

**Consolidated Clause in Policy and Finance Committee Report 7, which was considered by City Council on September 25, 26 and 27, 2006.**

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**Toronto Community Housing Corporation - 2005 Annual  
Report to Shareholder, Audited Consolidated Financial  
Statements and Annual General Meeting**

*City Council on September 25, 26 and 27, 2006, adopted this Clause without amendment.*

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**The Policy and Finance Committee recommends that City Council adopt the staff recommendations contained in the Recommendations Section of the report (August 22, 2006) from the City Manager:**

Purpose:

To obtain direction for the Deputy City Manager or her designate to act as the City's proxy at the Annual General Meeting of Toronto Community Housing Corporation (TCHC) and, on behalf of Council, approve the minutes of the previous annual meeting, receive TCHC's 2005 audited consolidated financial statements and appoint its auditor.

Financial Implications and Impact Statement:

There are no financial impacts to the City or TCHC as a result of approving this report.

The auditor's report from Ernst & Young concludes that the financial statements present fairly, in all material respects, TCHC's financial position as at December 31, 2005.

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

Recommendations:

It is recommended that:

- (1) City Council appoint Deputy City Manager Sue Corke or her designate as the proxy representative of the City of Toronto and direct the proxyholder to attend and to vote as follows at Toronto Community Housing Corporation's Annual General Meeting and any adjournment thereof:

- (a) approve the minutes of the previous Annual General Meeting;
  - (b) receive the annual audited financial statements of TCHC for the period ended December 31, 2005, together with the auditor's report thereon;
  - (c) reappoint Ernst & Young LLP, Chartered Accountants, as TCHC's auditors, and authorize TCHC's Board of Directors to fix the auditors' remuneration;
  - (d) use his or her discretion to vote on such other matters as may properly be on the agenda of the Annual General Meeting; and
- (2) Toronto Community Housing Corporation's 2005 Annual Report comprising the letter from the Corporation's Chief Executive Officer dated June 12, 2006 and related appendices included as Attachment 1 to this report be received;
  - (3) the audited financial statements be referred to the City Audit Committee for review; and
  - (4) the appropriate City officials be authorized and directed to take the necessary action to give effect to the foregoing.

Background:

Toronto Community Housing Corporation (TCHC) is an independent business corporation established under the Ontario *Business Corporations Act*. The City of Toronto is the sole shareholder of TCHC. Council approved a shareholder direction to TCHC to set out the shareholder's objectives and establish governance principles for TCHC and its subsidiaries, the accountability and reporting requirements for TCHC to the City, and the powers of TCHC's Board of Directors.

The shareholder direction provides TCHC with broad authority to manage and supervise its business and affairs, including the management of its housing portfolio, policy and operational decisions and to employ its own staff. It is accountable for those decisions through the yearly submission to Council of an annual update on its three-year business plan (the Community Management Plan), an annual report and its audited annual consolidated financial statements. The shareholder direction states that the annual report will include identification of:

- (i) any material variances between the TCHC set budget and actuals;
- (ii) any variances that may have a financial impact on the shareholder;
- (iii) anything that is likely to materially affect tenants' views of TCHC;
- (iv) any major findings of audits;
- (v) performance of TCHC such that the Shareholder can determine that the Shareholder Direction has been respected; and
- (vi) the number of evictions each year, the cost and the rationale.

Council's shareholder direction to TCHC provides that TCHC prepare an annual report and audited consolidated financial statements and submit this report to Council, through the Policy and Finance Committee, and deliver the statements to the City. The TCHC Board approved the

annual report and financial statements at its meeting held on June 26, 2006. Toronto Community Housing Corporation's 2005 annual report comprising a letter from the Corporation's Chief Executive Officer dated June 12, 2006, and attached included as Attachment 1 to this report. TCHC's 2005 Annual Review is included as Attachment 2 to this report. TCHC's audited consolidated financial statements for the period ending December 31, 2005, and the report of the auditor thereon are included as Attachment 3 to this report. Explanatory information concerning TCHC's subsidiaries is appended as Attachment 5 to this report.

Comments:

TCHC Achievements:

In summary, TCHC's report to the shareholder lists the following achievements in 2005.

(a) Quality Service:

Implemented the Easy Trac system, an automated system for tenants to track contacts with TCHC and automatically generate work orders, across its communities.

(b) Healthy Communities:

(i) Developed a Community Health Framework for building and maintaining healthy communities. The Community Health Framework sets out the key outcomes sought by TCHC, how they are to be achieved cooperatively with residents, community organizations and City departments, and identifies the key strategies that are to be supported. To develop the Framework, TCHC initiated five community health pilots in 2005. The results of the pilot programs were used to identify key strategies for 2006 and beyond. These strategies will be identified in the fall 2006 edition of the Community Management Plan and will include how TCHC will address the areas of state of good repair of buildings, children and youth, seniors, and community safety.

(ii) Funded 23 projects to a total allocation of \$912,000 through TCHC's Social Investment Fund (SIF). The Fund was created to leverage community investments. TCHC created a \$1 million annual grant fund to which agencies, Tenant Councils and communities apply for specific projects. The fund replaces ad-hoc funding that was formerly provided at the discretion of staff. All projects are required to include monitoring and reporting mechanisms. These projects have produced positive impacts on communities, greater community engagement and ownership of initiatives, and leveraged investment through this program. An evaluation of the program in 2006 will ensure it is meeting the objectives it was created to meet, identify how it can be improved and any issues to be addressed in future years.

(c) Community Safety:

- (i) Completed 62 community safety plans and performed 110 safety audits in partnership with Toronto Police Services and local agencies. In addition, in response to the violence of the summer of 2005, TCHC accelerated spending of \$10 million across 16 communities to undertake work in such areas as fencing, cameras and access systems.
- (ii) Developed integrated specifications for building entry/exit systems, closed circuit camera systems and design of the public areas of buildings. Changes are being implemented as resources become available. An emphasis has been placed on communities that are in high priority neighbourhoods or where particular risks have been identified. In tandem with the physical improvements to building safety systems, TCHC has reviewed the deployment of community safety staff to provide a flexible response capacity.

(d) Youth Initiatives:

Worked to develop a child-youth strategy, the results of which are being presented to its Board of Directors. The strategy is designed to address the balance of TCHC resource investment in children's programs (considering where alternative programs and supports exist) and youth initiatives, an area that communities have identified as a priority for investment.

(e) Revitalization and Redevelopment:

- (i) Initiated Building Renewal Programs at 19 sites. With a total investment value of more than \$100 million, the program is designed to bring selected buildings to a state of good repair where a similar investment will not be required for 25 years. The Building Renewal Program uses the dollars saved through the replacement of old energy systems with new energy efficient systems to finance upgrading of other areas of the building. The Building Renewal Program is a creative approach to a key issue that TCHC is facing – a portfolio-wide backlog of repairs without sufficient funding to address it. The Building Renewal Program allows TCHC to respond and to deliver on its energy commitments, and engages tenants in the design of the renewal program, the selection of materials and approaches (e.g., types of replacement windows and lobby finishes and design) and in choosing areas of discretionary investment (landscape upgrades, amenity space changes, etc.). TCHC is seeking to expand the program through additional government funding for capital investment.
- (ii) Began the first phase of the Regent Park redevelopment. The relocation of 400 tenants from the first phase site enabled demolition of the first buildings to take place on schedule. Once the buildings are demolished and the site is prepared, construction of the first phase will begin. TCHC has entered into a partnership with the Daniels Corporation for the construction of TCHC rental housing as well as market units in Phase 1.

- (iii) Undertook a number of other initiatives primarily aimed at meeting its commitment to increase the number of affordable housing units in the City. In addition to development work on the Railway Lands and the Waterfront, TCHC added 7 units to its Silverthorn building, refurbished 90 units at 2 Murray Street, started work on 27 units of housing for young mothers at 1900 Sheppard Avenue West, and completed the design of 52 stacked townhouse units at 30 Regent Street.
- (f) Healthy Organization:
- (i) TCHC's Healthy Organization Strategy will provide an umbrella approach to addressing issues that staff identify in the work place. The initiative is supported by all TCHC unions, and has had broad employee acceptance. The strategy, built on the findings of employee work place discussion groups and focus groups, will be presented to the TCHC Board of Directors in 2006 and will be informed by employee survey and employee input sessions undertaken in the first half of 2006.
  - (ii) With the Ontario Labour Relations Board's ruling in 2005 that TCHC was the employer of its 1,400 employees, TCHC and its unions were able to enter into contract negotiations. One labour agreement has been negotiated and contract negotiations with the remaining unions will take place through 2006.
  - (iii) TCHC recognizes that the engagement of labour and staff is a key aspect of building and sustaining a healthy organization. TCHC accomplishes this through the recognition of labour and staff as key stakeholders as it develops plans, initiatives, policies and strategies and through the engagement of staff in the development of Rewards and Recognition events, the planning and holding of events to celebrate events such as Black Heritage Month and Asian Heritage Month, the design and presentation of a float for the Pride Week Parade and staff participation in its 2005 record setting fundraising for United Way.

Financial Performance:

TCHC's 2005 audited annual financial statements indicate that TCHC increased the value of its total assets to \$2,017.1 million in 2005 from \$1958.3 the previous year. Total revenues increased in 2005 to \$615.6 million from \$594.5 million in 2004. A \$3.2 million decline in residential rental revenues to \$258.1 million compared to 2004 was offset by increases in revenues from commercial rents, parking, laundry and cable fees and interest income totalling \$5.6 million. Net operating income for 2005 was \$72.6 million compared to \$65.9 million in 2004. TCHC has also noted that, because operating revenues fund building maintenance and repair, increased revenues results in an increased ability to repair and maintain TCHC's existing buildings.

TCHC's annual report to the shareholder states that rents paid by rent-geared-to-income (RGI) tenants have decreased by over \$5 million in each of the past three years. This decline in RGI rents has affected other social housing providers in the GTA and reflects a decline in the average income of RGI tenants as tenants with higher incomes leave TCHC

units for market housing and are replaced by new tenants with lower incomes. TCHC expects this trend to continue creating ongoing pressure in its attempts to bring the portfolio to a good state of repair.

Each month on average in 2005, **1 in 10** TCHC households (over 6,800 households) were in rental arrears. Since over half of TCHC's revenues come from tenant rent payments, the timely and complete receipt of rental revenues is critical to TCHC being able to achieve its operating objectives.

TCHC has initiated a revenue plan to maximize revenues from non-rental activities. This includes moving charges for laundry services and parking to the low end of market rates (following the complete overhaul of laundry rooms and replacement of old equipment), maximizing revenues from commercial rents, signage and roof top rentals, and seeking ways to sell TCHC and subsidiary company services.

TCHC has maintained tight control of overhead costs, seeking efficiencies through buying programs, renewed building specifications and new building staffing models. There remain few opportunities to significantly reduce operating costs; in the past two years, the rate of increase in TCHC's operating budget has been lower than the building cost inflation index.

With energy costs increasing between nine percent and 12 percent annually, a key area for the management of TCHC costs has been in energy and water use. TCHC's program to replace all appliances older than ten years to reduce energy consumption and operating costs is well underway. Similar building renewal investments will also save energy costs.

#### Evictions:

The City's shareholder direction to TCHC provides that TCHC report annually to the shareholder on the number and costs of and the reasons for tenant evictions. This subject is addressed in TCHC's report to the shareholder, which is part of Attachment 1 to this report. The level of TCHC's evictions and its evictions prevention policy is the subject of a separate report from TCHC on the Committee's agenda.

#### Shareholder Responsibilities:

The Ontario *Business Corporations Act* establishes requirements for corporations and their shareholders. At TCHC's Annual General Meeting, the shareholder will be asked to consider the minutes of the previous Annual General Meeting, receive the annual consolidated financial statements and the auditor's report thereon, appoint the auditor and authorize the TCHC board of directors to determine the auditors' remuneration. In June 2003, Council appointed Ernst & Young as the City's external auditor and as auditor for TCHC for a five year period. The appointment of the auditor for TCHC must be approved annually.

TCHC will hold an Annual General Meeting at its offices outside of a City Council meeting notice of which will be provided to tenants. This is intended to make the meeting more convenient for tenants to attend and ask questions. As the Annual General Meeting will be held outside of a Council Meeting, Council should appoint a proxy and provide direction to the proxyholder on how they should represent Shareholder interests at the meeting. It is recommended that Deputy City Manager Sue Corke, or her designate, be appointed as Council's proxy to act in the City's interest at TCHC's Annual General Meeting and any adjournment thereof and be authorized to vote as follows:

- (a) approve the minutes of the previous Annual General Meeting;
- (b) receive the annual audited financial statements of TCHC for the period ended December 31, 2005, together with the auditor's report thereon;
- (c) vote for the reappointment of Ernst & Young LLP, Chartered Accountants, as TCHC's auditors, and to authorize TCHC's Board of Directors to fix the auditors' remuneration; and
- (d) use his or her discretion to vote on other matters properly on the agenda of the Annual General Meeting.

Conclusions:

Council, as the sole Shareholder for TCHC, has obligations and responsibilities under the *Business Corporations Act* and Shareholder Direction to fulfil, including receiving an annual report and audited consolidated financial statements, appointing an auditor for TCHC and appointing a proxy to attend the TCHC Annual General Meeting on its behalf.

Staff from Shelter, Support and Housing Administration, Finance and Legal Divisions assisted in the preparation of this report. TCHC staff were consulted during the preparation of this report.

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List of Attachments:

- Attachment 1: Correspondence from TCHC Chief Executive Officer dated June 12, 2006 and 2005 Annual Report to Shareholder
- Attachment 2: 2005 TCHC Annual Review
- Attachment 3: 2005 Audited Consolidated Financial Statements
- Attachment 4: Auditor's Report on 2005 Consolidated Financial Statements
- Attachment 5: Background Information on TCHC's Subsidiaries

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## Attachment 1

Please find attached the annual TCHC report to the City of Toronto. This report is submitted following the requirements of the Shareholder Direction.

TCHC formally reports to the Shareholder twice annually, including the presentation of a 3-year strategic plan, the Community Management Plan, which sets out the strategic direction, priority initiatives and commitments of the organization, in the fall of each year and a review of progress against its plan and the objectives of the Shareholder each spring.

This is the fourth annual report to the Shareholder. The report highlights significant achievements of 2005 and provides an outline of some of the key accomplishments TCHC, in cooperation with stakeholder partners, delivered or initiated over the course of the year. This report responds to all requirements set out in the Shareholder Direction. The report is not an exhaustive list of TCHC achievements or a full report on operational performance.

### The Shareholder Direction:

The corporate relationship between TCHC and the City is set out in a Shareholder Direction. The Direction sets out the Shareholder's objectives for the corporation, principles and reporting requirements. The Shareholder Direction identifies the accountabilities of the corporation, including that the corporation will:

- (i) be responsible for the management of its housing portfolio;
- (ii) make all policy and operational decisions;
- (iii) employ its own staff; and
- (iv) be held accountable for these decisions through the submission to City Council of an annual update on the corporation's three-year business plan (the Community Management Plan) and through submission of an annual report.

As described further into this report, TCHC has and continues to meet the objectives set out by the Shareholder. The Community Management Plan and the achievements for 2005 reflect TCHC's commitment to objectives set out by the Shareholder in establishing TCHC as a business corporation. TCHC has approached those accountabilities by engaging other stakeholders in building healthy communities that form integral components of neighbourhoods across the city.

### Annual Report Requirements:

The Shareholder Direction sets out the reporting requirements of the corporation, including an annual update to the three-year business plan (Community Management Plan) and the submission of an annual report.

The Shareholder Direction specifically outlines the requirements to be filled through the annual report, including identification of:



- (i) any material variances between the TCHC set budget and actuals;
- (ii) any variances that may have a financial impact on the shareholder;
- (iii) anything that is likely to materially affect tenants' views of TCHC;
- (iv) any major findings of audits;
- (v) performance of TCHC such that the Shareholder can determine that the Shareholder Direction has been respected; and
- (vi) the number of evictions each year, the cost and the rationale.

It does this through submission of its audited financial statements as attached and through the outlining of key initiatives put in place to respond to key issues as included in this report.

This report meets the Shareholder requirements for submission of an annual report. Due to a delay in receiving the audited financial statements, the annual report is submitted beyond the timeline outlined in the Shareholder Direction.

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#### TCHC Annual Report to the Shareholder:

##### Background:

The relationship between the City of Toronto and TCHC is outlined in a Shareholder Direction between the City, as sole shareholder, and TCHC as an arms-length corporation established under the Ontario *Business Corporations Act*. TCHC has a thirteen (13) member Board of Directors, who are accountable for the policy, operational and financial management of the corporation.

TCHC owns and is responsible for managing a portfolio of 58,500 units of housing in over 2,000 buildings across 350 developments. Toronto Community Housing has a mandate to provide affordable rental housing for low and moderate-income households in the city providing homes to more than 164,000 tenants. TCHC interprets this mandate to include a responsibility for building and maintaining healthy communities in its affordable housing developments.

TCHC employs close to 1,400 staff. The 2005 Operating Budget was approximately \$560 million. 52 percent of revenue was from tenant and commercial rent and associated activities, and 48 percent through operating subsidies from different orders of government, including an approximate one-third portion from the GTA.

##### 2005 Context:

The work of TCHC in 2005 was guided by the Community management Plan, as well as the need to respond to neighbourhood issues where TCHC communities are located. In 2005, TCHC continued to focus on strengthening communities and building community capacity to create and sustain community health. TCHC directly touches the lives of about one in every 12 citizens of Toronto. The size of the corporation results in a responsibility and an opportunity to make positive change happen for residents, communities, and neighbourhoods. TCHC takes that

responsibility seriously. It has set out a number of key initiatives and commitments that build upon and leverage opportunity for positive change where ever it can be found or created.

The Community Management Plan recognizes that TCHC is facing some tough challenges including:

- (i) financial challenges (declining rent revenues, large deferred capital investments);
- (ii) community safety and tenants perceptions of safety (increased gun violence, anti-social behaviours);
- (iii) poverty (social exclusion and racism facing tenants, community capacity to respond to neighbourhood issues, lack of income);
- (iv) organizational capacity (skills, experience and knowledge to intervene in very complex community issues);
- (v) capital backlogs (historic low levels of capital investment resulting in the poor condition of housing units)

The initiatives set out in the Community Management Plan is a response to these issues. The Plan builds on the tremendous assets of both staff and tenants identifying and implementing longer term solutions to the challenges that are being faced.

TCHC has worked diligently in the first years of its existence in putting in place a robust organization, building the skills base of staff throughout the organization, and creating the opportunity for tenants to have a voice in decisions that affect them. TCHC also recognizes that the issues being addressed are complex, require significant financial and human resource investments and will not be resolved rapidly.

TCHC result highlights:

The 2005 Annual Review (copy attached) provides highlights of key TCHC accomplishments in 2005. A brief description of significant achievements in key areas is provided below. While there is still a tremendous amount of work to be done, there have been a substantial number of gains within a relatively short time span. TCHC is confident that it will continue to make progress as it engages with its partners in delivering its mandate.

The achievements highlighted below are a sampling of the progress that TCHC has made over the course of 2005. They speak to TCHC's commitment to community and organization and its desire to make a difference in the neighbourhoods of Toronto. TCHC is identifying the challenges and issues that must be faced as well as the opportunities that are or can be available. It is facing those challenges head on, responding to the issues and leveraging opportunity where ever possible.

## Quality Service:

### Easy Trac:

In 2005, TCHC implemented EasyTrac across TCHC communities. EasyTrac is an automated system to track contacts with TCHC, logging information received from tenants and automatically generating work orders when required. The system was initiated in response to tenant and staff requests— tenants looking for a way to confirm that their request had been received and was being acted on and staff looking for a way to manage and organize requests coming in through multiple contact points. EasyTrac provides TCHC with the ability to track service requests. It enables staff to prioritize commitments and enables the organization to analyze the number and types of requests coming in at the building, community, portfolio level and put in appropriate tools or plans to respond. EasyTrac provides tenants with a service request number enabling them to track the status of the request at any point of service contact.

### Tenant Survey:

TCHC committed to conducting a bi-annual tenant survey asking tenants to provide their ranking and comments in a number of key service areas. The 2004 survey results were provided to Community Housing Unit (CHU) managers and the results used to in the development of unit plans and individual managers' performance plans. TCHU Managers worked with Tenant Councils in developing plans of action to respond to specific issues flagged in the survey and enabled the organization to identify global measures in response to themed issues. TCHC has committed to a second survey being released in 2006 using the 2004 survey results as a baseline. TCHC will report out on survey results in its public performance reports to the Board.

## Healthy Communities:

### Community Health Framework:

TCHC has developed a framework for building and maintaining healthy communities. The strategy gives a sound structure to the many activities currently undertaken in communities designed to build the capacity of communities. This is both a capacity to engage and work collectively on complex issues such as safety or youth engagement, as well as building resilience to the individual and collective risks faced more particularly in low income communities. The Community Health Framework sets out the key outcomes that are being sought by TCHC, how these are to be achieved cooperatively with residents, community organizations and City departments, and identifies the key strategies that are to be supported.

To develop the Community Health Framework TCHC initiated five community health pilots in 2005. The pilots engaged the community, staff and other stakeholders as they tried to identify issues related to community health and their response. The results of the pilots were used identify the key strategies for 2006 and beyond. These will be identified in the fall 2006 Community Management Plan and will include how TCHC will address the areas of good state of repair of buildings, children and youth, seniors, and community safety.

### Community Safety Plans:

Community safety and perceptions of safety are an integral part of community health. TCHC has since 2002 been engaging communities in the building of community safety plans. The unprecedented violence of the summer of 2005 in the city of Toronto dictated an urgency to this work and a focused response in a number of communities. There were 62 community safety plans completed in 2005 and another 110 safety audits performed in partnership with Toronto Police Services and local agencies. In addition, in response to the violence of the summer of 2005, TCHC accelerated spending in the amount of \$10 million across 16 communities performing work in areas such as fencing, cameras, access systems, etc. TCHC will continue to work with communities and partners to build the community's sense of safety, an integral part of community health.

TCHC has developed integrated specifications for building entry/exit systems, closed circuit camera systems and design in public areas of buildings. Physical changes to these elements of buildings are changed as resources are available. A priority has been placed on communities that are in high priority neighbourhoods or in which particular risks have been identified. In tandem with the physical improvements to building safety systems, TCHC has reviewed the deployment of community safety staff in order to provide a flexible response capacity to safety issues. With very limited financial means to increase the number of community safety staff, TCHC has responded by ensuring that staff are present at the time they are required in the place they are needed.

TCHC works with communities, Toronto Police Services and other agencies to ensure that community safety plans can be implemented. Work is also undertaken to clarify the roles of TCHC in relation to Toronto Police Services, and to ensure that tenants are able to assume their role in ensuring that communities are safe.

### Youth Initiatives:

TCHC focused on the development of a child-youth strategy in 2005, results of which are to be presented to its Board of Directors in the summer of 2006. The strategy is designed to address the balance of TCHC resource investment in children's programs (and where alternative programs and supports exist) and youth initiatives (an area that communities have identified as a priority for investment). Traditionally TCHC has invested heavily in children's activities, and only marginally in youth initiatives.

A number of positive change initiatives were undertaken resulting in 120 youth gaining summer employment through job fairs; another 122 youth employed by TCHC partners and contractors which included a 'job readiness skills building' component; 200 youth progressed through the "Tomorrow's Leaders" program and TCHC partnered with George Brown and the Carpenter's Union (Local 27) in a very successful pre-apprenticeship program. TCHC is committed to reaching out to the youth in its communities and providing the linkages and opportunities that open up other doors. In addition, initiatives such as a Youth Conference, the establishment of Youth Employment Centres and the initiation of a second Youth Justice Pilot in partnership with City and community agencies all contributed to key achievements and progress in this area in 2005.

### Social Investment Fund:

The TCHC funds available for the building of community health are limited. It is also critical to identify and support the initiatives that will have the greatest impact in communities, and which can be used to lever additional resource investments. To effect this TCHC created the Social Investment Fund (SIF) as a way to leverage community investments. TCHC created a \$1million annual grant fund to which agencies, Tenant Councils and communities apply for specific projects. The fund replaces ad-hoc funding that formerly was undertaken at the discretion of staff.

The criteria for application requires that the initiative directly benefit TCHC communities, that it be self - sustainable and that it have the ability to generate learnings of benefit to other TCHC communities. Through this small investment, TCHC has seen many communities benefit. In 2005, there were 23 projects funded to a total allocation of \$912,000. All projects are required to have monitoring and reporting built in to the initiative and TCHC is performing an evaluation of the fund itself, in 2006, to ensure it is meeting the objectives it was set out to meet. TCHC has already seen the benefit of positive impacts on communities, greater community engagement and ownership of initiatives, and leveraged investment through this program. An evaluation of the program in 2006 will identify how it can be improved and any issues to be addressed in future years.

### Revitalization, New and Redevelopment:

#### Building Renewal Program:

TCHC initiated a Building Renewal Programs in 19 sites. With a total investment value of more than \$100 million, the program is designed to bring the selected buildings to a good state of repair and where a similar investment will not be required for another 25 years. The Building Renewal Program uses the dollars saved through the replacement of old energy systems with new energy efficient ones to finance upgrading of other areas of the building. The Building Renewal Program is a creative approach to a key issue that TCHC is facing –a huge portfolio wide backlog of repairs and insufficient finances to address it. The Building Renewal Program allows TCHC to respond and to deliver on its energy commitments, and engages tenants in the selected buildings in the design of the renewal program, the selection of materials and approaches (e.g., types of window replacement, lobby finishes and design) and in choosing the areas of discretionary investment (landscape upgrades, amenity space changes, etc.). TCHC is seeking to expand the building renewal program in future years through obtaining additional government funding for capital investment.

#### Regent Park:

The first phase of the historic Regent Park redevelopment was underway in 2005. The relocation of 400 tenants from the first phase site was an extremely successful undertaking enabling the demolition of the first buildings to take place on schedule. Once the buildings are demolished and the site is prepared building of the first phase will begin. TCHC has entered into a partnership with the Daniels Corporation for the construction of THC rental housing in Phase 1,

as well as the market units in this phase. The agreement can be extended to Phase 2 of the redevelopment at the discretion of TCHC.

#### Other Developments:

In addition to the redevelopment and regeneration of its sites TCHC also undertook a number of other initiatives primarily aimed at meeting its commitment to increase the number of affordable units in the city of Toronto. In addition to development work on the Railway Lands and the Waterfront, TCHC also added 7 units to its Silverthorn building, refurbished 90 units at 2 Murray Street, started work on 27 units of housing for young mothers at 1900 Sheppard Avenue, and completed the design of 52 stacked townhouse units at 30 Regent Street. In the delivery of new housing, TCHC has worked with community organizations and agencies, and will continue to seek these partnership opportunities to fulfil the goal of increasing affordable housing where the opportunity presents itself and TCHC's organizational capacity can respond.

#### Healthy Organization:

##### Healthy Organization Strategy:

Just as the goal of building community health requires an overarching strategy to provide the framework and direction, so too does the building of a healthy organization. Many initiatives to increase organisational effectiveness have been implemented. The Healthy Organization Strategy will provide an umbrella approach to addressing issues that staff identify in the work place. The initiative is supported by all TCHC unions, and has had broad employee acceptance. The strategy, built on the findings of employee work place discussion groups and focus groups will be presented to the TCHC Board of Directors in 2006 and will be informed by employee survey and employee input sessions throughout the first half of 2006.

#### Labour Relations:

With the Ontario Labour Board ruling that TCHC was the employer of its 1,400 employees, TCHC and its unions were able to enter into contract negotiations. Though TCHC was established in 2002 it has only been able to negotiate one agreement, with the OPSEU Security union as the inside, Local 79 and OPSEU and the outside, Local 416 had contested that TCHC was indeed the employer. Those hearings finally resulted in 2005 with the decision by the OLRB, that TCHC is indeed the employer. Contract negotiations with the remaining unions will take place through 2006.

#### Organizational Celebrations:

As with its communities and partners, TCHC also recognizes that the engagement of labour and staff is a key aspect of building and sustaining a healthy organization. TCHC accomplishes this through the recognition of labour and staff as key stakeholders as it develops plans, initiatives, policies and strategies and through the engagement of staff in the development of Rewards and Recognition events, the planning and holding of events to celebrate events such as Black Heritage Month and Asian Heritage Month, the design and presentation of a float for the Pride Week Parade and the incredible participation of staff in the 2005 record setting fundraising for

United Way. TCHC fully recognizes that in order to achieve what it wants to achieve its employees need to be on board, engaged and committed. Without the dedication and energy of its staff, TCHC would not have been able to get as far as it has over the past four years.

#### Financial Performance:

Financial sustainability continues to be an essential goal for the TCHC. Aging buildings, inherited capital backlogs, flat lined subsidy levels, reducing rent revenues and increasing operating costs all contribute to the financial pressure that TCHC faces on an ongoing basis. As TCHC continues to move forward in building community health it does so within a constrained financial envelope.

#### Revenues:

TCHC is facing severe revenue challenges. Over the past three years TCHC revenues from rents paid by rent-geared-to-income (RGI) tenants have decreased by over \$5 million annually. This is a result of decreasing incomes of existing tenant households, and lowering incomes of tenants being housed in vacant units. The trend to reduced RGI rent revenues is likely to persist for some time to come. The income profile of new tenants is significantly lower than the income profile of departing tenants, and lower than in previous periods.

TCHC has initiated a revenue plan to maximise revenues from non-rental activities. This includes moving charges for laundry services and parking to the low end of market charges (following complete overhaul of laundry rooms and replacement of old equipment), maximizing revenues from commercial rents, signage and roof top rentals, and seeking creative ways to sell TCHC and subsidiary company services. The revenue plan is constrained by the ability to obtain signage permissions.

#### Costs:

TCHC has maintained a tight control on operating costs, seeking to find efficiencies through buying programs, renewed building specifications and new building staffing models. There are very few opportunities to significantly reduce operating costs, and in the past two years, the building cost inflation index has exceeded the TCHC increase in operating budgets. TCHC operating budget increases are severely constrained due to the erosion of rental revenues.

A key areas for management of TCHC costs has been in energy and water costs. TCHC is well underway in implementing the replacement of all appliances older than ten years. This significantly reduces energy consumption, saving operating costs and reducing energy demand. Similar building Renewal investments noted above will save a great deal on energy costs. These costs are rising between nine percent and 12 percent per year.

As outlined in the attached audited statements provided by the auditor, there are no material variances between TCHC's budget and its actuals for 2005. (Attachment 1 - 2005 Audited Financial Statements).

### Eviction Statistics and Costs:

As the largest social housing provider in Canada, TCHC is extremely conscious of its role in providing housing to low and moderate-income singles and families. Its rent collection practices are aimed at early intervention to provide tenants with the opportunity to address the issue before the amount in arrears is too high for repayment options. Evictions are a last resort for TCHC acted on only when all other interventions have been unsuccessful. However, tenant rent provides TCHC with over half of its revenue base. TCHC's initiatives are based on realizing its budgeted revenues. Where budgeted revenue is not met due to non-payment of rent it directly impacts TCHC's spending ability. TCHC tries hard to balance those two realities.

In 2005, TCHC's eviction rate related to rent payment issues (number of tenants evicted under order of the Tribunal) was 249 households or 0.4 percent. In addition, there were nine evictions related to other grounds for breach under the Tenant Protection Act, 1997 (TPA Breach), for grounds such as safety, illegal activity, etc. An additional 157 households vacated following receipt of the Sheriff's Notice or Legal Notice but without receiving an official eviction notice.

Over the course of the year, in each month on average, 1 in 10 households were in rental arrears (over 6,800 households each and every month). Of those 6,800 households in arrears on a monthly basis TCHC evicted 249 households (0.4 percent of households) with another 50 vacating under eviction order and a further 107 vacating under notice of a Tribunal hearing for a total of 406 households (0.7 percent of TCHC households) 2005. A number of the households that vacated may have done so any way, however, TCHC is including them in the total number of evictions.

The total arrears amount for evictions related to rent arrears was \$490,346 or an average of \$1,878 per evicted household. The cost of evictions is estimated at \$157,362 with \$126,825 (\$475/household) related to the direct costs of tribunal and sheriff fees and another \$30,537 (\$117/household) in direct staff costs. For the breach cases (non-arrears), there were additional legal representation costs of approximately \$28,800.

As noted above, evictions for any reason are sought only where other interventions to resolve the situation are unsuccessful. The actual eviction rate of 0.4 percent of TCHC households (249 for the year against 6,800 in arrears on a monthly basis) and indirect eviction rate of another 157 households bears that out. In addition, TCHC's Eviction Prevention Policy guides staff in early intervention, provides for clear language cover page (translated) on the notice ensuring that tenants are aware of the importance of the notice, a requirement for three points of contact, a commitment that payment arrangements be made wherever possible, etc. While TCHC is aware that there have been some issues in how the policy has been applied/interpreted across the portfolio, for the most part the values identified in the policy are being adhered to. In addition, TCHC has commissioned an evaluation of the policy and will report to the Board in 2006 with an action plan to respond to any issues raised.



TCHC – 2002-2005:

TCHC has set out an ambitious agenda under the framework of its Community Management Plan fully recognizing that it would take time to bring the organization and its communities to a place where the values and vision of the organization are being fulfilled. It's accomplishments over the past four years are significant for such a young organization and are reflected in the positive changes within the organization and its communities and the improved relationships with its employees, unions, partner agencies, and other stakeholders.

TCHC is committed to continue developing relationships with stakeholders and engaging partners in order to continue the ambitious agenda set out under the framework of the Community Management Plan.

The achievements outlined above, in combination with the attached 2005 Audited Financial Statements provide the shareholder with its 2005 Annual Report to the Shareholder.

Attachments:

TCHC 2005 Annual Review  
Resolutions of the Board of Directors  
TCHC 2005 Audited Financial Statements

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Attachment 5:

Background Information on TCHC's Subsidiaries

TCHC has four major subsidiaries established pursuant to the OBCA:

- (i) Access Housing Connections Inc.;
- (ii) Housing Services Inc.;
- (iii) Don Mount Court Development Corporation; and
- (iv) Regent Park Development Corporation.

TCHC has not yet appointed the Board of the Regent Park Development Corporation. As there is no Board of Directors and the work related to the revitalization of Regent Park is being done through TCHC at this point, it is not operating as a standalone subsidiary, neither a shareholder direction nor an operating agreement have been developed.

In addition to these subsidiaries, TCHC is a partner in a joint venture with other owners/operators of multi-residential properties in the provision of laundry services called Sparkle, and is the owner of 2001064 Ontario Limited which has no revenues or expenses but holds the title to a property in downtown Toronto used for office purposes.

TCHC has advised that the TCHC Board directed that TCHC’s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) be appointed to each subsidiary board and that any TCHC staff serving on a subsidiary board, including the CEO and CFO, are not entitled to any additional remuneration. TCHC’s board set out director qualification criteria for the subsidiary boards, and approved a policy defining the selection and nomination process for each subsidiary including initial recruitment and screening through a third-party board recruitment agency, followed by interviews by and recommendations from a board selection committee to the TCHC Board's Governance Committee that interviews and makes final recommendations to the parent TCHC Board of Directors.

The structure and other information concerning the boards of directors of TCHC’s subsidiaries is summarized in the following table.

Boards of Directors of TCHC Subsidiaries			
TCHC Subsidiary	Housing Services Inc.	Access Housing Connections Inc.	Don Mount Court Development Corp.
Number of Board Members	5 to 8 (currently 8)	Up to 7 (currently 7)	2 to 10 (currently 8)
Director Remuneration	(i) \$350 per meeting to maximum of \$7,500 per year (ii) Chair receives an additional \$5,000 annual stipend	(i) \$350 per meeting to maximum of \$7,500 per year (ii) Chair receives an additional \$5,000 annual stipend	(i) \$500 per meeting to maximum of \$7,500 per year (ii) Chair receives an additional \$10,000 annual stipend
Composition of Board	(i) 3 – 5 members, one of whom could be a TCHC Board director and who possess the following qualifications: senior level experience and expertise in the residential property management services industry and /or the call centre management field, including customer services, pricing / contracting, marketing, planning; business and/or financial	(i) one member of tenant or community organization (ii) one with current experience on a board or senior position of a co-op housing organization or from the non-profit housing sector (iii) three who possess: business experience in property services or in delivery of commercial services; expertise in functions relevant to Access (i.e.,	(i) one member of TCHC board (ii) one member of the tenant community (iii) financial expertise (financial planning, real estate or related field) (iv) expertise in residential development (not affiliated with any group or individual bidding on the project) (v) senior level experience in the delivery of major projects and familiarity with

Boards of Directors of TCHC Subsidiaries			
TCHC Subsidiary	Housing Services Inc.	Access Housing Connections Inc.	Don Mount Court Development Corp.
	management experience and expertise; an interest in and commitment to social housing (ii) TCHC CEO (iii) TCHC CFO	customer service, pricing/ contracting/ marketing, planning); interest in and commitment to social housing (i) TCHC CEO (ii) TCHC CFO	management of tendering processes (i) expertise in urban planning and/or architecture (ii) TCHC CEO (iii) TCHC CFO
Term of Board	Three years with one term renewable	Three years with one term renewable	Three years with one term renewable

2.1 Access Housing Connections Inc. (AHCI):

AHCI was established to manage the central waiting list for all social housing units in Toronto and to administer rent supplement programs on behalf of TCHC. TCHC administers the waiting list on behalf of the City who acts as Service Manager for the Province under the *Social Housing Reform Act, 2000*.

The waiting list service is provided on behalf of all social housing providers in Toronto. The rent supplement program pays private landlords the difference between a tenant's subsidized rent-geared-to-income rent and the market rent on the tenant's dwelling. As TCHC had the infrastructure in place and was managing a common waiting list and administering the commercial rent supplement program, the City requested TCHC to manage both systems on its behalf. TCHC entered into an operating agreement with the City to cover the funding and reporting requirements of both services.

The TCHC Board of Directors authorized the incorporation of AHCI, on July 30, 2003, as a subsidiary corporation for the purpose of delivering accesses to housing and related services. This action was undertaken to:

- (i) remove any perception of conflict of interest that could result from TCHC directly managing a service it uses with other social housing providers;
- (ii) allow for a focused board with input from community and other stakeholders; and
- (iii) separate management and financial accountability to prevent cross-subsidization from housing programs.

TCHC incorporated AHCI effective August 14, 2003 and is the sole shareholder of AHCI.

The TCHC Board approved a Shareholder Direction (SHD) for AHCI on October 29, 2003; TCHC is in the process of developing an operating agreement with AHCI which will set out the specifics around reporting requirements and funding flow. Among other things, the SHD specifies that AHCI's board would be composed of up to seven persons appointed by the TCHC Board upon recommendation by its Governance Committee including TCHC's CEO and CFO. The first meeting of the AHCI's new board was held on April 19, 2004. At that meeting, the AHCI Board approved the use of a new corporate name, "Housing Connections", and a corresponding logo.

The AHCI board is currently chaired by TCHC's CEO and includes its CFO, plus five outside directors who are not members of TCHC's board: Peggy Edwards (former Executive Director, Skills for Change), Kevin Lee (Executive Director, Scadding Court Community Centre), Kate Stark (Executive Director, Dixon Hall Community Centre), Stephanie Olin-Chapman (former VP, Development, Minto Properties) and Gale Murray (Founding President and CEO, the Change Foundation). Now that there is full complement on the board a new chair, from the sitting directors, will be appointed by the TCHC Board.

It should be noted that the City's Public Appointments Policy (both previous version and the updated version being considered by the Policy and Finance Committee concurrently with this report) states that City employees and employees of the City's ABCCs are not eligible for appointment to any City Agency, Board, Commission or Corporation. Kevin Lee is a City employee, working at a City AOCC. The Policy does not technically apply for appointments to subsidiaries of corporations owned by the City. This is the same situation that allows the TCHC CEO and CFO to be members of the boards of subsidiaries.

The AHCI governance structure includes two stakeholder bodies that report through the Board – the Internal Review Panel and the Board Advisory Council. The Internal Review Panel is a subset of the AHCI board and was created pursuant to provisions of the *Social Housing Reform Act* that require the City as Service Manager to have a mechanism for social housing applicants to appeal housing decisions.

Establishment of the Board Advisory Council was approved by the TCHC Board and the structure was approved by the AHCI board on September 20, 2004. The role of the 15-member advisory council is to ensure that the various sectors involved in housing access (including private sector landlords, the non-profit and co-operative housing sector, tenants, applicants and community organizations) can provide advice to the Housing Connections Board from a stakeholder perspective, without any decision-making powers.

## 2.2 Housing Services Inc. (HSI):

Housing Services Inc. was established to provide focused governance over the delivery of certain property management services including call centre operation and small capital and maintenance operations. While HSI provides these services to TCHC Community Housing Units, TCHC hopes that HSI will sell these services to other non-profit landlords to generate revenues that can be invested in TCHC communities. Pursuant to TCHC's

shareholder direction to HSI, the HSI Board includes TCHC's CEO and CFO, and a maximum of one member of the parent TCHC Board. TCHC is in the process of finalizing an operating agreement with his which will set out the specifics of reporting and financial requirements.

The HSI board is chaired by Bob Richards (President, Municipal Property Assessment Corporation and former CAO, Metro Toronto), and includes Mitzie Hunter (Vice President, Marketing, Goodwill Industries), Ann Sado (President, George Brown College), Elizabeth Strobach (former president, OMERS Realty Management Corporation), Glen O'Brecht (Director, Housing Operations, Peel Living) as well as TCHC's CEO and CFO . (HSI's General Manager reports to the Board – he does not sit on the board)

### 2.3 Don Mount Court Development Corporation (DMCDC):

Don Mount Court Development Corporation was established to provide focused oversight on the redevelopment of Don Mount Court. The Don Mount board is comprised of a maximum of seven persons including a minimum of one TCHC board member, TCHC's CEO and CFO serve on DMCDC's board and as officers of DMCDC. TCHC has both a shareholder direction to and an operating agreement with DMCDC. DMCDC's board is chaired by Dino Chiesa (President and CEO of Res REIT and former CEO of Ontario Housing Corporation), John Brewin (solicitor and TCHC Director), Sayeh Lavasani (Clinical Observer at St. Joseph's Health Centre and Don Mount Court resident), Sandra Levy (Manager, Corporate Human Resource Programs, Magna International), Cathie Macdonald (planning consultant and former manager in city planning, development and real property at the City of Toronto) and Ron Struys (Downing Street Group of Companies and TCHC Director).

DMCDC also has a Regeneration Committee of up to twenty persons composed of a wide range of stakeholders, including members of the TCHC Board, Don Mount Court tenants, non-tenant community members, outside experts, TCHC's CEO, the Don Mount Court project manager and the ward councillor or their designate, whose purpose is to provide advice to the DMCDC Board.

### 2.4 Regent Park Development Corporation:

The Regent Park Development Corporation was established to provide focused oversight on the revitalization of Regent Park over the 15-year period required to redevelop the community, including the development of affordable rental and ownership housing. Neither the size or composition of the Regent Park board, or the presence or composition of any advisory bodies, have been determined. A board for this corporation has not yet been put in place, therefore, neither a shareholder direction nor an operating agreement have been completed.

(A copy of Attachments 2 – Annual Review 2005, 3 – Consolidated Financial Statements - Toronto Community Housing Corporation – December 31, 2005; and 4 – Toronto Community Housing Corporation Audit Results – December 31, 2005, referred to in the

foregoing report was forwarded to all Members of Council with the September 18, 2006 agenda of the Policy and Finance Committee and a copy thereof is also on file in the Office of the City Clerk, City Hall.)

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Councillor Jane Pitfield, Don Valley West, addressed the Policy and Finance Committee.