



STAFF REPORT ACTION REQUIRED

Transforming Social Housing: Renewing the Partnership with the City's Social Housing Providers

Date:	June 9, 2015
To:	Community Development and Recreation Committee
From:	General Manager, Shelter, Support and Housing Administration
Wards:	All
Reference Number:	

SUMMARY

For many decades social housing in Toronto has provided affordable housing to hundreds of thousands of families, couples and single people and contributed to creating vibrant mixed income neighbourhoods. In the absence of this legacy our city would not be what it is today. This report outlines the need for all governments to work together to maintain this legacy and recommends measures to transform the social housing system well into the future.

The social housing system is currently at risk due to a range of pressures that have intensified over the past decade. The challenges facing the social housing system include the declining federal and provincial funding and transfer of funding responsibility to the City of Toronto; increasing demand and complexity of client need; aging buildings with large capital repair backlogs; potential loss of public investment and stock through expiry of operating agreements; and challenges to providers' capacity to deliver quality housing and services. In addition, the current provincial regulatory framework hinders innovation and limits the City's ability to address poor performance or reward excellence.

Many of these challenges to the ongoing sustainability and quality of social housing were identified in a 2007 report to City Council, entitled "Tied in Knots: Unlocking the Potential of Social Housing Communities in Toronto". The report's recommendations included a three-part strategy of requests to the federal and provincial governments to address these capacity, funding and regulatory issues. Since then, the Province has made some regulatory changes to provide more flexibility in some aspects of social housing administration, but the majority of these issues have not been addressed, and the situation has worsened.

The system is now at a pivotal moment. Unless these pressures are finally addressed, the City will see the erosion of its social housing system, limiting the City's ability to meet the needs of low income households or to ensure quality housing and services even as the municipal funding share increases.

To maintain social housing in Toronto the City requires the federal and provincial governments to meet their funding and regulatory responsibilities. In this regard the federal government must re-invest the savings from the expiry of operating agreements back into social housing, while the provincial government must look to re-assume responsibility for a share of the cost of social housing.

At the same time the city is looking to move forward in an effort to maintain and transform elements of the City's social housing system. The overall goal of this effort is to ensure that social housing continues to be well-governed, well-managed and sustainable, with the capacity to meet residents' housing stability needs and to preserve, improve and, where possible, create affordable housing options.

This report sets out directions which will transform the City's social housing system to ensure that it is sustainable over the long term and that it better contributes to the City's housing stability and affordability goals, outlined in the *Housing Opportunities Toronto Affordable Housing Action Plan 2010-2020* and the *2014-2019 Housing Stability Service Planning Framework*. These directions include initiatives to develop quality standards and performance measures for housing providers; new partnerships with providers whose operating agreements are expiring; and a capital repair financing strategy for non-profit and co-operative housing providers.

The report also provides Council with an overview of the legislative and other changes required from the Province to support system transformation.

The initiatives in this report complement and build upon efforts that are already under way to address the capital needs of the Toronto Community Housing Corporation (TCHC) and to set a new direction for the TCHC as the City's largest social housing provider. They are also consistent with and support the City's current "Close the Housing Gap" public education campaign.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. City Council request the General Manager of Shelter, Support and Housing Administration to thank the boards and volunteers of the more than 240 non-profit and co-operative housing providers for their commitment to affordable housing and their contributions to housing stability for City residents;
2. City Council request the General Manager, Shelter, Support and Housing Administration (SSHA), to report to Council in Q3 2016 on the proposed quality

- standards and performance measures for social housing developed in consultation with stakeholders;
3. City Council request the General Manager, Shelter, Support and Housing Administration (SSHA), to report to Council in Q1 2016 on a new partnership framework for housing providers whose operating agreements are expiring, including incentives for them to continue and expand their role in providing affordable housing;
 4. City Council request the General Manager, Shelter, Support and Housing Administration (SSHA), to report to Council in Q1 2016 on the final recommendations for the capital repair financing strategy to support capital renewal of non-profit and co-op housing in Toronto;
 5. City Council request the Province to support the long-term sustainability of social housing by:
 - a. reassuming funding responsibilities for social housing and developing new financing vehicles for capital repairs and renewal;
 - b. modernizing affordability assistance by eliminating Service Level Standards based on rent-geared-to-income (RGI), simplifying RGI rules and providing greater flexibility to use a range of affordability options to meet local needs;
 - c. giving Service Managers more flexibility to re-purpose social housing assets to respond to evolving housing needs and sustain social housing over the long term; and
 - d. taking steps to protect public investment in social housing through a new regulatory framework to enable and encourage housing providers to continue as affordable housing after operating agreements expire and to prevent sale of assets to for-profit enterprises; and
 6. City Council request the federal government to continue funding social housing at existing levels to preserve affordability for non-profit and federal co-operative housing providers with expiring operating agreements, and provide new, long-term funding for social housing capital repairs.

Financial Impact

There are no financial implications arising in 2015 as a result of this report.

Medium and long-term actions that impact service delivery in 2016 and beyond will be referred back for consideration as part of future year budget processes.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Impact

Social housing contributes significantly to the availability of affordable housing options and is vital to the City's efforts to address poverty. Social housing serves a range of equity seeking groups including people experiencing homelessness, people living in poverty including the working poor and people receiving social assistance, youth, seniors, Aboriginal people, people with disabilities and other vulnerable groups. This report outlines regulatory changes and strategic directions and actions to improve the planning, management and delivery of housing and housing services for these vulnerable residents.

DECISION HISTORY

At its meeting of December 11, 12 and 13, 2007, City Council approved the report "Tied in Knots: Unlocking the Potential of Social Housing Communities" which identified challenges to the long-term viability of social housing communities and outlined a three-part strategy of requests to the federal and provincial governments, to upload social housing costs, grant greater local decision-making ability, and provide strategies and tools to increase housing provider capacity.

<http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backgroundfile-8980.pdf>

The *Housing Opportunities Toronto Affordable Housing Action Plan 2010-2020* (HOT) was adopted by City Council at its meeting of August 5 and 6, 2009. The HOT plan introduced the Toronto Housing Charter which includes a policy statement about all residents having access to a safe, secure, affordable, well-maintained, and affordable home, and requests that the provincial government implement a fully funded long-term affordable housing plan consistent with the City's 10 year Action Plan.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

City Council adopted the report "Overview of Ontario's New Long-Term Affordable Housing Strategy and *Housing Services Act*: Implications for the City of Toronto" at its meeting of July 12, 13 and 14, 2011, which provided an overview of the policy and program implications of the Province's new *Housing Services Act, 2011*.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.CD5.5>

The *2014-2019 Housing Stability Service Planning Framework* was unanimously adopted by City Council at its meeting of December 16, 17 and 18, 2013. The framework outlines the strategic directions and actions required to transform the City's housing stability service system into an integrated, person-centered, outcome-focused system that enable residents to achieve housing stability and improve their well-being. It included actions to:

- protect and leverage public investments in social housing by:
 - developing a strategic framework for continued operation of social housing projects whose operating agreements are expiring;
 - developing a social housing asset management and capital renewal program that supports non-profit and co-operative housing providers; and
 - supporting the City's advocacy with other orders of government to create a sustainable funding program for the social housing portfolio; and
- create housing opportunities by:
 - reviewing the service-level standards and rules governing the administration of rent-geared-to-income housing and developing recommendations for a standard that is inclusive of a range of City-administered housing options.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.CD25.10>

At its meeting of July 8, 9, 10 and 11, 2014, City Council adopted the Auditor-General's report "Strengthening the City's Oversight of Social Housing Programs" which included recommendations to assess training needs for housing provider staff who administer rent-geared-to-income assistance and develop appropriate strategies to meet the needs of staff who perform and oversee eligibility reviews.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.AU16.19>

At its meeting of April 27, the Affordable Housing Committee adopted the report "City of Toronto's Submission to Ontario's Long-Term Affordable Housing Strategy Update Consultation" which requested the Affordable Housing Office and SSHA to coordinate the City's submission to the Province for their consultation on the update of the Long-Term Affordable Housing Strategy.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AH2.5>

ISSUE BACKGROUND

Overview of Toronto's Social Housing System

Under the *Housing Services Act, 2011* (HSA), the City as Service Manager is responsible for administering and funding a social housing system providing over 95,000 units of social housing including approximately 70,000 rent-geared-to-income (RGI) units to Toronto households.

The system includes both Toronto Community Housing (TCHC) and over 240 community-based non-profit and co-operative housing providers. The City is the owner (sole shareholder) of TCHC, which owns and manages over 58,000 social housing units. The City has a legislated funding and oversight relationship with the non-profit and co-

operative housing providers, which provide over 30,000 units in projects of varying sizes. These projects were developed by community-based organizations with government funding and represent significant public investment over the years.

The social housing supply is an essential component of the housing stability system, contributing to the City's purpose-built rental housing stock, and providing both lower end of market units and subsidized units. As such, it is also a critical component of the City's ability to mitigate or prevent poverty.

As Service Manager the City has three main tools available to provide financial assistance to low income households to make housing more affordable:

1. RGI assistance is offered in social housing including TCHC and non-profit and co-op housing units. Households receiving an RGI subsidy pay rent equivalent to thirty percent of their gross income or according to legislated rent scales if receiving Ontario Works (OW) or Ontario Disability Support Program (ODSP) benefits.
2. Rent Supplements provide RGI subsidies to tenants living in market units in the private market or community-based housing. These supplements are provided through an agreement with the landlord or housing provider and are tied to the unit.
3. Housing Allowances, offered through the Toronto Transitional Housing Allowance Program and Housing Stability Allowance program, provide a flat rate allowance of \$250 or \$400 per month to households depending on the eligibility stream. Allowances are tied to the household rather than the landlord or unit and are portable.

Factors Forcing Change in the Social Housing System

The social housing system faces a number of challenges to its ongoing sustainability and effectiveness. These issues are not new: many of them were outlined in the report "Tied in Knots: Unlocking the Potential of Social Housing Communities", adopted by City Council in 2007, and have been documented more recently by groups such as the Federation of Canadian Municipalities, Co-operative Housing Federation of Canada, Housing Services Corporation, and the Ontario Non Profit Housing Association.

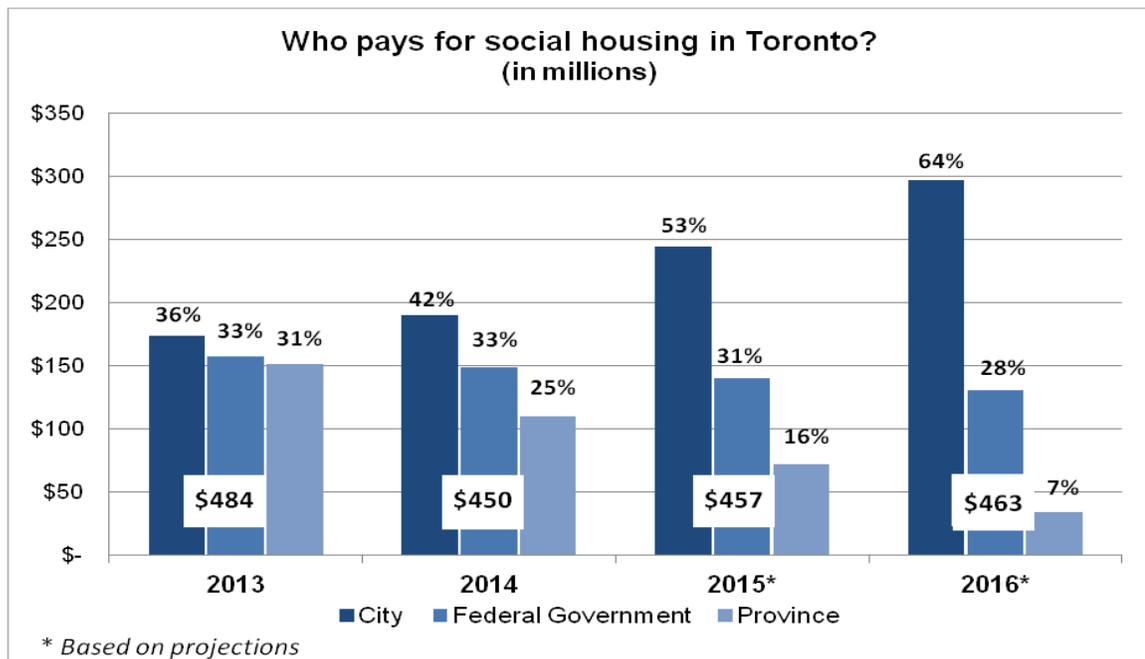
Key pressures include:

- ***System cannot meet growing demand:*** The demand for affordable housing in Toronto is expanding as the cost of housing rises and income inequality grows. The number of households on the centralized waiting list continues to increase with only a small percentage housed from the waiting list each year. At the end of 2014 there were over 91,000 households on the centralized waiting list for social

housing, representing over 167,600 people, while only 3,118 or 3% of households were housed during the year.

- ***Complexity of need among social housing applicants and residents is increasing:*** The complexity of need is increasing due to factors including the aging population, mental health and addictions, and the negative effects of living in poverty. Housing providers are often expected to support residents to maintain successful tenancies, and in fact have a duty to accommodate under the *Ontario Human Rights Code*. But most providers are not funded to provide supports and lack the resources, skills and connections with other service agencies to do so.
- ***Capacity and scale challenges among housing providers:*** Housing providers require a range of specialized skills and knowledge to plan for and manage their social housing operations, renew their buildings, and meet their legislative obligations. Providers are facing the loss of leadership capacity and sector knowledge and skills due to aging and retirement at a time when those skills are critical. These capacity challenges are exacerbated by the small size of most providers. Without adequate capacity, including knowledgeable Boards, skilled staff, and robust IT and other systems, housing providers will not be sustainable over the long term.
- ***Aging stock threatens current and future supply:*** The City's social housing stock ranges from 20 to over 60 years old with an average age of 40 years. These buildings will require extensive and ongoing capital repairs as they age. TCHC's capital repair backlog alone was assessed as \$862 million as of December 31, 2012, with \$2.6 billion in funding required from 2013 to 2022 to address new capital requirements and maintain the portfolio in a 'fair' state of repair. Other housing providers also require capital repairs to their stock. However, Building Condition Audits for the non-TCHC portion of the portfolio make it clear that current reserves are grossly inadequate to fund the capital requirements of these buildings over the next thirty years.
- ***Loss of affordable stock through expiry of operating agreements (EOA):*** Operating agreements for social housing developed under former federal programs are beginning to expire. Over 16,500 units of social housing including 9,300 units in non-profits under City administration and 7,200 units in federal co-operatives are at risk in Toronto through expiry of operating agreements. Once the operating agreements expire, housing providers will own their projects outright and will no longer be considered social housing or subject to program rules or requirements. Some housing providers will face challenges to maintaining affordability while others will have capacity to expand their operations based on new-found equity and flexibility post-expiry. This capacity may be used to help meet the City's housing stability goals, but the City will need to take action to develop new partnerships with these providers.

- Withdrawal of funding by federal and provincial governments:** Social housing in Toronto is funded by the City and the federal and provincial governments. The City provides the majority of the funding for the social housing system, contributing 53% in 2015. The City's share is gradually increasing as the Province and the federal government withdraw funding for social housing. In 2016, the City's share will climb to 64%, while the Province's share will decrease to just 7%. The federal share will decrease to \$0 by 2033. Declining provincial and federal funding places significant pressure on the City's operating budget and cannot be absorbed by SSHA. Funding for social housing will have to be found from increased property taxes and/or securing new funding commitments from the federal and provincial governments. Alternatively reductions will need to be made to the Service Level Standards, which is not presently permitted under the HSA.



- Provincial regulatory environment stifles innovation:** Social housing projects formerly administered by the federal and provincial governments were devolved by the Province to Service Managers including the City in 2001 and 2002. The accompanying legislation, the *Social Housing Reform Act (SHRA)*, imposed a prescriptive regulatory regime on Service Managers, strictly limiting local ability to make any changes to the existing legacy programs or the local social housing portfolio. The Province introduced limited flexibility for Service Managers in some aspects of social housing administration when it released its Long Term Affordable Housing Strategy (LTAHS) in 2010 and replaced the SHRA with the HSA. However, despite sector advocacy for broader changes to modernize the social housing system, and despite the Province's diminished funding contribution, the LTAHS and HSA did not give Service Managers the full

flexibility to decide how and where to provide assistance to best meet people's needs.

Changing Local Environment

Since the download of social housing to the City and Council's adoption of the "Tied in Knots Report" in 2007, the City's policy and operating context has continued to evolve. In 2009, Council adopted the HOT Plan and in 2013 Council adopted the *2014-2019 Housing Stability Service Planning Framework*. The Service Plan articulates a clear vision for a client-centered, outcomes-focused housing stability service system. As reflected in the HOT and Service Plans, through its Service Manager function, the City's role has been changing from an administrator of legacy programs created by other levels of government to the leader of a mature and responsive service system.

Recognizing that significant public investments have been made to social housing over the past 40 years, the Service Plan includes a number of key actions focused on protecting and leveraging those investments and assets to foster effective system stewardship and innovation.

Additionally, the City has taken advantage of some of the increased flexibility provided through the HSA. Currently, Service Managers have greater discretion in the administration of the waiting list for social housing. Council recently approved measures that will transform the waiting list into an integrated system of access to a range of housing options.

However, in order to move ahead with the transformation process, the City will need some regulatory and other changes from the Province. The Province has launched a public consultation process as part of its five-year review of the Long Term Affordable Housing Strategy. The Province is seeking feedback from Ontarians on the following themes:

- Sustainable supply of affordable housing;
- Fair system of housing assistance;
- Co-ordinated accessible support services; and
- System based on evidence and best practices.

The General Manager, SSHA, and the Director, Affordable Housing Office, are coordinating the compilation of the City's submission. The Province has signalled a willingness to consider changes to the LTAHS and the HSA, and the review provides an opportunity to advocate with the Province to finish the changes that LTAHS started, to establish a mature, flexible arrangement with Service Managers including a new regulatory framework based on housing stability outcomes rather than prescribed programs.

However, given the identified pressures on the system, the City must continue with its system transformation, to ensure sustainability and better meet housing stability goals.

COMMENTS

A Vision for Transformation

The City is working to transform and modernize the social housing system to make social housing a more effective and better integrated part of the range of affordable housing options that are available to Toronto residents. The goal is to develop a system that focuses on achieving positive housing stability outcomes for residents, consistent with Toronto's Housing Charter, by providing residents with a place to live that is affordable, safe, secure, healthy, comfortable, and located in a neighbourhood of choice as well as being able to access and keep housing as one's needs change over time.

In order to achieve this vision, social housing must be part of a system that:

- offers a range of housing types and affordability options to meet the diverse and changing needs of households, including enabling change for those who have the opportunity to transition to other forms of housing;
- supports and requires non-profit and co-operative providers to deliver quality housing and quality customer service;
- promotes engagement with residents and communities;
- supports successful tenancies and eviction prevention;
- fosters integration and partnerships with other services and sectors to support successful tenancies and transitions as appropriate;
- protects and invests in assets over the long term to meet current and future need; and
- encourages ongoing improvement and innovation by housing providers and enables service collaborations and increased scale.

This new system will require changes at the service system management level as well as within housing providers. It requires renewing the City's relationship with existing housing providers and developing a new partnership with providers whose operating agreements are expiring.

The City, in consultation with stakeholders, is developing a new regulatory and capacity-building approach to support TCHC, non-profit and co-operative providers to achieve good outcomes, ensure accountability, and fulfill responsibility to residents. This approach will clarify expectations and place greater focus on outcomes. It will provide tools to identify and incentivize providers that achieve these outcomes, and assess and remedy those providers that do not.

The goal is to ensure the City's social housing is well-governed, well-managed, and sustainable, with the capacity to meet residents' housing stability needs and to preserve, improve and, where possible, create affordable housing options.

SSHA has identified four key initiatives to further support the transformation vision, which have been earmarked as priorities for 2015-2016:

1. Raising the Bar: Improving the Quality of Social Housing
2. New Partnership Model to Address Expiry of Operating Agreements
3. Capital Repair Financing Strategy to Ensure Sustainable, Quality Housing
4. Advocacy with the Provincial Government for Regulatory Change

1. Raising the Bar: Improving the Quality of Social Housing

SSHA has begun an initiative called "Raising the Bar" to develop standards and supports for housing providers to enhance capacity and ensure quality outcomes. The standards and performance measures will help to promote the viability and long-term sustainability of social housing; enhance capacity among providers to deliver high quality services; create confidence for lenders and funders; and improve SSHA's processes for oversight and support.

Housing providers in the City strive to deliver high quality housing and customer service to their tenants and members. However, results are not consistent across all providers, and SSHA's oversight processes have identified issues with providers' capacity to deliver quality housing and housing services and to ensure their long-term sustainability.

The HSA includes broad statements about the responsibility to provide good quality housing and housing services, but does not include a coherent and measurable set of standards. Certain aspects of the legislation including the funding formula impede the pursuit of excellence and result in disincentives for high-performing providers. At the same time, the current regulatory regime does not provide Service Managers with timely and effective remedies to address failing providers.

The social housing sector also lacks the market pressures that drive improvement in the private sector, and lacks the strong regulatory and performance framework that drives quality and improvement in other government-funded sectors such as health and education.

The sector has long recognized the flaws in the regulatory approach to social housing. The Raising the Bar initiative aims to address these barriers to improving quality and will:

- set a compelling vision for social housing in Toronto that focuses on achieving measurable outcomes for residents through service quality, financial stability, and asset preservation;

- establish service and operational expectations of housing providers;
- state clearly what residents can expect of social housing;
- measure performance and hold all parties in the social housing system to account; and
- identify processes and resources required for successful implementation.

The approach is similar to that undertaken in other jurisdictions, including the United Kingdom, the Netherlands, Australia, New Zealand, and, closer to home, Waterloo Region and the City of Ottawa.

The goal of the initiative is to improve service delivery and housing stability outcomes for social housing residents; improve quality and increase capacity and sustainability across the portfolio; and provide better results for tax dollars by recognizing high performers and remediating low performers.

Steps in the Process

This multi-year initiative will require extensive stakeholder engagement and consultation for its successful completion. SSHA has recruited a Housing Provider Advisory Group to advise staff on the project approach, stakeholder engagement, implementation planning and evaluation.

SSHA conducted consultations with staff and the Housing Provider Advisory Group in April and May to develop vision statements or "pillars" for quality social housing and housing services and identify the scope of the standards to be developed within each pillar. Broader engagement with housing providers and other sector stakeholders will take place in September 2015 to confirm these vision statements.

The standards for each pillar will be developed using Working Groups comprising SSHA staff, housing provider representatives, and other sector experts. The Working Groups will meet in the Fall/Winter 2015-2016 to develop recommendations for standards and performance measures. These recommendations will be presented to housing providers and sector stakeholders for feedback in June 2016.

At the same time, SSHA will draw on the Housing Provider Advisory Group and consult with housing providers to develop implementation plans for the standards and performance measures. The Raising the Bar initiative will enable the City to clarify its regulatory approach to social housing, including supports and remedies for housing providers, and develop new processes and resources for implementation. The implementation plan will identify the resources required in terms of IT systems, staffing, and assistance for providers.

Staff will report to City Council in Q3 2016 on the proposed quality standards and performance measures for social housing with a view to commencing implementation by Q1 2017.

2. **New Partnership Model to Address Expiry of Operating Agreements**

Work is under way to develop a new partnership model with housing providers facing the end of their operating agreement, to mitigate the risks presented by expiry and take advantage of the opportunities.

The City has a vested interest in preserving and expanding the supply of affordable housing to meet the growing need among low and moderate income households. Expiry of operating agreements places the City at risk of losing 9,300 low rent and subsidized non-profit units currently under the City's administration, as well as 7,200 units in federal co-operatives, reducing supply for people in need and potentially resulting in economic displacement for existing residents.

At expiry of operating agreements, providers will own their buildings outright and will no longer be subject to the HSA or program rules. Aside from basic non-profit corporation and *Residential Tenancies Act* requirements, providers' operations and practices, including the provision of subsidies to tenants, will not be regulated.

In the absence of a new partnership, the City risks losing the benefit of a significant public investment as well as the wealth of provider experience and capacity built up over the past 35 years.

An analysis of the 45 non-profit providers under City administration from the former *National Housing Act Section 95* federal program shows that 42 out of the 45 providers will be financially viable at expiry. A review of the state of repair of their buildings shows that 50% of these providers have a projected Facility Condition Index rating of "Good" at EOA and 22% are rated "Fair", with 28% rated "Poor" or "Critical". Most Section 95 providers do not have adequate funds in their capital reserves to meet capital repair needs after expiry: 72% have a projected negative Capital Reserve Fund balance at EOA; a further 17% are negative within 5 years following EOA.

Some of these providers may require assistance after expiry to continue their mission, depending on their capital needs over time and their ability to maintain affordable rents and fund subsidies.

However, expiry of operating agreements also brings new opportunities, as many of these providers will have the equity and flexibility to borrow to preserve their existing affordable housing or, possibly, contribute to the creation of new affordable housing options.

Expiry of operating agreements creates an opportunity for the City to develop a new type of partnership with housing providers that focuses less on government funding and more

on standards and outcomes and mechanisms for the City and providers to bring capacity to the table. This process will also influence recommendations for a new regulatory environment for the broader social housing portfolio to ensure it is sustainable and responsive to resident and community needs.

Steps in the Process

Consultations have been held with housing providers under the City's administration as well as federally administered co-operatives in Toronto that are approaching EOA in order to document associated issues, opportunities and risks. Feedback from these consultations suggests that most housing providers want to continue with their mission to provide housing to low and moderate income households. Many of the housing providers currently under City administration are interested in continuing to have some type of relationship with the City.

Work is under way, in consultation with providers and City Divisions, to develop a new partnership framework that supports providers to meet their long-term goals while helping to achieve the City's housing stability goals. The partnership framework outlines principles, outcomes, and roles and responsibilities. It also sets guidelines under which the City would execute agreements to ensure long term affordability or other benefits.

Staff are also investigating options for a toolbox of supports and incentives to help providers achieve shared goals related to development, capital renewal, tenant supports, governance and management capacity, and continued affordability. These tools could include property tax incentives, financing vehicles, development support and fee waivers, mergers or shared services, affordability assistance including rent supplements and housing allowances, assistance to expand services, and training and skill development.

Staff will report to Council in Q1 2016 on a proposed new partnership framework for housing providers whose operating agreements are expiring, including incentives for them to continue and expand their role in providing affordable housing.

City staff are also holding priority discussions with individual providers who may face immediate challenges in funding capital repairs or providing rent subsidy to low income tenants within the next year. In the case of federally-administered co-operatives, staff are working with the Co-operative Housing Federation of Toronto (CHFT) on emergency, short-term actions that will help bridge to longer term solutions. Such co-operatives are currently administered by the federal government through The Agency for Co-operative Housing and have no funding relationship with the City. It is important that the City and CHFT press the federal government to make a renewed funding commitment to these providers.

3. Capital Repair Financing Strategy to Ensure Sustainable, Quality Housing

Much attention has been focused on the significant capital repair backlog at TCHC. The City and TCHC collaborated to create a \$2.6 billion TCHC Ten-Year Capital Financing Plan, unanimously approved by Council in November 2013. The Plan is built on a federal/provincial/City partnership, with each contributing a one-third share (\$864 million each) of the funding required by TCHC from 2013 - 2022. The City and TCHC continue to advocate with the provincial and federal governments to provide their share of the necessary capital funding.

The capital repair backlog also represents a key pressure faced by the 240 non-profit and co-operative housing providers, in addition to TCHC, for whom the City is Service Manager. As Service Manager (and sole shareholder in the case of TCHC), the City is required to provide funding to housing providers and has contingent liability for the mortgages they hold. In order to ensure sustainability and good quality housing, the City must work with all housing providers under its administration to ensure they meet their capital repair needs.

Work is under way to develop a Capital Repair Financing Strategy for the non-profit and co-operative housing providers. The Strategy will help the City to ensure the existing social housing stock achieves and maintains a state of good repair and is sustainable over the long-term or, where projects have reached the end of their useful life, to plan for replacement. To support the development of the strategy, SSHA has engaged an external consultant to undertake a study to:

- quantify the capital funding requirements for social housing under administration by the City of Toronto excluding Toronto Community Housing;
- determine the borrowing capacity of each housing provider and building based on historic operating results, currently and after mortgage repayment; and
- assess the financing options available to individual housing providers and/or the City.

Various financing options are being explored in collaboration with other partners in the housing sector. For example, Housing Partnership Canada is proposing the development of a Canadian Housing Bank to provide a sustainable, long-term source of funding tailored to the needs of social and affordable housing providers. The proposed bank would be a dedicated lending institution focused on pooling capital requirements through private capital markets, similar to successful social housing lending institutions such as The Housing Financing Corporation in the UK. It would provide the benefits of pooling to providers of all sizes; expert staff to help providers navigate and manage borrowing transactions; and underwriting and loan terms that fairly reflect the creditworthiness of the housing sector. Housing Partnership Canada is currently seeking funding to undertake a feasibility study for the Canadian Housing Bank.

The Capital Repair Financing Strategy will take promising options like the Canadian Housing Bank into account and explore additional options. The study is expected to be completed in Q4 2015 and staff will report to Council in Q1 2016 with recommendations for the capital repair financing strategy to support capital renewal of non-profit and co-op housing in Toronto.

4. Advocacy with the Provincial Government for Regulatory Change

As noted earlier in this report, the legislative framework for social housing still focuses on maintaining old program rules rather than on providing best possible outcomes for residents and supporting delivery of quality housing and effective services. Many of the regulatory barriers catalogued in the 2007 "Tied in Knots" Report are still in force today.

The LTAHS Review offers an opportunity to advocate for the policy and program changes and flexibility required to make the transition to a modern, relevant and responsive program.

The City submission to the LTAHS Review will address the full range of regulatory and other changes related to affordable housing. The following are the major areas of concern related specifically to social housing.

Modernize Affordability Assistance including RGI

There is longstanding support within the social housing sector for changes to the RGI system, including recognizing new models of affordability assistance, simplifying RGI calculation, and introducing automated income verification. The changes required include:

a. Redefining Service Level Standards

Service Level Standards (SLS) were set based on the number of rent-geared-to-income units downloaded to municipalities in 2002 and have been frozen in time. The levels have no relation to current need, and do not recognize the range of housing stability options that have been successfully implemented to meet the diverse needs of tenants in Toronto. In effect, the SLS limit Service Managers' ability to develop and implement innovative and responsive models to address housing stability by tying municipalities to a single, expensive and unsustainable approach.

The City as Service Manager must have greater flexibility to fulfill the Service Level Standards with a range of service options (e.g. housing allowances) that meet residents' diverse housing needs.

b. *A New Rent-Geared-to-Income System and Housing Allowance Framework*

While the current RGI system provides affordability supports, it does not fully support housing stability outcomes for tenants.

RGI subsidies are tied to specific providers or units, so residents have limited choice about where to live and next to no mobility once housed, creating barriers to accessing employment, education, and supports. The system creates disincentives for residents to attempt to increase income or to transition from social housing, particularly in an economic environment of low-wage and precarious employment.

RGI rules are unnecessarily complicated and require extensive documentation, making it challenging for housing providers to administer correctly and difficult for residents to understand and comply. In contrast, many other benefits, including housing allowances, the Ontario Child Benefit and seniors' pensions, use a simplified income-testing process based on the income tax system.

Service Managers in partnership with the Province are moving increasingly towards housing allowances, a simpler and more flexible benefit for low income households. However, there is currently no regulatory framework for housing allowances outside of the Provincial Investment in Affordable Housing (IAH) funding program. Service Managers need a broader regulatory framework for housing allowances to extend certain IAH guidelines (e.g. to allow people on OW or ODSP to receive a housing allowance without a clawback) to all housing allowances.

c. *Expand Automated Income Verification*

Income verification for RGI is currently completed by residents providing paper documents in-person. If residents fail to provide required documents, they may lose their RGI subsidy, placing them at risk of eviction. People who are vulnerable are at particular risk, as they may face additional challenges to providing income verification.

Two investigations into evictions of seniors at Toronto Community Housing identified barriers to providing income verification and the resulting loss of RGI eligibility as key contributors to evictions of seniors for arrears. In her 2013 *Housing at Risk* report, the City of Toronto Ombudsman recommended that TCHC explore system access to Notices of Assessment from the Canada Revenue Agency (CRA), to simplify the income verification process for seniors on fixed incomes.

Automated Income Verification (AIV) entails the development of an automated process that uses CRA data to verify income, simplifying the client experience and reducing unnecessary in-person appointments and paperwork.

The Province of Ontario partnered with the CRA more than five years ago to create an AIV service that is now used by several provincial income-tested programs (e.g. Ontario Child Benefit, Northern Ontario Energy Credit). The City currently participates in two

such programs, using AIV to verify income for housing allowance recipients and social assistance clients. The Province has recently committed to continue the AIV service for housing allowances until 2020.

The expansion of AIV to other benefit programs including RGI and child care fee subsidy is a critical component of human services integration, and is best achieved through a partnership with the Province.

Flexibility to Transfer Assets and Subsidies

While the Province relaxed some of its consent requirements when it replaced the SHRA with the HSA, the current consent regime and restrictions in legislation make it difficult to manage the supply of social housing in a way that is responsive to people's evolving housing needs and is sustainable in the long term. These restrictions focus on preserving the supply that existed at devolution; however, as these buildings age and reach the end of their useful life, the City must be able to plan for and implement replacement.

The City as Service Manager requires greater flexibility to re-purpose assets and subsidies to ensure that that people have access to quality housing options that meet their housing needs. This flexibility will also allow the City to pursue housing provider mergers or amalgamations to create scale and capacity to improve the system.

Responding to Expiry of Operating Agreements

To date the provincial and federal governments have not stepped forward to address the expiry of operating agreements for former federal providers, either to protect public investments or to support providers to continue to provide affordable housing.

The City is working to create a new partnership framework with providers, but the federal and provincial governments need to implement regulatory changes to create a recognized social or affordable housing status for these providers post-expiry. This new status would have the potential for social housing providers to access federal and provincial benefits including tax benefits and programs for social housing, and provide guidelines for delivering voluntary subsidies. In addition, these regulatory changes could assist in maintaining the public investment in social housing.

Develop New Funding and Financing Options for Long-Term Sustainability

In the past the Province has provided lower cost financing for social housing through the Mortgage Backed Security pool and the provincial tranche financing process, and more recently through Infrastructure Ontario. The Province could take additional steps to expand the role of Infrastructure Ontario in the financing of social housing, removing barriers to the refinancing of existing mortgages, and creating or supporting new financing tools for social housing.

As discussed earlier in this report, the proposed Canadian Housing Bank is a promising option to provide a sustainable, long-term source of funding tailored to the needs of social and affordable housing providers. Support from the Province for the feasibility study will provide necessary momentum.

CONCLUSION

This report outlines steps that are needed to transform and modernize the social housing system to make it sustainable, more effective and a better integrated part of the range of affordable housing options available to low and moderate income households in Toronto.

In addition to urging the federal and provincial governments to commit to investing in the existing social housing system the report outlines initiatives to develop quality standards and performance measures for housing providers; new partnerships with providers whose operating agreements are expiring; and a capital repair financing strategy for non-profit and co-operative housing providers.

There is much that the City can and is doing on its own initiative and within the constraints of its fiscal capacity to maintain and transform the housing system. At the same time, the province needs to remove regulatory barriers to system improvement. This report provides City Council with an overview of the legislative and other changes required from the province to support system transformation.

These initiatives will lead to wide-scale change in terms of how the City administers, regulates and supports housing providers. They will also lead to changes in housing providers' capacity and the quality of the overall portfolio. The goal is a social housing system that is well-governed, well-managed, and sustainable, where providers have the capacity to achieve positive housing outcomes for residents and to preserve, improve and, where possible, create affordable housing options.

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