

## **Attachment 8: Revised Multi-Tenant Houses Renovation Program**

### **Context**

City staff have undertaken an evaluation of the Multi-Tenant Houses (MTH) Renovation Program to better understand the Program's slow uptake among operators. Overall, the most significant concerns raised by operators related to the costs of renovations, lack of capacity to meet the various requirements of licensing and administering the Program funds, and a reluctance to engage with the City and/or make commitments to obtaining a licence in advance of completing the necessary due diligence to determine the feasibility and cost of meeting all licence requirements.

### **Proposed Program Changes**

The main Program revisions proposed through this report and included in the revised Program Guidelines below are:

#### **1) Increasing per room funding threshold, within approved Program budget**

As part of City engagement with operators to-date, operators have noted that renovation costs are expected to exceed the existing \$50,000 per room limit of the Program. As a result, this report proposes the per room funding threshold be increased to \$100,000. This does not change the amount of funding available for the program within the Council-approved Housing Secretariat Capital Budget.

#### **2) Expanding program eligibility to licensed operators who are required to undertake repairs to bring their properties into, or maintain, compliance**

In order to support licensed or previously licensed MTH properties with licences at risk due to non-compliance with the Multi-Tenant Houses Regulatory Framework ("the Framework"), this report proposes expanding the program eligibility to include licensed MTHs to further preserve existing MTH properties and protect tenants.

#### **3) Simplifying access to funding for pre-construction feasibility assessments and due diligence**

In response to capacity challenges experienced by operators including a lack of expertise, time, and resources to undertake the due diligence work in meeting building, fire, and licensing requirements, this report proposes a more flexible pre-construction stream to support applicants in accessing Program funds and financial incentives for licensing or renovation feasibility studies and due diligence.

To further remove barriers for operators:

- Requests for pre-construction stream funding and/or incentives will not require the applicant to provide financial security for the City's incentives or for funding for pre-construction studies. However, in the event of non-compliance with this Program the value of the City fees waived or any funding paid to the operator will be due and payable.

- Following the feasibility assessment, conducted by qualified consultants and within program parameters, if it is determined that the property cannot be cost-effectively licenced, despite the operators' best efforts to move towards licensing and compliance, the City's financial support for licensing or renovation feasibility studies may be forgiven at the sole discretion of Executive Director, Housing Secretariat.

## **Revised Program Guidelines**

The Housing Secretariat will administer the Program in accordance with the Program Guidelines outlined below, and such additional Program parameters as may be determined by the Executive Director, Housing Secretariat in implementing the Program.

### **1. Eligibility Criteria**

- An applicant must be an “operator” as defined by Toronto Municipal Code Chapter 575, Multi-Tenant Houses (“Chapter 575”).
- Applications must be made in respect of a “multi-tenant house”, as defined by Chapter 575.
- The operator must be required to undertake renovations, repairs or other work on the multi-tenant house in order to be issued or maintain a licence under Chapter 575.
- Both non-profit and for-profit operators will be eligible.
- The multi-tenant house may be occupied or vacant.
- Tenancies or housing must be at-risk due to the condition of the multi-tenant house, non-compliance with the Multi-Tenant Houses Regulatory Framework (“the Framework”), or potential for tenant eviction and/or displacement from the multi-tenant house, as determined by the Executive Director, Housing Secretariat.

### **2. Application and Selection Processes**

- The Housing Secretariat will establish application processes and receive and review applications to the Program on a rolling basis throughout the year.
- The application process will include two streams that can be combined at the operators' option:
  - A pre-construction stream that will provide financial incentives (waivers of planning application and building permit fees) and/or funding for pre-construction feasibility studies and due diligence, through a simplified application process; and,
  - A capital funding stream to provide funding for major renovation and repair work, requiring a more detailed application process (as is currently in place).
- Operators must submit applications under the Program directly to the Housing Secretariat. The Housing Secretariat will conduct a review which will include an assessment of enforcement history, the proposed work plan to undertake due diligence and/or bring the multi-tenant house(s) into compliance with applicable

laws necessary to be issued and/or maintain a licence, and a housing at-risk assessment.

- Housing Secretariat will consult as needed with other divisions involved in the implementation of the Framework (i.e. Toronto Building, Toronto Fire Services, Municipal Licensing & Standards, and City Planning).
- Operators applying for either the pre-development and funding stream, will be required to provide supporting documents and information for review with their application, including, as applicable, depending on the Program streams noted above:
  - Property and corporate information;
  - Details of the work proposed to be undertaken with Program funds and/or incentives (including a scope of work, work plan, estimated costs and budget);
  - Information on the team that will undertake proposed work;
  - Plans to mitigate any impact on tenants and other third parties; and,
  - Such other information as may be determined by the Executive Director, Housing Secretariat to evaluate the operator and the proposed work and undertake a housing-at-risk assessment.
- The Housing Secretariat will assess applications on a first-come, first-served basis, on evaluation criteria determined by the Executive Director, Housing Secretariat. Final Program decisions will be made by the Housing Secretariat.

### **3. City Contributions**

The City will offer a range of pre-construction funding, capital funding, and financial incentives through this Program to advance City Council's objectives in the Framework, and support multi-tenant house operators to come into compliance. The Program also aims to support safe rental homes for tenants and preserve existing affordable rental housing stock. Through this program, the City may make available a maximum of \$100,000 of funding per multi-tenant house room, as defined under Chapter 575, along with Contributions as further described below.

#### *Pre-Construction Funding and Incentives Stream:*

- Through the pre-construction and incentives stream, operators may be approved for financial incentives in the form of waivers of planning application fees (including minor variance, rezoning, or other as required), and/or building permit fees. Selected operators may be provided these incentives with or without being approved for funding under the Program.
- Through the pre-construction stream, operators may be approved for funding to undertake pre-construction due diligence to identify work required to come into compliance with the Framework.
- Eligible costs for pre-construction funding may include costs to hire a consultant and/or qualified architect/designer to undertake pre-development due diligence (e.g. building condition assessments, preparation of capital repair plans, licensing or renovation feasibility studies, developing plans, studies, drawings and designs for municipal building, planning, and other approvals); consultant and other studies and reports that facilitate short-term compliance and safety; and such other soft costs as determined by the Executive Director, Housing Secretariat.

### *Capital Funding Stream:*

- Operators may apply for funding to undertake capital renovation and repairs to directly support compliance with the Framework and obtain or maintain a license under Chapter 575.
- The City may approve funding of up to \$100,000 per “multi-tenant house room” (as defined under Chapter 575) for eligible soft and hard costs related to planning and undertaking required renovation and repair work. This \$100,000 per room maximum will apply across the Program, meaning it cannot be exceeded by combining funding under the pre-construction and capital funding streams.
- Funding will be provided in the form of a forgivable loan with a minimum 10-year term, and annual forgiveness provisions.
- Eligible soft costs may include: costs to hire a consultant and/or qualified architect/designer to undertake pre-development due diligence (e.g. building condition assessments, preparation of capital repair plans, licensing or renovation feasibility studies, developing plans, studies, drawings and designs for municipal building, planning, and other approvals); consultant and other studies and reports that facilitate short-term compliance and safety; and such other soft costs as determined by the Executive Director, Housing Secretariat.
- Eligible hard costs may include: renovation and construction costs to achieve or maintain compliance with the Framework and obtain a licence under Chapter 575, including the Ontario Building and Fire Codes and other licensing requirements; small-scale building improvements that support compliance (e.g. short-term repairs, fire safety or suppression systems); and such other hard costs as determined by the Executive Director, Housing Secretariat.
  
- The following costs are not eligible for funding under both streams of the Program:
  - Fines or charges as a result of enforcement actions taken by the City for non-compliance with applicable laws.
  - Costs not related to work required to bring the multi-tenant house into compliance with applicable laws and obtain a license under Chapter 575, such as costs associated with environmental or energy efficiency upgrades not related to compliance, luxury items or finishes, and cosmetic improvements; and,
  - Such other excluded costs as determined by the Executive Director, Housing Secretariat.
- In addition, operators will receive City support with expedited, streamlined City reviews for necessary work and through the planning and building application process related to obtaining a multi-tenant house license.
- Funding will be disbursed to selected operators at milestones that align with their progress on the work necessary to be issued a multi-tenant house licence.

## **4. Operator Requirements**

- Under both the pre-construction and capital funding streams of the Program, all operators selected to receive funding and/or incentives will be required to register

their intent to obtain a licence with Municipal Licensing & Standards, through the City's online licensing portal.

- Approved operators under both streams will be required to enter into an agreement with the City, managed by the Housing Secretariat, setting out the terms and conditions of the City contributions being provided.
- All operators will be required to comply with all applicable municipal bylaws and provincial legislation that apply to multi-tenant houses and tenancies.
- All approved operators will be required to demonstrate ongoing progress towards compliance with applicable laws necessary to be issued a licence under Chapter 575, and may be required to meet certain milestones to achieve compliance with the Framework, including zoning, building, fire, and licensing requirements.
  - The Housing Secretariat may apply other performance benchmarks on a case-by-case basis to ensure the operator is pursuing a multi-tenant house licence actively and in good faith.
- Specific milestones and timelines will vary by operator based on the nature of the work, the funding provided under the Program, and the number and type of approvals required to carry out the work.

#### *Pre-Construction Funding and Incentives Stream*

- Under the pre-construction stream, Operators will be required to demonstrate ongoing efforts to complete and submit applications for relevant planning and building approvals, with all necessary supporting materials, and/or undertake due diligence work funded under the Program, in a timely manner so as to advance towards compliance with the Framework, as determined by the Executive Director, Housing Secretariat, in consultation with relevant Divisions.
- The pre-construction stream will not require the operator to provide financial security for the City's financial incentives or for funding for pre-construction due diligence.
- In the event of non-compliance with the Program, as determined by the Executive Director, Housing Secretariat, the value of the City fees waived and any funding paid to the operator will be due and payable.
- Should it be determined, as a result of the pre-construction due diligence completed by qualified consultants and reviewed by the City, that the property cannot be cost-effectively licensed despite the operators' best efforts, the City's financial support in the form of financial incentives and/or funding for pre-construction due diligence may be forgiven and the Agreement entered into with the City terminated, at the sole discretion of the Executive Director, Housing Secretariat.

#### *Capital Funding Stream*

- Operators approved for funding under the capital funding stream will be required to provide financial security, commensurate with the value of the City funding, to secure this obligation, as determined by the Executive Director, Housing Secretariat.
- Operators will be required to demonstrate ongoing progress towards completing the work funded under the Program and required to meet requirement for obtaining a licence under Chapter 575, as determined by the Executive Director, Housing Secretariat.

- Operators receiving capital funding for renovations will be required to have completed the proposed work and obtained a licence under Chapter 575 within 5 years after entering into an agreement under the Program, unless otherwise extended by the Executive Director, Housing Secretariat.
- Operators will also be required to maintain a licence under Chapter 575 for a minimum period of 10 years, and comply with certain additional requirements including that:
  - The operator will comply with the ending operations provisions of Chapter 575;
  - If the multi-tenant house is subject to the rent increase guideline under the Residential Tenancies Act (RTA), the operator shall not apply for any rent increases above the guideline as identified in the RTA in connection with any of the work funded through the Program; and,
  - If the multi-tenant house is exempt from the rent increase guideline under the RTA, the operator shall not increase the rent for a tenancy more than once every 12 months, and by not more than the guideline, under the rules of the Program.

## **5. Monitoring and Evaluation**

Data monitoring will be an integral part of ensuring success and responsiveness in implementing the Regulatory Framework and the Program. In partnership with other City Divisions, and where possible, the Housing Secretariat will monitor key performance indicators and data points through the implementation of this Program to assess:

- Demand for multi-tenant house renovation funding, and detailed costs of compliance renovations;
- Size and scale of unlicensed multi-tenant housing system
- Data related to size, location, condition, and cost of affordable multi-tenant housing rental stock;
- Number, size, location, and other features of multi-tenant homes supported to comply through the Program; and,
- Tenancies preserved, depth of affordability and duration of rental operations secured.

Staff will report back to Council concurrent with required update reports on the MTH Regulatory Framework implementation, which may include recommendations for future changes to the Program.

The Housing Secretariat will also continue to engage with key stakeholders including selected operators under the Program, tenants living in multi-tenant houses, housing advocates, the Tenant Advisory Committee and the Housing Rights Advisory Committee, to ensure continued efficacy of the Program. Ongoing engagement with the housing and community service sectors will also assist the Housing Secretariat in monitoring impacts of this Program in relation to the wider housing system.