



STAFF REPORT ACTION REQUIRED

Dissolution of TCHC Subsidiary Housing Services Inc.

Date:	November 6, 2012
To:	City Council
From:	City Manager
Wards:	City-wide
Reference Number:	

SUMMARY

This report recommends approval of a request by Toronto Community Housing Corporation (“TCHC”) for shareholder approval to wind up or dissolve its subsidiary known as Housing Services Inc. (“HSI”) as required by Section 6.2 (c) of the City’s shareholder direction to TCHC. This request was approved by the TCHC Board of Directors at its meeting held on October 22, 2012.

This matter is urgent as TCHC plans to complete the dissolution of HSI by December 31, 2012 which coincides with its fiscal year end.

RECOMMENDATIONS

The City Manager recommends that City Council:

1. approve the dissolution of Housing Services Incorporated by Toronto Community Housing Corporation pursuant to Section 237 of the *Business Corporations Act* (Ontario).

Financial Impact

There are no financial impacts from adopting the recommendation in this report.

DECISION HISTORY

At its meeting held on October 22, 2012, the TCHC Board of Directors approved recommendations authorizing the dissolution of HSI by special resolution pursuant to S. 237 of the *Business Corporations Act* (Ontario) and directed its President and CEO to seek approval to do so from its shareholder, the City of Toronto, as required by Section 6.2 (c) of the City’s shareholder direction to TCHC.

COMMENTS

The TCHC staff report considered by its Board of Directors at its meeting held on October 22, 2012 includes a history of HSI. HSI was created as a wholly owned subsidiary of TCHC in 2004 to provide construction and property maintenance services to TCHC and the external market participants such as other social housing providers, condominiums and private landlords in order to gain additional net revenues to support TCHC's operations. By operating as a subsidiary, HSI was intended to be an independently managed and governed profit centre providing cost-comparable services to internal TCHC units.

The TCHC report notes that in its 2005 Business Plan, HSI planned to achieve \$42 million in external revenues by 2008. However, by 2011, HSI had achieved total revenues of \$11.4 million and net income of \$272 thousand. The report also notes that HSI has consistently fallen short of its forecasted net revenues and has not been able to provide sufficient returns to TCHC since its creation in 2006. TCHC has concluded that as a subsidiary of a publicly funded company operating under public sector principles and within a unionized environment, it is unlikely that HSI's external business can achieve its targets and that continuing the operations of HSI may expose TCHC to risks of financial losses and litigation stemming from operating an external business. Finally, TCHC notes that discontinuing HSI's external work will improve TCHC's ability to operate as a single integrated enterprise and provide better services to TCHC's residents and better value to TCHC's shareholder, as well as avoiding costs associated with maintaining a shell company, such as overhead, governance and accounting costs.

The impact of the dissolution of HSI on TCHC would be that all of HSI's assets would be transferred to TCHC and that TCHC would assume all of HSI's liabilities. TCHC is the employer of HSI staff and collective agreements to which HSI unionized staff are subject to are agreements with TCHC, not HSI. It is expected that once all of HSI's assets have been distributed and its liabilities have been discharged, its corporate existence can be terminated and that articles of dissolution can be filed in the first quarter of 2013.

CONTACT

Martin Herzog, Manager, Governance Structure & Corporate Performance
Tel: 416-392-5491; Fax: 416-696-3645; Email: mherzog@toronto.ca

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

Michael Smith, Solicitor, Legal Services Division
Tel: 416-392-7245; Fax: 416-392-1017; e-mail: msmith10@toronto.ca

SIGNATURE

Joseph P. Pennachetti
City Manager

ATTACHMENT

Attachment 1: Letter from TCHC President and Chief Executive Officer dated October 25, 2012 transmitting TCHC Board Resolution and staff report dated October 22, 2012