

Thirteen of the properties are financed through a mortgage loan and TCH will be subject to an aggregate mortgage payout expense estimated to be \$1,043,582 based upon the balances as of December 31, 2011, which are set out in the Confidential Attachment to this report. The amount of the mortgage payout will affect TCH's net proceeds from the sales. Pursuant to the 1999 Canada-Ontario agreement on social housing, Canada Mortgage and Housing Corporation (CMHC) approval is also needed to release 25 properties from the security under debentures. The impact, if any, is subject to the outcome of discussions with the Ministry of Municipal Affairs and Housing and CMHC.

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

## **Equity Impact**

The investment of net proceeds from the sale of the properties in the state of good repair of existing multi-residential social housing units will serve equity seeking groups who live in that housing, such as women, seniors, people with disabilities, individuals with mental health issues, the working poor and other vulnerable groups.

## **DECISION HISTORY**

City Council, on March 5, 6 and 7, 2012 adopted without amendment the recommendations of the Executive Committee contained in clause EX 17.1, *Securing*

*Funding to Repair Toronto Community Housing's Multi-Residential Portfolio: Sale of Toronto Community Housing Stand-Alone Units.*

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX17.1>

## **ISSUE BACKGROUND**

In October 2011 the Toronto Community Housing board of directors resolved to request the City of Toronto to consent to the sale on the open market of 872 stand-alone properties containing 1,534 housing units. The proposal to sell the stand-alone properties was part of TCH's strategy to generate funds to address the state of good repair backlog in its entire portfolio.

In a report to the Executive Committee, dated January 10, 2012, the City Manager and the General Manager, Shelter, Support and Housing Administration recommended that City Council consent to the sale of 675 of the stand-alone properties containing 740 housing units.

City Council, at its meeting on March 5, 6 and 7, 2012 consented to the sale of 56 unoccupied stand-alone properties containing 64 units subject to TCH meeting a number of shareholder and statutory conditions. Council also established a Special Housing Working Group to investigate and report on, among other things:

- the status of, interest in and options for the remaining 619 stand-alone properties containing 676 housing units;
- innovative financing models for addressing TCH's capital repair backlog; and
- a strategy to engage the federal and provincial governments in securing sustainable funding for affordable housing in Toronto.

Council also requested the City Manager and the General Manager, Shelter, Support and Housing Administration to report back to Council in October 2012, through Executive Committee, on the potential sale of the remaining 619 stand-alone properties. This report responds to Council's request.

## **COMMENTS**

The final report of the Special Housing Working Group (SHWG), chaired by Councillor Ana Bailao includes 19 recommendations aimed at generating funding for capital repairs to the TCH portfolio. Several recommendations have potential financial implications for the City of Toronto or require further work to be undertaken on the feasibility of financing options identified by the SHWG while several other recommendations, should they be approved by Council, can be implemented without further analysis.

## **Referral of Certain SHWG Recommendations to the City Manager**

The SHWG's recommendation 9 requests TCH to report on internal efficiencies totalling \$10 million in 2013 and 2014. Such potential efficiency savings are linked to TCH's financial accountability to the City in its roles as Shareholder and subsidy funder as well as to the implementation of recommendations made by the City's Auditor General regarding better alignment of TCH and City procurement and other administrative systems. It is recommended that Council, in its capacity as Shareholder, direct TCH to submit the report on internal financial efficiencies requested in recommendation 9 of the final report of the SHWG to the City Manager for Shareholder review and request the City Manager to report thereon to Council, through the Executive Committee.

The SHWG recommends (#10) that Council provide TCH with \$10 million from the Development Charge Reserve Fund for Subsidized Housing to replace equity in new affordable housing projects. It also recommends (#11) that TCH work with the City Manager's Office on the development of a five year capital financing plan that includes business cases and feasibility reviews for a range of financing mechanisms including mortgage refinancing, maximising bond borrowing, Real Estate Investment Trusts, value recapture from new developments, energy retrofits, shifting financial risk of new development and leveraging assets through infill and intensification. Recommendation 12 in the SHWG report specifically requests TCH to work with the City Manager's Office on a focused analysis of infill and intensification opportunities and their revenue potential. The SHWG recommends (#18) that, as part of the preparation of the City's 2015 Operating Budget, the City Manager increase the subsidy to TCH by \$6 million.

It is recommended that Council refer SHWG recommendations 10, 11, 12 and 18 to the City Manager for a review of the feasibility and financial implications, risks and benefits to TCH and the City that would assist Council to make informed decisions on the actions proposed in these recommendations. The City Manager would report to Council through Executive Committee in June 2013.

## **Potential Future Transfer of TCH Properties**

The SHWG makes a number of recommendations about the transfer of ownership of stand-alone properties in TCH's portfolio. These include (#3 and #4) requesting TCH to work with an external partner and the Affordable Housing Office to facilitate the conversion of up to 100 properties to affordable home ownership. The SHWG also recommends (#5) that TCH explore opportunities for the transfer of ownership or management of other stand alone properties to non-profit organizations, including a revocable Community Land Trust.

Any specific properties that TCH identifies for transfer to another owner will have to be reported to Council with requests for the necessary Shareholder, Service Manager and Ministerial consents required under the Shareholder Direction and provincial legislation.

## **Sale of 55 Stand-alone TCH Properties**

The SHWG has recommended (#6 and #7) that TCH be permitted to sell on the open market:

- stand alone properties that have an estimated market value greater than \$600,000; and
- any stand-alone property that is currently vacant, is in poor condition and requires costly repairs (i.e. a Facility Condition Index greater than 20 percent).

Following a review of the 619 properties that Council referred to the SHWG and requested staff to report back on in October 2012, TCH identified 55 properties that meet the criteria. The SHWG recommends that Council approve the sale of these properties, which are listed in the Confidential Attachment to this report. The balance of this report provides a description of the properties that the Special Housing Working Group is proposing should be sold and sets out the recommended process and associated conditions for consenting to the sale of the 55 properties, should Council adopt the SHWG's recommendations.

### **Profile of the Stand-Alone Properties Recommended for Sale**

The 55 properties contain a total of 80 units of rental housing of which 49, or 61 percent, have RGI subsidies. Approximately three-quarters of the units were occupied at the end of August, 2012. The properties are located in neighbourhoods in 12 Wards across the City. They include 40 single family houses, 12 duplexes and two houses with 5 units. There is one house which contains 6 units. There are two single storey houses and 7 three-storey houses; the rest are all two or two and a half storey properties. They include a mix of detached, semi-detached and row houses.

### **Regulatory Requirements and Contractual Obligations**

For TCH to proceed to list any of the 55 properties for sale, it is legally required to satisfy regulatory requirements and contractual obligations associated with each property.

#### ***Shareholder Direction***

The City of Toronto is sole shareholder of TCH. Through City Council's adoption of Policy & Finance Committee report 1(1), as amended, at the meeting held October 2-4, 2001, the City issued a Shareholder Direction to TCH. Pursuant to Clause 6.1.3(b) in the Shareholder Direction, TCH requires the approval of the shareholder to "sell real property assets used for the purposes of providing rent-geared-to-income and market housing or which are zoned or deemed suitable for housing purposes." Should Council adopt recommendation 3 in this report, the requirement for shareholder consent will be met with respect to the properties listed in the Confidential Attachment to this report, provided that TCH meets the conditions as set out in recommendation 3.

### ***Housing Services Act, 2011***

Sections 161(3) and 162(3) of the *Housing Services Act, 2011* (HSA) provide that ownership of housing that falls under programs within the scope of the Act can only be transferred with the written consent of the Minister of Municipal Affairs and Housing. SSHA staff have determined that 38 of the 55 properties listed in the Confidential Attachment to this report are within the scope of the HSA and their sale will require ministerial consent and/or CMHC approval. The Minister evaluates all consent requests for the sale of social housing on a case by case basis and, among other factors, takes the following into consideration:

- Impact on tenant households' interests, including their security of tenure and access to support services.
- Potential liability to Ontario Mortgage and Housing Corporation and CMHC.
- Other matters of provincial concern such as the effect on the full range of affordable housing supply in the community.

Section 162(2) of the HSA provides that housing that was transferred to TCH by way of transfer order can only be mortgaged with the consent of the Service Manager. In anticipation of purchasers requiring the ability to mortgage the properties in order to finance their acquisition, the Service Manager may grant consent to all future mortgages of properties acquired from the Province by transfer order, pursuant to Section 161(6) of the HSA.

The consent of CMHC is also required for release of 25 of these properties from security under debentures and for the early payout of mortgages. The impact, if any, is subject to the outcome of discussions with the Ministry of Municipal Affairs and Housing and CMHC.

### ***Service Level Standard***

In reviewing social housing consent requests, the Minister also considers the impact of proposed sales on the maintenance of legislated service level standards. Under subsection 40(1) of the HSA, the City of Toronto, as Service Manager for the social housing system, is required to ensure the provision of the number of units of RGI housing as prescribed in Section 19 of O. Reg. 367/11. Ministerial consent to the sales will not relieve the City from its service level standard under the HSA.

The City requires TCH to maintain 52,473 units of the City's legislated service level standard. To ensure the City is able to meet its service level standard, prior to the sale of any properties, TCH will be required to submit a plan that demonstrates how TCH will replace RGI units proposed for sale with units that will accommodate similar sized households all of which are to be funded at no net additional cost to the City. In this



regard the Special Housing Working Group has also made certain proposals on how TCH should maintain the service level standard while maintaining the income mix of existing social housing communities.

### ***Rental Housing Protection Policy***

Nine rental units within 6 of the 55 properties recommended for sale would be affected by the City's Official Plan housing policy 3.2.1.8 which states:

*The conversion to condominium, or the severance or subdivision, of any building or related group of buildings, containing six or more rental housing units will not be approved unless:*

- a) All of the rental housing have rents that exceed mid-range rents at the time of application, or*
- b) In Council's opinion, the supply and availability of rental housing in the City of Toronto has returned to a healthy state and is able to meet the housing requirements of current and future residents...*

Any properties that would need to be subdivided in order to be sold individually would be affected by Official Plan policy 3.2.1.8. TCH will require an Official Plan Amendment to permit any such subdivision of the properties. It is estimated that 2 separate groups of properties would require Official Plan Amendments.

In addition to the need for Official Plan Amendments, the City's Rental Housing Demolition and Conversion By-law (885-2007) requires a permit for the subdivision of residential rental property if the severance or subdivision of the land will reduce the number of rental units in any building or related group of buildings to less than 6. TCH would be required to submit an application under the By-law if it wished to sever or subdivide either of the 2 groups of affected rental housing properties. Council's decisions on such applications are final and cannot be appealed to the Ontario Municipal Board.

### ***Heritage Policy***

Based on a preliminary review of addresses of TCH houses proposed for sale in EX 17.1, two of the properties listed in the Confidential Attachment to this report are on the City's Inventory of Heritage Properties. Official Plan Section 3.1.5 *Heritage Resources, Policy 6*, states: "When a City-owned heritage property is sold, leased or transferred to another owner, a heritage easement agreement will be secured and public access maintained to areas with heritage value."

Where heritage easement agreements (HEAs) are required prior to transfer or sale, a report to City Council is required to seek authority for the City to enter into the easement.

It is recommended that the properties affected by Council's Official Plan policy 3.1.5.6 must be protected by HEAs and appropriate Council approvals must be obtained prior to sale or transfer.

### ***Other Contractual Obligations***

TCH will need to review any existing legal documents including tenancy, head lease and referral agreements and identify any additional commitments and requirements that it may need to comply with.

### **Support for Affected Tenants**

Twenty-eight of the 80 units in the 55 properties listed in the Confidential Attachment to this report are currently vacant. This includes 13 properties that are completely unoccupied. TCH records indicate that a total of 52 households currently reside in the 42 occupied properties.

The legal relationship between TCH and its tenants is governed by the *Residential Tenancies Act*. Under this legislation, the intent to sell or sale of a property is not grounds for eviction. TCH has also indicated that it wishes to proceed with the sale of vacant properties first. This is consistent with recommendation seven of the Special Housing Working Group.

At its October 2011 meeting, TCH's board of directors outlined a standard to be met when supporting tenants affected by the sale of their homes. The supports outlined in the standard are similar to those offered to relocating tenants in Regent Park and Don Mount Court during redevelopment. The assistance offered includes: assistance with the costs related to moving; disconnecting and reconnecting utilities; mail forwarding; and changing addresses on official documents. In addition, TCH has committed to timely and consistent communication and significant notice periods related to choosing new locations and moving. In this regard the SHWG recommendation seven states that occupied homes be scheduled for sale in 2014, unless a transfer is requested and granted prior to that time.

TCH will not evict tenants nor will they withdraw RGI subsidy to qualified residents as a result of Council's approval of the sales. TCH officials have indicated that they will make every reasonable effort to relocate affected households to suitable alternative accommodation and sell properties when all units in them become vacant. Alternative approaches may be considered with the consent of all parties. Note that the Special Housing Working Group recommendation seven requires that homes occupied by frail seniors and residents with special needs due to mental or physical disabilities would be sold upon resident turnover.

To ensure support to tenants and that tenant impacts are addressed it is recommended that, prior to the sale of any occupied properties, TCH be required to provide a Tenant Relocation Assistance and Implementation Plan, to the satisfaction of the General

Manager, SSHA, as a condition of Council's approval of the sale of stand-alone properties.

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## **SIGNATURE**

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City Manager

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## **ATTACHMENTS**

Confidential Attachment