

Toronto Community Housing Reports

Revised Shareholder Direction
Ten-Year Capital Financing Plan
Putting People First Follow-up

Executive Committee Reports

1. Amended and Restated TCH Shareholder Direction (EX35.5)
2. A Ten-Year Capital Financing Plan for TCH (EX35.4)
3. Putting People First: Moving Forward (EX35.3)

Amended and Restated TCH Shareholder Direction

TCH Shareholder Direction

- The City is sole Shareholder of TCH and is also the Provincially designated Service Manager for Social Housing pursuant to the Housing Services Act
- The Shareholder Direction provides the TCH Board of Directors with the City's principles regarding their business and sets out the City's expectations and the objectives of TCH
- The original Shareholder Direction to TCH was adopted by Council in October 2001
- The 2013 Amended Shareholder Direction updates definitions and references, modernizes and enhances reporting requirements, increases transparency and accountability, and implements recent Council decisions

Key Enhancements

- **Shareholder Principles**
 - New principles to establish policies for management of financial risk
 - Direction to provide responsive customer service
- **Mandate**
 - Revised mandate for the provision of affordable and subsidized housing, in a state of good repair, for low and moderate income households
- **Board of Directors and Board Structure**
 - TCH board meetings to be open to the public
 - At least one Director have financial management expertise
- **Accountability**
 - Annual reporting to the City including achievement of financial and service targets and explanation of variance between targets and results
- **Employment, Procurement and Related Matters**
 - All procurement activities to use tendering processes, adhere to best practices, and are to be managed in an open and transparent manner

Recommendations

1. Council approve the Amended and Restated Shareholder Direction to TCH;
2. Council request that the TCH Board of Directors amend its By-law No. 2 to bring it into conformity with the Amended and Restated Shareholder Direction and submit the amended By-law to City Council for approval; and
3. Council direct that the General Manager, Shelter, Support and Housing Administration to update the City's Operating Agreement with TCH to bring it into conformity with the Amended and Restated Shareholder Direction.

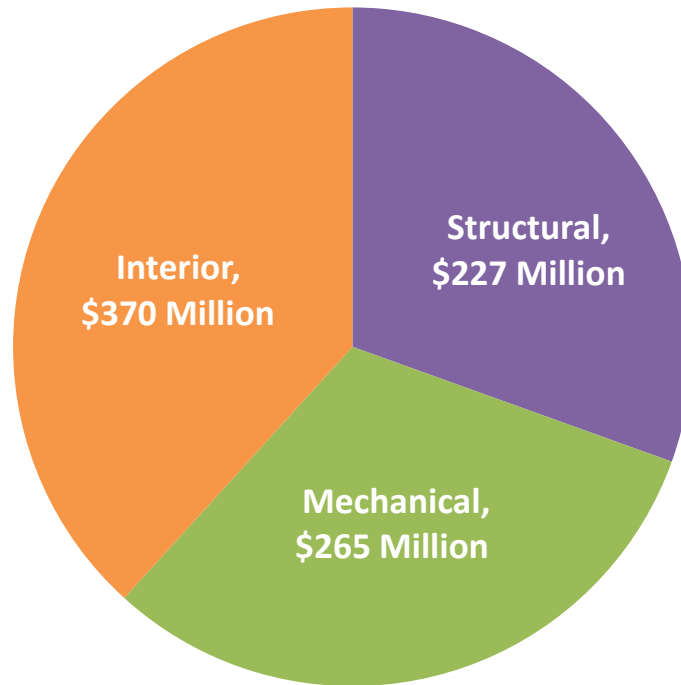
TCH Ten-Year Capital Financing Plan

Ten-Year Capital Financing Plan

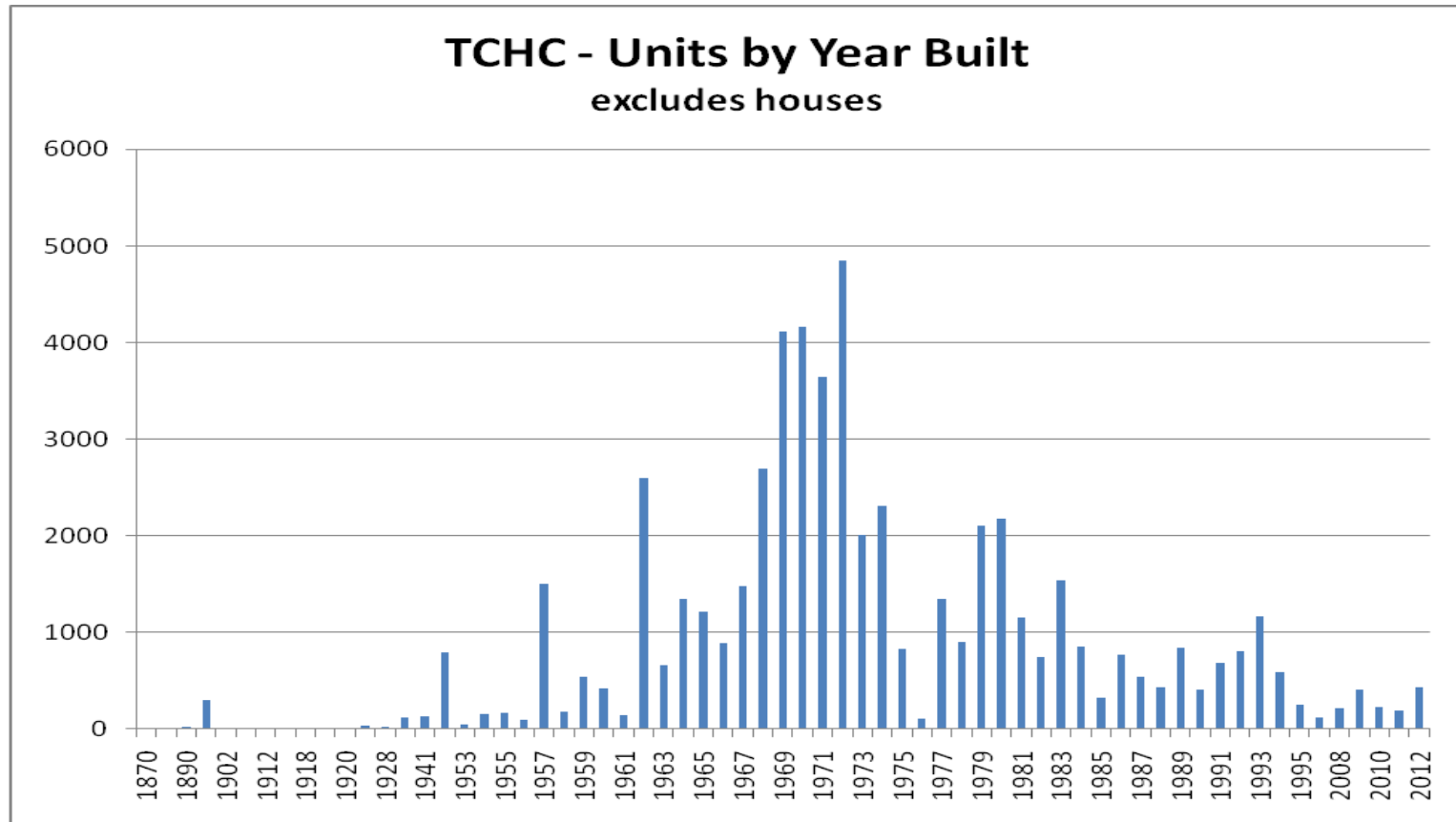
- Based on a recent independent third party building condition study, the TCH capital repair backlog as of December 31, 2012 is \$862 million
- The average age of the TCH portfolio is 40 years and over the next 10 years, an additional \$2.6 billion in funding will be needed to address new capital requirements and maintain the TCH portfolio in its current 'fair' state of repair
- The Ten-Year Capital Financing Plan is built on a federal/provincial/City partnership, where each order of government contributes their fair one-third share (\$864 million each) of the funding required by TCH from 2013 - 2022
- After ten years, from 2023 onward, the capital requirements stabilize to more manageable levels and TCH will be able to address future repairs from within its existing funding sources

Current Capital Backlog Components

Capital Repair Backlog
\$862 Million as of December 31, 2012



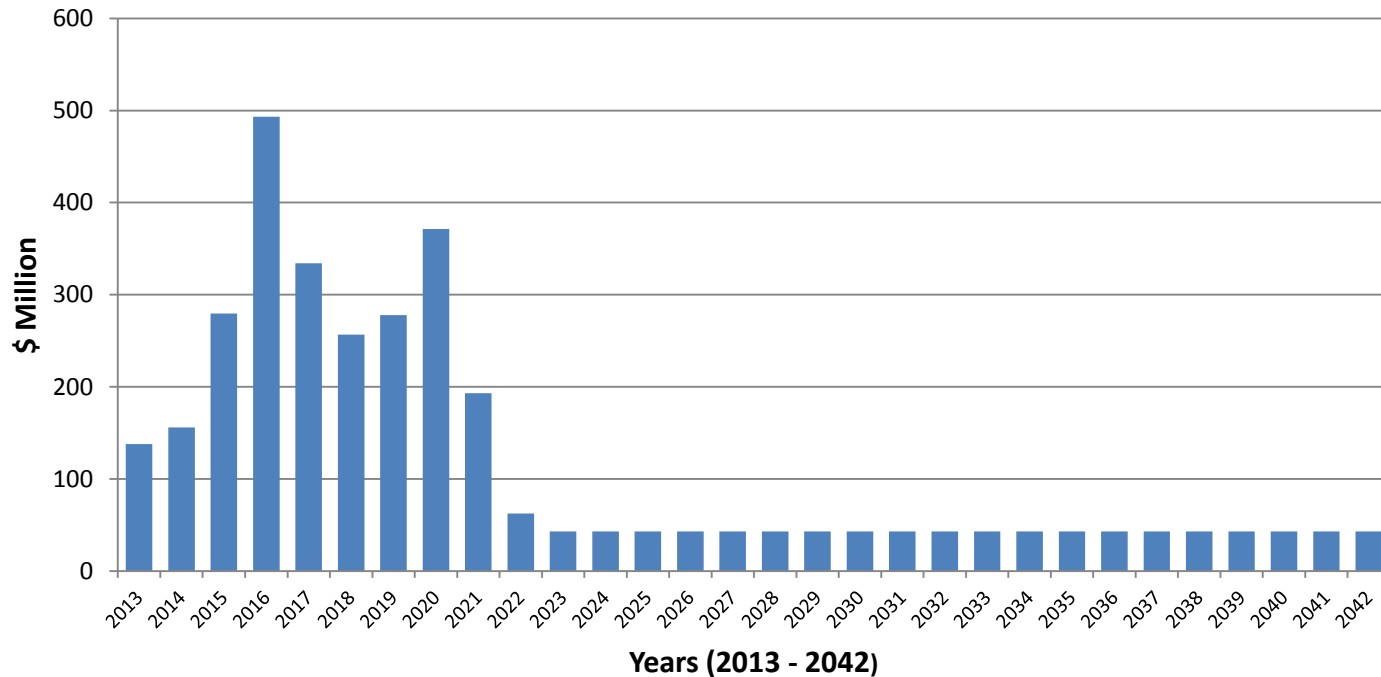
Age of TCH Portfolio



Note: Represents an average age of 40 years (i.e. built in 1974)

TCH Growth in Capital Needs

30 Year Annual TCH Capital Requirements



Portfolio Condition Assessment

- TCH applies a Facility Condition Index (FCI) to assess the average relative condition of its housing portfolio
- The FCI is a percentage derived by comparing the unfunded capital repair backlog to the replacement cost of the TCH social housing portfolio:

$$9.6\% \text{ FCI} = \frac{\$862 \text{ Million TCH Unfunded Backlog}}{\$9.0 \text{ Billion TCH Portfolio Replacement Cost}}$$

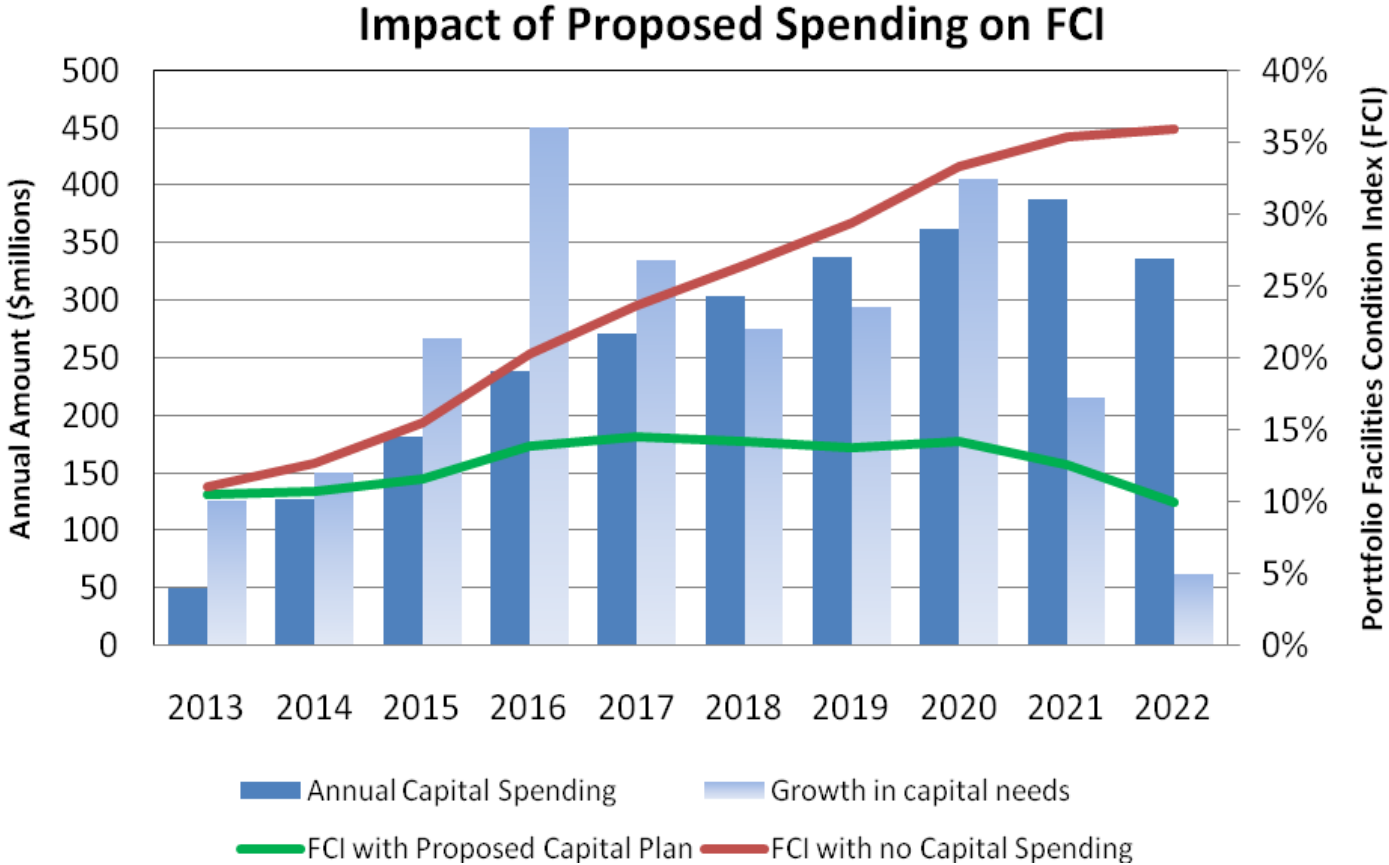
- The Ten-Year Capital Financing Plan is based on an average FCI target for TCH of 10% or 'Fair' condition based on the following scale:

FCI %	Condition
< 5%	Good
6% to 10%	Fair
11% to 30%	Poor
> 30%	Critical

Summary of Capital Financing

SUMMARY OF TCHC 10-YEAR CAPITAL FINANCING PLAN (2013 \$ millions w/ inflation factor)	
Existing Capital Maintenance Backlog (Dec. 2012)	862
10-Year Growth in Needs	2,805
Total Needs	3,667
Acceptable Backlog (10% FCI)	(1,072)
10-Year Capital Need (2013 – 2022)	2,595
City/TCH 1/3 Funding:	
Prescribed TCH Annual Capital Funding from Operating Agreement	(543)
Property Tax Exemption Savings (Education portion)	(94)
Development Charge Reserved Fund for Subsidized Housing	(10)
Sale of TCH Single Family Houses	(65)
TCH Mortgage Refinancing	(152)
City/TCH Sub-total	(864)
Federal 1/3 Funding	(864)
Provincial 1/3 Funding	(864)
Facility Condition Index at End of 10 Years	10%

Impact of Capital Plan on TCH Portfolio



Capital Financing Plan

(2013 \$ millions w/ inflation factor)

TCH Ten-Year Capital Financing Plan											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Capital Needs (\$ millions)											
Outstanding needs carried over from prior year	862	938	980	1,084	1,316	1,406	1,406	1,390	1,462	1,319	
Growth in capital needs	138	159	291	523	362	283	313	426	226	74	
Inflation on opening balance	0	19	20	22	26	28	28	28	29	26	
Reduction due to sale/revitalization	(12)	(8)	(24)	(74)	(27)	(8)	(19)	(20)	(11)	(12)	
Reduction due to capital spending (from * below)	(50)	(128)	(182)	(239)	(271)	(304)	(338)	(362)	(388)	(336)	(2,595)
Outstanding capital needs at year-end:	938	980	1,084	1,316	1,406	1,406	1,390	1,462	1,319	1,072	
Year end Facilities Condition Index (FCI):	10%	11%	12%	14%	14%	14%	14%	14%	13%	10%	
Capital Funding Sources (\$ millions)											
City/TCH Funding Sources											
Annual Capital Funding (TCH Operating Budget)	50	51	52	53	54	55	56	57	58	59	543
Other Funding (DC's, sales, p-tax exemption)	32	45	25	10	10	10	10	10	10	10	169
TCH Mortgage refinancing	93	22	36	0	0	0	0	0	0	0	152
Total Annual City/TCHC Funding:	175	118	113	62	63	64	65	67	68	69	864
Capital reserve Draws(+)/Contributions(-)	(125)	9	69	50	1	0	0	0	0	0	0
Sub-total:	50	128	182	112	64	64	65	67	68	69	
Federal/Provincial Contributions											
Federal Contribution (1/3 total nominal funding)				64	103	120	136	148	160	133	864
Provincial Contribution (1/3 total nominal funding)				64	103	120	136	148	160	133	864
Total Annual Fed/Prov Funding:	0	0	0	127	207	239	272	295	320	267	1,727
Total Capital Spending:	50	128	182	239	271	304	338	362	388	336	

Funding & Reporting Requirements

- 1) The following City/TCH revenues sources will be dedicated to address capital backlog repairs:
 - \$50M+ annually from the TCH operating budget (indexed annually to inflation)
 - Annual savings through property tax exemption (\$6M → \$10M)
 - Proceeds from sale of TCH assets (\$65M)
 - Development Charges (\$10M)
 - Mortgage Refinancing (\$152M)

- 2) TCH will be required to report annually to Council with a rolling Ten-Year Capital Plan that details:
 - Capital expenditures and outstanding capital repair needs from prior year
 - Backlog reductions due to sale of assets and/or revitalization
 - Balance of capital repair backlog reserve fund
 - Changes in estimates for future capital needs
 - Changes in estimates for future capital funding sources

Recommendations

1. City Council In its capacity as Shareholder of TCH:
 - a. approve the Ten-Year Capital Financing Plan (2013-22); and
 - i. direct TCH to increase its annual allocation from its existing operating budget for capital backlog repairs to \$50 million for 2013 and adjust annually by the Consumer Price Index (CPI);
 - ii. direct TCH to initiate negotiations with potential lenders for the refinancing of TCH mortgages maturing in 2014 and 2015, with the potential to leverage equity, of \$22 million and \$36 million respectively, and seek approval from Council for any proposed mortgage refinancing terms negotiated;
 - iii. direct TCH to increase its annual capital repair backlog expenditures from \$50 million in 2013 to in excess of \$300 million annually by 2018;
 - iv. direct TCH to allocate any unspent capital repair funding into a Reserve Fund to fund future capital repair backlog expenditures;

Recommendations continued

1. b. direct TCH to report annually to Council, with an updated Ten-Year Capital Financing Plan as of December 31st of the prior year that includes:
 - i. total amount of capital backlog repair expenditures from the prior year;
 - ii. outstanding capital repair needs carried forward from the prior year;
 - iii. reductions to the backlog due to the sale of assets or revitalization;
 - iv. balance of the capital repair backlog reserve fund;
 - v. changes in estimates for current and future capital repair requirements;
 - vi. changes in estimates for current and future capital repair funding;
2. Council request the Province of Ontario and the Government of Canada to continue to fund the City for social housing at current levels and provide additional funding in the amount of \$864 million each, representing an equal one-third share of the \$2.6 billion in new ten-year TCH capital requirements; and
3. Council authorize the City Manager to allocate \$10 million in total to TCH from the City of Toronto's Development Charge Reserve Fund for Subsidized Housing to replace equity that TCH has previously used in new construction that supported growth through an increase in affordable housing units.

Putting People First: Moving Forward

Putting People First: Moving Forward

- Provides a one-year status update on some of the major recommendations from the Special Housing Working Group's report *Putting People First, Transforming Toronto Community Housing*
- The City and TCH, through refinancing of mortgages (\$93.5 million) and the sale of assets (\$65 million) as approved by Council have already raised \$158.5 million to tackle the capital repair backlog
- Additional work is underway in follow-up to the *Putting People First* recommendations:
 - Re-engaging the federal and provincial government to renew their partnerships and pay their fair share for TCH capital repairs
 - Achieving results through TCH's revitalization efforts
 - Management of the single family houses portfolio

Intergovernmental Strategy

- Calls on federal and provincial government to maintain existing social housing funding and contribute an equal 1/3 share for TCH's \$2.6 billion ten year capital needs
- In recognition of current federal and provincial deficit pressures, the Financing Plan defers the matching \$864 million federal and provincial contributions to 2016 through 2022
- As recommended by Council, the City and TCH launched the *Close the Housing Gap* campaign, which calls for:
 - the federal government to stop withdrawing social housing funding and reinvest funding into much needed capital repairs (\$7M)
 - the provincial government to reverse its decision to eliminate the Toronto Pooling Compensation Grant (\$38M)
 - the provincial government to treat social housing providers fairly by harmonizing social assistance shelter payments (\$80M), and
 - the federal and provincial government to provide fully-funded, long-term housing strategies

City Alignment with FCM Advocacy

- On October 28th, the Federation of Canadian Municipalities formally launched a housing campaign called, “Fixing Canada’s Housing Crunch”
- The campaign, endorsed by the FCM Board of Directors and the Big City’s Mayors’ Caucus, has the following objectives:
 - The federal government immediately introduce new market-based incentives for rental housing
 - In the 2014 Budget, the federal government commit to a plan that will address housing security and stability, including the expiry of existing social housing operating agreements
- City staff are working with FCM to ensure alignment between the Toronto’s “Close the Housing Gap” and FCM’s campaigns

TCH Revitalization & Redevelopment

- TCH revitalization contributes to City building by improving quality of life and transforming neighbourhoods into mixed income communities
- TCH's redevelopment activities are focused on achieving three objectives:
 - Modernize TCH housing through new construction and intensification and in so doing reducing the capital repair backlog
 - Generate additional revenues to pay for revitalization and shift more of the financial risk to development partners
 - Create jobs, including employment opportunities for residents, and boost the economy through construction activities
- A joint Working Group of TCH and City Planning staff are reviewing the development potential of 50 TCH sites. Seven TCH sites identified for major revitalization are currently underway.

Management of Single Family Houses

- Council has approved the sale of 111 TCH single family houses, which are estimated to result in revenues of \$65 million by 2015.
- A specialized unit within TCH's Asset Management division is being established to better manage the remaining 750 units within its single family houses portfolio.
- TCH has and will continue to explore further strategies to diversify the management of its single family houses including:
 - Potential sale of up to 100 homes to residents under a home ownership initiative, which may include down payment assistance
 - Partnerships with non-profit and co-op housing providers to manage or purchase single family houses
 - Devolution of houses to a revocable Community Land Trusts or sale of houses to community based housing providers

Recommendations

1. Council Endorse FCM efforts to work with the Government of Canada to ensure federally-funded social housing programs are maintained and expiring funding from existing agreements is reinvested into social housing;
2. Council urge the federal/provincial/territorial governments to expedite the work of the "Working Group on Expiring Social Housing Agreements" with the aim of providing solutions to support the repair and ongoing vitality of social housing;
3. Council request the City Manager, as part of the 2014 report on the Capital Financing Plan, to report on the progress of the TCH/City "Planning and Development Steering Committee" on the redevelopment and revitalization of TCH sites;
4. Council request TCH to report annually to the shareholder beginning in 2014, on the results of the organizational review and the creation of a specialized unit with responsibility for single-family homes; and
5. Council request TCH to report annually to the shareholder beginning in 2014, on efforts to partner with other organizations to further provide affordable ownership opportunities to TCH residents and qualifying families.

Summary

Key Outcomes

- Updated and revised Shareholder Direction that increases TCH transparency and accountability to the City of Toronto
- The first long-term financing plan for TCH that addresses the \$2.6 billion in new capital needs at TCH over the next ten years
- A request for a renewed federal/provincial/City social housing partnership that calls on each order of government to fund their fair 1/3 share of capital state-of-good-repair
- Required TCH annual reporting to Council on the capital repair backlog
- A roadmap for sustainability – TCH will be able to manage future capital requirements following the ten-year “spike” in capital repair needs
- Improved housing for the tens of thousands of residents that call TCH communities home.