
Toronto Community Housing's Subsidiary Investments

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| Date: | January 10, 2012 |
| To: | Executive Committee |
| From: | City Manager |

SUMMARY

This report summarizes information received from Toronto Community Housing Corporation (TCHC) by the City in response to a Council request about certain TCHC subsidiaries.

Financial Impact

There is no direct financial impact to the City or the TCHC as a result of this report.

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

DECISION HISTORY

At its meeting on June 14, 2011 City Council adopted with amendments a number of recommendations contained in staff report EX6.3 titled "Toronto Community Housing Corporation – Annual Shareholder Meeting, Audited Financial Statement and Related Matters". The Council decisions can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX6.3>

ISSUE BACKGROUND

The June 14, 2011 Council decision requested, among other things, the City Manager to report to the Executive Committee on:

- Toronto Community Housing Enterprises' interest in Regent Park Energy Inc. (RPEI), including the current and projected financial profit or loss of RPEI and recommend whether TCHC should continue to maintain its ownership in RPEI, and
- the loans and financial arrangements with Regent Park Development Corporation and Don Mount Park Development Corporation, including the source of TCHC funding, the annual interest and/or lost earnings of the funds advanced to these corporations.

At present TCHC has 12 subsidiary corporations. Appendix A to this report is a schematic diagram of TCHC's subsidiary and nominee corporations showing the ownership interests as of November 2011.

COMMENTS

Regent Park Energy Inc. (RPEI):

RPEI is a joint venture entity incorporated on October 16, 2008 to manage the development, construction and operation of the Regent Park district energy system. At incorporation, TCHC had 60% equity ownership through the holding company Toronto Community Housing Enterprises Inc. (TCHE), a wholly-owned subsidiary of TCHC, while the remaining 40% ownership interest was held by a utility corporation (Corix Utilities). Recently, TCHC concluded a deal to purchase all of Corix's shares.

Financial results for RPEI are summarized below:

\$Thousand

| Net loss for the year | 2008 | 2009 | 2010 | Period ending Oct 31, 2011 | 2011 projected |
|-----------------------|------|-------|---------|-------------------------------|-------------------|
| TCHC's 60% share | (34) | (789) | (1,067) | (763) | (927) |

Regent Park Phase 1 occupancy phased in from May 2009 to summer 2011

The heating and cooling plant was built to provide energy for the entire Regent Park site. Financial losses reflect up-front investments and related depreciation which is the allocation of the cost of assets to periods in which the assets are used by the company. The company is expected to begin to generate a profit when the development nears completion. Regent Park Phase 1, consisting of rental buildings, new town homes and new condo buildings, has been completed and fully occupied. Phase 2 development and construction are currently way. The condos are projected to close in mid 2012. All buildings in Regent Park must be connected to this community energy system unless TCHC chooses not to connect. Earnings before income taxes (EBT) are projected to turn positive in 2022 and it is projected that TCHC does not require making any further cash contributions after 2017.

It would be normal business practice for TCHC to continue to hold this investment at least until development and revenue growth under the control of the shareholders has been demonstrated.

Loans and Financial Arrangements with Regent Park Development Corporation (RPDC) and Don Mount Park Development Corporation (DMPDC):

Financing of the loans to TCHC's development interests has been funded by TCHC's line of credit with a financial institution. TCHC staff indicated that TCHC's borrowing rates are on average at least 1% lower than its lending rates to the developers.

The following table summarizes the loans by TCHC, with explanatory notes below the table:

| Loans by TCHC | Purpose | \$Million | |
|---|-------------------------------------|-------------------|-------------------------------|
| | | Total loan amount | Outstanding balance |
| Dundas & Parliament Development Corp. (DPDC) | for 3 condos in Phase 1 (completed) | 104.14 | 2.97 |
| Parliament & Gerrard Development Corp. (PGDC) | for condo in Phase 2 | 61.00 | 31.35 |
| Intracorp Development Inc. (Note 2) | for Don Mount Court development | 11.618 | fully repaid in November 2010 |

Dundas and Parliament Development Corporation (DPDC), and Parliament and Gerrard Development Corporation (PGDC) are two business enterprises that TCHC holds jointly with a developer (Daniels Eastside Corp.) for the development and sale of market condos in Regent Park Phases 1 and 2. TCHC holds 50% interest in each of the two corporations through a wholly-owned holding company Regent Park Development Corporation (RPDC), while Daniels holds the remaining 50% interest.

In 2008 TCHC entered into a loan agreement (through a wholly-owned holding company Don Mount Court Development Corporation (DMCDC)) with a developer (Intracorp Development Inc.) to advance funds for the interim financing of the construction of certain properties at Don Mount Court. Amounts advanced to Intracorp were due at the earliest of substantial completion or two years after the first advance. Advances earned interest at the bank's prime rate plus 0.50%.

CONTACT

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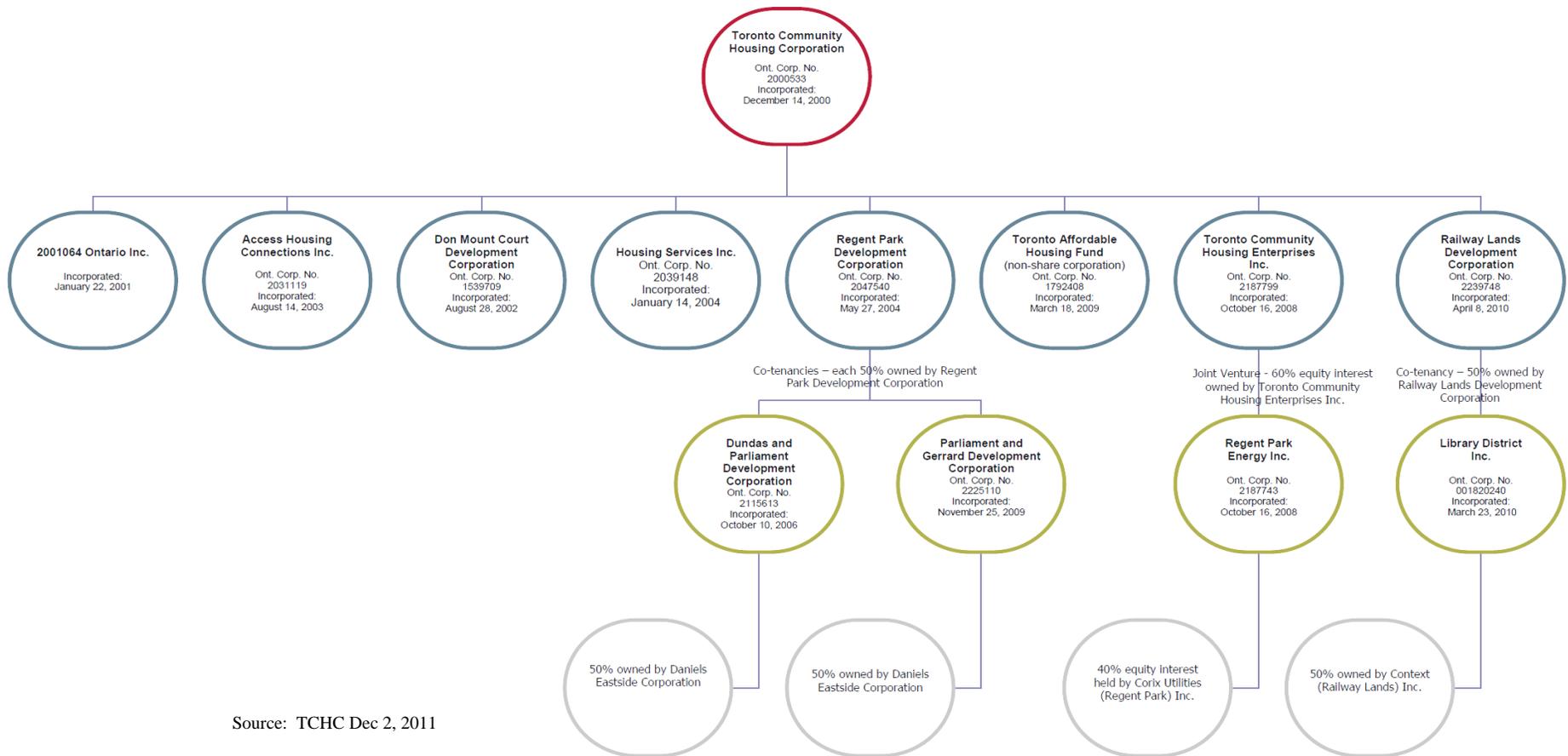
Joseph P. Pennachetti
 City Manager

ATTACHMENT

Appendix A: Toronto Community Housing's Subsidiary and Nominee Corporations

Toronto Community Housing's Subsidiary and Nominee Corporations

Currency Date: November 2011



Source: TCHC Dec 2, 2011