

## Community Housing Sector Modernization and Growth Strategy

**Date:** May 30, 2024

**To:** Planning and Housing Committee

**From:** Executive Director, Housing Secretariat

**Wards:** All

### SUMMARY

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In Toronto, Community Housing (or non-market housing) refers to social and affordable housing that is owned and/or operated by non-profit housing organizations (including community land trusts), non-profit housing co-operatives ("Co-ops"), and Indigenous housing providers (collectively referred to as "Community Housing Providers"), along with the Toronto Community Housing Corporation (TCHC) and the Toronto Seniors Housing Corporation (TSHC). Community Housing is typically developed and operated with publicly funded capital contributions, and ongoing rental subsidies. Furthermore, it is a critical segment of the housing continuum and provides rental housing options for low-and-moderate-income households.

In addition to over 57,500 homes provided by TCHC and TSHC, there are currently over 200 Community Housing Providers in Toronto that operate over 40,000 subsidized Rent-Geared-To-Income (RGI) and affordable homes. About 75% of this stock was built prior to 1987 utilizing federal and provincial funding programs. Action from all orders of government is urgently needed to preserve and modernize these aging homes.

Recognizing the need to accelerate efforts to maintain the city's Community Housing stock, in March 2023, through Item - 2023.EX3.1, "[Housing Action Plan 2022-2026](#)" ("HAP") and in November 2023, through Item - 2023.EX9.3 - "[Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes](#)", City Council directed staff to report back on a strategy to modernize and grow the Community Housing sector, and provide additional support for Community Housing Providers.

The report responds to Council's requests and recommends a new Community Housing Sector Modernization and Growth Strategy ("the Strategy") aimed at:

- protecting the city's existing Community Housing stock through preserving the assets as well as maintaining affordability;

- creating net new Community Housing that will support the City in achieving its target of approving 65,000 rent-controlled homes by 2030; and
- improving access to housing opportunities for low-and-moderate income households, particularly Indigenous residents and those from equity-deserving groups.

The proposed Strategy, included as Attachment 1, encompasses six key initiatives to achieve these objectives, including:

**1. A New Regulatory and Funding Framework to Maintain Homes Operated by Community Housing Providers Under Part VII.1 of the Housing Services Act –**

The new regulatory framework will allow the City, as Service Manager, to secure partnerships that will continue to offer affordable and deeply affordable housing with Community Housing Providers operating under Part VII of the Housing Services Act whose mortgages are expiring.

**2. A New Policy Framework to Guide Ground Lease Arrangements Between the City of Toronto and Community Housing Providers –**

A number of Community Housing Providers operate buildings on land leased from the City and need a lease extension, renewal or a new lease in order to continue to operate, or to refinance buildings and complete required upgrades/major repairs/modernization. The City is also focused on offering more of its land, through long-term leases to the Community Housing sector to scale up the delivery of non-market homes. A new policy framework is proposed in Attachment 2 to guide lease arrangements and ensure a consistent approach for both the City and Community Housing Providers as it relates to new leases, extensions and renewals.

**3. Program Enhancements and Additional Financial Support to Acquire and Create New Community Housing –**

This report recommends changes to the Multi-Unit Residential Acquisition (MURA) program that would enable Community Housing Providers to use MURA funding to acquire a wider range of housing types, including larger buildings (those with greater than 60 units), smaller buildings (those with less than 6 units) such as multi-tenant homes, and condominium units.

**4. Encouraging Development and Intensification Opportunities -** The City will work with organizations who own land to identify opportunities to create new Community Housing. In addition, staff will continue to advance a number of changes to the Official Plan, zoning by-laws, and planning guidelines through the Housing Action Plan that would result in greater as-of-right development permissions, making it more predictable, simpler and quicker to add new housing supply.

**5. An Expedited Development and Permitting Review Process for Community Housing Applications –** This report recommends considering the establishment of a Community Housing Priority Stream to expedite development and permitting review and approvals of eligible Community Housing projects, and the utilization of all available tools to expedite zoning approvals.

**6. Partnerships to Support Community Housing Sector Action to Build New and Modernize Existing Homes** – Enhancing the development, asset management and governance capacity of Community Housing Providers will entail working with sector partners to develop resources and provide advisory services, and to explore opportunities for mergers, acquisitions and strategic partnerships between organizations to achieve economies of scale and/or to be able to leverage a larger asset pool for accessing capital required for new developments and repairs that will support longer-term growth and sustainability. The City will leverage its existing relationships within the sector and explore new partnerships and collaboration opportunities with organizations that can provide advisory services and support to Community Housing Providers.

The measures in this report are complemented by the “Launching the Rental Housing Supply Program” report that is to be considered by the Planning and Housing Committee at the same meeting on June 13, 2024. This complementary report recommends additional financial support for new Community Housing through a proposed three-year, Community Housing Pre-Development Fund Pilot. Through this proposed pilot, Community Housing Providers can apply for financial assistance to cover the cost of pre-development activities that are crucial in supporting new community housing projects.

The Strategy recommended in this report takes a comprehensive approach to sustain, modernize and grow the Community Housing sector in Toronto. It was informed by engagement with Community Housing Providers, the Housing Secretariat’s Tenant Advisory Committee, and key sector organizations such as the Ontario Non-Profit Housing Association (ONPHA), the Toronto Alliance to End Homelessness (TAEH), the Co-op Housing Federation of Toronto (CHFT), and United Way Greater Toronto (UWGT).

While the Strategy is focused on City-specific initiatives, immediate and complementary action is urgently needed from the federal and provincial governments. This includes new and enhanced investments to: grow the Community Housing sector; support low-and-moderate-income households to access and maintain their homes; improve access to supports and services; and build new affordable rental, co-operative and RGI homes within complete communities.

## **RECOMMENDATIONS**

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The Executive Director, Housing Secretariat recommends that:

### *New Regulatory and Funding Framework*

1. City Council authorize the Executive Director, Housing Secretariat to:

- a. enter into new Service Agreements related to the administration and funding of Part VII.1 housing projects that comply with the requirements of Ontario Regulation 367/11 under the Housing Services Act (“HSA”) and which address the matters set forth in Attachment 1 to this report regarding Part VII housing projects with mortgages that have reached the end of their term, upon terms and

conditions satisfactory to the Executive Director, Housing Secretariat, and in a form satisfactory to the City Solicitor; and

b. to provide notice as required by the HSA of each such agreement to the Minister of Municipal Affairs and Housing.

2. City Council request the Executive Director, Housing Secretariat to engage with all orders of government, financial institutions, Community Housing Providers, membership organizations and other organizations providing programs that support access to safe and affordable housing on opportunities for mortgage refinancing for Community Housing Providers in Toronto with expiring mortgages to assist these housing providers in leveraging their assets to access additional funding to repair and revitalize their housing stock.

*Considerations for a New Lease Policy Framework with Community Housing Providers*

3. City Council adopt the Lease Policy Framework (Attachment 2) for extending, renewing or entering into new leases with non-profit housing corporations, non-profit housing co-operatives, and Indigenous housing providers (collectively referred to as "Community Housing Providers") providing social and affordable housing on City-owned land.

4. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the Executive Director, Housing Secretariat to extend, renew or enter into, and thereafter administer and manage, leases that are in accordance with the terms set out in Attachment 2, and on other amended terms and conditions satisfactory to the Executive Director, Corporate Real Estate Management, with Community Housing Providers providing subsidized and affordable housing on City-owned land who meet the eligibility criteria set out in Attachment 2.

5. City Council authorize severally each of the Executive Director, Corporate Real Estate Management and the Director, Real Estate Services to execute leases pursuant to the Lease Policy Framework and any related documents on behalf of the City.

6. City Council authorize the Executive Director, Housing Secretariat, in consultation with the Executive Director, Corporate Real Estate Management, to negotiate and execute on behalf of the City, operating agreements with Community Housing Providers providing subsidized and affordable housing on City-owned land in accordance with the Lease Policy Framework in Attachment 2, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form satisfactory to the City Solicitor.

7. City Council authorize the Executive Director, Housing Secretariat to negotiate and execute on behalf of the City, an extension of the operating agreement and the date by which Woodgreen Community Housing Incorporated, or its successor, is obligated to re-convey the property at 444 Logan Avenue to the City, to August 1, 2026, to allow time for the City to negotiate the terms of the continued operation of this social housing project, on terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.

8. City Council direct the Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management to prioritize the negotiation and completion of new long-term ground leases with Beech Hall Housing Co-operative and Alexandra Park Housing Co-operative pursuant to the Lease Policy Framework and:

- a. take any additional steps to successfully develop and negotiate a ground lease and operating agreement with Beech Hall Housing Co-operative and Alexandra Park Co-operative, including where necessary, commission building condition assessments;
- b. that in such negotiations and finalizing of proposed community housing Service Agreements, the City recognize any existing mandates; and
- c. report back by October 30, 2024 to Planning and Housing Committee on the status of lease negotiations with the Beech Hall Housing Co-operative and Alexandra Housing Co-operative and, should it be necessary, make recommendations to extend the current leases arrangements until such time as new leases are finalized.

9. City Council request the Executive Director, Housing Secretariat and the Executive Director, Corporate Real Estate Management to develop and formalize internal city processes to expedite, well in advance of the expiry of Community Housing Provider ground leases, the negotiation and extension of such leases and the development of new operating agreements in accordance with the Lease Policy Framework in Attachment 2.

*Enhancements to the Multi-Unit Residential Acquisitions Program (MURA)*

10. City Council authorize a waiver of building permit fees and an exemption from taxation for municipal and school purposes for up to 500 new affordable rental or co-operative units annually to a maximum of 1,500 units to be secured by 2027 through the Multi-Unit Residential Acquisitions Program for 99-year terms by the municipal housing facility agreements (the City's "Contribution Agreements").

11. City Council authorize the Controller to refund any taxes paid after the effective date of the exemption from taxation for municipal and school purposes as set out in the Contribution Agreement.

12. City Council authorize the City Solicitor to introduce the necessary bills to give effect to City Council's decision.

13. City Council authorize the Executive Director, Housing Secretariat, to amend the Multi-Unit Residential Acquisition program as follows:

- a. Expand the eligibility criteria to enable the program to support not-for-profit housing providers (including community land trusts and co-operatives) and Indigenous housing providers with an exemption from taxation for municipal and school purposes and waivers of building permit fees where such not-for-profit and Indigenous housing providers are able to purchase properties using non-City

acquisition programs, subject to the acquisition meeting the eligibility criteria under MURA and the not-for-profit and Indigenous housing providers agree to enter into a Contribution Agreement with the City, and provided these units are within the City Council approved maximum program limit set out in Part 10 above.

b. Expand the eligibility criteria to enable MURA to support not-for-profit housing providers (including community land trusts and co-operatives) and Indigenous housing providers with the purchase of condominium units to be operated as affordable rental housing, for a period of 99 years consistent with the MURA program requirements, in developments that will be completed within one year of applying for funding, and such further criteria, requirements, terms and conditions deemed necessary by the Executive Director, Housing Secretariat.

c. Revise the residential building requirements for eligible properties by removing the 6-unit minimum and 60-unit maximum limits provided that the City Council-approved maximum funding allocation limit of \$200,000.00 per unit and up to \$12,000,000.00 for the building is maintained.

14. City Council authorize the Executive Director, Housing Secretariat to issue a request for proposal on an annual basis and to select not-for-profit housing providers (including community land trusts and co-operatives) and Indigenous housing providers to purchase or establish long-term conventional financing, renovate and operate affordable rental or non-profit co-operative housing under the revised MURA program;

15. City Council authorize the Executive Director, Housing Secretariat to negotiate and enter into on behalf of the City, a municipal housing facility agreement for housing purposes for 99 years with the successful not-for profit housing provider (including community land trusts and co-operatives) and Indigenous housing providers selected through the request for proposal process under Part 14 above to secure the financial assistance being provided and to set out the terms of the operation of the affordable rental or non-profit co-operative housing (the "Contribution Agreement") or any related agreement to facilitate the funding process, all on such terms and conditions satisfactory to the Executive Director, Housing Secretariat and in a form approved by the City Solicitor.

16. City Council authorize the Executive Director, Housing Secretariat to execute on behalf of the City, any security or financing documents, including any postponement, confirmation of status, discharge or consent documents where and when required during the term of the Contribution 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.

#### *Expediting the Development Review and Permitting Process*

17. City Council direct the Executive Director, Development Review, in collaboration with the Chief Planner, and Executive Director, City Planning and the Chief Building Official and Executive Director, Toronto Building, to consider a Community Housing priority stream to expedite the review and approval of development applications and

building permits for new Community Housing projects, and to report back to Council by Q4 2024 on the creation of this priority stream.

### *Strengthening the Capacity of Community Housing Providers*

18. City Council direct the Executive Director, Housing Secretariat to engage with Community Housing Providers and explore opportunities for mergers, acquisitions, and strategic partnerships to achieve enhanced economies of scale and/or the ability to leverage larger asset pools to improve sustainability, increase capacity to maintain and revitalize existing assets, and to support longer-term rental housing through redevelopment and/or acquisition.

19. City Council direct the Executive Director, Housing Secretariat to establish a Community of Practice for the MURA program for Community Housing Providers and other interested organizations to help share best practices and to advise smaller organizations on responding to the annual MURA request for proposals.

### *Intergovernmental Considerations*

20. City Council request the Government of Canada and the Canada Mortgage and Housing Corporation (CMHC) to consider enhancing its grant and financing programs, including the Affordable Housing Fund, to support the City's achievement of housing targets and make them more accessible by Community Housing Providers through:

- a. Aligning program requirements with the Ontario Building Code requirements for energy efficiency and accessibility when CMHC has contributed less than other project partners.
- b. Increasing the forgivable loan amount that non-profit organizations are eligible to receive based on the cost of repairs and renovations in the Toronto market.
- c. Providing a direct funding allocation to municipalities to enable targeted outreach and support for Community Housing Providers with limited capacity who need help to repair, renew, and upgrade their existing portfolios.

21. City Council request the Government of Ontario to support the implementation of the Community Housing Strategy, which is also necessary to support delivery of the provincial More Homes Built Faster plan and the Community Housing Renewal Strategy targets, by:

- a. allocating between \$500 million and \$800 million per year in grant funding to Toronto over the next seven years to develop new housing, including new community housing;
- b. providing access to \$6.5 billion to \$8 billion in low-cost financing/re-payable loans to Toronto over the next seven years;

- c. allowing residents of community housing projects that are exempted from taxation for municipal and school purposes to be eligible for the Ontario Energy and Property Tax Credit component of the Ontario Trillium Benefit;
- d. continuing to support improvements to the community housing stock to be in a better state of repair through programs such as the Canada-Ontario Community Housing Improvement Program;
- e. enhancing funding commitments to sector support agencies such as the Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Toronto to provide consulting services and support to Community Housing Providers to successfully transition to a new operating framework with the City of Toronto.

## **FINANCIAL IMPACT**

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### *New Service Agreements with Community Housing Providers under Part VII. 1 of the HSA, Whose Mortgages will be Expiring.*

The proposed new Service Agreement and funding model for Part VII housing providers will better enable them to fund capital work, effectively operate buildings, and better support residents.

There is no current financial impact resulting from the Service Agreement-related recommendations in this report as existing funding within the Housing Secretariat's budget is included to support the transition of Community Housing Providers from the Housing Services Act legislated funding model to the new service agreement funding framework. City staff will closely monitor the implementation of new service agreements and any funding adjustments that may be required will be included through the City's annual budget process.

The provincial government announced a new regulatory framework under the HSA to enter into a new service agreement with Part VII housing providers, allowing the City as Service Manager, to develop a new funding model to ensure these housing projects continue providing deeply affordable rents, remain financially sustainable and ensure that their assets are kept in a satisfactory state of good repair.

Over the next 10 years, 139 housing projects governed under Part VII of the HSA, have mortgages that will be ending. Upon mortgage expiry, these housing providers will be required to enter into a new agreement with the City. Regulatory amendments provide Part VII housing providers and Service Managers an option for a housing project to enter into a Service Agreement or an Exit Agreement. The City does not intend to enter into Exit Agreements with Part VII housing providers, to ensure investment in community housing is preserved and to ensure that future affordability is sustained. If a Service Agreement is not negotiated, housing projects will remain within the current Housing Services Act legislated funding model that, upon mortgage expiry, will provide less funding than is required to effectively operate and maintain housing developments.



In 2014, City Council adopted item [AU16.19 – Strengthening the City's Oversight of Social Housing Programs](#) – allowing the City to examine providing a property tax exemption for eligible social housing providers. This report recommends granting a property tax exemption when entering into new service agreements with Community Housing Providers governed by Part VII of the HSA whose mortgages will be expiring. Granting a property tax exemption will provide these Community Housing Providers with financial relief that can support existing and emerging operating, borrowing and capital costs.

The municipal portion of the property taxes will no longer be collected once the properties become exempt. The provincial education portion of the property taxes will also no longer be required to be remitted to the province once the exemption for this portion takes effect. There are no net new financial impacts to the City resulting from these recommendations.

The Housing Secretariat will seek City Council approval of a revised Municipal Capital Housing Facility By-law and by-laws for individual eligible projects recommended for a property tax exemption which will occur upon acquisition and designation of Municipal Capital Housing Facility.

### *Policy Framework for Ground Leases*

Some of the city's Community Housing Providers own the land on which their building is situated, while others lease the land from a non-profit organization, faith-based group, private landlord, or the City of Toronto. The City currently has 41 leases with Community Housing Providers. Existing lease terms with the providers range from 40-99 years, with the majority of these leases coming up for renewal between 2030 and 2088.

The proposed Policy Framework for Ground Leases with Community Housing Providers detailed in Attachment 1 recommends that the City renew these leases at nominal rates (i.e. \$2 per year) for a term of up to 49 years. These measures will support the housing providers in continuing to achieve our collective goal of providing affordable housing for low- and-moderate income residents.

The existing leases were provided at nominal rates or below-market rents and contribute to the overall affordability of each site. Based on an appraisal of the buildings provided by Corporate Real Estate Management staff, the current estimated market value of foregone revenue to the City from these 41 ground leases, is \$15.6 million per year. However, as the City continues to develop new housing on City-owned sites that are leased to Community Housing Providers, this figure is anticipated to increase as more Community Housing properties are developed, and as land values increase over time.

As the existing leases come up for renewal or expire, renewing or extending these leases or entering into new leases at nominal rates, as recommended in the Policy Framework, would result in these revenues continuing to be foregone by the City in exchange for the continued delivery of affordable housing to Toronto residents. However, any increase in these Community Housing Provider's leasing costs would

create net new costs for providers and may necessitate the need for additional funding from the City or other orders of government to maintain on-going affordability for residents.

This report recommends that staff prioritize the renewal of ground leases with Community Housing Providers that are expiring within the next 12 months including Beech Hall Housing Co-operative and Alexandra Park Co-operative, and further that staff, through this work, develop processes that will expedite the renewal of ground leases in advance of future expiries.

In October 1965, Woodgreen Community Housing Incorporated (“Woodgreen”) and the City entered into an agreement for the development and operation of 160 social housing units for low-income seniors at 444 Logan Avenue, on land conveyed to it by the City. Under this agreement, Woodgreen was to re-convey the property to the City on July 1, 2017. The City has subsequently extended the time period for re-conveyance to August 1, 2024, as the City and Woodgreen have been negotiating the terms and conditions for Woodgreen’s continued use of the property over the long-term. A further two-year extension to August 1, 2026 is being requested to enable additional time for the City to finalize negotiations with Woodgreen.

### *Proposed Changes to the Multi-Unit Residential Acquisition (MURA) Program*

Currently, MURA provides City funding and incentives in the form of tax relief, planning and building permit fee waivers for non-profit and Indigenous housing organizations to support the purchase, renovation/conversion and refinancing of market rental housing to create permanently affordable homes. These homes are secured as affordable housing for at least 99 years and the program is a key lever towards preserving the affordability of the City’s rental housing stock.

MURA was launched in 2021 with an annual budget of \$10 million and an annual incentives contribution limit of 100 units, with a maximum incentives contribution limit of 500 units. Included in the 2024 Operating Budget for Housing Secretariat is dedicated funding of \$51 million towards MURA with anticipated program budgets of \$30 million in 2025 and \$20 million in 2026 (for a total of \$101 million over three years). As a result of this increased funding, this report recommends increasing the annual unit limit to 500 units and the program maximum to 1,500 units (an increase of 1,000 units). Table 1 below details the estimated City financial incentives for the proposed 1,000 unit increase to the MURA program. These financial incentives are not a direct payment from the City but rather foregone revenues.

**Table 1 - Estimated City Financial Incentives for Increase in Units**

Affordable Homes	Affordability Period	Estimated Building Permit Fees*	Estimated Net Present Value of Property Taxes**	Estimated Total Value of Incentives	Estimated Total Value of Incentives per Unit
1,000	99 years	\$1,087,128	\$44,110,643	\$45,197,781	\$45,198

\* calculated using 2024 building permit fee rates and 58m2/apartment. No planning application fees, development charges or parkland dedication fees are expected for these acquisitions and renovations.

\*\* calculated using 2024 rates.

A further breakdown of the estimated value of the property tax exemptions for municipal and school purposes is summarized in Table 2 below. Exemptions will occur after acquisition and designation under a municipal housing facility by-law, and actual value will depend on the value of the property assessment and property tax rate of the given year. The educational tax exemptions would have no net impact to the City as they are remitted to the Province.

**Table 2 – Estimated Property Tax Exemption Value for 1,000 Units\***

Property Tax	Annual	NPV: 99 Years
City	\$1,323,009	\$34,200,065
Education	\$ 364,994	\$9,435,247
City Building	\$18,376	\$475,031
Total	\$1,398,257	\$44,110,643

\*calculated using 2024 rates.

This report also recommends that MURA be updated to include a separate stream that would provide eligible proponents with MURA incentives only, in the form of property tax relief and building permit fee waivers, in cases where MURA funding is not provided. Enabling such “stand-alone” incentives would allow the program to support non-profit housing acquisitions in cases where other primary funding is available, such as the new \$1.5 billion Canada Rental Protection Fund, as announced by the federal government as part of their 2024 Budget. A program application process, and a standard MURA Contribution Agreement would continue to be required.

The report also recommends removing the MURA program parameters regarding the six-unit minimum building size and maximum 60-unit building size. Regardless of the building size, the maximum funding amount an individual building could obtain would remain at \$12 million, and the maximum funding allocation limit of \$200,000 per unit would be maintained.

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

## DECISION HISTORY

On February 14, 2024, City Council adopted Item MPB15.1 - 2024 Operating and Capital Budgets which included an increase to the 2024 Operating Budget for the Housing Secretariat of \$41.0 million gross and \$10.0 million net toward the Multi-Unit Residential Acquisition (MURA) Program.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.MPB15.1>

On December 17, 2023, City Council adopted Item 2023.MM13.27 – Federal Housing Accelerator Fund – Supporting Generational Transformation of Toronto’s Housing System, which directed the Deputy City Manager, Development and Growth Services to consider the creation of a municipal Indigenous, non-profit and co-operative housing pre-development fund, to supplement existing Canada Mortgage and Housing Corporation’s funding programs, and provide support to qualified housing organizations

working to assist the City, to deliver net new rent-geared-to-income, affordable and market rent controlled homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM13.27>

On November 8, 2023, City Council adopted Item 2023.EX9.3 – Generational Transformation of Toronto’s Housing System to Urgently Build More Affordable Homes, which directed staff to develop a new community housing sector strategy aimed at protecting existing non-profit homes and co-operative homes on City land that are approaching end of lease terms, end of mortgage, and/or end of operating agreement terms, and to increase the stock of net new non-profit and co-operative homes. The report also directed staff to enter into a non-binding MOU with the Toronto Alliance to End Homelessness to advance the parties’ shared objectives of increasing the supply of deeply affordable and supportive rental homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX9.3>

On October 12, 2023, City Council adopted Item 2023.PH6.1 – HousingTO 2020-2030 Action Plan – 2022-2023 Annual Progress Update, which directed staff to negotiate and enter into, on behalf of the City of Toronto, a non-binding Memorandum of Understanding (MOU) with the Co-operative Housing Federation of Toronto Inc. (CHFT) and CHFT Development Society Inc. (CDSI) to support co-op member organizations to achieve operational excellence and manage governance challenges, and to identify and advance redevelopment and intensification opportunities to increase the stock of non-profit co-op homes across the city.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.PH6.1>

On September 6, 2023, City Council adopted Item EX7.2 – Urgently Building More Affordable Homes. City Council directed staff to report back on an effective alignment of resources, mandates, structure, and personnel, that would enable the City of Toronto to build new public and community housing in collaboration with co-ops, non-profit housing providers, governmental organizations and other partners.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.2>

On March 30, 2023, City Council adopted Item MM5.4 – Securing a Long-Term Future for Tenants at the Beech Hall Housing Co-operative, which directed staff to develop a policy framework to guide the renewal of ground leases with non-profit housing providers (including co-ops) on City-owned land, to support their long-term financial and operating viability. It also directed staff to work collaboratively with CHFT and the Ontario Non-Profit Housing Association and the Canada Mortgage Housing Corporation in supporting the long-term sustainability of non-profit and co-operative housing developments which are subject to expiring long-term leases on public land.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MM5.4>

On December 14, 2022, City Council adopted Item 2022.CC2.1 – 2023 Housing Action Plan, which directed staff to develop a Housing Action Plan for the 2022-2026 term of Council to enable both market, non-market and hybrid housing production in order to achieve or exceed the provincial housing target of 285,000 new homes over the next 10 years. This plan is to include community housing intensification plans with specific targets that support and grow existing co-op and non-profit rental homes, and add capacity for the sectors to be able to operate the new homes.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC2.1>

On November 9, 2021 City Council adopted Item 2021.PH28.3 – New Multi-Unit Residential Acquisition Program to Protect Existing Affordable Rental Homes, which authorized staff to 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.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH28.3>

On May 5, 2021, City Council adopted Item 2021.PH22.11 - Authority to Enter into Municipal Housing Facility Agreements under the Community Housing Partnership Renewal Program. This report authorized the City to enter into new agreements and exempt from taxation former federal non-profit housing providers with expired operating agreements through the Community Housing Partnership Renewal (CHPR) program. CHPR incentivizes former federal non-profit housing providers to sustain this critical housing stock and maintain or improve levels of affordability.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH22.11>

On December 18, 2019, City Council adopted Item 2019.PH11.7 – Community Housing Partnership Renewal Program and its recommended goals and guiding principles to guide the development of new agreements with federal non-profit housing providers in order to maintain the affordability of 8,500 rental homes that were set to expire between 2020 and 2032.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.PH11.7>

On December 17, 2019, City Council adopted Item 2019.PH11.5 – HousingTO 2020-2030 Action Plan and its recommended actions as a strategic framework to guide the City's efforts on housing and homelessness needs over the next 10 years. The plan committed to protecting affordability of existing non-profit and cooperative housing by renegotiating operating agreements and negotiating new long-term leases with non-profit and co-operative housing providers occupying land leased from the City.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.PH11.5>

On July 8, 2014, City Council adopted Item AU16.19 – Strengthening the City's Oversight of Social Housing Programs. This report contained 14 recommendations that strengthen the City's oversight role as the service manager for social housing programs. Recommendation 13 adopted by Council requested City staff to examine the potential of property tax exemptions for social housing providers.

<https://secure.toronto.ca/council/agenda-item.do?item=2014.AU16.19>

On March 28, 2017, City Council adopted TE22.9 - 835-841 Queen Street East - Rental Housing Demolition Application Under Municipal Code 667- Final Report. Council authorized an extension of the date that WoodGreen Community Housing is obligated to re-convey 444 Logan Avenue to July 1, 2018 to the City to allow time for the City to renegotiate the terms of the continued operations of this social housing project with WoodGreen Community Housing.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.TE22.9>

City Council subsequently extended the reconveyance at its meeting on June 26, 27, 28 and 29, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX35.22>

City Council extended the reconveyance anew at its meeting on July 28 and 29, 2020.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH15.13>

City Council extended the reconveyance to August 1, 2024 at its meeting on July 19, 2022

[Agenda Item History - 2022.PH35.21 \(toronto.ca\)](#)

## **EQUITY IMPACT STATEMENT**

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The City of Toronto recognizes that housing is essential to the inherent dignity and well-being of a person and to building healthy, equitable, sustainable, and livable communities. Residents' quality of life, the city's economic competitiveness, social cohesion and diversity also depend on current and future residents being able to access and maintain adequate, suitable, and affordable homes.

As a result of multiple concurrent and intersecting factors impacting Toronto's housing market – including low vacancy rates, an insufficient supply of adequate and affordable rental homes, inflation, and rent and ownerships costs that continue to rise at a more significant rate than average incomes – households, especially those with low- to-moderate incomes, are now struggling to find and maintain safe, adequate and affordable rental homes.

Community Housing provides housing options that are essential to support low- and-moderate income households, including Indigenous Peoples, Black and other racialized residents, seniors, people with disabilities, lower income key workers, women and gender-diverse people to live in Toronto.

Through the City's Reconciliation Action Plan, the City has committed to make every effort to facilitate the transfer of stewardship, control, and/or ownership of lands and waters to Indigenous Nations, communities, collectives, and organizations and agencies. The Strategy will support this commitment through working with Indigenous housing providers in developing and acquiring new For Indigenous, By Indigenous housing.

Entering into new Service Agreements with Part VII.1 housing providers to maintain existing stable affordable housing, and while providing financial incentives to Community Housing Providers to create new Community Housing, will increase the opportunities for low-and-moderate-income households to access safe, healthy and suitable homes. In addition, providing tax relief for Part VII.1 housing providers will help to sustain this rental housing stock, ensures ongoing financial viability and supporting the capital repair needs of aging buildings, allowing residents to live in affordable, well-maintained homes.

The Canada Revenue Agency has advised the City that residents paying rent or housing charges in affordable units are not eligible for The Ontario Energy and Property

Tax component of the Ontario Trillium Benefit (“OTB”) (administered by the Canada Revenue Agency) which seeks to help low- to moderate-income Ontarians pay for energy costs, sales, and property taxes. As such, those living in affordable housing projects, including those in the projects recommended in this staff report, will be ineligible for the Ontario Energy and Property Tax Credit (OEPTC) component of the OTB. This report recommends requesting that the Government of Ontario amend this eligibility criteria for the OEPTC to allow residents in affordable housing projects to be eligible for these benefits.

Collectively, the implementation of the Strategy will increase the supply of safe, healthy, and adequate homes within inclusive, complete, and equitable communities and advance the City's commitment to the progressive realization of the right to adequate housing.

## COMMENTS

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### The Need for a Community Housing Sector Strategy

Toronto's Community Housing sector is an essential component of the housing system, contributing to the City's purpose-built rental housing stock, and providing affordable, subsidized Rent-Geared-to-Income (RGI) and supportive housing. In addition to the homes operated by TCHC and TSHC, the Community Housing stock in Toronto is comprised of over 200 non-profit, Indigenous and co-op housing providers that collectively operate over 40,000 social and affordable housing units. The City has a legislated funding and oversight relationship with many of these providers, which provide affordable homes in properties of varying sizes.

Beginning in the 1970s, the federal government introduced several programs to support the development of Community Housing, which led to the construction of tens of thousands of homes across the country through to the early 1990s. Beginning in the 1980s and into the 1990s, the construction of Community Housing rapidly declined, while demand for affordable rental homes continued to grow. This overlapped with less direct (and insufficient levels of) federal investments in housing and a greater reliance on the private market, in addition to the provincial downloading of affordable social housing responsibilities to municipalities without sufficient funding to ensure long-term financial and operating viability.

The City's Community Housing system currently faces a number of challenges including:

- **Growing demand and lack of supply:** The number of households on the City's Centralized Waiting List, looking for RGI housing, continues to increase with only 3-4% of applicants housed from the waiting list each year. As of Q1 2024, there were approximately 87,000 households on the Centralized Waiting List, while between 2018 and 2023, approximately 2,800 households were housed each year. Many of the individuals in need of Community Housing are homeless, with approximately 11,000 individuals experiencing homelessness each night in Toronto between December 2023 and March 2024.



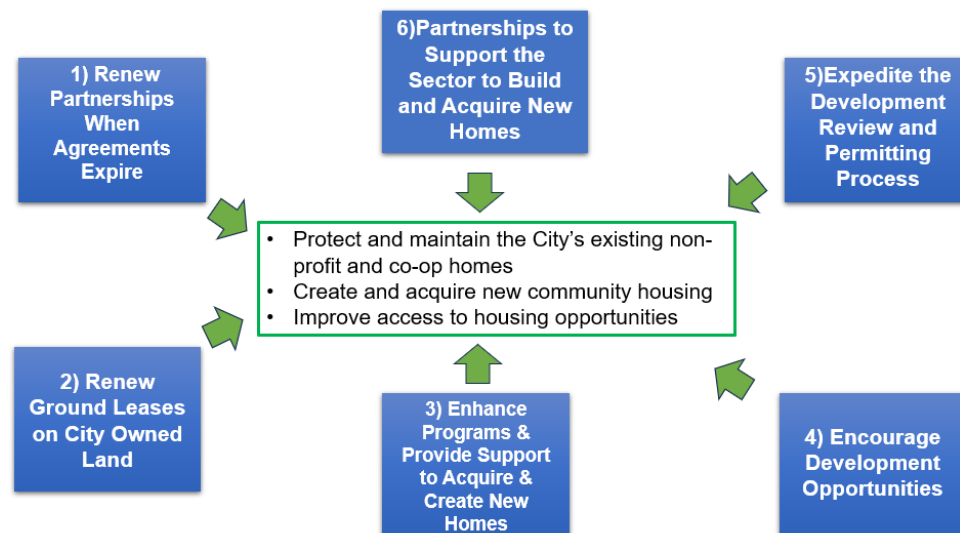
- **Aging buildings:** An estimated 75% of the City's Community Housing stock was built before 1987 and was supported by Operating Agreements with either Canada Mortgage and Housing Corporation ("CMHC") or the provincial government. In 2001, the provincial government transferred the administration and funding responsibilities of social housing programs to 47 local Service Managers. The City's Community Housing stock requires extensive and ongoing capital repairs as they age. Additionally, accessibility modifications and other major upgrades will be needed to respond to the city's aging population and to support residents to age in place. In 2020, initial building condition assessments (BCAs) were completed for all Community Housing properties under City administration in its capacity as Service Manager. The results of the BCAs and subsequent BCAs indicated that not all Community Housing Providers have sufficient capital reserves to fund their estimated required capital expenditures. A preliminary analysis of the of the 139 Part VII housing providers with expiring mortgages has identified capital requirements within the next ten years of \$3 billion. This gap between provider capital reserve funds and the capital repair work required is anticipated to grow, despite capital contributions through provincial and federal capital repair programs.
- **Challenging macro-economic environment for developing or acquiring new housing:** Community Housing Providers are struggling to deliver new affordable rental and co-op housing due to a number of factors including: residential construction costs in the Toronto Census Metropolitan Area have increased by over 80% since 2019 (based on Statistics Canada's Residential Building Construction Price Index), making Toronto the most expensive region to build homes in Canada; and interest rates have increased by 83% since 2019. In the absence of significant new public investments, including grants and low-cost financing, the Community Housing sector will be unable to grow the housing stock to meet current and future needs of residents.

The Community Housing Sector Modernization and Growth Strategy aims to support the City's Community Housing Providers in navigating these challenges. The Strategy, as detailed in Attachment 1 to this report, has three main objectives:

- protecting residents and the city's existing Community Housing stock through preserving the assets as well as maintaining affordability;
- creating net new Community Housing that will support the City in achieving its target of approving 65,000 rent-controlled homes by 2030; and
- improving access to housing opportunities for low- and-moderate income households, particularly Indigenous residents and those from equity-deserving groups.

These objectives will be pursued through six initiatives, as summarized below in Figure 1 and described in more detail in the Strategy (Attachment 1).





## Community Housing Sector Engagement

Housing providers have been engaged on various aspects of this Strategy, along with other sector partners, including the Co-operative Housing Federation of Toronto, the Ontario Non-Profit Housing Association, the Toronto Alliance to End Homelessness, the United Way of Greater Toronto, the Housing Secretariat's Tenant Advisory Committee, and the Housing Pathways for Women and Gender Diverse People's Working Group. The City has also initiated engagement with Community Housing Providers with leases on City-owned land that have recently expired or will be expiring within the next few years regarding the new policy framework to guide ground lease arrangements between the City and Community Housing Providers that is recommended in this report.

The City will continue to work with Community Housing Providers and sector partners as part of the implementation of this strategy. Attachment 3 to this report – “Implementation Activities for Renewing Partnerships with Part VII housing providers with Expiring Mortgages”, outlines in more detail the engagement activities that will be undertaken with Community Housing Providers as it relates to the renewal of relationships between the City and Part VII housing providers upon mortgage expiry.

## Federal and Provincial Investments in Toronto's Community Housing Sector

As noted in [2023.EX9.3](#), the City's recently updated housing target of delivering 65,000 RGI, affordable and rent-controlled homes by 2030 requires investments from all three orders of government. The report includes a number of recommended requests to the federal and provincial government for grants, low-cost financing, and forgivable loans to match the City's contributions to these targets in order to fund these new homes.

The federal National Housing Strategy programs, including the Affordable Housing Fund (formerly the National Co-Investment Fund), the Apartment Construction Loan Program (formerly the Rental Construction Financing Initiative), the Housing Accelerator Fund, the Seed Funding Program and the Urban, Rural and Northern Indigenous Housing

Strategy, are essential to deliver new affordable housing supply and the overall [HousingTO 2020-2030 Action Plan](#) ("HousingTO Plan").

Additionally, the federal government's future \$1.5 billion [Canada](#) Rental Protection Fund, announced in Budget 2024, and the Co-Operative Housing Development Fund, announced in 2022 and included in Budget 2024, could provide new funding to acquire affordable rental homes across Toronto and support the growth of the Co-op part of the Community Housing sector, should these funds be launched later in 2024.

The federal government's 2024 budget committed to launching a new \$1.5 billion Canada Rental Protection Fund for non-profit organizations to access grant and loan financing to acquire affordable rental units that will be a significant source of financing for the Community Housing sector in Toronto. The fund presents a potential stacking opportunity for Community Housing Providers, where they could access funding in addition to City incentives and/or the maximum \$12 million per building currently offered through the City's MURA program in order to acquire larger properties and preserve more units as affordable. The City anticipates that funding details for the Canada Rental Protection Fund will be released in Summer 2024.

The Provincial Bill 23 changes to the Development Charges Act and the Planning Act introduced exemptions for non-profit housing developments, as defined in the legislation (including both market and affordable units, whether or not they are intended for use as rentals), from development charges, community benefits charges, and parkland dedication fees. The provincial exemptions from development charges, community benefits charges and parkland dedication fees for affordable residential units are effective as of June 1, 2024.

The Affordable Residential Units Bulletin published on May 1, 2024, and updated from time to time by the provincial government, establishes the per unit affordable ownership prices and rents for the purposes of the statutory exemptions that must be maintained as affordable for 25 years, as set out in an agreement. These reductions and exemptions to municipal growth funding tools, which were intended by the Province to increase the supply of housing, would reduce the funding that would be recovered by the City from new development to pay for growth-related capital costs and services to the new population and employment. The changes have potential implications for the City's service levels, applying pressure to raise funds through other tools, and/or have implications for the financial sustainability of growth. While the provincial government indicated that it would "make the City whole" for the impacts of Bill 23, no funding has been confirmed or received as of the date of the writing of this report. City comments on Bill 23 and subsequent Bill 185 proposed changes to the Development Charges Act can be found in the following reports:

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC1.2>  
<https://secure.toronto.ca/council/agenda-item.do?item=2024.PH12.7>

In October 2023, the provincial government also committed to providing \$1 million in funding across the province to Part VII housing providers who are at end of operating agreements to access consulting services through the Ontario Non-Profit Housing Association's Sector Enterprise Transformation Program that will guide them during this process.

The federal and provincial governments' recent announcements of the waiver of their respective portions of the harmonized sales tax (HST) on purpose-built rental housing will also enable the development of new community housing. Additionally, the provincial government's Budget 2024 commitment to providing municipalities with the flexibility to offer a reduced municipal property tax rate on new multi-residential rental properties could further support new community housing development.

However, new and enhanced investments, plus a number of program changes, are urgently needed to appropriately respond to the cost of building new Community Housing in Toronto, the cost and challenges related to repairing existing buildings especially aging multi-unit residential buildings, and the need to address barriers that make access to the programs particularly challenging for Community Housing Providers. Funding, low-cost financing, and loan guarantees are also required from both orders of government to support the development or acquisition of new Community Housing units, and the recently announced Canada Builds program (in the recent federal Housing Plan) provides a significant opportunity for us to work together to create either an Ontario and/or Toronto Builds program. Operating funding for housing benefits, such as the Canada-Ontario Housing Benefit, or rent subsidies, along with health and social supports, will also need to be secured from the provincial and federal governments for these units.

## **Conclusion**

This report recommends a number of important initiatives for the City of Toronto to take in the short term to support the preservation, modernization and growth of the community housing sector as a means to addressing the housing crisis. However, it is critical that the federal and provincial governments support these efforts with new and enhanced investments as well as new policy tools to complement City efforts. A whole-of-government approach is required to improve housing outcomes for current and future residents of Toronto. These investments will support low- and-moderate-income households to access and maintain their homes, help more people successfully exit homelessness, promote social and economic growth, and support climate action.

## **CONTACT**

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Mercedeh Madani, Acting Director, Housing Policy and Strategy, Housing Secretariat, 416-397-4252, [Mercedeh.Madani@toronto.ca](mailto:Mercedeh.Madani@toronto.ca)

Doug Rollins, Director, Housing Stability Services, Housing Secretariat, 416-392-0054, [Doug.Rollins@toronto.ca](mailto:Doug.Rollins@toronto.ca)

Noah Slater, Director, Housing Development, Revitalization and Improvement, Housing Secretariat, 416-397-4165, [Noah.Slater@toronto.ca](mailto:Noah.Slater@toronto.ca)

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management, 416-392-7138, [Alison.Folosea@toronto.ca](mailto:Alison.Folosea@toronto.ca)

**SIGNATURE**

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Abigail Bond  
Executive Director, Housing Secretariat

**ATTACHMENTS**

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Attachment 1 – Community Housing Sector Modernization and Growth Strategy

Attachment 2- Policy Framework for Ground Leases with Community Housing Providers

Attachment 3: Implementation Activities for Renewing Partnerships with Part VII  
Housing Providers with Expiring Mortgages

## **Attachment 1- The Community Housing Sector Modernization and Growth Strategy**

Community Housing (or non-market housing) refers to social and affordable housing that is owned and/or operated by non-profit housing organizations (including community land trusts), non-profit housing co-operatives ("Co-ops"), and Indigenous housing providers (collectively referred to as "Community Housing Providers"), along with the Toronto Community Housing Corporation (TCHC) and the Toronto Seniors Housing Corporation (TSHC). Community Housing is typically developed and operated with publicly funded capital contributions, and ongoing rental subsidies. Furthermore, it is a critical segment of the housing continuum and provides rental housing options for low-and-moderate-income households.

The City recognizes the invaluable role that the Community Housing sector plays in supporting the City's housing plans and targets. It also recognizes the many financial and operational constraints that providers face in managing their existing housing stock, supporting residents to maintain their homes, and advancing development and acquisition opportunities to increase the city's Community Housing supply.

During Fall 2023 and early 2024, the City engaged Community Housing Providers, along with the Ontario Non-Profit Housing Association, the Toronto Alliance to End Homelessness, the Co-op Housing Federation of Toronto, and the United Way Greater Toronto on current challenges and opportunities facing the Community Housing sector that have informed this Strategy.

The proposed Strategy has three key objectives including:

- Protecting the city's existing Community Housing stock, both through preserving the assets and maintaining their affordability;
- Creating new non-profit rental homes and co-operative homes; and
- Increasing access to housing opportunities for low-and-moderate income households, particularly Indigenous residents, and those from equity-deserving groups

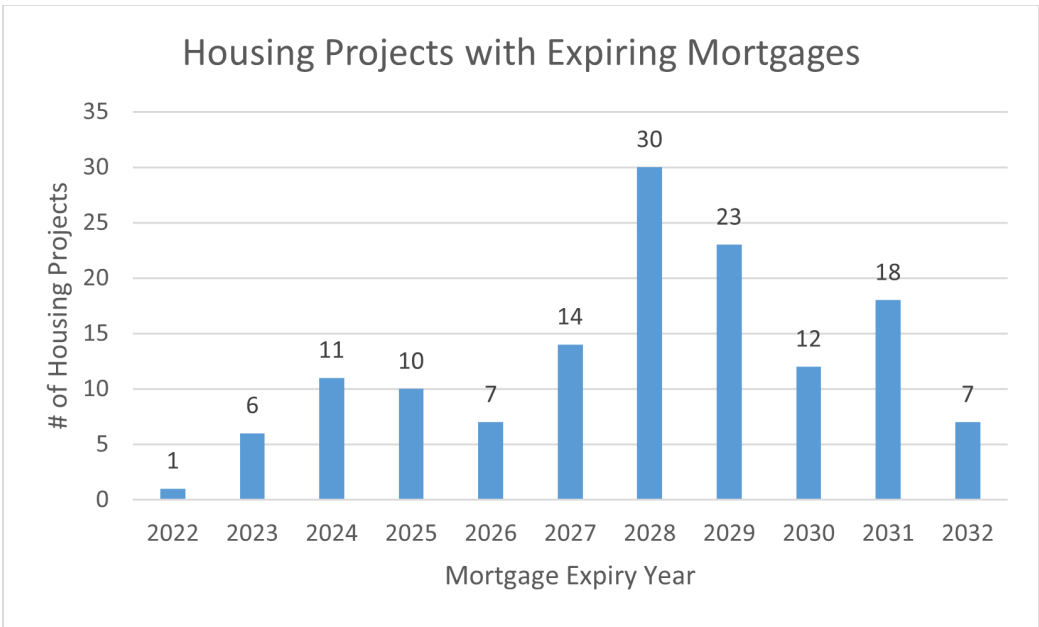
### **Initiative # 1: Renew Partnerships with Part VII Housing Providers with Expiring Mortgages**

In 2001, with the passing of the Social Housing Reform Act (SHRA), the Province of Ontario transferred the administration and funding responsibilities of social housing programs to 47 local Service Managers across the province. The Social Housing Reform Act outlined the social housing system framework including the obligations as local Service Managers across the Province. In 2011, the Province of Ontario enacted the HSA, 2011 (HSA) which replaced the SHRA with updated requirements for the funding and administration of transferred social housing projects. The former provincially funded operating agreements were replaced by the operating framework and funding model set out in the SHRA then replaced by the HSA.

Housing providers with a former provincially funded operating agreement are now governed under Part VII of the HSA, 2011. Part VII of the HSA sets out distinct requirements regarding how these housing providers operate, the governance and the funding model. Until recently, the HSA did not identify what happens when these housing projects' mortgages end and Service Managers would be required to continue funding housing providers under a funding formula that would create a reduction in subsidy at mortgage end. Without continued sufficient funding from the City, preserving existing, well maintained affordable housing is at risk.

In the City of Toronto, 139 housing projects, representing over 16,000 homes are governed under this section of the HSA and have a mortgage that is or will be expiring between 2022 and 2032, as shown in Table 1.

**Table 1: Former Provincial Funded Housing Providers with Expiring Mortgages**



**Impact Analysis of End of Mortgages for Formerly Provincial Funded Housing Projects**

*Provincial Funding Formula and Annual Subsidy*

Service Managers are responsible for administering and funding transferred social housing programs under the HSA. Under an operating framework and funding formula set out in the HSA, the City provides an annual total subsidy to Part VII housing providers consisting of an operating subsidy, a property tax subsidy and an RGI subsidy.

One component of the operating subsidy are mortgage costs. Across Ontario, the mortgages of many of the former provincially funded housing projects are set to end over the next 10 years.

In 2022, the Province of Ontario introduced changes to the regulations under the HSA, introducing a new regulatory framework, for Part VII housing providers to enter into a new Service Agreement with the City, as Service Manager, once the project has reached the end of the mortgage.

The objective of the framework is to allow the City, and the housing provider to build on their existing partnership and to enter into a renewed agreement. This new agreement would support the long-term sustainability of existing social housing projects and contribute to meeting the housing needs of communities through a more flexible funding arrangement, with no financial impact, as current cost projections can be managed within the Housing Secretariat's existing budget. City staff will closely monitor the implementation of new service agreements and any funding adjustments that may be required will be included through future City annual budget processes.

*A New Operating and Funding Framework under Part VII.1 of the Housing Services Act for Part VII Housing Projects with Expiring Mortgages*

The City, as Service Manager, and Part VII housing providers are permitted to enter into a new Service Agreement, as is defined under the HSA, provided that it complies with the minimum requirements which include a minimum term of 10 years, and must:

1. Include a financial plan developed jointly by the Service Manager and housing provider establishing how revenues will equal expenses, including projected capital expenses. Financial plans will also address how unit rents will be set and define expectations for operating surpluses and will be reviewed every five (5) years.
2. Require the Service Manager to fund the housing provider for RGI assistance and specify a target for RGI subsidies.
3. Require housing providers to continue to use the Centralized Waiting List to allocate RGI assistance, including following existing waitlist eligibility rules and local priority rules.
4. Include a process to manage issues of non-compliance and dispute resolution between Service Managers and housing providers.

Service Agreements fundamentally change the funding relationship between the Service Manager and the Community Housing Providers operating housing projects governed by Part VII of the HSA, from the prescriptive formula currently mandated by the province to a renewed financial model that meets the needs of each housing project. As mortgages end, funding arrangements can now be determined through a financial assessment with individual Community Housing Providers based on their operational and capital needs, following the baseline regulatory requirements outlined above. The new regulations allow the City, as Service Manager, to provide the right level of funding to ensure sustainability by addressing operating and repair needs long-term. To further enhance capacity within the sector, this report also directs staff to engage with Community Housing Providers to explore mergers, acquisitions and strategic

partnerships that would create greater economies of scale and further enhance sustainability and the potential for future growth.

At mortgage expiry, regulatory amendments also provide Part VII housing providers and Service Managers an option for a designated housing project to enter into a Service Agreement or an Exit Agreement. The City does not intend to enter into Exit Agreements with Part VII housing providers, to ensure investment in community housing is preserved and to ensure that future affordability is sustained. The City is confident that new Service Agreements present a flexible approach to fostering growth and sustainability in the Community Housing sector.

New Service Agreements along with a new, proposed funding model will allow the City to maintain access to the social housing stock, present opportunities to maintain the levels of affordability; promote the preservation of good quality mixed-income housing; explore new Community Housing development and ensure support for the long-term financial viability and relationship with these Community Housing Providers that will meet local housing needs. The development of Service Agreements will be guided by the following principles:

1. Affordability: To develop service agreements under Part VII.1 of the HSA with Community Housing Providers operating Part VII housing projects where the mortgage has expired to maintain and/or improve affordability for tenants.
2. Sustainability and Growth: To sustain and grow the social housing stock by supporting capital repairs and redevelopment, and encouraging and supporting mergers, acquisitions and strategic partnerships.
3. Maintaining Partnerships: To renew existing partnerships with Part VII housing providers that provide valuable contributions and to allow for flexible funding model that meets the needs of individual housing providers.

Through this new framework, the City will work with each individual Community Housing Provider to develop a financial plan to be included as part of the Service Agreement that meets the specific operating and capital needs of housing projects. It is anticipated that the proposed new funding framework will have no financial impact to the Housing Secretariat's program budget.

The new operating and funding model will consist of two agreements between the Service Manager and the Community Housing Provider:

1. A Service Agreement which will include the minimum requirements as laid out in the HSA and establish a level of funding that will provide affordable and deeply affordable units (RGI) and keep projects in a satisfactory state of good repair.
2. A Municipal Housing Facility Agreement which will provide a property tax exemption in exchange for maintaining units at an affordable rent, as defined in the Municipal Capital Housing Facility By-law.



## **Proposed Funding Model**

The proposed model will facilitate predictable funding for Part VII.1 housing providers within the Housing Secretariat's existing program budget, to enable housing providers to:

- Fund capital work in an effort to address the growing gap between provider capital reserve funds and the capital repair work required, as revealed in Building Condition Assessments (BCAs);
- Address increased operating costs (including RGI subsidies, inflation etc.); and
- Support/facilitate enhanced tenant services.

The City and these Community Housing Providers will work together to create a joint financial plan that will consider various funding options to maintain ongoing affordability for tenants and enable housing providers to meet the long-term operating and capital needs of their housing project(s). The combination of funding supports that may be required will depend on each housing project's individual financial needs. Baseline funding will include:

### *Rent-Geared-to-Income Subsidy (RGI)*

The current funding model does not adequately fund RGI units and sets the subsidy at an arbitrary benchmark level set by the province. The new funding model will reimburse these Community Housing Providers for RGI costs in the amount that bridges the gap between the rent paid by an RGI household based upon the household's income and the unit's market rent, up to a maximum of 80% of average market rent, as determined by Canada Mortgage and Housing Corporation (CMHC). RGI funding will continue to be provided to housing providers entering into a new Service Agreement to maintain or increase RGI units in their housing portfolio.

### *Property Tax Exemption*

Under the current funding model, the City, as Service Manager, subsidizes property taxes for Part VII housing providers. Through the proposed funding model, it is recommended to grant a property tax exemption to continue providing financial relief that is already provided by the subsidy paid under Part VII of the HSA to housing providers.

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 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 set out in the by-law.

Granting a property tax exemption will provide Community Housing Providers with a service agreement governed under Part VII.1 of the HSA, financial relief that can support existing and emerging operating and capital costs, enabling housing providers to continue to preserve the social housing stock. Conditional on the approval of this

report, it is expected that the Housing Secretariat will return to Council for approval of an amended Municipal Housing Facility By-law and individual projects recommended for a tax exemption.

The implementation of a property tax exemption has also been used as a financial tool for former federal operating agreements that were coming to the end of their term, as approved by City Council in 2019 under the [Community Housing Partnership Renewal Program \(CHPR\)](#). As such, this is a consistent financial tool that has been used to negotiate new Service Agreements with existing Part VII housing providers.

## **Capital Funding**

The majority of the City's social housing stock was developed before 1987. Given the average age now exceeds over 30 years, the City's aging social housing stock requires extensive capital repair and substantial investment to maintain an adequate state-of-good repair.

In 2023, the City conducted a 10-year capital needs projection for social housing projects using Building Condition Assessments (BCA) conducted for all housing providers under the City's administration under Part VII of the HSA. The BCAs identified short- and long-term capital repair needs and cost estimates to complete needed repairs. The assessment aimed to understand the current and future capital need projections for housing projects against their current capital reserve fund balances to maintain a good state of repair. A preliminary report evaluated the 139 former provincial-administered housing projects and indicated that the total 10-year (2023 to 2033) capital requirements (incorporating inflationary factors, and contingency) is over \$3 billion.

As capital requirements vary by housing provider, financial investments required to address unfunded capital needs will be based on each individual housing provider's financial viability analysis and financial plan and assessed as part of the City's proposed renewed funding model. The new funding model will create an overall strategy that maintains affordability and addresses the long-term operating and capital requirements of Community Housing projects.

While the specific needs of Part VII housing providers vary, additional funding will need to be considered based on each individual housing provider's financial viability analysis. Options may include funding from the Provincial and Federal Governments including the continuation of the current Canada-Ontario Community Housing Initiative ("COCHI"), or other programs under CMHC's National Housing Strategy, and/or refinancing options.

Upon mortgage expiry, some housing providers may be able to leverage their existing assets and assess, through a review of a housing project's debt-equity ratio and optimum loan eligibility amount, to determine whether refinancing options can be considered to access the required revenue to deliver capital repairs needed on the project.

As part of the Joint Financial Plan process, the City will work with these Community Housing Providers to understand the lending process and support discussions to

determine the appropriate level of debt that providers can support, ensuring financial outcomes will be viable over the long-term. ONPHA, CHF, and Canada and Housing Services Corporation provide support services to help guide their members on refinancing options, and the City will engage with these sector partners to work together in supporting and guiding housing providers who are a strong candidate for refinancing.

### *Engagement with Impacted Part VII Housing Providers*

The City has actively partnered with sector organizations, including CHFT, and ONPHA to collaborate and share best practices across Service Manager boundaries. This includes identifying issues and opportunities facing housing providers and discussing sectoral challenges while exploring strategies for growth and innovation.

The City has developed a phased approach to connect with housing providers with maturing mortgages. Housing providers with a project mortgage expiring prior to December 31, 2027 have a foremost interest in details regarding the end of mortgages and were invited to an information session on November 21, 2023. The information session supported a common understanding of the new legislation, while soliciting considerations and feedback from impacted housing providers. As a follow-up to the information session, staff are building a webpage where Part VII housing providers will have access to resources and materials that result from City organized information sessions.

The City is planning future sessions with Part VII housing providers who have a project mortgage expiring after December 31, 2027; with the intent to deliver additional sessions. Housing Secretariat staff are working collaboratively with Legal Services, Financial Planning and Revenue Services to develop an implementation plan for the proposed operating and funding model. This work will support the program direction outlined in this report. Key actions for the implementation plan are described in Attachment 3 to this report.

The City is appreciative of the recent announcements from the Ontario Minister of Municipal Affairs and Housing that commits to supporting Community Housing Providers during this process. This includes the October 2023 commitment to providing \$1 million in funding across the province to housing providers who are at end of operating agreements to access consulting services through ONPHA's Sector Enterprise Transformation Program that will guide them during this process. This was followed by a January 2024 announcement by the Province to provide the Co-Op Housing Federation of Canada with \$646,790 over three years to help their members successfully transition to a new operating framework.

### **Initiative #2: Renew Existing City Ground Leases with Community Housing Providers on City-Owned Land**

There are 41 Community Housing sites that operate on City-owned land through ground leases with the City. The majority of leases will be up for renewal between 2030 and 2088, however three leases have expired or will expire between 2024 and 2025. The City has initiated discussions on lease renewals with these providers and will begin executing new leases in accordance with the Policy Framework if approved by Council.

These leases charge a nominal or below market rent amount to support the financial viability of Community Housing sites and the level of affordability offered to residents of those sites. A consistent and clear process is required to renew lease arrangements and provide long-term stability to providers. A Policy Framework for Ground Leases with Community Housing Providers is proposed in Attachment 2 to guide the renewal.

In return for the nominal rate lease arrangement, Community Housing Providers will commit to maintaining their existing properties in a state of good repair, and to maintaining the affordability of units. Through lease discussions and site reviews, the City and Community Housing Providers will also work together to identify merger, growth and intensification opportunities to create more affordable housing opportunities in communities across Toronto.

For Part VII housing providers who have reached the end of their Operating Agreements and/or mortgages, the timing of executing new lease agreements and new service agreements will be aligned to ensure streamlined administration, oversight and to maximize outcomes.

In addition to Community Housing Providers who are under the City's oversight and administration in its capacity as Service Manager under the HSA, there are a number of Community Housing Providers who have a ground lease with the City but do not otherwise have a funding or oversight relationship with the City. Under the Policy Framework, any Community Housing Provider who does not have a Service Agreement or other operating agreement with the City will be required to enter into one to ensure that these homes are maintained as affordable. As set out in the Policy Framework, these Community Housing Providers will be required to enter into an operating agreement with the City that sets out requirements for annual reporting and affordability levels at the same time as the renewal or extension of their existing lease or the entering into of a new lease, as applicable. This provides the City with a mechanism to maintain housing affordability for these residents in exchange for nominal rent leases.

### **Initiative #3: Enhance the City's Programs Supporting Acquisition and Creation of New Community Housing**

The current macroeconomic environment of limited availability of labour, supply chain challenges, significant immigration driving growing housing demand, increasing housing costs compared to income growth, increasing construction costs, and higher interest rates have made it increasingly difficult to purchase or build new housing that can deliver affordable rents and address the full range of needs of current and future residents. Acquiring or developing new Community Housing requires a range of supports in the form of land, government grants, low-cost financing, equity, waivers of development charges and fees, and loan guarantees.

The City has financially supported the Community Housing sector in growing their stock through a variety of programs and initiatives, including the Multi-Unit Residential Acquisition Program, the allocation of City-owned land (through initiatives such as Housing Now), waivers and exemptions of development fees and charges and property taxes and capital grant contributions through the Open Door program and Section 37 funds.

Enhancements to housing supply and acquisition programs, as well as establishing a Pilot Community Housing Pre-Development Fund, are necessary to enable Community Housing Providers to grow their housing stock amidst the challenging macro-economic environment and recent provincial legislative changes.

### *Multi-Unit Residential Acquisition (MURA) Program*

MURA was approved by Council in November 2021 and offers funding to not for profit and Indigenous housing providers to preserve the existing affordable rental housing stock for Toronto residents. The program supports the purchase and conversion of private market rental housing to create permanent affordable homes owned and operated by not-for-profit and Indigenous housing providers. These homes are secured as affordable housing for at least 99 years. A minimum of 20 per cent of the annual MURA funding allocation is dedicated to supporting acquisitions by Indigenous housing organizations for Indigenous peoples.

MURA is implemented through an annual request for proposal process to select and pre-qualify not-for-profit and Indigenous housing providers. MURA's budget for 2024-2026 is projected to be a total of \$101 million, which aims to support the acquisition of an estimated 582 new Community Housing units. In 2022 and 2023, the City awarded \$64.1 million to 15 Community Housing Providers to preserve the affordability of 368 homes.

Since implementation in 2021, not-for-profit and Indigenous housing providers have provided feedback on program parameters to ensure the program can continue to respond to the needs of the not- for-profit and Indigenous housing providers and the changing market conditions.

Additionally, increased City funding and introduction of a federal \$1.5 billion Canada Rental Protection Fund will increase the sector's ability to acquire and create permanently affordable community housing units.

Based on feedback and in response to the increased funding opportunities available, the following changes to MURA would bolster the program's effectiveness:

- Removing the minimum and maximum unit limits per building;
- Enabling the purchase of units in new and completing condominiums;
- Enabling stand-alone City incentives (waiver of building permit fees and property taxes) for projects that do not receive MURA funding; and,
- Updating the program's annual and total unit limits.

### **Removing Restrictions on the Size of Rental Buildings Eligible for Acquisition**

Currently, the acquisition of buildings through MURA is restricted to buildings with no more than 60 rental units and no less than 6 rental units. Feedback from not- for-profit and Indigenous housing providers that participated in previous MURA request for proposals process have indicated that the current unit restrictions limit the housing options available to them. The 60-unit limit was originally built into the program to ensure that the program's limited budget could fund multiple projects per year. Given

that new funding sources for acquisition of affordable rental housing are emerging, including the Canada Rental Protection Fund, Community Housing Providers may be able to purchase larger buildings using multiple funding sources, and hence removing the unit cap may enable larger rental buildings to have their affordability preserved.

In addition, removing the six-unit minimum building size would enable Community Housing Providers to acquire and maintain buildings such as multi-tenant homes, which are critical to preventing lower income residents, including those from vulnerable and marginalized groups, from falling into homelessness. Subject to approval of this report, rental buildings of any size would be eligible for MURA funding, but the maximum funding amount an individual building could obtain would remain at \$12 million, and the maximum funding allocation limit of \$200,000 per unit would be maintained.

### **Eligibility of Under Construction and Newly Constructed Condominium Units**

MURA is currently focused on the acquisition of existing rental buildings. However, condominiums have become a key source of the City's rental supply in the secondary market. Based on the volume of housing starts in 2023 and Q1 2024, the City anticipates that there will be a significant supply of condominiums that will be completed over the next two years, some which remains unsold by developers and may be able to be obtained for a discounted price, given the current high supply of condo units for sale. This presents an opportunity for not-for-profit and Indigenous housing providers to use MURA funding to acquire condo units that are currently under construction and expected to be completed within the following twelve months, or recently constructed but not yet sold by the developer. Enabling this new supply of condominiums to be eligible for MURA funding (up to a maximum funding amount of \$200,000 per unit) and such further criteria, requirements, terms and conditions that may be deemed necessary by Housing Secretariat staff in order to satisfy itself that the project can continue to operate as affordable rental housing would enable the not-for-profit and Indigenous housing providers to convert these units into affordable housing supply. This proposed program flexibility is anticipated to result in price discounts on condominium units and financing sector by non-profit sector proponents in addition to MURA funding.

### **Creating an Incentives-Only Stream and Increasing the Annual Acquisition Limit**

This report also recommends that the program be updated to provide financial incentives (in the form of tax relief and building permit fee waivers) to eligible MURA projects. Enabling such "stand-alone" incentives would allow the program to support eligible non-profit housing acquisitions in cases where other primary funding is available to the not-for-profit and Indigenous housing providers, such as the new \$1.5 billion Canada Rental Protection Fund, as announced by the federal government as part of their 2024 Budget, or in cases where other primary funding is available to the not-for-profit and Indigenous housing providers. The program eligibility criteria would continue to apply and City Council approval of site-specific tax relief bylaws, and a standard MURA Contribution Agreement would continue to be required.

In addition, currently the MURA program is limited to the acquisition of 100 units per year, and 500 units total, given the limited budget of the program. To date, 368 units have received funding and incentives under MURA. The MURA budget for 2024 is \$51

million and, using the 2023 average funding of \$173,000 per unit, it is estimated to support the acquisition of an estimated 294 rental homes. In consideration of removing limits on the size of buildings that can be acquired, and allowing for buildings to receive incentives only where funding is not available, this report recommends increasing MURA's annual unit limit to 500 units and the program maximum to 1,500 units.

### *A New Pilot Community Housing Pre-Development Fund*

The majority of Community Housing Providers, community land trusts and faith-based organizations in Toronto are small organizations with limited operating budgets, which creates a barrier to pursuing development opportunities. In conducting site due diligence and preparing a funding application, these providers are required to incur significant expenses related to environmental site analysis, preliminary planning work, legal fees, architectural and engineering drawings and other consulting services. For organizations that can afford to fund these pre-development costs, they are typically not eligible for reimbursement under existing funding programs for affordable housing development.

Subject to approval of the Rental Housing Supply Program report that is advancing to Planning and Housing Committee on June 13, 2024, a Pilot Community Housing Pre-development Fund will be launched. The Fund would provide Community Housing Providers with funding for pre-development activities.

The program would launch in mid-2024 and run until 2026 as a pilot program, and may be extended subject to available City funding. Only Community Housing Providers conducting pre-development activities within the City of Toronto, who have applied for CMHC's Seed Funding program would be eligible for the funds.

### *Funding and Financial Incentives to Reduce the Cost of Construction*

Many Community Housing projects in receipt of City financial incentives and grant funding, still face a large funding gap and struggle to get their projects to construction start. Subject to Council's approval of the Rental Housing Supply Program report recommendations advancing to Planning and Housing Committee on June 13, 2024, Community Housing Providers will be prioritized for funding of up to \$260,000 per new eligible unit they are developing. These funds will reduce costs associated with building new housing, improve the projects' financial viability and ultimately, increase affordability for residents. Community Housing projects will continue to be prioritized for funding. As with the current Open Door Program, incentives offered to Community Housing projects include waivers of planning application fees, building permit fees, and parkland dedication fees and exemptions from community benefits charges and development charges (where applicable) for affordable units, where an exemption does not apply under the Development Charges Act or the Planning Act.

### *Identifying Additional Funding Sources for Grants, Loans and Equity Contributions*

In addition to the land, financial incentives and funding that will be provided by the City to grow the city's Community Housing supply, partnerships are critical to secure land, funding and financing, as well as operating funding for housing, health and social

supports. The City will continue to work with the federal and provincial governments, as well as Indigenous organizations, non-profit and co-op housing organizations, financiers, academic institutions, philanthropic organizations and private sector organizations (including large employers) on exploring opportunities. This includes the exploring the establishment of a sustainable Toronto Housing Affordability Fund, and feasibility of various other funding options including an endowment fund, patient capital and philanthropic opportunities.

The federal government's 2024 budget committed to launching a new \$1.5 billion Canada Rental Protection Fund for non-profit organizations to access grant and loan financing to acquire affordable rental units that will be a significant source of financing for the Community Housing sector in Toronto. The fund presents a potential stacking opportunity for Community Housing Providers, where they could access funding in addition to the maximum \$12 million per building currently offered through MURA in order to acquire larger properties and preserve more units as affordable. The City anticipates that funding details for the Canada Rental Protection Fund will be released in Summer 2024.

#### **Initiative #4: Encourage Development and Intensification Opportunities**

Proposals to develop new Community Housing on lands owned by Community Housing Providers, community land trusts and faith-based groups may require planning approvals such as zoning by-law amendments or a minor variance, depending on the location of the sites, building types (e.g. apartment buildings or townhouses) or amendments to performance standards (e.g. height, density and setbacks) to permit a new building or an addition/expansion of an existing building. Others may require zoning amendments that revisit the historic site-specific permissions that were crafted to permit the specific development that now exists on a site. In order for these projects to be financially viable, especially when deeply affordable rents will be charged, projects must be re-developed with an appropriate height and density.

Through the Housing Action Plan, the City is currently advancing a number of changes to the Official Plan, zoning by-laws, and planning guidelines that could result in greater as-of-right development permissions, which would unlock additional Community Housing supply, and facilitate more housing options and choices in communities across Toronto.

The City Planning Division's Apartment Infill Study has potential to support this objective by focusing on streamlining the process for building new housing, particularly apartment rental housing, on underutilized parts of existing apartment sites (e.g. surface parking lots and under-utilized open space). The work will include a review of barriers to infill opportunities on existing apartment sites designated Apartment Neighbourhoods under the Official Plan, in consultation with TCHC, Community Housing Providers and for-profit providers. A preliminary report for the Apartment Infill Study will be brought to Council in Q3 2024. This work builds upon Council-endorsed zoning changes to permit townhouses as-of-right on sites located in the Residential Apartment zone.

In addition to the work on apartment infill, other initiatives being undertaken to advance updated zoning include permitting as-of-right zoning for apartments up to six storeys in



height along Major Streets, and permitting-of right zoning for mid-rise developments along Avenues that implement new mid-rise building guidelines. Recommended Official Plan amendments and zoning by-law amendments for these items will be advanced to the Planning and Housing Committee later in 2024.

These actions align with the objectives of the Community Housing Sector Modernization and Growth Strategy by enhancing opportunities to increase Community Housing stock, while streamlining and providing greater certainty in the planning approvals process.

### **Initiative 5: Expedite Development and Permitting Review for Community Housing Projects**

The City has taken several recent and major steps to streamline and better position the organization to accelerate new housing supply, including implementing a new operating model for development review. The transformation of the development review service and improved governance of the City's development-related regulatory framework will benefit public and non-profit owned sites that will be operated by Community Housing Providers.

In addition, as noted in the Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes report, the City's Development and Growth Services Area is currently in the process of establishing an interim organizational structure to expedite all housing projects on sites that will be owned and/or operated by Community Housing Providers. The City's planning, approvals and permitting process for these sites will be advanced through an expedited stage-gate process, with senior leadership oversight across all stages. This report recommends the Executive Director, Development Review, in collaboration with the Chief Planner, and Executive Director, City Planning and the Chief Building Official and Executive Director, Toronto Building, consider establishing a Community Housing priority stream to expedite the review and approval of development applications and building permits for new Community Housing projects, and report back to Council with recommendations in Q4 2024.

These Community Housing development projects will receive dedicated support from City staff, starting with the pre-development stage and through the building permitting process. This will include support with site due diligence, and the submission of planning applications. Projects will also receive support with submitting any financing applications required for the site, and trouble-shooting issues that arise as the project enters the delivery stage. Building permit applications for these projects will also be prioritized, through the implementation of a dedicated 'Citywide Priorities' team which aims to significantly enhance the efficiency and speed of the building permit process for projects of city-wide importance, which includes new Community Housing projects.

### **Initiative #6: Enhance Capacity in the Community Housing Sector**

While adequate funding remains the most pressing challenge to Community Housing Providers, consultations with the sector have highlighted the need to enhance capacity to effectively manage their existing stock, explore expansion and sustainability through mergers, acquisitions and strategic partnerships and develop new affordable rental housing.

Enhancing capacity will entail the City connecting Community Housing Providers with organizations that can provide in-kind advice and guidance on the planning and development process. The City will also work with sector partners to develop resources aimed at enhancing members' asset management and governance capabilities, and exploring opportunities for Community Housing Providers to merge with or acquire fellow providers to achieve economies of scale to be able to leverage a larger asset pool for accessing capital required for new developments that will support longer-term sustainability.

The City is in the process of establishing and advancing formal relationships with organizations such as the Co-operative Housing Federation of Toronto (CHFT) and the Toronto Alliance to End Homelessness (TAEH) to support non-profit and co-op housing organizations to improve operations and building conditions; create new housing opportunities through intensification and re-development of their lands; and securing additional funding to support tenants financial stability, health and well-being. The City will continue to work with Miziwe Biik Development Corporation through the established Memorandum of Understanding (MOU) to support and Indigenous housing providers with capacity building, improving building conditions, and creating For Indigenous, By indigenous housing opportunities.

The City is currently in the process of executing these agreements with CHFT, the CHFT Development Society Inc., and TAEH, and will work closely with these partners in 2024 to achieve these desired outcomes.

As outlined in Initiative 1 to the Strategy, the City is also collaborating with other institutions and federal and provincial Community Housing sector-focused organizations, such as the Ontario Non-Profit Housing Association, the Housing Services Corporation, and the Co-Operative Housing Federation of Canada to explore to explore the creation of mortgage refinancing to assist housing providers leverage their asset to enable funding to support necessary repairs to maintain the existing community housing stock in a state of good repair.

Lastly, the Housing Secretariat will establish a Community of Practice for the MURA program for Community Housing Providers and other interested organizations (e.g. tenant groups) to help share best practices and to advise smaller organizations on responding to the annual call for proposals.

### **Attachment 3: Implementation Activities for Renewing Partnerships with Part VII Housing Providers with Expiring Mortgages**

Housing Secretariat staff are working collaboratively with Legal Services and Revenue Services to develop an implementation plan for the new program. This work will support the program direction outlined in this report. Key actions include:

#### *Engagement*

Staff will design and develop a communication and engagement plan to inform and connect with housing providers coming up to the end of their mortgage. Housing providers will be kept informed of progress and opportunities to connect with the City on the topic of end of mortgage. Communication materials will be distributed to impacted housing providers, in addition to organizing in person information sessions.

#### *Internal Preparation & Program Development*

Staff will develop structures, procedures and tools to launch and govern the administration of new Service Agreements. This includes the following:

1. Conducting a portfolio-wide financial analysis and assessment at end of mortgage.
2. Conducting a 10-year capital needs projection for impacted housing projects.
3. Collecting information related to property tax exemptions for impacted housing projects.
4. Developing Joint Financial Plan template.
5. Developing Funding structure that supports long term viability.
6. Developing the new Service Agreement template that will outline funding and administration requirements.
7. Developing structures, procedures, reporting requirements and tools to administer the Service Agreement in alignment with the City's existing CHPR and affordable housing programs.

#### *Service Agreement Development*

Staff will work closely with Legal Services to develop a new Service Agreement, including municipal housing facility agreement that will outline core terms and conditions to support new requirements and funding structures. In accordance with the Municipal Housing Facility By-law, staff will return to City Council for approval of individual municipal housing facility agreements. Staff will work, with the support of Revenue Services, to designate housing providers as municipal housing facilities, in order to grant property tax exemptions. The City will ensure that Service Agreements meet the minimum standards as set out in the new provincial legislation.

#### *Financial Analysis*

Staff will conduct viability analysis together with the housing providers to determine both operational and capital viability. A 5-year financial plan will be developed as part of the Service Agreement. The plan will address how revenues will meet expenditures and address the City's funding obligations to the housing project.

### *Service Agreement Negotiation & Execution*

Staff will use an integrated and collaborative approach to negotiate Service Agreements that align with the new legislated framework and meet the needs of housing providers and the City. Service Agreement negotiations will take place in a chronological and phased approach based on a housing project's end of mortgage date.