SHAREHOLDER DIRECTION

CITY OF TORONTO

TO

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT June 13, 2013
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1. INTERPRETATION

1.1 Definitions

In this Shareholder Direction the following terms will have the meanings set out below:

“Auditor” means the auditor of TCH;

"Auditor General" means the Auditor General of the City or any Person appointed to act in the place of that individual or their delegate;

“Board” means the Board of Directors of TCH;

“Business” means the business of TCH;

“Business Plan” means an operating and capital Business Plan as defined in Section 10.1.1;

"CEO" means the most senior employee and officer of TCH;

"Chair" means the director of TCH appointed as Chair of the Board from time to time;

“Citizen” means with respect to a Board member or a candidate for such membership an individual who is not a member of Council or a Tenant of TCH and is not related to whether an individual is a Canadian citizen;

“City” means the City of Toronto;

"City CFO" means the Deputy City Manager and Chief Financial Officer of the City of Toronto or any Person appointed to act in the place of that individual or their delegate;

"City Manager" means City Manager of the City of Toronto or any Person appointed to act in the place of that individual or their delegate;

"Council" means the Council of the City of Toronto;

"Directed by Council" means a direction from City Council, acting on behalf of the City of Toronto in its capacity as Shareholder, to the Corporation, which direction shall be in the form of a recommendation or resolution adopted by City Council which applies to the Corporation or any of its Subsidiaries;

“Financial Management Expertise” means possession of an accounting designation or an equivalent combination of skills and experience providing the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that can reasonably be expected to be raised by TCH’s Financial Statements;

“Financial Statements” means, for any particular period, audited or unaudited (as stipulated in this Shareholder Direction), consolidated or unconsolidated (as stipulated in this Shareholder Direction), comparative Financial Statements of TCH consisting of not less than a balance sheet, a statement of income and retained earnings, a statement of changes in financial position, a report or opinion of the Auditor (in the case of audited Financial Statements) and such other statements, reports, notes and information prepared in accordance with generally accepted accounting principles (consistently applied) and as are required in accordance with any applicable law;
"Joint Venture" means an investment in: (a) a general or limited partnership; (b) a joint venture; or (c) any other form of business enterprise with third parties, which investment is held for active operating business purposes and not as a passive or portfolio investment;

"Local Housing Corporation" means a local housing corporation as defined under the Housing Services Act, 2011, S.O. 2011, c. 6, Sched. 1, as it may be amended, replaced or re-enacted from time to time;

"OBCA" means the Business Corporations Act R.S.O. 1990, c. B. 16 (Ontario), and the regulations thereunder, as the same may be amended, replaced or re-enacted from time to time;

"Person" means an individual, a natural person or a body corporate;

"Program Administrator" means the City of Toronto (as represented by its Shelter, Support and Housing Administration Division) when acting in its role as Service Manager or as the administrator of funding for any other housing program not subject to the HSA and any other regulatory authority or order of government having authority to establish housing program legislation and regulations;

"Service Manager" means the City of Toronto (Shelter, Support and Housing Administration Division) when carrying out its roles and responsibilities as a Service Manager under the HSA;

"Shareholder" means the City of Toronto acting as the owner of TCH;

"Shareholder Direction" means this Shareholder Direction as it may be amended, revised or superceded from time to time;

"HSA" means the Housing Services Act, 2011 and regulations thereunder or successor legislation, as amended from time to time;

"Subsidiary" or "subsidiaries" shall have the meaning ascribed thereto by the OBCA. For ease of reference, these terms refer to any body corporate of which TCH owns directly or indirectly more than 50% of the outstanding securities of any class carrying exercisable voting rights;

"Tenants" means the tenants of TCH, as defined in the Residential Tenancies Act, 2006 as amended from time to time.

"TCH" means Toronto Community Housing Corporation;

1.2 City Officials

Wherever there is a reference to a City official, that reference includes any Person acting in that capacity, or any successor officer appointed or designated as being responsible for the service area included in that office.

2. INTRODUCTION

2.1 City as TCH Shareholder

The City of Toronto is the sole shareholder of TCH pursuant to Part IV of the HSA.
2.2 Purposes of this Shareholder Direction

The purposes of this Shareholder Direction are as follows:

(a) subject to the Board’s authority to manage or supervise the management of the business and affairs of TCH, to provide the Board with the Shareholder’s fundamental principles regarding the Business;

(b) to recognize the Board’s authority to manage or supervise the management of the Business and affairs of TCH in accordance with this Shareholder Direction;

(c) to inform the Tenants of TCH and other residents of the City of the Shareholder’s fundamental principles regarding TCH;

(d) to set out the accountability, responsibility and relationship between the Board and the Shareholder.

(e) to set out the City’s expectations of and objectives for TCH;

(f) to set out TCH’s mandate, scope of responsibilities and reporting requirements;

(g) to establish the Shareholder’s principles, objectives and requirements of governance for TCH and for TCH’s governance over any Subsidiaries and Joint Ventures;

(h) to set out certain rules of the Service Manager governing the operation of TCH authorized by subsection 27 (1)(b) of the HSA;

(i) to constitute in part a declaration by the City pursuant to subsection 108(3) of the OBCA with respect to certain powers of the Board; and

(j) to provide information on the structure of the Board.

3. SHAREHOLDER PRINCIPLES

3.1 Operating Principles

3.1.1 Subject to Law, TCH shall conduct its affairs and govern its operations in accordance with such rules, policies, directives or objectives as Directed by Council from time to time.

3.1.2 TCH is integral to the well being and the infrastructure of the City. TCH shall conduct its affairs in a manner consistent with the operating principles outlined below:

Governance:

(a) through the Board, TCH will be responsible for determining and implementing the appropriate balance among the following operating principles, causing TCH to conduct its affairs in accordance with the same, and be accountable to the Shareholder for how this balance is achieved;

(b) TCH will establish policies for the management of risk to mitigate financial risks to TCH and to the City as Shareholder and as Program Administrator while maintaining or enhancing service standards and levels of service;
(c) TCH will recognize that there are unique economic, social and community challenges resulting from the fact that social housing primarily serves Tenants of low and moderate incomes;

(d) TCH shall ensure that the Business is managed in material compliance with all applicable law;

Program Management:

(e) Subject to the terms of this Shareholder Direction, TCH will be responsible for the management of its housing portfolio and making all policy and operational decisions;

(f) TCH will maintain its assets in good repair in accordance with law;

(g) TCH will manage its housing portfolio consistent with Council-approved policy objectives and priorities, including the City's long term housing and homelessness plan and all applicable law, including the HSA, and regulations thereunder, and successor legislation, as amended from time to time;

(h) TCH will employ its own staff;

(i) TCH will seek out methods to operate as efficiently as possible including consideration of reviews of programs, services and processes and opportunities to share services with other providers;

(j) TCH will ensure that its policies and business practices are consistent with City standards of public accountability, financial management and transparency for the effective and efficient use of public funds;

Accountability:

(k) TCH will be accountable for achieving stated results, meeting the intent of this Shareholder Direction to the City as Shareholder, and meeting the reporting requirements included in this Shareholder Direction and as required by the City from time to time;

(l) TCH will have due regard for the role of Members of Council in representing the interest of their constituents and providing timely access to information concerning the activities of TCH respectively in the City and in their wards;

Tenant Relations:

(m) TCH will consult with Tenants through an efficient and effective Tenant participation system on issues and policies that will have an impact on service standards or the level of services, and communicate such policies and changes to policies to all Tenants;

(n) TCH will provide Tenants with housing intended to respond to their housing needs and wherever possible within communities where there is a diversity of incomes and a mix of rent geared-to-income and market rent paying Tenants;
(o) TCH will operate with an emphasis on supporting opportunity and independence for Tenants, providing responsive customer service, promoting Tenant satisfaction and supporting access to information and services by its diverse communities; and

(p) TCH will link Tenants with organizations that provide programs and policies aimed at assisting Tenants.

4. MANDATE OF TORONTO COMMUNITY HOUSING

4.1 Mandate of TCH

As a Local Housing Corporation, the core mandate of TCH is to provide affordable and subsidized rental housing in a state of good repair to low and moderate income households in Toronto.

In support of this mandate, and subject to the ongoing ability of TCH to abide by this Shareholder Direction, the funding arrangements established by any Program Administrator and the ability of the Board to demonstrate the same, TCH, directly or through Subsidiaries, Joint Ventures, partnerships or arrangements for the purchase of services, may engage in any of the following Business activities, consistent with TCH’s Articles of Incorporation and the HSA, other applicable law and best practices:

(a) own, operate or have an ownership interest in rental housing and affordable ownership housing and provide related services;

(b) develop new affordable and subsidized rental housing, including the revitalization and redevelopment of TCH lands and buildings in partnership with the City, other orders of government and other parties where considered appropriate by Council;

(c) facilitate the development of affordable ownership housing through the revitalization and redevelopment of its lands and buildings in partnership with the City, other orders of government and other parties where considered appropriate by Council;

(d) develop and operate commercial space and other commercial services in support of meeting Business objectives;

(e) facilitate services to Tenants through other organizations beyond the basic residential landlord obligations;

(f) manage an investment program for reserves and other funds, and borrow funds to meet long and short term requirements, subject to the provisions of Sections 6.3 and 6.4; and

(g) deliver program-related services on behalf of any Program Administrator including, but not restricted to, management of waiting lists and rent supplement programs.

4.2 Subsidiaries

4.2.1 TCH, may from time to time, create one or more Subsidiaries to meet its Mandate. TCH will consult with the City Manager regarding the business purpose and financing of any proposed subsidiary prior to the creation of any subsidiary.
4.2.2 Subject to any matters requiring approval of the Shareholder pursuant to this Shareholder Direction, the Business and affairs of the Subsidiaries will be managed or supervised by their respective boards of directors.

4.2.3 TCH will appoint the Directors of the Subsidiaries from among the directors and officers of TCH or establish and follow a process for the nomination and appointment of the Directors that is approved by the Shareholder.

4.2.4 Members of the Board or officers of TCH shall comprise a majority of the Board of Directors of any Subsidiary.

4.2.5 The Chair and Vice-Chair of the Board of Directors of any Subsidiary shall be a member of the Board of TCH.

4.2.6 When a Subsidiary is created, TCH will so inform the Shareholder at the earliest possible opportunity, and include information related to the purpose, governance structure, board composition, operations, financing and such other information as may be requested by the City Manager.

4.2.7 Upon the creation of a Subsidiary, TCH shall establish a Shareholder Direction for that Subsidiary that applies the same business principles and standards of accountability and reporting, with appropriate modification as determined by TCH, to the Subsidiary as are applied to TCH by the City through this Shareholder Direction.

4.2.8 TCH will not permit a Subsidiary to incur or create any indebtedness or interest or issue any security which impairs the ability of TCH to comply with the provisions of Section 6.4.

4.2.9 TCH shall ensure that the directors and officers of the Subsidiaries will strictly abide by the requirements of the OBCA and the HSA. TCH shall adopt and apply a policy, consistent with that of the City, regarding conflicts of interest, including requirements concerning disclosure and abstention from voting.

4.2.10 The Directors and officers of the Subsidiaries will ensure that no confidential information of the Subsidiaries is disclosed or otherwise made available to any Person, except to the extent that:

(a) disclosure to the Shareholder’s or the Subsidiary’s employees or agents is necessary for the performance of any of their duties and obligations under this Shareholder Direction; and

(b) disclosure is required in the course of judicial proceedings or pursuant to law; or the confidential information becomes part of the public domain (other than through unauthorized disclosure by any party).

4.2.11 If a member of the Board of Directors of any Subsidiary ceases to be a director for any reason, TCH will cause the vacancy to be filled by another director of TCH as soon as reasonably possible.

4.3 Joint Ventures

4.3.1 TCH, may from time to time, invest in one or more Joint Ventures to meet its goals. TCH will consult with the City Manager regarding the business purpose, financing, governance structure and reporting requirements of any proposed Joint Venture prior to its creation.
4.3.2 Each Joint Venture will provide TCH with such reporting as TCH considers appropriate but at a minimum includes the Joint Venture’s annual Financial Statements, the achievement of financial and service targets or other performance indicators and such explanations, notes and information as is required to explain and account for any variances between actual results from operations and the targets set out in its annual business plan or budget.

4.3.3 When a Joint Venture is created, TCH will so inform the City Manager at the earliest possible opportunity, and include information related to the purpose, governance structure, board composition, operations, financing and such other information as may be requested by the City Manager.

4.3.4 TCH will not invest in a Joint Venture that will undertake actions that TCH would otherwise be prohibited from doing by the terms of this Shareholder Direction.

4.3.5 TCH shall ensure that no Joint Venture shall incur or create any indebtedness or interest or issue any security which impairs the ability of TCH to comply with the provisions of Section 6.4.

4.3.6 If a member nominated by or representing the interests of TCH on any board of Directors or other governing body of any Joint Venture ceases to be a member for any reason, TCH will cause the vacancy to be filled by another director or officer of TCH as soon as reasonably possible.

5. BOARD OF DIRECTORS

5.1 Board Responsibilities

Subject to any matters requiring approval of the Shareholder pursuant to this Shareholder Direction, the Board will supervise the management of the Business and affairs of TCH, including the following specific matters:

(a) establishing annual and long range strategies and plans consistent with the provisions of this Shareholder Direction;

(b) establishing policies and other directives consistent with this Shareholder Direction, the HSA and all applicable law, and best practices of corporate governance and financial and risk management;

(c) establishing and maintaining appropriate reserves consistent with sound financial principles and the program regulations established by any Program Administrator from time to time;

(d) selecting bankers and other financial institutions and establishing all banking authorities;

(e) managing and directing all labour and employee relations matters;

(f) establishing a committee of the Board that is responsible for, among other matters, TCH’s Financial Statements and auditing compliance by TCH with this Shareholder Direction and the compliance of TCH staff with Board policies;
the membership of the Board’s Corporate Affairs and Audit Committee or its successor shall have Financial Management Expertise;

establishing such other committees of the Board as the Board determines are appropriate, and delegating to the committees such authority as the Board determines is appropriate, provided that the delegation of that authority is permitted under the OBCA;

the committee of the Board responsible for policies regarding and the calculation of the compensation of senior TCH executives shall ensure that such remuneration generally aligns with City executive compensation plans and shall include a member of the Board who is a Member of Council;

appointing the CEO, approving the terms of his or her employment, establishing performance objectives for the CEO, monitoring the CEO’s success in meeting those objectives, and holding the CEO accountable for meeting those objectives;

appointing the officers of TCH, other than the Chair who is appointed by the Shareholder;

taking all necessary steps as permitted by law to ensure that senior executive compensation, is disclosed as part of annual reporting to the Shareholder;

approving and submitting to the Shareholder the Annual Report referred to in Section 9.2, the Business Plan referred to in Section 9.1, annual report on Director remuneration and expenses referred to in Section 5.10 and TCH’s annual audited consolidated and unconsolidated Financial Statements and the report of the Auditor thereon referred to in Section 9.6;

ensuring that the Board has appropriate processes in place to ensure that information is reported to the Board in a timely manner to enable the Board to monitor implementation of its decisions and the performance of TCH staff; and

ensuring that TCH has a whistle blower protection policy.

The Board will use its best efforts to ensure that TCH meets the financial performance standards set out in each Business Plan.

5.2 Meetings

Meetings of the Board and its committees shall be open to the public, except where matters may be considered in camera for the reasons set out in Section 190 of the City of Toronto Act, 2006. Advance public notice of the agenda is required.

5.3 Conflict of Interest Policy

The directors and officers of TCH will strictly abide by the requirements of the OBCA and the HSA. TCH shall adopt and apply a policy, consistent with that of the City, regarding conflicts of interest, including requirements concerning disclosure and abstention from voting.
5.4 Confidentiality

The Shareholder and the Directors and officers of TCH will ensure that no confidential information of the Shareholder or TCH is disclosed or otherwise made available to any Person, except to the extent that:

(a) disclosure to the Shareholder's or TCH's employees or agents is necessary for the performance of any of their duties and obligations under this Shareholder Direction; and

(b) disclosure is required in the course of judicial proceedings or pursuant to law;

(c) or the confidential information becomes part of the public domain (other than through unauthorized disclosure by any party).

5.5 Remuneration

The remuneration of the members of the Board for their services as directors will be as authorized by Council from time to time. TCH will reimburse Directors for all reasonable expenses. The Board shall report to the Shareholder the total remuneration and expenses paid to each Director using the protocols established by the City CFO from time to time.

5.6 Removal of Directors

A Director may be removed from the Board by the Shareholder in accordance with the OBCA for any reason as may be determined by the Shareholder. TCH shall advise the Shareholder immediately when there is cause for removal of a Director. The reasons for such removal may include, but are not restricted to:

(a) breach of the Director's obligations under the OBCA;

(b) conflict of interest that cannot be resolved in any other manner satisfactory to the Board;

(c) engaging in activities that are deemed by the Board to have an adverse impact on their duties as a Board members;

(d) ceasing to meet the eligibility requirements in the Public Appointments Policy for a Board member above; and

(e) failure to attend three or more consecutive meetings of the Board or its committees without approval of the Board.

6. BOARD STRUCTURE

Without restricting the rights of the Shareholder, this article provides information regarding City Council's “Public Appointments Policy” and “Policy on Board Governance Structures” as amended from time to time.
6.1 Composition of the Board

The Board will be composed of 13 Directors, comprised of 7 Citizens, 2 Tenants and 4 members of Council, one of whom shall be the Mayor, or the Mayor's designate as appointed by Council.

6.2 Qualifications of Directors

6.2.1 In naming directors to the Board, the Shareholder will give due regard to the provisions of Council's "Public Appointments Policy" and "Policy on Board Governance Structures", the retention of incumbent Board members to provide institutional memory, and the qualifications of individual candidates to ensure that the Board collectively represents a range of relevant skills, knowledge and experience, including the following:

(a) knowledge of the field of social housing;
(b) housing advocacy or community development;
(c) land development;
(d) property management;
(e) business management;
(f) corporate governance;
(g) organizational development;
(h) labour relations;
(i) business law; and
(j) social services for hard-to-serve Tenants.

6.2.2 At least one member of the Board shall possess Financial Management Expertise.

6.3 Council Member Nomination Process

Council members will be nominated for appointment to the Board on the recommendation of the Striking Committee or through any other process approved by Council from time to time.

6.4 Tenant Nomination Process

Having due regard to the qualifications of directions set out in Sub-section 6.2.1, Tenants will be nominated for appointment to the Board by the City Corporation Nominating Panel, or a committee of Council, as determined by Council from time to time, having regard to the recommendations of the Tenants, formulated through a process approved by Council from time to time. In the normal course of events the recommendations of Tenants to the Corporation Nominating Panel will be forwarded to Council.

6.5 Citizen Nomination Process

Citizens who are not Tenants will be nominated for appointment to the Board by the City Corporation Nominating Panel.
Nominating Panel pursuant to Council's Public Appointments Policy.

6.6 Chair and Vice-Chair

The Shareholder will select the Chair of the Board. In the event the Chair resigns or otherwise vacates the position of Chair prior to the end of the term, the Shareholder may choose to select a new Chair to sit until the end of the term, or ask the Board to elect a Chair from among its members. The Board shall elect a Vice-Chair from amongst its members who shall act as Chair in the absence of the Chair.

6.7 Vacancies

If a member of the Board ceases to be a director for any reason, TCH shall inform the Shareholder and the Shareholder will fill the vacancy created thereby as soon as reasonably possible.

6.8 Term

6.8.1 Councillor, Citizen and Tenant Directors serve at the pleasure of the Shareholder for a term as specified by the Shareholder or until their successor is appointed. Directors may be reappointed to the Board.

6.8.2 The term for Members of Council appointed to the Board shall be twenty-four months. Incumbent Councillor Directors may be reappointed as the Shareholder may determine.

6.8.3 The term for Citizen and Tenant Directors shall be two years, with a renewal term of two years for a total of four years without a formal recruitment process. Where any Citizen or Tenant Director has served for two consecutive two year terms the Shareholder shall proceed with a formal recruitment process prior to reappointment. Citizen and Tenant Directors may serve a maximum of four two year terms.

6.8.4 Councillor Directors cease to be Directors as soon as they cease to be Members of Council.

6.8.5 Tenants appointed to the Board shall cease to be Directors as soon as they cease to be TCH Tenants.

7. SHAREHOLDER MATTERS

7.1 Decisions of the Shareholder

Where TCH wishes to obtain an approval or decision from the City, TCH shall submit a written request to the appropriate City liaison for the approval or decision which includes all information necessary for the City to make an informed decision. TCH shall submit its request and supporting information in a timely manner that enables the City liaison to comply with deadlines for submission to Committees and Council. The City Manager, the City CFO or the Service Manager, as appropriate, shall determine how a particular matter for which approval or decision has been requested will proceed.

7.2 Liaison

7.2.1 For matters requiring Shareholder approval or other action regarding governance matters set out in this Shareholder Direction and intergovernmental matters, the designated liaison is the City Manager.
7.2.2 *TCH* shall ensure that proposals to change Provincial or Federal legislation, policies or programs are co-ordinated with the *City Manager’s Office* and *TCH* shall follow such protocols as are established by that office from time to time.

7.2.3 For financial matters set out in Sections 9.5, 9.6 and 5.11, the designated *City* liaison is the *City CFO*.

7.2.4 For matters concerning *TCH*’s administration of programs within the scope of the *HSA* or pursuant to agreements between *TCH* and the *Service Manager*, the designated *City* liaison is the General Manager, Shelter, Support and Housing Administration Division.

### 7.3 Matters Requiring Shareholder Approval under the OBCA

In accordance with the provisions of the *OBCA*, *TCH* will not, and will not permit any *Subsidiary* to, without the approval of the *Shareholder*:

(a) apply to make changes to its Articles of Incorporation;

(b) amalgamate (except for an amalgamation with one or more *Subsidiaries*), apply to continue as a body corporate under the laws of another jurisdiction, merge, consolidate or effect a reorganization as defined in the *OBCA*, or approve or effect any plan of arrangement, in each case whether statutory or otherwise;

(c) take or institute proceedings for any winding up, arrangement, corporate governance or legal reorganization or dissolution;

(d) create new classes of shares or reorganize, consolidate, subdivide or otherwise change its outstanding securities;

(e) dispose of, by conveyance, transfer, lease, sale and leaseback, or other transaction, all or substantially all of its assets or undertaking, with the exception of entering into residential and commercial leases for the units and commercials spaces of *TCH*;

(f) change the *Auditor*;

(g) make any change to the number of directors comprising the *Board*, or appoint Directors; and

(h) enter into any transaction or take any action that requires *shareholder* approval pursuant to the *OBCA*.

### 7.4 Other Matters Requiring Shareholder Approval

7.4.1 Without the approval of the *Shareholder*, *TCH* will not:

(a) create any additional indebtedness that would require additional payment in the form of subsidies from any *Program Administrator*, not including the impact of increased subsidy payments that may be required pursuant to other program cost increases as identified in any agreement with any *Program Administrator* and not including the renewal of existing mortgages and loans;
(b) sell real property assets used for the purposes of providing rent-geared-to-income and market housing, or which are zoned or deemed suitable for housing purposes; but not including assets which are not zoned or deemed suitable for housing or that are used for commercial purposes;

(c) subject to Section 9, proceed with revitalization projects, or material changes in the number or distribution of rent-geared-to-income units, including changes to targeting plans, without prior approval of the City as Shareholder and Service Manager;

(d) pass or amend any by-laws with respect to the composition or number of Directors or the term of Directors or that are inconsistent with this Shareholder Direction; or

(e) unless the Shareholder approves otherwise, THC shall not, and shall ensure that the Subsidiaries do not, provide any financial assistance, whether by loan, guarantee or otherwise, to any director, officer or employee of the Corporation or of any Subsidiary or Joint Venture.

7.4.2 Subject to Sections 6.3 and 6.4, the Board may by resolution make, amend, or repeal any of its by-laws and the changes take effect at such time as the Board approve. Such changes shall be submitted to the City, as shareholder, immediately upon approval by the Board for Council approval. If Council makes any amendments to any by-law passed by the Board, the amendments take effect when approved by Council and are not retroactive, in accordance with Section 116 of the OBCA, as amended from time to time.

7.5 Regulatory Matters

7.5.1 Social housing

TCH shall, at all times, act in compliance with all applicable law in its administration of social and affordable housing programs. Where conflicts arise between statutory obligations and this Shareholder Direction, TCH shall notify the Shareholder and seek the cooperation of the Service Manager in ensuring that issues that require Provincial intervention are resolved quickly.

7.5.2 Other legislation

TCH is subject to a variety of legislation that governs its operations and sets out the responsibilities of the Board such as the HSA, Residential Tenancies Act, the Human Rights Code and municipal property standards by-laws. In all cases such legislation will prevail over this Shareholder Direction and any other direction of the Shareholder where there is a conflict between these directions and such legislation.

8. FUNDING RELATIONSHIP WITH CITY AND OPERATING AGREEMENT

8.1 General

The City has a dual role in social housing – that of the Shareholder of TCH, which in turn owns a large portfolio of housing, as well as that being the designated Service Manager of social housing programs under the HSA. TCH and other social housing providers in the City participate in these programs. Through the HSA, the Province has considerable powers over the City as a Service Manager, and over TCH as a housing corporation. The powers of TCH and of the City as Shareholder may, in certain circumstances, be subject to Provincial authority.

Shareholder Direction to Toronto Community Housing Corporation
8.2 Scope of Operating Agreement

8.2.1 The role of the City as Service Manager and that of TCH as a Local Housing Corporation is governed by the HSA and the relationship of the two parties shall be defined in an Operating Agreement between the City and TCH. The parameters of such agreement are identified in Sections 7.3 and 7.4 below, and relate to service level standards, implementation of the flow of subsidies, detailed program-level reporting and other such issues.

8.2.2 The funding relationships between the City and TCH do not constitute a guarantee by the City of any debt issued or payable by TCH.

8.3 Operating Agreement Principles

TCH will maintain an Operating Agreement with the City, with accountability through the City General Manager, Shelter, Support and Housing Administration. The Operating Agreement shall be based on the following principles:

(a) both parties will seek to ensure stable and predictable funding for TCH;

(b) TCH will seek out methods to operate as efficiently as possible including consideration of reviews of programs, services and processes and opportunities to share services with other providers and the City;

(c) both parties will seek to simplify and harmonize the social housing program structures and funding models;

(d) both parties will seek to ensure that reporting relationships and lines of accountability between them are clear and transparent;

(e) TCH will provide financial and other information and forecasts as requested by the City to help establish or validate an appropriate level of financial support from the City that is consistent with the requirements of the HSA; and

(f) TCH will comply with City budget requirements, information requests and communication protocols as determined from time to time to ensure that the City receives timely information required to prepare its budgets and fulfill its reporting obligations to the Province and other agencies.

8.4 Operating Agreement Contents

8.4.1 The Operating Agreement to be entered into by the City and TCH will be for the purpose of defining how TCH will meet the requirements legislated under the HSA, and how social housing programs under which TCH operates will be administered.

8.4.2 The Operating Agreement will include, but not necessarily be limited to:

(a) defining number of rent-geared-to-income units to be adhered to by TCH;

(b) format and timing for provision of budget and other financial information as deemed appropriate by the City CFO to the Shelter, Support and Housing Administration Division in order to prepare their budget;
(c) format and timing for program reporting required by the Shelter, Support and Housing Administration Division to fulfill Service Manager obligations under the HSA;

(d) method and timing for the payment of subsidies to TCH;

(e) method for calculation of the amount payable to TCH; and

(f) identification of the Service Manager's delegated responsibilities to TCH under the HSA.

8.5 Other City Program Funding

8.5.1 The City may, from time to time, request of TCH that it perform certain functions and assume certain responsibilities that may include but are not limited to:

(a) operation of a waiting list system for applicants to social housing in the City;

(b) operation of a rent supplement program; and

(c) management and facilitation of support programs for Tenants in TCH buildings.

8.5.2 In these and all other areas in which the City requests that TCH perform functions that are not mandated functions of a Local Housing Corporation, the City and TCH will enter into agreements that include:

(a) the source and level of funding to be provided for performance of functions subject to specific conditions and requirements;

(b) the conditions and performance expectations of the City, including requirements for cooperation, and transparent and timely access to all related information; and

(c) the accountability requirements of TCH in undertaking these functions.

9. TENANT MATTERS

9.1 Tenant Participation System

9.1.1 TCH and the Tenants will maintain a democratic system of active Tenant participation and involvement that will:

(a) provide a Tenant council structure or similar organization;

(b) provide for Tenant input for decisions at the corporate and local levels;

(c) provide for Tenant input for setting local spending priorities and service levels; and

(d) include Tenant representation on the Board as contemplated by Section 6.1.

9.1.2 The system of Tenant participation will respect the terms of this Shareholder Direction and the financial targets and performance benchmarks that are established for TCH by any Service Manager.
9.2 Tenant Relations

*TCH* shall, in consultation with *Tenants*, and their representatives, and other parties as required, maintain and apply:

(a) an eviction prevention policy which aims to balance efforts to ensure the payment of rent while facilitating the tenancies of households experiencing financial difficulties in paying rent;

(b) a system of local accountability established between *TCH* and *Tenants* such that *Tenants* are informed of the operating budget, capital plans, and that there is regular reporting on the achievement of the budget targets and progress on plans for repairs and renovations;

(c) a complaint process that is accessible, transparent, that advocates on behalf of *Tenants* to seek a solution to their complaints, and that respects the management accountabilities within *TCH* and allows for the review of operational decisions at a senior level within *TCH*;

(d) *TCH* will ensure that *Tenants* of *TCH* will be protected from harassment, in an environment where human rights are respected and upheld; and

(e) *TCH* will ensure that all communications with *Tenants* will be undertaken in English and the language of the *Tenant’s* choice.

10. ACCOUNTABILITY

10.1 Business Plan

10.1.1 Each *Business Plan* will be a four year business plan that is reviewed and updated annually and includes:

(a) long term *business* strategies and objectives and strategic goals but not including detailed activity plans for the period covered by the *Business Plan*;

(b) key issues and challenges facing *TCH*;

(c) strategies to be implemented to resolve key issues facing *TCH*;

(d) a four year operating budget and a 10 year capital plan with a long range outlook beyond the plan horizon, with explanatory notes and assumptions;

(e) financial and service targets and performance measures based on benchmarks set out in regulations pursuant to the *HSA* or established in the Operating Agreement or *Business Plan*;

(f) strategies to address material enterprise risks;

(g) service level targets and changes;

(h) performance indicators;
environmental and energy efficiency targets;

major initiatives to be undertaken by TCH in the medium and long term, and,

other matters as may be required by the Shareholder.

10.1.2 In the context of the Business Plan, TCH will identify the issues and directions of TCH in the management of its housing portfolio, including any proposals to convert to cooperative housing corporations or implement other forms of self management.

10.1.3 TCH will submit its Business Plan to the Shareholder annually at a date specified by the City to permit due consideration and inclusion in the City's financial planning process.

10.1.4 TCH will provide the draft Business Plan to the City Manager so that a report may be prepared for consideration by Council in order that the City may provide comment to the Board on the draft Business Plan, including its financial targets and major initiatives, to ensure strategic alignment with City goals and objectives. Such comments will be reflected in the preparation of detailed action plans approved by the Board. The spending estimates, including separate capital and operating budget requirements, included in the Business Plan, will form the basis of the TCH component of the budget requirement to be included in the Shelter, Support and Housing Division budget estimates for social housing programs.

10.2 Annual Reporting

10.2.1 Within 120 days after the end of the fiscal year, or as requested by the City, TCH will prepare an annual report for approval by the Board and submit this report to the City Manager. This report will include:

(a) objectives, accomplishments since the prior year and performance trends;

(b) such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the budgeted amounts set forth in the current Business Plan, and any material variances in the projected ability of any Business activity to meet or continue to meet the financial objectives of the Shareholder;

(c) the achievement of the financial and service targets set out in the Business Plan or the Operating Agreement and such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the targets established in the Business Plan or the Operating Agreement;

(d) initiatives to provide responsive customer service;

(e) tenant engagement activities;

(f) information that is likely to materially affect the Shareholder's financial objectives;

(g) information that is likely to materially affect Tenants' views or opinions regarding TCH;

(h) information regarding any matter, occurrence or other event which is a material breach or violation of any law, including major findings of internal and other audits;
(i) information regarding the performance of TCH such that the Shareholder can determine that this Shareholder Direction has been respected;

(j) information regarding the number of evictions each year and the rationale for these evictions;

(k) information on the disposition and uses of funds provided to TCH by the City;

(l) the status of the sale of any properties and on any tenant or community impacts resulting from such sales; and

(m) any such additional information as the Shareholder may specify from time to time.

10.2.2 TCH’s Annual Report will be consistent with, but not in lieu of, other reporting that the Service Manager may require that is consistent with social housing program funding requirements.

10.2.3 TCH will report on matters identified in Sections 8.1, 8.2 and 8.3 in the Annual Report or the Business Plan.

10.2.4 TCH will provide a report on senior executive compensation as permitted by law to the City Manager annually.

10.3 Access to Records

10.3.1 The duly appointed representatives of the Shareholder (as specified in Section 9.3.2 or as approved by Council from time to time) shall have unrestricted access to the books and records of TCH and the Subsidiaries during normal business hours. Such representatives shall treat all information of TCH with the same level of care and confidentiality as any confidential information of the Shareholder.

10.3.2 The City Manager, the City CFO, the City General Manager, Shelter, Support and Housing Administration, the City Solicitor and the Auditor General or their designates are deemed duly appointed representatives of the City.

10.4 Audit

10.4.1 The Auditor will be appointed in accordance with the OBCA. The Board will determine the remuneration for the Auditor. The annual consolidated and unconsolidated Financial Statements of TCH will be audited by the Auditor.

10.4.2 All other audit and review requirements, including internal audits, will be the sole responsibility of the Board.

10.4.3 The Auditor General may conduct periodic operational audits. All reports by the Auditor General shall be considered first by the Board and be forwarded immediately thereafter by the Board or the Auditor General to the City Audit Committee for consideration and recommendation to City Council.

10.5 Accounting

TCH will adopt and use the accounting policies and procedures that may be approved by the Board from time to time and all such policies and procedures will be in accordance with generally accepted accounting principles and applicable regulatory requirements.

Shareholder Direction to Toronto Community Housing Corporation
10.6 Financial Statements

10.6.1 The Board will deliver to the City Manager and the City CFO, as soon as practicable and in any event within 120 days after the end of each fiscal year, the audited consolidated and unconsolidated annual Financial Statements of TCH for consideration by the Shareholder, including information concerning its Subsidiaries and Joint Ventures as Directed by Council, for consideration by the Shareholder.

10.6.2 TCH shall provide quarterly unaudited Financial Statements to the City CFO within 90 days after the end of each fiscal quarter.

11. FINANCIAL YEAR END

TCH's financial year end shall be December 31.

12. EMPLOYMENT, PROCUREMENT AND RELATED MATTERS

12.1 TCH will abide by all relevant employment and occupational health and safety legislation in the conduct of its operations, and will develop appropriate policies in areas such as, but not limited to, fair wages for contracted services consistent with that of the City of Toronto and employee compensation to address these objectives.

12.2 TCH will ensure all procurement activities including, but not limited to, materials management, purchasing goods, services and construction contracts, involving purchasing, leasing, or renting, are arrived at by competitive or non-competitive tendering processes, adhere to procurement best practices, policies and procedures and are managed in an open and transparent manner. TCH will be responsible for determining how the obligations in clause 12.2.1 are to be carried out, recognizing its responsibilities as a public sector employer that is a model to the community.

13. EMERGENCY HUMAN SERVICES PLANNING AND RESPONSE

13.1 TCH will at all times inform the Office of Emergency Management (“OEM”) of the key contacts at TCH responsible for emergency human services planning and response, including the most senior Person with overall accountability.

13.2 In emergencies involving the displacement of TCH Tenants, and in which the City's Emergency Human Services response has been activated, TCH will support the OEM to implement the response according to a protocol between TCH and the OEM. The OEM will lead the emergency human services response according to the Emergency Human Services Policy approved by Council and as amended from time to time.

14. MEMBER OF THE SOCIAL HOUSING SECTOR

TCH may be an active participant in the social housing sector and seek to identify and support, directly or through its work with associations, opportunities for sector cooperation, information sharing and other activities that promote an effective partnership among stakeholders, the efficient use of resources and effective operations and programs. TCH may advocate on behalf of TCH and other social housing providers on issues related to the supply, quality and affordability of housing in the community. However, in conducting advocacy on any issue, TCH will make clear that it speaks on its
15. AMENDMENTS

This Shareholder Direction may only be amended or terminated by a resolution adopted by the Council of the City as Shareholder of TCH as at the time such amendment or termination is to become effective. Promptly following the amendment or termination of this Shareholder Direction, the City shall give written notice of the amendment or termination to the Board.

16. NOTICE

Any notices required or desired to be given to any of the Parties in connection with this Agreement or arising there from, shall be in writing and shall be personally delivered or sent by facsimile transmission or other means of instantaneous transmission in regular commercial usage at such time, verified by a transmission report as follows:

To the City at:

City Manager
11th Floor, East Tower, Toronto City Hall
100 Queen Street West,
Toronto, ON M5H 2N2
Facsimile transmission: 416-392-1827

General Manager, Shelter Support and Housing Administration
6th Floor, Metro Hall
55 John Street
Toronto, ON M5V 3C6
Facsimile transmission: 416-392-0548

Deputy City Manager and Chief Financial Officer
7th Floor, East Tower, Toronto City Hall
100 Queen Street West,
Toronto, ON M5H 2N2
Facsimile transmission: 416-397-5236

To Toronto Community Housing Corporation at:

Chief Executive Officer
Toronto Community Housing Corporation
7th Floor, 931 Yonge Street
Toronto, ON M4W 2H2
Facsimile transmission: 416-981-4224

DATED at Toronto as of this __________ day of ____________ 2013.

CITY OF TORONTO

by: ________________________________

by: ________________________________

Shareholder Direction to Toronto Community Housing Corporation