



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

Recommendations Regarding the Social Housing Waiting List

Date:	April 8, 2015
To:	Executive Committee
From:	General Manager, Shelter, Support and Housing Administration
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions; and is about labour relations or employee negotiations.

SUMMARY

Direct control of the rent-geared-to-income (RGI) waiting list function is needed to implement Council-directed business improvements to housing access services. This report outlines the business case and the comprehensive due diligence being exercised by City officials to bring the social housing waiting list function, currently delegated to Toronto Community Housing Corporation (TCHC) and managed by Housing Connections (a subsidiary of TCHC) and all other delegated functions and roles, into the City's reporting and governance structure.

To ensure the system for accessing housing services was operationally efficient and functioning in the best interest of households in need, the City has conducted an extensive review of the centralized waiting list for social housing. The review resulted in recommendations to implement a range of service improvements, which were approved by Council in July 2014, including a choice-based system, an integrated service delivery model and the transformation of the centralized waiting list into a multi-service housing registry.

The business, policy and organizational changes needed to implement these recommendations will require the City to govern and operate the waiting list function. This aligns with the delivery of other housing services and the implementation of administrative changes to RGI access. This report includes a business case, rationale and due diligence plan to transfer the waiting list business unit into the City.

RECOMMENDATIONS

The General Manager of Shelter, Support and Housing Administration (SSHA) recommends that City Council:

1. direct staff to negotiate the acquisition of the social housing waiting list administration business and rent supplement program administration business (the "Business") of Access Housing Connections Inc. (Housing Connections) substantially on the terms, conditions and principles set forth in the Memorandum of Understanding attached as Confidential Attachment 1 to this report (MOU);
2. authorize the General Manager, SSHA, to execute and deliver on behalf of the City of Toronto as purchaser an agreement of purchase and sale of the Business with Toronto Community Housing Corporation and Housing Connections upon terms and conditions that substantially reflect the terms, conditions and principles of negotiation set forth in the MOU, together with such negotiated terms and conditions as are satisfactory to the General Manager and in a form satisfactory to the City Solicitor; and
3. authorize the General Manager, SSHA, to execute and deliver on behalf of the City of Toronto such other notices, consents, authorizations and agreements as shareholder, Social Housing Service Manager or purchaser in order to facilitate the acquisition of the Business including, without limitation, amendments to the Operating Agreement between the City and Toronto Community Housing.
4. direct that Confidential Attachment 1 remain confidential until the necessary agreements are executed to the satisfaction of the City Solicitor.

Financial Impact

The operating subsidies of Housing Connections (\$5.6 million in 2014) are currently funded by the City as part of the residual subsidy paid annually to TCHC. As such, they are included in the approved Operating Budget for SSHA. Following the transfer, the operating costs of the business will be funded directly by the City and the annual residual subsidy paid to TCHC will be adjusted to reflect this change. According to the 2014 financial statements of Housing Connections, the corporation has assets valued at \$2.18 million and liabilities at \$2.33 million.

One time transactional costs of the transfer will be borne by the City. These include costs normally associated with transactions of this type such as legal searches, dissolution of the corporation and external consultants where required. These transactional costs will be kept to a minimum and are not expected to be significant. They will be absorbed within the SSHA approved Operating Budget.

Employee related unfunded liabilities, such as vacation and sick time, to be transferred to the City as direct employer will be determined and will be included as part of the

negotiated transfer. The City will assume no funding liability on accumulated pensions other than to commence employer contributions for transferred employees after the transfer date. Other liabilities including any unknowns directly related to the transfer will be managed and mitigated through the terms of the MOU. Adherence by both parties to the protocols outlined in the MOU will aim to support a positive transition for employees and minimize the risk of human resources related cost implications. Throughout the transfer process, the City's Human Resources and Labour Relations will respect all employment rights in a manner consistent with obligations at law and under current collective agreements.

Efficiencies and service improvements resulting from the asset transfer will be immediately noticeable to the City, employees and clients. TCHC internally shared services, such as legal, communications and accounting, will no longer be provided and charged by TCHC but instead will be provided by the City directly. Implementation of service improvements will be expedited, such as choice-based letting, addressing current system inefficiencies and challenges. Staff will be enabled to better serve clients by moving away from more administrative roles and focusing on higher impact interactions.

All costs of current and future service improvements initiated by the City will remain the City's responsibility and will be processed and approved through the City's budget process.

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

Equity Impact

The proposed asset transfer of the social housing waiting list function and improvements to the social housing system seek to enhance services provided to people applying for social housing, which includes equity seeking groups such as women, seniors, people with disabilities, individuals with mental health issues, those who are homeless and other vulnerable groups in the City of Toronto.

DECISION HISTORY

At the meeting on April 3-4, 2013, City Council adopted CD19.2, *Review of the Centralized Waiting List for Social Housing: Framework and Proposed Directions*. Council authorised staff to consult with stakeholders on the implementation of a choice-based system and to make improvements to the client experience for all applicants to social housing.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD19.2>

At the meeting on December 16-18, 2013, City Council unanimously adopted CD25.10, *2014-2019 Housing Stability Service Planning Framework*. One of the key actions in the Framework is to "create a proactive, coordinated access system for social and affordable

housing...by implementing changes to City policies, modernizing system administration and empowering applicants with better information and more choices."

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD25.10>

At the meeting on July 8-11, 2014, City Council adopted CD30.10, *Update on the Review of the Centralized Waiting List for Social Housing*. The report authorised staff to transform the centralized waiting list into a multi-service housing registry as a component of an integrated human services delivery model and to develop a transition plan for the integrated service delivery model that acknowledges and protects the interests of Toronto Community Housing staff, service partners, applicants and residents.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CD30.10>

At the meeting on March 31, April 1, 2 and 3 2015, City Council adopted CD2.3, *Progress Report on Implementation of 2014-2019 Housing Stability Service Planning Framework*. Council directed staff to develop an online housing help portal which would function as a coordinated access point for social and affordable housing options and housing help resources and to expand the centralized choice based system for the allocation of rent-geared-to-income (RGI) units to also include other housing benefit options including housing allowances, rent supplements and below market rent units.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD2.3>

ISSUE BACKGROUND

As the Service Manager for housing and homelessness services, the City of Toronto is legislated to administer the waiting list for social housing. The *Housing Services Act, 2011* states that "A service manager shall have a system for selecting households from those waiting for rent-geared-to-income assistance in the housing projects in the service manager's service area." [*Housing Services Act*, 47. (1)] Additionally, the City as Service Manager is legislated to deliver rent supplements, a function that has been delegated to Housing Connections.

Prior to amalgamation and the download of social housing, a common RGI wait list system existed to handle applications for access to RGI, in public housing, as well as provincial non-profit and co-operative housing providers. At the time, the waiting list was managed through a joint venture of the former Toronto Housing Company and Metro Toronto Housing Corporation. After transfer, the co-ordinated access system continued to be operated by TCHC, following its establishment, and the City of Toronto as Service Manager delegated the legislative requirement for a waiting list to TCHC to meet Service Manager obligations.

In 2003, TCHC established Access Housing Connections Inc. (commonly known as Housing Connections) as a wholly owned subsidiary company of TCHC under the *Ontario Business Corporations Act*. In establishing Housing Connections, TCHC approved a shareholder direction that set guiding principles, high-level objectives and expected accountabilities. The shareholder direction establishes Housing Connections as a not-for-profit organization under the direction of an independent board of directors.

The purpose of Housing Connections is to:

1. Administer the Centralized Waiting List, and its service delivery components
 - a. Eligibility Assessment: Receiving, reviewing and approving applications for basic eligibility for RGI and confirmation of priority status if requested.
 - b. Household Selection: Management of the Toronto Applicant Waiting List (TAWL) database system, which holds the roughly 90,000 unique applicants' records. These records are used by more than 200 social housing providers under the City's administration for the purpose of making offers for RGI housing.
2. Deliver housing access services
 - a. Client Interaction: The front-facing service that is responsible for responding to the approximately 700 service inquiries, issues and requests received on a daily basis. This function also includes the management of a call centre, a walk-in Resource Centre and a website.
3. Administer rent supplement programs

The current four-person Board of Directors was appointed by the Shareholder, TCHC, on October 3, 2012. In 2014, Housing Connections' total operating budget was \$5.6 million.

Currently, applicants to social housing can apply online at the Housing Connections website, call the Housing Connections office, visit the Housing Connections Resource Centre or the office of a community partner. These 39 community partners are located across Toronto and help individuals with the application process and their housing search. Staff at the community partner offices are trained in Housing Connections' policies and procedures, and have access to the waiting list database (TAWL).

The Housing Connections office is located at 176 Elm Street, on the ground and second floors of a building that is leased to TCHC. There are 50 FTEs; 39 are members of CUPE Local 79 and 11 are Management/Exempt. Staff provide back office supports, such as waiting list management, and a walk-in Resource Centre (i.e. counter) for clients. Some Housing Connections services are shared with TCHC, including legal staff, IT and Human Resources.

COMMENTS

Waiting List Review

When the centralized waiting list was first established, the primary purpose was to administer a waiting list according to provincially legislated requirements. However, over

time, the context in which the waiting list operates has changed, and expectations have evolved about the role of the waiting list within the housing access system. The underlying reason that people request an application for the waiting list is that they have a need for affordable housing options. Given years-long wait times for RGI units, the waiting list as it is currently structured is not able to meet that need for the majority of people. Housing Connections has continued to meet the original mandate of administering the waiting list according to initial legislated requirements, but is not structured to respond to evolving needs.

Although the Social Housing Waiting List is often used as a general indicator of need for affordable housing, there is no evidence to suggest that the waiting list is reflective of the true scope or demographic makeup of need, as many people may be discouraged by long wait times from even applying. In addition, households on the waiting list have varying levels of need. Those on the waiting list are in a range of housing situations and are in many cases managing to maintain other housing while they wait for an RGI unit, but have varying levels of affordability and need.

In the 2009 *Housing Opportunities Toronto* plan, City Council called for a comprehensive review of the social housing access system to "explore how to improve service to clients, more effectively match applicants with units, and provide fair and efficient access to housing for the most vulnerable." Since then, the legislative context for the social housing waiting list has changed significantly. The *Housing Services Act, 2011*, which came into effect in 2012, provides the City with greater flexibility to redesign the waiting list system to be more responsive to local needs.

A multi-year review of the social housing waiting list, conducted by SSHA, and in consultation with applicants, Housing Connections, service providers and the public, identified a number of areas for improvement in the waiting list. The first part of the waiting list review outlined several opportunities for the City to pursue, including:

- explore the implementation of a choice-based system;
- update City rules to better address needs and challenges in the system;
- enhance the client service experience for all users of the system;
- upgrade technology to enhance user experience and improve system efficiency;
- and
- achieve better integration of the range of housing services available to meet the full range of applicants' housing needs.

In the second part of the waiting list review, Council authorised staff to implement changes to the local rules and service improvements, such as a choice-based system for renting RGI units. To achieve these improvements and fulfill the recommendations, the waiting list function needs to be brought back into the City's administrative and governance structure.

Business Case and Rationale

The challenges of Toronto's social housing waiting list are well known. For the past 10 years, the number of households on the waiting list for an RGI subsidized unit has continued to grow while the number housed each year continues to decline. That trend continued in 2014, due to the fixed number of subsidized units and the very low turnover in RGI units. The number of households on the waiting list stands at a total of 91,032 as of December 31, 2014 while only 3% of that number were housed in 2014 (3,122 households). In 2014, Housing Connections' total operating budget was \$5.6 million. Under the current system, a significant portion of this budget must be devoted to the administrative task of simply managing the growing list of people waiting to have their housing needs met.

The new flexibility through the *Housing Services Act* has allowed the City to move forward on the initiatives identified through the Waiting List Review aimed at addressing these inefficiencies while improving customer service and housing outcomes. These have been approved by City Council and include:

- Implementing a choice based system for the allocation of RGI units.
 - This system has demonstrated significant efficiencies in matching applicants with vacancies through more pro-active engagement on the part of applicants.
- Integrating access to housing allowances and other housing benefits with access to RGI.
- Creating a registry of affordable and below market housing and housing help resources.
 - This will enable the waiting list to perform as a multi service housing registry and allows staff to provide more effective housing help.
- Participating in the Human Services Integration initiative; integrating access to RGI with access to other City administered human services including Ontario Works and Child Care fee subsidies.
 - This presents opportunities to greatly improve the client experience and client outcomes through reducing duplication and greater coordination of resources.

In December 2013, City Council also unanimously adopted the *2014-2019 Housing Stability Service Planning Framework* (HSSPF). The HSSPF includes strategic directions and actions aimed at transforming housing and homelessness services into an integrated, client-centered, outcome-focused housing stability service system.

If approved by City Council, the asset transfer of Housing Connections and its delegated functions to the City will allow the City to fully implement the changes to the waiting list system and transform it to more effectively meet the goals of the HSSPF. This transformation is an ongoing process and will involve integrating the delegated roles and functions into SSHA. By the asset transfer date, the City will bring the intact business unit into the City's administration and engage staff in pursuing City service improvement initiatives already in development.

As part of the due diligence, in 2014 a multi-disciplinary team of City officials evaluated multiple options for social housing waiting list administration. The team examined the strengths and weaknesses of three options for social housing waiting list service delivery: (1) maintain the status quo, (2) bring the waiting list function into the City, and (3) separate and contract out the waiting list functions. The team rigorously identified, ranked and scored a diverse set of factors relating to cost and service delivery and participated in facilitated workshops to evaluate the 3 service options.

In ranking the service and cost factors, the team concluded that the second option, bringing the social housing waiting list administration in-house, scored the highest and was thus the recommended option. The key reasons behind this decision include:

- gives the City more control over the service;
- allows the service to be integrated into existing City functions to leverage existing expertise and resources;
- allows the City to explore new ways of achieving service goals; and
- is consistent with Toronto City Council's current policy direction.

Asset Transfer

Officials from the City and TCHC have been working cooperatively on the substantial due diligence required for this transaction. Both parties are guided by a Memorandum of Understanding (MOU), attached to this report as Confidential Attachment 1, that outlines general terms and conditions of the proposed transfer and the agreed upon principles governing all negotiations. The MOU between the City, TCHC and Housing Connections, confirms that TCHC is in agreement with the transfer. It also governs, according to mutually agreed-upon principles, how all negotiations will take place. These principles, guided by the MOU, focus on:

- identification and transfer of only those assets and employees employed in the Business;
- cost neutrality;
- seamless transition for all stakeholders;
- confidentiality;
- good faith; and
- a communications protocol.

According to the 2014 audited financial statements of Housing Connections, the corporation has assets valued at \$2.18 million and liabilities at \$2.33 million.

Due diligence teams comprised of officials from both the City and TCHC are currently engaged in planning and preparing for the transition and negotiating related cost implications, if the transfer is approved. These teams have been meeting regularly to identify all of the asset transfer components. To date, the following teams have been established:

- Human Resources/Labour Relations
- Information Technology Systems
- Communications
- Finance
- Risk Management
- Facilities and Real Estate
- Legal

The expertise of the due diligence teams will be leveraged to examine all relevant legislation, governance documents, employee contracts, third-party contracts, assets/liabilities and tax implications. As part of this, and through the MOU, the City will work closely with TCHC and Housing Connections to negotiate an agreement for certain shared services provided by TCHC (e.g. IT) that are to be maintained during the transition period.

One of the key components in the social housing waiting list function, information technology, will be improved through new online functionalities for clients. This will ensure ease-of-access and appropriate channel management. Multiple IT systems will be implicated in the asset transfer, including databases, email and phone systems. Enhancements to the website are already in progress, leading to improved applicant/provider self-service options, more information to support housing choice for applicants and enhanced technology to simplify internal business processes.

The communications team will proactively respond to emerging concerns and keep all stakeholders informed. A communication protocol has been included in the MOU so that communications are carefully coordinated and timed. Union and management staff will be kept informed in accordance with established human resources and labour relations protocols. The communications team will also be well-prepared for any third party information requests.

Once the asset transfer is complete, staff administering the waiting list will continue to operate out of the Elm Street location in the short term. In addition to fostering the seamless nature of the transfer, this also provides consistency for clients, many of whom visit the Resource Centre regularly to apply for social housing and update their applications. The longer-term office space arrangements will be carefully examined by the Facilities & Real Estate due diligence team.

Throughout the asset transfer process, the project team will be guided by the objective of enhancing client outcomes and will apply a customer-oriented lens to ensure there is minimal impact on clients. Similarly, the project team will look to minimize disruptions during the transfer to ensure, to the best of their efforts, a seamless transition for Housing Connections staff, who provide critical services to low-income residents of the City.

CONCLUSION

Bringing the social housing waiting list function into the City's reporting and governance structure will improve the wider social housing system. However, it is a complex initiative that requires substantial due diligence because the transfer involves the move of an entire business unit into the City. The City and TCHC will work closely to negotiate the details of the transaction. Both parties will continue to collaborate through specialized teams to complete their due diligence and transition planning. The asset transfer will be finalized upon completion of negotiations and due diligence. If discussions go as planned it is expected that the transfer will occur in early fall 2015.

Compliance with existing corporate policies, including labour relations protocols, will be adhered to throughout the transfer process. Meaningful and comprehensive communication materials will support the transfer and ensure all affected parties, including staff, stakeholders and community agencies are well-prepared for and committed to bringing the waiting list function into the City.

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SIGNATURE

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ATTACHMENT

Confidential Attachment 1: Memorandum of Understanding