



STAFF REPORT ACTION REQUIRED

Toronto Community Housing Corporation – 2006 Annual Report to Shareholder, Audited Consolidated Annual Financial Statements and Annual General Meeting

Date:	November 9, 2007
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

In order for Toronto Community Housing Corporation (TCHC) to proceed to hold an annual general shareholders' meeting as required by the Ontario *Business Corporations Act*, City Council, as the corporation's sole shareholder, must appoint and provide direction to a proxy holder to act on Council's behalf at the meeting. This report recommends that Deputy City Manager for Cluster A or her designate be appointed to act as the City's proxy at TCHC's Annual General Meeting to be held on December 14 and, on behalf of City Council, approve the minutes of the previous meeting, receive TCHC's 2006 audited consolidated financial statements and the report of the auditor thereon, reappoint TCHC's auditor for 2008.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council appoint Deputy City Manager for Cluster A or her designate as the proxy representing 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, 2006, 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 her or his discretion to vote on such other matters as may properly be on the agenda of the Annual General Meeting;
2. Toronto Community Housing Corporation's 2006 Annual Report comprising the letter from the Corporation's Chief Executive Officer dated November 7, 2007 and related appendices included as Attachment 1 to this report be received;
3. Toronto Community Housing Corporation's 2006 audited annual consolidated financial statements and the auditor's report thereon be referred to the City Audit Committee for its information; and
4. the appropriate City Officials be authorized and directed to take the necessary action to give effect to the foregoing.

Financial Impact

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

Equity Statement

Toronto Community Housing Corporation's annual report to the shareholder, Attachment 1 to this report, describes the actions it is taking to achieve a wide range of equity objectives affecting its diverse communities across the City.

ISSUE 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:

- any material variances between the TCHC set budget and actuals;
- any variances that may have a financial impact on the shareholder;
- anything that is likely to materially affect tenants' views of TCHC;
- any major findings of audits;

- performance of TCHC such that the Shareholder can determine that the Shareholder Direction has been respected; and
- 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 Executive Committee, and deliver the statements to the City. The TCHC Board approved the annual report and financial statements at its meeting held on June 6, 2007. Toronto Community Housing Corporation's 2006 annual report comprising a letter from the Corporation's Chief Executive Officer dated November 7, 2007 is Attachment 1 to this report. TCHC's 2006 Annual Review is included as Attachment 2 to this report. TCHC's audited annual consolidated financial statements for the period ending December 31, 2006 and the report of the auditor thereon are included as Attachment 3 to this report.

COMMENTS

TCHC focused its activities in 2006 on four strategic areas outlined in its Community Management Plan – communities, organization, city building and governance.

Highlights of TCHC's key 2006 achievements under each of the four strategic focus areas are outlined below. Additional information is contained in the TCHC's "2006 Annual Review – Our First 5 Years" appended as Attachment 2.

Focus on Communities

In 2006, Toronto Community Housing moved toward its goal of engaging communities and tenants, maintaining buildings in a good state of repair, improving service delivery and building the health of communities through a number of initiatives including the following:

- engaged tenants and communities in the \$100 million Building Renewal Plan to bring buildings back up to a good state of repair;
- invested \$1.5 million in accessibility initiatives across the portfolio;
- replaced thousands of old appliances with more efficient ones that reduce energy use;
- installed thousands of low-flush toilets reducing the amount of water used.

Focus on Organization

Toronto Community Housing moved toward its goal of creating a safe, supportive and dynamic workplace through a number of actions in 2006 including the following:

- negotiated collective agreements with all three unions, and the organization's collective agreements with CUPE Local 416 and Local 79;

- established a Supplementary Employees Retirement Program providing pension benefits similar to what employees would have received if they had not been required to shift pension plans during the amalgamation process in 2002;
- partnered with the Carpenter's Union and other community organizations to start a pre-apprenticeship program that gives training and employment to at risk youth;
- hired over 120 youth, in partnership with local agencies and contractors, to assist with work being done to improve Toronto Community Housing neighbourhoods.

Focus on City Building

Toronto Community Housing moved toward its goal of building and revitalizing its communities through the following achievements in 2006:

- held a ground-breaking ceremony in Rivertowne (formerly Don Mount Court);
- demolition of 418 units in Phase One of Regent Park;
- worked with city staff on development opportunities such as the waterfront and the railway lands;
- engaged community partners in discussions related to options on underutilized assets such as Collegeview Apartments and Church/Granby;
- tenants and staff worked together to open and renew community spaces including playgrounds, basketball courts and soccer fields.

Focus on Governance

Toronto Community Housing moved toward its goal of a governance structure that provides focused oversight and engaged decision-making, while maintaining the corporations' "brand", through the following achievements in 2006:

- initiated an evaluation of the governance of Atkinson Co-op, the first Toronto Community Housing social housing building to move to an independent governance model;
- undertook a review of external social housing governance models and review of community issues to assist in the development of a community governance pilot framework for 2007;
- supported the Board's advocacy campaign seeking a higher level of government funding of Toronto Community Housing's inherited \$300 million capital deficit;
- reviewed current contract management agreements to identify issues and options for 2007 contract decisions.

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.

Rental revenue is both a major expenditure item for TCHC tenants and a major portion of TCHC's revenue base. TCHC attempts to ensure that all rent owed to it is collected on

time because revenue lost through arrears restricts its ability to fund its operations and investments. TCHC has an Eviction Prevention Policy that provides direction to its staff in working with tenants to address rental arrears and tries to balance the collection of rent with recognition of a tenant's financial issues. However, there are circumstances where eviction does occur. Where evictions take place due to non-payment of rent, they are often related to progressive rent arrears where rent was not paid on an ongoing basis and attempts at making payment arrangements with the tenant were not successful.

The table below outlines the number of Toronto Community Housing households affected by the eviction process, starting with receipt of legal notice of payment due (N4) through to the number of households actually evicted. In 2006, some 39,000 notices of arrears were issued, which led to 292 evictions related to arrears and 17 evictions related to other grounds (breach of lease conditions) under the *Tenant Protection Act, 1997*. An additional 168 households left after receiving a notice but before eviction occurred. In total, 477 households left TCHC housing after a legal notice was issued. The remainder of the 39,000 households (98.8%) who received a notice were able to work with TCHC staff to come to a satisfactory arrangement that enabled them to remain in their homes.

Process Step	Number
Number of Households receiving N4 (legal) notices annually	39,000
Number of Households that vacated units under notice but before decision by Tribunal	142
Number of households that vacated unit after Tribunal issues eviction order but before order takes effect	26
Number of Households evicted by order of Tribunal by Sheriff (rent arrears evictions: 292; breach of lease evictions: 17)	309
Number of households evicted later re-housed by TCHC	54
Number of households that leave TCHC housing after receiving a legal notice	477
Total arrears owed by Households evicted	\$556,000
Average arrears per household evicted	\$1,905

TCHC's annual report notes that over the course of the year, in each month on average, 1 in 10 households were in rental arrears (over 6800 households). The total arrears amount for evictions related to rent arrears was \$556,000 or an average of \$1,905 per household evicted due to rent arrears. TCHC estimates the cost of evictions at \$172,864 with \$138,700 (\$475/household) related to the direct costs of tribunal and sheriff fees and another \$34,164 (\$117/household) in direct staff costs. For the breach cases (non-arrears), TCHC reports having incurred additional representation costs of approximately \$18,300.

2006 Financial Results

TCHC's 2006 audited annual financial statements indicate that the total value of TCHC's assets has remained virtually unchanged from 2005 and that its total revenues increased \$2.4 million to \$618 million over the previous year, including an \$819 thousand increase in residential and commercial rental income. Net operating income declined in 2006 to \$66.3 million from \$72.6 million which when combined with a reduction in unrealized

losses on investments produced an excess of revenue over expenses of \$77.4 million in 2006 compared to \$75.8 million in 2005.

The auditor's report by Ernst & Young LLP, Chartered Accountants, on TCHC 2006 annual consolidated financial statements concludes that the statements present fairly, in all material respects, TCHC's financial position as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Shareholder Meeting

The Ontario *Business Corporations Act* requires that a corporation hold an annual meeting of its shareholders. The City of Toronto is TCHC's sole shareholder. Toronto Community Housing Corporation is planning to hold its Annual General Meeting at its offices and outside of a City Council meeting prior to the start of its regular board meeting scheduled for December 14. The timing and location of the AGM are intended to facilitate attendance at the meeting by tenants. TCHC will provide notice of the meeting to tenants, who will have an opportunity to direct comments and questions to the TCHC Board and the Shareholder proxy.

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. At the meeting, the shareholder will be asked to consider the minutes of the previous Annual General Meeting, receive the audited annual consolidated financial statements and the auditor's report thereon, appoint the auditor and authorize the TCHC board of directors to determine the auditor's 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.

It is recommended that the Deputy City Manager for Cluster A, 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, 2006, 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 her or his discretion to vote on other matters properly on the agenda of the Annual General Meeting.

Conclusion

Toronto Community Housing Corporation, as an Ontario business corporation, has reporting requirements to the City pursuant to the City's Shareholder Direction to its Board of Directors. Council, as TCHC's sole shareholder, has responsibilities under the

Ontario *Business Corporations Act* and Shareholder Direction, including receiving TCHC's annual report and audited consolidated financial statements, appointing an auditor and appointing a proxy to attend TCHC's Annual General Meeting on its behalf.

CONTACT

Joe Borowiec, Corporate Management and Policy Consultant,
Tel: 416-397-9110; Fax: 416-696-3645; Email: jborowie@toronto.ca

SIGNATURE

Shirley Hoy,
City Manager

ATTACHMENTS

Attachment 1: Letter dated November 7, 2007 from TCHC Chief Executive Officer
comprising TCHC 2006 Annual Report to Shareholder

Attachment 2: TCHC 2006 Annual Review

Attachment 3: 2006 Audited Consolidated Annual Financial Statements and Auditor's
Report