



## Update on Tenants First

Item 2E

September 3, 2020

Tenant Services Committee

**Report:** TSC:2020-25

**To:** Tenant Services Committee (“TSC”)

**From:** Director, Strategic Planning and Stakeholder Relations

**Date:** August 17, 2020

### **PURPOSE:**

The purpose of this report to provide the TSC with an update on the City’s Tenants First process.

### **RECOMMENDATION:**

It is recommended that this report be received for information.

### **BACKGROUND**

#### **Overall TCHC-City Coordination Process**

Following a temporary pause due to COVID-19, the CEO and City Manager have resumed meeting monthly on Tenants First to maintain a direct line of communication between TCHC and the City, ensuring that oversight and accountability continues.

#### **Permanent Funding Model**

A new permanent funding model for TCHC was co-developed by the City and TCHC and was approved by City Council in November 2019. The new funding model provides a baseline subsidy of \$160 million annually for capital and \$251 million annually for operating expenses beginning in 2020

and will allow for inflationary increases. The subsidy amount was approved by City Council in February 2020 as part of the City's 2020 budget process.

### **Development**

In July 2019, City Council approved, in principle, the transfer of TCHC's development function to CreateTO and/or the City and directed TCHC to work with the City and CreateTO to conduct the necessary due diligence for the transfer. The City's due diligence report on the transfer was targeted for Q4 2019, however City staff determined that additional time was required to fully assess the various options for the organizational structure of the development functions being transferred. The due diligence process was paused during COVID-19 and has since resumed. The timing for reporting back to City Council has not yet been confirmed.

### **Seniors Corporation / Integrated Service Model**

In May 2018, City Council directed the City to develop and recommend an approach for transferring seniors-designated buildings from TCHC to a future, seniors housing and services entity. In addition, City Council directed the City and TCHC to work together to implement a new Integrated Service Model for seniors housing to promote ageing in place and better quality of life for seniors. In July 2019, City Council directed the establishment of a wholly-owned City services corporation to manage and operate the seniors-designated buildings.

Due diligence is being completed by the City on the establishment of a formal Seniors Corporation, and TCHC continues to provide support to that process as needed. Report:TSC:2020-25 'Q1 & Q2 2020 Seniors Quarterly Update' that is part of this meeting agenda provides an update on the implementation of the Integrated Services Model.

### **Asset Transfers**

TCHC and the City continue to work to transfer its portfolio of over 700 agency, uninhabited, rooming and scattered houses to eligible agencies and non-profit housing providers, as directed by City Council.

### *Agency and Uninhabited Houses*

The first seven agency/uninhabited houses transferred to two agencies, Wigwamen Incorporated and Reena, in Spring 2020:

- 165 Elm Ridge Drive
- 85 Brooklyn Avenue
- 321 Jones Avenue
- 34 Kessack Court
- 760 Eastern Avenue
- 126 Eastwood Avenue
- 41 Hamilton Street

COVID-19 resulted in delays in timelines for the transfer of the scattered houses, however work has since resumed between the City, TCHC and the agencies on moving the transfers forward. The majority of the remaining agency and uninhabited houses are anticipated to be transferred between Q4 2020 and early 2021.

### *Rooming Houses*

The City continues to work with Dixon Hall to develop an operating and capital plan including an appropriate funding model, which will allow for the successful transfer of the rooming houses portfolio. Over \$6 million in funding has been secured in 2020 through Section 37 funds and the Ontario Priorities Housing Initiative funding that will be put towards repairs of the rooming houses at 502-508 Parliament St.

### *Scattered Houses*

The request for proposals (“RFP”) to select the agencies/non-profit housing providers that will purchase the scattered houses closed in February 2020. The RFP evaluation team consisting of both City staff and TCHC staff are in the final stages of evaluating the submissions that were received. The City will seek City Council approval of the recommendations resulting from the RFP in Fall 2020. Once approved, TCHC will have the authority to transfer the scattered houses to the organizations selected through the RFP process and will request Board approval to complete the transfer.

### *Mortgage Substitutions and Severances*

The discharges of Infrastructure Ontario (“IO”) mortgages registered against Agency, Uninhabited, Rooming, and Scattered houses and required property substitutions are proceeding. The first tranche of properties encumbered by IO loans closed in October 2019, with the second tranche completed in November 2019. The remaining tranche is expected to be closed in Q4 2020, subject to IO’s satisfaction with the proposed replacement properties.

External legal counsel are continuing to process severance applications for the remaining Agency, Rooming and Uninhabited houses as needed. Some severances can be handled on an expedited basis, which does not require a full hearing and some are more complex, requiring a full Committee of Adjustment hearing. Applications submitted on an expedited basis generally take about 3-4 months. The more complex ones take approximately 9-12 months and have to be placed on the Committee of Adjustment’s agenda in order of receipt.

Some of these severances require an Official Plan Amendment, if they contain more than six dwelling units. This will involve an additional six to twelve months, depending on the requirements from City Planning staff. TCHC legal counsel, together with external counsel, Tenants First and SPSR representatives continue to work with City Planning staff to proceed as expeditiously as possible with these severances. However, the Committee operates within rules set under the *Planning Act*, and City Planning staff do not have authority to expedite the TCHC applications under this Act.

### *Protecting Ownership of Social Housing Assets*

In order to ensure that these houses will remain as social housing upon being transferred to agencies/not-for-profit corporations (transferees), the Social Housing Agreement being executed between each transferee and the City of Toronto have clear stipulations regarding the future use of these assets. This includes restrictions registered on the title of each property requiring them to continue to be used as affordable housing. Further, in the event of bankruptcy or insolvency, the Social Housing Agreement enables the City as Service Manager to acquire the property or appoint a receiver manager.

**Mandate**

Based on the work completed between TCHC and the City to-date, the Tenants First report being brought to City Council in Fall 2020 will provide a high level statement regarding TCHC's mandate. If adopted, this will guide the development of a new Shareholder Direction for TCHC.

**IMPLICATIONS AND RISKS:**

TCHC is undertaking these actions in accordance with directions from City Council. It is recognized and accepted by TCHC that the full portfolio of scattered houses will not be sold at fair market value and management is supportive of moving ahead with the transfers. There remain a number of implications of which the Board should be aware.

Transferring these assets will have an impact on TCHC's ability to borrow and on the Net Operating Income. In 2017, these assets generated NOIs in the amount of approximately \$6 million. Based on this number and assuming a 30-year loan term at a 4% interest rate, the estimated loan amount that can be borrowed was calculated at \$105M. In transferring these assets, we may lose the capacity to borrow \$105M in the future. Based on 2017 MPAC assessments, TCHC will lose approximately \$380M in assets as a result of the transfers. Removing these assets from our portfolio will result in a reduction of approximately \$100M related to capital repairs.

These risks have been shared with the City's Tenants First team.

**SIGNATURE:**

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