



# Council Briefing Notes

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## EX26.2 - TENANTS FIRST — PHASE 1 IMPLEMENTATION PLAN

### Summary

The Tenants First – Phase 1 Implementation Plan once again makes clear that over a decade of underfunding and instability has led to a crisis in our City’s main social housing provider, Toronto Community Housing Corporation. Local 79 supports many of the recommendations in the report under one very important caveat — re-jigging governance, decentralization projects, and operational efficiencies are important, but without adequate funding the system is simply unsustainable.

TCHC can only become the kind of housing provider tenants deserve if it is properly funded NOW.

Missing from this and other discussions are concrete plans to increase the supply of rent-gear-to-income social housing in Toronto. Over 90,000 households are waiting for social housing. The City needs to invest in building new stock to reduce that waitlist in a lasting way.

In summary, Local 79 respectfully recommends that City Council:

- Commit to increasing the City’s subsidy to TCHC NOW to guide development of the interim funding model and ensure appropriate funding levels in 2018.
- Invest in expanding Toronto’s rent-gear-to-income social housing stock.
- Make any new seniors housing entity a division of the City.
- Involve frontline workers at TCHC in the development and implementation of decentralization pilots.
- Ensure frontline workers have the stability they need to focus on delivering services to tenants in the midst of more change by providing successor rights.
- Develop an in-house cost comparator for continued operation of the scattered housing portfolio to inform the REOI process recommended in the report.

### TCHC needs a funding commitment NOW

Social housing advocates in Toronto have consistently told City Council and the Province the same thing: re-jigging governance, decentralization projects, and administrative efficiencies are important, but without adequate funding the system is simply unsustainable.

PricewaterhouseCoopers’ analysis shows the problem is even larger – and more urgent – than we knew.

- TCHC will require \$402 million in additional funds in 2018 and \$415 million in 2019.
- TCHC has not been adequately funded for capital repair, and the capital plan faces a \$2 billion shortfall over 10 years.

- The capital repair backlog could result in 4,228 – 6,522 unit closures by the end of 2026. 326 units were already uninhabitable on December 31, 2016.

There are a number of reasons why TCHC has this financial crunch: 90% of units are RGI; there are 3,500 vacant units that are not contributing rental revenues; and TCHC is owed \$12.8 million in arrears that it will likely be unable to collect.

| Shortfall              | 2018 (\$ million) | 2019 (\$ million) |
|------------------------|-------------------|-------------------|
| Operating              | 11.1              | 18.6              |
| Development            | 129.1             | 68.8              |
| Bulding Repair Capital | 261.6             | 427,8             |
| <b>Total</b>           | <b>401.9</b>      | <b>515.2</b>      |

**However, the most significant cause of the current crunch is the fact that City subsidies have remained relatively flat despite rising operational costs and growing service needs.** According to the staff report, 2017’s \$37 million subsidy increase is TCHC’s only cash increase from the City in 15 years.

City Council needs to immediately work on a strategy to increase the TCHC subsidy. We cannot wait until the City’s budget process is already underway to begin debate on a subsidy increase. **When Staff report on an interim funding model this fall, they need to be able to do so with a commitment to an increased subsidy already in place.**

The most significant pressure facing the TCHC is its capital repair backlog. Although debt is a normal tool for capital projects, it would be a mistake to rely on debt to address the capital repair backlog. Funds available from debt refinancing are already precarious. PricewaterhouseCoopers notes that a mere 1.5% increase to interest rates would cost the TCHC \$220 million in funds available from debt refinancing. Debt service on mortgages and loans is already expected to increase at an average rate of about 1.5% annually. By 2019 mortgage and loan debt service is expected to outpace TCHC’s net operating surplus. **By 2026, debt servicing costs will have increased by \$17 million, there will be an annual operational deficit of \$78 million, and a cumulative \$300 million deficit.** More debt is not the solution. TCHC needs increased subsidies.

“TCHC projects that, without additional subsidies or rent revenue, it will not have sufficient liquidity to fund operations and debt service obligations in [Fiscal Year 2019] without using Reserves and the Credit Facility.” (PwC p. 5)

### Expand social housing to match the growing needs of our City

Over 90,000 households are waiting for social housing and yet the City has not developed a strategy, in this report or any other reports, to reduce that waitlist in a lasting way. There is no concrete objective or set of targets to increase the supply of rent-geared-to-income social housing in Toronto.

Portable housing benefits are a limited, short-term fix at best. Toronto needs more social housing where rent is based on what people can afford and not what the market can charge.

The Mayor’s TCHC Transformation Taskforce Report set out the need for “better buildings and more of them”. Yet it would seem that the City’s Open Door Program, which provides non-profit and private developers public land, tax breaks and fast-tracked permits in trade for a few “affordable

units” as part of the development, is our only housing creation plan. At best, it seeks to create one thousand rental units per year.

We need a plan that sees publicly provided social housing increase as well. Many low-income individuals, seniors and families, can’t afford what is deemed “affordable housing” under the Open Door Program — 80% to 100% of the average market rate, and portable housing benefits leave them vulnerable in a housing market with very few vacancies and rents that only go up.

**Toronto needs more social housing where rent is based on what people can afford and not what the market can charge.**

Our social housing needs are not just about expanding the amount of RGI units. It’s about embedding those units in spaces that provide other key supports to low-income and/or vulnerable groups. Employment programs, social inclusion opportunities, health supports can mean the difference between a home that helps you build a life and a home that is merely a roof over your head.

A plan to build more RGI units doesn’t necessarily mean more towers. It means creating accessible, universally designed housing with different housing types/built form to accommodate the diverse needs of tenants such as families, the differently abled, women fleeing violence, and seniors.

### **A new seniors housing division**

Local 79 is cautiously supportive of Staff’s recommendation to create a new, seniors-focused entity. However, that support comes with a major proviso: the new entity needs more accountability to City Council and tenants than what currently exists at TCHC. Major problems at TCHC have been uncovered through Auditor General’s reports. Councillors have often found themselves intervening to help residents navigate complicated bureaucratic processes (processes that often leave our members frustrated as well!). Given the particular vulnerabilities many seniors in TCHC face, it is essential that the new agency include robust mechanisms for oversight, advocacy and tenant representation.

The best way to achieve these mechanisms is to make the new entity a Division within the City of Toronto itself. This needs to be done carefully and with extensive input and advice from residents, advocates, and unions. The benefits are myriad. Council and the City Manager will have a direct relationship to this key housing provider. A City Division can more easily partner with other City Divisions to ensure seamless service delivery without creating unnecessary overlap.

The City’s experience and history with arms-length agencies and corporations has not been universally positive. The City is already taking a significant risk in creating an arm’s-length real estate agency. TCHC’s problems are so significant and the potential impact on seniors’ lives is so great, that there is no justification for taking a similar risk with a new seniors housing entity. Local 79 has experience with the integration of Housing Connections into the Shelter, Support & Housing Administration, and we would be an active partner in creating a new seniors housing entity as a stand-alone City Division or as part of an appropriate existing Division (such as SSHA or Long-Term Care Homes and Services).

### **Tenant-focused decentralization pilot projects**

Local 79’s frontline workers at TCHC feel many of the same frustrations tenants face with a centralized

system that is unresponsive to community needs. Local 79 is optimistic that the decentralization pilots suggested in the report will be an opportunity to test ways to address these frustrations, but this can only be the case if members are deeply engaged in the development and implementation of the pilots.

Our Community Service Coordinators and Building Service Coordinators develop, implement and support programs and activities in TCHC communities. They find themselves hamstrung when they know which programs and supports are a priority for the tenants they work with, yet have little opportunity to see it reflected in their largely centralized workplans.

Too many layers of centralized administration and constantly changing protocols make the jobs of the Tenant Service Coordinators difficult, often putting them in tense relationships with tenants. These are the workers that help tenants navigate the systems of housing placement, income testing, and appeals. They want systems that allow them to play a supportive role with tenants, instead of just policing whether they have proper documentation.

Local 79 and its frontline workers at TCHC request a seat at the table in the development and implementation of the three decentralization pilots being recommended. We want to be partners in creating a more tenant-centered and responsive social housing provider.

### **In times of change, ensure worker stability with successor rights**

Residents and staff at TCHC have endured over a decade of instability. Frequent management and executive turnover and constantly changing organizational priorities leave all TCHC stakeholders feeling frustrated and helpless. In this light, providing stability wherever possible is important for TCHC's organizational capacity and workplace culture.

Therefore, Local 79 is pleased to see a commitment to successor rights in the Staff Report. Successor rights are a fundamental element of collective bargaining and they make change management easier for affected staff. Indeed, the Ontario Government has recognized the importance of successor rights by proposing to strengthen successor rights provisions in the Labour Relations Act, particularly as they relate to contracting publicly funded services.

### **Comparator essential for requests for expressions of interest**

TCHC's scattered housing proposal presents a legitimate challenge for TCHC. The Staff Report proposes issuing a Request for Expressions of Interest to operate scattered houses. Because the REOI, as described, appears to offer the option of operating particular houses, there is considerable potential for increased fragmentation and decreased oversight.

Local 79 therefore strongly encourages City Council to request a cost comparator for continued operation of the scattered housing portfolio by TCHC. To provide an apples-to-apples comparison, such a comparator must be based on whatever requirements are stated in the REOI, as opposed to current costs of a system that is already deemed inadequate. A current-state comparison would not be useful, given that the core goal of Tenants First is to develop a properly-funded, responsive, and sustainable operating model.