



## TCHC's Operational Performance Measures

Item 10B (Supplemental)

July 28, 2022

Board of Directors

**Report:** TCHC:2022-51 Supplemental

**To:** Board of Directors (the "Board")

**From:** Chief Operating Officer (Acting)

**Date:** July 21, 2022

### **PURPOSE:**

This Report responds to the request of the Tenant Services Committee, at its meeting of July 6, 2022, that the Chief Operating Officer forward the information contained in Report TCHC:2022-51 to the Board and provide additional data on TCHC's vacancy rate and factors contributing to its year-over-year increase, including:

- 1 a breakdown of vacancies by unit type, development, region, duration of vacancy and factors that contributed to the duration of vacancy; and
- 2 an explanation of the high vacancy rate in the Seniors Portfolio at the date of the Seniors Portfolio transfer; and

Develop a plan to address this increase, including strategies to address vacancies in TCHC's bachelor unit inventory.

### **RECOMMENDATION:**

It is recommended that the Board receive this report for information.

### **REASON FOR RECOMMENDATION:**

#### **Background**

Over the past year, TCHC's vacancy rate for its family portfolio increased by over one percentage point (1.80% in May 2021 vs 2.98% in May 2022). There are a number of factors that have contributed to this, most substantially the unintended

impacts of the timing of business transformation initiatives underway and external market conditions impacting service levels for vendors who support the move-out process.

TCHC staff have been collaborating closely with the Service Manager on strategies to reduce the vacancy rate, and are taking a variety of actions to address the factors contributing to the increase. The rate has begun improving, with a decline of 0.28% in June 2022 to 2.70%. With sustainment of the actions underway and others being developed with the Service Manager, vacancy rates will continue to decline throughout Q3 and Q4 2022 to achieve and sustain a vacancy rate of 2% by year-end.

### **Breakdown of TCHC Vacancies**

As noted in Table 1 below, TCHC vacancy rates are highest for bachelor and 1-bedroom units. TCHC has been working closely with the City on alternative strategies for filling these units, including the Rapid Rehousing Initiative, and is continuing to explore other channels to fill these units quickly.

TCHC's Central Region has the highest concentration of bachelor and 1-bedroom units and also has the highest vacancy rate (per Table 2), while the West region has a lower share of these unit types and has the lowest vacancy rate amongst the three regions. For a breakdown of the developments in each region with vacancies, refer to Attachment 2.

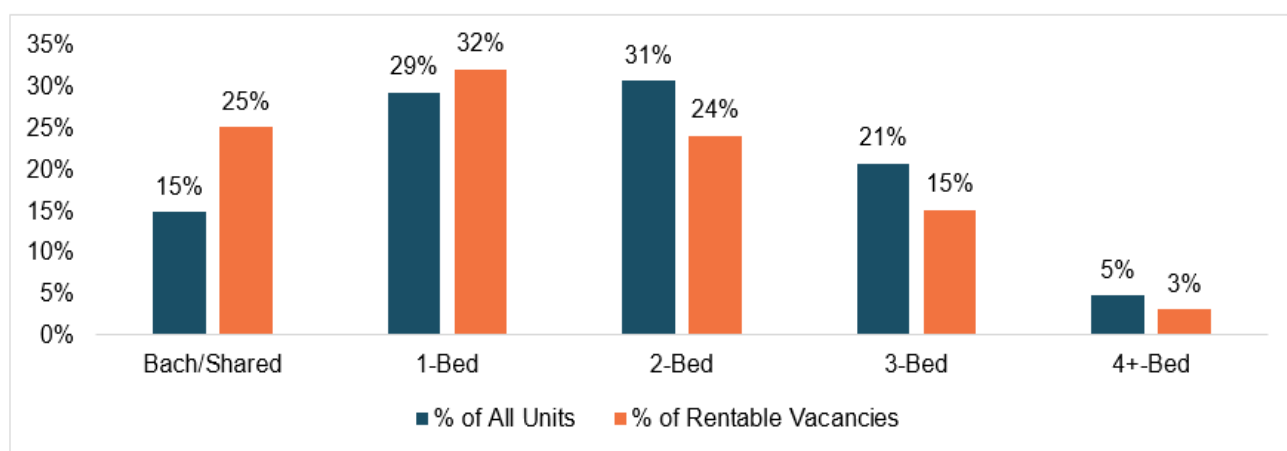
*Table 1: Breakdown of Rentable Vacancies by Unit Type – TCHC Family Portfolio, May 2022*

<b>Bedroom Size</b>	<b># of Units</b>	<b>Vacancy Rate</b>
Bachelor/Shared Room	330	4.99%
1-Bedroom	417	3.21%
2-Bedroom	315	2.35%
3-Bedroom	200	2.29%
4+-Bedroom	39	2.00%
<b>Total</b>	<b>1,301</b>	<b>2.98%</b>

*Table 2: Breakdown of Rentable Vacancies by Region – TCHC Family Portfolio, May 2022*

Region	# of Units	Vacancy Rate	% of Bach/1 Bed Units in Region
Central	442	3.12%	51%
East	473	3.32%	41%
West	386	2.62%	36%
<b>Total</b>	<b>1,301</b>	<b>2.98%</b>	<b>N/A</b>

*Figure 1: Unit Types for TCHC's Family Portfolio, May 2022*



Bachelor/Shared units represent 25% of rentable vacancies but only 15% of our unit stock. These units have disproportionately more vacancies, based on the portion of the TCHC portfolio that they represent.

*Table 3: Breakdown of Rentable Vacant Units by Status Category, May 2022*

Status Category	# of Units	% of Units
Maintenance Required	603	46%
Available for Rent, On Offer or Pending Move-In	698	54%
<b>Total</b>	<b>1,301</b>	<b>100%</b>

*Table 4: Breakdown of Rentable Vacant Units by Duration, May 2022*

<b>Vacancy Duration</b>	<b>% of Units Vacant</b>
Less than 1 month	9%
1-3 months	23%
3-6 months	29%
6+ months	39%
<b>Grand Total</b>	<b>100%</b>

Note: Unit vacancy duration can only be calculated based on the entire period that a unit has been unoccupied, regardless of whether the unit was non-rentable for a certain time before becoming available for rent. Thus, this data does not indicate the total number of days a unit has been available for rent but the total number of days since it was last occupied. When units are taken out of the rentable stock for months for significant capital repairs, this timeframe is factored into the calculation of vacancy duration.

## **Factors Contributing to the Vacancy Rate Increase**

### **1. Business Transformation**

In June 2021, TCHC replaced its legacy housing management system with HoMES. In January 2022, the process by which TCHC offers vacant units to applicants on the City of Toronto's centralized waiting list for subsidized housing changed significantly, in order to improve the offer process. While these transformational initiatives will improve TCHC's ability to quickly house tenants over the long-term, there have been some initial start-up activities and system integration challenges that are negatively impacting staff's ability to fill vacancies as quickly as in the past.

The Choice-based Housing Access System (Rent Café) was piloted in late 2021 and fully launched in January 2022 and is the new process and system through which households can apply for and obtain rent-geared-to-income (RGI) housing in Toronto. In a series of continuous, two-week cycles throughout the year, TCHC and other housing providers upload listings of current vacancies, including critical information, such as building and unit amenities, unit photos, floorplans, maps, and accessibility features. Applicants then express interest in units and, at the end of the applicable cycle, offers are made based on the applicant's ranking on the waitlist and any other priority status that applies.

Data for Q1 2022 demonstrates that the new process is reducing the time required to fill vacancies. Housing providers are able to reach confirmed interested applicants faster which is resulting in far fewer applicants refusing an offer for housing than in the previous model. One-time start-up activities that

include collecting unit and building details, photographing and preparing floorplans for TCHC's units and transmitting these to the Choice-based-system are time-consuming, and contribute to delays in vacant units being made available to rent. In Q2 2022, the number of vacant units participating in the Choice-based system increased steadily, and has continued to grow in July 2022.

TCHC began working with a vendor in 2021 to collect this information. Additional vendors are now in the process of being procured to increase the speed with which photos are being delivered to the City of Toronto. In addition, the City of Toronto is working to streamline the process through which TCHC submits photos and data into the system to speed up the process.

TCHC, the City and their technology partners are working together to integrate the HoMES and Rent Café systems by Q3 2022 so that manual processes are eliminated. The planned integration will improve efficiency by enabling the systems to automatically communicate vacancy data to each other. TCHC staff are now manually updating vacancy information from HoMES into Rent Café, and vice versa, which is lengthening time required to fill vacancies.

## **2. Supply Chain Challenges**

In early January 2022, TCHC staff were engaged by a number of contractors who support the unit turnover process. Those vendors raised major challenges related to rising costs and supply chain issues. Each vendor cited significant impacts related to ongoing supply chain issues related to worldwide COVID-19 infection rates and public health measures. Compounding impacts associated with inflation, overseas freight costs, labour market shortages and the flooding of the lower mainland of British Columbia in late 2021 have further impacted the ability of those vendors to perform contract work based on the negotiated pricing. These issues negatively impacted the ability of vendors to meet the obligations agreed to in their contracts with TCHC, as they were experiencing unsustainable loss on each work order.

This has resulted in delays in TCHC meeting its targeted service levels for turning over vacant units, further adding to the length of time units remained vacant. At the June 28, 2022 Board meeting, a 30 percent increase in vendor prices was approved effective July 1, 2022 which will enable these vendors to accept more work orders from TCHC without incurring a loss going forward.

### **TCHC Short Term Vacancy Action Plan**

TCHC is working closely with the Service Manager to conduct a thorough analysis on challenges with filling vacancies and may identify additional issues to be addressed over the next year, including developing alternative strategies to address bachelor unit vacancies.

Targets for on-going and sustained vacancy reduction targets are being developed and will be supported through the following immediate actions, which are already in progress:

- 1) Conducting inspections on units requiring maintenance that have been long vacant to confirm and action outstanding turnover needs;
- 2) Conducting an exhaustive review of vacancy data in HoMES to address errors in the vacancy data;
- 3) Securing additional vendors to provide all outstanding photos and floorplans for the Choice-base model;
- 4) Streamlining the process to transmit all unit data, photos and floor plans to Rent Café; and
- 5) Ensuring that staff are making offers to applicants within two business days of the end of a choice-based cycle to reduce delays.

Refer to Attachment 1 for additional milestones and actions along with timelines.

### **Seniors Portfolio Vacancy Rate at Transfer**

In May 2018, TCHC created the Seniors Housing Unit with a separate management structure that reported directly to the CEO until the unit transferred to the Toronto Seniors Housing Corporation in June 2022. As a result, TCHC Operations staff did not have oversight of the vacancy administration in the Seniors Portfolio, which increased to 5.12% in May 2022 (up from 2.78% in May 2021). However, the business transformation and supply chain challenges impacting Operations would have also affected TSHC and the Seniors Housing Unit. Both TCHC and TSHC are working closely with the City on addressing the high vacancy rate. The information in this portion of the Report reflects the advice of TSHC management.

In addition to the Business Transformation and the Supply Chain challenges TCHC noted, some additional factors contributing to the vacancy rate within the Seniors Housing Unit included:

**1. *Final Integrated Service Model Implementation***

In March and April of 2022, the Seniors Housing Unit launched more than half of its portfolio (2 of 4 regions) in the final phase of the Integrated Service Model. This resulted in the onboarding and training of newly hired administrative staff and tenancy management and support staff. Although this reorganization has already improved service delivery to our senior tenants, it did have a short-term negative operational impact due to the new hires learning both the replacement housing system HoMES and the City's new Choice-based Housing Access System (Rent Café). Since this time, staff training and familiarity with the systems has increased and this will continue to be an ongoing effort.

**2. *Transition of Contract Managed Buildings***

In Q1/Q2 2022, the Seniors Housing Unit transitioned 993 units in three seniors-designated buildings from Del Management. The three previously contract-managed buildings had a vacancy rate of 5.44%, immediately contributing to the vacancy rate increase. After the transfer of the three buildings, the vacant units went through the unit turn over process. The need to collect unit data required to add units into Rent Café's choice-based cycles, i.e. amenities, unit photos and floorplans, resulted in further delays in loading those vacant units. This has since been addressed.

**TSHC Vacancy Action Plan**

In a joint effort of TSHC, the Service Manager and TCHC, an active evaluation on the challenges affecting its vacancies is in progress with several actions to improve performance in progress.

**Key Action Items:**

- Accelerate processes to ensure units are uploaded into the City's Rent Café system and once units are bid on to accelerate offers to prospective tenants in an expedited manner. Significant efforts to achieve improvements in June and July 2022 have already been achieved that will result in reduced vacancies in subsequent months. Two key actions include:

- Continue to simplify the process to update image information for sibling data in Rent Café and to support batch image uploads. → In Progress – August Completion
- Conduct batch uploads of all units into Rent Café for both occupied and vacant units → In Progress – October Completion
- Reintroduction of the Rent Waiver Process, so applicants that require 60 days' notice, can be housed 30 days sooner → Completed
- Complete recruitment of Business Operations Team Members to support the vacancy reduction effort. → In progress – August Completion. In the interim, TSHC has temporarily re-allocated resources from our regional teams to support this effort centrally with the Business Operations team.
- Create a Workflow/ Standard Operating Procedure for the Rental Process from Move-Out to Occupancy. Since the roll out of the new system, and the implementation of the Choice-Based Model, there has not been an update to the progress guide to support staff. → In Progress – July Completion
- Continue efforts to improve the unit turn-around time once vacated to occupied which is currently up to 4 months. Obtain a 25% reduction in the re-occupancy time through various process improvement initiatives.

TSHC management advise that it is targeting a vacancy rate of 2.8% by year-end 2022. This will require a 0.35% reduction per month, meaning that in addition to filling the routine vacancy move outs (i.e. approximately 70 per month) it will rent an average of an additional 50 units.

*Table 5: Breakdown of Rentable Vacancies by Unit Type – TSHC Seniors Portfolio, May 2022*

<b>Bedroom Size</b>	<b># of Units</b>
Bachelor/Shared Room	478
1-Bedroom	235
2-Bedroom	2
<b>Total</b>	<b>715</b>



*Table 6: Breakdown of Rentable Vacant Units by Status Category, -TSHC Seniors Portfolio May 2022*

<b>Status Category</b>	<b># of Units</b>	<b>% of Units</b>
Maintenance Required	296	41%
Available for Rent, On Offer or Pending Move-In	419	59%
<b>Total</b>	<b>715</b>	<b>100%</b>

**SIGNATURE:**

*“Nadia Gouveia”*

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Nadia Gouveia  
Chief Operating Officer (Acting)

**ATTACHMENT:**

1. TCHC Short Term Vacancy Action Plan
2. Vacancy Data by Region and Development

**STAFF CONTACT:**

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