



TRANSFORMATIVE CHANGE FOR TCHC

A REPORT FROM
THE MAYOR'S TASK FORCE ON
TORONTO COMMUNITY HOUSING

JANUARY 26, 2016



January 26, 2016

His Worship John Tory
Mayor, City of Toronto
100 Queen Street W.
City Hall
Toronto, ON M5H 2N2

Dear Sir,

On behalf of the Mayor's Task Force on Toronto Community Housing I am pleased to present to you our Final Report 'Transformative Change for TCHC'.

This report focuses on the major changes that we feel are necessary to ensure the social and economic viability of the corporation going forward. It speaks to: partnerships and innovation; capital revitalization and new development; and governance. It also references the reforms to operations and service delivery that were addressed in our Interim Report 'Improved Living at Toronto Community Housing'.

The Task Force presents five transformative ideas, and 29 recommendations which, if adopted, can put TCHC on the path to financial stability, revitalize the portfolio, move management decision-makers closer to the residents, and improve governance and accountability.

We recognize the hardworking leadership and employees of TCHC and their efforts every day to improve the lives of the residents. And we salute the service of the Corporation's dedicated Board of Directors.

I want to thank the Members of the Task Force: Ed Clark, Blake Hutcheson, Janet Mason, Muna Mohammed and Brian Smith for their intelligence, creativity and determination in undertaking this exhaustive and wide-ranging Report.

I also thank City staff who assisted the Task Force: Julie Western Set, Jenn St. Louis, Margie Carlson, Karen Kew and our Secretary Phil Gillies for their diligent work over the last twelve months. Thanks also to Steve Pomeroy, Joy Connelly, Jordan Ostapchuk and Therese Russell for their input and advice.

Many other partners have given generously of their time and talents to the Task Force, and they also have my sincere thanks.

Sincerely,



Senator Art Eggleton
Chair

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EXECUTIVE SUMMARY

In January, 2015 Mayor John Tory appointed six volunteer members of the Mayor's Task Force on Toronto Community Housing Corporation and asked them to offer advice on "how to strengthen and support the delivery of housing to its residents, now and in the future." Their focus was four-fold: operations and delivery; partnerships and innovation; capital revitalization and new development; and governance.

Over the course of the year, the Task Force heard from over 1,000 tenants and community members, almost 100 different stakeholder groups, officials from the City, the Province and Federal governments, and housing experts from Canada, the United Kingdom, Australia and the United States. The Task Force immersed itself in the challenges and opportunities of Canada's largest housing provider.

The Task Force has found that Toronto Community Housing Corporation (TCHC) is an organization that, because of its history and structure, is unsustainable financially, socially and from an operating and governance perspective. It is at the centre of a crisis that has been thirty years in the making.

Our Interim Report, released in July 2015, highlighted the operational challenges faced by the organization. It discussed the fact that many of TCHC's 110,000 tenants are dissatisfied with the state of repair and cleanliness of their buildings. Many do not feel safe in their homes because of social disorder and criminal activity in their neighbourhoods. Vulnerable residents lack ready access to services to deal with mental health, addiction, hoarding and aging. At the same time, TCHC struggles with an ever growing backlog of capital repairs, inadequate operating funding, and the need to manage tenant issues for which the company is not adequately resourced. The City also faces an affordable housing crisis that needs a solution.

This Final Report includes a total of 29 recommendations directed at the City, the Province, the Federal government and TCHC on a range of issues considered by the Task Force. The Task Force vision for transformative change is outlined through five central ideas:

1. Transition to a new community-based non-profit housing corporation. Foster independence and a resident focus and operate at arm's length from the City. The report recommends two methods that can be selected:

- **Manage Now. Own Incrementally** – the City creates a new independent community-based non-profit housing corporation (referred to in the Report as *NewHome*) to manage TCHC's properties. The City would retain TCHC as a development and asset renewal company. As properties become viable, they could be transferred to *NewHome* or other non-profit housing providers.
- **Reform First. Then Transfer** – in this model, TCHC would be divided into three distinct divisions: operations, development and corporate services. A General Manager would head each division. A small head office team would coordinate the overall corporation. This would allow for a greater separation of the distinct functions.

As a non-profit, TCHC/*NewHome* would probably be able to increase borrowing capacity by being removed from the City's balance sheet. TCHC/*NewHome* would be accountable to the City and taxpayers in the same way all of the other 240 non-profit housing corporations in Toronto are.

2. Create mixed-income communities. This will create a positive social mix in TCHC communities and increase revenue. Renegotiate the rent geared to income targets between the City and TCHC to move to a more mixed portfolio of 70% subsidized renters. The Task Force is not proposing any reduction in subsidies – 52,600 households are subsidized by TCHC now – they should be kept at least at current levels. The City can reallocate those subsidies to other partners – for example, to non-profit or co-op housing providers, to new affordable housing buildings or in the private market with private sector landlords. This in conjunction with significant financial strategies outlined here will enable TCHC to have a solid financial foundation.

3. Better buildings and more of them. Revitalize the portfolio, funded by intensification on some sites and by creating market rental and affordable ownership housing. All three levels of government will need to provide their support through a range of new and existing tools within their control such as capital grants or loans, debt guarantees, or donations or preferential sale of surplus public land. A review process

would determine whether buildings might better move to non-profit organizations that currently lease or operate them, and review opportunities to renovate, demolish, replace or sell. Provincial and Federal funding will be vital to this process.

- 4. Decentralize Operations/ Strengthen Partnerships.** Move to a flatter management model. More decision-making will move to the Operating Unit level, with closer contact between managers, front-line workers and tenants. Tenant Advisory Committees, made up of tenants, City and community resources, and the local City Councilor could be established to support the decentralized model. Vulnerable tenants will have the support they need through partnerships with agencies specializing in seniors' supports, mental health and community development.
- 5. Reform the rent geared to income (RGI) System.** Reform of Ontario's current RGI system is important for current low-income renters, giving them choice and portability in housing location and simplifying the administrative processes. Reform has the potential to streamline the delivery of housing assistance, along with social assistance and child care subsidy. This will provide flexibility to households and is also one component of helping TCHC transition to mixed-income housing.

Together, the changes recommended in this report can put TCHC back on a path to a financially and socially sustainable future. A future as a housing company that provides the best housing for its tenants. One that offers access to services for those who need them. One that is accountable to the City and its taxpayers.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1

That the City facilitate TCHC's transition to a community-based non-profit housing corporation, taking into consideration the two models outlined in this report.

RECOMMENDATION 2

That the City, in consultation with TCHC/*NewHome*¹, oversee a portfolio rationalization process that includes an analysis of the portfolio to determine what is reasonable to renovate, those that should be demolished and replaced, perhaps with higher density or those that should be sold. Also, properties will need to be reviewed to determine who is best to operate the buildings and provide the most effective service to tenants.

RECOMMENDATION 3

That existing TCHC employees be given the opportunity to transfer to any new entities² created by organizational re-structuring with appropriate consultations to be carried out with union representatives.

RECOMMENDATION 4

The Corporate Board of Directors of TCHC/*NewHome*, should be reduced to 7-9 citizen members and should be more appropriately compensated for their commitment and adequately supported.

¹ For the remainder of this Report, we have referred to TCHC/*NewHome* in text and recommendations that pertain to TCHC's future state. Depending on the transition period to *NewHome* that is chosen by the City, these recommendations will be undertaken by either TCHC as it exists now or *NewHome*, the new non-profit corporation identified in Recommendation #1. TCHC is used to refer to the past and present organization as well as the future development function possibility.

² While this primarily refers to the creation of *NewHome*, if other entities are created from the current TCHC, this opportunity should also be available to staff.

RECOMMENDATION 5

That the City rely on its existing powers under the *Housing Services Act* to ensure sound public policy and fiscal stewardship of public funds by TCHC or *NewHome*.

RECOMMENDATION 6

That the City request the Province to make the necessary legislative changes to support income-mixing in public housing and that the City and TCHC renegotiate TCHC's rent geared to income targets to facilitate a transition to a more mixed portfolio reducing the current 90% Rent Geared to Income household numbers, over time, to 70%, without reducing overall the City's commitment to RGI level subsidies for low-income tenants.

RECOMMENDATION 7

That the Province consider ways to help reduce TCHC's energy burden and that TCHC update its energy efficiency strategy to include portfolio-wide incentives or programs for tenants to conserve.

RECOMMENDATION 8

That the City requests the Province to adjust social assistance rent scales so that RGI tenants who receive social assistance are charged and receive the maximum shelter allowance.

RECOMMENDATION 9

That the City conduct a full review of services to the TCHC tenant population (such as employment, recreation programs, security officers), with a view to identifying which services the City, or one of its agencies, should fund or manage, and the best way to integrate these services with the greater community.

RECOMMENDATION 10

That the City continue to look at revenue and/or debt-related financial tools to help fund social housing including the removal of TCHC from the City's balance sheet.

RECOMMENDATION 11

That the City continue to engage with the Federal and Provincial governments in order to identify funding opportunities for the \$2.6 billion capital repair program including the newly promised Federal funding for social infrastructure, and requesting the Province to also provide matching infrastructure funds. The City should also continue to call upon the Federal government to create a National Housing Strategy, with funding to support it.

RECOMMENDATION 12

That TCHC undertake an aggressive building program to support the goals of income-mixing, energy efficiency, managing capital repairs and increasing affordable housing options for low and moderate income people in Toronto. That TCHC explore the possibility of combining affordable homeownership as well as affordable rental in some new or fully renovated buildings. This can be done on its own and/or in collaboration with the non-profit or private sector.

To support this new aggressive building program, we further recommend that all three orders of government provide a range of new or existing tools including (i) capital grants or loans, (ii) debt guarantees, (iii) tax and fee waivers, (iv) streamlined approvals and (v) donations or preferential sale of surplus public land.

RECOMMENDATION 13

That the City and TCHC, along with community non-profits and/or private sector partners, give early attention in an aggressive building program to the provision of more accommodation for seniors, including seniors-only facilities.

RECOMMENDATION 14

That TCHC/*NewHome* pursue a comprehensive sustainability agenda and continue to take advantage of Provincial and other energy rebate or incentive programs.

RECOMMENDATION 15

That TCHC/*NewHome* shift its current operational structure to a decentralized model, with more localized decision-making in order to ensure closer contact with frontline workers and tenants, make more effective use of local partnerships and staff at all levels.

RECOMMENDATION 16

That the City, working together with TCHC/*NewHome*, establish new Tenant Advisory Committees to align with the decentralized organizational structure and to provide a more responsive and accountable forum to address tenant issues. The majority of members will be tenants, joined by City and community resources, as necessary.

RECOMMENDATION 17

That TCHC/*NewHome* develop management agreements to clarify the authority of local Operating Units to make decisions, to establish measures to track performance and to regularly monitor performance with metrics.

RECOMMENDATION 18

That the City continue to work closely with TCHC/*NewHome* and Toronto's five Local Health Integration Networks (LHINs) to introduce on-site or community hubs by identifying partner agencies and seeking funding for support services in "high needs" buildings.

RECOMMENDATION 19

That TCHC/*NewHome*, with support from the City, develop a partnership strategy to clarify the purpose and nature of its relationships with referral and support service agencies, and to ensure support/referral arrangements lead to tenancy success.

RECOMMENDATION 20

That the Provincial government be requested to prioritize legislative changes to reform and simplify the rent geared to income system (RGI) to: a) verify incomes no more than once a year, unless the tenant experiences a major loss of income; 2) base subsidy calculations on income tax returns and 3) permit rent geared to income subsidies now tied to the landlord to be converted into portable housing benefits. In the meantime, the City, as Service Manager, consider assuming the calculation of RGI qualified subsidy levels as part of its one-window initiative for those seeking subsidized housing, childcare subsidies, and Ontario Works.

RECOMMENDATION 21

That TCHC/*NewHome* continue to pursue the Action Plans recommended in the Task Force Interim Report (see Appendix B). This is key to improving living conditions for tenants.

RECOMMENDATION 22

That the City, in collaboration with TCHC/*NewHome*, enhance afterhours support offered through its Client Care Centre so that staff have support in crisis situations. As well, TCHC/*NewHome* should provide further training programs for staff working with vulnerable tenants.

RECOMMENDATION 23

That TCHC/*NewHome* examine the services provided by the Office of the Commissioner of Housing Equity to explore mandate changes that would offer wider and earlier service to any tenant at risk of eviction for rent arrears.

RECOMMENDATION 24

That TCHC/*NewHome* review and revise its policy of Evictions for Cause with a focus on quick and consistent procedures to deal with illegal and antisocial activity.

RECOMMENDATION 25

That the City continue to pursue the 2015 Federal budget item, on TCHC's behalf, to allow for mortgage refinancing without penalty on remaining high interest CMHC mortgages.

RECOMMENDATION 26

That TCHC/*NewHome* review current private sector management contracts adopting clear performance standards to ensure equity in tenant services, adequate small capital repairs and fair wages for staff. Both non-profit and private sector companies should be considered for contracting.

RECOMMENDATION 27

That the City should cap the growth of TCHC/*NewHome* so that they continue to operate no more than their current level of 58,500 units, subject to review in five years. Ways should be explored for the development expertise and economies of scale advantages within TCHC to be helpful in strengthening the non-profit housing sector in Toronto.

RECOMMENDATION 28

That Council direct the City Manager to oversee the implementation of all recommendations directed to the City as Shareholder and Service Manager and that the new Board of TCHC/*NewHome* be similarly mandated to oversee the implementation of those actions related to the corporation itself.

RECOMMENDATION 29

That, in five years, the City conduct a review of changes implemented as a result of this report.

INTRODUCTION

In January, 2015 Mayor John Tory appointed a Task Force on Toronto Community Housing Corporation (see Appendix A for TF member bios). He asked them to offer advice on “how to strengthen and support the delivery of housing to its residents, now and in the future.” Their focus was four-fold: operations and delivery; partnerships and innovation; capital revitalization and new development; and governance.

A challenging request – one that will affect the lives of many.

As we quickly saw it is an organization that, because of its history and structure, is unsustainable financially, socially and with respect to operations and governance.

TCHC’s current revenues are insufficient to manage and maintain good quality homes. The result is tenant dissatisfaction, a \$2.6 billion capital backlog and a projected operating deficit of more than \$60 million after 2016 that could grow to more than \$200 million per year by 2026 if nothing is done.

Its financial woes are compounded by pressures from above, including funding uncertainty, a complex regulatory and accountability framework, and ever-increasing expectations to solve Toronto’s social problems; and pressures from within, including run-down buildings, leadership turnover, an ever-broadening mandate and the disruption of perpetual reviews, including this one.

While the recommendations in this report flow from our mandate, we are mindful that TCHC is only one of the possible avenues to Toronto’s affordable housing crisis. There are over 95,000 households – 174,000 people – on Toronto’s social housing waiting list and thousands more who will be seeking it in the years ahead. This deserves the highest of attention by the Mayor and City Council. In our Interim Report (See Appendix B), the Task Force summarized the problems facing TCHC. In our Final Report, we propose solutions that, taken together with effort from all sides, will transform TCHC’s buildings into the homes that tenants – and Toronto – needs.

TCHC BY THE NUMBERS

2002

TCHC IS CREATED

#1 LARGEST HOUSING PROVIDER IN CANADA

#2 LARGEST HOUSING PROVIDER IN NORTH AMERICA

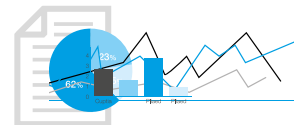
70%

OF TORONTO'S SOCIAL HOUSING

1,600 PEOPLE DIRECTLY EMPLOYED

\$9B

VALUE OF TCHC'S PORTFOLIO



658.8M

CONSOLIDATED OPERATING BUDGET FOR 2015

58,000 UNITS

2,200 BUILDINGS

RESIDENT FAST FACTS

RESIDENTS ARE...

CHILDREN
& YOUTH



38%

ADULTS



37%

SENIORS



25%



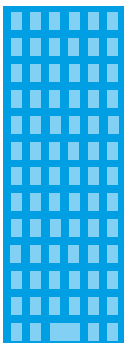
22,000 HOUSEHOLDS
INCLUDE CHILDREN

21,110 HOUSEHOLDS
ARE SENIORS LIVING ALONE

29%
OF RGI HOUSEHOLDS
HAVE A MEMBER
WITH A DISABILITY
(VS. 12% IN ONTARIO)



UP TO **80%** OF TCHC
HOUSEHOLDS RELY ON
SOCIAL ASSISTANCE
AS THEIR PRIMARY
SOURCE OF INCOME



94% OF TCHC
RGI HOUSEHOLDS
ARE BELOW THE
POVERTY LINE

MEDIAN INCOME

TORONTO
RESIDENTS



\$58,381

TCHC RGI
RESIDENTS



\$15,225

01 THE NEED FOR CHANGE

Readers of the Task Force's Interim Report will recall that the Task Force undertook extensive consultations to develop a thorough understanding of TCHC's present state.

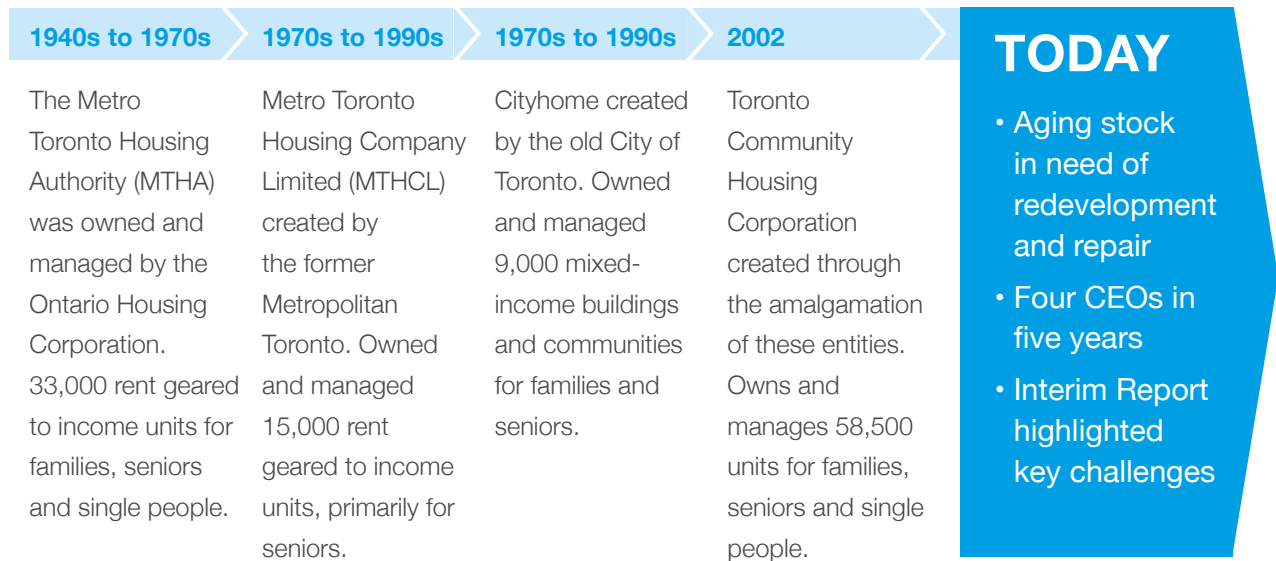
Since we began our work in January, 2015 the Task Force has:

- heard from over 1,000 tenants and community members and visited over 70 TCHC and non-profit buildings and communities;
- met with almost 100 different stakeholder groups, including other housing providers and sector groups, unions, developers, and lenders;
- met with a wide range of officials from the City, the Province and Federal governments;
- met with TCHC's Board and Executive Team, and spoken with its senior managers, Operating Unit managers and frontline staff and their unions;
- spoken with housing experts from Canada, the United Kingdom, Australia and the United States; and
- undertaken financial and housing development modeling and reviewed many reports and documents.

A crisis thirty years in the making

Many of the challenges we heard through our consultations are the consequence of previous Federal, Provincial and Municipal government policy decisions. Some of these decisions yielded significant savings for individual levels of government, and appeared to be cost-effective solutions to new or growing needs. The result, however, is that TCHC has received fewer resources yet has been expected to deliver more.

The timeline of TCHC's history is outlined below:



Over the past 40 years, the Provincial government changed policies that determine priority access to social housing. The changes increased the number of households with complex needs being admitted into social housing. While people with complex needs do need affordable housing and should receive it, their access to it was not always linked with support services. Today, 24,000 TCHC households include at least one person with a mental illness, and an estimated 9,000 tenants have a “serious and persistent mental illness.” This is twice as many as all Toronto purpose-built supportive housing providers combined.

“Social housing has become the go-to solution for people with mental illness leaving institutions, for households fleeing abuse, and for homeless people leaving the streets...The result? Housing that was designed and funded for low-and moderate-income families and seniors able to live independently is now home to Ontario’s most vulnerable people.”

– *Ontario Non-Profit Housing Association, 2015*

TCHC’s financial sustainability suffered from other changes. For example, the Federal government introduced a financially sustainable non-profit housing program in the 1980s but did not alter the funding formula for public housing (see Appendix D for a Glossary of Terms), which is the

largest portion of TCHC’s housing stock. The program continued to rely heavily on Federal and Provincial subsidies for support, without consideration that the subsidy costs could be downloaded to the Municipal tax base in the future. Today the subsidy for non-profit housing bridges the gap to benchmarked market rents – a higher amount than what TCHC receives.

Capital repairs have loomed in the background for years if not decades, waiting to come due. In the 1940s and 1950s, Canada created a national public housing program that relied on annual capital expenses. However, the funding model had no contingency fund for capital needs. When the Federal government introduced the non-profit housing program in the 1970s, it addressed this by providing a funding model for future capital repair needs. Yet it did not alter the public housing funding model. In 2013, the City and TCHC estimated TCHC’s accumulated capital backlog to be \$2.6 billion. As a result, without significant new investment up to 7,500 homes may have to be closed over the next eight years, with another 4,000 slipping into critical condition.

While TCHC’s current challenges may have roots in a combination of policy changes and problems occurring over many years, the combined impact of these seemingly small changes brings us to our current crisis situation. It is fair then, that as the Federal and Provincial governments had a hand in creating this situation, so too should they be part of the solution.

An unsustainable corporation

Through our work, we heard that TCHC is struggling financially, socially and from an operating and governance perspective. We saw five main issues:

- 1. Many residents are dissatisfied** with their homes and the services they receive, but to be fair other tenants are happy in their homes. Our Interim Report described concerns in detail, and called upon TCHC to begin addressing them now.
- 2. TCHC is home to some of Toronto's most vulnerable people** but TCHC has neither the mandate, nor the funding to offer all the support services³ tenants need. While TCHC has tried to help tenants get the support they need to live successfully in TCHC communities, the demand has been unmanageably high. To cope with the issue, TCHC has used community partnerships with agencies that provide support services to seniors or tenants with mental health issues. These partnerships are inconsistent and often depend on time-limited funding. There has not been a unified approach across TCHC leaving some communities with little or no support.
- 3. TCHC is not financially sustainable in its present form.** The corporation's current annual \$658 million consolidated operating budget depends on combined

revenues from rents and subsidies. Rental revenues from TCHC's low-income tenants, many of whom receive non-indexed benefits, lag inflation while utility costs and other operating expenses outpace inflation. The subsidy TCHC receives does not bridge the gap between rents and rising costs, and TCHC is anticipating increasing operating deficits simply to meet their current standard of tenant services.

- 4. TCHC's buildings need substantial new investment** to replace aging mechanical systems, roofs and other major capital features. TCHC's earliest apartment buildings were constructed in the late 1940s, with most built between 1964 and 1984. Some buildings, keeping with public policy of the time, were heated with electric baseboard heaters in order to keep capital costs down. Today, TCHC's buildings need significant repairs to address changes in building codes, to increase energy efficiency and renovate interiors, with some buildings needing urgent and critical capital repairs simply to remain habitable.

³ Tenant support services include helping those with mental health challenges or addictions, seniors aging in place, people seeking employment and life skills. Some examples include bed bug remediation, addressing hoarding issues and help with housekeeping. Support services often address social isolation. Some TCHC tenants need support services to stay housed and fulfill the requirements of their tenancies.

5. TCHC has had a tumultuous five years with three Boards of Directors, four CEOs and a significant turnover in senior management. A series of crises has caused priorities to shift on an ad hoc basis, often diverting staff

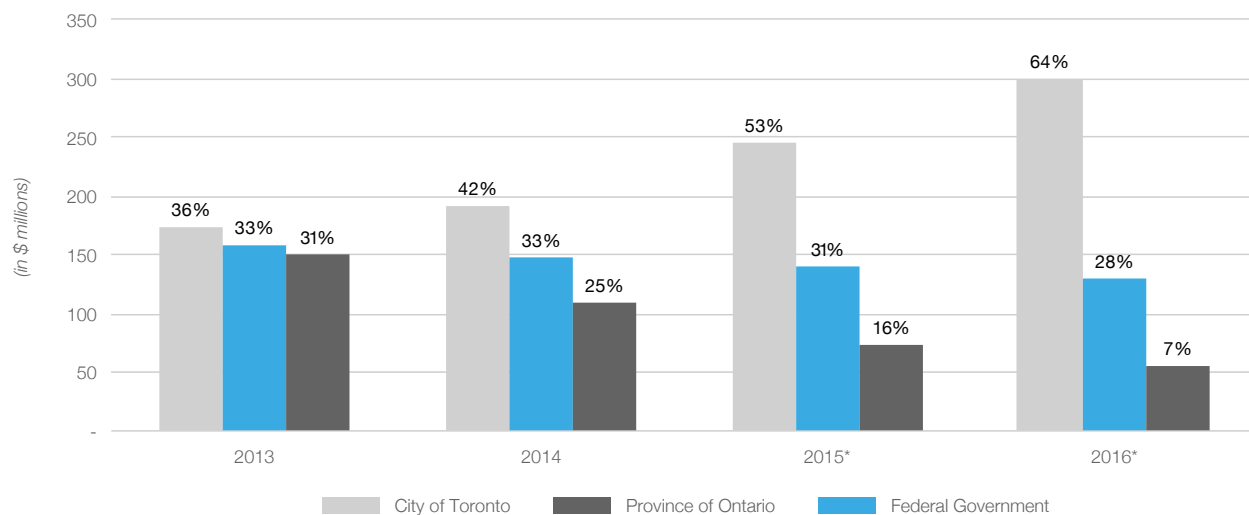
resources away from tenant services. City Councillors, tenants, media and the public are asking whether TCHC is too large, too politicized, too bureaucratic or too inefficient to fulfill its mission.

Every level of government has a role

Just as each level of government has had a part to play in TCHC's successes and its failures, so each has a part to play in restoring it to the community resource it was designed to be.

The chart below shows how the government funding landscape has changed over the past several years – the City bearing more and more of the costs for social housing that were formerly paid by the Federal and Provincial governments.

How much does each government contribute to social housing in Toronto?



* Based on projections

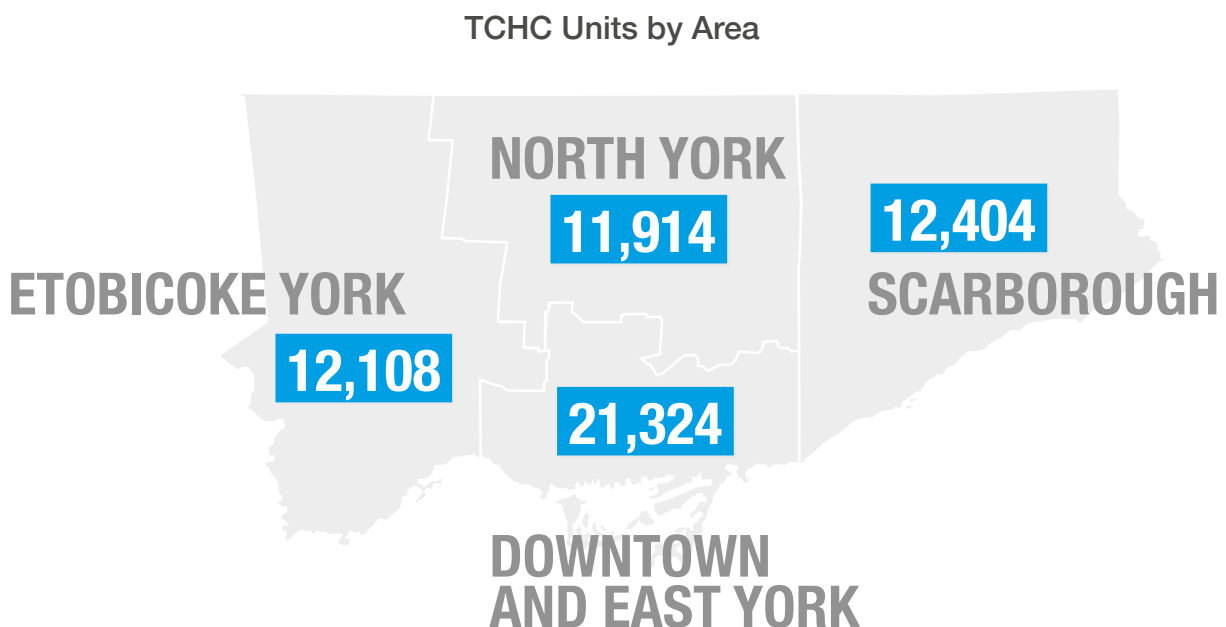
Lead responsibility for solving TCHC's problems rests firmly with the City of Toronto.

The City has been given responsibility, as Service Manager⁴ under the *Housing Services Act*, to fund and direct its own local housing corporation, and to provide rent geared to income (RGI) subsidies to 73,346 households, including the 52,600 now living in TCHC buildings.

The City is also TCHC's sole shareholder, and manages the relationship through the City Manager's Office. TCHC's revenues, expenses and debts all appear on the City's

consolidated financial statements and form part of the City's financial profile.

Along with its legal and financial obligations, the City also has a direct social and civic interest in the well-being of TCHC. With housing in almost every ward, TCHC is the home of 4.2% of Toronto's citizens. It contributes to the City in numerous ways. It shapes their neighbourhoods where TCHC buildings are clustered and helps drive affordable housing development in this City. Whether in established neighbourhoods or Toronto's newest redevelopments, TCHC is almost always part of the mix.



The responsibility for solving TCHC's problems has not gone unnoticed by Mayor John Tory. Establishing this Task Force was one of his first decisions upon taking office in late 2014.

⁴ A Service Manager is responsible for carrying out the funding and administrative responsibilities for social housing and other social service programs such as Ontario Works and childcare subsidies.

The Ontario government has a crucial role in legislation, lending, funding and delivery of infrastructure. Ontario's *Housing Services Act* defines the City's housing duties, rent geared to income subsidies, and sales and transfers of social housing properties. To balance this the Province transferred funding and administration of social housing to the City in exchange for some room on the tax base formerly occupied by education costs.

Through Infrastructure Ontario (IO)⁵, TCHC has refinanced mortgages to free up funds to make capital repairs. IO has capacity through its Alternative Financing Procurement for Infrastructure Development initiative to partner with TCHC to plan, design and manage major infrastructure projects.

In 2015, the Province announced it would be reviewing its Long-Term Affordable Housing Strategy and making changes to legislation to provide greater flexibility for housing system Service Managers, like the City of Toronto. The Task Force is hopeful that this flexibility will enable the City to successfully manage its social housing system and result in changes so that TCHC can continue to play a strong role in the City landscape.

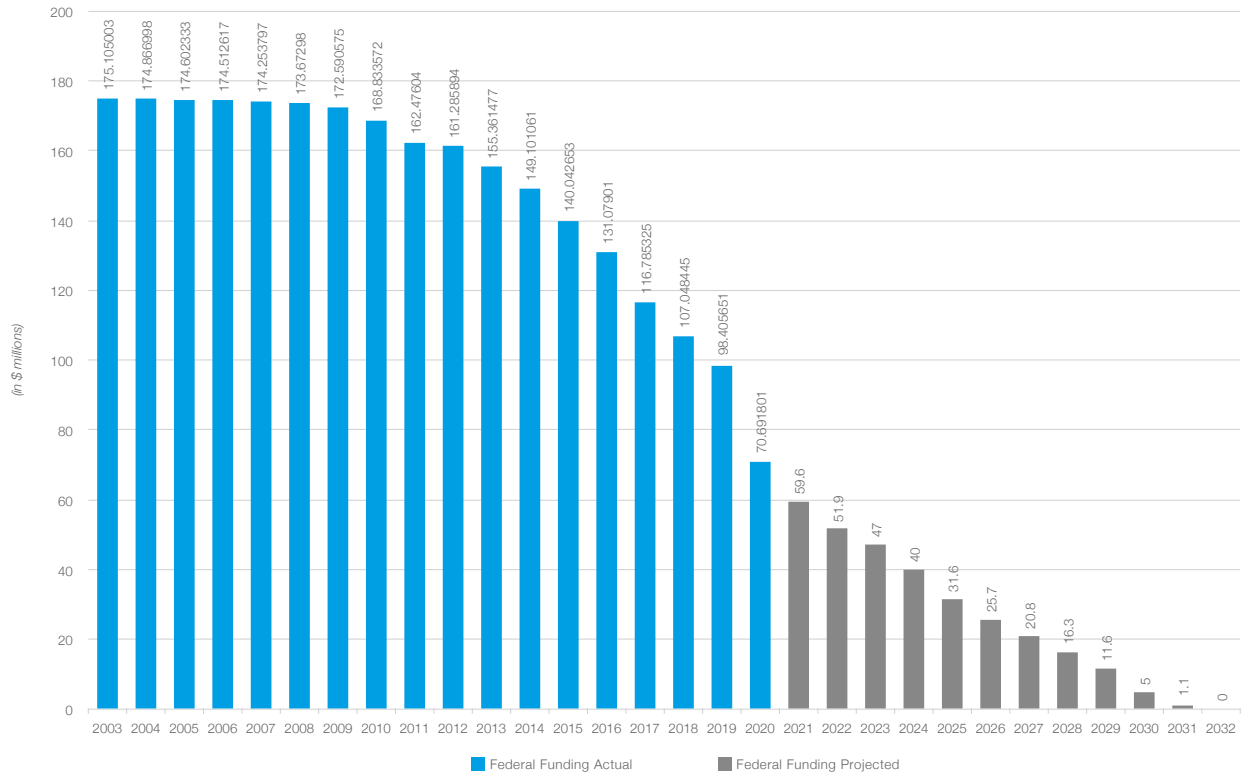
The Federal Government must also invest as it has done in the past.

In October 2015, Canadians elected a new Federal government with a strong commitment to social and affordable housing. A \$20 billion Social Infrastructure program was identified in the election platform. The Task Force is hopeful a portion of this money can help Toronto to address some of the challenges facing TCHC.

Since 2007, the Federal Government has been slowly withdrawing its funding from the Province according to a scheduled agreement. The City of Toronto receives its portion of Federal funding from the Province. In 2003, the level was \$175 million annually. The funding expires over time as long-term mortgages and housing agreements with social housing providers mature and end. By December 2015, \$26 million had been withdrawn from Toronto and by 2020 a total of \$100 million annually will have been withdrawn as shown in the chart below. By 2032, if this policy continues, the level of funding will be zero. The planned withdrawals present an opportunity for the Federal Government to meaningfully contribute to social housing. The hope is that the new Federal Government will reinvest the savings into new housing programs.

⁵ Infrastructure Ontario is the Crown Corporation owned by the Province of Ontario that provides a wide range of services to support the Ontario government's initiatives to modernize and maximize the value of public infrastructure and realty. IO upholds Ontario's commitment to renew public services and does so in cooperation with the private sector.

Annual Federal Funding 2008 to 2032



Canada Mortgage Housing Corporation (CMHC) has a long-standing relationship with TCHC as a mortgage insurer and lender. As the Task Force reported in our Interim Report, CMHC holds a number of long-term non-renewable TCHC mortgages. Interest rates on these mortgages are an average 9%, with some mortgages as high as 11%. CMHC's restrictions on paying out and refinancing these mortgages have made it difficult for TCHC to take advantage of today's lower interest rates. Simply by allowing TCHC to prepay mortgages without penalty, CMHC could enable TCHC to free up \$300 to \$500 million for capital repairs. The City and TCHC are looking forward to the details of the promised mortgage relief program in the 2015 Federal Budget shortly, and any direct assistance that is available, so that TCHC can refinance its mortgages and access additional funding to support more capital repairs.

02 TRANSFORMATIVE PRINCIPLES

At the first step of our process, we thought it vital to identify transformative principles that should inform our work. These principles are the lens through which we developed our recommendations for transformative change:

- **Resident focus:** Whether we were considering large-scale strategic change or day-to-day operations, we always asked: “What would improve the lives of TCHC’s tenants? What will open up new opportunities for them? And does it ensure that the assets under TCHC’s stewardship continue to meet the needs of the next generation of low- and moderate-income households?”
- **Long-term financial and social sustainability:** Everything we do should help re-establish TCHC on sound footing with an appropriate level of funding so that it can continue to be a resource for low and moderate-income Torontonians and support diverse integrated communities.
- **Strong partnerships:** We knew that what matters to TCHC tenants is that they receive timely, well-managed and responsive support services, regardless of who delivers these services. We have therefore identified areas where services could be diversified or strengthened through partnerships or, in some cases, by transferring lead responsibilities to the City or community-based support service agencies.
- **Good governance, management and strong accountability:** To secure the trust of its residents, staff, funders and stakeholders, TCHC needs a robust governance model and a management structure that can respond quickly and effectively to tenants’ needs. To protect the public investment in TCHC, our recommendations needed to provide a strong accountability framework – one that allows it to plan for its future in the same way as any other non-profit housing corporation.
- **Commitment to creative solutions:** When reviewing possible solutions, we knew that we needed to look outside the current legislative and financing frameworks and seek innovative alternatives. We did not limit ourselves, and found inspiration near and far.

Through our work, we learned about many innovative programs and initiatives that are occurring locally, nationally and internationally. We were influenced by their creativity and have highlighted them throughout this report.

The ideas presented in this report are designed to complement each other. Although our efforts were focused on TCHC our recommendations are designed to benefit not just TCHC, but the entire social housing sector.

03 TRANSFORMATIVE IDEAS

After a year of intensive study, the Task Force believes this is the time for a new approach. Toronto and TCHC have too much at stake to consider otherwise. We have seen the issues that undermine TCHC's effectiveness, and we have responded to those issues with solutions. TCHC can be transformed, first through ideas, then through diligent and dogged action. We are optimistic, since others have faced similar challenges. Where we found exemplary ideas in other jurisdictions or here in Toronto, we shared them for inspiration. These core ideas are supplemented with tailored recommendations to guide the changes as they are implemented.

Together, we wholeheartedly believe these five ideas can bring about true transformative change at TCHC.

A. Transition to a new community-based non-profit housing corporation

Our vision is to create an environment where TCHC is autonomous and accountable.

It will be incorporated as an independent non-profit housing corporation with its own Board of Directors comprised of citizens with the skills and expertise to lead TCHC and fulfill the Board's fiduciary responsibilities. TCHC will be accountable to the City, as Service Manager, under the Provincial *Housing Services Act* and held to the same standards, as other non-profit housing providers. We propose that this new corporation should be "off the City's books" with increased powers to borrow money to keep its buildings in good condition and build more of them.

B. Create income-mixed communities

Our vision is to create the conditions where TCHC is socially-integrated and has a firm financial foundation, with a new sustainable funding model to ensure operating revenues cover expenses. TCHC tenants receiving social assistance should receive the same Ontario Works or Ontario Disability Support Program shelter allowances as their counterparts in the private sector. Like other landlords, TCHC will no longer be expected

to fund services or programs that other Torontonians receive as of right. Most importantly, TCHC will have evolved into true mixed-income housing and be financially sustainable.

C. Better buildings and more of them

Our vision is to harness TCHC's development capacity to create more affordable housing to replace TCHC buildings now in irreparable condition; to increase the supply of seniors' housing to respond to an aging population; and to increase the supply of market housing for a growing Toronto. The aim of this new development would not be to grow the portfolio that TCHC operates, but to grow Toronto's supply of affordable housing. Some new buildings will be owned and managed by TCHC/*NewHome*, some by other non-profit or co-op housing organizations. Tenants will live in better, more energy efficient, buildings. A review will identify which of TCHC's buildings are truly sustainable, replacing others where it makes sense.

D. Decentralize operations/strengthen partnerships

Our vision is to ensure that tenants receive quality service. Staff should be physically present in every large building, and in every neighbourhood, ready to serve tenants where they live. Local Operating Unit managers will have the responsibility, and the authority, to respond to the specific needs in the buildings and communities they manage. Their work will be informed by a Tenant Advisory Committee comprised of tenants, joined by City and community resources as necessary. Vulnerable tenants will have the support they need through partnerships with agencies specializing in seniors' supports, mental health and community development.

E. Reform the RGI System

Our vision is that the options for housing assistance are broad and flexible. We are supportive of reform to Ontario's current RGI system. Low-income renters should be given choice and portability in housing location. Simplifying the administrative process will lessen the burden on RGI tenants and ensure accuracy in rent calculations. It has the potential to streamline the delivery of housing assistance, along with other human services like social assistance and child care subsidies. RGI reform is also one component of helping TCHC transition to mixed-income housing.

A. Transition to a new community-based non-profit housing corporation

To put an ambitious agenda into action, TCHC needs to be able to make decisions and plan for its future in the same way as any other non-profit housing corporation. It needs a management structure that is responsive to tenants, and yet is as nimble as any private developer. It needs a sound funding model and it needs to be accountable to the City for matters of true civic importance, and to ensure public monies are well-spent.

TCHC has a complicated relationship with the City. Like other non-profit housing, TCHC is accountable to the City as its lead funder and regulator, known in that capacity as the Service Manager. This relationship is set out in an Operating Agreement administered by the City of Toronto's Shelter, Support and Housing Administration (SSHA) Division.

The City is also TCHC's sole shareholder, officially reporting through the City Manager. It has a Board of Directors appointed by City Council to oversee the operations of TCHC. However, City Council and its members frequently bypass the Board and become directly involved with TCHC management in general as well as on constituency issues. City Councillors have sometimes resorted to acting on their own to address specific problems. Multiple investigations have led to literally hundreds of recommendations. TCHC staff have been repeatedly required to abandon their work plans to respond to the latest media story. All of this impacts TCHC's ability to fulfill its core mandate.

Amidst this turmoil, TCHC had four CEOs in five years, with none of them leaving

entirely voluntarily. During the same period, TCHC lost many staff through restructuring, terminations or resignations. These departures have led to an atmosphere of uncertainty, where organizational memory, and connections with partners are lost.

TCHC needs a fresh start. Its organizational strengths need to be highlighted, demonstrating to tenants, Board and staff members, investors and the public its commitment to change.

Following are recommendations on how to make a fresh start:

ESTABLISH A COMMUNITY-BASED NON-PROFIT HOUSING CORPORATION

The City of Toronto oversees the delivery of social housing by more than 240 non-profit housing corporations, in addition to its oversight of TCHC. The accountability framework for these corporations offers an established model for TCHC.

Each of these corporations has its own Board of Directors, responsible for ensuring the corporation fulfills its mission. As the

Service Manager, the City has a clear role as a funder and regulator, as set out in Ontario's *Housing Services Act*. Non-profit corporations must demonstrate they are in compliance with Provincial legislation and local rules, submitting annual information returns including audited financial statements.

If a housing corporation is not meeting its requirements, the Service Manager has powers to intervene. Interventions

can include offering assistance, imposing additional requirements, appointing an operational advisor, replacing the Board of Directors or, in extreme cases, placing the corporation in receivership and removing all its management responsibilities.

In the United Kingdom, United States, Australia and, recently, British Columbia, governments have recognized the benefits of independent non-profit housing management.

INNOVATION: TRANSFORMATION BY TRANSFER

Glasgow, Scotland finalized a 10-year program in 2013 to transfer over 80,000 units owned by the City to a variety of smaller non-profits and one large group – the 44,000-unit Glasgow Housing Association (GHA, now part of the Wheatley Group). The transfer was designed to leverage financing from the private market. GHA pledged to tenants that repairs would be made, homes would be brought up to the government's standard and that new homes would be built. As a result of the GHA transformation, over 9,000 jobs were directly and indirectly created and the entire portfolio was modernized under budget at a cost of £1.183bn (\$2.44 billion Canadian). An enormous backlog of routine non-essential repairs that had been a problem for over 20 years were eliminated within one year. The non-profit has a financially sustainable business model and a repaired housing stock to meet the City's future needs.

Benefits of creating a community based non-profit housing corporation include:

- a customer service culture where tenants are the primary stakeholder;
- the opportunity for tenants to have a stronger voice in the governance system;
- continued public accountability for matters of true public interest and with greater clarity of the relationship between the City and the Board;
- the potential to increase TCHC's capital borrowing capacity for renovations and new development by removing it from the limits set by the City's debt ceiling and removing TCHC from the City's consolidated balance sheet, where its long-term borrowing can impair the City's own bond rating.

SEPARATION OF DEVELOPMENT AND OPERATION FUNCTIONS

TCHC performs three important functions. It is a social housing landlord responsible for the day-to-day management of almost 60,000 units. It is a developer, using its expertise to revitalize and replace its aging housing stock. Bridging both functions, it is also an asset manager, planning and overseeing the capital repair and strategic future of 2,200 buildings.

This report calls for more development activity by rehabilitating and revitalizing current properties and contributing to development of new affordable housing to help meet future needs for the City's population. TCHC has developed considerable expertise in the development function, but that expertise is different from managing social housing properties. The two functions require unique skill sets and foster specific cultures; one more entrepreneurial, and the other more tenant-service oriented.

The Task Force believes that both of these roles would benefit from greater organizational separation. Healthy collaboration between affordable housing builders and social housing service providers will always be necessary.

MODELS FOR CHANGE

To facilitate TCHC's transition to a community based non-profit housing corporation and to create a greater separation of development and service operations, the Task Force looked at a number of methods. We focused much of our attention on two paths to a non-profit housing corporation.

1. Manage Now. Own Incrementally. In the first model, the City would create a new independent community-based non-profit housing corporation (referred to as *NewHome* for purposes of this report) to manage (or lease and manage) TCHC's properties. The corporation would have a citizen-based board and retain TCHC's current housing management staff. *NewHome* would focus on building a strong operational foundation using a customer service-focused, decentralized model. For this to be successful TCHC's existing staff will need to be offered the opportunity to transfer to *NewHome* and union representatives consulted.

The City would retain TCHC as a development and asset renewal corporation, including TCHC's current development staff. It would work closely

with the City to review, renew and redevelop TCHC's properties, and other properties that can be made available for affordable housing purposes. The assets would be retained by TCHC during the review and renew phase. As these properties become viable they could be sold or transferred to *NewHome* or other non-profit providers. The challenge will be coordinating asset renewal across two separate organizations.

Asset renewal can be managed through the City's Service Manager and TCHC's interim ownership of the housing assets. Housing management staff at *NewHome* will conduct minor repairs. Good communication between the City, TCHC and *NewHome* will be especially important during this transition phase.

INNOVATION: A BETTER OWNER AND MANAGER

The Province of British Columbia has begun a process to transfer most of its 8,000 public housing units to the non-profit sector. The first transfers are occurring in the fall and winter of 2015/16. Non-profits are being selected through a transparent process that rewards strong high-performing organizations that help government meet certain housing goals. Underlying the transfer approach in BC is the consensus that independent non-profit corporations are often better owners and managers of housing for low and moderate-income households than the government is. Non-profit providers are recognized experts with a high degree of specialized knowledge of their tenants, have specialized skills and abilities to help vulnerable tenants and can ensure the housing remains available to address community need in the future.

2. Reform First. Then Transfer. In the second model, TCHC would be divided into three distinct divisions: operations, development, and corporate services. The current Executive Team of TCHC would be reorganized so that General Managers would head each division. A small head office team along with the Board of Directors would co-ordinate the overall corporation. This would provide for a greater organizational separation of the different functions but may be regarded as the ‘same old TCHC’ with comparatively minor changes. However, if the reforms recommended elsewhere in this report are diligently carried out then this alternative model can work. At the end of the reform and asset re-development process, the entire stock could be then transferred into a community based non-profit corporation.

INNOVATION: CREATING A LARGER NON-PROFIT PRESENCE

In Queensland, Australia, the state government recently transferred management of a 5,000 unit public (state-owned) housing community known as Logan City to a non-profit consortium. This transfer is seen to be integral to the aim of the Queensland state government to foster a larger non-profit provider presence.

In either of these models, the assets would eventually be sold or transferred from the City of Toronto’s current sole shareholder ownership, with the advantages noted above, but still with the funding and regulatory functions, as Service Manager, under Ontario’s *Housing Services Act*. The new entity would then operate as any of the other 240 non-profit housing providers administered by the City’s Service Manager.

Both of the above models assume that TCHC would continue and indeed expand its development function. The Task Force is aware that the City is considering either better co-ordination or consolidation of the various real estate holding entities (Toronto Transit Commission, Toronto Parking Authority, Toronto Public Library, Build Toronto, TCHC etc.) within its jurisdiction. If it decides that consolidating TCHC and the other entities is in the City’s interest the first model would not be affected. It would however, affect the second model. Whichever direction the City takes on this matter, the Task Force strongly recommends that affordable housing become a priority in development or re-development of any of the City’s properties. We believe that both the Federal and Provincial governments should adopt affordable housing as a priority consideration for their properties too.

Regardless of the transition model chosen, TCHC’s portfolio must be reviewed and rationalized. TCHC recently conducted a review to identify the capital needs of its communities. This review can provide the foundation for a more wide-reaching strategic analysis of TCHC’s portfolio

to capture the other partnerships and relationships that TCHC has. For example, eighteen stand-alone houses are leased to non-profit corporations providing specialized support services to vulnerable people. Several buildings are physically connected with buildings owned by other non-profit housing providers and some buildings are already managed through partnerships with non-profits.

The purpose of this strategic review is to identify two major categories of buildings. First are irreparable or poorly designed properties that should be replaced perhaps with higher density housing or those that should be sold. Second are buildings that might be managed, or owned and managed, by other non-profit organizations. These could include:

- 1) buildings that are currently linked with non-profit organizations under various head lease or informal agreements;
- 2) buildings with a tenant population that would benefit from the specialized expertise of a supportive or alternative housing provider; and/or
- 3) rooming houses, scattered units, ownership housing and other properties that lie outside TCHC's core mandate.

RECOMMENDATION 1

That the City facilitate TCHC's transition to a community-based non-profit housing corporation, taking into consideration the two models outlined in this report.

RECOMMENDATION 2

That the City, in consultation with TCHC/*NewHome*⁶, oversee a portfolio rationalization process that includes an analysis of the portfolio to determine what is reasonable to renovate, those that should be demolished and replaced, perhaps with higher density, or those that should be sold. Also, properties will need to be reviewed to determine who is best to operate the buildings and provide the most effective service to tenants.

The rationalization process is critical to both of the proposed models. This can inform a multi-year business plan that includes capital and operating projections. The operating plan can be used as the source document for negotiations with government. This process will need regular updating and will take several years to carry out, but the sooner it starts, the better.

⁶ For the remainder of this Report, we have referred to TCHC/*NewHome* in text and recommendations that pertain to TCHC's future state. Depending on the transition period to *NewHome* that is chosen by the City, these recommendations will be undertaken by either TCHC as it exists now or *NewHome*, the new non-profit corporation identified in Recommendation #1. TCHC is used to refer to the past and present organization as well as the future development function possibility.

RECOMMENDATION 3

That existing TCHC employees be given the opportunity to transfer to any new entities⁷ created by organizational re-structuring with appropriate consultations to be carried out with union representatives.

A FOCUSED AND PROFESSIONAL BOARD

Large high-performing housing corporations in other jurisdictions are comprised of focused, strategic boards with the skills and professional expertise needed to exercise their fiduciary responsibilities. People with lived experience in social housing can also add value. This is the sort of board we recommend for TCHC.

Our review of board structures (See Appendix C for a summary of our findings) included several of the City of Toronto's agencies. Some board members are compensated; others are not. Those that are compensated at higher levels are often in charge of complex issues or have large fiduciary responsibilities. Compensation is a reflection of the level of commitment required or the complexity of the work undertaken. Some City boards have secretariats; some do not. Those with secretariats enable their boards to receive from time-to-time independent information that is separate from what is received from management. Ultimately, high-performing boards need to

be the right size and composed of the right people with the right skillsets.

We conclude that:

- The 13 member TCHC Board should be reduced in size to 7-9 citizen members chosen for their skills, experience and professional expertise;
- that board appointments be staggered to ensure continuity;
- that board members, and particularly the Board Chair, receive an increase in remuneration in recognition of the commitment expected for the size, complexity and value of TCHC's business; and
- that the board be supported by a modest secretariat separate from management staff.

We recommend later in the report that operational and tenant services be decentralized, with Tenant Advisory Committees providing a forum for many tenants to speak on their own behalf. Here, City Councillors have an opportunity to bring their deep understanding of their own wards to benefit both TCHC residents and the surrounding community.

RECOMMENDATION 4

The Corporate Board of Directors of TCHC/*NewHome*, should be reduced to 7-9 citizen members and should be more appropriately compensated for their commitment and adequately supported.

⁷ While this primarily refers to the creation of *NewHome*, if other entities are created from the current TCHC, this opportunity should also be available to staff.

SUSTAIN ACCOUNTABILITY

As TCHC transitions to a new independent non-profit housing corporation it will continue to need strong leaders, including a Board of Directors and an executive team able to initiate the organizational and culture change recommended.

The Task Force believes that an autonomous board and governance structure is critical to reforming and sustaining the viability of TCHC. While the City is the shareholder, this does not mean that it must sit at the board table. Instead the City can exercise its significant powers as Service Manager.

Under the *Housing Services Act* (HSA), the Service Manager has the responsibility for funding and administering social housing programs in the City of Toronto, including programs managed by TCHC. The HSA

and its associated regulations establish the powers and duties of Service Managers and rules for local housing corporations, rent geared to income (RGI) eligibility, selection of tenants, calculation of rent, operating frameworks for social housing providers, and funding. There are twelve situations or ‘triggering events’ in the HSA that define when a housing provider is not fulfilling its responsibilities under the Act. Evidence of a triggering event gives the Service Manager the authority to impose additional requirements on the housing provider.

RECOMMENDATION 5

That the City rely on its existing powers under the *Housing Services Act* to ensure sound public policy and fiscal stewardship of public funds by TCHC or *NewHome*.

B. Create mixed-income communities

After 2016, TCHC projects its costs will be significantly higher than its revenues and that it will no longer be generating an operating surplus. The 10-year capital financial plan agreed to by Council in 2013 assumed that TCHC would generate an annual surplus of \$50 million to put towards capital repairs. The cost pressures in the future are such that by 2026, unless action is taken soon, the yearly shortfall could be more than \$200 million.

Why this gap? There are a number of trends that impact the growth of TCHC's shortfall.

Ninety per cent of TCHC's tenants pay rent geared to their incomes (RGI). Some other non-profit housing providers also have large numbers of rent geared to income tenants. However, these providers receive an RGI subsidy from the City that bridges the difference between RGI rent paid and each building's market rent⁸, which are regulated by the City in its Service Manager role. In TCHC's case, the subsidy is different and is based on a formula that does not take into account the shortfall between the RGI rent paid by the tenant and the market rent for the unit. The result is that TCHC does not receive sufficient revenue for 90% of its units.

This shortfall is compounded by other trends:

- incomes that have not kept pace with inflation. Between 68% and 80% of TCHC tenants depend on social assistance or Federal pension-related income, with many of the remainder in low-paying jobs;
- operating costs – and particularly utility costs – that are rising faster than inflation;
- a disparity in Provincial regulation that prevents TCHC tenants on social assistance from receiving their full shelter allowance;
- the additional costs TCHC has incurred providing services and supports that no other landlord – non-profit or private – is expected to pay for; and
- increasing capital renewal requirements.

⁸ A building's market rent for vacant units is set by a landlord based on what the private market will bear. Any occupied unit rents are indexed annually by a percentage published by the Province. Rents enable a private landlord to cover their operating costs and to generate a profit. Social and affordable housing landlords, on the other hand, are required to abide by rules set by the Province and Service Manager to determine their rents. They rely on rental market survey data published by Canada Mortgage and Housing Corporation (CMHC). The CMHC Rental Market Survey (RMS) is conducted every year on a sample basis and includes information on market rental rates, available and vacant unit data. CMHC publishes data on average market rents for unit types such as apartments and townhouses and based on bedroom size (e.g. 1-bedroom, 2-bedroom, etc.).

Like every landlord, TCHC needs to generate enough revenue to cover operating costs and to service debt from borrowed money. To accomplish this requires either reducing expenses, where it has little flexibility without reducing services, or increasing revenues, where it is already constrained.

The Task Force believes it is possible to solve TCHC's operating challenges by implementing the four strategies outlined below:

DIVERSE AND VIBRANT COMMUNITIES

Mixed-income approaches to social and affordable housing have been the central part of many government-funded housing programs over the past 50 years, including the community-based non-profit housing model prevalent in the City. In a mixed-income social or affordable housing building, some tenants pay the City's average market rent⁹ or a lower-end of market rent (usually 80% of the average market rent in accordance with definitions under the Federal/Provincial Investment in Affordable Housing (IAH) program) while other tenants receive a subsidy and pay a rent geared to their income. Programs differ but the principle is the same – some households pay a market rent, others pay a subsidized rent.

By offering rental units at CMHC's average market rent in addition to RGI subsidy,

social and affordable housing providers can meet the needs of tenants with very low incomes as well as those with moderate incomes that have difficulty finding rental housing on the private market that they can afford.

The purpose of mixed-income housing is partly financial and partly social. Having some tenants pay a market rent reduces the subsidy required from government to support operating costs. Mixed-income housing programs make buildings and the landlords that run them more financially sustainable over the long term. Mixed-income housing provides valuable social benefits too, most importantly by reducing concentrated poverty.

Mixed-income buildings and communities are not unknown to TCHC. It already has over 150 buildings, about 9,000 units or 10% of its portfolio, where more than 30% of the households living in the building pay the building's market or affordable rent. Many of these buildings were constructed under the same government programs as community-based non-profit housing or newer Federal/Provincial affordable rental housing programs.

By turning TCHC/*NewHome* into mixed-income housing, we are suggesting that TCHC gradually move towards the same approach that is already operating in the over 240 community-based non-profit housing providers across the City.

⁹ Based on the CMHC annual Rental Market Survey.

The social benefits of mixed income housing have been studied. While some benefits have not been proven, residents have testified to the benefits of revitalized communities achieved through mixed-income housing. Residents reported greater satisfaction with the quality of housing and with the maintenance and management of the developments. Residents also indicated satisfaction with neighborhood services and amenities. Perhaps most importantly, they commented on safety improvements related to reductions in criminal activities.¹⁰

It is important to understand the role of the City, as Service Manager in managing RGI subsidies in order to move in this direction. When the Ontario Government downloaded social housing responsibilities in 2002, it established 47 Service Managers across the Province. Each Service Manager is required to meet a Service Level that fixed the number of rent geared to income units it would fund in its geographic area.

In Toronto's case, the Service Level was fixed at 73,346 units. TCHC is responsible for 72% or 52,600 of these rent geared to income units – or 90 per cent of its housing – under an Operating Agreement with the City of Toronto. The majority of the remaining roughly 20,000 RGI units are provided by the smaller but important 240 non-profit and co-op housing providers administered by the City of Toronto. These RGI units are found largely in mixed-income

buildings where the average RGI to market rent ratio is around 60%/40%.

TCHC has had a 90/10% RGI to market rent ratio which has concentrated poverty in many TCHC communities. It has also prevented TCHC from being financially viable.

When TCHC was formed in 2002, it negotiated a subsidy formula with the City that was different from all other non-profit housing providers in Ontario. This was allowable under the Provincial legislation. At the outset, the formula worked well, linking subsidy increases to the Consumer Price Index and providing TCHC the incentive and flexibility to increase revenues while controlling some costs. Lately though the formula stopped working, as costs have risen beyond the average inflation rate.

Since 90% of TCHC households currently pay subsidized rent, decreasing this number to 70% and increasing the number of moderate-income tenants would increase revenues significantly. The question we asked ourselves was how to do this? We found two ways.

First, the Service Manager is responsible for managing RGI Service Levels across the city, not TCHC. The Service Manager has the ability to renegotiate TCHC's RGI target to a lower level so that the Service Manager can reallocate those RGI subsidies to other

¹⁰ Cityscape: A Journal of Policy Development and Research • Volume 15, Number 2 • 2013 Cityscape 1583 U.S. Department of Housing and Urban Development • Office of Policy Development and Research, "Mixed-Income Living: Anticipated and Realized Benefits for Low-Income Households"

partners – for example, to non-profit or co-op housing providers, to new affordable housing buildings, or in the private market with private sector landlords.

Second, use TCHC's regular unit turnover to its advantage. This gives TCHC some flexibility to house other people in its buildings at the lower-end of market rent that exists across TCHC's portfolio.

Both of these measures, taken together can improve TCHC's revenue stream over time and lessen the burden on its subsidy budget.

The Task Force has, with support from TCHC, created financial models to show that achieving a ratio up to a maximum of 70% subsidized renters will provide enough revenue, with other recommended strategies, to ensure financial sustainability. It will also still ensure that TCHC continues to meet its mandate as an affordable housing provider for low and moderate-income households.

The Task Force also feels it is important to ensure that introducing income-mixing at TCHC, does not cause current tenants to lose their RGI subsidy. Also, the Task Force feels that it is important to note that the City will still be providing at least the same number of subsidies, in accordance with Provincial rules for Service Levels. The City has the power to allow these measures and to ensure that public goals continue to be met.

There are however, two barriers that must be overcome to improve income-mixing and put TCHC on a firmer financial footing. First, the Province will need to modify a regulation discouraging income-mixing in public housing properties. Second, the City will need to reduce TCHC's rent geared to income target – a power it already has under current Provincial legislation – and make greater use of housing benefits or allowances in other non-profit and co-op housing to achieve the City's required Service Level. Allowing income-mixing and reducing TCHC's RGI target would then allow TCHC to increase its revenues by renting vacant units to people able to afford the higher rent.

The aggressive building strategy discussed later in this report will also support TCHC communities becoming more mixed-income. As new buildings are built and rented with more market units, the portfolio will shift closer to the 70% target.

RECOMMENDATION 6

That the City request the Province to make the necessary legislative changes to support income-mixing in public housing and that the City and TCHC renegotiate TCHC's rent geared to income targets to facilitate a transition to a more mixed portfolio reducing the current 90% Rent Geared to Income household numbers, over time, to 70%, without reducing overall the City's commitment to RGI level subsidies for low-income tenants.

REDUCE UTILITY COSTS

In 2014, TCHC paid \$125.5 million in energy costs including, electricity, gas, water and waste. These are also TCHC's fastest growing expense, with costs expected to increase by 5-14% in coming years.

The long-term solution is to retrofit TCHC's older and less efficient buildings and ensure all new buildings meet today's higher efficiency standards. We discuss this further in Section C. However, there are also policy changes that could help TCHC's sustainability and its tenants now.

Most TCHC tenants do not pay their own utility bills. Instead, they are charged a fixed fee established by Provincial legislation. This legislation was designed to protect low-income tenants and has kept utility costs for tenants artificially low. This can act as a disincentive to conservation as tenants are not always aware of their utility consumption. The fee has not changed in over 20 years and it now represents only 15% of most buildings true utility costs. The remainder of the cost is absorbed by TCHC. There has been a strong incentive for TCHC to create and invest in energy efficiency measures in buildings but it has not been enough.

Residents need to be conscious and attentive to the environmental and financial costs associated with their energy use, and adjust usage where reasonable to do so. The challenge is that many of them do not pay the true cost of their utilities, though

we recognized that many tenants already have low incomes and may live in older energy inefficient buildings. Tenant-sensitive energy conservation strategies need to be developed by TCHC, in keeping with legislation and in partnership with agencies that can help. TCHC has some experience in creating tenant conservation programs but more needs to be done to increase savings that contribute to sustainability.

INNOVATION: TENANT CONSERVATION BY THE COMMUNITY

TCHC received funding from the Ontario Power Authority (now the Independent Electricity System Operator) in 2008 to manage an Energy Savings through Education and Training project. The project evaluated a new idea that involved tenants in the design and delivery of an energy conservation education program that increased tenant engagement, leading to changes in energy consumption and a culture of energy conservation. The energy savings by the community were projected to be anywhere from 5% to 10% - and were achieved. The considerable reduction in consumption occurred in the absence of any capital investment in electrical, mechanical or other energy saving installations/retrofits.

The Province plays a central role in helping to offset the cost of energy. Starting in 2016, the Ontario Energy Board has introduced the Ontario Electricity Support Program (OESP) which will provide a monthly credit of between \$30 and \$75 to low-income households' electricity bill. Larger families and people with medical devices qualify for higher levels of assistance. One-fifth of TCHC households who now pay their own electricity bills will be able to benefit from this program. As a social housing landlord, TCHC cannot benefit from this program in spite of the fact that about 94% of their subsidized renters fall below the poverty line.

TCHC needs to curb growing utility costs but it cannot and should not need to do it alone. The Province should work with TCHC to identify a way to support the 94% of subsidized households below the poverty line, regardless of whether they pay electricity directly to a utility company or not. The Province should also revise the legislation to allow TCHC to charge a higher portion of utility bills to tenants, which could then be recovered by tenants through the OESP program. This would help increase TCHC revenues with no negative impact to low-income tenants.

RECOMMENDATION 7

That the Province consider ways to help reduce TCHC's energy burden and that TCHC update its energy efficiency strategy to include portfolio-wide incentives or programs for tenants to conserve.

ADDRESS THE DISPARITY IN SOCIAL ASSISTANCE

Approximately 30% of TCHC tenant households receive social assistance through Ontario Works (OW) or the Ontario Disability Support Program (ODSP). If they lived in the private market, they would receive a higher shelter allowance based on their household composition. These allowances range from up to \$376 for a single person on OW to up to \$886 for a couple with two or more children on ODSP. Because these tenants live in TCHC, their shelter allowance is set by a scale in the *Housing Services Act*. The Provincial scale offers no net benefit to the tenant. It simply limits the rental revenue that TCHC can collect from tenants and places a larger subsidy burden on TCHC and the City. In the examples below, TCHC loses \$261 to \$580 per month in revenue for tenants on social assistance.

Household type and type assistance	Private market monthly rate	Social housing (TCHC) monthly rate	Difference
Single person (OW)	Up to \$376	\$115	\$261
Single person (ODSP)	Up to \$430	\$115	\$315
1 adult, 2 children (ODSP)	Up to \$816	\$236	\$580

Changing the rent scale to match the maximum OW and ODSP shelter allowances could significantly increase TCHC revenues with no impact on tenants. To manage the financial impact for the Province, rents for existing OW/ODSP tenants could be phased in gradually, while all new OW/ODSP tenants would be immediately funded at the maximum shelter allowance. A ten-year phase in would increase TCHC revenues.

RECOMMENDATION 8

That the City request the Province to adjust social assistance rent scales so that RGI tenants who receive social assistance are charged and receive the maximum shelter allowance.

RATIONALIZE COMMUNITY SERVICES

TCHC tenants depend on the same services as everyone else: schools and clinics, libraries and community centres, transit and policing, child care and youth programs, employment services and seniors' programs.

However, these do not meet all of the resident's needs. To fill the gap, TCHC has, in some cases, attempted to provide many services of its own. These attempts have not only taxed TCHC's budget, they have inadvertently further segregated tenants from both publicly available services and the communities in which they live.

Today, there is an opportunity to enhance and co-ordinate services that will benefit both TCHC tenants and their neighbours while saving on TCHC's operating costs. The City's new Poverty Reduction Strategy, Seniors Strategy, Youth Equity Strategy and Strong Neighbourhoods Strategy outline the City's plans for serving low-income and vulnerable Torontonians, including those living at TCHC.

Each of Toronto's five Local Health Integration Networks have established new HealthLinks in high-need neighbourhoods to co-ordinate care for those with the most complex needs. The Toronto Police Services has reaffirmed its commitment to community policing. These strategies and policies create opportunities to provide evidence-based services, increase the capacity of existing agencies, take advantage of economies of scale and increase tenants' access to quality public services.

This does not mean there is no role for TCHC. TCHC staff in each neighbourhood – the place where most services are delivered – are needed to:

- identify and articulate the needs in each building;
- seek out and sustain relationships with partners who can address these needs;
- tap the potential of tenants themselves to promote the community's success; and

- participate in (not lead) local service networks, and provide continuity as City initiatives and project funding comes and goes. It is not TCHC's role to co-ordinate or pay for services the City or other levels of government typically offer other Torontonians.

RECOMMENDATION 9

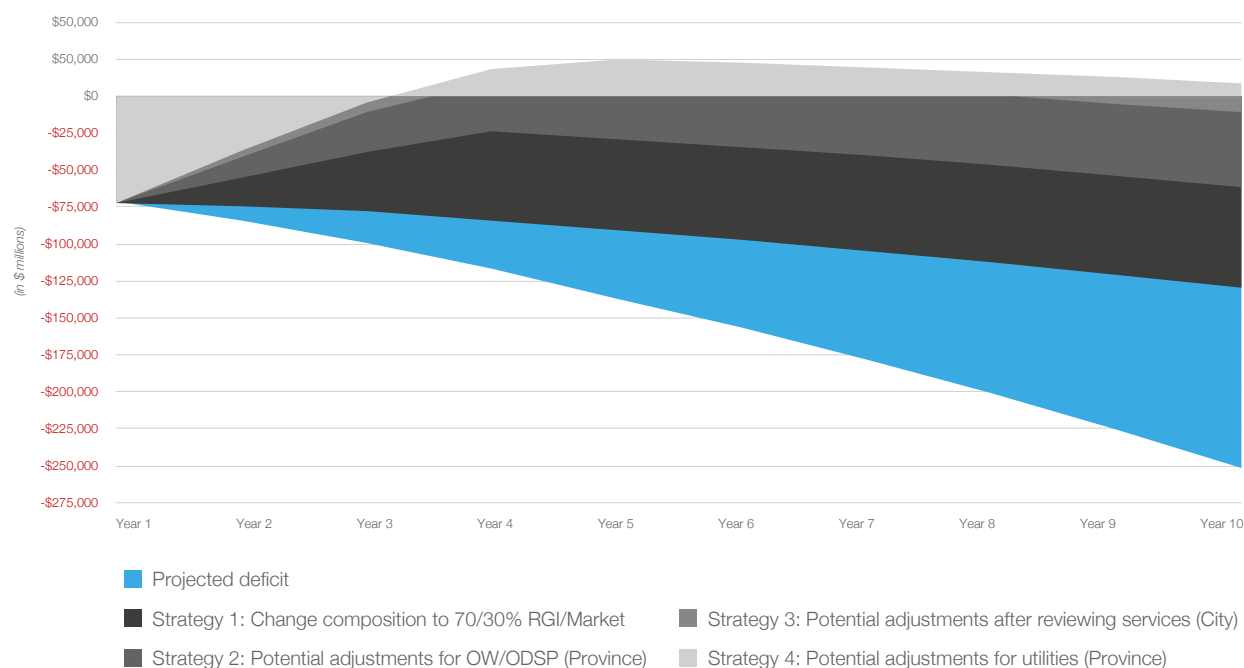
That the City conduct a full review of services to the TCHC tenant population (such as employment, recreation programs, security officers), with a view to identifying which services the City, or one of its agencies, should fund or manage, and the best way to integrate these services with the greater community.

ACHIEVING FINANCIAL HEALTH

We believe it is possible to solve TCHC's looming operating deficit through four key actions, identified above. In combination with the aggressive building program described in the next Section, these measures are intended to lead to both financial and social sustainability, thereby contributing to improvements in the lives of residents, their communities and the operations of TCHC/*NewHome*.

The chart below shows the potential impact of each strategy over time and how each one can contribute to financial health.

Projected deficit and possible mitigation actions



C. Better buildings and more of them

In 2013, TCHC reported a \$2.6 billion capital backlog – a backlog that grows every year due to an aging stock with insufficient capital repair funding attached to it. Toronto Council reviewed TCHC’s 30-year capital requirements and approved a plan to fund its one-third share of the cost. However, the other orders of government still need to come on board to help fund the remaining \$1.7 billion.

At the same time, Toronto needs more affordable housing of all types, and more rental housing in all price ranges. In the fall of 2015, there were over 95,000 households on Toronto’s social housing waiting list. Toronto’s population is projected to grow by 170,000 households in the next ten years, with 15% - 25,000 households – needing some form of affordable accommodation. Yet only three of the 130 multi-residential buildings now under construction in Toronto include affordable rental housing. As the list grows, the City is housing fewer and fewer people from the waiting list. Only 3% of those on the list will be housed in a given year, with the majority of those tenants housed at TCHC.

Given the aging population, Toronto also needs more housing for seniors. Over one-third of households on Toronto’s social housing waiting list are seniors. TCHC already has 27,500 seniors living in its buildings – 70% of them living alone – with another 12,000 tenants expected to become seniors in the next ten years.

TCHC needs a comprehensive plan to improve the buildings it has now but also to help to increase Toronto’s supply of affordable housing.

Below are the opportunities that we see and our proposals to get there:

A NEW LENS ON CAPITAL RENEWAL

If TCHC cannot generate operating surpluses, or even cover its costs, it cannot borrow money to reinvest in its buildings, and instead becomes wholly dependent on government grants and subsidies.

If TCHC cannot invest in its buildings, its operating budget will be drained by emergency and stop-gap repairs and high utility bills.

What is left is a never-ending cycle of band-aid solutions that fail to improve the quality of life in the buildings. Unless this cycle is broken, TCHC warned us it will need to board up close to 7,500 homes over the next eight years, with another 4,000 slipping into critical condition. In other words, 20% of the portfolio is at risk within the next ten years.

In the past decade, TCHC has taken some measures to protect its portfolio.

TCHC’s revitalization program has turned the uninhabitable Don Mount Court into the

mixed income Rivertowne Community, will be replacing 2,083 units due to the Regent Park revitalization and has five other TCHC communities. TCHC has also identified three communities for comprehensive capital and social transformation through its ReSet initiative¹¹. Through these initiatives, TCHC has strengthened its own development capacity and attracted investment from all levels of government and the private sector.

TCHC's energy efficiency strategy

includes participation in eight funding, grant and incentive programs offered by Municipal, Provincial and Federal governments and utility companies. TCHC also has nine internal energy efficiency programs in place. Goals include reducing energy consumption and utility charges, reducing greenhouse gas emissions, and creating energy savings for reinvestment.

The City's 2013 Ten-Year Capital Financing Plan for TCHC

, called upon each order of government to contribute, over the course of ten years, one-third of the cost of TCHC's \$2.6 billion capital repair backlog. The City's own \$864 million contribution was raised through loan refinancing and other funding sources. Neither the Federal nor Ontario Governments have committed to funding a share of the plan.

The City's contribution demonstrates both the importance, and also the challenge, of keeping up with TCHC's capital needs. Between 2013 and the end of 2016, the City will have already invested over \$600 million to replace major capital items, including balconies, roofs, and to undertake energy efficiency measures.

¹¹ ReSet is a strategy to improve communities, undertake capital work in buildings and engage residents through that process. It is designed to address the backlog of repairs with ongoing input of residents at every stage of a building retrofit – defining, designing, building and receiving transformed communities.

NEW CITY OPPORTUNITIES

If TCHC were a private landlord, its borrowing capacity would depend chiefly on its ability to generate enough operating revenue to cover its principal and interest payments on capital program borrowing.

TCHC must also generate enough operating revenue to borrow money, but it has an additional constraint that has no connection to its ability to repay its debts. As a City-owned corporation, TCHC's assets and liabilities are part of the City's balance sheet. This means that TCHC's debts affect the City's credit rating and, in turn, how much it costs the City to borrow money for its own projects. The City therefore limits how much debt TCHC can take on. The result is that TCHC is leveraged at a conservative 15% debt-to-value ratio. In the real estate industry, the standard is closer to 50%.

To increase TCHC's borrowing capacity so that it can raise additional funds for capital costs, the City must either raise its debt ceiling or TCHC's debt must be removed from the City's balance sheet.

Recently, Mayor Tory proposed a tax levy to support transit and affordable housing. The anticipated \$70 million per year in new revenues will increase the City's debt service level, providing – without any direct grants or loans from the City – additional room for TCHC to refinance existing mortgages.

RECOMMENDATION 10

That the City continue to look at revenue and/or debt-related financial tools to help fund social housing including the removal of TCHC from the City's balance sheet.

NEW FEDERAL AND PROVINCIAL OPPORTUNITIES

Neither TCHC nor the City should rely on its own funding sources to pay for TCHC/*NewHome*'s needed capital repairs. While the City may be responsible to find solutions, it is the responsibility of the Federal and Provincial governments to play a funding role, as they have done in the past.

The Government of Canada continues to provide annual funding across the country through various housing programs. In Ontario, the IAH program has been

extended until 2020 and represents a combined investment of \$1.28 billion by the Provincial and Federal governments. This translates into about \$197.1 million in Toronto over five years, mainly for new affordable housing and housing allowances. But more investment is needed by the Federal and Provincial governments.

The Federal Government's campaign commitments have given new hope for more Federal investment in housing. There are promises of a ten-year, \$20

billion “Social Infrastructure” fund, and a national housing strategy. There are promises about the elimination of GST on new capital investments in rental housing. There is a direction to CMHC to create a Canada Infrastructure Bank to help stimulate new development by the private and community sectors and to create an inventory of Federal lands for affordable housing development.

The Province also has an important funding role. In April 2015, bricks fell from the walls of the top 4-storeys of a 12-storey TCHC building constructed by the Ontario Housing Corporation in 1965. Further investigation revealed that the situation was exacerbated due to original design flaws and faulty construction of the building. This points to a potentially wider problem since TCHC has over 40 buildings from that inheritance from Ontario with similar brick masonry.

This is not the first time TCHC has had to deal with a building originally constructed by the Province and later found to have serious structural damage. The former Don Mount Court was confirmed to have catastrophic structural failure to the extent that 150 tenants had to be relocated to

ensure their continued health and safety. The Province provided \$9.3 million in 2003 to the City and TCHC that helped fund the first redevelopment of one of TCHC’s public housing communities. The Rivertowne community was completed in 2012 and is now a mixed-income community with 232 subsidized units replaced on site and 187 new condominium ownership townhomes.

Over the next 10 years, the Provincial government has pledged to spend \$130 billion in infrastructure and may include affordable housing in its plans. The Provincial agency responsible for overseeing the financing and construction of many public works is Infrastructure Ontario. Through its Alternative Financing Procurement (AFP) model, it has the experience and expertise in managing large scale public works projects including \$15 billion currently under construction.

Both the Federal and Provincial governments are critical in providing support to the City to help address the issues facing TCHC. Any of these initiatives could help address TCHC’s capital repair backlog or create opportunities to develop new affordable mixed-income housing.

The time is right for an intergovernmental approach on affordable housing. We have seen encouraging signs coming from the City and the Province that points to their desire to make affordable housing a priority and now the Federal government seems to be stepping up to the plate.

RECOMMENDATION 11

That the City continue to engage with the Federal and Provincial governments in order to identify funding opportunities for the \$2.6 billion capital repair program including the newly promised Federal funding for social infrastructure, and requesting the Province to also provide matching infrastructure funds. The City should also continue to call upon the Federal government to create a National Housing Strategy, with funding to support it.

A NEW AGGRESSIVE BUILDING STRATEGY

To create a more viable mixed-income portfolio, TCHC/*NewHome* will need to be confident it can attract tenants who can pay a market rent or a lower-end of market rent to fill vacancies. That will require new spending to bring buildings to a better state of repair. This will improve building conditions for TCHC/*NewHome* tenants at all income levels.

Rent geared to income tenants now living in properties with redevelopment potential will also need homes they can move to. Simply offering tenants portable housing benefits will not be enough. Toronto's rental vacancy rate is 1.6% and has remained under 2% for the past five years. TCHC/*NewHome*

will be better able to reach a goal of about 70% subsidized renters with an aggressive new housing development strategy that encourages a mix of incomes in buildings. This will also need to occur in combination with a modification to the RGI system as put forward in Section E.

Beyond TCHC/*NewHome*'s internal needs there is demand for new housing, both ownership and rental, including co-ops, for both low- and moderate-income households. In particular, there is a growing need for housing for both seniors able to live independently and those requiring some in-building support services.

INNOVATION: MIXING AFFORDABLE OWNERSHIP IN RENTAL BUILDINGS

In 2010, Artscape Triangle Lofts opened as “Affordable for the Arts, Forever”. Artscape is a non-profit housing corporation that offers below-market ownership and rental live/work units for qualified artists and arts professionals. At the Triangle Lofts, forty-eight of the units were sold at low-market value. Twenty of the units are rented to qualified artists at 80% of the City’s average market rent. The remaining two units are used as a community gallery space. For the ownership units, Artscape provided a 25% no-payment second mortgage to purchasers, and will control the re-sale and share in appreciation in order to ensure future affordability. The sale of these units cross-subsidized the retention of the rental units establishing an affordable live/work opportunity requiring neither capital nor ongoing operating subsidy.

TCHC/*NewHome* is uniquely positioned to take advantage of its own lands, expertise and partnerships to help meet Toronto’s growing housing needs. Building new affordable housing has both financial and social benefits. It will allow TCHC/*NewHome* to increase revenue by supporting the goal of 70% fully subsidized renters and reduce capital repair (as new buildings have fewer capital issues). It will also allow the construction of new energy efficient buildings which will save energy costs and reduce greenhouse gas emissions.

All orders of government will need to provide their support for this new affordable housing development program.

RECOMMENDATION 12

That TCHC undertake an aggressive building program to support the goals of income-mixing, energy efficiency, managing capital repairs and increasing affordable housing options for low and moderate income people in Toronto. That TCHC explore the possibility of combining affordable homeownership as well as affordable rental in some new or fully renovated buildings. This can be done on its own and/or in collaboration with the non-profit or private sector.

To support this new aggressive building program, we further recommend that all three orders of government provide a range of new or existing tools including (i) capital grants or loans, (ii) debt guarantees, (iii) tax and fee waivers, (iv) streamlined approvals and (v) donations or preferential sale of surplus public land.

FOCUS ON SENIORS

Demographic change is underway with the baby boom generation reaching retirement age. Seniors are already the fastest growing age group in Ontario and this trend will continue.

TCHC is a significant owner and manager of buildings restricted to low and moderate-income seniors, counting over 16,000 units for this cause. Significantly, half of the seniors living at TCHC currently live in mixed-age buildings. As we have noted, mixed-age buildings are an important resource for Torontonians given the growing waiting list. Yet considering that the number of seniors on the social housing waiting list is outpacing all other age groups, growing by over 40% in the last five years, these units must be used in their most effective form.

We learned that seniors living in seniors-only buildings report a higher level of satisfaction than those who live in mixed-age buildings. As people age, they often move into residences for seniors if they can afford the cost as most are run by the private sector. At the same time, government through the health sector has been encouraging seniors to age at home rather than hospitals or long-term care facilities. This has been primarily driven by the high costs associated with providing primary care for older people in hospitals or long-term care homes.

Due to projected growth of the total number of seniors, the number of seniors who live

alone, and the number who are frail or have disabilities, there will need to be more rental housing options tailored specifically for seniors. This needs to be matched by an expansion of assisted living or supportive housing facilities that can enable them to stay in the community rather than in long-term healthcare facilities. The challenge is that housing options for low-income people are within the domain of the City and support services are within the domain of the Provincial government through the healthcare system. The coordination of support services and housing funding for seniors must be a collaborative effort between the City, the Provincial government and the Local Health Integration Networks.

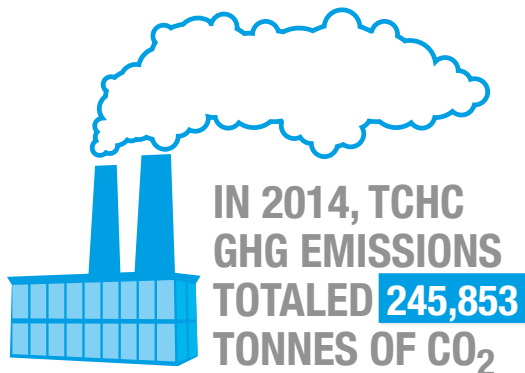
Given its development expertise and the Task Force recommendation that TCHC undertake an aggressive building program, TCHC is uniquely positioned to be a key player in building more rental housing as well as assisted living facilities for lower-income seniors. Partnerships with agencies that provide support services to seniors will be critical too.

RECOMMENDATION 13

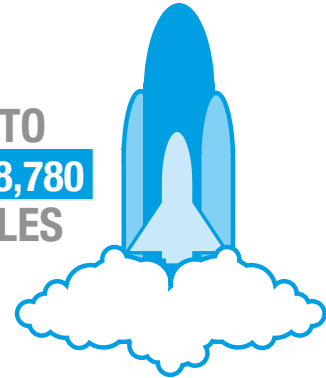
That the City and TCHC, along with community non-profits and/or private sector partners give early attention in an aggressive building program to the provision of more accommodation for seniors, including seniors-only facilities.

ALIGN WITH EMERGING GREEN OPPORTUNITIES

Toronto Community Housing is one of Toronto's largest residential energy consumers. It is also a significant greenhouse gas emitter. TCHC estimates GHG emissions associated with heating, lighting and providing hot water in its buildings totaled 245,853 tonnes of CO₂ in 2014 – equivalent to launching 8,780 space shuttles into orbit!



**EQUIVALENT TO
LAUNCHING 8,780
NASA SHUTTLES
INTO SPACE**



With the full \$2.6 billion of capital repair funding, TCHC/*NewHome* could reduce GHG emissions by up to 30%. If funding were available for deep retrofits, emissions could be reduced by up to 60%.

The green agenda continues to be important for all levels of government. The Federal Government identified “green infrastructure” as one of its key objectives focusing on energy conservation and ensuring climate resilient infrastructure. The Ontario Government has also identified energy conservation and climate change as priorities.

TCHC has been working with the Toronto Atmospheric Fund for several years on cutting edge technologies and is well-positioned to take advantage of any programs designed to reduce emissions or utility use.

INNOVATION: CUTTING EDGE SOLUTIONS

TCHC has partnered with the Toronto Atmospheric Fund to initiate the Towerwise Retrofit Project in seven pilot buildings. Energy retrofits are being implemented and cutting edge environmental monitoring software is being installed. The data will be used to optimize retrofit designs and maximize energy and water consumption.

RECOMMENDATION 14

That TCHC/*NewHome* pursue a comprehensive sustainability agenda and continues to take advantage of Provincial and other energy rebate or incentive programs.

D. Decentralize operations/ strengthen partnerships

TCHC is a social housing landlord. Like all landlords, its first duty is to provide, clean, safe and well-maintained homes. But unlike private landlords, TCHC's mission is also shaped by the priorities of the governments that fund it and the needs of those that call TCHC home.

In some cases, these government priorities, as well as the needs of vulnerable tenants, have led TCHC to take on functions it has neither the mandate nor the funding to provide. According to the *Housing Services Act*, social housing providers such as TCHC are meant to house people who are capable of living on their own, although some may need support services to maintain their tenancies successfully.

When the supports are not there, it should not be up to TCHC to provide them, noble as the gesture may be.

TCHC can best serve its tenants, and the neighbourhoods they live in, by focusing on its core obligation: to be an excellent landlord, providing housing services and building conditions equal to or better than any private landlord.

Here's how we propose to get there:

DECENTRALIZE HOUSING MANAGEMENT

TCHC employs 1,600 people. How can these staff be *most* available to the tenants they serve? How can they best respond to the distinctive needs of each community? How can they build strong, productive relationships with local agencies?

By working where tenants live. TCHC has centralized many services, a call centre, a community safety unit, a resident services division – along with corporate functions such as policy development, communications, purchasing and administration.

In some cases, centralizing these functions has helped TCHC to take advantage of economies of scale, make use of specialized teams, or to lower costs. However, centralization has come at a cost, with staff in some cases, too removed from tenants.

We found examples in other jurisdictions where a movement toward decentralized tenant service has resulted in improved tenant satisfaction and outcomes.

INNOVATION: BECOMING SMALL FOR CUSTOMERS

In London (UK) Notting Hill Housing Trust has designed a new resident service model guided by the principle “becoming small for our customers.” In 2008, the Trust recorded a tenant satisfaction rate of only 58%, with tenants telling them to improve communication and “get things done.” So the Trust moved service delivery for their 25,000 homes (with an additional 1,200 built annually) from functional teams who each did a bit of the job, to individual locally-based Housing and Leasehold Officers. Each tenant now has a named individual who has the authority and responsibility to provide a complete and more personalized service. With a staff ratio of one officer to 125 households, they are confident they can make a real difference.

An operational change that results in more staff on-site can make buildings safer and services more accessible – with a personal touch. With a flatter management structure there will be fewer staff at head office, more management functions performed at the Operating Unit level and therefore more people interacting with tenants on a daily basis. When staff are empowered we believe that better decisions can be made, and tenants’ needs can more readily be met. A balance must be struck between which services are provided at the local level and what remains part of a centralized function.

RECOMMENDATION 15

That TCHC/*NewHome* shift its current operational structure to a decentralized model, with more localized decision-making in order to ensure closer contact with frontline workers and tenants, make more effective use of local partnerships and staff at all levels.

MEANINGFUL TENANT INPUT

The City’s Shareholder Direction requires that TCHC create and operate a resident engagement system. The system includes the Tenant Representatives elected in each building or community and the two tenant Board members elected by the Tenant Representatives.

However, this approach has not allowed TCHC to benefit from the many tenants who have not been elected, but have good ideas for their community. We heard of low voter turnout during the recent tenant election process. In some communities, no resident came forward to run in the election. The current system does not facilitate tenant input on the local issues that affect those most.

Other jurisdictions have been able to provide forums for input in a way that matters to most tenants.

INNOVATION: EMPOWERING AN ENTIRE COMMUNITY

Since 2008, Helena Partnerships has been empowering some of the most deprived communities in St. Helen's, near Liverpool (UK), to improve local services and address inequalities in health, work and education. The *re:new initiative* commissioned by St. Helen's [Municipal] Council, and delivered by Helena Partnerships, brings together residents, Municipal Councillors, local employment and health care agencies, local police and fire services. Community empowerment is at the heart of *re:new's* approach, with each area run by its own Board comprised of residents and partner organizations with a local Councillor as Chair.

We believe that decentralizing decision-making on its own will make it easier for every tenant to get repairs done, get information, or make suggestions. To further strengthen tenant input at the community level, we recommend Tenant Advisory Committees to organized geographically, with representatives from various TCHC/*NewHome* buildings in that community.

We recommend that a majority of the committee members be tenants. However, we also see the value of connecting tenants with other local agencies and neighbourhood leaders through these committees, and in particular enlisting the help, expertise and support of the local City Councillor to benefit both TCHC/*NewHome* and the whole neighbourhood.

RECOMMENDATION 16

That the City, working together with TCHC/*NewHome*, establish new Tenant Advisory Committees to align with the decentralized organizational structure and to provide a more responsive and accountable forum to address tenant issues. The majority of members will be tenants, joined by City and community resources, as necessary.

EFFECTIVE PERFORMANCE MEASUREMENT

TCHC provides regular corporate performance reports to its Board with measures falling into three broad categories aligned with their strategic plan. However, as TCHC moves to a decentralized housing model and the transformative recommendations are implemented, they will need to develop performance measures or 'scorecards' to ensure greater accountability of local Operating Units. Measuring performance is an essential management tool that will help ensure the decentralized housing model is working efficiently and effectively. Managers will be able to make good decisions on the delivery

of housing services to tenants based on the data available. Authority must accompany accountability and the measures will need to go hand in hand with control over a budget, with the right staffing in place and in keeping with collective bargaining contracts.

Measurement is central to the New York City Housing Authority decentralization goal as it provides local managers the information they need to manage the business.

INNOVATION: MEASUREMENT THAT MATTERS

The New York City Housing Authority (NYCHA) has begun to plan the decentralization of its portfolio. In a 2014 pilot involving 18 developments and 22,386 units, it stepped away from a one-size-fits-all approach and moved towards control at the community level. Layers of head-office control have been removed, and property managers are empowered to make customized, data-driven, real-time decisions, with key outcomes measured through a balanced scorecard.

The goal of the measures and new level of control is to ensure improved service to tenants, to monitor spending and to be able to make reasonable decisions based on the financial and physical condition of each property.

RECOMMENDATION 17

That TCHC/*NewHome* develop management agreements to clarify the authority of local Operating Units to make decisions, to establish measures to track performance and to regularly monitor performance with metrics.

LEVERAGE PARTNERSHIPS TO SERVE VULNERABLE TENANTS

There are many vulnerable tenants¹² who live at TCHC. Vulnerability comes in different forms and tenants who are vulnerable have different needs.

There are 27,500 seniors living in TCHC. Thirty-eight per cent are over 75 years old, with some in their 80s and 90s. By 2026, TCHC expects to house a total of 39,500 seniors – with about half living in seniors' only buildings.

TCHC estimates 24,000 households include someone with mental health concerns and addictions, with an estimated 9,000 adults diagnosed with a serious and persistent mental illness.

Many of these tenants are doing well. But others need support services that cannot be provided by TCHC. The minimum staff-to-tenant ratio deemed adequate in supportive housing¹³ is in the range of one

worker for 30 tenants. At TCHC, each of the staff working one-on-one with tenants is responsible for a portfolio of 2,350 units.

TCHC/*NewHome* can and should provide a lead role in identifying tenants who need support services, and seeking out partners with the mandate, expertise and funding to bring these services to tenants. The nature of these partnerships will vary depending on the needs within each building or community. TCHC/*NewHome* also has a role to play in maintaining consistent and strong relationships with support service agencies in a coordinated way.

¹² TCHC has adopted an operational guideline for working with vulnerable residents based on the City of Toronto Working Group on Vulnerable Individuals definition for vulnerable residents and stating that "Vulnerability is defined as the interaction between the challenges that a Toronto Community Housing resident faces in fulfilling their obligations as a residential tenant and the resources that they can access while facing those challenges. Vulnerable residents can be reasonably expected to enjoy a successful tenancy when steps are taken by Toronto Community Housing, working together with other service system partners, to connect vulnerable residents to appropriate and available resources (e.g., family and health, social services, and community supports). Vulnerability may affect the ability of a Toronto Community Housing resident to live independently as required by the *Housing Services Act*. In such cases, the resident may require more intensive supports than are available within the social housing context. In these cases, Toronto Community Housing will make reasonable efforts to ensure that the resident's needs are assessed and that the resident is connected with appropriate and available housing, shelter or support options before their tenancy with Toronto Community Housing is terminated."

¹³ Supportive housing refers to housing that is provided in combination with support services such as enhanced property management, intensive eviction prevention, case management, and connections with community support services (e.g. childcare or education programs).

WORK WITH LOCAL HEALTH INTEGRATION NETWORKS

Social housing providers across Ontario have found that on-site partnerships are the most effective way to provide support services wherever vulnerable tenants are concentrated.

The nature of these support service partnerships will vary with the needs of each building and community. However, these partnerships all share some common features:

- Support service partners are funded externally. Most often, this funding will be provided by the Local Health Integration Network (LHIN) as part of the Ontario Government's Community Mental Health or Aging at Home mandate. In other Ontario cities, these partnerships have been funded through the Federal Community Homelessness Prevention Initiative.
- Support services are largely provided on-site, using office and community space provided by TCHC.
- Support service partners provide both individualized support services to tenants with the greatest needs as well as programs or activities that will benefit the entire building and the surrounding community.
- TCHC staff and its support service partners work closely to prevent evictions and promote stable tenancies.
- Support services are not time-limited, but the nature and intensity of these services may change over time. To manage these changes, support service partners may establish a "hub and spoke" model. This model places agency support services in one building (hub) while being available to respond to tenant issues in other nearby buildings as needed (spoke). Hubs can be located in residential or community based buildings, depending on the availability and need.

TCHC has already partnered with several non-profits to provide assisted living services in some seniors' buildings, and mental health and community development support services in selected "high needs" buildings where there is a concentration of vulnerable tenants.

INNOVATION: SUPPORT SERVICES THAT CAN TURN AN ENTIRE BUILDING AROUND

In 2013, the Toronto Central LHIN funded two supportive housing providers, Houselink and Fred Victor, to help turn 291 George Street into a healthier, safer community. Over the course of one year, TCHC invested in increased security and building repairs while a mental health and a community development worker (hired by TCHC's partners) set up an in-building office, organized community activities, linked tenants to services, and worked closely with tenants and TCHC staff to prevent evictions.

Within one year, the police reported Violent Calls for Service dropped 40%; 69% of tenants said they felt safer in the building; half the building's tenants were participating regularly in some type of community activity; 1/5 of tenants had been linked to a family doctor; and both staff and tenants reported a cleaner, more attractive building.

This success led the Toronto Central LHIN to extend this partnership to support 631 units in two other TCHC buildings. At nearby 220 Oak Street, Cota, an agency that supports people living with mental health and cognitive challenges, launched their *Health, Home & Community program* in December 2014. Shortly following this launch, the Toronto Central LHIN provided a base funding commitment to support the program's ongoing operation. Since its inception, Cota has reached over 175 tenants, organized over 40 group wellness activities and provided individualized support services to 66 tenants. Police calls have been cut in half, 29 tenants formerly at risk of eviction due to hoarding issues have been supported to maintain their housing, and 73% of tenants receiving individualized supports now have connections to primary care.

Some progress has been made but more needs to be done.

We also suggest that TCHC/*NewHome* consider a range of partnership models with funding provided to LHIN-funded community-based support service agencies. TCHC/*NewHome* may continue to manage the building while partners provide support or community development services. In other situations, TCHC/

NewHome may contract all property management and support service functions to an external support service agency. In buildings where an agency already has a strong relationship with tenants, TCHC/*NewHome* may consider transferring the building's ownership to that agency.

RECOMMENDATION 18

That the City continue to work closely with TCHC/*NewHome* and Toronto's five Local Health Integration Networks (LHINs) to introduce on-site or community hubs by identifying partner agencies and seeking funding for support services in "high needs" buildings.

DEVELOP A PARTNERSHIP STRATEGY

TCHC also has longstanding referral and support service agreements with some support service agencies that are responsible for the support needs of their individual clients. These arrangements are often for tenants who are vulnerable but the arrangements have had mixed success at TCHC. In some cases, the support services evaporate soon after the tenant is housed. In others, support service agencies

do not provide the hands-on help tenants may need to clear a cluttered apartment, prepare for bedbug treatment or resolve a conflict with a neighbour.

Intense support services are available in some locations and are funded by the LHIN. These are good models to follow and can be replicated elsewhere in TCHC's portfolio.

INNOVATION: PARTNERS CAN HELP TENANTS AGE IN PLACE

Since 1999, LOFT Community Services' Supportive Housing Services partnership with TCHC has brought on-site services to seniors and older adults in 17 TCHC buildings.

The 460 TCHC tenants now supported by LOFT receive such on-site services as light housekeeping and laundry, personal hygiene and medication management, accompaniment to appointments and specialized Psychogeriatric Case Management services to navigate the health and social service systems. All tenants in the building can take part in LOFT's social and recreational programs, such as outings, wellness sessions, weekly coffee hours, monthly birthday parties and other community celebrations.

Although the core services in each building are the same, support services are tailored to particular needs. At Collegeview, for example, LOFT has hired staff who share the language of the one-third of clients who speak Mandarin and Cantonese. In the Jane Finch area, programs are designed to serve a culturally diverse community in an under-served neighbourhood.

To address the challenges, TCHC needs to establish clear expectations for all referring agencies, with a mechanism to monitor and evaluate these support service arrangements. It also needs protocols to facilitate three-way communication between the tenant, agency, and TCHC's on-site staff that allow all parties to work together to prevent and resolve crises, without breaching tenant confidentiality.

RECOMMENDATION 19

That TCHC/*NewHome*, with support from the City, develop a partnership strategy to clarify the purpose and nature of its relationships with referral and support service agencies, and to ensure support/referral arrangements lead to tenancy success.

E. Reform the RGI System

Reform of Ontario's current RGI system is important for low-income renters. It has the potential to streamline the delivery of housing assistance and provide flexibility to households. It is also important for the Service Manager as it is one component of helping TCHC/*NewHome* transition to mixed-income housing. Today's system involves unnecessary and complicated calculations, which frustrates tenants and creates high administrative costs. Other Service Managers, like York Region, are piloting new housing programs which seek to address the complications and frustrations with the existing RGI system.

INNOVATION: A NEW APPROACH TO AFFORDABILITY

York Region is introducing a “tiered rent program” in its new Richmond Hill Community Hub. The program is designed to provide affordable rents to tenants with a range of incomes through a simple and transparent program; to generate a stable revenue stream to cover the building's costs and generate a surplus for future development; and to maximize the number of waiting list applicants served.

The program uses “income bands” where tenants, based on their incomes and household size, pay rents ranging from 80% to 35% of the market rent for the area. Each band is associated with an income range, set so that each household pays from 25% to 35% of their gross incomes on rent. Incomes are verified annually using income tax returns, with tenants moving to a higher or lower band as space permits.

Using these bands, York Region expects 90% of the households in this building to pay an adjusted rent – with 45% of households paying 50% or less of the affordable market rent – and still generate a modest surplus without additional operating subsidies.

Portable housing benefits¹⁴ also known as housing allowances are another tool. They are already used widely across Ontario to enable households on social housing waiting lists, or those at risk of

homelessness, to find or keep their home. Housing benefits can offer incentives to increase affordable housing development, or be used in combination with inclusionary zoning provisions.

¹⁴ Housing benefits can vary in levels of assistance, from a flat rate given to households at a certain income level to a specific geared to income amount of assistance allocated to households. This can include deep or shallow subsidies depending on need. Either way, the portability allows households to choose where to live whether in a social housing building or private sector accommodation where affordable, available, and suitable.

The City of Toronto has delivered seven housing allowance programs since 2005 serving over 10,000 households living in private market housing. The Toronto Transitional Housing Allowance Program was launched in late 2012 to help an estimated 3,800 Toronto rental households needing assistance to pay their market-set rent. This program, funded through the Investment in Affordable Housing (IAH) in Ontario program, has now been extended and will be assisting additional households until 2024. Delivered in partnership between the City and the Province, the programs are administered by the Ministry of Finance on the City's behalf. Allowances are portable and paid directly to the eligible household, although arrangements can be made for landlords to receive the payment.

In the US, some public housing authorities have replaced public housing project subsidy with portable Housing Choice vouchers. The vouchers are sometimes used when the public housing authority is redeveloping older housing stock. The US experience suggests that replacing RGI subsidies, which are fixed to a physical unit, with portable housing benefits would provide greater choice for tenants facing relocation due to redevelopment.

In the United Kingdom, universally-available housing benefits enable low-income households to pay for their rented accommodation. Rather than tying income assistance to a particular unit, like the RGI system in Toronto, the housing benefit is linked to the household. Many households receiving a housing benefit choose to live in social housing as the rents are lower due to government program funding which reduces rents. One of the key points is that the government calculates the housing benefit, not the housing provider. Also, the housing provider sets the rent in accordance with government regulations controlling rents. Housing providers are able to charge a rent that enables them to cover their costs. Tenants receive a housing benefit that covers their rental costs. Tenants have greater choice and landlords get the revenue they need to be financially sustainable.

During the past year, the Ontario Non-Profit Housing Association, the Greater Toronto Area (GTA) Housing Action Lab and other advocates have called upon the Ontario Government to recognize portable housing benefits (or housing allowances) as part of its Long-term Affordable Housing Strategy, and there is some indication the Province is looking at this option.

In addition to the Province allowing portable housing benefits to be included in required Service Levels, the Task Force supports a series of steps that can be taken to support change in the interim. They include:

- the Province introducing changes to remove the complicated annual income verification system currently in place;
- the Province simplifying RGI rules, starting by defining net income through the income tax system, to bring RGI into line with other income-tested programs such as childcare subsidies or the new Provincial energy benefit; and
- the City transferring responsibility for RGI administration, including verifying incomes and calculating subsidies from TCHC/*NewHome*, to the City of Toronto in its role as Service Manager. This transfer will allow the City to better co-ordinate and integrate RGI with its own housing allowance, rent supplement, childcare subsidies and other income support programs as part of its Human Services Integration project.

RECOMMENDATION 20

That the Provincial government be requested to prioritize legislative changes to reform and simplify the rent geared to income system (RGI) to: a) verify incomes no more than once a year, unless the tenant experiences a major loss of income; 2) base subsidy calculations on income tax returns and 3) permit rent geared to income subsidies now tied to the landlord to be converted into portable housing benefits. In the meantime, the City, as Service Manager, consider assuming the calculation of RGI qualified subsidy levels as part of its one-window initiative for those seeking subsidized housing, childcare subsidies, and Ontario Works.

04 FOLLOW-UP FROM THE INTERIM REPORT

Leading up to our Interim Report, we heard a number of tenant concerns which included:

- resident safety and security, with some properties experiencing social disorder, drug dealing and gang related violence
- building maintenance, cleanliness, and infestations
- vulnerable residents needing support services to address issues such as hoarding and social disorder
- slow response to tenants' concerns, or poor communications with tenants about matters that affect them
- operational and management structures that are bureaucratic and unresponsive to tenants' needs
- a lack of delegated decision-making authority, resulting in minor irritants escalating into City Councillor complaints and the involvement of the Executive staff.

We called upon TCHC to create four Action Plans: 1) safety and security; 2) building conditions; 3) jobs and opportunities for residents; and 4) training for staff and contractors.

CONTINUE WORKING ON ACTION PLANS

TCHC responded with *Getting it Done: Real Change at Toronto Community Housing*, outlining 70 actions that would do much to improve life for TCHC tenants.

Many of these actions advance themes in our final report. The redeployment of Community Safety Officers, the hiring of

60 cleaners and the proposal to increase the number of Community Services Coordinators all bring more services into the buildings. The Closing the Loop Pilot offers increased responsiveness to tenants on unit repairs. And service partnerships such as the crime prevention partnerships, hoarding and anti-clutter partnerships; and

the TCHC/City working group on resident employment and recreation opportunities all recognize that TCHC cannot do everything by itself.

While some monitoring of progress on the Action Plans has been carried out by the Task Force, most of the work has been, at the Mayor's request, carried out by members of the TCHC Board of Directors, and appropriately so. TCHC management has reported regularly including a status chart covering each measure that they proposed to meet the Task Force Interim

Report recommendations. A large number of the substantive measures, however, are not yet underway because TCHC is seeking additional funds in the City's budget process. The Task Force requested "noticeable improvement" on the action plans by year end. Noticeable by whom, you may ask? We would say the TCHC tenant population. Many advancements on the action plan items are underway and in some areas noticeable improvement is evident. On other items, the result is unclear and the effort must continue.

RECOMMENDATION 21

That TCHC/*NewHome* continue to pursue the Action Plans recommended in the Task Force Interim Report (see Appendix B). This is key to improving living conditions for tenants.

We have additional advice on issues identified in the Interim Report. Recommendations regarding these are listed below:

GIVE ON-SITE STAFF ADDITIONAL TOOLS TO MANAGE TENANT CHALLENGES

Many of the issues raised in the Interim Report are the result of staff being unable to respond to tenant needs. The recommendations below expand on our thoughts.

ASSESS TENANT NEEDS UP FRONT

Vulnerable tenants come to TCHC through a variety of channels. Some are referred by a street outreach program, a mental health support service agency or other community sources. Other tenants move in from the centralized waiting list and may

or may not have support service needs. In many cases, TCHC staff are not aware of a tenant's needs until a crisis happens. This puts pressure on the tenant, the tenant's neighbours and the staff.

Adding a voluntary assessment element to the application process for social housing will allow tenants who choose, to have their needs identified up front, prior to moving in. The City is now the direct manager of the social housing waiting list and can

explore how to do this in the most effective fashion. A revised process will give the City the opportunity to match the tenant with support services and help to avert any potential issues by planning in advance.

AFTER HOURS SUPPORT

Where tenants do not have support services in their lives or where they are not available at times, TCHC frontline staff need to be equipped to spot emerging problems, know who to call in a crisis, and have the confidence that help will come. Staff

also need to know what support service partners are available in each community and how to reach them in a timely manner. TCHC/*NewHome* should enhance supports to frontline staff.

RECOMMENDATION 22

That the City, in collaboration with TCHC/*NewHome*, enhance afterhours support offered through its Client Care Centre so that staff have support in crisis situations. As well, TCHC/*NewHome* should provide further training programs for staff working with vulnerable tenants.

MANAGE THE EVICTION PROCESS

Many social housing tenants have complex challenges that make it difficult for them to pay their rent or meet their other tenancy obligations. But most social housing landlords are reluctant to evict a tenant who may end up homeless or in the emergency shelter system.

To help prevent unnecessary evictions for rent arrears, a new Office of the Commissioner of Housing Equity was established in 2014 to assist seniors and other vulnerable tenants in arrears. Since

then, the Commissioner and her staff have used a personalized approach to address and resolve the root causes leading to an eviction notice. In its first year, 86 per cent of the cases referred to the Commissioner were resolved without an eviction. The mandate is narrow, dealing solely with tenants who are seniors or have been deemed vulnerable. There needs to be better access for all tenants in arrears, including intervention at an earlier stage.

RECOMMENDATION 23

That TCHC/*NewHome* examine the services provided by the Office of the Commissioner of Housing Equity to explore mandate changes that would offer wider and earlier service to any tenant at risk of eviction for rent arrears.

We also recognize that some evictions cannot be prevented. When tenants interfere with other tenants' or staff safety or enjoyment of the facilities, TCHC/*NewHome* must act quickly to support a change in behavior or an eviction. The Task

Force heard from many tenants whose lives are disrupted by criminal activity or social disorder. TCHC/*NewHome* must work to respond swiftly to such issues in a consistent manner.

We believe that the entire evictions process must be better managed. Staff must be equipped to assess whether a tenancy can be saved and to offer assistance to vulnerable tenants in cases where mental health or other challenges get in the way of tenants paying rent. Also, TCHC staff must have clear guidelines around when to proceed with an eviction and processes to quickly deal with situations involving crime and safety.

RECOMMENDATION 24

That TCHC/*NewHome* review and revise its policy of Evictions for Cause with a focus on quick and consistent procedures to deal with illegal and antisocial activity.

REFINANCE WITHOUT PENALTY

We mentioned in the Interim Report that Canada Mortgage and Housing Corporation (CMHC) holds a number of long-term non-renewable TCHC mortgages. Interest rates on these mortgages are on average 9%, with some mortgages as high as 11%. CMHC's restrictions on paying out and refinancing these mortgages have made it impossible for TCHC to take advantage of today's lower interest rates.

As a result of the Task Force's enquiries, the Federal Government's 2015 budget announced a program to cover the penalty associated with refinancing these mortgages. Although the Federal Government has not yet announced the details of this program, it offers a promising opportunity for TCHC to redirect money now spent on mortgage interest to its capital repair fund. TCHC/*NewHome* will need the Federal government's assistance in bringing this opportunity to reality in the short term.

RECOMMENDATION 25

That the City continue to pursue the 2015 Federal budget item, on TCHC's behalf, to allow for mortgage refinancing without penalty on remaining high interest CMHC mortgages.

HIRE THE RIGHT PROPERTY MANAGEMENT PARTNERS

We had noted in the Interim Report that TCHC has over 12,000 units that are managed by contracted private-sector property management companies. These companies provide a service to TCHC and each one manages a large portfolio. Questions were raised by some tenants about the level of service that they received from the private companies. The Task Force was also concerned about whether the private companies had policies in place for worker protection, as TCHC does. The Fair Wage Policy used by the City of Toronto may be a good model to follow. Generally, equity is as important for tenants as it is for the staff that perform similar duties,

whether for TCHC or for a private sector property manager.

The process for awarding property management contracts needs some reconsideration. TCHC has advised that it will be issuing a request for proposals in 2016 and that it will enter into new contracts based on revised performance standards. However, before that occurs, a more nuanced review of how it divides its portfolio is needed. Since many buildings house large proportions of vulnerable tenants, non-profit property managers may be a better fit.

RECOMMENDATION 26

That TCHC/*NewHome* review current private sector management contracts adopting clear performance standards to ensure equity in tenant services, adequate small capital repairs and fair wages for staff. Both non-profit and private sector companies should be considered for contracting.

05 IMPLEMENTING THE TRANSFORMATION

Our recommendations, listed above, will transform TCHC so that it can be successful in pursuing its mission into the future. The vision we propose will not happen overnight but changes can begin almost immediately.

Better, but not bigger

TCHC is the largest social housing provider in Canada, and second in North America to the New York City Housing Authority.

International housing experience suggests that there are benefits as well as costs to scale. In the UK, over 800 housing providers own and manage portfolios that are larger than 1,000 units. In Toronto, there is only one – Toronto Community Housing Corporation. Large housing providers have a greater buying power, greater access to capital for new development and redevelopment, and can spread the cost of core functions across their corporation. On the other hand, smaller housing providers are often more responsive to tenants. Indeed this was the rationale for our recommendation to decentralize operations. TCHC has the benefits of size; Toronto's 240 other non-profits have the benefits of responsiveness.

We propose that TCHC/*NewHome* portfolio not grow larger, at least at this time. The focus now should be on making it better. However, the expertise and capabilities developed at TCHC could be mobilized as a strategic partner to help the entire social housing sector thereby contributing to Toronto's overall affordable housing growth strategy.

As assets are developed or redeveloped, some may be transferred to other non-profit partners to manage or to own and manage. Provided that these transferred properties include a mix of low to moderate income rent levels, TCHC/*NewHome* can evolve to a more balanced mix of moderate and rent geared to income housing without growing beyond its current size.

RECOMMENDATION 27

That the City should cap the growth of TCHC/*NewHome* so that they continue to operate no more than their current level of 58,500 units, subject to review in five years. Ways should be explored for the development expertise and economies of scale advantages within TCHC to be helpful in strengthening the non-profit housing sector in Toronto.

A Commitment to Action

In this report, we have offered recommendations that will transform TCHC into a financially viable non-profit housing corporation, with better buildings, thoughtful new development, and a customer service culture.

Turning our vision into reality will require the concerted oversight of the Mayor, Council, City staff, the readiness of TCHC's new Board to embark on a change agenda, the insights of TCHC's Executive Team and staff, the private sector, non-profit and co-operative housing providers and support service agencies. Legislative and regulatory changes will be required. Some recommendations will require expert legal, financial and technical opinions. Support from all three levels of government is critical, through funding, legislative changes or approvals. It is crucial that tenants understand and are on board with our recommended changes. All of the ideas we present will require further refinement over time to ensure they advance the principles that underpin them.

This transformation process will not happen overnight. It will require significant planning, consultation and design. Our recommendations are directed to the City of Toronto to lead the process and to TCHC/*NewHome* to implement the operational reforms within its purview.

RECOMMENDATION 28

That Council direct the City Manager to oversee the implementation of all recommendations directed to the City as Shareholder and Service Manager and that the new Board of TCHC/*NewHome* be similarly mandated to oversee the implementation of those actions related to the corporation itself.

RECOMMENDATION 29

That, in five years, the City conduct a review of changes implemented as a result of this report.

CONCLUSION

We want a non-profit housing corporation that **provides affordable quality homes** for people of mixed low- and-moderate income levels: where residents feel safe and secure in clean, well maintained, and energy efficient properties; where building repairs are done quickly and properly where decentralization of decision-making to communities empowers tenants and on-site staff, thereby increasing timely responsiveness to local needs; and, where the prevailing culture is one of service to residents.

A housing provider that **works in partnership** with the City and community support service agencies to meet various tenant needs: services for residents who are vulnerable, disabled, and elderly to help ensure successful tenancies; youth recreational programming; job opportunities and training programs for low-income residents, particularly young adults.

A housing provider that is **financially sustainable** with financial capacity to maintain housing to a state of good repair, replaces rundown buildings with new ones, and helps meet City objectives for increased affordable accommodation, and does so in partnership with non-profit housing providers and private sector developers.

A housing provider that **maintains and builds more** seniors-only housing to meet the needs of an aging population, while also creating opportunities to allocate some properties to special need and vulnerable populations requiring support services beyond basic social property management.

The number of housing units managed by the company on a day-to-day basis should not be bigger, but it should be better.

We want transformative change. For the residents of TCHC individually and for us as residents of Toronto, collectively.

We want to be able to show that what is more important than having the biggest social housing provider in Canada, is having the best social housing provider.

APPENDIX A

Task Force Members



SENATOR ART EGGLETON

- **Task Force Chair**

Senator Art Eggleton has served the people of Canada and the city of Toronto in elected office for over 40 years. He served 22 years as a member of Toronto City Council and the Metropolitan Toronto Council. From 1980 to 1991, for 11 of those 22 years, he was Mayor of Toronto, the longest serving Mayor in the City's history. In addition he served on the Metropolitan Toronto Police Commission, the Board of the Canadian National Exhibition, and numerous committees and task forces dealing with community issues. In 2005, Senator Eggleton was appointed to the Senate of Canada. He currently serves as Deputy Chair of the Standing Committee on Social Affairs, Science and Technology and is a member of the Standing Committee on Transportation and Communications and the Human Rights Committee.



EDMUND CLARK

Ed Clark is the former President and CEO of TD Bank Group, an office he held from 2002 to 2013. During his tenure at TD, Harvard Business Review named him as one of the 100 Best Performing CEOs in the World in 2014, and Barron's magazine named him one of the World's 30 Best CEOs in 2012 and 2013. Ed was the 2010 Cabinet Chair for United Way Toronto. Currently, Ed is a member of the Chair's Advisory Council for Habitat for Humanity Toronto, and provides support to WoodGreen Community Services, an organization that delivers programs to build sustainable communities in the Toronto area. He has been Chair of the Advisory Board for the School of Public Policy and Governance at the University of Toronto since 2011.



BLAKE HUTCHESON

Blake Hutcheson is President and CEO of Oxford Properties Group and is responsible for overseeing the global business, consisting of approximately \$40 billion of assets under management, with offices in Toronto, London and New York. The company's portfolio includes over 50 million square feet of office, retail, industrial, multi-family and hotel properties. He is also the CIO for OMERS of all real estate and strategic investment decisions. Prior to taking this appointment, Mr. Hutcheson was based in New York as the Head of Global Real Estate Investing for a multi-strategy private equity firm, with offices in New York, London, Hong Kong and Mumbai.



JANET MASON

Janet Mason is a Professor and Visiting Fellow at the School of Public Policy and Governance, University of Toronto. This follows on her distinguished career in the Ontario Public Service, which spanned three decades, and included positions in the ministries of Industry and Trade, Skills Development, Training, Colleges and Universities and Cabinet Office. Most recently Janet was Assistant Deputy Minister in the Ministry of Municipal Affairs and Housing.



MUNA MOHAMMED

- Resident of Jane and Finch (Firgrove Community)
- Tenant Representative since 2009
- Secretary – Board of Director for Firgrove Learning & Innovation Community Centre
- Member – Firgrove Tenant Association

Since becoming a Tenant Representative, Muna has taken the time to get to know her neighbours and together they are already helping to change the city's perspective on the quality of housing. She mobilized her neighbours to work together for the betterment of the community and build positive relationships amongst themselves. This community has faced many barriers and unfulfilled promises; however without action there won't be any positive change. She is also a committed mother of three beautiful children who are her pride and joy. Her love for her children and the community has influenced her to invest much of her time to community work. Muna strongly believes that all children deserve to live in a happy, safe and liveable environment, and that to foster their growth children need a solid support system. She strongly believes that this initiative will be another reason why she will see real changes in her community and in turn the City of Toronto.



BRIAN F. C. SMITH

Brian Smith is an expert in non-profit organization management. He has many years of experience as a specialist in non-profit governance, and the management of housing developments. He held the position of President and CEO of WoodGreen Community Services for 36 years, retiring at the end of 2014. A founding United Way of Toronto member agency, under Brian's leadership, WoodGreen grew to span 34 locations and serve 37,000 people each year. WoodGreen developed and operates 800 units of affordable housing. Brian has also advocated for policy changes that allow social service agencies to better serve vulnerable populations.

APPENDIX B

Interim Report – Highlights

MAYOR'S TASK FORCE ON TORONTO COMMUNITY HOUSING

Presented to the Mayor – July 15, 2015

Everyone needs a home that is safe, secure and decent. It is in recognition of this that Toronto has a long history of providing social and affordable homes in our city.

Some 110,000 residents live in homes owned by Toronto Community Housing Corporation (TCHC). Tenants who reside in TCHC's 60,000 homes are spread out in more than 2,200 apartments, townhouses and single-family homes in 350 communities through every single ward in the city. They depend on their landlord to provide good quality housing and good services in return for the rent they pay.

The housing owned and operated by TCHC is critical to the well-being of its residents but also to Toronto's social and economic infrastructure. TCHC is the second largest residential landlord in North America, second only to New York City Housing Authority. It has an annual operating budget in excess of \$600 million and a building replacement value of over \$9 billion. The TCHC housing portfolio represents 61% of the City's social housing.

TCHC has an obligation to do the best job possible and strive to be a landlord of excellence. We know that in the past and even today it has fallen short of achieving these goals.

In January 2015, Mayor John Tory appointed our Task Force to provide independent advice on a range of key issues. Most importantly, he commissioned the Task Force to provide insight and recommendations on how TCHC can and must improve services to people living at TCHC. The Task Force believes it is essential to "get it right" for everyone in the city, recognizing that there is no simple solution to this complex issue and challenge.

Our Task Force members come with a range of experience in social housing, finance, real estate development, public policy and as a TCHC tenant. The Mayor asked our advice on how to strengthen and

support the delivery of housing to TCHC tenants now and in the future.

We have also undertaken our work with the understanding that government finances are limited and that there are often difficult choices to be made and competing priorities. But this is not a time for complacency. It is a time for action and for everyone to pull together for the betterment of our city.

From January to July 2015, the Task Force has met with tenants, City and Provincial officials, TCHC executives, and social housing experts. We have visited more than 50 TCHC buildings and communities,

interviewed frontline workers, and spoken directly with TCHC residents. A report on what more than 900 TCHC tenants and members of the public told us in five separate meetings with our Task Force members is available on the Task Force website at www.toronto.ca/tch-taskforce.

Also, working with City and TCHC finance officials and Canada Mortgage and Housing Corporation (CMHC), we determined that through mortgage re-financing, additional funds can be made available to continue the 10-year capital repair program while efforts to secure more Federal and Provincial funding support continues.

Looking ahead the Task Force will provide a final report to the Mayor by year-end on the four areas of our mandate:

- | | |
|--|---|
| 1. TCHC's current operations and service delivery, | 3. Capital revitalization and new development, and, |
| 2. Partnerships and innovation, | 4. Governance |

RECOMMENDATIONS

In this interim report, we are suggesting actions that can be taken immediately to begin addressing the issues we heard from tenants. These are action areas that cannot wait until the completion of our final report and where action can and must begin now to make noticeable and ongoing improvement in the lives of tenants.

In completing this phase of our work we are making seven recommendations for action:

1. Secure additional funding to move forward on the 10-year capital repair program

2. Develop and implement an action plan on increasing safety and security

In development of an Action Plan for safety and security, we recommend that TCHC consider the following:

- Ways that existing policies on drug dealing at TCHC can be more effective so that tenants are not intimidated by this illegal activity
- Ways existing safety and security policies can be more effectively implemented and communicated to staff, tenants, and the visiting public
- Ways that the Community Safety Unit (CSU) can be organized, resourced, and
- aligned with Toronto Police Service to best meet the goal of keeping tenants free from the negative impacts of illegal activities in and around their homes
- An intelligence gathering role that might be played by CSU to curtail illegal activity
- How the City and its agencies can further assist in addressing hoarding issues

3. Develop and implement an action plan on improving building conditions

In development of an Action Plan for building conditions, we recommend that TCHC consider the following:

- How setting a basic and professional cleaning standard can be consistently followed and monitored across the portfolio
- What it can do to ensure better management, role clarity, communication and training for both existing and new maintenance staff

-
- How it can implement evening and weekend cleaning services across the portfolio, starting with high needs buildings and communities
 - Consider the possibility of having live-in superintendents as is common practice where the need or numbers warrant it
 - How tenant satisfaction with repairs and contract work can be measured—possibly by rolling out the “Closing the Loop” program portfolio-wide
 - How it could recast its contracts and relationships with third party property managers to improve quality of service
 - What it can do to improve its pest treatment program and how the City and its agencies could expand services to help vulnerable residents prepare units for pest treatment and to replace furniture discarded due to infestation
 - What approach it could develop and implement by the next winter to relieve the high heating costs experienced by RGI tenants who have electric heat and pay directly to Toronto Hydro
 - How it could expedite energy audits and retrofits for buildings and communities with high electric heating costs
 - How it could increase or speed up repairs and replacement of elevators as part of the 10-year capital plan

4. Develop and implement an action plan on providing more jobs and opportunities for residents

In development of an Action Plan for resident opportunities, we recommend that TCHC consider the following:

- How it could substantially increase access to youth recreation and employment programs in a consistent and coordinated way. This could include, for example, doubling the numbers of certain programs, expanding them throughout the year and identifying ways to build bridges to further employment opportunities
- What it would need to increase the number of recreational programs that bring youth together from different buildings and communities
- How it would ensure that a minimum of 10% of the total jobs created under the 10-year capital plan, including those created by contractors could be set aside for TCHC tenants, similarly as has been used in revitalization initiatives like Regent Park
- How it would hire tenants for jobs at all levels of TCHC

-
- How it could build on existing employment initiatives in TCHC and in the community, including additional resources to prepare tenants (including youth) for the world of work, help tenants to access apprenticeships and skills training, and assist with the transition to more long-term jobs and education once short-term jobs and training programs have finished
 - How it could integrate and better coordinate TCHC, City and community resources

5. Develop and implement an action plan on more effective training for TCHC staff and contractors

In development of an Action Plan on Training, we recommend that TCHC consider the following:

for an environment where both staff and tenants treat each other with respect and courtesy

- How it could create a customer service orientation through the creation of a comprehensive training strategy for all levels of the company
- Specialized training on working with vulnerable residents
- What steps it would take to improve customer service, including support
- How it would improve its contractor orientation program to ensure that contractors provide quality, respectful service to tenants

6. Engage with residents in the creation of a Resident Charter and review the tenant engagement system

7. Hire a Chief Operating Officer

CONCLUSION

We have listened to more than 1,200 people over the past six months who shared their experience living in, working for or partnering with Toronto Community Housing. We believe that action must be taken now so that tenants can see changes in their living conditions. We want to see the following,

- Drug dealing removed from TCHC properties
- Community Safety Unit officers talking to tenants and building trust
- Action now for high needs buildings and communities
- Cleaner buildings
- Repairs done right
- Fewer pest issues
- Staff and contractors being respectful and courteous to tenants
- Clear understanding between tenants and TCHC about rights and responsibilities
- More resources to fix aging elevators
- More job opportunities for tenants including youth
- Tenants being listened to and a regular system set up to do this
- Financial relief for tenants who have electric heat and pay directly
- A comprehensive and effective training strategy for staff

We will use the knowledge and experience we've gathered over the first phase of our work to help inform the final report. In the next phase of our work, we will focus on the remaining areas of our terms of reference. We will answer questions such as, is the status quo the best option, that is, a separate City-owned corporation governed by a City Council appointed Board? We will address opportunities for partnerships to provide greater support to vulnerable tenants with mental health issues and addictions. We will consider changes, such as transferring responsibility to other housing providers, back to the City, or a blended approach to the governance of TCHC.

We appreciate that TCHC tenants, staff and other community members took time to share their experiences during our first six months. Hearing from those who live and work in TCHC communities gave us the context to work on finding solutions. Without their openness we could not have completed the first phase of our work. We thank everyone for their contribution.

APPENDIX C

Chair and Board Compensation

SELECTED CITY AGENCIES

The table below shows the variation across several City organizations including the level of compensation for the Chair and Board members, whether Board members are compensated for committee meetings, the frequency of board meetings and whether the Board has secretariat support.

Organization	Chair Compensation	Board Member Compensation	Compensation for Committee Meetings?	Number of Committees	Frequency of Regular Board Meetings	Secretariat Support Staff reporting to Board
Toronto Community Housing	\$20,000 per annum. No meeting fees.	\$2,500 plus \$500/meeting total \$10,000	Yes	Three	Every two months	None
Toronto Transit Commission	No compensation (Councillor appointment)	\$5,000 plus \$450/meeting	No	Three	Every month	Yes – Executive Assistant to the Chair at City Hall
Toronto Police Services Board	\$90,963 per annum. No meeting fees.	\$8,750 plus \$350/meeting to total \$15,750	Yes, to a total of 20 meetings/yr	Two permanent, other ad hoc	Every month	Yes – Executive Director
Build Toronto	\$40,000 per annum. No meeting fees.	\$5,000 plus \$500/meeting to a total \$15,000	Yes	Three	Every 4 to 7 weeks	None
Toronto Parking Authority	\$10,000 per annum. No meeting fees.	\$500/meeting to total \$7,500 per annum	Yes	Six	Every month	None
Waterfront Toronto	\$30,000 plus \$500 per meeting	\$5,000 plus \$500 per meeting	Yes	Four	Every month	Yes – Executive Director

APPENDIX D

Glossary of Terms

Definitions provided by the Ontario Non-Profit Housing Association

Affordable Housing: Under the current Invest in Affordable Housing for Ontario (IAH) (formerly Canada/Ontario Affordable Housing Program), “Affordable” means that projects must achieve average market rents for their areas. These types of projects are not targeted to those in most need (without rent supplements).

Alternative Housing: Non-profit housing for the formerly homeless/hard-to-house which emphasizes the provision and maintenance of stable housing and community development, rather than medical or psycho-social programs. Administration and funding of alternative housing was devolved to the Municipalities and does not receive additional funding for support services from Provincial Ministries.

Canada Mortgage and Housing Corporation (CMHC): The agency responsible for carrying out the current responsibilities of the Federal government with regard to affordable housing. In 1998, CMHC signed the Federal-Provincial agreement that transferred the administration of social housing, which had

been developed under Federal programs, into the hands of the Provincial government.

Housing Allowance: Term used to include both Portable Shelter Allowances (attached to tenants) and Rent Supplements (attached to buildings).

Housing Services Act, 2011 (HSA): This legislation replaced the Social Housing Reform Act on January 1, 2012. It preserves the administrative and funding responsibility for housing with Service Managers within a more flexible framework. The Housing Services Act and regulations allow Service Managers the flexibility to set some local policies, such as delegating RGI administration, policies on asset limits, income limits, absences from units, optional RGI rules, and occupancy standards for RGI households.

Local Health Integration Networks (LHIN): Organizations created by the Provincial government to facilitate effective and efficient integration of health care services. LHINs possess significant decision-making power at the community level including the funding of support

services to transferred housing providers providing supports to people with mental illness and the frail elderly.

Local Housing Authority (LHA): An agency of the Provincial government which managed public housing owned by the Province of Ontario, and carried on other administrative responsibilities such as the rent supplement program for private-sector landlords. The LHAs ceased to exist as of January 1, 2001.

Local Housing Corporation (LHC): A new corporation created by the former Social Housing Reform Act and controlled by the Service Manager as sole shareholder, to take over the ownership and other responsibilities of Local Housing Authorities (LHAs).

MOHLTC: The Ministry of Health and Long-Term Care. This ministry has the responsibility to fund and administer housing for people with high needs, such as the mentally ill, those with acquired brain injury, people with substance abuse problems, and the frail elderly in need of support services in order to live independently.

Non-Profit Housing: Community-based affordable rental housing provided by non-profit corporations, overseen by volunteer Board of Directors. A percentage of non-profit housing tenants pay rents geared to their incomes (known as RGI housing), and the remaining pay market rents. The percentage of tenants paying RGI ranges from 25% to 100% of tenants in the

project; generally the ratio is around 60% RGI: 40% market.

Ontario Housing Corporation (OHC): This agency of the Provincial government had responsibility for Provincially-owned housing and for the direction of LHAs. It no longer exists.

Public Housing: Housing developed predominantly by the Ontario Housing Corporation (OHC) in the 1960s after CMHC's mandate broadened to housing for low-income families. Managed by Local Housing Authorities with local boards; OHC set policy and provided services (such as legal and technical support). The projects were 100% RGI housing and tended to be large high rise buildings when built in large urban centres. Ownership was downloaded from the Province to the Municipal Service Managers in 2001. The Social Housing Reform Act renamed public housing "Local Housing Corporations" (see non-profit housing).

Rent geared to income (RGI) or Rent Subsidy: The subsidy paid to a social housing provider named under the Housing Services Act to allow a defined number of units to be rented to low-income tenants on a rent geared to income basis. The RGI or Rent Subsidy equals the difference between the actual rent paid by the qualifying tenant (paying approximately 30% of their income), and the government-approved market rent of a unit.

Rent Supplements: Paid to a landlord to bridge the gap between a tenant's rent geared to income and the market rent ceiling set by the Municipality, for units rented to applicants from the social housing waiting list. The newer housing programs have no RGI Rent Subsidy funding built into them, which means non-profit housing providers need rent supplements. Historically, private landlords have been interested in signing rent supplement agreements when vacancy rates are high; otherwise they have not been quite so interested.

Service Manager (SM): A Municipal government responsible for carrying out the funding and administrative responsibilities of the Housing Services Act, such as the City of Toronto. The SM is also responsible for administering other social service programs such as Ontario Works and child-care.

Social Housing: Housing that is community sponsored i.e. by local faith groups, service clubs, YMCAs, other community organizations, or by Municipalities. Designed to address some of the Public Housing issues, it is mixed-income housing (some RGI, some market units), in smaller-sized projects. (The term now includes Public Housing). Social housing is technically defined as either non-profit rental or co-operative housing funded by a legally-prescribed government program (although some social housing providers are now building housing with no government funding).

Supportive Housing: Non-profit housing for people who need support to live independently e.g. the frail elderly, people with mental health problems, addictions or developmental disabilities. Administration and funding of supportive housing providers were not downloaded to the Municipal Service Managers in 2001; rather, the responsibilities were transferred to the Provincial ministry that funded the support services, either the Ministry of Health/Long-Term Care or the Ministry of Community and Social Services.

