

Pilot Project to Protect Rooming Houses for Long-term Affordability - Update

Date: October 5, 2020

To: Planning and Housing Committee

From: Executive Director, Housing Secretariat

Wards: Ward 4 - Parkdale-High Park

SUMMARY

On July 23, 2018, City Council adopted Item EX36.38, "Potential Rooming House Property Acquisition and Modernization in Ward 14 Parkdale-High Park", and directed staff to undertake a pilot project to select and assist a non-profit organization in acquiring and modernizing a rooming house property available for sale in Ward 4 (formerly Ward 14) Parkdale-High Park. Staff were also directed to report back on the results of the pilot. This report responds to Council's request. Additionally, it provides information on two subsequent non-profit affordable housing acquisitions which were supported through City and federal-provincial funding programs.

Rooming houses, also referred to as multi-tenant houses, provide a critical supply of deeply affordable housing options for many of Toronto's most vulnerable and marginalized residents. However, in the city's current real estate market, this important form of housing continues to be at risk of being lost due to redevelopment and conversion to other uses. In particular, Ward 4-Parkdale-High Park, which has historically had a significant number of rooming houses, has seen a number of these properties lost in recent years due to sales, conversions and redevelopment. This has led to displacement and housing instability for many households.

The City of Toronto has taken a number of actions to protect rooming houses and tenants, in partnership with non-profit housing providers and other orders of government. These actions have included a rooming house acquisition pilot project for Ward 4 - Parkdale-High Park supported by the local Councillor through \$1.5 million in Section 37 community benefit funds. An additional \$600,000 in federal-provincial funding was also allocated to modernize the property following acquisition.

The pilot project involved a City-initiated Request for Proposals (RFP) process to select a non-profit organization; a pre-approval of City funding that allowed the selected non-profit to move quickly and put offers on suitable properties as they became available on the market; and a process to expedite the allocation of the City funding to complete the transaction while also ensuring appropriate due diligence and oversight. The pilot

project resulted in the Parkdale Neighbourhood Land Trust, which was the selected non-profit housing provider, being able to successfully acquire and renovate a 15-unit licenced rooming house which will provide affordable rental homes for tenants for a minimum period of 99 years.

In addition to the pilot project mentioned above, in 2019 the Housing Secretariat administered a competitive process to allocate federal-provincial program funds to non-profit housing providers which resulted in another rooming house being acquired. Additionally, a related acquisition of an affordable rental apartment building was supported by the Housing Secretariat. In total, these three recent acquisitions, all in Ward 4-Parkdale-High Park, have resulted in 63 dwellings units being secured as permanently affordable rental homes for low-and-moderate income residents.

The non-profit acquisition pilot project undertaken by staff in 2019 has provided valuable insights into how the City can support the non-profit sector to successfully acquire and protect deeply affordable rental housing in perpetuity. Together with other recent non-profit acquisition projects supported by the City, a process has been established which can now be replicated and expanded across the city to ensure that rooming houses and other forms of affordable housing are preserved and maintained to provide safe, secure and adequate homes for residents. In order to increase the number of non-profit property acquisitions however, it is critical that ongoing funding be available, including federal and provincial funding, to complement City investments.

RECOMMENDATIONS

The Executive Director, Housing Secretariat recommends that:

1. City Council request the Executive Director, Housing Secretariat to adopt the process developed as part of the Rooming House Acquisition Pilot Project, outlined in Attachment 1, to support future non-profit led affordable rental and co-operative housing acquisitions based on the availability of City and/or City-administered funding and incentives.

FINANCIAL IMPACT

There are no financial implications arising from the recommendations in this report.

EQUITY IMPACT

The HousingTO 2020-2030 Action Plan envisions a city in which all residents have equal opportunity to develop to their full potential. The HousingTO 2020-2030 Action Plan is also centred on a human rights-based approach to housing. This approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, inclusive, sustainable and liveable communities.

Creating permanently affordable housing through the acquisition of rooming houses and other forms of rental housing will increase the opportunity for low-income, vulnerable and marginalized individuals, including Indigenous Peoples, seniors, women, the LGBTQS2+ community, Black people, and People of Colour to access and maintain safe, healthy and adequate homes.

Access to safe, secure, affordable housing is an important social determinant of health. It also improves the social and economic status of individuals, families and communities. Good quality, affordable housing is also the cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region and country as a whole.

DECISION HISTORY

At its meeting on March 27 and 28, 2019, City Council, through Member Motion MM5.19, "Updating Funding Sources for Rooming House Property Acquisition and Modernization in Ward 4 (formerly Ward 14) Parkdale High-Park", updated the Section 37 funding sources totalling \$1.5 million approved in Item EX36.38 for transfer to the Capital Revolving Reserve Fund for Affordable Housing (XR1058), fully funded by community benefit payments received from developments within Ward 4.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM5.19>

At its meeting on July 16, 17, and 18, 2019, through Item PH7.6 "Activating Federal/Provincial Funding to Increase Housing Options for Toronto Residents", City Council approved the City's participation in the Ontario Priorities Housing Initiative (OPHI) and the Canada-Ontario Community Housing Initiative (COCHI) and authorized staff to undertake program administration in accordance with the terms and conditions of the program guidelines. The OPHI funding supported the renovation of the property acquired through the pilot project plus the acquisition of an existing rooming house and a rental apartment building.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH7.6>

At its meeting of July 23, 24, 25, 26, 27 and 30, 2018, through Item EX36.38, "Potential Rooming House Property Acquisition and Modernization in Ward 14 Parkdale-High Park", City Council directed the Executive Director, Housing Secretariat to undertake a pilot project to select and support a non-profit organization to acquire, renovate and operate a rooming house property and to report back to Council on the results of the pilot project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX36.38>

At its meeting on May 22, 23 and 24, 2018, City Council, through Member Motion MM41.8, "Potential Rooming House Property Acquisition and Modernization in Ward 14, Parkdale-High Park", directed staff to report to the June 25, 2018 Affordable Housing Committee meeting on the due diligence process necessary to support the purchase, renovation and future operation of an existing rooming house in Ward 14, Parkdale-High Park by an experienced non-profit organization with \$1.5 million in Section 37 funds and federal and provincial funding sources.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.8>

COMMENTS

Loss of Rooming Houses in Parkdale-High Park

According to a 2016 study completed by the Parkdale Neighbourhood Land Trust, in the period between 2006 and 2016, 28 rooming houses were lost to conversion to single-family homes or "upscaled" to higher end rental housing. This represents a loss of approximately 12% of the estimated 198 licensed and unlicensed rooming houses, and resulted in the de-housing of some 350 people.¹ According to the study, 59 private rooming houses were also at risk of being lost, with the potential to impact 818 people.

Research on eviction prevention in the Parkdale neighbourhood indicate that rooming houses are functioning as long-term, stable homes for many tenants, rather than temporary, transitional housing, as is sometimes believed. Interviews of 112 people living in dwelling rooms (shared kitchen or bathroom) or bachelorettes (small, self-contained units), conducted by the Parkdale Neighbourhood Land Trust, showed that most had been in their home for five years or more, with the average tenancy of six years, and some as long as 35 years. Approximately 80% of interviewees had experienced homelessness at some point in the past, highlighting the critical importance of this form of deeply affordable rental housing in helping people to exit homelessness.

Details of the City Pilot Project to Protect Rooming Houses

In 2018, in response to the growing issue of loss of rooming houses and to explore ways to better support non-profit housing providers with small-scale property acquisitions, City Council directed the Housing Secretariat to undertake a rooming house acquisition and modernization pilot project in Ward 4 - Parkdale-High Park. As part of this initiative, the ward Councillor allocated \$1.5 million in Section 37 funds to support the project.

The project included a competitive RFP process to identify a non-profit group to use the funds to acquire, renovate, and operate an available rooming house property. Through federal-provincial funding programs, the Housing Secretariat was also able to add \$600,000 in renovation funding to support repairs to the property after acquisition.

Process Developed through the Rooming House Acquisition Pilot Project

The Acquisition Process

The two-stage acquisition process undertaken by the City as part of the pilot project is summarized below and outlined in greater detail in Attachment 1:

¹ Parkdale Neighbourhood Land Trust, "No Room for Unkept Promises, Parkdale Rooming House Study: The Impact of Real Estate Speculation, Upscaling, and Conversion on Rooming House Loss in Parkdale", Final Report, May 2017. http://www.pnlt.ca/wp-content/uploads/2017/05/Parkdale-Rooming-House-Study-Full-Report_V1.pdf. Accessed October 3, 2020.

1) In the first stage, a qualified non-profit organization was selected based on demonstrated experience and capacity to undertake the project. The selected non-profit was also pre-qualified for funding which provided certainty for it to be able to move forward with a conditional offer on a suitable property.

2) In the second stage, the pre-qualified non-profit submitted proposed properties to acquire, accompanied by capital and operating budgets, a signed Offer to Purchase conditional upon confirmed City funding, as well as a property appraisal and other supporting documents. In addition, information related to any outstanding Building Orders and Rooming House Licensing status was provided to the City.

The two-stage process provided proponents with the ability to move quickly and put offers on properties in the context of a competitive real estate market where timing is critical for success. It also ensured oversight and optimization of the public investments through an evaluation of the property and the non-profit housing provider's capacity to secure, modernized and manage the property over the 99 year term.

The Successful Proponent and Project

As mentioned earlier, the Parkdale Neighbourhood Land Trust was selected as the successful proponent through the City-led RFP process to acquire, renovate and operate a rooming house property in Ward 4. Using the Section 37 funds for the acquisition, and approximately \$600,000 in federal-provincial funding for renovations, the property located at 26 Maynard Avenue, containing 15 studio apartments, was secured as perpetually affordable rental housing.

Renovations at 26 Maynard Avenue were undertaken with minimal disturbance to the majority of existing tenants. Four tenants were required to vacate their units for two weeks and were accommodated at a hotel for that period, with expenses paid for by the Parkdale Neighbourhood Land Trust. Renovations were completed in April 2020.

The 26 Maynard Avenue building is now fully-operational and secured under contract with the City as affordable rental housing for a minimum period of 99 years.

Ownership and Ongoing Operation of the Rooming House Project Post-Acquisition

The 26 Maynard Avenue property is owned by the Parkdale Neighbourhood Land Trust and managed by the Parkdale Activity-Recreation Centre (PARC). PARC is an experienced non-profit housing provider that will operate the building under a long-term lease with the Parkdale Neighbourhood Land Trust. The City's Contribution Agreement with the Parkdale Neighbourhood Land Trust requires that the monthly rent at 26 Maynard Avenue not exceed 80% of city-wide average market rents (AMR). However, through housing allowances and operating subsidies secured by PARC, actual rents paid by tenants are at a building-wide average of 62% AMR.

PARC's operational services team includes a housing manager for the building, front-line housing support workers, maintenance and cleaning services, security services, pest control and other services as needed.

The land trust model separates ownership of the building from operation of the affordable housing. This model allows the land trust to focus on acquiring a portfolio of affordable housing properties (which could be leverage to purchase more properties in the future), and planning major capital repairs, while relying on experienced operators to provide high-quality property management and support services to their tenants.

Other Related Affordable Rental Housing Acquisitions

In 2019, following the launch of the City's rooming house acquisition pilot, City Council authorized the City's participation in the federal-provincial Ontario Priorities Housing Initiative (OPHI). OPHI included a capital funding program targeting rental housing construction, which could also be used for the acquisition and protection of existing affordable rental housing, such as rooming houses and other similar properties.

Through a subsequent RFP process conducted by the Housing Secretariat, proposals for the acquisitions of two other existing properties in Ward 4-Parkdale-High Park were approved for funding. These include:

- **33 Beaty Avenue** - COTA Health, an experienced supportive housing provider, was approved for funding to assist with the acquisition and renovation of an existing 10-unit rooming house. This project will provide deeply affordable supportive housing for people that require mental health and addictions support in order to maintain housing stability.
- **1501 Queen Street West** - Parkdale Activity-Recreation Centre (PARC), was provided with funding to support the purchase of a 38-unit apartment building in Parkdale. This project will also provide affordable housing with support services.

The acquisition of both properties have now been completed and renovations are currently underway. Once completed, these properties will provide current and future tenants with well-maintained, stable, affordable homes.

Lesson Learned - Key Success Factors for Non-Profit Affordable and Supportive Housing Acquisitions

There are a number of key elements for success that have been identified by the non-profit housing sector and City staff through the acquisition projects. These include the following:

1) Timing

A critical element enabling successful non-profit property acquisitions is timely access to government funding. Given the often fast-paced and competitive nature of the real estate market, it is critical to align funding with acquisition opportunities. The pre-qualification of funding model established through the pilot and expanded to the other

non-profit acquisitions enabled the groups to move ahead with offers on properties quickly, with the certainty that government funding would be available for a limited period of time (6 months), subject to completion of appropriate due diligence. The City's timely review and approval of the proposals/properties was also critical for the proponents to meet the timelines established in the Offers to Purchase and complete the transactions.

2) Predictability of Government Funding Programs

Feedback from non-profit housing sector recommends a regular and predictable acquisition funding stream to support the purchase of rooming houses and other small-scale rental properties by non-profits. This would allow groups to anticipate and better prepare for potential property acquisitions, and to quickly take advantage of opportunities on the market as they emerge.

3) Tenant Supports and Housing Benefits

Many tenants in rooming houses require both housing benefits and support services to be able to maintain their housing. A key element of the success of the 26 Maynard Avenue pilot project was the availability of tenant-centred housing supports delivered by experienced housing workers. To ensure successful housing outcomes, all tenants have access to PARC's intensive case management services, daily drop-in services, harm reduction initiatives, and a supported employment program. In addition, housing benefits have been allocated through existing federal-provincial programs to help deepen affordability for tenants.

4) Inter-divisional Collaboration

Legal rooming houses and bachelorettes must satisfy Zoning, Building Code, and Municipal Licensing & Standards requirements. As such, quick collaboration among City Divisions including City Planning, Toronto Building, and Municipal Licensing & Standards was essential in supporting the time-sensitive pilot and the other acquisition initiatives.

Alignment with the HousingTO 2020-2030 Action Plan

The HousingTO 2020-2030 Action Plan takes a human rights based approach to housing, which includes prioritizing resources to assist those most in need. The initiatives described in this report address several areas of the Action Plan, including the following key strategic directions:

- Prevent Homelessness and Improve Pathways to Housing Stability;
- Ensure Well-Maintained and Secure Homes for Renters; and
- Enhance Partnerships and Intergovernmental Strategy

As Toronto's housing market becomes increasingly challenging for lower-income residents, the processes developed through the pilot project lay a strong foundation for future City and federal-provincial alignment to support non-profit affordable rental housing acquisition and preservation projects. Through the acquisitions described in this

report, much-needed affordable rental housing options have been secured which will benefit vulnerable and marginalized residents and the City over the long term.

Federal Rapid Housing Initiative and Opportunity to Use New Process

On September 21, 2002, the Federal government announced a new Rapid Housing Initiative which will invest \$1 billion nationally to support the delivery of modular housing as well as the acquisition of existing buildings and land to create new affordable housing.

Although no further details have been released to-date about how the new program will be rolled out and administered, the acquisition and renovation process developed as part of this pilot project presents a model that could be used by the federal government to support municipalities and non-profit organizations across the country to increase their affordable housing stock.

Conclusion

Rooming houses are an important part of the affordable rental housing stock and provide accommodation to a diverse tenant demographic including persons with low and fixed incomes, seniors, students, newcomers, Indigenous Peoples and those from equity-seeking groups.

Due to different by-laws from pre-amalgamation, rooming homes are not permitted uses in all parts of the city, meaning this much-needed form of affordable housing is not available city-wide, or that existing illegally operated rooming houses may not be in compliance with existing by-laws and property condition standards. Prior to the end of 2020, City staff will bring forward an approach to consultation on a city-wide strategy for multi-tenant homes.

The City will also undertake a review of the current rental demolition and replacement Official Plan policy and implementation practices to ensure that the intent of the policy is being achieved.

These efforts, combined with a permanent rooming house acquisitions program which uses the model developed in the pilot as a standard process, can help increase and protect the supply of deeply affordable rental and supportive housing units in all neighbourhoods across the city. These policy and implementation tools would also help increase tenant protections, including security of tenure, through non-profit acquisitions and improved property conditions as a result of consistent licensing and enforcement standards.

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ATTACHMENTS

Attachment 1: Rooming House Acquisition Process