REPORT FOR ACTION

Relationships with Toronto's Community-based Not-for-Profit Sector: 2018-2019 Update

Date:  September 30, 2019
To:  Economic and Community Development Committee
From:  Executive Director, Social Development, Finance and Administration
Wards:  All

SUMMARY

Toronto's not-for-profit sector ("the Sector") has a profound positive impact on local communities. The City relies on and supports not-for-profit organizations to help make Toronto a vibrant, caring, and inclusive home for residents, as well as a culturally rich and welcoming place to visit. In 2017 Toronto became the first Canadian city to adopt a government-wide framework to guide and enhance its relationships with the Sector. The framework contains guiding principles, six strategic commitments and an action plan. It was co-created with a Community Advisory Table, on the basis of stakeholder consultations and an interjurisdictional review.

This first progress report on implementation of the framework was prepared with a Joint Steering Committee composed of City staff and not-for-profit organizations. All of the actions under the framework that were planned for 2018-2019 are either completed or have been launched as ongoing activities. An updated action plan is provided as Attachment 1. Activities and early impacts include the following:

- A cross-corporate online grants system was launched to enhance transparency and reduce administrative burden for the City and not-for-profit applicants/grantees;
- New accounting codes were established to facilitate monitoring and reporting on transactions with not-for-profits;
- More City facilities were added to the Community Space Tenancy (below market rent) portfolio;
- Governance training was provided to over 100 not-for-profit organizations;
- A Community Space Registry was launched to guide space planning and help the Sector identify and leverage its real estate assets; and
- Toronto's first "Not-for-Profit Recognition Day" was proclaimed on October 2, 2019.

This report recommends that Council adopt further commitments to:

- Strengthen the City's relationships with Indigenous-led not-for-profits; and
- Increase the Sector's access to space to deliver community programming.

This report also recommends that Council request a business case in the 2021 budget cycle for resources to steward the City/Sector relationship most effectively.
RECOMMENDATIONS

The Executive Director of Social Development, Finance and Administration recommends that:

1. City Council add the following Commitment to the Whole-of-Government Framework to Guide City of Toronto Relationships with the Community-Based Not-for-Profit Sector, and direct the Executive Director of Social Development, Finance and Administration to work with relevant Indigenous-led organizations, the Manager of the Indigenous Affairs Office and with other appropriate City Divisions to coordinate the implementation of this Commitment:

"COMMITMENT TO RECONCILIATION WITH INDIGENOUS PEOPLES: The City will further its commitment to reconciliation with Indigenous Peoples through enhanced engagement with Indigenous-led not-for-profit organizations based in Toronto and by providing funding and other supports to advance their priorities."

2. City Council add the following Commitment to the Whole-of-Government Framework to Guide City of Toronto Relationships with the Community-Based Not-for-Profit Sector and direct the Executive Director of Social Development, Finance and Administration to work with the General Manager of Economic Development and Culture, the Chief Planner and Executive Director of City Planning, the Executive Director of Corporate Finance, the Director of Real Estate Services, the Chief Executive Officer of CreateTO and with other appropriate City Divisions, and to consult with relevant community-based not-for-profit organizations and funding partners, to coordinate the implementation of this Commitment:

"COMMITMENT TO COMMUNITY SPACE: The City commits to developing policies and partnerships that improve the community-based not-for-profit sector’s access to decent, affordable facilities and spaces to provide community services and programming. This includes helping to build capacity in the Sector to acquire and leverage real estate assets for community use. The City recognizes the public benefits that are generated through community-operated and community-owned space in Toronto."

3. City Council direct the Executive Director of Social Development Finance and Administration to work with the Director of Accounting Services to implement changes in the City's accounting systems (SAP) to facilitate reporting on the City's investments in the not-for-profit sector, starting in 2020.

4. City Council direct the Executive Director of Social Development, Finance and Administration to submit a proposal in the 2021 budget process for resources required to steward the relationship with the community-based not-for-profit sector.
FINANCIAL IMPACT

There are no financial impacts in 2019 from the recommendations in this report.

The report recommends that Council request a business case in the 2021 budget cycle for resources to steward the City/Sector relationship.

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

Equity Impact

The City of Toronto relies on the expertise of the not-for-profit sector to meet the needs of diverse communities. The City recognizes that many not-for-profit organizations play trusted roles in engaging and supporting equity-seeking groups and Indigenous Communities and that not-for-profits are often best-positioned to respond to the needs of equity-seeking groups and Indigenous Communities. Optimizing the relationship with the not-for-profit sector will enhance the City's capacity to communicate with and promote equitable opportunities for Toronto's many diverse communities.

DECISION HISTORY

December 5, 2017 - CD24.4 For Public Benefit: Whole-of-Government Framework to Guide City of Toronto Relationships with the Community-Based Not-for-Profit Sector.  

City Council adopted this report and directed the Executive Director, Social Development, Finance and Administration to coordinate and monitor implementation of the Framework and report back on progress every two years, starting in 2019.

October 5, 2016 - CD14.6 Modernizing the Relationship with Toronto's Community Based, Non-Profit/Voluntary Sector  

City Council directed staff to work with a Community Advisory Table to develop a "whole of government" approach to working with not-for-profits and report back in 2017.

December 9, 2015 - CD 8.6 Comprehensive Review of the State of the Community-Based Sector  
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD8.6  
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD7.4  
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX2.1

City Council requested the Executive Director, Social, Development, Finance and Administration to work with a Sector panel to conduct a comprehensive review of the
community-based not-for-profit sector and help harmonize a range of Council directions for enhancing how the City invests in and engages the Sector in decision-making.

COMMENTS

1. Introduction
Income tax data indicate that the core community-based not-for-profit sector ("the Sector") in Toronto includes 14,000 organizations that employ over 105,000 full time workers, leverage 1.7 million volunteer hours annually and contribute at least $14 billion in annual revenue to the Toronto economy [1].

For many decades the City of Toronto has relied on and provided funding to the Sector to deliver hundreds of services to residents, including shelter and housing, employment, public health and children's services, and environmental, recreational and cultural programs. The City also looks to the Sector to: identify and respond to emerging community issues; amplify community voices and promote civic engagement; and co-develop programs and policies.

Many City Divisions have special relationships with the Sector. Often these relationships are established under provincial legislation, the Toronto Municipal Code or in Council-approved policies. Others are less formal. These diverse relationships generate an array of financial, programmatic, and regulatory interactions between the City and the Sector. Examples include: below market leases to use City facilities; property tax deductions, community grants, purchase of service and subsidy agreements and fee deductions or waivers. The estimated value of the City's direct financial relationship with the Sector is $1.2 billion, which is comprised primarily of grants, purchase of services, as well as the value of tax and fee deductions [2].

Until recently, the City lacked an explicit, overarching strategic direction for these diverse relationships with the Sector. Structures, procedures and policies to measure and maximize the impacts for Torontonians of the City's diverse relationships with not-for-profits have been missing. Around the world and here in Canada, governments have observed a similar lack of strategic coordination in their work with not-for-profits and have taken steps to establish more deliberate, "whole-of-government" approaches

[1] Data analysis conducted by Imagine Canada for the City of Toronto based on 2013-2016 T3010 registered charity information returns filed by charities with Canada Revenue Agency. Adjusted for impact of core charities with head counts of 100 or more that are based in Toronto and are known to have significant operating presences outside the confines of Toronto. The "core" not-for-profit sector excludes publicly-funded schools, libraries, hospitals, universities or colleges. There may be over- and under-attribution of not-for-profit employment in Toronto based on these records. The reporting includes a higher percentage of organizations working in the areas of religion, education, etc. and reflects disproportionately low percentages of organizations working in some other areas including community development and housing, law, advocacy and politics organizations. This under-representation has to do with activities that are considered charitable under the Income Tax Act. The current definition is based on interpretations of common law that do not reflect the array of activities of contemporary not-for-profits.
[2] Up until now, the City has not tracked government-wide investments in the Sector. Accounting Services has created fields that will facilitate reporting on investments in the Sector starting in 2020.
to working with the Sector [3]. This is in recognition of the fact that governments are often unable to achieve their social, economic, cultural and environmental goals without the partnership of a resilient not-for-profit sector. Although there are fewer examples of municipalities taking these steps, the complexity and the magnitude of the City of Toronto's relationship with the Sector warrant a more strategic approach.

In 2017, Toronto became the first Canadian city to adopt a government-wide framework to guide relationships with the Sector. The framework was designed with a Community Advisory Table on the basis of stakeholder consultations and a jurisdictional review. It applies to City of Toronto relationships with organizations that are:

- Incorporated non-profits or registered charities or off reserve First Nations organizations;
- Based in and serving Toronto;
- "Core" sector organizations (the "core" not-for-profit sector excludes publicly-funded schools, libraries, hospitals, universities or colleges); and
- "Public Benefit" organizations (see Section 2).

2. "Public Benefit"
The expression, "Non-Profit Organization" is used in the Income Tax Act for taxation purposes. However, this terminology does little to convey the Sector's function or to distinguish between not-for-profits that operate for the public good and private not-for-profits that work exclusively for their members (e.g. private clubs, trade associations or condominium boards, etc.). Recently the Ontario Nonprofit Network introduced the concept of "Public Benefit Not-for-Profit Organization" to describe organizations that:

- Operate for the public good, not private gain;
- Reinvest and retain assets in the public domain for the public good;
- Help drive the economic strength and stability of communities;
- Play an active role in public policy by channelling community voices to hold government and decision-makers accountable; and
- Demonstrate the value of care and service to others as a core value of their work [4].

3. Commitments
The 2017 framework adopted by City Council contained six commitments to strengthen and sustain a collaborative, interdependent relationship with the Sector:

- Commitment to Recognizing the Contributions of the Sector;
- Commitment to Collaboration and Dialogue with the Sector;
- Commitment to Promoting the Economic Impact of the Sector;
- Commitment to Leveraging the Community Engagement Capacities of the Sector;
- Commitment to Modernizing Administrative Processes Involving the Sector; and
- Commitment to Decent Work and Effective Governance for the Sector.

This report recommends extending reach and impact of the framework with two further commitments, which are discussed below in Sections 4.1 and 4.2, respectively:

- Commitment to Reconciliation with Indigenous Peoples; and
- Commitment to Community Space.

[3] "Whole of government" denotes government departments and agencies working across portfolio boundaries to achieve a shared goal or a coordinated government response to particular issues.
4. Activities and Early Outcomes, 2018-2019
Implementation of the framework is on schedule. All of the actions planned for 2018-2019 are complete or have been launched as ongoing activities, as documented in Attachment 1. Activities and early outcomes are summarized below, in relation to the City's six commitments under the current framework.

4.1 RECOGNITION: The City's first commitment under the framework is to "recognize and regularly report on the contributions of [the Sector] in achieving shared strategic city-building goals." Activities and early outcomes from 2018-2019 are outlined below.

"Recognition Day": Action #1 called for proclamation of a day to acknowledge the contributions of the Sector. Coinciding with the release of this report, Mayor Tory will proclaim October 2, 2019 as "Toronto Not-for-Profit Recognition Day". With grant funding from the City, Social Planning Toronto designed low-barrier ways for not-for-profit agencies to participate, including: signage for agencies to display on their premises; a social media campaign to share key messages about the Sector; joining the Toronto Nonprofit Network and hosting visits from City Councillors, Members of Provincial Parliament, and/or School Trustees. As a result of these activities, staff anticipate:
- 300 not-for-profit organizations will participate in Recognition Day;
- Threefold growth in the membership of Toronto Nonprofit Network by the end of 2019 (from 180 to 500+ organizations);
- 20 out of 25 (80%) City Councillors and/or their staff will visit a participating not-for-profit organization in October; and
- Recognition Day will be celebrated annually with external sponsors.

Reporting on the Role of the Sector: Action #2 called for City Divisions to report, when applicable, on the roles of the not-for-profits in achieving city objectives. To launch the new reporting practice, the City Manager's Office requested all Divisions to refer to the role of the Sector in 2018-2022 Issue Notes prepared for the new term of City Council.

City Staff Awareness Campaign: To engage City staff in implementation of the framework, an orientation campaign was held in 2018, which included:
- Orientation workshops with over 180 staff across 20 City Divisions;
- Announcements on the City's intranet and in the weekly City staff newsletter;
- Publication of an information booklet (provided as Attachment 2); and
- Orientation sessions with Toronto Nonprofit Network and Ontario Nonprofit Network.

Commitment to Reconciliation with Indigenous Peoples: The City of Toronto recognizes the right to self-determination of Indigenous Peoples and has committed to engaging Indigenous Peoples in the City's decision-making processes. In addition, the City has committed to working with Indigenous partners to explore ways to strengthen the capacity of Indigenous organizations and associations to plan, lead and deliver initiatives for Urban Indigenous Communities of Toronto (City of Toronto Statement of Commitment to Aboriginal Communities in Toronto, 2010). This report recommends that the City further its commitment to reconciliation with Indigenous Peoples through enhanced engagement with Indigenous-led not-for-profit organizations and by providing
funding and other supports to advance their priorities. Actions to be taken in support of this direction are presented in the Updated Action Plan (Attachment 1).

4.2 COLLABORATION AND DIALOGUE: The City's second commitment is to collaborate and dialogue with the Sector "to identify shared priorities, opportunities and mutual approaches to enhancing the public good and to draw on the Sector's knowledge and experience in identifying and responding to community priorities." Activities and early outcomes from 2018-2019 are outlined below.

**Joint Identification of Issues, Opportunities and Challenges:** Action #4 called for a Joint City/Sector Advisory Table to monitor implementation of the framework and identify issues. A Joint Steering Committee was set up in 2018. The Committee met five times and guided the content of this report. A priority that will be achieved before the end of 2019 is to expand Committee membership to better reflect Sector diversity. In addition, a Joint City/Sector Leaders' Forum was convened in 2019 to review current activities and identify new priorities. The Forum identified two new priorities, both of which are being recommended in this report: (i) strengthening the City's relationships with Indigenous not-for-profits and (ii) enhancing the Sector's access to real estate.

**Staff Training on Paying Not-for-Profits Using "Schedule A (5.4)":** Action #6 called for Divisions to share best practices in working with the Sector. Training was provided to twelve Divisions on application of Schedule A (5.4) of the Financial Control By-Law, which covers non-competitive payments to non-profits, in order to fill a gap in staff knowledge and create consistent cross-corporate standards. In a six-month follow up survey, 83% of staff respondents said they would recommend the training to colleagues as support for improving the quality and consistency of Schedule A documentation.

4.3 ECONOMIC IMPACT: The City's third commitment is to "promote the financial sustainability, innovation and economic impact of the Sector." Activities and early outcomes from 2018-2019 are outlined below.

**Stakeholder Consultations on Economic Impact and Community Space:** Staff consulted over 70 researchers, funders, and not-for-profit executives on most promising levers to advance the economic impact and financial resilience of the Sector. Access to affordable, appropriate community space was recommended as a key lever for the City to address. In particular, the concept of 'Social Purpose Real Estate' was identified as an important pathway for some not-for-profits to achieve greater financial security and establish long-lasting roots in a community.

'Social Purpose Real Estate' refers to "property and facilities owned and operated by mission-based organizations and investors for community benefit and to achieve blended value returns."[5] Some examples include: a not-for-profit that owns and occupies its own facility or sells its facility for reinvestment/ redevelopment; a group of charitable foundations, mission-investors and/or not-for-profits service agencies that buys/redevelops a property to meet a community need. To elevate these stakeholder priorities, this report recommends that the City take actions to improve access to

[5] https://www.socialpurposerealestate.net/about/what-is-spre
affordable community space, including actions to help build the Sector's capacity to acquire and leverage real estate for community use.

**Social Purpose Real Estate Reference Group for Toronto:** Action #5 called for collaborative planning with the Sector. An early outcome of the stakeholder consultations described above has been the creation of a 'Social Purpose Real Estate Reference Group for Toronto,' convened by the City and United Way Greater Toronto. Social Purpose Real Estate can be an excellent investment for some not-for-profits in the long term, given limited returns for other savings vehicles in a low growth economy. It can also provide a source of revenue, if a not-for-profit owner can rent out part of a facility to other tenants. However, many not-for-profits in Toronto currently lack the knowledge, relationships, or mandate for Social Purpose Real Estate. The purpose of the Reference Group is to share information and cooperate to: build Sector capacity for social purpose real estate; identify policy tools to advance Social Purpose Real Estate; and strengthen communication between the Sector and City on development issues.

**Community Space Registry for Toronto:** To better understand the potential benefits of Social Purpose Real Estate for Toronto, comprehensive information is needed about the real estate holdings of the Sector and the Sector's space needs. Although many cultural facilities in Toronto are tracked in databases, there is no comprehensive inventory of human service sector facilities. To respond to this gap, the City partnered with Find Help 211 in 2018-2019 to design and launch a Community Space Registry for Toronto. Enrollment of human services agencies into the Registry will be ongoing in 2019-2020, with initial analysis planned for 2021. Information collected via the Registry will be used to help map the real estate footprint of the not-for-profit sector in Toronto, support agencies to leverage valuable assets, and plan for immediate and future community space needs. This project responds to Action #7 in the framework, and to directions in the 2018 Downtown Community Services and Facilities Strategy [6].

**Community Spaces in Faith Places Project:** The National Trust for Canada estimates that one-third of Canada's faith buildings will close in the next decade [7]. The City is co-funding a study about community groups and not-for-profits that operate out of faith buildings in Toronto and other Ontario regions, in order to better understand the potential impact of the loss of these spaces for community programming. Partners include Faith and the Common Good, Ontario Trillium Foundation, the National Trust for Canada, and Cardus.

**4.4 COMMUNITY ENGAGEMENT:** The City's fourth commitment is to "leverage the community engagement capacities of the Sector so that resident involvement in strategic City issues is inclusive." Activities and early outcomes from 2018-2019 are outlined below.

**Pre-Qualified Vendors to Conduct Inclusive Consultations:** Action #10 called for creation of a database of not-for-profits with capacity and/or facilities to conduct community consultation and research. Action #8 called for staff education about the potential benefits of procuring from not-for-profit vendors and for steps to support not-

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for-profits to compete equitably for City contracts. In fulfillment of Action #10, two prequalified "vendor lists" are near completion and will be available in Q4 2019 for use by City Divisions. City Divisions' use of the lists in procuring consultant services will be monitored during 2020-2021. The new vendor lists will identify not-for-profits with the necessary community relationships and capacities to conduct culturally appropriate civic engagement and consultations with (i) Urban Indigenous Communities of Toronto and (ii) diverse equity-seeking groups. In fulfillment of Action #8,

- Guidelines for City staff were published on how to work with not-for-profits to create more inclusive civic consultations;
- Community agencies and Indigenous-led agencies participated in drafting the vendor qualifications and assessment criteria related to community relationships and cultural capacities;
- The standard Vendor Fee to download a Call Document was waived for not-for-profit proponents; and
- Workplace Safety and Insurance Board requirements for vendors were adjusted in recognition of barriers faced by not-for-profits to register for their exemptions.

4.5 MODERNIZING ADMINISTRATIVE PROCESSES: The City's fifth commitment is to "identify opportunities to improve request for proposals, purchase of service and grants administration processes for not-for-profits … this will ensure fiscal responsibility and the coordination of the City's investments while minimizing costs and administrative barriers." Activities and early outcomes from 2018-2019 are outlined below.

**Analyzing Financial Transactions:** Action #11 called for a review of financial transactions with the Sector and options for reducing administrative burden. Research completed in 2018 confirmed that current systems do not facilitate comprehensive reporting of the value of the government-wide transactions with not-for-profit agencies and do not support interdivisional information-sharing to reduce administrative burden and leverage investments in the same agency. Reporting could be enhanced through minor changes in SAP including adopting a vendor industry code to identify not-for-profits and recording the unique Canada Revenue Agency business number assigned to a not-for-profit vendor. In 2019, Accounting Services created new fields and codes in SAP to enable these changes. Next steps are to update associated forms and fast-track Divisions' use of the codes, with the goal of producing periodic reports on City investments in the Sector, starting in 2020.

**Reducing Administrative Burden:** The City disburses $60 million in Council-approved grants to approximately 1,000 not-for-profit organizations annually. Six City Divisions are collaborating to bring thirteen grant and funding programs online into one platform for not-for-profit applicants. The City has procured SmartSimple, a cloud solution that enables clients and City staff to track, manage and report on applications, relationships, requirements, and payments. Use of SmartSimple will save time for the Sector and the City, make funding opportunities more accessible and transparent, and will improve reporting on community outcomes. The new system will be rolled out over two years, starting in Q4 2019. Impacts will be reported by the City's Community Funding Unit.

**Making Permitting Better:** Action #12 called for the City to streamline and simplify the permitting application process to use City facilities for community events. Parks, Forestry and Recreation is currently working with a vendor to design and implement
new space booking and registration software, Legend. Combined with process improvements, both implemented and planned, this software is expected to help streamline and simplify the process by which all users, including not-for-profits, book space in PFR facilities. The new system is expected to be operational in 2021 and the project includes ongoing public engagement to measure outcomes.

**Community Space Tenancies to Promote Sector Impact and Sustainability:** Action #14 called for minimizing administrative burden and maximizing service impacts under the new Community Space Tenancy policy. Currently the City has 93 "below market rent" lease agreements with not-for-profit tenants. A 2018-2019 workplan was implemented to streamline administration of the portfolio and to introduce the following financial sustainability options for tenants: (i) options for subtenancies; (ii) options to establish community hubs to share costs and coordinate service delivery; and (iii) option to generate revenue onsite through a social enterprise. As a result:

- Three engagement sessions resulted in six tenants pursuing sustainability options;
- Three City facilities were added to the Community Space Tenancy portfolio and three not-for-profit tenants were leased these spaces to deliver arts/culture, youth, seniors, community health programming in underserved neighbourhoods; and
- Tenants reported that Community Space Tenancy processes were transparent and efficient.

**4.6 DECENT WORK AND GOVERNANCE:** The City's sixth commitment is to "work with the Sector, other funders and orders of government to encourage decent work goals and effective governance for not-for-profits." Action #15 called for the City to promote not-for-profit organizational effectiveness through supports for board governance. Since 2018, the City's Community Funding Unit has allocated $454,000 in grants to the initiatives listed below to enhance board governance:

- **Maximizing Governance Project:** Led by the Ontario Council of Agencies Serving Immigrants, this project has trained 246 individuals from 112 organizations through ten in-person sessions. In addition, 228 people participated in six webinars/ watched the recordings. Six organizations have completed the onBoard Canada online training, thirty-seven others have registered and coaching has been offered to the boards of seventeen organizations.
- **Black Leadership Governance Grant:** Led by Taibu Community Health Centre with East Scarborough Boys and Girls Club, University of Toronto Scarborough Campus, and Alpha Kappa Alpha Toronto Chapter, this project is developing and implementing a model to recruit, train and support diverse Black Torontonians for leadership roles in health and community organizations.
- **Reimagining Governance Project:** Co-funded by the City and convened by the Ontario Nonprofit Network, this project has engaged nearly 600 people to explore new approaches to nonprofit organization governance, including their structures, culture, and practices. The aim is to improve understanding of governance.

**5. Next Steps and Required Resources**
The City of Toronto's interdependent relationship with a resilient Public Benefit Sector is vital to the well-being of residents and communities. Actions taken over the past two years have increased the City's capacity to work with the Sector to achieve city-building...
goals. Since the framework was adopted in 2017, provincial funding and legislative changes have been introduced that will impact how the City and the Sector serve vulnerable residents and on how new community facilities are developed. Meanwhile, real estate costs in Toronto continue to increase. At a time when demands on the Sector to support residents are very high, the ability of many agencies to afford to work in Toronto is challenged. In light of these pressures, this report recommends that the City develop policies and partnerships that improve the Sector's access to appropriate, affordable space. Further, this report recommends that Council reinforce the City's commitment to reconciliation with Indigenous Peoples through enhanced relationships with Indigenous-led organizations.

The work to steward a strategic relationship with the community-based not-for-profit sector across city government is complex and will require dedicated resources to sustain. This report recommends that Council request, for the 2021 cycle, a budget proposal for resources to sustain implementation of the framework over the longer term.

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SIGNATURE

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ATTACHMENTS

ATTACHMENT 1: Updated Action Plan; ATTACHMENT 2: "For Public Benefit" Information Booklet