

# Selling Off Affordable Homes is Bad for Toronto's Health: Seven Things You Need To Know

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Toronto Community Housing Corporation (TCHC) — the City of Toronto's affordable housing agency — is making the unprecedented recommendation to sell-off more than 700 affordable homes at a time when the city's waiting list for affordable housing sets new all-time record highs month after month. TCHC says that it urgently needs the cash from the sale of the homes to pay for a big capital repair bill for its portfolio of 58,000+ housing units and that if the units are to be fixed and maintained, it has no alternative but to sell off the homes to the highest bidder.

TCHC's housing provides homes to more than 164,000 of the city's residents and are a vital health and community resource. Research from the Wellesley Institute and other local, national and international studies, demonstrate that a good home is vital to individual and population health. Poor housing is linked to increased illness and premature death, and a good home provides a stable base for healthy lives and strong communities. Some of this research is summarized in the Wellesley Institute's *Precarious Housing in Canada* report.

### SEVEN THINGS YOU NEED TO KNOW

Here are seven important observations that Toronto City Council, and all Torontonians, need to consider as they review the proposal to sell off hundreds of affordable homes:

#### ONE

Month after month, year after year, Toronto's affordable housing wait list continues to set new records. In October 2011, there was an all-time high of 81,410 households on the list — an increase of more than 7% over the previous year. In October, a total of 282 households were housed from the list — which leaves the remaining households with a wait of two decades or longer to get a home. Toronto's private rental housing markets, where almost half of the city's households find a home, are also facing painfully tight conditions. The overall number of rental units in Toronto's primary rental universe fell to 254,555 in the most recent survey by Canada Mortgage and Housing Corporation (CMHC) — a drop of 1,353 units in one year at a time when the city's renter population is growing. CMHC reports that there are only 5,532 vacant rental units in Toronto's primary rental mar-

ket — a sharp drop of 30% in just one year. The number of rented condominium units also fell in Toronto in the most recent figures released by CMHC — down to 38,721. Average rents in the condo sector are 30% to 50% higher than average rents in the purpose-built rental sector.

**THE BOTTOM LINE:** Renter households face dwindling supply of housing in the private rental market and a years-long wait for an affordable home. Selling off hundreds of TCHC affordable homes will only make a terrible situation even worse.

#### TWO

TCHC reports that its stand-alone portfolio has a net operating income of \$1.5 million — and this positive cash flow can be used to help pay for financing of needed capital repairs. The TCHC stand-alone portfolio, which includes the 700+ units that are proposed for sale, generates \$8.5 million in annual revenue, and costs \$7 million in annual expenses (utilities and operating costs). That \$1.5 million positive cash flow turns into a liability for TCHC only when the long-term capital repair costs are added in. Infrastructure Ontario, the provincial government's infrastructure loan facility, has hundreds of millions of capital repair loan dollars on offer to affordable housing providers at low rates. TCHC is a multi-billion dollar corporation with substantial assets and can directly enter the capital financing market and obtain competitive financing rates. Whether TCHC obtains financing through the province, or directly, its \$1.5 million annual positive cash flow from the stand-alone units can be used to repay its financing. Staggering the capital repairs over time would ease the capital financing requirements in any year.

**THE BOTTOM LINE:** The \$1.5 million net operating income from TCHC's stand-alone portfolio can be used to help finance long-term capital repair needs.

#### THREE

One of the biggest costs in maintaining the stand-alone portfolio of housing is the \$3.3 million that TCHC reports as the annual cost of utilities. A prudent energy/utility assessment program could deliver substantial cost savings, which

could help finance the initial capital investment. Large corporate landlords, individual homeowners and other property owners know that capital investments in energy efficiency and related items can be covered by utility savings in future years. As already noted, Infrastructure Ontario has hundreds of millions of dollars on offer to affordable housing providers for utility/energy upgrades. Investments today can be paid by future reductions in costs. TCHC has been working on improving the energy efficiency of its housing portfolio, and further investments into a prudent energy/utility assessment program could deliver substantial cost savings and help finance the initial capital investment.

**THE BOTTOM LINE:** With appropriate investments today, funded by Infrastructure Ontario, the \$3.3 million stand-alone portfolio utility budget could yield substantial savings overtime that could be redirected towards capital repairs..

#### **FOUR**

Capital investments in affordable housing repairs and upgrades are good for the Toronto economy, and generate good jobs at a time when Toronto needs the economic boost. Canada's federal government, in its Seventh Report to Canadians on Canada's Economic Action Plan, reported that for every \$1 the government invested in affordable housing— the bulk of which went to the repair and upgrade of housing—\$1.50 in jobs and related economic activity was generated.. Affordable housing investments have one of the highest economic multipliers of all forms of government spending, according to the Harper government. Investments to upgrade rundown TCHC housing would not only benefit the tenants by creating healthier homes, but those investments would also generate good jobs and other economic benefits for Toronto. Statistics Canada's latest Labour Force Survey, which reports a national decline in employment (including a decline in the construction sector), has raised fears that economic uncertainty could continue to affect the city's jobs market. TCHC investment in housing repairs and energy efficiency would be especially welcome in the current climate.

**THE BOTTOM LINE:** Investment in affordable housing repairs generates good jobs and other economic activity— and Toronto needs both in these uncertain economic times.

#### **FIVE**

Digging deeper into the numbers that Toronto Community Housing has provided, the sell-off of affordable homes raises additional fiscal questions. The TCHC stand-alone portfolio generates \$8.6 million in rental revenue annually— through a combination of rents and rent subsidies for the units— and a positive annual operating income of \$1.2 million once utility and operating costs are deducted. That's a substantial revenue stream that TCHC is giving up if it sells off the housing. TCHC argues that the foregone revenues are outpaced by the substantial capital repair costs, but, as already noted, TCHC has the option to finance long-term repair using the cash flow from operating income. TCHC estimates that the sale of the properties will generate net proceeds of \$269 million to \$336 million, once various costs

(fees, mortgage penalties, etc.) are deducted. Those figures depend on TCHC getting close to top dollar for properties that it acknowledges are in need of significant capital repairs. Willing buyers may not be so keen to pay top dollar, reducing TCHC's anticipated proceeds. TCHC is also selling off other parts of its portfolio— including Sparkle Solutions, a laundry company. TCHC should be using its sheer size as the second biggest landlord in North America to secure financial advantages for its business operations and social advantages for its tenants— as it successfully did in the redevelopment of Regent Park, where it convinced businesses to hire residents to work in new commercial enterprises. Instead of smart, innovative business practices that create a double bottom line— financial and social benefits— TCHC seems resigned to a shrinking role.

**THE BOTTOM LINE:** Selling off hundreds of affordable homes deprives TCHC of substantial operating revenues and is part of an ongoing process that is stripping the public housing landlord of valuable parts of its portfolio .

#### **SIX**

The TCHC report recommending the sell-off of 700+ homes dismisses the possibility of any additional capital funding from the federal or provincial government, even though a large portion of the estimated \$650 million capital repair bill for TCHC is related to housing that was developed, owned and managed by the provincial government, or was developed under federal housing programs— and then downloaded to the city. Both senior levels of government have acknowledged the serious capital repair shortfall and their own liability, and have made significant payments over the past three years. A large gap remains and TCHC offers no explanation as to why it rules out the possibility of more federal and/or provincial capital repair funding. In addition, punitive rules set by the provincial government mean that the City of Toronto is forced to pay a substantial portion of the rent of TCHC tenants who receive provincial income assistance (Ontario Works or Ontario Disability Support Program). In 2008, the city was forced to pay \$77 million for the annual rent shortfall due to provincial income assistance rules. As housing expert Joy Connelly has noted, that amount is certainly higher in 2011. Instead of vigorously pursuing its strong claims for capital repair funding and rent shortfalls from the provincial and federal governments, TCHC has given up on convincing senior governments of their fiscal responsibility without even trying.

**THE BOTTOM LINE:** The provincial and federal governments continue to bear a major liability for capital repair and operating shortfalls and could be a source of funding if asked but TCHC has precluded additional funding from senior levels of government without any explanation.

#### **SEVEN**

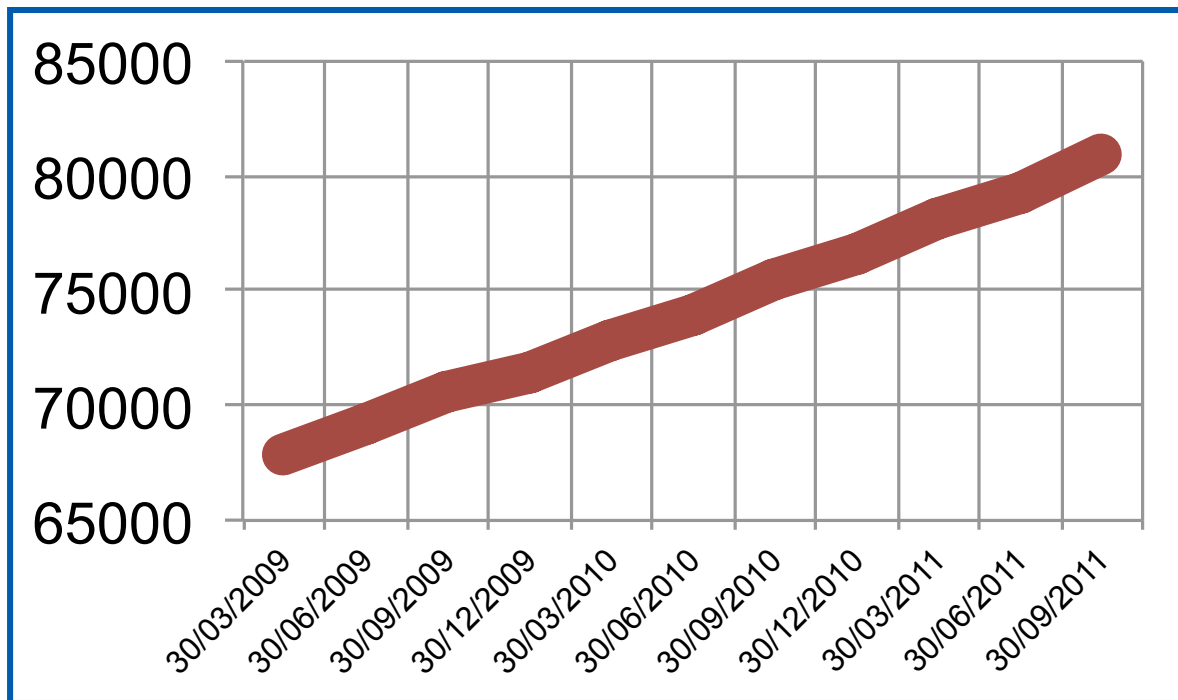
Toronto is becoming a seriously divided city by income, and affordable housing spread throughout the city offers one practical solution to growing neighbourhood-based inequality. The Three Cities research by the University of

Toronto's Dr. David Hulchanski and the United Way of Greater Toronto's series on poverty by postal code, record the growing divisions in Toronto neighbourhoods by income. Toronto Public Health's Unequal City report documents the impact of neighbourhood inequality on the health of individuals and the population. Toronto urgently needs healthy and affordable housing in neighbourhoods throughout the city, but many of the units targeted for sale are in neighbourhoods that are already short of affordable homes. The TCHC report on the proposed sell-off doesn't seriously canvass any alternatives. Housing expert Joy Connelly has offered other options for the stand-alone portfolio, including "non-profitization" of the housing stock — entering into management plans with non-profit and co-op housing providers. Over the years, TCHC and its predecessors have worked collabora-

tively with Toronto's non-profit housing sector on effective solutions that preserve and enhance the city's social housing stock. One shining example is the 400-unit Sonny Atkinson Co-op, which evolved out of the Alexandra Park public housing project. The ongoing sell-off of TCHC assets closes the door to future innovative arrangements that benefit tenants and neighbourhoods.

**THE BOTTOM LINE:** In an increasingly divided Toronto, healthy and affordable homes are needed in every neighbourhood; instead of cannibalizing its housing stock, Toronto Community Housing needs to continue to be innovative in collaborations with other housing providers on effective solutions that preserve and enhance the city's social housing stock.

This chart that shows the rise in the number of households on the Toronto affordable housing wait list.



More resources available at  
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