

SHAREHOLDER DIRECTION

CITY OF TORONTO

TO

TORONTO COMMUNITY HOUSING CORPORATION

As adopted by City Council in Item EX35.5 at
Its meeting held on November 13, 14, 15 and 18, 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;
- (g) deliver program-related services on behalf of any *Program Administrator* including, but not restricted to, management of waiting lists and rent supplement programs; and
- (h) work with Toronto Community Housing residents and the co-operative housing sector to develop options, protocols and a time line for the conversion of appropriate Toronto Community Housing buildings to self-managed co-operatives.

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 an *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;
- (g) the membership of the *Board's* Corporate Affairs and Audit Committee or its successor shall have *Financial Management Expertise*;
- (h) 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*;
- (i) 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*;
- (j) 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;
- (k) appointing the officers of *TCH*, other than the Chair who is appointed by the *Shareholder*;
- (l) taking all necessary steps as permitted by law to ensure that senior executive compensation, is disclosed as part of annual reporting to the *Shareholder*;
- (m) 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;
- (n) 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
- (o) 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 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 commercial 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* approves. 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.

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;
- (i) environmental and energy efficiency targets;
- (j) major initiatives to be undertaken by *TCH* in the medium and long term, and,
- (k) 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 9.1, 9.2 and 12 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.

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.
- 12.3 *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 own behalf and not on behalf of the *City*.

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:
