

Preserving Affordable Rental Homes and Supports at 33 Hahn Place

Date: March 31, 2017

To: Executive Committee

From: Deputy City Manager, Cluster A

Deputy City Manager & Chief Financial Officer

Wards: Ward 28

SUMMARY

Les Centres d'Accueil Héritage ("Les Centres") is a registered not-for-profit organization that provides affordable housing and support services in French for seniors and for adults living with HIV/AIDS. Its building at 33 Hahn Place has 135 one- and two-bedroom units including 100 rent-geared-to-income units and 35 affordable market rent units operating under a 99 year lease with the City. Les Centres is the sole provider of community support services and subsidized housing in French across the GTA.

In 2013, the Municipal Property Assessment Corporation (MPAC) reclassified Les Centres as a multi-unit residential building resulting in a substantial property tax increase. This increase caused financial hardship for the organization, challenging their ability to provide affordable housing and resulting in significant tax arrears. On March 1, 2017 the Section 95 operating agreement for Les Centres expired. This ends Les Centres' obligations under that social housing program, and also ends the formal relationship between Les Centres and the City. Les Centres has made a valuable contribution to affordable housing and support services in the City over the past 35 years, and is requesting assistance to continue its mission.

This report seeks Council's authority for the adoption of necessary by-laws to designate the property owned by the City of Toronto and occupied by Les Centres at 33 Hahn Place as a municipal capital facility and to provide a property tax exemption for municipal and education purposes. The report also seeks Council's authority for the negotiation and execution of a new municipal capital facility agreement (Local Agency Housing Agreement), to set affordability and other program-related terms and conditions to secure the property tax exemption and a requirement for the repayment of unpaid tax arrears, including late payment charges (interest and penalty) and fees added to the tax account.

The recommended by-law and agreement will establish a new relationship between the City and Les Centres. Through the proposed property tax exemption, Les Centres will

receive financial relief to support their mission and in return will provide ongoing affordability, including internal subsidies, ensuring they continue to contribute to meeting the City's affordable housing needs.

RECOMMENDATIONS

The Deputy City Manager, Cluster A and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council enact a site specific by-law amending the criteria for "Affordable Housing" in the Municipal Housing Facility By-law No. 124-2016, to exempt the one hundred and thirty-five (135) affordable rental housing units at 33 Hahn Place from the restriction that affordable rental housing units be "new" housing to meet the definition of "Affordable Housing" in the Municipal Housing Facility By-law No. 124-2016;
2. City Council, conditional on the enacting of the site specific by-law amendment referred to in Recommendation 1, exempt 33 Hahn Place from taxation for municipal and school purposes for the term of the municipal capital facility agreement (Local Agency Housing Agreement) with Les Centres d'Accueil Héritage ("Les Centres"), which will be 25 years with the option to renew for a period not to exceed the remaining term in the lease to Les Centres with the City;
3. City Council authorize the General Manager, Shelter, Support and Housing Administration (the "General Manager") to negotiate and enter into, on behalf of the City, a municipal capital facility agreement (Local Agency Housing Agreement) with Les Centres to secure affordable housing in accordance with By-law 124-2016, as amended, in return for the exemption from taxation for municipal and school purposes being provided, and containing terms and conditions addressing:
 - Payment in full of unpaid 2015, 2016 and 2017 taxes, including late payment charges (interest and penalties) and fees added to the tax account, levied up to the Effective Date of the municipal capital facility agreement (Local Agency Housing Agreement);
 - Affordability requirements to offset the property tax exemption over time, including:
 - i. maintaining 35 market units at or below CMHC average market rents
 - ii. maintaining, at a minimum, 23 internally-funded subsidized units
 - Development of a City-approved access plan for filling affordable and internally-funded subsidized units; and
 - Oversight and reporting to ensure City standards are met in the areas of governance, capital repairs, maintenance and rental levels.

and that are satisfactory to the General Manager, Shelter Support and Housing Administration, and in a form satisfactory to the City Solicitor;

4. City Council authorize City staff to cancel or refund any taxes paid after the execution (the "Effective Date") of the municipal capital facility agreement (Local Agency Housing Agreement);
5. City Council authorize the General Manager, Shelter, Support and Housing Administration to execute, on behalf of the City, any other documents required to facilitate the tax exemption process and the tax arrears repayment; and
6. City Council authorize the City Solicitor to execute, postpone, confirm the status of, and discharge any consents and City security documents registered to secure Les Centres" obligations under the municipal capital facility agreement (Local Agency Housing Agreement) as required by normal business practices.

FINANCIAL IMPACT

33 Hahn Place is on land owned by the City and leased to Les Centres D'Accueil Héritage in 1979 for 99 years. Under the *Assessment Act*, this lease arrangement makes Les Centres subject to taxation. In 2013, the tax classification for 33 Hahn Place changed resulting in a substantial annual increase in property taxes of approximately \$200,000 causing financial challenges for the organization. The annual property taxes are now estimated at approximately \$294,137, comprised of a municipal portion of \$260,173 and a provincial education portion of \$33,964, based on 2016 Current Value Assessment (CVA) and 2016 rates for the multi-residential tax class.

Providing a property tax exemption for the property at 33 Hahn Place will result in a net annual reduction in property tax revenue to the City of approximately \$260,173, representing the municipal portion of taxes that are currently payable that will no longer be collected once the property becomes exempt, as shown in Table 1 below. The provincial education portion of property taxes of \$33,964 will no longer be required to be remitted to the Province once the exemption for this portion takes effect, with no net impact to the City.

Table 1
Financial Implications of Property Tax Exemption – 33 Hahn Place

2016 Full-Year Taxes	Municipal Taxes	+ Education Taxes	= Total Property Taxes
Amounts Payable if Taxable (annual)	\$260,173	\$33,964	\$294,137
Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues:			\$260,173
Reduction in Education Taxes remitted:			\$33,964

Currently, there are unpaid property taxes for the 2015 and 2016 taxation years in the amount of \$296,047 and \$331,290 respectively. The unpaid taxes for 2015, 2016 and 2017 to date total \$775,018, including 2017 interim levies and late payment charges

and fees that have been applied to the account, as shown in Table 2 below. The unpaid taxes will not be adjusted or written off. Rather, the unpaid amounts for 2015 and 2016, and any unpaid 2017 interim taxes, as well as late payments charges and any fees added to the tax account, prior to the Effective Date of the agreement, shall be required to be repaid in full.

Table 2
Total Unpaid Amounts – 33 Hahn Place

Taxation Year	Property Taxes	Fees	Late Payment Charges	Total Unpaid Amounts
2015	\$296,047	\$0	\$0	\$296,047
2016	\$294,137	\$0	\$37,153	\$331,290
2017 ¹	\$147,069	\$0	\$613	\$147,681
Total:	\$737,253	\$0	\$37,766	\$775,018

1. Interim taxes only. Final 2017 taxes not yet billed.

Granting a property tax exemption will allow Les Centres to continue to provide affordable housing and community support services to the community. Under the terms of the municipal capital facilities agreement (Local Agency Housing Agreement) proposed by the City Les Centres will provide the following:

- continue to provide 35 affordable units at an approximate annual subsidy value of \$190,000
- continue to provide, at a minimum, 23 internally subsidized RGI units at an approximate annual subsidy value of \$154,000 per year.

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

EQUITY IMPACT STATEMENT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's Housing Opportunities Toronto Action Plan 2010-2020 and the 2014-2019 Housing Stability Service Plan. Providing new affordable housing is also a goal of the City's Poverty Reduction Strategy.

Preserving the affordable rental homes and supports at 33 Hahn Place is consistent with those plans. It also ensures there are affordable housing opportunities available for Toronto residents, which includes equity seeking groups such as women, seniors, people with disabilities, individuals with mental health issues, and other vulnerable groups in Toronto.

DECISION HISTORY

At its meeting of December 9 and 10, 2015, City Council adopted with amendments the Affordable Housing Open Door Program report, which included approval of the updated Municipal Housing Facility By-law (By-law 124-2016).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

At its meeting of July 7, 8 and 9, 2015, City Council adopted the report Transforming Social Housing: Renewing the Partnership with the City's Social Housing Providers, which directed the General Manager, Shelter, Support and Housing Administration (SSHA), to report to Council on a new partnership framework for housing providers whose operating agreements are expiring, including incentives for them to continue and expand their role in providing affordable housing, such report to include consideration of how to ensure that all providers have sustainable governance structures.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD5.7>

The 2014-2019 Housing Stability Service Planning Framework was unanimously adopted by City Council at its meeting of December 16, 17 and 18, 2013. The framework included the direction to protect and leverage public investments in social housing by developing a strategic framework for continued operation of social housing projects whose operating agreements are expiring.

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

ISSUE BACKGROUND

Les Centres d'Accueil Héritage

Les Centres operates the Place St. Laurent building at 33 Hahn Place on land leased from the City. The building has 135 one- and two-bedroom units and was developed with federal funding under the Section 95 program of the National Housing Act. Under that program, Les Centres provided 35 units at low end of market rent as well as 23 internally-funded RGI units. It also has a rent supplement agreement with the City through which the City provides funding to subsidize 77 RGI units.

Les Centres has a mandate to provide affordable housing and support services in French to seniors and people living with HIV/AIDS. Tenants for their rent supplement and internally funded RGI units are drawn from the City's Centralized Wait List. They administer both their rent supplement and internally-funded RGI units in accordance with the Housing Services Act, 2011 and the City's RGI Administration Manual. Les Centres is currently pursuing accreditation through Accreditation Canada, due for completion in mid-2018.

Les Centres also provides community support services to both residents and members of the local community with funding from the Ministry of Health and the Seniors Secretariat. Les Centres is the sole provider of community support services and subsidized housing in French across the GTA.

In 2013, Les Centres' property taxes increased substantially by an annual increase of approximately \$200,000, causing financial challenges for the organization. Prior to

2013, MPAC assessed 33 Hahn Place as a co-operative in the residential tax class. Since 2013, MPAC has classified 33 Hahn Place in the multi-residential class which has a much higher tax rate than the residential class. Les Centres has been unable to pay the taxes at the multi-residential rate and maintain its mission including funding its internal RGI subsidies. Its decision to maintain service levels led to significant tax arrears.

On March 1, 2017 the Section 95 operating agreement for Les Centres expired. This ends Les Centres' obligations under this social housing program, and also ends the formal relationship between Les Centres and the City under that agreement.

Municipal Housing Facility By-law (By-law 124-2016)

Under Section 252 of the *City of Toronto Act, 2006* and the City's Municipal Housing Facility By-law, City Council has the authority to enter into agreements for the provision of municipal housing facilities, and to provide property tax exemptions to housing designated as a municipal housing facility. Council may designate housing as a municipal housing facility if that housing meets the definition of affordable housing as set out in the by-law.

In 2016, the Municipal Housing Facility By-law was revised to support the policies of the City's Open Door Program, which focuses on the creation of new affordable housing to meet the City's approved affordable rental and ownership housing targets. The updated Municipal Housing Facility By-law changed the definition of "Affordable Housing" to:

"Affordable Housing", for the purpose of this by-law and all municipal housing facility agreements:

- (i) for new affordable rental housing, means housing units with monthly occupancy costs at or below Average Market Rents; and
- (ii) for assisted ownership housing, means housing units with a sale price at or below the Average Resale Price of a home.

This revised definition allows new rental housing units and new or existing ownership housing to be designated as municipal housing facilities, if they meet the affordability requirements, but excludes existing rental housing units. In order for the City to enter into a municipal housing facility agreement and provide a property tax exemption to secure affordability for existing rental housing units, City Council must pass a site-specific by-law to exempt the affordable rental housing units from the restriction that affordable rental housing must be "new" housing to qualify.

COMMENTS

Toronto faces a severe and increasing shortage of affordable housing, with many low income residents unable to find and maintain housing in the private market. The provision of affordable housing including the preservation of existing affordable rental housing is a key component of the City's Poverty Reduction Strategy, recognizing the crucial role housing stability plays in addressing poverty and improving quality of life for low-income residents.

Les Centres has provided affordable housing with support services for the past 35 years under its initial operating agreement. The organization faces immediate challenges to its ability to fulfill its mission, due to unexpected increases in their property taxes, and must also consider their future mission with the expiry of their operating agreement.

In discussions with City staff, Les Centres has indicated that they wish to continue with their mandate to provide affordable housing and community supports in French to seniors, many of whom are newcomers, and people living with HIV/AIDS. They are interested in an ongoing relationship with the City, including maintaining the existing rent supplement agreement, to contribute to meeting affordable housing needs in Toronto, and at the same time resolving their property tax arrears.

SSHA staff have reviewed Les Centres' operations, affordability levels and financial position, and have determined that despite the immediate challenges, the organization has the capacity to continue to provide affordability and subsidized units, within a new relationship with the City including a property tax exemption.

The recommended by-law and agreement will establish a new relationship between the City and Les Centres. Through the proposed property tax exemption, Les Centres will receive financial relief to support their mission and ongoing affordability, including internal RGI subsidies, ensuring they can continue to contribute to meeting the City's affordable housing needs.

Municipal Capital Facility Agreement (Local Agency Housing Agreement)

This report recommends that Council grant authority to the General Manager, Shelter, Support and Housing Administration to negotiate and enter into a municipal capital facility agreement (Local Agency Housing Agreement) with Les Centres. This agreement will set out the terms and conditions Les Centres must fulfill in order to benefit from the property tax exemption. In the event of a default, the municipal capital facility agreement (Local Agency Housing Agreement) will provide that the by-law providing the property tax exemption will be repealed. The term of the agreement will be 25 years with the option to renew for a period not to exceed the remaining term in the lease to Les Centres with the City.

The terms and conditions will be negotiated and finalized with Les Centres following Council approval of this recommendation. Proposed terms address:

- Payment in full of unpaid 2015, 2016 and 2017 taxes, including late payment charges (interest and penalties) and fees added to the tax account, levied up to the Effective Date of the municipal capital facility agreement (Local Agency Housing Agreement);
- Affordability requirements to offset the property tax exemption over time, including:
 - maintaining 35 market units at or below CMHC average market rents
 - maintaining, at a minimum, 23 internally-funded subsidized units
- Development of a City-approved access plan for filling affordable and internally-funded subsidized units; and

- Oversight and reporting to ensure City standards are met in the areas of governance, capital repairs, maintenance and rental levels.

The City as Service Manager has contingent liability for any current or future CMHC or CMHC-insured mortgages entered into by Les Centres. SSHA staff will also request a waiver through the Ministry of Housing to remove Les Centres from the Canada-Ontario Social Housing Agreement and thereby end the City's contingent liability.

Municipal Housing Facility (By-law 124-2016)

This report also recommends a site specific by-law related to the Municipal Housing Facility By-law. This by-law will include an amendment to the definition of "Affordable Housing" in the Municipal Housing Facility By-law that would exempt the 135 affordable rental housing units at 33 Hahn Place from the restriction that affordable rental housing must be "new" housing to qualify.

The by-law will also permit the City to enter into a municipal capital facility agreement (Local Agency Housing Agreement) with Les Centres as described above.

City Lease

City Council at its August 20, 1979 meeting adopted the recommendation to enter into a 99 year lease with Les Centres for the purposes of constructing, managing and administering a non-profit housing project. The term of the lease expires on March 26, 2079.

Conclusion

The City of Toronto is facing increasing challenges with housing affordability. The preservation of existing affordable rental housing options is a viable and cost-effective approach to ensuring and potentially expanding the supply of affordable rental housing in Toronto.

Les Centres has successfully delivered on its mission to provide affordable housing and support services in French for low income seniors and people living with HIV/AIDS. By building on this established relationship with a proven partner, the City can ensure that the public investment in Les Centres continues to yield affordable housing in the near future, and expands affordability in the future.

CONTACT

Paul Raftis
General Manager (I)
Shelter, Support and Housing Administration
Tel: 416-392-7885
Email: paul.raftis@toronto.ca

Casey Brendon
Director
Revenue Services
Tel: 416-392-8065
Email: casey.brendon@toronto.ca

SIGNATURE

Giuliana Carbone
Deputy City Manager, Cluster A

Roberto Rossini
Deputy City Manager & Chief Financial Officer