



Toronto needs affordable homes: Notes in support of the City of Toronto's TCHC working group chaired by Councillor Ana Bailao on TCHC scattered site housing

October 9, 2012

On February 17, 2012, when the Toronto Community Housing Corporation's single family homes portfolio was last on the agenda of Toronto City Council's Executive Committee, there were 82,610 households (152,964 women, men and children) on the city's centralized affordable housing waiting list¹. That was an all-time record.

Today, there are 86,604 households (159,965 women, men and children) on the city's housing wait list². That is a new, all-time record.

In fact, Toronto's affordable housing wait list has set a new record every month, month after month, since the recession of 2008. Toronto Housing Connections officials tell new applicants that they can expect to wait upwards of ten years for a place to call home. As the list grows longer, the wait grows longer.

Toronto record-breaking affordable housing wait list underlines the urgent need to preserve and maintain as much affordable housing as possible – and also points to the urgent need to expand the supply of affordable housing.

The Wellesley Institute supports the final report of the working group established by the City of Toronto under Councillor Ana Bailao to preserve virtually all of TCHC's single family homes and offer a practical set of recommendations to create a financially sustainable future for TCHC.

The Wellesley Institute is a research and policy institute dedicated to advancing urban health. Through our work, we know that a good home is essential to individual and community health. Since the appointment of Councillor Bailao's working group, the Wellesley Institute has supported the committee's work by commissioning research and policy work, and convening an informal network of housing and community leaders to review options for Toronto Community Housing Corporation's stand-alone portfolio that were forwarded for consideration by the working group.

¹ Toronto Housing Connections, January 2012 wait list report. Available at:

<http://www.housingconnections.ca/pdf/MonthlyReports/2012/Monthly%20Report%20-%20Jan%202012.pdf>

² Toronto Housing Connections, August 2012 wait list report. Available at:

<http://www.housingconnections.ca/pdf/MonthlyReports/2012/Monthly%20Report%20-%20August%202012.pdf>

The network included 37 non-profit and co-operative housing providers, urban Aboriginal groups, affordable home ownership groups, TCHC tenants and others. The participants met on a voluntary basis. The network reached consensus on a series of overarching principles that were offered to Councillor Bailao as a practical way forward in securing a strong and healthy future for the scattered site homes and the rest of the TCHC portfolio.

Our main recommendation: We respectfully recommend that the TCHC working group report be accepted as a practical blueprint for preserving and maintaining affordable housing in Toronto, and moving towards a financially sustainable future for TCHC.

The TCHC working group calls for a two-phase approach. Phase one frees up an estimated \$120 million to supplement the existing TCHC capital repair budget of \$53 million annually. This gives TCHC a two-year window to develop a comprehensive five-year capital financing plan that can draw on many of the practical and innovative financial and management proposals that emerged during the working group's tenure.

In support of the working group recommendations, we wish to offer the following observations:

Observation #1: Tenants need to be at the centre of decision-making and ongoing management of the scattered site homes – the right to remain

TCHC tenants played a vital and robust role as the TCHC working group was completing its mandate. Tenants need to continue to be at the centre of the ongoing decision-making and management of TCHC homes.

When TCHC negotiated the regeneration of Regent Park with the residents, it guaranteed tenants the 'right of return' – the opportunity to move back into the neighbourhood once the new buildings were completed. As the negotiations continue in the public housing neighbourhood of Alexandra Park (where tenants took on management of the housing through the pioneering work of the Sonny Atkinson Co-op), the tenants are seeking a 'zero displacement' commitment – or the 'right to remain' on site.

TCHC tenants have deep roots in their communities, in schools, local businesses and services. Tenants need a fundamental commitment that no matter the future management of their homes (either by TCHC or transferred to another entity), or the future tenure options (non-profit rental, co-operative, affordable ownership), tenants will not be displaced.

TCHC tenants report that, as a matter of policy, TCHC is encouraging tenants in its scattered site homes to move and that TCHC is not filling units that become vacant. TCHC has then been making the argument that a vacant unit can and should be sold. It is both shocking and irresponsible that TCHC would deliberately maintain vacant homes at a time when its wait list sets new all-time records month after month.

In addition to a rock-solid guarantee of security of tenure, TCHC tenants should be more deeply engaged in decisions around the management and operation of their homes. A 1992 program evaluation by Canada Mortgage and Housing Corporation found that extensive resident-engagement in housing co-ops delivered a substantial number of benefits to individual co-op members and to the surrounding neighbourhood. This study reported that resident-engagement in the management and operation of co-ops delivered superior financial results – ***resident-owned and resident-managed co-ops cost 40% less to operate than comparable public housing***³.

TCHC has made important efforts over the years to engage tenants within buildings, and at the corporate level. Two members of the current Board of Directors are tenant representatives. In the past, TCHC has experimented with participatory budget techniques as one means to engage tenants in financial management. TCHC has also recruited tenants in support of its capital repair campaign.

Tenants are the single most important resource available to TCHC, but they are not fully engaged in the current debate about the future of the scattered-site homes. Councillor Bailao's working group has reached out to all affected tenants through a survey – and received a very high response rate, indicating a strong willingness to be engaged in the future of their homes. Many tenants report that they voluntarily maintain their homes, often at their own expense, sometimes due to frustration about inefficient and substandard repair practices by TCHC contractors.

Guaranteeing the right to remain, and strengthening practical means for tenant engagement in the future of their homes, is good for the tenants, the surrounding neighbourhood and for TCHC – and greater tenant involvement could lead to increased cost savings, which can be invested back in capital repairs.

Observation #2: Robust models for cost-effective management of affordable housing have been developed in Toronto, across Canada, in the United States, Great Britain and elsewhere.

The TCHC working group has set out a series of funding opportunities that, in the words of the committee, “have the potential to provide significant new revenue”. There are also innovative housing management structures that are used in New York City, Chicago and other jurisdictions to effectively manage affordable housing portfolios. The Wellesley Institute's research scan of selected practices in the management of scattered site housing is attached.

The TCHC working group's two-phase approach allows the housing company to stabilize its stock and boost capital repair funding in the short term, while creating the opportunity for greater opportunities for financial and operational sustainability over five years. The working group process shows that there is a tremendous reserve of expertise and plenty of goodwill in terms of the management of affordable housing in Toronto – and Toronto City Council, along with TCHC – should embrace this expertise and goodwill.

³ Available at http://www.cmhc-schl.gc.ca/en/inpr/afhoce/tore/afhoid/opma/intedema/intedema_005.cfm

There are a large number of innovative and practical models for the cost-effective management of affordable housing that can provide practical lessons for the City of Toronto as it considers the future the 619 stand-alone homes. To cite just three:

- **Colandco** was created by the Co-operative Housing Federation of Toronto in 1986 as a combined community land trust and sector-based development company. By the early 1990s, Colandco owned the land on which 14 housing co-operatives had been built, supporting 2,350 housing units throughout Toronto and its suburbs⁴.
- The **Champlain Housing Trust** in Burlington, Vermont, founded in 1984, is the largest community land trust in the United States and manages 1,500 apartments, stewards over 500 owner-occupied homes and provides homebuyer education and financial counseling in its signature shared-equity program, provides services to five housing co-operatives, and offers affordable energy efficiency and rehab loans⁵.
- **L&Q (London and Quadrant)** is one of the UK's largest housing associations. Started in 1963, it currently manages more than 67,000 homes – many of them stock transfers from UK's council housing (public housing) sector. It works with 70 specialist agencies in the supported housing sector to provide housing and supports for people with physical or mental health needs⁶.

Other successful housing and service providers considered by the network include:

- Common Ground (New York City and elsewhere)
- Homeward Trust (Edmonton)
- University of British Columbia Properties Trust (Vancouver)
- Simon Fraser University Community Corporation (Vancouver)
- Surrey City Development Corporation (Surrey)
- City of Vancouver Property Trust (Vancouver)
- The Land Management Corporation (Australia)
- Canada Lands Company (Canada federal government)
- Calgary Municipal Land Corporation (Calgary)
- Large Scale Voluntary Transfer (Glasgow City Council, UK)
- Large Scale Voluntary Transfer (London Authority, UK)
- Housing Joint Ventures (London Council, UK)
- Housing Joint Ventures (Sheffield, UK)
- Calgary Community Land Trust Society (Calgary)
- Central Edmonton Community Land Trust (Edmonton)
- Communauté Milton Parc (Montréal, Québec, Canada)
- Community Housing Land Trust Foundation (Vancouver)
- Fonds Foncier Communautaire Benny Farm (Montréal)
- Salt Spring Community Housing & Land Trust Society (Salt Spring Island)
- West Broadway Community Land Trust (Winnipeg)

⁴ For more information, see [ftp://ftp.cmhc-schl.gc.ca/chic-ccd/Research_Reports-Rapports_de_recherche/eng_unilingual/Critical%20Success%20Factors%20-%20w%20\(JUNE17_2005\).pdf](ftp://ftp.cmhc-schl.gc.ca/chic-ccd/Research_Reports-Rapports_de_recherche/eng_unilingual/Critical%20Success%20Factors%20-%20w%20(JUNE17_2005).pdf)

⁵ More information available at <http://www.champlainhousingtrust.org/about/>

⁶ More information available at <http://www.lqgroup.org.uk/services-for-residents/about-landq/>

The specifics of each successful model vary, and some elements depend on conditions that are specific to local / national funding and programs. However, these models combine:

- effective ***development and management practices*** that engage tenants / residents and, in many cases, provide specialized support for those that require additional assistance.
- a ***mix of tenure*** in many cases, including the participation of community-based non-profits, co-ops, affordable home ownership and private sector involvement.
- a ***mix of funding*** that includes grants and donations, traditional private sector debt / equity financing, and innovative social financing.

Observation #3: TCHC's capital repair deficit requires urgent attention, but it won't be cleared, or even substantially reduced, by the massive sell-off of the stand-alone portfolio.

Councillor Bailao's working group report sets out a practical strategy that preserves most of the city's vital single family affordable homes. Toronto Community Housing Corporation's overall portfolio includes an amalgam of homes from a variety of sources, including: Former provincial public housing stock that was downloaded without adequate capital repair reserves; former Metro Toronto seniors and other housing that was transferred following the creation of the megacity of Toronto by the provincial government; former Cityhome housing owned by the City of Toronto. Much of the housing was purpose-built as affordable housing, but some buildings – including the scattered site portfolio – were acquired for a variety of purposes and then transferred to TCHC for ongoing management.

Disrepair in aging public housing stock is a consistent issue for public housing authorities throughout North America. US and Canadian governments have offered a variety of programs in response. In Canada, the Ontario government offered capital repair funding in its 2008 budget and the federal government offered capital repair funding in its 2009 budget. Neither amount comes close to the \$751 million that TCHC currently estimates is their accumulated capital repair bill. Not all of this amount is required immediately, and not all is for urgent issues that affect the life and health of tenants, but the figure sets a strong goal.

In its latest annual report⁷, TCHC estimates that it needs \$150 million annually to meet capital repair needs. TCHC further estimates that it is able set aside \$50 million annually for capital repairs, although it did fund double that amount – \$96 million – for capital repairs in 2011. That leaves an annual shortfall of between \$54 million and \$100 million in unfunded capital repair needs, according to numbers produced by TCHC.

The annual budgets of TCHC face considerable pressure from government funders. For instance, in 2012 the City of Toronto arbitrarily cut \$6 million from its financial support of TCHC. When the city subsequently declared a \$292 million budgetary surplus for the most recent fiscal year, it refused to add a penny to the funds that were cut for TCHC. At the provincial level, a faulty funding calculation that provides lower funding to TCHC and other community-based housing

⁷ Available at http://www.torontohousing.ca/webfm_send/8768/1?#

providers, as compared to private landlords, costs TCHC and other housing providers in the city. A 2007 City of Toronto report put the provincial shortfall at \$77 million, and city staff estimate that the number has certainly risen since then.

TCHC's capital repair shortfall was created by various levels of government, and its ongoing capital funding crunch is exacerbated by various levels of government. It is perverse to punish tenants by selling off their homes to compensate for the shortcomings of politicians at the city, provincial and federal levels.

In his comprehensive survey of provincial spending early in 2012, economist Don Drummond made two specific recommendations to the Ontario government to ramp up support to municipalities to pay for repairs to existing affordable homes and to expand the supply of affordable housing.

When TCHC first proposed the unprecedented sell-off of almost 700 affordable homes in 2011, it said that it needed the money generated from the sales to cover its unfunded repair bill. By TCHC's own reckoning⁸, however, the dollars that might be raised from the sell-off of the homes are quite slim, once the costs associated with the sale are included. Furthermore, the sell-off would likely take years to complete, so there would be little immediate relief for TCHC tenants living in substandard homes.

TCHC makes generous assumptions about the amount of money that might be generated from the sale of the homes, and conservative assumptions about the costs associated with the sale. In summary, TCHC hopes that the sale of all the units would eventually generate \$336 million in net proceeds which, if invested at 5% return, would generate an annual return of \$16.8 million. Adjusting for various costs, including the loss of rental revenue from the homes that are sold and the substantial re-housing costs for the tenants who will have to be moved out of those homes (a requirement of federal and/or provincial affordable housing programs), and the wholesale sell-off of the entire scattered site portfolio – using the most generous assumptions – will generate about \$12 million to cover what TCHC estimates is a \$100 million annual bill.

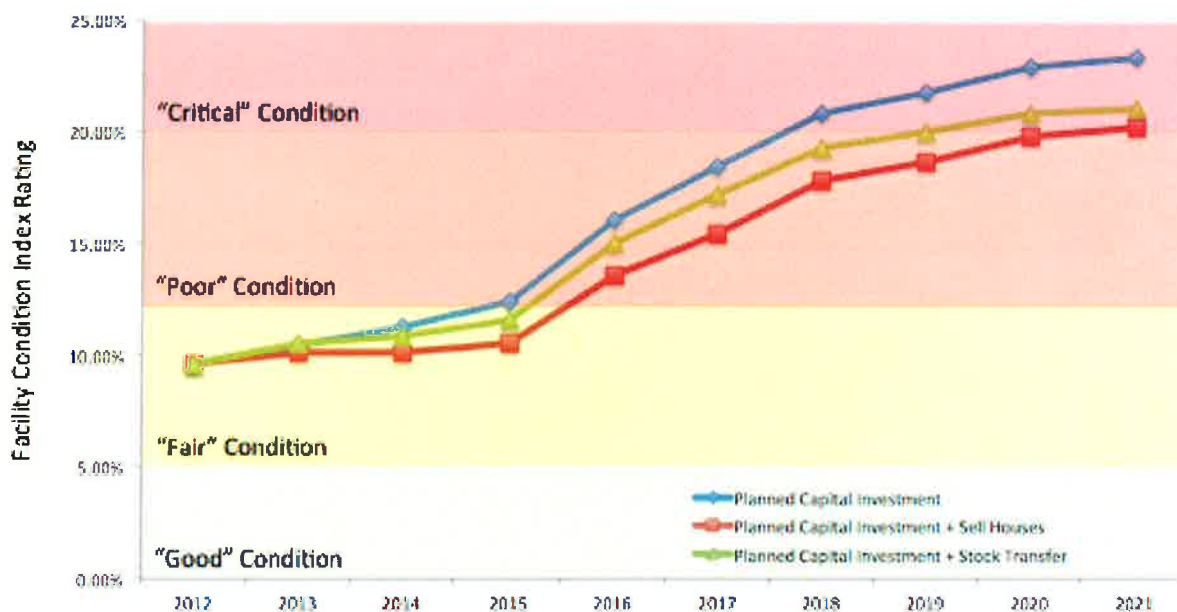
By way of comparison, if TCHC were simply to transfer the same scattered site portfolio on an 'as is' basis to community-based housing providers, who would then assume the maintenance and capital repair responsibilities for the buildings, then TCHC would secure annual savings of \$11.2 million in maintenance and repair spending, according to their own numbers. Subtract the loss of rental income from the homes, and TCHC would still realize annual savings of \$7.4 million. Stock transfers at a nominal cost have been standard practice in Canada, US and the UK.

The bottom line: The massive sell-off of TCHC homes would provide a limited financial fix; a simple stock transfer would generate almost as much savings and would preserve 619 affordable homes for all of Toronto at the same time.

An independent housing consultant has generated the graph below that illustrates the weak financial gains from a wholesale sell-off of TCHC homes. The blue line in the chart tracks the

⁸ Details of TCHC calculations on the sell-off of the scattered site homes are available at http://www.torontohousing.ca/webfm_send/7677/1?#

‘do nothing’ scenario – showing that the condition of TCHC homes will reach the critical stage in less than a decade without substantial investments. The red-line shows the impact of the massive sell-off of scattered site homes – the same path to critical with little benefits. The green-line shows the impact of the stock transfer option – the same path to critical with little difference from the sell-off option. In summary, whatever path TCHC chooses, its housing will be pushed into condition critical by the sheer size of the unfunded capital repair bill facing the corporation.



The massive sell-off of TCHC homes will not save the housing corporation from its capital repair woes. Stock transfer of the units won't either – although it is important to note that stock transfer won't make the current bad fiscal scenario much worse, and it does have the substantial benefit of preserving 619 homes at a time when every home is urgently required.

The solution to TCHC's capital repair woes lies in a number of options, including:

- **ongoing energy efficiencies.** TCHC has realized millions of dollars in energy and utility savings through its energy initiatives to date. More work in this area will generate even more savings that can be invested in capital repairs.
- **operating efficiencies.** In mid-August, TCHC reported that its new purchasing system could save up to \$32 million annually – money that can be invested in capital repairs.
- **senior levels of government.** Taking up the Drummond commission recommendations for a comprehensive, long-term federal-provincial affordable housing plan, including funding for repairs, would generate substantial capital repair dollars for TCHC.
- **financing options.** TCHC has some experience in the use of bonds and other financing instruments to fund needed repairs. Housing finance experts in Canada and the US report that there are several financing options available to TCHC either directly, or through intermediaries such as Infrastructure Ontario.

Observation #4: Linking of housing with non-housing supports

Several participants in the informal housing network are supportive housing providers; that is, they link housing with physical or mental health supports that allow tenants to access and maintain the housing.

The Wellesley Institute's research on supportive housing, including the *We Are Neighbours* research and policy initiative in conjunction with The Dream Team⁹, demonstrates the vital importance of support services linked to housing as a way to ensure that people with physical or mental health issues are able to live in communities. Our research shows that supportive housing initiatives make for good neighbours in communities, providing social and other benefits.

The housing first approach, which is widely adopted throughout North America as the best strategy for re-housing people who have experienced homelessness and other challenges in their lives, often uses scattered site housing as a preferred option.

Observation #5: Transferring homes from TCHC to independent management

Research by the Wellesley Institute shows that public housing authorities are often unwilling, and sometimes believe that they are unable, to effectively manage scattered site homes. In the case of Chicago and New York City, for instance, new scattered site homes were placed as a matter of policy in non-profit management, separate from the public housing authority¹⁰.

Managing a purpose-built high-rise rental housing building – which forms a significant portion of public housing stock – presents different challenges from scattered site homes in different neighbourhoods, different plumbing and other fixtures and a variety of building types.

There are successful and cost-effective models of non-profit management of scattered site projects in Toronto, including:

- Innstead Co-operative – created in 1976 and now including 52 buildings with 89 individual units, including a 150-year-old house.
- Don Area Co-operative Homes – created in 1973 in what was known as the Cowley Homes, now including 42 renovated and newly constructed buildings.

While TCHC, as the second largest landlord in North America, has certain advantages from its size that might be expected to translate into financial benefits, such as the ability to do bulk purchasing and to arrange innovative financing options. However, its decision in 2011 to sell off

⁹ Available at

http://www.wellesleyinstitute.com/publication/we_are_neighbours_the_impact_of_supportive_housing_on_community_social_economic_and_attitude_changes/

¹⁰ See <http://www.wellesleyinstitute.com/wp-content/uploads/2012/07/Scattered-Site-Housing-Final.pdf>

the scattered site homes demonstrates that TCHC is not willing to pursue ongoing options to preserve and maintain this vital portion of the overall TCHC portfolio.

At the same time, the high level of interest in the scattered site homes from a variety of housing profits – including non-profits, co-ops and affordable ownership groups – indicates a willingness to take on the financing and management challenges.

TCHC has several significant challenges in its main portfolio, including the unfunded capital repair issue, improving operations and maintenance standards, regeneration of aging public housing neighbourhoods and possible new development with private or community partners. Transferring the scattered site homes would free TCHC to take on its other challenges.

There are several practical transaction methods that could be used to transfer the properties from TCHC. Among the possibilities:

- ***Lease-Lease-Back:*** There are dozens of variants that can be applied to a Lease-Lease-Back scenario. Variants and options are limited only to the interests of the external partner. TCHC can elect to transfer all project risk, insert management conditions and develop rigorous performance specifications.
- ***Voluntary Transfer to the Non-Profits:*** This transaction example assumes transfer of ownership and management to qualified non-profit organization that will be responsible for operating and management of the assets. Advantages of this approach include: could accelerate the renovation and renewal of the portfolio; potential for improved service delivery to clients; some opportunity for alternative sources of capital funding; lower operating costs through reduced labour costs; and, closer community involvement.
- ***Sale Lease Back:*** Sale and lease back of the portfolio to a proponent or proponents who will be responsible for the recapitalization and operation and management of the portfolio. Advantages of this example include: access to alternate sources of funding; opportunity for innovative solutions; accelerated portfolio renewal, and reduced asset management costs. Disadvantages include: loss of management control; higher cost of financing; limited community engagement; potential community resistance to change, and, limited leverage with City processes.

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Review of Trends, Policies, Practices and Implications of Scattered Site Housing

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The Wellesley Institute engages in research, policy and community mobilization to advance population health

Copies of this report can be downloaded from www.wellesleyinstitute.com.



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Introduction

In 2011, the Board of the Toronto Community Housing Corporation (TCHC) voted to sell 675 of Toronto's scattered site units on the open market with anticipated the proceeds of \$222 million directed toward the TCHC capital repair bill.¹ Toronto City Council vetoed this decision and instead directed Councillor Ana Bailão, Chair of the City's Affordable Housing Committee, to create a special working group to report back to Council in September 2012 on options for Toronto's scattered site portfolio. As of May 2012, Toronto's affordable housing waitlist stands at 85,088 households.²

This research was undertaken to identify trends, policies, practices, and implications of including single family homes within the portfolios of public housing authorities. The project is designed to inform the TCHC working group as they deliberate on the future of Toronto's single family homes.

This paper provides case studies of scattered site housing in Chicago and New York City and outlines the advantages and disadvantages of including scattered site housing as a component of public housing portfolios.

Scattered site housing comprises mainly of single family houses or residential buildings that include small number of units. Scattered site housing is designed to integrate into existing neighbourhoods and is usually visually indistinguishable from other housing in the neighbourhood. This type of housing is located in neighbourhoods across cities, meaning that clustering of low income populations is avoided.³

Toronto at a neighbourhood level

In recent decades, Toronto's neighbourhoods have been increasingly divided by income. Research by David Hulchanski at the University of Toronto found that Toronto can be divided into three distinct cities: City 1 is predominantly high income areas in the central city and areas close to the city's subway lines, City 2 is mainly middle income areas where neighbourhood incomes have remained close to city-wide averages, and City 3 is generally low income areas where neighbourhood incomes have fallen substantially since 1970 and are located mainly in the northwestern and northeastern parts of Toronto. Hulchanski found that since 1970, City 1 grew slightly, City 2 shrank dramatically, and City 3 grew substantially. The consequence of these changes is a city with vast and growing income divisions.⁴

Research by United Way Toronto also highlights the increased income polarization in our city. The *Vertical Poverty: Poverty by Postal Code* report found that poverty is increasingly concentrated in Toronto's inner suburban neighbourhoods. In the early 1970s, 18 percent of Toronto's low income families living in neighbourhoods where more than one-quarter of the families were low income; by 2006 this had reached 46 percent. United Way also found that poverty was increasingly concentrated in high-rise buildings: today 43 percent of low income families in Toronto rent a unit in a high-rise building.⁵ These shifts in the distribution of poverty in Toronto have contributed to people with low income being concentrated in under-served pockets of the city.

¹ Toronto Community Housing Corporation. http://www.torontohousing.ca/state_good_repair

² Housing Connections, Monthly Statistical Report May 2012, <http://www.housingconnections.ca/pdf/MonthlyReports/2012/Monthly%20Report%20-%20May%202012.pdf>

³ David P Varady and Wolfgang F E Preiser, 'Scattered-site public housing and housing satisfaction: Implications for the new public housing program'. *American Planning Association*. Journal; Spring 1998; 64, 2, p. 190.

⁴ J. David Hulchanski, Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods, 1970-2005, 2010. <http://www.urbancentre.utoronto.ca/pdfs/curp/tnm/Three-Cities-Within-Toronto-2010-Final.pdf>.

⁵ United Way Toronto, Vertical Poverty: Poverty by Postal Code 2, January 2011. <http://www.unitedwaytoronto.com/verticalpoverty/downloads/Report-PovertybyPostalCode2-VerticalPoverty-Final.pdf>.

The problem of concentrating poverty in particular neighbourhoods is not a coincidence. Between 1996-2006, no new affordable homes were built in 23 of the city's 44 municipal wards.⁶ While few affordable homes were built in other parts of the city, this points to a lack of planning that leads to income segregation in Toronto's neighbourhoods.

The links between income and health are well documented. There is a consistent gradient of health in which people with lower income and education, who are unemployed or in precarious or low-paid work and/or face other dimensions of social inequality and exclusion, have poorer health. In Ontario:

- Over three times as many people in the lowest income quintile report their health to be only poor or fair than in the highest;⁷
- Five times as many men and three times as many women in the lowest income quintile report their mental health to be only poor or fair than the highest;⁸
- The percentage of people with diabetes or heart disease was three to five times higher in the lowest income quintile than the highest;⁹
- The routine activities of a quarter of low income people are limited by pain, twice that of high income people.¹⁰

These differences have a significant impact over people's lives. In Toronto, life expectancy is 4.5 years less for men in the lowest income quintile versus the highest and 2.0 years for women.¹¹

Safe and affordable housing is essential to good health. Poor housing can have a direct adverse impact on health: inadequate housing can lead to increased rates of communicable diseases such as tuberculosis, infestations such as lice and bed bugs, and infections such as fungus related to damp conditions. Poor living conditions can lead to serious respiratory conditions such as asthma and chronic obstructive pulmonary disease (COPD) and research shows that the risk of severe health issues or disability can increase by 25 percent in childhood or early adulthood.¹²

Trends and policies on scattered sites as components of portfolios

This section sets out some of the key directions in the inclusion of scattered site housing as portfolio components in the United States, with case studies of Chicago and New York City.

Much of what could be considered 'affordable housing' in the US is actually private market rental accommodation. In these cases, tenants receive housing vouchers (commonly called 'Section 8 Certificates') – government subsidies that they can use to purchase whatever accommodation they choose. These vouchers were implemented following a Supreme Court ruling that concentrating public housing in poor neighbourhoods constituted racial segregation. While affordable private rental units are 'scattered', this style of housing differs significantly from the Canadian situation.

A significant proportion of scattered site housing in the United States is run by non-profit organizations that receive some kind of government funding, either through Section 8 Certificates

⁶ Wellesley Institute, *The Blueprint To End Homelessness in Toronto: A Two-Part Action Plan*, 2006. <http://www.wellesleyinstitute.com/wp-content/uploads/2011/11/TheBlueprintfinal.pdf>

⁷ Arlene Bierman, ed., *Project for an Ontario Women's Evidence-Based Report: Volume 1* (Toronto: 2009-10), Ch. 3. Self-reported health is regarded as a reliable indicator of clinical health status.

⁸ Bierman, *Project for an Ontario Women's Evidence-Based Report*, Ch 3.

⁹ Bierman, *Project for an Ontario Women's Evidence-Based Report*, Ch 3.

¹⁰ Bierman, *Project for an Ontario Women's Evidence-Based Report*, Ch 3.

¹¹ Toronto Public Health, *Unequal City: Income and Health Inequalities in Toronto*, 2008.

¹² Wellesley Institute, *Precarious Housing in Canada*, 2010. http://www.wellesleyinstitute.com/wp-content/uploads/2010/08/Precarious_Housing_In_Canada.pdf.

or direct subsidies or grants. This is particularly true of supportive housing and is consistent with the greater focus on the private rental market to address the need for affordable housing.

Many of the US jurisdictions that have scattered-site housing are relatively small cities. This is likely due to logistical challenges of operating scattered-site housing, which are outlined below. In general, scattered site programs are considered more appropriate in weak housing markets where land and housing costs are lower.

For this research we selected Chicago and New York City as case studies of scattered-site housing as components of public housing portfolios. These cities were selected because they are large North American cities with significant public housing authorities and are therefore analogous to Toronto.

Chicago

Chicago was the first city in the United States to mandate scattered site housing in 1966 as a result of a class-action lawsuit that required the city to desegregate neighbourhoods. Prior to this decision, the city's affordable housing stock was concentrated in poverty-stricken pockets of the city that were overwhelmingly black.

In 2000, the Chicago Housing Authority (CHA) launched the Plan for Transformation, with support from the U.S. Department of Housing and Urban Development. The plan, which is still in action, aims to rehabilitate the entire stock of public housing in Chicago.

Rehabilitation of all of Chicago's 2,543 scattered sites was completed in 2006.¹³ Unit conditions varied, so the CHA created site-specific rehabilitation plans and units were renovated based on need, with new kitchen cabinets, countertops, improved closet space, new bathroom sinks and fixtures, new lighting, and newly painted walls.¹⁴ Some rehabilitations also included accessibility improvements so that people with disabilities are more easily able to live in scattered site homes.¹⁵

Tenants of CHA properties are able to access an array of support services through city departments, such as job training, job placement, substance abuse treatment, education, summer programs, and day care.¹⁶ Because CHA is a large landlord – similar to TCHC – service provision barriers are overcome by having a large scattered site portfolio that creates a critical mass of properties within neighbourhoods, while still maintaining mixed income communities.

The Chicago Housing Authority intends to continue providing scattered site housing indefinitely and is currently completing a long-term replacement reserve study for their portfolio. This study will determine the expected life expectancy of each scattered site unit and will commence planning for the development of replacement scattered site properties as required.¹⁷ CHA also acquired additional scattered sites with \$16 million in new funding during the recent recession.¹⁸

Since the Plan for Transformation began, CHA has reduced its number of staff from more than 2,600 to fewer than 500. CHA now focuses on its primary responsibility as an asset manager and contracts with private professional property management firms to manage properties.

Chicago prioritizes neighbourhood development and connections in their management of scattered site housing. Applicants for public housing who are placed on the Community-Wide Wait List or the

¹³ Chicago Housing Authority, *FY2010 Moving to Work Annual Plan (Revised)*, October 2009. http://www.thecha.org/filebin/pdf/mapDocs/Revised_FY2010_Annual_Plan-HUD_Approved_Version.pdf.

¹⁴ Chicago Housing Authority, *FY2006 Moving to Work Annual Plan*, October 2005. <http://www.thecha.org/filebin/pdf/FY2006-Annual-Plan.pdf>.

¹⁵ Chicago Housing Authority, *Amended FY2011 Moving to Work Annual Plan*, October 2010. http://www.thecha.org/filebin/pdf/mapDocs/FY2011_MTW_Annual_Plan-Amended.pdf.

¹⁶ Chicago Housing Authority, *Amended FY2011 Moving to Work Annual Plan*.

¹⁷ Chicago Housing Authority, *Amended FY2012 Moving to Work Annual Plan*, March 2012. http://www.thecha.org/filebin/procurements/CHA_Amended_FY2012_Annual_Plan_HUD_Approved_3.28.12_final.pdf.

¹⁸ Lawrence J. Vale & Erin Graves, *The Chicago Housing Authority's Plan for Transformation: What Does the Research Show So Far?*, June 2010. http://web.mit.edu/dusp/dusp_extension_unsec/people/faculty/ljv/vale_mac-arthur_2010.pdf.

Community Area Wait List select a geographic area in the city in which they would prefer to live.¹⁹ Fifty percent of available units in each neighbourhood are offered to people on these waiting lists.²⁰ This allows applicants to remain in neighbourhoods in which they have family and other important social and economic connections.

Evaluation of the Plan for Transformation shows that its success has been mixed. The Plan aimed to de-concentrate poverty by moving people out of large social housing complexes, but many of the scattered site units in the CHA portfolio are located in relatively poor neighbourhoods – but not the poorest neighbourhoods. Very few developments are in wealthy neighbourhoods.²¹ This suggests that poverty is still concentrated in pockets across the city.

CHA has also been criticized for its policy of requiring tenants who live in scattered site housing to participate in paid employment for at least 15 hours per week.²² This requirement has proved to be difficult for many tenants, especially during the recent recession, as many are precariously employed and lack job security and employment benefits.

New York City

In New York City, as in many US jurisdictions, the majority of scattered site housing units are private market rental units that are leased to tenants who receive housing vouchers to help them to cover the cost of market rents. There are also numerous non-profit providers that receive government funding to run scattered site supportive housing across the city.

Beginning in 2001, New York City began directly providing scattered site housing in the form of private rental apartments and hotel rooms. This was in response to demand for shelter that significantly exceeded demand as the homeless population increased and the city faced significant community opposition to building more shelters. Local law requires that the city provide shelter on the same day to anyone who requests it.

In 2003, the Mayor of New York City, Michael Bloomberg, announced that this scattered site program would be progressively wound down.²³ The program was criticized for being too expensive (the city paid an average of \$2,900 per month for each family it housed in private market accommodation) and for providing substandard accommodation. The phase-out of the program was part of a shift from paying per diem rates for shelter to more stable and affordable contracts with housing providers.²⁴

In 2005, Mayor Bloomberg and Governor George Pataki entered into a new affordable housing agreement: NY/NY III. Under this agreement, the two levels of government committed to fund and develop 9,000 new supportive housing units between 2005-2015 for homeless singles and chronically homeless families.²⁵ 2,750 of the units are scattered-site, all of which are managed by non-profit providers. Initial results show that the scattered-site units were delivered almost on target, whereas the congregated, larger buildings are substantially behind schedule.²⁶

Pathways to Housing, a non-profit organization, developed the innovative Housing First model in

¹⁹ Chicago Housing Authority, *Amended FY2012 Moving to Work Annual Plan*.

²⁰ Chicago Housing Authority, *FY2006 Moving to Work Annual Plan*.

²¹ Vale & Graves, *The Chicago Housing Authority's Plan for Transformation*.

²² Vale & Graves, *The Chicago Housing Authority's Plan for Transformation*.

²³ New York Times, *City to Phase Out Scatter-Site Apartments for Homeless Families*. <http://www.nytimes.com/2003/05/20/nyregion/city-to-phase-out-scatter-site-apartments-for-homeless-families.html>.

²⁴ Office of the Mayor, Michael R. Bloomberg and Comptroller William C. Thompson, Jr. *Announce Initiative to Increase the Use of Contracts with Existing Homeless Facilities*, October 2, 2003. http://www.nyc.gov/portal/site/nycgov/menuitem.c0935b9a57bb4ef3daf2f1c701c789a0/index.jsp?pagelD=mayor_press_release&catID=1194&doc_name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2F2003b%2Fpr274-03.html&cc=unused1978&rc=1194&ndi=1.

²⁵ New York State Office of Alcoholism and Substance Abuse Services. <http://www.oasas.ny.gov/housing/initiatives/nyny3.cfm>.

²⁶ New York City Independent Budget Office, *After Four Years NY/NY III Pact has Produced Less Housing than Planned*, February 2010. <http://www.ibo.nyc.ny.us/iboreports/nyny3feb92010.pdf>

New York City to support people who are homeless and have mental health issues into scattered site apartments. The principle of Housing First is that the top priority should be ensuring that people in need have a place to live and then supportive treatment services should be provided. Since Pathways to Housing was founded they have expanded to provide services in Burlington, Vermont; Washington DC; and Philadelphia, Pennsylvania, and have housed nearly 2,000 people, 85-90 percent of whom have remained housed.²⁷

Other innovative non-profit providers include the Coalition for the Homeless, which runs a scattered-site housing program for homeless people living with HIV/AIDS. This organization provides permanent housing, social services, and intensive case management. Case managers assist clients to receive appropriate health care and benefits, accompany them to medical visits when necessary, and help with tasks like grocery shopping if required.²⁸

New York City also supports affordable home ownership. When a landlord is unable to pay their property taxes, the city can in some cases take over the ownership of the building in question. The Tenant Interim Lease Program is designed to assist tenants in these buildings to become the building's owners through co-operative tenants' associations. The program, run through the Department of Housing Preservation and Development, allows tenant association to sign an 11-month interim lease with the City. This lease gives the association the authority to collect rents and run the building and obligates the association to improve the building.²⁹ At the end of the process tenants are able to purchase the cooperative interest for \$250 per unit.³⁰

Implications of scattered site housing

Advantages

Integrated communities

One of the key benefits of including scattered site housing in a portfolio is the benefits of socially and economically integrated communities. It is well documented that higher-density social housing projects tend to create pockets of poverty within neighbourhoods. Scattered site housing avoids this problem by ensuring that people with lower incomes are able to live in a wide range of neighbourhoods. Scattered site housing also tends to have the same architectural styles as other homes in the area and therefore blend into neighbourhoods.³¹

Evidence from the United States shows the success of scattered site housing programs when measured by tenant satisfaction. Results show that:

- Tenants in scattered site housing feel more welcome and at home than they did in congregate housing;
- Tenants are satisfied with access to shopping and public services;
- Parents expect living in scattered site housing to benefit their children owing to positive neighbourhood factors; and
- Tenants are not socially isolated in their neighbourhoods.³²

²⁷ Pathways to Housing, Annual Report 2011. http://www.pathwaystohousing.org/files/Annual_Report_2011.pdf.

²⁸ Coalition for the Homeless. <http://www.coalitionforthehomeless.org/programs/scattered-site>.

²⁹ Urban Homesteading Assistance Board, Inside TIL: A Guide to the Tenant Interim Lease Program. http://www.uhab.org/sites/default/files/doc_library/Inside_TIL_A_Guide.pdf.

³⁰ New York City Department of Housing Preservation and Development. <http://www.nyc.gov/html/hpd/html/developers/til2.shtml>

³¹ Varady & Preiser, 'Scattered-site public housing and housing satisfaction'.

³² James Hogan, Scattered-Site Housing: Characteristics and Consequences, US Department of Housing and Urban Development, September 1996, p. XVI.

A 2010 TCHC consultation with scattered site housing tenants found that they felt pride in their homes and were happy to live in the single family home portfolio rather than in multi-residential sites.³³

Scattered site housing can also be a beneficial arrangement for the provision of supportive housing. Research shows that scattered units can help to facilitate addiction recovery because residents are able to live more independently and are not as easily impacted by the actions of others with similar conditions living in close proximity.³⁴ The Ottawa branch of the Canadian Mental Health Association also found that scattered site condo units have been especially successful in facilitating the integration of people with mental health issues into the community.³⁵

Neighbourhood development and empowerment

Scattered site housing can provide a critical lever for neighbourhood development and empowerment. When non-profits own or manage scattered site housing, each one often concentrates their sites within particular neighbourhoods. Therefore when scattered sites are used as supportive housing for people with high needs, service providers are able to establish a strong physical presence in many neighbourhoods and are therefore able to extend their reach and service coordination, leading to better service provision.³⁶

Many non-profit providers also include community development as part of their mandate. This can translate into improved ability to lobby and advocate on behalf of under-served neighbourhoods.³⁷

Scattered housing also results in lower concentrations of affordable housing units within individual neighbourhoods and communities, thereby lowering the risk of tensions between residents and neighbours. Evidence suggests that scattered site housing has no adverse property valuation effects on neighbouring properties and that property values may improve as a consequence of improvements to the area's housing stock.³⁸

Ease of development

One of the major barriers to establishing affordable housing is the complexity and expense of developing properties. This is especially true of large congregate housing developments that require extensive capital financing and often face neighbourhood and community opposition.

Depending on the housing market, the cost of acquiring and rehabilitating small properties as part of a scattered site portfolio may be less than acquiring land and constructing a new multifamily project. Scattered sites require significantly less capital funding than congregate sites. Neighbours also tend to have fewer objections to a handful of smaller affordable housing units rather than a single large development.³⁹ This means that scattered site units can be completed more quickly and are therefore a good option for providing affordable housing when demand significantly outstrips supply.

³³ Toronto Community Housing Corporation, *Report on the Status of Tenant Engagement Consultations in the Single Family Housing Portfolio*, April 2010. http://www.torontohousing.ca/webfm_send/6362/1?#.

³⁴ Canada Mortgage and Housing Corporation, *Homelessness, Housing, and Harm Reduction: Stable Housing for Homeless People with Substance Use Issues*, July 2005. <http://www.cmhc-schl.gc.ca/odpub/pdf/65088.pdf?lang=en>.

³⁵ Canada Mortgage and Housing Corporation, *Homelessness, Housing, and Harm Reduction*.

³⁶ Kat Aaron, 'Tackling the Challenge of Scattered-Site Rentals', *Shelterforce*, Winter 2011, http://www.shelterforce.org/article/2640/tackling_the_challenge_of_scattered-site_rentals/.

³⁷ Kat Aaron, 'Tackling the Challenge of Scattered-Site Rentals'.

³⁸ James Hogan, *Scattered-Site Housing*, pp.160-164.

³⁹ Chandler, Benson & Klein, 'The Impact of Public Housing'.

Disadvantages

Logistics and management

Logistics and property management are cited as the two most common barriers to scattered site housing. Having sites spread across wide geographic areas makes management more time consuming, complex, and costly than having a large number of units congregated together.

Scattered site housing is often acquired by housing authorities in an *ad hoc* manner. This is partly due to the comparative ease of converting scattered site units into affordable housing in times of high demand. This can, however, cause logistical difficulties in the management of these properties. Units seldom have the same chattels and fittings, which mean that when repairs are required a repair person must first visit the home to determine what kind of fitting is appropriate, go to purchase the fitting, and return for installation. This does not necessarily all occur on the same day, which means repairs may be delayed. It may also be more costly to purchase individual fittings as required rather than benefiting from economies of scale.⁴⁰

A compounding challenge is the travel between locations that is required to carry out maintenance, in addition to general property management. Many housing providers find that travel between locations is time consuming and expensive. Travel also makes regular preventative maintenance difficult as time is lost on the road and it is not always feasible for all required tools and parts to be carried in a single vehicle. Some scattered site housing providers in the United States have found that contracting out property maintenance services is the easiest way to overcome these challenges.⁴¹

Some providers of scattered site housing also find it challenging to manage tenant issues remotely. Some landlords prefer congregate units because they can take a more hands-on and visible role within the building and can address issues with tenants as they arise. Scattered sites can also make responding to emergencies difficult.⁴²

When TCHC consulted with residents of single family homes in 2010, many residents cited concerns with the condition of their homes and general poor responsiveness to repair calls. Residents complained that even when repair staff responded, problems often could not be solved in a single visit and multiple visits from different contractors were often required.⁴³ This reinforces the arguments above about the logistical difficulties of managing scattered sites, especially when there are variations in the fittings in each residence. A lack of standardized maintenance materials leads to operational inefficiencies.

Barriers to service provision

Logistical issues regarding scattered site housing may also provide barriers to service provision for people living in supportive housing. One of the benefits of congregate housing is that social service providers can be located in or near the complex. With scattered site housing, on the other hand, providers must travel from location to location, creating logistical, time, and cost issues similar to those faced by landlords. People living in scattered site housing may also not receive the care that they need as neighbours may not know the kinds of supports they need and may be less likely to call

⁴⁰ The Enterprise Foundation, *Developing and Managing Scattered-Site Rental Housing*, 1999. <http://homelesshub.ca/Resource/Frame.aspx?url=http%3a%2f%2fwww.practitionerresources.org%2fcache%2fdocuments%2f36614.pdf&id=24165&title=Developing+and+Managing+Scattered-Site+Rental+Housing%3a+A+Complete+Overview+of+the+Skills+and+Finances+Needed+to+Run+a+Successful+Program&owner=48&AspxAutoDetectCookieSupport=1>

⁴¹ Kat Aaron, 'Tackling the Challenge of Scattered-Site Rentals'.

⁴² US Department of Housing and Urban Development Community Planning and Development Branch, *Successful Management of Scattered Site Rental Housing in Reno*, 2011. <https://www.hometa.info/media/conf/ScatteredSite.pdf>.

⁴³ Toronto Community Housing Corporation, *Report on the Status of Tenant Engagement Consultations in the Single Family Home Portfolio*.

for help if the resident is experiencing a crisis or high-need situation.⁴⁴ However, as noted above, non-profits that run scattered site housing can overcome this barrier by concentrating their efforts in particular neighbourhoods.

Conclusions

This research report has shown that the context under which different jurisdictions incorporate scattered site housing into their affordable housing portfolios differs significantly. It is clear that the differences in context between Canada and the United States are significant, but differences are also significant even between US cities. This demonstrates that appropriate housing portfolios are based on a combination of unique and local factors, including the diversity of local need, local opportunities and partnerships, availability of funding, and other resources.

Toronto cannot simply import the practices from Chicago, New York City, or other jurisdictions because we have different local housing needs, and a different array of options for funding and other forms of support. For those reasons, a careful review specific to the Toronto housing landscape is required before the sale of the scattered site portfolio is considered.

It is notable, however, that scattered site housing is still a significant component of the affordable housing stock in major North American cities, whether publicly-owned subsidized market rentals or non-profit run. The most significant example in this research was the sizable number of scattered site units developed as part of the NY/NY III agreement – and it is also notable that these units were delivered approximately on schedule and on budget. Other North American jurisdictions, including Chicago, took advantage of the softening housing market during the recent recession to purchase scattered site housing to add to their portfolios.

While local context matters, in most cases the main benefits of scattered site housing are social. When given a choice, tenants frequently express a desire to live in scattered site housing as a way of avoiding the pockets of poverty that congregate housing can create. Improvements in service provision, including the ability of service providers to focus their work in particular neighbourhoods and to advocate for under-served neighbourhoods, are also significant social benefits.

The Chief Commissioner of the Ontario Human Rights Commission, Barbara Hall, wrote to Toronto Mayor Rob Ford, members of the Toronto City Council, and Ontario's Minister of Municipal Affairs and Housing, Hon. Kathleen Wynne, in January 2012 urging them to reject the proposal to sell TCHC's scattered site units. Ms. Hall argued that 'affordable and supportive housing should be integrated throughout Ontario's communities to avoid "ghettoization"'. When designing housing projects, steps should be taken to integrate more affordable forms of housing into the broader community'.⁴⁵ This highlights the rights of people with low income to have housing options and the social benefits of scattered site housing.

The increasing income divisions in the City of Toronto over recent decades demonstrate the importance of having a diverse affordable housing portfolio. The growing disparities between the well-off City 1 and the increasingly low income City 3 are concerning, as is the shrinking City 2. Toronto is already exacerbating these challenges by failing to build affordable housing across all of the city's wards. Selling single family homes from the TCHC portfolio, which facilitate social integration across the city, would increase the concentration of poverty in particular neighbourhoods in Toronto.

Cost and logistical issues are the main barriers to the effective inclusion of scattered site housing in affordable housing portfolios. It is clear that without proper management, the quality of housing

⁴⁴ Canada Mortgage and Housing Corporation, *Homelessness, Housing, and Harm Reduction*.

⁴⁵ Chief Commissioner of the Ontario Human Rights Commission, Communication to Toronto Mayor Rob Ford, members of the Toronto City Council, and Ontario's Minister of Municipal Affairs and Housing, Hon. Kathleen Wynne re: sale of Toronto Community Housing Corporation scattered housing units, January 12, 2012. <http://www.wellesleyinstitute.com/wp-content/uploads/2012/02/barbara-hall-letter.pdf>.

can deteriorate. A lesson learned from other jurisdictions is that for scattered sites to be effective, maintenance and materials have to be standardized and that having a clear strategy to achieve this is critical.

This research has demonstrated that one viable option for effective management of scattered site portfolios is for them to be managed by non-profit housing providers. Once again, the key lesson is that local context matters. In the US homeowners are able to walk away from their properties if they default on their mortgage, which means that non-profit housing providers have been able to purchase scattered site units at below market rates. Options for transferring TCHC's scattered site units at below market rates to local non-profit providers should be considered.

The Chicago case study provides an example of how a public housing authority with a strategic plan that includes goals and timelines can manage a diverse portfolio that includes scattered site housing. The lack of a clear housing strategy at the federal, provincial, and municipal level means that it is difficult to identify the levers available to improve the number and quality of affordable housing stock. Perhaps the most critical lesson for the TCHC working group is that it is essential that Toronto's scattered site housing stock be managed as part of a comprehensive housing strategy.