



Authority to Transfer Funds re Scattered Houses

Item 6

September 29, 2022

Board of Directors

Report: TCHC:2022-67

To: Board of Directors (the "Board")

From: General Counsel and Corporate Secretary

Date: September 22, 2022

PURPOSE:

The purpose of this report is to obtain the approval of the Board to execute an Amendment to the Agreements of Purchase and Sale with Circle Community Land Trust and with Neighbourhood Land Trust through which TCHC will transfer funds in the form of a credit to each of them in recognition of the backlog of capital repairs required to the Scattered Houses that are the subject of the Agreement of Purchase and Sale.

RECOMMENDATIONS:

It is recommended that the Board authorize the President and CEO, or his delegate to execute an Amending Agreement with each of Circle Community Land Trust and with Neighbourhood Land Trust through which:

1. Toronto Community Housing Corporation agrees to provide a credit of \$5.03M over fiscal years 2022 and 2023 from its operating budget to Circle Community Land Trust, in connection with the transfer of the Single Family Homes that are the subject of the Agreement of Purchase and Sale between the parties;
2. Toronto Community Housing Corporation agrees to provide Neighbourhood Land Trust with a credit in the amount of \$0.5M

- against the purchase price for the Single Family Homes that are the subject of the Agreement of Purchase and Sale between the parties, during fiscal year 2022;
3. Toronto Community Housing Corporation agrees to provide a credit of \$1.5M over fiscal years 2022 and 2023 from its operating budget to Circle Community Land Trust, in connection with the transfer of the Uninhabitable Homes that are the subject of the Agreement of Purchase and Sale between the parties; and
 4. Toronto Community Housing Corporation agrees to provide a credit of \$0.5M from its operating budget to Neighbourhood Land Trust, in connection with the transfer of the Uninhabitable Homes that are the subject of the Agreement of Purchase and Sale between the parties, during fiscal year 2022.

REASONS FOR RECOMMENDATIONS:

On January 31 and February 1, 2018, City Council directed TCHC's Board to instruct its Chief Executive Officer to work with the Deputy City Manager, Community and Social Services, to jointly issue a Request for Proposals in 2018 to transfer TCHC's single family homes portfolio.

In accordance with Council's direction an RFP was issued on October 31, 2019 to initiate the transfer of TCHC's scattered portfolio of houses to non-profit housing providers, co-ops and community land trusts covering 623 TCHC-owned houses, representing 730 units.

At its meeting of June 17, 2022, BIFAC was advised that notwithstanding the "as is/where is" nature upon which the properties were offered for sale, the City has required TCHC to recognize the backlog of capital repairs that are required to twenty houses within the portfolio in the course of this transfer. The ongoing discussions between TCHC and the City have been very collaborative on this issue, and it is more accurate to state that the Deputy City Manager and TCHC's President and CEO have agreed, in principle, that TCHC should recognize the capital needs of the properties in the context of this transfer.

Capital Associated with the 'Single Family Homes'

In anticipation of the City's issuance of its RFP, TCHC had conducted reviews of the 642 properties that were planned for listing in the RFP. Through that review process, TCHC identified 20 properties -- which included a total of 21 units -- out of the 642 that had become vacant and required

capital repairs such that the cost of those repairs would in exceed \$250,000 per property, in order to bring them to a habitable, rentable state. When the RFP was issued in 2019, it represented that these houses were occupied and habitable. However, between that date and the date upon which the properties were to transfer, their condition changed requiring an additional capital contribution in order to bring them into a habitable condition. As part of the 10-year capital plan and associated funding agreements with the City and CMHC, TCHC bears responsibility for the required repairs during that time period.

Through the discussions between TCHC and the City, TCHC committed, in principle, to transfer \$5 million towards the costs of these capital repairs to the City of Toronto to be disbursed to Circle Community Land Trust, based on the distribution of the properties and capital needs of the properties that would be transferred to that purchasers. As part of the transfer of Single Family Homes to Neighbourhood Land Trust, TCHC provided a credit in the amount of \$0.5M against the purchase price in recognition of capital costs that it would incur in order to bring the transferred houses to a habitable condition. This amount was credited to Neighbourhood Land Trust as part of the April transfer of Scattered Homes.

Capital associated with the 'Uninhabitable Houses'

In addition to the scattered houses, respondents to the City's RFP were not required, but were permitted, to secure, through that process, seven additional properties that were, at the time that it was issued, identified as uninhabitable. The City and TCHC have agreed, in principle, that TCHC will contribute a further \$1.5M to Circle Community Land Trust and \$0.5M to Neighbourhood Land Trust to support the capital needs of these seven properties.

Methodology for Transfer of Funds

At that same June 17 meeting referenced above, BIFAC was advised that the amount that TCHC was required to contribute to each of Circle Community Land Trust and Neighbourhood Land Trust would be directed to each of them, by the City, and deducted from the City's annual capital contribution to TCHC. The City has subsequently advised that doing so would contravene the terms of the Co-Investment Funding Agreement between the City, TCHC and CMHC as would transferring the funds from TCHC's capital budget to the Land Trusts as the properties will, through the transfers, be owned by the two Land Trusts.

Through the agreements that are recommended in this report, TCHC will recognize the amounts recommended as either a credit against the purchase price agreed to between the parties or, in the event that the purchase price has been paid for the subject properties as a refund of that amount.

Table 1 – Allocation of Credits to CCLT and NLT

Category	Purchaser	Number of Properties	Amount of Credit against Purchase Price
Single Family Homes	CCLT	19	\$5.03M
Single Family Homes	NLT	1	\$0.5M
Uninhabitable Homes	CCLT	5	\$1.5M
Uninhabitable Homes	NLT	2	\$0.5M

The cash flow impact of the application of these credits against the purchase prices that were agreed to by the parties is set out in the Confidential Attachment to this Report.

RISKS AND IMPLICATIONS

It is important to note that the City has given TCHC written assurance that these funds will discharge all of TCHC's obligations with respect to the capital for all the transferred homes and that there will be no additional requests for funds for this purpose for these homes.

TCHC had not included the expected revenue for these transactions in its annual budget, and as such, there will be no material impact on TCHC's budget or cash flow as a result of the actions outlined in the recommendations in this report.

SIGNATURE:

"Darragh Meagher"

Darragh Meagher
General Counsel and Corporate Secretary

ATTACHMENT:

Confidential Cash Flow Impact of Allocation of Credits
Attachment 1:

**Reason for
Confidential
Attachment:**

Matters that are not required to be disclosed under the *Municipal Freedom of Information and Protection of Privacy Act*, including but not limited to a proposed or pending transaction with a third party, and a proposed or pending acquisition or disposition of land by the Corporation.

STAFF CONTACT:

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