Toronto Community Housing

2024 Capital and Operating Budgets
Item 4
January 4, 2024
Board of Directors

Report:	**TCHC:2024-01**
To:	Board of Directors (the “Board)
From:	Interim President and Chief Executive Officer
Date:	December 20, 2023

PURPOSE:
The purpose of this report is to obtain the Board’s approval of the 2024 Operating Budget, the 2024 ITS and Corporate Capital Budgets, as well as the multi-year (2024-2027) Building Renewal Capital Budget and the 10-year (2024-2033) In-flight Development Capital Budget.

RECOMMENDATIONS:
It is recommended that the Board of Directors:

1. Approve the balanced 2024 Operating Budget as outlined in the Presentation (Attachment 1);

2. Approve the 2024 Capital Budgets as outlined in the Presentation (Attachment 1) which include:
    a. the 2024 to 2027 Building Renewal Capital Budget;
    b. the 2024 to 2033 In-flight Development Capital Budget;
    c. the 2024 ITS and Corporate Capital Budget; and

3. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendations.

REASONS FOR RECOMMENDATIONS:
The 2024 Operating and Capital Budgets were prepared in collaboration with the Toronto Seniors Housing Corporation ("TSHC"), City Finance and the Housing Secretariat. Despite the significant market and inflationary pressures, we have developed a balanced operating budget for 2024.

This work is driven by the following set of shared guiding principles:

- Preserve and maintain services and service levels for tenants;
- New or enhanced services or service levels must be directive from City Council; and
- Identify opportunities for internal efficiencies and cost savings.

The budget development process is based on the findings and recommendations from the Ernst & Young ("EY") Financial Sustainability Plan (Attachment 2). TCHC's approach considers the structural challenges identified by EY and is further impacted by uncontrollable market conditions, from inflation and rising costs of expenses. This creates significant pressures to our non-discretionary expenses, including interest rates, insurance, cost of goods and utilities. This year's incremental inflationary pressures are further compounded by the 2023 base cost pressures that were one-time funded in 2023.

The year 2024 represents another transitional year for TCHC in the context of its relationship with the TSHC. As directed by the City as the Shareholder, TCHC's and TSHC's 2024 budgets are reported on a consolidated basis.

The proposed 2024 Operating and Capital Budgets reflect the organization's priorities, which include:

1. Support the rights of every tenant to have reasonable enjoyment of their homes, and empower and support frontline leadership and employees in resolving issues and challenges locally in support of tenant needs

- Execution of TCHC's Capital Plan to strive to bring the building portfolio into a state of good repair by 2027. In 2024, TCHC will focus on aligning building repairs with energy efficiency upgrades and explore the funding requirements needed to meet net-zero targets.

- Execution of TCHC's Revitalization Plan, including construction in Lawrence Heights Phase 1, Don Summerville, Regent Park Phase 3, and Alexandra Park Phase 2, as well as pe-planning, design and development work in Lawrence Heights Phase 2, Regent Park Phase 4/5, Firgrove and Swansea Mews.
- Transform the way we work through the implementation of effective and efficient tenant service processes, systems, and tools.
- Develop a business intelligence foundation that enables timely decision making and identifies tenant service success measures.
- Continuation of the review of TCHC’s tenant customer service model, ensuring that service is delivered effectively and efficiently through skilled and compassionate staff teams who work in the communities where tenants live.
- Refinement the vacancy management and Rapid Rehousing processes, in partnership with the City’s Housing Secretariat and Shelter Support and Housing Administration teams, to maximize the number of Torontonians who can access subsidized units.
- Streamlining of the arrears management and rent collection processes to ensure that all tenants are provided with support to remain housed and have successful tenancies.
- Management of maintenance and cleaning processes with increased oversight of work orders, and continued investment in the maintenance and cleaning needs of the previously contract managed buildings to align with the standard of other direct managed buildings.

2. Build high performing teams that bring to life a culture of tenant service

- Attract and retain employees through competitive compensation, benefits, and learning and development that aligns with the City and the broader employment market.
- Continued investment in ongoing key initiatives of the Equity Diversity and Inclusion and Confronting Anti-Black Racism strategies that will influence corporate change and enhance both tenant and staff service delivery and customer service model.

3. Work with the City to support and enable City led initiatives

- Work with the City's Development & Growth Services to support the initiative to build the "Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes" initiative, supporting the City response to Toronto's affordable housing needs and its efforts to address the housing crisis (City Report 2023.EX.7.2).
- As one of the last key deliverables to the Tenant's First Plan, continue to support the full transition of the scattered homes portfolio, enabling TCHC to focus fully on the multi-residential portfolio.
- Continue the development and implementation of the agreements with TSHC to enable the organization to deliver services to senior households to age in place through the delivery of an Integrated Service Model.
- Support the City's ModernTO plan and continue to prepare and plan for TCHC's relocation to Metro Hall in mid-2025.

To achieve these objectives, TCHC's 2024 budgets consists of:

1. Operating Budget

$749.9M for operations and maintenance, services, utilities, taxes, and mortgages, offset by the $749.9M in revenue (for example, City subsidies, residential and commercial rents, and fees such as parking, laundry, and cable) with $73.5M in City subsidies, resulting in a balanced budget.

The total $749.9M in Operating Budget expenditures reflect a $53.8M increase in spending above the 2023 budget, excluding COVID related costs. This increase is largely associated with the following key Operating Budget drivers:

- An increase in non-discretionary costs driven by utility and service contract rate increases, as well as the impact of salaries & benefits cost impacted by inflationary pressures and collective bargaining.
- Swansea Mews carrying cost of $2.0M for ongoing safety and security measures until demolition begins.

- Net increase of four permanent positions from 2023, of which two positions are to support the implementation of the Tenant Human Rights measures in response to the Toronto Ombudsman recommendations and two positions are for the execution of the initiatives in the Strategic Financial Sustainability plan.
- Offset through increases in Residential Rent revenue of $10.2M, and City funding & balancing actions including a $40.0M increase to base City subsidy and one-time City funding of $33.6M.
- $16.5M in efficiencies/offsets, mainly comprised of utility consumption savings from various energy conservation programs, corporate efficiencies and reductions, as well as improved tenant rent management.

TCHC will continue to implement EY Strategic Financial Sustainability plan recommendations, improve tenant service delivery with enhancements in the Tenant Human Rights complaints processes, Customer Service Delivery model, among others, and continue to partner with the City to complete the TSHC transition and the transfer of the scattered homes portfolio. TCHC's full implementation of these initiatives may be impacted by decisions made in the course of approval of the City's Budget.

In alignment with the City's overall financial planning goals, TCHC has prepared a three-year Operating Budget with two outlook years (2025/2026). This three-year planning approach is aligned with the EY recommendations to implement administrative efficiencies and alternative commercial arrangements for future cost savings. This level of planning will allow us to align with the City to determine the impacts of the bridging strategies, identify opportunities for one-time funding and create a foundation for effectively discussing requirements for a sustainable long-term funding model.

2. Building Renewal Capital Budget

$332.8M to achieve a year-end Facilities Condition Index ("FCI") of 13.9% and contribute to achieving quality homes for tenants through a 12.4% FCI by 2027, enhancing the number of units available for occupancy and continuing energy efficiency retrofits.

- The 2024 Building Renewal Capital Budget will be $332.8M, compared to the $350.0M in 2023; and

- The Board is asked to approve four-year (2024-2027) commitments of $340.0M in 2025, $342.0M in 2026 and $343.2M in 2027 based on current confirmed sources of funding, which will allow management to improve project delivery, minimize tenant disruption and reduce premium costing for phasing.

3. Development Capital Budget
$131.7M to implement future phases of all the in-flight projects listed in the 10-year (2024-2033) capital plan, which includes $30.4M for 2024. The City has made significant investment in TCHC to fully fund the 10-year in-flight projects net shortfalls based on the current known cost estimates.

Please note, the Development Budget excludes the “Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes” initiatives as we continue to work with the City on the development, funding and financing plans.

4. ITS and Corporate Capital Budget
$8.6M to implement the cybersecurity program, Microsoft 365 systems, replace end of-life storage and back up equipment, and other critical IT/Corporate infrastructure needs. This is being funded through the 2024 SOGR funding.

In previous years, these projects would have been captured as one-time funding through the Operating Budget envelop. This change in approach is directed by the City to align with the City’s overall planning approach and funding methodologies.

Total 2024 Capital Budgets Approvals
The proposed Capital Budgets (Building Renewal Capital, Development Capital, ITS/Corporate Capital) totals $476.9M, which represents an increase of $49.0M from the funded portion of the 2023 Capital Budget.

IMPLICATIONS AND RISKS:
The approval of the 2024 Operating Budget will mean a continued commitment to providing consistent frontline housing, support, and safety and security services to tenants.

Approval of the 2024-2027 Building Renewal Capital Budget and 2024-2033 Development Capital Budget will increase the efficiency of the capital renewal and revitalization work by providing for multi-year implementation. We will be able to do more to improve building and unit conditions.

Approval of the ITS and Corporate Capital Budget will improve cybersecurity resilience and support the delivery of critical IT/Corporate infrastructure needs required to maintain service delivery to tenants.

If the budgets are not approved, it will limit management's ability to deliver services to tenants, improve safety and security of communities, and enhance building and unit conditions.

As a key finding in the EY report, we know that the tenant socio-economic circumstances impact how we deliver service as a landlord, providing stability and social supports for successful tenancies. Yet the current funding model does not take the growing and evolving needs of our tenants into account. The 2024 budget development process, along with the budget constraints in 2023 have further reiterated the increased need for a new and sustainable funding model for TCHC and TSHC. TCHC and TSHC will continue with the City to explore the development of this effective funding model which will be performance and accountability based and aligned with our actual cost pressures to better reflect our operating responsibilities, operating environment, and the socio-economic needs of tenants.

SIGNATURE:

"Tom Hunter"

Tom Hunter
Interim President and Chief Executive Officer

ATTACHMENTS:

1. 2024 Operating Budget and 2024 ITS/Corporate Capital Budget, 2024-2033 Multi-year Building Renewal Capital Plan, and Development Capital Plan (*revised*)
2. TCHC Strategic Financial Sustainability Plan (2023 Ernst & Young Report)

STAFF CONTACTS:
Lily Chen, Chief Financial Officer and Treasurer
416-981-4256
Lily.Chen@torontohousing.ca

Paula Knight, Vice President, Strategic Planning and Communications
416-981-5255
Paula.Knight@torontohousing.ca

Toronto Community Housing

Board Meeting – Public Session
2024 TCHC Budgets

January 4, 2024

Contents

Part 1
Overview

2024 Budget Guiding Principles

Development of the 2024 Operating and Capital Budgets was guided by the City of Toronto's (the City's) guiding principles:

Operating Budget		
Preserve and maintain services and service levels for tenants	New or enhanced services or service levels must be directive from City Council	Continue to identify opportunities for internal efficiencies and cost savings
Capital Budgets		
Non-debt funding sources must continue to be maximized before seeking debt funding in the budget and plan	Capital plan to align with City's funding availability	**Development:** Work with Housing Secretariat on reprioritizing commitments

With the financial constraints, TCHC and TSHC undertook a rigorous budget prioritization exercise and line-by-line review to validate the operating cost pressures based on cost drivers and tenant services and support requirements.

TCHC Budget – Areas of Focus

Principle	Details
Multi-Year Planning, Aligned with City's Planning Assumptions	• TCHC has committed to not only providing the 2024 Budget, but two outlook years (2025 and 2026) along with its budget submissions
Ernst & Young (EY) report on TCHC Strategic Financial Sustainability Plan	• Strategic Financial Sustainability Plan as the framework and starting point: maintaining TCHC's current service levels • Further bridging strategies and efficiencies are to be identified to reduce this pressure
Driver-based Planning	• Rigorous planning to identify the drivers for Revenue & Expenses to use in developing the 2024 Budget
Annual Business Plan	• A coordinated, integrated approach is used to ensure Business Plan is aligned with TCHC's financial goals and budget allocations

Principle (Other)	Details
COVID	• COVID pressures are to be reported as normal operating expenditures
TSHC	• TSHC will continue to be reported on a consolidated basis until 2025 • TSHC will seek Shareholder funding for Corporate costs
State of Good Repair (SOGR) Capital	• 12.4% FCI target (revised) per the 10-year capital plan • 2028-2033 capital plan to align with City's funding availability instead of TCHC's estimated requirements
Development Capital	• Work with Housing Secretariat to understand how these projects fit into the "Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes" initiative • Identify committed costs vs. costs that can be deferred • Work with Housing Secretariat on reprioritizing commitments • Align the funding requirements with funding availability from the City

Overview

Description

TCHC and TSHC deliver an essential frontline service providing housing stability and social supports for low income and equity deserving Torontonians. Together with the City of Toronto (the City), TCHC and TSHC help make it possible for tens of thousands of individuals and families to live in affordable homes, supporting the wellbeing of people and communities.
Our overall priorities are to provide a positive tenant experience, maintain quality homes and build safe and vibrant communities. These priorities underscore our continued focus on delivering clean, well-maintained buildings where all tenants have the opportunity to thrive in their communities. We are committed to ensuring that service delivery meets high standards consistently across the organization.

Why We Do It

TCHC's mission is to provide clean, safe, well-maintained, affordable homes for residents. TSHC's vision is to provide safe, diverse, and vibrant communities where tenants have a sense of inclusion and well-being. Our portfolio of social housing buildings is an efficient and effective way to provide homes to Torontonians who are most in need. Our role is critical to ensuring that tenants can live well in an environment that is significantly more enriching and minimize the impacts on other parts of the system.
We serve a diverse population that requires a wide range of supports that help tenants maintain successful tenancies. We connect residents to services and organizations that support tenant needs; as well, through the development and delivery of community programs we foster safe, healthy, and vibrant communities.

What Services We Provide

Deeply Affordable Housing

Around 110,000 people call TCHC and TSHC home, with 89% of households benefiting from the Rent-Geared-to-Income (RGI) program that offers deeply affordable housing for as little as $85 per month.

Renters at TCHC and TSHC are diverse and united by a need to access affordable housing. Half of the households have a member with a disability, sixty-percent are female-led, thirty-percent primarily speak a language other than English, and seventy-five percent rely on government funding as their main or only source of income with the average RGI annual income at $16.3 thousand.

Long-Term Stewardship of a Critical Public Asset

Together, TCHC and TSHC manage and maintain 2,100 buildings, worth over $10 billion. Our capital repair and community revitalization programs are focused on ensuring that these public assets are maintained in a state of good repair now and into the future.

Housing and Support for Seniors

TSHC is committed to supporting seniors, allowing them to live independently and to age in their homes and communities while enjoying a better quality of life. This support includes a focus on providing clean and well-maintained buildings and improved health, wellness, and social supports for tenants 59 years of age and better.
TSHC manages a portfolio of 83 buildings with approximately 14,000 units, for approximately 15,000 low and moderate-income seniors.

How Well We Are Doing

Service	Measure	2021 Actual	2022 Actual	2023 YTD (Sept)	2023 Target	2023 Projection	Status	2024 Target	2025 Target
Outcome Measures									
Deeply affordable housing	TCHC Occupied units	98%	98%	98%	98%	98%	●	98%	98%
	TCHC Rent and fees collected	99%	98%	98%	98%	98%	●	98%	98%
Stewardship of Public Asset	Facility Condition Index (FCI)	13.2%	12.5%	N/A	13.1%	13.5%	●	13.9%	13.5%

2023 Projection to 2023 Target Comparison

● MET TARGET ● LOW RISK ● REQUIRES ATTENTION

How Well We Are Doing - Continued

Service	Measure	2021 Actual	2022 Actual	2023 YTD (Sept)	2023 Target	2023 Projection	Status	2024 Target	2025 Target
Service Level Measures									
Community Safety	CSU Call Volume	55,150	58,638	45,682	N/A	60,919	N/A	N/A	N/A
	Fire Incidents	352	627	621	N/A	828	N/A	N/A	N/A
Client Care	Tenant Call Volume	519,457	471,162	259,353	N/A	345,804	N/A	N/A	N/A
	Tenant Wait Time (min)	4.20	5.90	1.99	2.84	2.84	●	2.84	2.84
Cleaning	Buildings inspections within ratings of 84-100%	N/A	71%	71%	75%	70%	●	75%	75%
Building Maintenance	Workorders completed within 3 days	68%	59%	64%	75%	64%	●	75%	75%
	Pest treatment delivered (Demand)	31,400	40,364	30,781	40,000	40,041	●	40,000	40,000

2023 Projection to 2023 Target Comparison
● MET TARGET ● LOW RISK ● REQUIRES ATTENTION

Risk and Mitigation Strategies

- TCHC and TSHC continue to implement the Strategic Financial Sustainability Plan to address long-term financial precarity resulting from structural challenges, misaligned funding, inflationary pressures, cost increases and an evolving operating environment. Despite ongoing investment from the City, the limited ability to increase revenues requires ongoing subsidy support and organization-wide cost control measures.
- TCHC and TSHC have benefited from a significant 10-year co-investment from the City and the Canadian Mortgage and Housing Corporation (CMHC), however, the federally funded National Housing Co-Investment Fund (NHCF) program will expire in 2027. TCHC will explore new capital funding approaches and opportunities to maintain assets, fund the 10-year Capital Plan post 2027 and meet climate change and net zero targets.
- TCHC continues to manage community safety concerns through collaboration with the City, Toronto Police Services, TSHC and various community partners. Crime prevention continues to be a key component of community mobilization, and we will continue to work with community partners to implement community safety and well-being programs and initiatives as a priority in meeting tenant safety needs.
- TCHC and TSHC continue to address the increasing complexity in housing and support needs of tenants by advancing opportunities for continuous improvement which ensures services are delivered effectively, efficiently, compassionately, and enables tenants to maintain successful tenancies in healthy and vibrant communities.
- While TCHC has made progress to attract and retain non-union staff, we continue to monitor compensation levels, benefits, and learning and development opportunities to remain competitive with the comparator market.
- TCHC continues to modernize data governance, collection, and management processes to collect and ensure accuracy and integrity of data required to deliver work plans efficiently and measure performance quality. Additionally, cyber-security continues to be a priority with planned initiatives encompassing both technical and process modernization.

2024 Priority Actions

Priority Actions for 2024

TCHC's vision: Quality homes in vibrant communities where people are proud to live and work.

TCHC's mission: Our core mission is to provide clean, safe, well-maintained, affordable homes for residents. Through collaboration and with residents' needs at the forefront, we connect residents to services and opportunities, and help foster great neighbourhoods where people can thrive.

TCHC's Strategic Directions:

1. <u>Support the rights of every tenant to have reasonable enjoyment of their homes and empower and support frontline leadership and employees in resolving issues and challenges locally in support of tenant needs.</u>

- Execution of TCHC's Capital Plan and strive to bring its building portfolio into a state of good repair by 2027. In 2024, TCHC will focus on aligning building repairs with energy efficiency upgrades and explore the funding requirements needed to meet net-zero targets.
- Execution of TCHC's Revitalization Plan, including construction in Lawrence Heights Phase 1, Don Summerville, Regent Park Phase 3, and Alexandra Park Phase 2, as well as preliminary planning, design and development work in Lawrence Heights Phase 2, Regent Park Phase 4/5, Firgrove and Swansea Mews.
- Transform the way we work through the implementation of effective and efficient tenant service processes, systems, and tools.
- Develop a business intelligence foundation that enables timely decision making and identifies tenant service success measures.
- Continuation of the review of TCHC's tenant customer service model, ensuring that service is delivered effectively and efficiently through skilled and compassionate staff teams who work in the communities where tenants live.
- Refinement of the vacancy management and Rapid Rehousing processes, in partnership with the City's Housing Secretariat and Shelter and Support Services to maximize the number of Torontonians who can access subsidized units.
- Streamlining of the arrears management and rent collection processes to ensure that all tenants are provided with support to remain housed and have successful tenancies.
- Management of maintenance and cleaning processes with increased oversight of work orders, and continued investment in the maintenance and cleaning needs of the previously contract managed buildings to align with the standard of other direct managed buildings.

2024 Priority Actions

Priority Actions for 2024

2. Build high performing teams that bring to life a culture of tenant service
   - Attract and retain employees through competitive compensation, benefits and learning and development that aligns with the City and the broader employment market.
   - Continued investment in ongoing key initiatives of the Equity Diversity and Inclusion and Confronting Anti-Black Racism strategies that will influence corporate change and enhance both tenant and staff service delivery and the customer service model.
3. Work with the City of Toronto to support and enable City led initiatives
   - Work with the City's Development & Growth Services to support the initiative to build the "Generational Transformation of Toronto's Housing System to Urgently Build More Affordable Homes" initiative (2023.EX7.2), supporting the City response to Toronto's affordable housing needs and its efforts to address the housing crisis.
   - As one of the last key deliverables to the Tenant's First Plan, continue to support the full transition of the scattered homes portfolio, enabling TCHC to fully focus on the multi-residential portfolio.
   - Continue the development and implementation of agreements with TSHC to enable the organization to deliver services to senior households to age in place through the delivery of an integrated service model.
   - Support the City's ModernTO plan and continue to prepare and plan for TCHC's relocation to Metro Hall in mid-2025.

Part 2
2024 Budget Development

2024 Budget - At a Glance

Our 2024 budget is informed by the work done with EY, supported by the City Finance, Housing Secretariat together with TCHC and TSHC.

The budget is IMPACTED by the realities of uncontrollable costs and year over year one-time pressures

- TCHC's approach considers the shortfall identified by EY but acknowledges unforeseen (or underestimated) inflation pressures and rising costs of non-discretionary expenses (insurance, interest rates, utilities etc.).
- The year over year pressures are driven largely by market conditions and inflationary pressures, alongside one-time funding from the City to be incorporated as ongoing base funding. These costs create further pressures that supersede the shortfall identified in the EY report.

The budget INTENTIONALLY aims to provide consistent service levels to tenants

- With baseline costs established, there leaves no room for enhanced services to tenants and TCHC has focused its efforts on maintaining service levels to that of 2023.
- Enterprise services have taken a hard look at their business costs to support the frontline service requirements of the organization.
- Seeking base subsidy increases for the recurring 2023 base cost pressures that was one-time funded in 2023, and the incremental 2024 cost pressures.

The budget INITIATES efficiencies beyond 2024

- The EY report shone a light on the opportunities to drive continuous improvement at TCHC, which includes organization design opportunities as well as process and systems enhancements such as procurement.
- Furthermore, a re-calibration of resources to align to the priority areas of the business is critical.
- Close alignment with the City on resourcing of new initiatives, such as Build More Homes, is also key to driving future efficiencies and optimization of resources.

13

2024 Budget Highlights

Despite the significant market and inflationary pressures, we have developed a balanced operating budget for 2024.

	2024 Budget	2023 Approved Budget
Total Budget	**$1,226.7M**	**(2023: $1,134.6M)**
Operating Budget	**$749.9M**	**(2023: $690.1M Pre-Covid)**

TCHC's 2024 Budget provides a balanced approach to ensure consistent services to tenants. It also considers recommendations with the EY report where we know that investing today will enable future long-term efficiencies and cost savings. Accountability will be driven by ongoing reporting development that is responsive, and consistent measures that reflect the performance of TCHC's service system.
Note: The Operating Budget is consolidated with TSHC

Building Repair Capital	**$332.8M**	**(2023: $350.0M)**

TCHC is budgeting to deliver $350M in building capital repairs in 2024. The 2024 year-end FCI is estimated to be 13.5%. Due to pressures on FCI, the 2027 FCI target of 10.8% may be a challenge to achieve without significant changes to the capital/maintenance threshold and changes with operating procedures. TCHC has begun to implement necessary operating changes as well as discussions with the City regarding the change in threshold. The current FCI target for 2027 has been adjusted to 12.4% based on current assumptions.

Development Capital	**$135.4M**	**(2023: $88.5M)**

The Development Capital will continue to replace aging RGI units, build brand new housing and revitalize communities. Key objectives of this work include the wholesale replacement of aging RGI buildings, the development of new affordable rental, and the creation of welcoming, mixed-use, mixed-income communities. The $131.7M represents the net shortfall of the 10-year In-flight Development capital plan, with $30.4M in 2024.

IT & Corporate Capital	**$8.6M**	**(2023: $11.2M Gross, $6.0M Net)**

TCHC's multi-year investment to implement the critical IT/Corporate projects including the cybersecurity program, Microsoft 365 systems, and replace end of-life storage and back up, implementing Yardi Inventory Modules, and corporate capital needs.

2024 Budget Overview – TCHC & TSHC Consolidated

Operating Budget

$ Thousands	2022 Actual	2023 Budget	2023 Projection*	2024 Budget	Chg from 2023 Budget $	Chg from 2023 Budget %	OUTLOOK*** 2025	OUTLOOK*** 2026
Rent Revenue - RGI & Market	$352,808	$353,897	$360,119	$364,081	$10,184	2.9%	$368,637	$373,258
City Subsidy	$278,777	$272,795	$272,795	$312,795	$40,000	14.7%	$312,795	$312,795
City One-Time Subsidy	$2,456	$23,027	$23,027	$33,580	$10,553	45.8%		
Other Revenue	$36,820	$39,462	$38,323	$39,408	($54)	-0.1%	$40,390	$41,253
TCHC Reserve City Repayment**						N/A	$6,500	$6,500
Total Revenues	$670,861	$689,180	$694,264	$749,863	$60,683	8.8%	$728,322	$733,806
Gross Expenditures	$684,644	$699,934	$703,847	$749,863	$49,929	7.1%	$771,510	$806,000
Net Expenditures	$13,783	$10,754	$9,583	$0	($10,754)	-100.0%	$43,188	$72,194
One-Time Funding from 2022			$22,040					
Net Expenditures/(Revenues)	$13,783	$10,754	($12,457)	$0	($10,754)	($0)	$43,188	$72,194
Approved Positions	2,504.0	2,649.0	2,535.0	2,653.0	N/A	N/A	2,663.0	2,663.0

*Projection based on 9 Month Variance
**City will be repaying 50% of TCHC's $13M reserve withdrawal each year
***Modern TO, Mayor's New Affordable Rental Homes Initiative, completion of the TSHC transition, and TCHC hiring plan costs to be determined

10 Year Capital Budget & Plan

$ Thousands	2024	2025-2033	Total
Building Repair Capital*	$332,815	$1,956,968	$2,289,783
Development Capital*	$135,436	$956,401	$1,091,837
IT/Corporate Capital*	$8,605		$8,605
Total	$476,856	$2,913,369	$3,390,225

*Amounts only include committed funding portion. Any unfunded requests are presented under Capital Needs Constraints slide

Part 3

2024 Operating Budget
2024 IT/Corporate Capital Budget

2024 Operating Budget Overview by Services

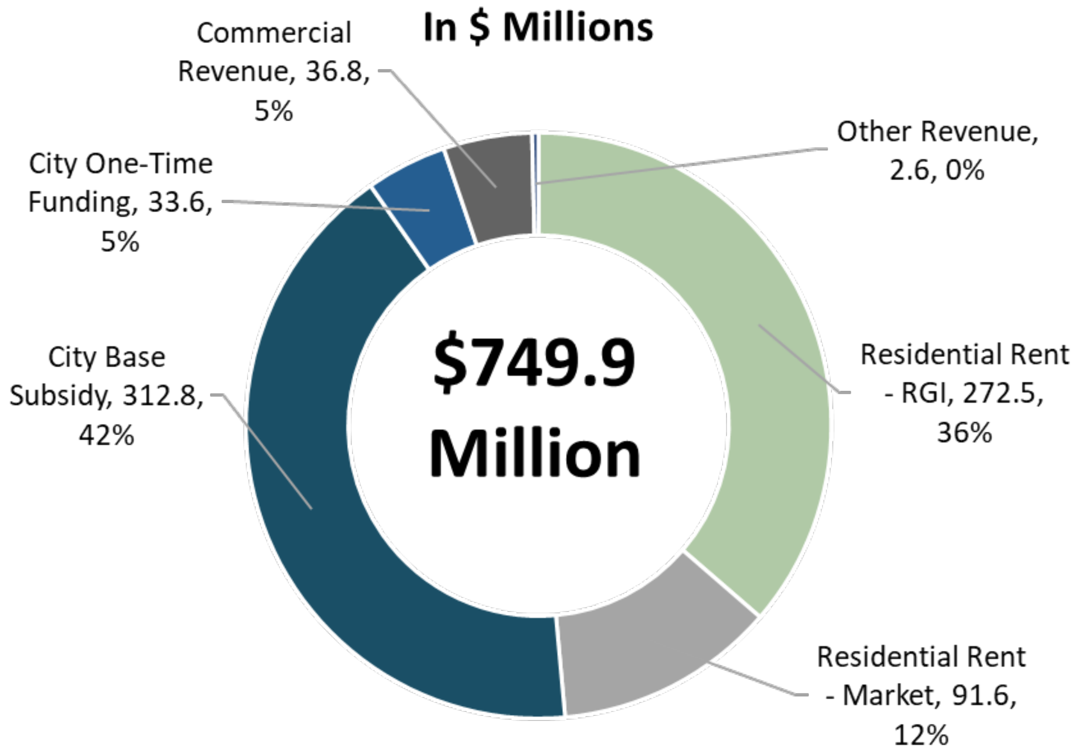
(In $000s)	2022 Actual	2023 Budget	2023 Projection*	2023 Budget excl COVID	2024 Budget	Change v. 2023 Budget excl COVID	
By Service	$	$	$	$	$	$	%
Revenues							
Residential Rent - RGI	264,847	265,076	269,961	265,076	272,499	7,423	2.8%
Residential Rent - Market	87,961	88,821	90,159	88,821	91,582	2,760	3.1%
City Subsidy	278,777	272,795	272,795	272,795	312,795	40,000	14.7%
City One-Time Funding	2,456	23,027	23,027	23,027	33,580	10,553	45.8%
Other	36,820	39,462	38,323	46,369	39,408	(6,961)	(15.0%)
Total Revenues	670,861	689,180	694,264	696,087	749,863	53,776	7.7%
Expenditures							
Total Operating Expenses	669,545	699,934	695,743	696,087	747,863	51,776	7.4%
Swansea Mews	15,099		8,104		2,000	2,000	N/A
Total Gross Expenditures	684,644	699,934	703,847	696,087	749,863	53,776	7.7%
Net Expenditures	13,783	10,754	9,583	0	0	0	N/A
2022 City One-Time Covid Funding			18,921				N/A
2022 City of Toronto Funding for TSHC			3,119				N/A
Total One-Time Funding from 2022			22,040				N/A
Net Expenditures	13,783	10,754	(12,457)	0	0	0	N/A
Approved Positions**	2,504	2,649	2,535	2,535	2,653	4	0.2%

*2023 Projection based on 9 Month Variance
**YoY comparison based on approved positions

How the Budget is Funded & Where the Money Goes

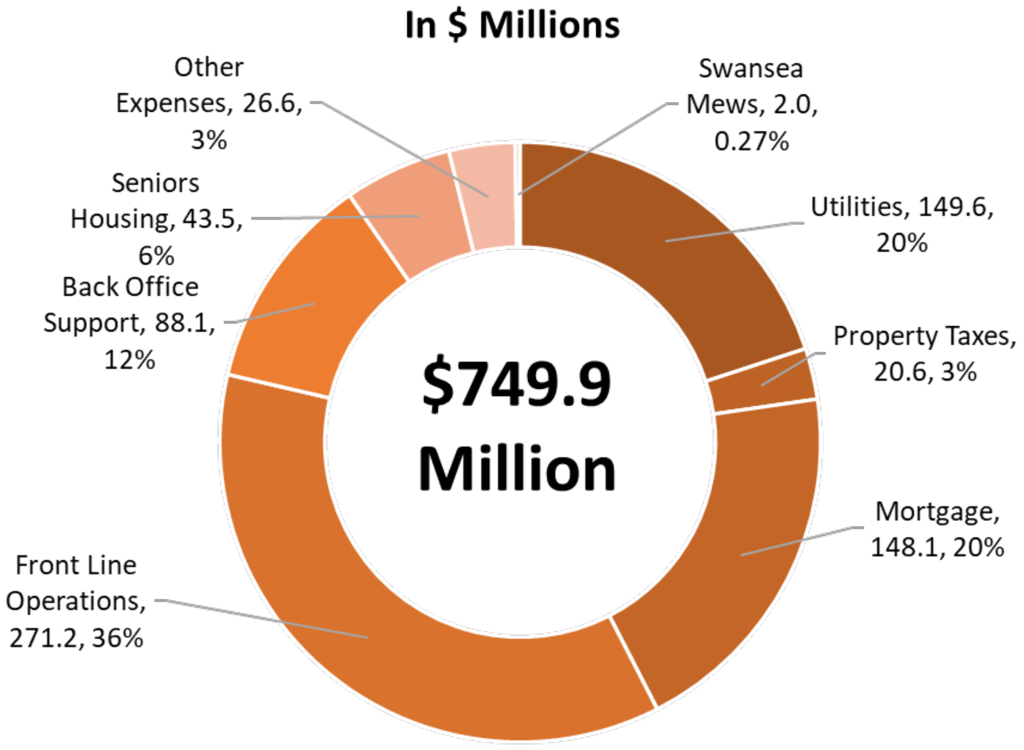
Where the Money Comes From

2024 Operating Budget



Where the Money Goes

2024 Operating Budget



2024 Key Cost Drivers & Balancing Actions

Item 4 - TCHC:2024-01 - Attachment 1

(In $000s)	Positions	2024 Updated Budget			% of Total	Comments
		Revenues	Gross	Net		
2023 Projection		**698,168**	**700,168**	**2,000**		
2023 Budget		**696,087**	**696,087**			Budget excluding Covid
Key Cost Drivers:						
Prior Year Impacts						
Reversal of One-Time 2023 Funding Strategies Used for Recurring Cost Pressures		(23,027)	3,522	**26,549**	28%	Non-Discretionary
Salary & Benefits						
Collective Agreement, COLA, Merit Increase			**23,541**	**23,541**	25%	Non-Discretionary
Non-Salary Inflation			**22,019**	**22,019**	24%	Non-Discretionary
Service Contracts			17,243	17,243		
Insurance			3,266	3,266		
Utilities			1,169	1,169		
Municipal Taxes			342	342		
Other Changes		-	**21,266**	**21,266**	23%	
Mortgage P&I			9,331	9,331		Non-Discretionary
Repairs & Maintenance Backlog			2,850	2,850		Non-Discretionary
TSHC Implementation (Corporate Positions)	5		687	687		Other
TCHC In-Flight Projects	4		3,292	3,292		Other
TCHC Previously Deferred Projects			5,106	5,106		Other
				-		
Sub-Total - Key Cost Drivers	**9**	**(23,027)**	**70,348**	**93,375**	**100%**	
Affordability Measures:						
Vacancy Savings			(3,663)	(3,663)	4%	
Interest Savings from SOGR Funding Advance			(1,200)	(1,200)	1%	
Energy Savings			(3,996)	(3,996)	4%	
Line-by-Line Review Savings and Deferred Projects	(5)		(7,713)	(7,713)	8%	
Base Subsidy Increase		40,000		(40,000)	43%	
One-Time Funding Increase		25,000		(25,000)	27%	
Allocation from SOGR Funding		8,580		(8,580)	9%	
Revenue Increase		3,223		(3,223)	3%	
Sub-Total - Affordability Measures	**(5)**	**76,803**	**(16,572)**	**(93,374)**	**100%**	
Total 2024 Budget Submission	**4**	**749,863**	**749,863**	**0**		
Change from 2023 Budget ($)		**53,776**	**53,776**	**0**		

Additional Items Not Included in Budget Pressures:

Forecasted Unfunded Liability - Subject to Insurance Reimbursement Limit			**28,000**	**28,000**		
Swansea Mews Incident Spend (May 2022-Dec 2023)			28,000	28,000		

SPECIAL PROJECT			**2,000**	**2,000**		
Mayor's New Affordable Rental Homes Initiative (amount to be finalized)			2,000	2,000		

Three-year Rolling Plan with 2025/2026 Outlook

Item 4 - TCHC:2024-01 - Attachment 1

($000s)	2024 Budget	2025 Incremental Outlook*	2026 Incremental Outlook*
Revenues			
Revenue Changes		5,539.0	5,484.0
TCHC Reserve City Repayment		6,500.0	
One-time Funding		(33,580.3)	
Total Revenues	**749,863.3**	**(21,541.3)**	**5,484.0**
Gross Expenditures			
Hiring Plan		1,437.0	1,472.9
Inflationary Impacts		19,187.6	15,603.4
Utilities		7,322.0	7,478.0
Mortgage P&I		1,535.8	3,177.6
Swansea Mews		(2,000.0)	
Procurement Modernization		(250.0)	
EY Financial Strategy Initiatives		(150.0)	
Asset Retirement Obligation Review		(100.0)	
Bridging Strategies		6,268.0	
Deferred Projects		8,741.8	9,322.6
Total Gross Expenditures	**749,863.3**	**41,992.2**	**37,054.5**
Net Expenditures		**63,533.5**	**31,570.5**
EY Internal & External Efficiencies		**(20,345.0)**	**(2,565.0)**
Net Expenditures after Potential Net Savings from Internal Efficiencies		**43,188.5**	**29,005.5**
Approved Positions	**2,653.0**	**2,663.0**	**2,663.0**

*Modern TO, Mayor’s New Affordable Rental Homes Initiative, completion of the TSHC transition, and TCHC hiring plan costs to be determined.

IT & Corporate Capital Budget

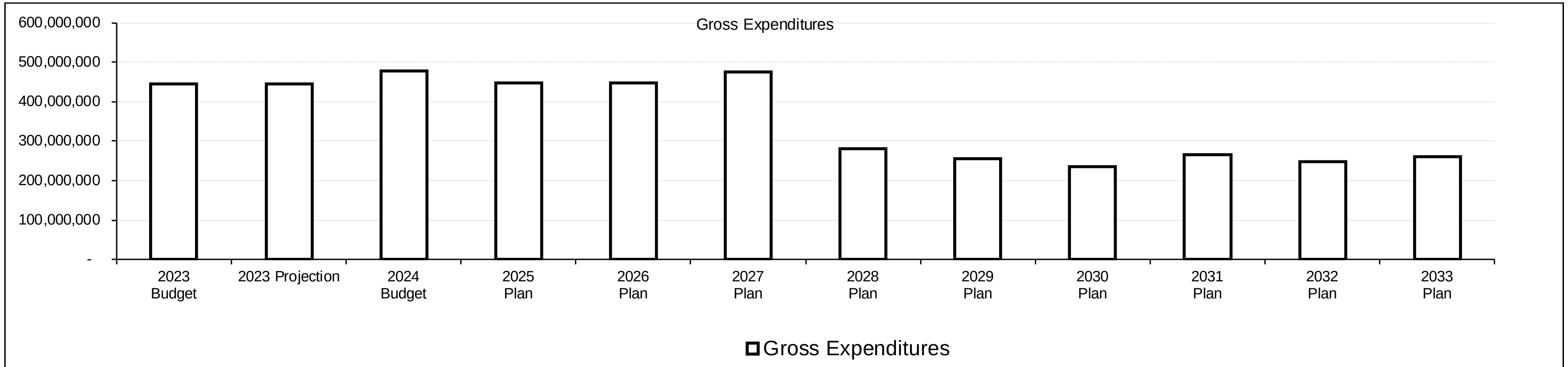
IT Capital			
Program	**Risk**	**Cost**	**Type of Cost Pressure**
Hardware	Critical - KTLO	425,000	Recurring
Enduser Hardware	Critical - KTLO	300,000	Recurring
NOVA	Critical	4,000,000	Multi-Year
Microsoft 365	Critical - using 2023 carryover approved funding	400,000	Multi-Year
	Critical - using 2023 carryover approved funding	200,000	
Storage	Critical	2,900,000	One-Time
Business Initiative	Critical	300,000	One-time set up
Total IT Funded Projects		**8,525,000**	
Total IT Carryover Funding		**(650,000)**	
IT Capital Sub-total		**7,875,000**	

Corporate Capital			
Program	**Risk**	**Cost**	**Type of Cost Pressure**
Office Services	Critical	10,000	One-time
Office Services	Critical	115,000	Recurring
Malvern	Critical	600,000	Multi-Year
Total Critical		**725,000**	
Corporate Capital Sub-total		**725,000**	
IT & CORPORATE CAPITAL TOTAL		**8,600,000**	

Part 4

2024-2033 Capital Budgets & Plan

2024 - 2033 Capital Budget & Plan Submission (Funded Portion)



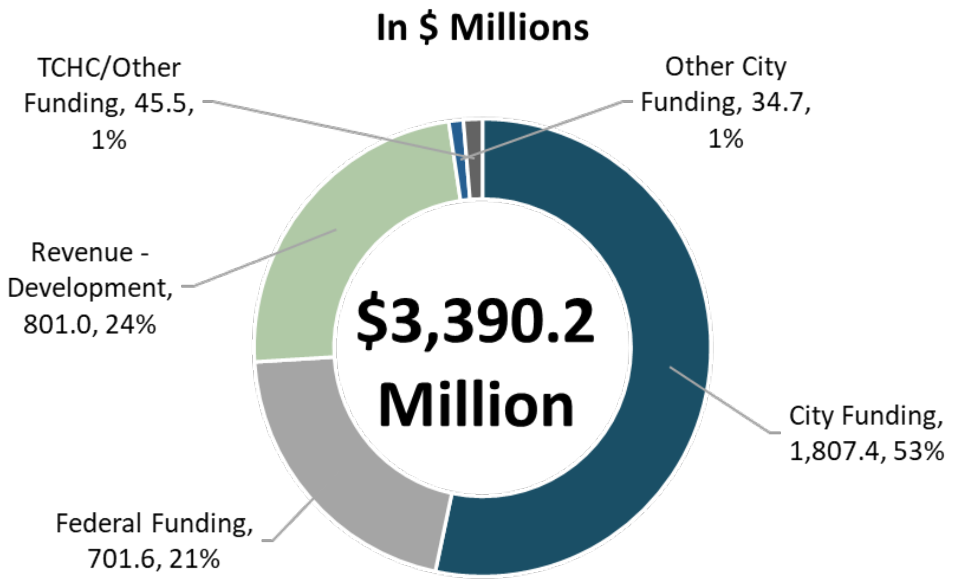
In $000's	2023 Budget	2023 Projected Actual	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total 10 Year Plan
			2023 Capital Budget and 2024 - 2032 Capital Plan										
Gross Expenditures by Project Category:													
Building Capital Repair	350,000	380,000	332,815	340,000	342,000	343,185	160,000	152,783	153,000	153,000	153,000	160,000	2,289,783
Development Capital	88,540	94,863	135,436	107,335	105,057	130,748	120,352	101,626	82,785	113,651	94,648	100,201	1,091,837
IT/Corporate Capital	5,190	5,190	8,605										8,605
Total by Project Category	**443,730**	**480,053**	**476,856**	**447,335**	**447,057**	**473,933**	**280,352**	**254,409**	**235,785**	**266,651**	**247,648**	**260,201**	**3,390,225**
Financing:													
Building Repair Capital													
City Funding	131,783	131,783	142,815	170,000	176,000	179,402	160,000	152,783	153,000	153,000	153,000	160,000	1,600,000
Provincial Funding													
Federal Funding	173,947	173,947	166,001	166,471	165,061	146,769							644,302
TCHC/Other Funding**	44,270	74,270	23,999	3,529	939	17,014							45,481
Development Capital													
City Funding	15,860	13,605	46,605	43,053	37,253	89,005	92,984	88,222	(127,538)	82,566	26,970	(180,324)	198,796
Other City Funding (S37/Infrastructure)	2,120	6,613	12,999	5,308	7,205	4,250	3,400	800	745				34,707
Provincial Funding	2,960												
Federal Funding*				19,000	17,300	21,000							57,300
Other Revenue - Development Capital	67,600	74,645	75,832	39,974	43,298	16,493	23,967	12,604	209,578	31,085	67,678	280,524	801,035
TCHC Funding													
IT & Corporate Capital													
City Funding	5,190	5,190	8,605										8,605
Total Financing	**443,730**	**480,053**	**476,856**	**447,335**	**447,057**	**473,933**	**280,352**	**254,409**	**235,785**	**266,651**	**247,648**	**260,201**	**3,390,225**

*Development Capital federal funding in 2025 to 2027 is subject to the approval of a 2024 CMHC funding application for net new affordable units in Phases 4/5
**Includes $30M cash flow advance for 2023 projected spending

2024 – 2033 Capital Program Breakdown

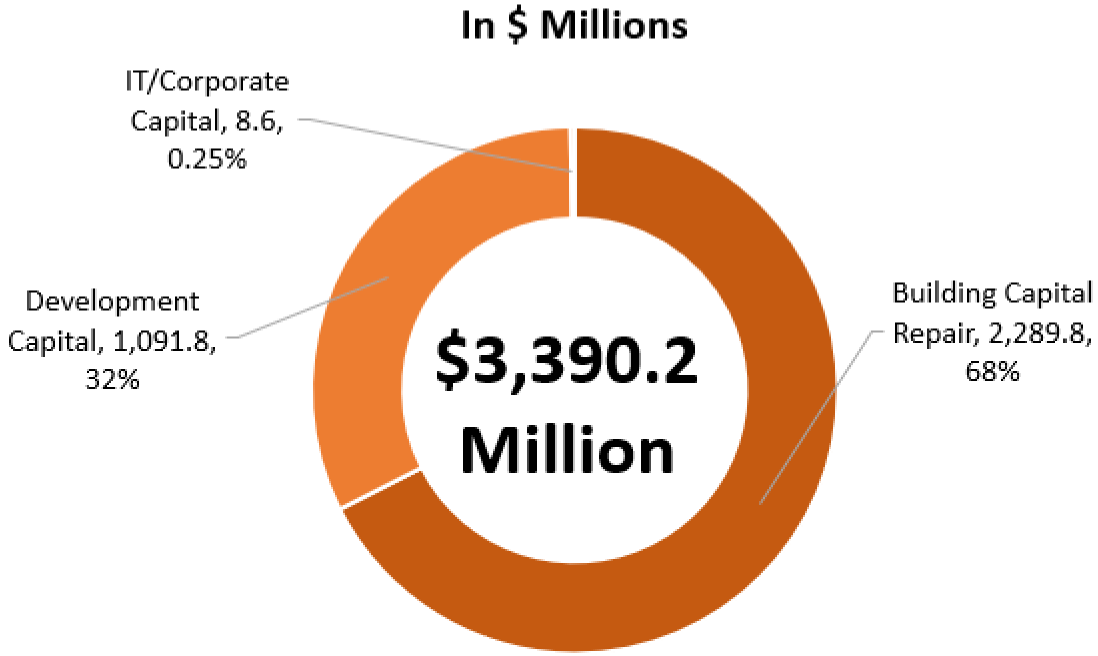
Where the Money Comes From

2024-2033 Capital Budget and Plan

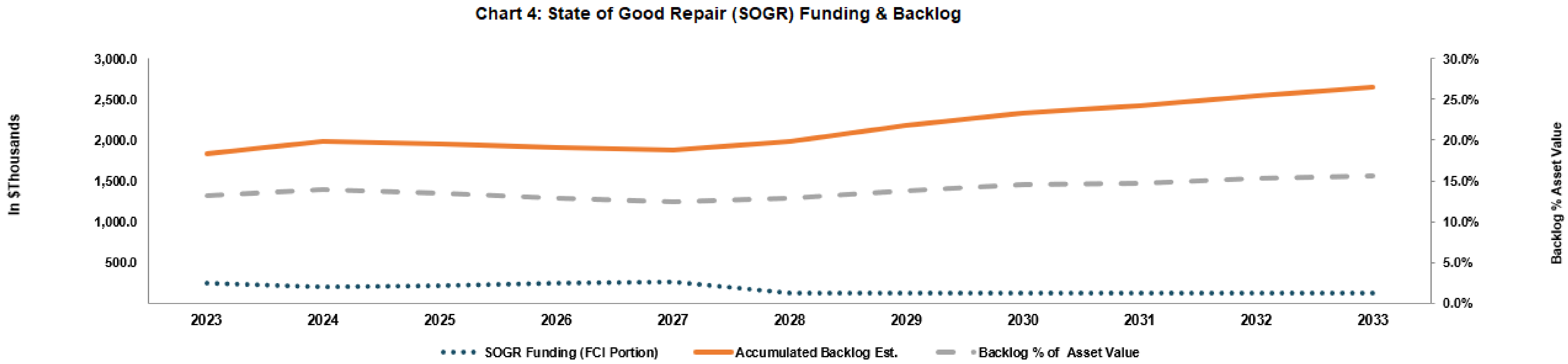


Where the Money Goes

2024-2033 Capital Budget and Plan



State of Good Repair (SOGR) Funding & Backlog



$ Thousands	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
SOGR Funding (FCI Portion)	245.0	199.7	221.0	239.4	257.4	128.0	122.2	122.4	122.4	122.4	128.0
Accumulated Backlog Est.	1,834.2	1,984.7	1,955.1	1,904.2	1,873.7	1,986.3	2,180.1	2,335.0	2,416.3	2,550.8	2,649.7
Backlog % of Asset Value	13.1%	13.9%	13.5%	12.8%	12.4%	12.9%	13.9%	14.6%	14.8%	15.3%	15.6%
Total Asset Value	13,967.7	14,247.0	14,532.0	14,822.6	15,119.1	15,421.5	15,729.9	16,044.5	16,365.4	16,692.7	17,026.5

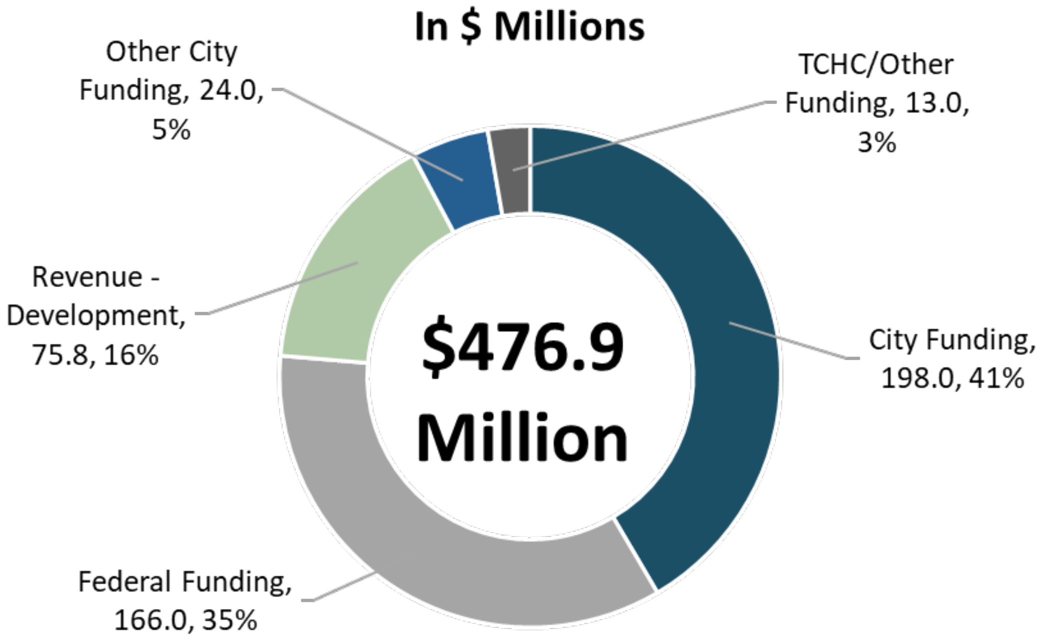
** CMHC may advance cash flow of $17.18M frm future years to 2024 which has not been reflected in this table
** Total Asset Value is indexed @ Statistics Canada Building Contruction Price Index for long term average rate of 2%, in alignment with the City's LTFP planning assumptions

2024 Capital Budget Breakdown

Item 4 - TCHC:2024-01 - Attachment 1

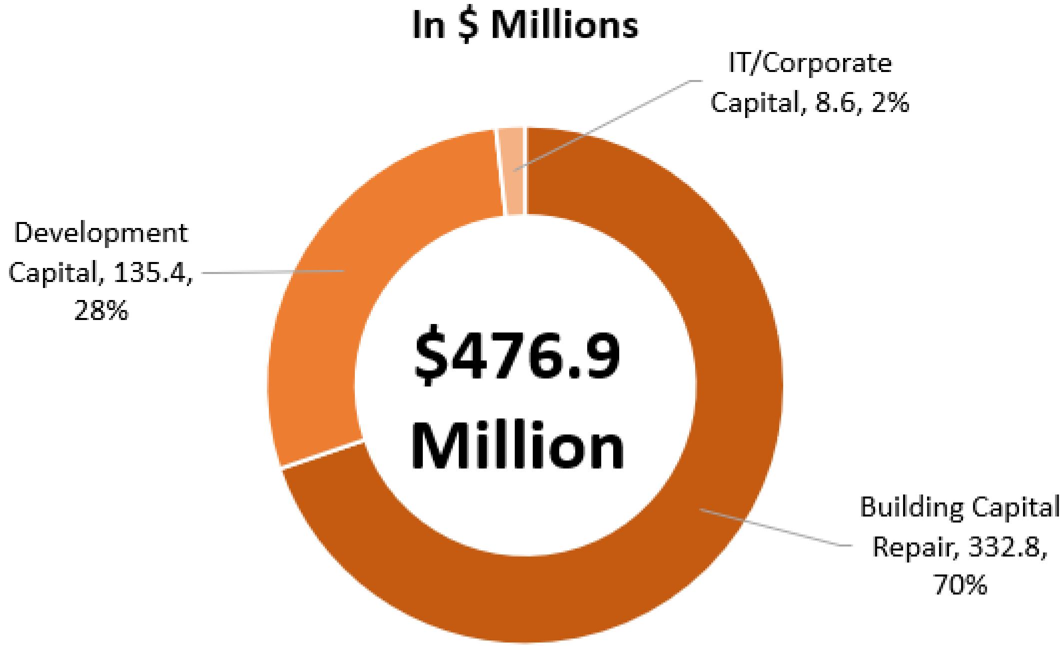
Where the Money Comes From

2024 Capital Budget



Where the Money Goes

2024 Capital Budget



TCHC Revitalization Program

TCHC's 2024 Development Capital Plan includes the following:

TCHC's 10 year development plan of inflight and not flight projects aims to deliver over **10,544** new units by 2033 including **2,250** Replacement Units and the potential for **1,062** net new affordable.

Unit Type	Projected 2024-2033 Completions	Not-in-flight units	Total Project 10 year	In flight beyond 2033	Not-In-flight beyond 2033
Market (estimated)	3,923	3,052	**6,975**	1,103	836
Affordable	206	856	**1,062**	0	100
Refurbished	257	0	**257**	0	0
RGI Replacement	1,378	872	**2,250**	13	317
Total	**5,664**	**4,780**	**10,544**	**1,116**	**1,253**

On active TCHC sites, the Revitalization Program has delivered over **9,332** units (6,605 market, 1,738 Replacement and 586 Affordable) units prior to 2024.

2024 Development – Capital Funding Breakdown

$ Million	2024 Development Capital Funding Breakdown					
	Equity	Grants/Loan*	Net Shortfall to be funded by the City	Land Sale	Profits	Net Investment
Rental Buildings	126.34	(80.76)	(30.20)			**15.38**
Market Buildings				(19.06)	(5.41)	**(24.47)**
Development Department Costs	9.1					**9.10**
Total In-flight Development	**135.44**	**(80.76)**	**(30.20)**	**(19.06)**	**(5.41)**	**0.01**

*___Notes___
- Includes $16.4M of committed funding from the City;
- Include IO loan for construction at 16N

Summary of Units Under Construction	
Projects	**Rentals**
Alexandra Park	124
Don Summerville	138
Regent Park	213
Lawrence Heights	100
Total	**475**

End

Toronto Community Housing Corporation

Strategic Financial Sustainability Plan Report

August 2023

GUIDE TO THE READER

This document is presented as key findings and draft recommendations for the consideration of TCHC, its Board, and the City of Toronto. The options in this work will be modified through the agreed process of further engagement with decision-makers, and they will remain incomplete due to identified data gaps and recommended actions for further development.

Throughout the program of work to date, there has been a remarkable level of consistency across all stakeholders with respect to a shared vision for TCHC to achieve a sustainable future, focused on delivering sufficient and appropriate services and supports to current and future residents. To a person, the desire is to achieve stable and adequate housing that supports positive life outcomes for residents. While it is recognized by all that resources will undoubtedly remain constrained, the intention of the commentary presented below is to help advance understanding of what drives the current cost of service, how those costs can be managed in the short term, what short term investments are required from the Shareholder, and how sustainable levels of investment from the Shareholder could be effectively aligned to tenant outcomes through renewal of how TCHC is funded over the longer term. A high-level commentary on implementation is provided to guide what comes next.

The findings, analysis, and opportunities identified in this document should be taken as information to support decision-making by TCHC management and Board, to determine the appropriate course of action (including prioritization) necessary to reach a sustainable financial state.

NOTICE
Ernst & Young LLP (EY) prepared the attached report only for the Toronto Community Housing Corporation ("TCHC" "Client") pursuant to an agreement solely between EY and Client. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of TCHC, the City of Toronto, and any of its funded operations, as well as the appropriateness of the accounting for any particular situation addressed by the report.

While EY undertook a review of TCHC's finances and operations per the terms of agreement, EY did not perform an audit or review (as those terms are identified by the CPA Canada Handbook - Assurance) or otherwise verify the accuracy or completeness of any information provided to us of TCHC, the City of Toronto, or any of its funded operations financial statements. Accordingly, EY did not express any form of assurance on accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment TCHC, the City of Toronto, or any funded operations should select or adopt.

The observations relating to all matters that EY provided to TCHC were designed to assist TCHC in reaching its own conclusions and do not constitute EY's concurrence with or support of Client's accounting or reporting or any other matters.

Contents

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

A Introduction

1. The Toronto Community Housing Corporation (TCHC) is facing both new and existing challenges – first among these being financial sustainability – in a complex socio-economic environment.
    a. An aging population and increasing complexity of vulnerabilities among tenants necessitate new or modified approaches to fulfilling TCHC's obligations, including requiring a high level of service to perform its responsibilities as a landlord.
    b. An aging building stock is driving a demand for capital spending, as well as demand for maintenance and emergency spending supplied through both capital and operating budgets. TCHC has benefited from a significant 10-year co-investment from the City of Toronto and the Canadian Mortgage and Housing Corporation (CMHC), however, the current round of investment for this National Housing Co-Investment Fund (NHCF) program will expire in 2027.
    c. TCHC is the most effective tool the City has to provide safe and affordable housing to residents; however, upward pressure on land values, building costs, and the cost of living have increased demand for subsidized housing and made transition into market housing more difficult for tenants.

2. TCHC, with the support of the City of Toronto, commissioned EY to conduct a review of the organization under the auspices of a Strategic Financial Sustainability Plan. This review is not a budget.

3. The purpose of this review is to:
    a. Assess TCHC's recent financial performance, both operating and capital
    b. Provide a financial forecast for the next 10 years
    c. Identify opportunities for cost savings and increased efficiency, including consideration of the Toronto Seniors Housing Corporation (TSHC) transition
    d. Establish options for a path to a sustainable financial future in the both the short- and long-term

4. Independent analysis was conducted between March and May 2023, reflecting significant insight and input from TCHC staff, its Board of Directors, the Toronto Seniors Housing Corporation and its Board, and City of Toronto staff including the Housing Secretariat as Service Manager.

5. Given the current state of the TCHC-TSHC transition, considerable data from the latter corporation is included in these pages on a consolidated basis. However, the primary purpose of this review is to examine TCHC, its finances, operations, and context. While

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

TSHC is a critical contributor to TCHC's current state, its own internal operations are not the focus of this work.

6. The basis of this analysis is a dedicated financial forecast model (*see page 11*), a leading practice review of global jurisdictions, and interviews with stakeholders. This work is supported by detailed financial analysis and experience with, and understanding of, the provision of housing-related services and capital investments in both public and private provider markets.

Note: This analysis validated the TCHC perspective that a quantitative comparison to other social housing providers is neither appropriate nor possible. Within Canada, TCHC is unique in its scale, and Ontario is unique in that it has downloaded the provision of social housing to local government. Outside of Canada, differing legislative and service delivery models limit the ability to perform an 'apples-to-apples' comparison. The jurisdictional analysis in this work takes the form of a leading practices scan, used to identify opportunities and implementation considerations appropriate for TCHC. It also served the purpose of validating whether the challenges faced by TCHC are unique or common among public housing providers. This approach minimized the risk that conclusions were made based on organizations which are not comparable to TCHC.

7. The expected outputs of this work include:
    a. Financial and operational challenges quantified and given an evidence base
    b. Recommended options for navigating the identified challenges, improving functionality within TCHC's stakeholder ecosystem, and creating more efficient and modern processes and policies internal to TCHC
    c. Development of a sustainable funding model
    d. A long-term vision for sustainability

8. In its capacity as sole Shareholder, the City of Toronto has contributed billions of dollars in subsidy and additional funding (including capital) over the corporation's 20-year history. It is TCHC's single largest funder.
    a. TCHC's initial legal structure was created to allow the corporation to operate at arm's length from the City. However, due to challenges faced by TCHC over the course of its history, the City has become more involved in the corporation's operations. Increased City involvement has taken many forms, including: providing additional shareholder direction to TCHC through Council decisions and policies, making financial contributions towards capital repairs and renovation projects in collaboration with the federal government, increasing TCHC's operations and capital subsidies, and providing greater alignment with the City's budget process.

9. The analysis identified that **TCHC's primary objective is to provide adequate and stable housing, supporting positive life outcomes for tenants.** To fulfil that objective, the corporation needs to be financially sustainable, focused on operational efficiency and effectiveness, and able to deliver improved socio-economic outcomes to their communities.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

10. With the above as context, there are two analytical categories through which we identify our findings:
    a. *Current state*: A 10-year financial forecast and activity-level analysis related to specific components of today's policy, administration, and management operating priorities, to inform short-term investment requirements.
    b. *Structural*: Analysis of institutional factors that require a more comprehensive renewal of policy, administration, and management priorities and associated mechanisms, to support long-term sustainability.

11. Current state findings:
    a. TCHC has had to manage structural challenges related to increasing demand and misaligned funding, and extraordinary circumstances related to the pandemic and high inflation. These challenges were met with short-term solutions such as additional – often one-time – 'top up' subsidies from the City, drawing down from reserves, deferring spending, transferring funds between capital and state of good repair (SOGR) funding, and avoiding or deferring investments.
    b. The operational challenges are forecast to worsen in future years, but pale in comparison to the need to address potential growth in demand, the city's broader housing and homelessness challenges, and obtain funding to meet the Shareholder's NetZero40 commitment. *Note: Given the lack of evidentiary and referenceable data available, this report is unable to comment on future addition of units or the NetZero costs.*
    c. Assuming a status quo scenario, **TCHC requires an injection of approximately $683.8 million over 10 years to maintain its operations at the current level of service**. However, all stakeholders interviewed suggest that **current service levels are insufficient** when considered in terms of providing the scale and scope of subsidized housing supports required by residents of Toronto.
    d. Looking beyond the expiration of the NHCF in 2027, with the City no longer receiving federal support for capital investment, TCHC's Facilities Condition Index (FCI) rating will begin to significantly worsen. This represents a substantial unfunded risk for TCHC and the City as building and unit conditions worsen, potentially impacting tenant satisfaction, health, and safety.
    e. In the status quo scenario, TCHC's only sources of funding are its Shareholder, tenants and, for specific capital projects, external purchasers of land and financing through CMHC.

12. Structural findings:
    a. While there is a suite of opportunities for improving TCHC's internal management, these actions alone will be insufficient for establishing the corporation as sustainable. **Any long-term solution must address the structural challenges that hinder TCHC's performance**.
    b. There is limited alignment between historically determined parameters that drive funding (such as CMHC's measure of average market rent), and the true drivers of TCHC's operating cost. This restricts necessary focus on policy and administrative choices for both the Service Manager and TCHC, limiting their ability to manage costs and their associated outcomes over time.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

c. Tenant socio-economic circumstances and related behaviours are believed to impact the nature of landlord services required to manage TCHC properties, communities, and tenancies – yet the current funding model has no formal consideration for these factors.
d. TCHC's funding structure should therefore reflect parameters that are in the reasonable control of TCHC and the Service Manager and can be affected through managerial focus in the short-to-medium term. Those parameters should be based on cost drivers of the major operating responsibilities of TCHC and must cover all capital and operating-related funding requirements.
e. An associated set of performance expectations and accountabilities should reinforce financial, service level, and tenant outcome objectives/targets, and provide clear transparency and accountability to the Shareholder.
f. Funding levels should reflect known pressures from a planning/budgeting perspective, and then be managed through a continual improvement program with agreed targets and timelines.
g. **Achieving sustainability for TCHC requires a new approach to funding via a structure that clearly reflects what drives the cost of service**, policy and administrative choices that impact both cost of service and service levels, and outcomes achieved – all supported by clear and objective performance indicators and a robust approach to performance management. The decision to pursue a new approach to funding TCHC will likely require Shareholder approval and collaboration.

13. Beyond the above recommendation to develop a more effective and appropriate funding structure, this document identifies a series of opportunities that **could deliver $25-45 million in cash and non-cash efficiencies per year** depending upon the options TCHC and its Board decide to pursue. These opportunities include:
    a. **Greater business intelligence and efficiency through analytics**: Implement an end-to-end data governance framework, including a centralized data and business intelligence team; develop a long-term and funded IT strategy and prioritization process.
    b. **Improve value for money and staff productivity**: Modernize procurement via improved use of analytics, raise internal financial authority levels, and adopt new practices for vendor management; improve internal financial management practices including creating a reserves policy and better aligning the TCHC budget cycle with the City of Toronto budget cycle.
    c. **Gain more control over arrears**: Complete a thorough review of arrears management practices to improve tenant support and reduce long-term arrears and repayment agreements; cancel long term arrears repayment balances and establish an arrears forgiveness program.
    d. **Lower natural gas costs**: With the support of the City, seek changes from the Housing Services Corporation to either reduce natural gas rates and administrative fees, or grant TCHC an exemption from purchasing via HSC.
    e. **Lower water costs**: Ask the City to consider lowering the corporation's water rates or exempting it entirely.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

f. **Incentivize tenant behaviour that reduces expenses**: Explore a Tenant Incentive Scheme that rewards tenants who comply with the terms of their tenancy agreement and contribute to community wellbeing.
g. **Develop a partnership strategy for capturing large, high-capacity partners**: Seek out more impactful, large-scale, long-term partnerships that enable economies of scale and/or support a specific objective that reduces financial pressure on TCHC.
h. **Establish a charitable foundation**: Access new sources of revenue and forms of partnership with greater flexibility than a municipal corporation provides.
i. **Link tenant outcomes to new financing opportunities:** Use Social Impact Bonds and other social financing schemes to fund specific community needs and achieve performance/outcome targets.
j. **Update the development strategy to ensure TCHC gets the best advantage from the market:** Re-visit the approach to development and revitalization in collaboration with the City to include: an updated and comprehensive asset evaluation and planning review; a simplified, prioritized development approvals process for TCHC projects; consideration of alternative, non-profit managed mixed-income projects if and where the context permits; and, leverage new funding partners to better position opportunities in the market.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

B Definition of Sustainability

14. In a traditional corporate definition, 'sustainability' refers to the ability of an organization to maintain its financial, operational, and strategic capabilities over the long term. It should generate sufficient revenue to cover its expenses, invest in its future growth, and weather any unexpected setbacks, supported by efficient and productive operations.

15. Considerable effort was put into engaging with stakeholders on the definition of sustainability relevant to TCHC, and the consensus is that **the corporation's primary objective is to provide adequate and stable housing, including positive life outcomes for tenants.**

16. To fulfil that objective, TCHC needs to be financially sustainable, focused on operational efficiency and effectiveness, and deliver improved socio-economic outcomes to their communities. *(See inset box)*

FINANCIAL SUSTAINABILITY

TCHC is able to meet all planned operating and capital expenses to deliver programs, services and projects, in line with shareholder expectations. When incremental or new priorities arise, TCHC is able to assess the cost to deliver on new asks, and able to quantify the impacts to existing programs, services or projects.

OPERATIONAL SUSTAINABILITY

TCHC is able to maintain or grow necessary programs and services without compromising future operations or over-extending its resources. Operations align with and support the corporation's overarching mandate and strategic priorities. Resources are right sized and structured to efficiently and effectively deliver against outcomes.

COMMUNITY SUSTAINABILITY

TCHC is able to provide the social, economic, environmental, and cultural conditions to enable tenants and their children to be successful, including lifting them 'up and out' of social housing. Programming and services are tenant-centric and holistic. Communities are healthy, vibrant, safe, and connected.

17. For TCHC specifically, the definition of sustainability includes:
    a. **Financial** – A reliable and consistent funding structure that reflects TCHC's obligations and the cost to fulfil those obligations
    b. **Operational** – Effective and efficient management of housing stock and tenancy management obligations to an agreed standard, aligned to Shareholder expectations

c. **Community** – Access to adequate housing at a baseline, with related supports to achieve stability and positive life outcomes for tenants

18. The importance of defining sustainability is that it:
    a. Provides the Shareholder with the necessary understanding to set overall policy objectives and make the associated investment decisions
    b. Enables the Service Manager to effectively manage allocation of City resources across the various components of the community and social housing service system, including the unique role of TCHC as the largest single provider of deeply subsidized housing in Toronto
    c. Ensures TCHC can be accountable in their role to provide adequate and stable housing

19. Sustainability implies there is clarity about what the Shareholder is 'purchasing' from TCHC:
    a. The most cost-effective form of publicly funded housing in Toronto brought into a sustainable financial position;
    b. Housing adequacy and stability for thousands of low-income and vulnerable Torontonians;
    c. Forecasting ability and predictability of cost;
    d. Transparency and accountability;
    e. Alignment with, and action on, Shareholder priorities; and
    f. The ability to link TCHC service spending with other Community and Social Services functions to track and improve socio-economic outcomes.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Sustainability challenges are driving change within the Canadian social housing sector

While Ontario is unique in that social housing is funded and managed at the local government level, the sustainability challenges and demand pressures being experienced by TCHC are similarly impacting other Canadian social housing providers, prompting new approaches to funding and ownership:

a. **British Columbia** primarily uses non-profits to deliver services (approximately 85 percent of services are delivered by partners), managed through the provincial housing authority, BC Housing. Only for properties where there is limited market appetite to own would BC Housing remain the landlord. Funding flows from the Province to BC Housing, who review the financial budgets submitted by each provider at the building level. However, capital funding for maintenance is largely flat and not estimated using a bottom-up budgeting exercise, resulting in some much-needed capital projects being deferred, increasing overall operating costs, negatively impacting the quality of buildings, and hindering the sustainability and climate resilience priorities of the province.

b. The Government of **Alberta** is seeking to shift to a funder and regulator of affordable housing, moving away from owning and operating assets towards funding and policy development. This new asset management approach – the 'Stronger Foundations' framework – is designed to use innovative approaches for partnerships with the non-profit and private sectors to grow the supply of affordable housing. Through real estate asset transfer and redevelopment opportunities, new housing models such as mixed-income developments may leverage new approaches to partnerships and provincial funding tools to grow the supply of affordable housing.

c. The **Region of York** is investing in non-profit capacity and capability to develop and operate affordable community housing. The goal is to have more equitable access to funding, rather than government funds going to a government housing corporation. This will also enable the region to shift to a system planning, oversight, and funder role, rather than landlord and service delivery.

d. The **Ottawa** Community Housing Foundation was established 11 years ago to provide programming to the Ottawa Community Housing Corporation (OCHC). This model enables the Foundation, a registered charity, to apply for grants, as well as be more responsive and agile to tenant needs. Staff at the Foundation and OCHC work together to understand tenant needs and connect tenants to appropriate services and programs.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

C Current State Assessment

Baseline Financial Pressure

20. A financial model was built based on the approved and published 2023 budget, forecasting each major line item (cash outflows/expenses and cash inflows/revenues) for 2023 to 2032. Assumptions are clearly identified and made in line with an external and independent projection of variables such as inflation and wage rates and other important estimates of future years' spending.[1] *See inset box.*

21. The 10-year forecast is based on maintaining **current service levels**, providing a view of the financial pressures facing TCHC based on current operations. This approach matches the current priorities set by the Shareholder for TCHC. Should priorities change, the financial model could enable a new forecast to be presented.

EY's Financial Forecast Model

The baseline financial analysis is based on a build-out of a flexible, multi-dimensional forecasting model. This model leverages the structure of previous work for TCHC's Shareholder, enabling a consolidated cash flow-based view of TCHC over 10 years.

The model starts with the approved 2023 budget, then extends it for 9 years through 2032 based on TCHC data and assumptions regarding inflation, growth, etc.

It allows for specific growth rates by year, such as to enable specific planned expenditures in 2024, and enables scenarios that can be run to assess changes in inflation, growth rates, specific spending items, new capital projects, debt management, etc.

The financial model has been constructed in very similar manner to models prepared by the same team of analysts for the City of Toronto, TCHC's sole Shareholder, as part of its long-term financial planning exercise. At all appropriate points in this exercise, effort was made to align the analytical approach taken with the City to that which was applied to TCHC.

Note: It is possible to test scenarios such as significant capital investment to change RGI/market rent ratios. However, such capital investments would likely be so significant that this scenario has not been developed herein. This could be a point of discussion amongst stakeholders, although TCHC has indicated that this is part of future planning exercises.

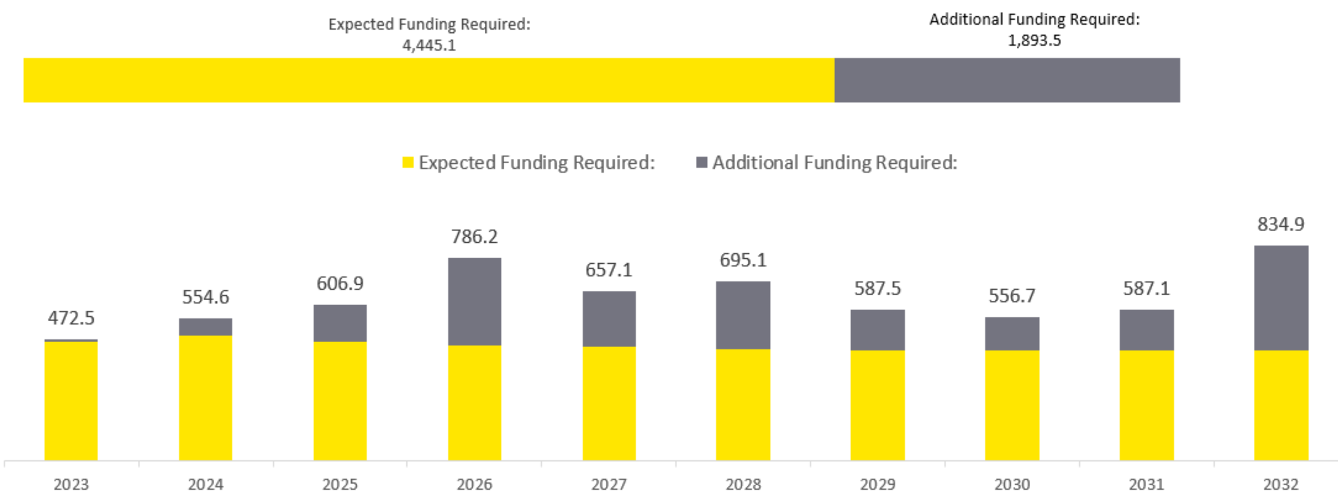
---

[1] Unless specifically stated otherwise, all data in this document is presented on a consolidated basis, i.e., TCHC plus TSHC as if they were a single entity.

Operations[2]

22. **Over ten years (2023–2032), the total (operating + capital) funding requirements for TCHC are forecasted to be slightly more than $6.4 billion**, of which approximately $4.5 billion represents the currently expected funding/subsidy amount and **$1.8935 billion of additional funding/subsidy** required. *See Figure 1; all figures are presented in nominal dollars.*

Figure 1: Ten Year Funding Pressure: Baseline Model



Source: 2023 Budget, Development and Building Repair Capital - TCHC, Inflation

23. In the baseline scenario, **TCHC is forecast to face a $683.8 million incremental operating cash shortfall over 10 years** (2023-2032). This funding pressure will need to be addressed by an agreed combination of strategies that could generate efficiencies, revenues, or offsets, but it is also highly likely that shareholder investment will be required to address the funding pressure (*see Figure 2*). Scenarios that would see funding pressure managed through a service level reduction have not been modelled and were not suggested by any stakeholder engaged.

[2] This work does not reflect any analysis of potential obligations pertaining to accounting for ARO (Asset Retirement Obligations) as that data was not provided to EY.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Figure 2: Ten Year Cash Flows

TCHC CashFlow (M CAD$)

CASH INFLOWS	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Ten Year Total	CAGR
Residential rent-RGI	270.1	276.2	282.5	288.8	295.3	301.8	308.3	315.0	321.3	327.6	2,986.9	2.2%
Residential rent-Market	88.8	91.0	93.3	95.7	98.0	100.5	103.0	105.6	108.2	110.9	995.1	2.5%
Bad Debt Expense	(9.3)	(9.5)	(9.8)	(10.0)	(10.2)	(10.4)	(10.7)	(10.9)	(11.1)	(11.3)	(103.2)	2.2%
Commercial rent	18.0	18.4	18.8	19.2	19.7	20.1	20.5	21.0	21.4	21.8	199.1	2.2%
Parking, laundry and cable fees	17.4	17.4	17.5	17.5	17.5	17.6	17.6	17.6	17.7	17.7	175.4	0.2%
Others	10.2	11.6	12.6	13.7	14.6	15.7	17.0	18.3	19.6	20.3	153.5	8.0%
Subsidies (agg.)	298.3	281.5	287.9	294.3	300.9	307.6	314.2	321.0	327.5	333.9	3,067.1	1.3%
Total	693.4	686.7	702.8	719.2	735.8	752.8	770.0	787.6	804.6	820.9	7,473.9	1.9%

CASH OUTFLOWS	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Ten Year Total	CAGR
Operations	(292.6)	(309.7)	(327.7)	(335.7)	(349.4)	(359.2)	(369.3)	(379.6)	(390.0)	(400.7)	(3,514.0)	3.56%
Utilities	(157.8)	(157.4)	(162.9)	(168.5)	(174.0)	(179.6)	(186.4)	(194.3)	(200.8)	(206.6)	(1,788.3)	3.04%
Mortgage Interest& Principal	(140.0)	(140.4)	(146.8)	(150.8)	(153.3)	(151.5)	(144.7)	(140.0)	(133.5)	(129.5)	(1,430.5)	(0.87%)
Municipal Taxes	(16.8)	(17.5)	(18.1)	(18.7)	(19.2)	(19.8)	(20.3)	(20.8)	(21.4)	(21.9)	(194.5)	3.03%
Others	(96.9)	(117.1)	(119.5)	(120.6)	(123.1)	(125.6)	(128.1)	(130.7)	(133.1)	(135.6)	(1,230.4)	3.80%
Total	(704.2)	(742.1)	(775.0)	(794.2)	(819.0)	(835.7)	(848.8)	(865.5)	(878.9)	(894.3)	(8,157.7)	**2.69%**
Total Cash Surplus (Shortfall)	(10.8)	(55.4)	(72.2)	(75.0)	(83.2)	(82.9)	(78.8)	(77.8)	(74.3)	(73.4)	(683.8)	

Source: 2023 numbers are sourced from 2023 Budget, beyond 2023 growth rate assumptions are applied based on discussion with TCHC

24. The 10-year forecast **assumes no changes** in service levels or standards, growth in TCHC capacity, any demand for incremental units related to population growth or policy change, replenishment of reserves, or changes to tenant socio-economic outcomes. Nor does it consider the capital or operating requirements potentially triggered by the City's NetZero40 commitment, or capital investment shortfalls potentially needed to offset the end of the NHCF program after 2027. Addressing any such additional requirements would require corresponding net new investments.

Note: Both the federal and provincial governments are keenly focused on improving access to housing. Examination of how intergovernmental relations affects TCHC is beyond the current scope of this work but could be examined as part of any broader strategy to renew City/provincial/federal funding partnerships.

Capital

25. Through the National Housing Strategy, in 2019 TCHC secured a partnership with the City and the federal government to fully fund its 10-year, $3.1 billion capital plan. This federal program – the National Housing Co-Investment Fund (NHCF) – required co-investment contributions from at least one other level of government; this was met with the City's commitment of nearly $160.0 million annually; $800.0 million is guaranteed through 2027, and $771.8 million is planned from 2028-2032 TCHC forecasts.

26. The NHCF program also provides $1.3 billion of unsecured funding through CMHC, of which $527.5 million is in the form of forgivable loans and $813.5 million is in the form of low-interest loans. CMHC's forgivable loans come with operational targets for energy efficiency, natural gas reductions, and accessibility.

27. While TCHC's capital funding is secure through 2027, it is not without risk: should the CMHC operational targets not be met, repayment of the $527.5 million may be required. At this time, TCHC anticipates that targets will be met, and that repayment will not be required. The forecast model therefore assumes these operational targets are

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

met, with the benefits embedded in the model, and therefore there is no provision in the cash outflows of these debts.

28. TCHC's 10-year community revitalization plan will complete the renewal of nearly 4,000 RGI-eligible units and support capital cost avoidance of over $177.2 million. Revitalization projects are classified by TCHC as "in-flight" (the project has been approved and funding has been sufficiently secured) and "not-in-flight" (approval and funding have not been secured).

29. The forecast model suggests that to fund in-flight projects, an additional $142.3 million will be required. Not-in-flight projects have an additional net funding requirement of $775.7 million.

30. With the scale of TCHC's portfolio, any material improvement in FCI is a significant achievement. However, the rapid increase rise of inputs costs, as well as prolonged project timelines due to labour challenges and/or municipal approvals.

Note: The below analysis and potential fiscal implications are not included in the aggregate data presented above.

31. TCHC's FCI target of 10 percent is aligned to comparable local market benchmarks. However, maintaining FCI requires continual investment in SOGR as assets continue to depreciate. Industry standards for capital renewal spend range from 2 percent to 4 percent of asset value annually, per BOMA, IFMA and VFA. This practice is conceptually tied to depreciation and the economic lifespan of real property; if a building's expected useful life is 50 years, it depreciates at a rate of 2 percent per year. Through revitalizations, SOGR backlog is also indirectly reduced by strategically redeveloping assets with high FCI ratings.
    a. As the bottom row in the first table in Figure 3 below shows, TCHC's investments range from 2.2–2.5 percent from 2023 to 2027, causing the FCI to improve and decline from 13 percent to 10.9 percent.
    b. Looking beyond the expiration of the NHCF in 2027, with the City no longer receiving federal support on capital spending, TCHC's capital investment ratio declines by 50 percent or more, forecast to range from 0.94-0.98 percent of asset value over the 2028–2032 period. **As a result, TCHC's FCI rating increases to 12.6 percent by year-end 2032 as expected capital funding is insufficient to cover additional, in-year deferred maintenance items and inflationary pressure.**
    c. Preliminary estimates indicate FCI **will begin to significantly worsen after 2028, climbing to nearly 14 percent only five years later in 2037.** This represents a significant risk for TCHC and the City as building and unit conditions worsen, potentially impacting tenant satisfaction, health, and safety.
    d. Based on the more conservative benchmark level of capital investment at 2 percent of asset value, as shown in the second table of Figure 3, **an estimated annual, incremental funding gap of over $95 million is projected** relative to the approximately $160 million per year in assumed, long-term City funding.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

e. **To maintain an FCI rating of 10 percent, annual capital expenditures are estimated to average $233.5 million from 2028-2037** (*see the bottom table in Figure 3*), resulting in a funding gap of more than $75.0 million over the 2028–2037 period.

f. Note that the range in long-term SOGR shortfall of $75-$95 million per year is subject to long-term planning assumptions. Leading industry practice recommends monitoring FCI in a flexible planning environment where needs and opportunities are expected to change over time with portfolio-wide asset strategies, updated Building Condition Audits, inflation, and other factors. **This range is not included in the overall shortfall of $1.8935B referenced in paragraph 22 and Figure 1 above.**

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Figure 3: Fifteen Year State-of-Good-Repair Analysis

CURRENT 2023 10-YEAR TCHC CAPITAL BUDGET PLAN											EY FIVE-YEAR PROJECTION					
($MCAD)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	**15-Year**
Year Start SOGR Backlog[2]	1,633.4	1,771.2	1,793.5	1,730.6	1,652.2	1,607.7	1,675.0	1,824.3	1,933.7	1,968.5	2,055.7	2,104.7	2,195.6	2,270.3	2,319.5	
Future Deferred Maintenance[2]	194.2	179.8	151.7	145.2	180.5	163.1	238.1	195.3	118.6	170.2	135.9	176.8	158.8	131.8	212.3	
Other Adjustments																
Revitalized/Vacated Assets (TBC)[3]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Impact of Small-Scale Repairs (TBC)[4]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inflation on Opening Balance[5]	215.6	122.5	65.5	37.4	33.0	32.2	33.5	36.5	38.7	39.4	41.1	42.1	43.9	45.4	46.4	
In-Year SOGR Capital Needs	2,043.2	2,073.5	2,010.6	1,913.2	1,865.7	1,803.0	1,946.5	2,056.1	2,090.9	2,178.1	2,232.7	2,323.6	2,398.3	2,447.5	2,578.2	
SOGR Backlog Capital Spend[2]	(272.0)	(280.0)	(280.0)	(261.0)	(258.0)	(128.0)	(122.2)	(122.4)	(122.4)	(122.4)	(128.0)	(128.0)	(128.0)	(128.0)	(128.0)	**(2,608.4)**
Year-End SOGR Capital Needs	1,771.2	1,793.5	1,730.6	1,652.2	1,607.7	1,675.0	1,824.3	1,933.7	1,968.5	2,055.7	2,104.7	2,195.6	2,270.3	2,319.5	2,450.2	
Asset Value[2]	13,601	13,874	14,151	14,434	14,723	15,017	15,317	15,624	15,936	16,255	16,580	16,912	17,250	17,595	17,947	
Year-End FCI	**13.0%**	**12.9%**	**12.2%**	**11.4%**	**10.9%**	**11.2%**	**11.9%**	**12.4%**	**12.4%**	**12.6%**	**12.7%**	**13.0%**	**13.2%**	**13.2%**	**13.7%**	
Ancillary Capital (i.e. Non-SOGR)[2]	(68.0)	(70.0)	(70.0)	(65.1)	(64.4)	(32.0)	(30.6)	(30.6)	(30.6)	(30.6)	(32.0)	(32.0)	(32.0)	(32.0)	(32.0)	**(651.9)**
Current Capital Budget	**(340.0)**	**(350.0)**	**(350.0)**	**(326.1)**	**(322.4)**	**(160.0)**	**(152.8)**	**(153.0)**	**(153.0)**	**(153.0)**	**(160.0)**	**(160.0)**	**(160.0)**	**(160.0)**	**(160.0)**	**(3,260.3)**
Total Capital (% of Asset Value)	**2.5%**	**2.5%**	**2.5%**	**2.3%**	**2.2%**	**1.07%**	**1.00%**	**0.98%**	**0.96%**	**0.94%**	**0.97%**	**0.95%**	**0.93%**	**0.91%**	**0.89%**	

ILLUSTRATIVE COMPARISON: BENCHMARK CAPITAL INVESTMENT (2% OF ASSET VALUE PER YEAR)											EY FIVE-YEAR PROJECTION					
($MCAD)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	15-Year
Current Capital Budget	(340.0)	(350.0)	(350.0)	(326.1)	(322.4)	(160.0)	(152.8)	(153.0)	(153.0)	(153.0)	(160.0)	(160.0)	(160.0)	(160.0)	(160.0)	(3,260.3)
Benchmark Capital Spend @ 2%	272.0	277.5	283.0	288.7	294.5	300.3	306.3	312.5	318.7	325.1	331.6	338.2	345.0	351.9	358.9	4,704.3
Est. Funding Gap (Surplus)	**(68.0)**	**(72.5)**	**(67.0)**	**(37.4)**	**(27.9)**	**140.3**	**153.6**	**159.5**	**165.7**	**172.1**	**171.6**	**178.2**	**185.0**	**191.9**	**198.9**	**1,444.0**
Benchmark Capital Spend less Current Capital Budget																

ILLUSTRATIVE COMPARISON: COST TO REACH & MAINTAIN A 10% FCI											EY FIVE-YEAR PROJECTION					
($MCAD)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	10-Year
Est. In-Year SOGR Capital Needs						1,803.0	1739.8	1727.0	1681.0	1763.8	1761.4	1834.8	1849.9	1856.8	1971.8	
In-Year FCI						10.9%	11.4%	11.1%	10.5%	10.9%	10.6%	10.8%	10.7%	10.6%	11.0%	
Year-End Target FCI						10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Target Capital Needs to Achieve 10% FCI						1,472.3	1,501.7	1,531.7	1,562.4	1,593.6	1,625.5	1,658.0	1,691.2	1,725.0	1,759.5	
Target Capital Spend to Achieve 10% FCI						**330.7**	**238.1**	**195.3**	**118.6**	**170.2**	**135.9**	**176.8**	**158.8**	**131.8**	**212.3**	**1,868.4**
Est. In-Year Adjusted Capital Needs less Target Capital Needs to Achieve 10% FCI																
Current Capital Budget	(340.0)	(350.0)	(350.0)	(326.1)	(322.4)	(160.0)	(152.8)	(153.0)	(153.0)	(153.0)	(160.0)	(160.0)	(160.0)	(160.0)	(160.0)	(3,260.3)
Est. Funding Gap (Surplus)						**253.4**	**144.8**	**91.1**	**(4.8)**	**59.7**	**9.9**	**61.0**	**38.5**	**4.8**	**105.3**	**763.7**
(Target Capital Needs @ 10% FCI less In-Year Capital Needs) less Current Capital Budget																

2023 budget pressure

32. In the 2023 budget planning process, TCHC identified operating pressures totaling $81 million resulting from inflation and other demands. TCHC was able to fund most of these pressures through increased revenues, cost reductions, and transfer of funding from capital to operating. The balance of $23.8 million was met through withdrawals from reserves ($13 million) and pandemic support ($10.8 million) from the City, the latter of which reflects three years of spending and is expected to be reimbursed by the provincial and federal governments.

2024 budget pressure

33. Through additional analysis in July 2023 and detailed review of specific line items associated with that pressure, TCHC identified approximately $19.8 million of costs that could be removed from its 2024 budget. This document reflects the impact of those savings.

34. As detailed in Figure 4, gross 2024 operating budget pressure stands at $65.5 million, driven by:
    a. Continuation of the 2023 pressures;
    b. Partial restoration of TCHC vacancies and cost reductions ($11.9M);
    c. Inflation and other growth ($13.1M); and
    d. Decrease in operating subsidy ($16.8M)

Figure 4: 2024 Operating Budget Pressure

All amounts in M CAD$	2024
2023 Budget Pressure	
Cash Shortfall (COVID-19 Expenses)	(10.8)
Cash shortfall (expenses > revenues)	(13.0)
Continuing Pressure from 2023 Budget	(23.8)
2024 Budget Pressure	
Partial filling of some positions left vacant in 2023 and partial restoration of other 2023 cost reductions	(11.9)
Inflation and other expense growth	(13.1)
Decrease in operating subsidy from $298.3M to $281.5M	(16.8)
2024 Gross Budget Pressure	(65.5)
Residential Rental Increase	8.4
Other Revenue	1.7
Revenue Adjustment	**10.1**
2024 Net Budget Pressure	(55.4)

Sources: 2023 Budget, Inflation. COVID-19 note per discussion with CFO.

35. Small increases in revenue totalling $10 million reduce the gross operating budget pressure, resulting in an estimated 2024 net operating budget pressure of $55.4 million. Notwithstanding opportunities for operating efficiencies identified below, the prudent assumption to make is that to avoid corresponding reduction in service levels the 2024 net budget pressure will need to be met by additional shareholder investment.

Forecast conclusions

36. TCHC has had to manage structural challenges with short-term solutions such as additional – often one-time – 'top up' subsidies from the City (related to factors such as the pandemic and energy savings), drawing down from reserves, deferring spending, and avoiding or deferring investments in areas such as further analytical capabilities via TCHC's Housing Management Enterprise System (HoMES).

37. These short-term challenges, principally operational in nature, are forecast to worsen in future years, but pale in comparison to the need to address potential growth in demand, address the City's broader housing challenges, and obtain funding to meet the Shareholder's NetZero40 commitment. Assessing these additional pressures is beyond the scope of the current examination, but it is recommended that a thorough business case including cost-benefit analysis be developed in each regard for consideration by the shareholder.

38. **Assuming a status quo scenario, TCHC requires an injection of approximately $683.8 million over 10 years to maintain its operations at the current level of service.** However, all stakeholders interviewed suggest that **current service levels are insufficient when considered in terms of providing the scale and scope of community housing supports needed** by eligible residents of Toronto. Indeed, holding history aside, there is strong indication that given a so-called 'blank slate', the current service levels and associated funding levels are sub-optimal to requirements of meeting housing need and securing sustainable housing stability and adequacy for those in need. The status quo should thus be viewed as a point of departure for renewal. To be clear, short-term investment is required to secure immediate operational stability, but at the same time effort should be initiated to redefine the way TCHC is funded with a much more explicit set of tenant outcome targets being established that link directly to TCHC's cost of service.

39. In Section D, opportunities are identified to drive further efficiency/effectiveness into TCHC operations and potentially reduce immediate funding pressure (including from the Shareholder's fiscal management perspective). It is recommended that these opportunities be moved from a conceptual stage to implementable business cases within the FY23-24 period. In parallel, it is recommended that more in-depth attention is paid to restructuring TCHC's funding model, via an exercise be managed jointly by TCHC and the Service Manager, with preparation of new funding structure being delivered by end of FY24.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Senior Tenants and TSHC: Positive intentions and unresolved issues

40. All stakeholders interviewed are in alignment around the vision for the Toronto Seniors Housing Corporation: A supportive, specialized housing solution for seniors with wrap-around services. There is broad agreement that increased services for, and engagement with, seniors in social housing should be a priority for the City.

41. When the City established TSHC, stakeholders note that it assumed a "frictionless" relationship would exist between TSHC and TCHC; however, "unanticipated" complexities associated with separating one new legal entity from another while maintaining a coordinated and integrated back-office service structure has created duplication of effort and unplanned costs. These complexities have delayed the formal transition, resulting in TSHC remaining on TCHC's books for longer than intended and no clear path forward having been resolved to the satisfaction of all parties.

42. The creation of TSHC was intended to provide subsidized housing for low- and moderate-income seniors and provide services and support through an Integrated Service Model (ISM) designed to enable senior tenants to age in place.

43. At TSHC's inception, the Shareholder anticipated that TSHC could operate at minimal net incremental cost to that of operating TCHC (excluding transition and one-time set-up costs).

44. TSHC has identified its 2023 total corporate costs to be $5.73 million, of which $3.15 million represents salaries and benefits and $1.65 million professional fees and insurance. In addition, TCHC has identified incremental costs of over $1.5 million related to insurance premiums likely caused by the new legal and operating structures, and IT systems and software pertaining to TSHC. Thus, **the incremental cash outlays total approximately $7.2 million per year, and require annual funding from the Shareholder.**

45. Based on TCHC provided documents, $10.58 million of its corporate costs are considered to be related to, and thus allocated to, TSHC. These relate to typical corporate expenses (such as Legal, IT, HR, Finance, and so forth) that are allocated to each corporation on the basis of the number of units in the respective portfolios. Of TCHC's corporate expenses, totalling approximately $75 million, several elements comprising that total were allocated to TSHC on that basis.

46. Substantial and unanticipated effort and resources are being consumed in managing both the transition and on-going back-office support for TSHC, complicating both entities' financial management and adding overall costs to the Shareholder.

47. More critically, **TCHC continues to have responsibility for more senior tenants than TSHC**; TSHC houses more than 14,000 senior tenants, while TCHC houses approximately 18,000 senior tenants. This supports the position that there is a structural component to funding that needs to be addressed; if the Shareholder has chosen to differentiate services provided to seniors, that intention should be a consideration within any funding formula.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

48. Currently, **there is no plan in place to address this discrepancy in service access**, either through the designation of new TSHC buildings, moving seniors from TCHC-operated to TSHC-operated buildings, or expanding TSHC services to TCHC tenants. The result is that more seniors in social housing are without access to 'wrap-around' supports, such as the Integrated Service Model, than have that access. **This is not merely an operational concern, but an equity concern**. Indeed, the true differentiating vision for TSHC is likely to be evidenced by advent of the ISM much more significantly than the creation of a new administrative structure.

49. The creation of TSHC represents a clear and well-established priority from the Shareholder that a separate entity dedicated to seniors in social housing should exist. However, there is a need for clarity on the value of the cost of this corporate structure and the additional services provided. While this analysis has provided a view of that cost, it has been observed that there is incomplete and disputed information that prevents an understanding of the overall value-for-money, including the investment required to extend supports such as the ISM to all senior tenants; specifically:
    a. TCHC and TSHC do not have full agreement on the costs of operating the latter, or the sharing/allocation of costs among the two organizations;
    b. The full costs of the ISM are not clear in part because a substantial portion of the resources required to deliver the ISM are provided by third parties that therefore incur some of those costs.

50. Evaluation of the TCHC-TSHC corporate structure considers three components: financial, service delivery, and implementation. Currently, there are concerns present across all three components that call into question the efficacy of the current arrangement.
    a. *Financial*: Two corporations, even with a shared services agreement, would always present a greater cost to the Shareholder than a single entity. Initial expectations of "cost-neutrality" or minimal excess cost have been challenged, as noted above. Given that TSHC has only been in operation for a year and the formal transition has not yet been completed, the current evidence is insufficient to provide final commentary on the true and total cost of service of TSHC.
    b. *Service delivery*: Given the short time period in which TSHC has been operating, it is difficult to validate the impact of its service offerings. Current differences in service outcomes may be explained by TSHC having a more stable group of tenants than TCHC, e.g., primarily receiving government pensions, resulting in a lower level of arrears.
    c. *Implementation*: As noted above, execution of the transition agreement has stalled, resulting in the use of further staff resources and time from both corporations to address unanticipated challenges. This delay has also prevented the new corporate structure from operating as intended, limiting the data that can be gathered to accurately assess its efficacy.

51. With respect to what is within TCHC and TSHC's span of control, a period of observation and data collection would be beneficial to understanding the best course of action under the circumstances. In the immediate term, revisiting and revising the

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

mechanisms and governance used to separate the corporations and transfer funds between them should be the top priority if a successful execution of the transition agreement is the priority.

   a. Revisiting the shared services relationship between TCHC and TSHC should include harmonization of core business processes and policies address duplication of effort and provide a consistent tenant experience. Inter-company charges, reconciliations, and funds transfers should be eliminated or significantly reduced. The collection of data should be prioritized, to assess if outcomes are being achieved and therefore if the anticipated corporate structure is optimal.
   b. Both TCHC and TSHC should engage in further examination of how a differentiated strategy to support the overall senior tenant population achieve housing stability (including stated 'aging in place' outcomes). Such an examination should be formally evaluated and presented in a business case and plan. Several stakeholders have suggested that no such business case was widely shared or considered prior to the creation of TSHC; this must be rectified as a basis to inform the optimal investment for senior residents.

52. Ultimately, any decision on the future of TCHC-TSHC rests with the Shareholder and will be determined by its current priorities.

   a. Regardless of the corporate structure and the Provincial contribution to the ISM, the Shareholder can expect to pay more given the expectation of expanded services to senior tenants and the current cohort of tenants in TCHC buildings without access to TSHC-managed supports.
   b. In light of the challenges faced in implementing the transition agreement, the excess cost of funding two corporations, and the need to ensure all senior tenants have equitable access to services, the Shareholder may benefit from re-evaluating the business case for operating two separate corporations.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

D Opportunities for Sustainability

53. The following pages introduce a set of opportunities for TCHC autonomously, or in partnership with other entities, to drive operating efficiencies, seek new revenues, offset current costs, and/or introduce new strategies for partnership. Once a prioritized list of preferred opportunities is set by TCHC, detailed business cases should be developed to support their implementation.
    a. The opportunities in this section are grouped into Efficiency Opportunities, and Revenue and Savings Opportunities.
    b. A table that estimates and sizes the financial impact of these opportunities follows.

Efficiency Opportunities

Data Analytics
Timeline: Medium-term
Authority: TCHC

54. TCHC is facing three critical challenges related to data that currently hinders high-performance management of its operations:
    a. **Data quality** – TCHC has begun a comprehensive approach to building data analytics capabilities, with many opportunities still available to them to develop, measure, and report on corporate KPIs that drive sustainable financial and operational performance. A review of TCHC's current metrics (performed in conjunction with the Service Manager), including those used to track performance against strategic plans, highlight a focus on outputs or volumetric data rather than an understanding of the drivers of that performance.
    b. **Governance and accountability** – No formal data governance frameworks exist, and accountability mechanisms for critical functions like procurement tend to be process-heavy rather than informed by analytics.
    c. **Collaboration** – Utilization of data across internal departments as well as with the other entities (including the Service Manger) is limited or cumbersome, undermining the ability of the Service Manager to administer the organization or for TCHC to satisfactorily explain the drivers behind key KPIs tracked by the Service Manager. Within TCHC there is no central authority or unit to establish standards, centralize data collection, or provide analytics expertise. This challenges the development of appropriate metrics that could help drive organizational performance.

55. By implementing **an end-to-end data governance framework, including a centralized data and business intelligence team**, TCHC should be able to leverage data to generate

insights that inform decision-making and optimize operations for maximum efficiency. However, this will require dedicated investment, as noted in Figure 6.

56. With the recent investment in HoMES, TCHC possesses a unique opportunity to meet its objectives, improve services, and enhance transparency and accountability to both its Shareholder and tenant communities more effectively. This opportunity should be captured to its greatest possible extent.

Finance, Administration and IT Management
Timeline: Short-term
Authority: TCHC

Reserves

57. While TCHC has guidance on how they can invest, including restricting the type of investments that can be held in reserve funds, it does not include a policy requiring reserves to be maintained at a given level or rate or how to achieve a particular reserves strategy.

58. Since January 1, 2017, TCHC's reserves – excluding the Sinking Fund of Public Debentures (SFPD) reserve fund to which annual contributions are mandated – have declined by almost 33 percent. Further, TCHC's 2023 budget was, in part, balanced through planned withdrawals of additional reserve funds, thus accelerating the decline in reserve balances even if the expectation that approximately 50 percent of the 2023 drawdown is to be recovered from the City is met.

59. Without a formal policy or mandate to maintain reserves at certain levels or build them to specified levels, reserve balances are the result of operating performance and development/capital/revitalization spending. **Current projections are that the organization will require additional operating subsidies to break even and therefore will not have funds to build reserves beyond current levels**.
    a. Similarly, TCHC will require additional capital subsidies to maintain the FCI of its portfolio and neither its current reserves are sufficient nor does TCHC have a confirmed alternate source of funding to address the expected shortfall.

60. While having a formal policy or mandate to maintain or build reserves to a certain level (such as 5 percent of cash outflows) is a common and good practice, as TCHC currently stands, doing so requires some combination of a significant increase in revenues or reduction in expenditures. As a result, reserve balances will continue decline to wherever the net cash flows of operating and capital spending take them.

61. Subject to legal, financial and risk review, an option might exist to align TCHC reserve policies and practice to those of the City more broadly. Regardless, TCHC is anticipating engaging a Chief Investment Officer, who would be responsible for designing and implementing a new approach.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Financial authority approvals

62. Historical challenges with procurement accountability have resulted in increased layers of governance and process between staff and the Board of Directors. This creates delays in decision-making and increased work for staff, and a Board that is more involved in day-to-day operations than oversight and strategy. According to numerous interviewees, this is a shared source of frustration.

63. Compared to other City of Toronto agencies, TCHC has lower thresholds for procurement approvals. For example, the TTC CEO is able to make awards up to $5 million, while at TCHC the Delegated Signing Authority is $500,000. While the TCHC Board is currently considering changes to this process, ultimately authority for some limit adjustments rests with the Shareholder.

64. A related challenge is that TCHC differentiates between types of contracts – something no other City ABC does: consulting contracts over the CEO's limit must go to the Building Investment, Finance and Audit Committee (BIFAC) for approval.

65. Furthermore, staff are limited in their ability to approve change orders; these must go to the procurement committee or Board for consideration, taking considerable time on those agendas. As an illustrative example of the challenge with this approach, 45 minutes of the agenda of the December 2022 Board meeting was dedicated to change orders; approximately 30 percent of the total meeting time. The TCHC Board is intended to provide a governance role, but the emphasis on procurement oversight limits the time available to address strategic issues.

Other administrative efficiencies

66. According to interviews, management of TCHC has improved over the past few years, and the current executive team enjoys high levels of trust and confidence from stakeholders. TCHC should build on this positive momentum through continued improvement of internal policies and processes.

67. Efficiencies and productivity improvements could be captured through the following opportunities:
    a. **Implement expenditure management policies through governance.** TCHC's Board is and should be the corporation's governing body. As such, all Council motions directed at TCHC management should be submitted directly to – and only to – the Board for consideration. The Board should be able to direct staff to quantify the cost and resource implications of net new asks, to support more informed trade-off discussions between Council, the Board, and the TCHC CEO.
    b. **Instigate a procurement modernization effort.** Based on the findings of this analysis, TCHC is in the process of commissioning dedicated work on internal procurement reform and modernization, including both expanded use of data analytics and process improvement.
    c. **Evaluate and revise the capital versus operating spending cut-off.** Revise the definitions for capital and operating spending to enable accuracy, consistency, and appropriateness, working with the City to ensure that funding is unaffected

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

as there is no net cash flow impact. This change streamlines administrative processes and work structures.

d. **Develop a long-term and funded IT strategy and prioritization process.** TCHC would benefit from a refreshed IT strategy that aligns with the organization's future strategic direction, incorporates the shared services delivered to TSHC, supports data and analytics goals, and reflects learnings from the recent HoMES implementation. Similarly, a prioritization process for IT projects would enable objective assessment of technology needs, solutions relevant to those needs, and opportunities for economies of scale or other cost-saving measures.

e. **Align single and multi-year budget calendars with the City.** TCHC should align their budgetary calendar with that of the City and other ABCs. They should also prepare multi-year operating budgets, similar to capital, in order to provide the Shareholder with a forecast of its funding needs several years into the future with underlying assumptions (such as tenant demographics).

Tenant Engagement and Experience
Timeline: Medium-term
Authority: TCHC

Arrears management

68. TCHC manages subsidized rental units in an environment in which an outsized proportion of tenants face substantial economic risk; **arrears are therefore a 'fact of life' to a far greater extent than the experience of other landlords.** However, effective management of arrears – both at the tenant and corporate level – should be a priority.

69. Currently, the Arrears Collection Process (ACP) manual dictates triggers for referring tenants to external supports (i.e., the Office of the Commissioner for Housing Equity [OCHE]) but with insufficient timelines or deadlines for those referrals – timelines that are not reflected in the actual practice of the ACP.

70. **Tenants may in be arrears for well over a year before they receive help avoiding eviction, and there appears to be no current tracking on when they receive assistance managing their debt or as to the status of repayment agreements.** This situation results in tenants accumulating large arrears debts they are unlikely to be able to be repaid, approaching eviction, and then TCHC negotiating repayment agreements that are decades-long – which is neither optimal for tenants nor TCHC's finances.

71. TCHC would benefit from a thorough assessment of how the ACP performs, including appropriateness of timelines, frequency of missed time targets, common errors, and tenant satisfaction. A review is currently underway, presenting an opportune moment to re-assess how arrears are managed. This assessment could provide a roadmap for TCHC, TSHC and OCHE to work collaboratively on an ACP that better serves tenants, reduces arrears, limits evictions, and prevents long repayment plans. *Note: Write-offs may be limited by existing TCHC and/or City policy; policy change should be considered to more accurately express TCHC finances.*

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

72. TCHC could also cancel long term arrears repayment balances recognizing that such balances are unlikely to be repaid in full – effectively writing off bad debt – and establish an arrears forgiveness program. This would provide a more accurate view of TCHC's financial position.

Tenant Incentive Schemes

73. As part of the journey to becoming a tenant-centric organization, TCHC could explore a Tenant Incentive Scheme (TIS) that looks to reward tenants who comply with the terms of their tenancy agreement. This would shift resources from 'punishing' tenants to a more positive approach that promotes meeting of obligations, such as: prompt rent payment, giving full notice before vacating, leaving properties in good order, maintaining a record free of anti-social behaviour, and/or participating in tenant engagement sessions and similar community-minded activities.

74. TISs are used by other subsidized housing providers, particularly in the UK and Australia. Independent research on an UK case study found that for every pound invested in a TIS, £2 in savings is realized.

75. A successful TIS could increase collectable revenue and decrease bad debt write offs, as well as potentially rebalance management activities that may have become overly focused on a minority of challenging tenants.

Revenue and Savings Opportunities

Natural Gas
Timeline: Medium-term
Authority: Province of Ontario

76. As a housing provider in Ontario, TCHC is required to purchase most of its natural gas from the Housing Services Corporation (HSC), a provincially mandated body.

77. HSC provides gas at a significantly higher rate, approximately 32 percent, than does the City (*see Figure 5*). In the 8-year period from 2015-2022, **TCHC paid $19.16 million more for gas than it would have paid had it purchased the HSC volume from the City**.
    a. While HSC provided both single- and multi-year pricing options throughout this period, TCHC would have paid HSC more than it paid the City no matter which option it chose.
    b. As Figure 5 indicates, the incremental cost of purchasing gas from HSC in 2023 is approximately $4.6 million, amplifying the concerns of the past 8 years.
    c. Further, HSC also charges TCHC an administration fee that, **in 2022 was almost 1,000X greater than that charged by the City**, at over $1.25 million versus $1,350. The 2023 administration fee is estimated by TCHC to be consistent with prior years.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Figure 5: Natural Gas Expenditure

YEAR	TOTAL NATURAL GAS PURCHASED BY TCHC ('000 M³)	VOLUME PURCHASED FROM HSC ('000 M³)	% PURCHASED FROM HSC	AVERAGE HSC BILL RATE (CENTS/M³)	AVERAGE CITY BILL RATE (CENTS/M³)	TOTAL COST OF GAS ('000S)	TOTAL COST IF 100% OF GAS PURCHASED FROM CITY ('000S)	ANNUAL SAVINGS ('000S)	% OF ANNUAL SAVINGS
2015	99,487	54,397	55%	27.35	19.5	$ 23,670	$ 19,400	$ 4,270	22%
2016	91,346	49,150	54%	23.27	17.5	$ 18,822	$ 15,986	$ 2,836	18%
2017	87,421	50,444	58%	20.02	15.5	$ 15,830	$ 13,550	$ 2,280	17%
2018	91,299	55,354	61%	14.50	13.21	$ 12,775	$ 12,061	$ 714	6%
2019	92,231	54,594	59%	16.20	12.64	$ 13,602	$ 11,658	$ 1,944	17%
2020	84,278	47,830	57%	17.70	12.33	$ 12,960	$ 10,391	$ 2,568	25%
2021	82,794	44,461	54%	22.69	12.96	$ 15,056	$ 10,730	$ 4,326	40%
2022	86,986	49,531	57%	18.69	18.25	$ 16,093	$ 15,875	$ 218	1%
TOTAL	**715,843**	**405,760**	**57%**	**20.05**	**15.24**	**$ 128,807**	**$ 109,651**	**$ 19,156**	**17%**
2023	**85,923**	**49,179**	**57%**	**30.85**	**21.50**	**$ 23,072**	**$ 18,473**	**$ 4,598**	**25%**
TOTAL	**85,923**	**49,179**	**57%**	**21.25**	**15.93**	**$ 151,879**	**$ 128,124**	**$ 23,754**	**19%**

Source: Natural Gas Supply Price Comparison Report. Please note that these costs are calculated based on annual average rates. The actual costs may vary based on actual month-by-month rates.

78. As a cost-saving measure, the City of Toronto could ask the Province of Ontario to exempt TCHC from purchasing natural gas from HSC, so that it could exclusively buy from the City. This exemption would enable TCHC to benefit from the lower rates negotiated by the City and would eliminate the need to pay the administration fee charged by HSC.

79. In early 2018, the City asked the Province for such an exemption and was denied. However, there could be an opportunity to re-open this discussion, given the creation of Supply Ontario and the current provincial government's interest in identifying procurement efficiencies.

80. As a negotiation stance, the City could offer the Province one or more of the following options:
    a. A wholesale exemption from HSC for TCHC
    b. Broaden the above exemption and allow all municipalities to purchase gas for their respective housing operations, potentially on the same basis as they purchase gas for their own operations. If desired, municipalities could combine their purchases and/or engage one of their members to leverage its purchasing power and obtain better pricing
    c. Reform of HSC policies and processes to make purchasing less expensive for its clients

Water

Timeline: Short-term

Authority: City of Toronto

81. **Over the last three years, TCHC has spent approximately $153 million on water.** By virtue of the way TCHC is funded through such a significant shareholder subsidy, paying for water is effectively a tax transfer to Toronto Water's rate-base, and limits the City's tax-funded fiscal capacity.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

82. The City of Toronto has programs in place to lower water rates for particular entities in service of broader policy goals (e.g., for economic development). As part of the rate review in 2007, it was recommended that a rebate program be adopted for low-income seniors and low-income disabled persons; separate classes (and rates) for hospitals, governments, and schools was also raised.

83. **Given the critical socio-economic role served by TCHC, the City could consider lowering the corporation's water rates (by 30 percent, in alignment with existing discounts for other entities) or exempting TCHC entirely**, re-distributing the resulting cost across other rate-base customers (subject to legal/regulatory review). Such a strategy would effectively reduce the tax-funded subsidy provided to TCHC through an equivalent offset to rate payers, benefiting both TCHC and the City's fiscal capacity.

Development and Revitalization Strategy
Timeline: Medium term
Authority: TCHC / City of Toronto

84. **TCHC has identified approximately $1.4 billion in unfunded capital programs or projects** that are included in the City's 2023 list of unfunded capital programs presented in the Long-Term Financial Plan (this figure aligns to the Long Term Fiscal Plan). A significant component of this need is driven by a **majority of TCHC properties being over 50 years of age**; two-thirds are between 43 and 63 years old. Now reaching end-of-life, this segment of the portfolio requires significant capital reinvestment.

85. An additional source of capital pressure is the incremental spending required to meet City Council's approved NetZero 2040 commitment. This investment has not yet been formally incorporated into either TCHC's capital planning or the City's unfunded capital plan, and will need to be assessed in a meaningful way in the near future if the City is to achieve NetZero 2040 commitments

86. Beyond even the unfunded capital plan is the potential need to expand TCHC's portfolio to meet a growing population and, hence, demand for social housing. All else being equal, the growth in population targeted for the Toronto market would drive demand across the housing continuum.

87. The 2008 Real Estate Investment Strategy laid the groundwork to rebuild and regenerate housing on 13 sites over a 10-20-year period. It has anchored TCHC's economic model through an approach that offsets the capital cost of replacing end-of-life buildings by leveraging underlying land value, selling density in exchange.

88. It must be noted that City decisions, rules, and policy change impact TCHC's ability to self-fund revitalization as planned, e.g. via zoning changes, affordability expectations, requirements to build parks and community centres, etc. City decisions often have a "ripple effect" on TCHC's development strategy.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

89. Given the changes to the Toronto development landscape over the past 15 years, there are three areas of opportunity for TCHC to renew its approach to development and revitalization to take advantage of new tools and strategies:
    a. An updated and **comprehensive asset evaluation and planning review**, in partnership with CreateTO
    b. A **simplified, priority development approvals process for TCHC** projects established by the City
    c. **New funding partners**, including the Canada Infrastructure Bank and private sector firms, to better leverage opportunities in the market

Alternative Commercial Arrangements
Timeline: Long-term
Authority: TCHC

90. TCHC has limited options for revenue generation outside of residential rents and the City of Toronto subsidy, which account for some 95 percent of total revenues.

91. Currently, the organization lacks a formal strategy for generating new revenue or considering alternative revenue sources. As a public entity, it is constrained in what revenue generation opportunities are available, especially when compared to its peers in the non-profit sector. This increases TCHC's reliance on City subsidies and tenant rents, limiting its financial resiliency.

Strategic partnerships strategy

92. TCHC provides services and programs that are primarily focused on stabilizing tenancies and preventing evictions. Stakeholders note that these supports serve TCHC by allowing it to be a "successful landlord", as many residents require dedicated support to fulfil their obligations as tenants. Such interventions may be "above and beyond" the traditional understanding of what a landlord is, but directly support TCHC's ability to collect rent and keep residents housed.

93. In addition to performing stabilizing interventions, TCHC offers specialized programming in response to tenants' social, economic, cultural/community, and health care needs. This is resourced both in-house and via partnerships with external organizations, such as local non-profits and other government agencies.

94. Analysis suggests **support services and programming is valued by tenants, but the scale and scope of offerings tend to be defined by funding and resources constraints rather than the meeting of community need** or the achievement of outcomes.

95. Given the tension between available funding and tenant need, the current approach of in-house service delivery and numerous but small partnerships appears to be inadequate.

96. Analysis revealed that **TCHC tenants have an average annual income of $19,000**; this suggests considerable room to improve economic outcomes (further details are

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

explored below). However, if only a fraction of tenants can access programming, there are limited avenues for economic mobility at scale. This impacts inter-generational movement out of social housing, limits TCHC's rent revenue, and causes tenant throughfare to stagnate – all of which have financial and community sustainability implications.

97. While the creation of the Programs & Partnerships team is a welcome first step, currently, the corporation would benefit from a strategic emphasis on more impactful partnerships (e.g., with large or high-capacity organizations), creating economies of scale, or driving towards a specific objectives (such as increases in economic participation, youth graduation rates, or up-skilling).

Charitable foundation

98. Subject to legal, tax and financial review, establishing a charitable foundation may enable TCHC to tap into new sources of revenue that are less accessible to a municipal corporation, such as raising funds through philanthropic giving and sponsorships. A foundation could also assist TCHC in expanding its partnerships with private sector organizations, government agencies, and community groups.

99. Such an entity could possess greater ability to access non-City funds and enter into substantive agreements with external partners to deliver large-scale, long-term services for tenants.

100. A charitable foundation could help improve tenant outcomes by coordinating education, employment, and community engagement programs that alleviate the effects of poverty and inequities faced by TCHC community members, but which TCHC currently has limited resources to deliver.

101. The Ottawa Community Housing Foundation (OCHF) is a promising example of a successful social housing foundation. The Foundation is a registered charity that operates independently from Ottawa Community Housing Corporation (OCHC) and is aimed at supporting OCHC's mission of providing safe, affordable housing to low-income individuals and families in Ottawa.

Social Impact Bonds and social financing

102. Social Impact Bonds (SIBs) are an innovative social policy tool that brings together different groups — governments, corporations, private investors, foundations, service providers, and social enterprises — to fund and deliver effective and prevention-focused solutions to the toughest issues facing communities.

103. TCHC could use SIBs to evaluate the effectiveness of current interventions or programs delivered to tenants, enabling improvements to TCHC's operating model. It could also fund specific community needs, such as increasing high school graduation rates, improving employment stability, reducing gun violence, or dissuading anti-social behaviour.
    a. Initial SIB pilots in Ontario have focused on increasing high school graduation rates, improving housing stability for at-risk young people (i.e., The RAFT,

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Niagara), and providing stable housing and intensive support to 100 chronically homeless individuals (i.e., Mainstay Housing, Toronto).

b. The Aspire Social Impact Bond in Australia deployed 'housing first' intensive case management over a three-year period for those experiencing homelessness. Participants received employment pathways, life skills development and connection to other tailored services. In 2022, the investor report cited a 32 percent reduction in bed days, 28 percent reduction in convictions and 68 percent reduction in crisis accommodations.

104. A specific opportunity might be to structure provision of employment and other services to tenants on a volunteer and commercially at-risk basis. As a comparator, the Province of Ontario is currently commissioning alternative delivery structures for certain components of its employment services under Ontario Works. The City of Toronto is anticipated to be subject to potential changes in this regard in the near future. Notwithstanding this, TCHC and the City could design a model where a socially-financed service provider(s) of tenant services could be delivered with a gain-sharing agreement to capture rent uplifts and/or service cost offsets. In either case (uplifts or cost offsets), the City subsidy could be reduced with corresponding gains in fiscal capacity for re-distribution across City obligations or inside the housing portfolio.

105. A significant share of TCHC tenants draw income from the Ontario Disability Support Program (ODSP), Ontario Works, and/or Employment Insurance, representing approximately $54 million in known annual rent revenues (RGI only). A social financing scheme, as described above, that aims to increase tenant market participation by 10 percent could result in over $5 million in revenue gains (to be shared between TCHC and the socially-financed service provider). Broader schemes – aided by improved data collection with respect to sources of tenant incomes – could generate greater returns.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Size of Opportunity

106. The below table represents cash impact and non-cash efficiencies estimated to be available to TCHC for the opportunities detailed in this report. **Beginning in FY25, TCHC may be able to realize between approximately $25 and $45 million in cash and non-cash efficiencies per year depending upon the opportunities pursued.**

Figure 6: Opportunity Sizes

Net impact ($M)	2024	2025	2026	2027	2028	2024-2028
Net cash impact						
Analytics (incl. procurement)	(0.75)	3.31	7.71	7.90	8.09	26.26
Natural gas	0.00	3.39	3.39	3.39	3.39	13.58
Water	0.00	15.33	15.33	15.33	15.33	61.32
Finance/Admin/IT	0.00	0.00	0.00	0.00	0.00	0.00
Charitable foundation	(0.22)	(0.11)	0.25	1.00	2.00	2.93
Arrears	2.82	2.82	2.82	2.82	2.82	14.10
Tenant Incentive Scheme	(0.25)	0.033	0.000	0.00	0.00	0.00
Total cash impact	**1.60**	**24.78**	**29.50**	**30.44**	**31.63**	**118.18**
Non cash efficiencies						
Analytics (incl. procurement)	0.00	0.85	3.96	8.41	12.87	26.10
Natural gas	0.00	0.00	0.00	0.00	0.00	0.00
Water	0.00	0.00	0.00	0.00	0.00	0.00
Finance/Admin/IT	0.00	0.00	0.00	0.00	0.00	0.00
Charitable foundation	0.00	0.00	0.00	0.00	0.00	0.00
Arrears	0.00	0.00	0.00	0.00	0.00	0.00
Tenant Incentive Scheme	0.00	0.00	0.00	0.00	0.00	0.00
Total non cash efficiencies	**0.00**	**0.85**	**3.96**	**8.41**	**12.87**	**26.10**

Note: With appropriate caveats to realizing benefits, the total size of opportunities identified might support/offset the baseline funding pressure. However, specific options to proceed will need to be determined by stakeholders.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

E Structural Components of Long-Term Sustainability

107. There was a high degree of consistency amongst stakeholders interviewed that the current structure of TCHC is not sustainable. This is less due to the immediate market-based pressures on financial balance, and more linked to an apparent misalignment between the historical view of TCHC's limited role as a landlord versus its reality as a provider of subsidized housing and related social services to an acknowledged vulnerable population of Toronto residents.

108. The analysis herein takes history as given and focuses on the prospect for a new approach to sustainability.

Note: Assessing a fundamentally different commercial design for TCHC is beyond the current scope, such as via a public sector market or commissioning approach stewarded by the Housing Secretariat. Such approaches have precedent and have been pursued in several jurisdictions (e.g., certain Australian states) with significant positive results.

Funding Formula Assessment

109. This analysis notes that the revised funding formula, rolled out in 2019, was a step forward that reflected the hard work of both TCHC and its Service Manager. However, unaddressed structural challenges and a changed landscape have provided an opportune moment to move the needle once again towards improved sustainability.

110. Based on the above analysis, the assessment of TCHC's funding environment is that:
   a. The **funding formula should reflect parameters that are in the reasonable control of TCHC and the Service Manager** and can be affected through managerial focus in the short-to-medium term.
   b. **Those parameters should be based on cost drivers of the major operating responsibilities of TCHC** and must cover all capital and operating-related funding requirements.
   c. An associated set of **performance expectations and accountabilities should reinforce financial, service level, and tenant outcome objectives**/targets, and provide clear transparency and accountability to the Shareholder and Service Manager.
   d. Funding levels should reflect known pressures from a planning/budgeting perspective, and then be **managed through a continual improvement program** with agreed targets and timelines. Funding levels should be adjusted both through the annual budget processes, and through independent and transparent adjustments that directly reflect underlying market conditions

e. Sustainability requires a funding formula that provides clarity about what drives cost of service, policy and administrative choices that affect both cost of service and service levels delivered, and outcomes achieved – all supported by clear and objective performance indicators and a robust approach to performance management.

111. Against this set of findings, the current funding formula is incomplete. It reflects a strong and appropriate intention for many key performance dimensions of how TCHC operates, and there has been corresponding improvement in many performance levels through collaboration between the Service Manager and TCHC management and staff. This should continue. Equally, however, there is clear evidence that important components of the current funding model could be improved:

a. There is limited alignment between historically determined parameters that drive funding levels (such as CMHC measures of average market rent, or the RGI/market ratio of units) and the true drivers of TCHC operating cost. This restricts necessary attention and focus on policy and administrative choices for both the Service Manager and TCHC to provide a more effective opportunity to manage those costs and the associated outcomes over time.
b. Tenant socio-economic circumstances and related behaviours are believed to impact the nature of landlord services required to manage TCHC properties, communities, and tenancies, and yet the current funding model has no consideration for any factor besides market rent. Policy and administration should begin to respond directly to tenant socio-economic factors as part of a sustainability strategy.
c. An outcome-focused and cost driver-based funding model would enable continued development of the overall performance management framework expected of TCHC and the service system.

112. **The definition of sustainability requires establishing a funding structure that integrates financial, operational and community outcomes**. The current formula does not do this as effectively as it could, primarily because it focuses mainly on the financial components and represents much of the associated discussion on measures such as RGI/market ratios, or funding as a proportion of AMR, both of which are results of many factors rather than service delivery cost or tenant outcome drivers. For example:

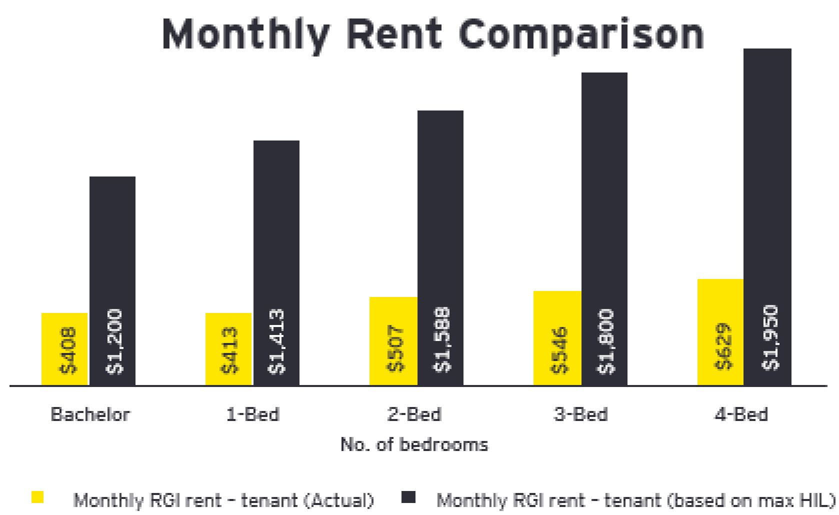
a. Integrating operational and community sustainability into the funding structure requires identifying activities that achieve operational and community outcomes and understanding of the costs of those activities so that they can be funded directly.
b. Addressing only the financial pressures could be achieved by simply resetting the current subsidy rates by adjusting the 75 percent of AMR target to a higher rate. However, that would continue to anchor the conversation around external market variables rather than actual cost of service.
c. Evidence from the jurisdiction scan suggests that even those providers that are subsidized to 100 percent of AMR are experiencing similar financial sustainability challenges as TCHC.

113. **The historic treatment of TCHC as a 'traditional' landlord underemphasizes the socio-economic demography of its tenants**, including complexities and vulnerabilities such as:

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

a. Average tenant household income is $19,000 per year
b. On average, tenants are paying less than one-third of the maximum rent chargeable for their unit based on the Household Income Limit (HIL) policy (*see Figure 7*)
c. Over 50 percent of RGI-eligible households are paying less than $500 per month in rent
d. 40 percent of households include a person with disabilities
e. Nearly a quarter of tenants report living with mental health issues
f. 20 percent of tenants require support for independent living
g. Only 14 percent of tenants report having employment as a source of income
h. The average length of stay in TCHC is over 11 years

Figure 7: Actual monthly RGI rent by bedroom vs. HIL maximum by bedroom



114. The historic view of social housing as providing economic support for residents through rent subsidies leads to a funding view that does not capture the circumstances of what drives the requirement for that subsidy in the first place. In turn, this underplays the practical requirement for TCHC to provide much more than just traditional landlord services. A more precise understanding of those drivers would allow for a more effective policy and administrative response. Based on the evidence collected in this examination, this understanding is a requirement to achieving sustainability for TCHC.

115. **The current cost of operations reflects the reality that TCHC must provide a level of service above that of a traditional landlord in order to fulfil its basic obligations.** From a pure financial perspective, this can be measured by:
a. Unit- and building-based maintenance and damage costs
b. Staff effort to collect rent
c. Arrears management and related tenant support
d. The Community Safety Unit
e. Community programming
f. Differential service level provided to seniors buildings

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

116. Any move to a new funding structure would require time to design and implement. In the immediate term (e.g., FY24) there will be a requirement to increase funding most likely within the current funding model. However, over time, as a new funding structure is developed and implemented, its benefit would be measured through a more precise understanding of the cost drivers and specific policies and administration choices in alignment with objectives and outcomes. A 'pilot' funding structure could be run in parallel with the current formula, capturing necessary data and ensuring any new approach is appropriate and functional.

117. Supported by well-aligned KPIs, improved analytics, and enhanced reporting, a new funding structure would set a path to long-term sustainability.

A New Approach to Funding

118. TCHC has begun to investigate its cost drivers based on analysis of community categories.[3]
    a. A hypothesis was developed and tested that 'category' differentiates the cost of service. However, assessment of this hypothesis has proven to be incomplete based on currently available data. At this juncture, there is little evidence that category determines cost of service.
    b. It is likely that the categories are indicative of the cost driver but that further assessment of what drives the category level is required. This would be captured by an additional hypothesis that tenant demographic factors are a greater driver for additional services and costs. It is recommended that this hypothesis be developed further and tested jointly by TCHC and their Service Manager.

Note: An option to provide a first proxy for such analysis is being developed but is not yet complete. The approach would tie unit-by-unit tenant demography to the category analysis. The first step is to confirm that the data exist and can be linked easily to the analysis already completed.

119. **A proposed direction for a new funding structure based on the available data is provided as a first step below**. There are components that are well-understood based on currently available data but important gaps in data have also been identified and need to be reconciled before a complete funding structure is designed.

120. TCHC's funding should align to the services it provides rather than depend on external variables over which it has no control or influence, and that have little bearing on the expenses it incurs or the outcome objectives for social housing.
    a. **Tenants**: Funding should reflect operating expenses for tenant programs and services, be they provided directly or facilitated by TCHC. Funding should recognize some variability in broad tenant needs. Although not shown in this

[3] TCHC categorizes each community in its portfolio based on vulnerability and risk factors. The categories are defined as: 1) relatively stable; 2) experience periodic issues related to gun violence and/or vulnerable populations; 3) have chronically vulnerable populations; and 4) those with chronic issues related to gun violence.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

section, medical circumstances, income stability/source, etc. all impact tenant cost, and may fluctuate year-over-year based on tenants' lived experiences.

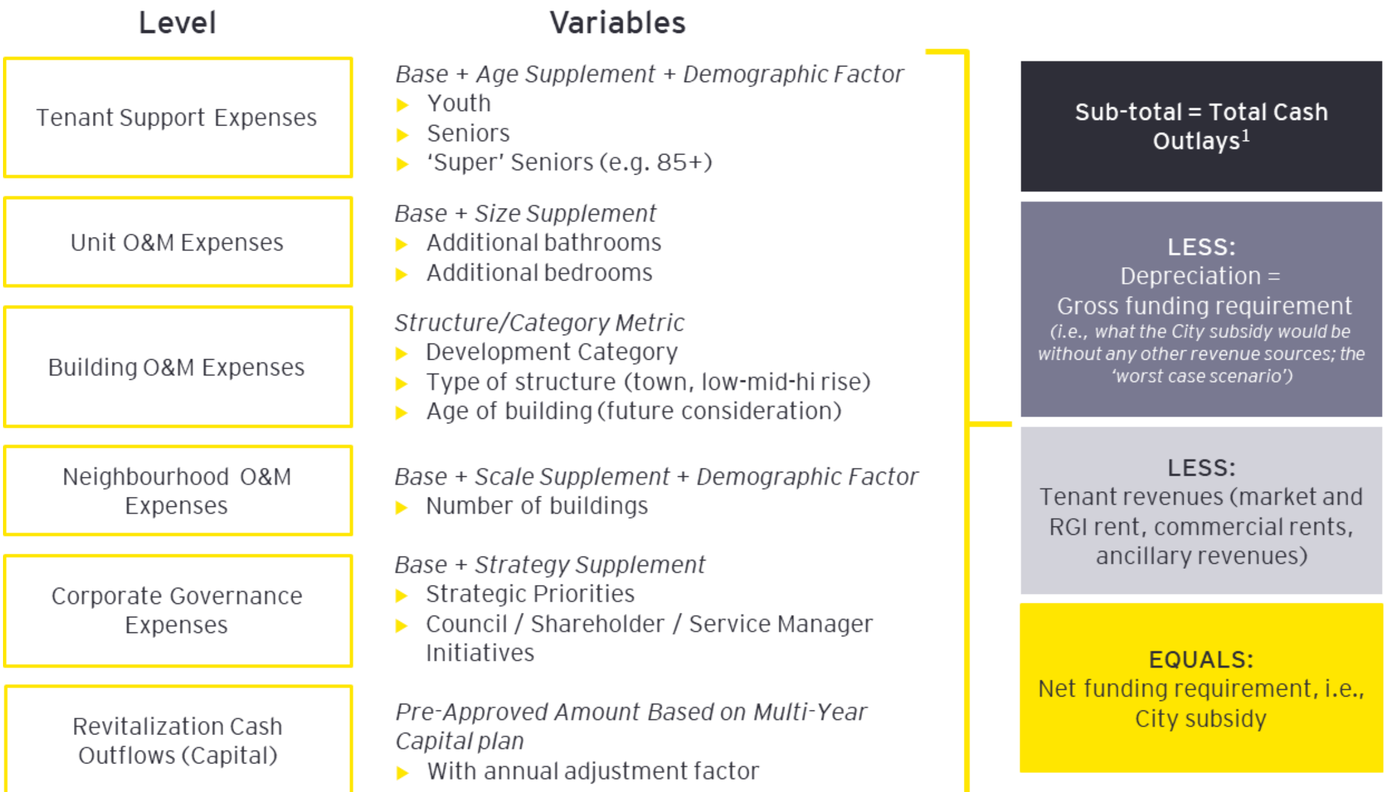
b. **Units**: Funding should reflect expenses associated with maintaining and operating individual residential units, such as heat, light, power, appliances, doors and windows, etc. Funding should recognize some variability in broad characteristics, such as number of bedrooms and bathrooms as 'stock', but also must tie to measures of 'flow' such as maintenance that is at least partially driven by tenant behaviour
c. **Buildings**: Funding should reflect expenses associated with maintaining and operating individual buildings, such as elevators, mail rooms, amenities and common facilities, and landscaping. Funding should recognize some variability in broad characteristics such as building size, age, or type. Many building drivers will be reflected in capital investment requirements.
d. **Neighbourhoods**: Funding should reflect expenses associated with maintaining and operating the groups of buildings known as developments or neighbourhoods, such as parking facilities, hubs, etc.
e. **Corporate governance and strategic priorities**: Funding should reflect the relatively stable and predictable 'fixed' expenses associated with corporate functions, as well as the more variable but planned expenses for annual or multi-projects (e.g., new technology systems, action on Shareholder priorities).
f. **Revitalization (capital):** Funding for the development or re-development of buildings and neighbourhoods, including any associated operating expenses incurred as a result of moving tenants to temporary or permanent new accommodations.

121. **A potential new funding structure is one in which funding is driven by costs incurred and some specific 'demographics' at each level**, some of which are illustrated in Figure 8, based on data known at this time.

Note: As indicated above, the category analysis has proved to be insufficient as a basis to define a renewed funding model even if it still provides advancement over the status quo. The prospect for a new funding model should be discussed and, if agreed, further work could be conducted essentially immediately to develop a more complete view of what a new funding model could look like.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Figure 8: Proposed Funding Structure[4]



Note: An illustrative example of how this structure could operate, based on the 2022 TCHC budget, can be found in the Appendix.

122. Providing funding on this type of basis, akin to Activity-Based Costing, should encourage the Service Manager and TCHC to develop and report on outcome-related metrics aligned to each level of the funding structure. While TCHC may not currently be able to report on true outcomes metrics, this structure supports and drives movement towards that goal. (*See Figure 9*)

   a. The level of funding should be adjusted annually to reflect inflation and other exogenous factors, as well as new directives/projects initiated by TCHC with shareholder approval.

   b. The structure itself also requires periodic, such as bi- or tri-annual, review to ensure that the relative metrics remain valid.

[4] "Super seniors" is an increasingly common term used in demography to reflect seniors over a certain age, typically 85.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Figure 9: Potential Metrics Appropriate to Proposed Funding Structure

Level	Variables	KPI Examples
Tenant Support Expenses	*Base + Age Supplement* ▶ Youth ▶ Seniors ▶ 'Super' Seniors	*Tenants* ▶ % of youth graduating high school ▶ % of seniors ageing in place ▶ Adult employment rate
Unit O&M Expenses	*Base + Size Supplement* ▶ Additional bathrooms ▶ Additional bedrooms	*Units* ▶ Tenant quality satisfaction ▶ % Non-rentable units
Building O&M Expenses	*Structure/Category Metric* ▶ Development Category ▶ Type of structure (town, low-mid-hi rise) ▶ Age of building (future consideration)	*Buildings* ▶ Sanitation and fire inspection results ▶ FCI ▶ Tenant quality satisfaction, incl. amenities
Neighbourhood O&M Expenses (TBD)	*Base + Scale Supplement* ▶ Number of buildings	*Neighborhoods* ▶ Rate of CSU interventions
Corporate Governance Expenses	*Base + Strategy Supplement* ▶ Strategic Priorities ▶ Council / Shareholder / Service Manager Initiatives	*Corporate* ▶ Variance from budget ▶ On time/on budget project completion
Revitalization Cash Outflows (Capital)	*Pre-Approved Amount Based on Multi-Year Capital plan* ▶ With annual adjustment factor	*Capital* ▶ On time/on budget project completion ▶ Enterprise FCI

123. The current operating agreement governing TCHC was primarily used as a mechanism to merge two social housing providers, not to provide a detailed and actionable mandate for a new corporation. **If a new funding structure is to be implemented, a refreshed operating agreement with this new structure built-in is critical to ensuring appropriate governance**.

124. A new agreement should contain the following components:

a. A clear mandate for TCHC, classifying it as 'stabilizing' housing and defining the Shareholder's understanding of that term and its obligations;
b. Roles and responsibilities of TCHC, as well as those of the Shareholder and Service Manager;
c. Expectations of TCHC, including linkage to broader Shareholder objectives (e.g., the Toronto Poverty Reduction Strategy);
d. Outcomes TCHC is expected to drive, including any metrics the Service Manager requires to fulfil its obligations;
e. Structure of any relationships with 'sister' organizations, such as TSHC; and
f. Details of the new funding structure.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

F Implementation Considerations

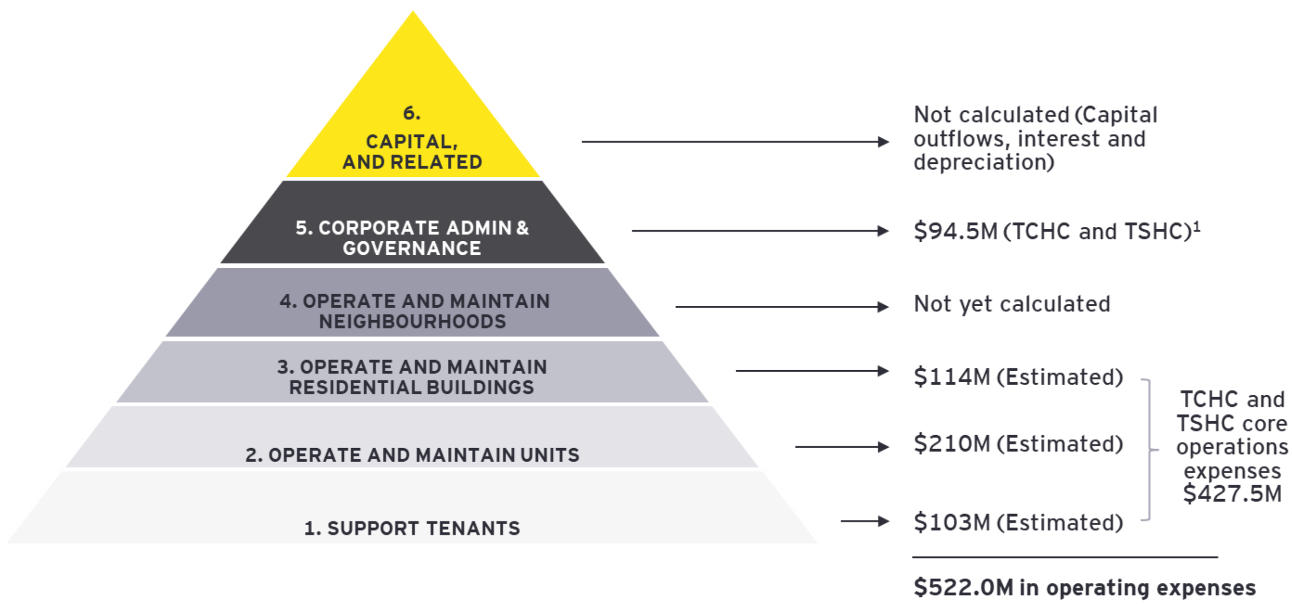
125. A detailed implementation framework has not yet been developed, as it will need to reflect decisions made by TCHC and its stakeholders on a suitable path forward for the corporation. Assuming that the findings and opportunities identified in this work are generally accepted, it is recommended that implementation focus on:

- TCHC committing to efficiency opportunities under its direct control that would have benefit to FY24 planning, with corresponding management accountabilities
- Similar commitments to be made for those opportunities that require co-operation with the City and/or the Province to achieve
- Similar commitments to be made for those opportunities that require changes to Board procedures
- An FY24-26 three-year plan that shows benefit realization planning and financial implications, and provides forward estimates for both TCHC and the Shareholder on funding requirements
- Establishing a joint working committee between TCHC and TSHC to revisit the transition effort and develop the required business case for future direction, supported by the City
- Establishing a joint working committee with the Service Manager to develop recommendations for new funding model for approval by the Shareholder, including an implementation plan for FY25

G Appendix

New Funding Structure: Illustrative Example

126. Below is the current view of actual cash outflows in 2022, with estimated split between items 1-5. The following pages estimate the impact of the proposed funding structure based on this current view.



1. *TCHC corporate expenses = $73.9M plus $20.6M recorded as relating to TSHC.*
2. *Reconciling the $427.5M of operating expenses referenced above to the $376.6M of operating expenses noted in Section 2.3.3 consists of the following:*
   - Seniors Housing Unit = $50.9M

127. Moving from the bottom of the cost driver pyramid up, this page and the next indicates how each type of expense/cash outflow could be built into the new funding structure.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Tenant Expenses
$103M

Base subsidy per tenant: $720

Supplemental Subsidies:
Children (< 13): $300
Youth (13-24): $350

Supplemental Subsidies:
Seniors (59-69): $400
'Super' Seniors (69+): $500

Base Funding = 107,394 * $720 = $77.3M
Children & Youth Premium = 12,739 * $300 + 19,305 * $350 = $10.6M
Senior Premium = 15,756 * $400 + 17,472 * $500 = $15.0M

Unit O&M Expenses
$210M

Base subsidy per unit: $3,680

Supplemental Subsidies:
Additional bedrooms[1]: $350

Supplemental Subsidies:
Additional half-bathrooms[1]: $1,350

Base Funding = 54,594 occupied units * $3,680 = $200.9M
Bathrooms + Bedrooms = 56,089 and 75,443 respectively, resulting in minor premium of $9.2M, so consider just higher level of base funding.

Building O&M Expenses
$114M

Building subsidy considers two variables

Type of building

Development Category

	CAT. 1	CAT. 2	CAT. 3	CAT. 4
HOUSES	$46K	$56K	$65K	$74K
TOWNS & WKUPS.	$42K	$51K	$60K	$70K
LOW RISE	$209K	$232K	$255K	$278K
MID RISE	$232K	$255K	$278K	$302K
HIGH RISE	$278K	$302K	$325K	$348K

Neighbourhood O&M Expenses
$N/A - not yet calculated

Costs by Neighbourhood are not presently calculated due to services being delivered as shared resources across all Neighbourhoods and consequently absorbed into overall operational costs. These can be estimated and included in the funding structure at a later date.

Considerations may include scale, i.e., number of buildings, land area, common amenities, services offered, etc.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

Corporate Governance and Strategic Priorities Expenses
$94.5M

Reflects funding for expenses largely under the control of the Board and Executive Management, as well as ad-hoc directions and priorities stipulated by the Shareholder.

These expenses should be funded on a lump-sum basis based on operating and special projects approved by management, the Board, and – to the extent required – by the Service Manager and/or Shareholder.

Capital and related

Reflects cash outflows for approved capital projects & interest, less funds received from other levels of government (e.g., CMHC, or $298.0M in 2022).
This funding should also be on a lump-sum but project-specific basis, based on capital projects approved by management, the Board, and – to the extent required – by the Service Manager and/or Shareholder.

EY – All Rights Reserved. Prepared solely for Toronto Community Housing Corporation. Reliance restricted. Does not constitute assurance or legal advice. Please refer to limitations and restrictions on page 1.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2023 Ernst & Young LLP. All Rights Reserved.
A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca