

Implementing Tenants First: Authority to Enter Into a Municipal Capital Facilities Agreement for the Single-Family Homes being Transferred to the Non-Profit Housing Sector

Date: November 10, 2021

To: Planning and Housing Committee

From: General Manager, Shelter, Support and Housing Administration

Wards: All

SUMMARY

Since 2016, through the Tenants First project, City Council has approved a series of recommendations to transfer a number of Toronto Community Housing Corporation (TCHC) units to the non-profit sector in order to narrow TCHC's direct operational responsibility for their portfolio of single-family homes.

In October 2020, City Council directed the TCHC Board of Directors to negotiate and transfer ownership and operations of the single-family homes portfolio to two successful proponents selected through a joint City-TCHC Request for Proposals (RFP) process: Circle Community Land Trust (CCLT) and Neighbourhood Land Trust (NLT). Prior to TCHC entering into negotiations, the City completed an extensive due diligence process with the proponents, including reviewing the financial modeling and City funding contributions for the portfolio.

To support the financial viability of these transfers and to preserve this important stock of affordable housing, it is recommended the City offer a property tax exemption for the units being transferred to CCLT and the NLT. The recommended property tax exemption requires that the Municipal Capital Facilities By-Law be updated so this portfolio of single-family homes is eligible as a municipal housing project facility.

This report seeks Council authority to enter into a municipal capital facility agreement with the non-profit housing providers for the purpose of providing the property tax exemption as well as other site-specific exemptions. This request is in alignment with the other elements of the by-law, and with the City's Community Housing Partnership Renewal Program. In exchange for the property tax exemptions, the monthly occupancy costs will be set at or below 90% of Average Market Rents. The majority of the units are currently and will remain deeply affordable through rent supplements. The property tax exemption will support the successful transfer of these homes to the non-profit housing sector.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration recommends that:

1. City Council adopt the updated Municipal Housing Facility By-law attached as Attachment 1 to this report and repeal Municipal Housing Facility By-law 1756-2019.
2. City Council authorize the General Manager, Shelter, Support and Housing Administration to negotiate and enter into, on behalf of the City, a municipal housing facility agreement (the City's Contribution Agreement) with the housing providers described in Table 2 in the Financial Impact section of this report to secure affordable housing in accordance with the updated Municipal Capital Facilities By-Law, (by-law 1756-2019 as revised by Recommendation 1), in return for the exemption from taxation for municipal and school purposes, on terms and conditions satisfactory to the General Manager, Shelter Support and Housing Administration and in a form approved by the City Solicitor.
3. City Council authorize an exemption from taxation for municipal and school purposes for the properties described in Attachment 2 and periods of time described in Table 2 in the Financial Impact section this report, with the tax exemption being effective from the "Effective Date" of the City's Contribution Agreement.
4. City Council authorize the Controller to cancel or refund any taxes paid after the Effective Date of the City's Contribution Agreement.
5. City Council direct the City Clerk to give written notice of each By-law authorizing the municipal housing facility agreements to the Minister of Finance, and written notice of each By-law authorizing an exemption from taxation for municipal and school purposes to the Municipal Property Assessment Corporation, and to the Toronto District School Board, the Toronto Catholic District School Board, le Conseil scolaire Viamonde, and le Conseil scolaire catholique MonAvenir, as appropriate.

FINANCIAL IMPACT

This report seeks Council authority to provide a property tax exemption to the NLT and CCLT for the single-family homes being transferred from TCHC to both organizations as part of the City's Tenants First project.

There are no 2021 financial impacts to the City as a result of the recommendations in this report. However, providing a property tax exemption to both non-profit housing providers once the transfer of the homes close in 2022 will result in an estimated net annual reduction in property tax revenue to the City of \$2,399,540 in 2022, consisting of the municipal portion of taxes of \$1,796,079, and a provincial education portion of taxes of \$603,461. The municipal portion of taxes of \$1,796,079 that are currently payable by TCHC will no longer be collected once the property becomes exempt. The provincial education portion of property taxes of \$603,461 in 2021, will no longer be required to be

remitted to the Province once the exemption for the exempt portions takes effect, with no net impact to the City.

The estimated total net present value of the property tax exemption over the 25-year affordability term is \$41,783,544 as shown in Table 1. The final value of the property tax exemptions will be determined by the Municipal Property Assessment Corporation.

Table 1: Total Annual and Net Present Value of Property Tax Exemption

Number of Affordable Units	Affordability Period	Estimated Annual Property Tax*	Estimated Net Present Value of Property Tax*
761	25 Years	\$2,399,540	\$41,783,544

*based on 2021 tax rates and a Net Present Value discount rate of 3%

Table 2: Breakdown of Annual Property Tax Exemptions by Provider

Housing Provider	Number of Affordable Units	Affordability Period	Property Taxes (annual)		
			City	Education	Total
Neighbourhood Land Trust	139	25 Years	\$335,250	\$115,475	\$450,724
Circle Community Land Trust	607	25 Years	\$1,460,830	\$487,986	\$1,948,816
Total (25 years)	761		\$1,796,079	\$603,461	\$2,399,540

EQUITY IMPACT

TCHC's portfolio of single-family homes, being transferred to the non-profit housing sector as part of the City's Tenants First project, makes up a significant portion of the City's social housing stock of large, family-size units. Property tax relief is a necessary component of the operational funding model that will allow the non-profit housing providers taking over this portfolio to maintain this affordable housing stock and any associated supports for low-income residents. Many of these units are currently rent-geared-to-income units, and will remain deeply affordable as part of the agreements with the non-profit housing providers.

DECISION HISTORY

On July 4, 2017, City Council adopted Tenants First Phase One Implementation Plan and directed staff to report back on further financial analysis and the results of an REOI for the scattered portfolio.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.2>

On January 31, 2018, City Council adopted Implementing Tenants First - TCHC Scattered Portfolio Plan and an Interim Selection Process for Tenant Directors on the TCHC Board and directed staff to work with TCHC to release a Request for Proposals to transfer the single-family homes portfolio to the non-profit housing sector.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.2>

On December 17, 2019, City Council adopted the Community Housing Partnership Renewal Program, a new program involving municipal housing facility agreements between the City and eligible non-profit housing providers to secure affordable housing in exchange for a property tax exemption. Site-specific authority is essential to implementing the Community Housing Partnership Renewal Program, as the Municipal Housing Facility By-law requires that staff return to City Council for approval of individual municipal housing facility agreements.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.7>

On October 27, 2020, City Council adopted Implementing Tenants First: 2020 Action Updates and directed the TCHC Board of Directors to negotiate and settle an agreement of purchase and sale, with direction from the Deputy City Manager, for the transfer of TCHC's portfolio of single-family homes to the non-profit housing providers selected through a joint City-TCHC Request for Proposals (RFP) process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.2>

COMMENTS

Tenants First Project and TCHC's Portfolio of Single Family Homes

Since 2016, City Council has approved a series of actions, recommended via the Tenants First project, aimed at steering TCHC toward long-term, sustainable change. These changes include focusing on being a social housing landlord, bringing buildings to a good state of repair, and connecting tenants to appropriate services. Among the changes initiated by Tenants First is the transfer of TCHC's portfolio of single-family homes to the non-profit housing sector. The transfer is intended to narrow TCHC's direct operational responsibilities to their mixed and family portfolio. The four primary objectives of the transfer are to: maintain the homes as affordable rental stock in perpetuity, bring the units to a state of good repair, improve services for tenants, and build capacity in the non-profit housing sector.

The portfolio of single-family homes to be transferred includes 761 units in 643 properties located in neighbourhoods across the City. In 2018, City Council directed City staff, in collaboration with TCHC, to commence an RFP process for the selection of

non-profit housing providers to take ownership of and operate these homes. Through this joint RFP process, two successful proponents were selected: the Neighbourhood Land Trust (NLT) for the homes predominately located in the west end of the former City of Toronto, and Circle Community Land Trust (CCLT) for the homes in the east end, Scarborough and in other neighbourhoods across the city.

NLT is a not-for-profit charitable organization that owns and manages land in a community ownership model as the charitable arm of the Parkdale Neighbourhood Land Trust. NLT has partnered with YWCA Toronto, a multi-service agency that specializes in women-focused housing, to act as its agent and property manager for the single-family homes.

CCLT is a non-profit corporation that was founded to preserve and invest in the future of the single-family homes being transferred out of TCHC's portfolio as part of the Tenants First initiative. CCLT is governed by a Board of Directors composed of non-profit leaders with experience managing portfolios of single-family homes.

In October 2020, City Council directed the TCHC Board of Directors to negotiate and settle an agreement of purchase and sale with the successful proponents (2020.EX17.2). Prior to the negotiations, the City conducted an extensive review of each proponent's proposals for the management of their respective portfolios, including a review of their proposed financial models and budgets. The City's due diligence process was completed to ensure the feasibility and sustainability of the transfers, with respect to the objectives of Tenants First. A property tax exemption, provided in exchange for an agreement to set monthly occupancy costs at or below 90% of Average Market Rent, was identified as critical to the financial viability of the transfers. The exemptions are necessary to reducing operating expenses, as well as the City's subsidy requirements through rent supplements.

Updated Municipal Capital Facility By-Law

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

The recommendations in this report propose changes to the City's Municipal Housing Facilities By-law, as outlined in Attachment 1, to allow the properties being transferred as part of the Tenants First project to be designated as a municipal capital facility.

If the changes to the Municipal Capital Facilities By-law are approved by Council, the tax exemption for these properties would be structured in a similar manner to the existing Council-approved Community Housing Partnership Renewal program. There is a precedent for the provision of property tax exemptions for these properties - TCHC's portfolio of multi-residential buildings are also property tax exempt.

City's Contribution Agreement

Subject to approval of this report, the City will enter into a Contribution Agreement with both CCLT and the NLT. By entering into a Contribution Agreement (also known as a municipal housing facility agreement) with the City, approved by way of by-law, both housing providers must maintain affordability requirements and select tenants according to the requirements of the City's Municipal Housing Facility By-law.

The Contribution Agreement will outline the terms and conditions of the tax exemption, including the following terms:

- Monthly occupancy costs will be set at or below 90% of average market rents, as determined by the Canada Mortgage and Housing Corporation (CMHC), in compliance with the requirements of the Municipal Housing Facility By-Law.
- Continue providing housing benefits to subsidized tenants in the portfolio
- Convert any vacancies in market rate units to rent-geared-to-income units as they arise, subject to availability of funding for benefits administered by the City.
- Fill affordable units and units with a housing benefit using a City-approved access plan.

Conclusion

The requested property tax exemptions will support the Council-approved transfer of TCHC's portfolio of single-family homes to the non-profit housing sector as part of Tenants First. The property tax exemptions will increase the financial viability of the portfolio by reducing operating expenses, enabling the acquiring non-profit housing providers to bring units in the portfolio to a good state of repair and continue providing affordable and subsidized housing. These transfer agreements, as facilitated by the requested property tax exemptions, are intended to preserve this important part of the City's overall social housing stock.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1 - Updated Municipal Capital Facilities By-Law

Attachment 2 - List of TCHC's Single Family Home Properties for Transfer