

## **New Multi-Unit Residential Acquisition (MURA) Program to Protect Existing Affordable Rental Homes**

**Date:** October 14, 2021

**To:** Planning and Housing Committee

**From:** Executive Director, Housing Secretariat

**Wards:** All

### **SUMMARY**

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In October 2020, through Item [PH17.5](#), City Council adopted the process developed as part of the Rooming House Acquisition Pilot Project to support the acquisition of private market rental housing by non-profit housing organizations, including co-operative housing providers. Council also directed staff to report back on establishing an ongoing rental housing acquisition program that would provide dedicated financial support to non-profit housing organizations or community land trusts, to facilitate the purchase and conversion of at-risk private market affordable housing to permanently affordable rental homes.

This report responds to Council's request and recommends a new program, to be called the Multi-Unit Residential Acquisition ("MURA") Program, for approval. The primary objectives of the MURA Program are to remove properties from the speculative housing market and create permanently affordable rental homes; improve housing stability for current and future tenants; improve the physical conditions of buildings; increase capacity in the non-profit and Indigenous housing sectors; and ensure the long-term financial sustainability of the homes.

The report recommends a number of actions to begin implementation of the MURA Program in 2021. The proposed Program will provide grant funding and Open Door Program incentives to qualified non-profit and Indigenous housing groups to support their purchase, renovation and operation of market rental properties to create permanently affordable rental homes for Torontonians with low-and-moderate incomes. The Program will also support the City's acquisition of at-risk affordable rental housing that non-profit and Indigenous organizations will operate long term.

The MURA Program will be implemented through an open annual proposal call process to establish a list of qualified and experienced non-profit and Indigenous housing providers. Selected proponents will be given pre-approval of available funding which would provide certainty and allow them to move quickly to secure properties available

for purchase on the open market. Proponents will have up to one calendar year from the date of approval to submit properties for consideration on a rolling basis.

To advance the City's commitments to truth, reconciliation and justice, it is also proposed that 20% of the annual funding allocations under the MURA Program be dedicated to support acquisitions by Indigenous housing organizations for Indigenous Peoples.

Subject to City Council approval of this report, the first proposal call will make \$10,000,000 in funding available from the Development Charges Reserve Fund (XR2116). Subsequent funding will also be available from the City's Land Acquisition Reserve Fund subject to Council's approval of the strategic disposal of the City asset at 249 Queens Quay West which will be considered by the Executive Committee in October 2021. The strategic disposal of 249 Queens Quay West supports previous Council direction in [PH17.5](#) to establish a small sites acquisition program (now MURA).

Under MURA, eligible properties will include small apartment buildings (up to 60 units) and multi-tenant houses (also known as rooming houses) that are either vacant or occupied and at-risk of being lost due to conversion. Based on projects previously supported by the City and advice from the non-profit housing and financial sectors, the MURA Program proposes that apartment building acquisitions and renovations be eligible for up to \$200,000 in funding per dwelling unit and multi-tenant houses be eligible for up to \$150,000 per dwelling room. Any additional costs will be funded and/or financed by the housing operators. Through the 2021 proposal call, it is anticipated that between 50 and 67 rental apartments and/or dwelling rooms will be converted to permanently affordable rental homes.

Recognizing that most residents will have their housing needs met through the city's existing rental supply over the next decade, it is crucial that these homes be preserved and maintained. While the City is taking a leadership role in launching MURA to protect existing rental housing, it is critical that the federal and provincial governments also support these efforts. An acquisition and renovation/conversion program from other orders of government, focused on protecting existing rental housing, could be combined with the City's MURA Program to increase grant funding and/or provide low-cost financing to support acquisitions. Alternatively, other orders of government could allocate funding to the City, to support the expansion/enhancement of MURA in the future. This would ultimately result in a greater number of properties being converted to non-profit, Indigenous and publicly-owned permanent affordable rental housing. Through the stacking of government programs, deeper levels of affordability can also be achieved for lower-income residents, including vulnerable and marginalized people experiencing or at-risk of homelessness.

Implementation of the MURA Program will help advance key strategic actions identified in the HousingTO 2020-2030 Action Plan. Specifically, it will help prevent homelessness and improve pathways to housing stability; maintain and increase access to affordable housing; ensure well-maintained and secure homes for renters; and increase the supply of 'For Indigenous, By Indigenous' affordable housing.

## RECOMMENDATIONS

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The Executive Director, Housing Secretariat recommends that:

1. City Council authorize the Executive Director, Housing Secretariat to issue an open and transparent competitive proposal call under the Multi-Unit Residential Acquisition Program (the "MURA Program" or "Program") on an annual basis to experienced non-profit and Indigenous affordable rental housing providers and to select the best proponents, in her sole discretion, to purchase or establish long-term conventional financing, renovate and operate affordable rental housing to be acquired under the MURA Program.
2. City Council increase the 2021 Housing Secretariat Operating Budget by \$3.5 million gross and \$0 net, fully funded from the City's Development Charges Reserve Fund (XR2116), for the purpose of funding the 2021 proposal call under the MURA Program, with such funding to be payable to the non-profit and Indigenous organizations selected through the process outlined in Recommendation 1 above, for the purpose of acquiring and renovating affordable rental housing under the Program.
3. City Council authorize the Executive Director, Housing Secretariat to negotiate and enter into a municipal capital facility agreement for housing purposes ("Contribution Agreement") providing for the advance of the Program funds to the non-profit and Indigenous groups or a related corporation selected through proposal calls under the Program, whether advanced before or after the entering into of the Contribution Agreement, on terms and conditions satisfactory to the Executive Director, Housing Secretariat, and in a form acceptable to the City Solicitor.
4. City Council authorize the Executive Director, Housing Secretariat to advance a portion of the funding to be provided to the selected non-profit and Indigenous groups, for the purposes of providing funds for deposits and other pre-purchase expenses, prior to the proponent entering into a Contribution Agreement.
5. City Council authorize the Executive Director, Housing Secretariat to allocate 20% of annual funding allocations under the Program to support the acquisition of market rental properties by Indigenous housing organizations to create permanent affordable rental homes for Indigenous residents.
6. City Council authorize the Executive Director, Housing Secretariat to support the selected non-profit and Indigenous groups on any applications to the federal or provincial governments to secure funding to support the acquisition and/or renovation of affordable rental housing under the Program, and to execute any agreements or other documents required with respect to same, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form acceptable to the City Solicitor.
7. City Council authorize the Executive Director, Housing Secretariat to execute, on behalf of the City, any security or financing documents or any other documents required to facilitate the funding process, including any documents required by a selected not for profit, or its related corporation to complete third party financing and refinancing, when

required during the term of the City's agreement with the successful non-profit and Indigenous groups or their successors.

8. City Council authorize the affordable rental units secured through the Program be eligible for Open Door Program incentives including waivers of planning application and building permit fees, as outlined in the Financial Impact Section of this report.

9. City Council amend Municipal Housing Facility By-law 1756-2019 to include as a category in the criteria for "Affordable Housing" units acquired pursuant to the Multi-Unit Residential Acquisition Program.

10. City Council, conditional on the enacting of the by-law amendment referred to in Recommendation 9 above, authorize an exemption from taxation for municipal and school purposes for up to 100 affordable rental units annually to a maximum of 500 units to be secured through the Program for the 99-year term of the Contribution Agreements.

11. City Council authorize the Controller to cancel or refund any taxes paid after the effective date of a Contribution Agreement.

12. City Council authorize the Executive Director, Housing Secretariat to issue a Request for Proposals and to select non-profit and Indigenous housing providers to operate properties acquired by the City under the Program.

13. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute on behalf of the City, municipal housing facility agreements for housing purposes (the City's "Contribution Agreement") for 99 years with the non-profit and Indigenous housing providers selected through the competitive process referred to in Recommendation 12, or a related corporation, to secure the financial assistance being provided and to set out the terms of the operation of the affordable rental housing, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.

14. City Council authorize the Executive Director, Housing Secretariat to execute, on behalf of the City, any security or financing documents required by the non-profit and Indigenous housing providers, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the municipal housing facility agreement, as required by normal business practices, and provided that such documents do not give rise to financial obligations on the part of the City that have not been previously approved by City Council.

15. City Council re-iterate the request that the federal and provincial governments establish acquisition programs that would support the acquisitions and renovations/conversions for all types of private market residential properties and other properties, to create new permanent affordable and supportive homes.

16. City Council authorize the City Solicitor to introduce the necessary Bills to give effect to City Council's decision.

## FINANCIAL IMPACT

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The proposed MURA Program will provide City contributions and Open Door Program incentives to non-profit and Indigenous housing organizations to support their purchase and renovation/conversion of at-risk market rental housing to create permanently affordable rental homes. These homes will be secured as affordable housing for at least 99 years and will contribute towards the City's target of creating 40,000 affordable rental homes, including 18,000 supportive housing units by 2030, as established in the HousingTO 2020- 2030 Action Plan.

This report recommends that \$10 million in funding be allocated to non-profit and Indigenous housing organizations for the purchase and renovation of at-risk market rental housing to create permanently affordable rental homes. Of the total funding available, 20% is proposed to be allocated to Indigenous housing organizations.

In addition, proceeds from the strategic disposal of the City asset at 249 Queens Quay West will be deposited to the City's Land Acquisition Reserve Fund (XR1012) and designated for use by the Multi-Unit Residential Acquisitions Program to allow the City to take advantage of opportunities to acquire small sites to protect, preserve and ensure the long-term stability of affordable housing in Toronto. A report on the strategic disposal of 249 Queens Quay West will be considered by Executive Committee in October 2021.

### **2021 - 2022 Program Funding**

In 2021 (Year 1), \$10 million in MURA Program funding is recommended through a combination of the following:

- \$2 million in existing 2021 approved funding within the Housing Secretariat Operating Budget for Small Sites Pre-Development and Pre-acquisition Fund (now MURA);
- \$4.5 million in existing 2021 approved funding within the Housing Secretariat Operating Budget previously earmarked for the strategic acquisition and repair of a residential property; and
- A recommended \$3.5 million gross and \$0 net, increase to the 2021 Housing Secretariat Operating Budget, fully funded from the City's Development Charges Reserve Fund (XR2116).

In Year 2 (2022), \$10 million in funding will also be made available to non-profit and Indigenous organizations through MURA, and funded from the City's previously committed allocation under the Ontario Priorities Housing Initiative (OPHI).

### **Program Funding for 2023 and Beyond**

In 2023 and beyond, staff will seek continued funding from the federal and provincial governments to support continuation and enhancement of the MURA Program. The success achieved through the 2021 and 2022 Program proposal calls will be leveraged to support discussions and outline how MURA can help all orders of government meet

their shared objectives of ending chronic homelessness and increasing housing stability for residents.

## **Funding Allocations**

### *Non-Profit and Indigenous Housing Organizations*

Eligible properties will qualify for up to a maximum of \$200,000 per unit for apartment buildings and \$150,000 per dwelling room for multi-tenant houses, with any remaining costs to be funded or financed by the selected proponents.

Successful proponents will be chosen through a competitive proposal call process administered annually by the Housing Secretariat. Through this process, successful proponents will be pre-approved for funding, giving them certainty to pursue acquisitions. 10% of the maximum approved funding allocation will be advanced to the successful non-profit and Indigenous proponents within 60 days to be used as deposit funding. An additional \$25,000 in funding will be available to each proponent to be used for pre-acquisition services such as preparing Building Condition Assessments and Property Appraisals. These pre-acquisition expenses will be funded from the maximum Program allocations described above, and do not represent additional funding above the maximum allocation.

Upon identification of a suitable property, proponents will submit full project details including proposed capital and operating budgets; property management and operating plans, etc. for streamlined review by the City. Subject to the Housing Secretariat being satisfied with the submission package, and the selected proponent signing the required legal agreements, the City will confirm its full approval and advance the remaining funding within 30 days for the transaction to be completed.

### *Strategic City Acquisitions*

In addition to non-profit and Indigenous housing sector acquisitions of affordable rental housing, this report also recommends that the City be enabled to acquire properties under the MURA Program and lease them to eligible non-profit and Indigenous housing providers under long term leases. While housing providers will be chosen through an open proposal call process administered by the Housing Secretariat, Corporate Real Estate Management support City site acquisitions under its delegated authority.

## **Open Door Program Financial Incentives**

This report also recommends Open Door Program incentives in the form of relief from City fees and taxes for the affordable rental housing secured through the MURA Program. Although the number and type of units that will result from the Program is difficult to predict, the 2021 proposal call is anticipated to support an estimated 50 apartment units or 67 rooming house units. It is also unknown at this time whether, or to what extent, renovations will be required. The estimated financial incentives recommended for the 2021 proposal call are summarized in Table 1 below.

Table 1 - City Financial Incentives

Affordable Rental Homes	Estimated Affordability Period	Estimated Building Permit Fees*	Estimated Net Present Value of Property Taxes**	Estimated Total Value of Incentives
50 apartment units	99 years	\$34,350	\$1,344,447	\$1,378,797
67 rooming house units/dwelling rooms	99 years	\$19,585	\$1,651,543	\$1,671,128

\* calculated using 2021 building permit fee rates and 37m<sup>2</sup>/apartment and 14m<sup>2</sup>/room. No planning or development charges are expected for these acquisitions and renovations

\*\* calculated using 2021 rate

On a per unit basis, the estimated Open Door Program incentives is \$27,576 for each apartment/dwelling unit and \$24,942 per dwelling room. Assuming the MURA Program operates at the same level for 5 years, the respective totals without escalation would be \$6,893,985 for 250 apartments or \$8,355,640 for 335 rooming house units.

The City incentives also include relief from property taxes for municipal and school purposes for the 99 year affordability period.

The estimated value of the property tax exemptions for municipal and school purposes is summarized in Table 2 below. Actual exemptions will occur after acquisition and designation under a municipal housing facility by-law and will depend on the value of taxes paid on those properties. The tax exemptions would have no net present impact to the City for the educational portion of taxes remitted to the Province.

Table 2 - Property Tax Exemption for 50 Apartment Units\*

Property Tax	Annual	NPV: 99 Years
City	\$31,477	\$993,001
Education	\$10,672	\$336,655
City Building	\$469	\$14,791
Total:	\$42,617	\$1,344,447

\*calculated using 2021 rates

Table 3 - Property Tax Exemption for 67 Rooming House Rooms\*

Property Tax	Annual	NPV: 99 Years
City	\$38,667	\$1,219,820
Education	\$13,109	\$413,552
City Building	\$576	\$18,170
Total:	\$52,352	\$1,651,543

\*calculated using 2021 rates

To enable the tax relief recommended by this report for the properties to be secured as affordable rental housing under the MURA Program, Legal Services will update the City's Municipal Housing Capital Facility By-law.

Subject to the availability of future federal and provincial housing program funding, the Executive Director, Housing Secretariat may re-direct an allocation of such federal and/or provincial funds towards this initiative, under existing or future delegated authorities.

The Chief Financial Officer has been provided with the financial impacts associated with this report.

## **EQUITY IMPACT**

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

Working with non-profit and Indigenous housing providers to acquire at-risk market rental properties provides an opportunity to protect this existing supply of homes as affordable rental housing long term. Creating new, permanent affordable rental homes through the acquisition of at-risk market will also increase the opportunity for structurally and systemically disadvantaged groups, including Indigenous Peoples, Black people and other racialized groups, seniors, women, and members of the 2SLGBTQ+ community, to access safe, healthy and adequate housing.

Safe, adequate, affordable housing is an important determinant of health and supports improved health, housing and socio-economic outcomes for people. Safe, adequate, affordable is also a cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region and country as a whole.

## **DECISION HISTORY**

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City Council, on July 14, 2021, deferred Item PH25.10 - *A New Regulatory Framework for Multi-tenant Houses*, for consideration at the September 30 and October 1, 2021 meeting of City Council. This report proposes the creation of a comprehensive city-wide regulatory framework for multi-tenant houses to improve regulatory oversight of the properties, and to protect tenant life safety and create liveable, well-maintained and affordable homes in all wards across the city. The full report can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PH25.10>

City Council, on April 7 and 8, 2021, adopted Item MM31.19 - *Protecting and Creating Affordable Homes in the Kensington Market Neighbourhood*, and authorized \$3,000,000



in Section 37 funding (Planning Act Reserve Fund) to assist the Kensington Market Community Land Trust to acquire, renovate and operate the property at 54-56 Kensington Avenue as affordable rental housing with at-grade retail space for a minimum of 99 years. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.MM31.19>

City Council, on October 27, 2020, adopted Item MM25.32 - *Implementation of the Federal Rapid Housing Initiative*, authorizing staff to enter into an agreement with Canada Mortgage and Housing Corporation to secure the City's allocation of \$203.3 million through this program, and identify projects that could be made available for occupancy within twelve (12) months, in accordance with the terms and conditions of the Rapid Housing Initiative (RHI). A component of RHI supported the acquisition of real estate for affordable housing. The report outlines key authorities to assist in making rapid acquisitions and an RFP process to select eligible non-profit operators. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.MM25.32>

City Council, on October 27, 28 and 30, 2020, adopted Item PH17.5 - *Pilot Project to Protect Rooming Houses for Long-term Affordability - Update*, that directed the Executive Director of the Housing Secretariat to develop a Municipal Small Sites Rental Housing Acquisition Program that provides dedicated funding and financing to non-profit housing organizations or community land trusts to facilitate the purchase and conversion of at-risk private market affordable rental housing into permanently affordable housing. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH17.5>

City Council, on September 30, October 1 and 2, 2020, adopted Item No. PH16.8 - *Addressing Housing and Homelessness in Toronto through Intergovernmental Partnership*, which outlined the City's 24-Month COVID-19 Housing and Homelessness Recovery Response Plan aimed creating 3,000 housing opportunities for people experiencing chronic homelessness within the shelter system. To support this Plan, Council requested that the federal and provincial governments establish acquisition programs that would support the acquisitions and renovations/ conversions for all types of private market residential properties and other properties, to create new permanent affordable and supportive homes. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.8>

City Council, on September 30, October 1 and 2, 2020, adopted PH16.5 - *Improving Outcomes for Toronto Residents through Implementation of HousingTO 2020-2030*. In Section 7 of the Implementation Plan - Ensure Well-Maintained and Secure Homes for Renters the City committed to develop a strategy to acquire multi-unit dwellings and low-rise apartments. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.5>

City Council, on July 23, 24, 25, 26, 27 and 30, 2018, adopted EX36.38 - *Potential Rooming House Property Acquisition and Modernization in Ward 14 Parkdale-High Park*, that authorized the Director of the Affordable Housing Office to issue an open and transparent competitive proposal call to experienced non-profit affordable rental housing providers and to select the best proponent to acquire, renovate and operate an

available rooming house property in Ward 14, Parkdale-High Park. The full report can be found at:

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

City Council, on December 9 and 10, 2015, in consultation with the Aboriginal Affairs Committee, adopted EX10.16 - *Truth and Reconciliation Commission of Canada Recommendations*, identified eight Calls to Action from the Truth and Reconciliation Commission of Canada's report as priorities for implementation. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.16>

City Council, on July 6, 7 and 8, 2010, adopted EX45.5 - *Statement of Commitment to Aboriginal Communities in Toronto – Towards a Framework for Urban Aboriginal Relations in Toronto*. In that report it was recommended that an Action Plan be developed in consultation with the Aboriginal Affairs committee to give effect to the commitments contained in the report. The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX45.5>

## COMMENTS

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### Implementing the HousingTO 2020-2030 Action Plan

The City of Toronto has committed to advance the progressive realization of the right to adequate housing through implementation of the HousingTO 2020-2030 Action Plan. The proposed MURA Program will support these efforts, including prioritizing resources for those most in need. Furthermore, the MURA Program will help directly address several areas of the Action Plan, including the following key strategic actions:

- Prevent Homelessness and Improve Pathways to Housing Stability;
- Ensure Well-Maintained and Secure Homes for Renters;
- Increasing the supply of affordable housing 'For Indigenous, By Indigenous'; and
- Maintain and increase access to affordable rents.

### Supporting Indigenous Communities

In 2010, the City adopted the Statement of Commitment to the Aboriginal Communities of Toronto, and in 2015 City Council, in consultation with the Aboriginal Affairs Committee, identified eight Calls to Action from the Truth and Reconciliation Commission's final report as priorities for implementation by the City. Included in this is the call to action for the federal, provincial, territorial, and municipal governments to fully adopt and implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) as the framework for reconciliation.

To advance the City's commitments to truth, reconciliation and justice, as well as the strategic objectives outlined in the HousingTO 2020-2030 Action Plan, it is proposed that 20% of the annual funding allocations under the MURA Program (both grant and Open Door incentives) be dedicated to supporting Indigenous-led acquisitions. This will

help ensure that there are more adequate and culturally-appropriate affordable housing options owned and operated by Indigenous organizations for Indigenous Peoples.

## **The Need to Preserve Affordable Rental Housing**

### *Existing Rental Housing Supply*

Housing affordability remains one of the most pressing issues in Toronto and other large urban centres across Canada due to decades of insufficient public investments in housing from all orders of government. This has led to an inadequate supply of new purpose-built rental homes and resulting unhealthy vacancy rates. These factors have been the primary causes of year-over-year increases in rental rates which have surpassed increases in wages.

To highlight this point, according to the 2019 Toronto Market Analysis, between 2006 and 2016, the total number of renter households in Toronto rose from 446,850 to 525,830, meaning 78,980 new renter households were formed. Over the same period, however, Toronto experienced a net addition of only 1,466 primary rental units.

While the City has set a target of approving 40,000 new purpose-built affordable rental homes by 2030 to meet current and future demand, it is equally important that the existing supply of affordable rental housing be preserved. In fact, over the next decade, most residents will have their housing needs met through the city's existing rental housing stock, including private market naturally occurring affordable housing. As such, it is crucial that this existing stock of rental homes be appropriately maintained and preserved.

### *Data and Evidence Demonstrating Need*

Between 2006 and 2018, the pace of rent increases in purpose-built rental buildings grew faster than median incomes. The tight rental market in Toronto has resulted in many residents in Toronto paying more than 30% of their total income on housing. In 2018 alone, rent increases doubled wage increases.

While many residents across Toronto were struggling with inadequate and unaffordable housing before the pandemic, COVID-19 has exacerbated these challenges and deepened inequities especially for Indigenous and Black residents, seniors and women.

This is reinforced by data showing how much households are paying on rent, the eviction orders issued for households in rental arrears, and those populations most impacted. This includes:

- An estimated forty-two per cent (42%) of Toronto tenant households are in affordable housing need, meaning they spend 30% or more of their total income on housing. <sup>1</sup>

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<sup>1</sup> Naomi Lightman and Luann, Spaces and Places of Exclusion: Mapping Rental Housing Disparities for Toronto's Racialized and Immigrant Communities (November 2020), Social Planning Toronto, online: <<https://www.socialplanningtoronto.org/exclusion>>.

- An estimated nineteen per cent (19%) of Toronto tenant households are in "deep" affordable housing need, meaning they spend 50% or more of their total income on shelter costs.
- One in ten Toronto residents in tenant households live in housing that is inadequate because it is in need of major repairs. 190,000 formal eviction applications were filed in Toronto between 2010 and 2018. Three quarters of the eviction applications filed over this period were for non-payment of rent.<sup>2</sup>
- On average, Toronto tenants have received 17,000 eviction applications per year for non-payment of rent.<sup>3</sup> In 2018 alone, on a city-wide basis, there was one formal eviction application for every 20 tenant households.
- In 2020, in terms of Canada's largest CMAs, Toronto recorded the highest arrears rate, with 10.68% of units (34,858) in arrears and 0.92% of rent (approximately \$55 million) in arrears.<sup>4</sup>
- Evictions disproportionately burden those with low incomes, Indigenous peoples, Black and other racialized people, newcomers and those with mental health and substance use challenges.
- Black renters have significantly higher eviction filing rates.<sup>5</sup>

The proposed MURA program will help mitigate tenant displacements as a result of illegitimate evictions. It will also help improve conditions for vulnerable and marginalized tenants who are over-represented in the overall population of tenants living in severe and core housing need.

### **The Proposed Multi-Unit Residential Acquisition ("MURA") Program**

In response to the need to preserve affordable rental housing, and based on Council direction, this report recommends a new and ongoing Multi-Unit Residential Acquisition Program that provides dedicated funding to non-profit and Indigenous housing organizations and community land trusts, to facilitate the purchase and conversion of at-risk private market affordable rental housing into permanent affordable housing. The proposed Program will also enable the City to purchase at-risk properties and preserve the affordable rental homes, with such properties to be operated by non-profit and Indigenous organizations under long-term leases.

The proposed Program has been informed by lessons learned from a previous acquisition pilot project outlined in Item [PH17.5](#), other City-supported and non-profit-led acquisitions, as well as feedback from the non-profit housing and financial sectors. It responds to the need to preserve affordable rental stock lost due to sale, potential redevelopment or demolition, and to preserve affordable rental tenancies/prevent

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2 Scott Leon and James Iveniuk, *Forced Out: Evictions, Race, and Poverty in Toronto* (August, 2020), online: Wellesley Institute <<https://www.wellesleyinstitute.com/wp-content/uploads/2020/08/Forced-Out-Evictions-Race-and-Poverty-in-Toronto-.pdf>>.

3 Ibid

4 2020 Market Rental Report (accessed September 1, 2021), online: <<https://www.cmhc-schl.gc.ca/en/blog/2021/2020-rental-market-report>>

5 Scott Leon and James Iveniuk, *Forced Out: Evictions, Race, and Poverty in Toronto* (August, 2020), online: Wellesley Institute <<https://www.wellesleyinstitute.com/wp-content/uploads/2020/08/Forced-Out-Evictions-Race-and-Poverty-in-Toronto-.pdf>>.

evictions. Reducing the loss of low-and-moderate rental homes is also critical to preventing homelessness.

The following is a summary of the salient Program elements. Additional background and details are outlined in Attachment 1.

### *Program Goals and Objectives*

The MURA Program will provide dedicated funding to non-profit and Indigenous housing organizations, including community land trusts, to facilitate the purchase and conversion of at-risk private market rental housing to permanently affordable rental homes. It will also allow the City to purchase properties to be operated by the non-profit and Indigenous housing sector under long term leases with the City.

The main objectives of the MURA Program are to:

- Remove properties from the speculative rental market and create permanently affordable rental homes through non-profit, Indigenous and public ownership;
- Increase housing stability for current and future tenants;
- Improve the physical conditions of buildings;
- Increase capacity in the non-profit and Indigenous housing sector through the acquisition, conversion/renovation and operation of affordable rental housing long term; and
- Ensure the long-term financial sustainability of the homes.

### *Key Program Components and Process*

#### 1. Selection of Non-profit and Indigenous Proponents:

- An annual request for proposals (RFP) process will be issued to select qualified and experienced non-profit and Indigenous proponents.
- 20% of all annual allocations will be dedicated to support acquisitions by Indigenous housing organizations for Indigenous residents.
- Initial proponent funding allocations will be based on the Program's maximum per unit/dwelling room funding thresholds and overall annual allocations.

#### 2. Pre-acquisition Grants and Deposit Funding:

- Up to 10% of a successful proponent's maximum approved funding allocation will be advanced within 60 days of the proponent being selected, to be used as deposit funding.
- Pre-acquisition grants of \$25,000 per successful proponent will also be made available to cover the costs of acquisition planning, pre-development, and the due diligence necessary to prepare a full, site-specific submission.
- These pre-acquisition expenses will be funded from a proponent's pre-approved allocation(s) and do not represent additional funding.
- Pre-acquisition grants and deposit funding will be secured by way of promissory note.

#### 3. Eligible Building Types, Criteria and Funding:

- 6–60 units, occupied or vacant, residential or mixed-use buildings with a focus on multi-tenant homes and small-scale apartment buildings.
- Suitable properties will be eligible for purchase and renovation funding of up to \$200,000 per dwelling unit for apartment buildings and up to \$150,000 per dwelling room for multi-tenant houses. Non-residential portions of mixed-use properties will not be eligible for funding.

#### 4. Final Approval of Properties for Acquisition:

- The City will provide a streamlined 30-day review of site-specific proposals from proponents.
- Site-specific funding will be provided as a capital grant by way of forgivable loan. The City's contribution will be secured on closing by a mortgage charge registered on title.
- Proponents may also be prioritized for any available federal/provincial renovation funding to cover repairs and rehabilitation required to bring a home or unit into code compliance and acceptable standards.

#### 5. Ongoing Affordability Requirements:

- A 99-year affordability term will be secured.
- For the 99-year term, the average monthly rent collected by housing providers must not exceed 100% of Average Market Rent (AMR) for any one unit, with the objective of maintaining an overall project average rent of 80% (AMR). Deeper levels of affordability for tenants can be achieved through the layering of housing benefits.

#### 6. Community Partner Table:

The City will hold quarterly meetings with approved proponents to share program updates and encourage multi-partner coordination and information sharing including:

- Identifying suitable sites and establishing a pipeline for acquisitions;
- Exploring areas for collaboration including opportunities to create supporting housing opportunities (i.e. by layering support services to the affordable rental units), and;
- Identifying lessons learned and good practices.

#### 7. Data-Informed Approach:

- The City's HousingTO Data Strategy Framework is currently under development and will play an integral role in advancing the City's HousingTO Plan, including protecting the existing supply of housing.
- Working with City divisions as well as the non-profit and Indigenous housing sector, the Housing Secretariat will aim to track changes in the affordable housing stock (including multi-tenant houses).
- The Housing Secretariat will also work with partners, including other orders of government to track data related to the size, location, condition and cost of the affordable rental stock.

#### 8. City Strategic Acquisition of Sites:

#### *General Criteria and Governing Policies*

In the event an opportunity becomes available for the City to acquire a site, and the opportunity is in alignment with the City's Strategic Acquisition Policy developed under the City-Wide Real Estate Model, the Housing Secretariat and Corporate Real Estate Management divisions will work collaboratively on acquiring the site and on related matters pertaining to the MURA Program, including, but not limited to: performing due diligence; use of delegated authorities; or to seek City Council authority as necessary, to execute, administer and manage any agreements of purchase of sale, and any ancillary agreements. In accordance with existing City policies, site-specific due diligence will be done prior to acquiring any properties including but not limited to zoning and environmental reviews, property conditions inspections, fair market value determined through appraisals, etc.

An update on the City-Wide Real Estate Model and the presentation of the Strategic Acquisition Policy will be considered at Executive Committee in October 2021. Under the City-Wide Real Estate Model, the broad criteria for strategic acquisition includes strategic fit, financial impact and use assessment. Further details on the criteria are included in the report.

In addition to the proposed Strategic Acquisition Policy, the decision to acquire a site will be guided by the Council-approved criteria that was adopted in PH16.8a. This criteria includes but is not limited to:

- Cost per unit and fair market value assessment;
- Return on investment (including ability to offset any existing costs);
- Location (vicinity to transit, services, high incidents of tenant evictions/displacement, etc.);
- Number of units per building;
- Size of units; and
- Timing and availability (i.e. to purchase/develop and create permanent housing opportunities).

Any additional criteria to guide strategic acquisition decisions would be mutually agreed upon by the Housing Secretariat and Corporate Real Estate Management.

#### *Funding for City Acquisitions*

Funding for MURA-related City acquisitions will be available through the City's Land Acquisition Reserve Fund, and managed by the Housing Secretariat with the support of Corporate Real Estate Management. Governance for use of the fund will align with existing delegated authorities.

In addition, at the October 2021 meeting of the Executive Committee, CreateTO and City Staff will be seeking Council authority for the strategic disposal of the City-owned property at 249 Queens Quay West, the net proceeds recommended to be designated to support the MURA Program. The rationale for the strategic disposal of 249 Queens Quay West and the use of the net proceeds supports Council direction from PH17.5 to establish an ongoing Municipal Small Sites Rental Housing Acquisition Program (now, MURA) that to facilitate the purchase and conversion of at-risk private market affordable rental housing to create permanently affordable housing.

## **Strategic Opportunities to Leverage MURA**

The development of a permanent acquisition program would assist the City and its non-profit and Indigenous partners to rapidly act or intervene in scenarios where affordable market rental housing is at risk or where tenants are living in poor conditions. The City is in the process of developing an interdivisional Housing At-Risk Table (HART) that would address complex housing issues such as renovictions, building disrepair and multi-tenant homes compliance issues. MURA could be leveraged to acquire units potentially lost in the following scenarios:

### **1) Renovictions**

- MURA paired with proactive data collection about real estate trends, could help identify properties that may be targeted for renovictions which the City or non-profit and Indigenous partners could acquire.

### **2) Property Conditions**

- There are many privately-owned affordable housing buildings across the city that are in need of repair. MURA could be leveraged to acquire some of these buildings and transition ownership to non-profit and Indigenous housing organizations and the public sector, with accompanying renovation funding to improve property conditions for current and future tenants.

### **3) Multi-tenant Houses Regulatory Framework Implementation**

- In 2022, the City will consider a new by-law to permit multi-tenant houses city-wide accompanied by room caps and stronger licensing requirements. Some multi-tenant houses operators may choose to sell their properties rather than comply with the new by-law. This presents a good opportunity to convert private market rental housing into non-profit, Indigenous or publicly-owned permanent affordable rental homes. As such, MURA could be leveraged to quickly acquire these properties and bring them into compliance to maintain this deeply affordable and important housing supply.

Preserving the existing affordable housing stock, including naturally occurring affordable housing delivered through the private market, along with building new purpose-built affordable rental housing supply, are key objectives of all orders of government.

The proposed MURA Program provides an acquisitions program model that can be replicated by other orders of government to meet their shared objectives. MURA also provides a mechanism through which other orders of government can allocate funding to Toronto to help rapidly fund acquisitions of affordable rental housing and protect the homes in perpetuity, plus improve housing conditions for current and future residents.

## **Recent City and City-supported Non-Profit Acquisitions**

The City has taken a number of actions in recent years to both preserve existing affordable rental housing and acquire real estate to provide rapid housing solutions. These initiatives have provided a foundation for MURA through best practices and lessons learned. Recent examples include, but are not limited to:



### *1) Parkdale Rooming House Acquisitions*

In 2018 the City undertook 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. Key elements of success included a City-initiated Request for Proposals (RFP) process to select a non-profit organization; pre-approval of City funding to allow the selected non-profit to move quickly compete 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. Parkdale Neighbourhood Land Trust (PNLT) was selected and acquired and renovated a 15-unit licenced rooming house to provide affordable rental homes for tenants for a minimum period of 99 years. The process developed as a result of this Pilot Project was adopted by Council in October 2020 to be used to support the acquisition of private market rental housing by non-profit housing organizations, including co-operative housing providers.

Since the Pilot Project was implemented, additional competitive processes for acquisitions have been administered by City staff. PNLT and COTA Health both acquired affordable rental housing in Parkdale resulting in 63 dwellings units being secured as permanently affordable rental homes for low-and-moderate income residents. A best practice developed through the most recent proposal call process was the collaboration between non-profit organizations in pursuing real estate leads and sharing expertise. MURA has incorporated a program element to foster non-profit collaboration.

### *2) 54-56 Kensington Avenue*

In April 2021 City Council authorized the allocation of \$3,000,000 of Section 37 funding to assist the Kensington Market Community Land Trust acquire and renovate 12 affordable housing units. This affordable rental building was at-risk of being lost due to sale and conversion, potentially leading to tenant displacement. An urgent member's motion was presented to secure the funding so the Land Trust could buy the building and keep the units affordable for a period of 99 years. The funding was approved subject to the Executive Director of the Housing Secretariat approving the Land Trust's business case, management plan and reviewing the financial viability of the 12 units. The Land Trust was successful in acquiring the units and preserving the tenancies.

### *3) Implementation of the Rapid Housing Initiative*

The federal Rapid Housing Initiative allocated approximately \$203 million in phase one and \$132 million in phase two to the City of Toronto to increase the supply of new permanent affordable housing. This program established a 12-month timeline to create new housing and ensure vulnerable populations are housed quickly. One component of the MURA Program permits the acquisition of real estate to create affordable housing. Due to the tight timelines and a competitive real estate market, staff have pre-approval and delegated authority from Council to: acquire real estate properties of interest; enter into agreements with governments or agencies; exempt homes from fees and charges; and approve related pre-development and pre-construction costs. An additional element

of this program is the ability of the City to acquire properties but secure non-profit housing providers to operate them long term.

While the federal RHI program does not fund the acquisition of existing, habitable rental properties, other program parameters and the internal City implementation processes related to pre-approval of funding have helped inform the MURA program.

This report also recommends that City Council re-iterate a request to the federal and provincial governments establish a dedicated fund to support acquisitions and renovations/ conversions to create new permanent affordable and supportive homes, including to support the purchase of at-risk, privately-owned market housing to create permanent affordable homes. This was endorsed by City Council as part of the Housing and People Action Plan which serves as a framework for prioritization of the City's Intergovernmental advocacy work on housing and homelessness over the next 24 months, and to complement the City's HousingTO 2020-2030 Action Plan.

## **Conclusion**

The ongoing COVID-19 pandemic has exacerbated pre-existing challenges in Toronto's housing system due to a number of factors including job losses and precarious employment for many of the city's low-and-moderate income earners. At the same time, the Toronto real estate market has continued to remain resilient, attracting speculative investments and resulting in the loss of private market rental housing, including naturally occurring affordable rental housing.

More than ever, vulnerable and marginalized populations, including some of the city's lowest wage earners, are struggling to find and maintain adequate, affordable homes. While building new affordable housing must be a priority for all orders of government, protecting the existing supply of housing is equally as important. Besides being less costly than building new, maintaining the existing supply of rental homes is critical to meeting the urgent housing needs of the majority of Toronto renters over the next decade.

The MURA Program recommended in this report presents a non-market public and community-based rental acquisitions strategy to preserve the existing supply of affordable rental housing in the city. It will support the growth of the affordable housing stock by converting private affordable market housing into permanent and protected affordable rental housing. The Program will also help prevent homelessness and increase housing stability for vulnerable and marginalized residents, including Indigenous Peoples, Black and other racialized residents and those from other equity-deserving groups.

Further, to complement City efforts, this report recommends that Council re-iterate its request to the federal and provincial governments to establish an acquisitions program to allocate funding (through a combination of low-cost loans and grants) to support the purchase and renovations of existing rental properties by the non-profit, Indigenous and public sectors. With the stacking of government funding programs, more properties can be converted to permanent affordable rental homes and deeper levels of affordability can be achieved, helping to provide a range of housing for a range of needs in all areas across the city.

## **CONTACT**

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## **SIGNATURE**

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Abigail Bond  
Executive Director, Housing Secretariat

## **ATTACHMENTS**

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ATTACHMENT 1 – Multi-Unit Residential Acquisition Program Details