

Seven priorities for the new TCHC Special Working Group, from engaging tenants, to enlisting experts.

It has members and a mandate, and now the new Special Working Group on the Toronto Community Housing Corporation (TCHC), chaired by Councillor Ana Bailão, has about six months to chart a financially sustainable future for the city's biggest landlord. The Special Working Group was created after Toronto City Council voted to reject a scheme proposed by the TCHC Board for a massive sell-off of affordable homes to finance a growing capital repair bill. This backgrounder from the Wellesley Institute sets out seven key priorities facing the Special Working Group.

1. PROTECTING AND PRESERVING THE EXISTING TCHC HOUSING PORTFOLIO.

A good home is one of the most important determinants of health for individuals and the entire community, as noted in the Wellesley Institute's Precarious Housing in Canada report, TCHC owns more than 2,200 buildings that provide an affordable home to more than 164,000 tenants.¹ Almost all of its tenants have very low incomes and are among the most vulnerable in the city. TCHC is the second largest landlord in North America and its portfolio of buildings ranges from high-rise to single-family dwellings. TCHC is a critically important asset in building a healthy and equitable Toronto.

Toronto's affordable housing waiting list reached an all-time record of 82,138 households in December of 2011 – this after setting previous records every month since the onset of the recession in 2008. The Wellesley Institute, along with other housing experts and advocates, including four former mayors of Toronto, called on Toronto Council to reject the wholesale sell-off of TCHC homes.²

Former Mayor Barbara Hall, who is Chief Commissioner of the Ontario Human Rights Commission, has also warned that the proposed sell-off might violate the province's Human Rights Code.

A year ago, TCHC's entire Board of Directors was purged in an unprecedented move by Mayor Rob Ford. The Mayor installed his political partner, former city councillor Case Ootes, as the interim one-man Board. Ootes had long advocated for the sell-off of a significant portion of the TCHC portfolio, and put this issue on the housing agency agenda during his tenure. The new Board, hand-picked by Mayor Ford, adopted the Ootes scheme.

The ideological agenda that motivated the proposal to sell-off TCHC homes needs to be set against the urgent and growing need for more affordable homes, and to properly maintain the existing stock of housing.

¹<http://www.wellesleyinstitute.com/publication/new-report-precarious-housing-in-canada-2010>

²<http://www.wellesleyinstitute.com/housing/four-former-mayors-urge-city-council-ontario-government-to-reject-scheme-to-sell-off-706-affordable-homes>

A key priority for the new Special Working Group is to recognize the critical importance that TCHC's housing stock plays in meeting the affordable housing needs of low and moderate-income Torontonians, and reject the downward spiral of housing sell-offs to finance ongoing repair needs.

2. ENGAGING TCHC TENANTS IN CREATING A SUSTAINABLE FUTURE.

When the TCHC Board of Directors voted on the proposed sell-off of affordable homes, the two tenant representatives on the TCHC Board were the only votes against the proposal. The advocacy group, Tenants for Social Housing, has helped lead the campaign for a better TCHC and has effectively engaged tenants with very limited resources.³

Unfortunately, there are no TCHC tenants directly appointed to the new Special Working Group, so there needs to be a strong commitment to engage tenants in the process, and in multiple ways. TCHC tenants know their buildings, and they have valuable expertise to share with the Special Working Group.

The Special Working Group needs to commit specific financial and staff resources to ensuring that tenants are at the centre of its work. This includes a commitment to a variety of face-to-face and on-line processes to engage tenants, and funding to support tenant engagement, including childcare costs.

Research in Canada and elsewhere demonstrates that affordable housing that fully engages its residents in development and management delivers a number of benefits, including more cost-efficient operations and better outcomes for tenants.

TCHC has pioneered some tenant engagement processes, including participatory budgeting and environmental initiatives. The lessons learned from public housing providers in the UK and US, show that smart tenant engagement delivers tangible and lasting positive results, including better housing, more cost-efficient operations and multiple benefits to the tenants themselves.

³<http://tenantsforsocialhousing.com>

Engaging tenants immediately and throughout the Special Working Group will ensure that the process benefits from the ideas and expertise of tenants. They are an important pool of good ideas and pragmatic solutions.

A key priority for the Special Working Group is to ensure that TCHC tenants are meaningfully and fully engaged in multiple ways throughout its six-month tenure.

3 & 4. RE-ENGAGING THE FEDERAL AND PROVINCIAL GOVERNMENTS.

A significant portion of the large, and growing, capital repair shortfall at TCHC has been caused by funding shortfalls from senior levels of government.

Much of the TCHC housing portfolio was developed under federal and provincial housing programs and downloaded to the City of Toronto in the late 1990s. TCHC estimates that its current repair shortfall is about \$750 million, and a large portion of that shortfall is linked to the former Ontario Housing Corporation public housing projects that were downloaded without adequate capital reserves to the city.

In his recent report to the Ontario government on public services, economist Don Drummond noted that the province has an ongoing obligation to ensure that municipally-managed affordable housing is well-maintained, and that local housing managers have adequate financial resources.⁴

Drummond called on the provincial and federal governments to negotiate a new long-term and fully-funded affordable housing agreement to replace the current, inadequate and short-term housing deals. He also noted that housing is a critical component of municipal social infrastructure, and that the provincial government has an obligation to ensure local governments have access to adequate financial resources to properly maintain their housing stock.

In 2008, the provincial government allocated \$200 million across the entire province for social housing repairs, and in 2009, the federal government allocated \$1 billion for the entire country. A small portion of those funds made their way to Toronto and were used effectively to repair substandard housing, but the amount on offer was far short of the capital funding shortfall created by the senior levels of government when they downloaded affordable housing to Toronto in the 1990s.

A key priority for the new Special Working Group is to take up the Drummond Commission's recommendations, and start negotiations with federal and provincial governments on adequate and appropriate long-term funding to repair existing substandard housing and to build much-needed new affordable homes.

In addition, the complicated rent subsidy formula established by the provincial government when it down-

loaded affordable housing to the municipalities short-changes TCHC by tens of millions of dollars annually. Under the provincial rules, TCHC gets a smaller subsidy than an equivalent landlord in the private sector.

As housing analyst Joy Connelly has noted, the provincial rules cost TCHC \$77 million annually, according to a 2007 Toronto staff report and the figure has certainly grown since then.⁵ Plugging the provincial rent subsidy shortfall would just about cover the estimated annual growth in the TCHC repair bill of \$100 million.

A key priority for the new Special Working Group is to negotiate a fairer rent subsidy formula with the provincial government that plugs the annual shortfall that amounts to tens of millions of dollars.

5. REAPING ADDITIONAL SAVINGS IN ENERGY AND OTHER BUILDING UPGRADES.

TCHC has already done some significant work in energy and other building upgrades in its portfolio. Those capital investments have substantially reduced energy and other utility bills, as well as improved the quality of the housing for the tenants. The cost of those investments is paid for over time through the substantial savings in energy, utility and operating costs.

Within TCHC's portfolio of single-family homes and smaller buildings (which is the target of the latest sell-off scheme), there are additional savings that can be realized from an ongoing upgrade program. An audit of buildings that includes the involvement of tenants living in those buildings, will yield additional savings in the future. TCHC can use those future savings to help repay the financing required to make the initial capital investments.

A key priority for the new Special Working Group is to identify and implement a portfolio-wide program of energy and other building upgrades to realize substantial future savings in building operations.

6. IMPLEMENTING INNOVATIVE SOCIAL FINANCING OPTIONS.

Governments in Britain, the US and Australia, among others, are using innovative financing tools – including social impact bonds – to finance important social investments. Federal Housing Minister, Diane Finley, has recently expressed support for introducing new social finance instruments in Canada. In addition, the latest Ontario provincial budget expresses support for new social finance initiatives.

Infrastructure Ontario's affordable housing loan fund was capitalized several years ago using traditional government-backed bonds, and this fund provides low-cost capital dollars to affordable housing providers for both repair and new construction. Social impact bonds, tax-exempt housing bonds, and

⁴ <http://www.fin.gov.on.ca/en/reformcommission>

⁵ <http://openingthewindow.com/2011/11/14/looking-for-a-painless-100-million>

other more innovative social finance tools are being used in other countries to generate capital dollars for important social investments.

The independent Canadian Special Working Group on Social Finance⁶ has set out a practical agenda for new financing instruments and the Ontario government's Partnership Project⁷ has taken up these issues at the provincial level.

A key priority for the new Special Working Group is to engage social finance experts to identify pragmatic financing options that will build a sustainable financial base for TCHC.

7. IDENTIFY APPLICABLE GOOD PRACTICES IN OTHER JURISDICTIONS AND ENGAGE LEADING HOUSING EXPERTS IN PROVIDING PRAGMATIC RESEARCH AND POLICY ADVICE.

The financial challenges facing TCHC are not unique (although the sheer size of the housing agency makes the issues bigger and more urgent). Public housing authorities throughout North America and Europe are dealing with the reality of the aging of the significant amount of affordable housing stock built following the end of the Second World War. Those same housing authorities are also dealing with a growing need for new affordable homes, especially since the onset of the recession in 2008.

Some public landlords have tried to meet those challenges by cannibalizing their portfolio – selling off affordable homes to finance the repairs and redevelopment of aging and substandard stock. The sell-off doesn't solve the capital investment needs of the public housing authority, but merely meets the short-term need for cash. More homes have to be sold in subsequent years and the downward spiral grows more intense.

With waiting lists for affordable housing at an all-time record high in Toronto, the city cannot afford to jump on a similarly downward-spiraling path when it comes to affordable housing.

There are affordable housing experts in Toronto, nationally, and internationally, who have studied housing initiatives in many similar locations. There is a rich history of lessons – both positive and negative – that can help guide the TCHC Special Working Group. The Special Working Group can benefit from a dedicated research and policy initiative to provide practical answers

⁶ <http://socialfinance.ca/taskforce>

⁷ <http://www.citizenship.gov.on.ca/english/pp/index.shtml>

and informed policy solutions.

Although the TCHC Special Working Group does not include any tenant representatives – a crucial omission that needs to be remedied by a sustained commitment to tenant engagement, as already noted – it does include other expertise:

Councillor Ana Bailão, the chair, is also chair of Toronto's Affordable Housing Committee.

Alan Redway is a former federal housing minister. In the past two decades, he has been engaged at the local and provincial levels in smart and effective strategies to ensure low and moderate-income people have access to healthy, affordable homes. He will be a real asset to the Special Working Group.

Jim Pimblett is a management consultant whose work includes strategic transformations in the private and public sectors. He worked at the top level of the federal government and has valuable insider's knowledge of political and policy processes.

Bud Purves is the Chair of the Toronto Community Housing Board. He backed the sell-off policy that was rejected both by TCHC tenants and by Toronto City Council. After the purge of staff and Board members at TCHC last year, the housing company lost some key staff. Under Purves leadership, TCHC needs to rebuild its staff leadership and regain its role as an innovative leader in the provision of healthy, affordable homes.

The Special Working Group will also be supported by city staff, who have deep knowledge of housing challenges and solutions.

While each of the members of the Special Working Group brings different expertise, the work of the Special Working Group can benefit from informed research and policy advice.

A key priority for the Special Working Group is to engage and support an advisory group of leading housing experts to provide pragmatic research and policy advice.

For more information, contact:

Michael Shapcott

Director, Housing and Innovation

Wellesley Institute

P: 416-972-1010 x231

E: michael@wellesleyinstitute.com

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