Addendum 2

The City of Toronto (the "City")
in conjunction with
Toronto Community Housing Corporation ("TCHC")
RFP-TF-2019-001
Request for Proposals for Ownership and Operation of
TCHC's Scattered Housing Portfolio (the "RFP")

As per section 3.2.1 Proponents to Review RFP and 3.2.2 All New Information to Proponents by Way of Addenda, please see below for questions received by proponents regarding RFP-TF-2019-001 and the corresponding answers provided by the City:

Question 1:

The Invitation to Proponents mentions that FCI is the ratio of the cost of remedying capital deficient to the current replacement value of the asset. How was the current replacement value calculated? For example, 11 ½ Aberdeen Av. Is listed as having an FCI of 149.1% and a backlog of $421,028. This implies the replacement value is $282,475. How was that last figure arrived at? Is it a consistent dollar figure times the Gross Floor Area of each property?

Answer 1:

The average replacement value per square foot is $168. Heritage designated homes such as 11 1/2 Aberdeen have a higher Facility Condition Index ("FCI") value. These replacement values do not take into consideration the land value.

Question 2:

Annex B says there are 623 buildings with a total of 730 units. Annex D says there are 625 buildings with a total of 757 units. Page 22 of the RFP says there are 730 units, 595 of which are RGI and 135 are market rent. On page 25 it states there are 607 RGI units. Can you resolve these discrepancies?

Answer 2:

Annex B – List of Single Family Houses with Building Statistics is correct.

This Addendum 2 serves to replace Annex D - List of Single Family Houses with Realty Tax Data with Annex D - List of Single Family Houses with Realty Tax Data – REVISED, which has been updated to read 623 buildings and 730 units and is posted with this Addendum 2.

Additionally, this Addendum 2 serves to replace the following paragraph in 4. Legal Considerations, B. Material Disclosures, Appendix D – RFP Particulars of the RFP:

As noted in A. Deliverables, six hundred seven (607) households are eligible for RGI benefits. As outlined in the Housing Services Act ("HSA"), a service manager is responsible for the administration of any RGI assistance in respect of a housing project that is subject to the HSA. Section 17 of the HSA permits a service manager to delegate in writing all or some of its powers and duties under the HSA. The responsibility for RGI administration has been delegated to housing providers, where such housing providers have entered into RGI Service Agreements with service managers. The City is the service manager for the Toronto area.

The above-noted paragraph will now read as follows:

*As noted in A. Deliverables, **five hundred ninety-five (595)** households are eligible for RGI benefits. As outlined in the Housing Services Act ("HSA"), a service manager is responsible for the administration of any RGI assistance in respect of a housing project that is subject to the HSA. Section 17 of the HSA permits a service manager to delegate in writing all or some of its powers and duties under the HSA. The responsibility for RGI administration has been delegated to housing providers, where such housing providers have entered into RGI Service Agreements with service managers. The City is the service manager for the Toronto area.*

Question 3:

It appears the purchase of one or more bundles will be subject to Land Transfer Tax. Will the City rebate the municipal portion of LTT back to the purchaser?

Answer 3:

The City has not currently contemplated a rebate as the pricing has been calculated at below market value, resulting in a reduced land transfer tax.

Question 4:

If LTT is applied to a purchase, how will it be calculated: based on the aggregate price of all the properties in the bundle, or will it be the sum of the LTT applicable to the purchase of each individual property?

Answer 4:

The land transfer tax is the responsibility of the purchaser and it is therefore the responsibility of the purchaser to calculate any applicable land transfer tax.

Question 5:

Appendix B mentions 64 houses being vacant as of January 2018. On the date of the sale (assuming it goes forward) will any units that are vacant be eligible to receive rent supplement or is the expectation that the purchaser rent them all at Market Rent?

Answer 5:

Rent supplement allocations applied to vacant units are to be reviewed and negotiated with the selected proponent based on available City funding and the approval of the City's budget.

Question 6:

The City of Toronto's website has a list of Average Market Rents for various unit sizes. Should we use these figures as the basis for our income calculations or should we more finely grain the expected rental income by using CMHC data for the various zones within the Toronto CMA?

Answer 6:

Proponents should use the City's Average Market Rent ("AMR") data as opposed to the AMR data by zone.

Question 7:

Assuming the City AMR figures are the basis for the calculations, should we use the "hostel" rate for the units listed as rooms, the two-bedroom apartment rate for units listed as 2-bed and the townhouse rates for any units listed as larger than 2-bed?

Answer 7:

Proponents should use the hostel rates for the units listed as rooms, and the townhouse rate for two-plus (2+) bedrooms units.

Question 8:

Are the Market Rent units subject to the Provincial rent guidelines for maximum annual increases for ongoing tenancies?

Answer 8:

Market Rent units will be subject to the *Residential Tenancies Act*, which includes the exemptions for social housing providers. In the *Residential Tenancies Act*, the section specific to maximum annual increases is exempt for social housing providers. The Social Housing Agreement requires that houses be rented at no more than one hundred percent (100%) Average Market Rent ("AMR").

Question 9:

The Material Disclosures section of the RFP document uses the term “weighted Average Market Rent.” Does this term mean some market rents can be higher than AMR and some lower? If not, what does it mean?

Answer 9:

This Addendum 2 serves to replace Annex D - List of Single Family Houses with Realty Tax Data with Annex D - List of Single Family Houses with Realty Tax Data – REVISED, which has been updated to read Average Market Rent.

This Addendum 2 serves to replace the following paragraph in 1. Available City Funding, B. Material Disclosures, Appendix D – RFP Particulars of the RFP:

> *The City will continue to provide rent supplement funding for existing RGI tenant households eligible to receive RGI benefits and for eligible tenant households that occupy a vacant unit that was formerly occupied by an existing eligible RGI tenant household. Additional funding has not been committed by the City towards ongoing operating and capital funding for transferred scattered housing units as identified in this RFP. The intended outcomes described in section 1.1 Invitation to Proponents must be incorporated into the submitted proposals on the assumption that no additional City funding is available and a weighted Average Market Rent of one hundred percent (100%) must be met on all transferred units, where “Average Market Rent” (also known as "City of Toronto Average Market Rent" or “AMR”) means the monthly City-wide rent by bedroom type as determined by Canada Mortgage and Housing Corporation (“CMHC”) every fall. Figures published by CMHC in the fall are used to set affordable rents in the City for the following calendar year. If CMHC does not publish a survey of City-wide rents, or CMHC does not publish the average monthly City-wide rent for a particular bedroom type, then "City of Toronto Average Market Rent" (or “Average Monthly Rent” or “AMR”) shall be the monthly City-wide rent as determined by the City.*

The above-noted paragraph will now read as follows:

> *The City will continue to provide rent supplement funding for existing RGI tenant households eligible to receive RGI benefits and for eligible tenant households that occupy a vacant unit that was formerly occupied by an existing eligible RGI tenant household. Additional funding has not been committed by the City towards ongoing operating and capital funding for transferred scattered housing units as identified in this RFP. The intended outcomes described in section 1.1 Invitation to Proponents must be incorporated into the submitted proposals on the assumption that no additional City funding is available and* ***an Average Market Rent*** *of one hundred percent (100%) must be met on all*

transferred units, where “Average Market Rent” (also known as "City of Toronto Average Market Rent" or “AMR”) means the monthly City-wide rent by bedroom type as determined by Canada Mortgage and Housing Corporation (“CMHC”) every fall. Figures published by CMHC in the fall are used to set affordable rents in the City for the following calendar year. If CMHC does not publish a survey of City-wide rents, or CMHC does not publish the average monthly City-wide rent for a particular bedroom type, then "City of Toronto Average Market Rent" (or “Average Monthly Rent” or “AMR”) shall be the monthly City-wide rent as determined by the City.

The individual rent for any market rent house cannot exceed AMR.

Question 10:

If a proponent purchases a vacant unit as part of a bundle and then rents it, can the proponent charge what the market will bear or must the rent be capped at AMR?

Answer 10:

The individual rents for any market rent house will be capped at AMR as per the Annex A-1 – Social Housing Agreement Term Sheet.

Question 11:

Is there any income apart from rents, RGI subsidy or rent supplements associated with any of the units subject to this RFP? If so, will this income be available to the purchaser? If yes, do you have information on the quantum and distribution of this income?

Answer 11:

There is no other income apart from rents, RGI subsidy, or rent supplements associated with the units subject to this RFP.

Question 12:

A successful proponent will likely have to mortgage the properties it buys so that it can afford the purchase price plus the cost of immediately required capital work. Does the City have any requirements about the amortization period of any such financing, or will it be satisfied with whatever the proponent can negotiate with a lender?

Answer 12:

It is the proponent's responsibility to secure financing for the properties included in the bundles for which the proponent is submitting a proposal. The City has no requirements regarding specific financing terms.

Question 13:

On page 3 you state that "ownership of TCHC's Scattered Housing Portfolio may be limited to a stratified interest in the properties or may include the entire fee simple interest in the properties, as may be determined by Council at its sole discretion." Can you explain the distinction, and what might be the basis for a Council decision?

Answer 13:

The sale of TCHC's Scattering Housing Portfolio may include the sale of the entire property (in fee simple), or may only be the sale of a strata of the property. The decision to stratify will be made by City Council, at which time they may consider a number of factors, including the cost and benefits of stratification. When selling a stratified interest in a property, a stratified reference plan or "strata plan", which divides a property into horizontal levels or "strata", is prepared. Each strata is given a separate legal description and may be transferred to different parties as a separate parcel of property. In the case of a sale of a stratified interest in the property, the upper strata (airspace above the building) will be transferred to the City prior to the sale of the lower strata to the proponent.

Question 14:

You have included TCHC's transaction costs in the minimum price for each bundle. Can you describe what types of costs are included?

Answer 14:

The transaction costs are intended to reimburse TCHC's legal fees for the sales and legal fees for any severances, and the transaction costs include partial reimbursement of TCHC's legal fees for any Ontario Infrastructure and Lands Corporation mortgage property substitutions relating to these properties.

Question 15:

The RFP has provided for 120 days for due diligence for bundles of 50 properties or fewer, and 180 days for bundles of 51 properties or more. If a bid for more than one bundle is accepted, are the due diligence time periods concurrent or sequential?

Answer 15:

Each bundle will be transferred by way of separate Agreement of Purchase and Sale (“APS”), with each due diligence period commencing upon the execution of the same. When the APS for a bundle of fifty (50) properties or fewer is signed, the one-hundred-twenty-day (120-day) due diligence period with respect to those properties will commence. When the APS for bundles of fifty-one (51) or more properties is signed, the one-hundred-eighty-day (180-day) due diligence period with respect to those properties will commence.

Question 16:

Page 23 states proposals must demonstrate that all operating expenses, including capital repairs required to achieve an FCI of 10%, can be met and sustained. Is there a deadline for when an FCI of 10% must be achieved? If so, must every property achieve 10% FCI, or only an average of 10% FCI across the portfolio?

Answer 16:

The City is looking for an average Facility Condition Index (“FCI”) of ten percent (10%) across the portfolio, and for proponents to outline the timelines associated with achieving this.

[End of Addendum 2]